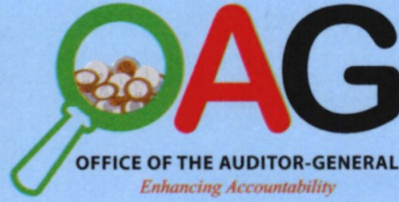


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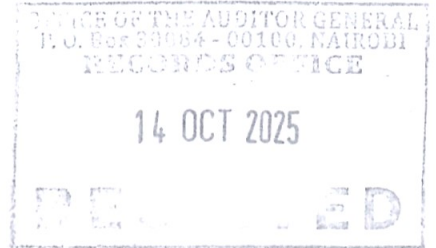
THE NATIONAL ASSEMBLY PAPERS LAID	
REPORT	
DATE: 24 FEB 2026	DAY: Tuesday
TABLED BY: Deputy Leader Majority Party Hon. Dwen Baya, MP	OF
CLERK-AT THE-TABLE: Mr. Benson Inzofu	

THE AUDITOR-GENERAL

ON

**MULTINATIONAL KENYA TANZANIA POWER
INTERCONNECTION PROJECT (KENYA
COMPONENT) (ADF LOAN NO.2100150032846)-
KENYA ELECTRICITY TRANSMISSION
COMPANY LIMITED**

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



MULTINATIONAL KENYA - TANZANIA POWER INTERCONNECTION PROJECT
(KENYAN COMPONENT)

KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

PROJECT GRANT/CREDIT NUMBER: ADF LOAN NO: 2100150032846

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2025

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

Kenya Tanzania Power Interconnection Project (Kenyan Component)
Annual Report and Financial Statements For the financial year ended 30 June, 2025

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1. Acronyms and Definition of Terms

ADF	African Development Fund
EUR	Euro
GAAP	Generally Accepted Accounting Principles
GOK	Government of Kenya
HVDC	High Voltage Direct Current
INTOSAI	International Organisation of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standards
ISA	International Standards on Auditing
KETRACO	Kenya Electricity Transmission Company
KTPIP	Kenya Tanzania Power Interconnection Project
NCPE	North China Power Engineering Company
kV	Kilovolts
PFSs	Project Financial Statements
RAP	Resettlement Action Plan
SORP	Statement of Receipts and Payments
UA	Units of Account
UAC	Unit of Currency
US	United States Dollar
OGW	Order of Grand Warrior
PFM	Public Financial Management Act 2012
PSASB	Public Sector Accounting Standards Board
Comparative FY	Financial year preceding the current financial year.

Kenya Tanzania Power Interconnection Project (Kenyan Component)
Annual Report and Financial Statements For the financial year ended 30 June, 2025

2. Project Information and Overall Performance

2.1 Name and registered office

Name

The project's official name is the Kenya Tanzania Power Interconnection Project (Kenyan Component).

Objective

The key objective of the project is to improve the supply, reliability and affordability of electricity in the Eastern African region through cross-border exchanges of cheap and cleaner surplus power from neighbouring countries.

Address

The address of its registered office is:

Kenya Tanzania Power Interconnection Project (Kenyan Component)

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

Kenya Tanzania Power Interconnection Project (Kenyan Component)
Annual Report and Financial Statements For the financial year ended 30 June, 2025

Project information and overall performance (continued)

2.2 Project Information

Project Start Date:	14 th February 2017
Project End Date:	11 th July 2024
Project Manager:	Engineer Ruth Mburu
Project Sponsor:	The project sponsors are Government of Kenya and African Development Fund (ADF)

2.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the Kenya Electricity Transmission Company Limited, a state corporation under the State Department of Energy
Project number	P-Z1-FA0-086ADF, LOAN NO: 2100150032846
Strategic goals of the project	The strategic goals of the project are as follows: (i) To contribute to the delivery of adequate and reliable power supply. (ii) To improve the affordability of electricity in the East Africa region through cross-border exchanges of cheap and cleaner surplus power from neighbouring countries. (iii) To Provide a link with the neighbouring countries in order to facilitate power exchange and develop electricity trade in the region.
Achievement of strategic goals	The project management aims to achieve the goals through the following means: Planning, designing, building and maintaining a new electricity transmission line.
Other important background information of the project	The project is implemented by Kenya Electricity Transmission Company Limited (KETRACO) which was incorporated on 2 December 2008 and registered under the Companies Act, Cap 486 pursuant to Sessional Paper No. 4 of 2004 on Energy. The Company was established to develop new high voltage electricity transmission infrastructure that will form the backbone of the National Transmission Grid, in line with Kenya Vision 2030. Its core business is to plan, design, build and maintain new electricity transmission lines and associated substations. These new lines will include 132kV, 220kV, 400kV and 500kV High Voltage Direct Current (HVDC). In carrying out this mandate, the Company is expected to develop a new and robust grid system in order to: i) Improve quality and reliability of electricity supply throughout the country; ii) Transmit electricity to areas that are currently not supplied from the national grid; iii) Evacuate power from planned generation plants; and

Kenya Tanzania Power Interconnection Project (Kenyan Component)
Annual Report and Financial Statements For the financial year ended 30 June, 2025

	<p>iv) Provide a link with the neighbouring countries in order to facilitate power exchange and develop electricity trade in the region.</p> <p>The project is being financed by African Development Fund (ADF) and the Government of Kenya through the Ministry of Energy and The National Treasury.</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>Current situation that the project was formed to intervene</p>	<p>The project was formed to intervene in the following areas:</p> <ul style="list-style-type: none"> (i) Inadequate and unreliable power supply. (ii) Low level of cross-border exchange of power in the East African region. <p>Key Data: Kenya Tanzania Power Interconnection Project Lot K1 (Isinya-Namanga).</p> <p>Scope: Design, manufacture, supply, civil work, erection, testing and commissioning of 400kV double circuit overhead HVAC transmission line Contractor: North China Power Engineering Company (NCPE) Contract No: KETRACO/PT017/2014 Contract Award Date: 18 October 2016 Contract Effective Date: 14 February 2017 Original Contract Price: US\$ 22,428,704 plus KShs 439,444,244 Original Contract Completion Date: Twenty-two (22) months from Contract effective date.</p> <p>The scope comprises:</p> <ul style="list-style-type: none"> a. Transmission lines: Construction of a 400kV 510km Transmission line (TL) 510kms double circuit between Tanzania (414km) and Kenya(96km) b. Rural Electrification: 80km of 33kv lines and LV system and customer connections along the 400kV TL in Tanzania and Rural Electrification, consisting of 147km of 33kV line, 34 transformers and connection to customers in Kenya c. Consultancy services for studies: Interconnection Tariff Study and The Feasibility study for the 2nd Interconnection between Kenya and Tanzania (Menengai – Mwanza) <p>Engineering Services for Kenya Tanzania Power Interconnection Project Lot K1 (Isinya-Namanga).</p> <p>Key contractual data</p>

