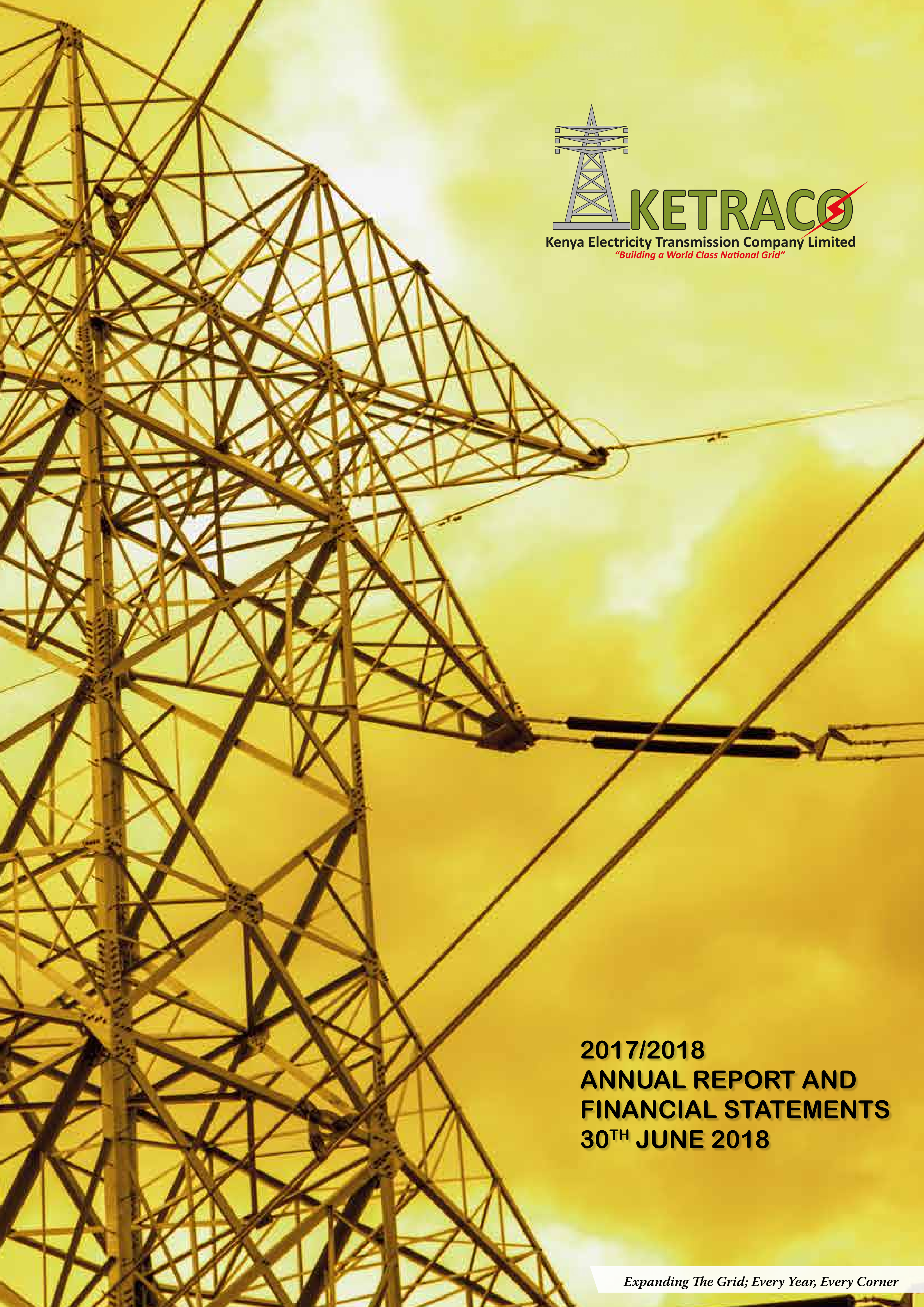


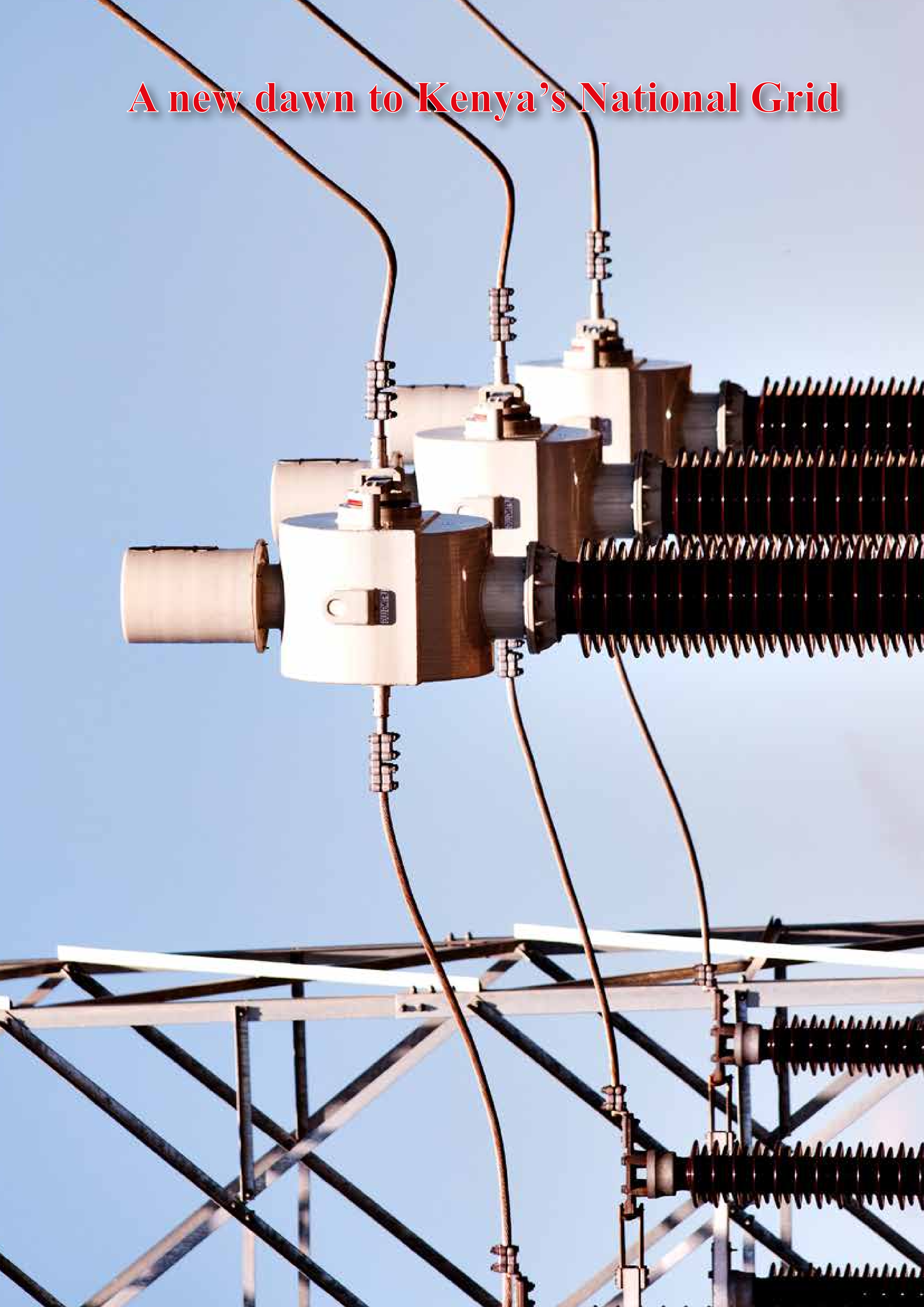
Kenya Electricity Transmission Company Limited

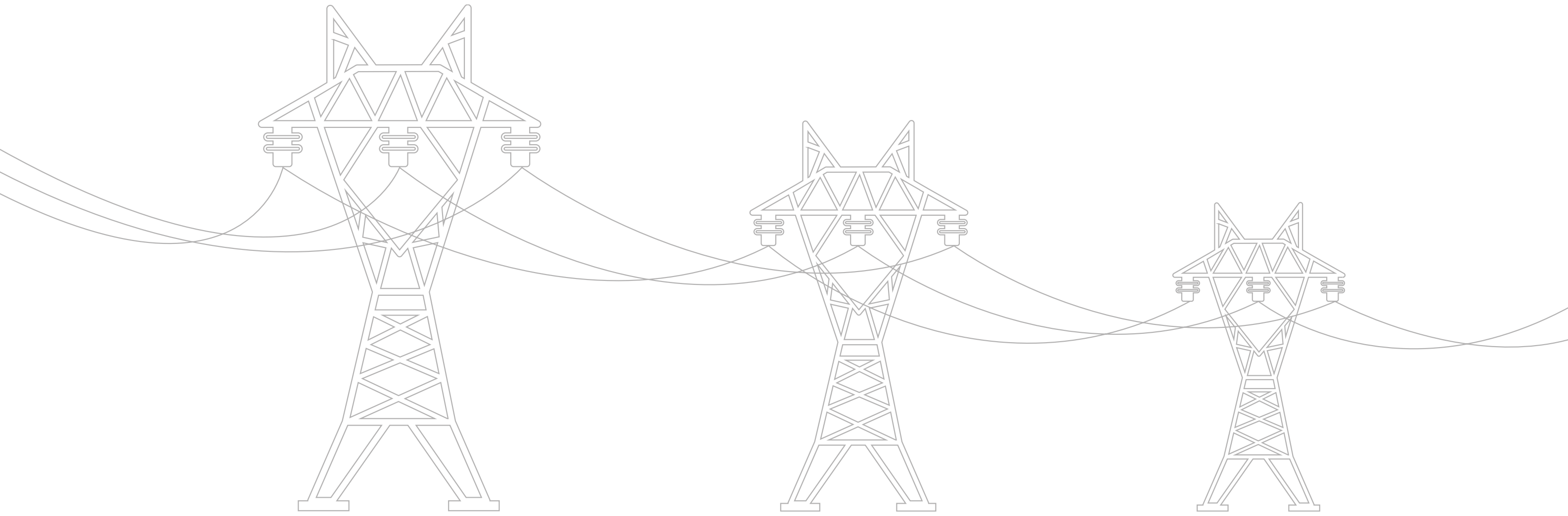
"Building a World Class National Grid"

2017/2018 ANNUAL REPORT AND FINANCIAL STATEMENTS 30TH JUNE 2018

Expanding The Grid; Every Year, Every Corner

A new dawn to Kenya's National Grid





Our Vision

"To be a world class electricity transmission Company and the leading interconnector in Africa."

Our Mission

"To provide reliable, efficient and effective national electricity transmission and promote power trade for sustainable socio- economic development."

Our Core Values

The guiding principles in the operation of the Company are:

Customer focus
The Company commits itself to attain the highest standards in service delivery to all stakeholders.

Integrity
The Company is committed to acting in an honest, transparent and responsible manner while implementing its programmes.

Teamwork
The Company employees will work in unison at all levels and embrace a participatory approach in implementing all programmes and activities.

Innovation
The Company will be a learning organization that embraces and continuously introduces change in its business processes.

Commitment
The Company will embrace self-driven and hard work in attaining the highest standards in service delivery to all stakeholders.

Equity
The Company will uphold the highest level of impartiality by treating all stakeholders without any discrimination whatsoever.

Professionalism
The Company's operations will be guided by professional ethics aimed at building an appropriate corporate culture and creating the right corporate Image.

Table of Content

Corporate Information

Directors

Hon. Eng. James G. K Rege, CBS - Chairman (Appointed w.e.f. 18.4.2018)
FCPA Fernandes Barasa, OGW - Managing Director
Mr. Henry Rotich, EGH - Cabinet Secretary, The National Treasury and Planning
Dr. (Eng.) Joseph K. Njoroge, CBS - Principal Secretary, Ministry of Energy
Arch. Kariuki Muraya - (Ceased to be a Director w.e.f. 14.12.2018, reappointed w.e.f. 8.02.2019)
Mr. Joakim K. Kamere - (Ceased to be a Director w.e.f. 16.4.2018, reappointed w.e.f. 8.02.2019)
Mrs. Grace W. Ndugu - (Ceased to be a Director w.e.f. 16.4.2018, reappointed w.e.f. 8.02.2019)
Mr. Phillip Mongony - (Ceased to be a Director w.e.f. 16.4.2018, reappointed w.e.f. 8.02.2019)
Mrs. Lizzie Chongoti - (Appointed w.e.f. 8.02.2019)
Mrs. Eunice Kigen - Alternate to Mr. Henry Rotich
Eng. Julius Mwathani - Alternate to Dr. (Eng.) Joseph K. Njoroge

Secretary

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

Registered Office

Kawi Complex, Block B,
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.

Delegated Auditor

Ernst & Young LLP,
Kenya Re Towers, Upper hill,
Off Ragati Road,
P O Box 44286 - 00100 GPO, Nairobi.

Bankers

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

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

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

Commercial Bank of Africa,
Upper Hill,
P O Box 30437 - 00100, Nairobi.

Director's Profiles

Hon. Eng. James G.K Rege, CBS – Chairman

Hon. Eng. James Rege holds a Master of Science in Electrical Engineering Telecommunications from the George Washington University and a Bachelor of Science Electrical Engineering and Computer Science degree from the West Virginia University (USA).

Eng. Rege was the Permanent Secretary for the Ministry of Information and Communications (2004 - 2005). He was also the Chairperson of the Parliament Departmental Committee on Energy, Transport, Information, Communication and Public Works (2007 to 2013). He was a Senior Engineer with the International Telecommunications Satellite Organization (INTELSAT), a Vice President Engineering at Regional African Satellite Communications Organization (RASCOM), a Director at Iridium Africa and Pioneer Managing Director and Shareholder at Vodacom (Tanzania).

Eng. Rege has also worked in numerous top positions both locally and internationally in the telecommunications field.

FCPA Fernandes Barasa, OGW- Managing Director

FCPA Fernandes Barasa holds a Master of Business Administration (Finance), a Bachelor of Commerce (Accounting) from the Kenyatta University and is a Fellow of the Certified Public Accountants of Kenya (ICPAK). He has a wealth of experience in Public Finance Management, Risk Management and Corporate Governance among others.

Prior to joining KETRACO, FCPA Barasa served as the Treasury Manager and Head of Factories Accounts at the Kenya Tea Development Agency Limited (KTDA). He also worked for Kenya Airways and East Africa Re (EA Re).

FCPA Barasa is a former Chairman of the Institute of Certified Public Accountants of Kenya (2015 - 2017), a lead Auditor and a Certified Public Accountant of Kenya – CPA (K).

Dr. (Eng.) Joseph K. Njoroge, CBS, Principal Secretary, Ministry of Energy

Eng. Joseph Njoroge joined the Board upon his appointment as the Principal Secretary, Ministry of Energy on 26th June, 2013. He has over 28 years of experience in engineering and management.

Eng. Njoroge holds a Doctor of Phylosophy from the universirty of Nairobi (School of Business), a Bachelor of Science degree in Electrical Engineering and Master of Business Administration with a major in Strategic Management.

He is a Chartered Electrical Engineer, a Member of the Institute of Engineering and Technology (UK), a Registered Consulting Engineer, and is also a Fellow of the Institution of Engineers of Kenya.

Director's Profiles (Cont.)

Mr. Henry Rotich, EGH, Cabinet Secretary, The National Treasury

Mr. Henry Rotich joined the Board upon his appointment as the Cabinet Secretary Ministry of The National Treasury and Planning on 15th May, 2013.

Mr. Rotich has a Master's degree in Public Administration (MPA) from the Kennedy School of Government at Harvard University, a Master's degree – Economics and a Bachelor's degree (First Class Honours) from the University of Nairobi.

He was previously the Head of Macroeconomics in the National Treasury, and has also served as an Economist with the International Monetary Fund (IMF), Nairobi Office.

Mr. Joakim Kamere– Director

Mr. Joakim Kamere holds a Bachelor of Laws degree from the University of Nairobi and a Diploma in Law from the Kenya School of Law.

He 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 is an Advocate of the High Court of Kenya, Notary Public, Commissioner for Oaths and a member of the Institute of Certified Secretaries- CPS (K).

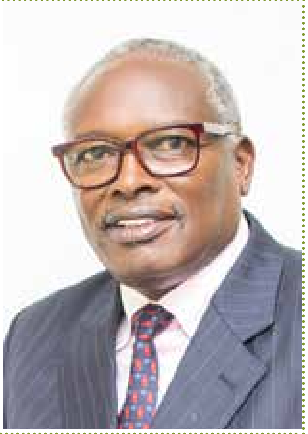
Mrs. Grace Ndugu– Director

Mrs. Grace Ndugu holds a Master of Science (MSc) in Development Administration and Planning, with a concentration in Political Development from the 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.

Mrs. Ndugu has over 25 years of experience in Justice and Peacebuilding, including 10 years with the National Council of Churches of Kenya and close to 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. Mrs. Ndugu is well versed in policy formulation/reviews, institutional capacity strengthening, research and strategic and contingency planning. Prior to joining the Civil Society, she worked for 10 years at the High Court of Kenya and the Ministry of Constitutional and Home Affairs.

Mrs. Ndugu is currently the Chairperson of Catholic Relief Services (K) Board of Directors.

Director's Profiles (Cont.)



Mr. Philip Mongony– Director

Mr. Philip Mongony has over 30 years' experience in Human Resources practice and Consultancy. He has worked with the Directorate of Personnel 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.

Mr. Mongony holds a Master of Personnel Management (MPM) and a Bachelor of Commerce (Business Administration Option) degrees.

He is also a member of the Kenya Institute of Personnel Management.

Arch. Kariuki Stephen Muraya– Director

Arch. Kariuki 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 has over 19 years' experience in architecture and projects management, having practised in Kenya and abroad and handled a wide range of projects. Arch Muraya is currently a partner with Aaki Consultants, Architects & Urban Designers.

Arch. Kariuki is also a member of the Architectural Association of Kenya (AAK) and the Board of Registration of Architects and Quantity Surveyors (BORAQS).

Mrs. Lizzie Chongoti

Mrs. Lizzie Chongoti holds a Master of Science degree (MSc) from Bristol University UK, a Bachelors in Education from Kenyatta University and a Higher Diploma in Human Resource Management from the Institute of Human Resources Management (IHRM).

Lizzie is an International Development Expert with over two decades of experience in developing and implementing successful programs having worked at the helm of Governmental, Non-Governmental and International organizations including the Ford Foundation.

She is a member of the Institute of Directors (IOD) and the Kenya Association of Fundraising Professionals (KAFP). She is also a Board Member of Twaweza Communications and has served on various other boards including the Grants Committee of the ICT Authority, the Legal Resources Foundation (LRF), the District Education Board (Kipkelion), Kipkelion Girls' Secondary School, and as a member of the Steering Committee of the British Council Leadership Forum.

Lizzie joined the Board of KETRACO on 18th February, 2019

Director's Profiles (Cont.)

Eng. Julius Mwathani (Alternate Director to Dr. (Eng.) J. Njoroge, CBS)

Eng. Julius Mwathani holds a Bachelor of Science degree in Mechanical Engineering and an Executive Master of Business Administration degree. He has wide experience in public sector management, having worked for more than 22 years in various senior positions in Government. Currently, he is the Secretary for Electric Power at the Ministry of Energy.

