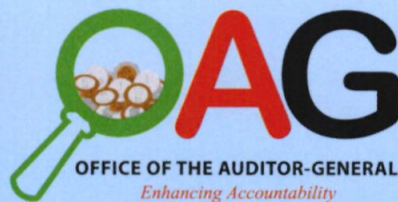


REPUBLIC OF KENYA



REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability

REPORT

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ON

**KENYA URBAN SUPPORT PROGRAM II
(KUSP II) – EMALI SULTAN HAMUD
MUNICIPALITY GRANT NUMBER E208-KE**

**FOR THE YEAR ENDED
30 JUNE, 2026**

PAPERS LAID	
DATE	7/10/2026
TABLED BY	M.L
COMMITTEE	—
CLERK AT THE TABLE	Polycarp



PROJECT NAME: KENYA URBAN SUPPORT PROGRAM (KUSP II)

IMPLEMENTING ENTITY: EMALI SULTAN HAMUD MUNICIPALITY

PROJECT GRANT/CREDIT NUMBER: E208-KE

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2026

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

Kenya Urban Support Program II (KUSP II) Project
Annual Report and Financial Statements for the financial year ended June 30, 2026

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Kenya Urban Support Program II (KUSP II) Project
Annual Report and Financial Statements for the financial year ended June 30, 2026

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1. Acronyms, Abbreviations, and Definition of Terms

A. Acronyms and Abbreviations

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

2. Project Information and Overall Performance

2.1 Name and registered office

Name

The project's official name is Kenya Urban Support Program (KUSP II)

Objective

The key objectives of the project are

- Promotion of inclusive urban development and economic transformation.
- Reduction in vehicle maintenance and travel costs by improving road surface quality.
- Enhancement of property values and attract new investments.
- Creation of employment opportunities during construction and maintenance.
- Reduction of dust and emissions in compliance with environmental and climate change goals

Address

The project headquarters offices are in Emali town, Makueni County, Kenya.

The address of its registered office is P.O. Box 78-90300,

Eden Mall Building

Nairobi- Mombasa Highway

Emali Town, MAKUENI COUNTY,

The project also has offices/branches as follows:

The Municipality does not have branch offices

Contacts: The following are the project contacts

P.O. Box 78-90300-WOTE, MAKUENI

Telephone: (254) 716 481984

E-mail: emalisultan.municipality@makueni.go.ke

Website: www.makueni.go.ke

Project information and overall performance (continued)

2.2 Project Information

Table 1: Project Information

Project Start Date:	30 - 05 – 2024
Project End Date:	30 - 06 – 2028
Project Coordinator:	Mr. Geoffrey Mutinda
Project Development Partner:	World Bank Group

2.3 Project Overview

Table 2: Project Overview

County Department	Department of Lands, Urban Development, Environment and Climate Change
Project number	E208-KE
Strategic goals of the project	<p>The strategic goals of the project are as follows:</p> <ul style="list-style-type: none"> (i) <i>To improve mobility and accessibility in Emali Town through upgrading approximately 290 metres of the existing road to paved standards.</i> (ii) <i>To improve storm water management and climate resilience through construction of appropriate drainage channels, drains and culverts to reduce flooding, erosion and deterioration of the road infrastructure.</i> (iii) <i>To enhance road safety and pedestrian accessibility through provision of pedestrian infrastructure, road furniture, signage, kerbs, channels, bollards and appropriate traffic management measures.</i> (iv) <i>To reduce environmental impacts associated with the existing unpaved road, particularly dust emissions, soil erosion and storm water-related impacts.</i> (v) <i>To promote local economic development and urban regeneration by improving access to</i>

Kenya Urban Support Program II (KUSP II) Project
Annual Report and Financial Statements for the financial year ended June 30, 2026

	<p><i>businesses, stimulating commercial activities, enhancing the attractiveness of the area and supporting new investment.</i></p> <p>(vi) <i>To improve the overall urban environment through incorporation of solar-powered street lighting and tree planting along the walkway, thereby contributing to a safer, more sustainable and aesthetically improved town centre.</i></p> <p>(vii)</p>
Summary of Project Strategies for achievement of strategic goals	<p>The project management aims to achieve the goals through the following means:</p> <p>(i) Collaboration with stakeholders</p> <p>(ii) Public engagements</p>
Other important background information of the project	<p>The project is located within the core commercial area of Emali Town, under the jurisdiction of Emali—Sultan Hamud Municipality. The approximate geographical coordinates in decimal degrees (WGS84) of the project site are Latitude: - 2.08105 and Longitude: - 37.47352 at an elevation of about 1157 meters above sea level. The town is located along the main Mombasa-Nairobi Highway (A109) as well as the recently constructed Standard Railway Gauge</p>
Areas that the project was formed to intervene	<p>The project was formed to intervene in the following problems/gaps:</p> <p>(i) Mobility Problems</p> <p>(ii) To improve storm water management</p>
Project duration	5 years

Project Information and Overall Performance (Continued)

2.4 Bankers

The following are the bankers for the project:

- (i) Kenya Commercial Bank (KCB), Wote Branch

2.5 Independent Auditor

The project is audited by the Auditor General
 Office of The Auditor General
 Anniversary Towers, University Way
 P.O. Box 30084
 GPO 00100
 Nairobi, Kenya

2.6 Roles and Responsibilities

The key officers involved in the project were;

Table 3: Roles and Responsibilities

No	Names	Title designation	Key qualification	Responsibilities
1	Philip Ngila	Municipal Manager	Masters Degree	Overall Supervisor
2	Geoffrey Mutinda	Project Coordinator	Degree	Liason officer
3	Joseph Mutuku	Project Accountant	Masters Degree	Financial Reporting
4	Meshack Kimanthi	Municipal Planner	Degree	Physical Planning
5	David Muruka	Project Manager	Degree	Technical Supervision

2.7 Funding summary

The Project is for a duration of one (1) years from 2025 to 2026 with an approved budget of US\$ 131,031 (use Development Partner currency) equivalent to Kshs 17,034,009 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 2026)		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) Grant						
The World Bank Group	\$285,904	37,167,542	\$131,031	17,034,009	\$154,873	20,133,533
Insert name of development partner	-	-	-	-	-	-
(ii) Loan						
Insert name of development partner	-	-	-	-	-	-
Insert name of development partner	-	-	-	-	-	-
(iii) Counterpart funds						
Government of Kenya	-	-	-	-	-	-
Total	\$285,904	37,167,542	\$131,031	17,034,009	\$154,873	20,133,533

The cumulative amount received from the Development partner to date excludes zero amount that is held in the Designated account.