Kenya Tanzania Power Interconnection Project (Kenyan Component)
Annual Report and Financial Statements For the financial year ended 30 June, 2025

	Scope: Project Supervision and Management Consultant: M/s Intec GOPA International Energy Consultants of Germany. Contract No: KETRACO/PT/016/2014-PA/001/2015/HQ/C/024 Contract Signed On: 09 May 2016 Contract Price: EUR 2,024,137.50 and KShs 16,262,400 Original Contract Completion: 24 months from contract effective date
Project duration	The project started on 14 February 2017 and completed on 11 th July 2025. Pre-construction costs amounting to KShs 22,904,446 was incurred in the financial year 2015/2016.

2.4 Bankers

The below is the bank for the project.

KCB Bank Limited

Moi Avenue

P. O. Box 30081 – 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.

Kenya Tanzania Power Interconnection Project (Kenyan Component)
Annual Report and Financial Statements For the financial year ended 30 June, 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/CEO	Masters in Business Administration, Masters in Nuclear Power Plant Engineering and a Bachelor of Science in Electrical & Electronics Engineering.	Ag. Managing Director/CEO
CPA Tom Imbo	General manager Finance	Masters Business Administration, Bachelor of Education, CPA	Project reporting
Eng. Justin Muna	Ag. General Manager, Design & Construction	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)
Eng. Ruth Mburu	Senior. Engineer	Bachelor's Degree in Civil Engineering	Project Manager

2.7 Funding summary

The Project financing is for duration of 10 years from 2015 to 2025 with an approved budget of ADF funding amounting to UA. 26,210,673 equivalent to KShs. 4,075,337,135 and cumulative counterpart funding of KShs. 2,254,139,468 as highlighted in the table below:

Kenya Tanzania Power Interconnection Project (Kenyan Component)
Annual Report and Financial Statements For the financial year ended 30 June, 2025

Project information and overall performance (continued)

Below is the funding summary:

A. Source of Funds

Source of funds	Development Partner Commitment		Amount received to date (30.06.2025)		Undrawn balance to date: (30.06.2025)	
	<i>Development Partner currency (UAC)</i>	<i>Kshs</i>	<i>Development Partner currency (UAC)</i>	<i>Kshs</i>	<i>Donor currency(UAC)</i>	<i>Kshs</i>
	<i>(A)</i>	<i>(A')</i>	<i>(B)</i>	<i>(B')</i>	<i>(A)-(B)</i>	<i>(A')-(B')</i>
(i) Grant						
ADB Loan No.2100150032846 -Signed Amount	27,500,000.00					
ADB Loan No.2100150032846 - Cancellations	(1,289,327.35)					
ADB Loan No.2100150032846	26,210,673	4,075,337,135	26,210,673	4,075,337,135	0	0
(ii) Counterpart funds						
Government of Kenya		1,658,370,543		1,658,370,543		-
Ketraco Funding		409,486,412		409,486,412		
Transfer From Ketraco		186,282,514		186,282,514		
Total	26,210,673	6,329,476,604	26,210,673	6,329,476,604	0	0

Kenya Tanzania Power Interconnection Project (Kenyan Component)
Annual Report and Financial Statements For the financial year ended 30 June, 2025

Project information and overall performance (continued)

B. Application of Funds

Application of Funds	Cumulative amount received to date (30.06.2025)		Cumulative amount paid to date (30.06.2025)		Unutilized balance to date: (30.06.2025)	
	Development Partner currency (UAC)	Kshs	Development Partner currency (UAC)	Kshs	Donor currency(UAC)	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Grant						
ADB Loan No.2100150032846	26,210,673	4,075,337,135	26,210,673	4,075,337,135	-	-
(ii) Counterpart funds						
Government of Kenya		1,658,370,543		1,658,370,543		-
Ketraco Funding		409,486,412		409,486,412		
Transfer From Ketraco		186,282,514		186,282,514		
Total	26,210,673	6,329,476,604	26,210,673	6,329,476,604	-	-

Kenya Tanzania Power Interconnection Project (Kenyan Component)
Annual Report and Financial Statements For the financial year ended 30 June, 2025

Project information and overall performance (continued)

2.8 Summary of Overall Project Performance:

- i) During the year under review, the project received KShs 519,915,212 against a final budget of KShs 250,900,000. The project's cumulative receipts and payments to-date amount to KShs 6,329,476,604 and KShs 6,329,476,604 respectively.
- ii) Physical Progress and Achievements of the Project

Kenya Tanzania Power Interconnection Project Lot K1

Contract effective 14 February 2017:

- The overall implementation status of this project as at 30 June 2025 was at 100%
 - Transmission line Lot K1 is effective and show an overall progress of 100% as compared to a planned progress of 100%;
 - Rural Electrification Lot K2 is effective and show an overall progress of 100% compared to a planned progress of 100%;
- Isinya 400Kv substation 100% complete.

Subject	Weight	Planned	Actual	Comment
Design	5%	100%	100%	Milestone achieved.
Supply of equipment and material	60%	100%	100%	Milestone achieved.
Civil works foundations	15%	100%	100%	Milestone achieved.
	80%			
Tower erection works	10%	100%	100%	Milestone achieved.
Conductor, earthwire and OPGW stringing works	8%	100%	100%	Milestone achieved.
Line testing and commissioning works	2%	-	100%	Milestone achieved.
Total progress	100%		100%	

Kenya Tanzania Power Interconnection Project (Kenyan Component)
Annual Report and Financial Statements For the financial year ended 30 June, 2025

Project information and overall performance (continued)

iii) Absorption rate per year

FINANCIAL YEAR	Absorption Rate
2024/25	207%
2023/24	56%
2022/23	78%
2021/22	156%
2020/21	105%
2019/20	72%
2018/19	79%
2017/18	12%
2016/17	17%
2015/16	382%

iv) Implementation challenges and recommend the next steps.

