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REPORT



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OF THE AUDITOR-GENERAL ON

UPGRADING OF AHERO IRRIGATION DEVELOPMENT PROJECT GRANT NO. HS00124000

FOR THE YEAR ENDED 30 JUNE, 2025

NATIONAL IRRIGATION AUTHORITY



PROJECT NAME: Upgrading of Ahero Irrigation Development project

IMPLEMENTING ENTITY: National Irrigation Authority

PROJECT GRANT/CREDIT NUMBER: HS00124000

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)

*Upgrading of Ahero Irrigation Development project
Annual Report and Financial Statements for the financial year ended June 30, 2025*

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1. Acronyms and Definition of Terms

CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
NT	National Treasury
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board
AG.	Acting
ENG.	Engineer
M & E	Monitoring and Evaluation
CEO	Chief Executive Officer
CPA	Certified Public Accountant
IPC -	Interim Payment Certificate
FY	Financial Year
KSHS.	Kenya Shillings
NB.	Note Better
Comparative FY	Financial year preceding the current financial year.

2. Project Information and Overall Performance

2.1 Name and registered office

Name

The project's official name is Upgrading of Ahero Irrigation Development project.

Objective

The key objective of the project is to improve crop production and nutrition as a contribution to national growth and development by upgrading the Ahero pumping station into a Solar powered hybrid system thereby opening additional 1000 acres under irrigation

Address

The project headquarters offices are in Nairobi City, Nairobi County, Kenya. The address of its registered office is:

National Irrigation Authority

Irrigation House,

Lenana Road, Hurlingham

P.O. Box 30372-00100

The project also has offices/branches as follows:

- Ahero Irrigation Scheme

Contacts: The following are the project contacts

P.O. Box: 30372-00100

Telephone: (254) -20-2711380/2711468

E-mail: ceo@irrigationauthority.go.ke

Website: www.irrigationauthority.go.ke

Project information and overall performance (continued)

2.2 Project Information

Project Start Date:	29 07 2024
Project End Date:	29 08 2026
Project Manager:	Eng. Henry Ochieng' Ochiere
Project Development Partner:	Hungarian Export-Import Private Limited Company

2.3 Project Overview

Line Ministry or State departments/ County Department	State Department of Irrigation
Project number	HS00124000
Strategic goals of the project	<p>The strategic goals of the project are as follows:</p> <ul style="list-style-type: none"> (i) Employment- creation of 5,000 and 10,000 direct and indirect jobs respectively (ii) Enhanced production of paddy rice by 6,480 MT annually (iii) Contributing to the achievement of the bottom-up transformative agenda by increasing agricultural productivity, eradicating poverty, and reducing unemployment
Summary of Project Strategies for achievement of strategic goals	<p>The project management aims to achieve the goals through the following means:</p> <ul style="list-style-type: none"> (i) Increase Food Security. The scheme contributes significantly to national rice production. Upgrading of the pump station aims to increase production, reduce rice imports, and improve livelihoods of local farmers (ii) Improving of livelihoods of farmers. The scheme will increase farmers income from sale of rice, employment and water supply

***Upgrading of Ahero Irrigation Development project
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Other important background information of the project	<p>The project is a turnkey project involving</p> <ol style="list-style-type: none"> 1. Feasibility study and design 2. Construction of grid tied solar power system for the pumping station 500 KVA 3. Rehabilitation of intake works and replacement of 2 No old pumps at the pumping station. 4. Installation of 2 No. new pumps for additional 1000 acres 5. Riverbank protection 6. Water distribution network
Areas that the project was formed to intervene	<p>The project was formed to intervene in the following problems/gaps:</p> <ol style="list-style-type: none"> (i) Crop production: The project aims to improve crop production by upgrading the Ahero pumping station, which will expand the area under irrigation. (ii) Nutrition: By improving crop production, the project contributes to better nutrition. (iii) National growth and development: The project's objectives in crop production and nutrition are intended to contribute to the overall growth and development of the nation.
Project duration	Two Years

Project Information and Overall Performance (Continued)

2.4 Bankers

The following are the bankers for the project:

- (i) Equity Bank Limited – Project Bank Account

2.5 Independent Auditor

The project is audited by the Office of the Auditor General.