Eng. Mwathani is registered by the Engineers Board of Kenya (EBK) as a consulting Mechanical Engineer and a member of the Institution of Engineers of Kenya (IEK).

Ms. Eunice Kigen (Alternate Director to Mr. H. Rotich, EGH)

Ms. Eunice Kigen has wide experience in Public Sector Financial Management, having worked in the Government in senior positions in that field for the past 15 years. Currently, she is the Senior Deputy Director of Budget at the National Treasury. She is also the Alternate Director Representing National Treasury at the Board of Kenya Airports Authority.

Ms. Kigen holds a Bachelor of Commerce in Accounting from the University of Nairobi and an Executive Master of Business Administration from the Jomo Kenyatta University of Science and Technology. She is also a Certified Public Accountant- CPA (K).

CS. Mr. Duncan Macharia- Company Secretary & Senior Manager, Legal Services

Mr. Duncan Macharia holds a Master of Business Administration Degree, a Bachelor of Commerce (Business Administration Option) and a Bachelor of Laws degree from the University of Nairobi. He also holds a Diploma in Law from the Kenya School of Law. He is an alumnus of the Advanced Management Program, Strathmore Business School, and has attended Corporate Governance and Leadership training programs at the Harvard Business School, Institute of Public Private Partnerships (IP3), International Law Institute (USA), among others.

Mr. Macharia joined KETRACO in February 2009 as Company Secretary/ Chief Manager, Legal Services and was among the pioneer managers who were instrumental in setting up the company's corporate strategic thrift and governance structures when it was incorporated in December 2008.

He is an advocate of the High Court of Kenya and a Certified Secretary (CPS)K, a member of Institute of Certified Secretaries –ICPS (K), Law Society of Kenya (LSK) and the Institute of Directors IOD- (K).

Board of Directors

(From Left to Right): *Dir. Philip Mongony, Dir. Joakim Kamere, Dir. Eunice Kigen, Dir. Lizzie Chongoti, Hon. Eng. James Rege (Chairman), FCPA Fernandes Barasa (Managing Director), Dir. Grace Ndugu, Arch. Kariuki Muraya, and Eng. Julius Mwathani*

Management Profiles

FCPA Fernandes Barasa, OGW- Managing Director

FCPA Fernandes Barasa holds a Master of Business Administration (Finance), a Bachelor of Commerce (Accounting) from the Kenyatta University and is a Fellow of the Certified Public Accountants of Kenya (ICPAK). He has a wealth of experience in Public Finance Management, Risk Management and Corporate Governance among others.

Prior to joining KETRACO, FCPA Barasa served as the Treasury Manager and Head of Factories Accounts at the Kenya Tea Development Agency Limited (KTDA). He also worked for Kenya Airways and East Africa Re (EA Re).

FCPA Barasa is a former Chairman of the Institute of Certified Public Accountants of Kenya (2015 - 2017), a lead Auditor and a Certified Public Accountant of Kenya – CPA (K).

Dr. (Eng.) Joseph Siror, PhD - General Manager, Technical Services

Dr. (Eng.) Joseph Siror holds a Doctor of Philosophy in Engineering from the Shanghai Jiaotong University (China) majoring in Radio Frequency Identification (RFID), a Master's in Business Administration and a Bachelor's of Science in Electrical Engineering from the University of Nairobi.

Eng. Siror previously worked as a Director of Science, Technology Innovation and Communication at the National Economic and Social Council (NESC), a Senior Assistant Commissioner at the Kenya Revenue Authority (KRA), an Executive Telecommunications Engineer at Kenya Posts and Telecommunications Corporation and as a Senior Systems Analyst at Firestone East Africa Limited.

He is a member of Institute of Electrical and Electronics Engineers (IEEE), a licensed Professional Electrical Engineer with Engineers Board of Kenya (EBK) and a Corporate Member of the Institution of Engineers of Kenya (IEK).

CPA Tom Imbo - Ag. General Manager, Finance and Strategy

CPA Tom Imbo holds a Master of Business Administration (Finance) and a Bachelor of Education (Economics, Business Administration) degrees from Kenyatta University.

He has over 15 years' experience in financial management in the private and public sectors.

Prior to joining KETRACO, CPA Imbo was the Head of Management Accounts at the United States International University – Africa.

He is a certified Public Accountant of Kenya – CPA (K) and serves as a member of the Member Services Committee of the Institute of Certified Public Accountants of Kenya (ICPAK).

Management Profiles (Cont.)

Dr. (Eng.) John M. Mativo - Senior Technical Advisor

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

He has more than 20 years working experience in both the public and private sector accumulating extensive experience in research, design, construction supervision and contract management.

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

He is a Registered Engineer (EBK) and a Corporate Member of the Institution of Engineers of Kenya (IEK). He is also a council member of Kenyatta University

CS. Mr. Duncan Macharia- Company Secretary & Senior Manager, Legal Services

Mr. Duncan Macharia holds a Master of Business Administration Degree, a Bachelor of Commerce (Business Administration Option) and a Bachelor of Laws degree from the University of Nairobi. He also holds a Diploma in Law from the Kenya School of Law. He is an alumnus of the Advanced Management Program, Strathmore Business School, and has attended Corporate Governance and Leadership training programs at the Harvard Business School, Institute of Public Private Partnerships (IP3), International Law Institute (USA), among others.

Mr. Macharia joined KETRACO in February 2009 as Company Secretary/ Chief Manager, Legal Services and was among the pioneer managers who were instrumental in setting up the company's corporate strategic thrift and governance structures when it was incorporated in December 2008.

He is an advocate of the High Court of Kenya and a Certified Secretary (CPS)K, a member of Institute of Certified Secretaries –ICPS (K), Law Society of Kenya (LSK) and the Institute of Directors IOD- (K).

CPA Moses M. Mulonzia - Senior Manager, Internal Audit & Risk

CPA Moses Mulonzia holds a Master of Business Administration in Strategic Management degree from Jomo Kenyatta University of Agriculture and Technology, a Bachelor of Commerce in Finance degree from Catholic University of Eastern Africa and a Diploma in Forensic Accounting among other Leadership and Integrity certificates.

He 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, CPA Mulonzia served as the Head of Internal Audit and Risk Management at Kenya Wildlife Service (KWS), an Internal Auditor at Jubilee Insurance Company (K) Limited and a Chief Accountant at United Insurance.

He is a Certified Public Accountant – CPA (K), Certified Information Systems Auditor (CISA), a Certified Internal Auditor (CIA), a member of the Institute of Certified Public Accountant Kenya (ICPAK), Institute of Internal Auditors (IIA-K), Kenya Institute of Management (KIM) and Information Systems Audit and Control Association (ISACA).

Management Profiles (Cont.)

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

Mr. Peter Njehia holds Bachelor of Arts and Master of Business Administration degrees from Egerton University, a Post Graduate diploma in Supply Chain Management from Jomo Kenyatta University of Agriculture and Technology as well as a professional Procurement and Supply Management Diploma (CIPS).

Mr. Njehia previously worked as the Head of Supply Chain Management at the National Environment Management Authority (NEMA), Head of Supply Chain at Laikipia University and as a Procurement Officer at Egerton University.

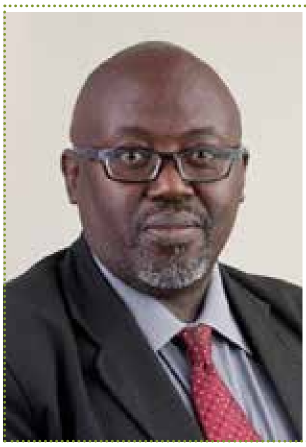
He is a Licensed Supply Chain Management Practitioner by Kenya Institute of Supplies Management (KISM), a member of KISM and the Chartered Institute of Procurement and Supply (MCIPS).

Ms. Regina Kemboi - Ag. Senior Manager, Human Resource and Administration

Ms. Regina Kemboi holds a Master degree in Human Resource from Moi University, a higher diploma in Human Resource from Institute of Human Resource Management and a Bachelor of Business Administration degree from Kenya Methodist University. She has attended various Management courses both locally and internationally.

Prior to joining KETRACO, Ms. Kemboi worked as a Senior Administrative Officer at the Kenya Urban Roads Authority (KURA), Administration Officer at the Kenya Civil Aviation Authority (KCAA) and Kenya College of Communications and Technology (KCCT-Mbagathi) currently Multi Media University.

She is a member of Institute of Human Resource Management (IHRM).



Mr. Raphael Mworia - Manager, Corporate Communication

Mr. Raphael Mworia holds a Bachelor of Arts degree in Political Science and Social Work from Lucknow University and a Master's degree in Mass Communication, Public Relations and Journalism from Banaras Hindu University (India).

He has more than 20 years' experience in Public Relations.

Mr. Mworia previously worked as a Public Relations Coordinator at Kenya Tea Development Authority (KTDA) and as Head of Public Relations at Kenya Forest Service (KFS).

He is a member of the Public Relations Society of Kenya (PRSK) and served as an Executive Committee Member from 2014- 2016.

Olkaria 1AU Olkaria II and Olkaria IV - Suswa Transmission lines

Notice of Annual General Meeting

NOTICE is hereby given that the 9th 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 6th December, 2019 at 11:00 a.m. to transact the following business:

1. To read the notice convening the meeting.
2. To receive and consider the Company's Audited Financial Statements for the year ended 30th June, 2018 together with the Chairman's Directors' and Auditors' reports thereon.
3. To note that Directors do not recommend payment of a dividend for the period under review.
4. **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.
5. **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 Ernst & Young 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. Ernst & Young LLP carried out the audit for the period ended 30th June, 2018.
6. To authorize the Directors to fix the Auditors' remuneration.
7. **Directors' Fees:** To approve Directors' fees of KShs. 420,000.00 (less withholding tax where applicable) for each Director who served during the period, subject to concurrence of the Ministry of Energy and The National Treasury and Planning, respectively.

By Order of the Board

Duncan Macharia
Company Secretary

5th November 2019

Ilani Ya Mkutano Mkuu Wa Kila Mwaka

ILANI INATOLEWA HAPA KWAMBA MKUTANO WA TISA WA KILA MWAKA wa wenye hisa wa Kampuni ya Kenya Electricity Transmission Company Limited (KETRACO) utafanyika katika jumba la Kawi Complex, Block B, Ghorofa ya nne, South C, Barabara ya Red Cross, Nairobi, mnamo 6 Desemba, 2019 saa tano asubuhi ili kujadili masuala yafuatayo:-

1. Kusoma Ilani ya kuitisha Mkutano huu.
2. Kupokea na kujadili taarifa za fedha zilizokaguliwa za miezi kumi na mbili iliyoishia Juni 30, 2018, pamoja na Ripoti za Mwenyekiti, Wakurugenzi na Mkaguzi wa hesabu.
3. Kufahamu kwamba Wakurugenzi hawapendekezi kufanyika malipo ya mgao wa faida (dividends) kwa kipindi tulichokuwa chini ya ukaguzi.
4. Uchaguzi wa Wakurugenzi: Kufahamu kwamba hakutakuwa na uchaguzi au mzunguko wa Wakurugenzi kwa sababu zifuatazo:-

Ingawa Kampuni ilisajiliwa chini ya Sheria ya Makampuni, Sura ya 486 kama kampuni binafsi yenye ukomo wa hisa, inamilikiwa kikamilifu na Serikali. Hivyo basi, Kampuni hii inaongozwa na vifungu vya Sheria ya Mashirika ya Umma, Sura ya 446 kwa mujibu wa Kifungu cha 2(c) cha Sheria husika. Aidha, Ibara ya 2 ya Katiba na Kanuni za Kampuni husika inasema ya kwamba "Uteuzi au utenguzi wa Wakurugenzi utaongozwa na masharti ya Sheria ya Mashirika ya Umma, Sura ya 446, ya Sheria za Kenya kama ilivyorekebishwa mara kwa mara. Kila Mkurugenzi atashikilia ofisi hadi atakapotenguliwa au abadilishwe kama ilivyoelezwa hapo juu." KETRACO imezingatia Sura ya 446 Sehemu ya 6 inayotoa muundo na uteuzi wa Wakurugenzi. Chini ya hali hiyo, hakutakuwa na uchaguzi au mzunguko waWakurugenzi.

5. Kufahamu kwamba ukaguzi wa vitabu vya fedha vya Kampuni utafanywa na Ernst & Young LLP kwa niaba ya Mdhibiti na Mkaguzi Mkuu; hii ni kampuni ya ukaguzi wa hesabu 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 wa 2015.

   Kampuni ya Ernst & Young LLP ilifanya ukaguzi kwa kipindi kilichoishia Juni 30, 2018.
6. Kuwaruhusu Wakurugenzi kupitisha malipo ya Wakaguzi.
7. Malipo ya wakurugenzi: Kunapendekezwa kuwa Wakurugenzi ambao walitumikia wakati huo kulipwa KSh. 420,000/- kabla kutozwa ushuru ikiwa Wizara za Kawi na Fedha zitakubali.

Kwa Agizo la Bodi

Duncan Macharia
Katibu wa Kampuni

Novemba 5, 2019

Suswa substation's control room.

Chairman's Word

Hon. Eng. James G.K. Rege, CBS
Chairman

Chairman's Word (cont.)

Dear Stakeholders,
I take pleasure in presenting the Annual Report and Financial Statements for the year ended 30th June 2018. During the period under review the Company posted an impressive performance index.
The government of Kenya, during the same period facilitated a favorable economic environment that saw our Company, the Kenya Electricity Transmission Company Limited (KETRACO) expand its transmission projects portfolio and consolidate her asset base.

The lighting of fiber optic commercialization service contract signed on 14th February 2018 with Liquid Telecom was a major milestone in the Company's calendar.
The Company partnered with Liquid Telecom, a licensed operator to design, supply, install, operate, manage and commercialize its fiber network on a revenue sharing arrangement. The partnership will expand Liquid's network and add resilience to their internet connectivity with a limitless capacity to carry any amounts of data bandwidth.
KETRACO executed two dark fiber contracts with Jamii Telecommunications (JTL): first the Kamburu – Meru link worth Kshs 31.5 Million and the Mangu-Juja link worth Kshs 13.2 Million.

Industry Overview

The global focus is shifting to green energy. Today renewable energy provides just a fraction of its potential to the nation. The idea is to have the vastly available renewable energy streams added to the state portfolio. This is becoming a reality in Kenya; having an inexhaustible energy supply. The country is advantageously located where wind, solar and geothermal energy sources are available. KETRACO, in partnership with sector players, is embarking on numerous projects that will be used in the transmission of high voltage electricity, nationwide and regionally.

The Energy Bill 2017 was tabled in the National Assembly and the Senate in the 2017/18 Financial Year, to be presented for assent by the President. However, further amendments were recommended to this Bill which was expected to repeal the Energy Act 2006. Some of the issues in the Energy Bill touching on our business include independent system operator and way leaves acquisition.

Performance Review

The Company's asset base has continued to grow and rose from Kshs. 134,860 million in the Financial year 2016 – 2017 to Kshs. 157,120 million in the 2017 – 2018 financial year. The Company also received project funding amounting to Kshs 25,967 million: Kshs 15,420 million from external sources and Kshs 10,547 million from the exchequer in the financial year under review. The total income during the year under review amounted to Kshs. 3,174 million while the total operating expenses was Kshs. 2,707 million compared to Kshs. 2,732 million and Kshs. 2,317 million respectively in 2016 - 2017.

Future Outlook

In addition to the already completed transmission infrastructure projects, the Company intends to complete several projects in the coming financial year which will vastly change the reliance on non-renewable energy to green sources. Among the transmission projects aimed at making this transition are; 438km 400kV Loiyangalani-Suswa and Sultan Hamud-Wote Transmission Lines.

Tribute

Finally, on behalf of the Board of Directors I take this opportunity to express my sincere appreciation to our stakeholders for the continued support throughout the year. The government, the Cabinet Secretaries and Principal Secretaries, Ministry of Energy and the National Treasury, the Board of Directors, Management and Staff of KETRACO as well as our development partners who have played crucial roles in enabling the Company to achieve major milestones in the year under review. As always, we are eager to continue collaborating with all our stakeholders in order to achieve our vision of building a World class national transmission grid.

Hon. Eng. James G.K. Rege, CBS
Chairman

26th April 2019

Taarifa Ya Mwenyekiti

Mhe. Eng. James G.K. Rege, CBS
Mwenyekiti

Taarifa Ya Mwenyekiti

Wapendwa wadau,

Ninayo furaha kuwasilisha Ripoti ya Mwaka na Taarifa ya Fedha kwa mwaka ulioishia Juni 30, 2018. Katika kipindi cha mapitio, Kampuni imeonyesha kiwango kinachovutia cha utendaji. Kwa wakati huo huo, Serikali ya Kenya ilitengeneza mazingira mazuri ya kiuchumi ambayo yaliifanya Kampuni yetu, (KETRACO) kukuza kabrasha la miradi yake ya kusambaza umeme na kuongeza mali zake.

Kutekelezwa kwa mkataba wa huduma ya biashara ya mkonge wa intaneti (fiber optic) uliosainiwa Februari 14, 2018 pamoja na Liquid Telecom ilikuwa ni hatua kubwa kwenye kalenda ya Kampuni.

Kampuni iliingia ubia na Liquid Telecom, mtoa huduma mwenye leseni ili kubuni, kusambaza, kufunga, kuendesha, kusimamia na kuuza mtandao wake wa mkonge wa intaneti kwa utaratibu wa kugawana mapato. Ubia huu utapanua mtandao wa Liquid na kuongeza nguvu kwenye muunganisho wa intaneti yao kwa uwezo usio na kikomo ili kubeba kiasi chochote cha kipimo data.

KETRACO ilisaini mikataba miwili ya mkonge wa intaneti na Jamii Telecommunications (JTL): kiungo cha Kamburu – Meru chenye thamani ya 309,507 na kiungo cha Mang'u - Juja chenye thamani ya 132,687.

Muhtasari wa Sekta

Mtazamo wa ulimuengu umegeukia upande wa nishati safi. Nishati mbadala ya leo inatoa sehemu tu ya faida yake kwa taifa. Dhana ni kuongeza kwenye orodha ya taifa vyanzo vya nishati mbadala ipatikanayo kwa wingi. Jambo hili linakuwa uhalisia hapa Kenya; nchi yenye kiasi kikubwa na kisicho na ukomo cha nishati isiyoisha. Nchi hii ipo kwenye eneo zuri lenye vyanzo vya nishati ya upepo, jua na jotoardhi (geothermal). KETRACO, kwa kushirikiana na wadau wa sekta, inatekeleza miradi kadhaa itakayotumika katika kusambaza umeme wa msongo wa juu, kitaifa na kikanda.

Katika mwaka wa fedha 2017/18, Muswada wa Kawi wa 2017 ulipitishwa na Bunge la Kitaifa na Seneti ili kuwasilishwa kwa Rais kusahihisha. Walakini, marekebisho zaidi yalipendekezwa kwa Muswada huu ambao ulitarajiwa kufutilia mbali Sheria ya mwaka wa 2006. Baadhi ya maswala yaliyogusiwa na Muswada huu katika shughuli za kampuni yetu ni pamoja na mwendeshaji wa mfumo huru na njia ya kupitishia umeme.

