

REPUBLIC OF KENYA



REPORT

THE NATIONAL ASSEMBLY
PAPERS LAID

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TABLED BY: Hon. Samuel Chepkwony

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THE AUDITOR-GENERAL

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ON

**SUPPLEMENTARY FINANCING FOR
THE ETHIOPIA – KENYA ELECTRICITY
HIGHWAY (NYANYUKI RUMURUTI
UNDERGROUND CABLE) PROJECT – (ADB
LOAN NO.2000200003502 P-Z1-FA0-162) (ADB
LOAN NO.2100150027845 -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

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**PROJECT NAME: SUPPLEMENTARY FINANCING FOR THE ETHIOPIA- KENYA
ELECTRICITY HIGHWAY (NANYUKI RUMURUTI UNDERGROUND CABLE PROJECT)**

**IMPLEMENTING ENTITY: KENYA ELECTRICITY TRANSMISSION COMPANY
LIMITED**

**PROJECT GRANT/CREDIT NUMBER: ADB LOAN NO: 2000200003502 P-Z1-FA0-162
ADB LOAN NO. 2100150027845 - P-Z1-FA0-044**

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL 12 MONTHS 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)**

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Supplementary Financing For The Ethiopia- Kenya Electricity Highway (Nanyuki Rumuruti Underground Cable Project) Credit Number: ADB Loan NO: 2000200003502 P-Z1-FA0-162 & ADB 2100150027845 - P-Z1-FA0-044
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**Supplementary Financing For The Ethiopia- Kenya Electricity Highway (Nanyuki Rumuruti
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1. ACRONYMS AND DEFINATION OF TERMS

ADB	African Development Bank
GOK	Government of Kenya
HVDC	High Voltage Direct Current
IPSAS	International Public Sector Accounting Standards
KETRACO	Kenya Electricity Transmission Company
kV	Kilovolts
USD	United States Dollar
NCC	National Contracting Company
GOK	Government of Kenya
OGW	Order of Grand Warrior
Wt	Weight

**Supplementary Financing For The Ethiopia- Kenya Electricity Highway (Nanyuki Rumuruti Underground Cable Project) Credit Number: ADB Loan NO: 2000200003502 P-Z1-FA0-162 & ADB 2100150027845 - P-Z1-FA0-044
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2. PROJECT INFORMATION AND OVERALL PERFORMANCE

2.1 Name and Registered Office

Name: The project’s official name is Supplementary Financing For The Ethiopia- Kenya Electricity Highway (Nanyuki Rumuruti Underground Cable 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:

Nanyuki Rumuruti Underground Cable Project
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

2.2 Project Information

Project start date:	The project start date is 9 th November 2023
Project end date:	The project end date is 20 December 2025
Project manager:	The project manager is Engineer Moses Kerre
Project sponsor:	The project sponsor is Africa Development Bank

2.3 Project Overview

State Department of the project	The project is under the supervision of Kenya Electricity Transmission Company Limited.
Project number	2000200003502 - P-Z1-FA0-162 2100150027845 - P-Z1-FA0-044
Strategic goal of the project	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	The project management aims to achieve the goals through the following means (i) Increased connectivity

**Supplementary Financing For The Ethiopia- Kenya Electricity Highway (Nanyuki Rumuruti Underground Cable Project) Credit Number: ADB Loan NO: 2000200003502 P-Z1-FA0-162 & ADB 2100150027845 - P-Z1-FA0-044
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for achievement of strategic goals	(ii) Reliable supply of power
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2. PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