2.6 Roles and Responsibilities

No	Names	Title designation	Key qualification	Responsibilities
1.	Eng. Charles Muasya, MBS	Chief Executive Officer	Over 20 years of experience in the development and management of irrigation schemes	Overall coordination of the project from December 19th, 2022.
2.	Eng. Loise Kahiga	Ag. Director (Irrigation Development Services)	Over 10 years of experience in the development of irrigation infrastructure.	Coordination of Engineering matters on the project.
3.	Eng. Henry Ochiere	Project Manager	Over 10 years' experience in dam and irrigation infrastructure construction.	Coordinating all technical matters of the project
4.	Eng. Stephen Mutinda	Resident Engineer	Over 10 years' experience in dam and irrigation infrastructure construction.	Project supervision, coordination and oversight of the project.

*Upgrading of Ahero Irrigation Development project
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5.	CPA. Joyce N. Kiura	Project Accountant	Over 15 years in Financial management	Advising on project financial aspects.
6.	M/s Patricia Siele	Procurement officer	Over 7 years of experience in procurement matters	Advising on procurement matters for the project.
8.	Jullyanne Okello	M & E Officer	Over 15 years in project monitoring	Responsible for project monitoring and evaluation

2.7 Funding summary

The Project is for a duration of two years from 2024 to 2026 with an approved budget of US\$ 5,580,255 equivalent to Kshs.721,268,000 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						
Hungarian Export-Import Private Limited	5,000,000	646,268,000	1,000,000	129,253,600	4,000,000	517,014,400
(ii) Counterpart funds						
Government of Kenya	580,255	75,000,000	232,102	30,000,000	348,153	45,000,000
Total	5,580,255	721,268,000	1,232,102	159,253,600	4,348,153	562,014,400

Project information and overall performance (continued)

B. Application of Funds

Application of funds	Amount received to date – (30 th June 2025)		Cumulative amount paid to date – (30 th June 2025)		Unutilised balance to date (30 th June 2025)	
	Development Partner currency	Kshs	Development Partner currency	Kshs	Development Partner currency	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Loan						
Hungarian Export-Import Private Limited	1,000,000	129,253,600	1,000,000	129,253,600	-	-
(ii) Counterpart funds						
Government of Kenya	232,102	30,000,000	3,766	486,833	228,336	29,513,167
Total	1,232,102	159,253,600	1,003,766	129,740,433	228,336	29,513,167

Project information and overall performance (continued)

2.8 Summary of Overall Project Performance:

- i) Budget performance against actual amounts for the current year is 69% and for cumulative to-date is 64%,
- ii) Physical progress based on outputs and outcomes since project commencement, -30%. The contractor has completed design of the project and has presented to the employer for final approval as of Aug 2025.
Topographical survey and valuation of land to be compensated is ongoing
- iii) The absorption rate for each year since the commencement of the project is 1%.
- iv) The implementation challenges and recommended next steps:
Farmers' interference with topographical survey, this has delayed design works.
The institution is working on community engagement aimed at sensitizing the farmers on the project to minimise resistance.

2.9 Summary of Project Compliance:

The project complied with all statutory requirements.

3. Statement of Performance against Project's Predetermined Objectives

Introduction

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

- a) Enhance water supply reliability by upgrading and modernizing pumping systems to reduce breakdowns and irrigation disruptions.
- b) Improve irrigation efficiency to boost rice production and farm yields within Ahero Irrigation Scheme.
- c) Reduce operation and maintenance costs by installing energy-efficient and durable pumps.
- d) Support national food security and economic growth through increased rice production and reduced dependency on imports.
- e) Promote environmental and climate resilience by installing pumps that can adapt to fluctuating river levels and water variability.
- f) Strengthen institutional capacity and farmer participation in scheme management through improved stakeholder engagement and training.

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
Pump Modernization	Enhance water supply reliability	Reduced pump breakdowns and improved water delivery	% reduction in downtime hours	Pump downtime reduced by 65% compared to FY 2021/22. All 3 main pumps replaced with modern units.
Irrigation Efficiency	Improve irrigation efficiency	Increased rice productivity	Average yield (tons/ha)	Yields increased from 3.5 tons/ha to 5.2 tons/ha across 6,000 ha served.
O&M Cost Reduction	Reduce operation and maintenance costs	Lower energy and repair costs	% reduction in energy & repair costs	Energy and repair costs reduced by 30% after installation of energy-efficient motors.
Food Security	Support national food security	Increased rice supply nationally	Metric tons of rice produced	National contribution rose by 20,000 MT; imports reduced slightly.
Climate Resilience	Promote environmental sustainability	Greater resilience to river water level fluctuations	Number of irrigation interruptions	No interruptions reported during 2023 dry season, compared to 4 interruptions in 2021.
Farmer Capacity	Strengthen institutional capacity	Increased farmer participation in scheme management	Number of farmers trained/engaged	2,100 farmers trained on O&M and irrigation scheduling; WUAs actively involved.

