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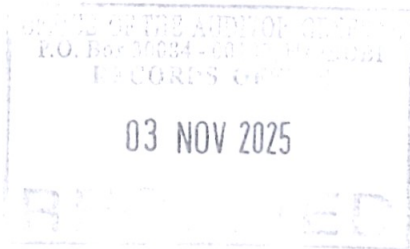
THE AUDITOR-GENERAL

ON

**EASTERN ELECTRICITY HIGHWAY
PROJECT (IDA CREDIT NUMBER 5148-KE,
AFD LOAN NUMBER CKE1030 01 AND ADF
LOAN NUMBER 2100150027845)**

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

**KENYA ELECTRICITY TRANSMISSION
COMPANY LIMITED**



THE EASTERN ELECTRICITY HIGHWAY PROJECT

KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

CREDIT NUMBER: IDA CREDIT NO. 5148-KE; AFD LOAN NO: CKE 1030 01B; ADF LOAN

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2025

Transitional International Public Sector Accounting Standards (IPSAS) Financial Statements

Eastern Electricity Highway Project
Annual Report and Financial Statements for the financial year ended June 30, 2025

Table Contents

	Page
1. Acronyms and Definition of Terms	ii
2. Project Information and Overall Performance	iii
3. Statement of Performance against Project's Predetermined Objectives	xiii
4. Environmental and Sustainability Reporting	xv
5. Statement of Project Management Responsibilities.....	xix
6. Report of the Independent Auditor on Financial Statements for the Eastern Electricity Highway Project.....	xxi
7. Statement of Financial Performance for the Year Ended 30th June 2025.....	1
8. Statement of Financial Position as at 30 th June 2025	2
9. Statement of Changes in Net Assets	3
10. Statement of Cashflow for the year ended 30 th June 2025	4
11. Statement of Comparison of Budget and Actual Amounts for the Year ended 30 th June 2025 5	
12. Notes to the Financial Statements	6
13. Annexes	20

Eastern Electricity Highway Project
Annual Report and Financial Statements for the financial year ended June 30, 2025

1. Acronyms and Definition of Terms

AFD	Agence Francaise de Developpement
AfDB	African Development Bank
GOK	Government of Kenya
HVDC	High Voltage Direct Current
IPSAS	International Public Sector Accounting Standards
ISA	International Standards on Auditing
IDA	International Development Association
KETRACO	Kenya Electricity Transmission Company
KV	Kilovolts
PFSs	Project Financial Statements
RAP	Resettlement Action Plan
UA	Units of Account
USD	United States Dollar
KShs	Kenya Shilling
CHF	Canadian Dollar
EUR	Euro
KE	Kenya
CKE	Credit Kenya
OGW	Order of the Golden Warrior
PFM	Public Financial Management Act 2012
PSASB	Public Sector Accounting Standards Board
Comparative FY	Financial year preceding the current financial year.

Eastern Electricity Highway Project
Annual Report and Financial Statements for the financial year ended June 30, 2025

2. Project Information and Overall Performance

2.1 Name and registered office

Name

The project's official name is Eastern Electricity Highway Project.

Objective

The key objective of the project is

1. To help integrate the power system of East African power pool member countries including Ethiopia, Kenya, Tanzania, Rwanda and Uganda. The integration will accelerate the development of regional energy sources to meet increasing electricity demand and reduce cost of electricity.
2. To strengthen the infrastructure platform for a major future expansion of the East African Power Market by providing an opportunity to tap into diverse energy sources available for generation. This will enhance security of supply and will reduce costs.

Address

The project headquarters offices are in Nairobi, Nairobi County, Kenya. The address of its registered office is

Eastern Electricity Highway Project
Block B, Kawi House
Off Red Cross Road, South C
P. O. Box 34942 – 00100
Nairobi.

Contacts: The following are the project contacts

Telephone: (+254) 20 – 4956000

E-mail: info@ketraco.co.ke

Website: www.ketraco.co.ke

Eastern Electricity Highway Project
Annual Report and Financial Statements for the financial year ended June 30, 2025
 Project information and overall performance (continued)

2.2 Project Information

Project Start Date:	5 th December 2012
Project End Date:	Commissioned in December 2022
Project Coordinator:	Engineer Justin Muna
Project Development Partner:	International Development Association, African Development Fund and Agence Francaise de Development

2.3 Project Overview

Line Ministry or State departments/ County Department	The project is under the supervision of the Kenya Electricity Transmission Company Limited, a state corporation under the State Department of Energy.
Project number	5148-KE; CKE 1030 01B; 2100150027845
Strategic goals of the project	The strategic goals of the project are as follows: To increase the volume and reduce the cost of electricity supply in Kenya and to support a program aimed at integrating the East African power pool transformation towards full access to electricity by individual Eastern African Power pool countries through regional power interconnection.
Summary of Project Strategies for achievement of strategic goals	The project management aims to achieve the goals through the following means: (i) Construction of 612 kilometres of 500KV from Ethiopia to Suswa in Kenya. (ii) Construction and commissioning of one converter substation. (iii) Carrying out the environmental and social management plan and the resettlement action plan. (iv) System reinforcement of the substations and Project Management. (v) Capacity Building
Other important background information of the project	The Project subcomponents involves Supervision and Management of Subcomponent A4-System Reinforcement consultant is Lahmeyer International GmbH, Subcomponent A4-System Reinforcement; Construction of 400/220kv Isinya,