Mapitio ya Utendaji

Mali za Kampuni zimeendelea kuongezeka na kupanda kutoka Kshs milioni 134,860 katika mwaka wa fedha 2016 – 2017 hadi Kshs milioni 157,120 katika mwaka wa fedha 2017 – 2018. Kampuni pia ilipata ufadhili wa miradi wa jumla ya Kshs milioni 25,967: Kshs milioni 15,420 kutoka vyanzo vya nje na Kshs milioni 10,547 kutoka Hazina katika mwaka wa mapitio. Jumla ya mapato katika mwaka wa mapitio yalikuwa ni kiasi cha Kshs milioni 3,174 huku jumla ya gharama za uendeshaji ikiwa Kshs milioni 2,707 kulinganishwa na Kshs milioni 2,732 na Kshs milioni 2,317 kwa mtiririko huko katika mwaka 2016 - 2017.

Mtazamo wa Siku za Usoni

Pamoja na miradi ya miundombinu ambayo tayari imeshakamilika, Kampuni inalenga kukamilisha miradi mbalimbali katika mwaka ujao wa fedha ambayo itabadilisha kwa sehemu kubwa utegemezi kutoka nishati ya visukuku kwenda nishati safi. Miongoni mwa miradi ya kusambaza umeme inayolenga kuleta mabadiliko haya ni; Laini ya Kusambaza Umeme 438Km 400Kv hoiyangalani Suswa na Laini ya Kusambaza Umeme ya Sultan Hamud – Wote kilomita 43 132kV.

Pongezi

Mwishowe, kwa niaba ya Bodi ya Wakurugenzi, nachukua fursa hii kutoa shukrani zangu za dhati kwa wadau wetu kwa kuendelea kutuunga mkono kwa kipindi chote cha mwaka. Serikali, Makatibu na Makatibu Wakuu wa Baraza la Mawaziri, Wizara ya Nishati, Hazina na Mipango, Bodi ya Wakurugenzi, Uongozi na Wafanyakazi wa KETRACO pamoja na wabia wetu wa maendeleo ambao wamechangia kwa sehemu kubwa katika kuiwezesha Kampuni kupiga hatua kubwa katika mwaka wa mapitio.

Kama ilivyo ada, tunayo shauku ya kuendelea kushirikiana na wadau wetu wote ili kufikia dira yetu ya kujenga gridi ya kusambaza umeme yenye hadhi ya kimataifa.

Mhe. Eng. James G.K. Rege, CBS
Mwenyekiti

Aprili 26, 2019

Managing Director's Statement

FCPA Fernandes Barasa, OGW, Managing Director

Managing Director's Statement (cont.)

Dear Stakeholders,

KETRACO has continued to make concerted efforts at strengthening and extending the national power transmission grid to enhance quality, reliability, stability and security of electricity supply in the country in addition to increasing access This is in line with Kenya Vision 2030 and the Big Four Agenda. In the financial year 2017/18, an addition of 81km of high voltage transmission lines were commissioned bringing the total length of lines constructed by KETRACO to 1,880km and the transformation capacity to 814MVA as detailed in the table below. The lines comprise of 920km of 132kV, 375km of 220kV and 585km of 400kV.

Table 1: Length of completed high voltage transmission lines (km) as at June 2018

Transmission Line	Length (km)	Commissioning Date
*Sondu Miriu - Kisumu132kV line	50	Jul - 2007
Chemosit - Kisii 132kV line	62	Mar - 2010
Rabai - Galu 132kV line	48	Mar - 2010
Kamburu - Meru 132kV line	122	Sep - 2010
Sang'oro - Sondu 132kV line	5	Jun - 2012
Mumias-Rangala 132kV line	34	Jul - 2012
Kilimambogo-Thika-Githambo 132kV line	77	Mar - 2013
Thika-Gatundu (Nyaga) 132kV line	30	Mar - 2013
Rabai-Malindi-Garsen-Lamu 220kV line	329	Jun - 2013
Meru - Isiolo 132kV line	26	Sep - 2015
Kindaruma-Mwingi-Garissa 132kV line	234	May - 2016
Eldoret-Kitale 132kV line	66	Jun - 2016
Olkaria IV - Suswa 220kV line	18	Jun - 2016
Olkaria IAU - Suswa 220kV line	25	Aug - 2016
Olkaria IAU - Olkaria II 220kV line	3	Oct - 2016
Menengai-Soilo 132kV line	13	Dec - 2016
Sotik-Bomet 132kV line	26	Aug - 2016
Ishiara-Kieni 132kV line	33	Dec - 2016
Machakos -Konza 132kV line	13	Nov - 2016
Mombasa-Nairobi 400kV line	482	Jun - 2017
Suswa-Isinya 400kV line	103	Jun - 2017
Kisii-Awendo 132kV line	44	Dec - 2017
Awendo-Ndhiwa 132kV line	37	May - 2018
Total Length (km)	**1,880**	

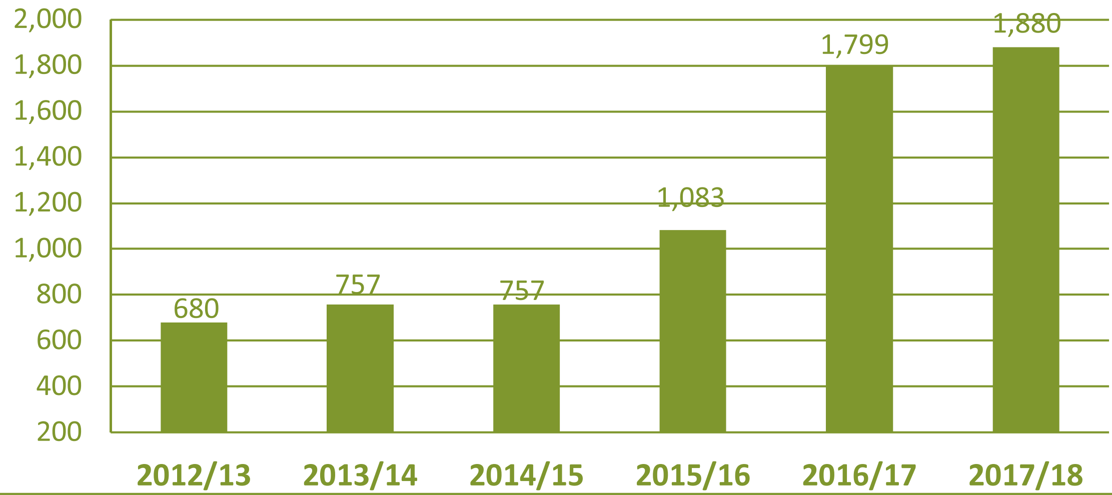
**The Sondu Miriu – Kisumu line was implemented by KenGen and handed to KETRACO in line with its core mandate*

Concreting of a tower foundation along the 500kV Eastern Electricity Highway Project

Managing Director's Statement (cont.)

The national grid expansion is shown in the figure below:

Figure 2: Cumulative Annual Length of Completed High Voltage lines (km) : 2012-2018



The Company has several ongoing projects aimed at system strengthening, power evacuating, increasing electricity access and regional interconnectors to facilitate power trade with neighbouring countries. Currently, the Company is in the process of constructing various priority projects totalling to about 2,640km. The details for the various on-going power transmission projects are provided below: -

1. System Strengthening Projects

The system strengthening/capacity enhancement projects will improve transfer capacity of electrical energy and address the challenge of low voltages, high transmission losses, unreliability of supply and network security. This category of projects includes the following: -

Nairobi Ring and Associated Substations

The project involves construction of four 220/66kV substations at Isinya, Kimuka (Ngong), Athi River and Malaa (Komarock) as well as the 103km 400kV Suswa – Isinya double circuit transmission line.

Rated at 1,700MW, the Nairobi Ring project will offer an alternative supply path for power into the Nairobi Metropolitan Region and increase transformation capacity relieving the existing overloaded substations. This will increase reliability of power supply and create an attractive climate for investors in the region thus spurring economic growth and creating employment.

300km 400/220kV Olkaria – Lessos - Kisumu project

This project involves construction of the 300km 400kV double circuit transmission line from Olkaria Geothermal Power Plant to Lessos, 220kV double circuit line from Lessos to Kisumu, a new 220/132/33kV substation at Kisumu, extension of the existing Olkaria and Lessos substations (Olkaria – Lessos with a rating of 1,200MW and Lessos – Kisumu with a rating of 500MW).

The project will help strengthen the link between the South Rift, where there exists massive geothermal potential and Western parts of the grid where demand is fast growing and has insufficient supply. Through the Lessos substation upgrade, a strong link will be provided for power export/import to/from neighbouring countries.

Mariakani 400/220kV Substation

The project involves construction of the 400/220kV 2x200MVA step down substation. This will lead to increased power supply to the Coast from the affordable Olkana geothermal power fields in the Rift Valley alongside hydropower from neighbouring Ethiopia through the Rabai – Mariakani – Isinya – Suswa line linked to Wolayta/Sodo substation. Mariakani substation will also offer reliable and stable power supply to the proposed Dongo Kundu Special Economic Zone area through the Dongo Kundu – Mariakani line

Managing Director's Statement (cont.)

System Reinforcement Component (Isinya 400/220kV and Nairobi North 220/66kV substation)

The project involves construction of the 400kV substation at Isinya and capacitor banks at Athi River and Nairobi North substations.

2. Power Evacuation Projects

The Company is implementing several projects targeting to evacuate power from various planned generation plants for injection into the national grid. The progress of the various power evacuation projects is discussed below:

438 km 400kV Loiyangalani-Suswa project

The project entails construction of the 438km 400kV double circuit line that will evacuate power from the 310MW Lake Turkana Wind Power plant in Loiyangalani to Suswa substation. In addition, the project also involves the construction of a 400kV substation at Loiyangalani and 400/220kV substation at Suswa.

At 2,000MW rating, it will have sufficient capacity to evacuate power from future generation plants along the area it traverses. This will comprise of solar, geothermal and other wind farms in the Rift and Northern Kenya (Marsabit).

3. Regional Interconnection Projects

The interconnector projects will facilitate power trading with neighbouring countries. Three projects are under implementation and they include;

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

This interconnector involves construction of the 132km double circuit line from the existing Lessos substation, in Kenya, to the Kenya – Uganda border near Tororo substation in Uganda, with a capacity of 1,200MW.

It is part of the interconnection of Electric Grids of the Nile Equatorial Lakes Countries Project (NELSAP). The NELSAP project consists of the construction and upgrading of interconnection lines of the grids of Nile Equatorial Lakes Countries. This will increase trade cross-border exchange and energy and improve the transient stability of the systems, safety and affordability of supply. In the operation of the interconnected networks of these five Nile Basin Initiative Countrie, will be made flexible.

The Kenya – Uganda interconnector will facilitate power change between Uganda and Kenya, increase access to electricity, reduce transmission technical losses and improve regional integration. This cross boundary energy trade will in the long run facilitate power trade within the countries of the Eastern Africa Power Pool (EAPP).

612km 500 kV Eastern Electricity Highway Project (Ethiopia-Kenya Interconnector)

The project involves construction of the 612km 500kV High Voltage Direct Current (HVDC) bi-pole transmission line and 400kV substations to interconnect the electricity network of Ethiopia, at the Wolayta/Sodo substation, with the Kenya network at the Suswa substation.

Rated at 2000MW, the interconnector will provide reliable and affordable energy from a regional resource base and facilitate access to considerable clean energy resources. This will reduce pollution and vulnerability to climate change, thus strengthening environmental resilience. It will also enable power trading within the East African region and eventually to the Southern Africa Power Pool (SAPP).

Loiyangalani Substation

Managing Director's Statement (cont.)

96km 400kV Kenya-Tanzania Interconnector

This interconnector involves the construction of 96km double circuit transmission line from the 400kV Isinya substation in Kenya

This is the Kenyan component of the 2,000km Kenya–Tanzania-Zambia interconnector that will act as a link to the SAPP providing opportunities for power trade between the EAPP and SAPP.

4. Electricity Access Projects

The main objective of this category of projects is to increase electricity access and address the challenges of low access and connectivity. Some of the on-going and planned projects under this category include:

a) Transmission System Expansion Projects

i. 96km 132kV Nanyuki – Isiolo – Meru line, three substations at Nanyuki, Isiolo and Meru. The 26km Meru – Isiolo section was completed and energised.

ii. 100km 132kV Sondu – Ndhiwa - Awendo line, a new substation at Homa Bay and extension of the Sondu and Awendo substations. The 37km Awendo - Ndhiwa section was completed and energized.

b) Kenya Power Transmission System Improvement Programme (KPTSIP)

I. 65km 132KV Lessos - Kabarnet line, a new substation at Kabarnet and an out-going bay at the existing Lessos substation.

II. 79km 132kV Nanyuki – Nyahururu (Rumuruti) line, a new substation at Nyahururu and extension of the existing Nanyuki substation. Substations are complete.

III. 68km 132kV Olkaria - Narok line, a new substation at Narok and an extension of the existing Olkaria substation. Substations are complete.

IV. 153km 132kV Mwingi – Kitui - Wote - Sultan Hamud line, new substations at Kitui, Wote and Sultan Hamud, and extension of the Mwingi substation. Substations are complete.

c) EXIM Bank of India and GoK funded projects

i. 138km 220kV Turkwel – Ortum – Kitale line, two new substations at Ortum and Kitale as well as expansion of Turkwel substation.

ii. 80km Machakos – Konza - Isinya – Namanga line, four new substations at Machakos, Konza, Kajiado and Namanga. The 13km Machakos – Konza section was commissioned.

Planned Projects

KETRACO has identified several other projects to be implemented. These projects totalling to over 8,700km will evacuate generated power from new generation sources, strengthen the power system and facilitate grid extension to isolated areas thereby increasing electricity access.

In conclusion, I would like to warmly thank Government of Kenya, the Board of Directors, staff, development partners and other key stakeholders for making 2017/18 another year of inspiration and progress. I look forward to continuing our dialogue and joint success in the coming financial year.

FCPA. Fernandes O. Barasa, OGW
Managing Director

26th April 2019

482Km 400kV Mombasa- Nairobi Transmission line project

Tamko La Mkurugenzi Mtendaji

FCPA Fernandes Barasa, OGW, Mkurugenzi Mkuu

Tamko La Mkurugenzi Mtendaji

Wadau wapendwa,

KETRACO imeendelea kufanya juhudi madhubuti katika kuimarisha na kupanua gridi ya taifa ya kusambaza nishati ya umeme. Hii ni kwa ajili ya kukuza ubora, uhakika, uthabiti na usalama wa ugavi wa umeme nchini ikiwa ni pamoja na kuongeza ufikio. Jambo hili lisambamba na Ruwaza ya Kenya 2030 (Vision 2030) na Ajenda Kuu Nne (Big Four Agenda). Katika mwaka wa fedha 2017/18, nyongeza ya laini za kusambaza umeme wa msongo wa juu zenye kilomita 81 zilifunguliwa na kufanya jumla ya urefu wa laini za umeme mkubwa zilizojengwa na KETRACO kuwa kilomita 1,880 na uwezo wa kukuza nguvu ya umeme kuwa 814MVA kama ilivyoainishwa kwenye jedwali hapo chini. Laini hizo zinahusisha kilomita 920 za 132kV, kilomita 375 za 220kV na kilomita 585 za 400kV.

Jedwali 1: Urefu (kilomita) wa laini za kusambaza umeme wa msongo wa juu kwa mwaka kufikia Juni 2018

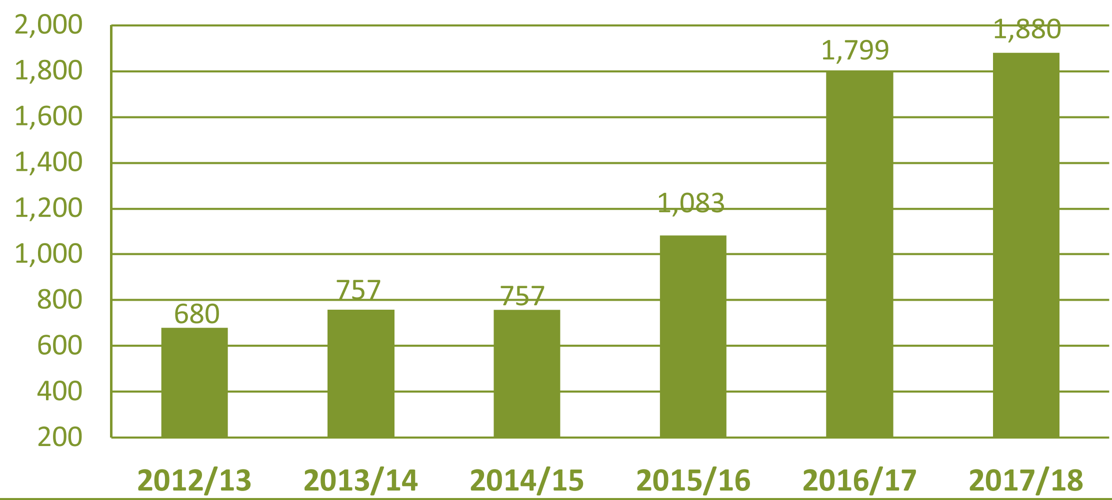
Laini ya Kusambaza Umeme	Urefu (km)	Tarehe ya Ufunguzi
*Laini ya Sondu Miriu – Kisumu 132kV	50	Jul - 2007
Laini ya Chemosit - Kisii 132kV	62	Mac - 2010
Laini ya Rabai - Galu 132kV	48	Mac - 2010
Laini ya Kamburu - Meru 132kV	122	Sep - 2010
Laini ya Sang'oro - Sondu 132kV	5	Jun - 2012
Laini ya Mumias-Rangala 132kV	34	Jul - 2012
Laini ya Kilimambogo-Thika-Githambo 132kV	77	Mac - 2013
Laini ya Thika-Gatundu (Nyaga) 132kV	30	Mac - 2013
Laini ya Rabai-Malindi-Garsen-Lamu 220kV	329	Jun - 2013
Laini ya Meru - Isiolo 132kV	26	Sep - 2015
Laini ya Kindaruma-Mwingi-Garissa 132kV	234	Mei - 2016
Laini ya Eldoret-Kitale 132kV	66	Jun - 2016
Laini ya Olkaria IV - Suswa 220kV	18	Jun - 2016
Laini ya Olkaria IAU - Suswa 220kV	25	Ago - 2016
Laini ya Olkaria IAU - Olkaria II 220kV	3	Okt - 2016
Laini ya Menengai-Soilo 132kV	13	Des - 2016
Laini ya Sotik-Bomet 132kV	26	Ago - 2016
Laini ya Ishiara-Kieni 132kV	33	Des - 2016
Laini ya Machakos -Konza 132kV	13	Nov - 2016
Laini ya Mombasa-Nairobi 400kV	482	Jun - 2017
Laini ya Suswa-Isinya 400kV	103	Jun - 2017
Laini ya Kisii-Awendo 132kV	44	Des - 2017
Laini ya Awendo-Ndhiwa 132kV	37	Mei - 2018
Jumla ya Urefu (km)	**1,880**	

**Laini ya Sondu Miriu – Kisumu ilijengwa na KenGen na kukabidhiwa kwa KETRACO sambamba na agizo lake kuu*

Tamko La Mkurugenzi Mtendaji

Upanuzi wa gridi ya taifa umeainishwa kwenye kielelezo hapo chini:

Kielelezo 2: Jumla ya Urefu wa Laini za Msongo wa Juu Zilizokamilika kwa Mwaka (km): 2012-2018



Kampuni ina miradi mbalimbali inayoendelea ambayo inalenga kuimarisha mfumo, kusafirisha nishati ya umeme kutoka vituo vya uzalishaji, kuongeza ufikio wa umeme na kuunganisha nchi za kanda ili kuwezesha biashara ya umeme pamoja na nchi za jirani. Kwa sasa, Kampuni ipo kwenye mchakato wa kujenga miradi kadhaa iliyopewa kipaumbele yenye jumla ya kilomita 2,640. Maelezo ya miradi mbalimbali inayoendelea ya kusambaza umeme yametolewa hapo chini: -

1. Miradi ya Kuimarisha Mfumo

Miradi ya kuimarisha mfumo/kuongeza uwezo itaboresha uwezo wa kusafirisha nishati ya umeme na kushughulikia changamoto ya kupungua kwa nguvu ya umeme, hasara kubwa inayopatikana wakati wa kusambaza umeme, kukosekana kwa uhakika wa ugavi na usalama wa mtandao. Miradi hiyo ni: -

Mzunguko wa Nairobi na Vituo vyake Vidogo vya Kupoza Umeme

Mradi huu unahusisha ujenzi wa vituo vidogo vinne vya kupoza umeme vya 220/66kV vya Isinya, Kimuka (Ngong), Athi River na Malaa (Komarock) pamoja na laini ya saketi mbili yenye kilomita 103 400kV ya Suswa – Isinya.

