

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 24 FEB 2026

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BY

Deputy Leader Majority Party

Hon. Owen Baya, MP

CLERK-AT
THE-TABLE:

Mr. Benson Inzofu

PARLIAMENT
OF KENYA
LIBRARY

REPORT

OF

THE AUDITOR-GENERAL

ON

NAIROBI RING TRANSMISSION LINE PROJECT
(AFD CREDIT NO. CKE 1068 01 N, AFD CREDIT
NO. CKE6012.01, AFD CREDIT NO. CKE 1030 01
B, EIB CREDIT NO. 25.367/KE AND GOK)

FOR THE YEAR ENDED
30 JUNE, 2025

KENYA ELECTRICITY TRANSMISSION
COMPANY LIMITED



THE NAIROBI RING TRANSMISSION LINE PROJECT

KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED (KETRACO)

**CREDIT NUMBER: AFD LOAN NO: CKE 1068 01N; CKE 6012 01G, CKE 1030.01B & EIB CREDIT
NO. 25367 KE**

ANNUAL REPORT AND FINANCIAL STATEMENTS

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

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

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Nairobi Ring Transmission Line Project (1068 01N; 6012 01G; CKE 1030.01B, 25.367/KE)
Annual Report and Financial Statements for the Year Ended 30 June 2025

Table Contents	Page
1. ACRONYMS AND DEFINITION OF TERMS.....	ii
2. PROJECT INFORMATION AND OVERALL PERFORMANCE	iii
3. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETERMINED OBJECTIVES.....	x
4. ENVIROMENTAL AND SUSTAINABILITY REPORTING	xi
5. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES	xiv
6. REPORT OF THE INDEPENDENT AUDITORS ON THE FINANCIAL STATEMENTS FOR NAIROBI RING.....	xv
7. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2025.	1
8. STATEMENT OF FINANCIAL POSITION AS AT 30 TH JUNE 2025.....	2
9. STATEMENT OF CHANGES IN NET ASSETS	3
10. STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30 TH JUNE 2025.....	4
11. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 TH JUNE 2025	5
12. NOTES TO THE FINANCIAL STATEMENTS	16
13. ANNEXES	18

**Nairobi Ring Transmission Line Project (1068 01N; 6012 01G; CKE 1030.01B, 25.367/KE)
Annual Report and Financial Statements for the Year Ended 30 June 2025**

1. ACRONYMS AND DEFINITION OF TERMS

AFD	Agence Francaise de Development
EIB	European Investment Bank
EUR	Euro
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

**Nairobi Ring Transmission Line Project (1068 01N; 6012 01G; CKE 1030.01B, 25.367/KE)
Annual Report and Financial Statements for the Year Ended 30 June 2025**

2. PROJECT INFORMATION AND OVERALL PERFORMANCE

2.1 Name and Registered Office

Name: The project's official name is Nairobi Ring Transmission Line 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:

Nairobi Ring Transmission Line 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 28 th February 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	CKE 1030 01G; CKE 1068 01N; CKE 6012 01G & EIB CREDIT NO. 25367 KE
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.

Nairobi Ring Transmission Line Project (1068 01N; 6012 01G; CKE 1030.01B, 25.367/KE)
Annual Report and Financial Statements for the Year Ended 30 June 2025

2. PROJECT INFORMATION AND OVERALL PERFORMANCE (Cont')

2.3 Project Overview (Cont')

Other important background information of the project	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: (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. 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. The Nairobi Ring Project comprises of projects which are funded jointly by the Government of Kenya through the Ministry of Energy and the National Treasury and a line of credit obtained from AFD and EIB. The line of credit agreement was signed in 2010 for USD 99.80 Million.
Current situation that the project was formed to intervene	Low electricity access and low connectivity.
Project duration	The project started in 2012 and is expected to run until 28 th February 2026.

