



To Transform Lives Through a Stable Power Grid

KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021



At KETRACO, we understand that development will be driven by reliable power. Our infrastructure, both current and future, will ensure seamless transfer of electricity to wherever it is needed.



From the far reaches of our country, to the remotest of regions, we will be there. We have the knowledge and the expertise. We have the network. Ready to power a sustainable economy.



To Transform Lives Through A Stable Power Grid

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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

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Corporate Information

FOR THE YEAR ENDED 30 JUNE 2021

Background Information

Kenya Electricity Transmission Company Ltd (KETRACO) is a wholly government owned Parastatal with a mandate to plan, design, construct, own and maintain the country's high voltage electricity transmission grid and regional power inter-connectors. Since inception, KETRACO has made concerted efforts at strengthening and extending the national power transmission grid to enhance quality, reliability and security of electricity supply in Kenya.

As a public sector institution, the Company is dedicated to utilizing the best practice and provision of high quality professional services to its customers. Integrity, customer focus, team work, innovation, sustainability and safety are the guiding principles of the Company.

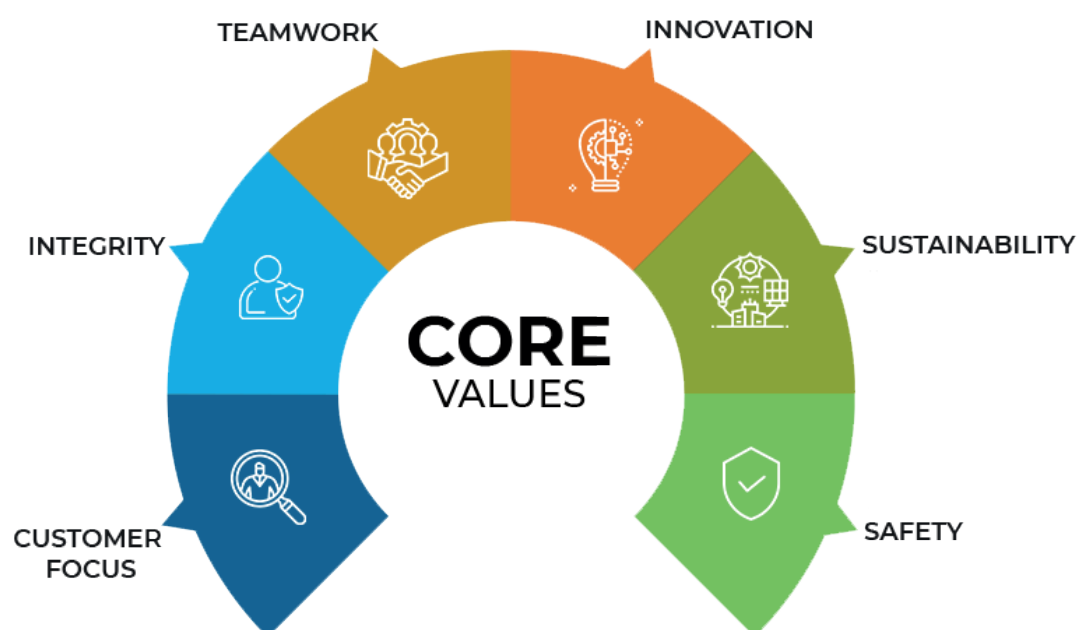
Establishment of the Kenya Electricity Transmission Company Limited was necessitated by the desire of the Government to transform power transmission into open access system to allow large electricity customers to purchase power from generators.

With future interconnections of Kenya's electricity grid with Ethiopia, Tanzania and other Southern Africa Power Pool (SAAP) countries, and strengthening of the interconnection with Uganda through the Nile Equatorial Lakes Countries Electric Grids Interconnection Project. The Government views open access as having potential to enhance market and supply options for both power generation and large consumers.

Establishment of the Company also aimed to shield electricity consumers from higher tariffs in future arising from construction of expensive power transmission infrastructure.

Projects undertaken are fully funded by the Government and concessional loans with no capital related expenses being passed on to the consumer, thus improving power quality, supply and affordability.

When KETRACO was established, the existing network comprised 1,331km of 220kV, 2,211 km of 132kV lines and was interconnected with Uganda through 132kV double circuit line. The size of transmission network (400kV, 220kV, 132kV and 500HVDC) is currently approximately 4,127km.



Corporate Information

FOR THE YEAR ENDED 30 JUNE 2021

Principal activity

The principal activity of the Company is to plan, design, construct, own, operate, and maintain high voltage (132kV, 220kV, 400kV and 500kV) electricity transmission infrastructure and regional power interconnectors, in line with the country's long-term plans such as the Vision 2030. This is aimed at increasing electricity access through expansion of the transmission network, strengthening the national grid, evacuating generated power in the country to demand destinations and interconnecting with neighbouring countries for purposes of regional power trade.

Directors

Hon. Capt. Joe Musyimi Mutambu, MBS
Hon. Eng James G.K Rege, CBS
Eng. (CPA) Antony Wamukota, OGW
FCPA Fernandes Barasa, OGW
Hon. Amb. Ukur Yatani Kanacho, EGH
Maj. Gen (Rtd) Dr. Gordon.O. Kihlangwa, CBS
Dr. Eng. Joseph K. Njoroge
Arch. Kariuki Muraya
Mr. Joakim K. Kamere
Mrs. Grace W. Ndugu
Mr. Phillip Mongony
Mrs. Lizzie Chongoti
Mr. Joseph M. Kariuki
Eng. Julius Mwathani

Eng. Thomas Karungu

- Chairman (Appointed w.e.f 20/04/2021)
- Chairman (Ceased w.e.f 20/04/2021)
- Ag. Managing Director
- Managing Director (Ceased w.e.f 01/02/2022)
- Cabinet Secretary, National Treasury and Planning
- Principal Secretary, Ministry of Energy (Appointed w.e.f 30/09/2021)
- Principal Secretary, Ministry of Energy (Ceased w.e.f 30/09/2021)

- Alternate to Hon. Amb. Ukur Yatani
- Alternate to Maj. Gen (Rtd) Dr. Gordon.O. Kihlangwa (Ceased w.e.f 25/11/2021)
- Alternate to Maj. Gen (Rtd) Dr. Gordon.O. Kihlangwa (Appointed w.e.f 25/11/2021)

Secretary

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

Principal Auditor

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

Principal Office

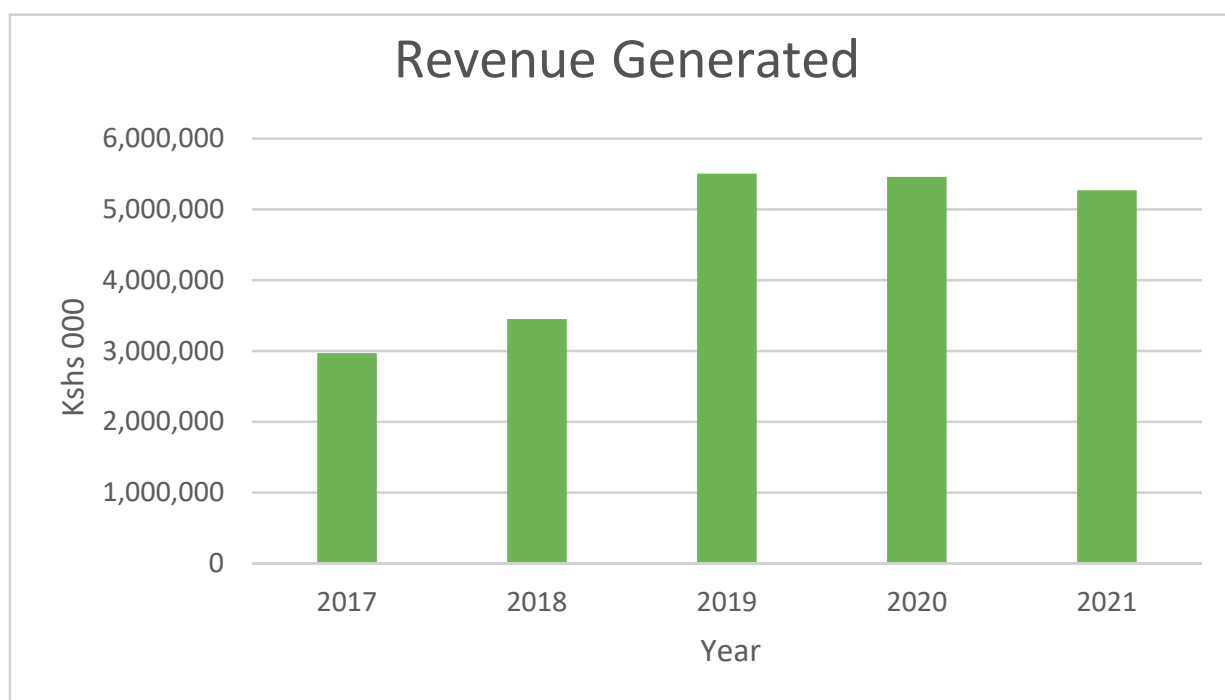
Kawi Complex, Block B,
Popo Lane, Off Red Cross Road, South C
P. O. Box 34942 - 00100
Nairobi

Delegated Auditor

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

Business Highlights

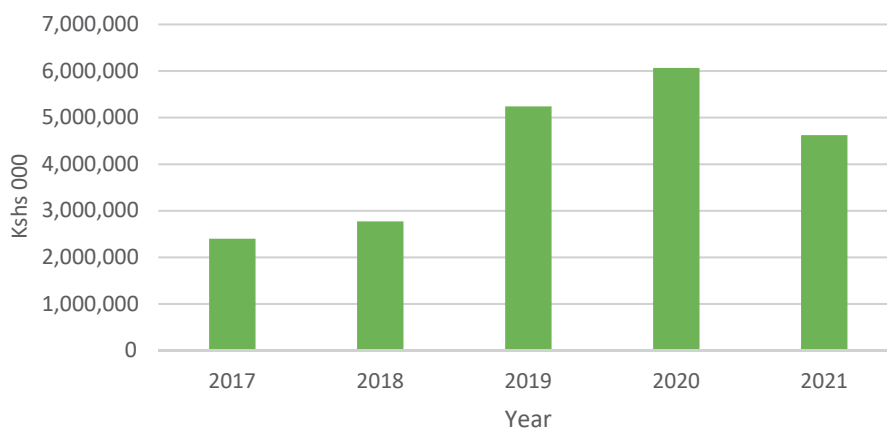
FOR THE YEAR ENDED 30 JUNE 2021



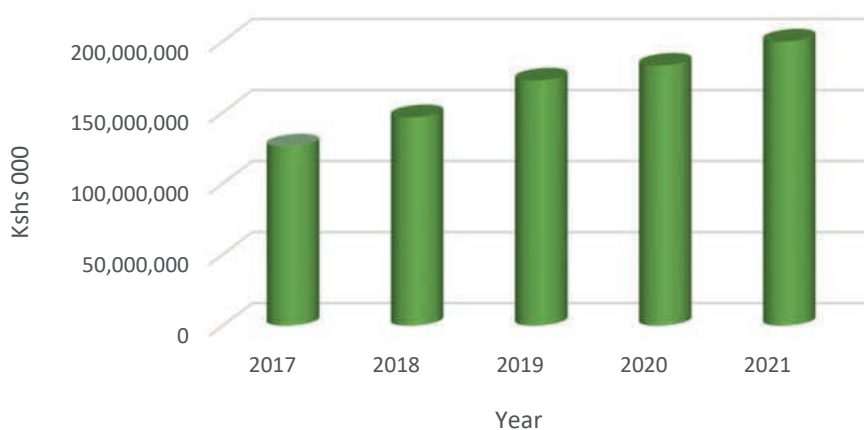
Business Highlights

FOR THE YEAR ENDED 30 JUNE 2021

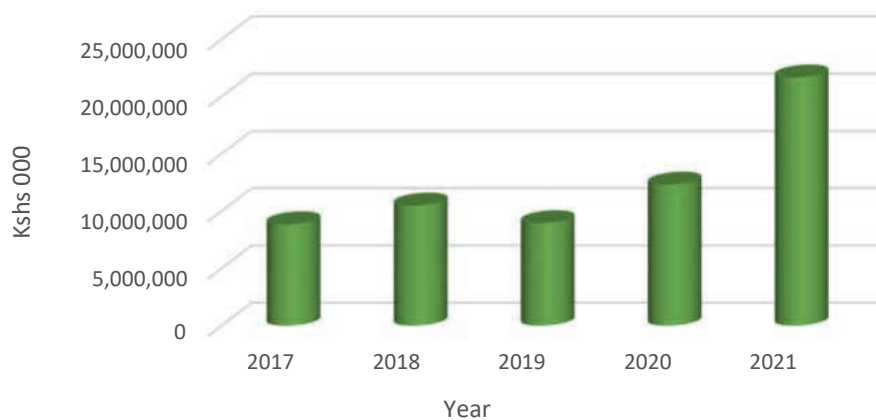
Operational Costs



Non Current Assets



Current Assets



The Board of Directors



Hon. Capt. Joe Musyimi Mutambu – Chairman, Independent

Hon. Capt. Joe Musyimi Mutambu, MBS joined the board on 20th April 2021 and is KETRACO's fourth Chairman. Born in 1967, the Chairman has vast experience as a Community Development Manager with strong awareness of public mobilization and sports management as well as Public Sector Boards Management.

He previously served as the Member of Parliament for Mwingi Central Constituency as well as Member of Parliament Departmental Committee on Energy, Transport, Information, Communication and Public Works and Procedure and House Rules Committee, from 2013 to 2017.

He is also a proprietor of medium sized enterprises specializing in engineering, construction, broadcasting and telecommunications.



Eng. (CPA) Antony Wamukota, OGW – Ag. Managing Director, Executive

Eng. (CPA) Antony Wamukota, OGW joined the board on 28th January 2022. Born in 1973, he holds a Bachelor's degree in Civil Engineering from Jomo Kenyatta University of Agriculture & Technology (JKUAT) and is a certified Public Accountant of Kenya (CPA, K).

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).



Maj. Gen (Rtd) Dr. Gordon .O. Kihlangwa, CBS, Principal Secretary, The Ministry of Energy

Maj. Gen (Rtd) Dr. Gordon .O. Kihlangwa, CBS joined the board on 1st October 2021 after appointment as Principal Secretary in the Ministry of Energy. Born in 1956, the Principal Secretary had served as the Director for Immigration services from 2014 until March 2018 when he was appointed as the Principal Secretary, State Department for Immigration and Citizen Services, in the Ministry of Interior and Coordination of National Government. He also had a short stint as Principal Secretary, Ministry of Defence in August 2019 and was reassigned in the same capacity to the State Department for Public Works in the Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works in 2019.

Prior to joining the Civil Service, he worked in the Military where he rose to the rank Major General and was appointed to the position of Assistant Chief of General Staff in-charge of Personnel and Logistics. He retired as a Major General in 2014 after close to 33 years of Service.

During his time in the Military, Maj. Gen (Rtd) Dr. Kihlangwa underwent various military courses and Strategic Leadership training, locally and internationally. He is an Alumni of the National Defence College (K), National Defence College 'ensp' (RSA) and Defence Staff College (K). He holds a PhD and a Master's degree in International Studies and Diplomacy from Washington International University (WIU) in the United States of America. He further holds a Diploma in Strategic Studies and a Diploma in International Studies both from the University of Nairobi (UoN).

| The Board of Directors



Hon. Amb. Ukur Yatani Kanacho, EGH, Cabinet Secretary, The National Treasury and Planning

Hon. Amb. Ukur Yatani Kanacho, EGH joined the Board on 14th January 2020 and has over 27 years experience in public administration, politics, diplomacy and governance. Born in 1967, the CS served as the pioneer Governor of Marsabit County. Hon. Yatani also served as Kenya's Ambassador to Austria with Accreditation to Hungary and Slovakia and Permanent Representative to the United Nations in Vienna. He held senior leadership positions at various diplomatic and international agencies such as International Atomic Energy Agency (IAEA), United Nations Organization on Drugs and Crimes (UNODC) among others.

Hon. Yatani holds a Master of Arts in Public Administration and Public Policy, University of York, United Kingdom, 2005 and Bachelor of Arts in Economics, Egerton University, Kenya, 1991.



Mr. Joakim Kamere – Director, Independent

Joakim Kamere joined the Board on 17th April 2015. Born in 1968, Joakim is a corporate commercial lawyer with a wealth of over 16 years experience in corporate governance, structuring companies, drafting commercial agreements, perfection of bank securities, and legislative drafting.

Mr. Kamere, is the Managing Partner at Kiarie Kamere & Co. Advocates. He holds a Bachelor of Laws degree from the University of Nairobi, is an Advocate of the High Court of Kenya, a Notary Public, a Commissioner for Oaths, and a Certified Public Secretary – CPS (K).



Mrs. Grace Ndugu-Director, Independent

Grace Ndugu joined the Board on 17th April 2015. Born in 1960, Grace is the chair of board audit and risk committee. She has over 25 years of experience in Justice and Peacebuilding, including 10 years with the National Council of Churches of Kenya and 15 years with the Catholic Relief Services.

She is skilled in project management, integration of peacebuilding into development, protection, inter-religious dialogue, negotiations, mediation and reconciliation. She has competency in policy formulation and reviews, institutional capacity strengthening, research and strategic & contingency planning.

Grace holds a Master of Science (MSc) in Development Administration and Planning, with a concentration in Political Development from Bristol University, UK. She is an alumnus of the Eastern Mennonite University's Summer Peacebuilding Institute at the Eastern Mennonite University and has also attended various international and national peacebuilding, governance, human rights and protection trainings.

Prior to joining the Civil Society, Grace worked for 10 years at the High Court of Kenya and the Ministry of Constitutional and Home Affairs.

She is a member of the Law Society of Kenya (LSK), Institute of Certified Secretaries of Kenya (ICS), Chartered Institute of Arbitrators (CiArb) – Kenya Branch, East Africa Law Society (EALS) and Institute of Directors (IOD-K).

| The Board of Directors



Mrs. Lizzie Chongoti - Director, Independent

Lizzie Chongoti joined the Board on 8th February 2019. Born in 1967, Lizzie is the chair of finance, strategy and risk management board committee. She has over 20 years of experience in delivering development programs in the government and non-government sectors. Mrs. Chogoti is currently an International Development Consultant having successfully concluded a three year contract at the Kenya Film Commission (KFC) as the CEO. Prior to joining KFC, she was the Country's Director of Heshima Kenya, an Executive Director of the Hilde Back Education Fund (HBEF) and in-charge of the Ford Foundation International Fellowships Programme (IFP) in Kenya.

Mrs. Chongoti has served in various Boards including the Grants Committee of the ICT Authority, the Legal Resources Foundation (LRF), Twaweza Communication, the District Education Board – Kipkelion, Kipkelion Girls Secondary School, a member of the steering committee – British Council Leadership Forum and the Association of International Educators (NAFSA). She holds a Master of Science in Education from the University of Bristol (UK), a Bachelor of Education (Science) from Kenyatta University and a Higher Diploma in Human Resource Management. She is a member of the Kenya Association of Fundraising Professional & the Institute of Directors (IoD).



Mr. Philip Mongony - Director, Independent

Philip Mongony joined the Board on 17th April, 2015. Born in 1954, Phillip is the chair of staff and remuneration board committee. He has over 30 years experience in Human Resources practice and Consultancy. He has worked with the Directorate of Management, Office of the President, Kenya National Trading Corporation and East African Portland Cement as the Head of Human Resource before moving to Consultancy in Human Resources and Real Estate Business.

Philip holds a Master of Personnel Management (MPM) and a Bachelor in Commerce (Business Administration Option). He is also a member of the Kenya Institute of Personnel Management.



Arch. Kariuki Stephen Muraya, Independent

Arch. Muraya joined the Board on 18th December 2015. Born in 1973, Arch Muraya is the chair of technical board committee. He has over 17 years experience in architecture having handled projects such as the Uchumi Supermarket, Bombolulu Mombasa branch, the Enashipai Resort & Spa and the Doctors' Plaza for the Nairobi Hospital among others. Stephen is currently a partner with Aaki Consultants, Architects & Urban Designers.

Arch. Muraya holds a Bachelor of Architecture degree from the University of Nairobi and a Master of Science degree in Project Management (Construction & Infrastructure) from the University of Liverpool. He is also a member of the Architectural Association of Kenya (AAK) and the Board of Registration of Architects and Quantity Surveyors (BORAQS).

The Board of Directors



Eng. Julius Mwathani (Alternate Director to Maj. Gen (Rtd) Dr. Gordon .O. Kihlangwa, CBS, Non-executive)

Born in 1960, Eng. Mwathani has wide experience in public sector management, having worked for more than 22 years in various senior positions in Government. He joined the board on 27th January 2020.

He holds a Bachelor of Science degree in Mechanical Engineering and an Executive Master of Business Administration degree.

Eng. Mwathani is registered by the Engineers Registration Board of Kenya and is a member of the Institution of Engineers of Kenya (IEK).



Mr. Joseph M. Kariuki (Alternate Director to Hon. Ukur Yatani, EGH) Non-executive

Born in 1968, Joseph joined the Board on 30th September 2019 as Alternate to Cabinet Secretary, National Treasury & Planning. He is an Economist by profession with over 26 years experience working in various Government Departments.

For the last 14 years Mr. Kariuki has been working at the National Treasury where part of his key assignments include monitoring performance of public enterprises and investments of the national government as well as providing advice on the public investment policy.

Joseph holds an MA (Economics) from the University of Nairobi and is currently the Alternate Director at Agriculture & Food Regulatory Authority (AFRA) and Kenya Petroleum Refineries Limited (KPRL).



CS. Lydia Sitienei – Ag. Company Secretary & General Manager, Legal Services

Lydia Sitienei is an Advocate of the High Court of Kenya, Company Secretary and Governance auditor with demonstrated knowledge and over fifteen (15) years of professional experience in the practice of law in institutional corporate milieus within the financial, pensions and energy sectors. She has been engaged in cross border bilateral trade negotiations and provided legal and transaction advisory in the Eastern African region power exchange/Trade, interconnection projects such as the Northern Corridor Integration Project (Kenya Uganda Rwanda) and the Eastern Electricity Highway Interconnector Project (Ethiopia– Kenya–Tanzania) within the East Africa Power Pool (EAPP). Lydia has served as a Standing Committee Member of the East and Central Africa Social Association (ACASSA) and an expert for the East African Community (EAC) on EAC Pensions and Insurance Sectors Integration.