2.3 Project Overview (continued)

Other important background information of the project	<p>The project is implemented by Kenya Electricity Transmission Company Limited (KETRACO) which was incorporated on 2 December 2008 and registered under the Companies Act, Cap 486 pursuant to Sessional Paper No. 4 of 2004 on Energy. The Company was established to develop new high voltage electricity transmission infrastructure that will form the backbone of the National Transmission Grid, in line with Kenya Vision 2030. Its core business is to plan, design, build and maintain new electricity transmission lines and associated substations. These new lines will include 132kV, 220kV, 400kV and 500kV High Voltage Direct Current (HVDC). In carrying out this mandate, the Company is expected to develop a new and robust grid system in order to:</p> <ul style="list-style-type: none"> (i) Improve quality and reliability of electricity supply throughout the country; (ii) Transmit electricity to areas that are currently not supplied from the national grid; (iii) Evacuate power from planned generation plants; and (iv) Provide a link with the neighbouring countries in order to facilitate power exchange and develop electricity trade in the region. <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 Nanyuki Rumuruti Underground cable Project is funded jointly by ADB. The line of credit agreement was signed 19TH June 2019 for EURO 12.867 Million.</p>
Current situation that the project was formed to intervene	<p>The underground cable project will enable energization of Nanyuki – Nyahururu and Nanyuki – Isiolo projects.</p> <ul style="list-style-type: none"> (i) Hence, connect load centres of Isiolo and Rumuruti to National Grid to improve access to reliable power, provide an alternative transmission supply route to Nyahururu, Nanyuki and Meru.. <p>Key Data: Nanyuki Nyahururu Underground Cable Scope: Scope: Design, manufacture, supply, civil work, erection, testing and commissioning of 132kV double circuit overhead HVAC transmission line Contractor: Dongfang Electric International Corporation and Qingdao Hanhe Cable Company Consortium</p> <p>Contract No: KETRACO/PT/009/2021</p>

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	<p>Contract Effective Date: 09 November 2023</p> <p>Initial Completion Date: 09 November 2024</p> <p>Financing Expiry date : 31st December 2025</p> <p>Original Contract Price: USD 14,307,500 and KES 393,930,589</p> <p>Original Contract Completion Date: Twelve (12) months from Contract effective date.</p> <p>Expected Completion Date: 31st December 2025</p> <p>Approximately 16.8 km section of Nanyuki – Rumuruti Transmission Line (Double circuit). Approximately 4.2 km section of Nanyuki – Isiolo Transmission Line (Single circuit).</p>
Project duration	The project started in 2023 and is expected to run until 20 December 2025.

2.4 Bankers

The following are the bankers for the current year:

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

2.5 Auditors

Auditor General
Office of the Auditor-General
Anniversary Towers, University Way
P. O. Box 30084 - 00100
Nairobi.

**Supplementary Financing For The Ethiopia- Kenya Electricity Highway (Nanyuki Rumuruti Underground Cable Project) Credit Number: ADB Loan NO: 2000200003502 P-Z1-FA0-162 & ADB 2100150027845 - P-Z1-FA0-044
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2. PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

2.6 Roles and Responsibilities

Names	Title designation	Key qualification	Responsibilities
Eng Kipkemoi Kibias	Ag. Managing Director &CEO	Masters in Business Administration, Masters in Nuclear Power Plant Engineering and a Bachelor of Science in Electrical & Electronics Engineering.	Accounting Officer for KETRACO
CPA Tom Imbo	General Manager, Finance	Master's in Business Administration (Finance, Economics) Certified Public Accountant with ICPAK , Member Services Committee.	Head of Finance Department in KETRACO
Eng. Justin Muna	Ag. GM, Design and Construction	MSc GIS, BSC Civil Engineering	Head of Design and Construction Department in KETRACO
Engineer Moses Kerre	Project Manager	Bachelor of Science (Civil Engineering), Professional Engineer with Engineers Board of Kenya, Corporate Member Institution of Engineers of Kenya	Project Coordinator

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2. PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

2.7 Funding Summary

A. The Project financing is for a duration from 2023 to-date with an approved budget of ADB funding amounting to UAC 2,099,628 and Euro 11,426,710 equivalent to Ksh 1,921,196,902.00. converted at the prevailing rate Ksh 166.553 per 1 UAC and Ksh 137.5284 per Euro

Source of funds	Donor Commitment-			Amount received as at:(30.06.2025)			Undrawn balance as at:(30.06. 2025)	
	Donor Currency UAC	Donor Currency EURO	Amount in Kshs	Donor Currency UAC	Donor Currency EURO	Amount in Kshs	Donor Currency EURO	Amount in Kshs
	(A)		(A')	(B)		(B')	(A)-(B)	(A')-(B')
(i) Grant/Loan								
AfDB Main EEHP Loan No.2100150027845 (Project ID P-Z1-FA0-044)	2,099,628		349,699,471	2,099,628		349,699,471		
AfDB Supplementary Loan No.2000200003502 (Project ID P-Z1-FA0-162) -(54% of Eur 26,510,000)		11,426,710	1,571,497,431		5,065,031	712,365,405	5,801,040	859,132,026
Total	2,099,628	11,426,710	1,921,196,902	2,099,628	5,065,031	1,062,064,876	5,801,040	859,132,026