Project information and overall performance (continued)

B. Application of Funds

Application of funds	Amount received to date – (30 th June 2026)		Cumulative amount paid to date – (30 th June 2026)		Unutilised balance to date (30th June 2026)	
	Development Partner currency	Kshs	Development Partner currency	Kshs	Development Partner currency	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
Grant						
Kenya Urban Support Program-World Bank Group	\$131,031	17,034,009	\$4,243	551,618	\$126,788	16,482,391
Insert name of development partner	-	-	-	-	-	-
Loan						
Insert name of development partner	-	-	-	-	-	-
Insert name of development partner	-	-	-	-	-	-
Counterpart funds						
Government of Kenya	-	-	-	-	-	-
Total	\$131,031	17,034,009	\$4,243	551,618	\$126,788	16,482,391

Project information and overall performance (continued)

2.8 Summary of Overall Project Performance:

- i) Budget performance against actual amounts for the current year and for cumulative to-date,
The budget performance is at 3%
- ii) Physical progress based on outputs and outcomes since project commencement,
The project is in the tendering phase; no actual works have begun
- iii) Indicate the absorption rate for each year since the commencement of the project.
To date, the project expenditure is KES 551,618
- iv) List the implementation challenges and recommend the next steps.
The major challenge has been late disbursement, coming in at the close of the FY.
Going forward disbursements should be released at the beginning of the FY.

2.9 Summary of Project Compliance:

The project has largely adhered to applicable laws and regulations, including the Public Finance Management Act, 2012, and Treasury circulars on project investment management.

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

Introduction

Section 81(2)(f) /Section 164 (2)(f) of the Public Finance Management Act, 2012, requires that the Accounting Officer include a statement of the national government entity's performance against predetermined objectives at the end of each financial year.

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

- a) To improve mobility and accessibility** in Emali Town through upgrading approximately 290 metres of the existing road to paved standards
- b) To improve storm water management and climate resilience** through construction of appropriate drainage channels, drains and culverts to reduce flooding, erosion and deterioration of the road infrastructure
- c) To enhance road safety and pedestrian accessibility** through provision of pedestrian infrastructure, road furniture, signage, kerbs, channels, bollards and appropriate traffic management measures
- d) To promote local economic development and urban regeneration** by improving access to businesses, stimulating commercial activities, enhancing the attractiveness of the area and supporting new investment.
- e) To improve the overall urban environment** through incorporation of solar-powered street lighting and tree planting along the walkway, thereby contributing to a safer, more sustainable and aesthetically improved town centre

Progress on the attainment of strategic development objectives

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

Below, we provide the progress on attaining the stated objectives

Project	Objective	Outcome	Indicator	Performance
Public Works, Roads & Transport/Storm water management/Paved walkways	To develop and maintain roads and storm water drainage to global standards	Increased efficient transportation of people, goods and services Improved urban quality of life	No of KM/Metres of Pavement and Drainage channels	Project under procurement

4. Environmental and Sustainability Reporting

1. Sustainability strategy, risk management and profile

The project is a one off activity and sustainability will be through road maintenance budgets from exchequer transfer

2. Environmental performance

The Project operates under a comprehensive environmental policy that aims to mitigate its environmental impact. This policy, aligned with the Environmental Management and Coordination Act, focuses on waste management, biodiversity conservation, and the reduction of pollution. However, the Project faces challenges in fully implementing its biodiversity management plans due to limited resources.

3. Employee welfare

The Projects hiring process adheres to policies that promote equal opportunity and diversity. The gender ratio is taken into account, with regular stakeholder engagements to ensure inclusivity. Employee welfare is enhanced through continuous skill development programs and career management systems.

Key Initiatives include; Annual staff appraisals ensure career progression and performance-based rewards. Comprehensive safety policies comply with the Occupational Safety and Health Act (OSHA) of 2007, promoting a safe working environment

4. Marketplace practices-

The Projects market place practices are outlined below;

a) Responsible Supply chain and supplier relations-

The Project is keen to observe principles of procurement as outlined by the Public Procurement and Asset Disposal Act, 2015. It does this by:

- i. Having a well constituted procurement and asset disposal committees namely opening, evaluation and inspection committees.
- ii. Preparing procurement plans for each financial year in conformity with medium term fiscal framework and fiscal policy objectives.
- iii. Promoting good business practices by providing the relevant information relating to tenders and specifications of works. The Authority reserves 30% of the procurable budget to youth, women and people living with disability.

- iv. The Project also ensures invoices are paid within a period of one month, and has committed to reduce the pending bills to less than 1% for every financial year subject to availability of funds.

b) Responsible ethical practices

The Project has prioritized responsible procurement and supply chain practices anchored on integrity, transparency, and sustainability. These practices ensured that supplier relationships were managed responsibly, ethical standards were upheld, and all operations were free from corruption, thereby safeguarding public resources and strengthening stakeholder confidence

c) Regulatory impact assessment

Safeguard citizen and stakeholder's rights.

5. Community Engagements

Community engagement is at the heart of our operations, and the project will undertake several Corporate Social Responsibility (CSR) initiatives aimed at improving the quality of life for residents.

Key Initiatives: Storm water management and paved –This will resort to improved mobility and safe clean water

Through these activities, the project will uplift the living and business environment within the town, with positive feedback from residents regarding the tangible benefits. These initiatives not only promote social cohesion but also reflect our commitment to sustainable urban development. In conclusion, municipality strives to embed sustainability across all its operations while working towards improving environmental performance, employee welfare, ethical market practices, and community well-being.

5. Statement of Project Management Responsibilities

The Municipal Manager for the Municipality and the Project Coordinator are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for the financial year ended on June 30, 2026.

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

The Municipal Manager for the Municipality and the Project Coordinator accept responsibility for the Project's financial statements, which have been prepared on the IPSAS Accrual Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

The Municipal Manager for the Municipality and the Project Coordinator are of the opinion that the Project's financial statements give a true and fair view of the state of the Project's transactions during the financial year ended June 30, 2026, and of the Project's financial position as at that date. The Municipal Manager for the municipality and the Project Coordinator 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 and the adequacy of the systems of internal financial control.