She holds a master's degree in Public Policy & Management from Strathmore University and is an alumnus of the coveted Advanced Management Programme (AMP) from Strathmore Business School. She has been trained at the IESE Business School, China Europe International Business School (CEIBS) and New York University Robert F. Wagner Graduate School of Public Service. Her other academic and professional qualifications include– Bachelor of Laws Degree from the University of Buckingham (UK); Postgraduate Diploma in Law from the Kenya School of Law; Certified Public Secretary (CPS-K), and Accredited Governance Auditor. She is an active member of the Institute of Certified Secretaries of Kenya (ICSK), the Law Society of Kenya (LSK), Institute of Directors (IOD-K), East Africa Law Society (EALS) and the Chartered Institute of Arbitrators – Kenya branch(CiArb).

Lydia is a strategic leader and an exceptional thinker with a conviction that Africa's public and private sector organizations can deliver Africa's development agenda through good governance practices and effective leadership that promote regional integration and strengthen economic blocks.

The Management Team



Eng. (CPA) Antony Wamukota, OGW – Ag. Managing Director

Eng. (CPA) Antony Wamukota, OGW joined the board on 28th January 2022. Born in 1973, he holds a Bachelor's degree in Civil Engineering from Jomo Kenyatta University of Agriculture & Technology (JKUAT) and is a certified Public Accountant of Kenya (CPA, K).

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).



Dr. (Eng.) Joseph Siror, PhD General Manager, System Operations and Power Management

Dr. (Eng.) Siror holds a Doctorate of Philosophy in Engineering from Shanghai Jiaotong University (China) majoring in Radio Frequency Identification (RFID), a key technology for intelligent systems. He has a Bachelor of Science in Electrical Engineering and Master's in Business Administration from the University of Nairobi. He previously worked as a Director of Science, Technology Innovation and Communication at the National Economic and Social Council (NESC).

He also served as a Senior Assistant Commissioner at the Kenya Revenue Authority (KRA), where he spearheaded several infrastructure and technology projects including the X-ray Cargo Scanning for non-intrusive inspection of cargo at Kilindini Port and Electronic Cargo Tracking System for tracking transit cargo. Dr. (Eng.) Siror also worked at Kenya Posts and Telecommunications Corporation where he was part of the team that were trained in the United Kingdom for introduction and rollout of digital leased lines in the country. He is a member of Institute of Electrical and Electronics Engineers (IEEE), licensed Professional Electrical Engineer with Engineers Board of Kenya (EBK) and a Corporate Member of the Institute of Engineers in Kenya (IEK).



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 serves as a member of Member Services Committee of ICPAK.

CPA Imbo has over 15 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).

| The Management Team



Dr. (Eng.) John M. Mativo, CE, FIEK- Ag. General Manager, Project Development Services

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.



Lydia Sitienei - Ag. Company Secretary & General Manager, Legal Services

Lydia Sitienei is an Advocate of the High Court of Kenya, Company Secretary and Governance auditor with demonstrated knowledge and over fifteen (15) years of professional experience in the practice of law in institutional corporate milieus within the financial, pensions and energy sectors. She has been engaged in cross border bilateral trade negotiations and provided legal and transaction advisory in the Eastern African region power exchange/Trade, interconnection projects such as the Northern Corridor Integration Project (Kenya Uganda Rwanda) and the Eastern Electricity Highway Interconnector Project (Ethiopia- Kenya-Tanzania) within the East Africa Power Pool (EAPP). Lydia has served as a Standing Committee Member of the East and Central Africa Social Association (ACASSA) and an expert for the East African Community (EAC) on EAC Pensions and Insurance Sectors Integration.

She holds a master's degree in Public Policy & Management from Strathmore University and is an alumnus of the coveted Advanced Management Programme (AMP) from Strathmore Business School. She has been trained at the IESE Business School, China Europe International Business School (CEIBS) and New York University Robert F. Wagner Graduate School of Public Service. Her other academic and professional qualifications include- Bachelor of Laws Degree from the University of Buckingham (UK); Postgraduate Diploma in Law from the Kenya School of Law; Certified Public Secretary (CPS-K), and Accredited Governance Auditor. She is an active member of the Institute of Certified Secretaries of Kenya (ICSK), the Law Society of Kenya (LSK), Institute of Directors (IOD-K), East Africa Law Society (EALS) and the Chartered Institute of Arbitrators – Kenya branch(CiArb).

Lydia is a strategic leader and an exceptional thinker with a conviction that Africa's public and private sector organizations can deliver Africa's development agenda through good governance practices and effective leadership that promote regional integration and strengthen economic blocks.

The Management Team



Dr. Lawrence Njogu Kimando, Ph.D – 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 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.

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 - Senior Manager, Internal Audit & Risk

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).

| The Management Team



Mr. Peter M. Njehia - Senior Manager, Supply Chain Management

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 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).



CHRP(K) 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).

Notice of the 12th Annual General Meeting

FOR THE YEAR ENDED 30 JUNE 2021

Our Ref: KET/2/4/3/LS/sm

14th June, 2023

Board of Directors & Shareholders
NAIROBI

RE : NOTICE OF THE 12TH ANNUAL GENERAL MEETING FOR THE YEAR ENDED 30 JUNE 2021

NOTICE is hereby given that the **12th Annual General Meeting of Kenya Electricity Transmission Company Limited (KETRACO)** will be held at **Kawi Complex, Block B, 4th Floor, South C**, off Red Cross Road, Nairobi, on **27th July, 2023 at 2:30 p.m.** to transact the following business:

AGENDA

1. To read the notice convening the meeting.
2. To confirm Minutes of the 11th Annual General Meeting held on 5th August 2021.
3. To receive and consider the Company's Audited Financial Statements for the year ended 30th June, 2021 together with the Chairman's, Directors' and Auditors' reports thereon.
4. To note that Directors do not recommend payment of a dividend for the period under review.
5. **Election of Directors:** To note that there will be no election or rotation of directors for the following reasons: –

Whereas the Company was incorporated under the Company's Act Cap 486 (now Repealed) as a private Company limited by shares, the Government wholly owns it. The Company is therefore governed under the provisions of the State Corporations Act, Cap 446 by virtue of Section 2(c) of the Act. Further, Article 2 of its Memorandum and Articles of Association provides that "The appointment and removal of Directors shall be governed by the provisions of the State Corporation Act, Cap 446, of the Laws of Kenya as amended from time to time. Each director shall hold office until he is removed or replaced as above provided." KETRACO has also complied with Cap 446 Section 6, which provides for the composition and appointment of Directors. Under the circumstances, there will be no election or rotation of Directors.

6. **Appointment of Auditors:** To note that the audit of the Company's books of account will be undertaken on behalf of the Auditor General by M/S Deloitte & Touche LLP, an audit firm appointed in accordance with Section 14(3) of the State Corporations Act, and Section 23 of the Public Audit Act, 2015. Messrs. Deloitte & Touche LLP carried out the audit for the period ended 30th June, 2021.
7. To authorize the Directors to fix the Auditors' remuneration.
8. **Directors' Fees:** To approve Directors' fees of Kshs. 420,000.00 (less withholding tax where applicable) for each Director who served during the period.

By Order of the Board



CS. LYDIA SITIENEI
COMPANY SECRETARY

Tanzago la Mkutano Mkuu wa Mwaka (Nambari Kumi na Mbili)

YA MWAKA ULIOMALIZIKA 30 JUNE 2021

Our Ref: KET/2/4/3/LS/sm

Juni 14, 2023

Bodi ya Wakurugenzi na Wanahisa
NAIROBI

**RE : TANGAZO LA MKUTANO MKUU WA MWAKA (NAMBARI KUMI NA MBILI) YA MWAKA
ULIOMALIZIKA 30 JUNI 2021**

TANGAZO linafahamisha kwamba **Mkutano Mkuu wa Mwaka (Nambari Kumi na Mbili) wa Kenya Electricity Transmission Company Limited (KETRACO)** utafanyika **Kawi Complex, Block B, Ghorofa ya 4, South C, Barabara ya Red Cross, Nairobi, tarehe 27 Julai, 2023 saa 2:30 aduhuri** kwa ajili ya kufanya shughuli zifuatazo:

AJENDA

1. Kusoma tangazo linaloitisha mkutano.
2. Kuthibitisha mahojiano ya mkutano mkuu wa mwaka (Nambari kumi na moja) uliofanyika tarehe tano mwezi wa nane mwaka elfu mbili na ishirini na moja.
3. Kupokea na kuchunguza Taarifa ya Fedha iliyokaguliwa ya Kampuni kwa mwaka ulioishia tarehe 30 Juni, 2021 pamoja na taarifa za Mwenyekiti, Wakurugenzi, na Wakaguzi wa Hesabu.
4. Kufahamu kuwa Wakurugenzi hawapendekezi malipo ya gawio kwa kipindi kinachokaguliwa.
5. **Uchaguzi wa Wakurugenzi:** Kufahamu kuwa haikuwepo na uchaguzi au mzunguko ya wakurugenzi kwa sababu zifuatazo: –
Licha ya kuwa Kampuni ilisajiliwa chini ya Sheria ya Kampuni Cap 486 (sasa imefutwa) kama Kampuni ya binafsi yenye kikomo cha hisa, Serikali inamiliki kampuni asilimia mia moja. Hivyo basi, Kampuni inatawaliwa chini ya kifungu cha 2(c) cha Sheria ya Mashirika ya Umma Cap 446. Aidha, Ibara ya 2 ya Katiba na Makala za Kampuni inaeleza kuwa "uteuzi na kufutwa kwa wakurugenzi utatawaliwa na vifungu vya Sheria ya Mashirika ya Umma Cap 446 ya Sheria za Kenya kama zinazyorekebisha mara kwa mara. kila mkurugenzi atashikilia ofisi hadi atakapoondolewa au kubaushwa kama ilivyoielezwa awali." KETRACO pia imefuata kifungu cha 6 cha Cap 446, kinachohusiana na uteuzi na muundo wa Wakurugenzi. Kwa hivyo, hakutakuwa na uchaguzi au zamu ya Wakurugenzi.
6. **Uteuzi wa Wakaguzi wa Hesabu:** Kufahamu kwamba ukaguzi wa vitabu vya akaunti vya Kampuni utafanyika kwa niaba ya Mdhiti na Mkaguzi Mkuu wa Hesabu za Serikali na M/S Deloitte & Touche LLP, kampuni ya ukaguzi iliyoteuliwa kwa mujibu wa kifungu cha 14(3) cha Sheria ya Mashirika ya Umma, na kifungu cha 23 cha Sheria ya Ukaguzi wa Umma ya mwaka 2015. Deloitte & Touche LLP walifanya ukaguzi kwa kipindi kilichoishia tarehe 30 Juni, 2021.
7. Kuidhinisha Wakurugenzi kuweza kuweka mishahara ya Wakaguzi wa Hesabu.
8. **Ada za Wakurugenzi:** Kuidhinisha ada ya Wakurugenzi ya Kshs. 420,000.00 (bila kodi ya mapato inapohitajika) kwa kila Mkurugenzi aliyehudumu katika kipindi hicho.

Kwa Amri ya Bodi



CS. LYDIA SITIENEI
KATIBU WA KAMPUNI

Chairman's Statement

FOR THE YEAR ENDED 30 JUNE 2021

**Dear Shareholder,
Welcome to our Annual Report for 2021.**



**Hon. Capt. Joe Musyimi
Mutambu – Chairman**

On behalf of the Kenya Electricity Transmission Company Ltd (KETRACO) Board of Directors, it gives me great pleasure to present to you the Company's Annual Report for the year ended 30th June 2021.

When I presented the previous Annual Report, We had challenges of Corona Virus Disease (COVID –19) and it was not possible for us to attend our AGM in person. The COVID-19 disruption during two years remain unforgettable, and unparalleled. The pandemic turned the World upside down, forcing nations to go for partial or total lockdown.

During the early days of the pandemic the outlook appeared bleak for businesses around the World. KETRACO was not immune to these challenges.

The disruption, however, had some positive indices; entities were forced to re-engineer by accelerating the pace of digital transformation.

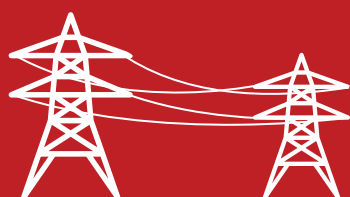
The Company demonstrated remarkable resilience and resourcefulness as Staff and Management embraced new ways of working, including working from home and introducing a duty roster so that the number of staff in the office remained lean, for the better part of the year.

The Company lost staff members to the pandemic and we continue to have their families in our prayers. The discovery, development and roll-out of COVID –19 vaccines is a major milestone we celebrate as we recognize that the new variants of the pandemic have become a risk to the efforts to deal with this threat to our livelihoods. Thus, the safety and well-being of our employees, families, partners, clients and other stakeholders across all our projects continue to be our top priority in line with the protocols issued by the Government. We will continue to offer our support to stakeholders, sector agencies and the government.

Activities during the year

The Company has embarked on a digital transformation journey necessitating significant investments in our operating modules. We have seen the development of Integrated Location Intelligent System (ILIS), a digital system that provides a modular, extendable, and scalable software architecture with robust enterprise Geo-database that ensures information of key business processes and enhances sharing of information across all departments within KETRACO.

The company can report major milestones such as the completion of the 46km of 132kV single circuit Mwingi-Kitui Transmission Line and 308km double circuit Olkaria-Lessos-Kisumu which is expected to improve power supply in Western Kenya . This brings the total transmission infrastructure owned by KETRACO to 4127km.



- 46km of 132kV single circuit Mwingi –Kitui
- 308km double circuit Olkaria – Lessos – Kisumu
- Nairobi Ring and associated projects, Isinya – 400/220kV
- Nairobi North 220/66kV substation, 132km 400kV Lessos – Tororo transmission line (Kenya – Uganda Inter –connector)

Chairman's Statement (Continued)

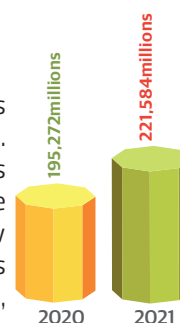
FOR THE YEAR ENDED 30 JUNE 2021

We also expect to reap from the full potential of the ongoing projects such as Nairobi Ring and associated projects, Isinya – 400/220kV and Nairobi North 220/66kV substation, 132km 400kV Lessos-Tororo line (Kenya-Uganda Inter-connector), 612km 500kV Eastern Electricity Highway Project (Ethiopia –Kenya Inter-connector) and 96km Kenya – Tanzania Inter-connector which are in their final stages of completion.

These projects are meant to enhance reliability of power supply, reduce transmission losses and address cases of low voltages and enhance Regional power trade. We had to review due dates of Power Transmission due to challenges posed by COVID-19 pandemic, way-leaves and survey issues and budgetary constraints.

Performance Review

The Company's asset base has continued to grow and rose from Kshs 195,272millions to 221,584millions in 2020 and 2021 financial years respectively. The Company also received project funding amounting to Kshs 1,320millions from external sources and Kshs 6,816 millions from the exchequer in the financial year under review. The total income during the year under review amounted to Kshs 5,269 millions while the total operating expenses was Kshs 4,422 millions compared to Kshs 5,460 millions and Kshs 6,092 millions, respectively, in 2019 – 2020.



KETRACO O & M team servicing a circuit breaker at Kibos Substation

Chairman's Statement (Continued)

FOR THE YEAR ENDED 30 JUNE 2021

Outlook

The Company has planned short term projects that include 220kV Mariakani Dongo Kundu line, 400/132kV Makindu substation, National System Control Centre, 400/220kV Kimuka substation and STATCOMs for Suswa and Rabai substations that will have positive impact on our core mandate. These projects will also improve reliability and increase of electricity supplied to different parts of the Country.

Appreciation

The year has been very challenging and the measures we took to sustain the Company's operations would not have been possible without the continued support of my fellow Directors on the Board. I wish to thank them for their splendid contribution.

As we conclude this period on a strong note, I want to take this opportunity to thank you all for your unwavering support during the most turbulent of times. The superb response from everyone at KETRACO as well as our stakeholders, ensured that we posted positive results in the middle of the pandemic.

Finally, my heartfelt gratitude goes to my predecessors under whose watch most of these developments took place, fellow Directors, Management and Staff of KETRACO for their sacrifices and efforts that enabled the Company to stay afloat through the challenging times. This would not have been possible without the support and commitment of our stakeholders.



HON. CAPT. JOE MUSYIMI MUTAMBU, MBS
CHAIRMAN

Taarifa Ya Mwenye Kiti

YA MWAKA ULIOMALIZIKA 30 JUNE 2021

Karibuni kwenye ripoti ya mwaka wa 2021.



MHW. KAPT. Joe Musyimi
Mutambu – Mwenyekiti

Kwa niaba ya Bodi ya Wakurugenzi ya Kampuni ya Usambazaji Umeme ya Kenya (KETRACO), ninapenda kuwasilisha ripoti ya kila mwaka ya Kampuni kwa mwaka ulioishia tarehe 30 Juni 2021.

Wakati nilipowasilisha Ripoti ya Kila Mwaka, ya mwaka iliyopita, tulikabilwa na changamoto za ugonjwa wa Virusi vya Korona (Covid-19) na haikuwezekana kwetu kuhudhuria Mkutano Mkuu wa Kampuni kwa mtu binafsi. Kuvuruga kwa Covid-19 kwa miaka miwili inabaki kuwa kumbukumbu isiyosahaulika na isiyo na kifani. Janga hilo liligeuza Dunia kuwa kinyume cha saa, na kulazimisha mataifa kwenda kwenye hali ya kufungwa sehemu au kufungwa kabisa. Katika siku za mwanzo za janga hilo, mtazamo ulionekana kuwa mbaya kwa biashara ulimwenguni kote. KETRACO haikuwa na kinga dhidi ya changamoto hizi. Hata hivyo, uvurugaji huo ulikuwa na alama chanya fulani; taasisi zililazimika kufanya upya kwa kuongeza kasi ya mageuzi ya dijiti.

Kampuni ilionyesha ustahimilivu na ubunifu mkubwa kwa kuwakumbatia Wafanyakazi na Uongozi njia mpya za kufanya kazi, ikiwa ni pamoja na kufanya kazi kutoka nyumbani na kuanzisha ratiba ya kazi ili idadi ya wafanyakazi ofisini iwe ndogo, kwa sehemu kubwa ya mwaka. Kampuni ilipoteza wafanyakazi kwa janga la Covid-19 na tunaendelea kuwaomba familia zao. Ugunduzi, maendeleo na kuzinduliwa kwa chanjo ya Covid-19 ni hatua kubwa ya kusherehekea kwani tunatambua kuwa aina mpya za janga hili zimekuwa hatari kwa juhudi za kukabiliana na tishio hili kwa uhai wetu. Kwa hivyo, usalama na ustawi wa wafanyakazi wetu, familia, washirika, wateja na wadau wengine katika miradi yetu yote bado ni kipaumbele chetu kwa kuzingatia maagizo ya Serikali. Tutazidi kutoa msaada wetu kwa wadau, mashirika ya sekta na serikali.

Kampuni imeanza safari ya mageuzi ya dijiti inayohitaji uwekezaji mkubwa katika moduli zetu za uendeshaji. Tumeshuhudia maendeleo ya Mfumo wa Utaalam wa Mahali (ILIS), mfumo wa dijiti unaotoa usanidi, programu-jalizi inayoweza kuongezeka, na muundo wa programu ambao unahakikisha kuwa habari ya michakato muhimu ya biashara inapatikana na kuimarisha ushiriki wa habari kati ya idara zote ndani ya KETRACO. Kampuni inaweza kuripoti hatua kubwa kama kukamilika kwa 46km ya Mstari wa Usafrishaji wa Mwingi-Kitui wa Volts 132 kwa mzunguko mmoja na Mstari wa Usafrishaji wa Olkaria-Lessos-Kisumu wa 308km kwa mzunguko mara mbili ambao unatarajiwa kuboresha usambazaji wa umeme Magharibi mwa Kenya. Hii inafanya miundombinu ya usafrishaji ya jumla inayomilikiwa na KETRACO kuwa kilomita 4127. Tunatarajia pia kuvuna uwezo kamili wa miradi inayoendelea kama vile Nairobi Ring na miradi inayohusiana, Isinya-400/220kV na kituo cha umeme cha Nairobi Kaskazini 220/66kV, mstari wa Lessos-Tororo wa 132km wa volts 400 (Mgawanyiko wa Kenya-Uganda), mradi wa Barabara ya Umeme wa Mashariki yenye urefu wa 612km volts 500 (Mgawanyiko wa Ethiopia-Kenya) na mstari wa Kenya-Tanzania wa 96km (Mgawanyiko wa Kenya-Tanzania) ambayo iko hatua za mwisho za kukamilisha.

Miradi hii inalenga kuimarisha uaminifu wa usambazaji wa umeme, kupunguza hasara za usafrishaji na kutatua kesi za umeme mdogo na kuimarisha biashara ya umeme ya Kikanda. Tulilazimika kurekebisha tarehe za Usafrishaji wa Umeme kutokana na changamoto zilizotokana na janga la Covid-19, masuala ya maeneo ya servit na taffiti, na vikwazo vya bajeti.

Taarifa Ya Mwenye Kiti

YA MWAKA ULIOMALIZIKA **30 JUNE 2021**

Hakiki ya Utendaji kazi

Mali ya Kampuni imeendelea kuongezeka na kufikia Kshs 195,272 milioni hadi Kshs 221,584 milioni katika mwaka wa fedha wa 2020 na 2021 mtawaliwa. Kampuni pia ilipokea ufadhili wa miradi wenye thamani ya Kshs 1,320 milioni kutoka vyanzo vya nje na Kshs 6,816 milioni kutoka hazina katika mwaka wa fedha ulioangaziwa. Jumla ya mapato katika mwaka huo yalikuwa Kshs 5,269 milioni wakati jumla ya matumizi ya uendeshaji yalikuwa Kshs 4,422 milioni ikilinganishwa na Kshs 5,460 milioni na Kshs 6,092 milioni mtawaliwa katika mwaka wa fedha wa 2019-2020.