2.4 Bankers

The following are the bankers for the current year:

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

Standard Chartered Bank Ltd
P. O. Box 30001-00100
Nairobi

**Nairobi Ring Transmission Line Project (1068 01N; 6012 01G; CKE 1030.01B, 25.367/KE)
Annual Report and Financial Statements for the Year Ended 30 June 2025**

2. PROJECT INFORMATION AND OVERALL PERFORMANCE (Cont')

2.5 Auditors

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

2.6 Roles and Responsibilities

Names	Title designation	Key qualification	Responsibilities
Eng. Kipkemoi Kibias	AG. Managing Director	Bachelor of Science in Electrical & Electronics Engineering from Jomo Kenyatta University of Agriculture, Master in Business Administration (Strategic Mgt.) from Catholic University of Eastern Africa, Masters in Nuclear Power Plant Engineering from KEPCO International Nuclear Graduate School – KINGS, Ulsan, South Korea	Accounting Officer for KETRACO
CPA Tom Imbo	General Manager, Finance	Master's in Business Administration Bachelors of Education, (Finance, Economics) Certified Public Accountant with ICPAK	Head of Finance Department in KETRACO
Eng. Justin Muna	Overall Project Coordinator	Bachelors Degree in Civil Engineering, CPA Final. He is registered by the Engineers Board of Kenya as a Professional Engineer. Member of the Institution of Engineers of Kenya (IEK)	Ag. Head of Design and Construction Department in KETRACO
Engineer Ruth Mburu	Project Manager	Bachelor of Science (Civil Engineering), Professional Engineer with Engineers Board of Kenya, Corporate Member Institution of Engineers of Kenya	Project Coordinator

Nairobi Ring Transmission Line Project (1068 01N; 6012 01G; CKE 1030.01B, 25.367/KE)
Annual Report and Financial Statements for the Year Ended 30 June 2025

2. PROJECT INFORMATION AND OVERALL PERFORMANCE (continued)

2.7 Funding Summary

The Project financing is for a duration of 13 years from 2012 to 2025 with an approved budget of AFD funding amounting to Euro 78,500,000 and additional AFD savings of Euro 11,555,046; Euro 25,474,893 and Euro 9,793,644 for EIB loan no. 25367 Equivalent of Total Ksh 14,448,400,556 for Nairobi Ring project. The counterpart funding is KShs 4,620,046,000 from GOK as highlighted in the table below:

A. Source of Funds

Source of funds	Donor Commitment-		Amount received as at: – (30.06.2025)		Undrawn balance as at:	
					(30.06. 2025)	
	<i>Donor Currency EURO</i>	<i>Kshs</i>	<i>Donor Currency EURO</i>	<i>Kshs</i>	<i>Donor Currency EURO</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) Grant/Loan						
AFD Credit No.CKE 1068 01N	78,500,000	8,826,736,465	78,500,000	8,826,736,465	-	-
AFD Credit No.CKE 6012 01G	11,555,046	1,240,000,000	11,555,046	1,240,000,000	-	-
EIB credit No.25367 KE	9,793,644	1,126,363,589	9,793,644	1,126,363,589	-	-
AFD Credit No.CKE 1030 01G	25,474,893	3,295,300,502	25,474,893	3,295,300,502	-	-
(ii) Counterpart funds						
Government of Kenya		4,620,046,000		4,620,046,000		
Miscellaneous Income		79,515,406		79,515,406		
Ketraco Funding		52,091,405		52,091,405		
Total	125,323,583	19,240,053,367	125,323,583	19,240,053,367		

Nairobi Ring Transmission Line Project (1068 01N; 6012 01G; CKE 1030.01B, 25.367/KE)
Annual Report and Financial Statements for the Year Ended 30 June 2025

PROJECT INFORMATION AND OVERALL PERFORMANCE (continued)

B. Application of Funds

Source of funds	Amount received to date – (30 June 2025)		Cummulative Amount paid to date – (30 June 2025)		Unutilised balance to date – (30 June 2025)	
	<i>Donor Currency EURO</i>	<i>KShs</i>	<i>Donor Currency EURO</i>	<i>KShs</i>	<i>Donor Currency EURO</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) Grant/Loan						
AFD Credit No.CKE 1068 01N	78,500,000	8,826,736,465	78,500,000	8,826,736,465	-	-
AFD Credit No.CKE 6012 01G	11,555,046	1,240,000,000	11,555,046	1,240,000,000	-	-
EIB credit No.25367 KE	9,793,644	1,126,363,589	9,793,644	1,126,363,589	-	-
AFD Credit No.CKE 1030 01G	25,474,893	3,295,300,502	21,961,850	2,804,001,430	3,513,043.00	491,299,071
(ii) Counterpart funds						
Government of Kenya		4,620,046,000		4,593,446,000		3,645,900
Miscellaneous Income		79,515,406		79,515,406		
Ketraco Funding		52,091,405		52,091,405		
Total	125,323,583	19,240,053,367	121,810,540	18,722,154,296	3,513,043	494,944,971