The Municipal Manager for the Municipality and the Project Coordinator 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 Municipal Manager for the Municipality and the Project Coordinator on 10th September 2026 and signed by:


.....
Name: Philip Ngila
Municipal Manager
.....
Name: Geoffrey Mutinda
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 KENYA URBAN SUPPORT PROGRAM II (KUSP II) - EMALI SULTAN HAMUD MUNICIPALITY GRANT NUMBER E208-KE FOR THE YEAR ENDED 30 JUNE, 2026

PREAMBLE

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

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

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

The three parts of the report aim at addressing the Auditor-General's statutory roles and responsibilities as provided by Article 229 of the Constitution, the Public Finance Management Act, Cap. 412A and the Public Audit Act, Cap. 412B. 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 Kenya Urban Support Program II (KUSP II) - Emali Sultan Hamud Municipality Grant Number E208-KE set out on pages 1 to 37, which comprise of the statement of financial position as at 30 June, 2026 and the

statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, Cap. 412B. 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 Kenya Urban Support Program II (KUSP II) - Emali Sultan Hamud Municipality Grant Number E208-KE as at 30 June, 2026 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 Inter-Governmental Participation Agreement for KUSP II between the National Government of the Republic of Kenya and the County Government of Makueni and the Public Finance Management Act, Cap. 412A.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Urban Support Program II (KUSP II) - Emali Sultan Hamud Municipality Grant Number E208-KE Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.17,034,109 and Kshs.17,034,109 respectively. However, the project spent Kshs.551,618 against actual final receipts of Kshs.17,034,109 resulting to an under-absorption of Kshs.16,482,491 or 97% of the receipts. The under absorption was attributed to late disbursements totalling Kshs.17,034,109 which were received on 20 June, 2026.

The under- absorption affected the planned activities and may have impacted negatively on service delivery to the residents of Emali Sultan Hamud Municipality.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

report in the year under review.

Other Information

Management is responsible for the Other Information set out on pages iv to xvi which comprise of Project Information and Overall Performance, Statement of Performance against the Project's 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 THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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

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

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, Cap. 412B, based on the audit procedures performed, I confirm that nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

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

Responsibilities of the 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 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 Project's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, Cap. 412B.

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.

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(4) of the Constitution, Section 35 of the Public Audit Act, Cap. 412B 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, Cap. 412B. 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, Cap. 412B.

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

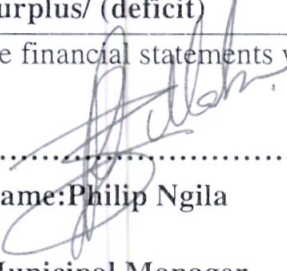
23 September, 2026

Kenya Urban Support Program II (KUSP II)
Annual Report and Financial Statements for the financial year ended June 30, 2026

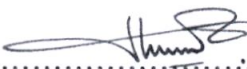
7. Statement of Financial Performance for the Year Ended 30th June 2026.

	Notes	FY 2025/2026	FY 2024/25
		Kshs	Kshs
Revenue			
Revenue Transfers	6	17,034,009	-
Miscellaneous Revenue	7	100	-
Total revenue		17,034,109	-
Expenses			
Employee costs	8	-	-
Use of goods and services	9	551,618	-
Depreciation and amortization expense	10	-	-
Transfer to other Government Entities	11	-	-
Other Transfers/Subsidies/Grants	12	-	-
Finance Costs	13	-	-
Certified Works	14	16,482,491	-
Total expenses		17,034,109	-
Other gains/(losses)			
Gain/Loss on sale of assets	15	-	-
Gain/Loss on foreign exchange transactions	16	-	-
Impairment loss	17	-	-
Surplus/ (deficit)		-	-

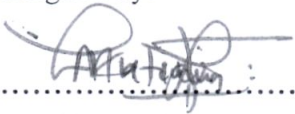
The financial statements were approved on 10th September ,2026 and signed by:


 Name: Philip Ngila
 Municipal Manager

Date: 10th Sep 2026


 Name: Geoffrey Mutinda
 Project Coordinator

Date: 10th Sep 2026


 Name: Joseph Mutuku
 Project Accountant

ICPAK Member No: 14398
 Date: 10th Sep 2026

Kenya Urban Support Program II (KUSP II)
Annual Report and Financial Statements for the financial year ended June 30, 2026

8. Statement of Financial Position as at 30th June 2026

	Note	FY 2025/2026	FY 2024/25
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash equivalents	18	16,482,491	-
Receivables	19	-	-
Inventories	20	-	-
Prepayment	21	-	-
Total Current Assets		16,482,491	-
Non-Current Assets			
Property, Plant and Equipment	22	-	-
Intangible Assets	23	-	-
Right of use assets	24	-	-
Total Non- Current Assets		-	-
Total Assets (a)		16,482,491	-
Liabilities			
Current Liabilities			
Trade and Other Payables	25	-	-
Third Party Deposits	26	-	-
Deferred Income	27	-	-
Current Lease Liabilities	28	-	-
Total Current Liabilities		-	-
Non-Current Liabilities			
Non-current lease liability	28	-	-
Total Non-Current Liabilities		-	-
Total Liabilities (b)		-	-
Net Assets (a-b)			
Represented By:			
Accumulated Surplus		16,482,491	-
Revaluation Reserve		-	-
Total Net Assets		16,482,491	-

The financial statements were approved on 10th September, 2026 and signed by:

.....
Name: Philip Ngila
Municipal Manager

Date: 10th Sep 2026

.....
Name
Project Coordinator

Date: 10th Sep 2026

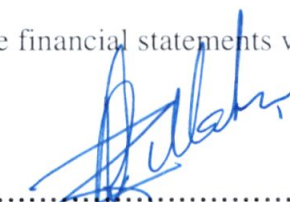
.....
Name: Joseph Mutuku
Project Accountant
ICPAK Member No.14398
Date: 10th Sep 2026

Kenya Urban Support Program 11 (KUSP 11) Project
Annual Report and Financial Statements for the financial year ended June 30, 2026

9. Statement of Changes in Net Assets

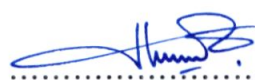
	Accumulated Surplus	Revaluation Reserve	Total
As At 1st July 2024 (<i>previous FY</i>)	-	-	-
Return to Exchequer	(-)	-	(-)
Surplus/Deficit for the year	-	-	-
Revaluation Gain	-	-	-
Transfer of excess depreciation on revaluation	-	(-)	
Other Changes (<i>specify</i>)	-	-	-
As at 30th June 2025	-	-	-
As At 1st July 2025 (<i>current FY</i>)	-	-	-
Return to Exchequer	(-)	-	(-)
Surplus/ deficit for the year	16,482,491	-	16,482,491
Revaluation Gain	-	-	-
Transfer of excess depreciation on revaluation	-	(-)	
Add: Recognition of Assets	-	-	-
Other Changes (<i>specify</i>)	-	-	-
As at June 30, 2026	16,482,491	-	16,482,491

