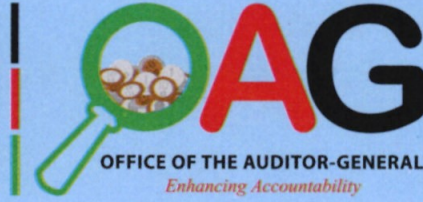


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THE AUDITOR-GENERAL

ON

**SAMATAR-WAJIR ROAD PROJECT - BADEA
GRANT/CREDIT NO.13451P, 13/779 AND 995**

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

KENYA NATIONAL HIGHWAYS AUTHORITY

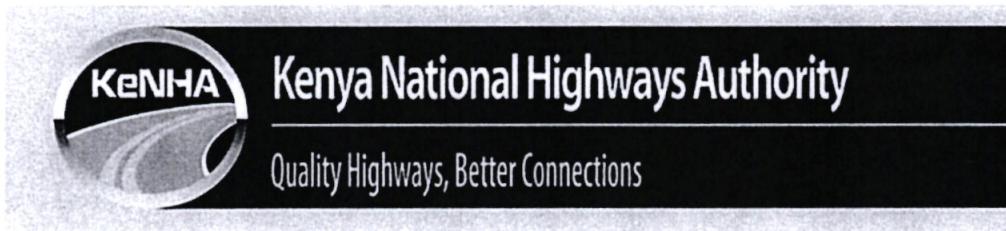


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MINISTRY OF ROADS & TRANSPORT



PROJECT NAME: SAMATAR-WAJIR ROAD PROJECT

IMPLEMENTING ENTITY: KENYA NATIONAL HIGHWAYS AUTHORITY

PROJECT GRANT/CREDIT NUMBER: 13451P, 13/779 & 995

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)

Samatar-Wajir Road Project

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



Samatar-Wajir Road Project

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

Table Contents

Page

1.	Acronyms and Definition of Terms	ii
2.	Project Information and Overall Performance	iii
3.	Statement of Performance Against Project's Predetermined Objectives	x
4.	Environmental and Sustainability reporting	xi
5.	Statement of Project Management Responsibilities.....	xiii
6.	Report of the Independent Auditor on Financial Statements for Samatar-Wajir Road Project	xiv
7.	Statement of Financial Performance for the Year Ended 30 th June 2025.	1
8.	Statement of Financial Position as at 30th June 2025.....	2
9.	Statement of Changes in Net Assets	3
10.	Statement of Cashflow for the year ended 30 th June 2025	4
11.	Statement of Comparison of Budget and Actual Amounts for the Year ended 30th June, 2025.....	5
12.	Notes to the Financial Statements.....	6
13.	Annexes	25

1. Acronyms and Definition of Terms

BADEA	Arab Bank for Economic Development in Africa
CBK	Central Bank of Kenya
CPA	Certified Public Accountant
EIA	Environmental Impact Assessment
ESIA	Environmental Social Impact Assessment
ESMP	Environment and Social Management Plan
FY	Financial Year
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
JKIA	Jomo Kenyatta International Airport
KeNHA	Kenya National Highways Authority
Kshs.	Kenya Shillings
MoRT	Ministry of Roads and Transport
NEMA	National Environment Management Authority
OPEC	Organization of the Petroleum Exporting Countries
PAPs	Project Affected Persons
PIU	Project Implementation Unit
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board
SDG	Sustainable Development Goals
TNT	National Treasury
USD	United States Dollar

2. Project Information and Overall Performance

2.1 Name and registered office

Name

The project's official name is Samatar-Wajir Road Project.

Objective

The key objective of the project is meeting the increasing demand for transport of passengers and goods in the North Eastern Region of the country, thereby promoting trade activities with the neighbouring countries and thus contributing to the economic and social development in the region.

Address:

The project headquarters offices are in Barabara Plaza,

The address of its registered office is Jomo Kenyatta International Airport (JKIA) Off Mazao Road, Nairobi, Kenya

Contacts: The following are the project contacts;

Director General, Kenya National Highways Authority

Po Box 49712-00100, Nairobi.

