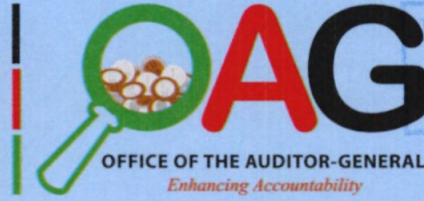


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REPORT

OF

THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 12 FEB 2026	DAY: Thursday
TABLED BY: Hon. George Mwangi	On behalf of Com
CLERK-AT THE-TABLE:	

THE AUDITOR-GENERAL

ON

**MOMBASA PORT AREA ROAD DEVELOPMENT
PROJECT LOAN NO.KE-P29 AND KE-P32**

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

KENYA NATIONAL HIGHWAYS AUTHORITY



MINISTRY OF ROADS AND TRANSPORT



PROJECT NAME: MOMBASA PORT AREA ROAD DEVELOPMENT

IMPLEMENTING ENTITY: KENYA NATIONAL HIGHWAYS AUTHORITY

PROJECT LOAN NUMBER: KE – P29 AND KE – P32

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2025

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

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1. Acronyms and Definition of Terms

CBK	Central Bank of Kenya
CPA	Certified Public Accountant
EIA	Environmental Impact Assessment
EIK	Environmental Institute of Kenya
Eng.	Registered Engineer
FY	Financial Year
GK	Government of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
JICA	Japan International Cooperation Agency
JKIA	Jomo Kenyatta International Airport
JPY	Japanese Yen
KeNHA	Kenya National Highways Authority
KISM	Kenya Institute of Supplies and Management
Kshs.	Kenya Shillings
LSK	Law Society of Kenya
MoRT	Ministry of Roads and Transport
NEMA	National Environment Management Authority
TNT	National Treasury
PAPs	Project Affected Persons
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board
RAP	Resettlement Action Plan
SDG	Sustainable Development Goals
SIA	Social Impact Assessment

2. Project Information and Overall Performance

2.1 Name and registered office

Name: Mombasa Port Area Road Development Project

Objective:

Mombasa is the main seaport on Kenya's Indian Ocean Coast and serves Kenya, Uganda, South Sudan, Eastern Democratic Republic of Congo, Rwanda, Burundi and Northern Tanzania hence it was necessary for the development of the project due to the following: -

Economic development in the area served by Mombasa Port has generated rapid increase in the demand for port services. In this regard, there was a major initiative to construct a new Kipevu Container Terminal with development cooperation from JICA. However, the road access to the Kipevu area currently has insufficient capacity and the government has decided to prioritize construction of a new high capacity road link to connect the New Kipevu Container Terminal to the National Highway network. This new road will link the new terminal to the National Highway network.

Mombasa is an island and currently does not have tarmac cross over road between the island and the mainland to the south hence vehicle movement between Mombasa and South Coast pass through the use of ferry services or alternatively a lengthy gravel road. The construction of the road will be part of the proposed Mombasa Port Area Road Development Project.

The project is split into the following three (3) packages: -

Package 1 – From Miritini Junction to Mwache Junction and Kipevu Link Road (10.1 Kms) – 4 lanes

Package 2 – From Mwache Junction to Mteza (8.96) kms including Mteza Bridge (1.44 Kms) – 2 lanes. Mwache Bridge (660 m). Mteza Bridge (1,450m). Pile – Slab type viaduct (690 m)

Package 3 – From Mteza (Excluding Mteza Bridge) to Kibundani Jct. (6.86 Kms) – 2 lanes

Address: Barabara Plaza
Jomo Kenyatta International Airport (JKIA) off Mazao Road
Nairobi Kenya

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:	2 nd June, 2012
Project End Date:	30 th October, 2027
Project Coordinator	Eng. Henry Gakuru
Project Manager	Eng. Clarence Ouma
Project Sponsor:	Japan International Cooperation Agency (JICA) Government of Kenya (GK)

2.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of State Department for Roads at the Ministry of Roads and Transport																														
Project number	KE-P29 & KE-P32																														
Strategic goals of the project	The strategic goals of the project are as follows: (i) Increase efficiency of road transport along the Coast Region and neighbouring countries to facilitate trade and regional integration (ii) Promote private sector participation in the management, financing and maintenance of road assets (iii) Reduce transit time and costs incurred in cross-border movement.																														
Summary of Project Strategies for achievement of strategic goals	Management aims to achieve the goals by Implementing the project in timely, efficient and effective manner.																														
Other important background information of the project	<p>PROJECT COMPONENTS AND COSTS The following components of the project are being implemented by KeNHA</p> <table border="1"> <thead> <tr> <th rowspan="3"></th> <th colspan="3">Million Japanese Yen</th> </tr> <tr> <th>Base Rate</th> <th>Foreign Exchange Cost</th> <th>Total Cost</th> </tr> <tr> <th>%</th> <th>JPY '000,000</th> <th>JPY '000,000</th> </tr> </thead> <tbody> <tr> <td>A. Civil Works</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Mombasa Port Area Road Development Project</td> <td>80</td> <td>21,678</td> <td>21,678</td> </tr> <tr> <td>Consultancy Services</td> <td>100</td> <td>3,845</td> <td>3,845</td> </tr> <tr> <td>Contingency</td> <td>-</td> <td>2,168</td> <td>2,168</td> </tr> <tr> <td>Total</td> <td></td> <td>27,691</td> <td>27,691</td> </tr> </tbody> </table>		Million Japanese Yen			Base Rate	Foreign Exchange Cost	Total Cost	%	JPY '000,000	JPY '000,000	A. Civil Works				Mombasa Port Area Road Development Project	80	21,678	21,678	Consultancy Services	100	3,845	3,845	Contingency	-	2,168	2,168	Total		27,691	27,691
	Million Japanese Yen																														
	Base Rate		Foreign Exchange Cost	Total Cost																											
	%	JPY '000,000	JPY '000,000																												
A. Civil Works																															
Mombasa Port Area Road Development Project	80	21,678	21,678																												
Consultancy Services	100	3,845	3,845																												
Contingency	-	2,168	2,168																												
Total		27,691	27,691																												
Areas that the project was formed to intervene	The project was formed to intervene in the following problems/gaps: (i) To ease movement from Mombasa island to the mainland (ii) To improve cargo take-off from the port of Mombasa																														
Project duration	The project started on 2 nd June 2012 and is expected to be completed in March 2026																														