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 French Development Agency AFD, during the year under review, the project was partly funded by accrued deferred income drawn down in the budget of financial year 2021. In the current financial year an additional budget allocation of Kshs. 26,600,000 was appropriated and the same was fully disbursed for the project. The project incurred a total expenditure of KShs 192,092,977 during the year.

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

- 100km 400kV Isinya-Suswa double circuit Line. The project was completed in August 2017.
- 220 kV Suswa Substation. The project was completed in April 2016
- Isinya substation was completed on 14 June 2018.
- Athi River substation was completed on 19 June 2019.
- Kimuka (Ngong) substation was completed and commission in March 2024. Malaa (Komarock) Substation is expected to be completed in December 2025. The physical progress is follows:

Isinya Substation	Manufacturing/Shipment	wt. =30%	100%
	Civil Works/Construction	wt. =40%	100%
	Outdoor Installation	wt. =15%	100%
	Indoor Installation	wt. =15%	100%
	Overall Completion	wt. =100%	100%
	Physical completion achieved on 14 June 2018.		
Athi River Substation	Manufacturing/Shipment	wt. =30%	100%
	Civil Works/Construction	wt. =40%	100%
	Outdoor Installation	wt. =15%	100%
	Indoor Installation	wt. =15%	100%
	Overall Completion	wt. =100%	100%
	Substation is physically completed on 19 June 2019.		
Kimuka Substation	Manufacturing/Shipment	wt. =30%	100%
	Civil Works/Construction	wt. =40%	100%
	Outdoor Installation	wt. =15%	100%
	Indoor Installation	wt. =15%	100%
	Overall Completion	wt. =100%	100%
	The completion date is expected to be in November 2022.		
Malaa Substation	Manufacturing/Shipment	wt. =30%	90%
	Civil Works/Construction	wt. =40%	99%
	Outdoor Installation	wt. =15%	87%
	Indoor Installation	wt. =15%	75%
	Overall Completion	wt. =100%	91%
	The completion date is expected to be in December 2025.		

iii) Absorption Rate Per Year for the Project

Financial Year	Absorption Rate per Year
2012/2013	76%
2013/2014	57%
2014/2015	157%
2015/2016	50%
2016/2017	89%
2017/2018	222%
2018/2019	108%
2019/2020	122%
2020/2021	23%
2021/2022	44%
2022/2023	*
2023/2024	50%
2024/2025	100%

*** In the financial year 2022/2023, the project didn't receive allocation from the National Treasury.**

iv) Implementation Challenges and Way Forward

Implementation delayed due to procurement challenges as a result of the of COVID-19 pandemic. This has been majorly due to the shortage of containers globally delaying supply of equipment and material to the substations. The contractor is also under business rescue as such they are unable to fully keep up with the project cashflow requirements required to keep the pace of works required. As such they are highly reliant on the progress payments received from KETRACO to maintain their cashflows. KETRACO is fast-tracking payments in order to minimize delays due to insufficient cashflow.

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.
- c) Provide a link with the neighbouring countries in order to facilitate power exchange and develop electricity trade in the region

Progress on attainment of Strategic development objectives

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

Project	Objective	Outcome	Indicator	Performance
The Nairobi Ring Project	To Strengthen the electricity grid system and Enhance power transfer capacity	-Increased stability of power supply to Nairobi -enabling additional evacuation of power from Olkaria and Loiyangalani	Number of substations and transmission lines complete.	In financial year 24/25 we increased system stability and power transfer capacity by progressing works at Malaa substation which is at 90% and Commissioning Kimuka Substation

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. ENVIROMENTAL AND SUSTAINABILITY REPORTING (Continued)

Between July 2023 and June 2024, KETRACO completed twelve (12) ESAs, 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.

