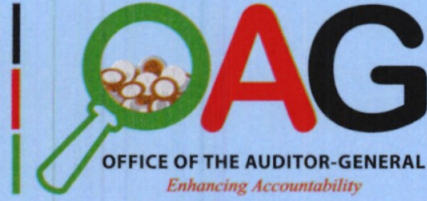
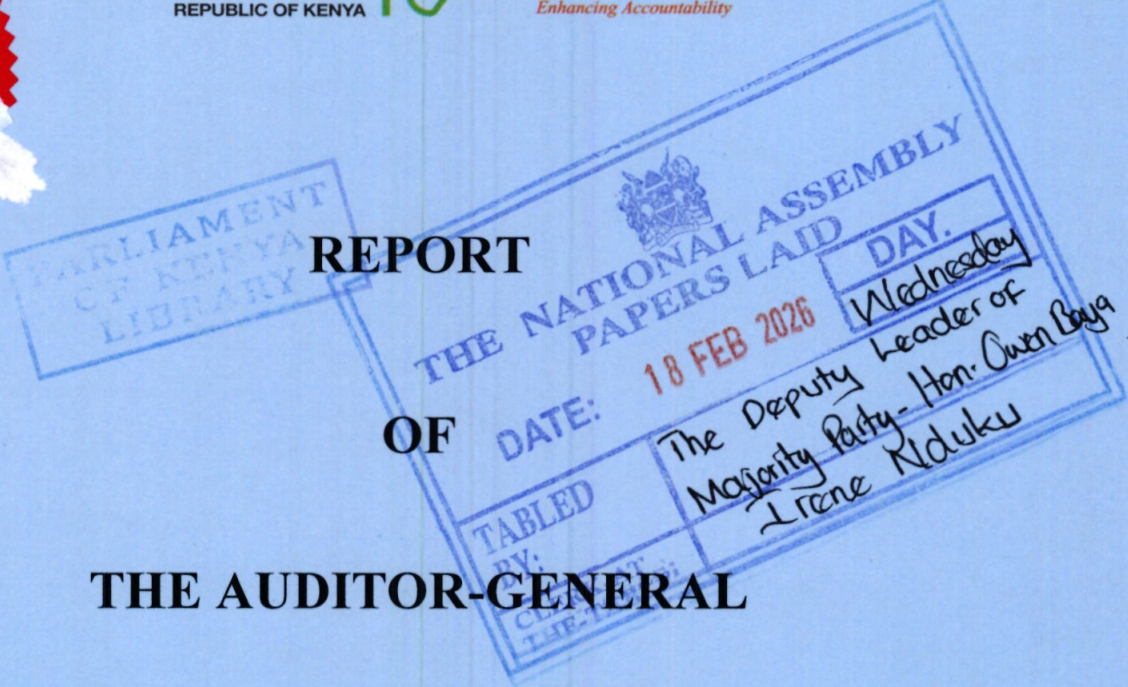


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability



REPORT

OF

THE AUDITOR-GENERAL

ON

**ETHIOPIA-KENYA ELECTRICITY HIGHWAY
PROJECT (ADB LOAN NO. 2100150027845 –
MARIAKANI SUBSTATION PROJECT
ID NO. P-Z1-FA0-044)**

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

**KENYA ELECTRICITY TRANSMISSION
COMPANY LIMITED**



OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
RECORDS OFFICE

14 OCT 2025

RECEIVED

SUPPLEMENTARY FINANCING FOR THE ETHIOPIA- KENYA ELECTRICITY HIGHWAY
(MARIAKANI 400/220KV SUBSTATION PROJECT)

KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

PROJECT ADB LOAN NO: 2100150027845 P-Z1-FA0-044 & PROJECT ADB LOAN NO:
2000200003502 P-Z1-FA0-162

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2025

1st Transitional IPSAS Financial Statements Prepared in accordance with the Accrual Basis of Accounting
Method under the International Public Sector Accounting Standards (IPSAS)

MARIAKANI 400/220KV SUBSTATION

Supplementary Financing for The Ethiopia- Kenya Electricity Highway Project ADB LOAN NO
2000200003502 P-Z1-FA0-162

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

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MARIAKANI 400/220KV SUBSTATION

Supplementary Financing for The Ethiopia- Kenya Electricity Highway Project ADB LOAN NO
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1. Acronyms and Glossary of Terms

AfDB	African Development Bank
EUR	Euro
GOK	Government of Kenya
HVDC	High Voltage Direct Current
ICPAK	Institute of Certified Public Accountants of Kenya
IDA	International Development Association
IPSAS	International Public Sector Accounting Standards
ISA	International Standards on Auditing
KE	Kenya
KETRACO	Kenya Electricity Transmission Company Limited
KShs	Kenya Shilling
KV	Kilovolts
MBS	Moran of the Order of the Burning Spear
OGW	Order of the Grand Warrior
PFM	Public Financial Management Act 2012
PFSs	Project Financial Statements
PSAB	Public Sector Accounting Standards Board
RAP	Resettlement Action Plan
UAC	Units of Account
USD	United States Dollar

MARIAKANI 400/220KV SUBSTATION

Supplementary Financing for The Ethiopia- Kenya Electricity Highway Project ADB LOAN NO 2000200003502 P-Z1-FA0-162

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

2. Project Information and Overall Performance

2.1 Name and Registered Office

Name: The project's official name is Mariakani 400/220KV Substation - Supplementary Financing for The Ethiopia- Kenya Electricity Highway Project)

Objective: The key objective of the project is to increase electricity access and address the challenges of access and low connectivity.