4. Environmental and Sustainability Reporting

Introduction

The upgrading of Ahero Pumping Station is part of the Government of Kenya's long-term strategy to ensure sustainable irrigation infrastructure that can continue delivering water to farmers reliably over decades. Sustainability in this context refers to the ability of the irrigation scheme to continue serving rice farmers while balancing economic growth, environmental protection, social responsibility, and governance accountability.

1. Sustainability strategy and profile

The project's sustainability strategy is guided by the National Irrigation Policy, Kenya Vision 2030, and BETA (Food Security).

- The Accounting Officer of NIA has emphasized the modernization of schemes to reduce dependence on diesel-powered and inefficient pumps, aligning with global best practices in energy efficiency.
- Macroeconomic pressures such as high fuel costs and climate variability influenced the prioritization of energy-efficient pumping and improved water use efficiency.
- Key achievements include reduction in energy costs, improved crop productivity, and stronger farmer involvement in scheme management.

2. Environmental performance

- Environmental Policy: The project operates under the Environmental Management and Coordination Act (EMCA), 1999 and undertook an Environmental and Social Impact Assessment (ESIA) before implementation.
- Biodiversity Management: The water intake system was designed to minimize disturbance to aquatic life in River Nyando. Screens were fitted to prevent fish and debris entry into pumps.
- Waste Management: Old pumps and scrap metals were collected and disposed of through licensed recyclers. Waste oils from maintenance activities are managed in compliance with NEMA regulations.
- Carbon Footprint Reduction: Energy-efficient motors reduced electricity consumption, thereby lowering the project's environmental impact.

3. Employee welfare

- Recruitment and Gender Balance: Hiring follows national labor laws and seeks gender inclusivity. Female engineers and technicians were engaged during both design and operations.
- Capacity Building: Staff underwent training on pump operation, preventive maintenance, and occupational safety.
- Career Development: NIA rolled out refresher courses for technicians and engineers, aligned with irrigation scheme O&M training.
- Health & Safety: All worksites complied with the Occupational Safety and Health Act (OSHA) 2007. Safety gear was issued, safety briefings held daily, and zero fatal accidents were recorded.

4. Marketplace practices-

a) Responsible Supply chain and supplier relations-

- Procurement followed the Public Procurement and Asset Disposal Act (PPADA 2015).
- Local suppliers were given preference where applicable, and contractors were paid promptly to avoid disputes.

b) Responsible ethical practices

- All project staff signed anti-corruption declarations.
- The project maintained zero tolerance for bribery and was subject to audits by the Auditor General.

c) Regulatory impact assessment

- All project staff signed anti-corruption declarations.
- The project maintained zero tolerance for bribery and was subject to audits by the Auditor General.

5. Community Engagements

- Farmer Training: Over 2,000 farmers to receive training on water scheduling, pump O&M, and improved agronomy.
- Social Investment: The project supports local schools with water tanks and refurbished one health facility near the intake.
- CSR Initiatives: Organized community clean-up drives along canals to improve sanitation.
- Promoting Sports & Education: Sponsored local youth football tournaments and irrigation awareness programs in schools.
- Water & Sanitation: Improved drainage reduces stagnant water, cutting malaria incidences in the community.

5. Statement of Project Management Responsibilities

The *Chief Executive Officer* for the *Project* and the *Project Manager* are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for the financial year ended on June 30, 2025.

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

The *Chief Executive Officer* for the *Project* and the *Project Manager* accept responsibility for the Project's financial statements, which have been prepared on the accrual basis method of financial reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

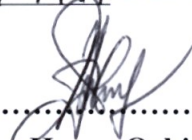
The *Chief Executive Officer* for the *Project* and the *Project Manager* are of the opinion that the Project's financial statements give a true and fair view of the state of the Project's transactions during the financial year ended June 30, 2025, and of the Project's financial position as at that date. The *Chief Executive Officer* for the *Project* and the *Project Manager* 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 *Chief Executive Officer* for the *Project* and the *Project Manager* 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 *Chief Executive Officer* for the *Project* and the *Project Manager* on 12/11/2025 and signed by:


.....
Eng. Charles Muasya, MBS
Chief Executive Officer


.....
Eng. Henry Ochieng' Ochiere
Project Manager

Upgrading of Ahero Irrigation Development project
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REPORT OF THE AUDITOR-GENERAL ON UPGRADING OF AHERO IRRIGATION DEVELOPMENT PROJECT GRANT NO. HS00124000 FOR THE YEAR ENDED 30 JUNE, 2025 – NATIONAL IRRIGATION AUTHORITY

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Upgrading of Ahero Irrigation Development Project Grant No. HS00124000 - National Irrigation Authority set out on pages 1 to 23, which comprise of the statement of financial position as at 30 June, 2025

Report of the Auditor-General on Upgrading of Ahero Irrigation Development Project Grant No. HS00124000 for the year ended 30 June, 2025 – National Irrigation Authority

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

In my opinion, the financial statements present fairly, in all material respects, the financial position of Upgrading of Ahero Irrigation Development Project Grant No. HS00124000 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 Framework Agreement between the Republic of Kenya and the Government of Hungary on Financial Cooperation dated 28 May, 2020 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 Upgrading of Ahero Irrigation Development Project Grant No. HS00124000 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 a final revenue and expenditure budget of Kshs.230,000,000. Actual revenue realized was Kshs.159,253,600, while actual expenditure amounted to Kshs.486,833. This resulted in an underfunding of Kshs.70,746,400 (31%) and an underutilization of Kshs.229,513,168 (99%). The significant underutilization of resources may adversely affect timely project implementation, particularly considering that the project is expected to end in 2026.

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

The management is responsible for the Other Information set out on page i to xvii which comprise of Project Information and Overall Performance, Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Statement of Project Management Responsibilities, Statement of Performance Against Predetermined Objectives. 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.

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

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

Conclusion

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

Basis for Conclusion

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

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, 2015.

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

The Board of Management is 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, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require

that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

14 November, 2025

*Upgrading of Ahero Irrigation Development project
Annual Report and Financial Statements for the financial year ended June 30, 2025*


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

	Notes	FY 2024/2025
		Kshs
Revenue		
Revenue Transfers	6	30,000,000
Total revenue		30,000,000
Expenses		
Use of goods and services	7	486,833
Total expenses		486,833
Surplus/ (deficit)		29,513,167

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


.....
Eng. Charles Muasya, MBS
Chief Executive Officer


.....
Eng. Henry Ochieng' Ochiere
Project Manager

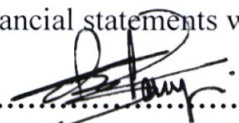

.....
CPA. Joyce N. Kiura
Project Accountant
ICPAK Member No. 15914

*Upgrading of Ahero Irrigation Development project
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8. Statement of Financial Position as at 30th June 2025

	Note	FY 2024-25
		Kshs
Assets		
Current Assets		
Cash and Cash equivalents	8	19,031,624
Receivables	9	139,735,143
Total Current Assets		158,766,767
Non-Current Assets		
Total Non- Current Assets		-
Total Assets (a)		158,766,767
Liabilities		
Current Liabilities		-
Total Current Liabilities		-
Total Liabilities (b)		-
Net Assets (a-b)		158,766,767
Represented By:		
Accumulated Reserves	10	29,513,167
Hungarian Export-Import Private Limited	11	129,253,600
Total Net Assets		158,766,767

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


.....
Eng. Charles Muasya, MBS
Chief Executive Officer


.....
Eng. Henry Ochieng' Ochiere
Project Manager


.....
CPA. Joyce N. Kiura
Project Accountant
ICPAK Member No. 15914

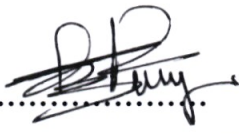
*Upgrading of Ahero Irrigation Development project
Annual Report and Financial Statements for the financial year ended June 30, 2025*

9. Statement of Changes in Net Assets


Description	Accumulated Reserves	Hungarian Export-Import Private Limited	Total
	Kshs	Kshs	Kshs
As at 1 st July 2024	-	-	-
Additions	29,513,167	129,253,600	158,766,767
As at 30 th June 2025	29,513,167	129,253,600	158,766,767

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

The financial statements were approved on 14/11/2025 2025 and signed by:


.....
Eng. Charles Muasya, MBS
Chief Executive Officer


.....
Eng. Henry Ochieng' Ochiere
Project Manager


.....
CPA. Joyce N. Kiura
Project Accountant
ICPAK Member No. 15914

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

Description	Note	Insert Current FY Kshs
Cashflow from operating activities		
Receipts		
Revenue Transfers	6	30,000,000
Total receipts		30,000,000
Payments		
Use of goods and services	7	486,833
Total payments		486,833
Net cash flow from operating activities		(110,221,976)
Cashflow from investing activities		
Net cash flows from investing activities		-
Cash flow from financing activities		
Hungarian Export-Import Private Limited	11	129,253,600
Net cash flow from financing activities		129,253,600
Net increase/Decrease in cash and cash equivalents		19,031,624
Cash and cash equivalent at 1st July 2024		-
Cash and cash equivalent at end June 2025	8	19,031,624

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

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue Transfers	380,000,000	(150,000,000)	230,000,000	159,253,600	70,746,400	69%
Total Revenue	380,000,000	(150,000,000)	230,000,000	159,253,600	70,746,400	
Payments						
Use of goods and services	78,000,000	3,000,000	75,000,000	486,833	74,513,168	1%
Certified Works	302,000,000	147,000,000	155,000,000	-	155,000,000	0%
Total Payments	380,000,000	(150,000,000)	230,000,000	486,833	229,513,168	0%
Surplus or Deficit	-	-	-	158,766,767		

- i. The variance of 99% in Use of goods is attributed to direct payments are based on works done and certified.
- ii. The changes between the original and final budget is as per supplementary II and III

12. Notes to the Financial Statements

1. General Information

The strategic goals of the project are as follows:

- (i) Employment- creation of 5,000 and 10,000 direct and indirect jobs respectively
- (ii) Enhanced production of paddy rice by 6,480 MT annually Contributing to the achievement of the bottom-up transformative agenda by increasing agricultural productivity, eradicating poverty, and reducing unemployment.

The project management aims to achieve the goals through the following means:

- (i) Increase Food Security. The scheme contributes significantly to national rice production. Upgrading of the pump station aims to increase production, reduce rice imports, and improve livelihoods of local farmers Improving of livelihoods of farmers. The scheme will increase farmers income from sale of rice, employment and water supply.

The project is a turnkey project involving

1. Feasibility study and design
2. Construction of grid tied solar power system for the pumping station 500 KVA
3. Rehabilitation of intake works and replacement of 2 No old pumps at the pumping station.
4. Installation of 2 No. new pumps for additional 1000 acres
5. Riverbank protection
6. Water distribution network.

The project was formed to intervene in the following problems/gaps:

- (i) Crop production: The project aims to improve crop production by upgrading the Ahero pumping station, which will expand the area under irrigation.
- (ii) Nutrition: By improving crop production, the project contributes to better nutrition.
- (iii) National growth and development: The project's objectives in crop production and nutrition are intended to contribute to the overall growth and development of the nation.

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)

These financial statements were authorized for issue by the accounting officer on 29th August 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 an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p><i>The standard has no direct impact on the project</i></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> <p><i>The standard has no direct impact on the project</i></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> <p><i>The standard has no direct impact on the project</i></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>

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Standard	Effective date and impact:
	<p>i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used.</p> <p>ii. Clarifying transaction costs guidance to enhance consistency across IPSAS;</p> <p>iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.</p> <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p> <p><i>The standard has no direct impact on the project</i></p>

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

Standard	Effective date and impact:
IPSAS 47- Revenue	<p><i>Applicable 1st January 2026</i></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p> <p><i>The standard has no direct impact on the project</i></p>
IPSAS 48- Transfer Expenses	<p><i>Applicable 1st January 2026</i></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p> <p><i>The standard has no direct impact on the project</i></p>
IPSAS 49- Retirement Benefit Plans	<p><i>Applicable 1st January 2026</i></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector</p>

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Standard	Effective date and impact:
	<p>employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p> <p><i>The standard has no direct impact on the project</i></p>
<p>IPSAS 50: Exploration For & Evaluation of Mineral Resources</p>	<p><i>Applicable 1st January 2027</i></p> <p>The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p> <ul style="list-style-type: none"> i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized. <p><i>The standard has no direct impact on the project</i></p>

iii) 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 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 the Board on January 2024. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the project upon receiving the respective approvals to conclude the final budget. Accordingly, the project did not record additional appropriations. The project's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented on page 5 under section Statement of Comparison of Budget and Actual Amounts 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

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plant and equipment. When significant parts of property, plant and equipment are required to be replaced at intervals, the project recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus, or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

Notes to the financial statements

d) Leases

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

e) Intangible assets

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

f) Research and development costs

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

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

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

g) Financial instruments

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

Financial assets

Classification

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

Subsequent measurement

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

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is

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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 project manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

Trade and other receivables

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

Impairment

The project assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The project recognizes a loss allowance for such losses at each reporting date. 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.