Kwa nguvu ya kusafirisha umeme wa Megawati 1,700MW, mradi wa Mzunguko wa Nairobi utatoa njia mbadala ya ugavi wa umeme katika Eneo la Nairobi Mjini na kuongeza uwezo wa kukuza nguvu ya umeme ili kuondosha mzigo kwenye vituo vidogo vya sasa vya kupoza umeme vilivyozidiwa. Hii itaongeza uhakika wa ugavi wa umeme na kutengeneza mazingira yatakayowavutia wawekezaji kwenye kanda hii na hivyo kuchochea maendeleo ya uchumi na ajira.

Mradi wa Olkaria – Lessos – Kisumu wa kilomita 300 400/220kV

Mradi huu unahusisha ujenzi wa laini ya saketi mbili yenye kilomita 279 ya 400kV kutoka Kituo cha Kuzalisha Umeme wa Jotoardhi (Geothermal) cha Olkaria hadi Lessos, laini ya saketi mbili ya 220kV kutoka Lessos hadi Kisumu, kituo kidogo kipya cha kupoza umeme cha 220/132/33kV cha Kisumu, upanuzi wa vituo vidogo vya sasa vya kupoza umeme vya Olkaria na Lessos (Olkaria - Lessos kina uwezo wa Megawati 1,200 na Lessos - Kisumu kina uwezo wa Megawati 500).

Mradi huu utasaidia kuimarisha kiungo kati ya South Rift, ambapo kuna fursa kubwa ya nishati ya umeme wa jotoardhi, na sehemu za Magharibi mwa gridi ambapo uhitaji unakua kwa kasi ilihali kuna ugavi duni. Kwa uboreshaji wa kituo kidogo cha kupoza umeme cha Lessos, sasa kitaweza kuwa kiungo madhubuti cha usambazaji wa nishati ya umeme wa ndani/nje/kutoka nchi za jirani.

Kituo Kidogo cha Kupoza Umeme cha Mariakani 400/220kV

Mradi huu unahusisha ujenzi wa kituo kidogo cha kupoza umeme cha 400/220kV 2x200MVA.

Tamko La Mkurugenzi Mtendaji

Kitawezesha ongezeko la ugavi wa umeme kwenye ukanda wa Pwani kwa umeme wa gharama nafuu wa jotoardhi kutoka mashamba ya kuvuna nishati ya umeme ya Olkaria katika Bonde la Ufa, sambamba na umeme wa nishati ya maji kutoka nchi jirani ya Ethiopia kupitia laini ya Rabai – Mariakani – Isinya – Suswa iliyounganishwa na kituo kidogo cha kupoza umeme cha Wolayta/ Sodo. Kituo kidogo cha kupoza umeme cha Mariakani pia kitatoa ugavi wa umeme wa uhakika na ulio thabiti kwenye eneo pendekezwa la Ukanda Maalum wa Uwekezaji wa Dongo Kundu (SEZ) kupitia laini ya Dongo Kundu – Mariakani.

Kipande cha mradi wa Kuimarisha Nguvu ya Mfumo wa Umeme (Isinya 400/220kV na kituo kidogo cha kupoza umeme cha Nairobi North 220/66kV)

Mradi huu unahusisha ujenzi wa kituo kidogo cha kupoza umeme cha 400kV cha Isinya na jopo la kapasita za kuhifadhi nishati ya umeme (*capacitor banks*) katika vituo vidogo vya kupoza umeme vya Athi River na Nairobi North.

2. Miradi ya Kusafirisha Umeme kutoka Vituo vya Uzalishaji

Kampuni inatekeleza miradi mbalimbali inayolenga kusafirisha nishati ya umeme kutoka vituo kadhaa maalum vya uzalishaji kwa ajili ya kuingizwa kwenye gridi ya taifa. Upigaji hatua wa miradi kadhaa ya kusafirisha nishati ya umeme umetolewa maelezo hapo chini:

Mradi wa Loiyangalani – Suswa (Kilomita 438 ya 400kV)

Mradi huu unahusisha ujenzi wa laini ya saketi mbili yenye kilomita 438 ya 400kV itakayosafirisha umeme kutoka Kituo cha Kuzalisha Nishati ya Upepo wa Megawati 310 cha Ziwa Turkana huko Loiyangalani hadi kituo kidogo cha kupoza umeme cha Suswa. Kadhalika, mradi huu pia unahusisha ujenzi wa kituo kidogo cha 400kV cha Loiyangalani na kituo kidogo cha kupoza umeme cha 400/220kV cha Suswa.

Kwa nguvu ya kusafirisha umeme wa Megawati 2,000, laini hii itakuwa na uwezo wa kutosha wa kusafirisha nishati ya umeme kutoka vituo vya kuzalisha umeme vitakavyojengwa siku za usoni kwenye maeneo itakayokatiza ambayo yatahusisha mashamba ya kuzalisha umeme wa nishati ya jua, jotoardhi na upepo kwenye Bonde la Ufa na mashamba ya kuzalisha nishati ya upepo ya Kaskazini mwa Kenya (Marsabit).

3. Miradi ya Kuunganisha Nchi za Kanda

Miradi ya kuunganisha nchi za kanda itawezesha biashara ya umeme pamoja na nchi za jirani. Miradi mitatu inatekelezwa na inahusisha;

Laini ya Lessos – Tororo (Kilomita 132 400kV, Kuunganisha Kenya - Uganda)

Mradi huu wa kuunganisha nishati ya umeme kati ya nchi unahusisha ujenzi wa laini ya saketi mbili yenye kilomita 132 kutoka kituo kidogo cha sasa cha kupoza umeme cha Lessos, nchini Kenya, hadi kwenye mpaka wa Kenya – Uganda karibu na kituo kidogo cha kupoza umeme cha Tororo nchini Uganda, yenye uwezo wa kusafirisha umeme wenye nguvu ya Megawati 1200.

Ni sehemu ya Mradi wa Kanda wa Kuunganisha Gridi za Umeme unaojulikana kama *Nile Equatorial Lakes Countries Project* (NELSAP). Mradi wa NELSAP unahusisha ujenzi na uboreshaji wa laini zinazounganisha gridi za nchi za NELSAP ili kuongeza wigo wa kubadilishana nishati ya umeme pamoja na biashara ya umeme kati ya nchi na kuboresha uthabiti wa muda mfupi wa mifumo husika, usalama na unafuu wa ugavi, pamoja na unyumbulifu katika uendeshaji wa mitandao iliyounganishwa ya Nchi Tano za Mradi wa Bonde la Mto Nile.

Mradi wa kuunganisha Kenya – Uganda utawezesha kubadilishana nishati ya umeme kati ya Uganda na Kenya, utaongeza ufikio wa umeme, utapunguza hasara kubwa inayopatikana wakati wa kusambaza umeme na utaboresha mwingiliano wa kikanda kwa kuwezesha biashara ya umeme kati ya nchi ambayo huko mbeleni itawezesha biashara ya nishati ya umeme miongoni mwa nchi za Mtandao wa Umeme wa Nchi za Afrika Mashariki (EAPP).

Mradi wa Barabara Kuu ya Umeme Afrika Mashariki Kilomita 612 ya 500 kV, (Kiunganisho cha Ethiopia - Kenya)

Mradi huu unahusisha ujenzi wa laini ya kusambaza umeme ya nguzo mbili yenye kilomita 612 ya 500kV na uwezo wa kusafirisha umeme wa msongo wa juu (HVDC) na vituo vidogo vya kupoza umeme vyenye uwezo wa 400kV ili kuunganisha mtandao wa nguvu ya umeme wa Ethiopia, kwenye kituo kidogo cha kupoza umeme cha Wolayta/ Sodo, pamoja na mtandao wa Kenya, kwenye kituo kidogo cha kupoza umeme cha Suswa.

Kwa nguvu ya kusafirisha umeme wa Megawati 2,000, mradi huu wa kuunganisha nishati ya umeme kati ya nchi utatoa umeme ya uhakika na wa gharama nafuu kutoka kituo cha kanda cha rasilimali na kuwezesha ufikio wa rasilimali ya

Tamko La Mkurugenzi Mtendaji

nishati iliyo safi kutoka kanda husika, utapunguza uharibifu na hatari ya kutokea mabadiliko ya tabianchi, na hivyo utaimarisha ustahimilivu wa mazingira. Mradi huu pia utawezesha biashara ya nishati ya umeme katika kanda ya Afrika Mashariki na hatimaye kwenye Mtandao wa Umeme wa Nchi za Afrika Kusini (SAPP).

Mradi wa Kuunganisha Kenya – Tanzania (Kilomita 96 ya 400kV)

Mradi huu wa kuunganisha nishati ya umeme kati ya nchi unahusisha ujenzi wa laini ya kusambaza umeme ya saketi mbili yenye kilomita 96 kutoka kituo kidogo cha kupoza umeme cha 400kV kilichopo Isinya nchini Kenya.

Ni kipande cha Kenya cha mradi wa kuunganisha nishati ya umeme chenye kilomita 2,000 kati ya Kenya – Tanzania – Zambia ambacho kitatumika kama kiungo kwa nchi za SAPP huku kikitoa fursa ya biashara ya nishati ya umeme kati ya nchi za EAPP na SAPP.

4. Miradi ya Ufikio wa Nishati ya Umeme

Lengo kuu la miradi hii ni kuongeza ufikio wa nishati ya umeme na kushughulikia changamoto ya upatikanaji na uunganishwaji na huduma ya umeme. Baadhi ya miradi inayoendelea na iliyopangwa chini ya kipengele hiki ni:

a) Miradi ya Kupanua Mifumo ya Kusambaza Umeme

i. Laini ya Nanyuki – Isiolo yenye kilomita 96 ya 132kV, vituo vidogo vitatu vya Nanyuki, Isiolo na Meru. Kipande cha Meru – Isiolo chenye kilomita 26 kilikamilika na kimeanza kufanya kazi.

ii. Laini ya Sondu – Ndhiwa – Awendo yenye kilomita 100 ya 132kV, kituo kidogo kipya cha kupoza umeme cha Homa Bay na upanuzi wa vituo vidogo vya kupoza umeme vya Sondu na Awendo. Kipande cha Awendo – Ndhiwa chenye kilomita 37 kilikamilika na kimeanza kufanya kazi.

b) Mpango ya Kuboresha Mfumo wa Kusambaza Umeme Kenya (KPTSIP)

i. Laini ya Lessos – Kabarnet yenye kilomita 65 ya 132kV, kituo kidogo kipya cha kupoza umeme cha Kabarnet na hori ya kulisha umeme (*out-going bay*) kwenye kituo kidogo cha sasa cha kupoza umeme cha Lessos.

ii. Laini ya Nanyuki – Nyahururu (Rumuruti) yenye kilomita 79 ya 132kV, kituo kidogo kipya cha kupoza umeme cha Nyahururu na upanuzi wa kituo kidogo cha sasa cha kupoza umeme cha Nanyuki. Vituo vidogo vya kupoza umeme vimekamilika.

iii. Laini ya Olkaria – Narok yenye kilomita 68 ya 132kV, kituo kidogo kipya cha kupoza umeme cha Narok na upanuzi wa kituo kidogo cha sasa cha kupoza umeme cha Olkaria. Vituo vidogo vya kupoza umeme vimekamilika.

iv. Laini ya Mwingi – Kitui – Wote – Sultan Hamud yenye kilomita 153 ya 132kV, vituo vidogo vipya vya kupoza umeme vya Kitui, Wote na Sultan Hamud, na upanuzi wa kituo kidogo cha kupoza umeme cha Mwingi. Vituo vidogo vya kupoza umeme vimekamilika.

c) Miradi iliyofadhiliwa na Benki ya Exim ya India na Serikali ya Kenya

i. Laini ya Turkwel – Ortum – Kitale yenye kilomita 138 ya 220kV, vituo vidogo viwili vya kupoza umeme vya Ortum na Kitale pamoja na upanuzi wa kituo kidogo cha kupoza umeme cha Turkwel.

ii. Laini ya Machakos – Konza – Isinya – Namanga yenye kilomita 80, vituo vidogo vinne vya kupoza umeme vya Machakos, Konza, Kajiado na Namanga. Kipande cha Machakos – Konza chenye kilomita 13 kimeshaanza kufanya kazi.

Miradi Iliyopangwa

KETRACO imebainisha miradi mingine mbalimbali ambayo inapaswa kutekelezwa. Miradi hii yenye jumla ya zaidi ya kilomita 8,700 itasafirisha nishati ya umeme inayozalishwa kutoka vyanzo vipya vya uzalishaji, itaimarisha mfumo wa umeme na kuwezesha upanuzi wa gridi kwenye maeneo yaliyopo mbali na hivyo itaongeza ufikio wa umeme.

Kwa kuhitimisha, ningependa kutoa shukrani za dhati kwa Bodi ya Wakurugenzi, wafanyakazi, wabia wa maendeleo na wadau wengine muhimu kwa kuufanya 2017/18 kuwa mwaka mwingine wa matumaini na ustawi. Natazamia kuendeleza mjadala wetu na mafanikio ya pamoja katika mwaka ujao wa fedha.

FCPA. Fernandes Barasa, OGW

Mkurugenzi Mtendaji
Aprili 26, 2019

Sehemu ya kilomita nane ya nyaya za chini ya ardhi ya laini ya Mombasa - Nairobi

Corporate Governance Statement

Incorporation of the Company

The Company was incorporated on 2nd December 2008 under the Companies Act, Laws of Kenya. Although incorporated under the Companies Act, the Company is governed under the provisions of State Corporations Act, Cap 446 by virtue of the Company being wholly owned by the Government.

Shareholding Structure

The Company is 100% owned by Government with a nominal share capital of 20,000 ordinary shares of Kshs.100/= each held as follows:

The National Treasury	19,999
PS, Ministry of Energy & Petroleum (as Nominee)	1
Total shares	**20,000**

Governance Structure

The State Corporations Act, Cap 446 Sec.2 (b) (v), provides that a "State Corporation" shall mean a body corporate established before or after the commencement of this Act by or under an Act of Parliament or other written law but not: "a Company incorporated under the Companies Act which is not wholly owned or controlled by the Government or by a State Corporation."

With this provision, and the current shareholding structure, KETRACO then becomes a State Corporation and is required to operate in compliance with the State Corporations Act, Cap 446. The Memorandum and Articles of Association of KETRACO are therefore aligned to the requirements of the State Corporations Act.

Constitution of the Board and its Committees

The Memorandum & Articles of Association of the Company provide that the appointment and removal of Board shall be governed by the provisions of the State Corporations Act. The constitution of the Board is provided under the Memorandum & Articles of Association Section 3.

The Board of Directors shall consist of: -

a) A non-executive Chairman appointed by the President

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

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

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

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

The current Board with nine (9) members is, therefore, properly constituted as provided above.

"Corporate Governance is the system by which companies are directed and controlled. Boards of directors are responsible for the governance of their companies. The shareholders' role in governance is to appoint the directors and the auditors and to satisfy themselves that an appropriate governance structure is in place". ***(1992 Cadbury Committee Report).***

I. Board Manual and Committee Charter

KETRACO has put in place mechanisms for a corporate governance framework which is outlined in the Board Manual 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 Company observed this governance framework during the year under review.

II. "MWONGOZO"

The Government, through the State Corporations Advisory Committee and the Public Service Commission issued *"mwongozo"* The Code of Governance for State Corporations in January, 2015. It stated that this Code of Governance is a Government response to the need for effective utilization of public resources. The reforms are targeted at achieving improvement in public service delivery as part of the wider public reforms.

The Government developed *"mwongozo"* as a critical building block in entrenching principles and values of public service and best practices in corporate governance geared to address the challenges of governance in State Corporations.

The State Corporations Advisory Committee is tasked with developing a roadmap for all state corporations to implement the Code of Governance. The Directors of KETRACO attended a workshop organized by the State Corporations Advisory Committee to sensitize the directors with the operationalization of *"mwongozo"*. KETRACO

Corporate Governance Statement (Cont.)

has aligned the Board and Committee Charters to ***"mwongozo".*** All Directors have access to an electronic copy of the Code which was uploaded in the e-Board System for ease of reference and perusal as per the Code's requirements.

Board Performance Evaluation

As a state corporation, the Board of Directors of KETRACO is required to negotiate and sign a Performance Contract with the Government every financial year. The Company complied with this requirement and scored "Good" in the performance rating under the Performance Contract for the period under review.

In line with requirements of good corporate governance practices, the Board of Directors submitted its performance Contract pending guidelines from the State Corporations Advisory Committee on the new parameters. The corporate performance rating for the Board of KETRACO during the previous period was 91.04%, which was 'Very Good'.

The State Corporations Advisory Committee (SCAC) requires the Board to carry out self-evaluation every year. It is also a requirement under *"mwongozo",* referred to earlier. The results for previous year's performance evaluation were submitted to SCAC by the Chairman.

e-Board System

The Board of KETRACO has embraced technology to effectively and efficiently conduct its business. In this regard, the Board introduced an electronic system for conducting board meetings and other functions, eliminating paper work. All the members have undergone training to effectively interrogate and use the electronic system.

KETRACO's Board tour of Kibos Substation, part of 220kV Olkaria- Lessos- Kisumu TL

Corporate Governance Statement (Cont.)

Board Committees

The Board of KETRACO has the following Board Committees: -

a) Audit & Risk Committee

The Audit & Risk Committee is constituted in line with Treasury Circular No. 16/2005 on establishment and operationalization of audit committees in the Public Service. There is an Audit & Risk Committee Charter to guide the members in carrying out their mandate, which is outlined in the charter.

The Committee routinely invites the Managing Director, and at times the other key staff to attend the meetings. The Senior Manager, Internal Audit is the Secretary to the Committee.

