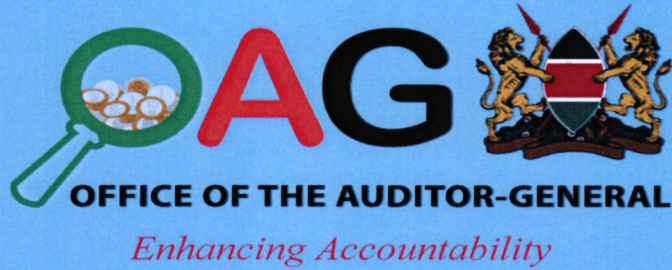


REPUBLIC OF KENYA



THE NATIONAL ASSEMBLY PAPERS LAID	
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TABLED BY:	Hon. Naomi Wago Deputy Majority Party Whip
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**REPORT**

**OF**

**THE AUDITOR-GENERAL**

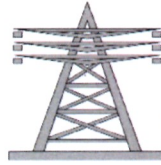
**ON**

**KENYA ELECTRICITY TRANSMISSION  
COMPANY LIMITED**

**FOR THE YEAR ENDED  
30 JUNE, 2022**



OFFICE OF THE AUDITOR GENERAL  
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**KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED (KETRACO)**

**FINANCIAL STATEMENTS FOR THE YEAR ENDED**

**30 JUNE 2022**

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**Prepared in accordance with the Accrual Basis of Accounting Method under the International  
Financial Reporting Standards (IFRS)**

# KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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# KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

## CORPORATE INFORMATION FOR THE YEAR ENDED 30 JUNE 2022

### BACKGROUND INFORMATION

The Kenya Electricity Transmission Company Limited was incorporated on 2 December 2008 and registered under the Companies Act, Cap 486 pursuant to Sessional Paper No. 4 of 2004. At cabinet level, the entity is represented by the Cabinet Secretary for Ministry of Energy who is responsible for the general policy and strategic direction of the entity. The entity is domiciled in Kenya and does not have branches.

### PRINCIPAL ACTIVITY

The principal activity of the Company is to design, construct, operate and maintain electricity transmission infrastructure that forms the backbone of Kenya's National Transmission Grid, build interconnectors to facilitate regional power trade, and to wheel electricity to The Kenya Power and Lighting Company Limited and other end users from generators who produce power in bulk. The Company vision is to be a world-class electricity transmission Company and the leading inter-connector in Africa. The mission is to provide reliable, efficient and effective electricity transmission and promote power trade for sustainable socio-economic development.

### DIRECTORS

Brig. (Rtd) David Ngaira, EBS	-Chairman (Appointed w.e.f 14/04/2022)
Hon. Capt. Joe Musyimi Mutambu, MBS	-Chairman (Ceased w.e.f 14/04/2022)
FCPA. Fernandes Barasa, OGW Eng. (CPA) Antony Wamukota, OGW	-Managing Director & CEO (ceased w.e.f. 28/1/22)
Prof. Njuguna Ndung'u, CBS	-Ag. Managing Director & CEO (Appointed w.e.f 28/1/2022)
Mr. Alex K. Wachira	-Cabinet Secretary, National Treasury and Economic Planning
Ms. Miriam Njenga	-Principal Secretary, State Department for Energy
Eng. Clemencia Mwamburi	-Director (Appointed w.e.f 14/04/2022)
Mr. Sanjay Gandhi	-Director (Appointed w.e.f 14/04/2022)
Eng. Rose Kananu	-Director (Appointed w.e.f 14/04/2022)
Ms Elizabeth KimKung	-Director (Appointed w.e.f 14/04/2022)
Arch. Kariuki Muraya	-Director (Ceased w.e.f 08/02/2022)
Mr. Joakim K. Kamere	-Director (Ceased w.e.f 08/02/2022)
Mrs. Grace W. Ndugu	-Director (Ceased w.e.f 08/02/2022)
Mr. Phillip Mongony	-Director (Ceased w.e.f 08/02/2022)
Mrs. Lizzie Chongoti	-Director (Ceased w.e.f 08/02/2022)
Eng. Julius Mwathani	-Alternate Director to Dr. (Eng) Joseph Njoroge, CBS (Ceased w.e.f 25/11/2021)
Mr. Joseph M. Kariuki	-Alternate Director to Prof. Njuguna Ndung'u, CBS
Eng. Thomas Karungu	-Alternate Director to Mr. Alex K. Wachira

### SECRETARY

CS. Lydia Sitienei  
Certified Public Secretary (Kenya)  
Popo Lane, Off Red Cross Road,  
South C  
P. O. Box 34942 - 00100  
Nairobi

### PRINCIPAL OFFICE

Kawi Complex, Block B,  
Popo Lane, Off Red Cross Road,  
South C  
P. O. Box 34942 - 00100  
Nairobi

KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

CORPORATE INFORMATION (Continued)  
FOR THE YEAR ENDED 30 JUNE 2022

PRINCIPAL AUDITOR

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

DELEGATED AUDITOR

Deloitte & Touche LLP  
Certified Public Accountants (Kenya)  
Deloitte Place, Waiyaki Way, Muthangari  
P.O. Box 40092 - 00100  
Nairobi

BANKERS

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

Co-operative Bank of Kenya Limited  
Upper Hill  
P. O. Box 48281 - 00100  
Nairobi

Citibank Kenya  
Upper Hill  
P. O. Box 30711 - 00100  
Nairobi

NCBA Bank Kenya  
Upper Hill  
P. O. Box 30437 - 00100  
Nairobi

Standard Chartered Bank  
Level 5, Standard Chartered at Chiromo  
P.O. Box 30003-00100  
Nairobi

Stanbic Bank  
Stanbic Bank Centre  
P.O. Box 72833-00200  
Nairobi

PRINCIPAL LEGAL ADVISORS

The Attorney General  
State Law Office  
Harambee Avenue  
P.O. Box 40112  
City Square 00200  
Nairobi, Kenya

KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

THE BOARD OF DIRECTORS

	<p><b>Abdi Bare Duale - Chairman, Independent and Non-executive</b></p> <p>Abdi is a transformative leader and experienced business executive with demonstrated experience in starting up and running successful enterprises. He has extensive technical knowledge in manufacturing, supply chain management, and managing large-scale budgets and operations, with a proven ability to translate strategies into actionable steps.</p> <p>Currently the Managing Director of Medina Chemicals Limited, Abdi has a strong record of developing staff and building empowered and diverse teams to achieve change. Prior to this appointment, Abdi served as a Board Chairman of Kenya Leather Development Council, Board Member of Kenya Revenue Authority, board member and Kenya Bureau of Standards. Abdi has an MBA (International Trade) from Edith Cowan University, Australia, and a Bachelor of Business Management from Swinburne University of Technology.</p>
	<p><b>Eng. Isaac Kiva, OGW – Ag. Managing Director, Non-Independent and Executive</b></p> <p>Eng. Isaac Kiva, OGW joined KETRACO on 27th January 2023 as Ag. Managing Director on secondment from the Ministry of Energy. He has vast experience in public sector management, having worked in the Ministry of Energy and also held other Senior Government positions for over 20 years. He previously served as Alternate Director to the Permanent Secretary, Ministry of Energy and Petroleum at the Board of Kenya Power and Lighting Company Limited.</p> <p>He is substantively the Secretary for Renewable Energy at the Ministry of Energy where his responsibilities include overall coordination of the Renewable Energy Department, Renewable Energy Policy formulation and development, promotion of alternative sources of energy technologies, staff training and development. He has vast experience in policy formulation, promotion of development, formulation of regulations, project preparation, design of electrical services, and contract management among others.</p> <p>He holds a Master of Science (MSc) in Energy Technology from JKUAT and a Bachelor of Science (BSc.) (Hons) in Electrical Engineering from the University of Nairobi. Professionally, he is a Gold Member of the Association of Energy Professionals Eastern Africa, a Fellow of the Institution of Engineers of Kenya, a Corporate Member of the Institution of Engineers of Kenya (IEK) and Professional Engineer, Engineers Registration Board (ERB).</p>
	<p><b>Mr. Alex Kamau Wachira Principal Secretary, State Department for Energy, Independent and Non-executive</b></p> <p>Mr. Alex Kamau Wachira is the Principal Secretary for the State Department for Energy. He joins the Ministry of Energy with a wealth of experience from the private sector where he worked variously as an investment banker. His latest assignment was with Faida Investment Bank where he traded and structured Treasury bonds and Corporate bonds at the Nairobi Stock Exchange (NSE). Other assignments include working with Dyer &amp; Blair Investment Bank and Genghis Capital limited in the same capacity.</p> <p>PS Wachira has served in various leadership’s positions right from his university days. He was a founding member of the Bonds Market Association as well as a member of the Steering Committee of the Kenya Association of Stock Brokers and Investment Bankers (KASIB). His contribution to the Bond’s market saw him being appointed to the Central Depository Project at the Central Bank of Kenya (CBK). In</p>

# KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED


## THE BOARD OF DIRECTORS

	<p>2021, the project dealt in government securities worth 900 billion, the highest turnover ever in Kenya.</p> <p>The PS launched his career in the financial sector after participating in the issuance of the Safaricom IPO in 2008 where he interned. He had prior completed a Bsc Degree course from the University of Nairobi. At Campus, he served as the Secretary General NUNSA and Treasurer for the Confederation of Medical Students Association. He is currently pursuing an MA in Leadership at Pan African Christian University. A strong believer in servant leadership through community engagement and development, in that position, the PS was able to spearhead initiatives such, as free medical camps for Cancer Screening, Tree planting, Youth Mentorship Programmes, and Sports Tournaments among others. Born and bred in Kieni Constituency, Nyeri County, the PS is a family man who's strict up bringing is instrumental in shaping him into the person he is.</p>
	<p><b>Prof. Njuguna Ndung'u, CBS, Cabinet Secretary, The National Treasury and Economic Planning, Independent and Non-executive</b></p> <p>Prof. Njuguna Ndung'u is the Cabinet Secretary, National Treasury &amp; Economic Planning. He was serving as the Executive Director of the African Economic Research Consortium (AERC), a Pan African premier capacity building network of researchers, trainers, students, universities, policy makers and international resource persons. He is an associate professor of economics at the University of Nairobi, Kenya and the immediate former Governor, Central Bank of Kenya.</p> <p>Prof. Ndung'u has been a member of the Global Advisory Council of the World Economic Forum, Visiting Fellow of Practice at Blavatnik School of Government, Oxford University, Director of Training at AERC, Program specialist at IDRC and Team Leader in Macro-modelling at the Kenya Institute for Public Policy Research and Analysis. He holds a PhD in economics from University of Gothenburg, Sweden. He is a Member of Brookings Africa Growth Initiative, Member of the Advisory Committee of the Alliance for Financial Inclusion, that coordinates financial inclusion policies in Africa, Asia and Latin America, and Senior Advisor for the UNCDF-based Better Than Cash Alliance.</p>
	<p><b>Ms. Miriam Njenga (LL.M, LL.B,CPA,CFE) – Director, Independent and Non-executive</b></p> <p>Miriam is a seasoned governance professional with over 18 years' experience specialising in corporate governance, risk management, legal &amp; forensic audits, corporate compliance &amp; internal controls, anti-money laundering compliance, investigations and alternative dispute resolution. A lawyer by training as well as a Certified Public Accountant, an international diploma holder in Anti-Money Laundering including being a Certified Fraud Examiner who is qualified in Alternative Dispute Resolution, Miriam has a combination of unique skills in corporate governance, risk management, compliance and forensics — both legal and financial.</p> <p>She is currently a Partner, since 2017, at NMNLAW Associates I-LP where she practices law and governance consultancy. Prior to this, Miriam was an Associate Director, Governance, Compliance &amp; Investigations at Ernst &amp; Young, managing a large portfolio of diverse blue-chip clients for 4 years. Previous to this position, Miriam had close to a 6-year stint from April 2007 at Safaricom as Senior Manager, Ethics, Compliance and Investigations, a role that widened and deepened her experience and expertise on business ethics and compliance challenges, having joined from 4 years at KPMG, which grounded her career in governance as a Senior Forensic Auditor. Miriam holds a Master of Laws degree (LL.M) in Corporate Governance, a Bachelor's Law degree (LL.B) and an international diploma in Anti-Money Laundering. She is also a Certified Public</p>

KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

THE BOARD OF DIRECTORS

	<p>Accountant (CPA.K), and is a qualified Alternative Dispute Resolution Arbitrator. In addition, Miriam is also a Certified Fraud examiner (CFE). Miriam is also a Board Director of the Anti-money Laundering Advisory Board (appointed Oct 2021) and at Integrated Risk Services Limited. She is a member of several professional associations and institutions including the Law Society of Kenya (I-SK) - where she serves in Audit &amp; Risk Committee,- the Institute of Certified Public Accountants of Kenya (ICPAK), the Association of Women Accountants in Kenya (AWAI&lt;), the Association of Certified Fraud Examiners (US) , the International Compliance Association (UK), the Chartered Institute of Arbitrators (UK), the Institute of Directors (Kenya Chapter) and the Women on Boards Network. Med.</p> <p>A regular writer on governance issues, a 'Thought leader' amongst her peers and professions and a highly motivated achiever, Miriam was nominated 'Top 40 Under 40 Women' in 2012 by the Nation Media Group</p>
	<p><b>Eng. Clemencia Mwamburi-Director ,Independent and Non-executive</b></p> <p>Eng. Clemencia studied electrical and electronics engineering at the University of Nairobi (UoN). She holds a Master of Science in Management Information Systems and a postgraduate diploma in computer science from the same institution.</p> <p>She currently is the General Manager of an engineering consulting firm, Comfort Build Engineers Limited, that specializes in building services (mechanical and electrical).</p> <p>She previously worked for the Kenya Pipeline Company (KPC) maintenance department as the first female engineer in the organization. When ICT was in its nascent years, she pioneered the computerization efforts, as they were known then, becoming a pioneer ICT section head in the organization.</p> <p>On leaving KPC, she worked in multiple roles as a volunteer in the Society of Jesus Africa office, in the social justice sector and in administration. She played a leading role in the development and staging of a leadership program for the Society of Jesus in Africa. This program formed the foundation upon which the Program for Discerning Leadership in the Society of Jesus' Curia (Headquarters) in Rome has been established.</p> <p>She is a proud Alumnus of Loreto High School Limuru and Zare Primary School in Mwatate constituency of Taita Taveta county and plays an active role in their alumni activities. Part of the philanthropic activities Clemencia enjoys include supporting girls in her local church as well the local primary and high schools.</p>

	<p><b>Mr. Sanjay Gandhi - Director, Independent and Non-executive</b></p> <p>Mr. Sanjay Gandhi is the COO of Kurrent Technologies Ltd. He is a Civil, Structural and Environmental Engineer whose experience in the oil and gas industry spans over 29 years, working in Kenya and overseas.</p> <p>He is a Registered Lead Expert with the NEMA and a Registered Safety and Health Adviser licensed by the DOSHS.</p> <p>Mr. Gandhi is a Certified Instructor with the International Association of Drilling Contractors (IADC) for the HSE Rig Pass Program.</p> <p>Mr. Gandhi is the Chief HSE Trainer for KTL which is registered with DOSHS as a S&amp;H training institution.</p> <p>He is also the licensed Contract Instructor in Africa and Western Asia for TapRooT®, a root cause analysis system developed in the USA and has deployed the system for several blue chip oil, gas, mining and construction companies in Africa, Asia, Europe and the USA.</p>
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KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

THE BOARD OF DIRECTORS

	<p>Mr. Gandhi is the founder of the Oil Spill Mutual Aid Group (OSMAG) which was formed in 1999. He is the author of a number of national documents currently in use in Kenya including the National Oil Spill Response Contingency Plan (NOSRCP), Highway Emergency Response Plan (HERP), Petroleum Sub-sector EIA/EA Guidelines and Pollution Prevention Guidelines (PPGs).</p>
	<p><b>Ms. Rosemary Chiobere Kananu - Director, Independent and Non-executive</b></p> <p>Eng. Rose Kananu is a Civil engineer and certified in the internationally renowned Project Management Professional (PMP) with over twenty (20) years' experience in management consulting, project development &amp; execution, business architecture and strategy formulation.</p> <p>Previously, Rose served as Chief Engineer at ekaterra Tea Kenya (Unilever), Founder CEO of Howard Aidevo Consulting, Senior Manager, Capital Projects &amp; Infrastructure in PwC Kenya, Secunda and Johannesburg for Sasol, South Africa and a Graduate engineer at Mobil Oil Kenya.</p> <p>Rose holds a Bachelor of Science Degree in Civil Engineering from JKUAT, an MBA from Arizona and a Diploma in Entrepreneurship from McGuire Center for Entrepreneurship, University of Arizona. Rose is currently pursuing the internationally renowned Certified Public-Private Partnerships Professional (CP3P®) designation. She's an active volunteer in mentoring young people. Rose is a Graduate Member of the Engineer's Board of Kenya.</p>
	<p><b>Ms. Elizabeth Kimkung, Independent and Non-executive</b></p> <p>Born in 1968, Ms. Elizabeth Kimkung is a professional with a proven record of accomplishments in management and innovative solutions to administration problems. She is adept at seeking out potential markets and establishing strategic business campaigns in a fast paced environment. Ms. Elizabeth has been involved in the business of logistics, real estate, pharmaceutical and farming for 24 years.</p> <p>She holds an MBA from USIU and Masters of Law from the University of Nairobi-Parklands Law Campus. Ms. Elizabeth is currently pursuing her PhD (3<sup>rd</sup> year) studies in Environmental Law at the University of Nairobi.</p> <p>She is a Rotarian and has served as President for the Rotary Club of Nairobi, Assistant Governor, Country Chair of both Heath &amp; Hunger and Sanitary Towel Project.</p> <p>Ms. Elizabeth has served as the Vice-chairperson, Maendeleo ya Wanawake – Mt. Elgon Branch; Kenya Girl Guides fundraising committee member; and Kenya Ladies Golf Union as a Council Member.</p> <p>She has also served in the following Boards:- Karen C High School, Nairobi Liquor Licensing Board and Kenya Institute for the Blind.</p> <p>She is Currently serving in the following Boards:-KEPSA – Infrastructure Board, American Chamber of Commerce, Shipper's Council of East Africa and the Cooperative University of Kenya Governing Council.</p> <p>Ms. Kimkung is the Chairperson of the Staff &amp; Remuneration Committee of the Board</p>




KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

THE BOARD OF DIRECTORS

	<p><b>Eng. Thomas Karungu (Alternate Director to Alex Kamau Wachira), Non-independent and Non-executive</b></p> <p>Eng. Thomas Karungu holds a Bachelor of Science degree in Mechanical Engineering from the University of Nairobi and a Masters degree in Infrastructure Management from Yokohama National University, Japan. He joined the Ministry of Energy in 2017 having previously worked at the Ministry of Roads and Public Works and in the Ministry of Industrialization.</p> <p>He is a corporate member of the Institution of Engineers of Kenya and is registered as a Professional Engineer by the Engineer's Board of Kenya.</p>
	<p><b>Mr. Joseph M. Kariuki (Alternate Director to Prof Njuguna Nd'ungu), Non-independent and Non-executive</b></p> <p>Joseph joined the Board on 30th September 2019 as Alternate to Cabinet Secretary, National Treasury &amp; Planning. He is an Economist by profession with over 26 years' experience working in various Departments of Government.</p> <p>For the last 14 years Mr. Kariuki has been working at the National Treasury where part of his key assignments include monitoring performance of public enterprises and investments of the national government as well as providing advice on the public investment policy.</p> <p>Joseph holds an MA (Economics) from the University of Nairobi and is currently also the Alternate Director at Agriculture &amp; Food Regulatory Authority (AFRA) and Kenya Petroleum Refineries Limited (KPRL).</p>
	<p><b>Ms. Lydia Sitienei – Company Secretary &amp; General Manager, Legal Services, Non-Independent and Executive</b></p> <p>Lydia Sitienei is an Advocate of the High Court of Kenya, Commissioner for Oaths, a Certified Secretary and Governance Auditor with demonstrated knowledge and over 15 years of professional experience in the practice of corporate and commercial law within the Financial Services, Real Estate, Insurance, Pensions and Energy Sectors.</p> <p>Ms. Sitienei joined KETRACO in August 2017 as Manager Legal Services (Commercial, Compliance &amp; Secretariat) and was appointed Company Secretary &amp; General Manager Legal Services in July 2021. Prior to joining KETRACO, she worked at the CPF Group of Companies &amp; LAPTRUST as the Group Head of Legal and Company Secretary. She also served as a Standing Committee member of the East and Central Africa Social Security Association (ACASSA) and an expert for the East African Community (EAC) on EAC Pensions and Insurance Sectors Integration.</p> <p>She holds a master's degree in Public Policy &amp; Management from Strathmore University Business School (SBS), Bachelor of Laws Degree from the University of Buckingham (UK), Postgraduate Diploma in Law from the Kenya School of Law and is a Certified Secretary (CS-K). She has also trained at the New York University (NYU) Robert F. Wagner Graduate School of Public Service.</p> <p>She is a member of the Law Society of Kenya (LSK), Institute of Certified Secretaries of Kenya (ICS), Chartered Institute of Arbitrators (CiArb) – Kenya Branch, East Africa Law Society (EALS) and Institute of Directors (IOD-K)</p>

# KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

## THE MANAGEMENT TEAM

	<p><b>Eng. Isaac Kiva, OGW – Ag. Managing Director, Non-Independent and Executive</b></p> <p>Eng. Isaac Kiva, OGW joined KETRACO on 27th January 2023 as Ag. Managing Director on secondment from the Ministry of Energy. He has vast experience in public sector management, having worked in the Ministry of Energy and also held other Senior Government positions for over 20 years. He previously served as Alternate Director to the Permanent Secretary, Ministry of Energy and Petroleum at the Board of Kenya Power and Lighting Company Limited.</p> <p>He is substantively the Secretary for Renewable Energy at the Ministry of Energy where his responsibilities include overall coordination of the Renewable Energy Department, Renewable Energy Policy formulation and development, promotion of alternative sources of energy technologies, staff training and development. He has vast experience in policy formulation, promotion of development, formulation of regulations, project preparation, design of electrical services, and contract management among others.</p> <p>He holds a Master of Science (MSc) in Energy Technology from JKUAT and a Bachelor of Science (BSc.) (Hons) in Electrical Engineering from the University of Nairobi. Professionally, he is a Gold Member of the Association of Energy Professionals Eastern Africa, a Fellow of the Institution of Engineers of Kenya, a Corporate Member of the Institution of Engineers of Kenya (IEK) and Professional Engineer, Engineers Registration Board (ERB).</p>
	<p><b>Dr. (Eng.) Joseph Siror, PhD General Manager, Technical Services</b></p> <p>Dr. (Eng.) Siror holds a Doctor of Philosophy in Engineering from Shanghai Jiaotong University (China) majoring in Radio Frequency Identification (RFID), a key technology for intelligent systems. He has a Bachelor of Science in Electrical Engineering and Master in Business Administration from the University of Nairobi. He previously worked as a Director of Science, Technology Innovation and Communication at the National Economic and Social Council (NESC). He also served as a Senior Assistant Commissioner at the Kenya Revenue Authority (KRA), where he spearheaded several infrastructure and technology projects including the X-ray Cargo Scanning for non-intrusive inspection of cargo at Kilindini Port and Electronic Cargo Tracking System for tracking transit cargo. Dr. (Eng.) Siror also worked at Kenya Posts and Telecommunications Corporation where he was part of the team that were trained in the United Kingdom for introduction and rollout of digital leased lines in the country. He is a member of Institute of Electrical and Electronics Engineers (IEEE), a licensed Professional Electrical Engineer with Engineers Board of Kenya (EBK) and a Corporate Member of the Institute of Engineers in Kenya (IEK).</p>
	<p><b>CPA Tom Imbo General Manager, Finance</b></p> <p>CPA Tom Imbo holds a Master of Business Administration-Finance and a Bachelor of Education (Economics, Business Administration) degrees from Kenyatta University. He is a certified Public Accountant of Kenya (CPA, K) and serves as a member of Member Services Committee of ICPAK.</p> <p>CPA Imbo has over 20 years' experience in financial management in the private and public sectors. Prior to joining KETRACO he was the Head of Management Accounts at United States International University (USIU).</p>



KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

THE MANAGEMENT TEAM

	<p><b>Dr. (Eng.) John M. Mativo, CE, FIEK- General Manager, Project Development Services</b></p> <p>Dr. (Eng.) John Mativo has more than twenty (20) years cumulative working experience in both the public and private sector accumulating extensive experience in research, design, construction supervision and contract management. He has worked with KETRACO since 2010 as the Head of Technical Services, where he was involved in the design and construction of 4,800km of high voltage transmission lines, 48 new substations and extension of 28 existing substations.</p> <p>He is responsible for formulating new high voltage transmission infrastructure and carrying out Monitoring and Evaluation of ongoing projects. Prior to joining KETRACO, Dr. (Eng.) Mativo worked with H.P. Gauff Consulting Engineers, Ministry of Roads and Public Works and later as a Consultant for European Union funded projects in the Local Government.</p> <p>He holds a Bachelor’s degree in Civil Engineering from the University of Nairobi, a Master’s degree in Structural Engineering from Tongji University (China) and a Doctorate of Philosophy degree in Civil Engineering from Tokyo Metropolitan University (Japan). Dr. (Eng.) Mativo is a Registered Engineer (ERB) and a Corporate Member of the Institution of Engineers of Kenya (IEK).</p>
	<p><b>Ms. Lydia Sitienei – Company Secretary &amp; General Manager, Legal Services, Non independent and Executive</b></p> <p>Lydia Sitienei is an Advocate of the High Court of Kenya, Commissioner for Oaths, a Certified Secretary and Governance Auditor with demonstrated knowledge and over 15 years of professional experience in the practice of corporate and commercial law within the Financial Services, Real Estate, Insurance, Pensions and Energy Sectors.</p> <p>Born in 1981, Ms. Sitienei joined KETRACO in August 2017 as Manager Legal Services (Commercial, Compliance &amp; Secretariat) and was appointed Company Secretary &amp; General Manager Legal Services in July 2021. Prior to joining KETRACO, she worked at the CPF Group of Companies &amp; LAPTRUST as the Group Head of Legal and Company Secretary. She also served as a Standing Committee member of the East and Central Africa Social Security Association (ACASSA) and an expert for the East African Community (EAC) on EAC Pensions and Insurance Sectors Integration.</p> <p>She holds a master’s degree in Public Policy &amp; Management from Strathmore University Business School (SBS), Bachelor of Laws Degree from the University of Buckingham (UK), Postgraduate Diploma in Law from the Kenya School of Law and is a Certified Secretary (CS-K). She has also trained at the New York University (NYU) Robert F. Wagner Graduate School of Public Service.</p> <p>She is a member of the Law Society of Kenya (LSK), Institute of Certified Secretaries of Kenya (ICS), Chartered Institute of Arbitrators (CiArb) – Kenya Branch, East Africa Law Society (EALS) and Institute of Directors (IOD-K)</p>
	<p><b>Dr. Lawrence Njogu Kimando– General Manager, Strategy Research and Compliance</b></p> <p>Dr. Lawrence Njogu Kimando Ph.D is a highly experienced Strategic Management professional with more than twenty years of hands-on experience in strategic analysis, research, entrepreneurship, monitoring &amp; evaluation, among others.</p> <p>He has previously worked in ICT Authority as the Head of Corporate Planning, Research &amp; Innovation as well as the National Sports fund and Goodit International Limited. He has published several academic journals and is a holder of Doctorate of Philosophy (Ph.D) in Entrepreneurship, Master of Science (Msc) in Entrepreneurship and Master of Business</p>

KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

THE MANAGEMENT TEAM

	<p>Administration (MBA - Strategic Management) from JKUAT. He is also a holder of Bachelor of Education (B.Ed) in Business Studies and Mathematics from the University of Nairobi. Dr. Kimando is also a full member of Kenya Institute of Management (KIM) and Society of Educational Research and Evaluation in Kenya (SEREK)</p>
	<p><b>CPA, Moses M. Mulonzia</b> <b>Senior Manager, Internal Audit &amp; Risk</b></p> <p>CPA Mulonzia is a Finance and Risk Management specialist with over 13 years' experience spanning both the private and public sector. He is an expert in Internal Audit, Risk Management, Financial Management, Fraud investigations and Information System Audit. Before joining KETRACO, he served as the Head of Internal Audit and Risk Management at Kenya Wildlife Service (KWS) where he was part of the turnaround management team. He was instrumental in institutionalization of Risk Management and Balanced Scorecard performance management system. He has also worked at Jubilee Insurance Company (K) Limited as an Internal Auditor, Data Centre and as Chief Accountant, United Insurance where he served in Finance and Internal Audit Departments.</p> <p>CPA Mulonzia holds a Bachelor of Commerce in Finance from Catholic University of Eastern Africa and a Master of Business Administration Strategic Management degree from Jomo Kenyatta University of Agriculture and Technology (JKUAT). He also holds a Diploma in Forensic Accounting among other Leadership and Integrity certificates.</p> <p>He is a Certified Public Accountant-CPA(K, Certified Information Systems Auditor (CISA) and a Certified Internal Auditor (CIA). He is also a member of Institute of Certified Public Accountants Kenya (ICPAK), Institute of Internal Auditors (IIA-K), Kenya Institute of Management (KIM) and Information Systems Audit and Control Association (ISACA).</p>
	<p><b>Mr. Peter M. Njehia</b> <b>Senior Manager, Supply Chain</b></p> <p>Mr. Njehia has a Bachelor of Arts and Master in Business Administration degrees from Egerton University, Post Graduate diploma in Supply Chain Management from Jomo Kenyatta University of Agriculture and Technology (JKUAT), as well as a professional Procurement and Supply Management Diploma (CIPS). He has previously worked as a Procurement Officer at Egerton University, Head of Supply Chain at the Laikipia University and Head of Supply Chain Management at the National Environment Management Authority (NEMA). He has been instrumental in successful procurement and implementation of electricity transmission infrastructure projects in Kenya. He is a Licensed Supply Chain Management Practitioner by Kenya Institute of Supplies Management (KISM) and is a Member of KISM and Member of the Chartered Institute of Procurement and Supply (MCIPS).</p>

# KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

## THE MANAGEMENT TEAM

	<p><b>Mrs. Regina Kemboi</b> <b>General Manager, Human Resource and Administration</b></p> <p>Ms. Regina Kemboi holds a Master's degree in Human Resource from Moi University, a higher diploma in Human Resource from Institute of Human Resource Management and a Bachelor of Business Administration from Kenya Methodist University. She has attended various Management courses both locally and internationally. Prior to joining KETRACO as a Manager Administration, Ms. Regina worked as a Senior Administrative Officer at the Kenya Urban Roads Authority (KURA), Administration Officer at the Kenya Civil Aviation Authority (KCAA) and Kenya College of Communications and Technology (KCCT-Mbagathi) currently Multi Media University.</p> <p>She is a member of Institute of Human Resource Management (IHRM).</p>
	<p><b>Eng. (CPA) Antony Wamukota, OGW – General Manager Design and Construction</b></p> <p>Eng. Wamukota holds a Bachelor's degree in Civil Engineering from Jomo Kenyatta University of Agriculture &amp; Technology (JKUAT) and is knowledgeable in accounting matters, having attained the CPA (Final) certificate.</p> <p>He has twenty (20) years cumulative working experience in the public sector where he has gained extensive experience in management of projects mainly funded by foreign development partners in the electricity subsector. He has previously worked with the Ministry of Roads and Public Works from 1998 to 2009 before joining KETRACO in 2010. He is registered by the Engineers Board of Kenya, (EBK) as a Professional Engineer and is a Corporate Member of the Institution of Engineers of Kenya, (IEK).</p>

# KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

## CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 30 JUNE 2022

### **Dear Shareholder,**

The year 2021-2022 has been critical in the calendar of the Kenya Electricity Transmission Company Limited (KETRACO). Not only have we exhibited high level resilience from the impact of the COVID-19 pandemic, but we have also experienced leadership transition at the Company and National levels. We have trained our eyes on the goal, setting out our performance framework and strategic priorities that will support our ability to deliver the required services.

I would like to thank my fellow Board members and KETRACO staff for according me warm welcome and providing an enabling environment for sustainable output to be achieved.

Their arduous work and ability to never losing the sight of our strategic objectives and core values has heralded numerous milestones that we can today boast of as some of our achievements.

Having a strong purpose is essential to the running of organization. It is that which drives us forward and guides the decisions that we make. Reflecting our commitment to the stakeholders that we work with and industry players in general.

The Board continues to engage with stakeholders both inside and outside for the good of the Company.

### **Activities during the year**

The Company is working to ensure ongoing Transmission Lines and Substation projects are completed to serve purposes for which they were meant. A total of sixteen (16) projects which are currently on course will add a further 1,802km to the total length of transmission lines. The lines have voltage ratings of between 132kV – 500kV. The Eastern Electricity Highway Project 500Kv; popularly known as Ethiopia – Kenya transmission line project and Kenya – Tanzania 400kV will allow for power trade between interconnected countries.

It is important to note that the System Reinforcement (Isinya & Nairobi North Substations) whose energization is tied to Suswa Converter Station will reinforce the National Grid. The Nairobi Ring 220kV substations (Isinya, Athi River, Kimuka and Malaa/Nairobi East) will allow for greater Nairobi Metropolitan area to be supplied reliable power from different substations.

We would soon be exploiting the benefits of other ongoing transmission line projects such as Turkwel-Ortum - Kitale 220kv, Lessos – Kabarnet 132kV, Kitui – Wote 132kV, Isinya -Namanga 132kV, Sondu-Ndhiwa 132kV, Garsen – Bura-Hola – Garisa 220kV, Sultan Hamud – Loitokotok 132kV, Isinya – Konza 400kV, Awendo – Isibania 132kV, Kamburu – Embu -Thika 220kV, Rabai – Bamburi – Kilifi 132kV and Mariakani 400/220kV Substation upon their completion.

These projects will enhance reliability of power supply in the country, reduce transmission losses and address cases of low voltages. Most of them are in their final stages of completion.

We have had to review the due dates of various Transmission Line Projects due to challenges posed by COVID-19 pandemic, wayleaves and survey issues and budgetary constraints.

### **Performance Review**

The Company's asset base has continued to grow and rose from Kshs 181,465 in the 2021 financial year to Kshs 228,527 million in financial year 2022. The Company received project funding amounting to Kshs 5,673 million from external sources and Kshs 4,549 million from the exchequer in the financial year under review. The total income during the year under review amounted to Kshs 5,213 million while the total operating expenses was Kshs 4,157 million compared to Kshs 5,011 million and Kshs 4,556 million, respectively, in financial year 2020 - 2021.

### **Outlook**

KETRACO has made a breakthrough in technological innovation and full adoption of the same to deliver its mandate placing it ahead of her peers in the energy/transmission sector. I am proud to confirm that the Company has made a leapt into leadership as a Transmission Systems Operator and Technology giant.

The innovations, propelled by the Company's ICT directorate aligns KETRACO with globalization and rapidly changing technology trends. This has made engagements with suppliers, vendors, contractors, and consultants more efficient, simple and worker friendly.

The enterprise mobility, an innovation used for managing handheld devices for capturing project data in the field and extranet, an online internal site on Microsoft SharePoint with restricted access created to let external partners have access to specific content, and to collaborate with members within the organisation have been developed and adopted by KETRACO.

# KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

## CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 30 JUNE 2022

The site can be accessed from any location where there's Internet connection though not publicly accessible like KETRACO Website. It is also separate from the company intranet so that external parties do not have access to staff and employee information.

This new development has led to seamless workflow from field data mapping to payment stage. This includes crops enumeration app used by project clerks/wayleave officers to collect data on crop damages. It helps in capturing data in crops mapping and CDR verification.

### **Appreciation**

I thank my colleagues in the Board for their diligence and commitment during the year, in providing effective leadership and guidance that enabled the Management to act on time. I would also like to appreciate the entire Management team for their outstanding leadership and steering the team to deliver on our core mandate.

Finally, to all our stakeholders, in particular the government, energy sector agencies and regulatory authorities with whom we continuously consult. I would like to say that we appreciate their support and willingness to engage with us as we move forward together.

**Abdi Bare Duale**  
**CHAIRMAN**



# KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

## REPORT OF THE CHIEF EXECUTIVE OFFICER FOR THE YEAR ENDED 30 JUNE 2022

Since inception in December 2008, KETRACO has successfully carried out its core mandate of planning, designing, building, owning, operating, and maintaining high voltage transmission lines in the country. The expansion of the transmission grid over this period has increased power reliability, connections, stabilized the network and connected several previously unserved load centres in the country such as Garissa and Lamu Island. The completion of the Olkaria-Lessos-Kisumu Transmission Line has stabilized power supply in the Western Region hence positively impacting on the quality of power supply. This has largely contributed to increased economic activities and in turn economic growth especially in the manufacturing sector and small and medium enterprises (SMEs). As the country strives to realize the targets of the Vision 2030 blueprint and the Big 4 Agenda initiatives, KETRACO continues to facilitate the process as an enabler to the process by providing a stable and reliable transmission grid.

Over the past five years, the transmission network owned by KETRACO has grown from 2,512KM in June 2018 to 4,189.69KM by June 2022, a 67% increment. 37 new substations and 30 substation extensions has also been commissioned. Significant progress has also been made in the implementation of ongoing transmission projects, notably the Ethiopia - Kenya HVDC project, the Kenya-Tanzania Interconnector, Mariakani substation and the system reinforcement substations.

The company generated Kshs 11.385 billion in Appropriation in Aid against an annual target of Kshs 25 billion in the year ending June 2022. Appropriation in Aid comes from wheeling and fibre revenues and development budget allocated by the National Treasury. The target was not realised due to delays in implementation of planned projects activities and utilization of allocated funds under the Development Budget. The annual absorption rate of Government of Kenya and Internally generated funds was at 66.25%. The 100% absorption rate target was not realized due to wayleave issues preventing progress especially stringing of Isinya-Namanga and Kenya-Tanzania projects thus affecting payment of compensation. The absorption of externally mobilized resources was also below target at 37.33%. The under-absorption was due to delays in disbursement of development funds by the Exchequer. Below is a summary of implementation progress of various ongoing transmission projects as of June 2022.

### I. System Strengthening Projects

#### • Nairobi Ring Associated Substations

The pending project scope entails the construction of 220/66 2x200MVA Malaa and Ngong (Kimuka) substations. The two substations will provide alternative power supply to the Nairobi metropolitan region. The substations are at advanced stages of completion and are expected to be fully complete by November 2022. Kimuka is 99% complete and Malaa is 88% complete.

#### • Mariakani 400/220 kV Substation

The project involves the construction of a 400/220kV 4x200MVA substation at Mariakani. The project is expected to improve power transfer capacity, adequacy, and security to the coastal region. The project is 89% complete with a target completion date of December 2022.

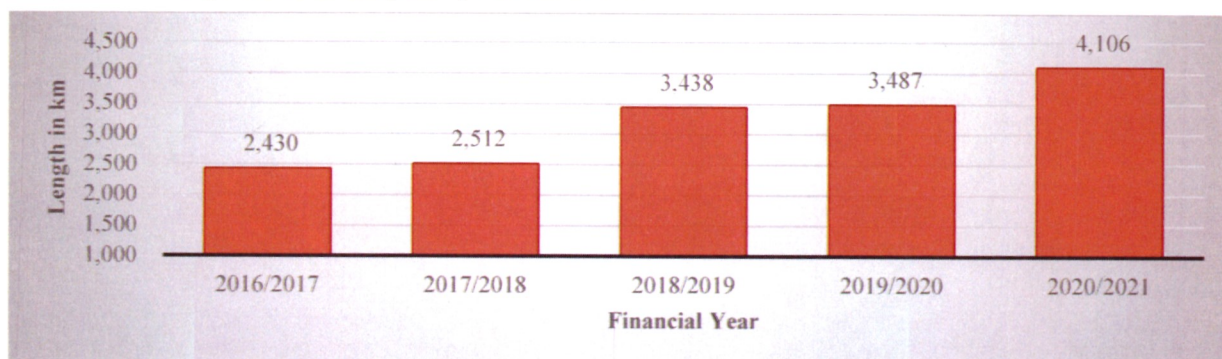
### II. Regional Interconnection Projects

#### a) 1224km 500kV Eastern Electricity Highway Project (Ethiopia-Kenya Interconnector)

Construction works for the line and associated substation works have been completed, with commissioning works in advanced stages. The target commissioning date for the project is November 2022. Once complete, this project will facilitate power exchange between Ethiopia and Kenya.

#### b) 192 km 400kV Kenya-Tanzania Interconnector

The 96km 400kV double circuit line from Isinya to Namanga will connect the Eastern Africa Power Pool to the Southern Africa Power Pool facilitating power trade between the two power pools. The project is 94% complete and is expected to be complete by December 2022.



## II. Regional Interconnection Projects (continued)

### c) 264km 400kV Lessos-Tororo line (Kenya-Uganda Interconnector)

The project's scope entails construction of a 264km 400kV from Lessos to Tororo, and extension of Lessos Substation 220/132kV switchyards. The project is expected to facilitate power trade within the Eastern Africa countries. The project is 55% complete and is awaiting confirmation of financing to finalise the remaining scope of work.

## III. Electricity Access Projects

These projects are expected to enhance access to electricity within the country and reduce power outages.

### a) 209km 132kV Power Transmission system improvement projects

These projects include 65km Lessos-Kabarnet, 79km Nanyuki-Rumuruti and 65km Kitui-Wote lines with substations at Kabarnet, Kitui, Wote and Rumuruti. The projects are expected to connect load centres of Rumuruti, Kabarnet, Kitui and Wote to the national grid to improve access to reliable power. The projects are over 92% complete and are expected to be completed by November 2022.

### b) 69km 132kV Sondu – Ndhiwa (Homa Bay/Ndhiwa)

The 69km 132kV transmission line from Ndhiwa to Sondu with a 132/33kV substation at Sondu is expected to improve electricity reliability in Migori and Homabay Counties. The project is 79% and is awaiting confirmation of financing to procure a new contractor to finalise the remaining scope of work.

### c) 5km 132kV Nanyuki – Isiolo 132kV Underground cable

The project aims at improving quality of power supply, meet growth demand and increase accessibility in Nanyuki, Isiolo and its environs. The construction of the 5km underground cable is scheduled to commence with the procurement of a contractor having been finalised. The target completion date is February 2023.

### d) 96km 132kV Isinya – Namanga

The 96km line from Isinya to Namanga, with 132/33kV substations works at Isinya and Namanga aims to connect load centres of Isinya and Namanga and to improve access to reliable power. The project is 91% complete.

### e) 70km 132kV Nanyuki – Isiolo

The 70 km transmission line with 132/33kV substations at Nanyuki and Isiolo project will improve access to reliable power and provide an alternative transmission supply route to Nanyuki. The projects is 93% complete and is scheduled for completion by February 2023.

### f) 120km 132kV Sultan Hamud – Merueshi-Loitoktok

The projects scope entails construction of a 123km 132kV line from Sultan Hamud to Loitoktok and 132/33kV substations at Loitoktok and Merueshi. The project will connect the load centres of Loitoktok and Merueshi at high voltage hence providing access to reliable power. The project is 46% complete and is expected to be complete by October 2023.

### g) 240km 220kV Garsen -Bura-Hola –Garissa

The project consists of a 240km 220kV line, with substations at Garissa, Hola and Bura, and a bay extension at Garsen. The project will improve access to reliable power in the load centres of Garissa, and Hola and Bura. The project is 51% complete and requires new financing to be completed.

### h) 134km 132kV Rabai-Bomani-Kilifi

The 134km transmission line with a 132/33 substation at Bomani will increase power access through reinforcement of the grid in the coastal region. The project is 54.5% complete and is expected to be commissioned by March 2023.

# KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

## REPORT OF THE CHIEF EXECUTIVE OFFICER FOR THE YEAR ENDED 30 JUNE 2022

### III. Electricity Access Projects (Continued)

#### i) 50km 132kV Awendo- Isebania

The project, whose scope consists of a 50km line and a 132/33kV at Isebania, will enhance electricity access around Migori County and its surroundings. The project is 46% complete and is expected to be complete by October 2023 complete by June 2022.

#### j) 40km 400kV Isinya-Konza

The project entails a 40km 400kV line and a 400/132kV substation at Konza and is expected to increase access to reliable power at Konza, Isinya and environs. The project is 46% complete and is scheduled for completion by October 2023.

#### k) 150km 220kV Kamburu-Embu -Thika

The project comprises of a 150km 220kV line from Kamburu to Thika and new 220/132kV substations at Embu and Thika. The project aims to supply the loads of Embu (Kutus substation) and Thika from the seven forks dams hydropower. It is expected to be complete by December 2023.

#### l) Uplands (Maai Mahiu) substation

Construction of the Maai Mahiu 132/66kV 2x60MVA substation is scheduled for completion by December 2023. The project will contribute to a reduction in system losses arising from long 66kV lines.

### IV. Power Evacuation projects

#### a) 135km 220kV Turkwel – Ortum – Kitale

The project scope includes the construction of a 135km line from Turkwel power plant to Kitale and 220kV substations at Ortum and Kitale. The line section is complete. Kitale and Ortum substations are 90% complete. The project is expected provide an alternative evacuation route for Turkwel hydro power plant and to connect load centres of Ortum to the national grid. The project is expected to be complete by April 2023.

### V. Planned Projects

KETRACO in line with the Least Cost Power Development has developed a 20-year transmission expansion plan indicating projects expected to be implemented to meet the sector requirements namely: projected electricity demand, evacuate planned power generation and national Grid code requirements. The 2022-2041 plan identifies the need to expand the grid by 12,672km in circuit length of transmission lines and 18,497 MVA of substation capacity. The total investments requirement for the Transmission Master Plan is estimated at USD 5,998.17Million out of which approximately USD2462.72Million has been secured/committed through development partners' assistance and EPC +Financing framework and GoK. This implies that the financing gap is approximately USD 3,535 Million

  
Eng. Isaac Kiva, OGW  
A.g. MANAGING DIRECTOR

KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES  
FOR THE YEAR ENDED 30 JUNE 2022

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the National Government entity’s performance against predetermined objectives.

