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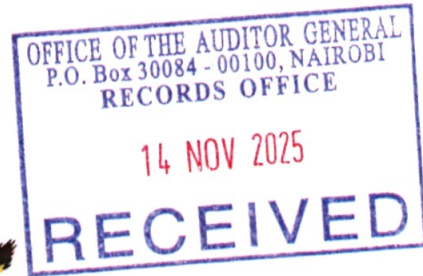
THE AUDITOR-GENERAL

ON

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

FOR THE YEAR ENDED
30 JUNE, 2025

STATE DEPARTMENT FOR ROADS



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

**IMPLEMENTING ENTITY:
STATE DEPARTMENT OF ROADS**

CREDIT NO. 6768-KE

*(For Application by National and County Governments' Self Reporting Development Projects as
per the financing agreements)*

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2025

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

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1. Acronyms and Definition of Terms

CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
CT	County Treasury
NT	National Treasury
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board
WB	World Bank
Comparative FY	Financial year preceding the current financial year.

(Projects to include all acronyms and Definition of terms used in the annual report and financial statements)

2. Project Information and Overall Performance

2.1 Name and registered office

Name

The project's official name is Horn of Africa Gateway Development Project.

Objective

The key objective of the project is to strengthen institutional capacities to the State Department and beneficiary institutions involved within the project.

Address

The project headquarters offices are Transcom Building (Nairobi), Nairobi County, Kenya.

The address of its registered office is:

State Department for Roads

P.O. Box 30260-00100

Nairobi.

Contacts: The following are the project contacts

Telephone: (254)020 2723232

E-mail: ps@roads.go.ke

Website: www.roads.go.ke

Project information and overall performance (continued)

2.2 Project Information

Project Start Date:	The project start date is 22 nd Dec. 2020
Project End Date:	The project end date is 30 th June 2028
Project Coordinator:	The project manager is Sospeter Gitonga
Project Development Partner:	The project sponsor is World Bank (IDA)

2.3 Project Overview

Line Ministry or State departments/ County Department	The project is under the supervision of the State Department for Roads
Project number	6768-KE
Strategic goals of the project	The strategic goals of the project are as follows: To improve: (a) The movement of people and goods and digital connectivity and access to social services to communities at designated locations along the targeted sections of the Isiolo-Mandera Regional Road Corridor; and The capacity of selected transport-related institutions in Kenya.
Summary of Project Strategies for achievement of strategic goals	
Other important background information of the project	Facilitation of Regional Trade and Transport
Areas that the project was formed to intervene	The project was formed to support activities designed to strengthen the institutional capacities of implementing entities involved in project implementation and to support monitoring and evaluation of road projects, transforming MTD, KIHBT and MTRD into a SAGAs.
Project duration	The project started on 22 nd Dec. 2020 and is expected to run until 30 th June 2028

Project Information and Overall Performance (Continued)

2.4 Bankers

The following are the bankers for the current year:

A/C No. 1000477946
Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000-0200
Nairobi, Kenya

2.5 Independent Auditor

The project is audited by:

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

2.6 Roles and Responsibilities

The following is a list of officers acting as Horn of Africa Gateway Development Project Implementation Team PIT, their designation as well as their responsibilities.

Names	Title designation	Key qualification	Responsibilities
Eng. S.W Gitonga	Project Team Leader	Msc.(Civil Engineering)	Proper Management of the implementation
Eng. Boniface Maithya	Deputy Team Leader	Msc. (Civil Engineering)	Technical Coordination and management of entities on project
Cyrus Njau	Project Accountant	MBA, CPA-K CPS-K	Proper funds flow and timely financial reports
Joseph Muoka	Finance Officer	BCOM, CPA-K	Review and approve project budgets and any other Finance related matters
Elvis Kandie	Procurement Officer	BBM Purchasing and Supplies	Plan, process, and implement procurement activities

2.7 Funding summary

Horn of Africa Gateway Development Project is for duration of 8 (eight) years from 2020 to 2028 with an approved budget of EURO 40,300,000.00. This is indicated in the Financing agreement of 7th October 2020 of Horn of Africa Gateway Development Project. The EURO is the currency that the loan was signed with. A summary of these funds is highlighted in the table below as highlighted in the table below:

Project information and overall performance (continued)

Below is the funding summary:

A. Source of Funds

Source of funds	Development Partner Commitment		Amount received to date – (30 th June 2025)		Undrawn balance to date	
	Development Partner currency	Kshs	Development Partner currency	Kshs	Development Partner currency	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A') - (B')
(i) Loan						
World Bank (IDA)	40,300,000.00	4,844,463,000.00	18,041,253.75	2,713,729,305.97	22,258,746.25	2,130,733,694.03
(ii) Counterpart funds						
Government of Kenya	7,629,685.55	917,164,500.00	263,393.70	31,662,551.30	7,366,291.85	885,501,948.70
Total	47,929,685.55	5,761,627,500.00	18,304,647.45	2,745,391,857.27	29,625,038.10	3,016,235,642.73

Project information and overall performance (continued)

B. Application of Funds

Source of funds	Amount received to date – (30 th June 2025)		Amount paid to date – (30 th June 2025)		unutilised balance to date 30th June 2025	
	EURO	Kshs	EURO	Kshs	EURO	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Loan						
World Bank (IDA)	18,041,253.75	2,713,729,305.97	16,268,917.86	2,447,138,086.32	1,772,335.89	266,591,219.65
(ii) Counterpart funds						
Government of Kenya	263,393.70	31,662,551.30	263,393.70	31,662,551.30	-	0
Total	18,304,647.45	2,745,391,857.27	16,532,311.56	2,478,800,637.62		266,591,219.65

Project information and overall performance (continued)

2.8 Summary of Overall Project Performance:

- i) Budget performance against actual amounts for current year and for cumulative to-date,
- ii) Physical progress based on outputs, outcomes, and impacts since project commencement,
- iii) Indicate the absorption rate for each year since the commencement of the project.
- iv) List the implementation challenges and recommended next steps.

2.9 Summary of Project Compliance:

- i) Include significant cases of non-compliance with applicable laws and regulations e.g. treasury circulars on project investment management, PFM Act 2012 and Kenya vision 2030 flagship projects, and essential external financing agreements/covenants,
- ii) Include consequences suffered on account of non-compliance or likely to be suffered.
- iii) Indicate mitigation measures taken or planned to be taken to alleviate the adverse effects of actual or potential consequences of non-compliance.

3. Statement of Performance against Project's Predetermined Objectives

Introduction

Section 81 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer when preparing financial statements of each National Government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the national government entity's performance against predetermined objectives.

The key development objectives of Horn of Africa Gateway Development Project *agreement/* plan are to:

Improve:

- a) The movement of people and goods along the Isiolo-Mandera Regional Road Corridor
- b) Digital connectivity along the Isiolo-Mandera Regional Road Corridor
- c) Access to social services to communities at designated locations along the targeted sections of the Isiolo-Mandera Regional Road Corridor and
- d) Improve the capacity of selected transport related institutions in Kenya

Progress on the attainment of strategic development objectives

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement.

Below, we provide the progress on attaining the stated objectives: (Horn of Africa Gateway Development Project to provide this information as per the table below or in a more applicable format to its operations)

Project	Objective	Outcome	Indicator	Performance
- Horn Of Africa Gateway Development Project (HoAGDP)	- To improve the movement of people and goods along the Isiolo-Mandera Regional Road Corridor	- reduced travel time between Isiolo to Modogashe; and Wajir to Elwak, disaggregated by passengers and freight; - Increased public transport service providers along Isiolo-Modogashe and Wajir-Elwak - Reduced road crash fatalities between Isiolo-Mandera road section -Reduced time taken to cross borders	- Average Travel time between Isiolo to Modogashe; and Wajir to Elwak, disaggregated by passengers and freight; - Number of public transport service providers along Isiolo-Modogashe and Wajir-Elwak - Number of road crash fatalities between Isiolo-Mandera road section (per 1,000 vehicles) - Average time to cross target border crossing	In FY 2024/2025 we increased motorable and passable roads by 35%.
-	- To improve digital connectivity along the Isiolo-	- Reduced processing time at border crossing for	- Road Management Information System utilized for decision making and setting performance targets;	The ICT experts have installed digital equipment at the border points.

	Mandera Regional Road Corridor	freight trucks and passenger vehicles -Increased online public services used by communities along the corridor	- Number of online public services used by communities along the corridor per month; - Average processing time at border crossing for freight trucks and passenger vehicles	
	- To improve access to social services to communities at designated locations along Isiolo-Mandera road	-increased provision of basic services such as School, Market, health clinic constructed, and services provided - Increased number of women and children utilizing the improved social services (Social/Gender disaggregated)	- Number of social infrastructure and service provided - Number of women and children utilizing the improved social services (Social/Gender disaggregated)	The project has commenced the construction of social amenities such as boreholes, schools and health centres.
	- To improve the capacity of selected transport-related institutions in Kenya	- Enhanced project oversight	- Number of Kenyan trained in new skills	The project has facilitated the training of close to 500 staff in order to instil more skills and expertise.