Telephone: (254) 020 495000

E-mail: dg@Kenha.co.ke

Website: www.kenha.co.ke

Project Information and Overall Performance (Continued)

2.2 Project Information

Project Start Date:	The project start date is 7 th June 2021
Project End Date:	The project end date is 15 th December 2025
Project Coordinator:	Eng. Cleophus Makau
Project Sponsor:	The Saudi Fund for Development, The Arab Bank for Economic Development, Kuwait Fund for Arab Economic Development, the OPEC Fund for International Development and the Government of Kenya.

2.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the State Department of Roads on behalf of Ministry of Roads & Transport.
Project number	13451P, 13/779 & 995
Strategic goals of the project	<p>The strategic goals of the project are as follows:</p> <ul style="list-style-type: none"> (i) Connecting Kenya and Ethiopia (ii) Improving the living standards of communities bordering the project. <p>The specific objectives of the project are as follows:</p> <ul style="list-style-type: none"> (i) Reduce travel times and costs (ii) Increase road safety to reduce death and serious injury to all road users
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) Realisation of the regional road improvements, implementation of effective transit operations on the corridor. (ii) Scaling up the quantity and quality of road infrastructure, which carry very significant proportion of freight transport, about 90%, has gained prominence in both countries' development plans.

Project Information and Overall Performance (Continued)

<p>Other important background information of the project</p>	<p>The project entails upgrading of the existing “Samatar-Wajir” road (90km) to a first-degree bitumen standard (Category A), that connects “Samatar” town to “Wajir” town, that is wholly situated in Wajir County in the North Eastern Region.</p> <p>The project will enhance regional integration, trade, tourism, blue economy and socio-economic development in the coastal corridor of the two Countries and by extension to the EAC Region and Horn of Africa.</p> <p>The Project is comprised of the following components: -</p> <ol style="list-style-type: none"> a. Civil Works and Ancillaries-Including the construction of (Category A) paved road of 90 km length, 7.0 m width carriageway, two shoulders of 2.0m width of each at both sides, with improvements of the longitudinal and transversal section according to design speed of 50-100 kilometre per hour. b. Consultancy Services- including review of detailed design, finalization of tender documents, assistance with evaluation of proposals, award of contracts, and supervision of civil works. c. The project launch workshop-before implementation commences to familiarize staff Project Implementation Team (PIU) and other relevant government staff with the financiers’ rules and procedures in order to facilitate Project Implementation. d. Audit -comprise of annual and final audits and reports by an external auditor.
<p>Areas that the project was formed to intervene</p>	<p>The project was formed to intervene in the following problems/gabs:</p> <ol style="list-style-type: none"> (i) Contribution to increased regional and international trade between Kenya and Ethiopia using the Samatar-Wajir border. (ii) Reduction of cost of travel.
<p>Project duration</p>	<p>The project started in June 2021 and is expected to run up to the end of 2025</p>

2.4 Bankers

The following is the banker of the project:

Co-operative Bank of Kenya Ltd
Upper Hill Branch, Nairobi
Account Number: '01141160979900

2.5 Independent Auditor

The project is audited by:

The Auditor General
Office of the Auditor - General
P.O. Box 30084 - 00100 GPO
Nairobi

Project Information and Overall Performance (Continued)**2.6 Roles and Responsibilities**

List of the people who are working on the project

No.	Names	Title designation	Key qualification	Responsibilities
1	Eng Henry Gakuru	Director Development	Registered Engineer	Oversight
2	Eng. Cleophus Makau	Deputy Director, Development	Registered Engineer	Project Co- Ordinator
3	Mr. W Nyatwanga	Deputy Director, Environment & Social	Environmental & Social Specialist	Safeguard Specialist
4	Mr. Chanje Kera	Deputy Director, Finance & Accounts	Registered CPA (K)	Financial Specialist
5	Mr. Richard Kilel	Assistant Director, Supply Chain Services	Registered SCMO	Supply Chain Management Specialist

2.7 Funding summary

The project is a for a duration of 4yrs from 2021 to 2025 with an approved budget of USD 78,800,000 equivalent to Kshs 8,497,650,160 as highlighted in the table below:

Project information and overall performance (continued)

Below is the funding summary:

A. Sources of Funds

Source of funds	Development Partner Commitments		Amount received to date (30.06.2025)		Undrawn balance to date (30.06.2025)	
	USD	Kshs	USD	Kshs	USD	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A') – (B')
(i) Loan						
Kuwait Fund	23,800,000	2,566,549,160	-	-	23,800,000	2,566,549,160
BADEA	15,000,000	1,617,573,000	-	-	15,000,000	1,617,573,000
OPEC Fund	20,000,000	2,156,764,000			20,000,000	2,156,764,000
Saudi Fund	20,000,000	2,156,764,000			20,000,000	2,156,764,000
(ii) Counterpart Funds	4,200,000	452,920,440	115,914	12,500,000	4,084,086	440,420,440
Total	83,000,000	8,950,570,600	115,914	12,500,000	82,884,086	8,938,070,600

B. Application of Funds

Application of funds	Amount received to date- (30th June 2025)		Cumulative Amount paid to date-(30th June 2025)		Unutilised balance to date	
	USD	Kshs	USD	Kshs	USD	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Loan						
Kuwait Fund	-	-	-	-	-	-
BADEA	-	-	-	-	-	-
OPEC Fund	-	-	-	-	-	-
Saudi Fund	-	-	-	-	-	-
(ii) Counterpart Funds	115,914	12,500,000	-	3,653,018	115,914	8,846,982
Total	115,914	12,500,000	-	3,653,018	115,914	8,846,982

Project information and overall performance (continued)

2.8 Summary of Overall Project Performance:

i. Budget performance against actual amounts for current financial year and cumulative to date;

BUDGET	2024/2025			Cumulative		
	Budget	Actual	%	Budget	Actual	%
Counterpart Funds - Gok	-	-	0%	22,557,540	-	0%
Grant from External Development Partners	-	-	0%	180,000,000	-	0%
Total	-	-	0%	202,557,540	-	0%

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

As at 30th June, 2024 the project was still under procurement process

iii. Absorption rate for each year since the commencement of the project

FY	Budget	Actual	%
2024/2025	-	-	0%
2023/2024	110,057,540	-	0%
2022/2023	92,500,000	-	0%
TOTAL	202,557,540	-	0%

Comment on value for money achievements.

- The project procurement process is conducted through International Competitive Bidding (ICB) which results in excellent value for money.
- The authority (KeNHA) has put in place adequate checks & balances on appointment of the works consultant supervision who oversees the project implementation on daily basis on consultation and subsequent approvals from the employer and the bank.
- In addition to works supervision, the consultant undertakes design review before commencement of roads construction works to reduce conflict during the project implementation.

2.9 Summary of Project Compliance:

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

3. Statement of Performance Against Project's Predetermined Objectives

Introduction

Section 81(2)(f) of the Public Finance Management Act, 2012, requires that the Accounting Officer include a statement of the Samatar-Wajir Road Project performance against predetermined objectives at the end of each financial year.

The key development objectives of the project are to:

- i. Improve the trading environment in the Region through the provision of improved transport infrastructure and addressing soft barriers to the free movement of goods, services and people along the corridor.
- ii. Fully exploit the benefits of regional integration, complementary 'soft' components aimed at tackling key constraints to trade and improving transit time and overall corridor efficiency have been integrated in the Project. In particular, the Project has identified the need to operationalize coordinated border management (CBM) system at the Samatar-Wajir as a priority.

Progress on attainment of Strategic development objectives

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

Below we provide the progress on attaining the stated objectives:

Objective	Outcome	Indicator	Performance
Contribution to increased regional and international trade between Kenya and Ethiopia border	Total import export trade using the Samatar-Wajir to increase by at least 20%	Volume of Import Export trade handled at Samatar-Wajir	205.3 tons (USD 141million). average of the last five years
To enhance social economic development of the people along the project road	Improved air quality along the project road hence improved health among communities along the project road.	Reduced CO ₂ concentration along the project road as a result of reduced traffic congestion	Through technical and vocational trainings undertaken during the Financial Year, local jobs have been created.

4. Environmental and Sustainability reporting

Samatar-Wajir Road Project exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy. Below is a brief highlight of our activities that drive towards sustainability.