Mtazamo

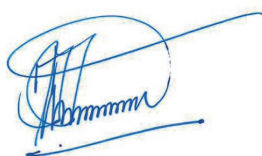
Kampuni imepanga miradi ya muda mfupi ambayo ni pamoja na mstari wa 220kV Mariakani Dongo Kundu, kituo cha kusimamia mfumo wa kitaifa, kituo cha kusambaza umeme cha 400/220kV Kimuka na STATCOMs kwa vituo vya Suswa na Rabai ambavyo vitakuwa na athari chanya kwa jukumu letu kuu. Miradi hii itaboresha pia uaminifu na kuongeza ugavi wa umeme kwa sehemu tofauti za nchi.

Shukrani

Mwaka huu umekuwa mgumu sana na hatua tulizochukua kuhakikisha uendeshaji wa Kampuni zisingewezekana bila msaada waendelea kutoka kwa wenzangu kwenye Bodi ya Wakurugenzi. Ninapenda kuwashukuru kwa mchango wao mzuri.

Tunapomaliza kipindi hiki kwa nguvu, ninataka kuchukua fursa hii kuwashukuru wote kwa msaada wenu usioyumba wakati wa wakati mgumu zaidi. Mwitikio bora kutoka kila mtu kwenye KETRACO pamoja na wadau wetu, ulihakikisha kuwa tulipata matokeo chanya katikati ya janga la COVID-19. Hatimaye, shukrani zangu za dhati zinakwenda kwa wenzangu wa zamani chini ya uangalizi wa wao wengi wa maendeleo haya yalitokea, wenzangu wa Bodi, Uongozi na Wafanyikazi wa KETRACO kwa jitihada zao na juhudi ambazo ziliruhusu Kampuni kusimama imara kupitia nyakati ngumu. Hii haingewezekana bila msaada na ahadi ya wadau wetu.

KETRACO imeendelea kutekeleza jukumu lake kuu la kupanga, kubuni, kujenga, kumiliki, kuendesha na kudumisha mstari wa usambazaji wa umeme wenye nguvu kubwa kote nchini na katika eneo la Afrika Mashariki kupitia viunganishi vya mipaka tangu ilipoanzishwa mwezi Desemba 2008. Mistari hiyo ya usambazaji wa umeme ina malengo tofauti, ikiwa ni pamoja na kuongeza uaminifu wa umeme, kutoa njia mbadala za usambazaji, kuunganisha vituo vipya vya kupokea umeme, kuimarisha mtandao wa usambazaji, kuunganisha na kuhamisha umeme kutoka kwenye mitambo mipya ya kuzalisha umeme. Kwa nishati kuwa kichocheo katika kutekeleza Mpango wa Big Four Agenda na Kenya Vision 2030, upanuzi na uimarishaji wa gridi ya usambazaji umewezesha ukuaji wa uchumi na maendeleo kwa kusaidia viwanda vya uzalishaji, programu za makazi ya bei nafuu, huduma za afya kwa wote na mifumo ya uhakika wa chakula.



**MHW. KAPT. JOE MUSYIMI MUTAMBU, MBS
MWENYEKITI**



Makueni Inspection tour of Wote substation

Report Of The Chief Executive Officer

FOR THE YEAR ENDED 30 JUNE 2021



Eng. (CPA) Antony Wamukota, OGW
Ag. Managing Director

KETRACO has continued to deliver its primary mandate of planning, designing, constructing, owning, operating, and maintaining high voltage transmission lines both at the country level and in the eastern Africa region through cross border interconnectors since its establishment in December 2008. The transmission lines have varying objectives, ranging from increasing power reliability, provision of alternative supply routes, connecting new unserved load centres, strengthening the transmission network, interconnection, and evacuation of power from new generation plants. With energy being an enabler in implementing the Big Four Agenda Initiatives and the Kenya Vision 2030, this expansion and strengthening of the transmission grid has facilitated economic growth and development by supporting manufacturing industries, affordable housing programmes, universal healthcare services and food security systems.

During the year under review, a major milestone that was realised is the completion of 308.9km double circuit 400/220/132kV Olkaria-Lessos-Kisumu transmission line and commissioning of the Kibos Substation. The completion of this project is expected to enhance stability and reliability of power supply and evacuate power from Olkaria geothermal plants to Western region. This brings the total transmission lines network constructed and owned by KETRACO to 4,127km in circuit length. Construction of other key transmission projects totalling to 3,120km in circuit length continued during the year. These include the 500kV HVDC Eastern Electricity Highway Project, 400kV Kenya-Tanzania Power Interconnection Project, 132kV Isinya-Namanga transmission line, 132kV Lessos-Kabarnet, 132kV Olkaria-Narok, 132kV Nanyuki-Rumuruti and 132kV Kitui-Wote lines.

In the year ending June 2021, KETRACO generated KShs 17.56 billions in Appropriation in Aid against an annual target of KShs 29.42 billions. The Appropriation in Aid comes from wheeling and fibre revenues and development budget allocated by the National Treasury. The annual absorption rate of Government of Kenya and Internally generated funds was at 69%, a 10.5% increase from the previous year's rate of 58.5%. The Company was also able to absorb KShs. 14,760 million of externally mobilized resources against a target of KShs. 26,682 million, realising an absorption rate of 55%. The failure to meet the financial targets was attributable to delays in implementation of planned activities due to effects of COVID-19 pandemic on both exchequer development budget as well as recurrent budget related activities such as consultancies and trainings, wayleaves challenges that delayed projects implementation and delayed disbursement of funds by the National Treasury and Planning.

Growth in existing transmission network owned by KETRACO over the past 5 financial years.

KETRACO Transmission Network (Circuit Length in KMs)



Report Of The Chief Executive Officer (Continued)

FOR THE YEAR ENDED 30 JUNE 2021

The ongoing projects are categorized into different objectives namely; regional interconnection, electricity access, power evacuation and system strengthening. The various projects under each category are briefly discussed below.

I. System Strengthening Projects

Once complete, these projects will increase supply of reliable power by stabilising voltage levels and reducing transmission losses. These projects include: –

• Nairobi Ring Associated Substations

The remaining project scope entails the construction of 220/66 kV 2x200MVA Malaa and Ngong (Kimuka) substations. The project's main objective is to provide alternative substations to supply Nairobi and evacuate power from Olkaria to Nairobi. The project is 89% complete.

• 400/220 kV Mariakani Substation

The project involves the construction of a 400/220kV 4x200MVA substation at Mariakani. The project's objective is to step up voltage to 400kV for the existing 220kV Mombasa – Nairobi Transmission Line to improve power transfer capacity, adequacy, and security to the coastal region. The project is 62% complete.

II. Regional Interconnection Projects

These are projects meant to facilitate power trade in the Eastern Africa Power Pool and eventually with the Southern Africa Power Pool.

• 264km 400kV Lessos–Tororo line (Kenya–Uganda Interconnector)

The project's scope entails construction of a 264km 400kV double circuit line from Lessos to Tororo, extension of Lessos Substation (220kV and 132kV switchyards) and installation of 2x90MVA transformers. The interconnector between Kenya and Uganda will allow for trade between the two countries and other neighbouring countries. The project is 55% complete.

• 1224km 500kV Eastern Electricity Highway Project (Ethiopia–Kenya Interconnector)

The scope of the project includes design and construction of a 1224km 500kV HVDC transmission line, a 2000MW bipolar converter Station and 400kV Substation at Suswa and extension of existing Suswa substation. The project aims to facilitate power exchange between Ethiopia and Kenya.

• 192 km 400kV Kenya–Tanzania Interconnector

The project scope entails construction of 96km, 400kV double circuit line from Isinya to Namanga for the Kenyan section. The project's objective is to connect the Eastern Africa Power Pool to the Southern Africa Power Pool since it is part of the larger Kenya –Tanzania –Zambia interconnector. The project is 85% complete.

III. Electricity Access Projects

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

• 278km 132kV Power Transmission system improvement projects

These projects include 65km Lessos–Kabarnet, 68km Olkaria–Narok, 79km Nanyuki–Rumuruti and 66km Kitui–Wote lines with substations at Kabarnet, Narok, Kitui, Wote and Rumuruti. The projects are expected to connect load centres of Rumuruti, Kabarnet, Narok, Kitui and Wote to the national grid to improve access to reliable power. They are 94% complete.

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

The project scope entails a 69km 132kV transmission line from Ndhiwa to Sondu and a 132/33kV 23MVA substation at Sondu. The project is expected to improve electricity reliability in Migori and Homabay Counties. The projects construction progress is at 79% complete.

Report Of The Chief Executive Officer (Continued)

FOR THE YEAR ENDED 30 JUNE 2021

- **5km 132kV Nanyuki – Isiolo 132kV Underground cable**

The project entails the construction of a 5km underground cable, which is part of the Nanyuki-Isiolo project. Construction works for the cable section are yet to start. The project aims at improving quality of power supply, meeting growth demand and increasing accessibility in Nanyuki-Isiolo and its environs.

- **96km 132kV Isinya – Namanga**

The project entails the construction of a 96km line from Isinya to Namanga, with 132/33kV substations works at Isinya and Namanga. The objective of the project is to connect load centres of Isinya and Namanga to the National Grid to improve access to reliable power. The project is 80% complete.

- **70km 132kV Nanyuki – Isiolo**

The transmission line with 132/33kV substations at Nanyuki and Isiolo project will connect load centre of Isiolo to the national grid to improve access to reliable power and provide an alternative transmission supply route to Nanyuki. It is 93% complete.

- **120km 132kV Sultan Hamud – Merueshi-Loitoktok**

The projects scope entails construction of a 123km 132kV line from Sultan Hamud to Loitoktok and a substation at Oloitoktok. The project's objective is to connect load centres of Oloitoktok and improve access to reliable power. The project is 28% complete.

- **240km 220kV Garsen –Bura-Hola –Garissa**

The project consists of a 240km 220kV line, substations at Garissa and Hola and/or Bura, and an extension bay at Garsen. The project will improve access to reliable power in the load centres of Garissa, and Hola. The project is 3% complete.

- **134km 132kV Rabai-Bomani-Kilifi**

The 134km transmission line with a 132/33 kVx45MVA substation at Bomani will increase power access through reinforcement of the grid in the coastal region. It is 10% complete.

- **50km 132kV Awendo- Isebania**

The project consists of a 50km line through Migori and a new Substation at Isebania and will enhance electricity access around Migori and its surroundings. The project is 15% complete.

- **40km 400kV Isinya-Konza**

The project entails a 40km 400kV line with substations at Konza and a bay extension at Isinya. Once complete, it will increase access to reliable power at Konza, Isinya and its environs. It is 15% complete.

- **150km 220kV Kamburu-Embu –Thika**

The project comprises of a 150km 220kV line from Kamburu to Thika, new substations at Embu and Thika and a bay extension at Kamburu. The project aims to supply the loads of Embu (Kutus) and Thika from the power available from Kamburu.

- **Uplands (Maai Mahiu) substation**

Construction of the Maai Mahiu 132/66kV 2x60MVA substation is currently 10% complete.

IV. Power Evacuation Projects

- **135km 220kV Turkwel – Ortum – Kitale**

The project scope is the construction of a 135km line from Turkwel to Kitale and 220kV substations at Ortum and Kitale. The line section is complete. Erection works at Kitale substation are complete, with the control building 58% complete. Erection of gantry and support structures at Ortum substation is complete. The project is expected provide an alternative transmission evacuation route for Turkwel power plant and to connect load centres of Ortum to the national grid.

Report Of The Chief Executive Officer (Continued)

FOR THE YEAR ENDED 30 JUNE 2021

V. Planned Projects

KETRACO, in its long-term Transmission Master Plan, has developed a 20-year transmission expansion plan indicating projects expected to be implemented on a yearly basis. Between the period 2021 – 2040, about 10,869km in circuit length of transmission lines and 12,782 MVA of substation capacity have been planned.



ENG. (CPA) ANTONY WAMUKOTA, OGW
Ag. MANAGING DIRECTOR



Aerial view of Suswa substation

Ujumbe Wa Mkurugenzi Msimamizi

YA MWAKA ULIOMALIZIKA 30 JUNE 2021



Mhandisi. (CPA) Antony Wamukota, OGW Mkurugenzi msimamizi.

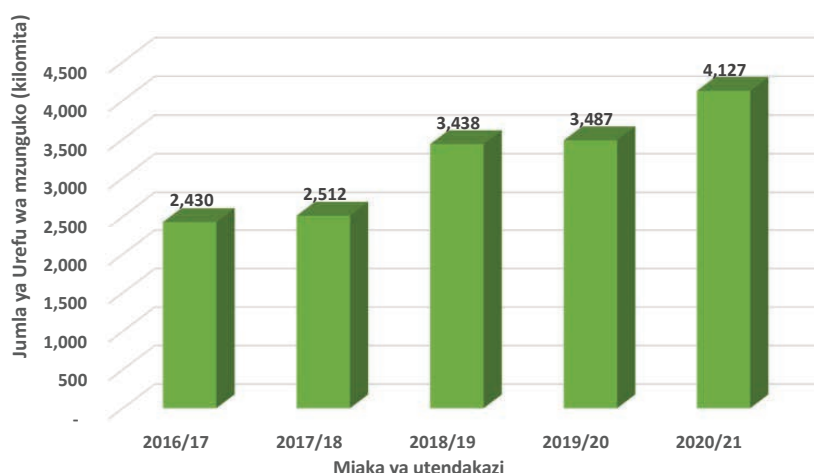
KETRACO imeendelea kutekeleza jukumu lake kuu la kupanga, kubuni, kujenga, kumiliki, kuendesha na kudumisha mstari wa usambazaji wa umeme wenye nguvu kubwa kote nchini na katika eneo la Afrika Mashariki kupitia viunganishi vya mipaka tangu ilipoanzishwa mwezi Desemba 2008. Mistari hiyo ya usambazaji wa umeme ina malengo tofauti, ikiwa ni pamoja na kuongeza uaminifu wa umeme, kutoa njia mbadala za usambazaji, kuunganisha vituo vipya vya kupokea umeme, kuimarisha mtandao wa usambazaji, kuunganisha na kuhamisha umeme kutoka kwenye mitambo mipya ya kuzalisha umeme. Kwa nishati kuwa kichocheo katika kutekeleza Mpango wa Big Four Agenda na Kenya Vision 2030, upanuzi na uimarishaji wa gridi ya usambazaji umewezesha ukuaji wa uchumi na maendeleo kwa kusaidia viwanda vya uzalishaji, programu za makazi ya bei nafuu, huduma za afya kwa wote na mifumo ya uhakika wa chakula.

Katika mwaka uliopitiwa, hatua kubwa iliyofanikiwa ni kukamilika kwa mistari miwili ya usambazaji wa umeme yenye urefu wa kilomita 308.9 ya aina ya Double Circuit 400/220/132kV kutoka Olkaria-Lessos-Kisumu na kuanzishwa kwa Kituo cha Umeme cha Kibos. Ukwamilishaji wa mradi huu unatarajiwa kuimarisha utulivu na uaminifu wa usambazaji wa umeme na kuhamisha umeme kutoka kwenye mitambo ya jotoardhi ya Olkaria kwenda eneo la Magharibi. Hii inafikisha jumla ya mitandao ya usambazaji wa umeme iliyoundwa na inayomilikiwa na KETRACO kufikia kilomita 4,127 katika urefu wa mzunguko. Ujenzi wa miradi mingine ya usambazaji muhimu yenye jumla ya urefu wa mzunguko wa kilomita 3,120 uliendelea katika mwaka huo. Miradi hiyo ni pamoja na Mradi wa Barabara ya Umeme ya HVDC ya Mashariki yenye 500kV, Mradi wa Usambazaji wa Umeme wa Kenya-Tanzania wenye 400kV, mstari wa usambazaji wa umeme wa Isinya-Namanga wenye 132kV, mistari ya usambazaji wa umeme wa Lessos-Kabarnet, Olkaria-Narok, Nanyuki-Rumuruti na Kitui-Wote yenye 132kV.

Katika mwaka uliokamilika mwezi Juni 2021, KETRACO ilizalisha KShs 17.56 bilioni kama Mapato ya Matumizi ya Ndani ikilinganishwa na lengo la mwaka la KShs 29.42 bilioni. Mapato ya Matumizi ya Ndani yanatokana na mapato ya kupeleka umeme na mapato ya nyuzi na bajeti ya maendeleo iliyotengwa na Hazina ya Kitaifa. Kiwango cha kila mwaka cha kuchukua fedha za Serikali ya Kenya na fedha zilizozalishwa ndani ilikuwa 69%, ongezeko la 10.5% kutoka kiwango cha mwaka uliopita cha 58.5%. Kampuni ilikuwa pia na uwezo wa kuchukua KShs. 14,760 milioni za rasilimali zilizokusanywa kutoka nje ikilinganishwa na lengo la KShs. 26,682 milioni, ikifikia kiwango cha kuchukua fedha cha 55%. Kutofikia malengo ya kifedha kulitokana na kuchelewa kutekeleza shughuli zilizopangwa kutokana na athari za janga la COVID-19 kwa bajeti ya maendeleo ya hazina ya serikali na shughuli zinazohusiana na bajeti ya mara kwa mara kama ushauri na mafunzo, changamoto za kutafuta haki za njia ambazo zilisababisha kuchelewa kwa utekelezaji wa miradi na kucheleweshwa kwa utoaji wa fedha na Hazina ya Kitaifa na Mpango.

Ukuaji katika mtandao uliopo wa usambazaji unaomilikiwa na KETRACO katika miaka tano iliyopita.

Mtandao wa usambazaji wa KETRACO (urefu wa mzunguko katika kilomita)



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Miradi inayoendelea imegawanywa katika malengo tofauti ikiwa ni pamoja na unganisho la kikanda, ufi kiaji wa umeme, uhamishaji wa nguvu na uimarishaji wa mfumo. Miradi mbalimbali chini ya kila kategoria zimeelezwa kwa ufupi hapa chini.

I. Miradi ya Uimarishaji wa Mfumo .

Baada ya kukamilika, miradi hii itaongeza usambazaji wa umeme wenye uhakika kwa kudhibiti viwango vya voltage na kupunguza hasara za usafirishaji. Miradi hii ni pamoja na:

- **Vituo vidogo vya maeneo husika ya Nairobi**

Kazi iliyobaki ya mradi huu ni ujenzi wa vituo vya Malaa na Ngong (Kimuka) vya 220v/66kV 2x200MVA. lengo kuu la mradi ni kutoa vituo mbadala vya usambazaji wa umeme kwa Nairobi na kuhamisha umeme kutoka Olkaria kwenda Nairobi. Mradi huo umekamilika kwa asilimia 89.

- **Kituo cha Kupokea Umeme cha Mariakani cha 400/220 kV**

Mradi huu unahusisha ujenzi wa kituo cha kupokea umeme cha 400/220MVA huko Mariakani. Lengo la mradi ni kuboresha uwezo wa usafirishaji wa umeme, uwezo na usalama kwa eneo la pwani kwa kuongeza voltage hadi 400kV kwa mstari wa usafirishaji umeme wa Mombasa-Nairobi wa 220kV uliopo. Mradi huu umekamilika kwa asilimia 62.

II. Miradi ya Unganishaji wa Kikanda

Haya ni miradi inayolenga kurahisisha biashara ya umeme katika mfumo wa umeme wa Afrika Mashariki na hatimaye na mfumo wa umeme wa Afrika Kusini.

- **Lessos-Tororo Laini ya kilomita mia moja theladhini na mbili volti za kilo mia nne (132km 400kV) (unganisho la Kenya-Uganda)**

Mradi huu unahusisha ujenzi wa mstari wa umeme wa mbili unaotumiwa kwa mara moja wa 132km wa 400kV kutoka Lessos hadi Tororo, upanuzi wa Kituo cha Kupokea Umeme cha Lessos (mabehewa ya kubadilishia voltage ya 220kV) na uwekaji wa transformers 2x90MVA. Muunganisho kati ya Kenya na Uganda utawezesha biashara kati ya nchi hizo mbili na nchi jirani. Mradi huu umekamilika kwa asilimia 55.

- **Mradi wa Barabara ya Umeme ya Mashariki yenye urefu wa 612km wa 500kV (Muunganisho wa Ethiopia-Kenya)**

Lengo la mradi huu ni kuwezesha mabadilishano ya umeme kati ya Ethiopia na Kenya. Kazi za mradi huu ni pamoja na kubuni na ujenzi wa mstari wa umeme wa mbali wa 612km wa 500kV HVDC, Kituo cha Umeme cha Bipolar 2000MW na kituo cha kupokea umeme cha 400kV huko Suswa pamoja na upanuzi wa Kituo cha Kupokea Umeme cha Suswa kilichopo.

- **96km ya Mfumo wa Kiunganishi cha Kenya-Tanzania wa 400kV**

Wigo wa mradi unajumuisha ujenzi wa mstari wa mbili wa 96km wa volti 400kV kutoka Isinya kwenda Namanga kwa sehemu ya Kenya. lengo la mradi ni kuunganisha Gridi ya Mashariki mwa Afrika na Gridi ya Umeme ya Kusini mwa Afrika kwani ni sehemu ya Kiunganishi kikubwa cha Kenya-Tanzania-Zambia. Mradi huo umekamilika kwa asilimia 85.

III. Miradi ya Upataji wa Umeme

Miradi hii inatarajiwa kuongeza ufikiaji wa umeme ndani ya nchi na kupunguza umeme. Hii ni na:

- **Kilomita mia mbili sabini na nane volti za mia moja theladhini na mbili (278km 132KV) Miradi ya Ubore-shaji wa Nguvu za umeme**

Miradi hii ni pamoja na laini ya kilomita sitini na tano (65km) Lessos-Kabarnet, kilomita sitini na nane (68km) Olkaria-Narok, kilomita sabini na tisa (79km) Nanyuki-Rumuruti na kilomita sitini na sita (66km) Kitui-Wote iliyo na vituo vidogo huko Kabarnet, Narok, Kitui na Rumuruti. Miradi hiyo inatarajiwa kuunganisha vituo vya uzito wa umeme wa Rumuruti, Kabarnet, Narok, Kitui na Wote kwa gridi ya taifa ili kuboresha upatikanaji wa umeme wa kuaminika. miradi imekamilika asilimia tisini na nne (94%).