The financial statements were approved on 10th September, 2026 and signed by:



Name: Philip Ngila
Municipal Manager

Date: 10th Sep 2026



Name: Geoffrey Mutinda
Project Coordinator

Date: 10th Sep 2026



Name: Joseph Mutuku
Project Accountant
ICPAK Member No.14398
Date: 10th Sep 2026

Kenya Urban Support Program 11 (KUSP 11) Project
Annual Report and Financial Statements for the financial year ended June 30, 2026

10. Statement of Cash flow for the year ended 30th June 2026

Description	Note	FY 2025/2026	FY 2024/25
		Kshs	Kshs
Cashflow from operating activities			
Receipts			
Revenue Transfers		17,034,009	-
Miscellaneous Revenue		100	-
Total receipts		17,034,109	-
Payments			
Employee costs		-	-
Use of goods and services		551,618	-
Transfer to other Government Entities		-	-
Other Transfers/Subsidies/Grants		-	-
Certified Works		-	-
Total payments		-	-
Net cash flow from operating activities	29	16,482,491	-
Cashflow from investing activities			
Acquisition of non-financial assets		(-)	(-)
Proceeds from sale of Assets		-	-
Acquisition of Intangible assets		(-)	(-)
Net cash flows from investing activities		-	-
Cash flow from financing activities			
Repayment of Lease Principal		(-)	(-)
<i>Specify the activity</i>		-	-
Net cash flow from financing activities		-	-
Net increase/Decrease in cash and cash equivalents		-	-
Cash and cash equivalent at 1st July 2025	18	-	-
Cash and cash equivalent at end June 2026	18	16,482,491	-

(PSASB has now prescribed the direct method of cashflow presentation for all entities under the IPSAS Accrual basis of accounting).

11. Statement of Comparison of Budget and Actual Amounts for the Year ended 30th June 2026

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable (cash) Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
	Kshs	Kshs	Kshs	Kshs	Kshs	
Budget Carry Overs from previous periods		-	-	-	-	-
Receipts	17,034,009	-	17,034,009	17,034,009	0	100%
Revenue Transfers	-	-	-	-	-	-
Miscellaneous Revenue	100	-	100	100	0	100%
Total Revenue	17,034,109	-	17,034,109	17,034,109	0	100%
Payments	-	-	-	-	-	-
Employee costs	-	-	-	-	-	-
Use of goods and services	1,703,411	-	1,703,411	551,618	0	32%
Transfer to other Government Entities	-	-	-	-	-	-
Other Transfers/Subsidies/Grants	-	-	-	-	-	-
Certified Works	15,330,698		15,330,698	-	-	-
Total Payments	17,034,109	-	17,034,109	551,618	0	3%
Surplus	-	-	-	16,482,491	-	-

Budget notes

1. The low absorption rate is due to late disbursement of the grant
2. There was an opening balance of KES 100

Budget Reconciliation

Description of Particulars	Amount in Kshs
Actual Surplus Amounts as per the statement of Budget	16,482,491
Closing Cash and Cash Equivalent as per the statement of Cash flows	16,482,491

12. Notes to the Financial Statements

1. General Information

Kenya Urban Support Program is an initiative by the government of Kenya and the World Bank to enhance urban planning and sustainability through infrastructure development. The World Bank gives a grant to the Government of Kenya, Ministry of Housing and Urban Development which then through the Council of Governors allocates this fund to the various qualifying cities and municipalities within Kenya.

For Emali Sultan Hamud Municipality, it will undertake a project of Cabro Paving of approximately 290M within Emali Town.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts, and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgment in the process of applying the *entity's* accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of Emali Sultan Hamud Municipality.

The financial statements have been prepared in accordance with the PFM Act, City/Municipalities Act, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented

a) Basis of measurement

Under the historical cost basis, assets are recorded at the amount of cash or cash equivalents paid, or the fair value of the consideration given to acquire them at the time of acquisition, plus directly attributable transaction costs. Liabilities are recorded at the amount of consideration received to assume the obligation, less transaction costs incurred when the liability was assumed.

For those assets and liabilities measured at fair value, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, the Entity uses market-to-observable data to the extent possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the Entity using valuation techniques that maximize the use

of relevant observable inputs and minimize the use of unobservable inputs (e.g., by use of the market comparable approach that reflects recent transaction prices for similar items, or discounted cash flow analysis). Inputs used are consistent with the characteristics of the asset or liability that market participants would take into account.

Fair values are categorized into three levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:

- **Level 1** fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities that the Entity can access at the measurement date.
- **Level 2** fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- **Level 3** fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Entity's accounting policy is to recognize transfers between levels of the fair value hierarchy at the end of the reporting period during which the change occurred. This policy is consistently applied to transfers into and out of each level

b) Use of Estimates

The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgment in the process of applying the Entity's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements

These financial statements were authorized for issue by the accounting officer on 10th September ,2026

3. Adoption of New and Revised Standards

(New and amended standards and interpretations in issue effective in the year ended 30 June 2026.

Standard	Effective date and impact:
IPSAS 43 Leases	<p>Applicable 1st January 2025</p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p>Applicable 1st January 2025</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>Applicable 1st January 2025</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>Applicable 1st January 2025</p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ol style="list-style-type: none"> Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. Clarifying transaction costs guidance to enhance consistency across IPSAS; 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>

i) *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2026*

Standard	Effective date and impact:
IPSAS 47- Revenue	Applicable 1st January 2026 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 MDA 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	Applicable 1st January 2026 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	Applicable 1st January 2026 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.
IPSAS 50: Exploration For & Evaluation of Mineral Resources	Applicable 1st January 2027 The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires: <ul style="list-style-type: none"> i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.
IPSAS 51: Tangible Natural Resources Held For Conservation	Applicable 1st January 2028 The objective of this standard is to establish the principles that an entity shall apply to report relevant information to users of financial statements about the nature, amounts, timing, and uncertainties arising from tangible natural resources held for conservation. A tangible natural resource held for conservation is a naturally occurring tangible asset that is managed to prevent its degradation.
IPSASB SRS 1: Climate Related Disclosures	Applicable 1st January 2028 This standard provides principles for an entity to address climate-related risks and opportunities arising from an entity's activities and operations. The standard provides disclosures on governance, strategy, risk management, and metrics and targets.

ii) *Early adoption of standards*

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

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Finance 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 for each period.

b) Budget information

The original budget for FY 2025/2026 was approved by the Council or Board on **27th June 2025**. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals to conclude the final budget. Accordingly, the entity recorded additional appropriations of **xxx** on the FY 2025/2026 budget following the Council/ Board's approval. The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of cash flows has been presented on page - under section - of these financial statements.

c) Property, plant and equipment

Recognition and Measurement

The Entity's Property, Plant, and Equipment (PPE) are tangible items held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and are expected to be used for more than one reporting period.