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 Nairobi Ring Transmission Line 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 Nairobi Ring Transmission Line Project 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 Nairobi Ring Transmission Line 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 Nairobi Ring Transmission Line 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 Nairobi Ring Transmission Line 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 Nairobi Ring Transmission Line Project on...07/10/.....2025 and signed by them.



Ag. Chief Executive Officer
Eng. Kipkemoi Kibias.



Overall Project Coordinator
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 NAIROBI RING TRANSMISSION LINE PROJECT (AFD CREDIT NO. CKE 1068 01 N, AFD CREDIT NO. CKE6012.01, AFD CREDIT NO. CKE 103001B & EIB CREDIT NO. 25.367/KE AND GOK) FOR THE YEAR ENDED 30 JUNE, 2025-KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

PREAMBLE

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

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

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

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

Report of the Auditor-General on Nairobi Ring Transmission Line Project (AFD Credit No. CKE 1068 01N, AFD Credit No. CKE 6012 01G, AFD Credit No. CKE 1030.01B & EIB Credit No. 25367/KE and GOK) for the year ended 30 June, 2025 - Kenya Electricity Transmission Company Limited

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Nairobi Ring Transmission Line Project set out on pages 1 to 20, which comprise of the statement of financial position as at 30 June, 2025 and the statement of financial performance, statement of net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Nairobi Ring Transmission Line 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) and comply with the Financing Agreements No. CKE6012.01 dated 3 April, 2009, Credit No. CKE 1068 01 N dated 8 June, 2012 and Credit No. CKE 1030.01B dated 16 December, 2013 between Agence Francaise De Development and EIB Credit No. 25367 KE dated 21 December, 2009 with the European Investment Bank and the Government of 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 Nairobi Ring Transmission Line Project Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final payments and actual on comparable basis of Kshs.629,560,337 and Kshs.192,092,977 respectively resulting to an underutilization of Kshs.437,467,359 or 69% of the budget.

The underutilization of funds may have impacted negatively on service delivery to the public.

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 Matter

Unresolved Prior Year Matters

In the prior years' audit report, several issues were raised under the Report on Lawfulness and Effectiveness in Use of Public Resources. Review of the status during audit of the Project in 2024/2025 revealed that the following matters remained unresolved.

	Financial Year	Audit Issue
1	2023/2024	Budgetary Control and Performance
2	2023/2024	Pending Bills
3	2023/2024	Delayed in Project Implementation
4.	2023/2024	Long Outstanding Pending Bills

Other Information

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

In connection with my audit on the Project's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit 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 Delay in Project Implementation matter described in the Report on Lawfulness and effectiveness in the Use of Public Resources, I confirm that the Other Information is not materially inconsistent with the financial statements.

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. Failure to Maintain a Project Bank Account

The statement of financial position reflects cash and cash equivalents balance of Kshs.494,944,971. As disclosed in Note 7 to the financial statements, the funds were held in two commercial banks accounts belonging to Eastern Electricity Highway Project which was being implemented by the Company.

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

2. Delay in Project Implementation

Review of financing agreement and fund summary report revealed that, the financing for Nairobi Ring Transmission Line project was for a duration of 13 years with total donor and counterpart commitment totaling to Kshs.19,108,446,556. As disclosed in the funding summary contained in Paragraph 2.7 of the project information and overall performance, the Project had received the total committed funds from both the donor and Government of Kenya counterpart funding. However, as indicated in the Project overall performance, the Malaa substation was at 91% completion. It is not clear how Management intends to finance the remaining 9% of the project considering that both donor and counterpart funding had been exhausted.

In addition, the Project had cash and cash equivalent balance of Kshs.494,944,971 against trade payables and retention monies totaling to Kshs.581,444,884 resulting to a deficit of Kshs.86,499,913.

In the circumstances, the completion and operationalization of the Project was doubtful.

3. Long outstanding Trade Payables

The statement of financial position reflects trade and other payables balance of Kshs.220,223,754. As disclosed on Note 9 to the financial statement, the payables had been outstanding for more than three (3) years. Despite the Project having in its accounts cash balances of Kshs.494,944,971, at the time of Project closure, the outstanding amounts which included wayleave acquisition costs of Kshs.116,503,340 remained unsettled.