(i) Sustainability strategy and profile

Sustainable Development Goals (SDGs) 2015-2030 provides a plan of action for the people and their prosperity. Five out of the seventeen goals are pertinent to management of projects being undertaken by the Authority. These are being addressed through the following initiatives;

- a) *Good health and well-being (SDG 3)*: The Authority strives to undertake Road Safety Audits to identify accident black spots, implement intervention measures and provide road safety education to reduce accidents;
- b) *Gender Equality (SDG 5)*: The Authority encourages mainstreaming of gender equality in project and programmes by incorporating compliance to one third gender rule in procurement and recruitment;
- c) *Industry, innovation and infrastructure (SDG 9)*: The Authority develops quality, reliable, sustainable and resilient infrastructure including regional and trans-border infrastructure to support economic development and human wellbeing with a focus on affordable and equitable access for all;
- d) *Sustainable cities and communities (SDG 11)*: The Authority endeavours to extend the paved road network to hitherto underserved areas in the region to improve nationwide access to high speed and all – weather connectivity; and
- e) *Climate action (SDG 13)*: The Authority endeavours to combat negative impacts of road development through environmental mitigation, climate change measures and compliance with National Environment Management Authority (NEMA) requirements in all development projects

(ii) Environmental performance

The Authority is working towards ensuring environmental sustainability in projects by undertaking tree planting exercises, implementation of road beautification programs, enforce reinstatement of quarries and borrow pits after construction works, undertakes regular Environmental Impact Assessment (EIA) Audits, carries out M&E on Environment and Social Management Plan (ESMPs) as well as Environmental Social Impact Assessment (ESIA) on projects.

Environmental and Sustainability reporting (Continued)

(iii) Employee welfare

In all its staff appointments, the Authority takes deliberate actions to embrace Equal Employment Opportunity policies, gender mainstreaming, addresses concerns around Persons Living with Disabilities (PWDs) and takes affirmative action in line with prevailing Government Policy guidelines. The Authority prioritizes training to develop technical capacity of staff in the fields of Value Engineering, Project Financing, Project, Contract Management, Performance Based Maintenance and Safety.

(iv) Market place practices

The Authority strives to ensure responsible competition practices through undertaking annual governance audits in projects, monitoring the implementation of policies and further promotes ethical conduct in projects. The Authority equally sensitizes staff on corruption and integrity.

The Authority undertakes to be actively involved in the negotiations during budget sector hearings in order to increase budgetary allocations for projects thus honouring contracts by paying its liabilities on time.

(v) Community Engagements

During the implementation of the Project, the Authority is committed to remaining a responsible corporate citizen by being accountable for its actions through engaging in Public Participation. The Project's goal in terms of community engagement is to ensure that the projects foster long-term relationships with stakeholders and communities around the project. The aim is not just to build roads that foster development but to ensure collaboration with the local communities to achieve sustainable development. The project staff is also encouraged to give back to society by participating in the Authority's corporate social responsibility projects.

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

5. Statement of Project Management Responsibilities

The Director General, KeNHA and the Project Management 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 (vi) Making accounting estimates that are reasonable in the circumstances.

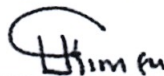
The Director General, KeNHA and the Project Management accept responsibility for the project's financial Statements, which have been prepared on the accrual basis method of Financial Reporting, using appropriate accounting policies in accordance with the International Public Sector Accounting Standards.

The Director General, KeNHA and the Project Management are of the opinion that the Project 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 the Project's financial position as at that date. The Director General, KeNHA and the Project Management further confirm that 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 Director General, KeNHA and the Project Management 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 are used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project financial statements

The Project financial statements were approved by the Director General, KeNHA and the Project Management on 27 AUG 2025and signed by:



Eng. Luka Kimeli
Ag. Director General



Eng. Henry Gakuru
Director -Development

REPUBLIC OF KENYA

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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 SAMATAR-WAJIR ROAD PROJECT - BADEA GRANT/CREDIT NO.13451P, 13/779 AND 995 FOR THE YEAR ENDED 30 JUNE, 2025 – KENYA NATIONAL HIGHWAYS AUTHORITY

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying transitional IPSAS financial statements of Samatar-Wajir Road Project -BADEA - KENHA set out on pages 1 to 26, which comprise of the statement of financial position as at 30 June, 2025 and the statement of statement of

*Report of the Auditor-General on Samatar-Wajir Road Project -Badea Grant/Credit NO.13451P, 13/779 and 995
for the year ended 30 June, 2025 – Kenya National Highways Authority*

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

In my opinion, the transitional IPSAS financial statements present fairly, in all material respects, the financial position of Samatar-Wajir Road Project -BADEA - KENHA as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) including the transitional provisions permitted under IPSAS 33 and comply with Loan Financing Agreements Loan No.13451P, 13/779 and 995 between the Opec Fund for International Development, Saudi Fund for Development, Arab Bank for Economic Development in Africa, Kuwait Fund for Arab Economic Development and the Republic of Kenya dated 2 February, 2021, 7 June, 2021 and 15 May, 2018 respectively and the Public Finance Management Act, 2012; and The National Treasury and Economic Planning Circular No. 3 of 14 April, 2025.

