REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

FOR THE YEAR ENDED 30 JUNE, 2023

KETRACO

KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED (KETRACO)

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED

30 JUNE 2023

Prepared in accordance with the International Financial Reporting Standards (IFRS)

KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

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CORPORATE INFORMATION
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BACKGROUND INFORMATION

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

PRINCIPAL ACTIVITY

The principal activity of the Company is to design, construct, operate and maintain electricity transmission infrastructure that forms the backbone of Kenya's National Transmission Grid, build interconnectors to facilitate regional power trade, and to wheel electricity to The Kenya Power and Lighting Company Limited and other end users from generators who produce power in bulk. The Company vision is to develop stable powergrid that will transform lives in the region and beyond. The mission is to provide a stable electricity grid and facilitate power trade for sustainable socio-economic development.

DIRECTORS

Capt. Mohamed M. Abdi	Chairman
Dr (Eng) John Mativo, MBS	Managing Director & CEO
Prof. Njuguna Ndung'u, CBS	Cabinet Secretary, National Treasury and Economic Planning
Mr. Alex K. Wachira	Principal Secretary, Ministry of Energy & Petroleum
Ms. Janerose Gatwiri Gitobu	Director
Eng. Michael B Malomba	Director
Ms. Mercylynate Chepkirui Rotich	Director
Ms. Judith Khamala Nyauncho	Director
CPA, CS, Hon. Kirwa Stephen Bitok	Director
Mr. Duncan Ndegwa Gathege	Alternate to Prof Njuguna Nd'ungu CBS
Eng. Thomas Karungu	Alternate to Alex K. Wachira

SECRETARY

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

PRINCIPAL OFFICE

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

CORPORATE INFORMATION (Continued)
FOR THE YEAR ENDED 30 JUNE 2023

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

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

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

National Bank of Kenya
Harambee Ave
P. O. Box 72866 - 00200
Nairobi

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

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

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

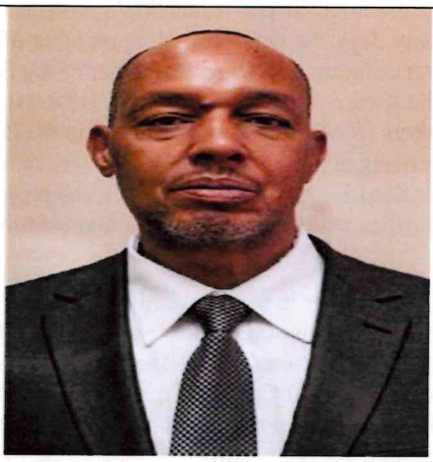
PRINCIPAL LEGAL ADVISORS
The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

ACRONYMS AND GLOSSARY OF TERMS

IFRS	International Financial Reporting Standards
KETRACO	Kenya Electricity Transmission Company Limited
KPLC	Kenya Power and Lighting Company Limited
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board

KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

THE BOARD OF DIRECTORS

	**Capt. Mohamed M. Abdi - Chairman, Independent and Non-executive** Capt. Mohamed M. Abdi was appointed Chairman of KETRACO Board of Directors on 5th February 2024. He has over 30 years of experience in the Aviation, Government of Kenya (Kenya Air Force) Industry and a professional member of Kenya Airline Pilots Association (KALPA). He has Master of Business Administration, Aviation Moi University and an ongoing Master of Arts in Sustainable Human Development from Catholic University of Eastern Africa. He holds a bachelor's degree, Bachelor of Arts, in Sustainable Human Development from Catholic University of Eastern Africa. Capt. Abdi is the Executive Chairman Board of Directors at the Skyward Express Limited. A visionary leader who is results driven with extensive experience in Aviation, proven success in leadership and a track record of driving business growth.
	**Dr. (Eng.) John M. Mativo, CE, FIEK- Managing Director** Dr. (Eng.) John Mativo, CE holds a Doctorate (PhD) degree in Civil Engineering from Tokyo Metropolitan University (Japan), a Master's degree in Structural Engineering from Tongji University (China), and a bachelor's degree in civil engineering from the University of Nairobi. He has over 25 years working experience in both the public and private sector accumulating extensive experience in research, planning, design, construction supervision and contract management for transmission infrastructure, residential houses, office blocks and marine structures. Prior to joining KETRACO, Eng. Mativo worked with H.P. Gauff Consulting Engineer, Ministry of Roads and Public Works and later as a Consultant for European Union -funded projects in the Local Government. He is also a Professional Engineer with the Engineers Board of Kenya and a Fellow Member of the Institution of Engineers of Kenya.
	**Mr. Alex Kamau Wachira Principal Secretary, State Department for Energy, Independent and Non-executive** Mr. Alex Kamau Wachira is the Principal Secretary for the State Department for Energy. He joins the Ministry of Energy with a wealth of experience from the private sector where he worked variously as an investment banker. His latest assignment was with Faida Investment Bank where he traded and structured Treasury bonds and Corporate bonds at the Nairobi Stock Exchange (NSE). Other assignments include working with Dyer & Blair Investment Bank and Genghis Capital limited in the same capacity.

<table>
<tr><td></td><td>PS Wachira has served in various leadership's positions right from his university days. He was a founding member of the Bonds Market Association as well as a member of the Steering Committee of the Kenya Association of Stock Brokers and Investment Bankers (KASIB). His contribution to the Bond's market saw him being appointed to the Central Depository Project at the Central Bank of Kenya (CBK). In 2021, the project dealt in government securities worth 900 billion, the highest turnover ever in Kenya.

The PS launched his career in the financial sector after participating in the issuance of the Safaricom IPO in 2008 where he interned. He had prior completed a Bsc Degree course from the University of Nairobi. At Campus, he served as the Secretary General NUNSA and Treasurer for the Confederation of Medical Students Association. He is currently pursuing an MA in Leadership at Pan African Christian University.
A strong believer in servant leadership through community engagement and development, in that position, the PS was able to spearhead initiatives such, as free medical camps for Cancer Screening, Tree planting, Youth Mentorship Programmes, and Sports Tournaments among others. Born and bred in Kieni Constituency, Nyeri County, the PS is a family man who's strict up bringing is instrumental in shaping him into the person he is.</td></tr>
<tr><td></td><td>Prof. Njuguna Ndung'u, CBS, Cabinet Secretary, The National Treasury and Economic Planning, Independent and Non-executive

Prof. Njuguna Ndung'u is the Cabinet Secretary, National Treasury & Economic Planning. He was serving as the Executive Director of the African Economic Research Consortium (AERC), a Pan African premier capacity building network of researchers, trainers, students, universities, policy makers and international resource persons. He is an associate professor of economics at the University of Nairobi, Kenya and the immediate former Governor, Central Bank of Kenya.

Prof. Ndung'u has been a member of the Global Advisory Council of the World Economic Forum, Visiting Fellow of Practice at Blavatnik School of Government, Oxford University, Director of Training at AERC, Program specialist at IDRC and Team Leader in Macro-modelling at the Kenya Institute for Public Policy Research and Analysis. He holds a PhD in economics from University of Gothenburg, Sweden. He is a Member of Brookings Africa Growth Initiative, Member of the Advisory Committee of the Alliance for Financial Inclusion, that coordinates financial inclusion policies in Africa, Asia and Latin America, and Senior Advisor for the UNCDF-based Better Than Cash Alliance.</td></tr>
<tr><td></td><td>Ms. Janerose Gatwiri Gitobu- Independent Director

Janerose Gatwiri is a highly skilled banking and finance professional with over (9) years' experience in accounting and Finance functions. She has over (7) seven years' experience in business management, undergraduate programs lecturing, training, research and consultancy services aimed at improving education and students' performance.

She holds a Master's degree in Business Administration, (Finance) and a Bachelors of Business Administration (Accounting and Finance) both from the Kenya Methodist University. Ms. Gatwiri is currently the Managing Director of Rosag Enterprises where she oversees building and construction, general supplies and farming.</td></tr>
</table>

Ms. Gatwiri has also previously worked for Equity Bank under various posts including Senior Relationship Office.

Eng. Michael B. Malomba- Independent Director

Eng. Michael Boybanda Malomba is an agriculture engineer with several years of vast experience in storage and processing of agriculture products. As an esteemed agricultural engineer, Malomba has helped build capacities in workers under his supervision and has spearheaded various project areas in his profession including power supplies, machine efficiency, use of structures and facilities, pollution and environmental issues as well as storage and processed of agricultural products.

Mr. Malomba has previously worked as a Senior Engineer at Waridi limited Athi-River, where he was in charge of irrigation and fertigation and as a Chief Executive Officer and Director at Uhuru Management Services (UK) Limited.
He is a Life member of the Kenya Red Cross Society (KRCS) Bungoma County Branch, Director of Chamber of Commerce Bungoma Chapter representing people living with disabilities (PWDs), a member of the County forum PWDs and a member of the Jumbo Charge 4 by 4 - a charity organization concerned with afforestation program in Mt. Elgon Forests.

As a life Member of KRCS, Eng. Malomba has volunteered for humanitarian organizations supporting vulnerable communities in provision of food and non-food items especially during the hit of the nouvelle Covid 19.

Ms. Mercylynate Chepkirui Rotich- Independent Director

Mercylynate is a Seasoned Management Professional with over Twenty years of experience in Strategic Management, Turnaround Strategies, Organizational Change and Marketing Management. She has built a successful career in providing exceptional service through her effort and commitment to high performance by continuously enhancing her knowledge and best practice in leadership. She is results oriented and with her grit and resilience, her track record is demonstrated in successful integration of organization strategy and performance management systems.

Currently, she serves as the Managing Director Prime Tea Limited, a member of the East African Tea Trade Association (EATTA). Prior to that she served as a Consultant in functional areas of (Strategic Planning & Implementation, Planning & Execution of Corporate Turnaround, Managing Change in Organizations and Marketing Management. She also served as the Executive Secretary of the Purple & Specialty Tea Association of Kenya (PSTAK) and as a Production Manager at the Kenya Tea Development Agency (KTDA). She has been actively involved in community work involving women leaders that support young adults.

Mercylynate holds a Master of Business Administration (MBA) Degree in Strategic Management from the University of Nairobi, First Class Honors in Bachelor of Business Management (BBM) from the University of Mysore and Post Graduate Diploma in Marketing Management from the Kenya Institute of Management (KIM).

KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

THE BOARD OF DIRECTORS

	**Mr. Duncan Ndegwa Gathege- Alternate Director to the Cabinet Secretary, National Treasury & Economic Planning** Mr. Duncan Ndegwa is currently the Personal Assistant to the Cabinet Secretary, National Treasury and Economic Planning. He has previously worked at Kenya Revenue Authority (KRA) as a Senior Statistical Analyst from 2016. During his time there, he gained invaluable knowledge in data mining and advanced data analytics to aid management in decision-making. Additionally, Mr. Duncan has played a significant role in the entrenchment of the devolution process in Kenya where he worked as a Programme Officer in charge of Capacity Building at Transition Authority (TA) from 2013-2016. Transition Authority facilitated and coordinated the transition to devolved system of government as provided under section 15 of the Sixth Schedule to the Constitution. He holds a Master of Business Administration (Strategic Management) from the University of Nairobi, School of Business and a Bachelor degree in Arts and Social Sciences (Economics & Sociology) from Egerton University. Additionally, he has been trained in the field of advanced data analytics where he has developed a deep passion in application of analytics for predictive modelling and analyzing complex market dynamics to help organizations make strategic decisions.
	**Ms. Judith Khamala Nyauncho- Independent Director** Judith Khamala Nyauncho has wealth of experience in Business Management and Finance spanning over 25 years in both private and development sectors. She is particularly passionate in finance transformation. Locally, Ms. Nyauncho has served as a Business Analyst at the Nairobi Hospital and Finance Manager at the Federation of Women Lawyers in Kenya. At the global level, Judith has supported the Kenya diplomatic mission by fostering diplomatic relations with Germany, Bulgaria and Romania as well as African countries. Ms. Nyauncho holds a Masters in Business Administration from the Eastern and Southern African Management Institute (ESAMI) and a Bachelor of Commerce (double Major in Accounts and Business Management) from Daystar University.

KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

THE BOARD OF DIRECTORS

Eng. Thomas Karungu (Alternate Director toAlex Kamau Wachira), Non-independent and Non-executive

Eng. Thomas Karungu holds a Bachelor of Science degree in Mechanical Engineering from the University of Nairobi and a Masters degree in Infrastructure Management from Yokohama National University, Japan. He joined the Ministry of Energy in 2017 having previously worked at the Ministry of Roads and Public Works and in the Ministry of Industrialization.

He is a corporate member of the Institution of Engineers of Kenya and is registered as a Professional Engineer by the Engineer's Board of Kenya.

CPA, CS, Hon. Kirwa Stephen Bitok- Independent Director

Hon. Kirwa Stephen Bitok is a highly accomplished professional with a remarkable track record in policy formulation and implementation, development and implementation of internal control systems and human resource management. He is adept in audit skills and management, strategic and business planning and financial management and analysis.

Hon Bitok possesses solid academic qualifications, including an ongoing Ph.D. in Finance at Kabarak University, a Masters degree in Business Administration in Finance and a Bachelor of Business Administration in Accounting & Finance from Kenya Methodist University.

Hon. Bitok has had an impressive career that spans various sectors. He has held leadership positions, demonstrating exceptional decision-making skills and driving organizational success. He has previously served as a Council Member at Kisii University and represented Mosop Constituency in the 11th Parliament of the Republic of Kenya. In addition, he has served as the Principal Finance Officer at Eldoret National Polytechnic where he played a major role in the Implementation of financial/accounting systems for the institution in compliance with the Ministry of Higher Education reporting standards. He was in charge of overseeing and guiding the implementation of projects from a financial perspective including monitoring, analyzing performance and facilitating audit.
Hon. Bitok is Certified Public Accountant (K), Certified Secretaries (K) as well as a Certified Credit Professional (2).

Ms. Lydia Wanja – Company Secretary & Ag General Manager, Legal Services, Non-Independent and Executive

Lydia Wanja holds a Masters degree from the University of London majoring in Corporate Governance and International Commercial Arbitration. She holds two Postgraduate Diplomas, the first in Corporate Law from the University of London and the second in Legal Studies from the Kenya School of Law, along with a postgraduate Certificate in Corporate Law from the University of London. Additionally, she holds an LLB degree from the University of Nairobi.

Lydia is an advocate of the High Court of Kenya with over 25 years of experience both in private and public sectors. She is a Company Secretary and a life member of the Institute of Certified Secretaries

THE BOARD OF DIRECTORS

	(ICS). She is also a member of Law Society of Kenya (LSK) and East Africa Law Society (EALS). Lydia played a crucial role in the operationalization of the Legal function after commencement of KETRACO operations in 2010. She initially served as the Chief Legal Officer and later assumed the role of Manager, Legal Services, a position she presently holds concurrently serving as the Ag. Company Secretary & General Manager, Legal Services.

THE MANAGEMENT TEAM

Dr. (Eng.) John M. Mativo, MBS- Managing Director

Dr. (Eng.) John Mativo, MBS holds a Doctorate (PhD) degree in Civil Engineering from Tokyo Metropolitan University (Japan), a Master's degree in Structural Engineering from Tongji University (China), and a Bachelor's degree in Civil Engineering from the University of Nairobi.

He has over 25 years working experience in both the public and private sector accumulating extensive experience in research, planning, design, construction supervision and contract management for transmission infrastructure, residential houses, office blocks and marine structures.

Prior to joining KETRACO, Eng. Mativo worked with H.P. Gauff Consulting Engineer, Ministry of Roads and Public Works and later as a Consultant for European Union -funded projects in the Local Government.

He is also a Professional Engineer with the Engineers Board of Kenya and a Fellow Member of the Institution of Engineers of Kenya.

Eng. Kipkemoi Kibias
General Manager, Operations & Maintenance

Eng. Kipkemoi Kibias is a seasoned Engineer with over 17 years in the Power Sector. His expertise includes design and construction, power system planning, operation and maintenance. He is passionate about Power Systems & Renewable energy.

He holds a Bachelor of Science in Electrical & Electronics Engineering from Jomo Kenyatta University of Agriculture, Master in Business Administration (Strategic Mgt.) from Catholic University of Eastern Africa, Masters in Nuclear Power Plant Engineering from KEPCO International Nuclear Graduate School – KINGS, Ulsan, South Korea, and currently pursuing Doctor of Philosophy in Energy Studies at Moi University. He is registered with the Engineers Board of Kenya as a professional engineer, a member of the Institution of Engineers of Kenya (IEK), and an alternate member of the inspection and acceptance committee.

Prior to joining Kenya Electricity Transmission Company Limited, (KETRACO) as General Manager, System Operations & Power Management, he worked in various capacities including Design & Construction, Power System Planning, Operation and Maintenance, Regional Coordination at Kenya Power.

CPA Tom Imbo
General Manager, Finance

CPA Tom Imbo holds a Master of Business Administration-Finance and a Bachelor of Education (Economics, Business Administration) degrees from Kenyatta University. He is a certified Public Accountant of Kenya (CPA, K) and served as a member of Member Services Committee of ICPAK.

CPA Imbo has over 20 years' experience in financial management in the private and public sectors. Prior to joining KETRACO he was the Head of Management Accounts at United States International University (USIU).

KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

THE MANAGEMENT TEAM

	**Eng. Anthony Mwendwa Musyoka, CE- General Manager, Project Development Services** Eng. Anthony Mwendwa Musyoka holds a Masters degree in Electrical Power Systems from University of Bath (UK), Masters in Business Administration (MBA) from University of Nairobi and a Bachelor's degree in Electrical Engineering from University of Nairobi. He has over thirty (30) years working experience in the public sector gaining wealth of experience in planning, project preparation, system studies, design, construction supervision and contract management, commissioning and operation & maintenance in generation, transmission, and distribution infrastructure. Prior to joining KETRACO, Eng. Musyoka worked in KPLC as the Chief Engineer, Project in Energy Sector Recovery Programme (ESRP) department. He is a Consulting Engineer with Engineers Board of Kenya and a corporate member of the Institution of Engineers of Kenya. He is a certified PPP Professional (CP3P).
	**Ms. Lydia Wanja – Company Secretary & Ag General Manager, Legal Services, Non-Independent and Executive** Lydia Wanja holds a Masters degree from the University of London majoring in Corporate Governance and International Commercial Arbitration. She holds two Postgraduate Diplomas, the first in Corporate Law from the University of London and the second in Legal Studies from the Kenya School of Law, along with a postgraduate Certificate in Corporate Law from the University of London. Additionally, she holds an LLB degree from the University of Nairobi. Lydia is an advocate of the High Court of Kenya with over 25 years of experience both in private and public sectors. She is a Company Secretary and a life member of the Institute of Certified Secretaries (ICS). She is also a member of Law Society of Kenya (LSK) and East Africa Law Society (EALS). Lydia played a crucial role in the operationalization of the Legal function after commencement of KETRACO operations in 2010. She initially served as the Chief Legal Officer and later assumed the role of Manager, Legal Services, a position she presently holds concurrently serving as the Ag. Company Secretary & General Manager, Legal Services.
	**Dr. Lawrence Njogu Kimando– General Manager, Strategy Research and Compliance** Dr. Lawrence Njogu Kimando Ph.D is a highly experienced Strategic Management professional with more than twenty years of hands-on experience in strategic analysis, research, entrepreneurship, monitoring & evaluation, among others. He has previously worked in ICT Authority as the Head of Corporate Planning, Research & Innovation as well as the National Sports fund and Goodit International Limited. He has published several academic journals and is a holder of Doctorate of Philosophy (Ph.D) in Entrepreneurship, Master of Science (Msc) in Entrepreneurship and Master of Business Administration (MBA - Strategic Management) from JKUAT. He is also a holder of Bachelor of Education (B.Ed) in Business Studies and Mathematics from the University of Nairobi.

THE MANAGEMENT TEAM

	Dr. Kimando is also a full member of Kenya Institute of Management (KIM) and Society of Educational Research and Evaluation in Kenya (SEREK)
	**CPA, Moses M. Mulonzia** **General Manager, Internal Audit** CPA Mulonzia is a Finance and Risk Management specialist with over 13 years' experience spanning both the private and public sector. He is an expert in Internal Audit, Risk Management, Financial Management, Fraud investigations and Information System Audit. Before joining KETRACO, he served as the Head of Internal Audit and Risk Management at Kenya Wildlife Service (KWS) where he was part of the turnaround management team. He was instrumental in institutionalization of Risk Management and Balanced Scorecard performance management system. He has also worked at Jubilee Insurance Company (K) Limited as an Internal Auditor, Data Centre and as Chief Accountant, United Insurance where he served in Finance and Internal Audit Departments. CPA Mulonzia holds a Bachelor of Commerce in Finance from Catholic University of Eastern Africa and a Master of Business Administration Strategic Management degree from Jomo Kenyatta University of Agriculture and Technology (JKUAT). He also holds a Diploma in Forensic Accounting among other Leadership and Integrity certificates. He is a Certified Public Accountant-CPA(K, Certified Information Systems Auditor (CISA) and a Certified Internal Auditor (CIA). He is also a member of Institute of Certified Public Accountants Kenya (ICPAK), Institute of Internal Auditors (IIA-K), Kenya Institute of Management (KIM) and Information Systems Audit and Control Association (ISACA).
	**Mr. Peter M. Njehia** **Senior Manager, Supply Chain** Mr. Njehia has a Bachelor of Arts and Master in Business Administration degrees from Egerton University, Post Graduate diploma in Supply Chain Management from Jomo Kenyatta University of Agriculture and Technology (JKUAT), as well as a professional Procurement and Supply Management Diploma (CIPS). He has previously worked as a Procurement Officer at Egerton University, Head of Supply Chain at the Laikipia University and Head of Supply Chain Management at the National Environment Management Authority (NEMA). He has been instrumental in successful procurement and implementation of electricity transmission infrastructure projects in Kenya. He is a Licensed Supply Chain Management Practitioner by Kenya Institute of Supplies Management (KISM) and is a Member of KISM and Member of the Chartered Institute of Procurement and Supply (MCIPS).
	**Mrs. Regina Kemboi** **General Manager, Human Resource and Administration** Reginah is a Certified Human Resource Professional with over 20 years' experience. She has served the Company for over 8 years as Manager Administration, Ag. General Manager, Human Resource & Administration from 2019 to April 2021 when she was substantively appointed to the position. Prior to joining the Company, she worked as a Senior Administrative Officer at the Kenya Urban Roads Authority (KURA), Human Resource & Administration Officer at the Kenya Civil Aviation Authority (KCAA) and Kenya College of Communications and Technology (KCCT-Mbagathi) currently Multimedia University.

	She holds a Master of Business Administration (MBA - HR) from Moi University, Bachelor of Business Administration from Kenya Methodist University, Certified Human Resource Professional (CHRP) from Human Resource Management Professional Examination Board (HRMPEB), Higher Diploma in Human Resource Management from the Institute of Human Resource Management (IHRM) and Advance Management Programme (AMP) from Strathmore University. She is a licensed Human Resource Practitioner and member of the Institute of Human Resource Management (IHRM). (IHRM).
	**Eng. (CPA) Antony Wamukota, OGW – General Manager Design and Construction** Eng. Wamukota holds a Bachelor's degree in Civil Engineering from Jomo Kenyatta University of Agriculture & Technology (JKUAT) and is knowledgeable in accounting matters, having attained the CPA (Final) certificate. He has twenty (20) years cumulative working experience in the public sector where he has gained extensive experience in management of projects mainly funded by foreign development partners in the electricity subsector. He has previously worked with the Ministry of Roads and Public Works from 1998 to 2009 before joining KETRACO in 2010. He is registered by the Engineers Board of Kenya, (EBK) as a Professional Engineer and is a Corporate Member of the Institution of Engineers of Kenya, (IEK).

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 30 JUNE 2023

Ladies and gentlemen,

It is my pleasure to update you on the performance of the Company and to make a review of the economic, business , regulatory and political environment that we experienced in the financial year ended 30th June 2023.