In the circumstances, the existence and valuation of trade and other payables amounting to Kshs.220,223,754 could not be confirmed

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain

assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

As required by Financing Agreements No. CKE 6012 01N dated 3 April, 2009, Credit No. CKE 1068 01N dated 8 June, 2012 and Credit No. CKE 1030.01B dated 16 December, 2013 between Agence Francaise De Development and EIB Credit No. 25367 KE dated 21 December, 2009 with the European Investment Bank 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 Financing Agreement requires that I report on the legal or regulatory requirements, or on performance information disclosed. These matters require expressing a separate opinion as to the Project's compliance with laws and regulations. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

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

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

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

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

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

Auditor-General's Responsibilities 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

13 November, 2025

Nairobi Ring Transmission Line Project (1068 01N; 6012 01G; CKE 1030.01B, 25.367/KE)
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 2024/225
		Kshs
Revenue		
Revenue Transfers	6	192,092,976
Total revenue		192,092,976
Expenses		
Total expenses		-
Surplus		192,092,976

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

Nairobi Ring Transmission Line Project (1068 01N; 6012 01G; CKE 1030.01B, 25.367/KE)
Annual Report and Financial Statements for the Year Ended 30 June 2025

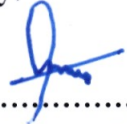
8. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2025

	Note	FY 2024/2025	1st July 2024
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash equivalents	7	494,944,971	602,960,337
Total Current Assets		494,944,971	602,960,337
Non-Current Assets			
Property, Plant and Equipment	8	19,348,955,658	19,194,397,050
Total Non- Current Assets		19,348,955,658	19,194,397,050
Total Assets (a)		19,843,900,629	19,797,357,387
Liabilities			
Current Liabilities			
Trade and Other Payables	9	220,223,754	188,401,646
Retention	10	406,577,608	406,577,608
Deferred Income	11	494,944,971	602,960,337
Total Current Liabilities		1,121,746,333	1,197,939,591
Total Liabilities (b)		1,121,746,333	1,197,939,591
Net Assets (a-b)		18,722,154,296	18,599,417,796
Represented By:			
Accumulated Surplus		18,722,154,296	18,599,417,796
Total Net Assets		18,722,154,296	18,599,417,796

The financial statements were approved on 07/10/ 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

Nairobi Ring Transmission Line Project (1068 01N; 6012 01G; CKE 1030.01B, 25.367/KE)
Annual Report and Financial Statements for the Year Ended 30 June 2025

9. STATEMENT OF CHANGES IN NET ASSETS

Description	Accumulated Surplus
	Kshs
As at 30th June 2024 (Cash Basis)	602,960,337
Adjustments:	
Asset Recognition	19,194,397,050
Liabilities recognition	(1,267,296,068)
As at 1st July 2024	18,530,061,318
Surplus/(Deficit) for the year	192,092,977
Return to KETRACO	-
As at 30th June 2025	18,722,154,296

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

The financial statements were approved on 07/10/ 2025 and signed by:



Ag. Chief Executive Officer
Eng. Kipkemoi Kibias.



Overall Project Coordinator
Eng. Justin Muna



General Manager-Finance
CPA Tom Imbo
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Nairobi Ring Transmission Line Project (1068 01N; 6012 01G; CKE 1030.01B, 25.367/KE)
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	26,600,000
Total receipts		26,600,000
Payments		
Total payments		-
Net cash flow from operating activities	26	26,600,000
Cashflow from investing activities		
Acquisition of non-financial assets	8	(192,092,976)
Net cash flows from investing activities		(192,092,976)
Cash flow from financing activities		
Transfer from Eastern Electricity Highway Project (EEHP)	11	57,477,612
Net cash flow from financing activities		57,477,612
Net increase/Decrease in cash and cash equivalents		(108,015,366)
Cash and cash equivalent at 1st July 2024	7	602,960,337
Cash and cash equivalent at end June 2025	7	494,944,971



.....
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		602,960,337	602,960,337	602,960,337	-	100%
Receipts						
Revenue Transfers	26,600,000		26,600,000	26,600,000		100%
Other Transfers/Subsidies/Grants				57,477,612	(57,477,612)	
Total Revenue	26,600,000	602,960,337	629,560,337	687,037,949	(57,477,612)	109%
Payments						
Total Payments	26,600,000	602,960,337	629,560,337	192,092,977	437,467,359	31%
Capital Work In Progress			-	-	-	
Surplus				494,944,971		

Budget notes

The under absorption of 69% is as a result of stalled Malaa Substation because of lack of performance guarantee from the contractor. The issue has since been resolved and the project is expected to be completed by February 2026.