In addition, the special accounts statements present fairly, transactions for the year, and the closing balance have been reconciled with the books of account.

Basis for Opinion

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

Emphasis of Matter

1. Budget Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.68,000,000 and Kshs.12,500,000 respectively resulting to an under-funding of Kshs.55,500,000 or 77% of the budget. However, the Project spent Kshs.3,653,018 against actual receipts amount of Kshs.12,500,000 resulting to under-performance of Kshs.8,846,982 or 71% of actual receipts.

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

2. Low Absorption of Project Funds

Note 2.2 on project information to the financial statements showed that the project implementation duration was four (4) years from 07 June, 2021 to 15 December, 2025. However, as at 30 June, 2025, the project was still in the procurement stage, despite the fact that the Project's completion period being only three months away. No approval by Addendum for Extension of Time (EoT) was provided for audit review.

Further, paragraph 2.7 A on source of funds reflects amount of Kshs.8,950,570,600 in respect of the expected total funding for the Project. The amount comprised of Kshs.8,497,650,160 from Development Partners and Kshs.452,920,440 from Government of Kenya (Counterpart Funding). However, review of the project bank records revealed that the Project had only received amount of 12,500,000 from GOK and utilized Kshs.3,653,018 at closure of the year under review. The Project period may lapse before full utilization of the project credit and the Project may not achieve planned deliverable.

My opinion is not modified in respect of these matters.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, one issue each was raised under the Emphasis of Matter and the Report on Lawfulness and Effectiveness in Use of Public Resources respectively as shown on **Appendix 1**. However, the Management has not provided an explanation why the issues have not been resolved.

Other Information

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

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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.

Noncompliance with The Public Sector Accounting Standards Board (IPSASB) Presentation Template

Review of the statement of comparison of budget and actual amounts revealed differences in excess of 10% between budgeted amounts and actual amount. However, differences were not explained in form of notes required by IPSASB template as analyzed below;

ITEM	Final Budget Amount Kshs.	Actual Amount Kshs	Difference Kshs.	Percentage (%) Underperformance
Revenue Transfers from GOK	17,500,000	0	17,500,000	100%
Revenue Transfers-direct	38,000,000	0	38,000,000	100%
Use of Goods	68,000,000	3,653,018	64,346,982	95%

In the circumstances, Management did not comply with the financial statement presentation template.

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

Conclusion

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

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

As required by Financing Agreement Nos.13451P, 13/779 and 995 between the Government of Kenya and the OPEC Fund for International Development, Saudi Fund for Development, Arab Bank for Economic Development in Africa and Kuwait Fund for Arab Economic Development, I report based on my audit, that:

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

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

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

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

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

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

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

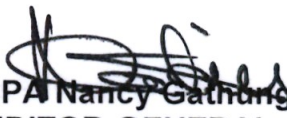
Auditor-General's Responsibilities for the Audit

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

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

25 November, 2025

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

	Notes	FY 2024/2025
		Kshs
Revenue		
Revenue Transfers	6	-
Miscellaneous Revenue		-
Total revenue		-
Expenses		
Use of goods and services	7	3,653,018
Total expenses		3,653,018
Other gains/(losses)		
Gain/Loss on foreign exchange transactions		
Surplus/ (deficit)		(3,653,018)

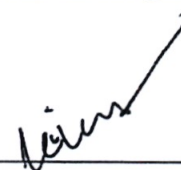
The accounting policies and explanatory notes to these financial statements are an integral part of the financial statements.