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- **Kilomita sitini na tisa volti za kilo mia moja theladhini na mbili (69km 132kv) Sondu – Ndhiwa (Homa Bay/Ndhiwa)**

Upana wa mradi unaosalia unashirikisha ujenzi wa vituo vidogo vya volti za umeme za hali ya juu vya mia mbili ishirini kwa sitini. Upana wa mradi unajumuisha laini ya usambazaji wa kilomita sitini na tisa volti za kilo mia moja theladhini na mbili (69km 132kv) kutoka Ndhiwa hadi Sondu na nafasi ya umeme wa kiwango cha juu huko Sondu. Mradi huo unatarajiwa kuboresha utegemezi wa umeme katika kaunti za Migori na Homabay. Maendeleo ya ujenzi wa miradi ni kwa asilimia sabini na tisa (79%).

- **Kilomita tano volti za kilo mia moja theladhini na mbili (5km 132kv) Nanyuki–Isiolo kupitia kebo ya chini ya ardhi yenye uwezo wa volti za kilo mia moja theladhini na mbili (132kv)**

Mradi huo unajumuisha ujenzi wa kebo ya chini ya ardhi ya kilomita tano, ujenzi wa mradi wa Nanyuki–Isiolo kwa sehemu ya kebo bado haujaanza. Mradi huo unakusudia kuboresha ubora wa usambazaji wa umeme, kukidhi ongezeko la mahitaji na kuongeza upatikanaji Nanyuki–Isiolo na mazingira yake.

- **Kilomita tisini na sita volti za kilo mia moja theladhini na mbili (96km 132kv Isinya – Namanga)**

Mradi huo unajumuisha ujenzi wa kilomita tisini na sita (96km) kutoka Isinya hadi Namanga, na kiwango cha volti za kilo mia moja theladhini na mbili kwa theladhini na tatu (132/33kV) inafanya kazi huko Isinya na Namanga. Kusudi la mradi ni kuunganisha vituo vya mzigo wa Isinya na Namanga kwenye gridi ya taifa ili kuboresha upatikanaji wa umeme wa kuaminika. Mradi umekamilika asilimia themanini (80%).

- **Kilomita sabini volti za kilo mia moja theladhini na mbili (70km 132kv) Nanyuki – Isiolo**

Upana wa mradi huo ni pamoja na kubuni na ujenzi wa laini ya usambazaji ya kilomita elfu moja mia mbili ishirini na nne ya Njia ya usambazaji na vituo vidogo vya volti za kilo mia moja theladhini na mbili kwa theladhini na tatu (132/33kV) huko Nanyuki na Mradi wa Isiolo utaunganisha kituo cha Isiolo na gridi ya kitaifa ili kuboresha upatikanaji wa umeme wa kuaminika na kutoa njia mbadala ya usambazaji njia ya Nanyuki. Umekamilika asilimia tisini na tatu (93%).

- **Kilomita mia moja ishirini volti za kilo mia moja theladhini na mbili 120km 132kv Sultan Hamud–Merueshi–Loitoktok**

Upana wa mradi unajumuisha ujenzi wa laini ya umeme ya Kilomita mia moja ishirini na tatu volti za kilo mia moja theladhini na mbili (123km 132kv) kutoka Sultan Hamud hadi Loitoktok na kituo kidigo cha Oloitoktok. Kusudi la mradi ni kuunganisha vituo vya uzito wa umeme wa oloitoktok na kuboresha upatikanaji wa umeme wa kuaminika. Mradi umekamilika asilimia ishirini na nane (28%) na umepaniwa kukamilika ifikapo Juni 2022.

- **Kilomita mia mbili aroba nne volti za kilo mia mbili ishirini (240km 220kv) Garsen –Bura –Hola –Garissa**

Mradi huo una laini ya umeme ya urefu wa Kilomita mia mbili arobaine (240km) volti za kilo mbili ishirini (220kv), vituo vidogo huko Garissa na Hola na/au Bura, na upanuzi wa 'bay' huko Garsen. Mradi huo utaboresha upatikanaji wa umeme kuaminika katika vituo vya uzito wa umeme wa Garissa, na Hola. Mradi umekamilika asilimia tatu (3%)

- **Kilomitamia moja theladhini na nne volti za kilo mia moja theladhini na mbili 134km 132kv Rabai–Bomani–Kilifi**

Laini ya usambazaji wa umeme ya Kilomita mia moja theladhini na nne (134km) na uingizwaji wa umeme wa hali ya juu (132/33 2x45MVA) huko Bomani utaongeza ufikiaji wa nguvu za umeme kupitia uimarishaji wa gridi ya taifa katika mkoa wa pwani. Ni asilimia kumi (10%) kamili.

- **Kilomita hamsini volti za kilo mia moja theladhini na mbili (50km 132kv) Awendo– Isebania**

Mradi huo una laini ya kilomita hamsini (50km) kupitia Migori kituo kidogo kipa huko Isebania na utawezesha umeme kufika karibu na Migori na maeneo yake. Mradi umekamilika asilimia kumi na tano (15%)

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- **Kilomita aroba nne volti za kilo mia nne (40km 400kv) Isinya–Konza**

Mradi huo unajumuisha laini ya Kilomita aroba nne volti za kilo mia nne (40km 400kv) na kituo kidogo cha kudhibiti umeme huko Konza na upanuzi wa 'bay' huko Isinya. Mara tu umekamilika, utaongeza kiwango cha kufikia umeme wa kuaminika huko Konza, Isinya na mazingira yake. Ni asilimia kumi na tano (15%) kamili hivi sasa.

- **Kilomita mia moja hamsini volti za kilo mia mbili ishirini (150km 220kv) Kamburu –Embu –Thika**

Mradi huo unajumuisha laini ya Kilomita mia moja hamsini volti za kilo mia mbili ishirini (150km 220kv) kutoka Kamburu hadi Thika, kituo kidogo kipa huko Embu na Thika na upanuzi wa 'bay' huko Kamburu. Mradi huo unakusudia kusambaza uzito wa umeme wa Embu (Kutus) na Thika kutoka kwa nguvu za umeme unaopatikana kutoka Kamburu.

- **Kituo kidogo 'Uplands' (Maai mahiu)**

Ujenzi wa kituo kidogo cha maai mahiu chenye nguvu za umeme wa volti za juu (132/66kv 2x60MVA) sasa ni asilimia kumi (10%) kamili hivi sasa.

III. Miradi ya Upataji wa Umeme

Miradi hii inatarajiwa kuongeza ufikiaji wa umeme ndani ya nchi na kupunguza umeme. Hii ni na:

- **Kilomita mia moja theladhini na tano volti za kilo mia mbili ishirini (135km 220kv) Turkwel – Ortum – Kitale**

Wigo wa mradi ni ujenzi wa mstari wa kilomita 135 kutoka Turkwel hadi Kitale pamoja na vituo vya umeme vya 220kV katika Ortum na Kitale. Sehemu ya mstari wa umeme imekamilika. Kazi za ujenzi wa Kituo cha Kitale zimekamilika, na jengo la kudhibiti limefikia 58% ya ukamilifu. Ujenzi wa nguzo na miundombinu ya kusaidia katika Kituo cha Ortum umekamilika. Mradi huu unatarajiwa kutoa njia mbadala ya kuepusha umeme wa kiwanda cha umeme cha Turkwel na kuunganisha vituo vya mzigo vya Ortum kwenye gridi ya taifa.

IV. Miradi tarajiwa iliyopangwa

KETRACO, kupitia Mpango wake Mkuu wa Miundombinu ya Usafirishaji Umeme wa Muda Mrefu, imetengeneza mpango wa upanuzi wa miundombinu ya usafirishaji umeme wa miaka 20 ambao unaonyesha miradi inayotarajiwa kutekelezwa kila mwaka. Kati ya kipindi cha mwaka 2021 hadi 2040, jumla ya kilomita 10,869 za mstari ya usafirishaji umeme na uwezo wa kituo cha umeme cha 12,782 MVA umepangwa.



Mhandisi. (CPA) Antony Wamukota, OGW

Mkurugenzi msimamizi.



Visit to Ketraco's Isinya substation to inspect the ongoing Kenya-Tanzania interconnector transmission project

STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR THE YEAR ENDED 30 JUNE 2021

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

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

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

KETRACO develops its annual work plans based on the above 6 Themes. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. KETRACO achieved its performance targets set for the FY 2020/2021 period for its 6 strategic themes as indicated in the diagram 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	<ul style="list-style-type: none"> • Number of feasibility study reports • Number of prefeasibility study reports. • Length of Kms of transmission lines constructed • Number of substations constructed. • Transmission Master Plan updated • Number of RAP reports • Number of substation land acquired • Number of land and crops valuation r 	<ul style="list-style-type: none"> • Undertake three feasibility studies • Carry out pre-feasibility studies to develop project concepts • Construct high voltage power transmission lines • Construct high voltage power transmission Substations • Develop and review Transmission Master Plan • Undertake RAP • Acquire substation land • Undertake valuation of land, structures and crops 	<ul style="list-style-type: none"> • 308.9km double circuit Lessos–Kisumu transmission line was completed and energized • 99km 132kV Kenya Power Transmission System Improvement Project constructed • Transmission Master Plan 2020–2040 updated • Voi – Taveta; Sultan Hamud–Loitoktok; and Konza substation feasibility studies were carried out • 132kV Loitoktok–Taveta link, Suswa–Nairobi North reconductoring, 400kV Rumuruti–Lessos prefeasibility studies

Strategic Theme	Objective	Key Performance Indicators	Activities	Achievements
				<p>draft reports were prepared.</p> <ul style="list-style-type: none"> RAP for Kamburu–Embu–Kibirigwi–Thika rerouted section and Awendo–Isebania undertaken Acquired Merueshi and Oloitoktok substations land 44 km Kamburu–Embu–Kibirigwi–Thika. and 110km Sultan – Hamud – Oloitoktok land valuation undertaken Valuation of crops and trees for Isinya – Namanga Line undertaken
Transmission Network Operation and Maintenance	To effectively and efficiently operate and maintain the transmission network	<ul style="list-style-type: none"> Percentage availability of transmission lines and substations Number of Annual Maintenance plans developed and implemented No. of armed police officers deployed 	<ul style="list-style-type: none"> Maintain a 99.5% availability of KETRACO transmission lines and substations throughout the year. Develop and implement an organizational annual maintenance plan Procure armed police security to safeguard transmission infrastructure 	<ul style="list-style-type: none"> 99.95% availability of transmission lines and substations recorded during the year. A maintenance plan for 2020/21 was developed and implemented. 142 officers from Critical Infrastructure Protection Unit (CIPU) were deployed in the year.
Power Management	To effectively and efficiently manage the transmission system and facilitate power trade	<ul style="list-style-type: none"> EAPP Meetings attended and reports prepared Number of Tariff proposals prepared and submitted 	<ul style="list-style-type: none"> Participate in power market and pricing activities of Eastern Africa Power Pool (EAPP) Submit revenue requirements for the tariff control period 2020/21 – 2022/23 	<ul style="list-style-type: none"> KETRACO provided inputs; comments and attended meetings on the design of the proposed EAPP Power Market. Revenue requirement proposal for the tariff control period 2020/21 – 2022/23 was submitted to KPLC for incorporation into the Retail Tariff Application.

Strategic Theme	Objective	Key Performance Indicators	Activities	Achievements
Financial Mobilization and Sustainability	To mobilize and efficiently utilize financial resources sustainably	<ul style="list-style-type: none"> Approved Annual Budget. Total sum of allocated funds absorbed. Total sum of externally mobilized funds absorbed Total sum of Appropriation in Aid collected/ mobilized Pending bills as a percentage of Total Budget Assets transferred to the Company 	<ul style="list-style-type: none"> Prepare annual budget and financing proposals and seek necessary approvals Utilize all of Government of Kenya and Internally Generated Funds amounting to KShs. 8,740 million Absorb all externally Mobilized Resources totalling to KShs. 26,682 million Raise Appropriation-in-Aid amounting to KShs. 29,420 million Reduce pending bills to 1% of the total budget. Transfer of transmission assets including Greenfields substation land 	<ul style="list-style-type: none"> Annual Budget prepared as per the budget cycle. The Company realised an absorption rate of 69% (KShs 6,034 million) for Government of Kenya and Internally Generated Funds. The Company absorbed KShs. 14,760 million of externally mobilized resources realising an absorption rate of 55%. Appropriation-in-Aid including development budget, wheeling and fibre revenues was KShs. 17,560 million. Pending bills were at 9.5% of the Company's total budget by June 2021. Embu, Kyeni, Ortum, Kitale, Namanga, Rongai, Kimuka, Lessos, Awendo and Embu substation acquired.
Organizational Capacity and Governance	To strengthen organizational capacity and governance	<ul style="list-style-type: none"> Number of Policy, Procedures and manuals revised and implemented. Report on staff skills Gap analysis Staff annual performance appraisal Level of ISO Certification progress Number of students placed on internship and attachment 	<ul style="list-style-type: none"> Review/ implement the Company's operational policies, manuals, and procedures. Assess staff skills, talent, and performance potential Carry out staff performance appraisal at the end of the financial year Acquire and Implement an Information Security Management System Certification (ISO 27001) Place 125 students on internship and attachment 	<ul style="list-style-type: none"> The following policies were developed: Knowledge Management Policy; Mentorship and coaching policy, Reward and performance management policy; Training & Development policy; Research & Development policy; and Monitoring & evaluation policy, Security policy, ICT Policies and Gift policy. Skills gap analysis was undertaken. Staff appraisal was undertaken, and staff trainings attended as capacity building initiatives to enhance performance. ISMS certificate acquired in December 2020. KETRACO offered 92 industrial attachments and 35 internships to students and graduates.

Corporate Governance Statement

FOR THE YEAR ENDED 30 JUNE 2021

The purpose of corporate governance is to help build an environment of trust, transparency and accountability. This is necessary for fostering long-term investment, financial stability and business integrity in a way that maximizes shareholder value and in the best interest of stakeholders. It is conducted by the Board of Directors and the concerned committees for the company's stakeholder's benefit through adoption of ethically driven business structures, procedures and processes. KETRACO's Board of Directors is committed to adhering to best practices as guided by Mwongozo Code of Conduct, international standards and principles that are essential for good corporate governance practice. The Board draws its powers and authority from relevant laws of Kenya, and the Company's Memorandum and Articles of Association.

1. Statement of Compliance

The Board subscribes to the tenets of governance as well as comply with the provisions of relevant statutory and regulatory requirements as spelt out in the Constitution of Kenya, Companies Act 2015, Energy Act 2019, Public Finance Management Act, 2012, Leadership and integrity Act No.19 of 2012 and the Code of Governance for State Corporations among others.

The conduct of individual directors when dealing with company business is governed by the Directors Code of Conduct and Ethics. Each Director has signed the Directors' Code of Conduct and Ethics and has also made a commitment to comply with the same in order to enable the Board to operate effectively in the best interest of the Company.

2. Board Composition and Diversity

The Board is composed of broad range of skills and competencies in the field of legal, finance, human resources, banking, projects, economics and management among others as well as diversity in age, gender and ethnic background.

The current Board is composed of nine members; six of which are Independent Non-Executive Directors, two Non-Independent Directors representing the Ministry of Energy and National Treasury and one Executive Director who is also the Managing Director and Chief Executive Officer.

3. The Board Charter

KETRACO has put in place mechanisms for a corporate governance framework that is outlined in the Board and Committee Charters approved by the previous Board. The framework ensures separation of functions and duties of the Board and shareholders, the duties of the Board and Management, the duties of the Chairman and Managing Director, and responsibilities of individual directors and the Board as an entity.

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

4. Board changes in the FY

Hon. Capt. Joe Mutambu was appointed the Chairman of the Company with effect from 20th April 2021 replacing Hon. Eng. James Rege.

Maj. Gen (Rtd) Dr. Gordon Kihlangwa, CBS was appointed the Principal Secretary, Ministry of Energy in October 2021 to replace Dr. Eng. Joseph Njoroge who moved to the Ministry of Transport.

CS Lydia Sitienei was employed as the Ag. Company Secretary on 2nd November 2020 and confirmed on 5th July 2021 to replace CS Duncan Macharia who retired on 23rd December 2020.

5. Management Committee

The Management Committee comprises all the General Managers and is led by the Managing Director & CEO. This Committee serves as a link between the Board and Management and has a mandate and responsibility to ensure implementation of the strategic objectives of the company, compliance with the statutory and regulatory framework, guidelines and adherence to company policies and procedures.

Corporate Governance Statement(Continued)

FOR THE YEAR ENDED 30 JUNE 2021

6. Board Work Plan, Membership and Meetings

The Board prepares an annual work plan with clearly defined goals which is critical for effective management and execution of the meetings. The meetings' agenda and papers to be considered are circulated in good time on the e-board platform to allow for adequate preparation. During the period under review Board meetings/activities held and attendance was as follows; –

NO	BOARD MEMBER	CLASSIFICATION	STAFF & REMUNERATION COMMITTEE TOTAL NO OF MEETINGS.	FINANCE STRATEGY & RISK MANAGEMENT COMMITTEE TOTAL NO OF MEETINGS	TECHNICAL COMMITTEE TOTAL NO OF MEETINGS	AUDIT & RISK ASSURANCE COMMITTEE TOTAL NO OF MEETINGS	REGULAR BOARD MEETINGS TOTAL NO OF MEETINGS	SPECIAL MEETINGS	BOARD SELF EVALUATION VIA TELECONFERENCING 1	BOARD INTERVIEWS FOR GM POSITIONS	11 TH ANNUAL GENERAL MEETING
1.	Hon. Eng. James Rege	Independent Chairman					3	4	1	3	1
2.	Hon. Capt. Joe Mutambu	Independent Chairman					2	2			
3.	FCCA. Fernandes Barasa	Managing Director	6	4	5	7	5	6	1	15	1
4.	Lizzie Chongoti	Independent Director		4	5		5	6	1	4	1
5.	Arch. Kariuki Muraya	Independent Director			5	7	5	6	1	4	1
6.	Mrs. Grace Ndugu	Independent Director	6			7	5	6	1	15	1
7.	Joakim Kiarie Kamere	Independent Director		2			2	1	1		1
8.	Phillip Mongony	Independent Director	6	4			5	6	1	15	1
9.	Joseph Kariuki	Alternate Director to the CS National Treasury		4		7	5	6	1	4	1
10.	Eng. Julius Mwathani	Alternate Director to the PS Ministry of Energy	6		5		5	6	1	15	1

Corporate Governance Statement(Continued)

FOR THE YEAR ENDED 30 JUNE 2021

7. Board Committees

The Board of KETRACO has established four (4) Board Committees for purposes of delegating its various functions. The Terms of Reference for the Committees are encapsulated in the specific Committee Charters approved by the Board. The Company Secretary is the secretary to the Board and its committees except the Audit Committee where the Senior Manager, Internal Audit and Risk performs this function.

The current membership and responsibilities of Board committees is summarized below:

Board Meeting	Technical Committee	Audit & Risk Assurance Committee	Staff & Remuneration Committee	Finance, Strategy & Risk Management Committee
Mandate	To assist the board in Project Implementation. The Committee receives regular reports on Power System Planning and way leaves acquisition, Project status Implementation, Operations and Maintenance and System Availability (Transmission Lines & Substation Transformers).	To review the effectiveness of the Company's processes to ensure that there is efficiency in all areas of operations. The Committee has the responsibility for and independent in-depth monitoring and review of the Company's financial reporting processes and systems of internal accounting system of internal control and the performance of the independent and internal auditors, the risk management, operational structures and procedures.	To ensure that the Company has in place skilled, motivated and disciplined workforce whose relationship with the Company is governed by contemporary Labour Laws, performance contracts and the Company's staff regulations. The Committee oversees staff recruitment, development and proper working environment.	To oversee the development and implementation of the organisation's strategy and performance contracting. It is mandated to ensure that the undertaking of the Company is operated efficiently, according to sound commercial principles in accordance with the Laws governing the management of public finance.
Chairperson	Ms. Rose Kananu	Ms. Miriam Njenga	Ms. Elizabeth Kimkung	Mr. Sanjay Gandhi
Members	Eng. Clemencia Mwamburi Eng. Thomas Karungu	Mr. Joseph Kariuki Ms. Elizabeth Kimkung	Eng. Thomas Karungu Ms. Miriam Njenga	Eng. Clemencia Mwamburi Mr. Joseph Kariuki

Corporate Governance Statement(Continued)

FOR THE YEAR ENDED 30 JUNE 2021

8. 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 and stakeholders. The Board is responsible for policy formulation; Strategic Leadership and Planning; Resource Mobilization and Project management; Decision making; Compliance and Risk Characterization; Monitoring Progress and Direction of Executive Performance.

9. 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.

10. Induction and Capacity Building for the Board

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 parent Ministry) to equip the Board with the necessary exposure required for executing the Company's mandate.

11. Board and member performance

In order to ensure that the Board is on course in achieving its objectives, it evaluates its performance by use of the criteria set out in the Government provided standard tools for evaluation of Chairpersons, Directors the Chief Executive Officer, and the Company Secretary annually, and file reports with the Principal Secretary, Ministry of Energy 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 following key areas are covered by Board evaluations:

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



Spectacular sight of a KETRACO transmission line passing over the SGR at Suswa

Corporate Governance Statement(Continued)

FOR THE YEAR ENDED 30 JUNE 2021

12. Board Remuneration

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

13. Internal Controls

Internal control are policies and procedures established and effected by the Board of Directors to provide reasonable assurance regarding reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations of a Company. The Board is committed to regularly review systems, processes and procedures to ensure the effectiveness of its internal systems of control so that its decision-making capability and the accuracy of its reporting and financial results are maintained at the highest level at all times.

14. Ethics and conduct

The Company understands the importance of conducting its business in compliance with relevant legal and regulatory principles in order to high ethical standards of business practice. At KETRACO, observation of the code and high standards of integrity is a compulsory requirement and employees are expected to observe the highest standards of professionalism.

Each employee understands the need to embrace and practice good governance in the Company and to maintain 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.

15. Whistle Blowing Policy

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.

16. Succession Plan

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

KETRACO committed to undertake a set of activities in the period beginning July 2020 to June 2021 in a performance contract signed with the Government of Kenya through the Ministry of Energy. The targets were aligned with the country's long- and medium-term plans, primarily the Kenya Vision 2030 plan and the Big Four Agenda Initiatives. The annual targets were also in line with KETRACO's 2018-2022 Strategic Plan. This section highlights the achievements of the Company during the reporting period.