2.4 Bankers Co-operative Bank of Kenya
Upper Hill Branch
Nairobi, Kenya

National Bank of Kenya
Hill Branch
Nairobi

Kenya Commercial Bank
JKIA Branch
Nairobi

2.5 Independent Auditor

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

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	Senior Technical Advisor to the PIU
2	Eng. Clarence Ouma	Deputy Director-Special Projects	Registered Engineer	Implementation Team Leader / Manager
3	CPA. Chanje Kera	Deputy Director-Finance & Accounts	Certified Public Accountant of Kenya	Project Financial Management Specialist
4	Mr. Richard Kilel	Assistant Director-Supply Chain Management	Member KISM	Project Procurement Specialist
5	Ms. Norah Odingo	Deputy Director-Legal Services	Advocate of the High Court of Kenya	Project Legal Specialist
6	Mr. Walter B. Nyatwanga	Deputy Director-Environment & Social Interest	NEMA Lead Expert, Member-EIK	Project Safeguards Specialist

Project Information and Overall Performance (Continued)

2.7 Funding summary

The Project is for a duration of 10 Years from 2nd June, 2012 to 30th October, 2027 with an approved loan of JPY 40,157,000,000 equivalent to Kshs. 36,078,133,039 as highlighted in the table below:

A. Source of Funds

Source of funds	Donor Commitment-		Amount received to date – (30.06.2025)		Undrawn balance to date (30.06.2025)	
	JPY	Kshs	JPY	Kshs	JPY	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Loan						
Japan International Corporation Agency (JICA)	40,157,000,000	36,078,133,039	40,157,000,000	33,285,114,855		2,793,018,184
(ii) Counterpart funds						
Government of Kenya		14,628,529,360		10,203,495,274	-	4,425,034,086
Total	40,157,000,000	50,706,662,399	40,157,000,000	43,488,610,129	-	7,218,052,270

B. Application of Funds

Application of funds	Amount received to date - (30.06.2025)		Cumulative Amount paid to date - (30.06.2025)		Unutilised balance to date - (30.06.2025)	
	JPY	Kshs	JPY	Kshs	JPY	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Loan						
JICA	40,157,000,000	33,285,114,855	40,157,000,000	33,285,114,855	-	-
(ii) Counterpart funds						
GoK		10,203,495,274		10,198,158,311	-	5,336,964
Total	40,157,000,000	43,488,610,129		43,483,273,166	-	5,336,964

Project Information and Overall Performance (Continued)

2.8 Summary of Overall Project Performance:

(i) Budget performance against actual amounts for current year and for cumulative to-date: -

Budget	FY 2024/2025			Cumulative		
	Actual	Budget	%	Actual	Budget	%
	Kshs	Kshs		Kshs	Kshs	
Counterpart Funds - GoK	2,508,696,269	2,043,190,864	123%	10,198,158,310	12,526,428,241	82%
Loan from Development Partners						
Direct Payments	1,144,056,228	1,325,924,470	86%	33,172,506,813	36,761,477,792	90%
Revenue	-	-		112,608,042	120,000,000	94%
TOTAL	3,652,752,498	3,369,115,334	109%	43,488,273,166	49,407,906,033	88%

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

Package 1

The physical progress as at 30th June, 2025 is 100% against percentage of time elapsed of 100%

Package 2

The actual physical progress as at 30th June, 2025 is 99.9% against percentage of time elapsed of 100%

Package 3

The actual physical progress as at 30th June, 2025 is 99% against percentage of time elapsed of 140%

Project Information and Overall Performance (Continued)

(iii) Performance rate for each year since the commencement of the project.

Financial Year	Budget	Actual	Percentage
	Kshs	Kshs	
FY-2024/25	3,369,115,334	3,652,752,498	108%
FY-2023/24*	4,576,376,887	2,635,637,546	58%
FY- 2022/23	3,987,377,856	3,516,238,896	88%
FY -2021/22	9,736,000,000	7,193,666,583	74%
FY- 2020/21	7,625,000,000	7,639,699,784	100%
FY -2019/20	4,101,193,511	3,708,213,107	90%
FY -2018/19	3,314,100,000	3,243,437,356	98%
FY -2017/18	3,018,272,713	2,941,669,488	97%
FY -2016/17	4,019,469,732	3,603,885,591	90%
FY -2015/16	2,243,000,000	2,166,200,421	97%
FY -2014/15	3,418,000,000	3,181,871,896	93%
Total	49,407,906,033	43,488,273,166	88%

*FY 2023/2024 actual amended to include Kshs. 148,667,415 prior year's retention money to be considered as paid/capitalised due to transition to accrual as cash was already received but had not been capitalised.

(iv) Project Implementation Challenges

During the implementation phase of the project, the project has continued to experience inadequate funding arising from low counterpart budgetary provisions for timely settlement of the counterpart project costs.

It is recommended that the Government provides adequate budgetary provisions for all projects in order to facilitate smooth projects 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 have 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 national government’s performance against predetermined objectives at the end of each financial year.

The key development objectives of the project are to:

- a) Increase efficiency of road transport along the Coast Region and neighbouring countries to facilitate trade and regional integration
- b) Ease movement of people and goods between Mombasa Island and the South Coast.
- c) Reduce transit time and costs incurred in cross-border movement.