KETRACO has 6 strategic themes and objectives within the current Strategic Plan for the FY 2018/19- FY 2022/23. These strategic themes are as follows:

- Theme 1: Transmission Infrastructure Planning and Development
- Theme 2: Transmission Network Operation and Maintenance
- Theme 3: Power Management
- Theme 4: Financial Mobilization and Sustainability
- Theme 5: Organizational Capacity and Governance
- Theme 6: Stakeholder Engagement

KETRACO develops its annual work plans based on the above 6 Themes. Assessment of the Board’s performance against its annual work plan is done on a quarterly basis. KETRACO achieved its performance targets set for the FY 2021/2022 period for its 6 strategic themes as indicated in the diagram below:

Strategic Theme	Objective	Key Performance Indicators	Activities	Achievements
Transmission Infrastructure Planning and Development	To timely build a reliable, efficient and effective electricity transmission infrastructure	<ul style="list-style-type: none"> <li>• No. of PSS/E licenses</li> <li>• Number of staff trained.</li> <li>• Updated Transmission Master Plan</li> <li>• No. of reports</li> <li>• No of meetings</li> <li>• No. of reports</li> <li>• No of reports</li> <li>• No. of Resettlement Action Plan reports</li> <li>• No. of title deeds</li> <li>• No of applications</li> <li>• Length (km) of HV lines constructed</li> <li>• No. of substations constructed</li> </ul>	<ul style="list-style-type: none"> <li>• Procure and Renew/Upgrade System Planning tools and licenses</li> <li>• Develop capacity in system planning through training</li> <li>• Develop and review Transmission Master Plan</li> <li>• Participate in updating Least Cost Power Development Plan and its Medium-Term Plan annually</li> <li>• Liaise with relevant authorities for synchronized planning of cross-border interconnections</li> <li>• Carry out pre-feasibility studies to develop project concepts</li> <li>• Undertake feasibility studies</li> <li>• Undertake RAP</li> <li>• Acquire substation land</li> <li>• Apply to NLC for creation of wayleave</li> <li>• Construct high voltage transmission lines</li> </ul>	<ul style="list-style-type: none"> <li>• Licences for planning software’s namely, PSSE, DIGSILENT and PSCAD were renewed.</li> <li>• 13 planning officers were trained on various courses including Public Private Partnerships, feasibility study report development, transmission, and substation equipment design, OSEMOSSYS generation planning tool, Mass Integration of Variable Renewable Energy, Demand Side Management and grid planning and operation and maintenance</li> <li>• 2022-2041 Transmission Masterplan was developed and aligned to the Updated LCPDP 2022- 2041</li> <li>• 132kV Loitoktok-Taveta, Suswa-Nairobi North Lines reconductoring and 400kV Rumuruti-Lessos prefeasibility studies completed.</li> <li>• Feasibility study reports for Kipevu-Mbaraki, Lessos &amp; Rongai substations and Garissa-Wajir project prepared.</li> </ul>

KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES  
FOR THE YEAR ENDED 30 JUNE 2022

			<ul style="list-style-type: none"> <li>• Construct high voltage power substations</li> </ul>	<ul style="list-style-type: none"> <li>• RAP undertaken for Kamburu-Embu-Kibirigwi-Thika, Awendo-Isebania: Rabai-New bamburi Kilifi, Makindu substation: &amp; Kamburu-Embu-Thika for Ap43-Ap44 (approx. 6 Km)</li> <li>• Negotiations for Uplands (Maai Mahiu) substation land completed: land agreement between KETRACO and landowners signed for Makindu Substation. Land scoping for Rongai Substation completed and 5 stakeholder engagement conducted.</li> <li>• Awendo-Isebania, Rabai - New Bamburi Kilifi and Kamburu-Embu-Kibirigwi-Thika cadastral data gazetted.</li> <li>• 63km Olkaria-Narok transmission line completed and energized. -</li> <li>• Lessos-Kabarnet-60KM, Turkwel-Ortum-Kitale-138km, Kenya-Tanzania-45km, Ethiopia-Kenya-641Km, Isinya-Namanga -54km constructed.</li> <li>• Kisumu (Mamboleo) 132kV Bay Ext (2 Bays) completed and energized.</li> <li>• Construction of Suswa Converter Station was Completed</li> <li>• Contractors were procured for 205km 400kV Gilgil-Thika-Malaa-Konza Transmission Line, 136km 220kV Loiyangalani-Marsabit Transmission Line, 241km 220kV Marsabit-Isiolo Transmission Line and 17km 132kV Nanyuki Line.</li> </ul>
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KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES  
FOR THE YEAR ENDED 30 JUNE 2022

Transmission Network Operation and Maintenance	To effectively and efficiently operate and maintain the transmission network	<ul style="list-style-type: none"> <li>No of persons authorised</li> <li>No. of armed police officers deployed</li> <li>% of SCADA/EMS System availability</li> </ul>	<ul style="list-style-type: none"> <li>Obtain Electrical Safety Authorizations for the operational O &amp; M personnel.</li> <li>Procure armed police security to safeguard transmission infrastructure</li> <li>Maintained Supervisory Control and Data Acquisition/ Energy management System (SCADA/EMS) system</li> <li>Implement annual maintenance plan</li> <li>Provide transmission infrastructure performance as per the National Transmission Grid Code</li> </ul>	<ul style="list-style-type: none"> <li>45 O&amp;M personnel were interviewed by Kenya Power electrical safety personnel for acquisition of various classes of authorization.</li> <li>110 CIPU officers deployed on various substations in 2021/22.</li> <li>99.09% SCADA/EMS System availability in 2021/22</li> <li>Implementation of the routine annual maintenance plan for 2021/22 was undertaken 100%</li> <li>The company's transmission infrastructure was maintained at a level of 99.50% level.</li> </ul>
Power Management	To effectively and efficiently manage the transmission system and facilitate power trade	<ul style="list-style-type: none"> <li>No of staff trained</li> <li>No of minutes</li> <li>No. of models</li> </ul>	<ul style="list-style-type: none"> <li>Train the staff in areas of power System Control, Load Dispatch and Cross border trading</li> <li>Participate in regional inter-connector meetings</li> <li>Build capacity for power market operations</li> <li>Review and update wheeling charge/tariff models</li> <li>Develop tariff proposals and submit to EPRA</li> </ul>	<ul style="list-style-type: none"> <li>9 power management staff were trained on Tie-Line Operating procedures, Power Systems Operations and Dispatch Study' by Grupo Mercados &amp; Protection for System Operations'.</li> <li>Attended 2 EAPP control area meetings and 1 EAPP Southern Synchronous Area Committee (SSAC) Meeting</li> <li>Participated in the design of the EAPP Power Market which was completed in October 2021 and in the drafting of the Operationalization of the Shadow EAPP Standardized Bilateral Trading Agreement</li> <li>2 staff members participated in EAPP training and workshop on Power Market design and Operationalization of</li> </ul>

KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES  
FOR THE YEAR ENDED 30 JUNE 2022

				<p>the Shadow Market in Arusha Tanzania.</p> <ul style="list-style-type: none"> <li>• Interconnection tariff study for Kenya-Tanzania line was completed and presented to stakeholders on 31st May 2022.</li> <li>• KETRACO's Revenue requirements for the 4th tariff control period 2021/22 – 2023/24 were submitted to KPLC on 10th December 2021 for inclusion in the retail tariff application.</li> </ul>
Financial Mobilization and Sustainability	To mobilize and efficiently utilize financial resources sustainably	<ul style="list-style-type: none"> <li>• Approved Annual Budget.</li> <li>• % level on disbursement</li> <li>• No of audits undertaken</li> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>• Prepare annual budget and financing proposals and seek necessary approvals</li> <li>• Monitor disbursement of funds during project implementation</li> <li>• Enhance internal control system by conducting financial audits</li> </ul>	<ul style="list-style-type: none"> <li>• Annual budget prepared as per budgets cycle. The proposed budget for Financial Year 2022/23 was adopted and approved by the board on 28th October 2021.</li> <li>• 70.90% disbursement level was achieved in the reporting period.</li> <li>• 66.25% of GoK and Internally Generated Funds was absorbed. The absorption rate for Externally Mobilized Resources was 37.33%</li> <li>• Audits for Garissa-Bura-Hola-Garsen, Mariakani Substation, Rabai-Bamburi-Kilifi, Kamburu-Embu-Thika, Sultan Hamud-Oloitoktok, and Isinya-Konza projects finalized</li> </ul>
Organizational Capacity and Governance	To strengthen organizational capacity and governance	<ul style="list-style-type: none"> <li>• Level of programmes implementation.</li> <li>• % Level of compliance with PAS</li> <li>• % Implementation of strategy execution tools</li> <li>• No. of staff covered under healthcare scheme</li> </ul>	<ul style="list-style-type: none"> <li>• Implement relevant training programmes.</li> <li>• Review and implement a Performance Appraisal System (PAS)</li> <li>• Develop and implement corporate strategy execution framework/tools</li> </ul>	<ul style="list-style-type: none"> <li>• 239 (95.60%) staff trained in in the year</li> <li>• 436 (91%) staff submitted their performance appraisals for 2020-21</li> <li>• Strategic Plan tracking matrix, work plan and ILIS monthly reporting template developed, updated and implemented.</li> <li>• Medical scheme renewed with CIC</li> </ul>

KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES  
FOR THE YEAR ENDED 30 JUNE 2022

		<ul style="list-style-type: none"> <li>• % of staff registered in professional bodies</li> <li>• Level of compliance with safety recommendations</li> </ul>	<ul style="list-style-type: none"> <li>• Enhance healthcare services</li> <li>• Facilitate staff membership in professional bodies</li> <li>• Implement recommendations of occupational safety and health audits</li> </ul>	<p>Insurance Health scheme for Financial Year 2021/22</p> <ul style="list-style-type: none"> <li>• Professional fees for the year ending June 2022 paid to 14 professional bodies to which 334 staff belong.</li> <li>• Gender, ADA and Road Safety polices were developed</li> <li>• Planned and coordinated the Annual Research Conference</li> <li>• All staff were provided with a Medical cover. One Medical wellness camp was held</li> <li>• Konza, Sultan Hamud-Oloitoktok, Suswa, Mariakani, Rabai-Bamburi-Kilifi, Kenya-Tanzania, Garsen-Hola-Bura-Garissa and Kamburu-Embu-Thika projects safety inspections and audits undertaken</li> <li>• 32 Risk Champions and 10 Risk Management Committee members were appointed and trained on Enterprise Risk Management.</li> </ul>
Stakeholder Engagement	To strengthen stakeholder engagement	<ul style="list-style-type: none"> <li>• No of engagements</li> <li>• Stakeholder sensitization report</li> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>• Develop and implement a Stakeholder Engagement Plan</li> <li>• Sensitize stakeholders on corporate values</li> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>• Planned and managed a tour by the Departmental Committee on Energy's to Suswa Substation and part of Ethiopia – Kenya Interconnector project from 2nd to 5th Sep 2021.</li> <li>• Deployed a Visitors Management System</li> <li>• Stakeholder Engagement Plan was developed</li> <li>• Corporate communications strategy was developed.</li> <li>• 4 sensitizations forums were undertaken in the year</li> <li>• Communication plans for Rabai-Kilifi, Kenya</li> </ul>

KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES  
FOR THE YEAR ENDED 30 JUNE 2022

				<p>Power Transmission Expansion Project, Sondu-Homabay (Ndhiwa)-Awendo, Gilgil-Thika-Malaa-Konza, Loiyangalani-Marsabit and Marsabit-Isiolo projects were developed</p> <ul style="list-style-type: none"> <li>• 331 project related grievance received, 187 were resolved</li> <li>• 2 Stakeholder Engagement were held along Sultan- Hamund-Oloitoktok Line</li> </ul>
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# KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

## CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2022

Corporate Governance is the practice by which companies are directed and managed in carrying out the business affairs of the Company as per the stakeholders' desires. It is the interaction between the shareholders, Board of Directors, and Company's management in shaping a corporation's performance by making effective strategic decisions to enable it to achieve its goals. This is steered by the Board of Directors and the concerned committees for the Company's stakeholders' benefit.

### ***Appointment and removal of directors***

Board appointments shall be made in line with Article 27 of the Constitution of Kenya and as further provided for in *Mwongozo*, the Code of Governance in State Corporations.

The Board of Directors of the Company is appointed pursuant to paragraphs 2 and 3 of the Articles of Association of the Company which refers to the provisions of the State Corporations Act, and which stipulates that the Board shall consist of the following persons:

- a) A non-executive Chairman appointed by the President.
- b) The Chief Executive appointed by the Cabinet Secretary for the time being responsible for Energy.
- c) The Principal Secretary for the time being responsible for Energy or his representative.
- d) The Cabinet Secretary in the Ministry for the time being responsible for Finance or his representative.
- e) Five other members from the private sector appointed by the Cabinet Secretary for the time being responsible for Energy.

The current Board with nine (9) members is, therefore, properly constituted as provided above. The members possess a broad range of skills and competencies, including legal, finance, human resources, banking, projects, economics and management among others.

### ***Board Committees***

The Board of KETRACO has established the following four (4) Board Committees for purposes of delegating its various functions. The Terms of Reference for the Committees are captured in the specific Committee Charters approved by the Board.

#### ***i) Technical Committee***

The overall purpose of the Technical Committee is to assist the Board in oversight of the Strategy, Planning, Projects, Operations & Maintenance and System Control / Load Dispatch. This is aimed at ensuring value for money, guarantee the highest availability and reliability of our transmission network by employing sound technical principles in accordance with engineering best practice. The Committee oversees the performance of the Company in accordance with the mandate set out in Sessional Paper No. 4 of 2004 and receives regular reports on Power System Planning, Project Progress, System availability and Operations & Maintenance and makes necessary recommendations to the Board as may be appropriate.

#### ***ii) Audit & Risk Assurance Committee;***

The Committee is constituted in line with Treasury Circular No. 16/2005 on establishment and operationalization of audit committees in the Public Service. The Committee forms a key element in the governance process by providing an independent assurance of the activities of internal controls, external auditors, internal audit, review the effectiveness of the risk management, financial reporting and financial management to the Board of Directors. There is an Audit & Risk Assurance Committee Charter to guide the members in carrying out their mandate, which is outlined in the charter. The Committee routinely invites the Managing Director, and at times the other key staff to attend the meetings. The Manager, Internal Audit is the Secretary to the Committee.

#### ***iii) Staff & Remuneration Committee;***

There is established a Staff & Remuneration Committee whose mandate includes determining the terms and conditions of service of staff and approval of recommendations for appointment and disciplinary issues of senior staff.

#### ***iv) Finance, Strategy & Risk Management Committee;***

The Committee is mandated to review, approve and monitor the Company's financial performance. It receives, adopts and submits for approval by the Board financial estimates of the Company's revenue and expenditure for the following financial year including proposals for funding all projects to be undertaken/completed during the year within the time frames laid down in law. The Committee also ensures that the business of the Company is conducted according to commercial principles and that the Company can meet its liabilities. For risk management purposes, it reviews the effectiveness of the financial reporting systems and structures and makes appropriate recommendations to the Board.

KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

MANAGEMENT DISCUSSIONS AND ANALYSIS FOR THE YEAR ENDED 30 JUNE 2022

**The number of Board meetings held and the attendance to those meetings by members**

The Board is responsible and accountable to the Government of Kenya, through the Ministry of Energy, in ensuring that the Company complies with the law and the highest standards of corporate governance. During the period under review, the Board met five (5) times and attendance was as follows:

	CLASSIFICATION	Staff & Remuneration Committee Total No of Meetings; 5	Finance Strategy & Risk Management Committee Total No of Meetings; 5	Technical Committee Total No of Meetings; 5	Audit & Risk Assurance Committee Total No of Meetings; 6	Board Meetings Total No of Meetings; Special (7) Regular 4)	Annual General Meeting Total No. of meetings; 1
Hon. Capt. Joe Musyimi Mutambu, MBS	Independent Chairman					10	1
Brig. (Rtd) David Ngaira, EBS	Independent Chairman					2	
FCPA. Fernandes Barasa	Managing Director				3	10	1
Eng. (CPA) Antony Wamukota, OGW	Ag. Managing Director	1	1	2	2	2	
Hon. Amb. Ukur Yatani Kanacho, EGH	Non-Independent Director						
Maj. Gen (Rtd) Dr. Gordon O. Kihlangwa, CBS	Non-Independent Director						
Arch. Kariuki Muraya	Independent Director			3	5	6	1
Mrs. Grace W. Ndugu	Independent Director	4			5	10	1
Mr. Phillip Mongony	Independent Director	4	4			10	
Mrs. Lizzie Chongoti	Independent Director		4	3		10	1
Ms. Miriam Wambui Njenga	Independent Director			1	1	2	
Ms. Rosemary Chiobere Kananu	Independent Director	1		2		2	
Mr. Sanjay Gandhi	Independent Director	1	1			1	
Ms. Elizabeth Kimkung	Independent Director	1			1	2	
Eng. Clemencia Mwamburi	Independent Director		1	1		2	
Mr. Joseph M. Kariuki	Alternate Director to the CS National Treasury		4		6	10	1
Eng. Julius Mwathani	Alternate Director to PS Ministry of Energy	2		2		7	1
Eng. Thomas Karungu	Alternate Director to the PS Ministry of Energy	1		1		2	

# KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

## MANAGEMENT DISCUSSIONS AND ANALYSIS FOR THE YEAR ENDED 30 JUNE 2022

### ***Succession Plan***

The Board is cognizant of the importance of a board succession planning policy. For purposes of information management, the eBoard software offers a secure space for electronically storing critical board documents/information which can be accessed by individual directors at any given point in time. Board appointments are undertaken by the President and the Ministry of Energy on a staggered basis to allow for continuity.

### ***The Board Charter***

KETRACO has put in place mechanisms for a corporate governance framework that is outlined in the Board and Committee Charters approved by the Board.

The framework ensures separation of functions and duties of the Board and shareholders, the duties of the Board and Management, the duties of the Chairman and Managing Director, and responsibilities of individual directors and the Board as an Company.

The Board Charter which acts as a reference guide for the Directors is inspired by the dictates of good corporate governance. It stipulates the individual and collective responsibilities, powers, duties, obligations and the liabilities of the Directors. It sets out the roles and responsibilities of Directors with respect to its strategic, oversight role, stewardship and fiduciary responsibilities. The Board Charter provides policy direction on issues of accountability, transparency, value addition, legitimacy, and overall credibility and business operations of the Company. The Company observed this governance framework during the year under review.

### ***Appointment and removal of directors***

The Memorandum & Articles of Association of the Company provide that the provisions of the State Corporations Act shall govern the appointment and removal of the Board. The constitution of the Board is provided for under the Memorandum & Articles of Association Section 3. The Board of Directors shall consist of:

- a) A non-executive Chairman appointed by the President
- b) The Chief Executive appointed by the Cabinet Secretary for the time being responsible for Energy
- c) The Principal Secretary for the time being responsible for Energy or his representative
- d) The Cabinet Secretary in the Ministry for the time being responsible for Finance or his representative
- e) Five other members from the private sector appointed by the Cabinet Secretary for the time being responsible for Energy.

The current Board with nine (9) members is, therefore, properly constituted as provided above. The members possess a broad range of skills and competencies, including legal, finance, human resources, banking, projects, economics and management among others.

### ***Roles and functions of the Board***

The primary role of the Board is to ensure long-term wealth and prosperity of the Company for the benefit of Shareholders, customers, employees and other stakeholders. The Board is responsible for policy formulation; Strategic Leadership and Planning; Resource Mobilization and Project management; Decision making; Compliance and Risk Characterization; Monitoring Progress and Direction of Executive Performance.

### ***Board Committees***

The Board of KETRACO has established the following four (4) Board Committees for purposes of delegating its various functions. The Terms of Reference for the Committees are encapsulated in the specific Committee Charters approved by the Board.

#### ***v) Technical Committee***

The overall purpose of the Technical Committee is to assist the Board in oversight of the Strategy, Planning, Projects, Operations & Maintenance and System Control / Load Dispatch. This is aimed at ensuring value for money, guarantee the highest availability and reliability of our transmission network by employing sound technical principles in accordance with engineering best practice. The Committee oversees the performance of the Company in accordance with the mandate set out in Sessional Paper No 4 of 2004 and receives regular reports on Power System Planning, Project Progress, System availability and Operations & Maintenance and makes necessary recommendations to the Board as may be appropriate.

**vi) Audit & Risk Assurance Committee;**

The Committee is constituted in line with the *Mwongozo* Code of Governance of State Corporations and Treasury Circular No. 16/2005 on establishment and operationalization of audit committees in the Public Service. The Committee forms a key element in the governance process by providing an independent assurance of the activities of internal controls, external auditors, internal audit, review the effectiveness of the risk management, financial reporting and financial management to the Board of Directors. There is an Audit & Risk Assurance Committee Charter to guide the members in carrying out their mandate, which is outlined in the charter. The Committee routinely invites the Managing Director, and at times the other key staff to attend the meetings. The Manager, Internal Audit is the Secretary to the Committee.

**vii) Staff & Remuneration Committee;**

There is established a Staff & Remuneration Committee whose mandate includes determining the terms and conditions of service of staff and approval of recommendations for appointment and disciplinary issues of senior staff.

**viii) Finance, Strategy & Risk Management Committee;**

The Committee is mandated to review, approve and monitor the Company's financial performance. It receives, adopts and submits for approval by the Board financial estimates of the Company's revenue and expenditure for the following financial year including proposals for funding all projects to be undertaken/completed during the year within the time frames laid down in law. The Committee also ensures that the business of the Company is conducted according to commercial principles and that the Company can meet its liabilities. For risk management purposes, it reviews the effectiveness of the financial reporting systems and structures and makes appropriate recommendations to the Board

**Induction and Training**

KETRACO seeks to continuously review and develop of the Board's capacity to deliver on its mandate by regularly reviewing and advising the Board on the skills, attributes and experience required for effective governance. In this regard, the Company Secretary in liaison with board members undertakes a Directors' training needs and gaps analysis and develops a board training calendar highlighting the various training programs required by the board members. Directors attend training programs based on their individual needs assessment and the Company's requirements. Benchmarking initiatives are also conducted to equip the Board with the necessary exposure required for executing the Company's mandate.

**Board and member performance**

It is important that the Board continually evaluates its performance against set targets. Consequently, the Board undertakes an annual evaluation of its performance and effectiveness to identify the areas for improvement and addresses them. The performance evaluation is conducted by State Corporations Advisory Committee (SCAC) through the State Corporations Information Management System (SCIMS). The following key areas are covered by Board evaluations:

1. Board Processes and accountability;
2. Strategy, financial matters and performance;
3. Compliance with all legal and ethical requirements;
4. Board composition, induction, development and succession;
5. Information and communication to stakeholders;

**Conflict of Interest**

The Board members have a statutory duty not to have interests that conflict with those of the Company. Directors are aware that all their business transactions or those of their related parties are carried out at arms' length. At all meetings of the Board, Declaration of Conflict of Interest is a standing agenda item which requires Directors to make a declaration of any interest they may have in the business under discussion. A Board Conflict of Interest Register is circulated to members to record any such interest and Directors are mandated to disclose any real or potential conflict of interest.

Where a conflict of interest is declared, a Director is required to exclude himself/herself from any discussion or decision over the subject matter.

# KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

## MANAGEMENT DISCUSSIONS AND ANALYSIS FOR THE YEAR ENDED 30 JUNE 2022

### ***Board Remuneration***

The Directors' remuneration rates are as outlined in the State Corporations Act and by the Salaries and Remuneration Commission. The Directors' fees are paid upon shareholder approval at the Annual General Meeting and with concurrence of The National Treasury. KETRACO does not grant personal loans or guarantees to its Directors. Directors' Remuneration Report is on page 69. The Directors' remuneration is approved by the Shareholders at every Annual General Meeting of the Company.