Economic and Political Environment

The global economy has been struggling to cope with multiple shocks and economic uncertainties. The Financial Year proved to be a challenging one for us.
The devastating impact of COVID -19 pandemic that severely damaged major economic sectors, disrupted Kenyan society and worsened the country's debt burden, political volatility, climate change induced shocks and internal conflicts. Despite all these, the Company remained resilient and focused on delivering on its mandate.
In fact, the economic and social disruptions induced by the pandemic have eroded progress in progress in poverty reduction in Kenya.
We may have to live with these effects for the long haul, projecting a strong pointer to the year 2023/24 as likely to be most difficult for the global economy, in terms of economic recovery.
Multiple factors, including the ongoing Russia – Ukraine conflict, will consequently continue to affect the global supply chains, causing supply disruptions, surge on inflation and incomes for exporters in the region. Such experiences are likely to shorten policy makers' horizons leading to sub-optimal short term macroeconomic policies.
Effects of these factors are already being experienced in Kenya and in most of the low-income countries, with surges in commodity and food prices, effects of climate change, debts, and limited access to foreign finance. Both middle and high-income economies are reeling from a combination of hard-hitting factors that directly affect the cost of living. Kenya, like other world's poorest countries have been spending the lion share of their revenues on servicing debts. The low and middle – income economies are chocking from debt related risks.
A policy to facilitate gradual reduction of the overall fiscal deficit and the pace of debt accumulation over the medium term and effective liability management strategy will have to be supported by enhanced revenue mobilization and instituting austerity measures on expenditure and redirecting resources to finance priority programs.
Again, food security and climate change have caused severe crises , increased poverty, widening inequality and increased incidences of social conflicts due to competition for resources such as water and pasture.
Worth noting is the fact that despite initial fears based on Kenya's history of electoral violence, the August 2022 general election was relatively secure.

Project Portfolio

In the period under review, KETRACO completed and commissioned 1,350km of transmission lines, including 68km 132kV Olkaria-Narok transmission line, 1,282km 500kV HVDC Ethiopia-Kenya Interconnector and 220kV/66kV Athi River substation.

The completion of the Ethiopia-Kenya transmission line has enabled Kenya to import cheaper hydro power from Ethiopia and will later facilitate regional power trade in the Eastern Africa Power Pool (EAPP).

This will also enhance power transmission grids in the region. The completed 132kV Olkaria-Narok transmission line has connected Narok County and its environs to the high voltage grid thereby reinforcing the 33kV network in the area.

Energization of the 220/66kV Athi River substation has enabled utilization of power evacuated through Suswa substation and Kipeto wind farm thereby reinforcing the 66kV network in the Athi River industrial zone.

Further, considerable progress has also been achieved in the implementation of ongoing transmission projects, notably the 400kV Kenya-Tanzania Interconnector, the 400/220kV Mariakani substation, the system improvement and expansion projects and the system reinforcement substations. Figure 1 below highlights the growth in KETRACO's transmission network over the last five years.

Financial Performance

The Company's revenue in 2022/23 at Kshs 5,888 Millions was 16% increase in comparison to Kshs 4,944 Millions realized in 2021/22. This, against total operating expenses amounting to Kshs 10,316 Millions compared to Kshs 8,748 Millions in 2021/2022.
The asset base increased to Kshs 239,303 Millions in the year 2022/23 from Kshs 227,564 Millions recorded the previous year.

KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 30 JUNE 2023

Business Environment

Kenya's growth rate during the period under review remained in line with the country's long-term growth trajectory , even though it faced challenging global financial conditions ; fuel, food price shocks, and prolonged severe drought that affected the economy, especially in the second half of the FY.
Like many countries globally , Kenya faced inflationary pressures amid commodity price volatility, tightening global financing conditions that exerted pressure on the exchange rate and foreign exchange reserves. This was further aggravated by the worst drought that significantly affected food security impacting the lives of millions of livelihoods. Kenya's medium term GDP growth remained broadly in line with the pre-pandemic trend.
While Climate Change remains a major threat to Kenya's growth profile , global efforts to address Climate Change , especially reducing greenhouse gas emissions, also offer positive opportunities for the Kenyan economy. This calls for concerted efforts in decarbonizing the world. By maintaining low-carbon development path as it grows, Kenya could seize opportunities created by global trend to decarbonize economies.

Challenges

KETRACO experienced numerous challenges that have seen some of the projects delayed. Some of the leading challenges include vandalism of the transmission infrastructure and wayleaves acquisition.

Vandalism affects both completed and ongoing projects. To mitigate the challenge, KETRACO has publicized a toll-free number of 911 for the public to report any incidences or suspicion of vandalism. Besides, as a company, we have initiated the process of enhancing local intelligence gathering and community policing, an activity that will not only secure our assets, but also ensure the locals understand the importance of the transmission assets.
We are also working on a proposal for a multi-agency approach bringing together energy sector stakeholders, Ministry of Energy and Petroleum, Security and law enforcement agencies, scrap metal dealers, power consumers, manufacturers associations and the media among others to evolve strategies to bring the menace under control with a possibility of suffocating all possible market opportunities.
Wayleave acquisition remains a major challenge. This challenge can be mitigated by continuously engaging the National Treasury for adequate budgetary allocation and timely disbursement of resources, development partners for paroject financing, and the project affected persons to consider alternative dispute resolution mechanisms.

Outlook

KETRACO was established to plan, design, construct, own, operate, and maintain high voltage (132kV and above) electricity transmission grid and regional power interconnectors. In fulfilling the mandate, KETRACO has accomplished a great deal in terms of transmission infrastructure growth from 50kms in 2008 to approximately 5,476Kms of circuit length, 39 High Voltage substations with 5,950MVA capacity and thirty (30) bay extensions by June 2023.

These projects aim to evacuate power from generation points to areas of demand, strengthen power grid, enhance reliability, and connect previously unserved load centres through network expansion.

Acknowledgement

I wish to express my sincere appreciation to all our valued stakeholders, contractors, suppliers, and all, for their continued support, trust, and the unwavering confidence on us. My deepest appreciation to KETRACO management and staff for their selfless contributions, dedication, and hard work to ensure KETRACO delivers as national systems operator and regional interconnector.

The Board wishes to express our deepest appreciation to FCPA Fernandes Barasa, OGW who oversaw the Company's growth when he served as CEO over the last six years before his resignation to pursue other interests. He served with dedication and outstanding commitment and services.
Finally, I convey my deepest gratitude to fellow directors for their immense contributions, all time wise counsel, and confidence in the direction of this great Company.
Asanteni!

Capt. Mohamed M. Abdi

KETRACO was incorporated in December 2008 under the Company's Act Cap 486. Since its inception, the company has successfully carried out its core mandate of planning, designing, building, owning, operating, and maintaining high voltage transmission lines (132kV and above) in the country and regional power interconnectors. The aim is to meet varying electricity requirements in the country including power evacuation from generation points to areas of demand, strengthen the existing power grid, enhance reliability, and connect previously unserved load centres through network expansion.

Over the past four years, the transmission network owned by KETRACO has grown from 3,438KM in June 2019 to 5,476KM by June 2023, a 59.28% increment. At the same time, 39 new high voltage substations and 30 bay extensions have also been completed. In the period under review, KETRACO completed and commissioned 1,350km of transmission lines, including 68km 132kV Olkaria-Narok transmission line, 1,282km 500kV HVDC Ethiopia-Kenya Interconnector and 220kV/66kV Athi River substation. The completion of the Ethiopia-Kenya transmission line has enabled Kenya to import cheaper hydro power from Ethiopia and will later facilitate regional power trade in the Eastern Africa Power Pool (EAPP). This will also enhance power transmission grids in the region. The completed 132kV Olkaria-Narok transmission line has connected Narok county and its environs to the high voltage grid thereby reinforcing the 33kV network in the area.

Energization of the 220/66kV Athi River substation has enabled utilization of power evacuated through Suswa substation and Kipeto wind farm thereby reinforcing the 66kV network in the Athi River industrial zone. Further, significant progress has also been achieved in the implementation of ongoing transmission projects, notably the 400kV Kenya-Tanzania Interconnector, the 400/220kV Mariakani substation, the system improvement and expansion projects and the system reinforcement substations. Figure 1 below highlights the growth in KETRACO's transmission network over the last five years.

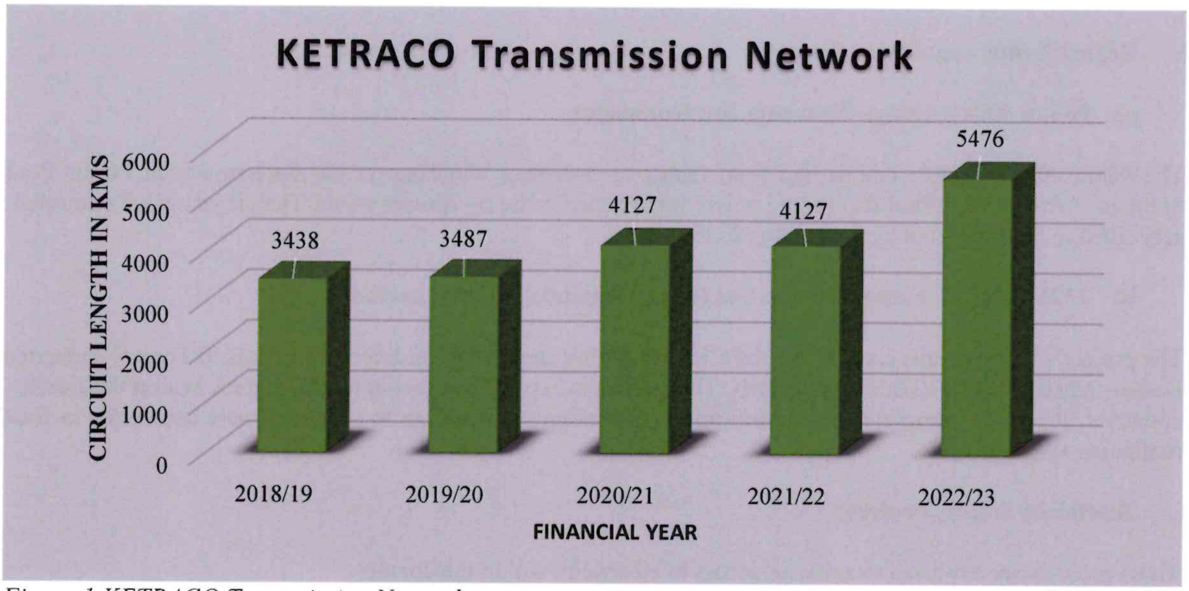


Figure 1 KETRACO Transmission Network

REPORT OF THE CHIEF EXECUTIVE OFFICER FOR THE YEAR ENDED 30 JUNE 2023

During the financial year 2022/2023 total assets increased to Kshs 239,303 Million as at June 2023 from Kshs 227,564 Million as at June 2022. At the same time projects budget for GoK counterpart funding and development partners funding was Kshs 1,324 Million and Kshs 14,340 Million respectively. During the period GOK disbursed Kshs 1,265 Million while development partners funding amounted to Kshs 8,258 Million. At the same time, various transmission projects were progressed at different levels of implementation. The details below is a summary of implementation progress of various ongoing transmission projects as of June 2023.

I. System Strengthening Projects

a) Nairobi Ring Associated Substations

The pending project scope entails construction of Kimuka and Malaa 220/66kV 2x200MVA substations which are 99% and 96% complete respectively and are scheduled to be completed by February 2024. After completion, the two substations will provide an alternative power supply to the Nairobi metropolitan region.

b) 400/220kV Mariakani Substation

The project involves the construction of a 400/220kV substation with 2x200MVA power transformers at Mariakani. Upon completion, the project is expected to link the 400kV Isinya substation via an upgraded 400kV Mombasa-Nairobi transmission line that is currently operating at 220kV. With the completion of the 500kV HVDC Ethiopia- Kenya transmission line, the project will ensure efficient utilization of the imported power through the 400kV Suswa-Isinya transmission line. Overall, the project is expected to improve the quality and reliability of power supply to the coastal region. The project is 96% complete and is scheduled to be completed by December 2023.

II. Regional Interconnection Projects

a) 96 km 400kV Kenya-Tanzania Interconnector

The 96km 400kV double circuit line from Isinya to Namanga will connect the Eastern Africa Power Pool to the Southern Africa Power Pool facilitating power trade between the two power pools. The project is 95% complete and is scheduled to be completed by September 2023.

b) 132km 400kV Lessos-Tororo line (Kenya-Uganda Interconnector)

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

III. Electricity Access Projects

These projects are expected to enhance access to electricity within the country.

a) 210km 132kV Power Transmission System Improvement Projects

These remaining projects sections include 65km Lessos-Kabarnet and 66km Kitui-Wote lines (single circuits) with substations at Kabarnet, Kitui and Wote. The projects will connect load centres of Kabarnet, Kitui and Wote to the national grid to improve access to reliable power. They are approximately 94% complete and are scheduled to be completed in 2023/24 financial year.

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

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

c) 21km 132kV Nanyuki 132kV Underground cable

The project scope involves construction of 16.8 km Nanyuki-Rumuruti double circuit and 4.2 km Nanyuki-Isiolo underground cables. The project aims at enabling the energization of Nanyuki-Rumuruti and Nanyuki-Isiolo projects, connecting the load centres of Isiolo and Rumuruti to the National Grid. This will improve the quality of power supply, meet growing demand and increase accessibility in Nanyuki, Isiolo and its environs. The construction of the underground cables is at 11% completion and is scheduled to be completed in 2023/24 financial year.

d) 96km 132kV Isinya – Namanga

The scope entails construction of a 96km single circuit line from Isinya to Namanga, with a 132/33kV substation at Namanga. The aim is to connect load centres of Isinya and Namanga and to improve access to reliable power. The project is 97% complete and is scheduled to be completed by March 2024.

e) 70km 132kV Nanyuki – Isiolo

The 70 km single circuit transmission line with 132/33kV substations at Nanyuki and Isiolo project will connect load centres of Isiolo to the National grid to improve access to reliable power and provide an alternative transmission supply route to Nanyuki. The project is 25% complete and is scheduled to be completed in 2023/24 financial year.

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

The projects scope entails construction of a 120km single circuit 132kV line from Sultan Hamud to Loitoktok and a 132/33kV substation at Oloitoktok. The project will connect the load centres of Loitoktok and Merueshi hence providing access to reliable power. The overall project progress is at 73% and is scheduled to be completed in FY 2023/24.

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

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

h) 67km, 132kV Rabai-New Bamburi-New Kilifi

The scope is to reconstruct and improve the 132kV single circuit line between Rabai and New Kilifi with a 132/33kV substation at Kilifi, with Bay extensions at Rabai and Bamburi. The project will increase power access through reinforcement of the grid in the coastal region. The project is 69% complete and is scheduled to be completed in 2024/25 financial year.

i) 50km 132kV Awendo- Isebania (Masaba)

The project, whose scope consists of construction of a 50km single circuit line from Awendo to Masaba and a 132/33kV substation at Masaba will enhance electricity access around Migori County and its surroundings. The project is 73% complete and is scheduled to be completed in FY 2023/24.

j) 45km 400kV Isinya-Konza

The project entails construction of a 45km 400kV double circuit line and a 400/132kV substation at Konza and is expected to increase access to reliable power at Konza, Isinya and environs. The project is 73% complete and is scheduled to be completed during 2023/24 financial year.

k) 150km 220kV Kamburu-Embu -Thika

The project comprises of a 150km 220kV double circuit line from Kamburu to Thika and new 220/132kV substations at Embu and Thika. The project aims to supply the loads of Embu (Kutus substation) and Thika from the Seven Forks Dams hydropower and create the North Eastern part of the 220kV network for the grid. This project is being implemented together with Uplands (Maai Mahiu) substation. When completed, the Maai Mahiu 132/66kV 2x60MVA substation will contribute to reduction in system losses arising from long 66kV lines.

IV. Planned Projects

KETRACO, in line with the Least Cost Power Development Plan (LCPDP), has developed a 20-year Transmission Masterplan indicating projects expected to be implemented to meet the sector requirements namely: projected electricity demand growth, evacuation of planned power generation and national Grid code requirements. The 2023-2042 plan identifies the need to expand the grid by 11,131km in circuit length of transmission lines and 18,866 MVA of transformation capacity by 2042. The total investments requirement for the Transmission Master Plan is estimated at USD 4,778 Million, out of which approximately USD 987 Million has been secured/committed through development partners' assistance and EPC + Financing framework and GoK.

The financing gap of approximately USD 3,791 Million will be financed through alternative financing methods such as Public Private Partnerships (PPPs) and assets monetization besides the traditional financing methods. In this regard therefore, KETRACO has initiated the PPP pilot programme. Some of the projects that have been considered under the Public Private Partnership procurement includes 73km 220kV Kisumu-Kakamega-Musaga and 179km 400kV Lessos-Loosuk which are under discussion with a possible proponent. Others that are under consideration include: 96km 220kV Rongai-Kerenget-Chemosit, 77km 220kV Kwale LILO (Mariakani/Dongo Kundu) -Kibuyuni, 206km 400kV Gilgil-Thika-Malaa-Konza, 145km 220kV Kiambere-Maua-Isiolo, 72km 132kV Githambo-Othaya-Kiganjo, 70km 132kV Menengai- Ol Kalou-Rumuruti, 7km 132kV Kipevu-Mbaraki and 7km 132kV Rabai-Kilifi T-off -Mtwapa.

V. System Operation

KETRACO having been designated as System Operator in 2021 by Energy and Petroleum Regulatory Authority (EPRA), is preparing to undertake this key function. Towards this objective, the Company has started the process of constructing an ultra-modern National System Control Centre (NSCC). Once completed, the NSCC will enhance KETRACO's capacity to coordinate and facilitate power exchange and trade through the grid and the regional power interconnectors. Further, it will guarantee power system operational safety, minimum energy losses, system stability and reliability. Lastly, KETRACO recognizes that operation and maintenance of the transmission infrastructure is key to ensuring availability, reliability and accessibility of clean, reliable and secure power supply. To fulfil this, the company continues to strengthen its capacity to undertake operation and maintenance function through recruitment and training and equipping the O&M teams with requisite tools, equipment and necessary spares.

VI. Conclusion

KETRACO is undertaking all these functions in line Kenya Vision 2030 and Bottom-up Economic Transformation Agenda (BETA). Towards this objective and in line with the Transformation Agenda, the Company will prioritize, implement, and operate several electricity transmission infrastructures in order to expand and strengthen the grid, evacuate generated power and interconnect with neighbouring countries in order to transform lives through a stable power grid in the region and beyond.

DR. (ENG.) JOHN MATIVO, MBS
MANAGING DIRECTOR & CEO

STATEMENT OF PERFOMANCE AGAINST PREDETERMINED OBJECTIVES FOR THE YEAR ENDED 30 JUNE 2023

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

During the period under review, KETRACO had 6 strategic themes and objectives within the Strategic Plan for the financial period 2018/19- 2022/23. These strategic themes are as follows:

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

KETRACO developed its annual work plans based on the above 6 themes. Assessment of the Company's performance against its annual work plan was done on a quarterly basis. KETRACO performance during the financial year 2022/2023 period for its 6 strategic is as indicated in the Table below:

Strategic Theme	Objective	Key Performance Indicators	Activities	Achievements
TRANSMISSION SYSTEM PLANNING AND DEVELOPMENT	To timely build a reliable, efficient, and effective electricity transmission infrastructure.	No. of PSS/E licenses	Procure and renew/upgrade system planning tools and licenses	Renewed CIGRE licence
		Number of staff trained	Develop capacity in system planning through training	27 staff were trained on Transmission system planning, PSS/E, FLEXTOOL, OSeMOSIS, Balmorel, PPP, Powerfactory, and Electromagnetic Transient and Harmonic analysis.
		Updated Transmission Master Plan	Develop and review Transmission Master Plan	Developed 2023-2042 TMP aligned to the Updated LCPDP
			Participate in updating LCPDPD and its MTP	LCPDP updated.
		Reports	Carry out pre-feasibility studies to develop project concepts.	Preparation of the pre-feasibility report for Kisumu-Bondo is ongoing
			Undertake feasibility studies	1. Mariakani/Dongo Kundu LILO: Report completed 2. Olkaria 1 AU-Olkaria IV/V 220kV: draft report completed 3. Garissa-Wajir (through Dadaab): Load forecast completed 4. Kitui-Mutomo-Kibwezi-Report completed 5. Loiyangalani Marsabit and Isiolo Marsabit TL: Report compilation ongoing 6. Sotik Kilgoris: desktop study completed

STATEMENT OF PERFOMANCE AGAINST PREDETERMINED OBJECTIVES
FOR THE YEAR ENDED 30 JUNE 2023

Strategic Theme	Objective	Key Performance Indicators	Activities	Achievements
				7. Suswa/NIP-Longonot-Olkaria VII 220kV 8. Longonot SS: draft report completed
			Undertake ESIA	1. 400kV Makindu Substation report completed 2. Mariakani-Dongo Kundu: report submitted to NEMA 3. Kamburu-Embu-Thika report completed
		Meetings	Liase with relevant authorities for synchronized planning of cross-border-interconnections.	5 meetings attended. Members of the market Committee, Operations Committee and Traders attended Eastern Africa Power Pool (EAPP) shadow trading meetings online and physical meetings in Harare Zimbabwe, Addis Ababa Ethiopia, Kigali Rwanda, and Zanzibar for capacity building on the regional trading platform developed by a consultant hired by the EAPP Secretariat.
			Sensitization and distribute notices	KETRACO Staff sensitized and distributed notices to project affected persons along the Embu-Kamburu-Thika and Rabi-Bamburi-Kilifi Transmission projects. Sensitization meetings to project affected persons along Olkaria-Narok, Awendo Isebania, DongoKundu- Mariakani, Turkwel-Ortum-Kitale and Thika-Githambo Transmission projects undertaken
		Cadastral strip	Undertake survey	297.53km of survey done on various lines: Sondu-Ndhiwa-Awendo, KPTEP, Ethiopia-Kenya, Kenya-Tanzania & Isinya - Namanga, KPTSIP, Lessos-Tororo, Olkaria-Lessos-Kisumu, Makindu LILO, Mariakani-Dongo Kundu, Rabai-Bamburi-Kilifi, Kamburu-Embu-Thika, Nanyuki-Isiolo-Meru.

STATEMENT OF PERFOMANCE AGAINST PREDETERMINED OBJECTIVES
FOR THE YEAR ENDED 30 JUNE 2023

Strategic Theme	Objective	Key Performance Indicators	Activities	Achievements
		No. of title deeds	Acquire substation land	1. Masaba substation: transfer documents lodged at the registry awaiting finalization 2. Sultan substation: Conversion of the tile from Registration of Title Act (RTA) to Registered Land Act (RLA) where KETRACO's 5 acres is to be excised is complete 3. 3. Gilgil (KALRO), Makindu, and Kitui Substations title acquired.
		Length (km) of HV lines constructed	Construct high voltage power transmission lines	1,350km of transmission lines were completed and commissioned. This comprised of 68km 132kV Olkaria-Narok transmission line and 1,282km 500kV HVDC Ethiopia-Kenya interconnector and 220/66kV Athi River substation. Further, 129.44km of high voltage lines were constructed: Lessos Kabarnet, Kenya-Tanzania, Isinya-Namanga, and Kitui-Wote.
TRANSMISSION SYSTEM OPERATION AND MAINTENANCE	To Effectively and Efficiently Operate and Maintain the Transmission Network	No. of staff trained	Train the staff in areas	7 SCADA personnel were trained on Siemens SICAM WINCC and HMI operations and maintenance at the Isinya 400kV substation. 5 staff attended training on PSS/E,
		No. of minutes	Participate in regional inter-connector meetings	Attended the bi-weekly meeting on preparation for commissioning and synchronization of the Shango Mbarara 220kV interconnector at Suswa Complex and online
		Availability level %	Provide transmission infrastructure performance as per the National Transmission Grid Code	99.7% transmission availability level provided.
		No. of armed police officers	Engage armed police security to safeguard transmission infrastructure	An additional 9 No. CIPU officers were engaged.