12. GENERAL INFORMATION

Notes to the Financial Statements

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
...07/10/.....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	<i>Applicable 1st January 2025</i> 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. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities. No impact
IPSAS 44: Non- Current Assets Held for	<i>Applicable 1st January 2025</i> The Standard requires,

Nairobi Ring Transmission Line Project (1068 01N; 6012 01G; CKE 1030.01B, 25.367/KE)
Annual Report and Financial Statements for the Year Ended 30 June 2025

Standard	Effective date and impact:
Sale and Discontinued Operations	Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance. No impact
IPSAS 45- Property Plant and Equipment	<i>Applicable 1st January 2025</i> 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
IPSAS 46 Measurement	<i>Applicable 1st January 2025</i> The objective of this standard was to improve measurement guidance across IPSAS by: - Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. - Clarifying transaction costs guidance to enhance consistency across IPSAS; - Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. The standard also introduces a public sector specific measurement bases called the current operational value. Applicable in measuring the current operational value of infrastructure assets

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

Nairobi Ring Transmission Line Project (1068 01N; 6012 01G; CKE 1030.01B, 25.367/KE)
Annual Report and Financial Statements for the Year Ended 30 June 2025

Standard	Effective date and impact:
IPSAS 47- Revenue	<i>Applicable 1st January 2026</i> This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions. Applicable in accounting for binding and unbinding arrangements.
IPSAS 48- Transfer Expenses	<i>Applicable 1st January 2026</i> The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers. Applicable in accounting for binding and unbinding arrangements.
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. Applicable when accounting for transfer of assets to KETRACO
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: - Limited improvements to existing accounting practices for exploration and evaluation expenditures. - 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. - 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 Entity did not early – adopt any new or amended standards in the financial year.

Notes to the Financial Statements

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 statement. 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 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.

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.

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.

Notes to the financial statements Cont'

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.
- Availability of funding to replace the asset.
- Changes in the market in relation to the asset

5. 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.

Notes to the financial statements Cont'

6. Revenue Transfers

Description	FY 2024/2025
	KShs
Conditional Transfers	
GoK Counter Part funding	24,467,660
Transfers from Development partner 2	167,625,316
Total Conditional Transfers	192,092,976

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	24,467,660	3,645,900	0	28,113,560
AFD	167,625,316	491,299,071	0	658,924,389
Total	192,092,976	494,944,971	0	687,037,449

7. Cash and Cash Equivalents

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Cash in Bank	494,944,971	602,960,337
Total Cash and Cash Equivalents	494,944,971	602,960,337

Project Bank Accounts

Details	FY 2024/2025	1st July 2024
	Kshs	Kshs
Local Currency Accounts		
Standard Chartered Bank (0104026386600)	491,299,071	601,446,777
Kenya Commercial Bank (1111251622)	3,645,900	1,513,560
Total bank account balances	494,944,971	602,960,337

Nairobi Ring Transmission Line Project (1068 01N; 6012 01G; CKE 1030.01B, 25.367/KE)
Annual Report and Financial Statements for the Year Ended 30 June 2025

Notes to the financial statements Cont'

8. Property, Plant and Equipment

Cost	Capital Work in progress	Total
	Kshs	Kshs
Depreciation rate		
As At 1 July 2024 (opening balances)	19,194,397,050	19,194,397,050
Additions	154,558,608	154,558,608
As at 30 th June 2025	19,348,955,658	19,348,955,658
Net Book Values		
As at 1 st July 2024	19,194,397,050	19,194,397,050
As at 30 th June 2025	19,348,955,658	19,348,955,658