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:

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- 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.

Inventories (Continued)

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

i) Provisions

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

Contingent liabilities

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

Contingent assets

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

j) Nature and purpose of reserves

The *Project* creates and maintains reserves in terms of specific requirements.

k) Changes in accounting policies and estimates

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

l) 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 an project pays fixed contributions into a separate project (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

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

p) Service concession arrangements

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

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.

Notes to the financial statements

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the *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. The Project based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Project. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual values

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

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

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.

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Notes to the financial statements

6. Revenue Transfers

a) Details to Revenue Transfers

Name of The Project Transferring	Amount recognized to Statement of Financial performance	Total transfers FY 2024-25
	Kshs	Kshs
GOK Funding	30,000,000	30,000,000
Total	30,000,000	30,000,000

7. Use of Goods and Services

De scription	FY 2024-25
c	<u>Kshs</u>
Bank charges	633
Domestic travel and subsistence	486,200
Total	486,833

8. Cash and Cash Equivalentents

Description	FY 2024-2025
	Kshs
Cash in Bank	19,031,624
Total Cash and Cash Equivalentents	19,031,624

Project Bank Accounts

Details	FY 2024-2025
	Kshs
Local Currency Accounts	
Project Equity Bank A/c No. 1600270952006	19,031,624
Total bank account balances	19,031,624

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9. Receivables

Description	FY 2024-2025
	Kshs
Contractor's Advance payments	129,253,600
NIA	10,481,543
Total Receivables	139,735,143

NB: Current receivables represent an advance payment made to the contractor.

Ageing analysis for Receivables

Description	FY 2024-2025	
	Kshs	
	Current FY	% of the total
Less than 1 year	139,735,143	100%
Total (a+b)	139,735,143	100%

10. Accumulated Reserves

Description	FY 2024-2025
	Kshs
Accumulated reserves	29,513,167
Total Receivables	29,513,167

11. Hungarian Export-Import Private Limited

Description	FY 2024-2025
	Kshs
Contractor's Advance payments	129,253,600
Total Receivables	129,253,600

12. Cash Generated from Operations

Description	2024/2025
	Kshs
Surplus/Deficit for the year	29,513,167
Adjusted for:	
Working capital adjustments	
Increase in receivables	(139,735,143)
Net cash flow from operating activities	(110,221,976)

13. 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 *Project's* equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the *Project*, both domestic and external.

14. Events after the Reporting Period

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

15. Ultimate And Holding Project

The *Project* is a State Corporation/ or a Semi-Autonomous Government Agency under the Ministry of xxx. Its ultimate parent is the Government of Kenya.

16. Currency

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

*Upgrading of Ahero Irrigation Development project
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13. Annexes

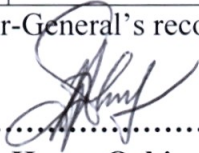
Annex 1: Prior Year Auditor-General's Recommendations


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)

There were no prior year Auditor-General's recommendation

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Eng. Charles Muasya, MBS
Chief Executive Officer

.....

**Eng. Henry Ochieng'
Ochiere**
Project Manager

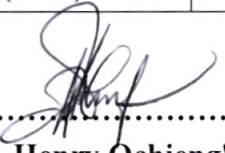
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CPA. Joyce N. Kiura
Project Accountant
ICPAK Member No. 15914


Annex 2: Reconciliation of inter-project transfers

Project Name:			
Break down of transfers from the State Department of Irrigation			
a.	Government Counterpart funding		
		Bank Statement Date	Amount (Kshs)
			Indicate the FY to which the amounts relate
	RC288994	8/28/2024	12,500,000
	RC293019	11/18/2024	12,500,000
	RC300666	5/9/2025	2,500,000
	RC305892	6/11/2025	2,500,000
		Total	30,000,000
B.	Direct payments		
		Bank Statement Date	Amount (Kshs)
			Indicate the FY to which the amounts relate
	ADVANCE-UPGRADING	12/10/2024	129,253,600
		Total	129,253,600
		Total (A+B)	159,253,600

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 Eng. Charles Muasya, MBS
 Chief Executive Officer

.....

 Eng. Henry Ochieng' Ochiere
 Project Manager

.....

 CPA. Joyce N. Kiura
 Project Accountant
 ICPAK Member No. 15914

Annex 3: Fixed Asset Register

The project did not acquire any assets within the financial year.