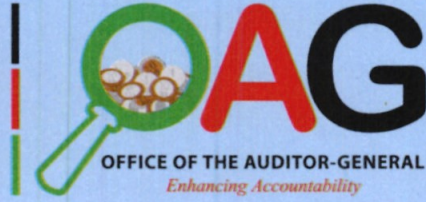


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THE AUDITOR-GENERAL

ON

**220KV AND 132KV TRANSMISSION LINES AND
SUBSTATIONS (EXIM BANK OF INDIA FUNDED)
PROJECTS**

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

**KENYA ELECTRICITY TRANSMISSION
COMPANY LIMITED**



OFFICE OF THE AUDITOR GENERAL
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220KV AND 132KV TRANSMISSION LINES AND SUBSTATIONS (EXIM BANK OF INDIA FUNDED)
PROJECTS

KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED (KETRACO)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
30 JUNE 2025

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

Kenya Electricity Transmission Company Limited
220kv and 132kv Transmission Lines and Substations (Exim Bank of India Funded) Projects
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1. ACRONYMS AND GLOSSARY OF TERMS

EXIM	Export Import
GOK	Government of Kenya
HVDC	High Voltage Direct Current
INTOSAI	International Organisation of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standards
KETRACO	Kenya Electricity Transmission Company
kV	Kilovolts
PFSs	Project Financial Statements
PIU	Project Implementing Units
PSASB	Public Sector Accounting Standards Board
RAP	Resettlement Action Plan
SORE	Statement of Receipts and Expenditure
UA	Units of Account
USD	United States Dollar
MDAs	Ministries, Departments and Agencies
JV	Joint Venture
FCPA	Fellow of the Institute of Certified Accountants of Kenya
CPA	Certified Public Accountant of Kenya
ISO	International Organisation for Standardisation
Ag	Acting
BSc	Bachelor of Science
IEK	Institution of Engineers of Kenya
BA	Bachelor of Arts
UON	University of Nairobi
ISK	Institution of Surveyors of Kenya
MA	Master of Arts
OGW	Order of Grand Warrior
ICPAK	Institute of Certified Public Accountants
OLK	Olkaria-Lessos-Kisumu Transmission Line Project
HRAC	Human Resource Advisory Committee

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2. PROJECT INFORMATION AND OVERALL PERFORMANCE

2.1 Name and registered office

Name: The Project's Official Name is 220kv and 132kv Transmission Lines and Substations (Exim Bank of India Funded) Projects.

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:

Exim Bank of India Funded Projects
 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 Dates:	KETRACO/PT/010 /2012-LOT 1A-14/11/2013-Terminated KETRACO/PT/010 /2012-LOT 1A-02/06/2022 KETRACO/PT/010 /2012-LOT 1B-13/11/2013 KETRACO/PT/010 /2012-LOT 3A-03/12/2013 KETRACO/PT/010 /2012-LOT 3B-03/12/2013
Project End Dates:	The project end date is KETRACO/PT/010 /2012-LOT 1A-31/12/ 2018- (Expected Completion Date), Terminated in September 2018 KETRACO/PT/010 /2012-LOT 1A-31/08/2024 KETRACO/PT/010 /2012-LOT 1B-31/03/2020 KETRACO/PT/010 /2012-LOT 3A-31/03/2024 KETRACO/PT/010 /2012-LOT 3B- 31/10/2022
Project Manager:	The project manager is Engineer Evans Papa
Project Sponsor:	The project sponsors are Government of Kenya and Exim Bank of India

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PROJECT INFORMATION AND OVERALL PERFORMANCE (continued)

2.3 Project Overview

Line Ministry/ State Department of the project	The project is under the supervision of the Kenya Electricity Transmission Company Limited, a state corporation under the State Department of Energy.
Project numbers	KETRACO/PT/010 /2012-LOT 1A KETRACO/PT/010 /2012-LOT 1B KETRACO/PT/010 /2012-LOT 3A KETRACO/PT/010 /2012-LOT 3B
Strategic goals of the project	The strategic goal of the project is to increase electricity access and address the challenges of access and low connectivity
Summary of Project Strategies for achievement of strategic goals	The project management aims to achieve the goals through the following means: Lot 1A – Construction of 220kV Substations at Ortum and Kitale Lot 1B – Construction of 220kV Transmission Line Turkwel – Ortum – Kitale Lot 3A – Construction of 132/33kV Machakos-Konza-Kajiado-Namanga Transmission Line Lot 3B – Construction of 132/33kV Substations at Machakos, Konza, Kajiado and Namanga
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 Indian Funded Projects comprises of projects which are funded jointly by the Government of Kenya through the Ministry of Energy and Petroleum and The National Treasury and a line of credit obtained from Government of India – backed EXIM Bank of India. The line of credit agreement was signed on 16 November 2010 for USD 61.60 Million. The Consultant and Contractors’ details are as follows:</p>

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PROJECT INFORMATION AND OVERALL PERFORMANCE (continued)

Project overview (continued)