**Eastern Electricity Highway Project
Annual Report and Financial Statements for the financial year ended June 30, 2025**

	<p>Athi river and Nairobi North Substations Extensions Contractor is National Contracting Company, Construction of Eastern Electricity Highway Project Lot 4: LOG LOGO - ETHIOPIA BORDER Contractor is KEC International Limited, Construction of Eastern Electricity Highway Project Lot 5: KINAMBA – LOG LOGO Contractor is Larsen & Toubro Limited, Construction of Eastern Electricity Highway Project Lot 6: SUSWA – KINAMBA Contractor is Kalpataru Power Transmission Limited, Construction of Eastern Electricity Highway Project, Suswa Substation Contractor is Siemens AG.</p> <p>As the owner of the project, KETRACO provides the organizational set up for the activities, qualified staff and basic office infrastructure for efficient execution of the project.</p>
<p>Areas that the project was formed to intervene</p>	<p>The project was formed to intervene in the following problems:</p> <ul style="list-style-type: none"> i. Low rate of access to electrical power for the people in the member countries. ii. Low level of power exchange and electricity trade in the region. iii. Power linkage gap with the neighbouring countries.
<p>Project duration</p>	<p>10 years</p>

Eastern Electricity Highway Project
Annual Report and Financial Statements for the financial year ended June 30, 2025
Project Information and Overall Performance (Continued)

2.4 Bankers

The following are the bankers for the project:

- (i) KCB Bank Limited
Moi Avenue
P. O. Box 30081 – 00100
Nairobi.

- (ii) National Commercial Bank of Africa Plc
P. O. Box 44599 – 00100
Nairobi.

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

2.5 Independent Auditor

The project is audited by;

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

Eastern Electricity Highway Project
Annual Report and Financial Statements for the financial year ended June 30, 2025
Project Information and Overall Performance (Continued)

2.6 Roles and Responsibilities

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

Names	Title designation	Key qualification	Responsibilities
Eng. Kipkemoi Kibias	Ag. Managing Director	Masters in Business Administration, Masters in Nuclear Power Plant Engineering and a Bachelor of Science in Electrical & Electronics Engineering.	Managing Director
CPA Tom Imbo	General manager Finance	Masters Business Administration, Bachelor of Education, CPA	Project reporting
Eng. Justin Muna	Project Manager	MSc GIS, BSc Civil Engineering	Project coordinator
Johnson Muthoka	Senior Manager Wayleaves	BA Land Econ (Hons), Master of Arts (urban and regional planning, Member of Institute of Survey of Kenya (ISK), Registered and Licensed land economist	Wayleaves Acquisition (Land Economists, Land surveyors, Social Economists, Environmental Experts)

2.7 Funding summary

The Project financing is for duration of 12 years from 2012 to 2025 with an approved budget of USD 287,678,798, UA. 72,074,126 and EUR.91,000,000 (EUR 22,943,918 reallocated to Nairobi Ring) equivalent to Kshs. 48,244,586,567 and counterpart funding of KShs 4,632,282,783 as highlighted in the table below.

Eastern Electricity Highway Project
Annual Report and Financial Statements for the financial year ended June 30, 2025

Project information and overall performance (continued)

Below is the funding summary:

A. Source of Funds

	Development Partner Commitment		Amount received to date - 30 June 2025		Undrawn balance as at 30 June 2025		
	Development Partner currency	Kshs	Development Partner currency		Development Partner currency		
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')	
(i) Grants							
International Development Association	USD	287,678,798	30,764,812,977	287,678,798	30,764,812,977	-	-
African Development Bank	UA	72,074,126	9,437,956,901	72,074,126	9,437,956,901	-	-
Agence Francaise de Development	EUR	54,556,082	8,041,816,690	54,556,082	8,041,816,690		
(ii) Counterpart funds							-
Government of Kenya		-	4,632,282,783	-	4,332,964,567	-	299,318,216
Miscellaneous income				-	221,448,695		-
Total			52,876,869,351		52,798,999,830		299,318,216

Project information and overall performance (continued)

B. Application of Funds

	Amount received as at: – (30.06.2025)		Cumulative amount paid to date		balance as at: (30.06. 2025)	
	Development Partner currency	Kshs	Development Partner currency	Kshs	Development Partner currency	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Grant						
World Bank	287,678,798	30,764,812,977	287,678,798	30,764,812,977	-	-
African Development Bank	72,074,126	9,437,956,901	72,074,126	9,437,956,901	-	-
Agence Francaise de Development	54,556,082	8,041,816,690	54,556,082	7,984,339,077	-	57,477,613
(ii) Counterpart funds						
Government of Kenya	-	4,332,964,567	-	4,058,923,455	-	274,041,111
Miscellaneous	-	221,448,695		221,117,561		331,134
Total		52,798,999,830		52,467,149,971		331,849,858

**Eastern Electricity Highway Project
Annual Report and Financial Statements for the financial year ended June 30, 2025**

Project information and overall performance (continued)

2.8 Summary of Overall Project Performance:

i) The project is funded by International Development Association, African Development Fund and Agence Francaise de Development. During the year under review, the project was partially funded by accrued deferred income drawn down in the budget of financial year 2021. In the current financial year an additional budget allocation of Kshs. 168,500,000 was appropriated but was revised to Nil in supplementary budget. The project received Kshs 34,860,607 which included interest income and other incomes. The project incurred a total expenditure of KShs 88,221,726 during the year. The project's Net Assets as at 30th June 2025 is KShs 52,482,699,954.

ii) **Physical Progress and Achievements of the Project**

LOT 1 (KEN) – Converter Station

- The contract was signed on 28 October 2016
- The Kick off meeting held on 8 and 9 December 2016
- Advance payment to contractor paid on 18 March 2016
- Contract effective date set as 30 March 2016 and completion date as 31 December 2022
- Handover of Electrode Site done on 31 May 2016
- Completion reach on 11th January 2021
- Commissioned on 9th December 2022 to operate on Monopolar configuration.