9. Trade and Other Payables

Description	FY 2024/2025		1 st July 2024	
	Kshs		Kshs	
Trade payables	220,223,754		257,758,123	
Total trade and other payables	220,223,754		257,758,123	
Ageing analysis: (Trade and other payables)	Current FY	% of the Total	Comparative FY	% of the Total
Under one year		0.00%	13,534,370	5%
1-2 years	-	0.00%	-	%
2-3 years		0.00%	-	%
Over 3 years	220,223,754	100.00%	244,223,754	95%
Total (tie to above total)	220,223,754		257,758,123	

Nairobi Ring Transmission Line Project (1068 01N; 6012 01G; CKE 1030.01B, 25.367/KE)
Annual Report and Financial Statements for the Year Ended 30 June 2025

Notes to the financial statements Cont'

10. Third-Party Deposits

Description	FY 2024/2025		1 st July 2024	
	Kshs		Kshs	
Contractor's Retention	406,577,608		406,577,608	
Total retention	406,577,608		406,577,608	
Ageing analysis: (Refundable deposits)	FY 2024/2025	% of the Total	FY 2023/2024	% of the Total
Under one year		%	0	
1-2 years	-	%	0	%
2-3 years	-	%	0	%
Over 3 years	406,577,608	100%	406,577,608	100%
Total	406,577,608		406,577,608	

11. Deferred Income

Deferred Income Movement Schedule

Description	FY 2024/2025	1st July 2024
	Kshs	Kshs
Development partner 1	494,944,971	602,960,337
Total Deferred Income	494,944,971	602,960,337

Deferred Income Movement Schedule

	AFD	GOK	Total
	Kshs	Kshs	Kshs
Balance as at 1 st July 2024	601,446,776	1,513,560	602,960,336
Additions	57,477,612	26,600,000	84,077,612
Transfers To Performance Statement as Revenue	(167,625,317)	(24,467,660)	(192,092,977)
Balance as at 30 th June 2025	491,299,071	3,645,900	494,944,971

Nairobi Ring Transmission Line Project (1068 01N; 6012 01G; CKE 1030.01B, 25.367/KE)
Annual Report and Financial Statements for the Year Ended 30 June 2025

12 NOTES TO THE FINANCIAL STATEMENTS

12. Cash Generated from Operations

Description	FY 2024/2025
	Kshs
Surplus/Deficit for the year	192,092,976
Adjusted for:	
Working capital adjustments	
Net cash flow from operating activities	192,092,976

13. Special Deposit Accounts

The project did not have Project's Special Deposit Account(s) in the period ending 30th June 2025.

14. Related Party Disclosures

Nature of related party relationships

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

Government of Kenya

The Government of Kenya is the principal shareholder of the project, holding 100% of the project 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.
- ii) Key management.
- iii) Board of Directors.

Nairobi Ring Transmission Line Project (1068 01N; 6012 01G; CKE 1030.01B, 25.367/KE)
Annual Report and Financial Statements for the Year Ended 30 June 2025

Description	2024/2025
	Kshs
Transactions with related parties	
a) Grants /transfers from the government	
Grants from national govt	-
Total	-

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 project is implemented by KETRACO a State Corporation 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.

Nairobi Ring Transmission Line Project (1068 01N; 6012 01G; CKE 1030.01B, 25.367/KE)
Annual Report and Financial Statements for the Year Ended 30 June 2025