4. Environmental and Sustainability Reporting

Currently the state department is not involved in any environmental and sustainability reporting since the activities under the department are not interactive with any society.

5. Statement of Project Management Responsibilities

The Principal Secretary for the State Department for Roads and the Project Coordinator for Horn of Africa Gateway Development Project (HoAGDP) (Chief Engineer Roads) are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year ended on June 30, 2025.

This responsibility include:

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

The Principal Secretary for the State Department for Roads and the Project Coordinator for Horn of Africa Gateway Development Project (HoAGDP) accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

The Principal Secretary for the State Department for Roads and the Project Coordinator for Horn of Africa Gateway Development Project (HoAGDP) are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year ended June 30, 2025, and of the Project's financial position as at that date. The Principal Secretary for State Department for Roads and the Project Coordinator for Horn of Africa Gateway Development Project (HoAGDP) further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation

of the Project financial statements as well as the adequacy of the systems of internal financial control.

The *Principal Secretary* for the State Department for Roads and the Project Coordinator for Horn of Africa Gateway Development Project (HoAGDP) confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project Financial Statements

The Project financial statements were approved by the Principal Secretary for the State Department for Roads and the Project Coordinator for Horn of Africa Gateway Development Project (HoAGDP) on 13-11- 2025 and signed by:



.....
Eng. Joseph M. Mbugua, CBS
Principal Secretary



.....
Sospeter Gitonga
Project Coordinator

REPUBLIC OF KENYA



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

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

REPORT OF THE AUDITOR-GENERAL ON HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT (LOAN NO.6768-KE) FOR THE YEAR ENDED 30 JUNE, 2025– STATE DEPARTMENT FOR ROADS

PREAMBLE

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

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

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

The three parts of the report 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

Opinion

I have audited the accompanying financial statements of Horn of Africa Gateway Development Project set out on pages 1 to 28, which comprise of the statement of financial position as at 30 June, 2025, and the statement of financial performance,

Report of the Auditor-General on Horn of Africa Gateway Development Project Loan No.6768-KE for the year ended 30 June, 2025 – State Department for Roads

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

In my opinion, the financial statements present fairly, in all material respects, the financial position of Horn of Africa Gateway Development Project as at 30 June, 2025, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Financing Agreement for credit No.6768 dated 7 October, 2020 between the International Development Agency (IDA) and the Public Finance Management Act, 2012.

Basis for Opinion

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

Key Audit Matters

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

Other Information

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

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in 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

Delayed implementation of Office Partitioning, Associated Electrical and Mechanical Works at Barabara Plaza

On 5 February, 2024, the State Department for Roads through the Project entered into a contract Ref: No. KE-SDOI-257463-CW with a firm for partitioning offices at Barabara Plaza on behalf of the Engineering Board of Kenya, EBK at a contract sum of Kshs.76,885,250 for a period of twenty-four (24) weeks. The commencement date was 2 May, 2024 with an expected completion date of 17 October, 2024. However, review of records revealed that the completion date has been extended twice to 6 December, 2024 and 17 January, 2025,

Further, the Quarterly Progress Report of August, 2024 indicated a weighted overall work completed was at 51.84% against time lapse of 191.9%, an indication that the project was behind schedule. The certified works was Kshs.39,861,949 out of which an amount of Kshs.34,567,895 or 87% had been paid leaving an outstanding balance of Kshs.5,294,054. At the time of audit, in the month of September, 2025, no works were ongoing and liquidated damages notice had been issued to the contractor pursuant to the provisions Conditions – GCC 51.1. of the Contract.

In the circumstances, value for money for an amount of Kshs.34,567,895 incurred on the project could not be confirmed.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with 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 control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

As required by the Financing Agreement for credit No.6768 between the Government of Kenya and the International Development Agency (IDA) dated 7 October, 2020, I report based on my audit, that:

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

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual

Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and overall governance.

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

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 57 of the Public Audit Act, 2015.