**Supplementary Financing For The Ethiopia- Kenya Electricity Highway (Nanyuki Rumuruti Underground Cable Project) Credit Number:
ADB Loan NO: 2000200003502 P-Z1-FA0-162 & ADB 2100150027845 - P-Z1-FA0-044
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1. PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

2.7 Funding Summary (continued)

B. Application of Funds

Application of funds	Donor Commitment-			Amount received as at: – (30.06.2025)			Undrawn balance as at:	
							(30.06. 2025)	
	<i>Donor Currency UAC</i>	<i>Donor Currency EURO</i>	<i>Amount Kshs</i>	<i>Donor Currency UAC</i>	<i>Donor Currency EURO</i>	<i>Amount in Kshs</i>	<i>Donor Currency EURO</i>	<i>Amount in Kshs</i>
	<i>(A)</i>		<i>(A')</i>	<i>(B)</i>		<i>(B')</i>	<i>(A)-(B)</i>	<i>(A')-(B')</i>
(i) Grant/Loan								
AfDB Main EEHP Loan No.2100150027845 (Project ID P-Z1-FA0-044)	2,099,628		349,699,471	2,099,628		349,699,471	-	-
AfDB Supplementary Loan No.2000200003502 (Project ID P-Z1-FA0-162) -(54% of Eur 26,510,000)		11,426,710	1,571,497,431		5,625,670	712,365,405	5,801,040	859,132,026
Total	2,099,628	11,426,710	1,921,196,902	2,099,628	5,625,670	1,062,064,876	5,801,040	859,132,026

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2. PROJECT INFORMATION AND OVERALL PERFORMANCE (continued)

2.8 Summary of Overall Project Performance:

i) Budget Performance Against Actual Amounts for the current year and for cumulative to-date

The project is funded by Africa Development Bank ADB, during the year under review, the project was funded by Appropriation in Aid. During the period under review, the project received Ksh 635,261,689 under Appropriation in Aid (AIA) amount against a Ksh 700,000,000 final budget, Similarly, the project incurred total payments of KShs 635,261,689.

ii) Physical Progress Based on Outputs and Outcomes since the Project commencement

The underground cable project will enable energization of Nanyuki – Nyahururu and Nanyuki – Isiolo projects. Hence, connect load centres of Isiolo and Rumuruti to National Grid to improve access to reliable power, provide an alternative transmission supply route to Nyahururu, Nanyuki and Meru.

The project progress is as below;

Progress/ Completion Status. Overall progress is 76%.	Transmission Line	Description	Total	Percentage Done
		Design	5%	95
		Manufacturing & Shipping	60%	100
		Civil Works	30%	40
		Cable laying	5%	0
		Overall Completion	100%	76%

iii) Absorption Rate Per Year for the Project

Financial Year	Budget (KES)	Actual (KES)	Absorption
FY2023/ 2024	909,000,000	426,803,187	47%
FY2024/ 2025	700,000,000	635,261,689	91%

iv) Implementation Challenges and Way Forward

The budget allocation by National Treasury has been inadequate, KETRACO requested Authority to spend to ensure the project is adequately funded.

2.9 Summary of Project Compliance:

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

3. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETERMINED OBJECTIVES

Introduction

The key development objectives of the projects are to:

- a) Enhance electricity access, availability and reliability of the completed transmission lines and substations and complete construction of key transmission infrastructure.
- b) Increase electricity supply by completing transmission lines for evacuating generated power.

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
Nanyuki Rumuruti Underground Cable Project	To Strengthen the electricity grid system and Enhance power transfer capacity	-Increased stability of power supply to Laikipia County	Kilometres of underground cable and transmission lines complete.	In financial year 24/25 we increased the trenching of the underground wayleave between Nanyuki Substation and Nyahururu

4. ENVIROMENTAL AND SUSTAINABILITY REPORTING

Kenya Electricity Transmission Company Limited (KETRACO) is mandated 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.

Our approach

KETRACO's approach towards CSR is focused on identifying and formulating projects guided by its CSR policy and in response to specific needs that go towards solving a problem that members of the concerned community assess as a priority. To this end, the Company consulted widely internally and beyond on best practices in order to make corporate social responsibility an integral part of its undertakings. During the financial year under review, social, economic and environmental issues were addressed.

Below is a brief highlight of our achievements in each pillar: -

i) 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 to transfer skills and future career preparation.

ii) Environmental and Social Sustainability

Environmental and Social Compliance

KETRACO is committed to sustainable operations in alignment with relevant legislation, including the Environmental Management and Coordination Act (EMCA) 1999, the Climate Change Act 2016, the Sustainable Waste Management Act 2021, and the Land Act 2012. To ensure adherence to these laws and promote responsible environmental stewardship, the company has undertaken the following initiatives.

4. ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Continued)

Between July 2023 and June 2024, KETRACO completed twelve (12) ESIAAs, ensuring that new projects meet environmental and social requirements.

The company conducted 20 Environmental and Social Management Plan monitoring activities and four (4) environmental audits to track compliance and assess the effectiveness of its sustainability measures.

Development of an operational framework

KETRACO has developed and reviewed its Environmental and Social Management Framework to enhance its sustainability practices and compliance with current regulations.

Wayleave Compensation Regulations development

The company contributed to the development and review of the Draft Public Rights of Way Compensation Regulations 2023, aiming to address land-related concerns in project implementation.

Integration of Environmental and Social Considerations

Environmental and social considerations have been integrated into several studies, including the proposed transmission lines for Meru-Maua, Musaga-Webuye-Kitale, Sotik Kilgoris, Juja Ruaraka, and Kieni Chogoria.

Community Sensitization and Awareness

The company recognizes the importance of community engagement in promoting environmental awareness. A total of 105 community sensitization meetings were held across various projects, fostering greater understanding and involvement of local communities in environmental issues.

Climate Change Mainstreaming

KETRACO is actively involved in climate change mitigation and adaptation efforts through several key initiatives:

Tree Planting Activities: The company has participated in the National Tree Planting and Restoration Program in collaboration with the State Department for Forestry. Notably, 211,000 seedlings were planted across Kabunda Forest, Mt. Elgon, Ontulili Meru County, Kibwezi Forest, Aberdare Forest, and Bungoma. Additionally, 3,000 seedlings were distributed to staff for home planting.

Land Allocation for Tree Growing: 330 hectares of land were allocated within Londiani Forest for the growth of 330,000 indigenous trees, contributing to reforestation and habitat restoration efforts.

Climate Workshops and Training: KETRACO took part in the Climate Adaptation for Infrastructure Development workshop at the Wangari Maathai Institute and a multi-agency workshop on Carbon Markets convened by NETFUND.

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Annual Report and Financial Statements for the Year Ended 30 June 2025**

4. ENVIROMENTAL AND SUSTAINABILITY REPORTING (Continued)

Corporate Social Responsibility (CSR) Integration

The company has integrated Corporate Social Responsibility (CSR) into the conceptualization of the KTNIP projects. This includes:

- Offering scholarships for Technical and Vocational Education and Training (TVET) to potential students from project areas, thereby supporting local education and skill development.
- Incorporating tree-growing initiatives into project plans (at least 9,000 trees), with contractors required to implement these plans and KETRACO providing oversight and supervision to ensure successful execution.

5. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The Chief Executive Officer of KETRACO and the Project Coordinator for the Nanyuki Rumuruti Underground Cable 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 30 June 2024. 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 Nanyuki Rumuruti Underground Cable Project accept responsibility for the Project's financial statements, which have been prepared on the IPSAS Accrual Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

The Chief Executive Officer of KETRACO and the Project Coordinator for the Nanyuki Rumuruti Underground Cable 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 30 June 2025, and of the Project's financial position as at that date. Chief Executive Officer of KETRACO and the Project Coordinator for the Nanyuki Rumuruti Underground Cable 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 Nanyuki Rumuruti Underground Cable 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.

Approval of the Project financial statements

The Project financial statements were approved by Chief Executive Officer of KETRACO and the Project Coordinator for the Nanyuki Rumuruti Underground Cable Project on.....19/11.....2025 and signed by them.


.....
Ag. Chief Executive Officer
Eng. Kipkemoi Kibias.


.....
Overall Project Coordinator
Eng. Justin Muna

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 SUPPLEMENTARY FINANCING FOR THE ETHIOPIA – KENYA ELECTRICITY HIGHWAY (NANYUKI RUMURUTI UNDERGROUND CABLE) PROJECT – (ADB LOAN NO.2000200003502 P-Z1-FA0-162) (ADB LOAN NO.2100150027845 P-Z1-FA0-044) FOR THE FINANCIAL 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; 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 are aimed at addressing the statutory roles and responsibilities of the Auditor-General 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 of the Auditor-General on Supplementary Financing for the Ethiopia - Kenya Electricity Highway (Nanyuki Rumuruti Underground Cable) Project - (ADB Loan No.2000200003502 P-Z1-Fa0-162) (ADB Loan No.2100150027845 P-Z1-FA0-044) for the financial year ended 30 June, 2025 - Kenya Electricity Transmission Company Limited