Management Discussions And Analysis

FOR THE YEAR ENDED 30 JUNE 2021

FINANCIAL STEWARDSHIP AND FISCAL DISCIPLINE

Absorption of Government of Kenya and Internally Generated Funds

The Company realised an absorption rate of 69% against a target of 100%. In absolute figures, KShs. 6,034 million was absorbed against a target of KShs 8,740 million. Delays in implementation of planned activities due to effects of COVID-19 on both exchequer development budget as well as recurrent budget related activities such as consultancy and trainings impacted negatively on the absorption rates. Nevertheless, the absorption rate increased from the previous year's rate of 58.5%.

Absorption of Externally Mobilized Resources

The Company was able to absorb KShs. 14,760 million of externally mobilized resources against a target of KShs. 26,682 million, realising an absorption rate of 55%. Implementation of planned projects construction activities was affected by COVID-19 pandemic and delays in disbursement of funds from National Treasury. The pandemic affected not only the contractor's performance but also KETRACO field activities. These impacted on the overall absorption of funds throughout the year.

Appropriation-in-Aid

KETRACO's Appropriation-in-Aid includes development budget, wheeling and fibre revenues. In the period, the company generated revenue of KShs. 17,560 million, against a target of KShs. 29,420 million. The target could not be met due to delays in implementation of planned projects under the development budget.

Pending Bills

As of June 2021, KETRACO pending bills were at KShs. 3,373 million which is 9.5% of the company's total budget. The pending bills relate to contractual claims under completed transmission projects. Inadequate budget and delayed disbursements hindered meeting the target of reducing pending bills to 1% of the total budget.

SERVICE DELIVERY

1. Implementation of Citizens' Service Delivery Charter

The company reviewed and displayed the Citizens' service delivery charter on receptions at the office and substations, both in English and Swahili. Online training of staff on customer service was undertaken in the reporting period. In addition, a service delivery tracker was also developed to help monitor service delivery progress in the company. The company also developed sign language translation and content videos for the website and the TVs at reception areas.

2. Application of Service Delivery Innovations

KETRACO developed a cloud-based extranet on SharePoint to ensure secure sharing of project related data with stakeholders. The Company also developed Microsoft Intune, an application that helps in managing handheld devices used in capturing data during fieldwork. In addition, the Company rolled out Power Business Intelligence application that helps analyse data in form of dashboards, charts, and reports, easing presentation of Company data.

3. Resolution of Public complaints

The Company resolved most of the complaints received from stakeholders and submitted quarterly reports submitted to the Commission on Administrative Justice. In an effort to proactively disclose information, award of procurement tenders and advertisements were continuously published on the Company website. Inhouse training of staff on customer service was also undertaken in the year under review.

CORE MANDATE

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

KETRACO commissioned the 617.8km (Circuit length) 400/220/132kV Olkaria-Lessos-Kisumu transmission line. This increased the length of power transmission network owned by KETRACO by June 2021 to 4,127km in circuit length. The Company also constructed 99km under 132kV Kenya Power Transmission Improvement Project.

Management Discussions And Analysis(Continued)

FOR THE YEAR ENDED 30 JUNE 2021

CORE MANDATE (CONTINUED)

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

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

S. NO	PROJECT NAME	STATUS
1	220/33kV Ortum, 220/132kV Kitale Substations and Turkwel Substation Bay extension	The Transmission line is complete. A new contractor was procured to finalise the substations.
2	612km 500 HVDC Eastern Electricity Highway (Ethiopia – Kenya transmission line and Substation)	The line is almost complete with only 31km of stringing pending. Converter station is 99% complete.
3	69km 132kV Sondu–Ongeng (Ndhiwa) transmission line and Substation	Stringing of the lines is 83% complete, Ongeng (Ndhiwa) Substation complete. Sondu (Thurdibuoro) Substation 65% complete.
4	Nairobi Ring Substations	Kimuka Substation is 96% complete; construction of Kimuka 4km line in line out is ongoing, Malaa substation is 77% complete.
5	96km 132kV Isinya–Namanga Transmission Line and Substations	Namanga & Isinya Substations complete, Transmission line works are ongoing. Overall progress at 80%
6	96km 400kV Kenya–Tanzania Power Transmission Line	Tower foundation, erection and stringing works are ongoing. Overall progress at 85%.
7	400/220kV Mariakani Substation	Construction is ongoing with an overall project progress of 62%.
8	96Km 132kV Nanyuki–Isiolo–Meru Transmission Line	Overall project progress at 93%, procurement of new contractor for underground cable is underway.
9	132kV Power Transmission System Improvement Projects	Nanyuki–Rumuruti, Lessos Kabarnet, Olkaria Narok and Kitui Wote lines ongoing, 94% complete.
10	247km 220kV Garsen –Bura– Hola – Garissa Transmission Line	Manufacture and delivery of materials at 46%. Gazettement of the line done, wayleave compensations ongoing. Construction of tower foundations underway.
11	210km 132kV Kenya Power Transmission Expansion Project (KPTEP)– Sultan Hamud – Merueshi–Loitokitok 132kV, Isinya–Konza 400KV & Awendo Masaba 132kV	Resettlement Action Plan (RAP) completed for Sultan Hamud–Merueshi–Oloitokitok & Isinya –Konza. Site handed over to the contractor. Preliminary designs on –going.
12	148km 220kV Kamburu–Embu–Kibirigwi–Thika Transmission Line	Gazettelement of the transmission line and valuation of land has been undertaken. Design works for line conductors, OPGW and insulators completed. Tower designs are ongoing.
13	61km 132kV Rabai – Bamburi – Kilifi transmission line	Designs at 75% and procurement/delivery at 10%. Foundation works have commenced.
14	53km 220kV Dongo Kundu – Mariakani transmission line	Procurement of Consultant has been done.

Management Discussions And Analysis (Continued)

FOR THE YEAR ENDED 30 JUNE 2021

2. Substation and Transmission Lines Technical Specification

Technical specifications for transmission lines and substations were fully developed in the year under review.

3. Transmission Lines and Substations Availability

The Company operated and maintained its infrastructure, guaranteeing that transmission lines and substations were available 99.95 % of the time, surpassing a set target of 99.50 %.

4. Project Completion Rate

At the end of the financial year, overall project completion rate was at 59.83 % . Delays in implementing planned activities due to COVID-19's consequences that also affected the performance by some contractors as well as delays in disbursements from the National Treasury all contributed to low completion rate.

IMPLEMENTATION OF PRESIDENTIAL DIRECTIVES

KETRACO distributed 2,000 seedlings to the Community Forest Association of Ngong Forest area, which is traversed by transmission projects such as the 400kV Isinya-Suswa line. This is in line with the presidential directive to achieve 10% minimum forest cover by 2022.

ACCESS TO GOVERNMENT PROCUREMENT OPPORTUNITIES (AGPO)

KETRACO awarded KShs 199,586,668 of the total procurement budget to Youth, Women and Persons with disabilities to supply goods and services, against a target of KShs 536,221,500. This target was largely affected by the Covid-19 pandemic on Company operations.

PROMOTION OF LOCAL CONTENT IN PROCUREMENT

KETRACO procured goods and services worth KShs 1,134,665,782.68 locally, surpassing an annual target of KShs 714,962,000.

CROSS-CUTTING ISSUES

1. Asset management

In the year under review, an updated register of all KETRACO assets was maintained. Boarded items were also disposed during the period under review.

2. Youth Internships/Industrial Attachments/Apprenticeships

KETRACO offered 92 industrial attachments and 35 internships to students and graduates in the period ending June 2021 and the target of 125 was met and surpassed.

3. Competence Management

During the period, KETRACO undertook an institutional skills gap analysis. Staff Training needs assessment was also undertaken through the staff appraisal process. Staff attended various trainings, conferences, and seminars as capacity building initiatives to enhance performance. Knowledge sharing was also enhanced through uploading of training reports and learning material on the Company's SharePoint for access by other staff.

4. Disability Mainstreaming

In implementing affirmative action towards disability mainstreaming, KETRACO developed sign language translation and content videos for the Company website and reception area TV at ground floor. Quarterly progress reports were submitted to the National Council for Persons with Disabilities.

Management Discussions And Analysis (Continued)

FOR THE YEAR ENDED 30 JUNE 2021

5. Gender mainstreaming

A six-member gender mainstreaming committee comprising of two males and 4 females was appointed in the year under review to oversee gender mainstreaming activities in the Company. The committee and 76 staff members were trained on gender mainstreaming and gender-based violence by Power Africa in conjunction with the State Department of Gender. The Company submitted the quarterly reports to the National Gender Equality Commission.

6. Prevention of Alcohol and Drug Abuse

KETRACO undertook a baseline survey on alcohol and drug abuse in the Company and a report compiled on the same. In addition to this, an Alcohol and Drug Abuse (ADA) control committee was constituted. The committee reviewed the ADA policy which was approved by the Board. To support staff with substance abuse disorders, the Company listed Counsellors among the panel of health providers and planned with established rehabilitation centres where employees can get counselling services. Quarterly progress reports were submitted to National Authority for the Campaign against Alcohol and Drug Abuse (NACADA).

7. Prevention of HIV Infections

An online sensitization session was undertaken to staff and their families, 354 female condoms and 14,696 male condoms distributed to staff both at the headquarters and substations. Quarterly reports were submitted to National AIDS Control Council (NACC).

8. Safety and Security Measures

KETRACO deployed critical infrastructure protection unit (CIPU) police officers at KETRACO Suswa converter station, Isinya, Kitui, Mangu, and Lessos substations. Information Security management System (ISMS) was launched and KETRACO certified. Security inspections were undertaken at Suswa converter station, Mwingi, Garissa Kindaruma, Kyeni, Meru, Ishiara, Isiolo, Kitui, Garsen, Galu, Machakos, Lamu, Mariakani, Sultan Hamud, Malindi, and Konza substations. Continuous replication of information in the Remote Disaster Recovery (DR) site was also completed.

9. National Cohesion and Values

Environmental monitoring, stakeholder engagement and community sensitization sessions were undertaken along ongoing transmission line project areas. The Company Human Resource Manual and Code of Conduct was applied in period under review. 153 staff attended a virtual Sensitization on National Cohesion & Values. Environmental and Social Management Plan monitoring was undertaken for Isinya-Namanga and Kenya-Tanzania projects, Nanyuki- Rumuruti, Lessos – Kabarnet and Ethiopia Kenya Lot 6. Stakeholder Engagement and Community sensitization undertaken along Kamburu-Embu-Thika project, Garsen-Hola-Garissa, and Sultan Hamud Loitoktok lines.

10. Road Safety Mainstreaming

The KETRACO Road Safety Committee consisting of 6 staff members was constituted. The committee developed a road safety policy and was also trained on road safety by National Transport and Safety Authority (NTSA). KETRACO management was sensitized on road safety mainstreaming. Quarterly reports were submitted to NTSA.

11. Corruption Prevention

During the year, a corruption risk mitigation implementation report was prepared and presented to the Corruption Prevention and Integrity Committee. Quarterly reports and the annual report were prepared and submitted to the Ethics and Anti-Corruption Commission (EACC).

Sustainability Reporting

FOR THE YEAR ENDED 30 JUNE 2021

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

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

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

KETRACO's Approach

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

Below is a brief highlight of the company's achievements in each pillar: -

1. Sustainability strategy and profile

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

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

2. Environmental performance

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

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

Sustainability Reporting (Continued)

FOR THE YEAR ENDED 30 JUNE 2021

4. Market Place Practices (Continued)

As part of the signed performance contract on corruption prevention the company updated the Corruption Risk Assessment and mitigation plan which is shared with the Ethics and Anti-Corruption Commission (EACC).The corruption committee met.

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

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

5. Community Engagements

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

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



KETRACO holding a stakeholder engagement meeting in Isiolo

Report Of The Directors

FOR THE YEAR ENDED 30 JUNE 2021

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 2021 which show its state of affairs.

1. INCORPORATION

The Company is incorporated and registered under the Kenyan Companies Act, 2015 pursuant to Sessional Paper No. 4 of 2004 on Energy. It is a 100% Government owned state corporation, regulated under the State Corporations Act, Cap 446.

2. PRINCIPAL ACTIVITIES

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

3. RESULTS

	2020/2021	2019/2020
	KShs'000	KShs'000
<i>Profit/(Loss) before taxation</i>	647,988	(623,945)
<i>Taxation charge/(credit)</i>	(225,981)	61,503
	-----	-----
<i>Profit/(Loss) for the year transferred to retained earnings</i>	422,007	(571,442)
	=====	=====

4. DIVIDENDS

The directors do not recommend the payment of a dividend in respect of the year 2020/2021. No dividend was paid in the previous financial year, 2019/2020.

5. DIRECTORS

The directors who served during the year and to the date of this report are set out on page 22.

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

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

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

Report Of The Directors (Continued)

FOR THE YEAR ENDED 30 JUNE 2021

7. TERMS OF APPOINTMENT OF THE AUDITOR

The Auditor General is responsible for the audit of the Company's statutory financial statements in accordance with section 35 of the Public Audit Act, 2015. Section 23(i) of the act empowers the Auditor General to appoint other auditors to carry out the audit on his behalf. Accordingly, Deloitte & Touche LLP were appointed to carry out the audit for year ended 30 June 2021. Messrs. Deloitte & Touche LLP continue in office in accordance with the Company's Articles of association and section 721 of the Kenyan Companies Act, 2015.

BY ORDER OF THE BOARD

Secretary

2022

Statement Of Directors Responsibilities

FOR THE YEAR ENDED 30 JUNE 2021

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

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

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

Having made an assessment of the Company's ability to continue as a going concern, except for the matter disclosed on note 33 of the financial statements, the directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the Company's ability to continue as a going concern.

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

Approved by the Board of Directors on 25th January 2022 and signed on its behalf by:



Hon. Capt. Joe Musyimi Mutambu



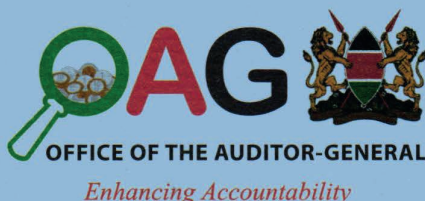
Eng. (CPA) Antony Wamukota – Ag Managing Director

Report of the Independent Auditor

FOR THE YEAR ENDED 30 JUNE 2021

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KENYA ELECTRICITY TRANSMISSION COMPANY LTD FOR THE YEAR ENDED 30 JUNE, 2021

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

The accompanying financial statements of Kenya Electricity Transmission Company Limited set out on pages 59 to 116, which comprise of the statement of financial position as at 30 June, 2021, statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows, and a summary of significant accounting policies and other explanatory information, have been audited on my behalf by Deloitte & Touché, auditors appointed under Section 23 of the Public

Report of the Auditor-General on Kenya Electricity Transmission Company Ltd for the year ended 30 June, 2021

Report of the Independent Auditor (Continued)

FOR THE YEAR ENDED 30 JUNE 2021

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kenya Electricity Transmission Company Ltd as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Public Finance Management Act, 2012 and the Companies Act, 2015.

Basis for Qualified Opinion

1.0 Deferred Grant Income

The statement of financial position reflects total deferred grant income of Kshs.189,891,542,000 which, as disclosed in Note 20 to the financial statements comprises of Kshs.70,915,400,000 and Kshs.118,976,142,000 in respect of direct and indirect grants respectively. Review of records revealed that the Company received an amount of Kshs.19,836,802 from the Ministry of Energy. However, records from the Ministry reflected an amount of Kshs.10,831,798,269 resulting to an unexplained variance of Kshs.9,005,004,000.

Further, the statements of profit or loss and other comprehensive income reflects amortized grant from Government income amounting to Kshs.2,192,104,000 which differs with the current grant amortization reported in the previous year as grant income to be amortized over 12 months of Kshs.2,233,745,000 resulting to an unexplained variance of Kshs.41,641,000.

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

2.0 Capital Work in Progress

The statement of financial position as disclosed in Note 13 to the financial statements reflects an amount of Kshs.111,471,881,000 in respect of capital work in progress while the supporting schedule provided for audit indicated a balance of Kshs.111,015,936,000 resulting in an unexplained variance of Kshs.455,945,000. Review of the financial records revealed that projects valued at Kshs.17,015,210,520 were completed in the previous financial years but had not been capitalized. Management has not explained the reasons for not capitalizing the projects.

Further, projects valued at Kshs.25,566,410,286 were still ongoing but had exceeded their respective contract completion dates. However, Management has not explained the reasons for the delay in completion of the projects or provided evidence of approval of the contract extension as required by Section 139(2) of the Public Procurement and Asset Disposal Act, 2015.

In the circumstances, the accuracy and completeness of the capital work in progress balance of Kshs.111,471,881,000 could not be confirmed.

Report of the Independent Auditor (Continued)

FOR THE YEAR ENDED 30 JUNE 2021

3.0 Trade and Other Payables

3.1 Unsupported VAT Payable

The statement of financial position as at 30 June, 2021 reflects trade and other payables balance of Kshs.18,069,482,000. However, the balance includes, VAT payable output tax amounting to Kshs.1,163,953,516 that was not supported by VAT returns duly acknowledged by Kenya Revenue Authority.

Under the circumstances, the accuracy and completeness of the VAT payable of Kshs.1,163,953,516 could not be confirmed.

3.2 Undisclosed Amounts Due To Kenya Electricity Generating Company Limited

The statement of financial position as at 30 June, 2021 reflects trade and other payables of Kshs.18,069,482,000. However, the amount excludes a balance of Kshs.4,481,056,467 in respect of transmission lines that were done during the financial year 2008/2009 or earlier by Kenya Electricity Generating Company (KenGen) and which are used in the furtherance of Company's business for revenue generation. Although the Company continues to generate revenue from the transmission lines, there was no evidence provided to indicate that they have been included as part of the plant, property and equipment.

Further, although the transmission lines were financed through a loan, the Company has not recognized any interest charged on this loan since the takeover of the lines. Management of KenGen indicate that there has been negotiation for transfer of the assets to the Company which if concluded would increase the operations costs of the Company due to the accruing interest and impact cash outflows due to loan repayments every year.

Under the circumstances, the accuracy and completeness of the payables balance of Kshs.18,069,482,000 could not be confirmed.

4.0 Trade and Other Receivables

4.1 Unsupported Receivables Balances

The statement of financial position reflects trade and other receivables of Kshs.9,726,373,000 which is net of amounts due from related parties balance of Kshs.3,911,771,000. Review of the financial records revealed unsupported adjustments of Kshs.143,123,044 and Kshs.1,169,443,245 in respect of advance payments and litigation costs receivables respectively.

Further, included in the trade receivables are balances of Kshs.1,630,895,645, Kshs.3,392,580,798 and Kshs.1,008,597,136 in respect of advance payment, litigation cost receivable and assets under construction advance payment respectively, whose supporting documents were not provided for audit.

In addition, supporting schedule for trade and other receivables includes VAT input receivable of Kshs.1,302,920,502 that was not supported by VAT returns duly acknowledged by KRA.

Under the circumstances, the accuracy and completeness of the receivables balance of Kshs.9,726,373,000 could not be confirmed.

Report of the Auditor-General on Kenya Electricity Transmission Company Ltd for the year ended 30 June, 2021

Report of the Independent Auditor (Continued)

FOR THE YEAR ENDED 30 JUNE 2021

4.2 Amounts Due from Kenya Power and Lighting Company Limited

The statement of financial position and as disclosed in Note 21(a) to the financial statements reflects outstanding balances arising from services rendered to Kenya Power and Lighting Company Limited (KPLC) of Kshs.5,897,754,000. However, KPLC records indicated a balance of Kshs.5,546,379,000 resulting in a variance of Kshs.351,375,000.

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

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

5.0 Unsupported Subsistence Allowances

The statement of profit or loss and other comprehensive income for the year ended 30 June, 2021 reflects administration costs of Kshs.1,520,724,000 which as disclosed in Note 6(a) to the financial statements includes other operating expenses amounting to Kshs.141,844,983 in respect of subsistence allowances-domestic, subsistence allowance-Staff travel expense and subsistence allowances-International travel. However, the expenditure was not supported with the details of the activities, dates of the activities, approved work plans, boarding passes, copies of passports and evidence of surrender of imprests.

In the circumstances, the accuracy, and propriety of the expenditure of Kshs.141,844,983 on other operating expenses could not be confirmed.

6.0 Unaccounted for Grants

The statement of financial position and as disclosed in Note 21(c)(ii) to the financial statements reflects recurrent grants of Kshs.6,816,300,000 received from the Ministry of Energy. However, Management did not provide documents to support how grants amounting to Kshs.3,407,118,173 were accounted for.

Further, review of the financial records revealed that the Nanyuki-Isiolo-Meru project was allocated an amount of Kshs.100,000,000 during the year under review but only amount of Kshs.59,429,226 was incurred. However, records provided for audit indicated that the project was completed in the year 2014. Management did not explain why the project was allocated funds, yet it had been completed.

In addition, it was noted that an amount of Kshs.2,252,000 was disbursed to four (4) projects that had no activities and the funds could not be accounted for.

In the circumstances, the accuracy of expenditure on recurrent grants of Kshs.3,407,118,173 could not be confirmed.

7.0 Unsupported Expenditure

The statement of financial position and as disclosed in Note 13 to the financial statements reflects an amount of Kshs.2,696,820,000 in respect of transfer from works in progress for construction of transmission lines. Included in the balance is an amount of Kshs.701,416,727 that was incurred on construction of the Loyangalani Suswa

Report of the Independent Auditor (Continued)

FOR THE YEAR ENDED 30 JUNE 2021

transmission line. However, the expenditure was not supported with a certificate of completion and commissioning.

In the circumstances, validity of the expenditure of Kshs.701,416,727 for construction of transmission lines could not be confirmed.

8.0 Pending Way-Leave Compensations

Review of way-leave compensations revealed that the Company had outstanding compensation to landowners for way-leaves amounting to Kshs.2,724,649,715. However, Management explained that delayed payment was due to insufficient budgetary allocation from The National Treasury and long negotiations between land owners, the Company and various County Governments. Delays in compensating Project Affected Persons, (PAPs) may lead to legal suits, cost escalations and project delays.