### ***Ethics and conduct***

At KETRACO, good corporate governance is engrained as a valuable contributor to the long-term success of the Company through creation of the right culture throughout the organisation. The core values of Customer Focus, Integrity, Teamwork, Innovation, Sustainability and Safety steer the Company's organizational health and decision-making processes. The Company's Code of Conduct underscores the fundamental principles and guidelines that govern the ethical and legal obligations of all employees and the Board of KETRACO. The Code of Conduct is premised on the Constitutional Provisions of Chapter Six (Leadership and Integrity), National Values, Public Officers Ethics Act and other relevant legislation governing the conduct of Public Officers.

The Company is cognizant of the need to conduct its business in compliance with relevant legal and regulatory principles in order to entrench high ethical standards of business practice. At KETRACO, observation of the code and high standards of integrity is a mandatory requirement and employees are expected to observe the highest standards of professionalism. Each employee understands the need to embrace and practice good governance of the Company and to maintain its reputation for integrity both within and outside the workplace.

### ***Legal Compliance Audit***

Conformity with the Constitution, applicable laws and best practices is a requirement under the *Mwongozo* Code of Governance which provides guidance on governance within State Corporations. Legal Compliance Audit therefore entails review of laws, policies and guidelines to ensure the Company is in conformity with highest standards of good governance.

In the period under review, the Company undertook a Legal Compliance Audit in conformity with *Mwongozo*. The audit sought to assess the current framework of laws, regulations, rules, guidelines, standards and policies under which the Company operates; assess the extent of the Company's compliance with the applicable laws, regulations, rules, guidelines, standards and policies; identify the gaps in compliance, the existing risks and proposed compliance strategies to boost the compliance levels of the Company; and evaluate existing policies and procedures that support the legal and compliance functions to assess the adequacy in supporting the Company's regulatory and other compliance requirements. The report highlighted areas of conformity, partial conformity and non-conformity and the Company has embarked on correcting the areas of partial conformity and non-conformity in compliance with applicable laws, regulations, rules, guidelines, standards and policies.

KETRACO signed a performance contract with the Government of Kenya through the Ministry of Energy for the financial period ending June 2022. The targets are in line with the country's Vision 2030 goals, the Big Four Agenda and the company's Strategic Plan for the period 2018/19-2022/23. This section highlights the company's operation performance and achievements in the reporting period.

## FINANCIAL STEWARDSHIP AND FISCAL DISCIPLINE

### **Absorption of Government of Kenya and Internally Generated Funds**

The Company's absorption rate of Government of Kenya and Internally generated funds was 66.25% at Kshs. 4,868 million against a target of Kshs. 7,349 million. The drop from the previous year's absorption rate of 69% was attributed to wayleave acquisition challenges that affected payments to landowners especially Isinya-Namanga and Kenya-Tanzania.

### **Absorption of Externally Mobilized Resources**

The company absorbed Kshs. 8,237 million (37.33%) of externally mobilized resources, against a target of Kshs. 22,061 million for the period. The low absorption was mainly caused by the delay in disbursement of funds from the National Treasury.

# KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

## MANAGEMENT DISCUSSIONS AND ANALYSIS FOR THE YEAR ENDED 30 JUNE 2022

### *Appropriation-in-Aid*

KETRACO's revenue is generated from development budget, wheeling charges and fibre leasing revenues. In the reporting period, the company generated revenue of Kshs. 11,385 million, against a target of Kshs. 25,000 million. Delays in disbursement of development of budget affected implementation of planned project activities which in turn affected utilization of the allocated funds.

### *Pending Bills*

KETRACO had pending bills amounting to Kshs. 15,372 million by June 2022 missing the target of Kshs 294.09 million. The pending bills relate to contractual claims, arbitration award and wayleave acquisition compensation without budget provisions in the fiscal year under review.

## SERVICE DELIVERY

### *Implementation of Citizens' Service Delivery Charter*

The company procured 50 copies of the service charter in braille and distributed them at various reception desks in the organization. Staff were continually sensitized on Citizens' Service Delivery Charter and essentials of excellent customer service culture. An electronic copy of the service delivery charter in both English and Swahili was submitted to the Huduma Centre Secretariat.

### *Business process re-engineering*

KETRACO has documented all procedures and developed relevant workflows for all services in the citizen service delivery charter. These procedures were uploaded in the company SharePoint for access by all staff and a copy shared with Huduma Secretariat.

### *Resolution of Public complaints*

KETRACO has a department dedicated to resolving public complaints from stakeholders. A Total of 127 complaints were received in the year of which 29 (22.83%) were resolved. KETRACO was issued a score of 91% by the Commission of Administrative Justice, missing the target of 100% due non-resolution of the some of the complaints received. Quarterly reports on resolving public complaints were also submitted to the Commission of Administrative Justice.

## CORE MANDATE

### *Vision 2030 Flagship Projects/Big Four Agenda Initiatives/Priority Projects*

KETRACO made progress in the implementation of key ongoing projects. Below is a summary of the progress status of ongoing projects.

# KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

## MANAGEMENT DISCUSSIONS AND ANALYSIS FOR THE YEAR ENDED 30 JUNE 2022

### CORE MANDATE (continued)

#### 1. Vision 2030 Flagship Projects/Big Four Agenda Initiatives/Priority Projects (continued)

The other ongoing projects are at different stages of completion as summarised below.

S. No	Project name	Status
1	220/33kV Ortum, 220/132kV Kitale Substations and Turkwel Substation Bay extension	The line section is complete. Kitale and Ortum substations are 90% complete. The target project completion date is April 2023.
2	612km 500 HVDC Eastern Electricity Highway (Ethiopia – Kenya transmission line and Substation)	Construction works for the transmission line were completed. Commissioning works underway. The project will be completed by November 2022
3	69km 132kV Sondu- Ndhiwa transmission line and Substation	The project is 79% and is awaiting confirmation of financing to progress. The Ndhiwa – Awendo line, Awendo and Ndhiwa substations were completed and energized in 2018
4	Nairobi Ring Substations (Malaa and Kimuka 220/66kV) including 4km Overhead Line in Kimuka	The two substations are expected to be completed by November 2022. Kimuka is 99% complete and Malaa is 88% complete.
5	96km 132kV Isinya-Namanga Transmission Line and Substations	91% complete. Lack of budget allocation in the year affected progress in the project.
6	96km 400kV Kenya-Tanzania Power Transmission Line	Overall progress is at 94%. Completion is scheduled for December 2022.
7	400/220kV Mariakani Substation	The project is 89% complete with a target completion date of December 2022.
8	96Km 132kV Nanyuki-Isiolo-Meru Transmission Line	Overall project progress at 93% and is scheduled for completion by February 2023.
9	431km 132kV Power Transmission System Improvement Projects	94% complete and expected to be completed by November 2022.
10	247km 220kV Garsen -Bura- Hola - Garissa Transmission Line	The project is 51% complete. New financing is required to complete the project.
11	210km 132kV Kenya Power Transmission Expansion Project (KPTEP)- Sultan Hamud – Merueshi-Loitoktok 132kV, Isinya-Konza 400KV & Awendo Masaba 132kV	Overall completion rate 46% and is expected to be complete by October 2023.
12	148km 220kV Kamburu-Embu-Thika Transmission Line	The project is 5% complete. The delays is occasioned by a change in the project design.
13	61km 132kV Rabai - Bamburi - Kilifi transmission line	Overall work progress at 54.5% complete. Wayleaves issues affected construction progress towards New Bamburi substation.
14	205km 400kV Gilgil-Thika-Malaa-Konza Transmission Line Constructed	The contractor was procured

#### 2. Substation and Transmission Lines Specifications Standardised

Technical specifications for transmission lines and substations were fully developed, signed off and uploaded to the company's Integrated location intelligence system.

#### 3. Project Feasibility Studies Completed

Feasibility study updates for Mutomo-Kibwezi project was undertaken. Full feasibility study for the proposed Kipevu-Mbaraki project was completed. Update of the Garissa-Wajir project feasibility study is 70% complete pending submission of data from Kenya Power.

#### 4. Transmission System Availability

Transmission line and Substation Transformers were available 99.42% and 99.67% respectively, in the year under review. The Average annual number of forced outages on transmission lines in the year was 0.1 faults per 100km of transmission line and hence within the annual target of 2.5 faults per 100kms

#### 5. Science, Technology and Innovation (STI) Mainstreaming

A Science, technology and innovation strategy was developed in the year and submitted to NACOSTI. The company also planned and executed an annual research conference.

**CORE MANDATE (continued)**

**6. Project Completion Rate**

The overall project completion rate for all ongoing projects in the year under review was 73.97%. The target was met due to various reasons including non-availability of wayleaves due to compensation challenges, changes in projects design as well financing problems.

**7. Implement the Recommendations of the Presidential Task Force Report on the Review of PPAs**

The operations and maintenance contract with Kenya Power was drafted, but wasn't signed due to KPLC concerns on the implications of the same to its PPAs. This concerns also affected the subsequent activities of undertaking of valuation of KPLC transmission assets. A draft inspection report detailing the transmission network assets requiring rehabilitation was finalized and submitted to KPLC management.

**8. Implementation of Presidential Directives**

KETRACO met the presidential target to distribute 3,000 tree seedlings. The seedlings were purchased from Kenya Forestry Services and planted along Olkaria-Lessos Kisumu TL, Ngong Forest and Isinya Substation

**9. Access to Government Procurement Opportunities (AGPO)**

**KETRACO awarded Kshs 132,756,155.43 of the total procurement budget to Youth and Women, against an annual target of Kshs 159,732,511.35. Kshs 3,551,124.7 of the total budget was awarded to Persons with disabilities to supply goods and services, against a target of Kshs 3,194,650.23 for the year.**

**10. Promotion of Local Content in Procurement**

KETRACO procured goods and services worth Kshs 1,117,526,886.00 locally, compared to a target of Kshs 1,067,856,681.80 for the year.

**CROSS-CUTTING ISSUES**

**1. Asset management**

In the year under review, all the 15 boarded motor vehicles recommended for disposal were sold off.

**2. Youth Internships/industrial Attachments/Apprenticeships**

KETRACO offered 110 industrial attachments and 31 internships to students and graduates in the financial year ending June 2022.

**3. Competence Management**

During the period, KETRACO undertook a skill gap analysis exercise and submitted a report detailing priority training needs to the Human Resource Advisory Committee for consideration. In total 383 staff members were trained in various identified areas.

**4. Disability Mainstreaming**

KETRACO staff attended an online sensitization on disability mainstreaming conducted by National Council for Persons with Disability (NCPWD). National Council for Persons with Disability (NCPWD) undertook an accessibility and usability audit of KETRACO HQ offices.

**5. Gender mainstreaming**

A nine-member gender mainstreaming committee was reconstituted and trained in the year. The gender policy was finalized and submitted to the Ministry of Energy and State Department for Gender for review, and later circulated to staff. Staff were also sensitized on gender mainstreaming.

**CROSS-CUTTING ISSUES (Continued)**

**6. Prevention of Alcohol and Drug Abuse**

In the year, an alcohol and drug abuse policy was developed, approved by the Board of Directors and circulated to staff. About 100 Employees were sensitized online on the findings of a baseline survey that was undertaken in the previous financial year by the Alcohol and Drug Abuse prevention committee. In addition, 7 committee members were trained on workplace-based prevention measures.

**7. Prevention of HIV Infections and Non-Communicable Diseases**

The company negotiated with insurance service providers for subsidised consultation rates with specialised doctors and regular testing to check on the viral load. The company also organised tele-consultations and free disbursement of ARVs. The company also counselled and tested 94 male and 34 female staff members and distributed 13,321 Condoms.

**8. Safety and Security Measures**

During the year, KETRACO deployed Azure Multifactor Authentication to all users in the organisation to mitigate against technological hazards. This is to provide an extra layer of security to minimize unauthorised log-ins in KETRACO network. 110 Critical Infrastructure Protection Unit (CIPU) officers were deployed on various substations. Security inspections were undertaken at Garissa, Mwingi, Kitui, Kindaruma, Kieni, Ishiara, Meru, Nanyuki, Gatundu, Mangu, and Mariakani substation.

**9. National Cohesion and Values**

KETRACO adhered to Ministry of Health guidelines on COVID-19 by continuously provided masks and hand sanitisers to all staff throughout the year. Thermo guns for recording temperatures were also installed at all entry points in the offices. Stakeholder engagement and community sensitization was undertaken along the Sultan-Hamud-Oloitoktok Project. Environmental and Social Management Plan monitoring for Kenya Tanzania, Garsen-Hola- Garissa, Isinya- Konza, Sultan Hamud- Loitokitok Isinya-Namanga Olkaria-Narok, Mwingi-Kitui-Wote\_ Sultan Hamud, Konza Substation, 500kV Ethiopia Kenya was also undertaken.

**10. Road Safety Mainstreaming**

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

**11. Corruption Prevention**

During the year, a corruption risk assessment and corruption risk mitigation plan (CRA/MP) and quarterly reports were prepared and submitted to EACC as required.

# KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

## SUSTAINABILITY REPORTING FOR YEAR ENDED 30 JUNE 2022

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

KETRACO exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. KETRACO, being an obliging and proactive Company, has mainstreamed corporate social responsibility (CSR) in its operations. Beyond grid matters, the Company has expanded its jurisdiction to improve the well-being of humanity and impact society to be better.

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

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

### **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 for the purpose of transferring skills and future career preparation.

### **ii) Environmental performance**

KETRACO's environmental and social impact assessment plans are anchored on environmental laws, regulations, standards and best practices. The Company ensures compliance with all relevant national and international environmental and other statutory regulatory provisions that apply to its projects to ensure sound environmental management practice. The Company undertakes annual environmental audits and has valid permits and licenses for its operations. The Company is guided by the following environmental and social management laws and regulations in its execution of its projects:

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

### **iii) Employee welfare**

Give account of the policies guiding the hiring process and whether they take into account the gender ratio, whether they take in stakeholder engagements and how often they are improved. Explain efforts made in improving skills and managing careers, appraisal and reward systems. The organisation should also disclose their policy on safety and compliance with Occupational Safety and Health Act of 2007, (OSHA)

# KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

## SUSTAINABILITY REPORTING FOR YEAR ENDED 30 JUNE 2022

### **iv) Market place practices-**

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

On matters procurement, we endeavour to comply with 30% of access to government procurement opportunities (AGPO) requirement by ensuring that youth, women and persons with disabilities supplied goods and services. Further, KETRACO complied with 40% Government requirement on local content procurement where goods and services were procured locally by the Company. These procurement opportunities have created diverse financial benefits for the special groups as well as enhancing the KETRACO corporate image and reputation.

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

### **Responsible competition practice.**

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

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

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

# KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

## REPORT OF THE DIRECTORS FOR YEAR ENDED 30 JUNE 2022

The directors have pleasure in presenting their report together with the audited financial statements of Kenya Electricity Transmission Company Limited (the "Company") for the year ended 30 June 2022 which show its state of affairs.

### 1. INCORPORATION

The Company is incorporated under the Kenyan Companies Act, 2015 of the Laws of Kenya. Although incorporated under the Companies Act, the Company is governed under the provisions of State Corporations Act, Cap 446 by virtue of the Company being wholly owned by the Government.

### 2. PRINCIPAL ACTIVITIES

The principal activity of the Company is to design, construct, operate and maintain electricity transmission infrastructure that forms the backbone of Kenya's National Transmission Grid, build interconnectors to facilitate regional power trade, and to wheel electricity to The Kenya Power and Lighting Company Limited and other end users from generators who produce power in bulk.

### 3. RESULTS

	2022 KShs'000	2021 KShs'000
Profit before taxation	1,307,356	647,988
Taxation credit	(471,483)	(225,981)
	-----	-----
Profit for the year transferred to retained earnings	835,873	422,007
	=====	=====

### 4. DIVIDENDS

The directors do not recommend the payment of a dividend in respect of the financial year 2021/2022. No dividend was paid in the previous financial year, 2020/2021.

### 5. DIRECTORS

The directors who served during the year and to the date of this report are set out on page 1.

### 6. STATEMENT AS TO THE DISCLOSURE TO THE COMPANY'S AUDITOR

With respect to each director at the time this report was approved:

- there is, so far as the person is aware, no relevant audit information of which the company's auditor is unaware; and,
- the person has taken all the steps that the person ought to have taken as a director so as to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### 7. TERMS OF APPOINTMENT OF THE AUDITOR

The Auditor General is responsible for the audit of the Company's statutory financial statements in accordance with section 35 of the Public Audit Act, 2015. Section 23(i) of the act empowers the Auditor General to appoint other auditors to carry out the audit on his behalf. Accordingly, Deloitte & Touche LLP were appointed to carry out the audit for year ended 30 June 2022. Messrs. Deloitte & Touche LLP continue in office in accordance with the Company's Articles of association and section 721 of the Kenyan Companies Act, 2015.

The directors monitor the effectiveness, objectivity and independence of the auditors. This responsibility includes the approval of the audit engagement contract and the associated fees on behalf of the shareholders.

BY ORDER OF THE BOARD

Secretary

..........2023

# KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Kenyan Companies Act, 2015 requires the directors to prepare financial statements for each financial year that give a true and fair view of the financial position of the Company as at the end of the financial year and of its profit or loss for that year. It also requires the directors to ensure that the Company keeps proper accounting records that (a) show and explain the transactions of the Company; (b) disclose, with reasonable accuracy, the financial position of the Company and (c) enable the directors to ensure that every financial statement required to be prepared complies with the requirements of the Kenyan Companies Act, 2015.

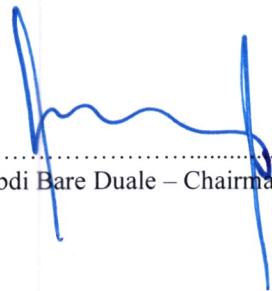
The directors accept responsibility for the preparation and presentation of these financial statements in accordance with the International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015. They also accept responsibility for:


- (i) designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- (ii) selecting suitable accounting policies and applying them consistently; and
- (iii) making accounting estimates and judgements that are reasonable in the circumstances.

Having made an assessment of the Company's ability to continue as a going concern, the directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the Company's ability to continue as a going concern.

The directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

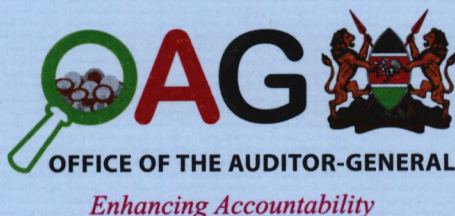
Approved by the Board of Directors on.....1 March.....2023 and signed on its behalf by:

  
.....  
Abdi Bare Duale – Chairman,

  
.....  
Eng. Isaac Kiva, OGW – Ag Managing Director

# REPUBLIC OF KENYA

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



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

## **REPORT OF THE AUDITOR-GENERAL ON KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2022**

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### 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 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 Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

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

#### **Qualified Opinion**

The accompanying financial statements of Kenya Electricity Transmission Company Limited set out on pages 40 to 85, which comprise of the statement of financial position as at 30 June, 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, have been audited on my behalf by Deloitte & Touché,

auditors appointed under Section 23 of the Public Audit Act, 2015. The auditors have duly reported to me the results of their audit and on the basis of their report, I am satisfied that all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit were obtained.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kenya Electricity Transmission Company Limited as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Public Finance Management Act, 2012 and the Companies Act, 2015.

## **Basis for Qualified Opinion**

### **1.0 Deferred Grant Income**

The statement of financial position reflects total deferred grant income of Kshs.197,746,409,000 which, as disclosed in Note 20 to the financial statements comprise of Kshs.74,110,351,000 and Kshs.123,636,058,000 in respect of direct and indirect grants respectively. Review of records revealed that the Company received an amount of Kshs.10,222,033,000 from the Ministry of Energy. However, records from the Ministry reflected an amount of Kshs.8,708,753,195 resulting to an unexplained variance of Kshs.1,513,279,805.

Further, the statements of profit or loss and other comprehensive income reflects amortized grant from Government income amounting to Kshs.2,367,166,000 which differs with the current grant amortization reported in the previous year as grant income to be amortized over 12 months of Kshs.2,192,104,000 resulting to an unexplained variance of Kshs.175,062,000.

In the circumstances, the accuracy of grants receipts and amortized grant income thereof could not be confirmed.

### **2.0 Unsupported Capital Work in Progress**

The statement of financial position and Note 13 to the financial statements reflects an amount of Kshs.103,300,323,000 in respect of capital work in progress. Included in the balance, is an amount of Kshs.694,724,780 and Kshs.363,758,780 in respect of accrued ongoing litigations and audit journal respectively which were not supported and did not relate to work in progress.

Further, the balance includes an amount of Kshs.198,432,566 in respect of feasibility studies for thirty-three (33) projects which have been outstanding from the year 2012. Management did not explain when the projects were likely to be implemented.

In the circumstances, the Company may not have obtained value for money on the expenditure of Kshs.198,432,566 on feasibility studies and the accuracy and completeness of the capital work in progress balance of Kshs.103,300,323,000 could not be confirmed.

### **3.0 Unsupported Trade and Other Payables**

The statement of financial position reflects trade and other payables balance of Kshs.18,879,150,000. However, the detailed payables ageing analysis to support the balance was not provided for audit. Further, the balance includes VAT payable output

tax amounting to Kshs.1,319,369,974 that was not supported by VAT returns duly acknowledged by Kenya Revenue Authority.

In the circumstances, the accuracy and completeness of the trade and other payables balance of Kshs.18,879,150,000 could not be confirmed.

#### **4.0 Undisclosed Amounts Due to Kenya Electricity Generating Company Limited**

The statement of financial position reflects trade and other payables of Kshs.18,879,150,000. However, the amount excludes a balance of Kshs.4,481,056,467 in respect of transmission lines that were done during the financial year 2008/2009 or earlier by Kenya Electricity Generating Company (KenGen) and which are used in the furtherance of Company's business for revenue generation.

In addition, although the Company continues to generate revenue from the transmission lines, there was no evidence provided to indicate that they have been included as part of the plant, property and equipment.

Further, the transmission lines were financed through a loan but the Company has not recognized any interest charged on this loan since the takeover of the lines. Similarly, Management of KenGen indicated that there has been on going negotiation for transfer of the assets to the Kenya Electricity Transmission Company Limited (KETRACO) which if concluded would increase the operations costs of the Company due to recognition of the accrued interest and would also impact on the Company's cash outflows due to annual loan repayments.

In the circumstances, the accuracy and completeness of the payables balance of Kshs.18,879,150,000 could not be confirmed.

#### **5.0 Unsupported Trade and Other Receivables**

The statement of financial position reflects trade and other receivables of Kshs.14,104,591,000 which includes other receivables of Kshs.8,246,191,000. However, review of the financial records revealed unsupported adjustments of Kshs.1,008,597,137,000 and Kshs.3,684,674,261,000 in respect of advance payments and litigation costs receivables respectively. The other receivables balance was also adjusted by an amount of Kshs.2,961,642,928 whose details were not provided for audit.

Further, included in the other trade receivables are balances of Kshs.2,807,940,909 and Kshs.1,618,253,176 in respect of down payments and advance payments respectively, whose supporting documents were not provided for audit.