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying transitional IPSAS financial statements of the Supplementary Financing for the Ethiopia - Kenya Electricity Highway (Nanyuki Rumuruti Underground Cable) Project set out on pages 1 to 17 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 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 Supplementary Financing for the Ethiopia - Kenya Electricity Highway (Nanyuki Rumuruti Underground Cable) 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 transitional provisions permitted under IPSAS 33 and comply with the Loan Agreement Supplementary Financing for the Ethiopia - Kenya Electricity Highway (Nanyuki Rumuruti Underground Cable) Project Loan No. 2100150027845 and Loan No. 200200003502 between the Republic of Kenya and the African Development Bank (AfDB) dated 6 December, 2012 and 19 June, 2019 respectively and the Public Finance Management Act, 2012 and 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 Ethiopia – Kenya Electricity Highway (Nyanyuki Rumuruti Underground Cable) Project Loan No. 210015002784 and Loan No. 2000200003502 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

Unexplained Excess Expenditure

The statement of comparison of budget and actual amounts reflects a total receipt final budget of Ksh.700,000,000. However, total payments incurred during the year amounted to Kshs.963,354,781, resulting in unexplained excess expenditure of Kshs.263,354,781

Report of the Auditor-General on Supplementary Financing for the Ethiopia - Kenya Electricity Highway (Nanyuki Rumuruti Underground Cable) Project - (ADB Loan No.2000200003502 P-Z1-Fa0-162) (ADB Loan No.2100150027845 P-Z1-FA0-044) for the financial year ended 30 June, 2025 - Kenya Electricity Transmission Company Limited

above the approved budget. Further, Note 6 to the financial statements (Revenue Transfers) indicates that the sole source of funds was the African Development Bank (AfDB) amounting to Kshs.635,261,689, which is inconsistent with the total expenditure reported. The financial statements, therefore, do not adequately disclose the source of the additional funds used to finance the excess expenditure.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Information

Management is responsible for the Other Information set out on page iii to xiv 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 Supplementary Financing for the Ethiopia - Kenya Electricity Highway (Nanyuki Rumuruti Underground Cable) Project 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 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

1. Presentation and Accuracy of the Financial Statements

The financial statements submitted for audit did not conform to the prescribed format due to the following:

- i. The cover page indicates the annual reports and financial statements are for 12 months instead of the financial year;
- ii. The Statement of Project Management Responsibilities is not dated;
- iii. In the Statement of Financial Performance, gain/loss on foreign exchange transactions is referenced to Note 15. However, Note 15 refers to the currency;
- iv. References in the statement of financial position did not correspond to the actual notes in the financial statements. In addition, the statement was not dated;
- v. The statement of financial position has all notes referred therein but do not correspond to the actual notes in the financial statements. In addition, the statement was not dated;
- vi. The statement of changes in net assets was not dated;
- vii. Cash and cash equivalents are referenced to Note 17 in the statement of cash flows which is not included; and
- viii. The statement of compliance and basis of preparation under general information on notes to the financial statements appearing on page 6 was not dated.

In the circumstances, the financial statements were not in conformity with the applicable financial reporting framework.

2. Delayed Project Implementation

As previously reported, the African Development Bank (AfDB) granted the government supplementary financing for the Ethiopia - Kenya Electricity Highway Project on 19 June, 2019. The supplementary financing was for the construction of the 132kV Nanyuki - Rumuruti Underground Cable, effective 17 September, 2020 with a deadline of December, 2025 through loan No. 2000200003502 P-Z1-FA0-162. Management entered into a contract for the design, supply and erection of 132kV underground cable for approximately 16.8 kilometers section of Nanyuki - Rumuruti transmission line and 4.2 kilometers section of Nanyuki - Isiolo transmission line at a contract price of USD14,307,500 and Kshs.393,930,589 respectively on the 24 March, 2022 five hundred and fifty-three (553) days after the date of the agreement. The contract came to effect on 8 November, 2023. Further, Management signed an addendum for extension of the contract period to 20 December, 2025 on in November, 2024. Management did not

provide explanation for the delay of the project and the need for the addendum extending the contract period.

In the circumstances, value for money was delayed due to late signing of the contract which could lead to interest and charges.