Name	Description	Project	Contract Amount-USD	Completion date
Powergrid Corporation of India Limited	Consultant-signed on 25 April 2012	Engineering and project management services	USD 2,366,533 revised to USD 2,826,643	24 October 2016 revised to 30 June 2017 at which time the contract ended.
Jyoti Structures Limited	Contractor-signed on 16 April 2013	Lot 1A – 220kV Substations at Turkwel, Ortum and Kitale	USD 19,072,680 Revised to USD 18,100,120	30 October 2016 revised to 31 December 2018. The Company went into liquidation in July 2018. KETRACO terminated the contract in September 2018.
Shyama Power India Limited	Contract signed on 01 April 2021	Lot 1A – 220kV Substations at Turkwel, Ortum and Kitale	USD 8,319,773.32 Revised to 8,620,005.48	26 th August 2024
KEC International	Contractor-signed on 16 April 2013	Lot 1B – 220kV Transmission Line Turkwel – Ortum – Kitale	USD 11,861,976 Revised to USD 12,963,129.21	31 March 2020.
Joint Venture of Shyama Power India Ltd and Mirador Commercial PVT Limited	Contractor-signed on 16 April 2013	Lot 3A – 132/33kV Machakos-Konza-Kajiado-Namanga Transmission Line	USD 11,595,129.67 Revised to USD 9,470,312.24	14 th February 2024
Shyama Power India Limited	Contractor-signed on 16 April 2013	Lot 3B – 132/33kV Substations at Machakos, Konza, Kajiado and Namanga	USD 17,265,725.78 Revised to USD 21,294,329.93	31 October 2022

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PROJECT INFORMATION AND OVERALL PERFORMANCE (continued)

Project Overview (continued)

	The projects funded through the line of credit from EXIM bank are divided into 4 parts, and their status as of 30 June 2025 is as follows:			
	Project	Contractor	Status	Main challenge
1	Lot 1A- Turkwel- Ortum-Kitale Substations	Shyama Power	100% complete- 26 th August 2024	Inadequate funding from Treasury to facilitate paying of outstanding bills.
2	Lot 1B- Turkwel- Ortum-Kitale Transmission Line	KEC International	100% Complete- 30 March 2020	Lack of funding to facilitate paying of outstanding wayleaves.
3	Lot 3A- Machakos- Konza- Kajiado- Namanga Transmission Line	Shyama Power India Ltd	100% complete- 14 th February 2024	Lack of funding from Treasury to facilitate paying pending contractual bills
4	Lot 3B- Machakos- Konza- Kajiado- Namanga Substations	Shyama Power India Ltd	100% complete- 31/10/2022	Lack of funding to facilitate paying of pending contractual bills/claims.
Current situation that the project was formed to intervene	Low electricity access and low connectivity.			
Project duration	11 years.			

Kenya Electricity Transmission Company Limited
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PROJECT INFORMATION AND OVERALL PERFORMANCE (continued)

2.4 Bankers

The following are the bankers for the current year:

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

2.5 Auditors

The project is audited by:

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

2.6 Roles and Responsibilities

Below is a list of the different people involved with the project:

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.	Managing Director
Eng. Justin Muna	Ag. GM, Design and Construction	MSc GIS, BSC Civil Engineering	Project Coordinator
CPA Tom Imbo	General Manager, Finance	Masters Business Administration, Bachelor of Education, CPA	Project Reporting
Engineer Evans Papa	Project Manager	Bachelor's degree in civil engineering. He is registered by the Engineers Board of Kenya (EBK) and a Member of the Institution of Engineers of Kenya(IEK).	Project Engineer
Johnson Muthoka	Senior Manager Wayleaves	BA Land Econ (Hons), Master of Arts (urban and regional planning, Full member of Institute of Survey of Kenya (ISK), registered and Licensed land economist	Wayleaves Acquisition (Land Economists, Land surveyors, Social Economists, Environmental Experts)

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1. PROJECT INFORMATION AND OVERALL PERFORMANCE (continued)

2.7 Funding summary:

(A) Source of funds

The Projects were for a duration of 11 years from 2013 to 2024 with an approved budget of USD 61,600,000, equivalent to KShs 6,215,603,728 and Counterpart part funding of KShs 3,045,902,175 as highlighted in the table below:

Below is the funding summary:

Source of funds	Donor commitment		Amount received to date – (30/06/2025)		Undrawn balance to date (30/06/2025)	
	<i>USD</i>	<i>KShs</i>	<i>USD</i>	<i>KShs</i>	<i>USD</i>	<i>KShs</i>
	<i>(A)</i>	<i>(A')</i>	<i>(B)</i>	<i>(B')</i>	<i>(A)-(B)</i>	<i>(A')-(B')</i>
(i) Loan						
EXIM Bank of India	61,600,000	6,215,603,728	61,447,543	6,195,901,104	152,456.61	19,702,623
(ii) Counterpart funds						
Government of Kenya		3,045,902,175		3,045,902,175	-	-
KETRACO funding		92,337,199		92,337,199		
Total	61,600,000	9,353,843,102	61,447,543	9,334,140,479	152,457	19,702,623

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PROJECT INFORMATION AND OVERALL PERFORMANCE (continued)