Progress on attainment of Strategic development objectives

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

Below we provide the progress on attaining the stated objectives:

Objective	Outcome	Indicator	Performance
Increase efficiency of road transport along the Coast Region and neighbouring countries to facilitate trade and regional integration	Linked road from the New Kipevu Container Terminal to the National Highway network	Increased discharge of containers from the Port of Mombasa	The road projects are 98% complete.
To ease movement of people and goods between Mombasa and the South Coast.	Linked road from Mombasa to the South Coast	Increased movement of people and goods between Mombasa Island and the South Coast.	Reduced vehicle operating costs Improved road roughness Increased road traffic to the border from both countries
Reduce transit time and costs incurred in cross-border	Increased business turnover among transport business	Reduced traffic congestion at the coastal town of Mombasa	Increased cross border traffic. Increased cross border tourism. Increased Social economic activities across the two

Objective	Outcome	Indicator	Performance
movement.	operators		countries

4. Environmental and Sustainability Reporting

Mombasa Port Area Road Development 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 will develop 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 will extend the paved road network to hitherto underserved areas in the coastal region to improve nationwide access to high speed and all – weather connectivity; and
- e) *Climate action (SDG 13)*: The Authority will 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

Environmental and Sustainability Reporting (Continued)

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, undertake regular Environmental Impact Assessment (EIA) Audits, carry out M&E on Environment and Social Management Plan (ESMPs) as well as conduct Environmental Social Impact Assessment (ESIA) in projects.

To enhance social safeguards in projects, the Authority undertake Resettlement Action Plan (RAP) studies and implement recommendations, carry out Social Impact Assessment (SIA) in projects, undertake gender mainstreaming in projects and conduct stakeholders' forum to sensitize the public in cross cutting issues.

iii. Employee welfare

In all its staff appointments, the Authority takes deliberate actions to embrace Equal Employment Opportunity policy, gender mainstreaming, address disability and take affirmative action in line with prevailing Government Policy guidelines. The Authority prioritize training to develop technical capacity of staff in the fields of Value Engineering, Project Financing, Project and 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 to promote ethical conduct in projects, the Authority sensitize staff about 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 in time.

The Authority has automated finance procedures, continue to create awareness on PFM Act, treasury circulars and regulations in order to enhance financial management in projects.

Environmental and Sustainability Reporting (Continued)

v. Community Engagements

During the implementation of the Project, the Project is committed to remaining a responsible corporate citizen by being accountable for its actions and maintaining high standards of social and

environmental record. 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 were also encouraged to give back to society by participating in the authority's corporate social responsibility projects.

The Contractor has been involved in various CSR activities geared towards providing the local residents through construction of water kiosks along the project road, improvement of access roads and enhancing learning and playing environment in schools along the project road.

5. Statement of Project Management Responsibilities

The Director General, KeNHA and the Project Implementation Team Leader 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.

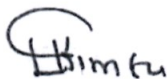
The Director General, KeNHA and the Project Implementation Team Leader accept responsibility for the Project's financial statements, which have been prepared on the accrual basis method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting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

The Director General, KeNHA and the Project Implementation Team Leader 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 Director General, KeNHA and the Project Implementation Team Leader for Mombasa Port Area Road Development Project further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

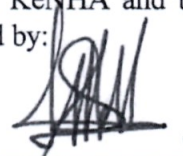
The Director General, KeNHA and the Project Implementation Team Leader confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project Financial Statements

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



Eng. Luka Kimeli
Ag. Director General



Eng. Henry Gakuru
Director-Development

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
Email: info@oagkenya.go.ke
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HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON MOMBASA PORT AREA ROAD DEVELOPMENT PROJECT IDA LOAN NO.KE-P29 AND KE-P32 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 Mombasa Port Area Road Development Project set out on pages 1 to 23, which comprise of the statement of financial position as at 30 June, 2025 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of

Report of the Auditor-General on Mombasa Port Area Road Development Project Loan No.KE-P29 AND KE-P32 for the year ended 30 June, 2025 - Kenya National Highways Authority

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 Mombasa Port Area Road Development Project as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) including the transitional provisions permitted under IPSAS 33 and comply with the Financing Agreement No. KE-P29 and KE-P32 between the Republic of Kenya and Japan International Cooperation Agency (JICA) dated 2 June, 2012 and 4 July, 2017 respectively and the Public Finance Management Act, 2012; The National Treasury and Economic Planning Circular No.3 of 14 April, 2025.

Basis for Opinion

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

Emphasis of Matter

1. Long Outstanding Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.7,329,473,758 as disclosed in Note 10 and Annex 5 to the financial statements. Included in the balances and as disclosed in trade and other payables schedule of aging analysis is an amount of Kshs.3,354,268,481 and Kshs.529,725,397 totalling Kshs.3,883,993,877 payable to the National Land Commission Project Affected Persons (PAPs) and a consultant respectively which has been outstanding for more than three (3) years and which represents 53% of the trade and other payable balance. Management attributed this to inadequate budgetary allocations from the Government of Kenya (GoK) in both the current and previous financial years.

Failure to settle the pending bills on time may lead to loss public funds through accrued penalties, interest costs and other administrative costs.

2. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final budget and actual on comparable basis on transfers to other Government entities amount of Kshs.1,962,977,571 and Kshs.2,505,690,864 respectively resulting to an overfunding of Kshs.542,713,293.

Report of the Auditor-General on Mombasa Port Area Road Development Project Loan No.KE-P29 AND KE-P32 for the year ended 30 June, 2025 - Kenya National Highways Authority

Further, the statement of comparison of budget and actual amounts reflects final budget and actual on comparable basis on GoK Counter Part Grants of Kshs.1,962,977,571 and Kshs.2,508,696,269 respectively resulting into an over expenditure of Kshs.545,718,698.

In addition, the printed estimates under supplementary III reflected approved budget amount of Kshs.537,500,000 for the Project's Package 2-Mwache-Tsunza-Mteza. However, review of documents revealed that the Project did not receive the amount in their bank account resulting to counterpart underfunding of Kshs.537,500,000.

The underfunding may negatively affect the planned activities of the Project.