Address: The project headquarters offices are in Nairobi, Nairobi County, Kenya.

The address of its registered office is:

KETRACO
Block B, Kawi House
Off Red Cross Road, South C
P.O. Box 34942 – 00100 Nairobi

Contacts: The following are the project contacts

Telephone: (+254) 20 – 4956000
E-mail: info@ketraco.co.ke
Website: www.ketraco.co.ke

Project information and overall performance (continued)

2.2 Project Information

Project Start Date:	19 th June 2019
Project End Date:	30 th November 2025
Project coordinator	Eng. Justin Muna
Project Manager	Eng. Moses Kerre
Project Development Partner:	Africa Development Bank (AfDB) & Government of Kenya (GoK)

MARIAKANI 400/220KV SUBSTATION

Supplementary Financing for The Ethiopia- Kenya Electricity Highway Project ADB LOAN NO 2000200003502 P-Z1-FA0-162

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

2.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of Kenya Electricity Transmission Company Limited
Project number	KETRACO/PT/017/2014
Strategic goals of the project	The strategic goals of the project are as follows: <ul style="list-style-type: none">(i) The strategic goal of the project is to evacuate power from planned generation plants and to transmit electricity to areas that are currently not supplied from the national grid.
Summary of Project Strategies for achievement of strategic goals	The project management aims to achieve the goals through the following means: <ul style="list-style-type: none">(i) To Strengthen the electricity grid system and Enhance power transfer capacity to the coast region.(ii) In 2024/2025 we plan to increase system stability and power transfer capacity between Nairobi and Mombasa load centers
Other important background information of the project	The project will increase stability of power supply to Mombasa - enabling additional evacuation of power from Olkaria and Loiyangalani.
Areas that the project was formed to intervene	The project was formed to intervene in the following problems/gaps: <ul style="list-style-type: none">(i) Low electricity access and low connectivity.(ii) Enhance electricity access, availability and reliability of the completed substations and complete construction of key transmission infrastructure. <p>As the owner of the project, KETRACO provides the organizational set up for the activities, qualified staff, and basic office infrastructure for efficient execution of the project.</p> <p>The Project contract agreement between KETRACO and China CAMC Engineering Co Limited & Shanghai Electric Power Construction Co. Ltd for the construction of the 400/220Kv Mariakani Substation was signed on June 25th 2015.</p>
Project duration	The project started on 19 June 2019 and is expected to run until 30th November 2025.

MARIAKANI 400/220KV SUBSTATION

Supplementary Financing for The Ethiopia- Kenya Electricity Highway Project ADB LOAN NO 2000200003502 P-Z1-FA0-162

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

Project Information and Overall Performance (Continued)

2.4 Bankers

The following are the bankers for the project:

KCB Bank Limited
Moi Avenue
P. O. Box 30081 – 00100
Nairobi.

2.5 Independent Auditor

Principal Auditor: Auditor General
Office of the Auditor-General
Anniversary Towers, University Way
P. O. Box 30084
Nairobi.

2.6 Roles and Responsibilities

Names	Title designation	Key qualification	Responsibilities
Eng. Kipkemoi, Kibias,	Ag. Managing Director	Master' Business Administration (Strategic Management), Masters in Nuclear Power Plant Engineering, and a Bachelor's degree in Electrical & Electronics Engineering.	Accounting Officer for KETRACO
CPA Tom Imbo	General Manager, Finance	Masters Business Administration, Bachelor of Education, CPA	Project reporting
Eng. Justin Muna	Ag. General Manager, Design and Construction	Masters in Science, GIS, Bachelor's degree in civil engineering;	Project Coordinator
Eng. Moses Kerre	Project Manager	Bachelor of Science (Electrical and Electronic Engineering), Professional Engineer with Engineers Board of Kenya, Corporate Member Institution of Engineers of Kenya	Project Manager

MARIAKANI 400/220KV SUBSTATION

Supplementary Financing for The Ethiopia- Kenya Electricity Highway Project ADB LOAN NO 2000200003502 P-Z1-FA0-162
Annual Report and Financial Statements for the financial year ended June 30, 2025

2.7 Funding summary

The Project is for a duration of 6 years. It was commenced on 19th June 2019 and is expected to complete by 30th November 2025 with an approved amount of AfDB funding from Ethiopia Kenya Savings amounting to UAC 5,572,721 equivalent to Kshs 1,049,735,167 Supplementary AfDB loan amounting to EUR 14,310,601 equivalent to Kshs 1,889,346,979 and counterpart funding of Kshs 692,250,000 the breakdown is as shown:

Below is the funding summary:

A. Source of Funds

Source of funds	Donor Commitment			Amount received to date – (30.06.2025)			Undrawn balance to date - (30.06.2025)		
	<i>UAC</i>	<i>EUR</i>	<i>KShs</i>	<i>UAC</i>	<i>EUR</i>	<i>KShs</i>	<i>UAC</i>	<i>EUR</i>	<i>KShs</i>
	(A)	(A)	(A')	(B)	(B)	(B')	(A)-(B)		(A')-(B')
Loan									
AfDB Main EEHP Loan No.2100150027845 (Project ID P-Z1-FA0-044)	5,572,721	-	1,049,735,167	5,572,721	-	1,049,735,167	-	-	-
AfDB Supplementary Loan No.2000200003502 (Project ID P-Z1-FA0-162) -(54% of Eur 26,510,000)	-	14,310,601	1,889,346,979	-	14,310,601	1,889,346,979	-	-	-
Counterpart funds									
Government of Kenya	-	-	692,250,000	-		692,250,000	-		-
Total	5,572,721	14,310,601	3,631,332,146	5,572,721	14,310,601	3,631,332,146	-		-