3. Uncertainty of Project Completion Due to Budget Deficit

Review of the Aide Memoir on review conducted between 14 to 22 April, 2025 by a supervision team from Africa Development Bank (AfDB) revealed that the Project required an additional USD2,000,000 to cater for the entire cost of the 132Kv underground cable contract which the executing agency, KETRACO, needed to consider covering from other sources. However, no evidence was provided to support actions taken by Management in supplementing the deficit budget as the Project has a completion date of 20 December, 2025 and the financing agreement elapses on 31 December, 2025.

In the circumstances, value for money may not be realised in the event the additional financing of USD2,000,000 is not obtained.

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

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that nothing else 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 Agreements No. 2100150027845 and No. 200200003502 dated 6 December, 2012 and 9 June, 2019 respectively between the African Development Bank (AfDB) and the Government of the Republic of Kenya, 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 Loan Agreement No. 2100150027845 and No.200200003502 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 Ethiopia – Kenya Electricity Highway (Nanyuki Rumuruti Underground Cable) Loan No. 2100150027845 and Loan No. 200200003502 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 Supreme Audit Institutions (ISSAIs). The standards requires 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

04 December, 2025

**Supplementary Financing For The Ethiopia- Kenya Electricity Highway (Nanyuki Rumuruti Underground Cable Project) Credit Number: ADB Loan NO: 2000200003502 P-Z1-FA0-162 & ADB 2100150027845 - P-Z1-FA0-044
Annual Report and Financial Statements for the Year Ended 30 June 2025**


7. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2025.

	Notes	FY 2024/2025
		Kshs
Revenue		
Revenue Transfers	6	635,261,689
Total revenue		635,261,689
Expenses		
Total expenses		-
Other gains/(losses)		
Gain/Loss on foreign exchange transactions	15	-
Surplus/ (deficit)		635,261,689

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


.....
Ag. Chief Executive Officer
Eng. Kipkemoi Kibias.


.....
Overall Project Coordinator
Eng. Justin Muna


.....
General Manager-Finance
CPA Tom Imbo
ICPAK Member Number 7039

Supplementary Financing For The Ethiopia- Kenya Electricity Highway (Nanyuki Rumuruti Underground Cable Project) Credit Number: ADB Loan NO: 2000200003502 P-Z1-FA0-162 & ADB 2100150027845 - P-Z1-FA0-044
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8. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2025

	Note	FY 2024/2025	1st July 2024
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash equivalents		-	
Receivables	18	160,981,377	426,803,187
Total Current Assets		160,981,377	426,803,187
Non-Current Assets			
Property, Plant and Equipment	20	1,390,157,967	
Total Non- Current Assets		1,390,157,967	-
Total Assets (a)		1,551,139,344	426,803,187
Liabilities			
Current Liabilities			
Trade and Other Payables	22	359,140,858	
Retention	23	129,933,611	
Deferred Income	24	-	
Total Current Liabilities		489,074,469	-
Total Liabilities (b)		489,074,469	-
Net Assets (a-b)		1,062,064,876	426,803,187
Represented By:			
Accumulated Surplus		1,062,064,876	426,803,187
Total Net Assets		1,062,064,876	426,803,187

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



.....
Ag. Chief Executive Officer
Eng. Kipkemoi Kibias.



.....
Overall Project Coordinator
Eng. Justin Muna



.....
General Manager-Finance
CPA Tom Imbo
ICPAK Member Number 7039

**Supplementary Financing For The Ethiopia- Kenya Electricity Highway (Nanyuki Rumuruti Underground Cable Project) Credit Number: ADB Loan NO: 2000200003502 P-Z1-FA0-162 & ADB 2100150027845 - P-Z1-FA0-044
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9. STATEMENT OF CHANGES IN NET ASSETS

Description	Accumulated Surplus Kshs
As at 30th June 2024 (Cash Basis)	-
Adjustments:	
Asset Recognition	426,803,187
Liabilities recognition	-
As at 1st July 2024	426,803,187
Surplus/(Deficit) for the year	635,261,689
As at 30th June 2025	1,062,064,876

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

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



.....
Ag. Chief Executive Officer
Eng. Kipkemoi Kibias.