LOT 1 (KEN) – Procurement of Helicopter

- Specific procurement notice done on 23 October 2015
- Bid opening done on 5 April 2016
- Evaluation of the bid documents completed, and report forwarded to financiers for no objection
- Contract awarded to Finmeccanica Helicopter Division in September 2016
- Delivered in December 2018.

	Milestones	Percentage
LOT 1	Civil works	100%
	Installations	100%
	Pre commissioning	100%
	Commissioning	99.5%
	Overall progress	99.8%

Project information and overall performance (continued)

LOT 4 (From Loglogo to Kenya - Ethiopia Border)

- Contractor is KEC International Ltd
- Lot completed in September 2018
- Commissioned on 18th November 2022

	Milestones	Percentage
LOT 4	Excavations	100%
	Foundations	100%
	Tower erection	100%
	OPGW stringing (Km)	100%
	Cond.stringing (Km)	100%

LOT 5 (From Oldonyiro to Loglogo)

- Contractor is Larsen & Toubro Limited
- Lot completed in 25 February 2020
- Contractor remobilised in July 2022 and completed repairs
- Commissioned on 18th November 2022

	Milestones	Percentage
LOT 5	Excavations	100 %
	Foundations	100 %
	Tower erection	100 %
	OPGW stringing (Km)	100 %
	Cond.stringing (Km)	100 %

LOT 6 (From Suswa Substation to Oldonyiro)

- Contractor is Kalpataru Power Transmission Ltd
- Lot completed in 22nd July 2022
- Commissioned on 18th November 2022

	Milestones	Percentage
LOT 6	Excavations	100 %
	Foundations	100 %
	Tower erection	100%
	OPGW stringing (Km)	100 %
	Cond.stringing (Km)	100 %

Project information and overall performance (continued)

i) Absorption rate per year

Financial Year	Budget	Actual	Absorption rate (%)
	KShs	KShs	
2015/16	13,074,437,564	10,806,578,000	83
2016/17	11,131,383,143	4,237,002,490	38
2017/18	7,029,474,407	5,768,919,192	82
2018/19	6,481,000,000	6,055,230,643	93
2019/20	11,810,750,000	11,142,839,573	94
2020/21	6,696,000,000	6,616,824,364	99
2021/22	5,728,000,000	2,023,081,508	35
2022/23	2,632,500,000	2,749,553,429	104
2023/24	1,922,000,000	1,646,054,049	86
2024/25	-	88,221,726	-

ii) Implementation challenges and recommend the next steps.

- Vandalism of Ground electrode that delayed bipolar commissioning.
- Inadequate budget allocation
- Stoppages from project affected persons

Recommendations on way forward to mitigate the challenges;

- Sensitization of the local community on the upcoming projects
- Increased project funding
- Out of court negotiations

2.9 Summary of Project Compliance:

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

Project information and overall performance (continued)

3. Statement of Performance against Project's Predetermined Objectives

Introduction

Section 81(2)(f) / Section 164 (2)(f) of the Public Finance Management Act, 2012, requires that the Accounting Officer include a statement of the national government entity's performance against predetermined objectives at the end of each financial year.

The key development objectives of the project's plan are as below:

Project information and overall performance (continued)

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

- (i) Contribute to the integration of the electricity markets of the East African Power Pool through the interconnection of the two countries power systems.
- (ii) Increase the supply and reduce the cost of electricity in Kenya.
- (iii) Provide revenues to Ethiopia through the export of electricity from Ethiopia to Kenya and other neighbouring countries.

Progress on the attainment of strategic development objectives

To implement and cascade the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic, and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified to track progress and performance measurement.

Eastern Electricity Highway Project
Annual Report and Financial Statements for the financial year ended June 30, 2025

Statement of Performance against Project's Predetermined Objectives(continued)

Below, we provide the progress on attaining the stated objectives:

Project	Objectives	Outcome	Indicator	Performance
The EEH Project	(i) To contribute to the integration of the electricity markets of the East African Power Pool through the interconnection of the two countries power systems and eventually linking to Tanzania	Negotiations ongoing. The link with the neighboring countries will facilitate power exchange and develop electricity trade in the region.	A completed Transmission line	The project was Commissioned in December 2022 to operate on Monopolar configuration
The EEH Project	(ii) Increase the supply and reduce the cost of electricity in Kenya.	The supply of electricity from Ethiopia is ongoing.	A completed Transmission line	The project was Commissioned in December 2022
	(iii) Provide revenues to Ethiopia through the export of electricity from Ethiopia to Kenya and other neighbouring countries.	The complete link from Ethiopia to Tanzania is expected to be achieved since the other linking project of the Kenya Tanzania has been completed. Revenue is also expected to be achieved.	A completed Transmission line	The project was Commissioned in December 2022

Eastern Electricity Highway Project
Annual Report and Financial Statements for the financial year ended June 30, 2025

4. Environmental and Sustainability Reporting

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

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

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

Our approach

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

Below is a brief highlight of our achievements in each pillar.