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

No.	Financial Year	Audit Issue
1.	2023/2024	Inaccuracies in the Financial Statements
2.	2023/2024	Budgetary Control and Performance
3.	2023/2024	Pending Bills
4.	2023/2024	Delay in Project Completion
5.	2023/2024	Unconfirmed Ownership and Value of Fixed Assets

Other Information

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

In connection with my audit on the Project's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit

Report of the Auditor-General on Mombasa Port Area Road Development Project Loan No.KE-P29 AND KE-P32 for the year ended 30 June, 2025 - Kenya National Highways Authority

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, 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

Interest on Delayed Payments

The statement of financial position reflects property, plant and equipment balance of Kshs.50,582,534,311 and as disclosed in Note 9 to the financial statements. Included in the property, plant and equipment balance are road assets additions balance of Kshs.3,243,201,983. Review of interim payments certificate relating to the additions revealed that a construction company charged interest on delayed payments amounting to Kshs.559,309,410. Management attributed this to inadequate budgetary allocations from the Government of Kenya (GoK) in both the current and previous financial years which could have been avoided had Project Management made payments as and when they were due.

In the circumstances, the value for money for the amount on interest on delayed payments could not be confirmed.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

As required by Financing Agreement No.KE-P29 and No.KE-P32 between the Republic of Kenya and Japan International Cooperation Agency (JICA) dated 2 June, 2012 and 4 July, 2017 respectively, 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. 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 the Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Transitional 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.

Those charged with governance are responsible for overseeing 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


24 November, 2025


**Mombasa Port Area Road Development Project JICA Loan No.KE – P29 & KE – P32
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	-
Conditional Revenue Transfers		-
Miscellaneous Revenue		-
		-
Revenue Transfers		-
Miscellaneous Revenue		-
Total revenue		-
Expenses		
Employee costs		
Use of goods and services	7	4,378,645
Depreciation and amortization expense		-
Transfer to other Government Entities		-
Other Transfers/Subsidies/Grants		-
Certified Works		-
Total expenses		4,378,645
Other gains/(losses)		
Gain/Loss on sale of assets		-
Gain/Loss on foreign exchange transactions		-
Impairment loss		-
Surplus/ (deficit)		(4,378,645)

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 Member No. 3321

*Mombasa Port Area Road Development Project JICA Loan No.KE – P29 & KE – P32
Annual Report and Financial Statements for the financial year ended June 30, 2025*

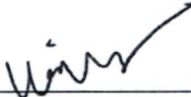
8. Statement of Financial Position as at 30th June 2025

	Note	FY 2024/2025	1 Jul 2024
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash equivalents	8	168,217,382	157,009,784
Receivables		-	-
Inventories		-	-
Prepayment		-	-
Total Current Assets		168,217,382	157,009,784
Non-Current Assets			
Property, Plant and Equipment	9	50,582,534,311	47,339,332,328
Intangible Assets		-	-
Total Non- Current Assets		50,582,534,311	47,339,332,328
Total Assets (a)		50,750,751,693	47,496,342,112
Liabilities			
Current Liabilities			
Trade and Other Payables	10	7,329,473,758	7,734,645,628
Third Party Deposits	11	162,880,419	148,667,415
Deferred Income		-	-
Total Current Liabilities		7,492,354,177	7,883,313,043
Total Liabilities (b)			
Net Assets (a-b)		43,258,397,516	39,613,029,069
Represented By:			
Capital Grants		43,254,433,792	39,604,686,700
Accumulated Surplus		3,963,724	8,342,369
Total Net Assets		43,258,397,516	39,613,029,069

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 Member No. 3321

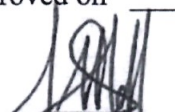
9. Statement of Changes in Net Assets

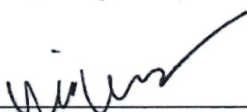
Description	Capital Grants	Accumulated Surplus	Net Assets
As at 30 th June 2024 (Cash Basis)		8,342,369	8,342,369
			-
Adjustments:			-
Asset Recognition	47,339,332,328		47,339,332,328
Liabilities recognition	(7,734,645,628)		(7,734,645,628)
As at 1 st July 2024	39,604,686,700	8,342,369	39,613,029,069
Grants for the year	3,649,747,092		3,649,747,092
Surplus/(Deficit) for the year		(4,378,645)	(4,378,645)
			-
As at 30 th June 2025	43,254,433,792	3,963,724	43,258,397,516

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

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 Member No. 3321

*Mombasa Port Area Road Development Project JICA Loan No.KE – P29 & KE – P32
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	FY 2024/2025
		Kshs
Cashflow from operating activities		
Receipts		
Revenue Transfers		
Miscellaneous Revenue		
Capital Grants		
Total receipts		-
Payments		
Employee costs		
Use of goods and services	12	4,336,825
Transfer to other Government Entities		
Other Transfers/Subsidies/Grants		
Certified Works		
Total payments		4,336,825
Net cash flow from operating activities	12	(4,336,825)
Cashflow from investing activities		
Acquisition of non-financial assets		(3,634,202,669)
Proceeds from sale of Assets		
Acquisition of Intangible assets		
Net cash flows from investing activities		(3,634,202,669)
Cash flow from financing activities		
Capital Grants		3,649,747,092
Net cash flow from financing activities		3,649,747,092
Net increase/Decrease in cash and cash equivalents		11,207,598
Cash and cash equivalent at 1st July 2024	8	157,009,784
Cash and cash equivalent at end June 2025	8	168,217,382

*Mombasa Port Area Road Development Project JICA Loan No.KE – P29 & KE – P32
Annual Report and Financial Statements for the financial year ended June 30, 2025*

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	
<i>Budget Carry Overs from previous periods</i>				8,342,369		
Receipts						
Transfer to other Government Entities *	125,000,000	1,837,977,571	1,962,977,571	2,505,690,864	(542,713,293)	128%
JIC Grants	2,294,848,193	(968,923,723)	1,325,924,470	1,144,056,228	181,868,242	86%
		-				
Total Revenue	2,419,848,193	869,053,848	3,288,902,041	3,649,747,092	(360,845,051)	
		-				-
Payments						-
GoK Counter part Grants	125,000,000	1,962,977,571	1,962,977,571	2,508,696,269	(545,718,698)	128%
JIC Grants**	2,294,848,193	(968,923,723)	1,325,924,470	1,144,056,228	(181,868,242)	86%
		-			-	-
Total Payments	2,419,848,193	869,053,848	3,288,902,041	3,652,752,498	(363,850,456)	
Surplus		-	-	5,336,964		

***Mombasa Port Area Road Development Project JICA Loan No.KE – P29 & KE – P32
Annual Report and Financial Statements for the financial year ended June 30, 2025***

*The Authority received Kshs.1,000,000,000 in July 2025 relating to the previous year's budget.
The Project is substantially complete and is on Defect Notification Period
The Authority did not receive the Exchequer budget for the year 2024/2025

Budget Reconciliation

	Description of Particulars	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	5,336,964
1	Retention funds	162,880,419
	Closing Cash and Cash Equivalent as per the statement of Cash flows	168,217,382

12. Notes to the Financial Statements

1. General Information

Mombasa Port Area Road Development Project entity is established by and derives its authority and accountability from Mombasa Port Area Road Development Project Act. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity’s principal activity is Mombasa Port Area Road Development Project.