- Inadequate GOK counterpart funding allocation
- Delays in disbursements of GOK Counterpart funding
- Stoppages by project affected persons

Recommendations on way forward to mitigate the challenges;

- Increased project funding
- Frequent engagements with the National Treasury through the parent Ministry
- Sensitization of the local community on the upcoming projects
- 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.

Kenya Tanzania Power Interconnection Project (Kenyan Component)
Annual Report and Financial Statements For the financial year ended 30 June, 2025

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 to:

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. Improve the supply, reliability and affordability of electricity in the Eastern African region through cross-border exchanges of cheap and cleaner surplus power from neighbouring countries.
- ii. Increase the supply and reduce the cost of electricity in Kenya.
- iii. Contribute to the integration of the electricity markets of the East African Power Pool through the interconnection of the two countries power systems.
- iv. 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.

Kenya Tanzania Power Interconnection Project (Kenyan Component)
Annual Report and Financial Statements For the financial year ended 30 June, 2025

Below, we provide the progress on attaining the stated objectives

Project	Objective	Outcome	Indicator	Performance
The Kenya Tanzania Project	The ultimate development objective of the project is Improve the supply, reliability and affordability of electricity in the Eastern African region through cross-border exchanges of cheap and cleaner surplus power from neighbouring countries. The project will help to improve the supply of electricity in Tanzania in the short to medium term with imports from Ethiopia.	Completev Project	A completed Transmission line.	Overall Project status is at 100%

Kenya Tanzania Power Interconnection Project (Kenyan Component)
Annual Report and Financial Statements For the financial year ended 30 June, 2025

4. Environmental and Sustainability Reporting

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, 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.

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 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)

Kenya Tanzania Power Interconnection Project (Kenyan Component)
Annual Report and Financial Statements For the financial year ended 30 June, 2025

Environmental and Sustainability Reporting(continued)

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.

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;

- (i) 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.
- (ii) 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.
- (iii) 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.
- (iv) 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
- (v) 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

Kenya Tanzania Power Interconnection Project (Kenyan Component)
Annual Report and Financial Statements For the financial year ended 30 June, 2025

Environmental and Sustainability Reporting(continued)

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.

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.

Kenya Tanzania Power Interconnection Project (Kenyan Component)
Annual Report and Financial Statements For the financial year ended 30 June, 2025

5. Statement of Project Management Responsibilities

The Chief Executive Officer of KETRACO and the Project Coordinator for the Kenya Tanzania Power Interconnection Project (Kenyan Component) 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 Kenya Tanzania Power Interconnection Project (Kenyan Component) 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 Kenya Tanzania Power Interconnection Project (Kenyan Component) 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 Kenya Tanzania Power Interconnection Project (Kenyan Component) 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 Kenya Tanzania Power Interconnection Project (Kenyan Component) Project confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing

Kenya Tanzania Power Interconnection Project (Kenyan Component)
Annual Report and Financial Statements For the financial year ended 30 June, 2025

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 Kenya Tanzania Power Interconnection Project (Kenyan Component) project on 13/10 2025 and signed by:



.....
Eng. Kipkemoi Kibias

Ag. Managing Director/CEO



.....
Eng. Justin Muna

Ag. General Manager, Design & Construction

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 MULTINATIONAL KENYA TANZANIA POWER INTERCONNECTION PROJECT (KENYA COMPONENT) (ADF LOAN NO.2100150032846) FOR THE YEAR ENDED 30 JUNE, 2025 – KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Multinational Kenya Tanzania Power Interconnection Project - (Kenya Component) ADF Loan No. 2100150032846 set out on pages 20 to 53 which comprise of the statement of financial position as at 30 June, 2025 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual

amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Multinational Kenya Tanzania Power Interconnection Project - (Kenya Component) ADF Loan No. 2100150032846 as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Financing Agreement No.2100150032846 dated 30 July, 2015 between the African Development Fund and the Republic of Kenya and the Public Finance Management Act, 2012.

Basis for Opinion

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final expenditure budget of Kshs.250,900,000 against an actual expenditure of Kshs.519,915,212, resulting to an over expenditure of Kshs.269,015,212 or 207% of the budget. Further, the statement of financial performance reflects revenue transfers of Kshs.519,915,212. Included in revenue transfers is Kshs.8,437,422 relating to transfers from KETRACO. However, the receipts were not budgeted for. No plausible reasons have been given for the under absorption despite the donor transferring the funds in the financial year 2021/2022 and the expected closing date of the Project is December, 2025.

Over-expenditure above the budgeted amounts could not be verified due to non-provision for review of the approved supplementary estimates

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the prior years' audit report, several issues were raised under the Report on Lawfulness and Effectiveness in Use of Public Resources. Review of the status during audit of the Project in 2024/2025 revealed that the following matters remained unresolved. Although, Management indicated that the issues were resolved, no documentation to support this assertion was provided for confirmation.

	Financial Year	Audit Issue
1	2023/2024	Irregular Wayleave Compensation
2	2023/2024	Failure to Operate Bank Account for the Project
3	2023/2024	Long Outstanding Pending Bills
4	2023/2024	Budget and Budgetary Control on unbudgeted for receipts from the Company

Other Information

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

In connection with my audit on the Multinational Kenya Tanzania Power Interconnection Project financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, 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 USE OF PUBLIC RESOURCES

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on the 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. Unsupported Expenditure

The Project's initial approved budget of Kshs.260,000,000 was further revised through Supplementary II and III to Kshs.232,000,000 of 2024/2025. The Project received additional donor funding of Kshs.190,000,000 (loan AIA) from African Development Bank Fund under Article 223 of the Constitution to facilitate implementation of the Project as communicated by a memo from The National Treasury.

In addition, the Project was required to submit to The National Treasury details of actual expenditure not later than two months after the first withdrawal in order to facilitate The National Treasury to submit a report to Parliament in accordance with the requirement of Article 223 of the Constitution.