1. Sustainability strategy and profile

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

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

2. Environmental performance

KETRACO's environmental and social impact assessment plans are anchored on environmental laws, regulations, standards and best practices. The Company ensures compliance with all relevant national and international environmental and other statutory regulatory provisions that apply to its projects to ensure sound environmental

ENVIRONMENTAL AND SUSTAINABILITY REPORTING(Continued)

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.

ENVIRONMENTAL AND SUSTAINABILITY REPORTING(Continued)

3. Employee welfare

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

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

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.

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.

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.

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

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

4. 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 complied 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.

Market place practices (continued)

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.

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.

5 Community engagements

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

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

5. Statement of Project Management Responsibilities

The Chief Executive Officer of KETRACO and the Project Coordinator for the Eastern Electricity Highway Project are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for the financial year ended on June 30, 2025.

This responsibility includes (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the project, (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) safeguarding the assets of the project, (v) Selecting and applying appropriate accounting policies and (v) Making accounting estimates that are reasonable in the circumstances.

The Chief Executive Officer of KETRACO and the Project Coordinator for the Eastern Electricity Highway Project accept responsibility for the Project's financial statements, which have been prepared on the accrual basis method of financial reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

The Chief Executive Officer of KETRACO and the Project Coordinator for the Eastern Electricity Highway Project are of the opinion that the Project's financial statements give a true and fair view of the state of the Project's transactions during the financial year ended June 30, 2025, and of the Project's financial position as at that date. The Chief Executive Officer of KETRACO and the Project Coordinator for the Eastern Electricity Highway Project further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements and the adequacy of the systems of internal financial control.

The Chief Executive Officer of KETRACO and the Project Coordinator for the Eastern Electricity Highway Project confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants and that Project funds received during the financial year under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project Financial Statements

The Project financial statements were approved by the The Chief Executive Officer of KETRACO and the Project Coordinator for the Eastern Electricity Highway project on 31/10/ 2025 and signed by:



.....
Eng. Kipkemoi Kibias

Ag. Chief Executive Officer



.....
Eng. Justin Muna

Project Coordinator

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON EASTERN ELECTRICITY HIGHWAY PROJECT (IDA CREDIT NUMBER 5148-KE, AFD LOAN NUMBER CKE1030 01B AND ADF LOAN NUMBER 2100150027845) FOR THE YEAR ENDED 30 JUNE, 2025 – KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

PREAMBLE

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

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

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

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012, and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying transitional International Public Sector Accounting Standards (IPSAS) financial statements of Eastern Electricity Highway Project set out on

Report of the Auditor-General on Eastern Electricity Highway Project (IDA Credit Number 5148, AFD Loan Number CKE 1030 01B, ADF Loan 2100150027845) for the year ended 30 June, 2025 - Kenya Electricity Transmission Company Limited

pages 1 to 24, which comprise of the statement of financial position as at 30 June, 2025 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the transitional IPSAS financial statements present fairly, in all material respects, the financial position of Eastern Electricity Highway Project as at 30 June, 2025, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) including the transitional provisions permitted under IPSAS 33 and comply with respective Financing Agreements No. 5148-KE of 5 December, 2012; Loan No. CKE 1030 01B of 16 December, 2013 and Loan No.2100150027845 of 6 December, 2012, between the Republic of Kenya and the International Development Association (IDA), Agence Francaise De Development (AFD) and African Development Fund (AFD) respectively, and the Public Finance Management Act, 2012 and The National Treasury and Economic Planning Circular No.3 of 14 April, 2025.

Basis for Opinion

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

Emphasis of Matter

Long outstanding Trade and Other Payables

The statement of financial position and Note 10 to the financial statements reflects trade and other payables balance of Kshs.4,426,252,443. Review of payables records including invoices, certificates of works and an ageing analysis provided by Management revealed an amount of Kshs.4,413,347,431 had been outstanding for over three (3) years. Management did not provide justification for non-payment of the long outstanding amount which ought to have formed a first charge in the subsequent years budget.

In addition, a summary of sources of funds indicates that the Project had drawn a total of Kshs.52,798,999,830 out of the total committed funding of Kshs.52,876,869,351, resulting to a balance of Kshs.299,318,216 as undrawn. With nearly all funding commitment drawn and paid, it was not clear how Management intended to settle the outstanding payable yet the project had lapsed as at December, 2022.

My opinion is not modified in respect of these matters.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the prior years' audit reports, several issues were raised under the Report on Lawfulness and Effectiveness in Use of Public Resources. Review of the status during audit of the Project in 2024/2025 financial year revealed that the long outstanding pending accounts payables and failure to open and maintain separate project bank account remained unresolved.

Other Information

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

In connection with my audit on the Project's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effects of the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources section of my report, I

confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Delays in Closure of the Project

Paragraph 2.8 of the Project Information and Overall Performance indicates that the project was closed and commissioned on 9 December, 2022. However, Management has since continued to prepare financial statements on a going concern basis. Further, the statement of financial performance reflects a deficit of Kshs.1,405,287,329, occasioned by a depreciation charge of Kshs.1,493,674,784 for capitalised assets which lacked matching revenue.