Eng. Luka Kimeli
Ag. Director General



Eng. Henry Gakuru
Director -Development



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

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

	Note	FY 2024-2025	1 st July 2024
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash equivalents	8	8,846,982	12,500,000
Total Current Assets		8,846,982	12,500,000
Non-Current Assets			
Property, Plant and Equipment	9	43,485,805	-
Total Non- Current Assets		43,485,805	-
Total Assets (a)		52,332,787	12,500,000
Liabilities			
Current Liabilities			
Trade and Other Payables	10	43,485,805	-
Total Current Liabilities		43,485,805	-
Total Liabilities (b)			
Net Assets (a-b)		8,846,982	12,500,000
Represented By:			
Accumulated Surplus		8,846,982	12,500,000
Total Net Assets		8,846,982	12,500,000

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



Eng. Luka Kimeli
Ag. Director General



Eng. Henry Gakuru
Director -Development



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

9. Statement of Changes in Net Assets

Description	Capital Grants	Accumulated Surplus	Total
	Kshs	Kshs	Kshs
As at 30 th June 2024 (Cash Basis)	-	12,500,000	12,500,000
Adjustments:			
Asset Recognition	-	-	-
Liabilities recognition	-	-	-
As at 1 st July 2024	-	12,500,000	12,500,000
Surplus/(Deficit) for the year	-	(3,653,018)	(3,653,018)
As at 30 th June 2025	-	8,846,982	8,846,982

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

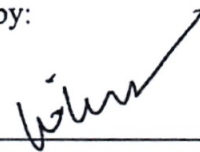
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Eng. Luka Kimeli
Ag. Director General



Eng. Henry Gakuru
Director -Development



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

Samatar-Wajir Road Project

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

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

Description	Note	2024-2025
		Kshs
Cashflow from operating activities		
Receipts		
Revenue Transfers	6	-
Miscellaneous Revenue		-
Total receipts		-
Payments		
use of goods and services	7	3,653,018
Total payments		3,653,018
Net cash flow from operating activities	11	(3,653,018)
Cashflow from investing activities		
Acquisition of non-financial assets		-
Net cash flows from investing activities		-
Cash flow from financing activities		
Net cash flow from financing activities		
Net increase/Decrease in cash and cash equivalents		(3,653,018)
Cash and cash equivalent at 1st July 2024	8	12,500,000
Cash and cash equivalent at end June 2025	8	8,846,982

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

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
	Kshs	Kshs	Kshs	Kshs	Kshs	
Budget Carry Overs from previous periods	12,500,000	-	12,500,000	12,500,000	-	100%
Receipts						
Revenue Transfers- GoK	30,000,000	(12,500,000)	17,500,000	-	17,500,000	0%
Revenue Transfers- Direct	300,000,000	(262,000,000)	38,000,000	-	38,000,000	0%
Total Revenue	342,500,000	(274,500,000)	68,000,000	12,500,000	55,500,000	23%
Payments						
Use of goods and services	342,500,000	(274,500,000)	68,000,000	3,653,018	64,346,982	6%
Acquisition of non-financial assets				-		
Total Payments	342,500,000	(274,500,000)	68,000,000	3,653,018	64,346,982	6%
Surplus	-	-	-	8,846,982	(8,846,982)	

Note: The significant budget utilization/ performance difference was due to the Authority not receiving its budgetary allocation.

Budget Reconciliation

	Description of Particulars	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	8,846,982
	Closing Cash and Cash Equivalent as per the statement of Cash flows	8,846,982

12. Notes to the Financial Statements

1. General Information

The project is under the supervision of KeNHA which derives its authority and accountability from Kenya Roads Act of 2007. KeNHA is wholly owned by the Government of Kenya and is domiciled in Kenya. KeNHA's principal activity is development, rehabilitation, management and maintenance of all National Trunk Roads comprising of Class S, A, and B roads.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared in accordance with the Public Finance Management Act, 2012 and with the International Public Sector Accounting Standards (IPSAS). The Samatar-Wajir Project has taken advantage of the transitional provision under IPSAS 3 and therefore this first year financial statements are transitional financial statements.

These financial statements were authorized for issue by the accounting officer on
..... 27 AUG 20252025

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 shall not have an impact on the project.</i></p>

Samatar-Wajir Road Project

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

IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires, 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: 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 shall not have an 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>Applicable for accounting of infrastructure assets e.g Roads, bridges</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> <ul style="list-style-type: none">i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used.ii. Clarifying transaction costs guidance to enhance consistency across IPSAS;iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p> <p><i>Applicable in measuring the current operational value of infrastructure assets.</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>Applicable in accounting for binding and unbinding arrangements related to revenue.</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>Applicable in accounting for transfer of assets to KeNHA.</p>
IPSAS 49- Retirement Benefit Plans	<p><i>Applicable 1st January 2026</i></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p> <p>The standard shall not have an impact on the project.</p>