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

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

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(5) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards for Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 58 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I also 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

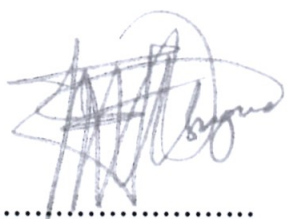
14 November, 2025

Horn of Africa Gateway Development Project (HoAGDP)
Annual Report and Financial Statements for the financial year ended June 30, 2025

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

	Note	Period Ended 30 th June 2025 KShs
Revenue		
Revenue Transfers	6	1,025,007,688.70
Total Revenue		1,025,007,688.70
Expenses		
Employee costs	7	83,214,608.08
Use of goods and services	8	508,878,302.80
Depreciation and amortization expense	9	34,971,156.00
Total expenses		627,064,066.88
Surplus/(deficit) for the period		397,943,621.82

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



.....
Eng. Joseph M. Mbugua, CBS
 Principal Secretary



.....
Sospeter Gitonga
 Project Coordinator



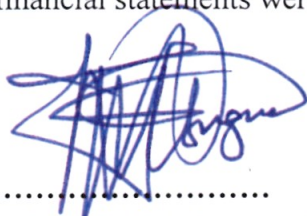
.....
Cyrus Njau
 Project Accountant
 CPAK MBA, CPSK
 ICPAK Member No. 19592

Horn of Africa Gateway Development Project (HoAGDP)
Annual Report and Financial Statements for the financial year ended June 30, 2025

Statement of Financial Position as at 30th June 2025

		30 th June 2025	1 st July 2024
Assets			
Current assets			
Cash and cash equivalents	10	266,591,219.65	34,824,674.70
Total Current Assets		266,591,219.65	34,824,674.70
Non-Current Assets			
property, Plant and Equipment	11	395,772,564.95	-
Total Non-Current Assets		395,772,564.95	-
Total Assets (a)		662,363,784.60	34,824,674.70
Liabilities			
Current Liabilities			
Trade and other payables	12	229,595,488.08	-
Total Current Liabilities		229,595,488.08	-
Total Liabilities(b)		229,595,488.08	-
Net Assets (a-b)		432,768,296.52	34,824,674.70
Represented by			
Accumulated surplus		432,768,296.52	34,824,674.70
Total Net Assets		432,768,296.52	34,824,674.70

The financial statements were approved on 13-11- 2025 and signed by:



.....
Eng. Joseph M. Mbugua, CBS
 Principal Secretary



.....
Sospeter Gitonga
 Project Coordinator



.....
Cyrus Njau
 Project Accountant
 CPAK MBA, CPSK
 ICPAK Member No. 19592

9. Statement of Changes in Net Assets

	Accumulated surplus
	KShs
Fund balance As at 30th June 2024 (cash basis)	34,824,674.70
Adjustments: (to recognize assets and liabilities)	-
As at July 1, 2024	34,824,674.70
Surplus/ deficit for the period	397,943,621.82
As at 30th June, 2025	432,768,296.52

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

The financial statements were approved on 13-11- 2025 and signed by:

.....
Eng. Joseph M. Mbugua, CBS
 Principal Secretary

.....
Sospeter Gitonga
 Project Coordinator

.....
Cyrus Njau
 Project Accountant
 CPAK MBA, CPSK
 ICPAK Member No. 19592

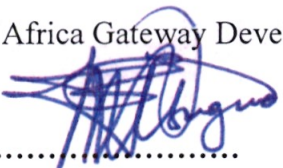
Horn of Africa Gateway Development Project (HoAGDP)
Annual Report and Financial Statements for the financial year ended June 30, 2025

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

Cash flows from operating activities		F/Y 2024-2025
Receipts		
Revenue Transfers	6	1,025,007,688.70
Total Receipts		1,025,007,688.70
Payments		
Employee costs	7	83,214,608.08
Use of goods and services	8	508,878,302.80
Total Payments		592,092,910.88
Cash flows from Operating activities		
Depreciation	9	(34,971,156.00)
Decrease/(increase) in accounts payables	12	229,595,488.08
Net Cash flows from Operating activities	13	194,624,332.08
cash flows used in investing activities		
Purchase of property, plant, equipment and intangible assets	11	395,772,564.95
Net cash flows used in investing activities		395,772,564.95
Cash flows from financing activities		-
Net cash flows used in financing activities		-
Net increase/(decrease) in cash and cash equivalents		231,766,544.95
Cash and cash equivalents at 1st July, 2024		34,824,674.70
Cash and cash equivalents at end June 2025	10	266,591,219.65

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


The Horn of Africa Gateway Development Project financial statements were approved on 13-11- 2025 and signed by:



Eng. Joseph M. Mbugua, CBS
 Principal Secretary



Sospeter Gitonga
 Project Coordinator



Cyrus Njau
 Project Accountant
 CPAK MBA, CPSK
 ICPAK Member No. 19592

11. Statement of Comparison of Budget and Actual Amounts for the Year ended 30th June 2025

Description	Original budget	Adjustments	Final budget	Actual on a comparable basis	Budget utilization difference	% of utilization
	A	B	C=a+b	D	E=c-d	F=d/c %
Revenue						
Revenue						
Transfers	1,495,000,000.00	- 381,002,565.00	1,113,997,435.00	1,025,007,688.70	88,989,746.30	92%
Total revenue	1,495,000,000.00	- 381,002,565.00	1,113,997,435.00	1,025,007,688.70	88,989,746.30	92%
Expenses						
Training cost	400,000,000.00	-24,000,000.00	376,000,000	316,010,575.25	59,989,424.75	84%
basic salaries	125,000,000.00	-27,560,000.00	97,440,000	83,214,608.08	14,225,391.92	85%
plant and machinery	760,000,000.00	- 325,000,000.00	435,000,000	430,743,720.95	4,256,279.05	99%
consultancy	210,000,000.00	-4,442,565.00	205,557,435	192,867,727.55	12,689,707.45	94%
Total Payments	1,495,000,000	- 381,002,565.00	1,113,997,435	1,022,836,631.83	91,160,803.17	92%
Surplus/ deficit	-	-	-	2,171,056.87	-2,171,056.87	

The final budget for revenue allocation was ksh. 1,113,997,435.00 Against the actual receipt amounting to ksh. 1,025,007,688.70 Which was 92% of the budget while the expenditure was an average of 92% due to Budget limitations and delayed no objection from World Bank

Budget Reconciliation

	Description of Particulars	Amount in KShs.
	Actual Surplus Amounts as per the statement of Budget	2,171,056.87
1	There was budget limitation	
2	There was time limit	
3	Delays in getting of no objection from world bank	
4	Lengthy procurement procedure	
	Closing Cash and Cash Equivalent as per the statement of Cash flows	266,591,219.65

12. Notes to the Financial Statements

1. General Information

Horn of Africa Gateway Development Project is established by and derives its authority and accountability from PM Act. Horn of Africa Gateway Development Project is wholly owned by the Government of Kenya and is domiciled in Kenya. Horn of Africa Gateway Development Project's principal activity is maintenance of roads.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared in accordance with the Public Finance Management Act, 2012 and with the International Public Sector Accounting Standards (IPSAS).

Guiding note during the transition period:

The financial statements have been prepared in accordance with the PFM Act, and International Public Sector Accounting Standards (IPSAS), or Horn of Africa Gateway Development Project has taken advantage of the transitional provisions under IPSAS 33, and therefore these 1st/ 2nd/ 3rd/year financial statements are transitional financial statements and the following elements of the financial statements have not been recognized as Horn of Africa Gateway Development Project has taken advantage of the transition provisions outlined in IPSAS 33. (entity to state the transitional provisions it has applied and the steps being towards full compliance with IPSAS Accrual).

These financial statements were authorized for issue by the accounting officer on 30th JUNE 2025

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3. Adoption of New and Revised Standards

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

Standard	Effective date and impact:
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of Horn of Africa Gateway Development Project.</p> <p>The new standard requires Horn of Africa Gateway Development Project to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>
IPSAS 45-Property Plant and Equipment	<p><i>Applicable 1st January 2025</i></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p>
IPSAS 46 Measurement	<p><i>Applicable 1st January 2025</i></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ol style="list-style-type: none">i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used.ii. Clarifying transaction costs guidance to enhance consistency across IPSAS;iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>

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

Standard	Effective date and impact:
IPSAS 47- Revenue	<i>Applicable 1st January 2026</i> This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.
IPSAS 48- Transfer Expenses	<i>Applicable 1st January 2026</i> The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.
IPSAS 49- Retirement Benefit Plans	<i>Applicable 1st January 2026</i> The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.

iii) Early adoption of standards

iv) Horn of Africa Gateway Development Project did not early – adopt any new or amended standards in the financial year or adopted the following standards early (state the standards, reason for early adoption and impact on entity's financial statements.)