In addition, Management continued to report assets and liabilities in respect of the project comprising of cash and cash equivalents, an aircraft, substations, land and transmission lines despite expiry of the Project financing agreements on 30 June 2019, over six (6) years ago. This was contrary to Regulation 74 (6)(b) which required an Accounting Officer to ensure whenever projects are completed, the project assets including buildings, plant, vehicles, furniture, fittings and equipment are properly recorded and handed over to the accounting officer in accordance with the financing agreement. Paragraph (c) provides that where no time frame is provided for the project, the assets should be handed over within three months from the date of the closure of the project;

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

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk management and overall governance

were operating effectively in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

As required by Financing Agreements No. 5148-KE of 5 December, 2012; Loan No. CKE 1030 01B of 16 December, 2013 and Loan No.2100150027845 of 6 December, 2012, between the Republic of Kenya and the International Development Association (IDA), Agence Francaise De Development (AFD) and African Development Fund (AFD) respectively, I report, based on my audit, that:

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

Basis of Opinion

The Financing Agreements between the Republic of Kenya and the International Development Association, the African Development Bank and Agence Francaise De Development for the Eastern Electricity Highway Project requires that I report on the legal or regulatory requirements, or on performance information disclosed. These matters require expressing a separate opinion as to the Project's compliance with laws and regulations. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

04 December, 2025

**Eastern Electricity Highway Project
Annual Report and Financial Statements for the financial year ended June 30, 2025**

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

	Notes	2024/2025
		Kshs
Revenue		
Revenue Transfers	6	126,588,083
Miscellaneous Revenue	7a	19,276,983
Total revenue		145,865,066
Expenses		
Transfer to NBI Ring		57,477,611
Depreciation		1,493,674,784
Total expenses		1,551,152,395
Deficit		(1,405,287,329)

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



.....
Eng. Kipkemoi Kibias

Ag. Chief Executive Officer



.....
Eng. Justin Muna

Project Coordinator



.....
CPA Tom Imbo

General Manager, Finance
ICPAK Member No:7039

Eastern Electricity Highway Project
Annual Report and Financial Statements for the financial year ended June 30, 2025

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

	Note	2024/2025	1st July 2024
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash equivalents	8	274,372,245	385,220,976
Total Current Assets		274,372,245	385,220,976
Non-Current Assets			
Property, Plant and Equipment	9	53,125,784,608	50,455,160,429
Total Non- Current Assets		53,125,784,608	50,455,160,429
Total Assets (a)		53,400,156,853	50,840,381,405
Liabilities			
Current Liabilities			
Trade and Other Payables	10	4,426,252,443	4,516,003,277
Deferred Income	11	258,632,894	385,220,976
Total Current Liabilities		4,684,885,337	4,901,224,253
Total Liabilities (b)		4,684,885,337	4,901,224,253
Net Assets (a-b)		48,715,271,516	45,939,157,152
Represented By:			
Accumulated Surplus		48,715,271,516	45,939,157,152
Total Net Assets		48,715,271,516	45,939,157,152

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



Eng. Kipkemoi Kibias

Ag. Chief Executive Officer



Eng. Justin Muna

Project Coordinator



CPA Tom Imbo

General Manager Finance
 ICPAK Member No:7039

**Eastern Electricity Highway Project
Annual Report and Financial Statements for the financial year ended June 30, 2025**

9. Statement of Changes in Net Assets

Description	Accumulated Surplus
	Kshs
As at 30 th June 2024 (Cash Basis)	385,220,976
Adjustments:	
Asset Recognition	50,455,160,429
Liabilities recognition	(4,901,224,253)
As at 1 st July 2024	45,939,157,152
Surplus/(Deficit) for the year	(1,405,287,330)
Refund	15,573,623
Prior Period Adjustments	4,165,828,070
As at 30 th June 2025	48,715,271,515

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

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



.....
Eng. Kipkemoi Kibias

Ag. Chief Executive Officer



.....
Eng. Justin Muna

Project Coordinator



.....
CPA Tom Imbo

General Manager Finance
ICPAK Member No:7039

Eastern Electricity Highway Project
Annual Report and Financial Statements for the financial year ended June 30, 2025

10. Statement of Cashflow for the year ended 30th June 2025

Description	Note	20204/2025
		Kshs
Cashflow from operating activities		
Receipts		
Miscellaneous Revenue	7a	19,276,983
Others - Refund	7b	15,573,624
Total receipts		34,850,607
Payments		
Total payments		-
Net cash flow from operating activities	12	34,850,607
Cashflow from investing activities		
Acquisition of non-financial assets		(88,221,726)
Net cash flows from investing activities		(88,221,726)
Cash flow from financing activities		
Transfer to NBI Ring		(57,477,611)
Net cash flow from financing activities		(57,477,611)
Net increase/Decrease in cash and cash equivalents		(110,848,731)
Cash and cash equivalent at 1 st July 2024		385,220,976
Cash and cash equivalent at end June 2025	8	274,372,245

Eastern Electricity Highway Project
Annual Report and Financial Statements for the financial year ended June 30, 2025