Further, it was noted that the way-leave compensation balance includes debit balances of Kshs.11,940,000 which has been occasioned by a mismatch of invoices against the corresponding payable balance. Management indicates that the matching is an ongoing process but does not indicate the controls put in place to ensure that the errors are eradicated in future.

In the circumstances, the accuracy and completeness of the pending way-leave compensations 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 Ltd Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audit of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of Matter

1.0 Provisions and Contingent Liabilities

I draw attention to Note 29(a&b) to the financial statements which discloses that the Company's estimated contingent liabilities consist of ongoing court cases relating to acquisition of wayleaves and contractors' claims beyond the original contract period, amounting to Kshs.6,723,093,000. According to Management, the status of these exposures is evaluated on a regular basis to assess the probability of incurring related liabilities. However, in the event that these contingent liabilities crystalize, the Company may be exposed to unforeseen project cost overruns, resulting to inability to meet its obligations when they fall due. This may affect service delivery capacity of the Company.

My opinion is not modified with respect to these matters.

2.0 Material Uncertainty Relating to Going Concern

I draw your attention to the statement of financial position at 30 June, 2021 which indicated the company's current liabilities balance of Kshs.27,479,514,000 exceeded current assets balance of Kshs.21,655,789,000 by an amount of Kshs.5,823,725,000.

Report of the Auditor-General on Kenya Electricity Transmission Company Ltd for the year ended 30 June, 2021

Report of the Independent Auditor (Continued)

FOR THE YEAR ENDED 30 JUNE 2021

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

My opinion is not modified with respect to this matter.

3.0 Court Award on Terminated Contract

During the year under audit, an arbitration case between the Company and a contractor for the termination of contract for the construction of 132KM of 400KV double circuit transmission line from Lessos substation in Kenya to Tororo substation in Uganda has remained unresolved since April, 2016. The tribunal issued an award in favour of the contractor on 30 July, 2019 amounting to Euro 37,365,691 or approximately Kshs.4.5 Billion, which included termination costs, legal cost and other claims amounting to Kshs.2,223,137,553. Management considered the decision to be against public interest and sought assistance from Attorney General's office in setting aside the Tribunal's award. However, the award was upheld by the High Court of Kenya on 16 February, 2020.

Further, it was not possible to confirm whether the project would be completed in the near future, and the additional costs which would be necessary to complete the project, or the losses which the Government of Kenya would suffer in the event that the project is not completed.

In the circumstances, the award has resulted to unforeseen legal and arbitration costs, termination charges, and other claims.

My opinion is not modified with respect to this matter.

Key Audit Matters

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

Other Information

The Directors are responsible for the other information, which comprises of corporate information, Chairman's statement, report of the Chief Executive Officer, Statement of performance against predetermined objectives, Management discussions and analysis, report of the Directors and the statement of Directors' responsibilities.

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Report of the Auditor-General on Kenya Electricity Transmission Company Ltd for the year ended 30 June, 2021

Report of the Independent Auditor (Continued)

FOR THE YEAR ENDED 30 JUNE 2021

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 Construction of Loyangalani - Suswa Transmission Interconnector Line

In the special audit concluded in April 2021 a number of issues were raised in the procurement and execution of the above contract as indicated below:

- i) Management did not undertake both technical and financial due diligence as provided under Section 68(1) PPDA Act 2015 leading to irregular payment of Kshs.10,827,072 to a Contractor which subsequently filed a petition for bankruptcy.
- ii) After bankruptcy of the original Contactor, Management engaged yet another Contractor. However, the procurement was not included in the annual procurement plan and valuation of the pending works for the purposes of preparing the bills of quantities was not provided for audit.
- iii) Engagement of subcontractors at a cost of Kshs.1,524,059,296 which was not accompanied with certificates of completion.
- iv) Acquisition of materials from the subcontractors at a cost of Kshs.26,220.329 without a valuation report and subsequently taking them on charge.

In the circumstances, Management was in breach of law and value for money could not be confirmed.

2.0 Payments made for Terminated and Stalled Projects

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

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

3.0 Non-Compliance with Loan Novation Agreement

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

Report of the Independent Auditor (Continued)

FOR THE YEAR ENDED 30 JUNE 2021

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

4.0 Income from Disposal of Motor Vehicles

Note 5 to the financial statements reflects income from disposal of motor-vehicles of amounting to Kshs.20,025,000. However, the disposal was not supported with an approved disposal plan, minutes of asset disposal committee, a technical report to support the disposal of the assets and the reserve price as required by Regulations 176 and 177 of the Public Procurement and Asset Disposal Regulations, 2020.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, 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 governance were not effective.

Basis for Conclusion

Weak Information Technology Internal Controls

Review of the KETRACO financial information system revealed some internal control weaknesses, which could result to unauthorized access and manipulation of the entity's financial data, thus negatively impacting on the data integrity. It was noted that password parameters in relation to password complexity and account lockout duration have not been appropriately defined.

In the circumstances, the effectiveness of the ICT infrastructure 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:

Report of the Independent Auditor (Continued)

FOR THE YEAR ENDED 30 JUNE 2021

- (i) I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of my audit;
- (ii) In my opinion, proper books of account have been kept by the Company, so far as appears from the examination of those books;
- (iii) The Company's statement of financial position and statement of comprehensive income agree with books of account.

Responsibilities of Management and Board of Directors

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

Report of the Independent Auditor (Continued)

FOR THE YEAR ENDED 30 JUNE 2021

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 the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.

Report of the Independent Auditor (Continued)

FOR THE YEAR ENDED 30 JUNE 2021

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

From the matters communicated with Management, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. These matters are described in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

23 September, 2022

Statement Of Profit Or Loss And Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2020/2021 KShs' 000	2019/2020 KShs' 000
REVENUE			
Revenue from contracts with customers	3	2,799,819	2,748,725
Grants from National Government	4 (a)	2,192,104	2,503,745
Other income	5	20,025	39
		-----	-----
TOTAL REVENUE		5,011,948	5,252,509
		-----	-----
OPERATING EXPENSES			
Administration costs	6 (a)	(1,520,724)	(1,094,074)
Distribution costs	7 (a)	(569,748)	(922,870)
Credit loss expense on financial assets	7 (b)	97,807	(1,476,012)
Depreciation of property and equipment	13	(2,431,051)	(2,382,280)
Amortization of intangible assets	14	(131,803)	(128,991)
		-----	-----
TOTAL OPERATING EXPENSES		(4,555,519)	(6,004,227)
		-----	-----
OPERATING PROFIT/ (LOSS)		456,429	(751,718)
Finance income	9	257,035	207,025
Finance costs	10	(65,476)	(88,252)
		-----	-----
PROFIT/(LOSS) BEFORE TAXATION		647,988	(632,945)
Income tax (expense)/credit	11(a)	(225,981)	61,503
		-----	-----
PROFIT/ (LOSS) FOR THE YEAR		422,007	(571,442)
		-----	-----
Other comprehensive Income for the year, net of tax		-	-
		-----	-----
Total comprehensive Income/(loss) for the year net of tax		422,007	(571,442)
		=====	=====
Earnings per share – basic and diluted (KShs)	12	21,100	(28,572)
		=====	=====

Statement Of Financial Position As

FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2020/2021 KShs'000	2019/2020 KShs'000
ASSETS			
Non-current assets			
Property and equipment	13	198,888,249	181,970,282
Intangible assets	14	110,032	112,255
Right of use assets	15	191,364	210,974
Deferred tax asset	26	738,810	673,301
		-----	-----
		199,928,455	182,966,812
		-----	-----
Current assets			
Trade and other receivables	16(a)	9,726,373	2,177,374
Corporate tax recoverable	11(c)	177,260	172,722
Amounts due from related parties	21(a)	3,911,771	6,612,300
Cash and bank balances	17	7,840,385	3,343,510
		-----	-----
		21,655,789	12,305,906
		-----	-----
TOTAL ASSETS		221,584,244	195,272,718
		-----	-----
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	18	2,000	2,000
Retained earnings		2,457,739	2,035,732
		-----	-----
		2,459,739	2,037,732
		-----	-----
Non-current liabilities			
Deferred grant income	20(c)	187,699,438	170,013,099
Amount due to related parties	21(b)	816,608	816,608
Deferred revenue	22	155	155
Lease liabilities	23	193,539	196,537
Borrowings	24	2,935,251	2,994,606
		-----	-----
		191,644,991	174,021,005
		-----	-----

Statement Of Financial Position As (Continued)

FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2020/2021 KShs'000	2019/2020 KShs'000
Current liabilities			
Borrowings	24	800,833	582,102
Deferred grant income	20(c)	2,192,104	2,233,745
Amount due to related parties	21(b)	722,008	713,179
Lease liabilities due within one year	23	29,717	35,605
Trade and other payables	25	18,069,482	11,155,423
Provisions	29(a)	5,665,370	4,493,927
		-----	-----
		27,479,514	19,213,981
		-----	-----
TOTAL EQUITY AND LIABILITIES		221,584,244	195,272,718
		=====	=====

The financial statements on page 59 to 110 here approved and authorized for issue by the board of directors on the 25th January 2022 and signed on its behalf by :



Hon. Capt. Joe Musyimi Mutambu
Chairman



Eng. (CPA) Antony Wamukota
Ag Managing Director

Statement Of Changes In Equity

FOR THE YEAR ENDED 30 JUNE 2021

	Note	Share capital KShs'000	Retained earnings KShs'000	Total equity KShs'000
At 30 June 2019		2,000	2,607,174	2,609,174
Total comprehensive loss for the year		-	(571,442)	(571,442)
		-----	-----	-----
At 30 June 2020		2,000	2,035,732	2,037,732
Total comprehensive income for the year		-	422,007	422,007
		-----	-----	-----
At 30 June 2021		2,000	2,457,739	2,459,739
		=====	=====	=====

Statement Of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2021

	2020/2021 KShs'000	2019/2020 KShs'000	2020/2021 KShs'000
Cash flows from operating activities			
Cash generated from /(used in) operations	27	4,280,757	(5,555,948)
Tax paid	11(c)	(296,028)	(438,452)
Interest received		257,035	207,025
Interest paid		(41,513)	(9,487)
		-----	-----
Net cash generated from/(used in) operating activities		4,200,251	(5,796,862)
		-----	-----
Cash flows from investing activities			
Purchase of property and equipment	13	(19,349,018)	(12,380,260)
Purchase of intangible assets	14	(129,579)	(47,515)
Proceeds from sale	5	20,024	-
		-----	-----
Net cash used in investing activities		(19,458,573)	(12,427,775)
		-----	-----
Cash flows from financing activities			
Grants received	20(b)	19,836,802	19,266,698
Payment of lease liability	23	(35,141)	(30,828)
Repayment of borrowings	24	(46,464)	(42,783)
		-----	-----
Net cash generated from financing activities		19,755,197	19,193,087
		-----	-----
Increase in cash and cash equivalents		4,496,875	968,450
Cash and cash equivalents at beginning of year		3,343,510	2,375,060
		-----	-----
Cash and cash equivalents at end of year		7,840,385	3,343,510

Notes To The Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Statement of compliance

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

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

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

(b) Changes in accounting policies and disclosure

(i) Adoption of new and revised International Financial Reporting Standards

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

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

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

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

Impact of the initial application of Covid-19-Related Rent Concessions Amendment to IFRS 16

In May 2020, the IASB issued Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

Notes To The Financial Statements(Continued)

FOR THE YEAR ENDED 30 JUNE 2021

Impact of the initial application of Covid-19-Related Rent Concessions Amendment to IFRS 16

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

- a. The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- b. Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
- c. There is no substantive change to other terms and conditions of the lease.

In the current financial year, the Company did not apply the amendment to IFRS 16; Covid-19 related rent concessions as they did not receive any rent concessions from their lessors.

Amendments to IFRS 3 Definition of a business

The Company has adopted the amendments to IFRS 3 for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to IAS 1 and IAS 8 Definition of material

The Company has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.

The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term 'material' to ensure consistency.

Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Notes To The Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2021

Amendments to References to the Conceptual Framework in IFRS Standards

The Company has adopted the amendments included in Amendments to References Conceptual Framework in IFRS to the Conceptual Framework in IFRS Standards for the first time in the current year. Together with the revised Conceptual Framework, which became effective upon publication on 29 March 2018, the IASB has also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASB Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework.

Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

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

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

New and Amendments to standards	Effective for Annual periods beginning on or after
Amendments to IFRS 3: <i>Reference to the Conceptual Framework</i>	1 January 2022, with earlier application permitted
Amendments to IAS 16- <i>Property, plant and equipment- Proceeds before intended use</i>	1 January 2022, with earlier application permitted
Amendments to IAS 37: <i>Onerous Contracts – Cost of Fulfilling a Contract</i>	1 January 2022, with earlier application permitted
	1 January 2021, with earlier application permitted
Amendments to IFRS 16: <i>Covid-19 related rent Concessions beyond 30 June 2021</i>	1 April 2021, with earlier application permitted
Annual improvements to IFRS standards 2018–2020 Cycle: <i>Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities</i> <i>IFRS 16 Leases–Illustrative Examples accompanying</i> <i>IAS 41 Agriculture – Taxation in fair value measurements</i>	1 January 2022, with earlier application permitted
Amendments to IAS 8- <i>Definition of Accounting Estimates</i>	1 January 2023, with earlier application permitted
Amendments to IAS 12: <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2021, with earlier application permitted

Notes To The Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2021

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

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

Amendments to IAS 1 and IFRS Practice Statement 2– <i>Disclosure of Accounting Policies</i>	1 January 2023, with earlier application permitted
Amendments to IFRS 10 and IAS 28 <i>Sale or Contribution of Assets between an investor and its Associate or Joint Venture</i>	1 January 2023, with early application permitted.
IFRS 17: <i>Insurance Contracts</i>	1 January 2023
Amendments to IAS 1– <i>Classification of liabilities as current or non-current</i>	1 January 2023, with earlier application permitted
Amendments to IFRS 10 and IAS 28– <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	<i>In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting.</i>

Notes To The Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2021

(c) Basis of preparation

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

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

Revenue recognition

Revenue from contracts with customers

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

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

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

Variable consideration

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

Significant financing component

The Company has no significant financing components from its customers.

Government grants

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

Interest income

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

Exchequer funding

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

Notes To The Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2021

(c) Basis of preparation (continued)

Taxation

Current tax

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

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

Deferred tax

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

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

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

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

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

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

Value added tax

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

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

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

Notes To The Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2021

(c) Basis of preparation (continued)

Property and equipment

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

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

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

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

Depreciation is not charged to land.

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

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

Intangible assets

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

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

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

Notes To The Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2021

(c) Basis of preparation (continued)

Impairment of non-current assets

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

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

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

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

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

Employee benefits costs

Retirement benefit obligations – normal contributions

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

Retirement benefit obligations – top management

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

Other entitlements

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

Notes To The Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2021

(c) Basis of preparation (continued)

Foreign currencies

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

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

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

Cash and cash equivalents

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

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

Financial instruments – initial recognition and subsequent measurement

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

Notes To The Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2021

(c) Basis of preparation (continued)

Financial assets

Initial recognition

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

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

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

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

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

Subsequent measurement

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

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

Financial assets at amortised cost (debt instruments)

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

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

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

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

Notes To The Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2021

(c) Basis of preparation (continued)

Financial assets at fair value through OCI (debt instruments)

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

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

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

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

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

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

Financial assets at fair value through profit or loss

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

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

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

Derecognition of financial assets

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

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

Notes To The Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2021

(c) Basis of preparation (continued)

Financial assets at fair value through OCI (debt instruments)

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

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

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

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

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

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

Financial assets at fair value through profit or loss

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

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

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

Derecognition of financial assets

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

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

Notes To The Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2021

(c) Basis of preparation (continued)

Derecognition of financial assets (continued)

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

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

Financial assets (continued)

Impairment of financial assets

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

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

Financial liabilities

Initial recognition and subsequent measurement

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

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

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

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

Trade payables and amounts due to related parties

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

Loans and borrowings

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

Notes To The Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2021

(c) Basis of preparation (continued)

De-recognition of financial liabilities

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

Offsetting of financial instruments

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

Equity instruments

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

Fair value of assets and liabilities

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

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

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

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

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

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

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

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

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

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

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

Notes To The Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2021

(c) Basis of preparation (continued)

Borrowings

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

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

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

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

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

(i) Deferred tax assets

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

(ii) Useful life assessment

Property and equipment

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

Intangible assets

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

(iii) Impairment of financial instruments

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

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

Notes To The Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2021

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

(iv) Contingent liabilities

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

(v) Impairment losses on non-financial assets

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

(vi) Leases

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

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

	2021 KShs'000	2020 KShs'000
Wheeling revenue	2,668,666	2,668,667
Fibre revenue	131,153	80,058
	-----	-----
	2,799,819	2,748,725
	=====	=====

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

4. GRANTS FROM NATIONAL GOVERNMENT	2021 KSh'000	2020 KSh'000
Recurrent grants received	-	270,000
Capital grants realised (note 20(b))	2,192,104	2,233,745
	-----	-----
	2,192,104	2,503,745
	=====	=====
These are disbursed through the Ministry of Energy		
Recurrent grants	-	270,000
Project funding grants (note 20 (a))	6,816,300	6,575,250
	6,816,300	6,845,250
	=====	=====
5. OTHER INCOME		
Other income	20,025	39
	=====	=====

Notes To The Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2021

5. OTHER INCOME (Continued)

Other income mostly relates to disposal of Company motor vehicles. The motor vehicles initially belonged to contractors implementing projects and were transferred back to the Company at peppercorn cost on completion of projects for disposal. The amount for the year ended 30 June 2020 related to sale of tender documents.

6 (a) ADMINISTRATION COSTS

	2020/2021 KSh'000	2019/2020 KSh'000
Staff costs (note 6(b))	707,072	716,204
Directors' emoluments	28,106	27,944
Depreciation of right of use assets (note 15)	19,610	19,610
Electricity and water	11,779	5,545
Insurance costs	93,412	33,746
Other maintenance costs	44,692	4,117
Rent and rates expenses	5,011	3,089
Security	67,713	53,661
Corporate communication, postage, telephone, printing and internet	5,605	3,902
Motor vehicle expenses and transport	20,280	136,449
Advertising, printing, stationery and photocopying	30,881	4,247
Staff training expenses	8,649	17,021
Hospitality supplies and services	7,195	955
Bank charges and commissions	1,697	2,600
Auditors' remuneration	6,656	6,424
Legal fees	16,789	(54,572)
Consultancy and Professional fees	58,580	13,966
Realised foreign exchange losses	30,593	32,955
Unrealised foreign exchange losses	204,346	54,647
Other operating expenses	152,058	11,564
	-----	-----
	1,520,724	1,094,074
	=====	=====

Notes To The Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2021

6 (b) STAFF COSTS

	2020/2021 KShs'000	2019/2020 KShs'000
Salaries and allowances for permanent staff	606,852	621,962
Wages for temporary staff	1,250	1,656
Compulsory national social security schemes	760	795
Other pension contributions	29,241	28,472
Leave pay and gratuity provisions	40,366	(4,135)
Staff welfare	28,603	67,454
	-----	-----
TOTAL	707,072	716,204
	-----	-----
The average number of staff at the end of the year was:		
Permanent staff – Management	460	460
Permanent staff – Support	97	92
	-----	-----
TOTAL	557	552
	=====	=====

7 (a) DISTRIBUTION COSTS

	2020/2021 KShs'000	2019/2020 KShs'000
Maintenance costs for transmission lines	380,447	562,194
Other maintenance costs	189,301	360,676
	-----	-----
	569,748	922,870
	=====	=====

Notes To The Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2021

7 (b) CREDIT LOSS EXPENSES ON FINANCIAL ASSETS

	2020/2021 KShs'000	2019/2020 KShs'000
Provision for ECL – Third parties (note 16(a))	9,752	7,986
Provision for ECL – Related party (note 21(a))	(107,559)	1,468,026
	-----	-----
	(97,807)	1,476,012
	-----	-----

8 OPERATING PROFIT

	2020/2021 KShs'000	2019/2020 KShs'000
Profit for the year has been arrived at after charging:		
Directors' emoluments – fees (note 6(a))	28,106	27,944
Staff costs (note 6(b))	707,072	716,204
Depreciation of property and equipment (note 13)	2,431,051	2,382,280
Amortisation of intangible assets (note 14)	131,803	128,991
Depreciation of right of use assets (note 15)	19,610	19,610
Auditors' remuneration	6,656	6,424
Net foreign exchange loss	234,940	54,647
	=====	=====

9 FINANCE INCOME

	2020/2021 KShs'000	2019/2020 KShs'000
Interest income on bank balances	257,035	207,025
	=====	=====

10 FINANCE COSTS

	2020/2021 KShs'000	2019/2020 KShs'000
Interest expense on borrowings	39,747	62,775
Interest expense on lease liability (note 23)	25,729	25,477
	-----	-----
	65,476	88,252
	=====	=====

Notes To The Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2021

11 TAXATION

	2020/2021 KShs'000	2019/2020 KShs'000
(a) Income tax expense		
Current tax	291,490	252,459
Deferred taxation credit (note 26)	(65,509)	(373,852)
Reduction in tax rate – deferred tax (note 26)	–	59,890
	-----	-----
	225,981	(61,503)
	=====	=====
	2020/2021 KShs'000	2019/2020 KShs'000
(b) Reconciliation of taxation charge to expected taxation based on profit before taxation		
Profit/(loss) before taxation	647,988	(632,945)
Tax calculated at the applicable income tax rate of: 6 months – 25%, 6 months – 30% (2020: 6 months – 25%, 6 months – 30%)	178,197	(158,236)
Tax effect of:		
Income not subject to tax	–	(625,936)

12 EARNINGS PER SHARE/(LOSS)

The earnings/(loss) per share is calculated by dividing the profit after tax of KShs 422,007,000

(2020: Loss after tax of KShs (571,442,000)) 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.

Notes To The Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2021

13. PROPERTY AND EQUIPMENT

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

*Capital work in progress relates (WIP) 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.