STATEMENT OF PERFOMANCE AGAINST PREDETERMINED OBJECTIVES
FOR THE YEAR ENDED 30 JUNE 2023

Strategic Theme	Objective	Key Performance Indicators	Activities	Achievements
		% of SCADA/EMS system availability	Maintain supervisory control and data acquisition/energy management system	99.05% SCADA/EMS system availability achieved
POWER MANAGEMENT	To Effectively and Efficiently Manage the Transmission System and Facilitate Power Trade	No. of models	Review and update wheeling charge/tariff models	Kenya-Tanzania wheeling tariff was presented to the stakeholders with draft wheeling agreement and accession agreement prepared 4 staff attended training on power market at SAPP through EAPP
FINANCIAL MOBILIZATION AND SUSTAINABILITY	To Mobilize and Efficiently Utilize Financial Resources Sustainably	Approved annual budget	Prepare annual budget and financing proposals and seek necessary approvals	Annual budget prepared as per budget cycle. The proposed budget for FY2023/24 was adopted and approved by the Board
		Reports on project requiring funding	Identify priority projects which require funding	Projects were identified in the Transmission Master Plan 2022-41
		No of financial audits conducted	Enhance internal control system by conducting financial audits	The company conducted an internal financial audit for internal controls.
		% level on disbursement	Monitor disbursement of funds during project implementation	Development budget for GOK counterpart funding and development partners funding was Ksh 1,325 Million and Ksh 14,340 Million respectively. During the period GOK disbursed Ksh 888 Million while development partners funding amounted to Ksh 8,256 Million, resulting into average disbursement of 62%.
ORGANIZATIONAL CAPACITY AND GOVERNANCE	To Strengthen and Enhance Effective Organizational Capacity	No. of policies procedures and manuals developed and implemented	Develop and implement the company's operational policies, manuals and procedures.	4 No. policies were developed, including The ICT Business Continuity and Disaster Recovery Policy, Contract Management guidelines, Innovation Policy, and Sexual Harassment Policy.
		Level of implementation	Adopt and implement job evaluation and staff rationalization report	85% of staff were transitioned in phase one of staff transitioning.
		Level of programmes implementation	Implement relevant training programme	262 No. staff were trained in the year and training reports received.

STATEMENT OF PERFOMANCE AGAINST PREDETERMINED OBJECTIVES
FOR THE YEAR ENDED 30 JUNE 2023

Strategic Theme	Objective	Key Performance Indicators	Activities	Achievements
		No. of signed contracts	Prepare and implement annual performance contract	2022/23 Performance Contract prepared, negotiated, vetted and implemented.
		Levels of compliance with PAS	Review and implement a performance appraisal system (PAS)	420 No staff submitted their performance appraisals
		No. of staff covered under healthcare scheme	Enhance health services	Medical scheme with Madison Insurance provided the insurance for the year. All staff were provided with medical cover. Medical wellness camp was held.
		% of staff registered in professional bodies	Facilitate staff membership in professional bodies	Professional fees for the year ending June 2023 paid with all registered staff in different professional bodies renewing their membership.
		Level of ISO certification progress	Acquire Occupational Health and Safety management System certification (ISO 45001)	Acquired ISO 45001:2018 certification in November 2022
STAKEHOLDER ENGAGEMENT AND PUBLICITY	To Strengthen Stakeholder Engagement and Enhance Corporate Image	Level of implementation	Develop and implement CSR agenda in consultation with stakeholders	Distribution of 2,000 tree seedlings along Rabai-Bamburi-Kilifi project project
			Develop and implement corporate communication strategy	Communication strategy implemented with following activities: media relations, planned publicity campaigns on complaints management, training on customer service photography and events.
			Review and implement and disseminate service delivery charter	Service delivery charters reviewed and displayed on ground, 4th and 5th floors at KETRACO HQ offices Charter displayed at entry points in HQ in English and Swahili
		Customer satisfaction index	Conduct annual customer satisfaction surveys	Undertook the annual customer satisfaction survey. With a Customer satisfaction index of 58.31.
		No. of projects communication plans	Develop and implement communication plans for projects	Communication plans for Turkwel-Ortum-Kitale, Lessos-Kabarnet, Kenya-Tanzania, Narok-Bomet Kabarnet-Rumuruti, and Awendo-Masaba projects were drafted.
		Sensitization forums	Undertake public sensitization on	5 sensitization forums were undertaken along Sondu-

STATEMENT OF PERFOMANCE AGAINST PREDETERMINED OBJECTIVES
FOR THE YEAR ENDED 30 JUNE 2023

Strategic Theme	Objective	Key Performance Indicators	Activities	Achievements
			development and wayleave ownership	Homabay-Awendo project in the re-routed sections.
		No. of county's with KETRACO projects engaged	Collaborate with County governments	Engagement with County officials from 6 Counties undertaken. The counties include Embu, Kirinyaga, Makueni, Migori, Homabay, and Mombasa

KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2023

Corporate Governance is the framework that defines how we are governed, providing transparency and accountability for decision making. It provides the basic principles that enable the Board to provide requisite oversight in the running of the Company. This ensures that the Company has appropriate ethical decision-making processes and controls to balance the interests of all stakeholders.

Appointment & Removal of Directors

Board appointments shall be made in line with Article 27 of the Constitution of Kenya and as further provided for in Mwongozo, the Code of Governance in State Corporations. The Board of Directors of the Company are appointed pursuant to paragraphs 2 and 3 of the Articles of Association of the Company which refers to the provisions of the State Corporations Act, and which stipulates that the Board shall consists of the following persons:

a) A non-executive Chairman appointed by the President.

b) The Chief Executive appointed by the Cabinet Secretary for the time being responsible for Energy.

c) The Principal Secretary for the time being responsible for Energy or his representative.

d) The Cabinet Secretary in the Ministry for the time being responsible for Finance or his representative.

e) Five other members from the private sector appointed by the Cabinet Secretary for the time being responsible for Energy.

Board Meetings

Section 8(1a) of the State Corporations Act, Cap 446, requires that Boards of every State Corporation should meet at least four (4) times in every financial year. To effectively execute its oversight role, the Board has established four (4) standing committees with specific delegated mandates. These Committees are Technical Committee, Finance, Strategy & Risk Management Committee, Staff & Remuneration Committee and Audit & Risk Assurance Committee. The Board Committees are run with clearly articulated terms of reference as approved by the Board of Directors. Following the appointment of the new Directors in 2023, the Board Committees were reconstituted in March 2023.

During the year, the Board held 4 No. Regular Board Meetings, 7 No. Special Board Meetings and 15 No. Board committee meetings. This is shown in the tables below.

Table 1: Board of Directors Meetings

No.	NAME	CLASSIFICATION	ATTENDANCE
2.	Mr. Alex Wachira	PS, State Department for Energy	1
3.	Brig. (Rtd.) David Ngaira	Chairperson	4
4.	Mr. Abdi Duale	Chairperson	7
5.	Eng. Antony Wamukota	Ag. Managing Director	4
6.	Eng. Isaac Kiva	Ag. Managing Director	2
7.	Dr. Eng. John Mativo	Managing Director	4
8.	Eng. Thomas Karungu	Alternate to Principal Secretary, Ministry of Energy & Petroleum	10
9.	Mr. Joseph Kariuki	Alternate to CS National Treasury & Economic Planning	4
10.	Mr. Duncan Gathege	Alternate to CS National Treasury & Economic Planning	2
11.	Ms. Elizabeth Kimkung	Independent Director	5
12.	Mr. Sanjay Gandhi	Independent Director	3
13.	Eng. Clemencia Mwamburi	Independent Director	6
14.	Ms. Rose Kananu	Independent Director	6
15.	Ms. Miriam Njenga	Independent Director	6
16.	Mr. Ashif Kassam	Independent Director	5
17.	Ms. Mercylynnate Chepkirui	Independent Director	5
18.	Ms. Janerose Gitobu	Independent Director	5

19.	Eng. Michael Malomba	Independent Director	5

Table 2: Technical Committee Meetings

No.	NAME	CLASSIFICATION	ATTENDANCE
1.	Ms. Rosemary Kananu	Chairperson	3
2.	Eng. Clemencia Mwamburi	Independent Director	3
3.	Eng. Thomas Karungu	Alternate to Principal Secretary, Ministry of Energy & Petroleum	3
4.	Eng. Antony Wamukota	Ag. Managing Director	2
5.	Dr. Eng. John Mativo	Managing Director	1
6.	Eng. Michael Malomba	Chairperson	1
7.	FCPA Ashif Kassam	Independent Director	1

Table 3: Finance, Strategy & Risk Management Committee Meetings

No.	NAME	CLASSIFICATION	ATTENDANCE
1.	Mr. Sanjay Gandhi	Chairperson	5
2.	Mr. Joseph Kariuki	Alternate to CS National Treasury & Economic Planning	4
3.	Eng. Clemencia Mwamburi	Independent Director	5
4.	Eng. Antony Wamukota	Ag. Managing Director	5
5.	Dr. Eng. John Mativo	Managing Director	1
6.	Ms. JaneRose Gitobu	Chairperson	1
7.	Eng. Michael Malomba	Independent Director	1
8.	Mr. Duncan Gathege	Alternate to CS National Treasury & Economic Planning	1

Table 4: Staff & Remuneration Committee Meetings

No.	NAME	CLASSIFICATION	ATTENDANCE
1.	Ms. Elizabeth Kimkung	Chairperson	4
2.	Mr. Sanjay Gandhi	Independent Director	1
3.	Eng. Thomas Karungu	Alternate to Principal Secretary, Ministry of Energy & Petroleum	4
4.	Eng. Antony Wamukota	Ag. Managing Director	4
5.	Ms. Mercylynnate Chepkirui	Chairperson	4
6.	Ms. Janerose Gitobu	Independent Director	4
7.	Dr. Eng. Mativo	Managing Director	4

Table 5: Audit & Risk Assurance Committee Meetings

No.	NAME	CLASSIFICATION	ATTENDANCE
1.	Ms. Miriam Njenga	Chairperson	3
2.	Mr. Ashif Kassam	Chairperson	1
3.	Ms. Elizabeth Kimkung	Independent Director	3
4.	Mr. Joseph Kariuki	Alternate to CS National Treasury & Economic Planning	2
5.	Eng. Antony Wamukota	Ag. Managing Director	2
6.	Dr. Eng. John Mativo	Managing Director	1
7.	Eng. Thomas Karungu	Alternate to Principal Secretary, Ministry of Energy & Petroleum	2

Board Charter

The Board Charter is a policy that guides the Board members by defining their respective roles, responsibilities, and authority in setting the direction and control of the Company.

KETRACO has put in place mechanisms for a corporate governance framework that is outlined in the Board and Committee Charters approved by the Board. The framework ensures separation of functions and duties of the Board and shareholders, the duties of the Board and Management and the duties of the Chairman and Managing Director. The Charter further stipulates the individual and collective responsibilities, powers, duties, obligations and the liabilities of the Directors. The Charter provides policy direction on issues of accountability, transparency, value addition, legitimacy, and overall credibility and business operations of the Company.

Roles and Functions of the Board

The primary role of the Board is to ensure long-term wealth and prosperity of the Company for the benefit of shareholders, customers, employees and other stakeholders. Other functions of the Board are as outlined within the Board Manual and the *Mwongozo* Code of Governance. The Directors powers are exercised within the framework of the laws and regulations regulating State Corporations. The Board exercises leadership and good judgment in directing the Company so as to achieve the Company's objectives and is always obligated to act in the best interest of the Company. The Board is responsible for ensuring that the Company is financially viable and properly managed so as to protect and enhance the interests of the Company from time to time.

Induction and Training

On appointment to the Board and to Board committees, all Directors receive a comprehensive induction on their individual requirements (where applicable) in order to become as effective as possible in their role as a director. These skills and knowledge are updated at regular intervals and designed by the Company Secretary in consultation with the Chairperson. Benchmarking initiatives are also conducted, where necessary, (with the approval of the Ministry of Energy & Petroleum) to equip the Board with the necessary exposure required for executing the Company's mandate.

Board and Member Performance

The Board of Directors evaluates its performance by use of the criteria set out and provided by the Government in the standard tools for evaluation of Chairpersons, Directors the Chief Executive Officer & the Company Secretary annually, and file reports with the Principal Secretary, Ministry of Energy & Petroleum and the State Corporations Advisory Committee (SCAC). Forms for the annual performance evaluation are embedded into the eBoard system in line with the SCAC templates.

The Board evaluation process covers areas touching on Board Processes and accountability, Strategy, financial matters and performance, Compliance with all legal and ethical requirements, Board composition, induction, development and succession and Information and communication to stakeholders.

Board Self Evaluation for the year 2020/2021 was undertaken within the 2022/23 Financial Year on 19th July 2023 through the State Corporations Information Management System platform. This was in respect of Directors who served during the period 2021/22. The overall score/rating of the Board was 78.05 % with the individual performance shown in table below: The following is a summary of the performance evaluation results;

	Name	Position	Total Tally	% Score
1.	Brig. (Rtd) David Azangu Ngaira, EBS	Chairperson	4.26	85.12
2.	Eng. Clemencia Mwamburi	Member	4.45	89.00
3.	Ms. Rosemary Chiobere Kananu	Member	4.55	91.00
4.	Ms. Miriam Wambui Njenga	Member	4.48	89.62
5.	Ms. Elizabeth Kimkung	Member	4.25	85.00
6.	Mr. Sanjay Gandhi	Member	4.50	90.00
7.	Eng. Thomas Karungu	Member	4.41	88.12
8.	Mr. Joseph Macharia Kariuki	Member	4.53	90.75
9.	Eng. Antony Tawayi Wamukota, OGW	CEO	3.77	75.33
10.	Ms. Lydiah Sitienei	Company Secretary	4.13	82.67
	Corporate Full Board		3.9025	78.05

Board Remuneration

The Board of Directors are paid fees and allowances as remuneration for conducting official Company business that they may be called upon to undertake. The Directors' remuneration rates are as outlined in the State Corporations Act, the Salaries and Remuneration Commission and periodic government circulars. The fees are paid upon shareholders' approval at the Annual General Meeting.

Succession Planning

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

Corporate Governance, Legal and Compliance Audit

Corporate Governance Audit generally entails a review of the following elements of corporate governance: -

a. Ethical leadership and strategic management
b. Transparency and disclosure
c. Compliance with laws and regulations
d. Financial reporting
e. Board independence and governance
f. Board policies, systems, practices, and procedures
g. Consistent shareholder and stakeholder value enhancement
h. Corporate social responsibility and investment
i. Sustainability

The Company carries out a Legal & Compliance Audit every two years to establish with compliance with statutory, regulatory and policy requirements as well as providing updates on how the Company and the Board observe and uphold Good Corporate Governance practices in all its activities. The Company last undertook a Legal & Compliance Audit in September 2022 covering the financial years 2019/20 and 2020/21.

Ethics and Conduct

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

The Company's Code of Conduct underscores the essential values and strategies that govern the ethical and legal obligations of all employees and the Board of KETRACO. The Code of Conduct is premised on the Constitutional Provisions of Chapter Six (Leadership and Integrity), National Values, Public Officers Ethics Act and other relevant legislation governing the conduct of Public Officers.

Conflict of Interest

Directors are prohibited from placing themselves in a position where there is a conflict (actual or potential) between their duties to the Company and their personal interests (including the interest of a family member), the interest of any associated organization or person, or their duties to third parties. All Board members are required to declare their interest in any matter before the Board which might create a potential conflict of interest before such matter is considered and deliberated upon. Where a conflict of interest is declared, a Director is required to exclude himself/herself from any discussion or decision over the subject matter.

At all meetings of the Board therefore, declaration of Conflict of Interest is a standing agenda item and a Board Conflict of Interest Register is circulated to members to record any such interest and Directors are mandated to disclose any real or potential conflict of interest.

Whistle-blowing Policy

Whistle blowing is done by an employee who finds that the ethical rules are broken knowingly or unknowingly posing an imminent danger for the company, consumers or the public.

KETRACO has a Whistle Blowing Policy which is designed to enable employees, stakeholders, and general public to raise concerns without fear of suffering retribution. The Policy provided for a transparent, reliable, and confidential process for dealing with concerns regarding malpractice or any unethical behaviour.

MANAGEMENT DISCUSSIONS AND ANALYSIS FOR THE YEAR ENDED 30 JUNE 2023

KETRACO signed a performance contract with the Government of Kenya through the Ministry of Energy for the financial year ending June 2023. The targets are in line with the country's Vision 2030 goals government priority projects and the company's Strategic Plan for the period 2018/19-2022/23. This section highlights the company's operations performance and achievements in the reporting period.

FINANCIAL STEWARDSHIP AND FISCAL DISCIPLINE

Absorption of Government of Kenya and Internally Generated Funds

The Company's absorption rate of Government of Kenya and Internally generated funds was 93.99% at Kshs 3,690.89 million against a target of Kshs. 3,927.07 million. The underperformance particularly in project implementation was affected by several issues among which are wayleaves challenges, court cases that caused work to be suspended on some projects, and delays by the National Treasury's to disburse funds on time.

Absorption of Externally Mobilized Resources

The company utilized Kshs. 8,026.95 million with an absorption rate of 56% against a target of Kshs. 14,339.86 million for the reporting period. The low absorption was mainly caused by delays in the disbursement of funds from National Treasury, litigations that led to suspension of works, and under performance by the contractors in some projects.

Appropriation-in-Aid

KETRACO's revenue is generated from development budget, operation and maintenance (wheeling) revenue and fibre optic leasing revenues. In the reporting period, the company generated revenue of Kshs. 11,291.4 million, against a target of Kshs. 32,697.43 million.

Pending Bills

KETRACO had pending bills amounting to 53.34% of allocated annual budget for the year 2022/23, against a target of less than or equal to 1%. The pending bills relate to contractual claims, arbitration award and wayleave acquisition compensation payments.

SERVICE DELIVERY

Implementation of Citizens' Service Delivery Charter

The Company was able to display the citizen's service delivery charter prominently at all the receptions in both English and Kiswahili using the prescribed format. The Charter was also customized to unique needs and convenient access of the customers by translating the Charter into Braille, deploying sign language interpreters, providing audio recordings, and uploading the Charter on KETRACO'S online platforms. Staff were continually sensitized on Citizens' Service Delivery Charter and essentials of excellent customer service culture.

Business process re-engineering

KETRACO re-engineered the service delivery process by reviewing the procure-to-pay work flows to improve efficiency by reducing turnaround time without compromising controls. Business Process Re-engineering report and presentation was submitted to Public Service Transformation Department as per the prescribed format.

Resolution of Public complaints

In the year under review, KETRACO addressed several public complaints and scored 92% on resolution of public complaints by the Commission of Administrative Justice. Quarterly reports on resolving public complaints were also submitted to the Commission of Administrative Justice.

CORE MANDATE

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

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

1. Vision 2030 Flagship Projects/Big Four Agenda Initiatives/Priority Projects

a. Progress/Achievements for Projects that were to be completed in FY 2022/23

S. No	Project name	Target (FY 2022/23)	Achievement in the FY
	431km 132kV Power Transmission System Improvement Projects	To string 48km	17km
	96km, 400kV double circuit Kenya-Tanzania Power Interconnection Project	To string 51km	21.3km
	96km 132kV single circuit Isinya-Namanga TL	To string 43km	18.14km
	4km O/H Line Kimuka	To string 4km	4km
	Kenya Power Transmission Expansion Project (KPTEP)- 110km 132kV Sultan Hamud-Oloitoktok TL	To string 110km	69km
	70km 132kV single circuit Nanyuki-Isiolo TL	15km	0km
	220/66kV Malaa Substation	100%	99%
	400/220kV Mariakani Substation	100%	96%
	220/132kV Kitale Substation	100%	90%
	220/132kV Turkwel Substation	100%	
	220/33kV Ortum Substation	100%	94%

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

S. No	Project name	Status
1.	431km 132kV Power Transmission System Improvement Projects	Overall progress, 94%. Expected to be completed in September 2023.
2.	96km, 400kV double circuit Kenya-Tanzania Power Interconnection Project	Overall progress, 95%. Expected to be completed in September 2023
3.	4km O/H Line Kimuka	Completed pending earthing
4.	70km 132kV single circuit Nanyuki-Isiolo Transmission Line	Overall progress, 25%. Expected to be completed in December 2023
5.	96km 132kV single circuit Isinya-Namanga Transmission Line	Overall progress, 97%. Expected to be completed in December 2023
6.	Commissioning of Turkwel-Ortum-Kitale Transmission Line	Overall progress, 71%. Expected to be completed in September 2023
7.	220/66kV Malaa Substation	Overall progress, 96%. Expected to be completed in February 2024
8.	400/220kV Mariakani Substation	Overall progress, 96%. Expected to be completed in December 2023
9.	220/132kV Kitale Substation	Overall progress, 90%. Expected to be completed in September 2023
10.	220/132kV Turkwel Substation	No major works (existing extension substation)
11.	220/33kV Ortum Substation	Overall progress, 94%. Expected to be completed in September 2023
12.	148km 220kV double circuit Kamburu-Embu-Thika Transmission Line	Overall progress, 5%. Expected to be completed in 2024
13.	210km Kenya Power Transmission Expansion Project (KPTEP)- 132kV Sultan Hamud-Oloitoktok transmission line, 400kV Isinya- Konza, 132kV Awendo -Isebania (Masaba)	Overall progress, 73%. Expected to be completed in February 2024
14.	53km 220kV Dongo Kundu-Mariakani Transmission Line	Draft bidding documents prepared.
15.	61km 132kV single circuit Rabai-Bamburi-Kilifi Transmission Line	Overall progress, 69%. Expected to be completed in July 2024
16.	100km 132kV single circuit Sondu-Homabay (Ndiwa)-Awendo	Overall progress, 79%. Expected to be completed in December 2024

17.	21km Nanyuki UG	Overall progress, 11%. Expected to be completed in May 2024
18.	National System Control Centre	Supervision consultant procured. Expected to be completed in 2027
19.	Makindu Substation	Procurement of consultant technical evaluation completed, and draft contract prepared.
20.	132kV Narok-Bomet	Preconstruction activities ongoing: RAP underway

2. Substation and Transmission Lines Specifications Standardised

Technical specifications for transmission lines and substations were fully developed, signed off and uploaded to the company's Integrated Location Intelligence System.

3. Project Feasibility Studies Completed

A feasibility study Garissa-Wajir (through Dadaab) was undertaken. Field visits to collect data for the New Mtwapa 132/33kV substation was also undertaken. A kick off meeting for Loyiangalani-Marsabit feasibility study was held.

4. Transmission System Availability

Transmission lines and substation transformers were available at 99.73% in the year under review. The average annual number of forced outages on all the transmission lines was 0.7 faults per 100km of transmission line which is within the annual target of 2.5 faults per 100km. Availability of SCADA, Telecommunications and Fibre network was 99.05% which is below the industry best practice of 99.5%. This is because some substations were offline as shown in the table below.

Substation Name	**Offline months**
132kV Menengai Substation	November 2022
220kV Olkaria II, and 132/33kV Wote and Meru substations	December 2022
220kV Olkaria II and 132/33kV Isinya and Kegati substations	January 2023
220kV Olkaria II and 132/33kV Meru substations	March 2023
132/33kV Meru substation	April 2023
220kV Olkaria IAU and 132/33kV Meru Substation	May 2023

5. Science, Technology and Innovation (STI) Mainstreaming

A Science, Technology, and Innovation (STI) annual work plan was developed and implemented. The STI mainstreaming strategy was developed in line with the National Commission for Science, Technology & Innovation (NACOSTI) template and submitted to NACOSTI. Sensitization of staff on mainstreaming STI was also undertaken. The company also submitted quarterly and annual reports to NACOSTI using the STI mainstreaming reporting template.

6. Project Completion Rate

The overall project completion rate for all ongoing projects in the year under review was 42%. The target was not met due to delays in payments of submitted contractor invoices and non-availability of wayleaves to allow construction.

7. **Implementation of Presidential Directives**

KETRACO met the board's commitment towards distributing 3,000 tree seedlings towards increasing forest cover, as per presidential directive to increase the cover to 30% by 2030. The seedlings were distributed to schools along the Rabai-Bamburi-Kilifi project. Additionally, the company participated in the Launch of rehabilitation of degraded forest sites around Mt. Kenya Forest ecosystem and establishment of woodlots at Gathiuru in Nyeri County.

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

KETRACO awarded Kshs. 109.177 million of the total procurement budgets to Youth, women, and Persons with disabilities, against an annual target of Kshs. 262.156 million. The company did not achieve the target because of low number of requisitions from the user departments. This was caused by the review of the KETRACO procurement plan in line with the government directive on austerity measures.