(B) Application of funds

Application of funds	Amount received to date – (30 June 2025)		Cumulative Amount paid to date – (30th June 2025)		Unutilised balance to date (30th June 2025)	
	<i>Donor currency-USD</i>	<i>Kshs</i>	<i>Donor currency-USD</i>	<i>Kshs</i>	<i>Donor currency-USD</i>	<i>Kshs</i>
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Grant						
None	--	--		--	--	--
(ii) Loan						
Exim Bank of India	61,600,000	6,195,901,104	61,447,543	6,195,901,104	-	-
(ii) Counterpart funds						
Government of Kenya		3,045,902,175		2,868,740,894		177,161,281
KETRACO funding		92,337,199		92,337,199		
Total	61,600,000	9,334,140,479	61,447,543	9,156,979,198	-	177,161,281

PROJECT INFORMATION AND OVERALL PERFORMANCE (continued)

2.8 Summary of Overall Project Performance:

i) Budget Performance Against Actual Amounts

During the year under review, the project received KSh 216,800,523 against a final budget of KSh 177,745,468. Similarly, the project incurred total expenditure of KSh 217,384,711 during the year, against a final budget of KSh 177,745,468 representing a 122% budget utilization. The project's cumulative receipts and payments to-date amounts to KSh 9,334,140,479 and KSh 9,156,979,198 respectively.

ii) Physical Progress and Achievements of the Project

EXIM Bank of India finances the Turkwel-Ortum-Kitale Transmission Line and Substations and the Machakos-Konza-Kajiado-Namanga Transmission Line and Substations. The two projects are all 100% complete.

Comments on value-for-money achievements

The following value for money achievements will be realised once the project is completed:

1. Power stability in the North Rift region because it is a second line from Turkwel generation plant.
2. Lowering of power losses as the line reduces in length to load centre.
3. Supply to towns along the line like Ortum and environs.
4. Supply of power to new cement factory at Ortum.
5. Bulk power supply to Machakos, Konza, Kajiado and Namanga
6. Power reliability in Machakos, Konza Kajiado and Namanga which are towns prone to blackouts.
7. Less power losses due to use of high-capacity line.
8. Start up to Konza industrial park

iii) Absorption rate

<u>YEAR</u>	<u>FINAL BUDGET</u>	<u>ACTUAL SPENT</u>	<u>ABSORPTION</u>
	<u>Kshs</u>	<u>Kshs</u>	
	<u>A</u>	<u>B</u>	<u>C=B/A</u>
2016/2017	791,242,000	792,048,881	100%
2017/2018	1,025,000,000	737,037,092	72%
2018/2019	845,115,000	334,011,618	40%
2019/2020	781,000,000	338,502,600	43%
2020/2021	1,711,204,897	750,055,134	44%
2021/2022	464,000,000	574,848,172	124%
2022/2023	1,172,078,370	687,275,892	59%
2023/2024	202,000,000	601,820,419	298%
2024/2025	177,745,468	217,384,711	122%

PROJECT INFORMATION AND OVERALL PERFORMANCE (continued)

iv) Implementation Challenges and Way Forward

During implementation, the contractor for Turkwel-Ortum-Kitale Substations, M/s Jyoti Structures, was terminated in September 2018 for non – performance. Another contractor, Ms Shyama Power India Limited was however contracted to complete the works left by M/s Jyoti Structures.

The overall contract implementation stands at 100%.

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 project's are to:

- a) Enhance access, availability and reliability to grid electricity in the areas covered by the transmission lines and substations once completion is achieved.
- b) Increase supply of power to bulk consumers and aid in industrialisation and manufacturing.
- c) Aid in evacuation of power from generation stations like Turkwel Power station.

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
The EXIM Bank of India Funded Projects	To strengthen the electricity grid system and enhance power transfer capacity	Increased stability of power supply enabling additional evacuation of power from Turkwel Gorge Dam.	Number of substations and transmission lines completed	As at 30 th June 2025, 3 transmission lines are 100% complete, that is 13km of 132kV Machakos- Konza, 96KM of 132Kv Isinya-Namanga and 68KM OF 220KV Turkwel Ortum Kitale. 6 Substations are 100% completed, that is Machakos, Konza, Isinya, Namanga, Kitale and Ortum Substations.

4. ENVIRONMENTAL 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: -

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 to transfer skills and future career preparation.

2. 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.

Between July 2024 and June 2025, KETRACO completed twelve (12) ESIA's, ensuring that new projects meet environmental and social requirements.

ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Continued)

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.

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.

ENVIROMENTAL AND SUSTAINABILITY REPORTING (Continued)

- 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.

Renewable Energy Contribution

In line with its commitment to sustainable energy practices, the company facilitated the evacuation of energy supplied to the national grid from renewable sources. Between July and December 2023, the company's contribution to Kenya's energy mix reached an impressive 84.94%, underscoring its role in advancing the country's renewable energy goals.