Subsequently, the confirmation of compliance with the Constitution could not be made as no report was provided for audit review. Further, Supplementary Budget III did not include the Kshs.190,000,000 as the final budget indicated total allocation as Kshs.232,000,000. The funds withdrawn under the circumstances may not be accounted for in the absence of expenditure returns as required by The National Treasury which is contrary to Article 223 (2) of the Constitution of Kenya, which provides that the approval of Parliament for any spending under this Article shall be sought within two months after the first withdrawal of the money, subject to clause and (3) if Parliament is not sitting during the time contemplated in clause (2), or is sitting but adjourns before the approval has been sought, the approval shall be sought within two weeks after it next sits.

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

2. Long Outstanding Pending Payables

The statement of financial position and Note 9 to the financial statement reflects trade and other payables balance of Kshs.38,442,881. This relates to wayleave compensations which have been approved and certified for payments but had not been paid and have been outstanding for more than three (3) years. No explanation was provided for the failure to pay contrary to Regulations 42(1) (a) of the Public Finance Management Regulations 2015 which states that debt service payments shall be a first charge on the Consolidated Fund and the Accounting Officer shall ensure this is done to the extent possible that the government does not default on debt.

Delay in settling the payables may result to wasteful expenditure on avoidable interests, penalties and litigation costs.

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

3. Failure to Disclose Ongoing Legal Cases

Review of case number HCCOMM/E303/2025 between North China Power Engineering Company Limited verses Kenya Electricity Transmission Company Limited indicates that the contractor, North China Power Engineering Company Limited, completed all its obligations under the contract. However, due to the delays in implementation of the

Project, substantial and prolonged expenditure was incurred by the plaintiff in form of additional costs.

As a result, the plaintiff submitted several claims to the defendant, documenting losses incurred due to idling equipment, idle workforce, insurance premiums, office maintenance in Nairobi and Namanga, shifting and stoppages, management overheads, bank guarantees, and tax burdens arising directly from the inexcusable delays. There were sequences of the plaintiff's claims amounting to USD4,912,054.96 equivalent to Kshs.633,655,090 and Kshs.902,958,065.

The defendant, through its Project Implementation Team (PIT), reviewed all the above claims and in a letter dated 26 March, 2024, unequivocally confirmed that the total sum payable to the plaintiff stands at USD4,912,054.96 equivalent to Kshs.633,655,090 and Kshs.902,958,064.50. The plaintiff accepted the amount as verified by the defendant and formally demanded the agreed sums through numerous correspondences.

It was noted that no claim had been paid as at 30 June, 2025 and no disclosure was made on the pending payments arising from the legal case contrary to IPSASs 1 on presentation of financial statements which requires fair presentation of a reporting entity's transactions. Further, no documentation on wayleave legal cases was provided for audit review.

In the circumstances, Management was of breach of the applicable standards

4. Errors in Presentation of the Financial Statements

The financial statements presented for audit review did not include all information as required in the format prescribed by the Public Sector Accounting Standards Board (PSASB). The anomalies are as highlighted below:

- i. The financial statements appear from page 20 instead of page 1. The same has been captured erroneously in the table of contents.
- ii. Under project information and overall performance appearing on page xi, the table on absorption rate per year on the overall project performance was presented with budgeted and actual figures expunged leaving alone the percentages whose meanings could not be explained.
- iii. Note 8 to the financial statements reflects property, plant and equipment which erroneously indicates the initial entry on depreciation balance as 1 July, 2025 instead of 1 July, 2024.
- iv. The table of contents and the statement of changes in net assets, the period end of 30 June, 2025 is not indicated.
- v. In all headers, the annual reports and financial statements have not wholly been identified as Multinational Kenya Tanzania Power Interconnection Project (Kenya Component)

- vi. The Project's name has also been indicated as "Kenyan" instead of Kenya component

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

5. Non-Submission of Handover Notes

Section 3.1 and 3.2 of the Contract Agreement in tender number KETRACO PT/016/2014-PA/001/2015/HQ/C/024 for provision of consultancy services for Project Management and supervision of the Multinational Kenya Tanzania Interconnection Project awarded at a contract price of EUR2,024,137.50 and Kshs.16,262,400 to a foreign firm on 9 May, 2016 indicated that EUR20,800 would be utilized in additional office equipment. However, no handover notes and listings of the office equipment procured were provided for audit review yet full payment had been made to the consultant.

In the circumstances, the Project funds were utilized for no assets purchased and value for money may not have been achieved.

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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

As required by the Financing Agreement dated 30 July, 2015 Loan No. 21000150032846

between the Republic of Kenya and African Development Fund, 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.
- iii. The Project's financial statements are in agreement with the accounting records and returns.

Basis for Conclusion

The Financing Agreement ADF Loan Number 2100150032846 dated 27 August, 2017 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 terminate the Project or 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

05 November, 2025

Kenya Tanzania Power Interconnection Project (Kenyan Component)
Annual Report and Financial Statements For the financial year ended 30 June, 2025

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

	Notes	2024/2025
		Kshs
Revenue		
Revenue Transfers	6	519,915,212
Total revenue		519,915,212
Expenses		
Total expenses		-
Surplus		519,915,212

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



.....
 Eng. Kipkemoi Kibias

Ag. Managing Director/CEO



.....
 Eng. Justin Muna

Ag. General Manager, Design
 & Construction



.....
 CPA Tom Imbo

General Manager Finance

ICPAK Member No:7039

Kenya Tanzania Power Interconnection Project (Kenyan Component)
Annual Report and Financial Statements For the financial year ended 30 June, 2025

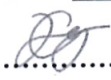
8. Statement of Financial Position as at 30th June 2025

	Note	FY 2024/2025	1st July 2024
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash equivalents	7	-	-
Total Current Assets		-	-
Non-Current Assets			
Property, Plant and Equipment	8	6,367,919,485	6,263,649,869
Total Non- Current Assets		6,367,919,485	6,263,649,869
Total Assets (a)		6,367,919,485	6,263,649,869
Liabilities			
Current Liabilities			
Trade and Other Payables	9	38,442,881	143,560,322
Retention	10	-	310,528,156
Total Current Liabilities		38,442,881	454,088,478
Total Liabilities (b)		38,442,881	454,088,478
Net Assets (a-b)		6,329,476,604	5,809,561,391
Represented By:			
Accumulated Surplus		6,329,476,604	5,809,561,391
Total Net Assets		6,329,476,604	5,809,561,391