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 Project has taken advantage of the transitional provision under IPSAS 33 and therefore this first year financial statements are transitional financial statements

These financial statements were authorized for issue by the accounting officer on Mombasa Port Area Road Development Project

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>The standard shall not have an impact on the project</p>
IPSAS 44: Non- Current Assets Held for Sale and	<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</p>

**Mombasa Port Area Road Development Project JICA Loan No.KE – P29 & KE – P32
Annual Report and Financial Statements for the financial year ended June 30, 2025**

Notes to the Financial Statements (Continued)

3. Adoption of New and Revised Standards (Continued)

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

Standard	Effective date and impact:
Discontinued Operations	<p>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>The standard shall not have an impact on the project</p>
IPSAS 45- Property Plant and Equipment	<p>Applicable 1st January 2025</p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p> <p>Applicable for accounting of infrastructure assets</p>
IPSAS 46 Measurement	<p>Applicable 1st January 2025</p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <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>Applicable in measuring the current operational value of infrastructure assets</p>

**Mombasa Port Area Road Development Project JICA Loan No.KE – P29 & KE – P32
Annual Report and Financial Statements for the financial year ended June 30, 2025**

Notes to the Financial Statements (Continued)

3. Adoption of New and Revised Standards (Continued)

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

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

Standard	Effective date and impact:
IPSAS 47- Revenue	<i>Applicable 1st January 2026</i> This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions. Applicable in accounting for binding and unbinding arrangements related to revenue.
IPSAS 48- Transfer Expenses	<i>Applicable 1st January 2026</i> The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers. Applicable in accounting for accounting of transfer of assets to KENHA
IPSAS 49- Retirement Benefit Plans	<i>Applicable 1st January 2026</i> The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan. The standard shall not have an impact on the project
IPSAS 50: Exploration For & Evaluation of Mineral Resources	<i>Applicable 1st January 2027</i> The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires: 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.

***Mombasa Port Area Road Development Project JICA Loan No.KE – P29 & KE – P32
Annual Report and Financial Statements for the financial year ended June 30, 2025***

Notes to the Financial Statements (Continued)

3. Adoption of New and Revised Standards (Continued)

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

Standard	Effective date and impact:
	<p>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> <p>The standard shall not have an impact on the project</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 entity and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that have been acquired using such funds.

ii) Revenue from exchange transactions

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 **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 entity upon receiving the respective approvals to conclude the final budget. Accordingly, the entity recorded additional appropriations of ***Mombasa Port Area Road Development Project*** on the FY 2024/2025 budget following the Council/ Board's approval. The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented on page 5 under section **II** of these financial statements.

Notes to the Financial Statements (Continued)

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

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

Notes to the Financial Statements (Continued)

- The availability of resources to complete the asset.
- The ability to measure reliably the expenditure during development.

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

g) Financial instruments

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

Financial assets

Classification

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

Subsequent measurement

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

Notes to the Financial Statements (Continued)

Amortized cost

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

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

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

Impairment

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity.

Financial liabilities

Classification

The entity 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:

Notes to the Financial Statements (Continued)

- Raw materials: purchase cost using the weighted average cost method.

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

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

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

i) Provisions

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

Contingent liabilities

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

j) Nature and purpose of reserves

The *Entity* creates and maintains reserves in terms of specific requirements. (*Entity to state the reserves maintained and appropriate policies adopted*).

k) Changes in accounting policies and estimates

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

Notes to the Financial Statements (Continued)

l) Employee benefits

Retirement benefit plans

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

m) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. 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 *Entity* 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 Entity, 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 (Continued)

p) Service concession arrangements

The *Entity* 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 *Entity* 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 *Entity* 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 (Continued)

5. Significant Judgments and Sources of Estimation Uncertainty

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

Useful lives and residual values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note Mombasa Port Area Road Development Project.

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

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

**Mombasa Port Area Road Development Project JICA Loan No.KE – P29 & KE – P32
Annual Report and Financial Statements for the financial year ended June 30, 2025**

Notes to the Financial Statements (Continued)

6. Revenue Transfers

These represent counterpart funding and other receipts from the government as follows:

Description	FY 2024/2025
	KShs
Unconditional Transfers	
JICA Grants	
GoK Grants	1,000,000,000
Bridge Finance	1,505,690,864
Total Unconditional Transfers (a)	2,505,690,864
Conditional Transfers	
JICA Grants	1,144,056,228
Total Conditional Transfers (b)	1,144,056,228
Total Transfers for the Year (a + b)	3,649,747,092

a) Details to Revenue Transfers

Name of The Entity Transferring	Amount recognized to Statement of Financial performance	Amount deferred under deferred income.	Amount moved to Capital fund	Total transfers (Current FY)
	Kshs	Kshs	Kshs	Kshs
JICA Grants	-		1,144,056,228	1,144,056,228
GoK Grants			1,000,000,000	1,000,000,000
Bridge Finance			1,505,690,864	1,505,690,864
Subtotal	-	-	3,649,747,092	3,649,747,092
Deferred Income realized				-
Transfers in Kind			-	-
Total	-	-	3,649,747,092	3,649,747,092

**Mombasa Port Area Road Development Project JICA Loan No.KE – P29 & KE – P32
Annual Report and Financial Statements for the financial year ended June 30, 2025**