MARIAKANI 400/220KV SUBSTATION

Supplementary Financing for The Ethiopia- Kenya Electricity Highway Project ADB LOAN NO 2000200003502 P-Z1-FA0-162
Annual Report and Financial Statements for the financial year ended June 30, 2025

B. Application of Funds

Source of funds	Amount received to date-(30th June 2025)			Cumulative paid to date – (30.06.2025)			Unutilised balance to date - (30.06.2025)		
	<i>UAC</i>	<i>EUR</i>	<i>KShs</i>	<i>UAC</i>	<i>EUR</i>	<i>KShs</i>	<i>UAC</i>	<i>EUR</i>	<i>KShs</i>
	(A)		(A')	(B)		(B')	(A)-(B)		(A')-(B')
Loan									
AfDB Main EEHP Loan No.2100150027845 (Project ID P-Z1-FA0-044)	5,572,721	-	1,049,735,167	5,572,721	-	1,049,735,167	-	-	-
AfDB Supplementary Loan No.2000200003502 (Project ID P-Z1-FA0-162) -(54% of Eur 26,510,000)	-	14,310,601	1,889,346,979	-	14,310,601	1,889,346,979	-	-	-
Counterpart funds							-	-	-
Government of Kenya	-	-	692,250,000	-	-	274,465,164	-	-	417,784,836
Total	5,572,721	14,310,601	3,631,332,146	5,572,721	14,310,601	3,213,547,309	-	-	417,784,836

MARIAKANI 400/220KV SUBSTATION

Supplementary Financing for The Ethiopia- Kenya Electricity Highway Project ADB LOAN NO 2000200003502 P-Z1-FA0-162

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

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

During the period under review, the project received Kshs 510,000,000. Similarly, the project incurred total expenditure of Kshs 100,634,870 during the period, representing 19.73% budget utilization. The project's cumulative receipts and payments to-date amounts to KSh 3,631,332,146 and KSh 3,213,547,309 respectively.

- ii) Physical progress based on outputs, outcomes, and impacts since project commencement.

Mariakani Substation is expected to be completed in November 2025. The physical progress is follows:

Phase	Weights	% Progress against Weight	Physical Progress (%)
	Engineering	5	5
Procurement	60	60	100
Construction	30	30	100
Test and Commissioning	5	4.4	88
Total	100	99.4	95.2

Physical completion and commissioning is expected to be achieved in November 2025.

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

Financial Year	Budget	Actual	Absorption rate (%)
	KShs	KShs	
2020/2021	929,177,079	909,841,720	98
2021/2022	1,064,000,000	653,522,449	61
2022/2023	457,250,000	495,697,873	108
2023/2024	976,000,000	1,053,850,397	108
2024/2025	510,000,000	100,634,870	20

MARIAKANI 400/220KV SUBSTATION

Supplementary Financing for The Ethiopia- Kenya Electricity Highway Project ADB LOAN NO
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Annual Report and Financial Statements for the financial year ended June 30, 2025

iv) Implementation challenges and recommended next steps.

Implementation challenges

- Delays in budgetary allocation which in turn delays processing of invoices submitted by the contractor.

Recommended next steps:

- Management sort intervention to ensure the project received funding to cover outstanding invoices.

2.9 Summary of Project Compliance:

The project reporting has complied with the applicable laws and regulations, and essential external financing agreements/covenants.

MARIAKANI 400/220KV SUBSTATION

Supplementary Financing for The Ethiopia- Kenya Electricity Highway Project ADB LOAN NO 2000200003502 P-Z1-FA0-162

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

3. Statement of Performance against Project's Predetermined Objectives

This project aims to provide reliable and affordable energy from a regional resource base, allowing access to considerable clean regional energy resources, reducing pollution and vulnerability to climate change, thus strengthening environmental resilience. The principal objectives of this project are to:

The key development objectives of the projects are to:

- a) Enhance electricity access, availability and reliability of the completed Substations and substations and complete construction of key transmission infrastructure.
- b) Increase electricity supply by completing Substations for evacuating generated power.
- c) Provide a link with the neighbouring countries in order to facilitate power exchange and develop electricity trade in the region

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:

Project	Objective	Outcome	Indicator	Performance
Supplementary Financing for The Ethiopia- Kenya Electricity Highway (Mariakani Substation Project)	To Strengthen the electricity grid system and Enhance power transfer capacity to the coast region	-Increased stability of power supply to Mombasa - enabling additional evacuation of power from Olkaria and Loiyangalani	Completion and Energizing 400/220kV Mariakani substation and upgrading Mombasa-Nairobi Transmission Line to operate at 400kV	In 2025/2026 we plan to increase system stability and power transfer capacity between Nairobi and Mombasa load centres.

4. Environmental and Sustainability Reporting

Kenya Electricity Transmission Company Limited (KETRACO) has the obligation to plan, design, construct, own, operate and maintain the country's high voltage electricity grid and regional power interconnectors. This primary objective must; however, be twinned with positive impacts to societies that such businesses operate in. These positive impacts include creation of employment opportunities, provision of goods and services, contribution to the economy by paying taxes, contributing towards development of infrastructure and improvement of quality of life for the people.