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

KETRACO procured goods and services worth Kshs. 1,030.769 million locally against a target of Kshs. 349.541 million for the reporting year.

CROSS-CUTTING ISSUES

1. **Asset management**

In the reporting year, KETRACO was able to maintain and update asset registers as prescribed by the templates issued by the National Treasury.

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

KETRACO offered 124 industrial attachments and 25 internships to students and graduates in the financial year ending June 2023.

3. **Competence Management**

During the period, a total of 262 staff members were trained in various identified areas. Within the reporting period, the company, addressed identified skills gaps and a total of 26 staff were recruited to fill various positions.

4. **Disability Mainstreaming**

KETRACO implemented the government policy on affirmative action for person with disabilities. The company appointed a disability mainstreaming champion in October 2022, with the Disability Mainstreaming Committee reconstituted in the same month. In May 2023, KETRACO staff were sensitized by staff from National Council for Persons With Disability (NCPWD) on disability during the KETRACO Medical Camp. KETRACO was also granted rights in February 2023 to access NCPWDs career portal. The company also submitted the quarterly performance reports to the NCPWD after every quarter.

5. **Gender mainstreaming**

KETRACO board reviewed and implemented the workplace gender policy, developed, and implemented the workplace gender-based violence policy together with laws on prevention, and quarterly submitted reports using the prescribed format to the State Department for Gender and copied the National Gender and Equality Commission.

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

In the reporting year, KETRACO implemented the Alcohol and Drug Abuse Prevention and Management Workplace Policy. Interventions to address two risk factors identified from the baseline survey was implemented. The risk factors include peer influence and work pressure. In line with this, the company sensitized staff on Alcohol and Drug Abuse during the staff medical and open day that was held on 26th May 2023 at the Ministry of Works(MoW) Sports Club. In addition, the company submitted quarterly performance reports to NACADA as guided by the Authority's format.

7. Prevention of HIV Infections and Non-Communicable Diseases (NCD)

The company allocated resources for the implementation of HIV, NCD, and mental health interventions. The company facilitated staff to access the prescribed health screening package for HIV and mental health, with 79 staff accessing the facility. In addition, KETRACO implemented the prescribed sensitization package for NCD (Cancer, nutritional health and diabetes awareness) online.

8. National Values and Principles of Governance

KETRACO submitted the Annual National Values and Principles report to the Directorate of National Cohesion and Values. The company also undertook various activities to fulfil the 2022 Annual President's report on National Values and Principles of Governance. These include fast tracking implementation of various projects to realize the Big 4 Agenda; Partnership with Kenyatta National Hospital/Nairobi Metropolitan Services and CIC insurance to implement guidelines and protocols to facilitate continuous execution of government policies and programmes; leveraging on ICT by digitizing operations; reconstituted and sensitized the Committee on Integrity on EACC; implemented measures to protect the environment and submitted 3 projects reports to NEMA and environmental sensitization meetings held in various project areas.

9. Road Safety Mainstreaming

During the reporting year, the company developed and implemented a Road Safety Implementation Plan based on the Road Safety Policy. The company also submitted quarterly reports to National Transport Safety Authority (NTSA).

10. Corruption Prevention

During the reporting year, Bribery and Corruption Risk Assessment and Mitigation Plan was reviewed and submitted to the EACC. The company also monitored, evaluated, and reviewed effectiveness of measures put in place to mitigate bribery and corruption and submitted a report on the same to EACC on 11th August 2023, which is within 45 days after end of the 2022/23 financial year as required.

Sustainability strategy and profile

Corporate Social Responsibility / Community Engagements

In a world where Corporate Social Responsibility has taken centre stage, KETRACO remains committed to sustainable practices that extend beyond our core operations. As part of our ongoing commitment to environmental and social stewardship, we are proud to present our 2022/2023 Annual Sustainability Report, which highlights two significant initiatives that have not only transformed lives but have also positively impacted our corporate image.

End Period Poverty Campaign

In 2022/2023, we embarked on a mission to address a pressing issue affecting young girls in Marsabit County – period poverty. To tackle this problem, we launched the "End Period Poverty" campaign, a multifaceted effort aimed at providing menstrual hygiene solutions to 150 students at Turbi Girls High School. We distributed 1008 sanitary product packs to these young girls, ensuring that they could continue their education without disruption.

The importance of this initiative cannot be overstated. It not only aligns with our commitment to corporate social responsibility but also serves as a testament to our dedication to gender equality. By supporting these girls, we are not only providing access to essential menstrual products but also breaking down barriers that hinder their education and future opportunities.

Tree Planting Initiative

In our quest to contribute to climate change mitigation and promote a sustainable environment, we embarked on a tree planting initiative during the 2022/2023 fiscal year. We planted a total of 8,000 trees as part of this effort, with 2,000 trees being planted in schools along the Rabai-Bamburi-Kilifi transmission line, and 6,000 tree seedlings in support of the Jumbo Charge Afforestation Initiative.

Planting trees is one of the most effective ways to combat climate change. It helps sequester carbon dioxide from the atmosphere and promotes biodiversity. Moreover, by planting trees in schools, we are nurturing a culture of environmental consciousness among the younger generation, ensuring that they understand the importance of preserving our planet for future generations.

Impact on Gender Equality and Climate Change Mitigation

Our "End Period Poverty" campaign has had a profound impact on gender equality. By ensuring that girls have access to menstrual hygiene products, we have broken down a significant barrier to their education. This, in turn, promotes gender equality by enabling girls to attend school regularly, participate fully, and reach their academic potential.

In the realm of climate change mitigation, our tree planting initiatives are contributing to a greener and more sustainable future. The 2000 trees planted along the Rabai-Bamburi-Kilifi transmission line not only provide shade and beautify the landscape but also contribute to carbon sequestration and local ecosystem restoration. The 6000 tree seedlings supplied to the Jumbo Charge Afforestation Initiative demonstrate our commitment to combating climate change at a broader scale.

KETRACO's 2022/2023 sustainability initiatives underscores our dedication to corporate social responsibility and environmental stewardship. They represent significant strides towards a more equitable society and a greener planet. We remain committed to these values, and our actions will continue to reflect our determination to create a sustainable and inclusive future for all.

Environmental performance

Focal Area	Justification	Areas of Audit	Output/Indicators	Achievement(s)
Environmental Sustainability planning	Environmental sustainability involves making decisions and taking action that are in the interests of protecting the natural world, with particular emphasis on preserving the capability of the environment to support human life. Sustainability means "meeting the needs of the present without compromising the ability of future generations to meet their own needs." Sustainability is not an end goal, but a journey that MDAs should take to improve the social equity, environmental, and economic conditions in	- Development of an institutional workplace environment policy (outline on NEMA Website)	-Institutional environmental sustainability policy	KETRACO is developing an environmental policy for approval by the board. The first draft is ready awaiting stakeholder consultation.
		-Establishment of structures to address environmental issues	-Environmental sustainability committee in place	-KETRACO's Environmental sustainability committee is in place. The committee meets on a quarterly basis to plan and review performance of the company in environmental sustainability.
		- Adopting respect for the environment as a core value in the Service Charter	- Core value in the Service Charter	-Sustainability as a core value has been captured in the KETRACO Service Charter
		Contribution to preparation of State of Environment (SOE) reports and Environment Actions Plan (EAPs)	--Inputs to SOE and EAPs process on request	Through the quarterly sustainability reports, KETRACO does thus contributes to SOE and EAPs
		Compliance with the Environmental Impact Assessment (EIA) and Environmental Audit (EA) regulations, 2003)	- EIA reports for new projects - Annual Environmental Audit reports	-KETRACO undertook the following EIA assignments in 2022/2023 **ESIAs submitted to NEMA: -** • EIA for proposed Narok-Bomet 132kV TL(**NEMA/EIA/SR/2658**) • EIA for proposed Kabarnet-Rumuruti 132kV TL(**NEMA/EIA/SR/2523**) • EIA for proposed Malindi-Kilifi 132kV TL(**NEMA/EIA/SR/2463**) • EIA for proposed Makindu SS 132kV TL(**NEMA/EIA/PSL/25109**) • EIA for Proposed National System Control Center (NSCC) at

Focal Area	Justification	Areas of Audit	Output/Indicators	Achievement(s)
	their jurisdiction.			Embakasi, Nairobi County (**NEMA/EIA/PSR/36550**)
	MDAs should explore the environmental issues within their operations, develop appropriate interventions and document the same in form of environmental sustainability policy	Submission to NEMA comments during EIA review (where applicable)	Feedback on EIAs review (where applicable)	KETRACO did receive 2 EIAs from NEMA for review they include. 1) Environmental and Social Impact Assessment study for the proposed 66KV Ndeu-Lamu Port Double Circuit Transmission Line and associated substation in Lamu County NEMA/EIA/5/2/24159 2) Review of Updated strategic environmental and social assessment report for the proposed Nuclear Power programme in Kenya.
Pollution Control	**Solid waste** Waste Management Regulations, 2006 provide for modalities for waste management including collection, segregation, handling, transportation, and disposal of various types of waste. The aim of the Waste Management Regulations is to protect human health and the environment. The regulations place emphasis on waste minimization, cleaner	**Compliance with Waste management regulations, 2006** -Interventions on reducing, reusing, and recycling of waste in the respective institutions	-Waste Reducing, reusing, and recycling initiatives in place	-Sensitization done to staff through digital media eg "Beat plastic pollution theme". -Sensitization done to contractors and sub-contractors on waste management including re-use, recycling, and reducing. -Waste collection points have been strategically placed for waste collection and eventual reuse and recycling.
		Proof of proper disposal of solid waste, air conditioners, asbestos and E-waste among others	- Evidence of contracted NEMA licensed waste handler or facility	The Ministry (owner of the premises) has contracted a licensed waste handler to manage waste from within the KETRACO main offices. At the KETRACO construction sites, contractors have engaged NEMA licensed solid waste handlers to manage generated waste.
		-Installation of waste segregation bins	- Segregation bins	-Major waste produced are the office waste papers. Waste bins for waste papers available and strategically placed within the premises. At the KETRACO construction sites, contractors have engaged NEMA licensed solid waste handlers

Focal Area	Justification	Areas of Audit	Output/Indicators	Achievement(s)
	production and segregation of waste at source. MDAs generate a lot of waste that if not properly handled lead to pollution and increase in waste dumps. Each MDA should demonstrate measures that control, prevents, and reduce pollution to the environment	Submission of annual environmental audit reports where applicable	-Environmental Audit Reports	Regular servicing of vehicles to minimize and eliminate pollution. Using tracking documents to monitor ensure all waste is disposed as per NEMA waste regulations.
	Effluent Discharge This entails sustainable use of water, minimizing wastage and appropriate disposal of effluent. The objective of the water quality regulations is to protect human health and the environment from negative impact of pollution from effluent discharge into the environment. The effective enforcement of the water quality regulations will lead to a marked reduction of water-borne diseases	**Compliance to Water quality regulations, 2006** -Water recycling, reuse and conservation	-Proof of water conservation measures	-Rainwater is harvested at KETRACO substations largely for domestic use by employees manning the substations. Automatic self-regulating water taps that conserve water usage especially in washrooms.
		-Licensing of effluent discharges where applicable	Effluent discharge license	-KETRACO offices are connected to the Nairobi City water and Sewerage Company sewer line
		-Construction, connection or operating a Sewerage treatment facility	-Sewer facility - License issued by NEMA -Proof of connectivity to main sewers -Proof for payment of conservancy/sewer connections	-KETRACO offices are within an area serviced by Nairobi Water and Sewerage company sewer line
		- Installation of Septic, soak pit and other sanitary methods of effluent control	-Septic, soak pit and other sanitary installations - License issued by NEMA -Effluent discharge license	-Most of our substations if not all are in remote areas hence not connected to the sewer line. However, there are properly installed septic and soak pits to contain effluent discharge. KETRACO does not discharge any effluents to the natural environment hence EDL is not necessary.

Focal Area	Justification	Areas of Audit	Output/Indicators	Achievement(s)
	hence a reduction in the health budget.			
	Noise pollution This is addressed through activities or interventions towards prevention, control and abatement of Noise pollution	Measures to promote compliance to Noise and Excessive vibrations regulations, 2008 and Air quality regulations, 2014	-Proof of Measures to promote compliance to Noise and Excessive vibrations regulations -Monitoring report -Compliance to Occupation Health and Safety regulations (OHS)	-Construction activities in KETRACO project areas are conducted between 8:00am-5:00pm. -Project vehicles within project areas are driven at 10kms/hour -Each running project has Environment, Health and Safety officers in charge of monitoring and implementation of O/EHS issues -KETRACO undertakes quarterly Environmental and Social Management Plans Monitoring in ensuring compliance to set standards
	Air Pollution Air pollution sources may be mobile sources (e.g. motor vehicles) and stationary sources (e.g. industries) as outlined in the Environment al Management and Coordination Act, Cap 387 to ensure clean and healthy ambient air.	- Number of fleet - Vehicle maintenance and servicing schedule -Training of drivers on professionalism -Indoor air quality –maintenance schedule -Measures to reduce air pollution -Property boundary ambient air quality	-Proof of Measures to reduce air pollution -Training report -Indoor air quality survey report -Stack emission report -Emission License -Report on interventions -Assessment report on boundary ambient air quality	-KETRACO Environmental officers undertake quarterly inspections in their areas of operation. -These quarterly reports are then submitted to NEMA -Covering of trucks transporting ballast and sand construction materials. -Sprinkling with water especially during excavation works during construction phase.
Climate change mitigation and adaptation (Refer to climate change response	Climate change is the worst challenge of our time and is characterized by unpredictable weather	Climate change adaptation and mitigation initiatives such as: - -Installation of energy saving devices, renewable energy, water harvesting,	-Energy saving devices -Rain water harvesting structures in place	-Energy saving bulbs are used. -Rainwater harvesting structures in place -Automatic sensor taps in washrooms to conserve water usage

Focal Area	Justification	Areas of Audit	Output/Indicators	Achievement(s)
strategy and action plan	patterns such as increased rainfall, temperatures, drought and hunger. Climate mitigation is any action taken to permanently eliminate or reduce the long-term risk and hazards of climate change to human life, property. Climate change adaptations entail how individuals, groups and natural systems can prepare for and respond to changes in climate or their environment. MDAs should take action to promote mitigation and adaptation to climate change	Measures to control greenhouse gases.	Proof of measures to control greenhouse gases emissions. -Adoption of green technologies -Application of Clean energy -Use of solar devices	- KETRACO vehicles are serviced regularly. This minimizes the generation of greenhouse gases like carbon dioxide. - The KAWI complex owners (Ministry of Energy) has installed solar panels for use within the premises. - KETRACO has been participating in increasing tree cover by planting at least 5,000 tree seedlings every year especially in areas where vegetation clearance has been done for purposes of the Right of Way.
		Mitigation and adaptation initiatives	Proof of mitigation and adaptation initiatives	-Tree planting at Mt. Kenya Forest. Burguret Block-Kieni and reafforestation launch at Nyeri
		Compliance to Controlled substances regulations, 2007;- Importation, use and disposal of Ozone Depleting Substances (ODS)	-Measures in place on importation, use and disposal of ODS -Proof of licensing from NEMA	--KETRACO activities do not involve use of Ozone depleting substances (ODS).
Environment al ecological enhancement	Many ecosystems have been degraded in Kenya over several decades of misuse and overuse. Ecological restoration is a valuable endeavor to	**Compliance to the Conservation of biological diversity and benefit sharing regulations, 2006** -Proof of Authority to access genetic resources	-Permits to access genetic resources	- KETRACO through the EIA process ensures genetic resources are not interfered with in all project phases.
		Benefit sharing arrangements on utilization of biological and genetic resources	Evidence of benefit sharing on utilization of biological and genetic resources	-KETRACO electricity infrastructure project activities do not involve benefit sharing arrangements on utilization of biological and genetic resources.

Focal Area	Justification	Areas of Audit	Output/Indicators	Achievement(s)
	ensure that degraded and destroyed natural ecosystems will be reestablished to levels where they once existed. The Constitution of Kenya (2010) demands that forest cover in Kenya be increased to at least 10%.	Activities toward increase of forest cover	-No. of trees planted and survived -Area covered	- Wayleave compensation within forested areas is paid to KFS as conservation fee and used in afforestation and reforestation activities in the affected areas and other areas in the country
	Ecosystems such as wetlands are under threat from human activities. This leads to degradation and must be restored to increase biodiversity, clean water, improve microclimate, improved economy etc. Some institutions near wetland are likely to be benefitting from the goods and services derived from the wetlands and hence the need to undertake activities toward enhancement of the same	**Compliance to Wetlands, Riverbanks, lakeshores, and seashore management regulations, 2009** -Submission of Environmental Impact Assessment (EIA) / Strategic IA/SEA reports for new projects/programmes where applicable	- EIA/SEA Reports	KETRACO has been ensured the during all phases their infrastructure is not constructed in riparian areas and wetlands. Abstraction licenses from WRA for any water abstraction from rivers and streams.
		Environment management plans for forests, wetlands, coastal zone, Environment significant areas among others	- Draft/Approved Environment management plans	-The ESMP development was actively incorporated in undertaking of EIAs throughout the year. -The Following ESMP documents were developed over the year. **Fourth Quarter** • ESMP monitoring for 132Kv Rabai-Bamburi-Kilifi Transmission Line • ESMP monitoring for 400kV Mariakani Substation • ESMP monitoring for 220kV Turkwel-Ortum-Kitale Transmission Line • ESMP monitoring for 132kV Awendo-Isebania Transmission Line • ESMP monitoring for 132kV Sultan Hamud-Loitokitok Transmission Line

Focal Area	Justification	Areas of Audit	Output/Indicators	Achievement(s)
				Third Quarter • ESMP monitoring for Mariakani Substation • ESMP monitoring for 132kV Rabai-Bamburi-Kilifi Power Transmission Line **Second Quarter** • ESMP monitoring for 132kV Isinya Konza Power Transmission Line. • ESMP monitoring for Kamburu-Embu-Thika • ESMP monitoring for Rabai-Kilifi TL **First Quarter** • ESMP monitoring for 400kV Kenya-Tanzania Power Transmission Line. • ESMP monitoring for 132kV Isinya Namanga Power Transmission Line.
		Conservation of riparian reserve	Area of riparian reserves secured and conserved	KETRACO ensures that its projects are not located in or do not traverse riparian areas.
Environmental education and awareness	Environmental awareness entails understanding the fragility of our environment and the importance of its protection. The MDAs need to make all their staff aware of their relationship with the environment from a social, ecological and economic perspective. The same understanding and awareness	Sensitization of staff on Environmental sustainability	-No. of staff sensitized - Proof of behavior change among staff -Proof programmes/activities for sensitization	Done through internal company/corporate sensitization mechanisms. Environmental education
		Sensitization of public/stakeholders on Environmental sustainability	No. of people/stakeholders sensitized. Proof of behavior change among Public/stakeholders. -Proof programmes/activities for sensitization	An approximate number of 700 public members and stakeholders were sensitized on matters of environmental sustainability. 43 public stakeholder sensitization meetings held.
		Participation in environmental events with communities and schools	Evidence of Participation in environmental events	Participation in the organization of the World Environmental Day (2membersof staff we part of the organizing committee drawn from diverse organizations.) Participation in the 2nd Annual youth symposium on Climate Change organized by KIPPRA.

Focal Area	Justification	Areas of Audit	Output/Indicators	Achievement(s)
	should be extended to other stakeholders and the local community.			
	Promoting environmental awareness is an easy way to become an environmental steward and participate in creating a brighter future for our children. Environmental awareness evokes the necessity and responsibility of humans to respect, protect, and preserve the natural world from its anthropogenic (caused by humans) afflictions.	Recognition of environmental champions	Evidence of appreciation of environmental sustainability	None
Promoting environmental protection and conservation through partnerships with stakeholders	Sustainability requires participation of diverse stakeholders. A single institution cannot achieve much and needs to team up with others in joint projects. The MDAs could take advantage of partnerships to profile themselves as a way of giving back to the community through Corporate Social	-Environmental projects and activities undertaken through partnership with stakeholders	-Projects and activities undertaken jointly - MoUs	Tree planting in partnership with KFS at National 3Billion tree cover launch at Mt. Kenya Forest block in Nyeri.
		Joint management plans Corporate social responsibility (CSR) on environment	-MoUs -Joint work plans and budgets	Tree planting CSR initiatives: • 2000 tree seedlings for schools surrounding- Rabai-Bamburi-Kilifi TL • Donation of 6000 tree seedlings for Mt Elgon forest conservation.
		Proof of Partnerships with NEMA/Lead agencies on Monitoring and inspections to ensure compliance with environment legislation	-Areas of partnerships with NEMA/Lead on Monitoring and inspections to ensure compliance with environment legislation -Minutes of meetings -Reports	As part of ESIA exercise for various projects, KETRACO undertook rigorous key stakeholder mapping and engagement with following key Lead agencies: • Key County Governments departments of Nairobi, Kilifi and Narok. • EPRA • KPA • KENGEN • Kenya power

Focal Area	Justification	Areas of Audit	Output/Indicators	Achievement(s)
	Responsibility (CSR).			• KCCA • Ministry Of Interior& Coordination • NECC • KFS Nabkoi Forest • KFS Burgutei Forest • NMK

2022/2023 Achievements:

- KETRACO undertook the Monitoring the undertaking of the Environmental and Social Management Plans for various projects as listed above.
- The ESMP development was actively incorporated in undertaking of EIAs through the year.
- Other ESIA Activities
- KETRACO undertook an Environmental and Social Impact Assessment for the proposed National System Control Center and Makindu Substation. They have been submitted to NEMA and license issued.
- KETRACO participated in the stakeholder participation and validation of proposed EMCA (Air Quality) regulation 2023.

KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

REPORT OF THE DIRECTORS FOR YEAR ENDED 30 JUNE 2023

The directors have pleasure in presenting their report together with the audited financial statements of Kenya Electricity Transmission Company Limited (the "Company") for the year ended 30 June 2023 which show its state of affairs.

1. PRINCIPAL ACTIVITIES

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

2. RESULTS

	2023	2022 Restated
	KShs'000	KShs'000
Loss before taxation	(4,110,382)	(3,530,170)
Taxation credit/(charge)	223,468	(452,151)
Loss for the year transferred to retained earnings	(3,886,914)	(3,982,321)

3. DIVIDENDS

The directors do not recommend the payment of a dividend in respect of the financial year 2022/2023. No dividend was paid in the previous financial year, 2021/2022.

4. DIRECTORS

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

5. AUDITORS

The Auditor-General is responsible for the statutory audit of the entity in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015

BY ORDER OF THE BOARD

Secretary

....2024

KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and the Kenyan Companies Act, require the Directors to prepare financial statements in respect of that entity, which give a true and fair view of the state of affairs of the entity at the end of the financial year/period and the operating results of the entity for that year/period. The Directors are also required to ensure that the entity keeps proper accounting records which disclose with reasonable accuracy the financial position of the entity. The Directors are also responsible for safeguarding the assets of the entity.

The Directors are responsible for the preparation and presentation of the KETRACO financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30, 2023. 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 entity, (iii)Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv)Safeguarding the assets of the entity, (v)selecting and applying appropriate accounting policies, and (vi)Making accounting estimates that are reasonable in the circumstances.

The Directors responsibility for the KETRACO financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and the Kenyan Companies Act.

The Directors are of the opinion that the KETRACO financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2023, and of the entity's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the entity will not remain a going concern for at least the next twelve months from the date of this statement.

Approved by the Board of Directors on......................16/7/2024 and signed on its behalf by:

....	....
Capt. Mohamed M. Abdi – Chairman	Dr Eng. John Mativo – Managing Director

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OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.

B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.

C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Electricity Transmission Company Limited set out on pages 51 to 92, which comprise of the statement of financial position as at 30 June, 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows, 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, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kenya Electricity Transmission Company Limited as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards(IFRS) and comply with the Public Finance Management Act, 2012 and the Companies Act, 2015.