Notes to the Financial Statements (Continued)

7. Use of Goods and Services

Description	FY 2024/25
c	Kshs
Domestic travel	1,935,640
Domestic subsistence	2,443,005
Total	4,378,645

8. Cash and Cash Equivalents

Description	FY 2024/2025	1st July
	Kshs	Kshs
Cash in Bank	168,217,382	157,009,784
Cash on hand		
<i>Others (Specify)</i>		
Total Cash and Cash Equivalents	168,217,382	157,009,784

Project Bank Accounts

Details	FY 2024/2025	1st July 2024
	Kshs	Kshs
Foreign Currency Accounts		
Total Foreign Currency balances	-	-
Local Currency Accounts		
National Bank of Kenya Ltd Retention [A/c No. 01001032733200]	162,880,419	148,667,415
Co-operative Bank of Kenya Exchequer [A/c No. 01141160979900]	5,336,964	8,342,369
Kenya Commercial Bank Bridge Finance [A/c No1274695775]	-	
<i>Others (specify)</i>		
Total local currency balances	<u>168,217,382</u>	157,009,784
Total bank account balances	<u>168,217,382</u>	157,009,784

*Mombasa Port Area Road Development Project JICA Loan No.KE – P29 & KE – P32
Annual Report and Financial Statements for the financial year ended June 30, 2025*

Notes to the Financial Statements (Continued)

9. Property, Plant and Equipment

Cost	Capital Work in progress		Total
	Land	Road asset	
	Kshs	Kshs	Kshs
Depreciation rate			
As At 1 July 2024 (opening balances)	5,708,116,715	41,631,215,613	47,339,332,328
Additions		3,243,201,983	3,243,201,983
Disposals			-
Transfers/Adjustments		-	-
As at 30th June 2025	5,708,116,715	44,874,417,596	50,582,534,311
			-
Depreciation And Impairment			-
As at 1 July 2025		-	-
Depreciation charge for the year		-	-
Impairment loss		-	-
Transfers/ Adjustments		-	-
As At 30th June 2025		-	-
			-
Net Book Values			-
As at 1 st July 2024	5,708,116,715	41,631,215,613	47,339,332,328
As at 30 th June 2025	5,708,116,715	44,874,417,596	50,582,534,311

10. Trade and Other Payables

Description	FY 2024/2025		1 st July 2024	
	Kshs		Kshs	
Trade payables	7,329,473,758		7,734,645,628	
Total trade and other payables	7,329,473,758		7,734,645,628	
Ageing analysis: (Trade and other payables)	FY 2024/2025	% of the Total	1st July 2024	% of the Total
			Kshs	
Under one year	3,292,998,065	45%	1,392,048,079	18%
1-2 years	51,413,016	1%	634,462,251	8%
2-3 years	101,068,800	1%	1,594,262,528	21%
Over 3 years	3,883,993,877	53%	4,113,872,770	53%
Total	7,329,473,758		7,734,645,628	

*Mombasa Port Area Road Development Project JICA Loan No.KE – P29 & KE – P32
Annual Report and Financial Statements for the financial year ended June 30, 2025*

Notes to the Financial Statements (Continued)

11. Third Party Deposits and Retention

Description	FY 2024/25		1 st July 2024	
	Kshs		Kshs	
Retention	162,880,419		148,667,415	
Total	162,880,419		148,667,415	
Ageing analysis:	FY 2024/25	% of the Total	1st July 2024	% of the Total
Under one year	121,463,004	75%	Kshs	13%
1-2 years	41,417,415	25%	7,647,272	5%
2-3 years	-		38,890,330	26%
Over 3 years	-		82,691,214	56%
Total	162,880,419		148,667,415	

12. Cash Generated from operations

Description	FY 2024/2025
	Kshs
Surplus/Deficit for the year	(4,378,645)
Adjusted for:	
Depreciation	
Non-cash grants received	
Impairment	
Gains and losses on disposal of assets	
Working capital adjustments	
Decrease/(Increase) in inventory	-
Decrease/(Increase) in receivables	-
Increase/(Decrease) in deferred income	-
Increase/(Decrease) in payables	41,820
Increase/(Decrease) in received payments in advance	
Net cash flow from operating activities	(4,336,825)

Notes to the Financial Statements (Continued)

13. Related Party Disclosures

Nature of related party relationships

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

Other related parties include:

- i) Kenya Roads Board

Description	FY 2024/2025
	Kshs
b) Grants /transfers from the government	
Grants from Kenya Roads Board	1,505,690,864
Grants from county government	-
Donations in kind	-
Total	1,505,690,864

14. Events after the Reporting Period

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

15. Ultimate And Holding Entity

The *Entity* 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.

16. 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
	<p>Basis of Opinion Inaccuracies in the Financial Statements</p> <p>The statement of receipts and payments reflects acquisition of non-financial assets amount of Kshs.2,483,389,056 and as disclosed in Note 4 to the financial statements which includes construction of roads of Kshs.2,238,199,105 that differ with the supporting schedule amount of Kshs.2,257,637,704 resulting to an unreconciled variance of Kshs.19,438,599.</p> <p>In addition, the statement reflects payments controlled by the entity surplus of Kshs.19,438,599 against total surplus of Kshs.19,483,599 resulting to an unreconciled variance of Kshs.45,000.</p> <p>Further, Note 4 to the financial statements omits road construction comparative and cumulative amounts of Kshs.3,045,785,895 and Kshs.33,690,448,070 respectively and reflects acquisition of non-financial assets cumulative amount of Kshs.39,604,6876,700 instead of Kshs.39,604,686,700.</p>	<p>We note the audit observation.</p> <p>We however wish to clarify that the Project financial statements were subsequently amended and together with the supporting schedule reflect the correct total of Kshs.2,238,199,105 in relation to construction of roads.</p> <p>In addition, we confirm that following restatement of the statement of receipts and payments to reflects payments controlled by the entity the surplus and total surplus both reflect amounts of Kshs.19,438,599.</p> <p>We further wish to confirm that the comparative and cumulative amounts will be reflected in the subsequent years Financial Statement.</p>	<p>Template revised</p>	<p>June 2025</p>