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 Horn of Africa Gateway Development Project and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that have been acquired using such funds.

ii) Revenue from exchange transactions

Interest income

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

b) Budget information

The original budget for FY 2024/2025 was approved by Parliament. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by Horn of Africa Gateway Development Project upon receiving the respective approvals to conclude the final budget. Accordingly, Horn of Africa Gateway Development Project recorded a deduction appropriation of **-381,002,565.00** on the FY 2024/2025 budget following the Council/ Board's approval. Horn of Africa Gateway Development Project's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual

amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented on page 5 under section *II* of these financial statements.

c) Property, plant and equipment

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

d) Leases

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

e) Intangible assets

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

f) Research and development costs

Horn of Africa Gateway Development Project expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when Horn of Africa Gateway Development Project can demonstrate:

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

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

g) Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. *Horn of Africa Gateway Development Project does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements. (amend as appropriate).* A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity

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instrument of another entity. At initial recognition, Horn of Africa Gateway Development Project measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Financial assets

Classification

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

Subsequent measurement

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

Amortized cost

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

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

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

Impairment

Horn of Africa Gateway Development Project assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. Horn of Africa Gateway Development Project recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out

Financial liabilities

Classification

Horn of Africa Gateway Development Project classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

h) Inventories

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

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

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

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

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of Horn of Africa Gateway Development Project.

i) Provisions

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

Contingent liabilities

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

Contingent assets

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

j) Nature and purpose of reserves

The Project creates and maintains reserves in terms of specific requirements. The project maintains grants and surplus reserves. The grant reserves are exchequer and development partners funds received from the government and development partners for development of roads. The surplus reserve represents the surplus or deficit for the Year.

k) Changes in accounting policies and estimates

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

l) Employee benefits

Retirement benefit plans

Horn of Africa Gateway Development Project provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable. Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

m) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

n) Borrowing costs

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

o) Related parties

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

p) Service concession arrangements

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

q) Cash and cash equivalents

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

r) Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of Horn of Africa Gateway Development Project's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. Horn of Africa Gateway Development Project based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of Horn of Africa Gateway Development Project. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual values

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

- The condition of the asset based on the assessment of experts employed by Horn of Africa Gateway Development Project.
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes.

- The nature of the processes in which the asset is deployed.
- Availability of funding to replace the asset.
- Changes in the market in relation to the asset

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included.

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

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

Notes to the financial statements

6. Revenue Transfers

Description	Period ended 30th June 2025	
	Kshs	
Unconditional Transfers		
Direct payments	180,684,923.70	
Transfers from Development Funding	844,322,765.00	
Total Unconditional Transfers	1,025,007,688.70	
<i>Conditional transfers</i>		
Direct payments	-	
Transfers from Development Funding	-	
Subtotal		
Deferred Income realized	-	
Transfers in Kind	-	
Total	-	

a) Details to Revenue Transfers

Name of Horn of Africa Gateway Development Project Transferring	Amount recognized to Statement of Financial performance	Amount deferred under deferred income.	Amount moved to Capital fund	Total transfers (2024-2025)
	Kshs	Kshs	Kshs	Kshs
Direct payments	180,684,923.70			180,684,923.70
Development Partner 1	844,322,765.00			844,322,765.00
Subtotal	1,025,007,688.70	-	-	1,025,007,688.70
Deferred Income realized				-
Transfers in Kind				-
Total	1,025,007,688.70	-	-	1,025,007,688.70

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Notes to the financial statements

7. Employees Costs

Description	FY 2024/25
	<u>Kshs</u>
Basic salaries of permanent employees and contract employees	80,737,544.38
Basic wages of temporary employees	-
Personal allowances paid as part of salary	-
Personal allowances paid as reimbursements	2,477,063.70
Personal allowances provided in kind	-
Pension and other social security contributions	-
Compulsory national social security schemes	-
Total	83,214,608.08

8. Use of Goods and Services

De scription	FY 2024/25
	<u>Kshs</u>
Training expenses	316,010,575.25
consultancy	192,867,727.55
Total	508,878,302.80

9. Depreciation and Amortization expense

Description	FY 2024/25
	<u>Kshs</u>
Property, Plant and Equipment	34,971,156.00
Intangible Assets	-
Total	34,971,156.00

10. Cash and Cash Equivalents

Description	FY 2024/25	1 st July 2024
	<u>Kshs</u>	<u>Kshs</u>
Cash in bank	266,591,219.65	34,824,674.70
Total Cash and Cash Equivalents	266,591,219.65	34,824,674.70

Project Bank Accounts

Details	FY 2024/25	1st July 2024
	Kshs	Kshs
Foreign Currency Accounts		
Central Bank of Kenya [A/c No:1000477946]	266,591,219.65	34,824,674.70
Total bank account balances	266,591,219.65	34,824,674.70