Basis for Qualified Opinion

1.0 Inaccuracies in the Financial Statements

Review of financial statements revealed the following inaccuracies:

i. The statement of profit or loss and other comprehensive income reflects administration costs of Kshs.6,936,638,000 as disclosed in Note 6(a) to the financial statements. The costs include interest on arbitral award of Kshs.2,393,203,000 arising from an arbitrational award against the Company in July, 2019. Management has over the years created a provision for the amount awaiting the outcome of an appeal instituted by the Company against the award. However, the provision was incorrectly treated as a receivable from The National Treasury instead of being expensed. The error was corrected during the year under review, but the correction was not effected retrospectively as required by International Accounting Standard (IAS) 8.

ii. The statement of cash flows reflects an amount of Kshs.6,230,395,000 in respect of cash generated from operations as disclosed in Note 28 to the financial statements. Further, Note 28 reflects an adjustment of Kshs.153,000 on loss before taxation in respect of expected credit loss. However, decrease in expected credit loss as disclosed in Note 7(b) amounts to Kshs.899,597,000, resulting in an unreconciled variance of Kshs.899,444,000. In addition, the Note reflects an amount of Kshs.403,697,000 in respect of unrealized exchange losses. However, Note 6(a) reflects unrealized foreign exchange losses of Kshs.2,643,058,000, resulting in an unreconciled variance of Kshs.2,239,361,000. Further, Note 28 reports interest received of Kshs.382,419,000 which constitutes cash flows from investing activities and not from operating activities.

iii. The statement of comparison of budget and actual amounts reflects a final expenditure budget of Kshs.2,729,050,000. However, the line item total to Kshs.2,739,050,000 resulting in an unreconciled variance of Kshs.10,000,000.

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

2.0 Unsupported Inventory Balance

The statement of financial position reflects an inventory balance of Kshs.2,290,000 as disclosed in Note 17 to the financial statements. However, a stock-take conducted on 30 June, 2023 did not indicate stock values. Further, despite the policy on inventory as stated in Paragraph 1(d) of the Notes to the financial statements indicating that inventories are measured at the lower of cost and net realizable value, the method adopted for the costing of inventory was not disclosed, and the basis of valuation was not provided for review.

Further, review of inventory control and store management records revealed the following weaknesses:

i. The System Application Product (SAP) system provided for an inventory management module. However, Management was yet to fully utilize the system for issuance of materials from most of its stores,

ii. Management had not deployed Supply Chain Management officers to most of the stores as provided in Regulation 171(1) of Public Procurement and Asset Disposal Regulations, 2020,

iii. Variances between actual stock and recorded quantities revealed during stock take exercise were not investigated, reconciled, and explained,

iv. Most of the stocks had not been assigned unique code numbers for identification,

v. No bin cards or stores ledgers were maintained for inventory and as such, quantities of items received and issued during the year and in the prior years could not be ascertained,

vi. Inventory items were expensed on delivery contrary to Section 159(2) and 160 of the Public Procurement and Asset Disposal Act, 2015, and

vii. The value of inventory expensed to distribution costs could not be ascertained.

In the circumstances the accuracy and completeness of the inventory balance of Kshs.2,290,000 could not be confirmed.

3.0 Property, Plant and Equipment

3.1 Presentation and Disclosure of Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.217,371,537,000 as disclosed in Note 13 to the financial statements. The balance includes transmission lines and Sub-Stations with cost value of Kshs.136,962,104,000 and Kshs.25,694,714,000 respectively. The balance of Kshs.25,694,714,000 reflected in the financial statements was in respect of nine (9) Sub-Stations. However, review of assets records revealed that the Company owned forty-three (43) Sub-Stations. Although Management explained that the historical cost and the net book value of the remaining Sub-Stations were included in the cost of transmission lines and were in the process of separating them, the requirement of the International Accounting Standard (IAS) 16 is to disclose items of property, plant and equipment in their respective classes.

In addition, review of the assets register revealed that the Company had several of its Sub-Stations and other assets hosted by or erected on either Kenya Power and Lighting Company's (KPLC) or Kenya Electricity Generation's (KenGen) land. However, there were no lease agreements with either of the Companies on use of the land.

In the circumstances, the accuracy and completeness of property, plant and equipment balance of Kshs.217,371,537,000 could not be confirmed.

3.2 Fully Depreciated Motor Vehicles in Use

The property, plant and equipment balance of Kshs.217,371,537,000 includes motor vehicles costing Kshs.309,980,000 as disclosed in Note 13 to the financial statements. The amount includes motor vehicles with a historical cost of Kshs.166,764,000 which despite being fully depreciated, where still in use. However, Management did carry out revaluation of the vehicles or evaluate their useful lives as required by International Accounting Standards (IAS) 16 on property, plant and equipment.

In the circumstances, the accuracy and completeness of property, plant and equipment value of Kshs.217,371,537,000 could not be confirmed.

3.3 Expensed Items of Property, Plant and Equipment

The statement of profit or loss and other comprehensive income reflects distribution costs of Kshs.364,978,000 as disclosed in Note 7(a) to the financial statements. Included in the costs is an amount of Kshs.12,306,141 incurred on air conditioning units which was expensed. This was contrary to provisions of Paragraph 6 of the International Accounting Standard (IAS) 16, which requires items of property, plant and equipment to be capitalized and recognized in the statement of financial position. Additionally, air conditioners acquired at a cost of Kshs.2,871,030 had not been issued as at 30 June, 2023, and were still in the stores.

In the circumstances, the accuracy and completeness of property, plant and equipment value of Kshs.217,371,537,000 could not be confirmed.

4.0 Unsupported Clearance Account Balance

The statement of financial position reflects trade and other payables of Kshs.34,153,596,000 as disclosed in Note 26 to the financial statements. Included in the balance is an amount of Kshs.147,476,099 in respect of Goods Received and Invoice Received (GR-IR) account, representing the value of goods receipts awaiting invoices. Review of the account revealed long outstanding balances which have been carried forward from prior years, some dating back to 2020. Although Management indicated that the balance represents payables that were partially paid at the close of the year, supporting documents and reasons for non-clearance were not provided for audit.

In the circumstances, the accuracy of trade and other payables balance of Kshs.34,153,596,000 could not be confirmed.

5.0 Fully Amortized Intangible Assets

The statement of financial position reflects intangible assets with a net book value of Kshs.7,550,000 as disclosed in Note 14 to the financial statements. However, the Company held several intangible assets which included various softwares which had been fully amortized but were still in use. This was contrary to provisions of IAS 38 on intangible assets which requires an entity to allocate the depreciable amount of intangible assets over their useful life.

In the circumstances, the accuracy and completeness of intangible assets balance of Kshs.7,550,000 could not be confirmed.

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

Emphasis of Matter

1.0 Material Uncertainty Relating to Going Concern

During the year under review, the Company recorded a loss before taxation of Kshs.4,110,382,000, reducing retained earnings to negative Kshs.5,411,496,000 from negative Kshs.1,524,582,000 in the prior year. In addition, the Company's current liabilities totalling Kshs.39,119,066,000 exceeded the current assets of Kshs.20,665,021,000 by Kshs.18,454,045,000, an indication that the Company was in a net liability position and may not be able to settle liabilities when they fall due. These conditions indicate material uncertainty regarding the Company's ability to continue as a going concern.

2.0 Trade and Other Payables

Note 26 to the financial statements reflects trade and other payables balance of Kshs.34,153,596,000. Included in the balance is an arbitrational award of Kshs.9,204,024,000 issued in favor of a contractor engaged by Management to undertake construction of a transmission line. The award if unsettled may further adversely affect the liquidity of the Company and is likely to negatively impact on service delivery. In addition, on 15 May, 2024, a creditor filed an insolvency petition against the Company at the High Court of Kenya in Nairobi. The matter was awaiting the Court determination.

3.0 Contingent Liability

Note 30 to the financial statements discloses the Company's contingent liability amounting to Kshs.1,732,862,000 consisting of ongoing court cases relating to acquisition of wayleaves and contractors' claims. According to Management, the status of these exposures is evaluated on a regular basis to assess the probability of incurring related liabilities. However, if these contingent liabilities crystalize, the Company may be exposed to unforeseen project cost overruns, resulting to inability to meet its obligations when they fall due, and impair service delivery capacity.

My opinion is not modified in respect of these matters.

Key Audit Matters

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

Other Information

The Directors are responsible for the other information, which comprises of Corporate Information, Chairman's statement, Report of the Chief Executive Officer, Statement of Performance against Predetermined Objectives, Management Discussions and Analysis, Report of the Directors and the Statement of Directors' Responsibilities. The other information does not include the financial statements and my auditor's report thereon.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1.0 Non-Compliance with Car Loan and Mortgage Scheme Reporting Requirements

During the year under review, the Company operated a car loan and mortgage scheme administered by a Commercial Bank and a Savings and Credit Cooperative (SACCO) respectively. As at 30 June, 2023 the Company had transferred a total of Kshs.583,729,500 to the SACCO for the Mortgage facility and Kshs.60,000,000 to the bank for car loans facility. However, financial statements were not prepared for the car loan and mortgage scheme Funds as required by the Salaries and Remuneration Commission circular issued on 17 December, 2014 on car loan and mortgage schemes for state officers and other public officers of Government of Kenya.

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

2.0 Irregular Staff Insurance Premium Advances

During the year under review, Management paid insurance premiums totalling Kshs.12,911,842 in respect of private and commercial vehicles owned by Company employees, which was recoverable from their salaries through a check-off system. However, approval of the Board of Directors was not provided to support the arrangement. In addition, payment of the insurance advance was not included in the Company's Human Resource Policy.

As at 30 June, 2023, an amount of Kshs.915,643 in respect of the insurance premiums remained unrecovered. Although Management indicated that the advances were being recovered from individual staff's salaries, the outstanding balance included an undisclosed amount due from employees who had exited the Company and whose recoverability remained doubtful.

In the circumstances, the regularity and value for money on insurance premium of Kshs.12,911,842 could not be confirmed.

3.0 Way-Leave Compensations

3.1 Double Way-Leave Compensation

The statement of financial position reflects gross trade and other receivables balance of Kshs.10,647,373,000 as disclosed in Note 16(a) to the financial statements. The amount includes recoverable expenses of Kshs.10,407,658 which relate to double payments to Project Affected by Persons (PAPs) made between July, 2015 and June, 2022. Although Management has made full provision for the amount, the circumstances leading to double payments was not confirmed. In addition, apart from a communication to banks requesting reversal of the transactions, Management did not provide evidence of other efforts made towards recovery of the money from the beneficiaries of the payment.

In the circumstances, the recoverability of the expenditure amounting to Kshs.10,407,658 and value for money could not be confirmed.

3.2 Long Outstanding Wayleaves Compensation

The statement of financial position reflects a balance of Kshs.34,153,596,000 in respect of trade and other payables as further disclosed in Note 26 to the financial statements. Included in the balance is wayleave compensation payable amount to Projects Affected Persons (PAPs) of Kshs.6,430,579,671. However, the wayleave compensations included long outstanding amounts, some dating back to 2012. This was contrary to Regulation 23(1)(a) of the Public Finance Management (National Government) Regulations 2015, which requires adequate allocation of resources to programs. Review of project development reports revealed that some of the wayleaves payable related to complete and commissioned projects for which no funds are being budgeted for.

Although Management attributed the long outstanding wayleave to budgetary constraints among other reasons, it was not clear why the amounts had not been prioritized in the subsequent budgets over the most recent ones. Further, delays in wayleaves compensation contributed to the delay and stalling of projects which resulted in escalation of project costs, litigations, and contractor extension of time claims.

In the circumstances, Management was in breach the law.

4.0 Non-Compliance with Loan Novation Agreement

The statement of financial position reflects total borrowings amount of Kshs.4,139,469,000, which comprised of Kshs.2,683,022,000 and Kshs.1,456,447,000 in respect of non-current component and current component respectively as disclosed in Note 25 to the financial statements. As previously reported, the borrowings include a long outstanding loan of RMB YUAN 145,669,690.02 (Kshs.2,823,136,860) arising from novation agreement between Kenya Electricity Transmission Company Limited (KETRACO), Kenya Power and Lighting Company Limited (KPLC) and the Government of the Republic of Kenya, on 19 October, 2016 for transfer of Kamburu - Meru and Kisii - Chemosit 132 KV transmission lines.

According to the novation agreement, KETRACO was required to make bi-annual payments to the Government of Kenya (GoK) on account of outstanding interest at a rate of 2.5% per annum. However, Management had not made any payments to the GoK, as stipulated in the novation agreement. As at 30 June, 2023, the loan had an accumulated interest of Kshs.441,286,205. Management indicated that a twenty-four (24) months moratorium had been sought from The National Treasury, which was yet to be considered.

In the circumstances, Management was in breach of the novation agreement.

5.0 Unprocedural Procurement of Air tickets

During the year under review, Management procured air tickets for Board members and staff for local and international travel at a cost of Kshs.9,552,415 through Request for Quotations (RFQ). Whereas the procurement was from a list of registered suppliers, the quotations were sent through emails, despite the Company having a functional e-procurement system.

Additionally, standard quotation documents were not used in the procurement contrary to provisions of Section 58 of Public Procurement and Asset Disposal Act, 2015. Further, opening and evaluation committee minutes, professional opinions and letters of award were not provided for audit contrary to provisions of Sections 46(1), 78, 80, and 87 of Public Procurement and Asset Disposal Act, 2015.

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

6.0 Irregular Procurement of Catering and Conference Services

During the year under review, Management appointed an ad-hoc identification, market survey and negotiation of prices committee for conference facilities and outside catering services in Nairobi, Machakos, Nakuru and Naivasha. Subsequently, catering and conference services were procured at a cost of Kshs.10,632,444. Review of procurement process revealed that despite Management indication that restricted tendering and

Request for Quotations methods were applied for the procurement of the services, no records were provided to support adherence to procedures specified in the Public Procurement and Asset Disposal Act, 2015 and Regulations, 2020 in respect of the procurement methods.

Further, although Management indicated that the suppliers were engaged based on a framework agreement, no records were provided to support that the agreements were entered into with suppliers for provision of the services during the year.

In addition, no records were provided to demonstrate that the services were competitively acquired.

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

7.0 Unprocedural Procurement of a Commercial Data Centre

Management advertised for expression of interest for design, construction, and commercial operation of tier four (4) data centre on a revenue share model on 30 September, 2021. The scope of works involved designing, building, leasing, and operating the centre for at least fifteen (15) years. The resultant revenue was to be shared between the contractor and the Company at a ratio of at least 50:50. However, the procurement had not been included in the Company's annual procurement plan for 2021/2022 financial year, and no evidence of revision of the plan was provided for audit. Additionally, despite the procurement aligning to the definition of Public Private Partnership under Section 2(1) of the Public Private Partnership Act, 2013, request for proposals were used by Management for the procurement. As part of the evaluation process, due diligence was conducted between 20 and 24 April 2022 in China by members of the evaluation committee. However, travel expenses comprising flight costs, accommodation and subsistence allowances amounting to Kshs.5,108,248 were met by one of the bidders, which amounted to conflict of interest.

Further, the Head of Procurement in a Professional Opinion issued on 24 May, 2022 to the Accounting Officer recommended termination of the procurement process under Section 63(1)(e) of Public Procurement and Asset Disposal Act, 2015, citing material governance violations including citation that the procurement to be undertaken under the Public Private Partnership Act, 2013. The Accounting Officer concurred with the opinion leading to termination of the procurement process. However, the bidder sought redress from the Public Procurement Administrative Board and subsequently, filed an appeal at High Court where a ruling was made in favor of the petitioner. As at the time of audit in March, 2024 no contract had been entered into, and no information was provided on how the impasse would be resolved.

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

8.0 Unaccounted for Project Motors Vehicles

Review of project records revealed that over the years, several motor vehicles procured for projects which have since been completed and capitalised were not transferred to the Company and their whereabouts were unknown. For instance, vehicles procured under the Kenya Power Transmission System improvement Project were not handed over to the Company upon completion and commissioning of the project. This was contrary to Regulation 74(6)(b) and (c) of the Public Finance Management (National Government) Regulations, 2015 which provides that an Accounting Officer of a National Government entity shall ensure that whenever projects are completed, the project assets including buildings, plant, vehicles, furniture, fittings and equipment are properly recorded and handed over to the Accounting Officer in accordance with the financing agreement, and where no time frame is provided for the project, ensure that the assets are handed over within three months from the date of the closure of the project.

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

9.0 Unprocedural Procurement of Broadband Commercialization Services on Ethiopia - Kenya Transmission line

On 14 September, 2021, Management tendered for bids for provision of Broadband Commercialization services on Ethiopia - Kenya Transmission Line on revenue sharing model. Subsequently, a contract was awarded to a joint venture comprising of three (3) International Companies on 27 January, 2022. According to the contract, the bidder was to procure equipment, light, operate, manage, monitor, and maintain the network for an open access broadband network and perform billing and collection services for all services over the network. Review of the procurement process and the contract revealed the following anomalies:

i. Management indicated that the procurement was contained in an amended procurement plan for year. However, the revised procurement plan was not provided for audit.

ii. Although Management indicated that Request for Proposal method of procurement was adopted, the contractual arrangement was within the confines of Public Private Partnership as outlined in Section 2(1) of the Public Private Partnership Act, 2013.

iii. Management indicated that feasibility studies were carried out before the procurement process. However, a five-year business plan was provided instead of a feasibility study report. This was contrary to Section 33(1) of Public Private Partnerships Act, 2013 which provides that a contracting authority shall, in consultation with the unit and upon the approval of the project proposal by the Committee, undertake a feasibility study of the project it intends to implement under a public private partnership for the purpose of determining the viability of undertaking the project under this Act.

iv. Management did not comply with The National Treasury Circular issued on 24 January, 2020 outlining guidelines on public investment management for National Government which required clearance by the Project Committee, the Company Board of Directors, the Accounting Officer and the Cabinet Secretary responsible for the entity before submission to The National Treasury for independent review and concurrence within thirty days.

v. The contract provided for sharing of 71% of revenue in favor of KETRACO, whereby Clause 10.1 required the operator to pay during the lease period, a minimum guaranteed revenue of USD.56,000 per month upon installation commissioning of the equipment. Further, the clause provided for a payment of USD.104,580 per month if no installation and commissioning of the equipment is done within five (5) months from service commencement date until such a time when the installation and commissioning shall be completed. However, no evidence of commencement of the contract and progress were provided for audit review and no payments had been received from the contractor.

vi. A meeting held between KETRACO Management and the three companies engaged in the Joint Venture (JV) on 29 September, 2022 to deliberate on the way forward on implementation of the contract indicated existence of internal wrangles emanating from an alleged fraud by the parties in the JV, which may have derailed the implementation of the contract.

In the circumstances, Management was in breach of the law, and was yet to realize the intended benefits of the partnership long after the signing of the contract.

10.0 Irregular Procurement of Security Services

During the year under review, Management procured security services through a restricted tender. Thirteen (13) bidders from a list of prequalified suppliers were invited to bid out of which, eight (8) firms accessed tender documents from the e-procurement system, and only four (4) firms submitted bids.

A Technical and Financial Evaluation Committee recommended award of the contract to a local security company. However, review of the evaluation process revealed that the evaluation committee amended mandatory requirements to fit the bidders' qualifications contrary to provisions of Section 82(2) of the Public Procurement and Asset Disposal Act, 2015. This was done after all the bidders failed to meet some of the mandatory requirements and thus were non-responsive. Although Management cited the non-responsiveness as a minor deviation under Section 79(2) of the contract, the deviations formed part of eligibility criteria and mandatory requirements under Section 79(1) of the Act.

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

11.0 Irregular Use of Direct Procurement Method

During the year under review, Management engaged an airline company to provide hired helicopter services through a direct procurement. The services comprising of pilot services, ground run, aircraft test and inspection flights at a cost of Kshs.4,142,085. However, the procurement did not meet the conditions set for use of direct procurement outlined under Section 103(2) of Public Procurement and Asset Disposal Act, 2015. Further, no tender documents were issued and evaluated as required by Section 104 of the Act.

In addition, the tender was evaluated by two (2) officers as opposed to a minimum of three (3) as required by Section 46(4) of the Act. Further, no letters of appointment of the two evaluators were provided.

Similarly, no report was made to the Public Procurement Regulatory Authority (PPRA) on the use of the direct procurement method contrary to Regulation 90(1)(a) of Public

Procurement and Asset Disposal Regulations, 2020 which requires an accounting officer to, within fourteen (14) days after the notification of the award of the contract, report any direct procurement of a value exceeding five hundred thousand shillings to the Authority in a format provided by the Authority.

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

12.0 Claims on Delayed Commissioning of Eastern Electricity Highway Project

Management commenced Implementation of Eastern Electricity Highway Project in November, 2015 with an objective of facilitating power sharing of power between Kenya and Ethiopia. The project was jointly funded by several financiers and entailed construction of a 64-kilometre 500kV High-Voltage Direct Current (HVDC) bipolar Transmission Line from the Kenya - Ethiopia border to Suswa and a 400KV Convertor Station at Suswa. The project was implemented in four (4) lots.

During the year under review, a total of Kshs.417,605,152 (USD3,227,758) was paid to a contractor implementing one of the lots for delayed commissioning of the project. Review of project documents revealed that the contractor completed the works in February, 2020 but commissioning could not be done due to delays in completion of associated contracts. The cost would have been avoided had the associated contracts not been implemented in a staggered schedule.

In the circumstances, value for money for the contractor claims of Kshs.417,695,152 could not be confirmed.

13.0 Avoidable Custom Storage and Warehouse Costs

During the year under review, an expenditure of Kshs.85,707,164 was incurred in respect of Container Freight Station (CFS) storage costs and custom warehouse rent for two (2) transformers shipped for Kitale-Ortum Project on 23 July, 2016. The contract for the project had been terminated on account of bankruptcy of the contractor. However, the charges could have been avoided had Management reviewed the project status and taken possession of project assets.

In addition, a technical evaluation on the transformers conducted in the months of February and March, 2024 indicated that several parts were missing from the transformers which may result in additional costs. Further, field verification carried out in March, 2024 revealed that one of the transformers had malfunctioned. Due to the failure, Management contracted Kenya Power and Lighting Company PLC to provide an alternative transformer for the commissioning of the project resulting to further costs.

In the circumstances, value for money of Kshs.85,707,164 incurred on storage costs and custom warehouse rent for the two transformers since 2016 could not be confirmed.

14.0 Losses on Implementation of Lessos - Tororo (Kenya Uganda Interconnector) Line

Management contracted a foreign company to undertake construction of 400KV Lessos - Tororo Transmission Line and extension of an existing Sub-Station at Lessos on

16 April, 2013 at a contract price of EUR.15,474,158 and Kshs.581,311,169 for Lot A and EUR.8,745,846 and Kshs.357,846,741 for Lot B involving construction of 400KV the Lessos Tororo Electricity Transmission Line and extension of an existing Sub-Station at Lessos respectively. The contract was terminated on 25 April, 2016, after which the matter was referred to arbitration, leading to an award of EUR.30,887,820.39 plus interest of EUR.6,477,870.77 in favor of the contractor. The awarded amount has been attracting additional interest of 12% per annum from the date of award on 30 September, 2019. During the audit in March, 2024, garnishee proceedings under certificate of urgency had been instituted by the contractor on the bank accounts of the Company which sought to seize an amount of Kshs.195,311,623 and EUR.62,670,697.35 held in five (5) Company bank accounts.

The project status report as at 30 June, 2023 indicated that the transmission line overall completion was at 37% while the Sub-Station works were 55% complete. In addition, 98% of transmission line materials had been manufactured and shipped while manufacturing and shipping of Sub-Station materials was 87% complete.

A field inspection and review of project documents in March, 2024 revealed the following anomalies:

i. A joint stock take report compiled in August, 2020 by KETRACO Management and the contractor for purposes of completion action plan for the project indicated that 79 drums of phase conductors of about 4 kilometers valued at EUR.1.5 million equivalent of Kshs.165 million had been removed from the project site. Management did not provide evidence of action taken to recover the lost items.

ii. Electrical equipment for the Sub-Station valued at Kshs.418 million which were stored on site continued to deteriorate as they were exposed to harsh weather conditions.

iii. Management did not maintain a register of materials and equipment at the site, thus the quantities of materials held at the stores and their values could not be confirmed.

iv. At the time of audit in March, 2024, eight (8) years from the date of termination of the contract, Management was yet to secure a new contractor to complete the project.