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

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
	Kshs	Kshs	Kshs	Kshs	Kshs	
Budget Carry Overs from previous periods		385,220,976	385,220,976	385,220,976	-	-
Receipts			-		-	
Revenue Transfers	165,800,000	165,800,000)	-	-	-	
Miscellaneous Revenue	-	-	-	34,850,607	(34,850,607)	-
Total Revenue	165,800,000	(165,800,000)	-	420,071,583	(420,071,583)	-
Payments						
Acquisition of non-financial assets	165,800,000	(165,800,000)		88,221,726	(88,221,726)	-
Transfer to Nairobi Ring				57,477,612	(57,477,612)	-
Total Payments			-	145,699,337	(145,699,337)	
Surplus			-	274,372,245		-

**Eastern Electricity Highway Project
Annual Report and Financial Statements for the financial year ended June 30, 2025**

12. Notes to the Financial Statements

1. General Information

The project is implemented by Kenya Electricity Transmission Company Limited (KETRACO) which was incorporated on 2 December 2008 and registered under the Companies Act, Cap 486 pursuant to Sessional Paper No. 4 of 2004 on Energy. The Company was established to develop new high voltage electricity transmission infrastructure that will form the backbone of the National Transmission Grid, in line with Kenya Vision 2030. Its core business is to plan, design, build and maintain new electricity transmission lines and associated substations. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya.

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

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared in accordance with the Public Finance Management Act, 2012 and with the International Public Sector Accounting Standards (IPSAS). The Eastern Electricity Highway Project has taken advantage of the transitional provision under IPSAS 33 and therefore this first year financial statements are transitional financial statements

These financial statements were authorized for issue by the accounting officer on31/10/2025

3. Adoption of New and Revised Standards

- i) New and amended standards and interpretations in issue effective in the year ended 30 June 2025.

Standard	Effective date and impact:
IPSAS 43	<p>Applicable 1st January 2025</p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p>No impact</p>

Eastern Electricity Highway Project
Annual Report and Financial Statements for the financial year ended June 30, 2025

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

**Eastern Electricity Highway Project
Annual Report and Financial Statements for the financial year ended June 30, 2025**

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

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

**Eastern Electricity Highway Project
Annual Report and Financial Statements for the financial year ended June 30, 2025**

Notes to the financial statements(continued)

iii) Early adoption of standards

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

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that have been acquired using such funds.

ii) Revenue from exchange transactions

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

b) Budget information

The original budget for FY 2024/2025 was approved by the Board on 29th July 2024. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the project upon receiving the respective approvals to conclude the final budget. Accordingly, the project recorded reduction appropriations of Kshs. 165,800,000 on the FY 2024/2025 budget following the Board's approval. The project's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented on page 6 under section 11 of these financial statements.

Eastern Electricity Highway Project
Annual Report and Financial Statements for the financial year ended June 30, 2025

Notes to the financial statements(continued)

c) **Property, plant and equipment**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition or construction of the item of property appropriately according to the acronyms you use in your financial statements plant and equipment. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus, or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

d) **Financial instruments**

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

e) **Provisions**

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

Contingent liabilities

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

Contingent assets

The project does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the project in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service

**Eastern Electricity Highway Project
Annual Report and Financial Statements for the financial year ended June 30, 2025**

Notes to the financial statements(continued)

potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

f) Nature and purpose of reserves

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

g) Changes in accounting policies and estimates

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

h) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. At each reporting date, foreign currency monetary items are translated using the closing rate. Non-monetary items measured in historical cost are translated using the exchange rate at the date of the transaction, and those measured at fair value are translated using the exchange rates at the date when the fair value was determined. Exchange differences arising from the settlement of monetary items or translation of monetary/non-monetary items at rates different from those at which they were initially reported are recognized in surplus or deficit in the period.

i) Related parties

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

j) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year.

k) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2025.

Eastern Electricity Highway Project
Annual Report and Financial Statements for the financial year ended June 30, 2025

Notes to the financial statements(continued)

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the *Entity*.
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- The nature of the processes in which the asset is deployed.
- Availability of funding to replace the asset.
- Changes in the market in relation to the asset

Provisions

Provisions were raised and management determined an estimate based on the information available.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Eastern Electricity Highway Project
Annual Report and Financial Statements for the financial year ended June 30, 2025

Notes to the financial statements(continued)

6. Revenue Transfers

Description	2024/2025
	KShs
Unconditional Transfers	
GoK Counter Part funding	-
Transfers from Development partners	-
Other unconditional transfers	
Total Unconditional Transfers (a)	-
Conditional Transfers	
GoK Counterpart funding	-
Transfers from Development partners	-
Deferred Income realized	126,588,083
Total Conditional Transfers (b)	126,588,083
Total Transfers for the Year (a + b)	126,588,083

6a. Details of Revenue Transfers

Name of The Entity Transferring	Amount recognized to Statement of Financial performance	Amount deferred under deferred income.	Amount moved to Capital fund	Total transfers (2024/2025)
	Kshs	Kshs	Kshs	Kshs
GOK Funding	-	-	-	-
Development Partner 1	-		-	-
Development Partner 2	-	-	-	-
Subtotal	-	-	-	-
Deferred Income realized	126,588,083	-	-	126,588,083
Total	126,588,083	-	-	126,588,083

7. a) Miscellaneous revenue

Description	2024/25
	Kshs
Interest Income	19,276,983
Total	19,276,983

Eastern Electricity Highway Project
Annual Report and Financial Statements for the financial year ended June 30, 2025

Notes to the financial statements(continued)