Samatar-Wajir Road Project

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

IPSAS 50:	<i>Applicable 1st January 2027</i>
Exploration For & Evaluation of Mineral Resources	<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 KeNHA'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 shall not have an impact on the project</i></p>

iii. Early adoption of standards

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

Notes to the financial statements

4. Summary of Significant Accounting Policies

a. Revenue recognition

i. Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to 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 National Assembly on 28th January 2024. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the project upon receiving the respective approvals to conclude the final budget. Accordingly, the project did not record additional appropriations for FY 2024/2025 budget. The project's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements.

Notes to the financial statements

Budget information(Continued)

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 as per the statement of financial performance has been presented on page 5 under section *11* of these financial statements.

c. Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition or construction of the item of property appropriately according to the acronyms you use in your financial statements plant and equipment. When significant parts of property, plant and equipment are required to be replaced at intervals, 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.

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.

Notes to the financial statements

Leases (Continued)

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.

Notes to the financial statements

Research and development costs (Continued)

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 does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements.* 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 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.

Notes to the financial statements

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 entity has made an irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

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

Amortized cost

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

Notes to the financial statements

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.

Notes to the financial statements

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:

- 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 project.

Notes to the financial statements

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.

Notes to the financial statements

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.

m. Foreign currency transactions

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

n. Borrowing costs

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

o. Related parties

The 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

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.

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.

Notes to the financial statements

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 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.

Samatar-Wajir Road Project

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

Notes to the financial statements

6. Revenue Transfers

Description	FY 2024-2025
	KShs
Unconditional Transfers	
GoK Counter Part funding	-
Total Unconditional Transfers (a)	-
Conditional Transfers	
GoK Counter Part funding	-
Total Conditional Transfers (b)	-
Total Transfers for the Year (a + b)	-

7. Use of Goods and Services

Description	FY 2024/25
c	Kshs
Domestic travel and subsistence	3,239,018
Hospitality supplies and services	414,000
Total	3,653,018

8. Cash and Cash Equivalents

Description	FY 2024-2025	1 st July 2024
	Kshs	Kshs
Cash in Bank	8,846,982	12,500,000
Cash on hand	-	-
<i>Others (Specify)</i>	-	-
Total Cash and Cash Equivalents	8,846,982	12,500,000

Project Bank Accounts

Details	FY 2024-2025	1 st July 2024
	Kshs	Kshs
Foreign Currency Accounts		
Co-operative Bank of Kenya [A/c No. 01141160979900]	8,846,982	12,500,000
Total bank account balances	8,846,982	12,500,000

Samatar-Wajir Road Project

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

Notes to the financial statements

9. Property, Plant and Equipment

Cost	Capital Work in progress	Total
	Kshs	Kshs
Depreciation rate		
As At 1July 2024 (opening balances)	-	-
Additions	43,485,805	43,485,805
Disposals	-	-
Transfers/Adjustments	-	-
As at 30th June 2025	43,485,805	43,485,805
Depreciation And Impairment		
As at 1July 2025	-	-
Depreciation charge for the year	-	-
Impairment loss	-	-
Transfers/ Adjustments	-	-
As At 30th June 2025	-	-
Net Book Values		
As at 1st July 2024	-	-
As at 30th June 2025	43,485,805	43,485,805

Samatar-Wajir Road Project

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

Notes to the financial statements

10. Trade and Other Payables

Description	FY 2024-2025		1 st July 2024	
	Kshs		Kshs	
Trade payables	43,485,805		-	
Total trade and other payables	43,485,805		-	
Ageing analysis: (Trade and other payables)	FY 2024-2025	% of the Total	FY 2023-2024	% of the Total
Under one year	43,485,805	100%	-	%
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total (tie to above total)	43,485,805		-	

11. Cash Generated from Operations

Description	FY 2024-2025
	Kshs
Surplus/Deficit for the year	(3,653,018)
Adjusted for:	
Non-cash grants received	-
Impairment	-
Gains and losses on disposal of assets	-
Working capital adjustments	
Increase/ in inventory	-
Increase in receivables	-
Increase in deferred income	-
Decrease in payables	-
Increase in payments received in advance	-
Net cash flow from operating activities	-
Surplus/Deficit for the year	(3,653,018)

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

Events after the Reporting Period

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

30. Ultimate And Holding Entity

KeNHA is a State Corporation/ or a Semi-Autonomous Government Agency under the Ministry of Roads and Transport. Its ultimate parent is the Government of Kenya.