An item of PPE is recognized as an asset if, and only if:

- It's **probable** that the future economic benefits or service potential associated with the item will flow to the ministry.
- The cost or fair value of the item can be measured **reliably**.

Items acquired through non-exchange transactions (e.g., donations) are measured at their **deemed cost**, which is the fair value at the date of acquisition. For all other acquisitions, initial measurement is at **cost**, which includes all expenses directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The entity has adopted the **Historical cost model** for the subsequent measurement of its PPE. Under this model, after initial recognition, an asset is carried at its cost less any accumulated depreciation and accumulated impairment losses.

Depreciation and Impairment

The entity applies the **straight-line method** of depreciation, as it best reflects the pattern of the asset's consumption of its future economic benefits or service potential. Depreciation begins when the asset is available for use and ceases at the earlier of the date the asset is classified as held for sale or the date of derecognition. The depreciable amount is the cost of the asset less its residual value. The residual value and the useful life of an asset are reviewed at least at each annual reporting date. The table below indicates the various classes of assets and the depreciation rates.

Table 4: Depreciation rates

PPE Item	Depreciation Rate
Buildings	2-10%
Motor vehicles	10-16.67%
Infrastructure assets	2-20%
Furniture and fittings	12.5%
Computers & ICT Equipment	33.3%
Heritage Assets	x%
Others (Specify)	

Impairment: The project assesses at each reporting date whether there is any indication that an asset may be impaired. If an indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognized immediately in the statement of financial performance.

An item of property, plant, and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the statement of financial performance.

d) Lease Liability

A right-of-use asset represents the entity's right to use an underlying leased asset over the lease term. At the commencement date of a lease, the entity recognizes a right-of-use asset and a lease liability, except for short-term leases and leases of low-value assets as allowed under IPSAS 43.

Recognition

The project recognises a right-of-use asset at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises:

- The amount of the initial lease liability.
- Any lease payments made at or before the commencement date, less any lease incentives received;
- Any initial direct costs incurred; and
- An estimate of the costs to be incurred in dismantling and removing the underlying asset or restoring the site.

Measurement

Right-of-use assets are initially measured at cost. After initial recognition, right-of-use assets are measured using the cost model, where the asset is carried at: Cost less accumulated depreciation, and any accumulated impairment losses. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

Depreciation of right-of-use assets is charged to expenditure in accordance with the entity's depreciation policy applicable to owned assets of the same class. Right-of-use assets are assessed for impairment in accordance with IPSAS 21 – Impairment of Non-Cash-Generating Assets or IPSAS 26 – Impairment of Cash-Generating Assets, as applicable.

e) Lease Liability

The lease liability is measured at the present value of lease payments that are not paid at that date. The lease payments have been discounted using the interest rate implicit in the lease, and the rate can be readily determined. If the rate cannot be readily determined, the entity uses the incremental borrowing rate.

Subsequently, the lease liability is measured at amortized cost using the effective interest method and reduced by lease payments. Interest expense is recognized in the statement of financial performance.

f) 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.

Notes to the financial statements

g) Research and development costs

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

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

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

h) Financial instruments

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

Financial assets

Classification

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

Notes to the financial statements

Subsequent measurement

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

Amortized cost

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

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

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

Impairment

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

Financial liabilities

Classification

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

Notes to the financial statements

i) Inventories

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

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

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

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

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

j) Provisions

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

Contingent liabilities

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

Contingent assets

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

Notes to the financial statements

k) Nature and purpose of reserves

The Project has not created any reserves.

l) Changes in accounting policies and estimates

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

m) Employee benefits

Retirement benefit plans

The Project provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which the project pays fixed contributions into a separate fund and will have no legal or constructive obligation to pay further contributions if the project does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to scheme 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 benefits 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.

n) Foreign currency transactions

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

o) 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.

p) Related parties

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

Notes to the financial statements

q) Service concession arrangements

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

r) 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.

s) Subsequent events

There has been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2026.

Notes to the financial statements,

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the *projects* 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 requiring a material adjustment to the carrying amount of the affected asset or liability in future periods. State all judgments, estimates, and assumptions made:

Estimates and assumptions.

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

Useful lives and residual values

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

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

Provisions

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

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.

Notes to the financial statements

6. Revenue Transfers

Description	FY 2025/2026	FY 2024/2025
	KShs	Kshs
Unconditional Transfers		
GoK Counter Part funding	-	-
Transfers from Development partners	-	-
<i>Other unconditional transfers (Specify)</i>	-	-
Total Unconditional Transfers (a)	-	-
Conditional Transfers		
Transfers from Development partners 1	17,034,009	-
Transfers from Development partner 2	-	-
<i>Other conditional transfers (specify)</i>	-	-
Total Conditional Transfers (b)	-	-
Total Transfers for the Year (a + b)	17,034,009	-

(The grant will be utilized in paving a road within Emali Town)

a) Details to Revenue Transfers

Name of The Entity Transferring	Amount recognized to Statement of Financial performance	Amount deferred under deferred income.	Total transfers (Current FY)	FY 2024/2025
	Kshs	Kshs	Kshs	Kshs
GOK Funding	-	-	-	-
Development Partner 1	17,034,009	-	17,034,009	-
Development Partner 2	-	-	-	-
Subtotal	17,034,009	-	17,034,009	-
Deferred Income realized	-		-	-
Transfers in Kind	-		-	-
Total	17,034,009	-	17,034,009	-

7. Miscellaneous revenue

Description	FY 2025/2026	FY 2024/2025
	Kshs	Kshs
Interest Income	100	-
<i>Others (specify)</i>	-	-
Total	100	-

8. Employees Costs

Description	FY 2025/2026	FY 2024/2025
	<u>Kshs</u>	<u>Kshs</u>
Basic salaries of permanent employees	-	-
Basic wages of temporary employees	-	-
Personal allowances paid as part of salary	-	-
Personal allowances paid as reimbursements	-	-
Personal allowances provided in kind	-	-
Pension and other social security contributions	-	-
Compulsory national social security schemes	-	-
Compulsory national health insurance schemes	-	-
Other specify*	-	-
Total	-	-