.....
Overall Project Coordinator
Eng. Justin Muna



.....
General Manager-Finance
CPA Tom Imbo
ICPAK Member Number 7039

Supplementary Financing For The Ethiopia- Kenya Electricity Highway (Nanyuki Rumuruti Underground Cable Project) Credit Number: ADB Loan NO: 2000200003502 P-Z1-FA0-162 & ADB 2100150027845 - P-Z1-FA0-044
Annual Report and Financial Statements for the Year Ended 30 June 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	6	635,261,689
Total receipts		635,261,689
Payments		-
Total payments		-
Net cash flow from operating activities	11	635,261,689
Cashflow from investing activities		
Acquisition of non-financial assets		(635,261,689)
Net cash flows from investing activities		(635,261,689)
Cash flow from financing activities		
Net cash flow from financing activities		-
Net increase/Decrease in cash and cash equivalents		-
Cash and cash equivalent at 1st July 2024	17	-
Cash and cash equivalent at end June 2025	17	-



.....
Ag. Chief Executive Officer
Eng. Kipkemoi Kibias.



.....
Overall Project Coordinator
Eng. Justin Muna



.....
General Manager-Finance
CPA Tom Imbo
ICPAK Member Number 7039

11. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30TH JUNE 2025

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
	Kshs	Kshs	Kshs	Kshs	Kshs	
Budget Carry Overs from previous periods						100%
Receipts						
Revenue Transfers	541,000,000	159,000,000	700,000,000	700,000,000	-	100%
Total Revenue	541,000,000	159,000,000	700,000,000	700,000,000	-	100%
Payments						
Other Transfers/Subsidies/Grants						
Total Payments				-		
Capital Work In Progress	541,000,000	159,000,000	700,000,000	963,354,781		137.62%
Surplus / Deficit				(263,354,781)		

Note

The over expenditure arose because of pending invoices that remained unpaid at the end of the year.

12. NOTES TO THE FINANCIAL STATEMENTS

General Information

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

The strategic goals of the project are as follows:

To increase the volume and reduce the cost of electricity supply in Kenya and to support a program aimed at integrating the East African power pool transformation towards full access to electricity by individual Eastern African Power pool countries through regional power interconnection.

1. 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 Eastern Electricity Highway 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 19/11.....2025

2. 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>
IPSAS 44: Non- Current	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p>

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Standard	Effective date and impact:
Assets Held for Sale and Discontinued Operations	<p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p>No impact</p>
IPSAS 45- Property Plant and Equipment	<p><i>Applicable 1st January 2025</i></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p> <p>Applicable for accounting of infrastructure assets e.g Transmission Lines</p>
IPSAS 46 Measurement	<p><i>Applicable 1st January 2025</i></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ol style="list-style-type: none"> <li data-bbox="496 1375 1418 1509">i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. <li data-bbox="496 1532 1418 1621">ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; <li data-bbox="496 1644 1418 1778">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>

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

Supplementary Financing For The Ethiopia- Kenya Electricity Highway (Nanyuki Rumuruti Underground Cable Project) Credit Number: ADB Loan NO: 2000200003502 P-Z1-FA0-162 & ADB 2100150027845 - P-Z1-FA0-044

Annual Report and Financial Statements for the Year Ended 30 June 2025

Standard	Effective date and impact:
IPSAS 47- Revenue	<p><i>Applicable 1st January 2026</i></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p> <p>Applicable in accounting for binding and unbinding arrangements.</p>
IPSAS 48- Transfer Expenses	<p><i>Applicable 1st January 2026</i></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p> <p>Applicable in accounting for binding and unbinding arrangements.</p>
IPSAS 49- Retirement Benefit Plans	<p><i>Applicable 1st January 2026</i></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p> <p>Applicable when accounting for transfer of assets to KETRACO</p>
IPSAS 50: Exploration For & Evaluation of Mineral Resources	<p><i>Applicable 1st January 2027</i></p> <p>The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p> <ol style="list-style-type: none"> i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized. <p>No impact</p>

Supplementary Financing For The Ethiopia- Kenya Electricity Highway (Nanyuki Rumuruti Underground Cable Project) Credit Number: ADB Loan NO: 2000200003502 P-Z1-FA0-162 & ADB 2100150027845 - P-Z1-FA0-044
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iii) Early adoption of standards

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

12 Notes to the Financial Statements (Cont')

3. 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 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 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 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 entity does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the project'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.

12 . Notes to the Financial Statements (Cont')

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, the Principal and senior managers.

12 . Notes to the Financial Statements (Cont’)

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.

4. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The 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 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.

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Annual Report and Financial Statements for the Year Ended 30 June 2025

12 . Notes to the Financial Statements (Cont’)

- 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..

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.