**Mombasa Port Area Road Development Project JICA Loan No.KE – P29 & KE – P32
Annual Report and Financial Statements for the financial year ended June 30, 2025**

Annex 1: Prior Year Auditor-General's Recommendations (Continued)

	In the circumstances, the accuracy and completeness of the financial statement amounts could not be confirmed.			
	<p>Emphasis of Matter Budgetary Control and Performance</p> <p>The statement of comparison of the budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.4,576,376,887 and Kshs.2,506,408,730 respectively resulting to an under-funding of Kshs.2,069,968,157 or 45% of the budget. Similarly, the Project spent a balance of Kshs.2,486,970,131 against actual receipts of Kshs.2,506,408,730 resulting to an under-utilization of Kshs.19,438,599 or 0.8% of the actual receipts.</p> <p>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 that the Authority received Kshs.2,506,408,730 against a budget of Kshs.4,576,376,887.</p> <p>However, we wish to clarify that this was largely due to late release of Exchequer which was received after close of the 2023-2024 financial year. An amount of Kshs.1,000,000,000 was received in our bank account on 12 July, 2024 and therefore the budget performance for the Project is therefore Kshs.3,506,408,730 or 77% of the budget.</p> <p>The under-utilization was therefore due to late receipt of GoK Exchequer funds compared to Development Partner budget which had a performance of Kshs.1,863,264,791 against a budget of Kshs.1,947,500,000 equating to 96% of the budget.</p>	Noted	Ongoing
1	<p>Other Matter Pending Bills</p> <p>The financial statements reflects pending bills of Kshs.7,734,645,628 in Annex 5 comprising of supply of services Kshs.11,059,457, civil works Kshs.4,178,074,939 and land compensation of Kshs.3,545,511,232.</p>	<p>We note the audit observation that Annex 5 of the Financial Statements reflect reflects pending bills of Kshs.7,734,645,628 comprising of supply of services Kshs.11,059,457, civil works Kshs.4,178,074,939 and land compensation of Kshs.3,545,511,232.</p>	Noted	Ongoing

**Mombasa Port Area Road Development Project JICA Loan No.KE – P29 & KE – P32
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Annex 1: Prior Year Auditor-General’s Recommendations (Continued)

	<p>However, a detailed schedule indicating date, supplier name, contract number, contract value, invoice numbers, itemized payments to-date for each contract and outstanding balance was not provided for audit.</p> <p>Failure to settle bills during the year in which they relate, adversely affects the budgetary provisions for the subsequent year as they form a first charge.</p>	<p>We however wish to clarify that Annex 5 to the financial statements provides details of the pending bills as required by the PSASB Projects financial reporting template for financial year ending 30 June, 2024.</p> <p>We further confirm the project maintains a detailed schedule indicating date, supplier name, contract number, contract value, invoice numbers, itemized payments to-date for each contract and outstanding balances.</p>		
2	<p>Unresolved Prior Year Matters</p> <p>In the audit report of the previous year, several issues were raised under the Report on Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, the Management has not given any explanation on how the issues were resolved.</p>	<p>We note the audit observation.</p> <p>We however 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.</p>		
	<p>Basis for Conclusion Delay in Project Completion</p> <p>The Project was for a duration of ten (10) years from 2 June, 2012 to 2 June, 2022 (Revised time of completion is March, 2026) with an approved budget of JPY 40,157,000,000 equivalent to Kshs.32,258,118,100.</p> <p>However, the financial statements under funding summary reflect that the donor</p>	<p>We note the audit observation.</p> <p>We however wish to clarify that availability of funds affects Project completion as indicated in Schedule 1, Section 3 of the Loan Financing Agreement Number KE-P32 dated 4 July, 2017.</p> <p>We further wish to state that the Authority will</p>	Noted	Ongoing

**Mombasa Port Area Road Development Project JICA Loan No.KE – P29 & KE – P32
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Annex 1: Prior Year Auditor-General’s Recommendations (Continued)

	<p>commitment was Kshs.32,258,118,100 against actual cumulative disbursements of Kshs.32,141,058,627 resulting to pending disbursements of Kshs.117,059,473. Similarly, the Government funding commitment was Kshs.14,628,529,360 against actual cumulative disbursements of Kshs.7,697,804,410 resulting to pending disbursements of Kshs.6,930,724,950 which have affected Project completion contrary to Schedule 1, Section 3 of the Loan Financing Agreement Number KE-P32 dated 4 July, 2017 which states that the project expected completion date is December, 2021. In the circumstances, the continued delay in disbursing the Government funding commitment is an indication that the Project financing model is in breach of financing agreement and affects the Project’s execution.</p>	<p>continue to closely liaise with the parent Ministry and the National Treasury for additional budgetary allocation and timely release of Exchequer to facilitate settlement of the pending bills and thus completion of the project. The Authority has secured an allocation of Kshs. 3,495,174,790 in the 1st Revised FY 2024/25 Development Budget for the project.</p> <p>We further confirm that the Project financier in their letter on the loan’s effectiveness indicated that the final disbursement shall not be later than 30 October, 2027 and hence despite the delays, the project is still within the financing agreement framework as evidenced by the substantial completion the physical works. There’s a delay in disbursing the Government funding commitment, however there is no breach of the financing model in the financing agreement that is affecting the project execution. The project execution was affected by the following factors:</p> <ul style="list-style-type: none"> ▪ Delayed Payments of Government counterpart Portion, ▪ Delayed payments for Land Acquisition and compensation, and ▪ Outbreak of COVID-19 in 2020 and pandemic 		
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**Mombasa Port Area Road Development Project JICA Loan No.KE – P29 & KE – P32
Annual Report and Financial Statements for the financial year ended June 30, 2025**