9. Use of Goods and Services

De scription	FY 2025/2026	FY 2024/2025
c	<u>Kshs</u>	<u>Kshs</u>
Utilities, supplies and services	-	-
Bank charges	1,278	-
Communication, supplies and services	-	-
Domestic travel and subsistence	550,340	-
Foreign travel and subsistence	-	-
Fuel and lubricants	-	-
General office supplies	-	-
Stationery, Printing, advertising, and information supplies	-	-
Office rent	-	-
Training payments	-	-
Hospitality supplies and services	-	-
Insurance costs	-	-
Specialized materials and services	-	-
Other operating payments(specify)	-	-
Routine maintenance – vehicles and other transport equipment	-	-
Routine maintenance- other assets	-	-
Total	551,618	-

10. Depreciation and Amortization expense

Description	FY 2025/2026	FY 2024/2025
	Kshs	Kshs
Property, Plant and Equipment	-	-
Intangible Assets	-	-
Right of Use Assets	-	-
Others specify	-	-
Total	-	-

11. Transfer to Other Government Entities

Description	FY 2025/2026	FY 2024/2025
	Kshs	Kshs
Ministry ABC	-	-
Project XYZ	-	-
Department xxx	-	-
County xxx	-	-
Total	-	-

12. Other Transfers/Subsidies/Grants

Description	FY 2025/2026	FY 2024/2025
	Kshs	Kshs
Transfers to Non-Government Organizations	-	-
Subsidies	-	-
<i>Others Specify</i>	-	-
Total	-	-

13. Finance Costs

Description	FY 2025/2026	FY 2024/2025
	Kshs	Kshs
Finance leases (amortized cost)	-	-
Unwinding of discount on lease liabilities	-	-
Interest on Lease liabilities	-	-
Others specify	-	-
Total finance costs	-	-

14. Certified Works

Description	FY 2025/2026	FY 2024/2025
-------------	--------------	--------------

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	Kshs	Kshs
Specify	-	-
	-	-
	-	-
<i>Others Specify</i>	-	-
Total	-	-

(This is for short-term third-party projects. E.g., Community Boreholes, Cattle dips, Renovations)

15. Gain/Loss on Sale of Assets

Description	FY 2025/2026	FY 2024/2025
	Kshs	
Property, plant and equipment	-	-
Intangible assets	-	-
Other assets not capitalised	-	-
Total gain/loss on sale of assets	-/(-)	-/(-)

Provide brief explanation on gains on sale of fixed assets)

16. Gain/Loss on foreign exchange transactions

Description	FY 2025/2026	FY 2024/2025
	Kshs	
Gain on foreign exchange transactions	-	-
Loss on foreign exchange transactions	(-)	(-)
Total Gain/Loss	-	-

17. Impairment Loss

Description	FY 2025/2026	FY 2024/2025
	Kshs	
Property, Plant and Equipment	-	-
Intangible Assets	-	-
<i>Others specify</i>	-	-
Total Impairment Loss	-	-

18. Cash and Cash Equivalents

Description	FY 2025/2026	FY 2024/2025
	Kshs	Kshs
Cash in Bank	16,482,491	-
Cash on hand	-	-
<i>Others (Specify)</i>	-	-
Total Cash and Cash Equivalents	16,482,491	-

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Notes to the financial statements

Project Bank Accounts

Details	FY 2025/2026	FY 2024/2025
	Kshs	Kshs
Foreign Currency Accounts		
Central Bank of Kenya [A/c No.....]	-	-
Kenya Commercial Bank [A/c No 1330518039]	-	-
Co-operative Bank of Kenya [A/c No.....]	-	-
Others (<i>specify</i>)	-	-
Total Foreign Currency balances	=	=
Local Currency Accounts		
Central Bank of Kenya [A/c No.....]	-	-
Kenya Commercial Bank [A/c No.1330518039]	16,482,491	-
Co-operative Bank of Kenya [A/c No.....]	-	-
Others (<i>specify</i>)	-	-
Total local currency balances	=	=
Total bank account balances	<u>16,482,491</u>	=

19. Receivables

Description	FY 2025/2026	FY 2024/2025
	Kshs	Kshs
Counter Part Funding	-	-
Contractor's Advance payments	-	-
<i>Other Receivables (specify)</i>	-	-
Total Receivables	-	-

(Provide brief explanation on current receivables)

Aging analysis for Receivables

Description	FY 2025/2026		FY 2024/2025	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	-	%	-	%
Between 1- 2 years	-	%	-	%
Between 2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total (a+b)	-	%	-	%

20. Inventories

Description	FY 2025/2026	FY 2024/2025
	Kshs	Kshs
Consumable stores	-	-
Medical supplies	-	-
Spare parts and meters	-	-
Water for distribution	-	-
Other goods held for resale	-	-
Catering	-	-
Less: allowance for impairment	(-)	(-)
Total inventories at the lower of cost and net realizable value	xxx	xxx

(Provide brief explanation on inventories)

Detailed disclosure on inventories

	FY 2025/2026
Opening balance	-
Additional Inventory in the year	-
Inventory expensed in the year	-
Write-downs in the year	-
Others specify	-
Closing balance	-

21. Prepayments

Description	FY 2025/2026	FY 2024/2025
	Kshs	Kshs
Insurance	-	-
Rent	-	-
<i>Others specify</i>	-	-
Total inventories	-	-

22. Property, Plant and Equipment

FY 2025/2026

Cost/Value	As At July 2025(FY 2025/2026)									
	Land	Buildings	Motor vehicles	Furniture and fittings	Computers	Infrastructure Assets	Service Concessions Assets	Other Assets (Specify)	Capital Work in progress	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Additions	-	-	-	-	-	-	-	-	-	-
Disposals	(-)	(-)	(-)	-	-	(-)	(-)	(-)	(-x)	(-)
Transfers/Adjustments	-	-	(-)	-	(-)	(-)	(-)	(-)	-	(-)
Revaluation Adjustments	-	-	-	-	-					-
As at 30 th June 2026 (FY 2025/2026)	-	-	-	-	-	-	-	-	-	-
Depreciation & Impairment										
At 1 July 2025 (FY 2025/2026)	-	(-)	(-)	(-)	(-)	(-)	(-)	(-)	-	(-)
Depreciation	-	(-)	(-)	(-)	(-)	(-)	(-)	(-)	-	(-)
Impairment	-	(-)	-	-	-	(-)	(-)	(-)	-	(-)
Transfers/ Adjustments	-	(-)	-	-	(-)	(-)	(-)	(-)	-	(-)
As at 30 th June 2026(FY 2025/2026)	-	-	-	-	-	(-)	(-)	(-)	-	-
Net Book Value as at 30 th June 2026	-	-	-	-	-	-	-	-	-	-