In addition, supporting schedule for trade and other receivables includes VAT input receivable of Kshs.1,368,925,000 that was not supported by VAT returns duly acknowledged by KRA. Similarly, details to support payments to staff amounting to Kshs.12,542,886 were also not provided for audit.

In the circumstances, the accuracy and completeness of the receivables balance of Kshs.14,104,591,000 could not be confirmed.

#### **6.0 Unsupported Right of Use of Assets**

The statement of financial position reflects right of use of assets of Kshs.206,022,000. Included in the balance is an amount of Kshs.34,894,000 in respect of additional right

of use of assets. However, the detailed supporting analysis of additional right acquired during the year were not provided for audit verification.

In the circumstances, the accuracy and completeness of the right of use of assets balance of Kshs.34,894,000 could not be confirmed.

### **7.0 Amounts Due from Kenya Power and Lighting Company Limited**

The statement of financial position and as disclosed in Note 21(a) to the financial statements reflects outstanding balances arising from services rendered to Kenya Power and Lighting Company Limited (KPLC) of Kshs.4,643,480,000. However, KPLC records indicated a balance of Kshs.4,567,868,000 resulting in an unexplained variance of Kshs.75,612,000.

In addition, there was no evidence of a payment plan from KPLC for the outstanding amounts at the end of the financial year under review.

In the circumstances, the full recoverability of the amounts due from Kenya Power and Lighting Company Limited could not be confirmed.

### **8.0 Pending Wayleave Compensations**

Records of wayleave compensations provided for audit revealed that the Company had outstanding compensation to landowners for wayleaves amounting to Kshs.2,301,516,336. However, Management explained that delayed payment was due to insufficient budgetary allocation from The National Treasury and long negotiations between land owners, the Company and various County Governments.

In the circumstances, delays in compensating Project Affected Persons, (PAPs) may lead to legal suits, cost escalations and project delays. In addition, the accuracy and completeness of the pending wayleave compensations could not be confirmed.

### **9.0 Amount Due to Kenya Power Lighting Company**

The statement of financial position and as disclosed in Note 21(b) to the financial statements reflects payables to related party of Kshs.1,539,804,000 in respect of Kenya Power and Lighting Company Limited (KPLC). However, KPLC records indicated a balance of Kshs.1,677,814,000 resulting in an unexplained variance of Kshs.138,010,000.

In the circumstances, the accuracy and completeness of payables to related party of Kshs.1,539,804,000 could not be confirmed.

### **10.0 Non-Recognition of Power Tariff Reduction Contribution**

During the year under review, a Presidential Directive was issued to the Energy Sector to implement a 15% tariff reduction for all customer categories, which was implemented through Gazette Notice No.64 dated 7 January, 2022. According to the framework agreed between the Ministry of Energy and Semi-Autonomous Agencies (SAGAs) in the electricity sub-sector, the SAGAs in the electricity supply chain comprising The Kenya Power and Lighting Company PLC (KPLC), Kenya Electricity Generation Company PLC (KenGen), Kenya Electricity Transmission Company Limited (KETRACO), and Geothermal Development Company Limited (GDC), were each to contribute through cost reduction initiatives to supplement Government support.

The Kenya Power and Lighting Company PLC (KPLC) who would in turn transfer the benefits to consumers. KPLC implemented the tariff reduction from January, 2022 in line with the directive. However, Management of KETRACO did not implement the cost reduction of Kshs.500 million as per the commitments, which implies that the reported revenues are overstated by Kshs.250 million which would have been the Company's contribution due to the Kenya Power and Lighting Company PLC which has already implemented the full reduction on behalf of other Energy Sector players.

In the circumstances, the accuracy of the reported revenues could not be confirmed and Management was in breach of the Presidential directive.

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

## **Emphasis of Matter**

### **1.0 Provisions and Contingent Liabilities**

I draw attention to Note 29(a&b) to the financial statements which discloses that the Company's estimated contingent liabilities consist of ongoing court cases relating to acquisition of wayleaves and contractors' claims beyond the original contract period, amounting to Kshs.7,259,452,000. According to Management, the status of these exposures is evaluated on a regular basis to assess the probability of incurring related liabilities. However, in the event that these contingent liabilities crystalize, the Company may be exposed to unforeseen project cost overruns, resulting to inability to meet its obligations when they fall due. This may affect service delivery capacity of the Company.

### **2.0 Material Uncertainty Relating to Going Concern**

I draw your attention to the statement of financial position at 30 June, 2022 which indicates that the Company's current liabilities balance of Kshs.28,966,438,000 exceeded current assets balance of Kshs.24,443,226,000 by an amount of Kshs.4,423,212,000.

In view of the negative working capital, the Company may not be in a position to meet its short-term maturing obligations, thereby exposing it to going concern risks.

My opinion is not modified with respect to these matters.

## **Key Audit Matters**

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

## **Other Information**

The Directors are responsible for the other information, which comprises of corporate information, Chairman's statement, report of the Chief Executive Officer, Statement of

performance against predetermined objectives, Management discussions and analysis, report of the Directors and the statement of Directors' responsibilities.

The other information does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance or conclusion thereon.

## REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

### Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in 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

#### 1.0 Payments Made for Terminated and Stalled Projects

As previously reported, the project status report indicated that an amount of Kshs.3,976,801,443 had been paid to a contractor in respect of Bomet-Sotik, Mwingi-Kitui-Wote-Sultan Hamud, Nanyuki-Nyahururu and Olkaria transmission lines for contracts that have since been terminated while an amount of Kshs.8,714,632,590 was incurred on construction of the Lessos-Tororo-Transmission line which had stalled. Management has not explained the reasons for the termination and measures instituted to recover the payments made to the contractors.

In the circumstances, it was not possible to confirm whether value for money was obtained on the expenditure of Kshs.12,691,434,033 on the four (4) transmission lines.

#### 2.0 Non-Compliance with Loan Novation Agreement

As previously reported, loan liability on the construction of the Kamburu-Meru transmission line was transferred from Kenya Power and Lighting Company (KPLC) to Kenya Electricity Transmission Company (KETRACO), on 19 October, 2016. According to the novation agreement, KETRACO was required to make bi-annual payments to the Government of Kenya (GoK) on account of outstanding interest at a rate of 2.5% per annum. However, the Company had not made any payments to the Government, as stipulated in the novation agreement. Management indicated that a moratorium for twenty-four (24) months had been sought from The National Treasury but the matter was yet to be considered by the National Treasury.

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

The audit was conducted in accordance with ISSAI 4000. The standard requires 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 are in compliance, 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 control, 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

As required by the Kenyan Companies Act, 2015 I report based on the 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 my audit;
- (ii) In my opinion, proper books of account have been kept by the Company, so far as appears from the examination of those books;
- (iii) The Company's statement of financial position and statement of comprehensive income agree with books of account.

### Responsibilities of Management and Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for maintaining effective internal control 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 control, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Company'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 liquidate the Company or 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 are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

The Board of Directors is responsible for overseeing the Company'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 overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

### **Auditor-General's Responsibilities for the Audit**

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. 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 and weakness 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 addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, 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 accordance with the provisions of Article 229(6) of the Constitution, and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls 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 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal controls that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level, the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide

a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters which may reasonably be thought to bear on my independence, and where applicable, related safeguards.

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

05 May, 2023

a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters which may reasonably be thought to bear on my independence, and where applicable, related safeguards.

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

**Nairobi**

**05 May, 2023**

KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2022 KShs' 000	2021 KShs' 000
<b>REVENUE</b>			
Revenue from contracts with customers	3	2,810,052	2,799,819
Grants from National Government	4 (a)	2,367,166	2,192,104
Other income	5	16,451	20,025
<b>TOTAL REVENUE</b>		<b>5,193,669</b>	<b>5,011,948</b>
<b>OPERATING EXPENSES</b>			
Administration costs	6 (a)	(1,623,609)	(1,520,724)
Distribution costs	7 (a)	(306,532)	(569,748)
Net movement in credit loss expense on financial assets	7 (b)	812,933	97,807
Depreciation of property and equipment	13	(2,983,245)	(2,431,051)
Amortization of intangible assets	14	(60,440)	(131,803)
<b>TOTAL OPERATING EXPENSES</b>		<b>(4,160,893)</b>	<b>(4,555,519)</b>
<b>OPERATING PROFIT</b>		<b>1,032,776</b>	<b>456,429</b>
Finance income	9	338,912	257,035
Finance costs	10	(64,332)	(65,476)
<b>PROFIT BEFORE TAXATION</b>		<b>1,307,356</b>	<b>647,988</b>
Income tax charge	11(a)	(471,483)	(225,981)
<b>PROFIT FOR THE YEAR</b>		<b>835,873</b>	<b>422,007</b>
<b>Other comprehensive income for the year, net of tax</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year net of tax</b>		<b>835,873</b>	<b>422,007</b>
<b>Earnings per share – basic and diluted (KShs)</b>		<b>41,794</b>	<b>21,100</b>

KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2022

	Notes	2022 KShs'000	2021 KShs'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	13	206,237,498	198,888,249
Intangible assets	14	49,593	110,032
Right of use asset	15	206,022	191,364
Deferred tax asset	26	542,609	738,810
		<hr/>	<hr/>
		207,035,722	199,928,455
		<hr/>	<hr/>
<b>Current assets</b>			
Trade and other receivables	16(a)	14,104,591	9,726,373
Corporate tax recoverable	11(c)	230,294	177,260
Amounts due from related parties	21(a)	3,505,813	3,911,771
Cash and bank balances	17	6,602,528	7,840,385
		<hr/>	<hr/>
		24,443,226	21,655,789
		<hr/>	<hr/>
<b>TOTAL ASSETS</b>		231,478,948	221,584,244
		<hr/>	<hr/>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	18	2,000	2,000
Retained earnings	19	3,293,612	2,457,739
		<hr/>	<hr/>
		3,295,612	2,459,739
		<hr/>	<hr/>
<b>Non-current liabilities</b>			
Deferred grant income	20(c)	195,379,243	187,699,438
Amount due to related parties	21(b)	817,796	816,608
Deferred revenue	22	155	155
Lease liabilities	23	243,144	193,539
Borrowings	24	2,776,560	2,935,251
		<hr/>	<hr/>
		199,216,898	191,644,991
		<hr/>	<hr/>
<b>Current liabilities</b>			
Borrowings	24	1,015,152	800,833
Deferred grant income	20(c)	2,367,166	2,192,104
Amount due to related parties	21(b)	722,008	722,008
Lease liabilities due within one year	23	25,498	29,717
Trade and other payables	25	18,879,150	18,069,482
Provisions	29(a)	5,957,464	5,665,370
		<hr/>	<hr/>
		28,966,438	27,479,514
		<hr/>	<hr/>
<b>TOTAL EQUITY AND LIABILITIES</b>		231,478,948	221,584,244
		<hr/> <hr/>	<hr/> <hr/>

The financial statements on pages 40 to 85 were approved and authorised for issue by the board of directors on ..... 2023 and signed on its behalf by:

  
Abd Bare Duale – Chairman,

  
Eng. Isaac Kiva, OGW - Ag Managing Director

KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2022

	Note	Share capital KShs'000	Retained earnings KShs'000	Total Equity KShs'000
At 30 June 2020		2,000	2,035,732	2,037,732
Total comprehensive loss for the year		-	422,007	422,007
<hr/>				
At 30 June 2021		2,000	2,457,739	2,459,739
Total comprehensive income for the year		-	835,873	835,873
<hr/>				
At 30 June 2022		2,000	3,293,612	3,295,612
<hr/> <hr/>				

KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2022 KShs'000	2021 KShs'000
<b>Cash flows from operating activities</b>			
Cash generated (used in)/generated from operations	27	(1,073,541)	4,280,757
Tax paid	11(c)	(328,316)	(296,028)
Interest received		338,912	257,035
Interest paid		-	(41,513)
		<hr/>	<hr/>
Cash generated (used in)/generated from operations		(1,062,945)	4,200,251
<b>Cash flows from investing activities</b>			
Purchase of property and equipment	13	(10,332,494)	(19,349,018)
Purchase of intangible assets	14	-	(129,579)
Proceeds from sale	5	16,451	20,024
		<hr/>	<hr/>
Net cash used in investing activities		(10,316,043)	(19,458,573)
<b>Cash flows from financing activities</b>			
Grants received	20(b)	10,222,033	19,836,802
Payment of lease liability	23	(35,956)	(35,141)
Repayment of borrowings	24	(44,946)	(46,464)
		<hr/>	<hr/>
Net cash generated from financing activities		10,141,131	19,755,197
		<hr/>	<hr/>
<b>Increase in cash and cash equivalents</b>		(1,237,857)	4,496,875
Cash and cash equivalents at beginning of year		7,840,385	3,343,510
		<hr/>	<hr/>
<b>Cash and cash equivalents at end of year</b>		<u>6,602,528</u>	<u>7,840,385</u>
Represented by:			
<b>Cash and bank balances</b>	17	<u>6,602,528</u>	<u>7,840,385</u>

# KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

#### (a) Statement of compliance

The financial statements are prepared in compliance with International Financial Reporting Standards (IFRS) and its interpretations as issued by the International Accounting Standards Board (IASB) and in the manner required by the Kenyan Companies Act, 2015. The financial statements are presented in the functional currency, Kenya Shillings (KShs) and prepared on the historical cost basis except where otherwise stated in the accounting policies below.

For the purpose of reporting under the Kenyan Companies Act, 2015, the balance sheet in the financial statements is represented by the statement of financial position and the statement of profit or loss and other comprehensive income represents the profit and loss account.

The financial statements are rounded to the nearest thousand (KShs'000), except when otherwise indicated.

#### (b) Adoption of new and revised International Financial Reporting Standards

Adoption of new and revised International Financial Reporting Standards

##### **Impact of the initial application of Interest Rate Benchmark Reform amendments to IFRS 9 and IFRS 7**

In September 2019, the IASB issued *Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)*. These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms.

The amendments are not relevant to the Company in the current financial (annual) period given that it did not hold benchmark interest rate exposures with respect to hedges and financial contracts.

The amendments also introduce new disclosure requirements to IFRS 7 for hedging relationships that are subject to the exceptions introduced by the amendments to IFRS 9. The new disclosure requirements are not applicable to the Company for the financial year just ended.

##### **Impact of the initial application of COVID-19-Related Rent Concessions beyond 30 June 2021—Amendment to IFRS 16.**

In the prior year, the Company early adopted Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provided practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. This practical expedient was available to rent concessions for which any reduction in lease payments affected payments originally due on or before 30 June 2021.

In March 2021, the Board issued Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16) that extends the practical expedient to apply to reduction in lease payments originally due on or before 30 June 2022 (IAS 8:28(a)-(c); IFRS 16:C1C).

In the current financial year, the Company has applied the amendment to IFRS 16 (as issued by the Board in May 2021) in advance of its effective date.

The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession applying IFRS 16 as if the change were not a lease modification (IFRS 16:46A).

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met (IFRS 16:46B):

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change
- Any reduction in lease payments affects only payments originally due on or before 30 June 2022 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2022 and increased lease payments that extend beyond 30 June 2022)
- There is no substantive change to other terms and conditions of the lease

In the current financial year, the Company has not been impacted by the amendment to IFRS 16 (as issued by the IASB in May 2021) in advance of its effective date.

KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Adoption of new and revised International Financial Reporting Standards (continued)

(ii) *New and revised standards that have been issued but are not yet effective*

At the date of authorisation of these financial statements, The Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective.

<i>New and Amendments to standards</i>	<i>Effective for annual periods beginning on or after</i>
Amendments to IFRS 3: <i>Reference to the Conceptual Framework</i>	1 January 2022, with earlier application permitted
Amendments to IAS 16- <i>Property, plant and equipment- Proceeds before intended use</i>	1 January 2022, with earlier application permitted
Amendments to IAS 37: <i>Onerous Contracts – Cost of Fulfilling a Contract</i>	1 January 2022, with earlier application permitted
Amendments to IFRS 10 and IAS 28 <i>Sale or Contribution of Assets between an investor and its Associate or Joint Venture</i>	1 January 2023, with early application permitted.
IFRS 17: <i>Insurance Contracts</i>	1 January 2023
Amendments to IAS 1- <i>Classification of liabilities as current or non-current</i>	1 January 2023, with earlier application permitted
Amendments to IAS 1 and IFRS practice statement 2: <i>Disclosure of accounting policies</i>	1 January 2023, with earlier application permitted
Amendments to IAS 8: <i>Definition of accounting estimates</i>	1 January 2023, with earlier application permitted
Amendments to IAS 12: <i>Deferred Tax related to Assets and Liabilities arising from a Single</i>	1 January 2023, with earlier application permitted
Amendments to IFRS 16- <i>Lease Liability in a Sale and Leaseback</i>	1 January 2024, with earlier application permitted
Annual improvements to IFRS standards 2018-2021 Cycle: <i>Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter, IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities, and IAS 41 Agriculture – Taxation in fair value measurements</i>	1 January 2022, with earlier application permitted

KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Adoption of new and revised International Financial Reporting Standards (continued)

(ii) *New and revised standards that have been issued but are not yet effective (continued)*

<p><b>Amendments to IAS 16 - Property, Plant and Equipment- Proceeds before intended use</b></p>	<p>These are amendments regarding proceeds from selling items produced while bringing an asset into the location and condition necessary for it to be capable of operating in the manner intended by management.</p> <p>This amends the standard to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.</p> <p>The amendments are effective for annual reporting periods beginning on or after 1 January 2022. Early application is permitted.</p> <p>An entity applies the amendments retrospectively only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The directors do not expect that the adoption of the amendment will have a material impact on the financial statements of the Company.</p>
<p><b>Amendments to IFRS 3: Reference to the Conceptual Framework</b></p>	<p>The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard.</p> <p>The changes in Reference to the Conceptual Framework are as follows;</p> <ol style="list-style-type: none"> <li>a) Update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework;</li> <li>b) Add to IFRS 3 a requirement that, for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination; and</li> <li>c) Add to IFRS 3 an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.</li> </ol> <p>The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references at the same time or earlier.</p> <p>The directors do not expect that the adoption of the amendment will have a material impact on the financial statements of the Company.</p>
<p><b>Amendments to IAS 37: Onerous Contracts- Cost of Fulfilling a Contract</b></p>	<p>The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).</p>

KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Adoption of new and revised International Financial Reporting Standards (continued)

(ii) New and revised standards that have been issued but are not yet effective (continued)

<p><b>Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle</b> <i>(Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities, IAS 41 Agriculture – Taxation in fair value Measurements, IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities)</i></p>	<p><b>IFRS 1 First-time Adoption of International Financial Reporting Standards</b> The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Accounting Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16 (a).</p> <p><b>IFRS 9 Financial Instruments</b> The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.</p> <p><b>IFRS 16 Leases</b> The amendment removes the illustration of the reimbursement of leasehold improvements.</p> <p><b>AS 41 Agriculture</b> The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in IAS 41 with the requirements of IFRS 13 Fair Value Measurement to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pre-tax or post-tax cash flows and discount rates for the most appropriate fair value measurement</p>
<p><b>IFRS 17 Insurance Contracts</b></p>	<p>IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.</p> <p>IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.</p> <p>The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.</p> <p>In June 2021, the IASB issued Amendments to IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023.</p> <p>IFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.</p> <p>For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.</p> <p>The directors do not expect that the adoption of the Standard will have a material impact on the financial statements of the Company.</p>

KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**(b) Adoption of new and revised International Financial Reporting Standards (continued)**

(ii) *New and revised standards that have been issued but are not yet effective (continued)*

<p><b>IFRS 10 and IAS 28 (amendments)</b> <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i></p>	<p>The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.</p> <p>In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The directors of the Company anticipate that the application of these amendments may have an impact on the Company's financial statements in future periods should such transactions arise.</p>
<p><b>Amendments to IAS 1- Classification of Liabilities as Current or Non-current</b></p>	<p>The amendments aim at providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date.</p> <p>The amendments in Classification of Liabilities as Current or Non-current (Amendments to IAS 1) affect only the presentation of liabilities in the statement of financial position- not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items.</p> <p>They clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability; clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. In July 2021, the Board tentatively decided to defer the effective date of the 2020 amendments to no earlier than 1 January 2024.</p> <p>The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and are to be applied retrospectively. Earlier application is permitted.</p> <p>The directors do not expect that the adoption of the amendment will have a material impact on the financial statements of the Company.</p>

KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Adoption of new and revised International Financial Reporting Standards (continued)

(ii) *New and revised standards that have been issued but are not yet effective (continued)*

<p><b>Amendments to IAS 8: Definition of accounting estimates</b></p>	<p>The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”.</p> <p>Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.</p> <p>The changes to IAS 8 focus entirely on accounting estimates and clarify the following:</p> <ul style="list-style-type: none"> <li>a) The definition of a change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”.</li> <li>b) Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty.</li> <li>c) The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.</li> <li>d) A change in an accounting estimate may affect only the current period’s profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods.</li> </ul> <p>The amendments are effective for annual periods beginning on or after 1 January 2023 and changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted.</p> <p>The directors do not expect that the adoption of the amendment will have a material impact on the financial statements of the Company.</p>
<p><b>Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction</b></p>	<p>The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.</p> <p>The main change in Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) is an exemption from the initial recognition exemption provided in IAS 12.15(b) and IAS 12.24.</p> <p>Accordingly, the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.</p> <p>The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Early adoption is permitted.</p> <p>The directors do not expect that the adoption of the amendment will have a material impact on the financial statements of the Company.</p>

KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**(b) Adoption of new and revised International Financial Reporting Standards (continued)**

(ii) *New and revised standards that have been issued but are not yet effective (continued)*

<p><b>Amendments to IAS 1 and IFRS practice statement 2: Disclosure of accounting policies</b></p>	<p>The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the ‘four-step materiality process’ described in IFRS Practice Statement 2.</p> <p>Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) amends IAS 1 in the following ways:</p> <ul style="list-style-type: none"> <li>a) An entity is now required to disclose its material accounting policy information instead of its significant accounting policies;</li> <li>b) several paragraphs are added to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material;</li> <li>c) the amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial; the amendments clarify that accounting policy information is material if users of an entity’s financial statements would need it to understand other material information in the financial statements; and</li> <li>d) the amendments clarify that if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.</li> </ul> <p>In addition, IFRS Practice Statement 2 has been amended by adding guidance and examples to explain and demonstrate the application of the ‘four-step materiality process’ to accounting policy information in order to support the amendments to IAS 1.</p> <p>The amendments are applied prospectively. The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023. Earlier application is permitted. Once the entity applies the amendments to IAS 1, it is also permitted to apply the amendments to IFRS Practice Statement 2.</p> <p>The directors do not expect that the adoption of the amendment will have a material impact on the financial statements of the Company.</p>
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KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**(b) Adoption of new and revised International Financial Reporting Standards (continued)**

(ii) *New and revised standards that have been issued but are not yet effective (continued)*

<p><b>Lease Liability in a Sale and Leaseback – Amendments to IFRS 16</b></p>	<p>The amendment to IFRS 16 specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.</p> <p>After the commencement date in a sale and leaseback transaction, the seller-lessee applies paragraphs 29 to 35 of IFRS 16 to the right-of-use asset arising from the leaseback and paragraphs 36 to 46 of IFRS 16 to the lease liability arising from the leaseback. In applying paragraphs 36 to 46, the seller-lessee determines ‘lease payments’ or ‘revised lease payments’ in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee. Applying these requirements does not prevent the seller-lessee from recognising, in profit or loss, any gain or loss relating to the partial or full termination of a lease, as required by paragraph 46(a) of IFRS 16. The amendment does not prescribe specific measurement requirements for lease liabilities arising from a leaseback. The initial measurement of the lease liability arising from a leaseback may result in a seller-lessee determining ‘lease payments’ that are different from the general definition of lease payments in Appendix A of IFRS 16. The seller-lessee will need to develop and apply an accounting policy that results in information that is relevant and reliable in accordance with IAS 8.</p> <p>A seller-lessee applies the amendment to annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted and that fact must be disclosed.</p> <p>The directors do not expect that the adoption of the amendment will have a material impact on the financial statements of the Company.</p>
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The Directors do not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on the Company's financial statements.