Annex 1: Prior Year Auditor-General’s Recommendations (Continued)

		containment measures that led to limited progress between the years 2020 and 2022.		
	<p>Basis for Conclusion Unconfirmed Ownership and Value of Fixed Assets</p> <p>The summary of fixed assets in Annex six (6) to the financial statements reflects total assets of Kshs.39,604,686,700 out of which Kshs.2,162,605,483 are in respect of land acquisitions. However, land ownership documents as well as valuation reports were not provided for audit review. Failure to obtain land ownership documents may delay Project implementation and expose Project to litigations</p>	<p>We note the audit observation. The Authority has made acquisitions amounting to Kshs. 2,162,605,483 as compensation to Project affected persons for the acquired land parcels for the road corridor. Land titling is not a requirement for transport corridors as indicated in a letter from the National Land Commission clarifying that only reservation by way of planning and survey are the modes of securing public lands. Further directions will be provided by the commission.</p>	Not resolved	Ongoing



Eng. Luka Kimeli
Ag. Director General



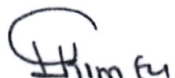
Eng. Henry Gakuru
Director-Development

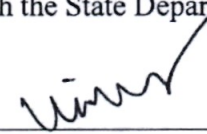
**Mombasa Port Area Road Development Project JICA Loan No.KE – P29 & KE – P32
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Annex 3: Reconciliation of Inter-Entity Transfers

Project Name:		Mombasa Port Area Road Development Project (MPARD)		
Break down of Transfers from the State Department of Roads				
A. Government Counterpart Funding				
		<u>Bank Statement Date</u>	<u>Amount (Kshs)</u>	<u>FY to which the amounts relate</u>
	State Department of Roads	12/07/2024	1,000,000,000	FY 2023/24
		Total	1,000,000,000	
B. Others				
			<u>Amount (Kshs)</u>	<u>FY to which the amounts relate</u>
	Bridge	01/04/2025	1,505,690,864	FY 2024/25
		Total	1,505,690,864	
		Total (A+B)	2,505,690,864	

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


 Eng. Luka Kimeli
 Ag. Director General


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

Mombasa Port Area Road Development Project JICA Loan No.KE – P29 & KE – P32
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Annex 4: Loan from External Development Partners during the year (Loan Received as Direct Payments)

Description	FY 2024/2025					
	Name of Donor	Date received	Amount in loan currency	Loans received in actual amount	Loans received as direct payment*	Total amount in Kshs
			JPY	Kshs	Kshs	Kshs
Loans received from Multilateral Donors (International Organizations)						
JICA		10 Jul 2024	21,448,878		12,312,705	12,312,705
JICA		10 Jul 2024	4,200,000		4,491,228	4,491,228
JICA		10 Jul 2024	6,717,992		6,282,373	6,282,373
JICA		10 Jul 2024	26,182,670		15,030,133	15,030,133
JICA		2 Aug 2024	22,044,436		12,723,735	12,723,735
JICA		2 Aug 2024	4,220,000		4,512,615	4,512,615
JICA		2 Aug 2024	559,672,341		393,261,570	393,261,570
JICA		2 Aug 2024	568,692,417		399,599,652	399,599,652
JICA		15 Aug 2024	5,402,000		5,776,575	5,776,575
JICA		15 Aug 2024	22,865,562		12,945,662	12,945,662
JICA		14 Oct 2024	232,213,918		170,283,362	170,283,362
JICA		15 Oct 2024	8,313,294		8,889,738	8,889,738
JICA		15 Oct 2024	22,719,043		12,475,690	12,475,690
JICA		15 Oct 2024	9,141,936		9,775,838	9,775,838
JICA		15 Oct 2024	23,898,955		13,123,614	13,123,614
JICA		31 Jan 2025	15,441,171		8,835,177	8,835,177

*Mombasa Port Area Road Development Project JICA Loan No.KE – P29 & KE – P32
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Annexes (Continued)

Annex 4: Loan from External Development Partners during the year (Loan Received as Direct Payments) (Continued)

Description	FY 2024/2025				
Name of Donor	Date received	Amount in loan currency	Loans received in actual amount	Loans received as direct payment*	Total amount in Kshs
JICA	31 Jan 2025	435,589		465,793	465,793
JICA	31 Jan 2025	19,571,512		11,198,488	11,198,488
JICA	5 Feb 2025	14,073,642		8,052,700	8,052,700
JICA	18 Mar 2025	2,827,267		3,023,310	3,023,310
JICA	18 Mar 2025	12,687,831		7,448,911	7,448,911
JICA	16 Jun 2025	6,213,562		3,555,295	3,555,295
JICA	16 Jun 2025	3,134,882		3,352,255	3,352,255
JICA	16 Jun 2025	8,247,136		4,718,872	4,718,872
JICA	16 Jun 2025	11,147,940		11,920,938	11,920,938
Total		1,631,513,974		1,144,056,229	1,144,056,229

Mombasa Port Area Road Development Project JICA Loan No.KE – P29 & KE – P32
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Annexes (Continued)

Annex 5: Analysis of Pending Bills Controlled by the Entity

Description	Balance b/f FY 2024/2025	Additions for the year	Paid during the year	Balance c/f FY 2024/25
	<i>Restated</i>			
	<i>Kshs</i>	<i>Kshs</i>	<i>Kshs</i>	<i>Kshs</i>
Construction of civil works	4,178,074,939	3,101,439,113	3,315,410,053	3,964,103,999
Land Compensation	3,545,511,232	-	191,242,751	3,354,268,481
Supply of services	11,059,457	-	-	11,059,457
Use of goods and services		4,378,645	4,336,825	41,820
Total	7,734,645,628	3,105,817,758	3,510,989,628	7,329,473,758

*Mombasa Port Area Road Development Project JICA Loan No.KE – P29 & KE – P32
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Annexes (Continued)

Annex 6: Fixed Assets Register

Asset class: Work in Progress-	Historical Cost b/f (Kshs) Previous Year	Additions during the year (Kshs)	Transfers in/(out) during the year	Historical Cost c/f (Kshs)
Land	5,708,116,715	-	-	5,708,116,715
Infrastructure Assets- Roads, Rails	41,631,215,613	3,243,201,983	-	44,874,417,596
Total	47,339,332,328	3,243,201,983	-	50,582,534,311

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