Attendance of Meetings:

The Committee held 5 meetings during the period which were well attended as shown below:

	NAME	ATTENDANCE
1	Arch. Muraya Kariuki	5
2	Mrs. Eunice Kigen	5
3	Mrs. Grace Ndugu	5

b) Staff & Remuneration Committee

There is provision for a Staff & Remuneration Committee whose mandate includes determining the terms and conditions of service of staff and approval of recommendations for appointment and disciplinary issues of senior staff. When appropriate, the Committee invites other members of the Board and staff to its meetings.

Attendance of Meetings:

The Committee held 8 meetings during the period which were well attended as shown below:

	NAME	ATTENDANCE
1	Mr. Philip Mongony	8
2	Mr. Joakim Kamere	8
3	Mrs. Grace Ndugu	8
4	Eng. Julius Mwathani	1

c) Finance, Strategy & Technical Committee

The Finance, Strategy & Technical Committee was proposed by a previous board, and a Charter approved along with a Board.

Attendance of Meetings:

The Committee held 5 meetings during the period which were well attended as shown below:

	NAME	ATTENDANCE
1	Mr. Philip Mongony	5
2	Arch. Muraya Kariuki	5
3	Mr. Joakim Kamere	5
5	Mrs. Grace Ndugu	5
6	Eng. Julius Mwathani	4

d) Regular and Special Meetings

The Board of Directors held 3 regular meetings and 8 special meetings. They were attended as follows:

Regular meetings

	NAME	ATTENDANCE
1	Mr. Philip Mongony	3
2	Arch. Muraya Kariuki	3
3	Mr. Kenneth Sigilai	3
4	Mr. Joakim Kamere	3
5	Mrs. Grace Ndugu	3
6	Eng. Julius Mwathani	3
7	Mrs. Eunice Kigen	2

Special Meetings

	NAME	ATTENDANCE
1	Mr. Philip Mongony	8
2	Arch. Muraya Kariuki	4
3	Mr. Kenneth Sigilai	8
4	Mr. Joakim Kamere	8
5	Mrs. Grace Ndugu	8
6	Eng. Julius Mwathani	8
7	Mrs. Eunice Kigen	3

NB: There was no Conflict of Interest recorded for the meetings that were convened.

Corporate Governance Statement (Cont.)

Directors' Remuneration

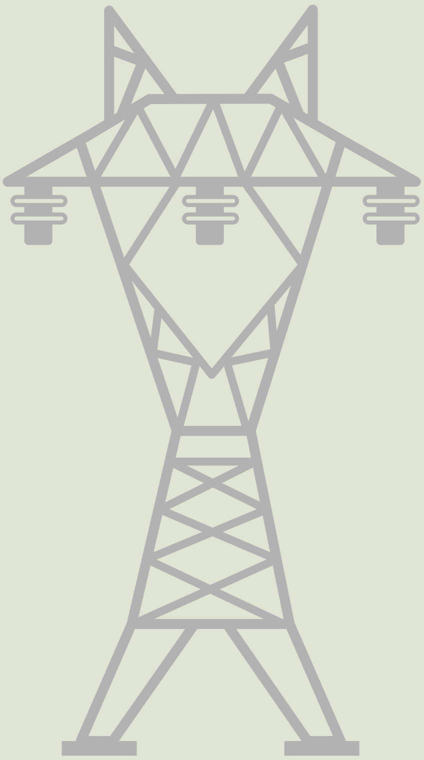
Remuneration of Directors is determined by the appointing authorities in line with guidelines and recommendations of the State Corporations Advisory Committee.

Major Stakeholders

During the period under review, the Company fully engaged with the following major stakeholders: The Government of Kenya through the Ministry of Energy and The National Treasury; Funding and Development partners including the World Bank; African Development Bank (AfDB); *Agence Française de Développement (AFD);* European Investment Bank (EIB); JICA; Exim Bank of China; Kreditanstalt für Wiederaufbau (KfW) and Exim Bank of India. Others include; Kenya Power, Kenya Electricity Generating Company Limited (KenGen), Geothermal Development Company Limited (GDC), Rural Electrification Authority (REA), Energy Regulatory Commission (ERC), Independent Power Producers (IPPs) and other electricity sub-sector players.

His Excellency Hon. Uhuru Kenyatta, C.G.H. commissioning 400kV Suswa-Isinya line

KETRACO's Financial Indicators Data



Total Revenue

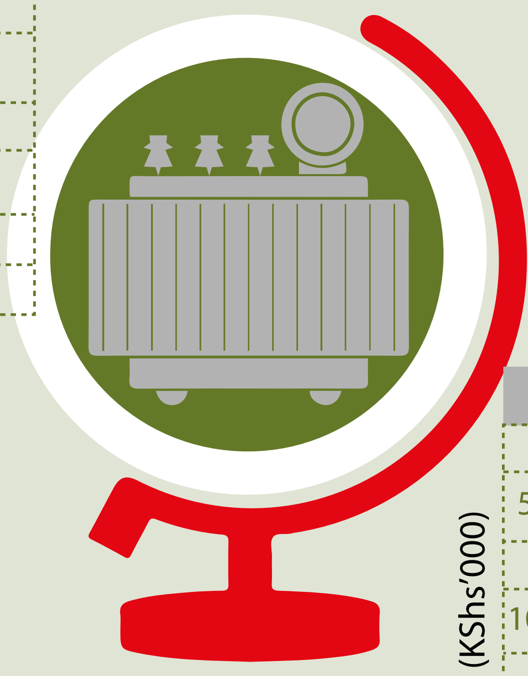
(KShs'000)

2014	2015
840,119	1,364,855
2016	**2017**
2,654,082	2,967,893
2018	
3,449,459	

Operating Expenses

(KShs'000)

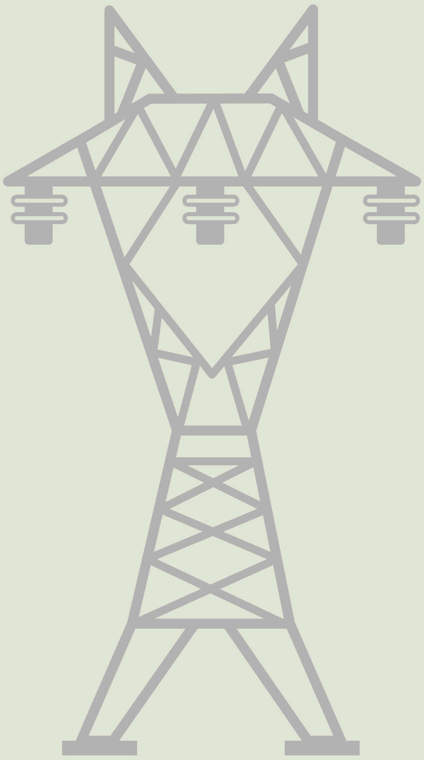
2014	2015
776,611	994,284
2016	**2017**
1,330,399	2,317,220
2018	
2,706,584	



Total Assets

(KShs'000)

2014	2015
50,127,707	71,260,895
2016	**2017**
109,421,234	134,860,445
2018	
157,120,273	



Profit Before Tax

(KShs'000)

2014	2015
63,508	370,571
2016	**2017**
654,050	566,445
2018	
675,186	

Source: Annual Financial Reports - https://www.ketraco.co.ke/about/financial-reports.html

Business Report 2017/2018

KETRACO signed a performance contract with the Government of Kenya through the Ministry of Energy. The contract outlined the deliverables and measures of success for the year 2017/2018. It aimed at enhancing efficiency and effective service delivery to Kenyans in line with the provision of the Constitution, Kenya Vision 2030 and the Big Four Agenda.

FINANCIAL STEWARDSHIP AND FISCAL DISCIPLINE

1. Absorption of Allocated Funds

In the financial year under review, KETRACO absorbed all the funds allocated to construction of transmission lines and related activities totalling to Kshs. 25,967 Million.

2. Appropriation-in-Aid

The Company generated Kshs. 2,355 Million A in A against a target of Kshs. 2,151 Million. The A in A was realised from wheeling revenue, interest income and fibre optic revenue.

3. Pending Bills

The Company had pending bills of Kshs. 5.4 Billion which was 22.87% of the budget. The pending bills were attributed to limited budgetary allocation and delays in disbursement of funds.

SERVICE DELIVERY

4. Service delivery innovations

To improve on service delivery, the Company acquired an Integrated Location Intelligence System (ILIS) to automate and enhance Wayleave Management operations.

5. Resolution of Public complaints

KETRACO ensured prompt resolution of public complaints. The Company reviewed its grievances handling management system to enhance resolution of public complaints. The relevant staff were trained on effective complaints management.

CORE MANDATE

1. Vision 2030 Flagship Projects/ Programmes

In the financial year, KETRACO completed an additional 81km of new lines bringing the total length of completed lines to 1,880km. These lines included

i. 44km 132kV Kisii - Awendo line

ii. 37 km 132kV Ndhiwa – Awendo line

2. Project Completion Rate

In the contract period the Company was also implementing 14 other transmission lines projects. The completion rate of the programmed activities was 69.74%. The completion rate was affected by wayleave challenges, some contractors' ineffectiveness, inadequate budget allocation and delayed disbursement of funds.

IMPLEMENTATION OF PRESIDENTIAL DIRECTIVES

During the year, KETRACO implemented all Presidential directives, circulars and executive orders issued and relevant to its mandate. This includes allocation of resources to priority areas without wastages, ethics and integrity, initiation of electronic procurement and uploading of tenders in the e-procurement platform.

MINIMUM 30% PROCUREMENT BUDGET ALLOCATED TO YOUTH, WOMEN AND PERSONS WITH DISABILITIES (AGPO)

The total procurement amounting to KShs. 176,188,784.40 was awarded to the target groups namely, youth, women and persons living with disabilities.

MINIMUM 40% PROCUREMENT BUDGET DEDICATED TO LOCALLY PRODUCED GOODS AND SERVICES (BUY KENYA BUILD KENYA):

Kshs. 799,998,381.8 worth of goods and services were procured locally by the Company during the year. One Supplier sensitization workshop was held on 22nd and 23rd March 2018.

CROSS-CUTTING ISSUES

1. Asset Management

This was done through inventory management and disposal of idle assets.

2. Youth Internships/industrial Attachments/Apprenticeships

The Company offered 37 internships and 98 industrial attachment opportunities to university students.

3. Competence Management

To improve on performance, the Company undertook an assessment of all employee performance and identified skills gap filled through training. The Company also identified data needs and gaps relevant to its mandate, collected and organised the data in order to inform policy decisions and resource allocation.

Business Report 2017/2018 (Cont.)

4. Disability Mainstreaming

During the contract period, KETRACO implemented Government policy on affirmative action for persons with disabilities by providing equal employment opportunities and ensured ease of access and information.

5. Prevention of HIV/AIDS infections

Prevention of HIV/AIDs was done by offering free condoms, training staff on HIV prevention and creating awareness in project affected areas.

6. Safety and Security Measures

The Company undertook safety measures to take care of all aspects relating to the safety and security of personnel, documents, information, equipment and assets by taking insurance cover for staff, office equipment and vehicles, contracting security officers and armed police for key substations, backing up data and undertaking safety drills. Staff were sensitized on counter terrorism and bomb disposal measures.

7. National Cohesion and Values

The Company continued to promote national cohesion, national values and principles of governance by identifying and recognizing national value champions, creating awareness, information dissemination, sensitizing the values committee, public participation in projects implementation and ensuring sustainable development in project implementation by undertaking Environment and Social Impact Assessments (ESIA).

8. Corruption Prevention

The Company continued combating and preventing corruption by reviewing and updating the following documents: Whistle Blowing Policy, Fraud and Anti-Corruption Policy, Conflict of Interest Policy and Gifts and Benefit Policy. Quarterly reports were submitted to Ethics and Anti-Corruption Commission (EACC) on time.

Tower assembly works

Our Corporate Social Responsibility Approach

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

KETRACO, being an obliging and proactive company, has made Corporate Social Responsibility a priority in its operations. Beyond grid matters, the company has gone out of its way to improve the well-being of communities and impact society that it interacts with in carring out its mandate to be better.

During the financial year under review, social, economic and environmental issues were addressed. 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 towards Corporate Social Responsibility (CSR) is focused on identifying and formulating projects guided by its CSR policy and in response to specific needs that members of the concerned community assess as a priority. Towards 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.

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

The Company further ensured that its operations were carried out observing professional and humane practices taking into account 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) and the need to expedite the process harmoniously.

To this end, the Company actively participated in several engagements with various stakeholders towards improving the quality of life and making the society a better place. In the year 2017-2018, the company partnered with communities from different Counties for various projects. They include construction of dormitories in Makueni County, a library at Weru Secondary School in Olkalou, Nyandarua County, renovation of a social hall in Orpopongi Kedong', Narok County and carried out a tree Planting exercise in Ngong' Forest, Nairobi. In addition, the company participated in the 2017 Stanchart Marathon and supported Tania Children's Home in Kiserian.

KETRACO Staff and pupils of Kikayaya Primary School plant a tree during a CSR event

Loop In Loop Out (LILO) towers at Ortum substation.

Report of the Directors

The Directors have pleasure in presenting their report together with the audited financial statements of Kenya Electricity Transmission Company Limited for the year ended 30 June 2018 which show its state of affairs.

Principal activities

The principal activity of the Company is to plan, design, construct, own, operate and maintain high voltage electricity transmission grid and regional power interconnectors that form the backbone of the national transmission grid.

Results

	KShs'000
Profit before taxation	675,186
Taxation charge	(239,357)
Profit for the year transferred to retained earnings	435,829

Dividends

The directors do not recommend payment of dividends in respect of the financial year 2017/2018. No dividends were paid in the previous financial year, 2016/2017.

Directors

The directors who served during the year and to the date of this report are set out on page 3.

Statement as to the disclosure to the Company's auditors

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.

Terms of Appointment of the Auditors

The Auditor General is responsible for the audit of the Company' statutory financial statements in accordance with section 23(i) 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.

The Auditors, Messrs. Ernst & Young LLP, were appointed to office and have indicated their willingness to continue in office in accordance with the Company's Articles of Association and Section 719 of the Kenyan Companies Act, 2015. The directors monitor the effectiveness, objectivity and independence of the auditor. The directors also approve the annual audit engagement contract which sets out the terms of the auditors' appointment and the related fees. The agreed auditors' remuneration for the Company of KShs 3,920,800, has been charged to profit or loss in the year.

BY ORDER OF THE BOARD

Duncan Macharia
Company Secretary

26th April 2019, Nairobi

Statement of Directors' Responsibilities

The 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 maintains 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 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 Companies Act, 2015. They also accept responsibility for:

i. Designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error;

ii. Selecting suitable accounting policies and applying them consistently; and

iii. Making accounting estimates and judgements that are reasonable in the circumstances.

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

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

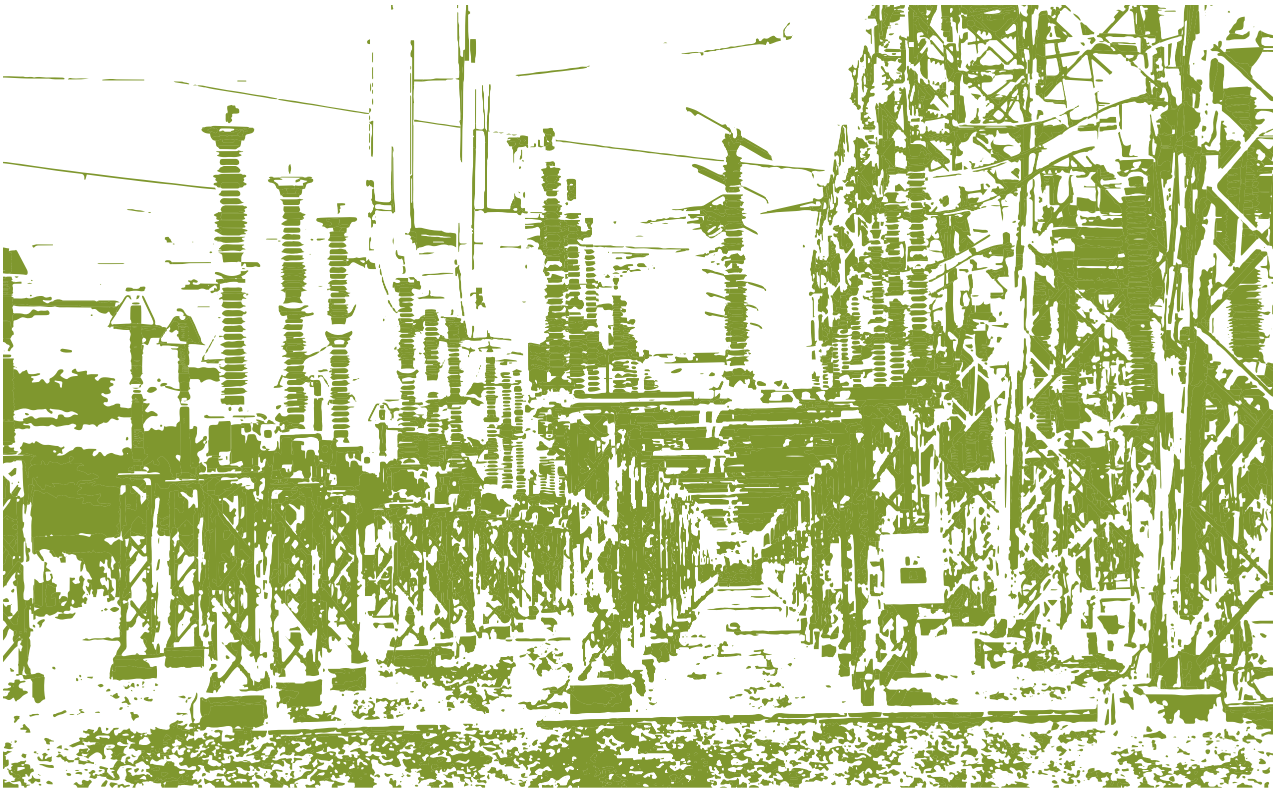
Approved by the Board of Directors on 26th April 2019 and signed on its behalf by:

....

Hon. Eng. James G.K. Rege, CBS
Chairman

....

FCPA Fernandes Barasa, OGW
Managing Director



400kV 100MVAR Reactor at Rabai Substation

Report on the Audit of the Financial Statements

Opinion

The accompanying financial statements of Kenya Electricity Transmission Company Limited set out on pages 50 to 94, which comprise the statement of financial position as at 30 June 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, have been audited on my behalf by Ernst and Young, auditors appointed under Section 23 of the Public Audit Act, 2015. The auditors have duly reported to me the results of their audit and on the basis of their report, I am satisfied that all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit were obtained.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Kenya Electricity Transmission Company Limited as at 30 June, 2018, 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 State Corporations Act, Cap 446 (Revised 2013).

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Kenya Electricity Transmission Company Limited in accordance with ISSAI 30 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 audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing 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. Pending Wayleave Compensations

Information available indicates that the Company had pending wayleave compensations totaling Kshs.4,588,425,101 as at 30 June 2018 incurred in the years 2012 to 2018. The compensations relate to the projects listed in the appendix to my report. Management has explained that the failure to pay the sums due resulted from insufficient budgetary allocations, incomplete documentation and disputes with Project Affected Persons (PAPs).

Delays in compensating PAPs may lead to project delays, cost escalations and legal suits.