**(c) Early adoption of standards**

The Company did not early-adopt any new or amended standards in the year ended 30 June 2022.

# KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (d) Basis of preparation

The financial statements are prepared on a going concern basis and in compliance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board. They are presented in Kenya Shillings, which is also the functional currency.

The principal accounting policies adopted in the preparation of these financial statements are set out below.

#### Revenue recognition

##### *Revenue from contracts with customers*

The Company is in the business of transmission of power and fibre services. Revenue from contracts with customers is recognized when control of the services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services.

The Company has generally concluded that it is the principal in all its revenue arrangements.

The wheeling revenue is based on a fixed amount approved by the Energy and Petroleum Regulatory Authority (EPRA). The rates are reviewed yearly, and adjustments communicated to KETRACO. Revenue from rendering the service is recognised at the point in time when control of the service is transferred to the customer, generally on delivery of electricity to the distribution network of the customer.

##### *Variable consideration*

If the consideration in a contract includes a variable amount, the Company estimates the amount of consideration to which it will be entitled in exchange for rendering a service to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved. The Company has no variable consideration in its revenue contracts with its customers.

##### *Significant financing component*

The Company has no significant financing components from its customers.

##### *Government grants*

Government grants are recognized as income over the period necessary to match them with the related costs which they are intended to compensate on a systematic basis. Government grants are recognized when there is reasonable assurance that the Company will comply with the conditions attached to the grants and there is certainty that the grants will be received.

##### *Interest income*

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably.

#### Exchequer funding

Exchequer funding for capital expenditure is recorded when received and then accounted for as deferred grant income. This is credited to profit or loss as grants from national government on a straight-line basis over the expected useful life of the related assets.

# KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (d) Basis of preparation (continued)

##### **Taxation**

###### *Current tax*

Current tax assets and liabilities for the current year are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

###### *Deferred tax*

Deferred tax is provided using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Currently enacted tax rates are used to determine deferred income tax.

Deferred tax is measured at the tax rates that are expected to apply in the year when the asset is realized, or the liability is settled. The tax rates used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Current and deferred tax is recognized as an expense/(income) and included in profit or loss, except to the extent that the tax arises from a transaction which is recognized directly in other comprehensive income or equity. In this case, the tax is also recognized in other comprehensive income or equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

###### *Value added tax*

Expenses and assets are recognised net of the amount of value added tax except

- when the value added tax incurred on purchase of assets and services are not recoverable from the taxation authority, in which case the value added tax is recognised as part of the cost of acquisition of the assets or as part of the expense items, as applicable; and,
- when receivables and payables are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

# KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (d) Basis of preparation (continued)

##### Property and equipment

All property, plant and equipment are initially recognized at cost. Such cost includes the purchase price, directly attributable costs of bringing the asset to the location and condition necessary for it to be capable of operating, the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

Subsequently, all property and equipment except land, is stated as cost less accumulated depreciation and any accumulated impairment losses recognized.

Depreciation is calculated on straight line method to write-off the cost of property, plant and equipment in equal annual instalments over their estimated useful lives. Depreciation is calculated from the date of purchase of an asset, using the following annual rates:

Capital work in progress	Nil
Transmission lines	2.5%
Substations	2.5%
Aircraft	7%
Machinery	12.5%
Furniture, fittings and office equipment	12.5%
Motor vehicles	25%
Computers and accessories	33.3%
Buildings	2.5%

Depreciation is not charged to land.

The asset's residual values estimated useful lives and methods of depreciation are reviewed at the end of each reporting period with the effect of any changes in estimate accounted for on a prospective basis (note 2(ii) and Note 13).

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset at the disposal date) is included in profit or loss in the year the asset is derecognised.

##### Capitalisation of employee costs

The employee costs directly and indirectly attributable to projects associated with development of transmission lines and sub stations resources are capitalized. Capitalisation rates are based on estimated time and effort spent on the related project activities.

##### Intangible assets

Costs incurred on computer software are initially accounted for at cost as intangible assets and subsequently at cost less any accumulated amortisation and accumulated impairment losses. Amortisation is calculated on the straight-line basis over the estimated useful lives not exceeding a period of 3 years. Intangible assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets is recognised in profit or loss (note 2 (ii) and note 14).

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from its use or disposal.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

##### Impairment of non-current assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If such indication exists, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in profit or loss.

# KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (d) Basis of preparation (continued)

##### **Impairment of non-current assets (continued)**

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses are recognised in profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For all assets, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount or exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

##### **Employee benefits costs**

###### *Retirement benefit obligations- normal contributions*

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The scheme is funded by contributions from both the Company and employees. The Company and all its employees also contribute to the National Social Security Fund, which is a defined contribution scheme.

###### *Retirement benefit obligations- top management*

The Company pays gratuity to top management on contract. The gratuity is paid at the end of the contract period at the rate between 15% and 31% of the total basic salary over the contract period. An accrual is made for gratuity based on the rate 15% and 31% per annum.

###### *Other entitlements*

The estimated liability for employees accrued leave entitlement at the reporting date is recognised as an expense accrual.

##### **Foreign currencies**

The financial statements are presented in Kenya Shillings, which is the Company's functional and reporting currency. In preparing the financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items are recognized in profit or loss in the period in which they arise.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**(d) Basis of preparation (continued)**

**Foreign currencies (Continued)**

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Company initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Company determines the transaction date for each payment or receipt of advance consideration.

**Cash and cash equivalents**

For the purpose of the statement of cash flows, cash and cash equivalents include cash and short-term liquid investments which are readily convertible to known amounts of cash and which were within three months to maturity when acquired, less advances from banks repayable within three months from the date of advance, which are subject to an insignificant risk of changes in value.

**Provisions**

Provisions are recognised when the Company 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 will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

**Financial instruments - initial recognition and subsequent measurement**

A financial instrument is any contract that gives rise to a financial asset for one entity and a financial liability or equity instrument for another entity.

**Financial assets**

***Initial recognition***

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in note 1 (c) Revenue recognition.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

# KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (d) Basis of preparation (continued)

##### Financial assets (continued)

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

##### *Subsequent measurement*

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

##### *Financial assets at amortised cost (debt instruments)*

This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost include trade and other receivables, amounts due from related companies and bank and cash balances.

##### *Financial assets at fair value through OCI (debt instruments)*

The Company measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss. The Company does not have any financial assets classified as debt instruments at fair value through OCI.

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

# KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (d) Basis of preparation (continued)

##### **Financial assets (continued)**

##### *Financial assets at fair value through OCI (debt instruments) (continued)*

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Company does not have any financial assets classified as equity instruments at fair value through OCI

##### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

The Company does not have any financial assets classified under this category.

##### ***Derecognition of financial assets***

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

# KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (d) Basis of preparation (continued)

##### **Financial assets (continued)**

##### *Impairment of financial assets*

For trade receivables, related party receivables and bank balances, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors, banks and the economic environment.

The Company considers a financial asset in default when contractual payments are 120 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

##### **Financial liabilities**

##### *Initial recognition and subsequent measurement*

Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

The Company has not designated any financial liabilities at fair value through profit or loss. The Company also did not have derivatives designated as hedging instruments.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The measurement of financial liabilities depends on their classification as described below:

##### *Trade payables and amounts due to related parties*

Trade payables and amounts due to related parties are stated at amortised cost using the effective interest method.

##### *Loans and borrowings*

Interest bearing loans are recorded at the proceeds received, net of direct costs. Finance charges, including the premium payable on settlement or redemption, are accounted for on the accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Subsequent to initial recognition, loans and borrowings are measured at amortised cost using the effective interest method.

##### *De-recognition of financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

##### *Offsetting of financial instruments*

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on net basis or realise the asset and settle the liability simultaneously.

##### **Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

# KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (d) Basis of preparation (continued)

##### **Fair value of assets and liabilities**

The Company has no financial instruments that are measured at fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. Refer to Note 30.

##### **Borrowings**

Borrowing costs directly attributable to acquisition, construction or production of an asset that necessarily takes a substantial period to get ready for its intended use are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consists of interest and other costs that an entity incurs in connection with the borrowing of funds.

##### **Leases**

The Company assesses whether a contract is or contains a lease at inception of the contract. The Company recognises a right of use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which the economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprises of fixed lease payments (including the substance fixed payments), less any lease incentives.

# KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (d) Basis of preparation (continued)

##### Leases (continued)

The lease liability is presented as a separate line in the statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method and by reducing the carrying amount to reflect the lease payments made.

The Company re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in floating interest rate, in which case a revised discount rate is used).

a lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss

### 2. CRITICAL JUDGEMENTS IN APPLYING THE ENTITY'S ACCOUNTING POLICIES

In the application of the Company's accounting policies, which are described in note 1 above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period or in the periods of the revision and future periods if the revision affects both current and future periods.

The following are areas where management has made major judgements and assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### (i) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Refer to Note 26 for the disclosures on deferred tax.

# KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 2. CRITICAL JUDGEMENTS IN APPLYING THE ENTITY'S ACCOUNTING POLICIES (Continued)

#### (ii) Useful life assessment

##### *Property and equipment*

Items of property and equipment are depreciated over their useful lives taking into account residual values, where appropriate. The estimated lives of the assets and residual values are assessed at the reporting date and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values. Further details on property and equipment are given in Note 13.

##### *Intangible assets*

Critical estimates are made by directors in determining the useful lives of intangible assets based on the intended use of the assets and the economic lives of those assets. Subsequent changes in circumstances or prospective utilisation of the assets concerned could result in the actual useful lives differing from initial estimates. Further details on intangible assets are given in Note 14.

#### (iii) Impairment of financial instruments

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for the customers. The provision matrix is based on the Company's historical observed default rates. The Company will revise the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs involves estimation. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's trade receivables and related party receivables is disclosed in Notes 16(a) and 21(a).

#### (iv) Contingent liabilities

The directors evaluate the status of any exposures on a regular basis to assess the probability of the company incurring related liabilities. However, provisions are only made in the financial statements where, based on the directors' evaluation, a present obligation has been established, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Further details on contingent liabilities are given in Note 29.

#### (v) Impairment losses on non-financial assets

At each reporting date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered any impairment loss. If any such indications exist, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset the company estimates the recoverable amount of the cash generating unit to which the asset belongs. Refer to Notes 13 and 14 for the carrying amounts of the non-financial assets.

#### (vi) Leases

Judgement is required in determination of the appropriate rate to discount the lease payments and the assessment of whether a right-of-use asset is impaired.

KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

	2022 KShs'000	2021 KShs'000
Wheeling revenue	2,668,666	2,668,666
Fibre revenue	141,386	131,153
	<u>2,810,052</u>	<u>2,799,819</u>

Wheeling revenue is based on a fixed amount approved by the Energy and Petroleum Regulatory Authority (EPRA).

4. GRANTS FROM NATIONAL GOVERNMENT

	2022 KSh'000	2021 KSh'000
Recurrent grants received	-	-
Capital grants realised (note 20(b))	2,367,166	2,192,104
	<u>2,367,166</u>	<u>2,192,104</u>

These are disbursed through the National Treasury.

Recurrent grants	-	-
Project funding grants (note 20 (a))	4,549,000	6,816,300
	<u>4,549,000</u>	<u>6,816,300</u>

5. OTHER INCOME

Other income	16,451	20,025
	<u>16,451</u>	<u>20,025</u>

Other income mostly relates to disposal of office equipment, furniture and fittings and Company motor vehicles. The motor vehicles initially belonged to contractors implementing projects and were transferred back to the Company at peppercorn cost on completion of projects for disposal.

KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2022 KShs'000	2021 KShs'000
<b>6(a) ADMINISTRATION COSTS</b>		
Staff costs (note 6(b))	862,617	707,072
Directors' emoluments	28,825	28,106
Depreciation of right of use assets (note 15)	20,236	19,610
Electricity and water	10,486	11,779
Insurance costs	187,257	93,412
Other maintenance costs*	38,095	44,692
Rent and rates expenses	4,129	5,011
Security	60,595	67,713
Corporate communication, postage, telephone, printing and internet	4,323	5,605
Motor vehicle expenses and transport	38,712	20,280
Advertising, printing, stationery and photocopying	10,709	30,881
*Staff training expenses	20,218	8,649
Hospitality supplies and services	14,727	7,195
Bank charges and commissions	2,702	1,697
Auditors' remuneration	12,491	6,656
Legal fees	-	16,789
Consultancy and Professional fees	14,129	58,580
Realised foreign exchange losses	86,182	30,593
Unrealised foreign exchange losses	(1,206)	204,346
Other operating expenses	208,382	152,058
	<u>1,623,609</u>	<u>1,520,724</u>

\* Other maintenance costs include computer maintenance, building maintenance, generator maintenance, tools and equipment maintenance.

	2022 KShs'000	2021 KShs'000
<b>6(b) STAFF COSTS</b>		
Salaries and allowances for permanent staff	767,098	606,852
Wages for temporary staff	1,542	1,250
Compulsory national social security schemes	902	760
Other pension contributions	36,551	29,241
Leave pay and gratuity provisions	28,237	40,366
Staff welfare	28,287	28,603
<b>Total</b>	<u>862,617</u>	<u>707,072</u>
The average number of staff at the end of the year was:		
Permanent staff – Management	478	460
Permanent staff – Support	73	97
<b>Total</b>	<u>551</u>	<u>557</u>

<b>7(a) DISTRIBUTION COSTS</b>		
Maintenance costs for transmission lines	232,995	380,447
Other maintenance costs**	73,537	189,301
	<u>306,532</u>	<u>569,748</u>

\*\* Other Maintenance costs relates to maintenance of substation and fibre

KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2022 KShs'000	2021 KShs'000
<b>7(b) CREDIT LOSS EXPENSES ON FINANCIAL ASSETS</b>		
Provision for ECL –Third parties (note 16(a))	35,383	9,752
Provision for ECL – Related party (note 21(a))	(848,316)	(107,559)
	<u>(812,933)</u>	<u>(97,807)</u>
<b>8. OPERATING PROFIT</b>		
Profit for the year has been arrived at after charging:		
Directors' emoluments – fees (note 6(a))	28,825	28,106
Staff costs (note 6(b))	862,617	707,072
Depreciation of property and equipment (note 13)	2,983,245	2,431,051
Amortisation of intangible assets (note 14)	60,440	131,803
Depreciation of right of use assets (note 15)	20,236	19,610
Auditors' remuneration	12,491	6,656
Net foreign exchange loss	84,976	234,940
	<u>=====</u>	<u>=====</u>
<b>9. FINANCE INCOME</b>		
Interest income on bank balances	338,912	257,035
	<u>=====</u>	<u>=====</u>
<b>10. FINANCE COSTS</b>		
Interest expense on borrowings	37,471	39,747
Interest expense on lease liability (note 23)	26,861	25,729
	<u>64,332</u>	<u>65,476</u>
	<u>=====</u>	<u>=====</u>
<b>11 TAXATION</b>		
<b>(a) Income tax expense</b>		
Current tax	275,282	291,490
Deferred tax:		
Adjustment in respect of previous years' tax (note 16)	(12,053)	163
Relating to origination and reversal of temporary differences (note 16)	(184,148)	65,346
	<u>471,483</u>	<u>225,981</u>
	<u>=====</u>	<u>=====</u>

KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2022 KShs'000	2021 KShs'000
11. TAXATION (Continued)		
(b) Reconciliation of taxation charge to expected taxation based on profit before taxation		
Profit before taxation	1,307,357	647,988
Tax calculated at the applicable income tax rate of: 30% (2021: 30%)	392,207	178,197
Tax effect of:		
Expenses not deductible for tax purposes	91,329	22,498
Reduction in tax rate	-	25,123
Under provision of deferred tax in prior years	(12,053)	163
	<hr/>	<hr/>
Taxation charge	471,483	225,981
	<hr/> <hr/>	<hr/> <hr/>
(c) Corporate tax recoverable		
At 1 July	177,260	172,722
Charge for the year	(275,282)	(291,490)
Paid during the year	328,316	296,028
	<hr/>	<hr/>
At 30 June	230,294	177,260
	<hr/> <hr/>	<hr/> <hr/>

12. EARNINGS PER SHARE

The earnings per share is calculated by dividing the profit after tax of KShs 835,873,000 (2021: profit after tax of KShs (422,007,000)) by the average number of ordinary shares in issue during the year (note 18), There were no dilutive or potentially dilutive ordinary shares as at the reporting date.

KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. PROPERTY AND EQUIPMENT

	Freehold land KShs'000	Transmission lines KShs'000	Substation KShs'000	Aircraft KShs'000	Motor vehicles KShs'000	Machinery KShs'000	Furniture and fittings KShs'000	Computer accessories KShs'000	Buildings KShs'000	Capital Work in-Progress* KShs'000	Total KShs'000
<b>Cost</b>											
At 1 July 2021	1,072,402	88,351,109	5,801,060	804,368	172,235	34,924	166,391	200,549	427,502	111,471,881	208,502,421
Additions	-	-	-	-	-	-	3,675	4,366	-	10,324,453	10,332,494
Disposals	-	-	-	-	(55,162)	-	-	-	-	-	(55,162)
Transfer from CWIP	21,344	16,985,010	1,439,966	-	49,691	-	-	-	-	(18,496,011)	-
At 30 June 2022	1,093,746	105,336,119	7,241,026	804,368	166,764	34,924	170,066	204,915	427,502	103,300,323	218,779,753
<b>Depreciation</b>											
At 1 July 2021	-	8,563,572	478,519	114,910	134,817	8,732	131,162	181,569	891	-	9,614,172
Charge for the year	-	2,644,044	177,598	57,455	71,260	4,365	7,461	10,374	10,688	-	2,983,245
Disposal	-	-	-	-	(55,162)	-	-	-	-	-	(55,162)
Transfer	-	(2,856)	-	-	2,856	-	-	-	-	-	-
At 30 June 2022	-	11,204,760	656,117	172,365	153,771	13,097	138,623	191,943	11,579	-	12,542,255
<b>Net carrying amount</b>											
At 30 June 2022	1,093,746	94,131,359	6,584,909	632,003	12,993	21,827	31,443	12,972	415,923	103,300,323	206,237,498

\*Capital work in progress relates (CWIP) to transmission lines and sub-stations whose construction had not been completed as at year end. There were no assets pledged as security for liabilities.

\*\* Transfer from WIP relates to the transfer of the cost of land, transmission lines, substations and buildings previously reported under Capital work in progress.

\*\*\*For the purposes of statement of cash flows, the additions of property and plant amounting to KShs 9,965,736,000 (2021: KShs 19,349,018,000) that had already been paid for have been disclosed as purchases.

**KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**13. PROPERTY AND EQUIPMENT**

	Freehold land KShs'000	Transmission lines KShs'000	Substation KShs'000	Aircraft KShs'000	Motor vehicles KShs'000	Machinery KShs'000	Furniture and fittings KShs'000	Computer accessories KShs'000	Buildings KShs'000	Capital Work in- Progress* KShs'000	Total KShs'000
<b>Cost</b>											
At 1 July 2020	976,121	85,654,289	4,593,335	804,368	189,536	34,924	153,608	186,127	-	96,578,789	189,171,097
Additions	-	-	-	-	-	-	13,003	14,595	-	19,321,420	19,349,018
Transfer from CWIP	96,281	2,696,820	1,207,725	-	-	-	-	-	427,502	(4,428,328)	-
At 30 June 2021	1,072,402	88,351,109	5,801,060	804,368	189,536	34,924	166,611	200,722	427,502	111,471,881	208,520,115
<b>Depreciation</b>											
At 1 July 2020	-	6,371,550	358,944	57,455	116,686	4,366	122,831	168,983	-	-	7,200,815
Charge for the year	-	2,192,022	119,576	57,455	35,434	4,366	8,550	12,758	890	-	2,431,051
At 30 June 2021	-	8,563,572	478,520	114,910	152,120	8,732	131,381	181,741	890	-	9,631,866
<b>Net carrying amount</b>											
At 30 June 2021	1,072,402	79,787,537	5,322,540	689,458	37,416	26,192	35,230	18,981	426,612	111,471,881	198,888,249

\*Capital work in progress relates (CWIP) to transmission lines and sub-stations whose construction had not been completed as at year end. There were no assets pledged as security for liabilities.

\*\* Reclassification relates to the transfer of the cost and accumulated depreciation of substations previously reported under transmission lines.

\*\*\*For the purposes of statement of cash flows, the additions of property and plant amounting to KShs 14,603,398 (2020: KShs 27,937,478) that had already been paid for have been disclosed as purchases.

KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. PROPERTY AND EQUIPMENT (Continued)

Property and equipment include the following items that are fully depreciated:

	Motor vehicles KShs'000	Computer accessories KShs'000	Office equipment, furniture, and fittings KShs'000	Total KShs'000
<b>2022</b>				
Cost	86,174	176,803	112,171	375,148
Nominal depreciation charge	21,544	58,875	14,021	94,440
<b>2021</b>				
Cost	30,915	155,641	89,504	276,060
Nominal depreciation charge	7,729	51,828	11,888	71,445

14. INTANGIBLE ASSETS -COMPUTER SOFTWARE AND LICENSES

	2022 KShs'000	2021 KShs'000
<b>COST</b>		
At beginning of year	599,968	470,289
Additions	-	129,579
At end of year	599,968	599,968
<b>ACCUMULATED AMORTIZATION</b>		
At beginning of year	489,936	358,133
Charge for the year	60,440	131,803
At end of year	550,375	489,936
<b>NET BOOK VALUE</b>	<b>49,593</b>	<b>110,032</b>

Intangible assets relate to computer software and licenses. The title of intangible assets is not restricted or pledged as security for liabilities. There are no contractual commitments for acquisition of intangible assets.

KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. RIGHT OF USE ASSETS

The Company leases office and storage space as well as certain parcels of land for its various uses. Information about leases in which the Company is a lessee is presented below:

	2022 KShs'000	2021 KShs'000
<b>COST</b>		
At 1 July	230,584	230,584
Additions	34,894	-
	<hr/>	<hr/>
At 30 June	265,478	230,584
	<hr/>	<hr/>
<b>ACCUMULATED DEPRECIATION</b>		
At beginning of year	39,220	19,610
Charge for the year	20,236	19,610
	<hr/>	<hr/>
At end of year	59,454	39,220
	<hr/>	<hr/>
<b>NET CARRYING AMOUNT</b>	<u>206,022</u>	<u>191,364</u>

16(a) TRADE AND OTHER RECEIVABLES

Trade receivables (note 16 (b))	107,893	57,083
Deposits and prepayments	4,440,876	1,631,031
Staff receivables (note 16 (c))	13,186	3,289
VAT recoverable	1,368,925	1,302,921
Other receivables	8,246,191	6,769,147
	<hr/>	<hr/>
Gross trade and other receivables	14,177,071	9,763,471
Provision for impairment	(72,480)	(37,098)
	<hr/>	<hr/>
Net trade and other receivables	<u>14,104,591</u>	<u>9,726,373</u>

The average credit period on sales of services is 30 days. Deposits and prepayments were made in the ordinary course of business with regard to advance payment to the various projects. Staff receivables mainly relate to per diem advanced to the staff in the normal course of business.