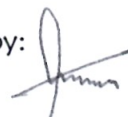
The financial statements were approved on 13/10 2025 and signed by:



 Eng. Kipkemoi Kibias



 Eng. Justin Muna



 CPA Tom Imbo

Ag. Managing Director/CEO

Ag. General Manager, Design
& Construction

General Manager Finance

ICPAK Member No:7039

Kenya Tanzania Power Interconnection Project (Kenyan Component)
Annual Report and Financial Statements For the financial year ended 30 June, 2025

9. Statement of Changes in Net Assets

Description	Accumulated Surplus
	Kshs
As at 30 th June 2024 (Cash Basis)	-
Adjustments:	
Asset Recognition	6,263,649,869
Liabilities recognition	(454,088,478)
As at 1 st July 2024	5,809,561,391
Surplus/(Deficit) for the year	519,915,212
As at 30 th June 2025	6,329,476,603


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

The financial statements were approved on 13/10 2025 and signed by:



Eng. Kipkemoi Kibias

Ag. Managing Director/CEO



Eng. Justin Muna

Ag. General Manager, Design
& Construction



CPA Tom Imbo

General Manager Finance

ICPAK Member No:7039

Kenya Tanzania Power Interconnection Project (Kenyan Component)
Annual Report and Financial Statements For the financial year ended 30 June, 2025

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

Description	Note	2024/2025
		Kshs
Cashflow from operating activities		
Receipts		
Revenue Transfers	6	519,915,212
Total receipts		519,915,212
Payments		
Total payments		-
Net cash flow from operating activities	11	519,915,212
Cashflow from investing activities		
Acquisition of non-financial assets		(519,915,212)
Net cash flows from investing activities		(519,915,212)
Cash flow from financing activities		
Net cash flow from financing activities		-
Net increase/Decrease in cash and cash equivalents		-
Cash and cash equivalent at 1 st July 2024		-
Cash and cash equivalent at end June 2025	7	-

Kenya Tanzania Power Interconnection Project (Kenyan Component)
Annual Report and Financial Statements For the financial year ended 30 June, 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		-	-	-	-	-
Receipts					-	-
Revenue Transfers	292,900,000	(42,000,000.00)	250,900,000.00	519,915,212.43	(269,015,212.43)	207%
Miscellaneous Revenue	-	-	-	-	-	
Total Revenue	292,900,000	(42,000,000.00)	250,900,000.00	519,915,212.43	(269,015,212.43)	207%
						-
Payments						-
Acquisition of non-financial assets	292,900,000	(42,000,000.00)	250,900,000.00	519,915,212.43	(269,015,212.43)	207%
Total Payments	292,900,000	(42,000,000.00)	250,900,000.00	519,915,212.43	(269,015,212.43)	207%
Surplus	-	-	-	-	-	

- i. The project initially had a donor Loan AIA budget allocation of Kshs. 260 million, with an additional Kshs. 190 million approved under Article 223. However, these allocations were later revised through the supplementary budget after commitments had been made and invoices settled. Additionally, the GOK counterpart funding was reduced from Kshs. 32 million to Kshs. 18 million. Notably, project commitments were based on the original approved budget prior to these adjustments.
- ii. The difference between the original and final budgets arose from the revisions introduced in the supplementary budget.

Kenya Tanzania Power Interconnection Project (Kenyan Component)
Annual Report and Financial Statements For the financial year ended 30 June, 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. These new lines will include 132kV, 220kV, 400kV and 500kV High Voltage Direct Current (HVDC).

The strategic goals of the Kenya Tanzania Power Interconnection Project (Kenyan Component) is to:

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

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 Kenya Tanzania Power Interconnection Project (Kenyan Component) Project has taken advantage of the transitional provision under IPSAS 33 and therefore this first year financial statements are transitional financial statements.

These financial statements were authorized for issue by the accounting officer on 13/10/2025

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>

Kenya Tanzania Power Interconnection Project (Kenyan Component)
Annual Report and Financial Statements For the financial year ended 30 June, 2025

Standard	Effective date and impact:
	<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>
<p>IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations</p>	<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>
<p>IPSAS 45- Property Plant and Equipment</p>	<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. Applicable for accounting of infrastructure assets e.g Transmission Lines</p>
<p>IPSAS 46 Measurement</p>	<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.

Kenya Tanzania Power Interconnection Project (Kenyan Component)
Annual Report and Financial Statements For the financial year ended 30 June, 2025

Standard	Effective date and impact:
	The standard also introduces a public sector specific measurement bases called the current operational value. Applicable in measuring the current operational value of infrastructure assets

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

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

Kenya Tanzania Power Interconnection Project (Kenyan Component)
Annual Report and Financial Statements For the financial year ended 30 June, 2025

Standard	Effective date and impact:
	<p>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> <p>No impact</p>

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. 42 million on the FY 2024/2025 budget following the supplementary budget 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

Kenya Tanzania Power Interconnection Project (Kenyan Component)
Annual Report and Financial Statements For the financial year ended 30 June, 2025
Notes to the financial statements (continued)

formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

c) Property, plant and equipment

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

d) Financial instruments

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

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

Kenya Tanzania Power Interconnection Project (Kenyan Component)
Annual Report and Financial Statements For the financial year ended 30 June, 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.

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.

Kenya Tanzania Power Interconnection Project (Kenyan Component)
Annual Report and Financial Statements For the financial year ended 30 June, 2025

Notes to the financial statements (continued)

6. Revenue Transfers

Description	2024/2025
	KShs
Conditional Transfers	
GoK Counterpart funding	16,450,000
Transfers from Development partner - ADB	495,027,790
Transfers from KETRACO	8,437,422
Total Conditional Transfers	519,915,212
Total Transfers for the Year	519,915,212

a) Details to Revenue Transfers

Name of The Entity Transferring	Amount recognized to Statement of Financial performance	Amount deferred under deferred income.	Amount moved to Capital fund	Total transfers 2024/2025
	Kshs	Kshs	Kshs	Kshs
GOK Funding	16,450,000		-	16,450,000
Transfers from KETRACO	8,437,422		-	8,437,422
Development Partner - ADB	495,027,790	-	-	495,027,790
Subtotal	-	-	-	-
Total	519,915,212	-	-	519,915,212