KETRACO, being an obliging and proactive company, has mainstreamed corporate social responsibility (CSR) in its operations. Beyond grid matters, the company has expanded its jurisdiction to improve the well-being of humanity and impact society to be better.

This deliberate move is necessary because it is the society that gives us a "license to operate" and their goodwill is necessary for continued security and room to operate long after our transmission projects construction is over.

Below is an outline of the organisation's policies and activities that promote sustainability

1. Sustainability strategy and profile

KETRACO ensured that its operations were carried out professionally and in humane manner, considering that construction of transmission projects involves acquisition of land for substations and wayleaves access for the lines. This necessitates compensation and at times resettlement of the Projects Affected Persons (PAPs) hence the need to expedite the process harmoniously. In addition, KETRACO actively participated in several engagements with various stakeholders towards improving their quality of life which translates into creating a better society.

This was evident in key areas such as education, health and environmental conservation. In addition, KETRACO offered youth internship opportunities to fresh graduates and industrial attachments to ongoing University students for the purpose of transferring skills and future career preparation.

2. Environmental performance

KETRACO's environmental and social impact assessment plans are anchored on environmental laws, regulations, standards and best practices. The Company

MARIAKANI 400/220KV SUBSTATION

Supplementary Financing for The Ethiopia- Kenya Electricity Highway Project ADB LOAN NO 2000200003502 P-ZI-FA0-162

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

ensures compliance with all relevant national and international environmental and other statutory regulatory provisions that apply to its projects to ensure sound environmental management practice. The Company undertakes annual environmental audits and has valid permits and licenses for its operations. The Company is guided by the following environmental and social management laws and regulations in its execution of its projects:

The Environmental Management and Coordination Act, Cap 387;The Environmental Impact (Assessment and Auditing) Regulations, 2003;Environmental Management and Coordination (Environmental Impact Assessment and Audit) Regulations, 2003;Environmental Management and Coordination (Water Quality) Regulations of 2006;Environmental Management and Coordination (Waste Management) Regulations of 2006 ; Environmental Management and Co-ordination (Controlled Substances) Regulations, 2007;The Environmental Management and Co-ordination (Conservation of biological diversity and resources, and access to genetic resources and benefits sharing) Regulations, 2006;The Environmental Management and Coordination (Wetlands, Riverbanks, Lakeshores and seashores management) Regulations, 2009;Environmental Management and Coordination (Noise and Excessive Vibration Pollution Control) Regulations, 2009;Environmental Management and Coordination (Air Quality) Regulations, 2008;Occupational Safety and Health Act (OSHA 2007) ;Wildlife Management and Conservation Act, 2013;Forest Act 2015 ;Public Health Act (Cap. 242) 36;The Environment and Land Court Act, 2011;Water Act, 2002.

3. Employee welfare

During the period, KETRACO undertook a skill gap analysis exercise and submitted a report detailing priority training needs to the Human Resource Advisory Committee for consideration. Several staff members were trained in various identified areas.

In addition, the Company achieved the following in regard to employee welfare;

1. KETRACO deployed Azure Multifactor Authentication to all users in the organization to mitigate against technological hazards. This is to provide an extra layer of security to minimize unauthorized log-ins in KETRACO network. 110 Critical Infrastructure Protection Unit (CIPU) officers were deployed on various substations.

MARIAKANI 400/220KV SUBSTATION

Supplementary Financing for The Ethiopia- Kenya Electricity Highway Project ADB LOAN NO 2000200003502 P-Z1-FA0-162

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

2. A nine-member gender mainstreaming committee was reconstituted and trained in the year. The gender policy was finalized and submitted to the Ministry of Energy and State Department for Gender for review, and later circulated to staff. Staff were also sensitized on gender mainstreaming.
3. KETRACO staff attended an online sensitization on disability mainstreaming conducted by National Council for Persons with Disability (NCPWD). National Council for Persons with Disability (NCPWD) undertook an accessibility and usability audit of KETRACO HQ offices.
4. In the year, an alcohol and drug abuse policy was developed, approved by the Board of Directors and circulated to staff. About 100 Employees were sensitized online on the findings of a baseline survey that was undertaken in the previous financial year by the Alcohol and Drug Abuse prevention committee. In addition, 7 committee members were trained on workplace-based prevention measures.

The company drafted a road safety policy and circulated it to all staff. Road safety committee was reconstituted with the appointment of 10 members. In addition, 20 drivers were trained on defensive driving by the AA of Kenya.

4. Marketplace practices

KETRACO continues to comply with the Treasury Circular No. 09/2015 on creation of the Government Advertising Agency (GAA) to coordinate public sector advertising; and Office of the President Circular No. OP/CAB.58/4A on establishment of MyGov publication. In addition, we are guided by the Company's core values and endeavor to responsibly update our stakeholders on our mandate through various Information, Education and Communication (IEC) materials published in print, broadcast and / or electronic media.

a) Responsible Supply chain and supplier relations

On matters procurement, we endeavor to comply with 30% of access to government procurement opportunities (AGPO) requirement by ensuring that youth, women and persons with disabilities supplied goods and services. Further, KETRACO complied with 40% Government requirement on local content procurement where goods and services

MARIAKANI 400/220KV SUBSTATION

Supplementary Financing for The Ethiopia- Kenya Electricity Highway Project ADB LOAN NO 2000200003502 P-Z1-FA0-162

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

were procured locally by the Company. These procurement opportunities have created diverse financial benefits for the special groups as well as enhancing the KETRACO corporate image and reputation.

b) Responsible ethical practices

During this Financial Year the Company revised its integrity and ethics instruments namely: Corruption and Fraud Prevention Policies, Whistle Blowing Policy and the Gifts and Benefit policy. A sensitization exercise was conducted via Microsoft teams to all staff to enlighten them on the need to promote an ethical culture within and outside the organization. The policies were also uploaded to the companies SharePoint for ease of reference on any matter of interest. These policies shall also be uploaded to the Company's website for public viewing and reference.