Trade and other receivables are carried net of expected credit losses (ECLs)/impairment losses. The movement in expected credit losses/impairment losses is as set out below:

	2022 KShs'000	2021 KShs'000
At the beginning of the year	37,098	27,346
Provision for expected credit losses	35,382	9,752
	<hr/>	<hr/>
	<u>72,480</u>	<u>37,098</u>

KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2022 KShs'000	2021 KShs'000
16(b) TRADE RECEIVABLES		
Trade receivables (note 16(a))	107,893	63,679
Provision for doubtful debts	(72,480)	(6,596)
	<u>35,413</u>	<u>57,083</u>

<b>30 June 2022</b>	0-90days KShs 000	91-365days KShs 000	>365days KShs 000	Totals KShs 000
Estimated total gross carrying amount at default	20,667	45,184	42,042	107,893
Expected credit loss	-	30,438	42,042	72,480
	<u>20,667</u>	<u>45,184</u>	<u>42,042</u>	<u>107,893</u>

As at 30 June 2022, the Company trade receivables with initial value of KShs 20,667,000 (2021: KShs 29,153,000) were fully provided for.

<b>30 June 2021</b>	0-90days KShs 000	91-365days KShs 000	>365days KShs 000	Totals KShs 000
Expected credit loss rate	0.0%	0.25%	100.0%	
Estimated total gross carrying amount at default	29,153	28,000	6,526	63,679
Expected credit loss	-	70	6526	6,596
	<u>29,153</u>	<u>28,000</u>	<u>6,526</u>	<u>63,679</u>

	2022 KShs'000	2021 KShs'000
16(c) STAFF RECEIVABLES		
Gross staff per diem	13,186	3,289
Amounts due within one year	13,186	3,289
Amounts due after one year	-	-
	<u>13,186</u>	<u>3,289</u>

17. CASH AND BANK BALANCES		
Cash at bank	6,502,528	7,839,385
Cash in hand	1,000	1,000
	<u>6,602,528</u>	<u>7,840,385</u>

18. SHARE CAPITAL		
Authorised, issued and fully paid: 20,000 fully paid ordinary shares of KShs 100 each	2,000	2,000
	<u>2,000</u>	<u>2,000</u>

The ordinary shares carry one vote each.

19. RETAINED EARNINGS		
The retained earnings represent amounts available for distribution to the entity's shareholders. Undistributed retained earnings are utilised to finance the entity's business activities.		

KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. DEFERRED GRANT INCOME

The Company receives grants from the Government of Kenya for the construction of transmission lines. The grants are amortised to profit or loss over the useful lives of the related assets.

	2022 KShs'000	2021 KShs'000
(a) Deferred grant income reconciliation		
Direct component*		
Deferred grant income brought forward	70,915,400	65,278,989
Additions in the year	4,549,000	6,816,300
Amortisation	(1,354,049)	(1,179,889)
	<u>74,110,351</u>	<u>70,915,400</u>
Indirect component**		
Deferred grant income brought forward	118,976,142	106,967,855
Received in the year	5,673,033	13,020,502
Amortisation	(1,013,117)	(1,012,215)
	<u>123,636,058</u>	<u>118,976,142</u>
Total direct and indirect components (note 20(b))	<u>197,746,409</u>	<u>189,891,542</u>
(b) Total reconciliation		
Deferred grant income at 1 July	189,891,542	172,246,844
Additions:		
Direct component	4,549,000	6,816,300
Indirect component	5,673,033	13,020,502
	<u>200,113,575</u>	<u>192,083,646</u>
At 30 June 2022	<u>200,113,575</u>	<u>192,083,646</u>
Amortization:		
Direct component	(1,354,049)	(1,179,889)
Indirect component	(1,013,117)	(1,012,215)
	<u>(2,367,166)</u>	<u>(2,192,104)</u>
Deferred grant income carried forward	<u>197,746,409</u>	<u>189,891,542</u>
(c) Amounts will be amortised as below:		
Grant income to be amortised within one year	2,367,166	2,192,104
Grant income to be amortised after one year	195,379,243	187,699,438
	<u>197,746,409</u>	<u>189,891,542</u>
At the end of the year	<u>197,746,409</u>	<u>189,891,542</u>

\*The direct component relates to grant received directly from Government of Kenya.

\*\*Indirect grants are those grants given to the government of Kenya by the various donors to fund projects executed by KETRACO. The grant agreements are between the Government and the donors with KETRACO acting as the executing body on behalf of the government.

KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED  
NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. AMOUNT DUE FROM/TO RELATED PARTIES

The Government of Kenya is the principal shareholder in Kenya Electricity Transmission Company Limited holding 100% equity interest. The Government also holds 50.1% and 70% of the equity interest in The Kenya Power and Lighting Company Limited (KPLC) and Kenya Electricity Generating Company Limited (KenGen), respectively. The Company is, therefore, related to KPLC and KenGen through common shareholding.

The following transactions were carried out with related parties:

(a) Outstanding balances arising from services rendered and grant allocation:

	2022 KShs'000	2021 KShs'000
Kenya Power and Lighting Company Limited	4,643,480	5,897,754
Ministry of Energy	-	-
	<u>4,643,480</u>	<u>5,897,754</u>
Provision for expected credit losses	(1,137,667)	(1,985,983)
	<u>3,505,813</u>	<u>3,911,771</u>

As at 30 June 2022, the Company's related party receivables with initial value of KShs 1,547,826,769 (2021: KShs 2,828,786,854 ) were fully provided for.

The Company wheels electricity from the power producers to KPLC for onward transmission to end users. The significant decrease in Company related party balances is mainly due to collection of KPLC balances brought forward and wheeling revenue charged in the period.

The movement in expected credit losses/impairment losses is as set out below:

	2022 KShs'000	2021 KShs'000
At the beginning of the year	1,985,983	2,093,542
Provision for expected credit losses	(848,316)	(107,559)
	<u>1,137,667</u>	<u>1,985,983</u>

**Ageing analysis**

	Current KShs 000	31-60days KShs 000	61-365 days KShs 000	>365days KShs 000	Totals KShs 000
<b>30 June 2022</b>					
Estimated total gross carrying amount at default	257,971	515,942	2,321,740	1,547,827	4,643,480
Expected credit loss	-	27,865	83,594	1,026,209	1,137,668
<b>30 June 2021</b>					
Estimated total gross carrying amount at default	257,971	257,971	2,553,025	2,828,787	5,897,754
Expected credit loss	-	6,191	91,910	1,887,882	1,985,983

KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED  
 NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. AMOUNT DUE FROM/TO RELATED PARTIES (continued)

(b) Payables to related party

	2022 KShs'000	2021 KShs'000
Kenya Power and Lighting Company Limited	1,539,804	1,538,616
Current Portion	722,008	722,008
Non-current Portion	817,796	816,608

The current portion relates to maintenance cost carried out on the transmission lines by Kenya Power and Lighting Company Limited (KPLC) on behalf of Kenya Electricity Transmission Company Limited (KETRACO). The non-current component relates to the partial cost incurred by KPLC in the construction of Kisii- Chemosit line which was transferred to KETRACO.

(c) Services rendered and government grants

(i) The Kenya Power and Lighting Company Limited (KPLC)

	2022 KShs'000	2021 KShs'000
Sales of services – Wheeling revenue	2,668,667	2,668,667
Purchase of services - Operating and maintenance expense	302,767	569,748

(ii) Government of Kenya

Exchequer funding for recurrent expenditure	-	-
Grants received during the year	4,549,000	6,816,300
	4,549,000	6,816,300

The Company receives funds from Government of Kenya for its recurrent and development expenditure. The Government finances the various projects implemented by KETRACO through non-refundable interest free grants.

(iii) Key management Compensation

	2022 KShs'000	2021 kShs'000
(a) Directors' emoluments		
Fees for services as directors	(272)	4,798
Other emoluments	29,097	23,307
	28,825	28,105
(b) Compensation to CEO		
Short term employee benefits	6,281	9,650
Other long-term benefits	6,535	4,997
	12,816	14,647
(c) Compensation to key management		
Short term employee benefits	140,672	132,958
Other long-term benefits	5,892	4,041
	146,564	136,999

KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. DEFERRED REVENUE

The balance relates to performance guarantee that was recalled for the construction of the Nairobi Ring Substations - Lot A and B. It arose because the contractor (Ibedrola Ingenieria) was in breach of its obligations as specified in the contract. KETRACO received the cash after recalling of the performance guarantee. The case was concluded in 2019 and the balance utilized to settle part of the award to the contractor.

23. LEASE LIABILITIES

	2022 KShs'000	2021 KShs'000
The movement in the lease liabilities is as follows:		
Balance at 1 July	223,256	232,142
Additions	34,894	-
Payment of lease liabilities	(35,956)	(35,141)
Interest on lease liabilities	29,066	25,729
Unrealised foreign exchange losses	17,383	526
At 30 June	<u>268,642</u>	<u>223,256</u>
Amounts due for settlement within 12 months	<u>25,498</u>	<u>29,717</u>
Amounts due for settlement after 12 months	243,144	193,539
At the end of year	<u><u>268,642</u></u>	<u><u>232,256</u></u>

The maturity analysis of the undiscounted lease payments is summarized below:

Maturity Analysis

Year 1	25,498	29,717
Year 2	20,171	25,498
Year 3	18,057	13,215
Year 4	19,972	11,102
Year 5	21,536	11,839
Onwards	163,408	131,885
Lease liabilities	<u><u>268,642</u></u>	<u><u>232,256</u></u>

The Company does not face a significant liquidity risk with regards to its lease liabilities. Lease liabilities are monitored within the Company's Finance function. The lease obligations are for the office and storage space as well as certain parcels of land. The Company has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Company's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised

The Company is not committed to any arrangements that are short term as at year end. The total cash outflow for leases amount to KShs. 36 million (2021: KShs. 35 million). There are no restrictions or covenants imposed by lessors and the Company did not enter into any sale and leaseback transactions during the year (2021: KShs. nil).

KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. BORROWINGS

	2022 KShs'000	2021 KShs'000
Balance at 1 July	3,736,084	3,576,708
Repayments of external borrowings during the year	(44,946)	(46,464)
Unrealised foreign exchange losses	74,456	175,965
Accrued interest	26,117	29,875
	<hr/>	<hr/>
Balance at 30 June	<u>3,791,711</u>	<u>3,736,084</u>
Maturity analysis:		
Amounts due within one year (current portion)	1,015,152	800,833
Amounts due after one year (non-current portion)	2,776,560	2,935,251
	<hr/>	<hr/>
	<u>3,791,711</u>	<u>3,736,084</u>
	<hr/>	<hr/>
The analysis of both external borrowings are as follows;		
External borrowing; -		
Renminbi denominated loan from Exim Bank of China	2,985,821	2,770,319
Japanese yen denominated loan from Japan Bank for International Corporation	816,485	965,765
	<hr/>	<hr/>
	<u>3,802,306</u>	<u>3,736,084</u>
	<hr/>	<hr/>

The Company finalised novation agreements transferring ownership of the Sondu-Miriu, Kisii-Chemosit and Kamburu-Meru transmission lines from KPLC and KenGen to KETRACO, the loans used to construct the lines are payable to the Japan International Co-operation Agency and the Export-Import Bank of China. Both facilities are repayable in 60 biannual instalments at an interest rate of 0.75% and 2.5%, respectively. The loans are guaranteed by the Government of Kenya..

25. TRADE AND OTHER PAYABLES

	2022 KShs'000	2021 KShs'000
Trade payables	14,192,450	10,199,489
Accruals	4,686,701	7,869,993
	<hr/>	<hr/>
	<u>18,879,150</u>	<u>18,069,482</u>
	<hr/>	<hr/>

Trade payables mainly relate to domestic and foreign trade creditors, wayleaves and goods received/invoice received payables.

The accruals mainly relate to amounts payable to the contractors in relation to the construction of transmission lines.

KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. DEFERRED TAX ASSET

Deferred income taxes are calculated on all temporary differences under the liability method using the applicable tax rate of 30% (2019 – 30%). The make-up of the deferred tax asset in the year and the movement thereon is presented below:

	2022 KShs'000	2021 KShs'000
Movement in the deferred tax account is as follows:		
At start of year	738,810	673,301
Adjustment in respect of previous years' tax	(12,053)	163
Deferred tax (charge)/credit recognized in profit or loss	(184,148)	65,509
	<u>542,609</u>	<u>738,810</u>

	1 July 2021 KSh'000	Profit or loss KSh'000	30 June 2022 KSh'000
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The net deferred tax asset is attributable to the following items:

Excess depreciation over capital allowances	42,840	89,334	132,174
Leave pay provision	17,523	811	18,334
Staff gratuity provision	5,410	3,207	8,617
Provision for directors' fees	4,810	(2,794)	2,016
Allowance for expected credit losses	606,924	(243,880)	363,044
Unrealised exchange loss	61,303	(61,666)	(361,857)
	<u>738,810</u>	<u>196,201</u>	<u>542,609</u>

	1 July 2020 KSh'000	Profit or loss KSh'000	30 June 2021 KSh'000
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The net deferred tax asset is attributable to the following items:

Excess depreciation over capital allowances	42,840	25,088	42,840
Leave pay provision	17,523	12,135	17,523
Staff gratuity provision	5,410	(6,278)	5,410
Provision for directors' fees	4,810	1,642	4,810
Allowance for ECL	606,924	76,702	606,924
Unrealised exchange loss	61,303	(43,780)	61,303
	<u>738,810</u>	<u>65,509</u>	<u>738,810</u>

KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

27. CASH GENERATED FROM OPERATIONS

	2022 KShs '000	2021 KShs '000
Reconciliation of profit before taxation to cash generated from operations:		
Profit before taxation	1,307,356	647,988
Adjustments for:		
Depreciation on property and equipment (note 13)	2,983,245	2,431,051
Amortization of intangible assets (note 14)	60,440	131,803
Depreciation of right of use assets (note 15)	20,236	19,610
Amortization of deferred grant income (note 20(b))	(2,367,166)	(2,192,104)
Unrealized exchange losses	91,839	204,346
Finance income	(338,912)	(257,035)
Finance costs	55,183	65,476
Gain on disposal of assets	(16,451)	(16,239)
<b>Changes in working capital:</b>		
Increase in trade and other receivables	(4,378,218)	(7,548,999)
Decrease in amount due from related parties	405,958	2,700,529
Increase in amount due to related parties	1,188	8,829
(Decrease)/Increase in trade and other payables	1,101,761	8,085,502
	<hr/>	<hr/>
Cash (used in)/generated from operations	(1,073,541)	4,280,757
	<hr/> <hr/>	<hr/> <hr/>

28. CAPITAL EXPENDITURE COMMITMENTS

	2022 KShs'000	2021 KShs'000
Authorised and contracted for	5,673,033	13,020,502
Authorised but not contracted for	4,549,000	6,816,300
	<hr/>	<hr/>
	10,222,033	19,836,802
	<hr/> <hr/>	<hr/> <hr/>

Authorised and contracted for commitments relates to donor funded contract balances for the construction of transmission lines as at 30 June 2022.

Authorised but not contracted for commitments relates to Government of Kenya contract balances for the construction of transmission lines as at 30 June 2022.

KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

29. PROVISIONS AND CONTINGENT LIABILITIES

(a) PROVISIONS	2022 KShs'000	2021 KShs'000
Provisions	5,957,464	5,665,370

Provisions consist of wayleave compensation. Some projects have faced delays in completion due to challenges in obtaining wayleaves resulting in extension of the duration of the projects beyond the original contract period. Cost overruns and accumulated costs of idling resources are considered for reimbursement after a claims review mechanism is completed.

(b) CONTINGENT LIABILITY	2022 KShs'000	2021 KShs'000
Legal claims	1,301,988	1,057,723

Contingent liabilities consist of ongoing court cases relating to acquisition of wayleaves and contractors' claims. The Directors evaluate the status of these exposures on a regular basis to assess the probability of incurring related liabilities.

30. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The management assessed that the fair values of cash and cash equivalents, trade receivables, amounts due from related parties, trade payables, amounts due to related parties and current loans to be the approximate value of their carrying amounts largely due to the short-term maturities of these instruments (less than 90 days). The fair value of the non-current loan has been determined by computing the present value of future cash out flows at the rate of 0.75% and 2.5% for Japan International Co-operation Agency and Export-Import Bank of China loans respectively, over the loan period.

Fair value hierarchy

The fair value information on the assets measured at fair value is included below by level of the fair value hierarchy. These are grouped into levels 1 to 3 based on the degree to which the fair value is observable.

- (i) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- (ii) Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as a price) or indirectly (i.e. derived from prices); and
- (iii) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs)

# KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 31. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currencies. The Company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effects of such risks on its performance by setting acceptable levels of risk. The Company does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The Company's financial risk management objectives and policies are detailed below:

#### (i) Credit risk

The Company has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables. The board of directors sets the Company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. However, Kenya Power Lighting Company Limited debts are analyzed based on country credit rating as the Company is partially owned by the Government of Kenya. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade and other receivables are written off after all collection efforts have been exhausted.

KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31. FINANCIAL RISK MANAGEMENT (continued)

(i) Credit risk (Continued)

The amounts that best represent the Company's maximum exposure to credit risk as at 30 June 2021 were as follows:

	Fully performing	Past due	Impaired	Total
	KShs '000	KShs '000	KShs '000	KShs '000
<b>At 30 June 2022</b>				
Trade receivables	107,893	-	(72,480)	35,413
Other receivables	5,252,902	-	-	5,252,902
Amounts due from related parties	4,643,480	-	(1,137,667)	3,505,813
Bank balances	6,502,528	-	-	6,502,528
	<u>16,506,803</u>	<u>-</u>	<u>(1,210,147)</u>	<u>15,296,656</u>
<b>At 30 June 2021</b>				
Trade receivables	63,679	-	(6,596)	57,083
Other receivables	2,382,814	-	(29,963)	2,353,381
Amounts due from related parties	1,801,350	4,096,404	(1,985,983)	3,911,771
Bank balances	7,839,385	-	-	7,839,385
	<u>12,086,689</u>	<u>4,096,404</u>	<u>(2,022,542)</u>	<u>14,161,620</u>

The customers under the fully performing category are paying their debts as they continue trading.

The bank balance consists of KShs 3,956,887,000 held in escrow accounts (2020 – KShs 6,119,719,000), the remainder is held in current accounts.

Credit risk from balances with banks and financial institutions is managed by the Company's treasury department in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

The Company has significant concentration of credit risk on amounts due from KPLC. However, the Company has no collateral holdings.

Ultimate responsibility for liquidity risk management rests with the Company's directors, who have built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31. FINANCIAL RISK MANAGEMENT (Continued)

(ii) Liquidity risk management (Continued)

The table below represents cash flows payable by the Company under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts, as the impact of discounting is not significant. The liabilities will, however, be disposed of when funding is received.

	Less than 1 month	Between 3-12 months	Over 12 months	Total
	KShs '000	KShs '000	KShs '000	KShs '000
<b>At 30 June 2022</b>				
Trade payables	11,087,038	-	-	11,087,038
Payables to related party	-	722,008	816,608	1,538,616
Borrowings	-	1,015,152	2,787,154	3,802,306
Lease liability	-	25,498	243,144	268,642
	<u>11,087,038</u>	<u>1,762,658</u>	<u>3,846,906</u>	<u>16,696,602</u>
<b>At 30 June 2021</b>				
Trade payables	10,163,146	-	-	10,163,146
Due to KPLC	-	722,008	816,608	1,538,616
Borrowings	-	800,833	2,935,251	3,736,084
Lease liability	-	29,717	193,539	223,256
	<u>10,163,146</u>	<u>1,552,558</u>	<u>3,945,398</u>	<u>15,661,102</u>

(iii) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the Company on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Company's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The Company's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

There has been no change to the Company's exposure to market risks or the manner in which it manages and measures the risk.

(a) Foreign currency risk

The Company has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and translation at the time of payment is done using the prevailing exchange rate. The following table demonstrates the effect on the Company's profit before tax and equity of applying the sensitivity for a reasonable possible change in the exchange rate of the main transaction currencies, with all other variables held constant.

KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31. FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk (Continued)

(b) Foreign currency risk (Continued)

			Effect on profit before tax	Effect of equity
	Change in USD rate		KShs'000	KShs'000
2022	2%		(129,310)	(90,517)
	-2%		129,310	90,517
2021	2%		(65,401)	(45,780)
	-2%		65,401	45,780
	Change in YEN rate			
2022	2%		(16,330)	(11,431)
	-2%		(16,330)	11,431
2021	2%		(46,543)	(32,580)
	-2%		46,543	32,580
	Change in YUAN rate			
2022	2%		(51,274)	(35,892)
	-2%		51,274	35,892
2021	2%		(48,628)	(34,039)
	-2%		48,628	34,039

(c) Interest rate risk

Interest rate risk is the risk that the Company's financial condition may be adversely affected as a result of changes in interest rate levels. The interest rate risk exposure arises mainly from interest rate movements on the Company's deposits and borrowings. This exposes the Company to cash flow interest rate risk.

*Management of interest rate risk*

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates. Interest on Yuan and Yen denominated loans are fixed at 0.25% and 0.75%, respectively.

*Sensitivity analysis*

The Company analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

	Carrying amount
	KShs'000
30 June 2022	
Assets	
Bank balances	4,857,943
Interest rate sensitivity gap	4,857,943
30 June 2021	
Assets	
Bank balances	3,191,244
Interest rate sensitivity gap	3,191,244

KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31. FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk (Continued)

(a) Interest rate risk (continued)

*Sensitivity analysis (continued)*

	2022	2021
	KShs 000	KShs, 000
Effect on profit before tax of a +2% change in interest rates	97,159	63,825
Effect on profit before tax of a -2% change in interest rates	(97,159)	(63,825)
Effect on equity +/-	68,011	44,677

(iv) Capital management

Capital managed by the Company is the equity attributable to the equity holders. The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratio in order to support its business.

The Company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders. No changes were made in the objectives, policies or processes during the years ended 30 June 2022 and 30 June 2021.

The Company monitors capital using a gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total of interest-bearing loans and borrowings, trade and other payables less cash and cash equivalents.

	2022	2021
	KShs'000	KShs'000
Share capital	2,000	2,000
Retained earnings	3,293,612	2,457,739
Equity	<u>3,295,612</u>	<u>2,459,739</u>
Total borrowings	3,791,712	3,736,084
(Less): cash and cash equivalents (Note 17)	<u>(6,602,528)</u>	<u>(7,840,385)</u>
Net debt	<u>16,068,334</u>	<u>13,965,181</u>
Gearing ratio	<u>Nil</u>	<u>Nil</u>

The major factors that impact on the equity of the Company include the following:

- revenue received from wheeling
- operation and maintenance cost
- cost of operating the transmission business
- cost of expanding the business to ensure that capacity growth is in line with electricity demand
- taxation
- dividends

# KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 31. FINANCIAL RISK MANAGEMENT (Continued)

#### (iv) Capital management (Continued)

The Company uses Power System Development Planning process, which forecasts long-term growth in electricity demand; evaluates the alternative means to meet and manage that demand and comes up with a Least Cost Power Development Plan. The planning process determines a forward electricity cost curve (the Long Run Marginal Cost), which will give an indication of the size of the price increases that the Company requires in order to be sustainable over the medium and long term. Adjustment of the tariffs for the electricity business is regulated and is subject to the process laid down by the Energy and Petroleum Regulatory Commission (EPRA).