7. Cash and Cash Equivalents

Description	2024/2025	1 st July 2024
	Kshs	Kshs
Cash in Bank	-	-
Cash on hand	-	-
Total Cash and Cash Equivalents	-	-

Project Bank Accounts

Details	2024/2025	2023/2024
	KShs	KShs
Local Currency Accounts		
Kenya Commercial Bank [KCB a/c 1111251622]	-	-
Total local currency balances	-	-
Total bank account balances	-	-

Kenya Tanzania Power Interconnection Project (Kenyan Component)
Annual Report and Financial Statements For the financial year ended 30 June, 2025

Notes to the financial statements (continued)

8. Property, Plant and Equipment

Cost	Motor vehicles	Furniture and fittings	ICT Equipment	Other Assets (specify)	Capital Work in progress	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Depreciation rate	X%	X%	X%	X%		
As At 1July 2024 (opening balances)					6,263,649,869	6,263,649,869
Additions					110,963,388	110,963,388
Transfers/Adjustments					(6,693,773)	(6,693,773)
As at 30 th June 2025					6,367,919,484	6,367,919,484
Depreciation And Impairment						
As at 1July 2025						
Depreciation charge for the year						
Impairment loss						
Transfers/ Adjustments						
As At 30 th June 2025						
Net Book Values						
As at 1 st July 2024						
As at 30 th June 2025					6,367,919,484	6,367,919,484

Kenya Tanzania Power Interconnection Project (Kenyan Component)
Annual Report and Financial Statements For the financial year ended 30 June, 2025

Notes to the financial statements (continued)

9. Payables

Description	2024/2025	1 st July 2024
	Kshs	Kshs
Trade payables	38,442,881	143,560,322
Total trade and other payables	38,442,881	143,560,322

Ageing analysis: (Trade and other payables)	2024/2025	% of the Total	2023/2024 FY	% of the Total
Under one year	-	-	111,026,670	77%
1-2 years	-	-	-	-
2-3 years	-	-	-	-
Over 3 years	38,442,881	100%	32,533,652	23%
Total (tie to above total)	38,442,881	100%	143,560,322	100%

***The total outstanding wayleave compensation is Kshs. 113,366,484, out of which Kshs. 38,442,881 is certified for payment hence reported in these financial statements. The balance will be recognised once they are certified and ready for payment.*

10. Retentions

Description	2024/2025	1 st July 2024
	Kshs	Kshs
Contractor's Retention	-	310,528,156
Total retention	-	310,528,156

Ageing analysis: (Retentions)	2024/2025	% of the Total	2023/2024	% of the Total
Under one year	-	-	-	-
1-2 years	-	-	310,528,156	100%
2-3 years	-	-	-	-
Over 3 years	-	-	-	-
Total	-	-	310,528,156	100%

Kenya Tanzania Power Interconnection Project (Kenyan Component)
Annual Report and Financial Statements For the financial year ended 30 June, 2025

Notes to the financial statements (continued)

11. Cash Generated from Operations

Description	2024/2025
	Kshs
Surplus/Deficit for the year	519,915,212
Adjusted for:	
Working capital adjustments	
Increase in receivables	-
Increase in deferred income	-
Decrease in payables	
Increase in payments received in advance	-
Net cash flow from operating activities	519,915,212

12. 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	16,450,000
Total	16,450,000

Kenya Tanzania Power Interconnection Project (Kenyan Component)
Annual Report and Financial Statements For the financial year ended 30 June, 2025

Notes to the financial statements (continued)

13. Events after the Reporting Period

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

14. 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.

15. Currency

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

Kenya Tanzania Power Interconnection Project (Kenyan Component)
Annual Report and Financial Statements For the financial year ended 30 June, 2025

13. Annexes

Annex 1: Prior Year Auditor-General's Recommendations

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe :
Budget and Budgetary Control	The statement of comparative budget and actual amounts reflects total receipt budget of Kshs.1,418,337,662 against actual receipts of Kshs.791,994,786, resulting to under-funding of	<p>1. Underfunding</p> <p>The total underfunding of Kshs. 626,342,876 is attributable to the following components:</p> <p>a. Non-receipt of Quarter 4 Exchequer Releases of Kshs. 96,337,662 which was part of the approved budget but had not been received by KETRACO from the National Treasury as at 30th June 2024. The shortfall directly contributed to the funding gap.</p> <p>b. First Charge of Kshs. 95,934,149 that.</p> <p>c. Loan AIA – Kshs. 434,071,065, the financial statements have been prepared on cash basis and direct payments mode recognizes revenue after invoices have been paid directly to the contractor by ADB.</p> <p>The Kshs. 434,071,065 includes:</p> <p>Kshs. 111,026,670 relating to invoices that were still undergoing processing at year-end and had not been settled by 30th June 2024. This pending amount is disclosed in Note 1 – Other Important Disclosures.</p>	Resolved	October 2025

Kenya Tanzania Power Interconnection Project (Kenyan Component)
Annual Report and Financial Statements For the financial year ended 30 June, 2025

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe :										
	<p>Kshs.626,342,876 or approximately 46%. Further, the statement reflects final expenditure budget of Kshs.1,418,337,662 against actual expenditure totalling Kshs. 626,342,876 or approximately 46%. Further, the statement reflects actual</p>	<p>The balance relates to retention amounts that were expected to be certified at project completion stage. However, certification had not been finalized within the financial year.</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th colspan="2" style="text-align: center;">Underfunding Breakdown</th> </tr> </thead> <tbody> <tr> <td>Undisbursed GOK funds</td> <td style="text-align: right;">96,337,662.00</td> </tr> <tr> <td>First-Charge Treatment</td> <td style="text-align: right;">95,934,149.38</td> </tr> <tr> <td>Loan AIA - ADB</td> <td style="text-align: right;">434,071,065.09</td> </tr> <tr> <td>Total</td> <td style="text-align: right;">626,342,876.47</td> </tr> </tbody> </table> <p>2. Under-Expenditure The under-expenditure during the financial year is mainly attributed to:</p> <p>a. Non-receipt of Budgeted Funds (Q4 Exchequer) The unreceived Kshs. 96,337,662 from the National Treasury affected cash flow and hindered utilization of the same.</p> <p>b. Reduced Project Activity The project was in its completion phase, with limited remaining activities. This slowdown in physical progress led to reduced expenditure levels.</p>	Underfunding Breakdown		Undisbursed GOK funds	96,337,662.00	First-Charge Treatment	95,934,149.38	Loan AIA - ADB	434,071,065.09	Total	626,342,876.47		
Underfunding Breakdown														
Undisbursed GOK funds	96,337,662.00													
First-Charge Treatment	95,934,149.38													
Loan AIA - ADB	434,071,065.09													
Total	626,342,876.47													