Notes To The Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2021

13. PROPERTY AND EQUIPMENT

	Freehold land KShs'000	Transmission lines KShs'000	Substation KShs'000	Aircraft KShs'000	Motor vehicles KShs'000	Machinery KShs'000	Furniture and fittings KShs'000	Computer accessories KShs'000	Capital Work In- Progress* KShs'000	Total KShs'000
Cost										
At 1 July 2019	932,626	90,751,318	-	-	189,536	-	145,837	177,002	84,594,518	176,790,837
Additions	-	-	-	-	-	-	-	1,268	12,378,992	12,380,260
Transfer from WIP	43,495	(503,694)	-	804,368	-	34,924	7,771	7,857	(394,721)	-
Reclassification**	-	(4,593,335)	4,593,335	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
At 30 June 2020	976,121	85,654,289	4,593,335	804,368	189,536	34,924	153,608	186,127	96,578,789	189,171,097
	-	-	-	-	-	-	-	-	-	-
Depreciation										
At 1 July 2019	-	4,473,889	-	-	80,134	-	114,764	149,748	-	4,818,535
Reclassification***	-	(289,653)	289,653	-	-	-	-	-	-	-
Charge for the year	-	2,187,314	69,291	57,455	36,552	4,366	8,067	19,235	-	2,382,280
	-	-	-	-	-	-	-	-	-	-
At 30 June 2020	-	6,371,550	358,944	57,455	116,686	4,366	122,831	168,983	-	7,200,815
	-	-	-	-	-	-	-	-	-	-
Net carrying amount										
At 30 June 2020	976,121	79,282,739	4,234,391	746,913	72,851	30,558	30,777	17,144	96,578,789	181,970,282
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

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

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

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

Notes To The Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2021

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
2021				
Cost	30,915	155,641	89,504	276,060
	=====	=====	=====	=====
Nominal depreciation charge	7,729	51,828	11,888	71,445
	=====	=====	=====	=====
2020				
Cost	44,217	149,011	88,905	282,133
	=====	=====	=====	=====
Nominal depreciation charge	11,055	49,669	11,114	71,837
	=====	=====	=====	=====

14. INTANGIBLE ASSETS -COMPUTER SOFTWARE AND LICENSES

	2020/2021 KShs'000	2019/2020 KShs'000
COST		
At beginning of year	470,289	422,774
Additions	129,579	47,515
	-----	-----
At end of year	599,968	470,289
	-----	-----
ACCUMULATED AMORTIZATION		
At beginning of year	358,133	229,043
Charge for the year	131,803	128,991
	-----	-----
At end of year	489,936	358,034
	-----	-----
NET BOOK VALUE		
	110,032	112,255
	=====	=====

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.

Notes To The Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2021

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:

	2020/2021 KShs'000	2019/2020 KShs'000
COST		
At 1 July	230,584	230,584
Additions	—	—
	-----	-----
At 30 June	230,584	230,584
	-----	-----
ACCUMULATED DEPRECIATION		
At beginning of year	19,610	—
Charge for the year	19,610	19,610
	-----	-----
At end of year	39,220	19,610
	-----	-----
NET CARRYING AMOUNT	191,364	210,974
	=====	=====

16 (a) TRADE AND OTHER RECEIVABLES

Trade receivables (note 16 (b))	57,083	76,518
Deposits and prepayments	1,631,031	1,725,289
Staff receivables (note 16 (c))	3,289	5,847
Other receivables	8,072,068	397,066
	-----	-----
Gross trade and other receivables	9,763,471	2,204,720
Provision for impairment	(37,098)	(27,346)
	-----	-----
Net trade and other receivables	9,726,373	2,177,374
	=====	=====

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.

Notes To The Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2021

16 (a) TRADE AND OTHER RECEIVABLES (Continued)

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:

	2020/2021 KShs'000	2019/2020 KShs'000
At the beginning of the year	27,346	19,360
Provision for expected credit losses	9,752	7,986
	-----	-----
	37,098	27,346
	=====	=====

16 (b) TRADE RECEIVABLES

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:

	2020/2021 KShs'000	2019/2020 KShs'000
Trade receivables (note 16(a))	63,679	76,518
Provision for doubtful receivables	(6,596)	-
	-----	-----
	57,083	76,518
	=====	=====

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

As at 30 June 2021, the Company trade receivables with initial value of KShs 6,526,863 (2020: KShs 228,000) were fully provided for.

	0-90days KShs 000	91-365days KShs 000	>365days KShs 000	Totals KShs 000
30 June 2020				
Expected credit loss rate	0.0%	0.3%	100.0%	
Estimated total gross carrying amount at default	76,518	-	-	76,518
Expected credit loss	-	-	-	-
	=====	=====	=====	=====

Notes To The Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2021

16. (c) STAFF RECEIVABLES

	2020/2021 KShs'000	2019/2020 KShs'000
Gross staff per diem	3,289	5,847
	-----	-----
Amounts due within one year	3,289	5,847
Amounts due after one year	-	-
	-----	-----
	3,289	5,847
	=====	=====

17. CASH AND BANK BALANCES

Cash at bank	7,839,385	3,242,510
Cash in hand	1,000	1,000
	-----	-----
	7,840,385	3,343,510
	=====	=====

18. SHARE CAPITAL

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.

19. RETAINED EARNINGS

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

Notes To The Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2021

20. DEFERRED GRANT INCOME

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

	2020/2021 KShs'000	2019/2020 KShs'000
(a) Deferred grant income reconciliation		
Direct component*		
Deferred grant income brought forward	65,278,989	59,858,158
Additions in the year	6,816,300	6,575,250
Amortisation	(1,179,889)	(1,154,419)
	-----	-----
Deferred grant income carried forward	70,915,400	65,278,989
	=====	=====
Indirect component**		
Deferred grant income brought forward	106,967,855	95,355,733
Received in the year	13,020,502	12,691,448
Amortisation	(1,012,215)	(1,079,326)
	-----	-----
Deferred grant income carried forward	118,976,142	106,967,855
	-----	-----
Total direct and indirect components (note 20(b))	189,891,542	172,246,844
	=====	=====
(b) Total reconciliation		
Deferred grant income at 1 July	172,246,844	155,213,891
Additions:		
Direct component	6,816,300	6,575,250
Indirect component	13,020,502	12,691,448
	-----	-----
At 30 June 2021	19,836,802	19,266,698
	=====	=====
Amortization:		
Direct component	(1,179,889)	(1,154,419)
Indirect component	(1,012,215)	(1,079,326)
	-----	-----
	(2,192,104)	(2,233,745)
	-----	-----
Deferred grant income carried forward	189,891,542	172,246,844
	=====	=====
(c) Amounts will be amortised as below:		
Grant income to be amortised within one year	2,192,104	2,233,745
Grant income to be amortised after one year	187,699,438	170,013,099
	-----	-----
At the end of the year	189,891,542	172,246,844
	=====	=====

*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.

Notes To The Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2021

21. AMOUNT DUE FROM/TO RELATED PARTIES

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

The following transactions were carried out with related parties:

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

	2020/2021 KShs'000	2019/2020 KShs'000
Kenya Power and Lighting Company Limited	5,897,754	6,114,389
Ministry of Energy	-	2,591,453
	-----	-----
	5,897,754	8,705,842
Provision for expected credit losses	(1,985,983)	(2,093,542)
	-----	-----
	3,911,771	6,612,300
	=====	=====

As at 30 June 2021, the Company's related party receivables with initial value of KShs 1,985,983,057 (2020: KShs 2,093,542,000) were fully provided for.

The Company wheels electricity from the independent power producers to KPLC for onward transmission to end users. The significant increase in Company related party balances is mainly due to non-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:

	2020/2021 KShs'000	2019/2020 KShs'000
At the beginning of the year	2,093,542	625,516
Provision for expected credit losses	(107,559)	1,468,026
	-----	-----
	1,985,983	2,093,542
	=====	=====

Ageing analysis

30 June 2021	Current KShs 000	31- 60days KShs 000	61-365 days KShs 000	>365days KShs 000	Totals KShs 000
Expected credit loss rate	0%	2.4%	3.6%	66.3%	
Estimated total gross carrying amount at default	257,971	257,971	2,553,025	2,828,787	5,897,754
Expected credit loss	-	6,191	91,910	1,887,882	1,985,983

Notes To The Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2021

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

30 June 2020	Current	31- 60days	61-365 days	>365days	Totals
	KShs 000	KShs 000	KShs 000	KShs 000	KShs 000
Expected credit loss rate	0%	2.4%	3.6%	66.3%	
Estimated total gross carrying amount at default	2,844,976	253,524	2,575,263	3,032,079	8,705,842
Expected credit loss	6,085	6,085	71,103	2,010,269	2,093,542

(b) Payables to related party

	2020/2021 KShs'000	2019/2020 KShs'000
Kenya Power and Lighting Company Limited	1,538,616	1,529,787
	=====	=====
Current Portion	722,008	713,179
	=====	=====
Non-current Portion	816,608	816,608
	=====	=====

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

(c) Services rendered and government grants

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

	2020/2021 KShs'000	2019/2020 KShs'000
Sales of services – Wheeling revenue	2,668,667	2,668,667
	=====	=====
Purchase of services – Operating and maintenance expense	569,748	922,870
	=====	=====

Notes To The Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2021

22. DEFERRED REVENUE

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

23. LEASE LIABILITIES

	2020/2021 KShs'000	2019/2020 KShs'000
The movement in the lease liabilities is as follows:		
Balance at 1 January	232,142	230,584
Payment of lease liabilities	(35,141)	(30,828)
Interest on lease liabilities	25,729	25,477
Unrealised foreign exchange losses	526	6,909
	-----	-----
At 30 June	223,256	232,142
	-----	-----
Amounts due for settlement within 12 months	29,717	35,605
Amounts due for settlement after 12 months	193,539	196,537
	-----	-----
At the end of year	223,256	232,142
	=====	=====

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

Maturity Analysis

Year 1	29,717	35,605
Year 2	25,498	30,332
Year 3	13,215	25,944
Year 4	11,102	19,924
Year 5	11,839	17,663
Onwards	131,885	102,674
	-----	-----
Lease liabilities	223,256	232,142
	=====	=====

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 is not committed to any arrangements that are short term as at year end. The total cash outflow for leases amount to KShs. 35 million (2020: KShs. 31 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 (2020: KShs. nil).

Notes To The Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2021

24. BORROWINGS

	2020/2021 KShs'000	2019/2020 KShs'000
Balance at 1 July	3,576,708	3,465,074
Repayments of external borrowings during the year	(46,464)	(42,783)
Unrealised foreign exchange losses	175,965	101,129
Accrued interest	29,875	53,288
Balance at 30 June	3,736,084 =====	3,576,708 =====
Maturity analysis:		
Amounts due within one year (current portion)	800,833	582,102
Amounts due after one year (non-current portion)	2,935,251	2,994,606
	3,736,084 =====	3,576,708 =====

The analysis of both external borrowings are as follows;

External borrowing: –		
Renminbi denominated loan from Exim Bank of China	2,770,319	2,546,957
Japanese yen denominated loan from Japan Bank for International Corporation	965,765	1,029,751
	-----	-----
	3,736,084 =====	3,576,708 =====

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. The projects have now been transferred to KETRACO.

25. TRADE AND OTHER PAYABLES

	2020/2021 KShs'000	2019/2020 KShs'000
Trade payables	10,199,489	8,250,618
Accruals	7,869,993	2,904,805
	-----	-----
	18,069,482 =====	11,155,423 =====

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

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

Notes To The Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2021

26. DEFERRED TAX ASSET (Continued)

	1 July 2020 KSh'000	Profit or loss KSh'000	Equity KSh'000	30 June 2020 KSh'000
The net deferred tax asset is attributable to the following items:				
Excess depreciation over capital allowances	15,965	1,787	-	17,752
Leave pay provision	18,357	(12,969)	-	5,388
Staff gratuity provision	13,901	(2,213)	-	11,688
Provision for directors' fees	4,201	(1,033)	-	3,168
Allowance for ECL	193,462	336,760	-	530,222
Unrealised exchange loss	113,453	(8,370)	-	105,083
	-----	-----	-----	-----
	359,339	313,962	-	673,301
	=====	=====	=====	=====

27. CASH GENERATED FROM OPERATIONS

	2020/2021 KShs '000	2019/2020 KShs '000
Reconciliation of profit before taxation to cash generated from operations:		
Profit/(loss) before taxation	647,988	(632,945)
Adjustments for:		
Depreciation on property and equipment (note 13)	2,431,051	2,382,280
Amortization of intangible assets (note 14)	131,803	128,991
Depreciation of right of use assets (note 15)	19,610	19,610
Amortization of deferred grant income (note 20(b))	(2,192,104)	(2,233,745)
Unrealized exchange losses	204,346	108,038
Finance income	(257,035)	(207,025)
Finance costs	65,476	88,252
Gain on disposal of Assets	(16,239)	-
Changes in working capital:		
(Increase)/decrease in trade and other receivables	(7,548,999)	(26,797)
Decrease/(increase) in amount due from related parties	2,700,529	(2,197,910)
Increase in amount due to related parties	8,829	83,864
Decrease in deferred revenue	-	(1,654)
Increase/(decrease) in trade and other payables	8,085,502	(3,066,907)
	-----	-----
Cash generated from / (used in) operations	4,280,757	(5,555,948)
	=====	=====

Notes To The Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2021

28. CAPITAL EXPENDITURE COMMITMENTS

	2020/2021 KShs'000	2019/2020 KShs'000
Authorised and contracted for	13,020,502	9,528,672
Authorised but not contracted for	6,816,300	13,184,115
	-----	-----
	19,836,802	22,712,787
	=====	=====

Authorised and contracted for commitments relates to donor funded contract balances for the construction of transmission lines as at 30 June 2021.

Authorised but not contracted for commitments relates to Government of Kenya contract balances for the construction of transmission lines as at 30 June 2020.

29. PROVISIONS AND CONTINGENT LIABILITIES

(a) PROVISIONS	2020/2021 KShs'000	2019/2020 KShs'000
Provisions	5,665,370	4,493,927
	=====	=====

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

(b) CONTINGENT LIABILITY	2020/2021 KShs'000	2019/2020 KShs'000
Legal claims	1,057,723	1,930,485
	=====	=====

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

Notes To The Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2021

30. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

Fair value hierarchy

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

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

	Level 1	Level 2	Level 3	Total
	KShs'000	KShs'000	KShs'000	KShs'000
30 June 2021				
Liability				
Bank loans	-	-	-	-
	=====	=====	=====	=====
31 June 2020				
Liability				
Bank loans	-	3,601,509	-	3,601,509
	=====	=====	=====	=====

Notes To The Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2021

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.

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

	Fully performing KShs '000	Past due KShs '000	Impaired KShs '000	Total KShs '000
At 30 June 2021				
Trade receivables	63,679	-	(7,135)	56,544
Other receivables	2,382,814	-	(29,963)	2,353,381
Amounts due from related parties	1,801,350	4,096,404	(1,985,983)	3,911,771
Bank balances	7,838,846	-	-	7,838,846
	-----	-----	-----	-----
	12,086,689	4,096,404	(2,023,081)	14,160,012
	=====	=====	=====	=====
At 30 June 2020				
Trade receivables	76,518	-	-	76,518
Other receivables	402,913	-	(27,225)	375,688
Amounts due from related parties	2,591,453	6,114,389	(2,093,542)	6,612,300
Bank balances	3,242,510	-	-	3,242,510
	-----	-----	-----	-----
	6,313,394	6,114,389	(2,120,767)	10,307,016
	=====	=====	=====	=====

Notes To The Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2021

31. FINANCIAL RISK MANAGEMENT (Continued)

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

The bank balance consists of KShs 319,652,553 held in escrow accounts (2020 – KShs 399,255,000), 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.

(ii) Liquidity risk management

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 KShs '000	Between 3- 12 months KShs '000	Over 12 months KShs '000	Total KShs '000
At 30 June 2021				
Trade payables	10,163,146	-	-	10,163,146
Due to KPLC	-	722,008	816,608	1,538,616
Borrowings	-	800,833	2,935,251	3,736,084
Lease liability	-	29,717	193,539	223,256
	-----	-----	-----	-----
	10,163,146	1,552,558	3,945,398	15,661,102
	=====	=====	=====	=====
At 30 June 2020				
Trade payables	8,250,618	-	-	8,250,618
Due to KPLC	-	713,179	816,608	1,529,787
Borrowings	-	582,102	2,994,606	3,576,708
Lease liability	-	35,605	196,537	232,142
	-----	-----	-----	-----
	8,250,618	1,330,886	4,007,751	13,589,255
	=====	=====	=====	=====

Notes To The Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2021

31. FINANCIAL RISK MANAGEMENT (Continued)

(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.

	Change in USD rate	Effect on profit before tax KShs'000	Effect of equity KShs'000
2021	2%	(65,401)	(45,780)
	-2%	65,401	45,780
2020	2%	(169,199)	(112,119)
	-2%	169,199	112,119
2020	2%	(58,269)	(40,823)
	-2%	58,269	40,823
	Change in YEN rate		
2021	2%	(46,543)	(32,580)
	-2%	46,543	32,580
2020	2%	(20,595)	(14,417)
	-2%	20,595	14,417
	Change in YUAN rate		
2021	2%	(48,628)	(34,039)
	-2%	48,628	34,039
2020	2%	(50,939)	(35,657)
	-2%	50,939	35,657

Notes To The Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2021

31. FINANCIAL RISK MANAGEMENT (Continued)

(b) 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	
30 June 2021		
Assets		
Bank balances		3,191,244

Interest rate sensitivity gap		3,191,244

30 June 2020		
Assets		
Bank balances		2,021,763

Interest rate sensitivity gap		2,021,763

	2020/2021	2019/2020
	KShs 000	KShs, 000
Effect on profit before tax of a +2% change in interest rates	63,825	40,435
Effect on profit before tax of a -2% change in interest rates	(63,825)	(40,435)
Effect on equity +/- (-)	44,677	28,305

Notes To The Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2021

31. FINANCIAL RISK MANAGEMENT (Continued)

(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 2021 and 30 June 2020.

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.

	2020/2021	2019/2020
	KShs'000	KShs'000
Share capital	2,000	2,000
Retained earnings	2,457,739	2,035,732
	-----	-----
Equity	2,459,739	2,037,732
	-----	-----
Total borrowings	3,747,667	3,576,708
Trade and other payables	19,052,083	11,155,423
(Less): cash and cash equivalents (Note 17)	(7,840,385)	(3,343,510)
	-----	-----
Net debt	14,959,365	11,388,621
	-----	-----
Total capital	17,419,104	13,426,353
Gearing ratio	14%	15%
	=====	=====

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

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.

Notes To The Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2021

32. INCORPORATION

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

33. GOING CONCERN

The Company's current liabilities exceed the current assets by KShs. 5.8 billion (2019/2020: KShs. 6.9 billion). The Company may, therefore, not meet its short-term obligations as and when they fall due. However, the Company is 100% owned by the Government of Kenya which secures financing for various projects for implementation by KETRACO. Further, the Company recorded a profit of KShs. 422 million for the year ended 30 June 2021. 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. EVENTS AFTER THE REPORTING PERIOD

There were no material adjusting events after the reporting period.

35. CURRENCY

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

APPENDIX I: STATEMENT OF COMPARISON OF BUDGET VS ACTUAL AMOUNTS

FOR THE YEAR ENDED 30 JUNE 2021

Details	Original Budget 2020-2021 '000'	Adjustments 2020-2021 '000'	Final Budget 2020-2021 '000'	Actual on Comparable basis 2020-2021 '000'	Performance Difference 2020-2021 '000'	% of Utilization 2020-2021	Explanation of the variance
Revenue							
Wheeling Revenue	2,668,667	-	2,668,667	2,668,667	-	0%	N/A
Other Incomes - Fibre Optic	70,000	-	70,000	131,153	61,153	47%	Existing customers were connected to new transmission lines
Other incomes - Interest Income and Sale of motor vehicle	-		-	2,469,162	277,060	100%	Recognition of deferred income which is non cash item that had not been budgeted for
Total Revenue	2,738,667	-	2,738,667	5,268,982		11%	
Expenses							
Bank charges	684		684	1,697	(1,013)	-60%	Activities during the year were more than what had been planned for
Directors fees and Expenses	30,000	-	30,000	28,106	1,894	7%	N/A
Staff Costs	902,086		902,086	678,302	223,784	33%	There were fewer activities in the year than were budgeted for
Staff Traveling	104,937		104,937	40,100	64,837	162%	There were fewer activities in the year than were budgeted for
Staff Training	15,960		15,960	8,649	7,311	85%	There were fewer activities in the year than were budgeted for
Rent	2,907		2,907	125	2,782	2219%	There were fewer activities in the year than were budgeted for
Motor vehicle running cost	23,100		23,100	19,623	3,477	18%	There were fewer activities in the year than were budgeted for
Depreciation	-		-	2,582,465	(2,582,465)	-100%	Depreciation is a non cash, non budgetable item
Professional fees and consultancy	29,335		29,335	26,364	2,971	11%	There were fewer activities in the year than were budgeted for
Administration and other operating costs	175,239		175,239	130,235	45,004	35%	There were fewer activities in the year than were budgeted for
Operation and maintenance costs	1,411,119	-	1,411,119	1,105,328	305,791	28%	There were fewer activities in the year than were budgeted for
Total Expenditure	2,695,367	-	2,695,367	4,620,994		0%	
Surplus	43,300	-	43,300	647,988			


APPENDIX II: INTER-ENTITY TRANSFERS

FOR THE YEAR ENDED 30 JUNE 2021

a. Development Grants				
		Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
		18.09.2020	1,241,250,000	FY 2020/2021
		28.02.2021	541,250,000	FY 2020/2021
		28.02.2021	1,082,500,000	FY 2020/2021
		18.02.2021	250,000,000	FY 2020/2021
		14.04.2021	500,000,000	FY 2020/2021
		03.03.2021	86,810,090	FY 2020/2021
		27.04.2021	863,750,000	FY 2020/2021
		07.05.2021	773,800,000	FY 2020/2021
		23.04.2021	3,829,151,645	FY 2020/2021
		22.05.2021	99,536,534	FY 2020/2021
		06.07.2021	863,750,000	FY 2020/2021
		08.07.2021	700,000,000	FY 2020/2021
		Total	10,831,798,269	

The above amounts have been communicated to and reconciled with the parent Ministry