Cost/Value	As at 1 July 2024(FY 2024/2025)	Additions	Disposals	Transfers/Adjustments	Revaluation Adjustments	As at 30 th June 2025(FY 2024/2025)	Depreciation & Impairment	At 1July (FY 2024/25)	Depreciation	Impairment	Transfers/ Adjustments	As at 30 th 2025 (Previous Year)	Net book Value As at 30 th June 2025
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Land	-	-	(-)	-	-	-	-	(-)	(-)	-	(-)	-	-
Buildings	-	-	(-)	(-)	-	-	-	(-)	(-)	(-)	(-)	-	-
Motor Vehicles	-	-	(-)	(-)	(-)	-	-	(-)	(-)	-	-	-	-
Furniture and fittings	-	-	-	-	(-)	-	-	(-)	(-)	-	(-)	-	-
Computers	-	-	-	-	(-)	-	-	(-)	(-)	-	(-)	-	-
Infrastructure Assets	-	-	(-)	(-)	(-)	-	-	(-)	(-)	(-)	(-)	(-)	-
Service Concessions Assets	-	-	(-)	(-)	(-)	-	-	(-)	(-)	(-)	(-)	(-)	-
Other Assets (Specify)	-	-	(-)	(-)	(-)	-	-	(-)	(-)	(-)	(-)	(-)	-
Capital Work in progress	-	-	(-)	(-)	-	-	-	-	-	-	-	-	-
Total	-	-	(-)	(-)	(-)	-	-	(-)	(-)	(-)	(-)	-	-

Kenya Urban Support Program II (KUSP II)

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Notes to the financial statements

a) Valuation

Land and buildings/ Equipment (be specific) were valued by XXX professional valuers from the government, from xxx (specify the entity or department that valued). The assets were revalued by xxx professional valuers on this date, xxx. These amounts were adopted by the Board on xxx, with the concurrence of the National Treasury.

b) Property, Plant and Equipment at Cost

If the revalued freehold land, buildings, and other assets were stated on the historical cost basis, the amounts would be as follows:

Description	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Land	-	-	-
Buildings	-	-	-
Plant And Machinery	-	-	-
Motor Vehicles, Including Motorcycles	-	-	-
Computers And Related Equipment	-	-	-
Office Equipment, Furniture, And Fittings	-	-	-
Total	-	-	-

c) Fully depreciated assets

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

Description	Cost or valuation	Normal annual depreciation charge
Plant and Machinery	-	-
Motor Vehicles, including Motorcycles	-	-
Computers and Related Equipment	-	-
Office Equipment, Furniture, and Fittings	-	-
Total	-	-

d) Service Concession assets

The project has no heritage assets.

e) Disclosures on capital work in progress

The project has no Works In Progress as at this date

23. Intangible Assets

FY 2025/2026

Description	Indefinite life	Definite life	Work in Progress	Total
Rate	Kshs	Kshs	Kshs	Kshs
Cost/Value at 1 st July 2025(FY 2025/2026)	-	-	-	-
Additions	-	-	-	-
Transfers	-	-	(-)	-
Disposal	(-)	(-)	(-)	(-)
Cost/Value at 30 th of June 2026	-	-	-	-
Amortization and impairment				
At 1 st July 2025		-	-	-
Amortization charge for the year		-	-	-
Disposal		(-)		
Impairment loss	(-)	(-)	(-)	(-)
At the end of the period	-	-	-	-
NBV at 30 th June 2026(FY 2025/2026)	-	-	-	-

FY 2024/2025

Description	Indefinite life	Definite life	Work in Progress	Total
Rate	Kshs	Kshs	Kshs	Kshs
Cost/Value at 1 st July 2024(FY 2024/2025)	-	-	-	-
Additions	-	-	-	-
Transfers	-	-	(-)	-
Disposal	(-)	(-)	(-)	(-)
Cost/Value at 30 th of June 2025	-	-	-	-
Amortization and impairment				
At 1 st July 2024		-	-	-
Amortization charge for the year		-	-	-
Disposal		(-)		
Impairment loss	(-)	(-)	(-)	(-)
At the end of the period	-	-	-	-
NBV at 30 th June 2025 (previous year)	-	-	-	-

Kenya Urban Support Program 11 (KUSP 11)

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24. Right of Use Assets

FY 2025/2026

	Buildings	Motor Vehicles	Equipment	Others Specify	Total
	Kshs	Kshs	Kshs		Kshs
As at 1 July 2025 Current Year	-	-	-	-	-
Additions in the period	-	-	-		-
Remeasurement/Adjustments		-		-	-
Disposals/Terminations	(-)	(-)			
As at 30 June 2026	-	-	-	-	-
Accumulated Depreciation					
As at 1 July 2025 Current Year	-	-	-	-	-
Charge for the year	-	-	-	-	-
Elimination on Disposal/Transfer out	(-)	(-)	(-)	(-)	(-)
As at 30 June 2026	-	-	-	-	-
NBV As at 30 June 2026	=	=	=	=	=

FY 2024/2025

	Buildings	Motor Vehicles	Equipment	Others Specify	Total
	Kshs	Kshs	Kshs		Kshs
Cost/Valuation					
As at 1 July 2024(Previous year)	-	-	-	-	-
Additions in the period	-	-	-		-
Remeasurement/Adjustments		-		-	-
Disposals/Terminations	(-)	(-)			
As at 30 June 2025	-	-	-	-	-
Accumulated Depreciation					
As at 1 July 2024 Previous year	-	-	-	-	-
Charge for the year	-	-	-	-	-



Kenya Urban Support Program 11 (KUSP 11)

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	Buildings	Motor Vehicles	Equipment	Others Specify	Total
	Kshs	Kshs	Kshs		Kshs
Elimination on Disposal/Transfer out	(-)	(-)	(-)	(-)	(-)
As at 30 June 2025	-	-	-	-	-
NBV As at 30 June 20xx	=	=	=		=
Previous year					