6. Revenue Transfers

Description	FY 2024/2025
	KShs
Conditional Transfers	
GoK Counter Part funding	-
Transfers from ADB	635,261,689
	-
Total Conditional Transfers	635,261,689
Total Transfers for the Year	635,261,689

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
GOK Funding	-	-	-	-
Development Partner -ADB	635,261,689	-	-	635,261,689
Total	635,261,689	-	-	635,261,689

7. Cash and Cash Equivalents

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Cash in Bank	-	-
Total Cash and Cash Equivalents	-	-

Supplementary Financing For The Ethiopia- Kenya Electricity Highway (Nanyuki Rumuruti Underground Cable Project) Credit Number: ADB Loan NO: 2000200003502 P-Z1-FA0-162 & ADB 2100150027845 - P-Z1-FA0-044
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Notes to the financial statements

8. Property, Plant and Equipment

Cost	Capital Work in progress	Total
	Kshs	Kshs
Depreciation rate		
As At 1 July 2024 (opening balances)	426,803,187	426,803,187
Additions	963,354,781	963,354,781
As at 30 th June 2025	1,390,157,967	1,390,157,967
Net Book Values		
As at 1 st July 2024	426,803,187	426,803,187
As at 30 th June 2025	1,390,157,967	1,390,157,967

9. Trade and Other Payables

Description	FY 2024/2025		1st July 2024	
	Kshs		Kshs	
Trade payables	359,071,776		-	
Total trade and other payables	359,071,776		-	
Ageing analysis: (Trade and other payables)	Current FY	% of the Total	Comparative FY	% of the Total
Under one year	359,071,776	100%	-	%
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total (tie to above total)	359,071,776		-	

Supplementary Financing For The Ethiopia- Kenya Electricity Highway (Nanyuki Rumuruti Underground Cable Project) Credit Number: ADB Loan NO: 2000200003502 P-Z1-FA0-162 & ADB 2100150027845 - P-Z1-FA0-044
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Notes to the financial statements

10. Third-Party Deposits

Description	FY 2024/2025		1st July 2024	
	Kshs		Kshs	
Contractor's Retention	129,933,611		-	
Total retention	129,933,611		-	
Ageing analysis: (Refundable deposits)	Current FY	% of the Total	Comparative FY	% of the Total
Under one year	129,933,611	100%	-	%
1-2 years	-		-	%
2-3 years	-		-	%
Over 3 years	-		-	%
Total	129,933,611		-	

Notes to the financial statements

11. Cash Generated from Operations

Description	FY 2024/2025
	Kshs
Surplus/Deficit for the year	635,261,689
Adjusted for:	
Working capital adjustments	
Net cash flow from operating activities	635,261,689

12. 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

Supplementary Financing For The Ethiopia- Kenya Electricity Highway (Nanyuki Rumuruti Underground Cable Project) Credit Number: ADB Loan NO: 2000200003502 P-Z1-FA0-162 & ADB 2100150027845 - P-Z1-FA0-044

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

Notes to the financial statements

13. Events after the Reporting Period

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

14. Ultimate And Holding Entity

KETRACO is a State Corporation/ or a Semi-Autonomous Government Agency under the Ministry of Energy. Its ultimate parent is the Government of Kenya.

15. Currency

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

**Supplementary Financing For The Ethiopia- Kenya Electricity Highway (Nanyuki Rumuruti Underground Cable Project) Credit
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13. ANNEXES

Annex 1: Prior Year Auditor-General's Recommendations

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Action Points	Status:	Timeframe:

.....
Ag. Chief Executive Officer
Eng. Kipkemoi Kibias.

.....
Overall Project Coordinator
Eng. Justin Muna

**Supplementary Financing For The Ethiopia- Kenya Electricity Highway (Nanyuki Rumuruti Underground Cable Project) Credit Number:
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Annex 3: Fixed Asset Register

Asset class	Historical Cost b/f (Kshs) FY2023/2024	Additions during the year (Kshs)	Disposals during the year (Kshs)	Transfers in/(out) during the year	Historical Cost c/f (Kshs) FY 2024/2025
Work in Progress	426,803,187	963,354,781	-	-	1,390,157,967
Total	426,803,187	963,354,781			1,390,157,967

**Supplementary Financing For The Ethiopia- Kenya Electricity Highway (Nanyuki Rumuruti
Underground Cable Project) Credit Number: ADB Loan NO: 2000200003502 P-Z1-FA0-162 & ADB
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