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:
1. Budgetary Control and Performance	The statement of Comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.119,000,000 and Kshs.59,539,105 respectively resulting to an underfunding of Kshs.59,460,895 or 50% of the budget. The under-funding affected the planned activities of the Project and may have impacted negatively on service delivery to the public.	The final budget for FY 2023/2024 as per Supplementary Budget 2 for the project was Ksh 119 M, the disbursement for the project during the year was Ksh 59.5 M, therefore an underfunding of Ksh 59.5 M. KETRACO has however engaged the National Treasury in financial year 2024/2025 for extra funding to cover for underfunding and the planned activities, therefore ensure the project is completed in time	The Project has been allocated Ksh 26.6M local AIA in the current financial year 2024/2025	Resolved	June 2026
2. Pending Bills – Goods and Services	In addition, Annex 2A to the financial statements reflects pending accounts payables balance of Kshs.71,898,306 owed to various suppliers that had not been paid at the close of the year. Management has not indicated the reason for non-payment of the payables. Failure to settle bills during the year in which they relate to distorts the financial statements and adversely affects the budgetary provisions for the subsequent year as they form a first charge.	The project did not receive any disbursement from the National Treasury in the FY 2022/2023 and during FY 2023/2024, it received 50% of its final expected budget. This has resulted in pending bills as stated. However, KETRACO has engaged the National Treasury and the Ministry of Energy for extra funding to ensure settlement of the pending bills.	Works on Suspension since 01/08/2024.	Not Resolved	June 2026
3. Delay in project implementation	Review of contract documents revealed that the site for the Malaa Sub-station was handed over to the Contractor on 12 July 2018 and it was to be	The amendment of financing to allow for advance draw down from AFD through Central Bank to the Standard Chartered Bank , resulted	Works on Suspension since 01/08/2024	Not Resolved	February 2026

Nairobi Ring Transmission Line Project (1068 01N; 6012 01G; CKE 1030.01B, 25.367/KE)

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Action Points	Status:	Timeframe:
	commissioned on 30 November 2024. However, during the audit carried out in the month of October 2024, the project had stalled, and the contractor was not on site and the progress report indicated that the work was 90.6 % complete. This was despite having the completion date of 30 November 2024. In the circumstances, the delays in completion of the Project may result in an escalation of project costs and value for money obtained from the project could not be confirmed.	in suspension of works by the contractor, however when the funds were availed, the contractor resumed works and had managed to completed Kimuka Substation which has since been commissioned in June 2024. No Objection for variation of time was sought and has been granted by the financier. The addendum has been drafted and signature is pending approval from the financier on the wording of the addendum. This is expected to take place by the end of October 2024. After signing of the addendum, Malaa Substation will be completed and ready for energization in 6 months i.e. April 2025. As such an Extension of Time for the additional 5 months will be done thereby revising the completion date from 30th November 2024 to 30th April 2025.			
Long Outstanding Wayleave	As reported in the previous year, the expected compensation to landowners for the wayleave acquired since inception of the project in October, 2012, amounted to Kshs.2,524,757,331 as disclosed in Annex 2B to the financial statements. However, out of the balance, Kshs.2,408,253,991 has been paid leaving an outstanding balance of Kshs.116,503,340 remaining unpaid. Management has attributed failure to	The project budget for Financial Year was Ksh 119 M, the disbursement received as of 30 th June 2024, was Ksh 59.5 Million The pending wayleave compensation of Ksh 116,503,340 is still pending because of lack of sufficient budgetary allocation. KETRACO has made a request for budget allocation in the financial year 2024/2025 and subsequent FY 2025/2026 to the	Eng. Justin Muna Ag. General Manager, Design & Construction	Not Resolved	June 2026

Nairobi Ring Transmission Line Project (1068 01N; 6012 01G; CKE 1030.01B, 25.367/KE)

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Action Points	Status:	Timeframe:
	pay the amount due to lack of budgetary allocation from The National Treasury and lack of sufficient documentation for compensation from land owners. In the circumstances, it is not clear when way leave acquisitions shall be completed to facilitate the project implementation to its successful completion.	National Treasury to cover for the pending wayleave compensation			



Ag. Chief Executive Officer
Eng. Kipkemoi Kibias.



Overall Project Coordinator
Eng. Justin Muna

Nairobi Ring Transmission Line Project (1068 01N; 6012 01G; CKE 1030.01B, 25.367/KE)
Annual Report and Financial Statements for the Year Ended 30 June 2025

ANNEX 2: RECONCILIATION OF INTER-ENTITY TRANSFERS

Project Name:				
Break down of transfers from the State Department of XXX				
a.	Government Counterpart funding			
		Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
		Total		
B.	Direct payments			
		Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
		Total		
C.	Others			
		Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
		Total		
		Total (A+B+C)		

ANNEX 3: FIXED ASSET REGISTER

Asset class	Historical Cost b/f (Kshs) Previous Year	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	19,194,397,050	154,558,608			19,348,955,658
Total	19,194,397,050	154,558,608			19,348,955,658