3. Safety and Security Measures

During the year ended 30 June 2025, the Company achieved the following:

- Promotional of safe work through effective incident and accident investigations, OSH inspections /audits, robust risk assessment and monitoring implementations of corrective actions for both operational sites and sites under construction. Contributing towards sustainability of KETRACO projects and mandate including public safety
- Sensitized/trained staff and contracted personnel on workplace safety and health measures in the offices and substations. As well as dissemination of vital OSH information to employees.
- Enhanced public safety by listening to safety and health concerns of employees and other stakeholders and guiding appropriately.
- Reviewed and developed the Company Occupational Safety and Health policy.
- The Section played a key role in ensuring safety and health during the completion and energization of Sabaki river crossing restoration works

5. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The Chief Executive Officer of KETRACO and the Project Coordinator for the 220kv and 132kv Transmission Lines and Substations (Exim Bank of India Funded) Projects 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 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 statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) Safeguarding the assets of the Project; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

The Chief Executive Officer of KETRACO and the Project Coordinator for the 220kv and 132kv Transmission Lines and Substations (Exim Bank of India Funded) Projects accept responsibility for the Project's financial statements, which have been prepared on the Cash 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 220kv and 132kv Transmission Lines and Substations (Exim Bank of India Funded) Projects 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 220kv and 132kv Transmission Lines and Substations (Exim Bank of India Funded) Projects 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 220kv and 132kv Transmission Lines and Substations (Exim Bank of India Funded) Projects 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 220kv and 132kv Transmission Lines and Substations (Exim Bank of India Funded) Projects on31/10/.....2025 and signed by them.



.....
Ag. Managing Director & CEO
Eng. Kipkemoi Kibias



.....
Ag. General Manager, Design
and Construction
Eng. Justin Muna

REPUBLIC OF KENYA

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

REPORT OF THE AUDITOR-GENERAL ON 220KV AND 132KV TRANSMISSION LINES AND SUBSTATIONS (EXIM BANK OF INDIA FUNDED) PROJECTS 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 the 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 the Lawfulness and Effectiveness in 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 the 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 ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of 220KV and 132KV Transmission Line and Substations (Exim Bank of India Funded) Projects set out on pages 1 to 20

Report of the Auditor-General on 220KV and 132KV Transmission Lines and Substations (Exim Bank of India Funded) Projects for the year ended 30 June, 2025 - Kenya Electricity Transmission Company Limited

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 financial statements present fairly, in all material respects, the financial position of 220KV and 132KV Transmission Lines and Substations (Exim Bank of India Funded) Projects 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 Dollar Credit Line Agreement dated 16 November, 2010 between Export - Import Bank of India Project Numbers KETRACO/PT/010/2012-Lot 1A, KETRACO/PT/010/2012-Lot1B, KETRACO/PT/010/2012-Lot3A and KETRACO/PT/010/2012-Lot 3B and the Republic of Kenya 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 of the 220KV and 132KV Transmission Line and Substations (Exim Bank of India Funded) Projects 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.

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 220KV and 132KV Transmission Line and Substations (Exim Bank of India Funded) Projects in 2024/2025 revealed that the unsupported wayleave compensation, long outstanding pending accounts payables and failure to open and maintain Project account matters remained unresolved. Although Management stated they were ongoing, no documentation to support this was provided for confirmation.

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 220KV and 132KV Transmission Lines and Substations Project's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. In my opinion, except for the matter described below, I confirm that the Other Information is not materially inconsistent with the financial statements.

Unexplained Variance: The Project has cumulatively received and utilized Kshs.9,156,979,198 under Project Information and Overall Performance while the absorption rate table reflects a total of Kshs.5,032,984,519 resulting to unexplained variance of Kshs.4,123,994,679.

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. Irregular Reallocation of Funds

The initial Project Information had the Government of Kenya and the Exim Bank of India committing themselves to fund the Project by Kshs.3,045,902,175 and USD61,600,000 respectively. This agreement was without factoring internal resources. The Company committed an additional Kshs.92,337,199 to fund the Project and in the financial year under review, Kshs.3,997,354 was paid with funds not initially intended for the Project.

However, this reallocation was not approved as no evidence was provided for audit verification by both the State Department for Energy and The National Treasury contrary to section 43(2)(b) and (c) of the Public Finance Management Act, 2012 which states that an accounting officer for a National Government entity, other than a state corporation, may reallocate funds between programs, or between Sub-Votes, in the budget for a financial year if a request for the reallocation has been made to The National Treasury explaining the reasons for the reallocation and The National Treasury has approved the request; and the total sum of all reallocations made to or from a program or Sub-Vote does not exceed ten percent of the total expenditure approved for that program or Sub-Vote for that financial year.

In the circumstances, Management was in breach of the law.

2. Long Outstanding Payables

The statement of financial position and Note 11 to the financial statements reflects trade and other payables balance of Kshs.133,858,579 which includes Kshs.120,651,092 that has been outstanding for more than three (3) years contrary to Regulation 42 (1) (a) of the Public Finance Management (National Government) Regulations, 2015 on the overall control of National Government budget execution which states that debt service payments shall be a first charge on the Consolidated Fund and the Accounting Officer shall ensure this is done to the extent possible that the Government does not default on debt obligations.

In contrast, the budget allocated to the Project in the year 2025/2026 is Kshs.65,334,901 which casts doubt on the Project's ability to pay its current debts and risks incurring significant interest costs and penalties due to continued delay in payment.

In the circumstances, Management was in breach of the law.

3. Failure to Pay Wayleaves Promptly

The Company completed and commissioned the Projects on the Exim Bank of India funded projects. Having undertaken valuation of land and other property/structures/crops in the designed routes of these projects, the initial wayleave reports were completed and approved in 2014 and 2015. However, compensation for limited loss of use of land amounting to Kshs.171,147,068 approved on 14 October, 2015 has never been paid to date contrary to Regulation 42 (1) (a) of the Public Finance Management (National Government) Regulations, 2015.