As part of the signed performance contract on corruption prevention the company updated the Corruption Risk Assessment and mitigation plan which is shared with the Ethics and Anti-Corruption Commission (EACC). On a quarterly basis the corruption prevention committee held update meetings and reported on implementation status with supporting documents to EACC.

On a continuous basis the corruption reporting channels remain operational for use by all. They include a dedicated email address and phone number all uploaded in the Company website. The Company has also installed corruption reporting boxes on each floor at its headquarters in KAWI House.

c) Regulatory impact assessment

The Company continued implementing corruption prevention measures as identified in the corruption risk assessment and mitigation plan. In addition, Integrity Committee quarterly meetings were held, and quarterly reports of the corruption risk assessment reports and the implementation of the mitigation plans were prepared and submitted to EACC.

5. Community Engagements

KETRACO has remained committed to engaging with local communities in project affected areas, the general public, sector partners and other stakeholders aiming at cultivating their goodwill, cooperation and amicable association. In this regard, KETRACO ensured that all corporate social responsibility projects were implemented

MARIAKANI 400/220KV SUBSTATION

Supplementary Financing for The Ethiopia- Kenya Electricity Highway Project ADB LOAN NO
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Annual Report and Financial Statements for the financial year ended June 30, 2025

through a consultative process with stakeholders' right from the initial project planning through to commissioning.

In addition, the host communities in the areas where the projects traverses have benefited from employment opportunities by KETRACO and its contractors. This has boosted the living standards of the communities in the project areas.

MARIAKANI 400/220KV SUBSTATION

Supplementary Financing for The Ethiopia- Kenya Electricity Highway Project ADB LOAN NO 2000200003502 P-Z1-FA0-162

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

5. Statement of Project Management Responsibilities

The Chief Executive Officer of KETRACO and the Project Coordinator for the Mariakani Substation Project are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year ended on 30th June 2025. This responsibility includes (i) maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Project; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Project; selecting and applying appropriate accounting policies; and (v) making accounting estimates that are reasonable in the circumstances.

The Chief Executive Officer of KETRACO and the Project Coordinator for the Mariakani Substation Project accept responsibility for the Project's financial statements, which have been prepared on the Accrual Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

The Chief Executive Officer of KETRACO and the Project Coordinator for the Mariakani Substation Project are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year ended 30th June 2025, and of the Project's financial position as at that date. Chief Executive Officer of KETRACO and the Project Coordinator for the Mariakani Substation 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 Chief Executive Officer of KETRACO and the Project Coordinator for the Mariakani Substation Project 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.

MARIAKANI 400/220KV SUBSTATION

**Supplementary Financing for The Ethiopia- Kenya Electricity Highway Project ADB LOAN NO
2000200003502 P-Z1-FA0-162**

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

Approval of the Project financial statements

The Project financial statements were approved by Chief Executive Officer of KETRACO and the Project Coordinator for the Mariakani Substation Project on 2025 and signed by them.



**Chief Executive Officer
ENG. Kipkemoi Kibias**



**Project Coordinator
ENG. Justin Muna**



**General Manager Finance
CPA Tom Imbo
ICPAK Member Number:7039**

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR GENERAL ON ETHIOPIA – KENYA ELECTRICITY HIGHWAY PROJECT (ADB LOAN NO. 2100150027845 - MARIAKANI SUBSTATION PROJECT ID NO. P-Z1-FA0-044) FOR THE YEAR ENDED 30 JUNE, 2025 – KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

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.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Ethiopia - Kenya Electricity Highway Project (ADB Loan No. 2100150027845 Project ID No. P-Z1-FA0-044 - Mariakani Substation) set out on pages 1 to 21 which comprise of the statement of

Report of the Auditor General on Ethiopia – Kenya Electricity Highway Project (ADB Loan No. 2100150027845 - Mariakani Substation Project ID No. P-Z1-Fa0-044) for the year ended 30 June, 2025 – Kenya Electricity Transmission Company Limited

financial position as at 30 June, 2025 and the statement of financial performance, statement of net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Ethiopia - Kenya Electricity Highway Project (Mariakani Substation) as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Loan Agreement No. 21001500274845 P-Z1-FA0-044 dated 6 December, 2012 between the African Development Fund and the Republic of Kenya, and the subsidiary Agreement between the Government of Kenya and the Kenya Electricity Transmission Company dated 18 August, 2020, and the Public Finance Management Act, 2012.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in my professional 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 report, several issues were raised under the Report on Lawfulness and Effectiveness in Use of Public Resources. Review of the status during audit of the Project in 2024/2025 revealed that the following matters; cancellation of finance agreement, delay in project deliverables and pending bills remained unresolved, although Management stated they were resolved as no documentation to support this assertion was provided for confirmation.