2. Delays in completion of Projects

As reported in the previous year, significant delays were noted in completion of five (5) of the projects under implementation by the Company, as detailed below:

2.1. Nairobi Ring Project

Completion of Nairobi Ring Project, which entails construction of a transmission line from Suswa to Isinya,

Report on the Audit of the Financial Statements (Cont.)

together with five (5) sub-stations at Suswa, Kimuka, Isinya, Athi River and Komarock was behind schedule as at 30 June 2018. Four contractors are assigned to implement the project at a combined contract price of approximately Kshs.10,512,241,235. The works commenced in May 2012 and the initial scheduled completion date was November 2014. However, by the time of concluding this report, the Suswa and Isinya substations had been completed, while Athi River, Kimuka and Komarock (Malaa) substations were 99%, 92% and 37% complete respectively.

2.2. Lessos-Tororo Line: Kenya-Uganda Interconnector

Similarly, completion of the Lessos-Tororo Transmission Line Project which entails construction of a transmission line from Lessos sub-station in Kenya to Tororo sub-station near the Kenya-Uganda border was behind schedule. The Project, which is under implementation by a Spanish contractor at an initial contract price of EUR 24,220,004.29 and Kshs.941,168,910, commenced in September 2013 and was scheduled to be completed in April 2015. However, as at 30 June 2018, only 37% of the transmission lines and 40% of the substations had been completed. The contract was terminated in April 2016 due to non-performance by the contractor, following which the contractor obtained court orders stopping KETRACO from accessing the site or hiring a new contractor until a final settlement on the dispute is reached. At the time of concluding this audit, the dispute had not been resolved.

2.3. Power Transmission System Improvement Project

Further, the Power Transmission System Improvement Project (PTSIP), comprises works on six (6) transmission lines, fourteen (14) associated sub-stations and consultancy services at a total cost of Kshs.7,203,142,864. Included in the works are Nyahururu-Nanyuki, Lessos-Kabarnet, Olkaria-Narok and Wote-Kitui-Mwingi Transmission Lines which were due to be completed in December 2017 but were still ongoing by the time of concluding this audit. According to management, the completion of the four transmission lines was delayed due to inadequate counterpart funding for wayleave acquisition and contractor financial challenges which led to slow delivery of materials. The contract with initial contractor has since been terminated and a new contractor procured to complete the projects. However, it is not clear why these risks were not identified at the project planning stage and mitigation measures taken to minimize their expected impact on project completion.

2.4. Exim Bank of India Funded Projects

In addition, Exim Bank of India funded projects entail two (2) transmission lines and six (6) associated sub-stations. Among these is the Turkwel-Ortum-Kitale transmission line, which is under construction by KEC International Limited at a contract price of USD.11,861,976 (Kshs.1,230,225,696). The transmission line was scheduled to be completed by August 2015, but only 89% of the works had been done as at 30 June 2018. The Company's project portfolio further includes construction of two (2) substations at Kitale and Ortum at a contract price of USD.18,100,120 (Kshs.1,877,194,215). The two substations, were scheduled to be completed by December 2017, but were at 70%level of completion stage as at 30 June 2018. According to management, delays in completion of the substations arose from right of way challenges, inadequate budgetary allocation for wayleave compensation and contractor underperformance that resulted from slow delivery of work materials. Information provided indicates that the contract for the Ortum and Kitale sub-stations has since been terminated by the Company because the contractor was bankrupt and the process of procuring a new contractor to finalize the two substations was underway. However, it is not clear why these risks were not identified at the project planning stage and mitigation measures taken to eliminate or minimize their adverse impacts on project completion.

Under the circumstances, completion of the four projects within the approved budgets and timelines cannot be confirmed.

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

1. Delays in Reconciliation of Bank and Cash Balances

Assessment of the control environment for cash and bank accounts revealed long outstanding unreconciled bank balances amounting to Kshs. 74million as at 30 June 2018 with some of these dating back to 2016. Unreconciled balances increase the risk of undetected errors and irregular transactions. Management say they have prioritized the reconciliation of the balances and will monitor and adjust bank and cash records as public financial management regulations and good accounting practice require.

2. Unreconciled Goods Received/Invoice Received Transactions

Review of management of receipts and payments of goods and services reflected in the Company's electronic Systems Applications and Products (SAP) accounting system revealed critical control weaknesses as several large transactions for purchases of goods and services were not reconciled.

The unreconciled transactions were valued at Kshs.1,130,576 as at 30 June 2018 with some of the balances having been outstanding for more than four years. Also, sampling of the transactions revealed paid invoices totaling Kshs.25,462,500.

These anomalies reflect weak Goods/Invoice Received controls that result from failure to check and reconcile SAP records with actual payments and receipts. In the absence of effective control, the risk of misstatements in the financial statements as well as occurrence of errors and fraudulent activities on the account is high. Management have indicated that they will enhance monitoring of the account and clear the outstanding items during the 2018/19 financial year.

3. Unreconciled Project and Organization Expenditure Records

Review of project records revealed that data on project expenditures maintained by project teams differed from that maintained by the finance department of the Company thus indicating that reconciliations between the two sets of records were not carried out regularly. Failure to reconcile financial records increases risk of misstatement of the financial statements. Management have indicated that the anomaly was caused by exchange rate differences.

4. Absence of Policies on Aged Accounts Receivables

Assessment of controls on debtors' management including debt collection and reporting revealed significant weaknesses that included overdue accounts, lack of a published policy on receivables management and insufficient details on the nature of old debts.

Receivables totaling Kshs.1,771,115,566 were more than 90 days old as at 30 June 2018. Further, information provided in the accounts receivable aging report on balances older than 120 days was scanty as it did not outline efforts made in collecting the debts or indicate whether additional measures were to be taken with a view to recover the amounts. Apparently, management have not established an accounts receivable management policy and as a result, debt collection efforts are neither elaborate nor consistent.

The large aging receivables balance could result in losses through bad debts and, in addition, weaken the Company's working capital position.

Management have undertaken to improve monitoring and reporting on accounts receivable. Also management have indicated that they have prepared the policy guidelines on management of debts and will present these to the Board for approval during the 2019/20 financial year.

5. Delays in Preparation of Monthly Management Accounts

Monthly management accounts were not prepared and reviewed on time and as a result, the risk of errors in financial statements was high with adjustments totaling Kshs.5,462,893,861 made to correct accounting records during the audit. Management have undertaken to prepare and review monthly management accounts on time.

In addition, the Company's policy on accruals for goods and services does not follow IFRS practice as some accruals are recognized in the accounts even before goods or services are received by the Company. In the year under review, the audit detected 'accruals' relating to unfulfilled Local Purchase Orders totaling Kshs.205,491,066. Recognition of such transactions as finalized purchases override financial control, contravenes both IFRS requirements and Public Financial Management regulations and increases the risk of financial mis-statement and fraudulent expenditures. Management have undertaken to follow IFRS and Public Financial Management Regulations on accounting for accruals.

6. Unreconciled Tax Records

The tax-ledger account balance reflected in the Trial Balance was not reconciled with tax filing records with the later showing a balance of Kshs.39,401,427 and the former Kshs.51,477,224 leading to an unexplained variance of Kshs 12,075,797.

Understatement of the tax balance may lead to financial misstatement and cause the Company incur tax penalties.

7. Inadequacies in Information Technology (IT) System Controls

Assessment of the Company's Information communication technology control environment revealed several shortcomings and inadequacies. These included failure to incorporate key operations such as human resource and project management in the SAP reporting system because the relevant modules were not installed in the system. In the absence of the modules, the Company has not enjoyed all the benefits that the software system offers in way of enhanced data security, operational efficiency and effective use of resources. Management has undertaken to fully integrate the system with the Company's operations including project reporting.

In addition, although most environment and physical controls on the Company's information technology assets are in place, some critical policies on use of the assets have either not been prepared or are yet to be approved by the Board. These include policies on user-access, including authorizations and roles, usage and visitor logs, reports on testing and monitoring of system changes as well as user activity and incident reports. Also, SAP access rights of some former employees have not been cancelled, and therefore the is risk of improper use of the system is high.

Management have undertaken to prepare the pending polices and have all IT policies approved by the Board before the end of the 2019/20 financial year.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. 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 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 Kenyan Companies Act, I report based on my audit, that:

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

ii. in my opinion, adequate accounting records have been kept by the Company , so far as appears from the examination of those records; and,

iii. The financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and Those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International 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 governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control 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 control 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 the 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 control.
- 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 ability of the Company to continue as a going concern or to sustain its services. 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 or to sustain its services.
- 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 control that are identified during the audit.

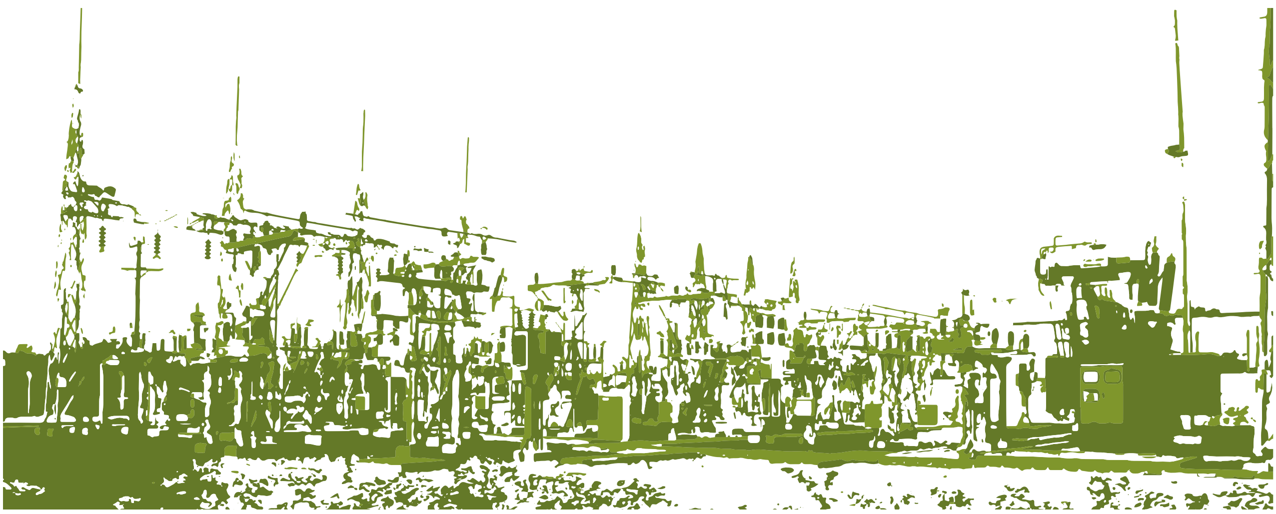
I also provide management with a statement that I have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

FCPA EDWARD R. O. OUKO
AUDITOR-GENERAL

Nairobi
10th July 2019

Statement of Profit or Losses and other Comprehesive Income

	Notes	2018 KShs' 000	2017 KShs' 000
REVENUE			
Wheeling revenue	**3**	2,011,000	2,011,000
Grants from National Government	**4 (a)**	1,094,447	690,325
Other income	**6**	69,030	30,784
TOTAL REVENUE		3,174,477	2,732,109
OPERATING EXPENSES			
Administration costs	**7 (a)**	(1,398,660)	(1,003,544)
Distribution costs	**8**	(245,012)	(812,845)
Depreciation of property and equipment	**13**	(1,015,701)	(489,920)
Amortization of intangible assets	**14**	(47,211)	(10,911)
TOTAL OPERATING EXPENSES		(2,706,584)	(2,317,220)
OPERATING PROFIT		467,893	414,889
Loss on disposal of property and equipment	**5**	(3,933)	(2,299)
Finance income	**9**	274,982	235,784
Finance costs	**10**	(63,756)	(81,929)
PROFIT BEFORE TAXATION		675,186	566,445
INCOME TAX EXPENSE	**11**	(239,357)	(136,649)
PROFIT FOR THE YEAR		435,829	429,796
Other comprehensive income/ (loss) for the year, net of tax		-	-
Total comprehensive income for the year net of tax		**435,829**	**429,796**
Earnings per share – basic and diluted	**12**	**21,791**	**21,490**



Statement of Financial Position As At 30th June 2018

	Notes	2018 KShs'000	2017 KShs'000
ASSETS			
Non-current assets			
Property and equipment	**13**	146,189,270	125,856,705
Intangible assets	**14**	306,640	19,357
Deferred tax assets	**24**	147,504	144,094
		146,643,414	126,020,156
Current assets			
Trade and other receivables	**15(a)**	6,251,106	4,161,239
Tax recoverable	**11(c)**	-	39,623
Cash and bank balances	**16**	4,225,753	4,639,427
		10,476,859	8,840,289
TOTAL ASSETS		157,120,273	134,860,445
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	**17**	2,000	2,000
Retained earnings	**18**	2,524,440	2,088,611
		2,526,440	2,090,611
Non-current liabilities			
Deferred grant income	**19(c)**	133,864,986	109,247,617
Amount due to related parties	**20 (a)**	816,608	5,717,607
Deferred revenue	**21**	502,261	502,261
Borrowings	**22**	3,255,607	2,517,251
		138,439,462	117,984,736
Current liabilities			
Borrowings	**22**	2,968,752	278,768
Deferred grant income	**19 (c)**	869,447	389,225
Amount due to related parties	**20 (a)**	562,465	810,548
Trade and other payables	**23**	11,753,212	13,306,557
Tax payable	**11(c)**	495	-
		16,154,371	14,785,098
TOTAL EQUITY AND LIABILITIES		**157,120,273**	**134,860,445**

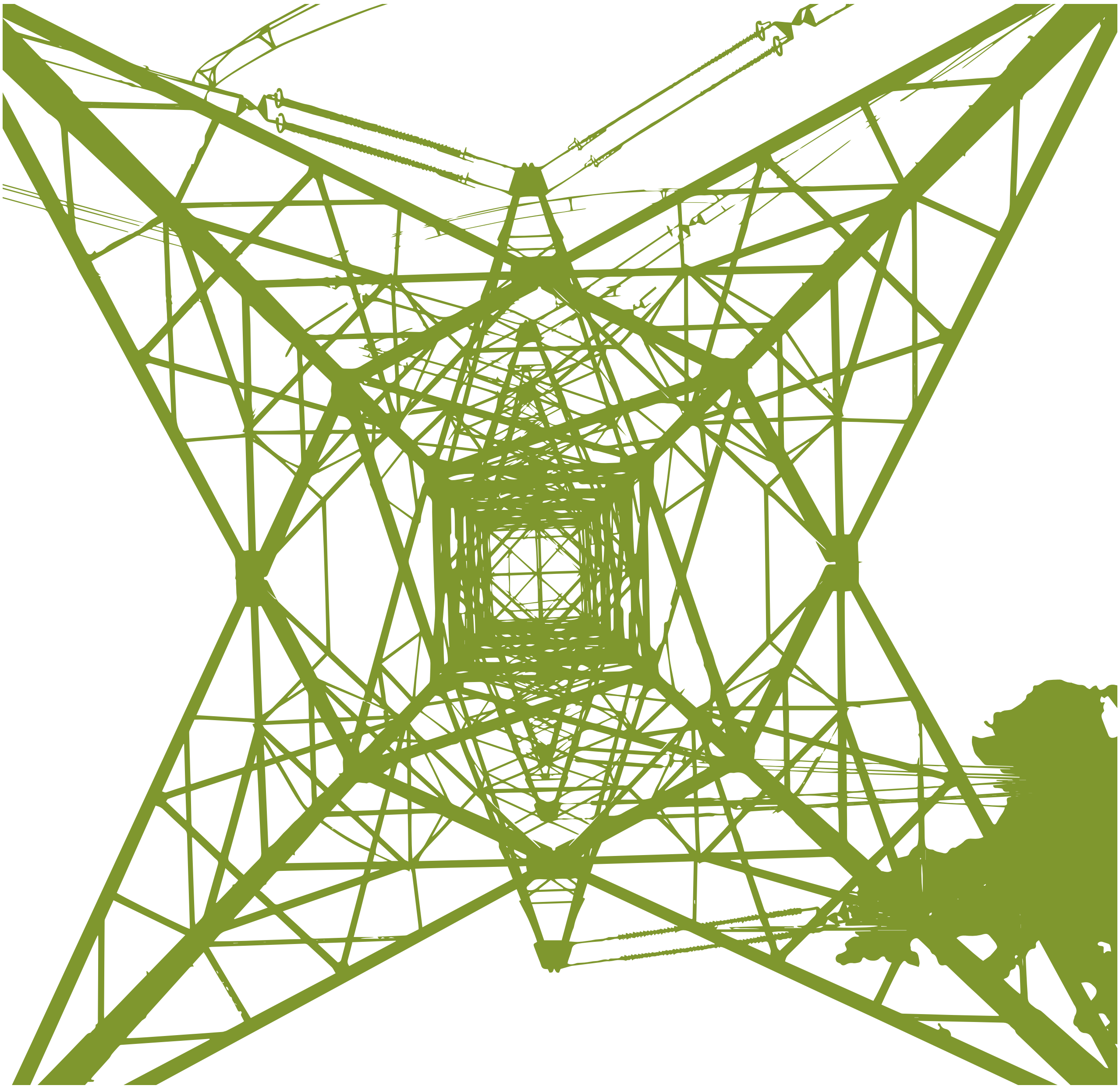
The financial statements on pages 50 to 94 were approved and authorised for issue by the board of directors on 26th April 2019 and were signed on its behalf by:

Hon. Eng. James G.K. Rege, CBS
Chairman

FCPA Fernandes Barasa, OGW
Managing Director

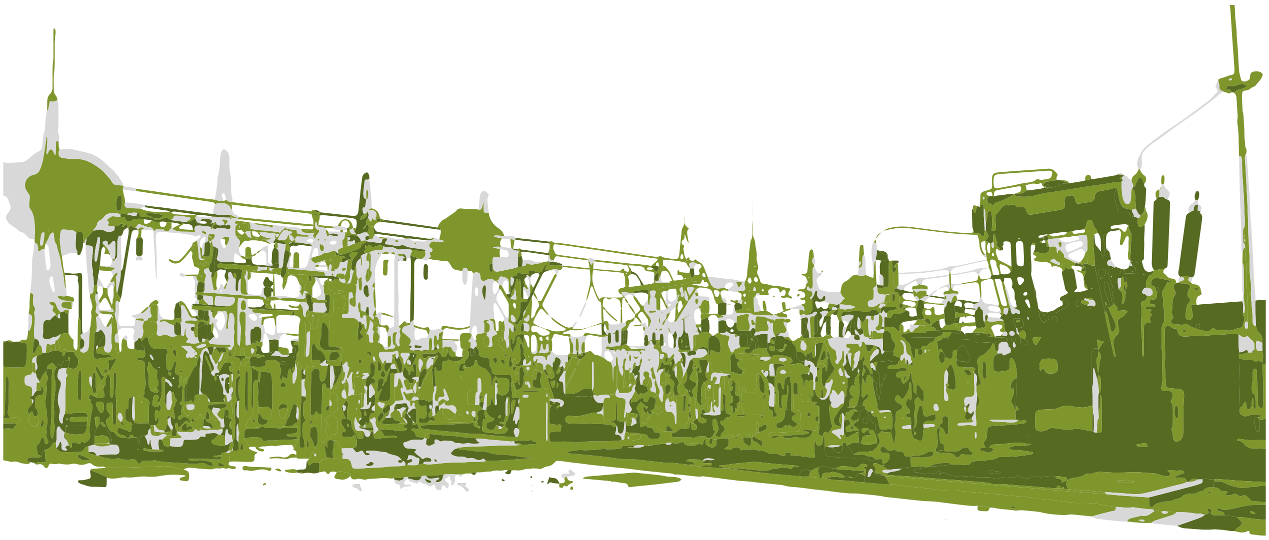
Statement of Changes In Equity For The Year Ending 30th June 2018

	Share capital KShs'000	Retained earnings KShs'000	Total equity KShs'000
At 1 July 2016	2,000	1,658,815	1,660,815
Total comprehensive income for the year	-	429,796	429,796
At 30 June 2017	2,000	2,088,611	2,090,611
At 1 July 2017	2,000	2,088,611	2,090,611
Total comprehensive income for the year	-	435,829	435,829
At 30 June 2018	**2,000**	**2,524,440**	**2,526,440**



Statement of Cash Flows For The Year Ended 30th June 2018

	Notes	2018 KShs'000	2017 KShs'000
Cash flows from operating activities			
Cash (used in)/ generated from operations	**25**	(7,855,954)	2,641,895
Tax paid	**11(c)**	(202,649)	(118,244)
Net cash (used in)/ generated from operating activities		(8,058,603)	2,523,651
Cash flows from investing activities			
Additions to property and equipment	**13**	(21,353,747)	(23,132,519)
Additions to intangible assets	**14**	(334,494)	(23,865)
Proceeds on disposal of assets		1,548	2,243
Net cash used in investing activities		(21,686,693)	(23,154,141)
Cash flows from financing activities			
Grants received	**19(b)**	25,967,038	20,578,965
Proceeds from borrowings	**22**	3,594,268	-
Repayment of borrowings	**22**	(229,684)	(283,803)
Net cash generated from financing activities		29,331,622	20,295,162
Decrease in cash and cash equivalents		(413,674)	(335,328)
Cash and cash equivalents at beginning of year		4,639,427	4,974,755
Cash and cash equivalents at end of year		4,225,753	4,639,427
Represented by:			
Cash and bank balances	**16**	4,225,753	4,639,427



Notes to the Financial Statement

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) Basis of preparation

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 under the historical cost convention 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 presented in Kenyan Shillings and all values are rounded to the nearest thousand (KShs'000), except when otherwise indicated.