Kenya Tanzania Power Interconnection Project (Kenyan Component)
Annual Report and Financial Statements For the financial year ended 30 June, 2025

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe
	transfer from KETRACO receipt on comparable basis amounting to Kshs. 44,191,638 which was not budgeted for. The underutilization of funds could have impacted negatively in the service delivery and completion of budgeted	<p>c. Pending Certification of Retentions</p> <p>Final retention amounts had not been invoiced since the completion and operational acceptance certificates were still under review.</p> <p>Kshs. 44,191,638 was transferred by KETRACO to the project to meet commitments made in anticipation of the above Q4 disbursement. this amount had been budgeted for.</p> <p>KETRACO has been actively engaging the National Treasury to seek additional budget allocation. The project has since been completed.</p>		

Kenya Tanzania Power Interconnection Project (Kenyan Component)
Annual Report and Financial Statements For the financial year ended 30 June, 2025

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe :
	activities outlined in the project program.			
Long Outstanding Pending Bills	Annex 4 to the financial statements reflects other pending bills totaling Kshs. 117,564,684. Review of records available revealed that the amount includes Kshs. 32,533,652 which had	As reported in Annex 4 to the financial statements, the total outstanding wayleave compensation amounts to Kshs. 117,564,684. This includes Kshs. 32,533,652 disclosed under Note 2, which relates to certified amounts. An asterisk in Annex 4 indicates this disclosure. These certified amounts were pending due to the undisbursed GOK funds of Kshs. 96,337,662 that had been budgeted for and payments awaiting full documentation for processing. Of the certified amounts, Kshs. 4,198,200 has since been settled in FY 2024/2025. KETRACO has been engaging the National Treasury for additional budget support. The remaining Kshs. 85,031,032 relates to uncertified amounts. These will be processed once certification, full documentation, and project budget allocation are in place. Budget Allocation Update.	Partially Resolved	June 2026

Kenya Tanzania Power Interconnection Project (Kenyan Component)
Annual Report and Financial Statements For the financial year ended 30 June, 2025

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe
	been approved and certified for payment in the previous year but was not paid. No explanation was provided for the failure to pay. This is contrary to Regulation 42 (1)(a) of the Public Finance Management (National Government) Regulations, 2015 which states that debt	The project was initially allocated Kshs. 33 million in FY 2024/2025, which was later revised to Kshs. 19 million. For FY 2025/2026, the allocation is Kshs. 45 million, it is expected that further settlement of pending compensation obligations will take place once these budgeted funds are disbursed.		

Kenya Tanzania Power Interconnection Project (Kenyan Component)
Annual Report and Financial Statements For the financial year ended 30 June, 2025

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe :
	<p>service payments shall be a first charge on the consolidated fund and the Accounting Officer shall ensure this is done to the extent possible that the government does not default on debt obligations. Management attributed failure to pay the amount to</p>			

Kenya Tanzania Power Interconnection Project (Kenyan Component)
Annual Report and Financial Statements For the financial year ended 30 June, 2025

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe :
	<p>lack of budgetary allocation and disbursement from the National Treasury.</p> <p>Further, other important disclosures Note 2 to the financial statements reflects other pending payables totaling Kshs. 32,533,652. However, the</p>			

Kenya Tanzania Power Interconnection Project (Kenyan Component)
Annual Report and Financial Statements For the financial year ended 30 June, 2025

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe :
	<p>amount differs with the other pending payables totalling Kshs. 117,564,684 reflected in Annex 4 to the financial statements resulting in a variance of Kshs. 85,031,032. Management explained that the variance relates to wayleave compensations</p>			

Kenya Tanzania Power Interconnection Project (Kenyan Component)
Annual Report and Financial Statements For the financial year ended 30 June, 2025

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe :
	<p>which had not been certified.</p> <p>Failure to settle bills during the year they relate to distorts the financial statements and adversely affects the budgetary provision of the subsequent year as they form the first charge.</p>			

Kenya Tanzania Power Interconnection Project (Kenyan Component)
Annual Report and Financial Statements For the financial year ended 30 June, 2025

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe :
Unresolved Prior Year Matters	In the audit report of the previous year, eight (8) issues were raised under Other Matter, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance, Although Management has indicated that some of the issues have been resolved under	As noted in Annex 1 to the financial statements, the matters were resolved except for three items that are ongoing, and the company is working on resolving them.	Partially Resolved	June 2026

**Kenya Tanzania Power Interconnection Project (Kenyan Component)
Annual Report and Financial Statements For the financial year ended 30 June, 2025**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe :														
	progress on follow-up of the auditor's recommendation section of the financial statements, the matters remained unresolved as at 30 June, 2024.																	
Irregular Wayleave Compensation	The statements of receipts and payments reflects acquisition of non-financial assets totalling to Kshs 719,241,072. The amount includes	<p>The Initial line route survey had Mailua/1764,1765,1766 and 1767 affected by the wayleave corridor as indicated in the gazette notice number 3890 of 21st April 2017. During construction a slight shift occurred in the line route affecting only mailua/1763 and 1764 and avoiding Mailua1765, 1766 and 1767.</p> <p>When the error was realized, refund notices were issued to the landowners as per Section 116 of the Land Act, 2019. The matter was also escalated to our Security department for follow-up on the refund.</p> <p>Details of the three parcels are tabulated below.</p> <table border="1" data-bbox="660 1273 1697 1433"> <thead> <tr> <th data-bbox="660 1273 698 1433"></th> <th data-bbox="698 1273 958 1433">NAME</th> <th data-bbox="958 1273 1093 1433">ID</th> <th data-bbox="1093 1273 1189 1433">PAC EL</th> <th data-bbox="1189 1273 1332 1433">LOCATI ON</th> <th data-bbox="1332 1273 1478 1433">AMOUN T</th> <th data-bbox="1478 1273 1697 1433">PHONE NUMBER</th> </tr> </thead> <tbody> <tr> <td data-bbox="660 1433 698 1439"></td> <td data-bbox="698 1433 958 1439"></td> <td data-bbox="958 1433 1093 1439"></td> <td data-bbox="1093 1433 1189 1439"></td> <td data-bbox="1189 1433 1332 1439"></td> <td data-bbox="1332 1433 1478 1439"></td> <td data-bbox="1478 1433 1697 1439"></td> </tr> </tbody> </table>		NAME	ID	PAC EL	LOCATI ON	AMOUN T	PHONE NUMBER									
	NAME	ID	PAC EL	LOCATI ON	AMOUN T	PHONE NUMBER												