25. Trade and Other Payables

Description	FY 2025/2026		FY 2024/2025	
	Kshs		Kshs	
Trade payables	-		-	
Employee payables	-		-	
<i>Other payables (specify)</i>	-		-	
Total trade and other payables	-		-	
Ageing analysis: (Trade and other payables)	FY 2025/2026	% of the Total	FY 2024/2025	% of the Total
Under one year	-	%	-	%
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total (tie to above total)	-		-	

(Provide brief explanation)

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Notes to the financial statements

26. Third-Party Deposits

Description	FY 2025/2026		FY 2024/2025	
	Kshs		Kshs	
Contractor's Retention	-		-	
Gratuity	-		-	
<i>Other deposits (specify)</i>	-		-	
Total deposits	-		-	
Aging analysis: (Refundable deposits)	FY 2025/2026	% of the Total	FY 2024/2025	% of the Total
Under one year	-	%	-	%
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total	-		-	

(Provide brief explanation)

27. Deferred Income

Description	FY 2025/2026	FY 2024/2025
	Kshs	Kshs
Development partner 1	-	-
Development partner 2	-	-
<i>Others specify</i>	-	-
Total Deferred Income	-	-

(Provide brief explanation)

Deferred Income Movement Schedule

	Development Partner 1	Development Partner 2	Others specify	Total
	Kshs	Kshs	Kshs	Kshs
Balance as at 1 st July 2025	-	-	-	-
Additions	-	-	-	-
Transfers To Performance Statement as Revenue	(-)	(-)	(-)	(-)
Balance as at 30 th June 2026	-	-	-	-

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Notes to the financial statements

28. Lease Liability

Description	FY 2025/2026	FY 2024/2025
	Kshs	Kshs
At the start of the year	-	-
Additions	-	-
Discount interest on lease liability	-	-
Paid during the year	(-)	(-)
Adjustments	-	-
At the end of the year	-	-

Maturity Analysis

Period	Amount
Year 1	-
Year 2	-
Year 3	-
Year 4	-
Year 5 And Onwards	-
Less: Unearned Interest	(-)
	-

Analysed as:

Description	Amount
Current	-
Non- Current	-
Total	-

29. Cash Generated from Operations

Description	FY 2025/2026	FY 2024/25
	Kshs	Kshs
Surplus/Deficit for the year	16,482,491	-
Adjusted for:		
Depreciation	-	-
Non-cash grants received	(-)	(-)
Impairment	-	-
Gains and losses on disposal of assets	-(-)	-(-)
Working capital adjustments		
Increase/Decrease in inventory	-(-)	(-)
Increase/Decrease in receivables	-(-)	-(-)
Increase/Decrease in deferred income	-(-)	-(-)
Increase /Decrease in payables	-(-)	-(-)
Increase in payments received in advance	-	-
Net cash flow from operating activities	16,482,491	-

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

30. Special Deposit Accounts

The balances in the Project's Special Deposit Account(s) as of 30th June 2026 are 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.

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Notes to the financial statements

Special Deposit Accounts Movement Schedule

Description	FY 2025/2026	FY 2024/2025
	Kshs	Kshs
(i) A/C Name [A/c No1330518039]		
Opening balance	100	-
Total amount deposited in the account	17,034,009	-
Total amount withdrawn	<u>551,618</u>	=
Closing balance (as per SDA bank account reconciliation attached)	<u>16,482,491</u>	=
(ii) A/c Name [A/c No.....]		
Opening balance (as per the SDA reconciliation)	-	-
Total amount deposited in the account	-	-
Total amount withdrawn	=	=
Closing balance (as per SDA bank account reconciliation attached)	<u>X-</u>	=

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

31. Related Party Disclosures

Nature of related party relationships

Entities and other parties related to the *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 the *project*, holding 100% of the *projects* equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the Entity, both domestic and external.

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Annual Report and Financial Statements for the financial year ended June 30, 2026

Notes to the financial statements

Other related parties include:

- i) The Parent Ministry.
- ii) County Governments
- iii) Other SCs and SAGAs
- iv) Key management.
- v) Board of Directors.

Description	FY 2025/2026	FY 2024/2025
	Kshs	Kshs
Transactions with related parties		
a) Sales to related parties		
Sales of electricity to the government agencies	-	-
Rent income from the government. Agencies	-	-
Others (specify) e.g. interest and bank charges	-	-
Total	-	-
B) purchases from related parties		
Purchases of electricity from KPLC	-	-
Purchase of water from the government service providers	-	-
Rent expenses paid to the government agencies	-	-
Others (specify)	-	-
Total	-	-
b) Grants /transfers from the government		
Grants from national the government	-	-
Grants from county government	-	-
Donations in kind	-	-
Total	-	-
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for xxx employees	-	-
Payments for goods and services for xxx	-	-
Total		
d) Key management compensation		
Directors' emoluments	-	-
Compensation to key management	-	-
Total	-	-

Kenya Urban Support Program II (KUSP II)

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Notes to the financial statements

32. Events after the Reporting Period

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

33. Ultimate And Holding Entity

The project is a Semi-Autonomous Government Agency under the Government of Makueni County. Its ultimate parent is the Government of Kenya.

34. Currency

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

Kenya Urban Support Program 11 (KUSP 11)

Annual Report and Financial Statements for the financial year ended June 30, 2026

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)
Financial Statements				
Lawfulness & Effectiveness in the use of Public Resources				
Effectiveness of Internal Controls, Risk Management & Governance				

.....
Name: Philip Ngila
Municipal Manager

.....
Name: Geoffrey Mutinda
Project Coordinator

Annex 2: Reconciliation of inter-entity transfers

Project Name:				
Break down of transfers from the County Treasury				
a.	Government Counterpart funding			
		Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
			-	
			-	
		Total	-	
B.	Direct payments			
		Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
		20.06.2026	17,034,009	
		Total	17,034,009	
C.	Others			
		Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
			-	
			-	
		Total	-	
		Total (A+B+C)	17,034,009	

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

Project Coordinator
KUSP 11 Project

Sign 

Head of Accounting Unit
KUSP 11 Project

Sign 

Annex 3: Fixed Asset Register

Asset class	Historical Cost b/f (Kshs) Previous Year	Additions during the year (Kshs)	Disposals during the year (Kshs)	Transfers in/(out) during the year	Historical Cost c/f (Kshs) Current Year
Land					
Buildings and structures					
Transport equipment					
Office equipment, furniture and fittings					
ICT Equipment					
Machinery and Equipment					
Biological assets					
Infrastructure Assets- Roads, Rails					
Heritage and cultural assets					
Intangible assets					
Work in Progress					
Total					