(b) New and amended standards, interpretations and improvements

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to IFRS effective as of 1 January 2017. The Company has not early adopted any standard, amendment or interpretation that has been issued but is not effective. The new standards and amendments effective as of 1 January 2017 are listed below:

- IAS 7 Disclosure Initiative – Amendments to IAS 7
- IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12
- IFRS 12 "Disclosure of Interests in Other Entities" - Clarification of the scope of the disclosure requirements in IFRS 12

IAS 7 Disclosure Initiative – Amendments to IAS 7

The amendments require entities to provide disclosure about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The Company has provided the information in note 25.

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses.

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealised losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The application has no effect on the Company's financial position and performance as the Company has no deductible temporary differences or assets that are in the scope of the amendments.

Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12.

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. The amendments have no impact on the Company's financial statements.

Standards, improvements and amendments issued but not yet effective

The list of standards, improvements and amendments that are effective for periods beginning on or after 1 January 2018 are listed below:

Effective for annual periods beginning on or after 1 January 2018

- IFRS 15 Revenue from Contracts with Customers
- IFRS 9 Financial Instruments
- Classification and Measurement of Share-based Payment Transactions- Amendments to IFRS 2
- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4
- Transfers of Investment Property

Notes to the Financial Statement (Cont.)

(Amendments to IAS 40)

- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration
- Annual Improvements 2014-2016 cycle
  - AIP IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters
  - AIP IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment - by - investment choice.

Effective for annual periods beginning on or after 1 January 2019

- IFRS -16 Leases
- IFRIC Interpretation 23 Uncertainty over Income Tax Treatments
- Prepayment Features with Negative Compensation – Amendments to IFRS 9
- Plan Amendment, Curtailment or Settlement-Amendments to IAS 19
- Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28
- AIP IFRS 3 Business Combinations – Previously held Interests in a joint operation
- AIP IFRS 11 Joint Arrangements – Previously held Interests in a joint operation
- AIP IAS 12 Income Taxes – Income tax consequences of payments on financial instruments classified as equity
- AIP IAS 23 Borrowing Costs – Borrowing costs eligible for capitalization

Effective for annual periods beginning on or after 1 January 2020

- The Conceptual Framework for Financial Reporting

Effective for annual periods beginning on or after 1 January 2021

- IFRS 17 Insurance Contracts

Deferred effective date

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

The standards improvements and amendments that are issued, but not yet effective, up to the date of issuance of the Company's financial statements which are relevant to the Company are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Company plans to adopt the new standard on the required effective date. During 2017, the Company has performed a high-level impact assessment of all three aspects of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Company in the future. Overall, the Company expects no significant impact on its balance sheet and equity.

(a) Classification and measurement

The Company does not expect a significant impact on its statement of financial position or equity on applying the classification and measurement requirements of IFRS 9.

Loans and receivables are held to maturity, investments are held to correct contractual cashflows and are expected to give rise to cashflows representing solely payments of principal and interest. Thus, the Company expects that these will continue to be measured at amortised costs under IFRS 9. However, the Company will analyse the contractual cashflows characteristics of those instruments in more details before deciding whether all those instruments meet the criteria for amortised cost measurement under IFRS 9.

All other financial assets and financial liabilities will continue to be measured on the same basis as is currently adopted under IAS 39.

(b) Impairment

Financial assets measured at amortised cost, receivables, amounts due from customer under construction contracts, and financial guarantee

Notes to the Financial Statement (Cont.)

contracts will be subject to the impairment provisions of IFRS 9.

The Company expects to apply the simplified approach to recognise lifetime expected credit losses for its trade receivables as required or permitted by IFRS 9. In relation to the amounts due from related parties (note 20), the directors have assessed that there has been a significant increase in the credit risk of the loans to related parties, from initial recognition to 30 June 2018. Accordingly, the directors expect to recognise lifetime and 12-month expected credit losses for these items respectively.

In general, the directors anticipate that the application of the expected credit loss model of IFRS 9 will result in earlier recognition of credit losses for the respective items and will increase the amount of loss allowance recognised for these items.

(c) Hedge accounting

The Company has no existing hedge relationships that qualify for hedge accounting under IFRS 9.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The directors of the Company anticipate that the application of IFRS 15 in the future may not have a significant impact on amounts reported in respect of the Company's financial statements because the Company does not engage in complex revenue contracts.

IFRS 16 Leases

The IASB issued IFRS 16 Leases on 13 January 2016. The scope of the new standard includes leases of all assets, with certain exceptions. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

Key features:

- The new standard requires lessees to account for all leases under a single on-balance sheet model (subject to certain exemptions) in a similar way to finance leases under IAS 17.
- Lessees recognise a liability to pay rentals with a corresponding asset, and recognise interest expense and depreciation separately.
- The new standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computer) and short-term leases (i.e., leases with a lease term of 12 months or less).
- Reassessment of certain key considerations (e.g., lease term, variable rents based on an index or rate, discount rate) by the lessee is required upon certain events.
- Lessor accounting is substantially the same as today's lessor accounting, using IAS 17's dual classification approach.

The new standard is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. The new standard permits a lessee to choose either a full retrospective or a modified retrospective transition approach. The standard will not have an effect on the Company since the current assessment of wayleave contracts indicates that they are not classified as leases but maybe subject to change in the future.

Notes to the Financial Statement (Cont.)

(c) Revenue recognition

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.

The wheeling revenue is based on a fixed amount approved by the Energy Regulatory Commission.

The wheeling revenue is fixed at a specific annual amount based on KShs per watt.The rates are reviewed yearly and adjustments communicated to KETRACO.

Revenue from rendering the service is recognised when all the following conditions are satisfied:

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Company;
- The stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

The Company also sells dark fibre as it has installed fibre network cables along the transmission lines, optic fibre revenue is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably.

(d) Exchequer funding

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

(e) 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 is provided using the liability method for all temporary differences arising between the tax base of the assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax.

Deferred tax

Deferred tax assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit can be foreseen.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current 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.

(f) Property and equipment

Property and equipment are stated as cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. 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

Notes to the Financial Statement (Cont.)

purchase of an asset, using the following annual rates:

Capital work in progress	Nil
Transmission lines	2.5%
Motor vehicles	25%
Furniture, fittings and office equipment	12.5%
Computers and accessories	33.3%
Depreciation is not charged to assets held under work in progress and land.	

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. 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.

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.

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.

(g) 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.

(h) Accounts receivables

Trade receivables are recognised at armotised cost using the effective interest rate method, as reduced by appropriate allowances for estimated irrecoverable amounts. Objective evidence of impairment of the receivables is when there is significant financial difficulty of the counter party or when there is a default or delinquency in payment according to agreed terms. When a trade receivable is considered uncollectible it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

(i) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

(j) Employee benefits costs

(i) 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.

(ii) 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.

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

(iii) Other entitlements

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

Notes to the Financial Statement (Cont.)

(k) 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. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences on monetary items are recognized in profit or loss in the period in which they arise.

(l) Cash and cash equivalents

For the purpose of the statement of cash flows, cash equivalents include 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.

(m) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and 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 the income statement 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.

(n) Leasehold land

Leasehold land is treated as prepaid lease and amortised over the period of the lease.

(o) Financial instruments

(i) Classification and measurement

The Company classifies its financial assets into the following IAS 39 categories: Financial assets at fair value through profit or loss; loans and receivables; held to maturity financial assets; and available for sale financial assets. Management determines the appropriate classification of its financial instruments at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

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

Financial assets at fair value through profit or loss,

This category has two sub-categories: Financial assets held for trading and those designated at fair value through profit or loss at inception.

A financial asset is classified as held for trading if:

It has been acquired or incurred principally for the purpose of selling or repurchasing it in the near term; or

On initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and for which there is evidence of a recent actual pattern of short-term profit taking; or;

It is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss.

Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

(a) The financial asset forms part of a Group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy and information about the grouping is provided internally on that basis; or

Notes to the Financial Statement (Cont.)

(b) It forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement, permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

Financial instruments at fair value through profit or loss are recognised initially at fair value; transaction costs are taken directly to profit or loss. Gains and losses arising from changes in fair value are included directly in profit or loss. The net gain or loss recognised in the profit or loss incorporates any dividend or interest earned on the financial asset. The Company has not designated any financial assets at fair value through profit or loss.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in profit or loss. The losses arising from impairment are recognised in profit or loss in expenses.

(ii) De-recognition of financial assets

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

The rights to receive cash flows from the asset have expired, or

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's 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.

(iii) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each reporting period end. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been affected.

For listed and unlisted equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include; the Company's past experience of collecting payments, an increase in the number of delayed payments past the average credit period, delinquency, and initiation of bankruptcy proceedings as well as observable changes in national or local economic conditions that correlate with default on receivables.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written

Notes to the Financial Statement (Cont.)

off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

Financial liabilities

Financial liabilities within the scope of IAS 39 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.

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 legally enforceable 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.

(p) Leases

Determination

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, even if that asset is not explicitly specified in an arrangement.

Company as lessee

A lease is classified at the inception date as a finance lease or an operating lease.A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease. Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

(q) 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.

Notes to the Financial Statement (Cont.)

(r) Foreign currency transactions

Transactions in foreign currencies during the year are converted into Kenya shillings at rates ruling at the transaction dates. Monetary assets and liabilities at the reporting date which are expressed in foreign currencies are translated into Kenya shillings at rates ruling at that date. The resulting differences from conversion and translation are dealt with in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(s) Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

(t) Finance income and finance costs

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income.

Interest expense is presented as finance costs, Interest expense is calculated by applying the effective interest rate to the liability component.

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 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.

(ii) Property and equipment

Property and equipment is depreciated over its useful life taking into account residual values, where appropriate. The actual 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.

(iii) 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.

(iv) Impairment losses

At each reporting date, the Company reviews the carrying amount 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.

Notes to the Financial Statement (Cont.)

3. WHEELING REVENUE

	2018 KShs'000	2017 KShs'000
Gross sales of goods	2,332,760	2,332,760
Less: Value added tax on gross sales	(321,760)	(321,760)
	2,011,000	**2,011,000**

Wheeling revenue is based on a fixed amount approved by the Energy Regulatory Commission.

4. (a) GRANTS FROM NATIONAL GOVERNMENT

	2018 KSh'000	2017 KSh'000
Recurrent grants received (note 4 (b))	225,000	301,100
Capital grants realised (note 19(b))	869,447	389,225
	1,094,447	**690,325**

(b) ANALYSIS OF GRANTS RECEIVED FROM GOVERNMENT

Year ended 30 June 2018

Name of the Entity sending the grant	Amount recognized in the Statement of Comprehensive Income KShs'000	Amount receivable under deferred grant income KShs'000	Amount recognised in capital fund/ Deferred grant income KShs'000	Total grant income during the year KShs'000
Ministry of Energy	**225,000**	**1,050,351**	**9,496,298**	**10,771,649**

Year ended 30 June 2017

Name of the Entity sending the grant	Amount recognized in the Statement of Comprehensive Income KShs'000	Amount deferred under deferred income KShs'000	Amount recognised in capital fund. KShs'000	Total grant income during the year KShs'000
Ministry of Energy	**301,100**	**-**	**12,500,838**	**12,801,938**

5. LOSS ON DISPOSAL OF PROPERTY AND EQUIPMENT

	2018 KShs'000	2017 KShs'000
Disposal of vehicles and other transport equipment	(4,087)	(2,299)
Disposal of office equipment, furniture and fittings	154	-
	(3,933)	(2,299)

6. OTHER INCOME

Fibre and other income	69,030	30,784

Notes to the Financial Statement (Cont.)

7. (a) ADMINISTRATION COSTS

	2018 KShs'000	2017 KShs'000
Staff costs (note 7(b))	899,889	646,077
Directors' emoluments	24,064	40,374
Electricity and water	2,495	2,220
Insurance costs	39,293	81,566
Other maintenance costs	24,104	6,081
Rent expenses	23,500	52,036
Security	42,528	38,030
Corporate communication, postage, telephone, printing and internet	5,041	3,806
Professional fees	9,500	5,410
Motor vehicle expenses and transport	131,803	61,811
Advertising, printing, stationery and photocopying	26,232	19,466
Staff training expenses	24,040	21,616
Hospitality supplies and services	5,782	4,734
Bank charges and commissions	7,252	4,274
Auditors' remuneration	3,920	3,725
Legal fees	8,182	5,157
Consultancy fees	12,238	174
Unrealised foreign exchange losses	63,700	-
Other operating expenses	45,097	6,987
	1,398,660	**1,003,544**

7.(b) STAFF COSTS

	2018 KShs'000	2017 KShs'000
Salaries and allowances for permanent staff	762,439	522,840
Wages for temporary staff	1,634	-
Compulsory national social security schemes	1,027	637
Other pension contributions	25,461	16,905
Leave pay and gratuity provisions	41,460	34,496
Staff welfare	67,868	71,199
Total	**899,889**	**646,077**
Permanent staff – Management	419	184
Permanent staff – Support	150	219
Total	**569**	**403**

8. DISTRIBUTION COSTS

	2018 KShs'000	2017 KShs'000
Maintenance costs for transmission lines	205,723	731,979
Other maintenance costs	39,289	80,866
	245,012	**812,845**

Notes to the Financial Statement (Cont.)

OPERATING PROFIT

The operating profit is arrived at after charging/(crediting):

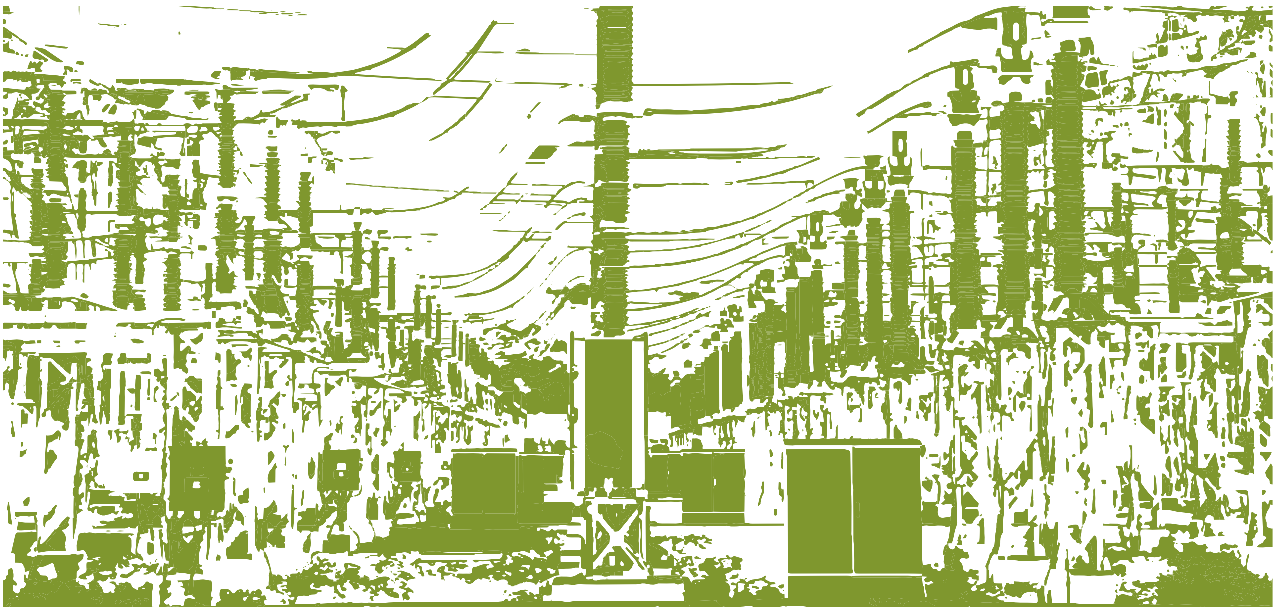
	2018 KShs'000	2017 KShs'000
Staff costs (note 7)	899,889	646,077
Depreciation of property and equipment (note 13)	1,015,701	489,920
Amortisation of intangible assets (note 14)	47,211	10,911
Directors' emoluments - fees	24,064	40,374
Auditors' remuneration - current year fees	3,920	3,725
Loss on disposal of property and equipment	3,933	2,299
Net foreign exchange loss	7,944	28,242
After crediting:		
Net foreign exchange gain	-	(75,175)

9. FINANCE INCOME

	2018 KShs'000	2017 KShs'000
Interest income on bank balances	274,982	160,609
Foreign exchange gain	-	75,175
	274,982	**235,784**

10. FINANCE COSTS

	2018 KShs'000	2017 KShs'000
Interest expense	55,812	53,687
Foreign exchange loss	7,944	28,242
	63,756	**81,929**



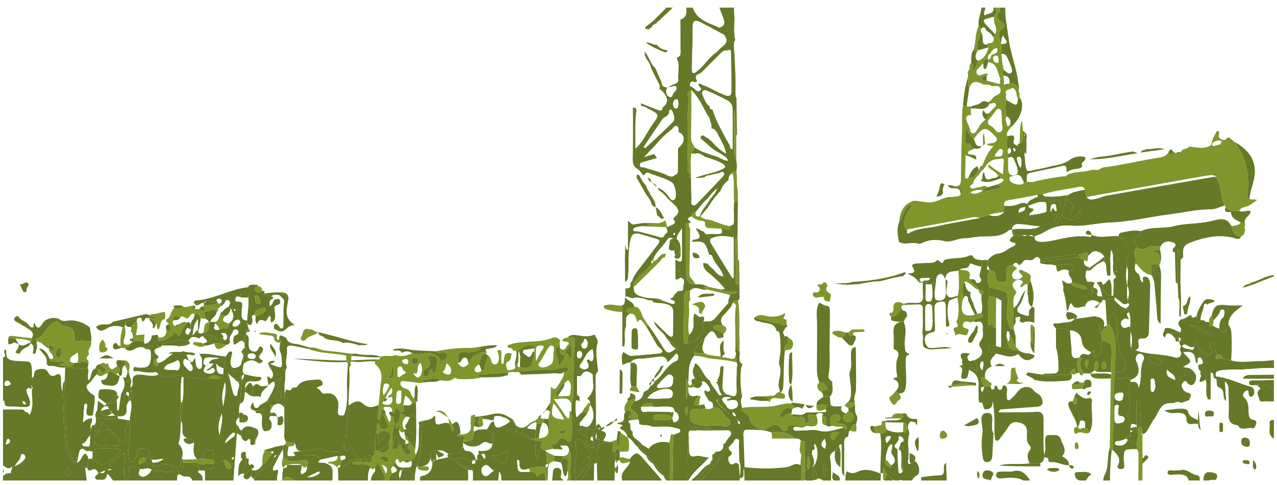
Notes to the Financial Statement (Cont.)