The electricity business is currently in the growth phase driven by a rise in demand and Government policy. The funding of transmission capacity is to be obtained from exchequer funding, donor funding from Local and international institutions and cash generated from wheeling business. The adequacy of electricity tariffs allowed by the regulator and the level of Government support are key factors in the sustainability of the Company.

### 32. INCORPORATION

The Company is incorporated in Kenya under the Kenyan Companies Act, 2015 and is domiciled in Kenya.

### 33. GOING CONCERN

The Company's current liabilities exceed the current assets by KShs. 4.5 billion (2021: KShs. 5.8 billion). The Company may, therefore, not meet its short-term obligations as and when they fall due. However, the Company is 100% owned by the Government of Kenya which secures financing for various projects for implementation by KETRACO. Further, the Company recorded a profit of KShs. 836 million for the year ended 30 June 2022. In addition, KETRACO, receives funding from the exchequer through budgetary allocation. The directors therefore, are confident of continued support from the Government of Kenya and other development partners for the foreseeable future. Consequently, the directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the Company's ability to continue as a going concern. The financial statements have been prepared on the basis of accounting policies applicable to a going concern.

### 34. OLKARIA I AND IV

Kenya Electricity Generating Company Plc (KenGen) was commissioned to build Olkaria I and IV Power generation plant and related transmission lines under an implementation agreement. The project was completed in 2014 and has since been operational. The project and the associated liabilities is expected to be transferred to KETRACO upon completion of debt repayment agreement between Ministry of Energy and Petroleum, the National Treasury and KenGen. Transmission assets have not been transferred to KETRACO and are currently in the book of KenGen.

### 35. EVENTS AFTER THE REPORTING PERIOD

There have been some events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30 June 2022. New Cabinet Secretaries and Principal Secretaries for the National Treasury and Ministry of Energy & Petroleum were appointed. Abdi Bare Duale was appointed chairman of the board of directors on 20<sup>th</sup> January 2023 and Eng. Isaac Kiva, OGW appointed Acting Managing Director & CEO on 27<sup>th</sup> January 2023.

### 36. CURRENCY

These financial statements are presented in Kenya Shillings (KShs '000')

## KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

## APPENDIX I: STATEMENT OF COMPARISON OF BUDGET VS ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2022

Details	Original Budget	Adjustments	Final Budget	Actual on Comparable basis	Performance Difference	% of Utilization	Explanation of the variance
	2021-2022 '000'	2021-2022 '000'	2021-2022 '000'	2021-2022 '000'	2021-2022 '000'	2021-2022	
<b>Revenue</b>							
Wheeling Revenue	2,668,667	-	2,668,667	2,668,667	-	0%	N/A
Other Incomes -Fibre Optic	130,107	-	130,107	2,544,500	(2,424,393)	1,964%	Existing customers were connected to new transmission lines
Other incomes - Interest Income and Sale of motor vehicle	140,800		140,800	338,912	277,060	241%	Recognition of deferred income which is non cash item that had not been budgeted for
<b>Total Revenue</b>	<b>2,939,574</b>	<b>-</b>	<b>2,939,574</b>	<b>5,552,079</b>		<b>11%</b>	
<b>Expenses</b>							
Bank charges	6,082		6,082	2,702	3,380	44%	Activities during the year were more than what had been planned for
Directors fees and Expenses	30,000	-	30,000	28,825	1,175	96%	N/A
Staff Costs	1,131,464		1,131,464	862,617	268,847	81%	There were fewer activities in the year than were budgeted for
Staff Traveling	41,189	186,543	227,733	200,064	27,668	88%	There were fewer activities in the year than were budgeted for
Staff Training	80,190	(53,130)	27,060	20,218	6,843	75%	There were fewer activities in the year than were budgeted for
Rent	17,000		17,000	4,129	12,871	0%	There were fewer activities in the year than were budgeted for
Motor vehicle running cost	27,982	21,801	49,783	38,712	11,072	78%	There were fewer activities in the year than were budgeted for
Depreciation	-		-	3,043,686	(3,043,686)	0%	Depreciation is a non cash, non budgetable item
Provision for bad and doubtful debts	-		-	(812,933)	812,933	0%	Provision is a non cash non budgetable item
Professional fees and consultancy	36,907		36,907	26,621	10,286	72%	There were fewer activities in the year than were budgeted for
Administration and other operating costs	185,715		185,715	118,651	67,064	64%	There were fewer activities in the year than were budgeted for
Operation and maintenance costs	1,362,344	(155,215)	1,207,129	817,412	389,717	68%	There were fewer activities in the year than were budgeted for
<b>Total Expenditure</b>	<b>2,918,873</b>	<b>-</b>	<b>2,918,873</b>	<b>4,232,053</b>		<b>0%</b>	
<b>Surplus</b>	<b>20,700</b>	<b>-</b>	<b>20,700</b>	<b>1,320,026</b>			

KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

APPENDIX II: INTER-ENTITY TRANSFERS

a.	Development Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		25/08/2021	63,440,997	FY 2021/2022
		06/09/2021	1,102,250,000	FY 2021/2022
		25/11/2021	1,102,250,000	FY 2021/2022
		21/04/2022	1,072,250,000	FY 2021/2022
		23/05/2022	1,272,250,000	FY 2021/2022
		27/06/2022	105,471,769	FY 2021/2022
		<b>Total</b>	<b>4,717,912,767</b>	

The above amounts have been communicated to and reconciled with the parent Ministry  
 General Manager - Finance  
 Kenya Electricity Transmission Company

Head of Accounting Unit  
 Ministry of Energy

Sign-----

Sign-----

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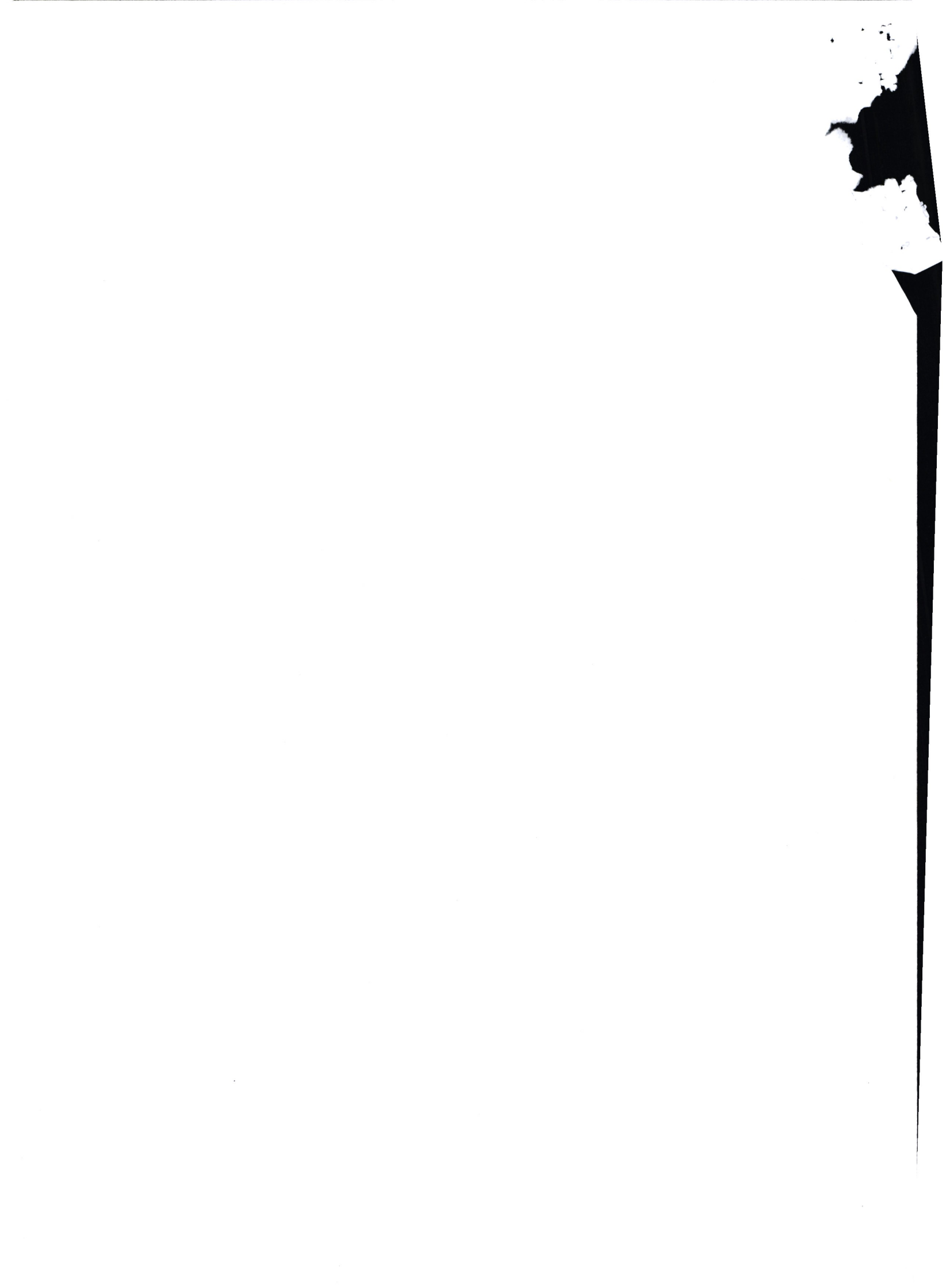
APPENDIX III: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KShs	Capital Fund KShs	Others - External Financiers- KShs	Total Transfers during the Year- KShs
World Bank via Ministry of Energy	25/08/2021	Development	63,440,997		63,440,997	63,440,997
Ministry of Energy	06/09/2021	Development	1,102,250,000	1,102,250,000		1,102,250,000
Ministry of Energy	25/11/2021	Development	1,102,250,000	1,102,250,000		1,102,250,000
Ministry of Energy	21/04/2022	Development	1,072,250,000	1,072,250,000		1,072,250,000
Ministry of Energy	23/05/2022	Development	1,272,250,000	1,272,250,000		1,272,250,000
World Bank via Ministry of Energy	27/06/2022	Development	105,471,769		105,471,769	105,471,769
<b>Total</b>			<b>4,717,912,767</b>	<b>4,549,000,000</b>	<b>168,912,767</b>	<b>4,717,912,767</b>

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APPENDIX IV: PROJECTS IMPLEMENTED BY KENYA ELECTRIC TRANSMISSION COMPANY

	Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements(Yes/No)
1		KETRACO/PT/010 /2012-LOT 1A KETRACO/PT/010 /2012-LOT 1B KETRACO/PT/010 /2012-LOT 3A KETRACO/PT/010 /2012-LOT 3B	Exim Bank of India	6 years	USD 62,000,000	Yes	Yes
2	Exim Funded Projects	KETRACO/PT/005 /2014-LOT 1 KETRACO/PT/005 /2014-LOT 2 KETRACO/PT/005 /2014-LOT 3	JICA	4 years	JPY 12,410,000,000	Yes	Yes
3	Olkaria-Lessos-Kisumu TL	MOE-P4-2011	KBC Bank, Belgium	2 years	EUR 14,525,190.37	No	Yes
4	Nanyuki-Isiolo-Meru TL	MOE 2/11/2012	KBC Bank, Belgium	3 years	EUR 16,000,000	No	Yes
5	Sondu-Homabay-Ndhiwa-Awendo Kenya Power Transmission Expansion Project	MOE&P/KPTEP-01-2015	EXIM Bank of China	3 years	RMB 677,068,226	No	Yes
6	Mariakani Substation	KETRACO/PT/017/2014	ADB	2 years	USD 23,846,925	Yes	Yes
			ADB		KES 132, 481,217	Yes	Yes
7		KETRACO/1/6/09-LOT 1 KETRACO/1/6/09-LOT 2 KETRACO/1/6/09-LOT 3	AIDB EIB AFD		UA 30,386,965.42 EURO. 60,000,000 EURO. 60,000,000		
8	Mombasa-Nairobi Nairobi Ring (Suswa – Isinya and substations)	KETRACO/PT/017/2011 KETRACO/PT/15/2015	AFD AFD	8 years 8 years 8 years 8 years	EURO. 78,500,000 EUR 11,555,046.00 EUR 9,793,644.00 EUR 25,474,893.00	Yes Yes Yes Yes	Yes Yes Yes Yes
9	Lessos - Tororo (Equitorial Nile lake grids)	KETRACO/PT/007/2012 KETRACO/PT/013/2012, KETRACO/PT/011/2016	AIDB IDA, ADB, AFD	8 years 6 Years 6 Years 6 Years	UA 21,416,407.12 USD 441M UAC 75M EUR 91M	Yes Yes Yes Yes	Yes Yes Yes Yes
10	Eastern Electricity Highway						
11	Garsen Hola Garissa	MOE-CAMCE-01-2012	EXIM CHINA	3 Years	RMB 584M	No	Yes
12	Nyahururu – Nanyuki	KET/2/9/4/98 KET/2/9/4/98	ADB ADB	8 YEARS 8 YEARS	USD 15,191,617.89 KShs 547,699,840.98	Yes Yes	Yes Yes
13	Lessos – Kabarnet	KET/2/9/4/99	ADB	8 YEARS	USD 10,028,916.1	Yes	Yes



KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements(Yes/No)
14	Olkaria – Narok KET/2/9/4/99	ADB	8 YEARS	KShs 403,309,135.14	Yes	Yes
	KET/2/9/4/101	ADB	8 YEARS	USD 14,273,214.76	Yes	Yes
	KET/2/9/4/101	ADB	8 YEARS	KShs 18,480,440	Yes	Yes
16	Bomet – Sotik KET/2/9/4/102	ADB	8 YEARS	USD 15,506,935.74	Yes	Yes
	KET/2/9/4/102	ADB	8 YEARS	KShs 18,480,440	Yes	Yes
17	Kitui - Mwingi - Wote - Sultan Hamud KET/2/9/4/43	ADB	8 YEARS	USD 2,975,932	Yes	Yes
18	Ishara – Kieni – Embu KET/2/9/4/43	ADB	8 YEARS	KShs114,500,975	Yes	Yes
19	Kindaruma – Mwingi- Garrissa	IDA	8 YEARS	USD 16,121,959.98	No	Yes
20	Eldoret – Kitale	IDA	8 YEARS	USD 7,831,951.81	No	Yes
21	Kisii – Awendo	IDA	8 YEARS	USD 6,758,413.78	No	Yes
		SPAIN/GOK	7 YEARS	EURO 142,038,152	No	Yes
22	Loiyangalani – Suswa T1 KET/2/9/4/34	SPAIN/GOK	7 YEARS	EURO 4,364,977	No	Yes
23	Loiyangalani – Substation KET/2/9/4/45	GOK	7 YEARS	EURO 7,962,869	No	Yes
	KET/2/9/4/72	Exim Bank of China	6 YEARS	RMB 636,600,105.57	No	Yes
25	Rabai – Malindi – Garsen – Lamu Kenya - Tanzania Power Interconnector KET/2/9/4/282	ADB	6 YEARS	USD 27,500,000	yes	yes
	KET/2/9/4/122	ADB		KShs 439,444,244		
26	Kamburu Embu Thika					
			6 YEARS	USD 90,286,383		
			6 YEARS	KShs 2,650,743,251	No	Yes

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APPENDIX V: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATION

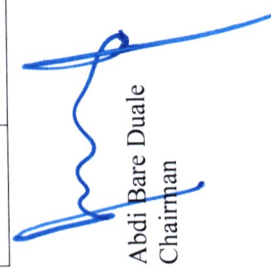
Reference No.	Issue	Observations from Auditor	Management comments	Status	Time frame
1	Accounting and Financial Reporting Processes	The company should formulate and strictly implement a monthly and year end financial closing and reporting procedures to ensure that the financial information used in decision making is accurate, complete and represents current status.	The company has improved on period end closure and reporting is done within 10 days of the subsequent month.	Closed	June, 2022
2	Delays in project deliverables and finalization	Management puts in place procedures and controls to ensure that projects are carried out per the contracts entered into with the various contractors. In addition, such procedures and controls should be enforced through regular review of the project progress	Refer to Project Management procedure manual as approved and implemented. Regular reviews ongoing in monthly meeting and other scheduled meetings.	On going	June, 2023
3	Additional Capitalization of Transmission lines	management conducts a review of the additional capitalization in order to ensure appropriate capitalization of transmission lines.	Additional capitalization happens at the end of financial year following settlement of retentions and pending wayleaves	Closed	June, 2022
4	Asset Tagging and Physical Verification of Assets	All the Company's assets should be tagged with specific identification numbers to facilitate physical identification and verification of each asset. Periodic counts should be conducted to ensure that all the assets are properly accounted for. The verification should include a review for impairment of assets	The company is in the process of transitioning from the old tagging system into a new tagging system to follow the automated tagging process in SAP.	On going	June, 2023
5	Review of useful lives and revaluation of property and equipment	In line with IAS 16, management should consider, on an annual basis, whether the useful lives originally outlined for each class of asset continue to be appropriate. This consideration should reflect management's experience and the nature of the assets in each class	The review of useful life of company property is done based on company policy. Under the existing policy assets of the company are expected to be reviewed in FY 2022/2023.	On going	June, 2023
6	Recoverability of amounts due from KPLC - Kshs 5,897,753,726	Management should put in place tight credit control measures that would ensure that debts are collected as and when they fall due	Remittance of funds by KPLC during the financial year 2020/2021 was Kshs 3,133,218,529 which includes payment of pending invoices. The	On going	June, 2023

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			remittances are on a monthly basis. This has seen the reduction of receivable from 5,897,754,000 to Kshs 4,394,404,736 as at May 2022		
7	Staff advances -Kshs 3,838,950	management implements a policy on the timely accounting for the travel advances	Accounting for staff travels is a continuous process and management ensures compliance with finance policy and PFM act. As at the end of the financial unaccounted claims are recovered in July salaries.	On going	June, 2023
8	Former employees listed as approved bank signatories	A resolution should be passed as soon as possible to remove former employees as signatories to NCBA's bank accounts. Changes to bank signatories should be acted upon in a timely manner going forward	Management had Sent a letter to NCBA to effect the changes . However at the time of the audit NCBA had not effected the changes, subsequently management sent a followup letter and the bank effected the changes	Closed	June, 2022
9	Long outstanding wayleaves compensation- Kshs 2,724,649,715	Management should ensure that matters contributing to the delayed wayleave compensation are timely followed up and resolved with the affected parties.	As at close of the period there were budgets under some projects and management accrued the funds to hold budget. However, these PAPs had incomplete documentation that required from PDS and Legal. Subsequently payments has been made.	On going	June, 2023
10	Debit balances in the schedule of wayleave compensation -Kshs 11.94 million	management ensures that any payment made is matched against the corresponding payable balance such that the payable is effectively cleared/reduced.	The amount Ksh 11,940,000 as debit balance in wayleave have since been matched. Internal controls have been put in place to eliminate debit balances on wayleave.	Closed	June, 2022
11	Contractor statements reconciliation are not prepared on a regular basis	Management should ensure that statements for key contractors are reconciled to the balances in the trade payables ledger and any old and disputed balances are resolved and cleared from the books promptly	Contractor reconciliation done on month to month basis.	Closed	June, 2022
12	Long Outstanding Balances in the Employee Vendor Account-aged more than 3 years	The management should investigate and clear the long outstanding balances as appropriate	The balances have been reduced from Kshs 17,773,121 in financial year 2020/2021 to Kshs 7,101,146 as at May 2022	On going	June, 2023

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13	Leave Days carried forward to the next year- leave liability stood at Shs 58.4 million	Management should ensure that leave plans are obtained for all staff and leave scheduled in a manner to ensure all staff not only go on leave, but the company operations are also not interfered with. Staff members should be encouraged to take leave at appropriate intervals and in any event, at least every year.	The HR has communicated to all staff through memo dated 3rd June 2022 to comply with leave policy that an employee will not defer more than half of leave entitlement	Closed	June, 2022
14	Weaknesses on the litigation provisions process	Management should come up as per IAS 37, a range of possible outcomes and then make an estimate of the obligation that is sufficiently reliable to use in recognizing that provision. Management should ensure that the litigation register is frequently updated to ensure that all the litigations against or by the Company are being tracked.	The process of estimating for legal obligations has been enhanced to incorporate external lawyers assessment	Closed	June, 2022
15	Compliance with loan novation agreement- Total due Kshs 2,813,699,268	Management makes the necessary payments as provided for in the novation agreement	The management has written to National Treasury seeking moratorium for 24 months. This was as a result of a report of task force chaired by the National Treasury.	On going	June, 2023
16	General Information Technology Controls Weaknesses- (a) Privilege Access Restriction (b) User Account Termination (c) User Access Management (d) Password Management (CFWD)(e) Patch Management	Management should ensure no dialog or service user has access to powerful profiles- SAP_ALL and SAP_NEW. Formal policies to deactivate user accounts once employees' contracts are terminated should be enforced. Microsoft releases patch updates to fix security vulnerabilities for the operating system versions that they support on an ongoing basis.	We are currently deploying roles to our production system after tests and sign off of the matrix. The next phase is assignment of these roles to users and post-go-live support. Automatic email notifications from ERP containing staff termination details have been deployed. currently in between a project to move the patch management service to Intune	Closed	June, 2022

  
 Abdi Bare Duale  
 Chairman

  
 Eng. Isaac Kiwa, OGW  
 Ag. Managing Director

## KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

## APPENDIX VI: DETAILED ANALYSIS OF CASH AND CASH EQUIVALENTS

			2021-2022	2021-2022	2020-2021
Financial Institution	Account number	Currency		in '000	in '000
a) Current account					
KCB Bank Kenya Limited	1111251622	KES		1,366,123	765,404
KCB Bank Kenya Limited	1200560752	KES		1,198,558	462,975
KCB Bank Kenya Limited (Escrow)	1221490435	KES		54,816	53,932
NCBA Bank Kenya Plc	1001309443	KES		686	8,079
NCBA Bank Kenya Plc	1003385554	USD	1,447,363	170,546	397,490
Co-operative Bank of Kenya	01136160914100'	KES		113	114
Co-operative Bank of Kenya	01136160914101'	KES		298,471	11,142
Co-operative Bank of Kenya	01136160914102'	KES		35,156	308,396
NCBA Bank Kenya Plc	7612350017	KES		1,818	1,576
NCBA Bank Kenya Plc	7612350025	KES		3,769	14,402
NCBA Bank Kenya Plc	7612350038	EUR	8,981	1,113	8,773
NCBA Bank Kenya Plc	7612350046	KES		297,737	321,938
Standard Chartered	0104026386600'	KES		2,585,671	3,461,332
Stanbic Bank	0100007886289'	KES		684,919	1,962,865
KCB Car Loan Account		KES		60,000	60,000
Sub-total				6,759,504	7,838,418
b) Others(Specify)					
Cash in Hand		KES		1,000	1,000
Sub-total				1,000	1,000
Grand-total				6,760,504	7,839,418