In the circumstances, the value for money incurred in the project could not be confirmed.

15.0 Stalled Projects

15.1 Unrecovered Advance Payment

The Government of Kenya (GoK) through the Ministry of Energy and Petroleum entered into a commercial contract with a foreign based company on 25 May, 2015 for implementation of the 10.1 Gilgil -Thika - Nairobi - Loiyangalani - Marsabit 400KV double circuit line and Isiolo - Marsabit 220KV double and 132 KV single circuit transmission lines and Associated Sub-Stations project at a contract sum of USD.396,368,012. The project was to be financed by a credit of RMB 575,507,992.10 from the Export - Import Bank of China through a financing agreement entered on 14 April, 2017.

The financing agreement required the borrower to submit to the lender evidence of self-raised funds amounting to 15% of contract sum or RMB 101,560,233.90, paid to the contractor before any disbursement was made. After the signing of the financing agreement, the Ministry signed an addendum to the commercial contract providing for an advance payment of USD.56,440,201.80, or 15% of the contract sum, to the contractor. However, no adequate budgetary provisions were made for the project until December, 2021, when a partial advance payment of USD.24,227,272.73 (Kshs.2,665,000,000) was made to the contractor. The partial advance was paid after the signing of addendum 2 to the contract. The Addendum provided that remaining advance payment of USD.32,212,929.07 (Kshs.3,543,422,197.70) would be paid before the commencement of the works.

As at the time of audit, in March, 2024, the advanced amount of Kshs.2,665,000,000 had not been released to GoK, works had not commenced and the financing agreement had expired. Management indicated that a resolution to restructure the project was done through a proposal forwarded to The National Treasury, Office of the Attorney General and the EXIM Bank of China, a process which was yet to be completed.

In the circumstances, value for money had not been achieved on Kshs.2,665,000,000 advanced to the contractor over two (2) years ago.

15.2 Stalled Garsen Hola-Bura - Garissa Single Circuit Transmission Line and Associated Sub-Stations Project

On 28 November, 2012, the Ministry of Energy entered into a commercial contract with China based Company for design, construction, erection and commissioning of a 247 KM, 220KV single circuit transmission line and associated Sub-Stations (Hola, Bura and Garissa Sub-Stations) between Garsen, Hola, Bura and Garissa at a contract sum of Chinese Yuan, RMB 584,682,214.99.

According to the financing agreement dated 21 February, 2017, the project was jointly funded by EXIM Bank China and Government of Kenya (GoK) with the parties providing RMB 496,979,882.74 or 85% and RMB 87,702,332.25 or 15% of the project cost respectively. The transmission line and its Sub-Stations were to serve Tana River and Garissa Counties. The agreement provided for a 20% advance payment to the contractor of which, RMB 87,702,332.25 or 15% was to the contractor on November, 2018 by GoK while RMB 29,234,110.74 or 5% was to be made available by the lender, EXIM Bank of China.

The works commenced on 15 May, 2019 with an initial completion date of 15 May, 2021. However, the project timelines were affected by the Covid19 pandemic necessitating an addendum extending the contract completion date to 23 November, 2022. However, a request by the contractor for change of bank account was declined by the lender resulting to a delay in processing interim payment certificates. Similarly, KETRACO Management wrote to The National Treasury requesting that the last disbursement date under the financing agreement, be extended by one (1) year, to 11 February, 2023, to cover the project delays occasioned by Covid19, which was not successful, and the loan lapsed on 13 November, 2021, leaving no funds to pay for certified works and complete the project.

Due to the prolonged uncertainty on the project funding, the accumulation of pending bills, and the need to mitigate against accumulation of claims, Management and contractor carried out a joint inspection of the all the works in the months of May and June, 2022 leading to the contractor fully demobilizing and handing over the site on 05 June, 2022. A project status report provided for review indicated that the project had stalled with an estimated 51% of the works having been completed and RMB 177,207,639 payable to the contractor. Management did not provide an action plan to ensure that the project is completed.

In the circumstances, the purpose for the project had not be realized, and value for money on the project could not be confirmed.

15.3 Stalled Kamburu-Embu-Kibirigwi-Thika 220KV Transmission Line and Associated Sub-Station Works Project

The Ministry of Energy and Petroleum contracted a foreign based company for design, supply and installation of Kamburu-Embu-Kibirigwi-Thika 220KV transmission line and associated Sub-Station works at contract price of USD.90,286,383.39 and Kshs.2,650,743,251 on 29 January, 2016. The project was financed through EXIM Bank of China and Government of Kenya. The works were initially set to be completed within 22 months from commencement date but were later extended to 30 June, 2025. Review of documents provided for audit revealed the following inconsistencies:

i. An advance payment of Kshs.2,650,743,251 was made to the contractor on 09 April, 2018. However, the financing agreement provided for a loan disbursement of thirty-six (36) months expiring on 29 April, 2022. No evidence was provided to indicate that the financing agreement was extended to cover the extended implementation period ending 30 June, 2025. Further as at the time of audit in March, 2024, no evidence was provided that KETRACO had fulfilled conditions in the contract which included handing over of project's sites and payment of wayleaves within forty-six (46) months from the commencement date.

ii. Article 3.1 of financing agreement provided that no material change to the commercial contract would take place during the term of the agreement without prior written consent to the lender. However, Management changed the scope of the contract by scaling down transformer sizes from 150 MVA to 90 MVA at Thika and Embu and removing Kibirigwi Sub-Station from the scope due to land acquisition challenges. No approval of the change of scope from the lender was provided for review. In addition, Management updated the feasibility study in January, 2024 which was ninety-six (96) months after the contract signing. No plausible explanation was provided for the delay in updating the feasibility study before the commencement of the contract. Further a letter dated 23 August, 2022 from KETRACO to the lender indicated that the changes of scope would not change the commercial contract sum of USD.90,286,383 and Kshs.2,650,743,251. However, according to the updated feasibility study, the estimated commercial contract amount would be USD.62,370,000 which was significantly lower than the contract sum.

iii. Article 4.4 of financing agreement provided that in the event that the borrower fails to fulfil stipulated conditions within one year after the effectiveness of the agreement, the lender shall have the right to re-evaluate project utilization conditions to determine whether to continue the performance of the agreement or not. As at the time of audit in March, 2024, seventy-eight (78) months after signing of the financing agreement, the lender was yet to re-evaluate the project resulting in suspension of works by the contractor due to non-payment of certified work amounting to USD.2,698,085.84 and Kshs.69,511,375.

In the circumstances, the objectives for which the project was meant to achieve had not been realized and value for money on this project could not be confirmed.

16.0 Delayed Completion of Projects

16.1 Sondu Homa Bay Awendo Electrification Project

The Ministry of Energy contracted a foreign based company to undertake construction and erection Sondu - Homabay - Kisii of a 132KV transmission line and associated Sub-Stations on 2 November, 2012 for EUR.16,000,000. The works were financed through buyer's credit from Belgium.

The works commenced on 15 October, 2015 and were expected to be completed after twenty-four (24) months ending on 30 October, 2017. However, no evidence of time extension was provided. The contractor was placed under receivership in February, 2020 and was therefore unable to complete the project. As at 30 June, 2023 the project was indicated to be at 83% complete with a section between Homa Bay - Awendo having been energized and commissioned, including Homa Bay Sub-Station. The Sondu Sub-Station was indicated to be about 15% complete. The financing agreement for the project expired in October, 2020 with undrawn balance of EUR.3,979,665.

Despite the contractor having provided an advance payment guarantee before a bankrupt decree in February, 2020, no evidence was provided to indicate that the guarantee of EUR.512,252 was successfully liquidated. Thus the Company may have lost EUR.512,252 under the contract due to failure to liquidate the advance payment guarantee. A new contractor was later procured in March, 2024 to undertake the remaining works.

In the circumstances, the objectives for which the project was intended were not realized, and the value for money incurred could not be confirmed.

16.2 Rabai - New Bamburi - Kilifi and New Bamburi - Bamburi Cement Power Generation and Evacuation Lines

The Government of Kenya entered into a contract with a foreign based company on 13 November, 2015 to undertake construction of the Rabai - New Bamburi - Kilifi and New Bamburi - Bamburi Cement 132KV power generation and evacuation lines and related Sub-Stations at a contract price of EUR.22,740,012. The project was financed by the Government of the Kingdom of Spain. The contract was to be completed within twenty-two (22) months ending on 25 March, 2022. The completion date was later revised to 26 March, 2025.

As at 30 June, 2023, a total of EUR.10,702,561.28 had been certified for payment and the project was estimated to be at 69% complete. However, the project which had been initiated in November, 2015 had taken almost seven and a half (7.5) years since signing of the contract without completion. Management attributed the delay to budgetary challenges, outstanding approval of change of scope, a court case regarding the Line In and Line Out (LILO) section of the project and delay in compensation of Project Affected Persons (PAPs).

In the circumstances, the objectives of the project were yet to be realized and the value for money incurred in respect of the project could not be confirmed.

16.3 Isinya - Konza, 220KV Suswa - Ngong, Sultan Hamud - Loitoktok and Awendo – Isebania Transmission Lines and Associated Sub-Stations

The Ministry of Energy entered into a contract with a foreign contractor on 14 January, 2015 for designing, construction, erection and commissioning of 400KV double circuit Isinya -Konza, 220KV Suswa - Ngong, 132KV single circuit Sultan Hamud - Loitoktok and 132KV single circuit Awendo - Isebania transmission lines and associated Sub-Stations. The project was to be implemented by KETRACO. However, it took over four (4) years from the contract date for the works to commence in 2019. The delay was attributed to inability of the Government of Kenya to meet the conditions precedent to the financing agreement with EXIM Bank of China. The works commenced in May, 2019 with an expected completion date of November, 2022. However, the project was not completed as scheduled leading to a contract extension to 30 February, 2024.

Physical verification carried out on 27 March, 2024 revealed that a new bay for the Sultan Hamud - Oloitoktok was still under construction. The transmission line had been completed and the contractor was on site performing pre-commissioning tests and the line was expected to be energized in May, 2024. However, the contract completion was extended to 31 August, 2024.

Additionally, the Konza 400KV Sub-Station was still under construction and was reported to be at approximately 98% complete. However, the 400KV line from Isinya to Konza had stalled when 85 out of 98 towers had been completed and 37 KM out of 40KM stringed. Management attributed the delay to challenges related to acquisition of land for the project, making it difficult for the contractor to access the site. The contractor has since charged Kshs.3,126,000 to the Company on account of idle time. Similarly, the contractor invoiced the Company a total of Kshs.135,893,949 in respect of materials, plant, and equipment delivered and works undertaken as at 09 December, 2022. The project works were indicated to be at 73 % complete as at 30 June, 2023, over eight (8) years since contract was entered into.

In the circumstances, the value for money incurred on the project could not be confirmed.

16.4 Incomplete Works on Kenya Ethiopia Electricity Highway Project - Mariakani Sub-Station Project

A contract for construction of 400/200KV Sub-Station in Mariakani was entered into between Kenya Electricity Transmission Company (KETRACO) and a foreign based Company on 25 January, 2016, at a contract price of USD.23,846,925.33 and Kshs.132,481,217. The project was financed by African Development Bank.

The initial completion date of 19 August, 2020 was later revised to 30 June, 2024 through addendums 1 to 7 to the contract. However, Addendum 2 was signed on 25 May, 2021, twenty-five (25) days after the expiry of the contract on 30 April, 2021. Similarly, Addendums 5, 6 and 7, were signed after expiry of the revised contract duration, thereby signifying poor contract monitoring and management. Physical verification in April, 2024 and review of Addendum 7 to the contract revealed that the Sub-Station works budgeted to cost EUR.120,529.80 were pending due to lack of construction materials, which were reportedly taken for the completion of Athi River Line in Line Out (LILO) and repair of vandalized Optical Ground Wire (OPGW) between Athi River and Isinya section of the Mombasa - Nairobi Transmission Line.

Further, works on the two (2) kilometer main access road to the Sub-Station from Mombasa Road at a cost of EUR.206,318 and Kshs.7,581,818, which was part of the contracted works, was yet to start as the land where the road was to be build was yet to be acquired. In addition, the financing agreement for the project expired in December, 2023 and had not been renewed.

In the circumstances, the value for money incurred on the project could not be confirmed.

16.5 Nanyuki-Isiolo Overhead Project

A contract for implementation of the Nanyuki-Isiolo-Meru Electrification Project was entered between the Ministry of Energy and a foreign based contractor on 31 January, 2011 for a sum of EUR.14,000,000. The contract was to be implemented in twenty (20) months and was jointly financed with a concessionary loan of 14 million Euros from the Belgium Government comprising 54.36% and a State loan from KCB Bank obtained by the Government of Kenya covering the remaining 45.64%.

The contractor was advanced EUR.4,200,000 (30% of contract amount) on 10 January, 2012. The contract was later varied on 28 February, 2014 and on 28 August, 2014 vide Addendum 1 and 2 respectively, varying the contract amount to EUR.16,538,137.71 and EUR.16,950,284.04. In February, 2020, the contractor was declared bankrupt in its Country of registration necessitating termination of the contract. A letter from the Office of the Attorney General and Department of Justice dated 21 September, 2020 advised KETRACO Management to assess the works done, settle any outstanding obligations to the contractor and begin a fresh procurement in accordance with the law to complete any outstanding works. Records provided indicate that a total of EUR.13,787,195.39 had been drawn under the loan as at the time of termination of the contract. However, in absence of the assessments or final account for the contractor, the value of works done, amount paid under the contract, unrecovered advance payment, and the amount due to the contractor could not be ascertained.

In addition, Management entered into contract with a local contractor on 30 August, 2021 to complete the project at a sum of Kshs.216,934,078. The contract period was three hundred and sixty-five (365) days ending August, 2022. Review of evaluation of the bids revealed that the awarded contractor lacked crucial personnel stipulated in the bid including transmission line engineer, site manager for transmission lines, tower foundation supervisor and stringing work supervisor, rendering the bid non-responsive. Further the contract duration was extended twice through addendum 1 and 2, with a final completion date of 30 June, 2023.

In the circumstances, the value for money incurred in respect of the project could not be confirmed.

16.6 Nanyuki-Rimuruti Underground Cable Project

Management contracted a consortium of foreign based companies on 24 March, 2022 to undertake design, supply and erection of 132KV underground cable for approximately 16.8-kilometer section of Nanyuki - Rumuruti Transmission Line and 4.2-kilometer section of Nanyuki - Isiolo Transmission Line at a contract price of USD.14,307,500 and Kshs.393,930,589. Review of documents relating to implementation of the project revealed the following inconsistencies:

i. The contract agreement and notification of award indicated the scope of works was to design, supply and erect a 132KV underground cable transmission from Nanyuki to Rumuruti. However, the price schedule supporting the contract sum included a 4.2 - kilometre 132KV single circuit underground cable for Nanyuki - Isiolo transmission line, resulting to a variation on the scope of works.

ii. The price schedule described the project as including a 132KV underground cable for Nanyuki - Rumuruti Transmission line and 4.2-kilometre 132KV single circuit underground cable for Nanyuki - Isiolo transmission line. However, the supplementary financing agreement described the scope as construction of 16.5 kilometres of 132 KV underground cable to interconnect Nanyuki and Rumuruti Stations.

iii. The contract agreement and the notification of award reflects a contract sum of USD.17,776,814. However, the price schedule indicated a price of USD.14,307,500 and Kshs.393,930,589, a variation which was not in the contract.

iv. The contract duration was twelve (12) months from the effective date, while procurement plan annexed to the supplementary agreement indicated that the contract start date was 08 November, 2019. However, an advance payment of 20% comprising of USD.2,861,500 and Kshs.78,786,118 was to be paid to the contractor before the commencement of works on 12 April, 2023 and 26 June, 2023 respectively. Additionally, the project status report provided for audit indicted that the project commenced on 22 May, 2023 with an agreement that the remaining amount of advance payment amounting to USD.596,194.87 would be released to the contractor by 22 July, 2023.

v. The projected completion date was indicated as 21 May, 2024 in the project status report. However, a project verification carried out in March, 2024 revealed that civil works and cable laying had not started. With a completion date of 21 May, 2024, the project was unlikely to be completed with the set timelines. Further, the financing agreement for the project expired in December, 2023 and had not been renewed. Thus, the source of financing for the project could not be confirmed.

In the circumstances, existence, and effectiveness of project management framework to oversee timely implementation of projects and contracts could not be confirmed.

17.0 Non-renewal of Advance Payment Guarantees

The statement of financial position reflects trade and other receivables balance of Kshs.10,592,580,000 as disclosed in Note 16(a) to the financial statements. The amount includes deposits and prepayments amounting to Kshs.8,383,881,000. Review of the status of the deposits and prepayments revealed that an advance payment security (Guarantee) amounting to Kshs.2,650,743,250, provided by an international company implementing Kamburu - Embu - Thika transmission line, expired on 31 December, 2023 and had not been renewed. Although Management provided a letter from a local bank indicating an intention to renew the bank guarantee, it had not been renewed as at the time of audit in March, 2024. Similarly, a guarantee of EUR.3,411,002, provided by an international company implementing Rabai - Bamburi- Kilifi transmission line expired on 30 March, 2024 and had not been renewed. Although Management indicated that it had held some contractor's invoices in respect of completed works pending renewal of the guarantee, the value of the invoices was not disclosed.

By failing to renew the advance payment guarantees, Management was in contravention of the provisions of Regulation 139(1)(a) of the Public Finance Management (National Government) Regulations, 2015, which states that the Accounting Officer of a National Government entity shall take full responsibility and ensure that proper control systems exist for assets and that preventative mechanisms are in place to eliminate losses.

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

18.0 Irregular Recruitment

The Company advertised for the position of chief pilot in January, 2022 which attracted several applicants. Shortlisting of applicants was conducted leading to interviews for three (3) shortlisted candidates on 07 February 2022. The three (3) candidates scored 74.5% 72.8% and 61.4% respectively. The Board of Directors resolved to appoint the candidate who was ranked second on 08 February 2022, indicating that the first ranked candidate was an employee of the Company at a position of company pilot and recruiting him as chief pilot would leave a gap. However, the candidate had been acting in the position of chief pilot since August, 2021. This was contrary to the Company's Human Resource policies which provide that the Company shall endeavor to recruit suitably qualified and experienced employees with the right skills.

The recommended candidate was appointed on a contract term of five (5) years on 07 March, 2022. However, the appointee lacked the requisite ratings to fly the Company chopper, which led to Management hiring another helicopter at a cost of Kshs.13,616,316 to be flown by the new chief pilot. Further, Management, paid for his training in Milan, Italy at a cost Kshs.15,326,832 which included accommodation to enable him to acquire requisite ratings for the Company helicopter. This was contrary the Company Human Resource policies which provided that the Company shall not sponsor employees for undergraduate degree courses or other courses that are mandatory for their current jobs' qualifications. Upon return from the training in Italy and despite having been bonded for a period of three (3) years, the employee resigned on 31 October, 2023, after one year of service when the bond had a recoverable amount of Kshs.9,140,113. At the time of resignation, the chief pilot had an outstanding imprest amounting to Kshs.3,472,373 in respect of his stay in Italy.

In addition, following the recruitment outcome, the former Company pilot had tendered a resignation in March, 2022 citing unfair treatment. The resignation created a vacuum which necessitated Management to seek services of a consultant for the Company helicopter which had been rendered redundant due to lack of ratings by the newly recruited chief pilot. The consultancy services were obtained through a direct procurement where the former pilot who had the resigned from the position was engaged to provide pilot services for one (1) year. Subsequently, when the newly recruited chief pilot resigned in October, 2023, the former pilot, who was at the time providing pilot services as a consultant, was reemployed to his former position.

In the circumstances, the objectivity and fairness of the recruitment process could not be confirmed. In addition, the value for money incurred in training of the employee, hiring an additional helicopter and procurement of pilot services could not be ascertained.

19.0 Non-Compliance with Law on Gender Balance

During the year under review, the number of employees in the Company was five hundred and twenty (520), out of whom, only one hundred and fifty-one (151) were female, representing 29%. This was contrary to the provisions of Article 27 of the Constitution, and Section B 22(2) of the Human Resource Policies and Procedures Manual for the Public Service, 2016.

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

20.0 Delays in transfer of Energy Dispatch System Operator

On 14 January, 2022, the Energy and Petroleum Regulatory Authority through a Gazette notice designated the Kenya Electricity Transmission Company Limited (KETRACO) as the System Operator, responsible for matching consumer's requirements or demand with electrical energy availability or supply, maintaining electric power system security and arranging for the dispatch process. However, as at the time of concluding the audit in March, 2024, KETRACO was yet to take over the role from Kenya Power and Lighting Company, more than two years after the Gazette Notice was published.

In the circumstances, Management was in breach of the Gazette Notice.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance, were not effective.

Basis for Conclusion

1.0 Security of Transmission Assets

Review of Management reports and security work plans for the year under review revealed that the Company had recorded an exposure risk of vandalism and theft in some facilities. Despite the Company owning critical transmission assets, adequate measures had not been taken to mitigate against identified security and vandalism threats. In addition, Management had not put in place an integrated security system to monitor and suppress the security risks identified. Physical verification carried out at sampled Sub-Stations revealed that several sites were not manned by the Critical Infrastructure Police Unit and Sub-Station control rooms lacked access controls which exposed them to unauthorized access. Further, several sites had not been equipped with CCTV surveillance cameras.

In the circumstances, the existence and adequacy of appropriate security controls and response mechanisms could not be confirmed.

2.0 Lack of Strategic Spares for Transformers

During the year under review, the Company operated transformers that aided energy transmission across the network. Physical verification at sampled Sub-Stations revealed that six (6) transformers in Kieni, Mwingi, Konza and Kitale had malfunctioned during the year. However, the transformers had taken long to be restored as Management did not maintain strategic spares for its transformers. This exposed the Company to a risk of effective service delivery. For instance, Konza 132 KV Sub-Station had only one transformer which had malfunctioned at the time of the visit in March, 2024 thus no stepdown services could be offered at the station.

Further, no evidence was provided to indicate that Management carried out an impairment of the transformers that had been recognized in the books of the Company.

In the circumstances, the effectiveness on controls for assessment and maintenance of critical operational assets could not be confirmed.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Kenyan Companies Act, 2015 I report based on the audit, that:

(i) I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of my audit;

(ii) In my opinion, proper books of account have been kept by the Company, so far as appears from the examination of those books;

(iii) The Company's statement of financial position and statement of profit or loss and other comprehensive income agree with books of account.