Other Information

The Program Management is responsible for the Other Information set out on page ii to xvii which comprise of Project Information and Overall Performance, Statement of Performance Against Predetermined Objectives, Environmental and Sustainability Reporting, and the 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 Ethiopia-Kenya Electricity Highway Project (Mariakani Substation) financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information and 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 effect of the matters 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

1. Under Absorption of Budgeted Funds

As disclosed in Paragraph 2.3 of the Project Overview, the Project was earmarked to close on 30 November, 2025. However, the funding summary in Paragraph 2.7 indicates that as at 30 June, 2025, the Project had drawn a total of Kshs.3,631,332,146 from funds committed by the Donor and the Government of Kenya. However, payments made for the Project activities amounted to Kshs.3,213,547,309 leaving a balance of Kshs.417,784,836 unutilized.

In the circumstances, the Project's ability to utilize the remaining funding commitment within the remaining Project period was in doubt.

2. Failure to Operate a Project Bank Account

The statement of financial position reflects cash and cash equivalents balance of Kshs.417,784,836. As disclosed in Note 8 to the financial statements, the funds were held in a commercial bank account belonging to the Company. The account also held funds for other projects implemented by the Company. This was contrary to Regulation 76 (1) of the Public Finance Management (National Government) Regulations, 2015 provides that for the purpose of disbursement of project funds, there shall be opened and maintained a project account for every project at the Central Bank of Kenya unless exempted by the Cabinet Secretary in writing.

In the circumstances, Management was in breach of the law. In addition, the existence of sufficient controls for management of Project funds could not be confirmed.

3. Delay in Project Commissioning

Review of Project documents revealed that Management entered into a contract with a foreign company on 25 January, 2015 for construction of Mariakani Substation. The Project was set to be completed by 19 August ,2020. However, Management and the contractor subsequently agreed on nine (9) extensions of time through addendums to the original contract, pushing the completion date to November, 2025 more than ten (10) years after the initial contract agreement.

A project progress report prepared during the year under review indicated that the Project was at 99% completed with only testing and commissioning remaining. However, commissioning of the Project had been delayed due to non-payment of pending invoices to the contractor. The delay in payments attracted an interest charge of Kshs.148,268,754 as at 30 June, 2025. Further, a 9 extension of the time from 30 June, 2025 to November, 2025 resulted in an extra cost of Kshs.77,160,819.

In the circumstances, timely realization of the Project's objectives and value for money incurred on the project could not be confirmed.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements 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 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 Loan Agreement No. 21001500274845 P-Z1-FA0-044 dated 6 December, 2012 between the African Development Fund and the Republic of Kenya, and the subsidiary Agreement between the Government of Kenya and the Kenya Electricity Transmission Company dated 18 August, 2020. I report, based on my audit, that:

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

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal 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 the Project's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.


Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

10 November, 2025

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

	Notes	FY 2025
		Kshs
Revenue		
Revenue Transfers	6	510,000,000
Total revenue		510,000,000
Expenses		
Total expenses		-
Surplus		510,000,000

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



Chief Executive Officer
ENG. Kipkemoi Kibias



Project Coordinator
ENG. Justin Muna



General Manager Finance
CPA Tom Imbo
ICPAK Number: 7039

MARIAKANI 400/220KV SUBSTATION

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

	Note	FY 2025 Kshs	1st July 2024 Kshs
Assets			
Current Assets			
Cash and Cash equivalents	7	417,784,836	8,419,706
Total Current Assets		417,784,836	8,419,706
Non-Current Assets			
Property, Plant and Equipment	9	3,634,243,167	3,120,002,593
Total Non- Current Assets		3,634,243,167	3,120,002,593
Total Assets (a)		4,052,028,004	3,128,422,299
Liabilities			
Current Liabilities			
Trade and Other Payables	10	420,695,860	7,090,155
Total Current Liabilities		420,695,860	7,090,155
Total Liabilities (b)		420,695,860	7,090,155
Net Assets (a-b)		3,631,332,144	3,121,332,144
Represented By:			
Accumulated Surplus		3,631,332,144	3,121,332,144
Total Net Assets		3,631,332,144	3,121,332,144

The project financial statements were approved on13/10/2025 and signed by:


Chief Executive Officer
ENG. Kipkemoi Kibias


Project Coordinator
ENG Justin Muna


General Manager Finance
CPA Tom Imbo
ICPAK Member Number:7039

MARIAKANI 400/220KV SUBSTATION

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9. Statement of Changes in Net Assets

Description	Accumulated Surplus
	Kshs
As at 30 th June 2024	8,419,706.00
Adjustments:	
Asset Recognition	3,120,002,593.00
Liabilities recognition	(7,090,155.00)
As at 1 st July 2024	3,121,332,144.00
Surplus/(Deficit) for the year	510,000,000.00
As at 30 th June 2025	3,631,332,144.00

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

The project financial statements were approved on 13/10/ 2025 and signed by:



Chief Executive Officer
ENG. Kipkemoi Kibias



Project Coordinator
ENG. Justin Muna



General Manager Finance
CPA Tom Imbo
ICPAK Member Number:7039

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10. Statement of Cashflow for Year Ended 30 June 2025

Description	Note	FY 2025 Kshs
Cashflow from operating activities		
Receipts		
Revenue Transfers		510,000,000.00
Miscellaneous Revenue		-
Total receipts		510,000,000.00
Payments		
Total payments		-
Net cash flow from operating activities	11	510,000,000.00
Cashflow from investing activities		
Acquisition of non-financial assets		(100,634,870)
Net cash flows from investing activities		(100,634,870)
Cash flow from financing activities		
Net cash flow from financing activities		-
Net increase/Decrease in cash and cash equivalents		409,365,130
Cash and cash equivalent at 1 st July 2024	7	8,419,706
Cash and cash equivalent at end June 2025	7	417,784,836