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Notes to the Financial Statements (Continued)

Notes to the financial statements

11. Property, Plant and Equipment

Description	Transport Equipment	plant and machineries	furniture and fittings	Computers & ICT Equipment	work in progress	Totals
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Cost	116,054,694.85			507,942,697.30		
Depreciation Rate		15.00%	10.00%	33.30%		
At 1 st July 2024	116,054,694.85		-	507,942,697.30		623,997,392.15
Additions		227,100,000.00	9,061,560.00	-	194,582,160.95	430,743,720.95
At 30th June 2025		227,100,000.00	9,061,560.00	-	194,582,160.95	430,743,720.95
Depreciation and impairment						
At 1st July 2024		-	-	-		-
Depreciation		34,065,000.00	906,156.00	-		34,971,156.00
At 30th June 2025		34,065,000.00	906,156.00	-		34,971,156.00
Net book values						
Opening Bal as at 1 st July 2024		-	-	-		-
At 30th June 2025		193,035,000.00	8,155,404.00	-	194,582,160.95	395,772,564.95

The opening balance stated above is a disclosure item and thus it is not used in the calculation of depreciation of the current year and also not used in the total additions in the above table.

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Notes to the financial statements

12. Trade and Other Payables

Description	FY 2024/25		1 st July 2024	
	Kshs		Kshs	
Trade payables	227,100,000.00		125,949,815.30	
Gratuity accruals	2,495,488.08			
Total trade and other payables	229,595,488.08		125,949,815.30	
Ageing analysis: (Trade & other payables)	Current FY	% of the Total	Comparative FY	% of the Total
Under one year	229,595,488.08	100%	-	-
1-2 years	-	-	-	-
2-3 years	-	-	-	-
Over 3 years	-	-	-	-
Total (tie to above total)	229,595,488.08	100%	-	-

(Provide brief explanation)

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Notes to the financial statements

13. Cash Generated from Operations

Description	FY 2024/25
	Kshs
Surplus/Deficit for the year	-
Adjusted for:	
Depreciation	(34,971,156.00)
Non-cash grants received	-
Impairment	-
Gains and losses on disposal of assets	-
Working capital adjustments	
Increase in inventory	-
Increase in receivables	-
Increase in deferred income	-
Increase in payables	229,595,488.08
Increase in payments received in advance	-
Net cash flow from operating activities	194,624,332.08

(The total of this statement should tie to the cash flow section on net cash flows from/ used in operations)

14. Special Deposit Accounts

The balances in the Project's Special Deposit Account(s) as of 30th June 2025 are not included in the Statement of Financial Assets since the line items are yet to be drawn into the Exchequer Account as a voted provision.

Below is the Special Deposit Account (SDA) movement schedule, which shows the flow of funds voted in the year. These funds have been reported as loans/grants received in the year under the Statement of Receipts and Payments.

Special Deposit Accounts Movement Schedule

Description	FY 2024/25	1 st July 2024
(i) A/C Name [A/c No: 1000474858]		KShs.
Opening balance	€2,711,263.86	€1,782,314.23
Total amount deposited in the account	€5,037,905.83	€6,223,996.75
Total amount withdrawn (as per Statement of Receipts & Payments)	€ (3,103,452.09)	€ (5,295,047.12)
Closing balance (as per SDA bank account reconciliation attached)	<u>€4,645,717.60</u>	<u>€2,711,263.86</u>
(ii) A/c Name [A/c No:1000474858 (KShs..)]		
Opening balance (as per the SDA reconciliation)	34,824,674.70	185,198,841.70
Total amount deposited in the account	844,322,765.00	820,119,206.65
Total amount withdrawn (as per Statement of Receipts & Payments)	(612,556,220.05)	(970,493,373.65)
Closing balance (as per SDA bank account reconciliation attached)	266,591,219.65	<u>34,824,674.70</u>

(The Special Deposit Account(s) reconciliation statement(s) has (have) been attached as Appendix xx support these closing balance.

15. Related Party Disclosures

Nature of related party relationships

Entities and other parties related to Horn of Africa Gateway Development Project include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

Government of Kenya

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

Notes to the financial statements

16. Events after the Reporting Period

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

17. Ultimate And Holding Entity

Horn of Africa Gateway Development Project is a State Corporation/ or a Semi-Autonomous Government Agency under the Ministry for Roads. Its ultimate parent is the Government of Kenya.