Responsibilities of Management and the Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution, and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal controls that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level, the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

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

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

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

FCPA Nancy Gathungu, CBS
<u>AUDITOR-GENERAL</u>

Nairobi

23 August, 2024

KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2023

	Notes	2023 KShs' 000	2022 (Restated) KShs' 000
REVENUE			
Revenue from contracts with customers	3	3,144,090	2,560,053
Grants from National Government	4 (a)	2,736,711	2,367,166
Other income	5	7,214	16,451
TOTAL REVENUE		5,888,015	4,943,670
OPERATING EXPENSES			
Administration costs	6 (a)	(6,936,638)	(6,211,136)
Distribution costs	7 (a)	(364,978)	(306,532)
Net movement in credit loss expense on financial assets	7 (b)	899,597	812,933
Depreciation of property and equipment	13	(3,871,630)	(2,983,245)
Amortization of intangible assets	14	(42,042)	(60,440)
TOTAL OPERATING EXPENSES		(10,315,691)	(8,748,420)
OPERATING (LOSS)/PROFIT		(4,427,676)	(3,804,750)
Finance income	9	382,419	338,912
Finance costs	10	(65,125)	(64,332)
(LOSS)/PROFIT BEFORE TAXATION		(4,110,382)	(3,530,170)
Income tax credit/(expense)	11(a)	223,468	(452,151)
(LOSS)/PROFIT FOR THE YEAR		(3,886,914)	(3,982,321)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year net of tax		(3,886,914)	(3,982,321)
Earnings per share – basic and diluted (KShs)	12	(194,346)	(199,116)

KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

	Notes	2023 KShs'000	2022 Restated KShs'000
ASSETS			
Non-current assets			
Property and equipment	13	217,371,537	203,224,397
Intangible assets	14	7,550	49,593
Right of use assets	15	212,084	206,022
Deferred tax asset	27	1,046,620	472,093
		218,637,791	203,952,105
Current assets			
Trade and other receivables	16(a)	10,592,580	13,433,469
Inventory	17	2,290	212
corporate tax recoverable	11(c)	225,975	320,142
Amounts due from related parties	22(a)	2,580,592	3,255,813
Cash and bank balances	18	7,263,584	6,601,865
		20,665,021	23,611,501
TOTAL ASSETS		239,302,812	227,563,606
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	19	2,000	2,000
Retained earnings	20	(5,411,496)	(1,524,582)
		(5,409,496)	(1,522,582)
Non-current liabilities			
Deferred grant income	21(c)	201,795,644	195,379,243
Amount due to related parties	22(b)	816,608	817,796
Deferred revenue	23	155	155
Lease liabilities	24	297,813	243,144
Borrowings	25	2,683,022	2,776,560
		205,593,242	199,216,898
Current liabilities			
Borrowings	25	1,456,447	1,015,152
Deferred grant income	21(c)	2,736,711	2,367,166
Amount due to related parties	22(b)	743,855	722,008
Lease liabilities due within one year	24	28,457	25,498
Trade and other payables	26	34,153,596	25,739,466
		39,119,066	29,869,290
TOTAL EQUITY AND LIABILITIES		239,302,812	227,563,606

The financial statements on pages 51 to 103 were approved and authorised for issue by the board of directors on ……………14/11/2024 and signed on its behalf by:

Capt. Mohamed M. Abdi Chairman,	Dr. Eng John Mativo Managing Director	CPA Tom Imbo General Manager Finance ICPAK M/No……7039

KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2023

	Share capital KShs'000	Retained earnings KShs'000	Total Equity KShs'000
At 30 June 2021	2,000	2,457,739	2,459,739
Total comprehensive loss for the year (restated)	-	(3,982,321)	(3,982,321)
At 30 June 2022	2,000	(1,524,582)	(1522,582)
Total comprehensive income for the year	-	(3,886,914)	(3,886,914)
At 30 June 2023	2,000	(5,411,496)	(5,409,496)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2023

	Notes	2023 KShs'000	2022 Restated KShs'000
Cash flows from operating activities			
Cash generated (used in)/generated from operations	28	6,230,395	-1,063,608
Cash flows from investing activities			
Purchase of property and equipment	13	-15,005,828	-10,332,494
Proceeds from sale	5	222	16,451
Net cash used in investing activities		-15,005,606	-10,316,043
Cash flows from financing activities			
Grants received	21(b)	9,522,657	10,222,033
Payment of lease liability	24	-42,497	-35,956
Repayment of borrowings	25	-43,230	-44,946
Net cash generated from financing activities		9,436,930	10,141,131
Increase in cash and cash equivalents		661,719	-1,238,520
Cash and cash equivalents at beginning of year		6,601,865	7,840,385
Cash and cash equivalents at end of year		7,263,584	6,601,865
Represented by:			
Cash and bank balances	18	7,263,584	6,601,865

KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED
STATEMENT OF COMPARISON OF BUDGET VS ACTUAL
FOR THE YEAR ENDED 30 JUNE 2023

	Details	Original Budget	Adjustments	Final Budget	Actual on Comparable basis	Budget Utilization Difference	% of Utilization	Remarks
		a	b	c	d	e=c-d	f=d/c %	
	Kshs.	**000'**						
	Revenue							
1	Wheeling Revenue	2,668,667	-	2,668,667	2,970,101	301,434	111%	Restatement of Kshs 250 Mn from FY 2022 to FY 2023
2	Government grants -Recurrent	-		-	2,736,711	2,736,711	-	Non cash non budget item
3	Other Incomes -Fibre Optic	150,107	-	150,107	173,989	23,882	116 %	New customers were onboarded during the year which lead to increase fibre revenue. For instance, Bandwith cloud services, Airtel
4	Other icomes - Interest Income & Sale of MV	140,800		140,800	389,633	248,833	277%	Increase in balances of monies held in company revenue and project accounts. The average interest rate for financial year 2022/23 was 6.4%.
5	**Total Revenue**	2,959,574	-	2,959,574	6,270,434			
	Expenses							
6	Bank charges	2,010		2,010	1,995	15	99%	N/A
7	Directors fees and Expenses	30,000	-	30,000	22,826	7,174	76%	The Board of Directors did not undertake all planned activities
8	Staff Costs	1,070,141		1,070,141	1,048,600	21,541	98%	N/A
9	Staff Training	52,202	(30,000)	22,202	11,610	10,592	52%	The Company did not undertake all the planned activities
10	Rent	17,000		17,000	8,678	8,322	51%	The Company did not undertake all the planned activities
11	Motor vehicle running cost	58,773	8,000	66,773	63,772	(3,001)	95%	The Company did not undertake all the planned activities
12	Depreciation	-		-	3,913,672	(3,913,672)	-	Noncash non budgetable item
13	Professional fees and consultancy	47,838		47,838	7,205	40,633	15%	The Company did not undertake all the planned activities
14	Administration and other operating costs	321,494	(86,000)	235,494	4,937,480	(4,701,986)	2097%	Included are non-cash items of unrealised foreign loss, finance cost and bad debts.
15	Operation and maintenance costs	1,247,592		1,247,592	364,978	882,614	29%	The Company did not undertake all the planned activities
	Total Expenditure	2,847,050	-	2,729,050	10,380,816			
	Surplus/Deficit		-		(4,110,382)			

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Statement of compliance

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the entity's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 1. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the entity, and all values are rounded off to the nearest Kenya shillings. The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act (include any other applicable legislation), and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

(b) Application of New and Revised International Financial Reporting Standards (IFRS)

i. New and amended standards and interpretations in issue and effective in the year ended 30 June 2023.

Title	Description	Effective Date
IFRS 17 Insurance Contracts (issued in May 2017)	The new standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. The Company does not issue insurance contracts. / The company is an insurance company. The adoption of IFRS 17 has not had any effect.	Effective for annual periods beginning on or after 1st January 2023.
IAS 8- Accounting Policies, Errors, and Estimates	The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates. (entity to state the effect of amendments on their financial statements for the year ended.)	The amendments are effective for annual reporting periods beginning on or after January 1, 2023.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies. (entity to state whether this has brought about changes to the accounting policies disclosed)	The amendments are effective for annual periods beginning on or after January 1, 2023.
Amendments to IAS 12 titled Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (issued in May 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	The amendments are effective for annual periods beginning on or after January 1, 2023.

Application of New and Revised International Financial Reporting Standards (IFRS)

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

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.

Amendments to IAS 16 - Property, Plant and Equipment-Proceeds before intended use	These are amendments regarding proceeds from selling items produced while bringing an asset into the location and condition necessary for it to be capable of operating in the manner intended by management. This amends the standard to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. Early application is permitted. An entity applies the amendments retrospectively only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The directors do not expect that the adoption of the amendment will have a material impact on the financial statements of the Company.
Amendments to IFRS 3: Reference to the Conceptual Framework	The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard. The changes in Reference to the Conceptual Framework are as follows; a) Update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework; b) Add to IFRS 3 a requirement that, for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination; and c) Add to IFRS 3 an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination. The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references at the same time or earlier. The directors do not expect that the adoption of the amendment will have a material impact on the financial statements of the Company.
Amendments to IAS 37: Onerous Contracts- Cost of Fulfilling a Contract	The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Title	Description	Effective Date
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022)	The amendment, applicable to annual periods beginning on or after 1st January 2024, requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendments to IAS 1 titled Non-current Liabilities with Covenants (issued in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, improve the information an entity provides about liabilities arising from loan arrangements for which an entity's right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.

The Directors do not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on the Company's financial statements.

(c) Early adoption of standards

The Company did not early-adopt any new or amended standards in the year ended 30 June 2023.

1. SUMMARY OF ACCOUNTING POLICIES (Continued)

(d) Basis of preparation

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

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

Revenue recognition

Revenue is measured based on the consideration to which the entity expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The entity recognizes revenue when it transfers control of a product or service to a customer.

i) **Revenue from the sale of goods and services** is recognized in the year in which the entity delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

ii) **Grants from National Government** are recognized in the year in which the entity actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

iii) **Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognized in profit or loss on a time proportion basis using the effective interest rate method.

iv) **Dividend income** is recognized in the income statement in the year in which the right to receive the payment is established.

v) **Rental income** is recognized in the income statement as it accrues using the effective interest implicit in lease agreements.

vi) **Other income** is recognized as it accrues.

b) In-kind contributions

In-kind contributions are donations that are made to the entity in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the entity includes such value in the statement of comprehensive income both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

1. SUMMARY OF ACCOUNTING POLICIES (Continued)

(d) Basis of preparation (continued)

Property and equipment

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the cost of ongoing but incomplete works on buildings and other civil works and installations.

Depreciation on property, plant and equipment is recognized in the income statement on a straight-line basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual rates in use, as guided by National Treasury policy on assets depreciation are:

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

Depreciation is not charged to land.

A full year's depreciation charge is recognised both in the year of asset purchase and in the year of asset disposal.
Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives . The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Amortisation and impairment of intangible assets

Amortisation is calculated on the straight-line basis over the estimated useful life of the intangible asset. All intangible assets are reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

1. SUMMARY OF ACCOUNTING POLICIES (Continued)

(d) Basis of preparation (continued)

Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise. An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

Right of Use Asset

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the entity incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the entity expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

Fixed interest investments (bonds)

Fixed interest investments refer to investment funds placed under Central Bank of Kenya (CBK) long-term infrastructure bonds and other corporate bonds with the intention of earning interest income upon the bond's disposal or maturity. Fixed interest investments are freely traded at the Nairobi Securities Exchange. These bonds are measured at amortized cost/ at fair value through other comprehensive income (FVTOCI)or at fair value through profit or loss (FVTPL)

Quoted investments

Quoted investments are classified as non-current assets and comprise marketable securities traded freely at the Nairobi Securities Exchange or other regional and international securities exchanges. Quoted investments are stated at fair value through profit or loss (FVTPL).

Unquoted investments

Unquoted investments are measured at fair value through profit or loss (FVTPL).

1. SUMMARY OF ACCOUNTING POLICIES (Continued)

(d) Basis of preparation (continued)

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Trade and other receivables

Trade and other receivables are recognized at amortized cost less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted.

Taxation

i) Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance.

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

1. SUMMARY OF ACCOUNTING POLICIES (Continued)

(d) Basis of preparation (continued)

Deferred Tax (continued)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognized in other comprehensive income and reclassified to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalized borrowing costs reflect the hedged interest rate. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

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

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 reporting period. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

Borrowings

Interest bearing loans and overdrafts are initially recorded at fair value being received, net of issue costs associated with the borrowing. Subsequently, these are measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue cost and any discount or premium on settlement. Finance charges, including premiums payable of settlement or redemption are accounted for on accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in

1. SUMMARY OF ACCOUNTING POLICIES (Continued)

(d) Basis of preparation (continued)

Borrowings (continued)

the period in which they arise. Loan interest accruing during the construction of a project is capitalized as part of the cost of the project.

Trade and other payables

Trade and other payables are non-interest bearing and are carried at amortised cost, which is measured at the fair value of contractual value of the consideration to be paid in future in respect of goods and services supplied, whether billed to the entity or not, less any payments made to the suppliers.

Retirement benefit obligations

The entity operates a defined contribution scheme for all full-time employees from July 1, 2023. The scheme is administered by an in-house team and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time per employee per month.

Provision for staff leave pay

Employees' entitlements to annual leave are recognised as they accrue at the employees. At provision is made for the estimated liability for annual leave at the reporting date.

Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the entity operates, Kenya Shillings. Transactions in foreign currencies during the year/period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

1. SUMMARY OF ACCOUNTING POLICIES (Continued)

(d) Basis of preparation (continued)

Budget Information

The original budget for FY 2022/2023 was approved by the National Assembly 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 entity upon receiving the respective approvals in order to conclude the final budget.

The entity'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 a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under appendix I of these financial statements.

Service Concession arrangements

The Entity analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Entity recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

Comparative figures

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

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, 2023.

2. SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINITY

The preparation of the Entity's financial statements in conformity with IFRS 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.

2. SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINITY (Continued)

a) 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 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.

b) 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 assets

c) Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 29.
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.
(include provisions applicable for your organization e.g. provision for bad debts, provisions of obsolete stocks and how management estimates these provisions)

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

	2023 KShs'000	2022 Restated KShs'000
Wheeling revenue	2,970,101	2,418,667
Fibre revenue	173,989	141,386
	3,144,090	2,560,053

As previously reported	2,668,667
Restatement	(250,000)
To recognise overstatement of wheeling revenue from KPLC	
Balance at end of year	**2,418,667**

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

4. GRANTS FROM NATIONAL GOVERNMENT

	2023 KSh'000	2022 KSh'000
Capital grants realised (note 21(b))	2,736,711	2,367,166
	2,736,711	2,367,166

Capital grants recognised above relates to amortization of grants from National Government.

Recurrent grants	-	-
Project funding grants (note 21 (a))	1,264,750	4,549,000
	1,264,750	4,549,000

5. OTHER INCOME

Other income	7,214	16,451

Other income mostly relates to staff housing rental income at Suswa and Isinya substation , insurance compensation and disposal of laptops. For purposes of cash flow 222,000 of other incomes relates to disposal of laptops.

	2023 KShs'000	2022 Restated KShs'000
6(a) ADMINISTRATION COSTS		
Staff costs (note 6(b))	1,048,600	862,617
Directors' emoluments	22,826	28,825
Depreciation of right of use assets (note 15)	14,327	20,236
Electricity and water	13,608	10,486
Insurance costs	101,864	187,257
Other maintenance costs*	46,914	38,095
Rent and rates expenses	8,678	4,129
Security	104,553	71,174
Corporate communication, postage, telephone, printing and internet	3,923	4,323
Motor vehicle expenses and transport	63,772	41,334
Advertising, printing, stationery and photocopying	6,906	10,709
Staff training expenses	11,610	28,672
Hospitality supplies and services	12,877	14,728
Bank charges and commissions	1,995	2,702
Auditors' remuneration	13,043	12,491
Legal fees	111	-
Consultancy and Professional fees	7,205	41,968
Realised foreign exchange losses	257,377	86,182
Interest on arbitral award	2,393,203	4,538,032
Unrealised foreign exchange losses	2,643,058	(1,206)
Other operating expenses	160,188	208,382
	6,936,638	6,211,136

Admin and operating costs Note 6 (a)	
As previously reported security expenses	60,595
Restatement	10,579
To recognise understatement of security costs	
Balance at end of year	**71,174**
As previously reported motor vehicle expenses	38,712
Restatement	2,622
To recognise understatement of motor vehicle costs	
Balance at end of year	**41,334**
As previously reported training expenses	20,218
Restatement	8,454
To recognise understatement of training costs	
Balance at end of year	**28,672**
As previously reported consultancy and professional fees expenses	14,129
Restatement	27,839
To recognise understatement of consultancy and professional fees costs	
Balance at end of year	**41,968**
As previously reported interest on arbitral award	-
Restatement	4,538,032

To recognise interest on arbitral award	
Balance at end of year	**4,538,032**

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

	2023 KShs'000	2022 KShs'000
6(b) STAFF COSTS		
Salaries and allowances for permanent staff	933,174	767,098
Wages for temporary staff	2,673	1,542
Compulsory national social security schemes	2,527	902
Other pension contributions	40,955	36,551
Leave pay and gratuity provisions	44,583	28,237
Staff welfare	24,688	28,287
Total	1,048,600	862,617
The average number of staff at the end of the year was:		
Permanent staff – Management	438	478
Permanent staff – Support	81	73
Total	519	551

	2023 KShs'000	2022 KShs'000
7(a) DISTRIBUTION COSTS		
Maintenance costs for transmission lines	320,049	232,995
Other maintenance costs**	44,929	73,537
	364,978	306,532

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

	2023 KShs'000	2022 Restated KShs'000
7(b) CREDIT LOSS EXPENSES ON FINANCIAL ASSETS		
Provision for ECL –Third parties	(17,024)	34,720
Provision for ECL –Cash and Bank	(517)	663
Provision for ECL – Related party	(882,056)	(848,316)
	(899,597)	(812,933)

8. OPERATING LOSS

Profit for the year has been arrived at after charging:

	2023 KShs'000	2022 Restated KShs'000
Directors' emoluments – fees (note 6(a))	22,826	28,825
Staff costs (note 6(b))	1,048,600	862,617
Depreciation of property and equipment (note 13)	3,871,630	2,983,245
Amortisation of intangible assets (note 14)	42,042	60,440
Depreciation of right of use assets (note 15)	14,327	20,236
Auditors' remuneration	13,043	12,491
Net foreign exchange loss	2,900,435	84,976

9. FINANCE INCOME

	2023 KShs'000	2022 Restated KShs'000
Interest income on bank balances	382,419	338,912

10. FINANCE COSTS

	2023 KShs'000	2022 Restated KShs'000
Interest expense on borrowings	31,372	37,471
Interest expense on lease liability (note 24)	33,753	26,861
	65,125	64,332

	2023 KShs'000	2022 Restated KShs'000

11 TAXATION

(a) Income tax expense

	2023 KShs'000	2022 Restated KShs'000
Current tax	351,059	182,043
Deferred tax:		
Relating to origination and reversal of temporary differences	(574,527)	266,717
Adjustment in respect of previous years' tax	-	3,391
	(223,468)	452,151

(b) Reconciliation of taxation charge to expected taxation based on profit before taxation

	2023 KShs'000	2022 Restated KShs'000
(Loss) before taxation	(4,110,382)	(3,530,170)
Tax calculated at the applicable income tax rate of: 30% (2022: 30%)	(1,233,115)	(1,059,051)
Tax effect of:		
Expenses not deductible for tax purposes	1,009,647	1,507,811
Adjustment in respect of previous years' tax		3,391
Taxation charge	(223,468)	452,151

(c) Corporate tax recoverable

	2023 KShs'000	2022 Restated KShs'000
At 1 July	320,142	177,260
Charge for the year	(351,059)	(182,043)
Paid during the year	256,892	328,316
Prior year opening balances adjustments	-	(3,391)
At 30 June	225,975	320,142

12. EARNINGS PER SHARE

The earnings per share is calculated by dividing the loss after tax of KShs 3,886,914,000 (2022 restated: loss after tax of KShs 3,982,321,000) by the average number of ordinary shares in issue during the year (note 18), There were no dilutive or potentially dilutive ordinary shares as at the reporting date.

13. PROPERTY, PLANT AND EQUIPMENT

	Freehold land KShs'000	Transmission lines KShs'000	Substation KShs'000	Aircraft KShs'000	Motor vehicles KShs'000	Machinery KShs'000	Furniture and fittings KShs'000	Computer accessories KShs'000	Tools and equipment KShs'000	Buildings KShs'000	Capital Work in-Progress* KShs'000	Total KShs'000
Cost												
At 1 July 2022	1,093,746	105,336,119	7,241,026	804,368	166,764	34,924	170,066	204,915	-	427,502	100,287,222	215,766,652
Additions	-	20,327	-	-	-	182,071	-	-	7,658	-	14,795,772	15,005,828
Disposals	-	-	-	-	-	-	-	-641	-	-	-	-641
Transfer from CWIP	-	31,922,873	18,453,688	-	143,216	-	2,247	-			-50,522,024	-
Transfer from TL	-	-317,215	-	-	-	-	-	-	317,215		-	-
Restated from advances										-	3,013,101	3,013,101
At 30 June 2023	1,093,746	136,962,104	25,694,714	804,368	309,980	216,995	172,313	204,274	324,873	427,502	67,574,072	233,784,940
Depreciation												
At 1 July 2022	-	11,204,760	656,119	172,365	153,772	13,098	138,624	191,943	-	11,579	-	12,542,260
Charge for the year	-	3,176,936	523,149	57,455	31,736	28,914	7,506	6,982	28,264	10,688	-	3,871,630
Disposal	-	-	-	-	-	-	-	-487	-	-	-	-487
Transfer		-			-							
At 30 June 2023	-	14,381,696	1,179,268	229,820	185,508	42,012	146,130	198,438	28,264	22,267	-	16,413,403
Net carrying amount												
At 30 June 2023	1,093,746	122,580,408	24,515,446	574,548	124,472	174,984	26,183	5,836	296,609	405,235	67,574,072	217,371,537

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

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

***For the purposes of statement of cash flows, the additions of property and plant amounting to KShs 15,005,828,000 (2022: KShs 10,332,494,000) that had already been paid for have been disclosed as purchases.

**** 39 substations are included under transmission lines as listed in appendix V

13.
PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Transmission lines	Substation	Aircraft	Motor vehicles	Machinery	Furniture and fittings	Computer accessories	Buildings	Capital Work in- Progress* Restated	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Cost											
At 1 July 2021	1,072,402	88,351,109	5,801,060	804,368	172,235	34,924	166,391	200,549	427,502	111,471,881	208,502,421
Additions	-	-	-	-	-	-	3,675	4,366	-	10,324,453	10,332,494
Disposals	-	-	-	-	(55,162)	-	-	-	-	-	(55,162)
Transfer from CWIP	21,344	16,985,010	1,439,966	-	49,691	-	-	-		(18,496,011)	-
Restated to advances										(3,013,101)	(3,013,101)
At 30 June 2022	1,093,746	105,336,119	7,241,026	804,368	166,764	34,924	170,066	204,915	427,502	100,287,222	215,766,652
Depreciation											
At 1 July 2021	-	8,563,572	478,519	114,910	134,817	8,732	131,162	181,569	891	-	9,614,172
Charge for the year	-	2,644,044	177,598	57,455	71,260	4,365	7,461	10,374	10,688	-	2,983,245
Disposal	-	-	-	-	(55,162)	-	-	-	-	-	(55,162)
Transfer		(2,856)			2,856						
At 30 June 2022	-	11,204,760	656,117	172,365	153,771	13,097	138,623	191,943	11,579	-	12,542,255
Net carrying amount											
At 30 June 2022	1,093,746	94,131,359	6,584,909	632,003	12,993	21,827	31,443	12,972	415,923	100,287,222	203,224,397

Restatement

	KSh'000
Capital Work in Progress As previously reported	103,300,323
Restatement	(3,013,101)
To recognise advance payments paid to contractors	
Balance at end of year	**100,287,222**

*Capital work in progress relates (CWIP) to transmission lines and sub- stations whose construction had not been completed as at year end.
There were no assets pledged as security for liabilities.
** Transfer from WIP relates to the transfer of the cost of land, transmission lines, substations and buildings previously reported under Capital work in progress.
***For the purposes of statement of cash flows, the additions of property and plant amounting to KShs 15,005,828,000 (2022: KShs 10,332,494,000) that had already been paid for have been disclosed as purchases.