Chief Executive Officer
ENG. Kipkemoi Kibias



Project Coordinator
ENG. Justin Muna



General Manager Finance
CPA Tom Imbo
ICPAK Member Number:7039

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

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
	Kshs	Kshs	Kshs	Kshs	Kshs	
Budget Carry Overs from previous periods		-	-	8,419,706	-	-
Receipts						
GOK Transfers	-	510,000,000	510,000,000	510,000,000	-	-
Loan AIA	275,000,000	(275,000,000)	-	-	-	-
Total Revenue	275,000,000	235,000,000	510,000,000	518,419,706	-	-
Payments						
Work in Progress	275,000,000	235,000,000	510,000,000	100,634,870	409,365,130	19.73%
Total Payments	275,000,000	235,000,000	510,000,000	100,634,870	409,365,130	19.73%
Surplus				417,784,836		

Budget Notes:

1. The underutilization of GOK transfers was occasioned by receipt of contractual invoices at close of the financial year (30th June 2025) for payment processing. Budget commitment on the invoices took place in 2024/2025 and the payments will be done in the first quarter of the FY 2025/2026.

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12. Notes to the Financial Statements

1. General Information

The project is under the supervision of the Kenya Electricity Transmission Company Limited which derives its authority and accountability from Company Act. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya.

The strategic goal of the project is to evacuate power from planned generation plants and to transmit electricity to areas that are currently not supplied from the national grid by increasing stability of power supply to Mombasa -enabling additional evacuation of power from Olkaria and Loiyangalani.

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 Mariakani 400/200kV Substation 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 26th August 2025.

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>No impact</p>

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Standard	Effective date and impact:
<p>IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations</p>	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p>No impact</p>
<p>IPSAS 45-Property Plant and Equipment</p>	<p><i>Applicable 1st January 2025</i></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p> <p>Applicable for accounting of infrastructure assets for example transmission Lines.</p>
<p>IPSAS 46 Measurement</p>	<p><i>Applicable 1st January 2025</i></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS;

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Standard	Effective date and impact:
	<p>iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.</p> <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p> <p>Applicable in measuring the current operational value of infrastructure assets.</p>

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

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

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Standard	Effective date and impact:
	employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan. No impact.
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. 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. Not applicable.

iii) Early adoption of standards

The Project 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.

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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 29th July 2024. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the project upon receiving the respective approvals to conclude the final budget. Accordingly, the project recorded additional appropriations through Supplementary budgets I, II III as approved by National Treasury for the FY 2024/2025. The Project's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented on page 5 under section 11 of these financial statements.

c) Property, Plant and Equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition or construction of the item of property appropriately according to the acronyms you use in your financial statements plant and equipment. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a

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major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus, or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

d) Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The project does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements

e) Provisions

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

Contingent liabilities

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

Contingent assets

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

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f) Nature and purpose of reserves

The project creates and maintains reserves in terms of specific requirements.

g) Changes in accounting policies and estimates

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

h) 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.

i) Related parties

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

j) 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.

k) 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.

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5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The project based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the 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 Project.
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- The nature of the processes in which the asset is deployed.
- Availability of funding to replace the asset.
- Changes in the market in relation to the asset

Provisions

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material. The project did not have provisions.

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Notes to the financial statements continued

6. Revenue Transfers

Description	FY 2025
	KShs
Conditional Transfers	
GoK Counter Part funding	510,000,000
Transfers from Development partner 2	-
Total Conditional Transfers (b)	510,000,000
Total Transfers for the Year (a + b)	510,000,000

6a. 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
GOK Funding	510,000,000	-	0	510,000,000
Development Partner 1	-	-	0	-
Subtotal	-	-	0	-
Deferred Income realized	-	-	0	-
Total	510,000,000	-	0	510,000,000

7. Cash and Cash Equivalents

Description	FY 2025	1st July
	Kshs	Kshs
Cash in Bank	417,784,836	8,419,706
Total Cash and Cash Equivalents	417,784,836	8,419,706

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8. Project Bank Accounts

Details	FY 2025	1st July 2024
	Kshs	Kshs
Local Currency Accounts		
Kenya Commercial Bank [1111251622]	417,784,836	8,419,706
Total bank account balances	417,784,836	8,419,706

9. Property, Plant and Equipment

Cost	Capital	Total
	Work in progress	
	Kshs	Kshs
Depreciation rate		
As At 1 July 2024 (opening balances)	3,120,002,593	3,120,002,593
Additions	514,240,574	514,240,574
Disposals	-	-
Transfers/Adjustments	-	-
As at 30 th June 2025	3,634,243,167	3,634,243,167
		-
Net Book Values		
As at 1 st July 2024	3,120,002,593	3,120,002,593
As at 30 th June 2025	3,634,243,167	3,634,243,167

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10. Payables

Description	FY 2025		1 st July 2024	
	Kshs		Kshs	
Trade payables	420,695,860		7,090,155	
Employee payables	-		-	
Other payables (specify)	-		-	
Total trade and other payables	420,695,860		7,090,155	
Ageing analysis: (Trade and other payables)	Current FY	% of the Total	Comparative FY	% of the Total
Under one year	420,695,860	100%	-	%
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total (tie to above total)	420,695,860		-	

11. Cash Generated from Operations

Description	FY 2025
	Kshs
Surplus/Deficit for the year	510,000,000
Adjusted for:	
Working capital adjustments	
Increase in receivables	-
Increase in deferred income	-
Decrease in payables	-
Increase in payments received in advance	-
Net cash flow from operating activities	510,000,000

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12. Related Party Disclosures

Nature of related party relationships

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

Government of Kenya

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

Other related parties include:

- i) The Parent Ministry.
- ii) Key management.
- iii) Board of Directors.