The delays expose the Company to legal claims, interest charges, and reputational risks, while also straining relations with the community and potentially stalling project implementation.

In the circumstances, Management was in breach of the law.

4. Failure to Make Provisions for Payable Wayleaves

The statement of financial position and Note 11 to the financial statements reflects trade and other payables balance of Kshs.133,858,579. Included in this amount is a balance of Kshs.107,200,832 owed to Persons Affected by Projects (PAPs), being money recognized as certified claims on presentation of all documents and the same having been encumbered by registration of an easement at land's registries.

However, the power lines under the Project have been erected, the land owners have a wayleave right that is already crystalized and, thus, KETRACO need to make this provision in their financial statements and/or disclose the obligations. This is contrary to IPSASs 1 on presentation of financial statements which requires fair disclosure of the reporting entity's transactions.

In the circumstances, the financial statements were not prepared in accordance with the applicable financial reporting framework and standards.

5. Failure to Operate and Maintain a Project Bank Account

As previously reported, the statement of financial position and Note 8 to the financial statements reflects cash and cash equivalents balance of Kshs.177,161,281. However, review of the cash book and bank statements presented for audit, revealed that the Company was maintaining one bank account for all donor-funded projects. This is contrary to Regulation 76 (1) of Public Finance Management (National Government) Regulations, 2015 which provides that for the purpose of disbursement of project funds, there shall be opened and maintained a Project account for every project at Central Bank of Kenya.

Further, review of The National Treasury authority to Kenya Electricity Transmission Company (KETRACO) dated 5 June, 2017 granting approval to operate bank accounts revealed that a local bank account number was meant for Kenya Electricity Transmission Company (KETRACO) Limited operations and not the project operations.

In the circumstances, Management was in breach of the law.

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 the Dollar Credit Line Agreement dated 16 November, 2010 between Export- Import Bank of India Project Numbers KETRACO/PT/010/2012-Lot 1A, KETRACO/PT/010/2012-Lot 1B, KETRACO/PT/010/2012-Lot 3A and KETRACO/PT/010/2012-Lot 3B, 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 Dollar Credit Line Agreement dated 16 November, 2010 between Export - Import Bank of India Project Numbers KETRACO/PT/010/2012-Lot 1A, KETRACO/PT/010/2012-Lot1B, KETRACO/PT/010/2012-Lot 3A and KETRACO/PT/010/2012-Lot 3B 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 of 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

19 November, 2025

Kenya Electricity Transmission Company Limited
220kv and 132kv Transmission Lines and Substations (Exim Bank of India Funded) Projects
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7. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2025

	Notes	FY 2024/2025
		Kshs
Revenue		
Revenue Transfers	6	216,800,523
Miscellaneous Revenue		
Total revenue		216,800,523
Expenses		
Total expenses		-
Other gains/(losses)		
Unrealised Gain/Loss on foreign exchange transactions	7	(7,114,114)
Surplus/ (deficit)		209,686,410

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



.....
 Ag. Managing Director & CEO
 Eng. Kipkemoi Kibias



.....
 Ag. General Manager, Design
 and Construction
 Eng. Justin Muna



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

Kenya Electricity Transmission Company Limited
220kv and 132kv Transmission Lines and Substations (Exim Bank of India Funded) Projects
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8. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2025

	Note	FY 2024/2025	1st July 2024
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash equivalents	8	177,161,281	177,745,468
Receivables	9	5,721,388	52,670,172
Total Current Assets		182,882,668	230,415,640
Non-Current Assets			
Property, Plant and Equipment	10	9,532,200,234	9,471,908,626
Total Non- Current Assets		9,532,200,234	9,471,908,626
Total Assets (a)		9,715,082,902	9,702,324,267
Liabilities			
Current Liabilities			
Trade and Other Payables	11	133,858,579	349,723,625
Retention	12	208,641,900	182,590,514
Deferred Income		-	-
Total Current Liabilities		342,500,479	532,314,139
Total Liabilities (b)		342,500,479	532,314,139
Net Assets (a-b)		9,372,582,423	9,170,010,127
Represented By:			
Accumulated Surplus		9,372,582,423	9,170,010,127
Total Net Assets		9,372,582,423	9,170,010,127

The financial were approved on.....31/10/..... 2025 and signed by:



.....
 Ag. Managing Director & CEO
 Eng. Kipkemoi Kibias



.....
 Ag. General Manager, Design
 and Construction
 Eng. Justin Muna



.....
 General Manager-Finance
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Kenya Electricity Transmission Company Limited
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9. STATEMENT OF CHANGES IN NET ASSETS

Description	Accumulated Surplus
	Kshs
As at 30th June 2024 (Cash Basis)	177,745,468
Adjustments:	
Asset Recognition	9,524,578,798
Liabilities recognition	(532,314,139)
As at 1st July 2024	9,170,010,127
Surplus/(Deficit) for the year	209,686,410
Credit note issued during the year	(5,527,785)
Invoice adjustment	(1,586,329)
As at 30th June 2025	9,372,582,423

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

The financial were approved on.....31/10/..... 2025 and signed by:



.....
 Ag. Managing Director & CEO
 Eng. Kipkemoi Kibias



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 Ag. General Manager, Design
 and Construction
 Eng. Justin Muna



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 General Manager-Finance
 CPA Tom Imbo
 ICPAK Member Number:
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Kenya Electricity Transmission Company Limited
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10. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2025

Description	Note	FY 2024/2025
		Kshs
Cashflow from operating activities		
Receipts		
Revenue Transfers	6	216,800,523
Miscellaneous Revenue		-
Total receipts		216,800,523
Payments		
Total payments		-
Net cash flow from operating activities	13	216,800,523
Cashflow from investing activities		
Acquisition of non-financial assets		(217,384,711)
Net cash flows from investing activities		(217,384,711)
Cash flow from financing activities		
Net cash flow from financing activities		-
Net increase/Decrease in cash and cash equivalents		(584,188)
Cash and cash equivalent at 1st July 2024	8	177,745,468
Cash and cash equivalent at end June 2025	8	177,161,281

Kenya Electricity Transmission Company Limited
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11. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 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		177,745,468	177,745,468	177,745,468		
Receipts						
Revenue Transfers-GOK	229,000,000	(229,000,000)	-	-	-	-
KETRACO Funding	-	-	-	3,997,354		
AIA	-	-	-	212,803,169	(212,803,169)	
Total Revenue	229,000,000	(229,000,000)	177,745,468	394,545,992	(212,803,169)	
Payments						
Work in progress	229,000,000	(229,000,000)	177,745,468	217,384,711	(39,639,243)	122.30%
Total Payments	229,000,000	(229,000,000)	177,745,468	217,384,711	(39,639,243)	122.30%
Surplus	-	-	-	177,161,281	-	

- i) In the Printed Estimates, the project was not funded under Loan AIA but was allocated Kshs. 123,000,000 under Supplementary ii Estimates. This was however reduced to nil under Supplementary Estimates No. iii after expenditure had been incurred. The Ksh. 229,000,000 Gok budget allocated under Printed Estimated was also reduced to nil under Supplementary i Estimates.
- ii) The total expenditure of Kshs. 217,384,711 is made up of:
- Kshs 212, 803,169 from Loan AiA
 - Kshs 3,997,354 from KETRACO funding
 - Kshs. 584,188 from GOK funds

Kenya Electricity Transmission Company Limited
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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'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:

The strategic goal of the project is to increase electricity access and address the challenges of access and low connectivity.

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 220kv and 132kv Transmission Lines and Substations (Exim Bank of India Funded) Projects 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 on31/10/2025

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>Applicable 1st January 2025</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 Assets Held for Sale and Discontinued Operations	<p>Applicable 1st January 2025</p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p>No impact</p>

Kenya Electricity Transmission Company Limited
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Standard	Effective date and impact:
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. 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"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p> <p>Applicable in measuring the current operational value of infrastructure assets</p>

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

Standard	Effective date and impact:
IPSAS 47- Revenue	<p><i>Applicable 1st January 2026</i></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p> <p>Applicable in accounting for binding and unbinding arrangements.</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,</p>

Kenya Electricity Transmission Company Limited
220kv and 132kv Transmission Lines and Substations (Exim Bank of India Funded) Projects
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Standard	Effective date and impact:
	amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers. Applicable when accounting for transfer of assets to KETRACO
IPSAS 49- Retirement Benefit Plans	<i>Applicable 1st January 2026</i> The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan. 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: <ul style="list-style-type: none"> i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized. No impact

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

Kenya Electricity Transmission Company Limited
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Annual Report and Financial Statements
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Notes to the financial statements (continued)

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. 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.

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

Notes to the financial statements (continued)

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.

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.

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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 project, 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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Notes to the financial statements (continued)

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the project 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.
- 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 2024/2025
	KShs
Conditional Transfers	
GoK Counter Part funding	-
Transfers from Development partner (EXIM bank of India)	212,803,169
KETRACO Funding	3,997,354
Total Conditional Transfers (b)	216,800,523
Total Transfers for the Year (a + b)	216,800,523

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	-		-	-
KETRACO Funding	3,997,354			3,997,354
Development Partner 1	212,803,169		-	212,803,169
Development Partner 2	-	-	-	-
Subtotal	-	-	-	-
Deferred Income realized	-	-	-	-
Transfers in Kind	-	-	-	-
Total	216,800,523	-	-	216,800,523

7. Gain/Loss on foreign exchange transactions

Description	FY 2024/2025
	Kshs
Loss on foreign exchange transactions	7,114,114
Total Gain/Loss	7,114,114

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Notes to the financial statements (continued)

8. Cash and Cash Equivalents

Description	FY 2024/25	1st July 2024
	Kshs	Kshs
Cash in Bank	177,161,281	177,745,468
Total Cash and Cash Equivalents	177,161,281	177,745,468

Project Bank Accounts

Details	FY 2024/25	1st July 2024
	Kshs	Kshs
Local Currency Accounts		
Kenya Commercial Bank [A/c No 1111251622]	177,161,281	177,745,468
Total bank account balances	177,161,281	177,745,468