13. PROPERTY AND EQUIPMENT (Continued)

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

	Motor vehicles KShs'000	Computer accessories KShs'000	Office equipment, furniture, and fittings KShs'000	Total KShs'000
2023				
Cost	166,764	184,330	112,265	463,359
Nominal depreciation charge	41,691	61,437	14,033	117,161
2022				
Cost	86,174	176,803	112,171	375,148
Nominal depreciation charge	21,544	58,875	14,021	94,440

14. INTANGIBLE ASSETS -COMPUTER SOFTWARE AND LICENSES

	2023 KShs'000	2022 KShs'000
COST		
At beginning of year	599,968	599,968
Additions	-	-
At end of year	599,968	599,968
ACCUMULATED AMORTIZATION		
At beginning of year	550,375	489,935
Charge for the year	42,042	60,440
At end of year	592,417	550,375
NET BOOK VALUE	7,550	49,593

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

15. RIGHT OF USE ASSETS

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

	2023 KShs'000	2022 Restated KShs'000
COST		
At 1 July	265,478	230,584
Additions	20,387	34,894
At 30 June	285,865	265,478
ACCUMULATED DEPRECIATION		
At beginning of year	59,454	39,220
Charge for the year	14,327	20,236
At end of year	73,781	59,454
NET CARRYING AMOUNT	212,084	206,022

16(a) TRADE AND OTHER RECEIVABLES

Trade receivables	192,636	107,893
Deposits and prepayments	8,383,881	7,453,977
Staff receivables (note16 (b))	12,730	13,186
VAT recoverable	29,728	1,368,925
Other receivables	2,028,398	4,561,305
Gross trade and other receivables	10,647,373	13,505,286
Provision for impairment	(54,793)	(71,817)
Net trade and other receivables	10,592,580	13,433,469

Deposits and Prepayments	
As previously reported	4,440,876
Restatement	3,013,101
To recognise advance payments paid to contractors	
Balance at end of year	**7,453,977**

Other Receivables	
As previously reported	8,246,191
Additions	853,358
Restatement litigation costs	(4,538,032)
Restatement stock	(212)
To recognise litigation costs expensed and stock reclassified	
Balance at end of year	**4,561,305**

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

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

	2023 KShs'000	2022 Restated KShs'000
At the beginning of the year	71,817	37,098
Provision for expected credit losses	(17,024)	34,719
	54,793	71,817

16(b) STAFF RECEIVABLES

	2023 KShs'000	2022 KShs'000
Gross staff per diem	12,730	13,186
Amounts due within one year	12,730	13,186
Amounts due after one year		
	12,730	13,186

17 INVENTORY

	2023 KShs'000	2022 Restated KShs'000
Inventory	2,290	212
	2,290	212

18. CASH AND BANK BALANCES

	2023 KShs'000	2022 Restated KShs'000
Cash at bank	7,262,737	6,601,528
Cash in hand	1,000	1,000
Expected credit loss	(153)	(663)
	7,263,584	6,601,865

	KSh'000
Bank Balance As previously reported	6,602,528
Restatement	(663)
To recognise expected credit loss on bank balances	
Balance at end of year	**6,601,865**

19. SHARE CAPITAL

	2023	2022
Authorised, issued and fully paid:		
20,000 fully paid ordinary shares of KShs 100 each	2,000	2,000

The ordinary shares carry one vote each.

20. RETAINED EARNINGS

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

21. DEFERRED GRANT INCOME

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

	2023 KShs'000	2022 KShs'000
(a) Deferred grant income reconciliation		
Direct component*		
Deferred grant income brought forward	74,110,351	70,915,400
Additions in the year	1,264,750	4,549,000
Amortisation	(1,221,343)	(1,354,049)
Deferred grant income carried forward	74,153,758	74,110,351
Indirect component**		
Deferred grant income brought forward	123,636,058	118,976,142
Received in the year	8,257,907	5,673,033
Amortisation	(1,515,368)	(1,013,117)
Deferred grant income carried forward	130,378,597	123,636,058
Total direct and indirect components (note 21(b))	204,532,355	197,746,409
(b) Total reconciliation		
Deferred grant income at 1 July	197,746,409	189,891,542
Additions:		
Direct component	1,264,750	4,549,000
Indirect component	8,257,907	5,673,033
At 30 June 2022	207,269,066	200,113,575
Amortization:		
Direct component	(1,221,343)	(1,354,049)
Indirect component	(1,515,368)	(1,013,117)
	(2,736,711)	(2,367,166)
Deferred grant income carried forward	204,532,355	197,746,409
(c) Amounts will be amortised as below:		
Grant income to be amortised within one year	2,736,711	2,367,166
Grant income to be amortised after one year	201,795,644	195,379,243
At the end of the year	204,532,355	197,746,409

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

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

22. AMOUNT DUE FROM/TO RELATED PARTIES

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

The following transactions were carried out with related parties:

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

	2023 KShs'000	2022 Restated KShs'000
Kenya Power and Lighting Company Limited	2,836,194	4,393,480
Provision for expected credit losses	(255,603)	(1,137,667)
	2,580,592	3,255,813

Related parties	
As previously reported	3,505,813
Restatement	250,000
To recognise overstatement of wheeling revenue from KPLC	
Balance at end of year	**3,255,813**

As at 30 June 2023, the Company's related party receivables with initial value of KShs 257,971,128 (2022: KShs 1,547,826,769) were fully provided for.

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

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

	2023 KShs'000	2022 KShs'000
At the beginning of the year	1,137,667	1,985,983
Provision for expected credit losses	(882,064)	(848,316)
	255,603	1,137,667

(b)Payables to related party

	2023 KShs'000	2022 KShs'000
Kenya Power and Lighting Company Limited	1,560,463	1,539,804
Current Portion	743,855	722,008
Non-current Portion	816,608	817,796

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

(c) Services rendered and government grants

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

	2023 KShs'000	2022 KShs'000
Sales of services – Wheeling revenue	2,970,101	2,418,667
Purchase of services - Operating and maintenance expense	364,978	306,532

(ii) Government of Kenya

	2023 KShs'000	2022 KShs'000
Grants received during the year	1,264,750	4,549,000
	1,264,750	4,549,000

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

(iii) Key management Compensation

	2023 KShs'000	2022 Kshs'000
(a) Directors' emoluments		
Fees for services as directors	3,360	(272)
Other emoluments	19,085	29,097
	22,445	28,825
(b) Compensation to CEO		
Short term employee benefits	8,807	6,281
Other long-term benefits	3,335	6,535
	12,142	12,816
(c) Compensation to key management		
Short term employee benefits	105 726	140,672
Other long-term benefits	4,310	5,892
	110,036	146,564

23. DEFERRED REVENUE

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

24. LEASE LIABILITIES

	2023 KShs'000	2022 KShs'000
The movement in the lease liabilities is as follows:		
Balance at 1 July	268,642	223,256
Additions	27,508	34,894
Payment of lease liabilities	(42,497)	(35,956)
Interest on lease liabilities	33,753	29,066
Unrealised foreign exchange losses	38,864	17,382
At 30 June	326,270	268,642
Amounts due for settlement within 12 months	28,457	25,498
Amounts due for settlement after 12 months	297,813	243,144
At the end of year	326,270	268,642

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

Year 1	28,457
Year 2	26,486
Year 3	27,845
Year 4	28,164
Year 5	31,276
Onwards	184,042
Lease liabilities	326,270

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

The Company is not committed to any arrangements that are short term as at year end. The total cash outflow for leases amount to KShs. 43 million (2022: KShs. 36 million). There are no restrictions or covenants imposed by lessors and the Company did not enter into any sale and leaseback transactions during the year (2022: KShs. nil).

25. BORROWINGS

	2023	2022
	KShs'000	KShs'000
Balance at 1 July	3,791,711	3,736,084
Repayments of external borrowings during the year	(43,230)	(44,946)
Unrealised foreign exchange losses	368,007	74,456
Accrued interest	22,981	26,117
Balance at 30 June	4,139,469	3,791,711
Maturity analysis:		
Amounts due within one year (current portion)	1,456,447	1,015,152
Amounts due after one year (non-current portion)	2,683,022	2,776,560
	4,139,469	3,791,711

The analysis of both external borrowings are as follows;		
External borrowing; -		
Renminbi denominated loan from Exim Bank of China	3,264,432	2,985,821
Japanese yen denominated loan from Japan Bank for International Corporation	875,037	816,485
	4,139,469	3,802,306

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

26. TRADE AND OTHER PAYABLES

	2023	2022
		Restated
	KShs'000	KShs'000
Trade payables	28,494,825	20,199,408
Accruals	5,658,771	5,540,058
	34,153,596	25,739,466

As previously reported	24,836,611
Restatement	902,855
To recognise understatement of trade creditors	
Balance at end of year	**25,739,466**

Trade payables mainly relate to domestic and foreign trade creditors, wayleaves and goods received/invoice received payables.
Included in trade and other payables is Kshs 9,204,024,000 relating to arbitral award against the company. The accruals mainly relate to amounts payable to the contractors in relation to the construction of transmission lines.

27. DEFERRED TAX ASSET

Deferred income taxes are calculated on all temporary differences under the liability method using the applicable tax rate of 30% (2022 – 30%). The make-up of the deferred tax asset in the year and the movement thereon is presented below:

	2023 KShs'000	2022 Restated KShs'000
Movement in the deferred tax account is as follows:		
At start of year	472,094	738,810
Adjustment in respect of previous years' tax	-	(12,053)
Deferred tax credit/(charge) recognized in profit or loss	574,526	(254,664)
	1,046,620	472,094

	1 July 2022 Restated KSh'000	Profit or loss KSh'000	30 June 2023 KSh'000
The net deferred tax asset is attributable to the following items:			
Excess depreciation over capital allowances	61,658	13,092	74,750
Leave pay provision	18,334	4,758	23,092
Staff gratuity provision	8,617	148	8,765
Provision for directors' fees	2,016	1,008	3,024
Allowance for expected credit losses	363,044	(269,879)	93,165
nrealised exchange loss	(361)	791,143	790,782
Right of Use	18,786	34,256	53,042
	472,094	574,526	1,046,620

	1 July 2021 KSh'000	Profit or loss KSh'000	30 June 2022 KSh'000
The net deferred tax asset is attributable to the following items:			
Excess depreciation over capital allowances	42,840	18,818	61,658
Leave pay provision	17,523	811	18,334
Staff gratuity provision	5,410	3,206	8,616
Provision for directors' fees	4,810	(2,794)	2,016
Allowance for ECL	606,924	(243,880)	363,044
Unrealised exchange loss	61,303	(61,666)	(361)
Right of Use	0	18,786	18,786
	738,810	266,718	472,093

28. CASH GENERATED FROM OPERATIONS

	2023 KShs '000	2022 Restated KShs '000
Reconciliation of (loss)/profit before taxation to cash generated from operations:		
Loss before taxation	(4,110,382)	(3,530,170)
Adjustments for:		
Depreciation on property and equipment (note 13)	3,871,630	2,983,245
Amortization of intangible assets (note 14)	42,042	60,440
Depreciation of right of use assets (note 15)	14,327	20,236
Amortization of deferred grant income (note 21(b))	(2,736,711)	(2,367,166)
Expected credit loss (note 18)	(153)	(663)
Unrealized exchange losses	403,697	88,730
Finance income	(382,419)	(338,912)
Finance costs	65,125	55,183
Gain on disposal of assets	(85)	(16,451)
Changes in working capital:		
Decrease/(Increase) in trade and other receivables	2,840,889	(4,074,248)
Trade and other receivables reclassification	(3,013,100)	3,687,671
Decrease in amount due from related parties	675,221	155,958
Increase in amount due to related parties	20,660	1,188
Increase in trade and other payables	8,414,127	2,200,755
Tax Paid (note 11c)	-256,892	-328,316
Interest Received	382,419	338,912
Cash (used in)/generated from operations	6,230,395	(1,063,608)

29. CAPITAL EXPENDITURE COMMITMENTS

	2023 KShs'000	2022 KShs'000
Authorised and contracted for	8,257,907	5,673,033
Authorised but not contracted for	1,264,750	4,549,000
	9,522,657	10,222,033

Authorised and contracted for commitments relates to donor funded contract balances for the construction of transmission lines as at 30 June 2023.

Authorised but not contracted for commitments relates to Government of Kenya contract balances for the construction of transmission lines as at 30 June 2023.

30. CONTINGENT LIABILITY

	2023 KShs'000	2022 KShs'000
Legal claims	1,732,862	1,301,988

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

31. FINANCIAL RISK MANAGEMENT

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

(i) Credit risk
The Company has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables. The board of directors sets the Company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.
An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. However, Kenya Power Lighting Company Limited debts are analyzed based on country credit rating as the Company is partially owned by the Government of Kenya. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade and other receivables are written off after all collection efforts have been exhausted.

31. FINANCIAL RISK MANAGEMENT (continued)

(i) Credit risk (Continued)

The amounts that best represent the Company's maximum exposure to credit risk as at 30 June 2023 were as follows:

	Fully performing	Past due	Impaired	Total
	KShs '000	KShs '000	KShs '000	KShs '000
At 30 June 2023				
Trade receivables	192,636	-	(54,793)	137,843
Other receivables	2,028,398	-	-	2,028,398
Amounts due from related parties	2,836,194	-	(255,603)	2,580,592
Bank balances	7,263,737	-	(153)	7,263,584
	12,320,965	-	(310,549)	12,010,416
At 30 June 2022				
Trade receivables	107,893	-	(71,817)	36,076
Other receivables	4,561,305	-	-	4,561,305
Amounts due from related parties	4,393,480	-	(1,137,667)	3,255,813
Bank balances	6,602,528	-	(663)	6,601,865
	15,665,206	-	(1,210,147)	14,455,059

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

The bank balance consists of KShs 2,787,957,000 held in escrow accounts (2022 – KShs 3,956,887,000), the remainder is held in current accounts.

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

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

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

31. FINANCIAL RISK MANAGEMENT (Continued)

(ii) Liquidity risk management (Continued)

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

	Less than 1 month	Between 3-12 months	Over 12 months	Total
	KShs '000	KShs '000	KShs '000	KShs '000
At 30 June 2023				
Trade payables	34,153,596	-	-	34,153,596
Payables to related party	-	743,855	816,608	1,560,463
Borrowings	-	1,456,447	2,683,022	4,139,469
Lease liability	-	28,457	297,813	326,270
	34,153,596	2,228,759	3,797,443	40,179,798
At 30 June 2022				
Trade payables	25,739,466	-	-	25,739,466
Due to KPLC	-	722,008	817,796	1,539,804
Borrowings	-	1,015,152	2,776,560	3,791,712
Lease liability	-	25,498	243,144	268,642
	25,739,466	1,762,658	3,837,500	31,339,624

(iii) Market risk

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

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

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

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

(a) Foreign currency risk

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

31. FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk (Continued)

(b) Foreign currency risk (Continued)

	Change in USD rate	Effect on profit before tax KShs'000	Effect of equity KShs'000
2023	19%	(80,089)	(36,926)
	-19%	80,089	36,926
2022	2%	(129,310)	(90,517)
	-2%	129,310	90,517
	Change in YEN rate		
2023	10%	(51,567)	(23,776)
	-10%	51,567	23,776
2022	2%	(16,330)	(11,431)
	-2%	(16,330)	11,431
	Change in YUAN rate		
2023	12%	(42,084)	(19,404)
	-12%	42,084	19,404
2022	2%	(51,274)	(35,892)
	-2%	51,274	35,892

(c) Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

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

	Carrying amount KShs'000
30 June 2023	
Assets	
Bank balances	7,263,584
Interest rate sensitivity gap	7,263,584
30 June 2022	
Assets	
Bank balances	6,601,865
Interest rate sensitivity gap	6,601,865

31. FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk (Continued)

(a) Interest rate risk (continued)

Sensitivity analysis (continued)

	2023 KShs 000	2022 Restated KShs, 000
Effect on profit before tax of a +2% change in interest rates	8,317	97,159
Effect on profit before tax of a -2% change in interest rates	(8,317)	(97,159)
Effect on equity +/(-)	3,835	68,011

(iv) Capital management

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

The Company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders. No changes were made in the objectives, policies or processes during the years ended 30 June 2023 and 30 June 2022.

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

	2023 KShs'000	2022 Restated KShs'000
Share capital	2,000	2,000
Retained earnings	(5,411,496)	(1,524,582)
Equity	(5,409,496)	(1,522,582)
Total borrowings	4,139,469	3,791,712
(Less): cash and cash equivalents (Note 17)	(7,263,584)	(6,601,865)
Net debt	(2,285,381)	1,287,571

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

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

31. FINANCIAL RISK MANAGEMENT (Continued)

(iv) Capital management (Continued)

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

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

32. PRIOR YEAR ADJUSTMENTS

In the current year, management has processed the following adjustments to correct the prior periods errors. The adjustments have been applied retrospectively in line with IAS 8 'Accounting policies, change in accounting estimates and errors':

	2022 Restated KShs'000
Sales Note 3	
As previously reported	2,668,667
Restatement	250,000
To recognise overstatement of wheeling revenue from KPLC	
Balance at end of year	**2,418,667**
Admin and operating costs Note 6 (a)	
As previously reported security expenses	60,595
Restatement	10,579
To recognise understatement of security costs	
Balance at end of year	**71,174**
As previously reported motor vehicle expenses	38,712
Restatement	2,622
To recognise understatement of motor vehicle costs	
Balance at end of year	**41,334**
As previously reported training expenses	20,218
Restatement	8,454
To recognise understatement of training costs	
Balance at end of year	**28,672**

	2022 Restated KShs'000
As previously reported consultancy and professional fees expenses	14,129
Restatement	27,839
To recognise understatement of consultancy and professional fees costs	
Balance at end of year	**41,968**
Related parties Note 22 (a)	
As previously reported	3,505,813
Restatement	250,000
To recognise overstatement of wheeling revenue from KPLC	
Balance at end of year	**3,255,813**
Trade payables Note 26	
As previously reported	24,836,611
Restatement	902,855
To recognise understatement of trade creditors	
Balance at end of year	**25,739,466**

33. GOING CONCERN

The Company's current liabilities exceed the current assets by KShs. 15.6 billion (2022: KShs. 3.7 billion). The Company may, therefore, not meet its short-term obligations as and when they fall due. However, the Company is 100% owned by the Government of Kenya which secures financing for various projects for implementation by KETRACO. In addition, KETRACO, receives funding from the exchequer through budgetary allocation. The directors therefore, are confident of continued support from the Government of Kenya and other development partners for the foreseeable future. Consequently, the directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the Company's ability to continue as a going concern. The financial statements have been prepared on the basis of accounting policies applicable to a going concern.

34. INCORPORATION

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

35. CURRENCY

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

APPENDIX I: IMPLEMENTATION STATUS OF AUDITOR-GENERAL PRIOR YEAR RECOMMENDATIONS

Reference No.	Issue	Observations from Auditor	Management comments	Status	Time frame
1	Accounting and Financial Reporting Processes	The company should formulate and strictly implement a monthly and year end financial closing and reporting procedures to ensure that the financial information used in decision making is accurate, complete and represents current status.	The company has improved on period end closure and reporting is done within 10 days of the subsequent month.	Closed	June, 2022
2	Delays in project deliverables and finalization	Management puts in place procedures and controls to ensure that projects are carried out per the contracts entered into with the various contractors. In addition, such procedures and controls should be enforced through regular review of the project progress	Refer to Project Management procedure manual as approved and implemented. Regular reviews ongoing in montly meeting and other scheduled meetings.	On going	June, 2023
3	Additional Capitalization of Transmission lines	management conducts a review of the additional capitalization in order to ensure appropriate capitalization of transmission lines.	Additional capitalization happens at the end of financial year following settlement of retentions and pending wayleaves	Closed	June, 2022
4	Asset Tagging and Physical Verification of Assets	All the Company's assets should be tagged with specific identification numbers to facilitate physical identification and verification of each asset. Periodic counts should be conducted to ensure that all the assets are properly accounted for. The verification should include a review for impairment of assets	The company is in the process of transitioning from the old tagging system into a new tagging system to follow the automated tagging process in SAP.	On going	June, 2023
5	Review of useful lives and revaluation of property and equipment	In line with IAS 16, management should consider, on an annual basis, whether the useful lives originally outlined for each class of asset continue to be appropriate. This consideration should reflect management's experience and the nature of the assets in each class	The review of useful life of company property is done based on company policy. Under the existing policy assets of the company are expected to be reviewed in FY 2022/2023.	On going	June, 2023
6	Recoverability of amounts due from KPLC - Kshs 5,897,753,726	Management should put in place tight credit control measures that would ensure that debts are collected as and when they fall due	Remittance of funds by KPLC during the financial year 2020/2021 was Kshs 3,133,218,529 which includes payment of pending invoices. The remittances are on a monthly basis. This has seen the reduction of receivable from 5,897,754,000 to Kshs 4,394,404,736 as at May 2022	On going	June, 2023

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

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

APPENDIX II: PROJECTS IMPLEMENTED BY KENYA ELECTRIC TRANSMISSION COMPANY

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

	Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements(Yes/No)
13	Lessos – Kabarnet	KET/2/9/4/99	ADB	8 YEARS	USD 10,028,916.1	Yes	Yes
		KET/2/9/4/99	ADB	8 YEARS	KShs 403,309,135.14	Yes	Yes
14	Olkaria – Narok	KET/2/9/4/101	ADB	8 YEARS	USD 14,273,214.76	Yes	Yes
		KET/2/9/4/101	ADB	8 YEARS	KShs 18,480,440	Yes	Yes
16	Bomet – Sotik	KET/2/9/4/102	ADB	8 YEARS	USD 15,506,935.74	Yes	Yes
		KET/2/9/4/102	ADB	8 YEARS	KShs 18,480,440	Yes	Yes
17	Kitui - Mwingi - Wote - Sultan Hamud	KET/2/9/4/43	ADB	8 YEARS	USD 2,975,932	Yes	Yes
18	Ishiara – Kieni – Embu	KET/2/9/4/43	ADB	8 YEARS	KShs114,500,975	Yes	Yes
19	Kindaruma – Mwingi- Garrissa		IDA	8 YEARS	USD 16,121,959.98	No	Yes
20	Eldoret – Kitale		IDA	8 YEARS	USD 7,831,951.81	No	Yes
21	Kisii – Awendo		IDA	8 YEARS	USD 6,758,413.78	No	Yes
			SPAIN/GOK	7 YEARS	EURO 142,038,152	No	Yes
22	Loiyangalani – Suswa Tl	KET/2/9/4/34	SPAIN/GOK	7 YEARS	EURO 4,364,977	No	Yes
23	Loiyangalani – Substation	KET/2/9/4/45	GOK	7 YEARS	EURO 7,962,869	No	Yes
	Rabai – Malindi – Garsen – Lamu	KET/2/9/4/72	Exim Bank of China	6 YEARS	RMB 636,600,105.57	No	Yes
25	Kenya - Tanzania Power Interconnector	KET/2/9/4/282	ADB	6 YEARS	USD 27,500,000	yes	yes
					KShs 439,444,244		
26	Kamburu Embu Thika	KET/2/9/4/122	ADB	6 YEARS	USD 90,286,383	No	Yes
			GOK	6 YEARS	KShs 2,650,743,251		

APPENDIX III: INTER-ENTITY TRANSFERS

a.	**Development Grants**			
		Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
		12/10/2022	887,750,000	FY 2022/2023
		07/07/2023	377,000,000	FY 2022/2023
		Total	**1,264,750,000**	

APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KShs	Capital Fund KShs	Others - External Financiers-KShs	Total Transfers during the Year-KShs
Ministry of Energy	12/10/2022	Development	887,750,000	887,750,000	-	887,750,000
Ministry of Energy	07/07/2023	Development	377,000,000	377,000,000		377,000,000
Total			**1,264,750,000**	**1,264,750,000**		**1,264,750,000**

In confirm that the amounts shown above are correct as of the date indicated.
Head of Accountants department of beneficiary entity:

Name ....Catherine N. Mugo.... Sign .... Date ....7/8/2024....

KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

APPENDIX V: LIST OF SUBSTATIONS INCLUDED IN TRANSMISSION LINE ASSET CLASS

No	Sub Station Name
1	Athi River 220/66kV
2	Awendo 132/33
3	Bomet 132/33kV
4	Chemosit 132kV Extension
5	Embakasi 220kV Extension
6	Galu 132/33kV
7	Garissa 132/33/11kV
8	Garsen 220/33kV
9	Gatundu 132/33kV
10	Githambo 132/33kV
11	Hindi(Lamu) 220/33kV
12	Ishiara 132kV
13	Isinya 220
14	Isinya 220/132/33
15	Isiolo 132/33kV
16	Kabarnet 132/33
17	Kakuyuni (Malindi) 220/33kV
18	Kamburu 132kV Extension
19	Katoloni (Machakos) 132/33kV
20	Kegati (Kisii) 132/33kV
21	Kieni 132/33kV
22	Kindaruma 132kV
23	Kitale 132/33kV
24	Konza 132/33kV
25	Mangu 132/33kV
26	Menengai 132kV
27	Meru 132/33kV
28	Mwingi 132/33 kV
29	Namanga 132/33 kV
30	Ndhiwa 132/33 kV
31	OlKaria IAU 220/132kV
32	OlKaria IV 220/11kV
33	Rabai 220/132kV
34	Rang'ala 132/33kV
35	Rumuruti 132/33kV
36	Sang'oro 11/132kV
37	Soilo 132kV Extension
38	Sondu 11/132kV
39	Sotik 132kV