Description	FY 2025
	Kshs
a) Grants /transfers from the government	
Grants from national govt	510,000,000
Total	510,000,000

13. Events after the Reporting Period

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

14. Ultimate And Holding Entity

The project is implemented by KETRACO a State Corporation under the Ministry of Energy and Petroleum. Its ultimate parent is the Government of Kenya.

15. Currency

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

MARIAKANI 400/220KV SUBSTATION

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16. Annexes

Annex 1: Prior Year Auditor-General’s Recommendations

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Person to resolve	Status: (Resolved / Not Resolved)	Timeframe:
4.1 Cash and Equivalents	Cash The statement of financial assets reflects cash and cash equivalents balance of Kshs.8,419,706 as disclosed in Note 5 to the financial statements. However, bank reconciliation statements, cash book, board of survey report and bank confirmation certificate were not provided for audit review.	Bank reconciliation statements, cash book, and bank confirmation certificate were provided to auditors for audit review. The project counterpart funding is financed by GoK and funds disbursed through the Ministry to the Company’s development bank account (KCB a/c 1111251622) A cash certificate was provided to the auditor outlining the breakdown of the closing balances as per the entity’s main KCB bank account which	GM, Finance	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Person to resolve	Status: (Resolved / Not Resolved)	Timeframe:
		includes the figure of Kshs 8,419,706			
4.2 Cancellation of Finance Agreement	Loan Agreement No.2100150027845 P-Z1-FA0-044 between The Republic of Kenya and The African Development Fund was entered into on 6 December, 2012.The Fund as disclosed in Section 2.01 under Article II of the Agreement agreed to lend to the Borrower, an amount not exceeding the equivalent of Seventy-Five Million Units of Account (UA 75,000,000). However, the Financing Agreement was cancelled as per the statement dated 31 December, 2023. The funding summary at Note 2.7 to the financial statements indicates that as at the time of cancellation, a total amount of UAC 5,572,721 equivalent to	The Mariakani project is currently at 99.4% complete. The main loan 2100150027845 was financing 2 projects namely: The Ethiopia Kenya Electricity Highway Project and the Mariakani Project. At the time of the closure of the Loan Mariakani had utilized 100% of its portion.	GM, Finance	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Person to resolve	Status: (Resolved / Not Resolved)	Timeframe:
	Kshs.1,049,735,167 had been drawn during the year under review while undrawn balance was UAC 2,925,873 equivalent to Kshs.504,329,888. It is not clear the circumstances under which the Bank withdrew from the Project and how the Financing Agreement was terminated.				
4.3 Delay in Project Deliverables	As previously reported, review of Project deliverables revealed that the Project was behind schedule with respect to the completion of procurement at 98%, construction at 97% and testing and commissioning at 70%. In the year under review, the activities executed were valued at Kshs.1,049,735,167 compared to the donor commitment of Kshs.1,495,197,114 or 70% and with undrawn balance of Kshs.504,329,888. This was the situation despite	The Mariakani project was adversely impacted by the COVID-19 pandemic which slowed down the importation of crucial items which have since been delivered and installed at site. The project is currently 99.4% complete. Management has put in	GM, Finance and GM, Design & construction	Ongoing	November 2025

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Person to resolve	Status: (Resolved / Not Resolved)	Timeframe:
	having the completion dated reviewed to December 2024.	place measures to ensure the project is completed and energized by 30 th November 2025. Mariakani had utilized 100% of its allocation at the time of closure of the loan.			
4.4 Pending Bills	Annex 3a to the financial statements discloses pending bill totalling Kshs.7,090,155 which were not paid during the year under review but carried forward to 2024/2025 financial year.	The amount of Kshs. 7,090,155 was recognized as a pending bill in the F/Y 2024/2025. This was settled in this current financial year through local AIA.	GM, Finance	Resolved	April 2025


Chief Executive Officer
ENG. Kipkemoi Kibias


Project Coordinator
ENG. Justin Muna

MARIAKANI 400/220KV SUBSTATION

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Annex 2: Reconciliation of inter-entity transfers

Project Name: Mariakani Substation Project				
Break down of transfers from the State Department of Energy				
a.	Government Counterpart funding			
		Bank Statement Date	Amount (Kshs)	
		10.04. 2025	510,000,000	FY 2024/2025
		Total	510,000,000	
B.	Direct payments			
		Bank Statement Date	Amount (Kshs)	
			-	
		Total	-	
C.	Others			
		Bank Statement Date	Amount (Kshs)	
			-	
		Total	-	
		Total (A+B+C)	510,000,000	

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

Project Coordinator
ENG. Justin Muna
KETRACO

Sign



General Manager, Finance
CPA Tom Imbo,
ICPAK Number:7039

Sign



Annex 3: Fixed Asset Register

Asset class	Historical Cost b/f	Additions during the year	Disposals during the year	Transfers in/(out) during the year	Historical Cost c/f
	(Kshs) FY 2023/2024	(Kshs)	(Kshs)		(Kshs) FY 2024/2025
Work in Progress	3,120,002,592	514,240,574	-	-	3,634,243,167
Total	3,120,002,592	514,240,574	-	-	3,634,243,167