31. Currency

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

13. Annexes

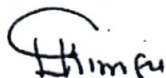
Annex 1: Prior Year Auditor-General's Recommendations

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
1	<p>Budgetary Control and Performance The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.2,010,057,540 and Nil respectively resulting to under-funding of Kshs.2,010,057,540 or 100% of the budget. The under-funding affected the planned activities and may have impacted negatively on service delivery to the public</p>	<p>We note the audit observation. We wish to clarify that the consultant has now been procured and has already commenced works.</p>	Not Resolved	Ongoing
2	<p>Unresolved Prior Year Matters In the audit report of the previous year, one issue was raised under the Report on Lawfulness and Effectiveness in Use of Public Resources. However, Management had not resolved the issue as at 30 June, 2024.</p>	<p>We note the audit observation. We wish to clarify that the Authority has appeared before the Public Accounts Committee and made its submissions on all matters raised by the Auditor General on the Project financial statements up to FY 2021/22 and awaits invitation to appear on FY 2022/23 Financial Statements.</p>	Not Resolved	Ongoing

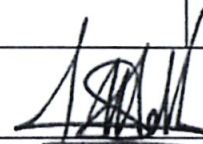
Samatar-Wajir Road Project

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

3	<p>Delayed Project Implementation</p> <p>As previously reported, the Project received total Government counterpart funding of Kshs.12,500,000 being budgeted amount for year 2022/2023. Records provided by the Management indicated that although the Project secured the entire requested funding for the year and the funds being received on 30 September, 2022, no Project activities were initiated. Review of the Project record in the year under review revealed that the amount of Kshs.12,500,000 was still held in the bank account and no activity had been implemented.</p> <p>Further, the Project implementation timeline was expected to be for a duration of four (4) years from 2021 to 2024 with an approved budget of USD 83,000,000 equivalent to Kshs.8,950,570,600 from development partners. However, as at 30 June, 2024, the Project was still in the procurement process stage, despite the fact that the implementation window is scheduled to conclude within six (6) months.</p> <p>In the circumstances, delayed Project implementation has negatively affected service delivery to the public.</p>	<p>We note the audit observation.</p> <p>We wish to clarify that the consultant has now been procured and the works contract is still under procurement. The procurement process stage has delayed the project implementation timeline.</p>	<p>Not Resolved</p>	<p>Ongoing</p>
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Eng. Luka Kimeli
Ag. Director General



Eng. Henry Gakuru
Director -Development

Samatar-Wajir Road Project

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

Annex 2: Reconciliation of Inter-Entity Transfers

Samatar-Wajir Road Project				
Break down of Transfers from the State Department for Roads				
a.	Government Counterpart funding			
		Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
		-	-	-
		Total	-	

The above amounts have been communicated to and reconciled with the State Department for Roads.



Eng. Luka Kimeli
Ag. Director General



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

Samatar-Wajir Road Project

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

Annex 3 – Summary of Fixed Assets Register

Asset class	Opening Cost	Donations in form of assets	Purchases/ Additions in the Year	Disposals in the Year	Transfers in/(out)	Closing Cost
	(KShs)	(KShs)	(KShs)	(KShs)	(KShs)	(KShs)
	2024/25	2024/25	2024/25	2024/25	2024/25	2024/25
	(a)	(b)	(c)	(d)	(é)	(f)=a+b+c+-d-e'
Consultancy services	-	-	43,485,805	-	-	43,485,805
Total	-	-	43,485,805	-	-	43,485,805

Annex 4 - Analysis of Pending Bills

Supplier of Goods or Services	Date Invoiced	Original Amount	Amount Paid To-Date	Outstanding Balance		IPC / FEE NOTE NO.
				FY 2024/25	FY 2023/24	
		a	b	c=a-b		
Consultancy Services						
SETS Saudi Arabia Engineering Consultants JV Africon Universal Consulting		43,485,805	-	43,485,805	-	01
Sub-Total		43,485,805	-	43,485,805	-	
Grand Total		43,485,805	-	43,485,805	-	