7b Miscellaneous revenue

Description	2024/25
	Kshs
Others - Refund	15,573,624
Total	34,850,607

8. Cash and Cash Equivalents

Description	2024/2025	1 st July 2024
	Kshs	Kshs
Cash in Bank	274,372,245	385,220,976
Cash on hand	-	-
Total Cash and Cash Equivalents	274,372,245	385,220,976

Project Bank Accounts

Details	2024/2025	2023/2024
	KShs	KShs
Local Currency Accounts		
NCBA Bank [A/c No 2236800028]	331,134	235,527
Standard Chartered Bank [A/c No.0104026386600]	-	126,422,997
Kenya Commercial Bank [KCB a/c 1111251622]	274,041,111	258,562,453
Total local currency balances	274,372,245	385,220,976
Total bank account balances	274,372,245	385,220,976

Eastern Electricity Highway Project
Annual Report and Financial Statements for the financial year ended June 30, 2025

Notes to the financial statements(continued)

9. Property, Plant and Equipment

Cost	Aircraft	Substation	Land	Power Transmission Line	Total
	Kshs	Kshs	Kshs	Kshs	Kshs
Depreciation rate	2.5%	2.5%		2.5%	
As At 1 July 2024 (opening balances)	886,687,184	17,971,570,644	249,087,778	33,621,568,477	52,728,914,083
Additions	-	-	-	105,358	105,358
Disposals	-	-	-	-	-
Adjustments	-	-	-	4,164,193,605	4,164,193,605
As at 30 th June 2025	886,687,184	17,971,570,644	249,087,778	37,785,867,440	56,893,213,046
Depreciation And Impairment					
As At 1 July 2024 (opening balances)	15,833,700	786,183,102	-	1,471,736,852	2,273,753,654
Depreciation charge for the year	63,334,799	455,981,233	-	974,358,752	1,493,674,784
Impairment loss	-	-	-	-	-
Transfers/ Adjustments	-	-	-	-	-
As At 30 th June 2025	79,168,499	1,242,164,335	-		3,767,428,438
Net Book Values					
As at 1 st July 2024	870,853,484	17,185,387,542	249,087,778	32,149,831,625	50,455,160,429
As at 30 th June 2025	807,518,685	16,729,406,309	249,087,778	35,339,771,836	53,125,784,608

Eastern Electricity Highway Project
Annual Report and Financial Statements for the financial year ended June 30, 2025

Notes to the financial statements(continued)

10. Payables

Description	2024/2025	1 st July 2024
	Kshs	Kshs
Trade payables	4,426,252,443	4,516,003,276
Total trade and other payables	4,426,252,443	4,516,003,276

Aging Analysis

Ageing analysis: (Trade and other payables)	2024/2025	% of the Total	2023/2024	% of the Total
Under one year	4,165,828,071	94%	4,165,828,071	93%
1-2 years	-	-	89,655,869	2%
2-3 years	12,905,012	-	12,905,012	-
Over 3 years	247,519,359	6%	247,614,324	5%
Total (tie to above total)	4,426,252,442	100%	4,516,003,276	100%

**The total outstanding wayleave compensation is Kshs. 289,223,251 out of which Kshs. 247,519,358 is certified for payment (accepted offers) hence reported in these financial statements. The balance will be recognised once they are certified payment.*

***The payables of over 3 years Kshs 4,413,347,431 includes payables amounting to Kshs. 4,165,828,071 aged over three years which relate to obligations from prior financial periods that were recognized in the current year.*

Eastern Electricity Highway Project
Annual Report and Financial Statements for the financial year ended June 30, 2025

Notes to the financial statements(continued)

11. Deferred Income

Description	2024/2025	1st July 2024
	Kshs	Kshs
AFD	-	126,422,997
IDA	165,406	235,527
GOK Counterpart	258,467,488	258,562,453
Total Deferred Income	258,632,894	385,220,976

Deferred Income Movement Schedule

	Development Partner 1 - AFD	Development Partner 2 - IDA	GOK Counterpart	Total
	Kshs	Kshs	Kshs	Kshs
Balance as at 1 st July 2024	126,422,997	235,527	258,562,453	385,220,976
Additions		-	-	-
transfer to NBI ring	(57,477,611)			(57,477,611)
Transfers To Performance Statement	(68,945,385)	(70,121)	(94,965)	(69,110,471)
Balance as at 30 th June 2025	-	165,406	258,467,488	258,632,894

12. Cash Generated from Operations

Description	2024/2025
	Kshs
Surplus/Deficit for the year	(1,405,287,330)
Adjusted for:	
Others - Refund	15,573,624
Depreciation	1,493,674,784
Working capital adjustments	-
Decrease in deferred income	(69,110,471)
Net cash flow from operating activities	34,850,607

Eastern Electricity Highway Project
Annual Report and Financial Statements for the financial year ended June 30, 2025

Notes to the financial statements(continued)

13. Special Deposit Accounts

The project did not have any drawings from the Project's Special Deposit Account(s) in the period ending 30th June 2025, since the project had been completed.