9. Receivables

Description	FY 2024/25	1st July 2024
	Kshs	Kshs
Contractor's Advance payments	5,721,388	52,670,173
Total Receivables	5,721,388	52,670,173

Ageing analysis for Receivables

Description	FY 2024/25		1 st July 2024	
	Kshs	% of the total	Kshs	% of the total
	FY 2024/25	% of the total	1st July 2024	% of the total
Less than 1 year	-	%	0	%
Between 1- 2 years	-	%	0	%
Between 2-3 years	-	%	52,670,173	100%
Over 3 years	5,721,388	100.00%	0	%
Total (a+b)	5,721,388	%	52,670,173	%

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Notes to the financial statements (continued)

10. Property Plant and Equipment

Cost	Capital Work in progress	Total
	Kshs	Kshs
Depreciation rate		
As At 1 July 2024 (opening balances)	9,471,908,626	9,471,908,626
Additions	60,291,607	60,291,607
As at 30 th June 2025	9,532,200,234	9,532,200,234
		-
Net Book Values		-
As at 1 st July 2024	9,471,908,626	9,471,908,626
As at 30 th June 2025	9,532,200,234	9,532,200,234

11. Payables

Description	FY 2024/25	1 st July 2024
	Kshs	Kshs
Trade payables	133,858,579	349,723,625
Total trade and other payables	133,858,579	349,723,625

Ageing analysis for Payables

Description	FY 2024/25		1 st July 2024	
	FY 2024/25	% of the total	1st July 2024	% of the total
Under one year	-	%	197,038,707	56.34%
1-2 years	13,207,487	9.87%	-	%
2-3 years	-	%	-	%
Over 3 years	120,651,092	90.13%	152,684,918	43.66%
Total (tie to above total)	133,858,579		349,723,625	

The total outstanding wayleave compensation stands at KES 193,525,543. Of this amount, KES 107,200,832 has been accounted for in the financial statements. The remaining KES 86,324,711 will be recognized as a liability upon formal acceptance and confirmation of the payment obligation.

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Notes to the financial statements (continued)

12. Retention

Description	FY 2024/25	1 st July 2024
	Kshs	Kshs
Contractor's Retention	208,641,900	182,590,514
Total retention	208,641,900	182,590,514

Ageing analysis for Retention

Description	FY 2024/25		1 st July 2024	
	Kshs		Kshs	
	FY 2024/25	% of the total	1st July 2024	% of the total
Under one year	-	%	0	%
1-2 years	-	%	0	%
2-3 years	-	%	182,590,514	100.00%
Over 3 years	208,641,900	100.00%	0	%
Total	208,641,900		182,590,514	

13. Cash Generated from Operations

Description	FY 2024/25
	Kshs
Surplus/Deficit for the year	209,686,410
Adjusted for:	
Non-cash grants received	-
Impairment	-
loss on foreign exchange	7,114,114
Working capital adjustments	
Increase/ in inventory	-
Increase in receivables	-
Increase in deferred income	-
Decrease in payables	-
Increase in payments received in advance	-
Net cash flow from operating activities	216,800,523

Notes to the financial statements (continued)

14. Related Party Disclosures

Nature of related party relationships

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

Government of Kenya

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

Other related parties include:

- i) The Parent Ministry -Ministry of Energy
- ii) County Governments
- iii) Other SCs and SAGAs
- iv) Key management.
- v) Board of Directors.

15. Events after the Reporting Period

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

16.Ultimate And Holding Entity

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

17.Currency

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

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18. 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:
1. Unsupported Wayleave Compensation	<p>The statement of receipts and payments reflects acquisition of non-financial assets amounting to Kshs.519,169,127. The amount includes wayleaves compensation totalling Kshs.117,681,997 as disclosed in Note 5 to the financial statements. Review of records revealed that the compensation relates to payables relating to financial year 2022/2023 and earlier years. However, the previous year audited financial statements reflected outstanding wayleaves totalling to Kshs.73,501,859. Management explained that the outstanding wayleaves amounting to Kshs. 324,606,257 were outstanding as at 30 June 2023 but only Kshs.73,501,859 was disclosed based on allocated budget.</p> <p>Failure to record all the pending payables balance distorted the payables.</p>	<p>As at 30th June 2023, only Ksh Kshs.73,501,859 was recognized in the Financial Statements based on budget allocation at the end of the Financial Year. However, the total outstanding wayleave compensation for 30th June 2024 was Kshs. 324,606,257 (Kshs 1,513,264,311-1,188,658,054). The additional Kshs. 44,180,138 paid in Financial Year 2023/2024 is therefore part of the outstanding amount of Kes 324,606,257. (See attached analysis of other pending payables for 30th June 2023)</p> <p>The Kshs. 117,681,997 paid for wayleave compensation in the year under review is duly supported by approved valuation reports. For structure compensation, acknowledgement form and copy of National Identity card have been attached, for crop compensation crop damage reports and copy of National Identity card have been attached, whereas for land, offer letter, copy of title deed, search, National Identity card and coordinates have been attached</p>	General Manager, Finance	Ongoing	June 2025
2. Long Outstanding Pending Accounts Payables	Other important disclosures Note 1 to the financial statement reflects pending accounts payable amounting to Kshs.239,213,77 as further disclosed in Annex 3A to the financial statements. The amount includes Kshs.13,450,260 which has been long outstanding since June 2018. This was contrary to Regulation 42 (1) (a) of the Public Finance	The balance of KShs 13,450,260 for Jyoti Structures limited relates to a progress invoice for works done and certified as at the time of their termination. The legal proceedings to determine the case is yet to be finalized to allow for final accounts to be done in order to settle the pending bill.	General Manager, Finance		