18. Currency

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

*Horn of Africa Gateway Development Project (HoAGDP)
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13. Annexes

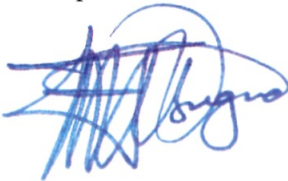
Annex 1: Prior Year Auditor-General’s Recommendations

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe : (Put a date when you expect the issue to be resolved)
OAG/LHPR&T/ HAGDP/SDR/ 2023/2024(19)	The statement of comparison of budget and actual amounts reflects final receipts budget and actual amount on comparable basis of Kshs 370,000,000 and Ksh 975,298,123 respectively, resulting to overfunding of Kshs 605,298,123 or 164% of the budget. However, the projects spent an amount of Ksh 1,125,672,290 against actual receipts of Kshs 975,298,123 resulting to an overutilization of Kshs 150,374,167 or 15% of the actual receipts. However, the overfunding and overutilization of 164% and 15% respectively were not explained as required by the International Public Sector Accounting Standards Board (IPSASB) Financial Statement Presentation Template. The expenditure amount to unauthorised expenditure as the same had not been budgeted and no letter of No Objection was availed from the Donor.	the auditor’s observations is true on the statement of the comparison budget and actual budget had a difference. The difference was caused by the budget cut	resolved	

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Guidance Notes:

1. Use the same reference numbers as contained in the external audit report;
2. Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management;
3. Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
4. Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.



.....
Eng. Joseph M. Mbugua, CBS
Principal Secretary




.....
Sospeter Gitonga
Project Coordinator

Annex 2: Reconciliation of inter-entity transfers


Project Name:			
Break-down of transfers from the State Department for Roads			
a. Government Counterpart funding			
	Bank Statement Date	Amount (Kshs)	FY 2024/2025
LOAN	16-09-24	203,993,561.15	
LOAN	16-01-25	229,704,162.30	
LOAN	13-05-25	47,091,360.00	
LOAN	30-06-25	363,533,681.55	
	Total	844,322,765.00	
B. Direct payments			
	Bank Statement Date	Amount (Kshs)	FY 2024-2025
NARIANA ENTERPRISE LTD		74,411,964.30	
ITEC ENGINEERING		106,272,959.40	
	Total	180,684,923.70	
C. Others			
	Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
	Total		
	Total (A+B+C)	1,025,007,688.70	

The above amounts have been communicated to and reconciled with the Parent Ministry/ State Department

Sospeter Gitonga
Project Coordinator
State Department for Roads

Sign 

Cyrus njau
project Accountant
State Department for Roads

Sign 

Horn of Africa Gateway Development Project (HoAGDP)
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Annex 3: Summary of Fixed Assets Register

Asset class	Opening Cost (KShs) 2024/25	Donations in form of assets (KShs) 2024/25	*Purchases/ Additions in the Year (KShs) 2024/25	**Disposals in the Year (KShs) 2024/25	Transfers in/(out) Kshs 2024/25	Closing Cost (KShs) 2025
	(a)	(b)	(c)	(d)	(d)	(e)= (a)+ (b)+c- (d)+(-)d
Land						
Buildings and structures						
Transport equipment	116,054,694.85					116,054,694.85
Office equipment, furniture and fittings	0		9,061,560.00			9,061,560.00
ICT Equipment,	507,942,697.30					507,942,697.30
Other Machinery and Equipment	0		227,100,000.00			227,100,000.00
Heritage and cultural assets						
Biological assets						
Infrastructure assets roads, rails						
Intangible assets						
Work in Progress			194,582,160.95			194,582,160.95
Total	623,997,392.15		430,743,720.95			1,054,741,113.10

Notes

* Purchases/Additions in the year reconciled to the amount in the Statement of Receipts and Payments

** The disposal amount to be disclosed in this register is the cost that the asset was acquired at and not the price at which it has been sold. The balance as at the end of the year is the cumulative cost of all assets bought and inherited by the project. Additions during the year should tie to note 18 on acquisition of assets during the year. Ensure this section is complete covering all the entities assets. Ensure the complete fixed asset register is separately prepared as per circular number 5/2020 and follow up reminder of circular No. 23/2020 of The National Treasury

Annex 4: Other Support Documents

- i. Signed confirmations from beneficiaries in Transfers to Other Government Entities
- ii. Bank Reconciliations statement as at 30th June 2025
- iii. Board of Survey Report
- iv. Special Deposit Account(s) reconciliation statement(s)