Special Deposit Accounts Movement Schedule

	2024/2025	2023/2024
	KShs	KShs
Foreign currency bank Account No.1000214279		
Opening balance	-	78,044,638
Total amount deposited in the account	-	-
Total amount withdrawn (as per Statement of Receipts and Payments)	-	(78,044,638)
Less: (forex loss)/gain	-	-
Closing balance (as per SDA bank account reconciliation attached)	-	-

14. Related Party Disclosures

Nature of related party relationships

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

Government of Kenya

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

Other related parties include:

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

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

Eastern Electricity Highway Project
Annual Report and Financial Statements for the financial year ended June 30, 2025

Notes to the financial statements(continued)

15. Events after the Reporting Period

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

16. Ultimate And Holding Entity

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

17. Currency

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

**Eastern Electricity Highway Project
Annual Report and Financial Statements for the financial year ended June 30, 2025**

13. Annexes

Annex 1: Prior Year Auditor-General's Recommendations

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
Long Outstanding Pending Accounts Payables	Note 8 and Note 9 to the financial statements reflect pending accounts payables amounting to Kshs. 102,560,882 and Kshs. 247,614,324 in respect of goods and services and project affected persons, respectively, as at 30 June, 2024. Review of pending bills and the related documents revealed the following: a. The amount certified as payable totalled to Kshs. 47,929,083,321 out of which a balance of Kshs. 47,826,522,439 had cumulatively been paid	a.The total outstanding pending bills of Kshs. 102,560,882 disclosed in Note 8 includes Kshs. 89,655,869.33 which has been settled in FY 2024/2025 and the balance of Kshs. 12,905,012.65 expected to be settled once the project disbursement is received. (these relate to invoices that had been projected to be settled from the budget that was allocated in FY 2024/2025 but the budget was revised to NIL in supplementary 1) The project has not been adequately funded in the past financial years to facilitate settlement of the pending bills with NIL allocation in financial year 2023/2024 and 2024/2025.	Ongoing	FY 2025/2026

**Eastern Electricity Highway Project
Annual Report and Financial Statements for the financial year ended June 30, 2025**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
	<p>leaving a balance of Kshs. 102,560,882 as pending bills.</p> <p>b. Expected and certified compensation to landowners for wayleaves since inception of the Project amounted to Kshs. 2,930,141,274 at the close of the year under review. Management has cumulatively paid a balance of Kshs, 2,640,823,058 leaving an unpaid amount of Kshs. 289,318,216. The unpaid amount of Kshs. 289,318,216 comprises Kshs. 247,614,324 which represents liabilities based on accepted offers and Kshs. 41,703,892 which relates to offers not yet accepted.</p>	<p>The Kshs. 289,318,216 relates to outstanding wayleave compensation and Management requested for GOK counterpart funding from the National treasury in the 2024/2025 financial year to settle the same. (Kshs. 165,800,000 was allocated in the 2024/2025 financial year printed estimates but then revised to NIL in the supplementary 1 budget). KETRACO has continued to engage the National treasury and has written a requests for the budget allocation. Once the project is allocated budget, KETRACO will be able to process the outstanding wayleave compensation based on accepted offers with complete documentation.</p> <p>The company has also continued to engage Project Affected Persons to submit the required documents to ensure completeness which will</p>		

Eastern Electricity Highway Project
Annual Report and Financial Statements for the financial year ended June 30, 2025

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
	Failure to settle bills during the year in which they relate to adversely affects the budgetary provisions in the subsequent year as they form a first charge.	facilitate the processing of the outstanding payments once the budget is availed.		
Un-Resolved Prior Year Matters	The financial statements submitted for audit in respect of the project do not include disclosure on progress made to resolve Prior Year Auditor-General's recommendations.	Disclosure on progress and status Prior Year Auditor-General's recommendations were disclosed in Annex 1 to the financial statements.	Ongoing	June 2024
Failure to Open and Maintain Separate Project	The Statement of financial assets and liabilities and as reflected Note 6 to the financial statements reflects a bank balance of Kshs. 385,220,976 which represents funds held in three (3) bank accounts operated by the implementing Agency as at 30 June, 2024. Management did	Cognizant of section 76 (1) under the Public Finance Management Regulations, the specific section relates to management of grants and donations. (Donor Funds) The project is financed by Africa Development Bank (ADB), International Development Association (IDA) and Agence Francaise de Development (AFD). Funds received from these financing are settled through direct	Ongoing	FY 2025/2026

Eastern Electricity Highway Project
Annual Report and Financial Statements for the financial year ended June 30, 2025

Annex 2: Reconciliation of inter-entity transfers

Project Name: Eastern Electricity Highway Project				
Break down of transfers from the State Department of Energy				
a.	Government Counterpart funding			
		Bank Statement Date	Amount (Kshs)	
			-	
		Total	-	
B.	Direct payments			
		Bank Statement Date	-	
		Total	-	
C.	Others			
		Bank Statement Date	-	
			-	
		Total	-	
		Total (A+B+C)	-	

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

Eng. Kipkemoi Kibias

Ag. Chief Executive Officer

Eng. Justin Muna

Project Coordinator

Sign



Sign



Eastern Electricity Highway Project
Annual Report and Financial Statements for the financial year ended June 30, 2025

Annex 3: Fixed Asset Register

Asset class	Historical Cost b/f (Kshs)	Additions during the year (Kshs)	Disposals during the year (Kshs)	Transfers in/(out) during the year	Historical Cost c/f (Kshs)
	Previous Year				Current Year
Work in Progress	50,920,150,750	5,973,062,296			56,893,213,046
Total	50,920,150,750	5,973,062,296	-	-	56,893,213,046