Kenya Tanzania Power Interconnection Project (Kenyan Component)
Annual Report and Financial Statements For the financial year ended 30 June, 2025

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments							Status:	Timeframe :	
	wayleaves amounting to Kshs.1,800,000 as reflected in Note 5 to the financial statements. Review of records revealed that the wayleaves totalling Kshs 1,750,457 was paid for three (3) parcel land which were not affected. This was attributed to wrong initial										
		1	Hellene Namisi	Rafaela	2196680	2	1766	Mailua	6	1,010,04	0733348451
		2	Hellene Namisi	Rafaela	2196680	2	1767	Mailua		570,208	0733348451
		3	Betty Obonyo	Chuma	200059	27	1765	Mailua	170,203		0722255206
		The Kshs.1,810,000 as reflected in Note 5 to the financial statements relates to the payments settled in the financial year under review and the payments were fully supported.									

Kenya Tanzania Power Interconnection Project (Kenyan Component)
Annual Report and Financial Statements For the financial year ended 30 June, 2025

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe :
	<p>survey based on Geo-referenced Registry Index (RIMs) which recorded wrong parcel numbers as affected by wayleave. However, no evidence of the refund of the erroneous payments to the parcel owners was provided for audit.</p>			

Kenya Tanzania Power Interconnection Project (Kenyan Component)
Annual Report and Financial Statements For the financial year ended 30 June, 2025

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe :
	In the circumstances, value for money for the funds spent on the Project may not have been achieved.			
Failure to Operate Bank Account for the Project	The statement of financial Assets and liabilities reflects NIL cash and cash equivalents as further disclosed in Note 6 to the financial	<p>Cognizant of section 76 (1) under the Public Finance Management Regulations, the specific section relates to management of grants and donations. (Donor Funds)</p> <p>The project is financed by Africa Development Bank and funds received from this financing are settled through direct payment.</p> <p>The project counterpart funding is financed by GoK and funds disbursed through the Ministry to the Company's development bank account (KCB a/c 1111251622)</p> <p>The development bank account (KCB a/c 1111251622) is duly approved by The National Treasury.</p> <p>The Project Development account only holds GoK counterpart funding for various projects and is reconciled periodically.</p>		

Kenya Tanzania Power Interconnection Project (Kenyan Component)
Annual Report and Financial Statements For the financial year ended 30 June, 2025

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe :
	<p>statements.</p> <p>However, as reported in the previous year, a separate bank account for the project is not maintained.</p> <p>This as contrary to Regulation 76(1) of the Public Finance Management (National Government) Regulations, 2015 which provides that</p>			

Kenya Tanzania Power Interconnection Project (Kenyan Component)
Annual Report and Financial Statements For the financial year ended 30 June, 2025

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe :
	<p>for the purpose of disbursement of project funds, there shall be opened and maintained a project account for every project at the Central Bank of Kenya.</p> <p>In the circumstances, Management was in breach of the law.</p>			

Kenya Tanzania Power Interconnection Project (Kenyan Component)
Annual Report and Financial Statements For the financial year ended 30 June, 2025

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



 Eng. Kipkemoi Kibias

Ag. Managing Director/CEO



 Eng. Justin Muna

Ag. General Manager, Design &
Construction

Kenya Tanzania Power Interconnection Project (Kenyan Component)
Annual Report and Financial Statements For the financial year ended 30 June, 2025

Annex 2: Reconciliation of inter-entity transfers

Project Name: Project Name: Kenya Tanzania Power Interconnection Project (Kenyan Component)				
Break down of transfers				
A.	Government Counterpart funding			
		Bank Statement Date	Amount (Kshs)	
			16,450,000.00	2024/2025
		Total	16,450,000.00	
B.	Direct payments			
		05/08/2024	41,794,663	2024/2025
		06/08/2024	14,037,077	2024/2025
		15/08/2024	38,788,800	2024/2025
		15/08/2024	1,831,468	2024/2025
		07/10/2024	8,257,352	2024/2025
		07/10/2024	31,959,921	2024/2025
		07/10/2024	136,363,027	2024/2025
		07/10/2024	135,689,247	2024/2025
		07/10/2024	7,451,184	2024/2025
		09/10/2024	40,390,884	2024/2025
		09/10/2024	33,314,710	2024/2025
		09/10/2024	5,149,451	2024/2025
		Total	495,027,790	
C.	Others			
		31/12/2024	126,481	2024/2025
		28/02/2025	1,200,000	2024/2025
		31/10/2024	153,491	2024/2025
		28/02/2025	6,957,448	2024/2025
		Total	8,437,421	
		Total (A+B+C)	519,915,212	

**Kenya Tanzania Power Interconnection Project (Kenyan Component)
Annual Report and Financial Statements For the financial year ended 30 June, 2025**

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



.....
Eng. Kipkemoi Kibias

Ag. Managing Director/CEO



.....
Eng. Justin Muna

Ag. General Manager, Design &
Construction

Kenya Tanzania Power Interconnection Project (Kenyan Component)
Annual Report and Financial Statements For the financial year ended 30 June, 2025

Annex 3: Fixed Asset Register

Asset class	Historical Cost b/f	Additions during the year	Disposals during the year	Transfers in/(out) during the year	Historical Cost c/f
	(Kshs)	(Kshs)	(Kshs)		(Kshs)
	2023/2024				2024/2025
Work in Progress	5,443,992,680	923,926,805			6,367,919,485
Total	5,443,992,680	923,926,805	-	-	6,367,919,485