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Action Points	Status:	Time frame:
	<p>Management (National Government) Regulations, 2015 which states that debt service payments shall be a first charge on the Consolidated Fund and the Accounting Officer shall ensure this is done to the extent possible that the government does not default on debt obligations.</p> <p>Other important disclosures Note 2 to the financial statements reflects other pending accounts payables totalling Kshs.110,509,858 as further disclosed in Annex 3B to the financial statements relating to wayleaves compensation since inception of the project. The amount is an increase of Kshs.37,007,999 or 50% Kshs.73,501,859 reported in the previous year which was not explained. Management explained that the prior year pending payables were based on allocated budget at the end of the previous financial year.</p> <p>All the accepted offers were recognised in the year under review regardless of the budget allocation. Offers totalling Kshs. 236,432,654 as disclosed in Annex 3B to the financial statements have not been accepted.</p> <p>Failure to settle bills during the year they relate to distorts the financial statements and adversely affects the budgetary provision of the subsequent year as they form the first charge.</p>	<p>In FY 2022/2023 Kshs. 73,501,859 was accounted for in the financial statements based on the allocated budget at the end of the financial year. In FY 2023/2024, all accepted offers for compensation were recognized in the financial statements regardless of allocated budget hence the increase pending accounts payables to Kshs.110,509,858.</p> <p>Ksh 346,942,512 is the total outstanding wayleave compensation however only Kshs. 110,509,858 has been accounted for in the Financial Statement based on accepted offers for compensation as liability is recognized at the point of acceptance of offer. Kshs.236,432,654 is yet to be accepted.</p> <p>The major challenge with wayleave compensation is insufficient budgetary allocation by the National Treasury. However, management has continuously made submissions to parent ministry requesting for budget to settle the outstanding wayleave.</p>			
3. Unresolved Prior Year Matters	In the audit report of the previous year, four (4) issues were raised under Other Matter, and Report on Lawfulness and Effectiveness in Use of Public Resources and. Although the Management has	See the attached management comments on status of progress on follow-up of the prior year's auditor's recommendations and the support thereof	Tom Imbo General Manager, Finance	Ongoing	June 2025

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Action Points	Status:	Timeframe:
	indicated that some of the issues have been resolved under progress on follow-up of the auditor's recommendation section of the financial statements, the matters remained unresolved as at 30 June 2024.				
4. Failure to Open and Maintain a Project Bank Account	<p>The statement of financial assets reflects cash and cash equivalents totalling Kshs.177,745,468. However, the amount differs with the cash book balance of Ksh. 653,981,016. as disclosed in Note 5 to the financial statements. The variance was attributed to the Company maintaining one bank account for all donor funded projects. This is contrary to Regulation 76 (1) of the Public Finance Management Regulations, 2015 which provides that for the purpose of disbursement of project funds, there shall be opened and maintained a project account for every project at Central Bank of Kenya.</p> <p>In the circumstances, Management was in breach of the law.</p>	<p>Cognizant of section 76 (1) under the Public Finance Management Regulations, the specific section relates to management of grants and donations. (Donor Funds)</p> <p>The project is financed by Exim Bank of India and funds received from this financing are settled through direct payment.</p> <p>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)</p> <p>This account has been approved by The National Treasury. (See Letter Attached)</p> <p>The Project Development account only holds GoK counterpart funding and is reconciled periodically (See attached reconciliation) which includes the figure of Kshs. 177,745,468.00.</p>	Tom Imbo General Manager, Finance	Ongoing	June 2025

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 Ag. Managing Director & CEO
 Eng. Kipkemoi Kibias

.....

 Ag. General Manager, Design
 and Construction
 Eng. Justin Muna

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ANNEX 2 – RECONCILIATION OF INTER-ENTITY TRANSFERS

Project Name: Exim Bank of India Funded Projects				
Break down of transfers from the State Department of Energy				
a.	Government Counterpart funding			
		Bank Statement Date	Amount (Kshs)	
			0	
			0	
		Total	0	
B.	Direct payments			
		Bank Statement Date	Amount (Kshs)	
		24.07.2024	37,874,308	FY 2023/2024
		21.08.2024	52,980,994	FY 2023/2024
		31.12.2024	121,947,867	FY 2024/2025
		Total	212,803,169	
C.	Others			
		Bank Statement Date	Amount (Kshs)	
	KETRACO funding	04.09.2024	3,997,354	FY 2024/2025
			3,997,354	
		Total (A+B+C)	216,800,523	

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



 Ag. Managing Director & CEO
 Eng. Kipkemoi Kibias



 Ag. General Manager, Design
 and Construction
 Eng. Justin Muna

ANNEX 3 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost b/f (Kshs) FY 2023/2024	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	8,939,549,487	592,650,747	-	-	9,532,200,234
Total	8,939,549,487	592,650,747	-	-	9,532,200,234