General Manager – Finance
Kenya Electricity Transmission Company

Sign-----


Head of Accounting Unit
Ministry of Energy

Sign-----


APPENDIX III: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

FOR THE YEAR ENDED 30 JUNE 2021

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	18.09.2020	Development	1,241,250,000	1,241,250,000	-	1,241,250,000
Ministry of Energy	28.02.2021	Development	541,250,000	541,250,000	-	541,250,000
Ministry of Energy	28.02.2021	Development	1,082,500,000	1,082,500,000	-	1,082,500,000
Ministry of Energy	18.02.2021	Development	250,000,000	250,000,000	-	250,000,000
Ministry of Energy	14.04.2021	Development	500,000,000	500,000,000	-	500,000,000
JICA via Ministry of Energy	03.03.2021	Development	86,810,090	-	86,810,090	86,810,090
Ministry of Energy	27.04.2021	Development	863,750,000	863,750,000	-	863,750,000
Ministry of Energy	07.05.2021	Development	773,800,000	773,800,000	-	773,800,000
JICA via Ministry of Energy	23.04.2021	Development	3,829,151,645	-	3,829,151,645	3,829,151,645
Ministry of Energy	22.05.2021	Development	99,536,534	-	99,536,534	99,536,534
Ministry of Energy	06.07.2021	Development	863,750,000	863,750,000	-	863,750,000
Ministry of Energy	08.07.2021	Development	700,000,000	700,000,000	-	700,000,000
Total			10,831,798,269	6,816,300,000	4,015,498,269	10,831,798,269

APPENDIX IV: PROJECTS IMPLEMENTED BY KENYA ELECTRIC TRANSMISSION COMPANY

Project Title	Project Number	Donor	Period/ Duration	Donor Commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1 Exim Funded Projects	KETRACO/PT/010 /2012-LOT 1A	Exim Bank of India	6 years	USD 61,600,000	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	EUROS 14,000,000	No	Yes
4 Sondu-Homabay-Ndhiwa-Awendo Kenya Power Transmission Expansion Project	MOE 2/11/2012	KBC Bank, Belgium	3 years	EUROS 16,000,000	No	Yes
	MOE&P/KPTEP-01-2015	EXIM Bank of China	3 years	RMB 677,068,226	No	Yes
Mariakani Substation	KETRACO/PT/017/2014	ADB	2 years	SD 23,846,925	Yes	Yes
Mombasa-Nairobi	KETRACO/1/6/09-LOT 1	AfDB	8 years	UA 30,386,965	Yes	Yes
	KETRACO/1/6/09-LOT 2	EIB		EURO. 60,000,000		
	KETRACO/1/6/09-LOT 3	AFD		EURO. 60,000,000		
Nairobi Ring (Suswa – Isinya and substations)	KETRACO/PT/017/2011	AFD	8 years	EURO. 78,500,000	Yes	Yes
	KETRACO/PT/15/2015					
	KETRACO/PT/007/2012					
Lessos – Tororo (Equitorial Nile lake grids)	KETRACO/PT/013/2012.	AfDB	8 years	UA 21,416,407.12	Yes	Yes
Eastern Electricity Highway	KETRACO/PT/011/2016	IDA,ADB,AFD	5 Years	USD 441M,UAC 75M,EUR 91M	Yes	Yes
Garsen Hola Garissa	MOE-CAMCE-01-2012	EXIM CHINA	3 Years	RMB 584M	No	Yes
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 547,699,841	Yes	Yes
Lessos – Kabarnet	KET/2/9/4/99	ADB	8 Years	USD 10,028,916	Yes	Yes
	KET/2/9/4/99	ADB	8 Years	KShs403,309,135	Yes	Yes

APPENDIX IV: PROJECTS IMPLEMENTED BY KENYA ELECTRIC TRANSMISSION COMPANY

	Project Title	Project Number	Donor	Period/ Duration	Donor Commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements(Yes/No)
14	Olkaria – Narok	KET/2/9/4/101	ADB	8 Years	USD 13,835,047	Yes	Yes
		KET/2/9/4/101	ADB	8 Years	KShs 15,280,440	Yes	Yes
16	Bomet – Sotik	KET/2/9/4/102	ADB	8 Years	USD 14,036,793	Yes	Yes
		KET/2/9/4/102	ADB	8 Years	KShs 15,280,440	Yes	Yes
17	Kitui – Mwingi – Wote – Sultan Hamud	KET/2/9/4/43	ADB	8 Years	USD 2975932	Yes	Yes
18	Ishara – Kieni – Embu	KET/2/9/4/43	ADB	8 Years	KShs114,500,975	Yes	Yes
19	Kindaruma – Mwingi– Garrissa		IDA	8 Years	USD 16121959.98	No	Yes
20	Eldoret – Kitale		IDA	8 Years	USD 7831951.81	No	Yes
21	Kisii – Awendo		IDA	8 Years	USD 6758413.78	No	Yes
22	Loiyangalani – Suswa TI	KET/2/9/4/34	SPAIN/GOK	7 Years	EURO 142038152	No	Yes
			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
24	Rabai – Malindi – Garsen – Lamu	KET/2/9/4/72	Exim Bank of China	6 Years	RMB 636,600,105.57	No	Yes
			Exim Bank of China	6 Years	KShs 2132190.269	No	Yes
25	Kenya – Tanzania Power Interconnector	KET/2/9/4/282	ADB	6 Years	USD 22,428,704	yes	yes
					KShs 439,444,244		
26	Kamburu Embu Thika	KET/2/9/4/122	Exim Bank of China	6 Years	USD 90,286,383	No	Yes
					KShs 2,650,743,251		

APPENDIX V: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATION

Reference No. on the external audit Report	Issue	Observations from Auditor	Management comments	Status	Time frame
1.0	Liquidation of Contractor under Exim Bank of India Projects	As reported in the prior year, the contract for Lot 1A 220 KV Turkwel-Ortum-Kitale substations under the EXIM Bank of India Projects was entered into on 16 April, 2013 with an expected completion date of 30 June, 2018. This contractor was contracted at a contract sum of USD 19,972,680, later revised downwards to USD 18,100,120. In July, 2018, the courts in India ordered liquidation of the contractor, resulting in financial challenges which made the contractor unable to complete the project. According to Management, by the time of liquidation in the home country, the contractor had achieved an overall completion status of 78% of the project. According to Management, another contractor has been identified to take over the remaining works and the formal contract signing is expected in April, 2021. According to the proposed contract, the contractor is expected to complete the outstanding works within a period of ten (10) months. Consequently, the project may experience delays in completion as well as associated cost overruns.	Contract with the new contractor was signed in April, 2021. Commencement of the project awaits payment of 20% advance. As of December, 2021, funding had been received from the National Treasury to facilitate payment of the GOK portion. This paves the way for the payment of the Exim Bank of India portion for which allocation of budget is awaited in the 2021/2022 Supplementary 1 Budget.	Ongoing	Financial year 2021/2022
2.0	Expiry of Loan Agreement	As reported in the prior year, the loan agreement between the Company and African Development Bank for the construction of 132KM of 400KV double circuit transmission line from Lessos substation in Kenya, to Tororo substation in Uganda, which was effective from 20 September, 2010 expired on 31 December, 2017. At the time of expiry of the	The African Development Bank financing agreement expired and was cancelled/closed in December 2017. At the time of loan expiry the undrawn balances amounted to KShs equivalent 2,720,466,827. The financing agreement is not to be extended.	Ongoing	Jun-22

APPENDIX V: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATION

Reference No. on the external audit Report	Issue	Observations from Auditor	Management comments	Status	Time frame
		<p>agreement, the loan account had an undrawn balance of Kshs.2,720,466,827. The project has been at 61% level of completion since termination of the contractor for non-performance in April, 2016 and was at the same level at the time of audit. In addition, no funds have been received from the African Development Bank since 2016, from the loan account which had an undrawn balance of Kshs.2,720,466,827.</p> <p>Review of the project's cash and pending bills as at 30 June, 2020 revealed a funding shortfall of Kshs.818,907,767. There was no evidence of renewal of the loan agreement or identification of other sources of funding for the project.</p> <p>Consequently, the project which is already behind schedule may experience significant cost overruns, as well as delayed delivery of services to the intended beneficiaries.</p>	<p>KETRACO has engaged The National Treasury through Ministry of Energy to finance completion of the project. Currently KETRACO is in the process of preparing bid documents for the engagement of a new contractor subject to availability of funds. This will allow for completion of the project hence realization of the investment in the project.</p>		
3.0	Court Award on Terminated Contract	<p>The arbitration case between the Company and Instalaciones Inabensa S. for termination of contract for the construction of 132KM of 400KV double circuit transmission line from Lessos substation in Kenya to Tororo substation in Uganda, has been unresolved since April, 2016. The tribunal issued an award in favour of the contractor on 30 July 2019 amounting to Eur 37,365,691 or approximately Kshs.4.5 billion which included termination costs, legal cost and other claims amounted to Kshs.2,223,137,553. Management</p>	<p>The contracts with the main contractor (Inabensa) for the project were terminated in April 2016. An arbitration tribunal was instituted in 2019. The arbitration case was delivered in July 2019 in favour of the contractor. KETRACO appealed to the High Court for setting aside of the arbitral award to Inabensa. The High Court delivered their ruling in February 2021 upholding the arbitral award. KETRACO was of the opinion that the decision made by the Arbitrator was against public policy. Ketraco</p>	Ongoing	Jun-22

APPENDIX V: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATION

Reference No. on the external audit Report	Issue	Observations from Auditor	Management comments	Status	Time frame
		considered the decision to be against public interest and sought the Attorney General's office for assistance in setting aside the tribunal's award. However, the award was upheld by the High Court of Kenya on 16 February, 2020. Further, it is not possible to confirm whether the project will be completed in the near future, and the additional costs which would be necessary to complete the project, or the losses which the Government of Kenya will suffer in the event that the project is not completed. Consequently, the award has resulted to unforeseen legal and arbitration costs, termination charges, and other claims.	<p>appealed the ruling at The Court of appeal. The Court of appeal on 19th November 2021 delivered their ruling upholding The High Court ruling. The ruling is now the subject of an appeal petition filed in The Supreme Court and awaiting determination.</p> <p>In the meantime KETRACO has engaged The National Treasury through Ministry of Energy to finance completion of the project. Currently KETRACO is in the process of preparing bid documents for the engagement of a new contractor subject to availability of funds. This will allow for completion of the project hence realization of the investment in the project.</p>	Ongoing	Ongoing
4.0	Pending Wayleave Compensations	Review of wayleave compensations revealed that the Company has outstanding compensation to landowners for wayleaves amounting to Kshs.3,051,321,123. Management has attributed failure to pay this amount to insufficient budgetary allocation from The National Treasury and long negotiations between land owners, the Company and various County Governments. The delays in compensating Project Affected Persons may lead to legal suits, cost escalations and project delays.	Delayed wayleave compensation is attributed to inadequate funding by the National Treasury. KETRACO management has requested for additional funding in FY 2021-2022 to cater for wayleave compensation. Lack of Proper documentation especially on the land payments have also resulted in major delays, The directorate of Project Development Services is working in conjunction with Finance department to Make all payments with sufficient documentation and pursue all pending compensation in a bid to reduce the outstanding balance and utilise all available funds meant for wayleave compensation	Ongoing	Ongoing

APPENDIX V: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATION

Reference No. on the external audit Report	Issue	Observations from Auditor	Management comments	Status	Time frame
5.0	Delay in Completion of Projects	<p>According to reports on projects' physical progress, there were significant delays in completion of five (5) of the projects under implementation by the Company, whose details have been enumerated severally in the respective project audit report as summarized below:</p> <ul style="list-style-type: none"> o The 220KV and 132KV transmission lines and Substations Projects (Exim Bank) Project – The completion status for Lot 1A–220KV substation at Turkwel, Ortum and Kitale is 78% while Lot 3A–132/33KV Machakos–Konza–Kajiado–Namanga transmission line is at 60% completion status. o Kenya Power Transmission System Improvement Project – The erections of towers for the Olkaria – Narok and Lessos–Kabarnet transmission line is at 54% and 73% completion while the stringing on both lines is at 0%. o The Multinational Kenya Tanzania Power Interconnection Project – Lot K1 Isinya– Namanga transmission line was at 49% completion by 30 June, 2020. The project is behind schedule considering that the expected completion date was April, 2020 and significant works are yet to be done. o Kenyan Section of Interconnection Project of Electric Grids of Nile Equatorial Lakes Countries Project – The construction works on the project had stalled as at 30 June 2020. The project was scheduled to be completed by 31 December 2017. However, 	<p>The Multinational Kenya Tanzania Power Interconnection Project – The project is currently on-going following the resolution of wayleave stoppages by the Community. The National government intervention resolved the impasse and its projected that the project will be completed in 20221.</p> <p>Lot 1A–Turkwel–Ortum–Kitale Substations and Lot 3A Machakos–Konza–Kajiado–Namanga TL –Once advance payment is made to the new contractor (Lot 1A), work on the outstanding works will commence and is expected to take a maximum of 10 months. However, for Lot 1A and 3A, certainty in this regard is pegged on budgetary allocation during Supplementary of 2020/2021. Kenya Power Transmission System Improvement Project</p> <p>– Ms Jyoti the previous contractors was declared bankrupt. KETRACO engaged a new contractor in April 2019. Ms China CAMCE CO. Ltd., who is accelerating completion of the remaining works before end of Financial year 2021/2022. KETRACO has also engaged The National Treasury through Ministry of Energy for the financing of the project through Government of Kenya funding. The Project Implementation team and the new contractor are working to finalise the remaining works, having completed olkaria Narok TL, the all efforts have been directed to Lessos Kabarnet and the remaining section of Kitui Wote section of</p>	<p>Significant works have been done and the overall implementation status of this project as at 30 June 2021 was at 86% as compared to 49% as at 30 June 2020</p>	<p>It is projected that the projects will be completed in the current financial year 2021–2022</p>

APPENDIX V: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATION

Reference No. on the external audit Report	Issue	Observations from Auditor	Management comments	Status	Time frame
		<p>following a dispute with Instalaciones Inabensa S.A, the main contractor, the contract was terminated in April 2016.</p> <p>o Nairobi Ring Transmission Line – Key ongoing works related to Malaa Sub-station is at 64% completion status.</p> <p>Continued delay in the completion of these projects may result in cost overruns and delayed delivery of services to the public.</p>	<p>Mwingi Kitui Wote Sultan Hamud TL, Kenyan Section of Interconnection Project of Electric Grids of Nile Equatorial Lakes Countries Project.</p> <p>KETRACO has engaged The National Treasury through Ministry of Energy to finance completion of the project. Currently KETRACO is in the process of preparing bid documents for the engagement of a new contractor subject to availability of funds. This will allow for completion of the project hence realization of the investment in the project.</p> <p>Nairobi Ring Transmission Line</p> <p>Delays in completion of Malaa substation were due to delayed site hand over for the substation in June 2018 as well as the disruptions of Covid-19 pandemic in year 2020.</p> <p>The project implementation has resumed. Management has ensured that the project is adequately funded, properly monitored and the escalation of project costs is less probable since the project is currently on course.</p>	ongoing	Financial year 2021/2022
6.0	Non-Compliance with Loan Novation Agreement	<p>The loan related to the construction of the Kamburu-Meru transmission line was transferred from Kenya Power and Lighting Company (KPLC) to Kenya Electricity Transmission Company (KETRACO), 19 October, 2016. According to the Novation</p>	Based on the recommendation of the Task force, The company has applied for a loan moratorium from National Treasury for the mentioned loan. The Moratorium was for 24 months starting from financial year 2020.		

APPENDIX V: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATION

Reference No. on the external audit Report	Issue	Observations from Auditor	Management comments	Status	Time frame												
		<p>Agreement, KETRACO is 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, as detailed on the table below;</p> <table><tr><td>Loan Amount (Chinese Yuan) Equivalent Amount (KShs)</td><td></td><td></td></tr><tr><td>Loan Balance</td><td>145,669,690</td><td>2,194,950,889</td></tr><tr><td>Accrued interest</td><td>23,361,176</td><td>352,006,204</td></tr><tr><td>Total due</td><td>169,030,866</td><td>2,546,957,092</td></tr></table> <p>However, as at 30 June 2020, the Company has not made any payments to the GoK, as stipulated in the novation agreement. Management has indicated that a moratorium for twenty four (24) months had been sought from National Treasury. However, this request for moratorium was yet to be considered by The National Treasury.</p> <p>Consequently, Management is in breach of the provisions of the novation agreement.</p>	Loan Amount (Chinese Yuan) Equivalent Amount (KShs)			Loan Balance	145,669,690	2,194,950,889	Accrued interest	23,361,176	352,006,204	Total due	169,030,866	2,546,957,092			
Loan Amount (Chinese Yuan) Equivalent Amount (KShs)																	
Loan Balance	145,669,690	2,194,950,889															
Accrued interest	23,361,176	352,006,204															
Total due	169,030,866	2,546,957,092															
7.0	Undrawn Funding Balances under Eastern Electricity Highway Project	<p>The Eastern Electricity Highway Project had an approved budget of USD 441,000,000, UA 75,000,000, EUR 77,500,000 and Government counterpart funds of Kshs.8,585,000,000, all equivalent to Kshs.75,803,028,400. The project was expected to be completed by 30 September, 2020. However, as at 30 June, 2020, there was an undrawn balance of Kshs.35,658,914,156 or approximately 47% of the project funding, and pending bills of</p>	<p>The financing structure of the project was derived from the Project Appraisal document however savings from all the financiers were realized after the tendering process and awards to various contractors. The savings have since been redirected to new upcoming projects as detailed below:- AFD EUR 22,943,918 redirected to The Nairobi Ring Project,ADB UA 17,500,000 to be redirected to Mariakani substation and the Nanvuki</p>	ongoing	Financial year 2021/2022												

APPENDIX V: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATION

Reference No. on the external audit Report	Issue	Observations from Auditor	Management comments	Status	Time frame
		Kshs.2,640,343,389. The undrawn funding might not be absorbed fully by the time of expiry of the funding period on 31 December, 2022. The Management attributes the slow absorption of funds to the savings between the financing structure derived from the Project Appraisal Document; the savings realized after the tendering process and awards to various contractors; and savings made from wayleave financing which is based on actual valuations, which are currently lower than the estimates. Management is in the process of making proposals for new projects and has already commenced re-allocation of the savings to those projects. However until these project proposals, together with related approvals are finalized, the company will continue to lock up development funds in the current project.	Rumuruti underground cable (already KShs 512 Million utilized on the project) IDA USD 100,000,000 redirected to a new project Kenya Electricity Transmission System Improvement Project.		
8.0	Asset Tagging and Physical Verification	Review of the Company's fixed asset register, revealed that the assets are not tagged, and the Company does not carry out periodic asset verification to verify existence of the assets. In the absence of asset tagging and periodic physical verification, the Company's assets may have been exposed to risk of theft, loss or breakdown of equipment. Further, the Company was exposed to risk on not being able to know the state, number and value of its assets at any given time.	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. Due to budget constraint the implementation is expected to be in 2022/2023 financial year.	Ongoing	Financial year 2022/2023

Hon. Capt. Joe Mutambu, MBS
Chairman

Eng. (CPA) Antony Wamukota
Ag Managing Director

Appendix Vi

DETAILED ANALYSIS OF CASH AND CASH EQUIVALENTS

			2020- 2021	2019- 2020	2020-2021	2019-2020
Financial Institution	Account number	Currency	In '000	In '000	KShs '000	KShs '000
a) Current account						
Kenya Commercial Bank	1111251622				765,404	1,224,162
Kenya Commercial Bank	1200560752				462,975	797,601
Kenya Commercial Bank(Escrow)	1221490435				53,932	52,439
NCBA Bank Kenya Plc	1001309443				8,079	1,207
NCBA Bank Kenya Plc	1003385554	USD			397,490	222,170
NCBA Bank Kenya Plc	7612350017				1,576	127,732
NCBA Bank Kenya Plc	7612350025				14,402	6,841
NCBA Bank Kenya Plc	7612350038	EUR		75	8,773	259,713
NCBA Bank Kenya Plc	7612350046				321,938	249,604
Co-operative Bank of Kenya	01136160914100				114	1,228
Co-operative Bank of Kenya	01136160914101				11,142	71,838
Co-operative Bank of Kenya	01136160914102				308,396	326,189
Standard Chartered Bank	0104026386601				-	59
Standard Chartered Bank	9304026386600	EUR		2	-	190
Standard Chartered Bank	8704026386600	USD		5	-	488
Standard Chartered Bank	0104026386600				3,461,332	49
Citi Bank	300092007				967	1,000
Stanbic Bank					1,962,865	-
KCB Car Loan Account					60,000	
Sub- total					7,839,385	3,342,510
e) Others(specify)						
cash in hand					1,000	1,000
Sub- total					1,000	1,000
Grand total					7,840,385	3,343,510



KENYA ELECTRICITY TRANSMISSION COMPANY LTD.
Kawi Complex, Block B
Popo Lane, Off Red Cross, South C
P.O. BOX 34942-00100, NAIROBI

FORM OF PROXY FOR ANNUAL GENERAL MEETING

I/We _____ (BLOCK LETTERS)

being (a) Member(s) of the above-named Company, HEREBY APPOINT

_____ of P.O.BOX _____

Or failing him/her the Chairman of the Meeting as My/our proxy to vote for me/us and on my/our behalf at the ANNUAL GENERAL MEETING of the Company to be held on 27th July, 2023 and at 2:30 pm .

My/our proxy is to vote in favour of /against the Resolutions as indicated here below:

ITEM	BUSINESS	FOR	AGAINST
1.	The receipt, consideration and adoption of the audited financial statements for the period ended 30th June, 2021 together with the Chairman's, Directors' and Auditors' reports thereon.		
2.	Declaration of Dividends		
3.	To authorize Directors to fix the Remuneration of Auditors		
4.	To approve payment of Director's fees of Kshs. 420,000.00 (less withholding tax where applicable) for each Director who served during the period.		

Signature _____

Dated this _____ day of _____ 2023

NB:

If the appointor is a corporation, the Proxy must be executed under its Common Seal or under the hand of an Officer or Attorney duly authorized in writing. Unless otherwise indicated the proxy will vote as he/she deems fit





**KETRACO is pleased
to be a part of
Kenya's renewable energy revolution.**

We are committed to supporting the integration of sustainable energy sources into the national grid.





KETRACO

Kenya Electricity Transmission Company Limited

"Building a World Class National Grid"

**Kenya Electricity Transmission Company Limited,
Kawi Complex, Block B,
Popo Lane, Off Red Cross Road, South C,
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NAIROBI, KENYA**

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