11. TAXATION

		2018	2017
(a)	Income tax expense	**KShs'000**	**KShs'000**
	Corporation tax on separate sources of income	242,767	163,715
	Deferred taxation charge (note 24)	(3,410)	(27,066)
		239,357	136,649
(b)	Reconciliation of taxation charge to expected taxation based on profit before taxation		
	Profit before taxation	675,186	566,445
	Taxation at the applicable rate 30%	202,556	169,934
	Tax effect of non-deductible expenses		
	Depreciation	285,944	128,971
	Depreciation-unrelated to grants	879	-
	Exchequer funding-recurrent	67,500	90,330
	Exchequer funding-recurrent	(67,500)	(90,330)
	Donations	80	97
	Funeral expense	184	-
	Excess pension contribution	3,441	2,597
	Amortisation of grants	(260,834)	(116,768)
	Interest income-taxed separately	-	(48,182)
	Tax under provision in the prior year	7,107	-
		239,357	136,649
(c)	Corporate tax (payable)/ recoverable		
	At the beginning of the year	39,623	85,094
	Charge for the year	(242,767)	(163,715)
	Paid during the year	202,649	118,244
	At end of year	(495)	39,623

12 EARNINGS PER SHARE

The earnings per share is calculated by dividing the profit after tax of KShs'000. 435,829 (2017: KShs'000. 429,796) by the average number of ordinary shares in issue during the year (note 17), There were no dilutive or potentially dilutive ordinary shares as at the reporting date.



Notes to the Financial Statement (Cont.)

13. PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Transmission lines	Motor vehicles	Furniture & fittings	Computer accessories	Capital Work -in-Progress* (WIP)	Total
Cost	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**
At 1 July 2016		22,156,225	48,212	122,679	92,082	81,752,013	104,171,211
Additions	-	835,330	-	10,162	55,928	22,231,099	23,132,519
Disposals	-	-	(4,542)	-	-	-	(4,542)
Transfer from WIP	-	3,542,998	4,542	-	-	(3,547,540)	-
Reclassification	236,814	(236,814)	-	-	-	-	-
At 30 June 2017	236,814	26,297,739	48,212	132,841	148,010	100,435,572	127,299,188
Depreciation							
At 1 July 2016	-	785,506	43,759	82,154	41,144	-	952,563
Charge for the year	-	440,758	2,162	15,092	31,908	-	489,920
At 30 June 2017	-	1,226,264	45,921	97,246	73,052	-	1,442,483
Net book value							
At 30 June 2017	236,814	25,071,475	2,291	35,595	74,958	100,435,572	125,856,705

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

	Cost KShs'000	Normal annual depreciation charge KShs'000
Motor vehicles, including motor cycles	42,251	10,563
Computers and related equipment	34,455	11,484
Office equipment, furniture and fittings	22,622	2,828
	99,328	24,875

*Capital work in progress relates 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.

Notes to the Financial Statement (Cont.)

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Freehold land	Transmission lines	Motor vehicles	Furniture& fittings	Computer accessories	Capital-Work in-Progress* (WIP)	Total
Cost	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**
At 1 July 2017	236,814	26,297,739	48,212	132,841	148,010	100,435,572	127,299,188
Additions			61,789	6,133	6,790	21,279,035	21,353,747
Transfer from WIP		33,003,892				(33,003,892)	-
Disposal			(11,837)	(4,203)			(16,040)
Reclassification	-	-	-	(841)	841	-	-
At 30 June 2018	236,814	59,301,631	98,164	133,930	155,641	88,710,715	148,636,895
Depreciation							
At 1 July 2017	-	1,226,264	45,921	97,246	73,052	-	1,442,483
Charge for the year	-	953,152	12,158	11,836	38,555	-	1,015,701
Eliminated on disposal	-	-	(1,878)	(7,016)	(1,665)	-	(10,559)
Transfer	-	(2,686)	-	2,686	-	-	-
At 30 June 2018	-	2,176,730	56,201	104,752	109,942	-	2,447,625
Net book value							
At 30 June 2018	236,814	57,124,901	41,963	29,178	45,699	88,710,715	146,189,270

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

	Cost or valuation KShs'000	Normal annual depreciation charge KShs'000
Motor vehicles, including motor cycles	42,251	10,563
Computers and related equipment	35,297	11,764
Office equipment, furniture and fittings	56,001	7,000
Total	**133,549**	**29,327**

*Capital work in progress relates to transmission lines and substations whose construction had not been completed as at year end.

There were no assets pledged as security for liabilities.

Notes to the Financial Statement (Cont.)

14. INTANGIBLE ASSETS -COMPUTER SOFTWARE AND LICENSES

Cost	**2018 KShs'000**	**2017 KShs'000**
At beginning of year	84,537	60,672
Additions	334,494	23,865
At end of year	419,031	84,537
Amortisation		
At beginning of year	65,180	54,269
Charge for the year	47,211	10,911
At end of year	112,391	65,180
Net book value	306,640	19,357

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

15. (a) TRADE AND OTHER RECEIVABLES

	2018 KShs'000	**2017 KShs'000**
Trade receivables (note 15 (b))	2,159,946	1,166,380
Deposits and prepayments	2,155,274	2,205,552
VAT recoverable	671,529	329,050
Staff receivables (note15 (c))	16,940	3,530
Receivables from Ministry of Energy	1,086,194	279,644
Other receivables	161,223	177,083
Gross trade and other receivables	6,251,106	4,161,239
Provision for impairment	-	-
Net trade and other receivables	6,251,106	4,161,239

Other receivables mainly related to mortgage deposit to Stima Sacco to enable the Company employees access mortgage facilities

15. (b) TRADE RECEIVABLES

	2018 KShs'000	**2017 KShs'000**
Wheeling revenue due from KPLC	2,159,946	1,166,380
Provision for doubtful receivables	-	-
	2,159,946	1,166,380
The ageing analysis at 30 June		
Less than 30 days	194,397	199,552
Between 30 and 60 days	194,395	194,396
Between 61 and 90 days	215,942	194,396
Between 91 and 120 days	194,397	207,039
Over 120 days	1,360,815	370,997
	2,159,946	**1,166,380**

Notes to the Financial Statement (Cont.)

15. (b) TRADE RECEIVABLES (Continued)

Impaired receivables: As at 30 June 2018, the Company did not have any receivables that were impaired. (2017: Nil)

Past due but not impaired receivables: As at 30 June 2018, the Company had receivables of KShs 1,360,815 (2017: KShs 370,997) outstanding for 120 days or more than,were past due but not impaired. These receivables related to amounts due from KPLC.

15. (c) STAFF RECEIVABLES

	2018 KShs'000	2017 KShs'000
Gross staff loans and advances	16,940	3,530
Provision for impairment loss	-	-
	16,940	3,530
Amounts due within one year	16,940	3,530
Amounts due after one year	-	-
	16,940	**3,530**

16. CASH AND BANK BALANCES

Cash at bank	4,224,753	4,638,427
Cash in hand	1,000	1,000
	4,225,753	**4,639,427**

17. 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.

18. RETAINED EARNINGS

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

Notes to the Financial Statement (Cont.)

19. 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.

	2018 KShs'000	2017 KShs'000
(a) Deferred grant income reconciliation		
Direct component*		
Deferred grant income brought forward	37,558,310	25,861,588
Received in the year	10,546,649	11,842,937
Amortisation	(315,911)	(146,215)
Deferred grant income carried forward	47,789,048	37,558,310
Indirect component**		
Deferred grant income brought forward	72,078,532	63,585,514
Received in the year	15,420,389	8,736,028
Amortisation	(553,536)	(243,010)
Deferred grant income carried forward	86,945,385	72,078,532
Total direct and indirect components (note 19b))	134,734,433	109,636,842
(b) Total reconciliation		
Deferred grant income brought forward	109,636,842	89,447,102
Additions	25,967,038	20,578,965
Amortisation (note 19(a))	(869,447)	(389,225)
Deferred grant income carried forward	134,734,433	109,636,842
(c) Amounts will be amortised as below:		
Grant income to be amortised within one year	869,447	389,225
Grant income to be amortised after one year	133,864,986	109,247,617
At the end of the period	**134,734,433**	**109,636,842**

*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.

20. AMOUNT DUE 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.

Notes to the Financial Statement (Cont.)

(a) Amount due to Kenya Power and Lighting Company Limited (KPLC)

	2018 KShs'000	2017 KShs'000
Current portion	332,781	526,745
Loan repayments on behalf of KETRACO	229,684	283,803
Total current portion	562,465	810,548
Non-current portion	816,608	5,717,607
	1,379,073	**6,528,155**

The amounts due to KPLC relate to 0.75% JICA loan on Kenya Electricity Expansion Project Transmission Line whose aim is to increase the capacity, efficiency, and quality of electricity supply; and expand access to electricity in urban, peri-urban, and rural areas.

(b) Related party transactions

Transactions with related parties are detailed as follows:

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

	2018 KShs'000	2017 KShs'000
Sales of services – Wheeling revenue	2,011,000	2,011,000
Operating and maintenance expense	245,012	731,931
Included in trade payables:		
Payable against maintenance	562,445	363,990
Loan repayments	229,684	283,803
Included in trade receivables:		
Wheeling charges receivable	2,159,946	1,166,380

The Company engages KPLC in wheeling electricity to KPLC and other end users from generators who produce power in bulk. No provision for impairment has been recognised against wheeling charges receivable.

(ii) Government of Kenya

	2018 KShs'000	2017 kShs'000
Exchequer funding for recurrent expenditure	225,000	301,100
Grants received during the year	10,546,649	12,500,838
	10,771,649	**12,801,938**

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

(iii) Key management Compensation

	2018 KShs'000	2017 kShs'000
Directors emoluments	24,064	40,373
Compensation to CEO	9,685	10,388
Compensation to key management	94,139	83,824
	127,888	134,585

Notes to the Financial Statement (Cont.)

21. 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. The matter is still under arbitration hence management decision to defer recognition of the revenue. KETRACO received the cash after recalling of the performance guarantee.

22. BORROWINGS

	2018 KShs'000	2017 KShs'000
Balance at beginning of the year	2,796,019	3,101,310
External borrowings during the year	625,516	-
Domestic borrowings during the year	2,968,752	-
Repayments of external borrowings during the year	(229,684)	(283,803)
Exchange differences	7,944	(75,175)
Accrued interest	55,812	53,687
Balance at end of the year	6,224,359	2,796,019
Maturity analysis:		
Amounts due within one year (current portion)	2,968,752	278,768
Amounts due after one year (non-current portion)	3,255,607	2,517,251
	6,224,359	**2,796,019**

The analysis of both external and domestic borrowings are as follows;

	2018 KShs'000	2017 KShs'000
Renminbi denominated loan from Exim Bank of China	2,246,483	1,718,678
Japanese yen denominated loan from Japan Bank for International Corporation	1,009,124	1,077,341
	3,255,607	2,796,019
Kenya Shilling loan from KCB Bank	2,968,752	-
Total balance at the end of the year	**6,224,359**	**2,796,019**

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 instalments at 0.75% and 2.5% respectively. The projects have now been transferred to KETRACO.

23. TRADE AND OTHER PAYABLES

	2018 KShs'000	2017 KShs'000
Trade payables	10,019,989	8,515,632
Accruals	1,649,048	4,711,574
Provisions for leave	72,485	55,697
Provision for directors' fees	11,690	23,654
	11,753,212	**13,306,557**

Trade payables mainly relate to domestic and foreign trade creditors, wayleaves and GR/IR payables.

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

Notes to the Financial Statement (Cont.)

24. DEFERRED TAX ASSETS

	1 July 2017 KSh'000	Movement KSh'000	30 June 2018 KSh'000
The net deferred tax asset is attributable to the following items:			
Excess depreciation over capital allowances	7,853	(7,700)	153
Leave pay provision	16,709	5,037	21,746
Staff gratuity provision	7,096	2,913	10,009
Provision for director's fees	2,730	778	3,508
Unrealised exchange loss	109,706	2,382	112,088
	144,094	**3,410**	**147,504**

	1 July 2016 KSh'000	Movement KSh'000	30 June 2017 KSh'000
The net deferred tax asset is attributable to the following items:			
Excess depreciation over capital allowances	(25,926)	33,779	7,853
Leave pay provision	11,798	4,911	16,709
Staff gratuity provision	7,370	(274)	7,096
Provision for director's fees	-	2,730	2,730
Unrealised exchange loss	123,786	(14,080)	109,706
	117,028	**27,066**	**144,094**

25. CASH GENERATED FROM OPERATIONS

	2018 KShs '000	2017 KShs '000
Reconciliation of profit before taxation to cash generated from operations:		
Profit before taxation	675,186	566,445
Adjustments for:		
Depreciation on property and equipment (note 13)	1,015,701	489,920
Amortization of intangible assets (note 14)	47,211	10,911
Amortization of deferred grant income (note 19(b))	(869,447)	(389,225)
Loss on disposal of property and equipment (note 5)	3,933	2,299
Finance income	(274,982)	(235,784)
Finance costs	63,756	81,929
Changes in working capital:		
Increase in trade and other receivables	(2,089,867)	(3,141,933)
(Decrease)/Increase in amount due to related parties*	(5,149,082)	566,737
(Decrease)/Increase in trade and other payables	(1,553,345)	4,558,229
Cash (used in)/ generated from operations	(8,130,936)	2,509,528
Interest received	274,982	132,367
	(7,855,954)	**2,641,895**

*Included in amounts due to related parties are assets transferred to KETRACO from Kenya Power and Lighting Company (Kenya Power) after the signing of the novation agreement. The amounts were previously classified as due to related parties and later moved to deferred grant income after transfer of the transmission assets.

Notes to the Financial Statement (Cont.)

26. CAPITAL EXPENDITURE COMMITMENTS

	2018 KShs'000	2017 KShs'000
Authorised and contracted for	15,420,460	-
Authorised but not contracted for	10,546,649	12,500,838
	25,967,109	**12,500,838**

27. CONTINGENT LIABILITIES

Project claims	14,545,036	4,744,018

Contingent liabilities consist of ongoing court cases and contractors' claims. Some projects have faced delays in completion due to challenges in obtaining way-leaves 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.

28. FUTURE OPERATING LEASE RENTAL PAYABLES

Amounts payable by the Company under various operating lease agreements negotiated with landlords as at the year-end were as follows:

	2018 KShs'000	2017 KShs'000
Payable within one year	24,885	27,931
Payable after one year but less than 5 years	168,085	106,274
After 5 years	703,518	1,910,042
	896,488	**2,044,247**

29. FAIR VALUE OF FINANCIAL INSTRUMENTS

The management assessed that the fair values of cash and bank deposits, trade payables and borrowings to be the approximate of their carrying amounts largely due to the short-term maturities of these instruments.

30. 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 currency. The Company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect 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.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Company's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the Company's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

Notes to the Financial Statement (Cont.)

	Fully performing KSh '000	Past due KSh '000	Impaired KSh '000
At 30 June 2018			
Trade receivables	799,131	1,360,815	-
Bank balances	4,224,753	-	-
	5,023,884	1,360,815	-
At 30 June 2017			
Trade receivables	795,383	370,997	-
Bank balances	4,638,427	-	-
	5,433,810	370,997	-

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

The bank balance consists of KShs 106,320,247 held in escrow accounts (2017 – KShs 43,984,260), the remainder is held in current accounts.

The Company has significant concentration of credit risk on amounts due from KPLC.

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.

(ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Company 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.

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 balances, as the impact of discounting is not significant. The liability will however be disposed of when funding is received.

	Less than 1 month KSh '000	Between 3-12 months KSh '000	Over 12 months KSh '000	Total KSh '000
At 30 June 2018				
Trade payables	10,019,989	-	-	10,019,989
Due to KPLC	-	562,465	816,608	1,379,073
Borrowings	-	2,968,752	3,255,607	6,224,359
	10,019,989	**3,531,217**	**4,072,215**	**17,623,421**
At 30 June 2017				
Trade payables	8,515,632	-	-	8,515,632
Due to KPLC	-	810,548	5,717,607	6,528,155
Borrowings	-	278,768	2,517,251	2,796,019
	8,515,632	**1,089,316**	**8,234,858**	**17,839,806**

Notes to the Financial Statement (Cont.)

(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 conversion at the time of payment is done using the prevailing exchange rate.

The following table demonstrates the effect on the Company's statement of profit or loss and other comprehensive income of applying the sensitivity for a reasonable possible change in the exchange rate of the two main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

	Change in USD rate	Effect on profit before tax USD (000)	Effect on pre-tax equity USD (000)
2018			
	+5%	(30)	(54)
	-5%	20	65
2017			
	+5%	(30)	(54)
	-5%	20	65

	Change in EURO rate	Effect on profit before tax EURO (000)	Effect on pre-tax equity EURO (000)
2018			
	+5%	(10)	(34)
	-5%	10	45
2017			
	+5%	(30)	(24)
	-5%	20	55

(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.

Notes to the Financial Statement (Cont.)

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
31 December 2018	KShs
Assets	
Cash and bank balances financial institutions	3,871,096
Interest rate sensitivity gap	3,871,096
31 December 2017	
Assets	
Cash and bank balances financial institutions	4,084,770
Interest rate sensitivity gap	4,084,770

	2018	2017
	KShs	KShs
Effect on profit before tax of a +5% change in interest rates	(193,555)	(204,238)
Effect on profit before tax of a -5% change in interest rates	193,555	204,238
Effect on equity +-(-)	193,555	204,238

(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 adjustments 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 2018 and 30 June 2017.

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.

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 Regulatory Commission.

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 Statement (Cont.)

31. INCORPORATION

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

32. GOING CONCERN

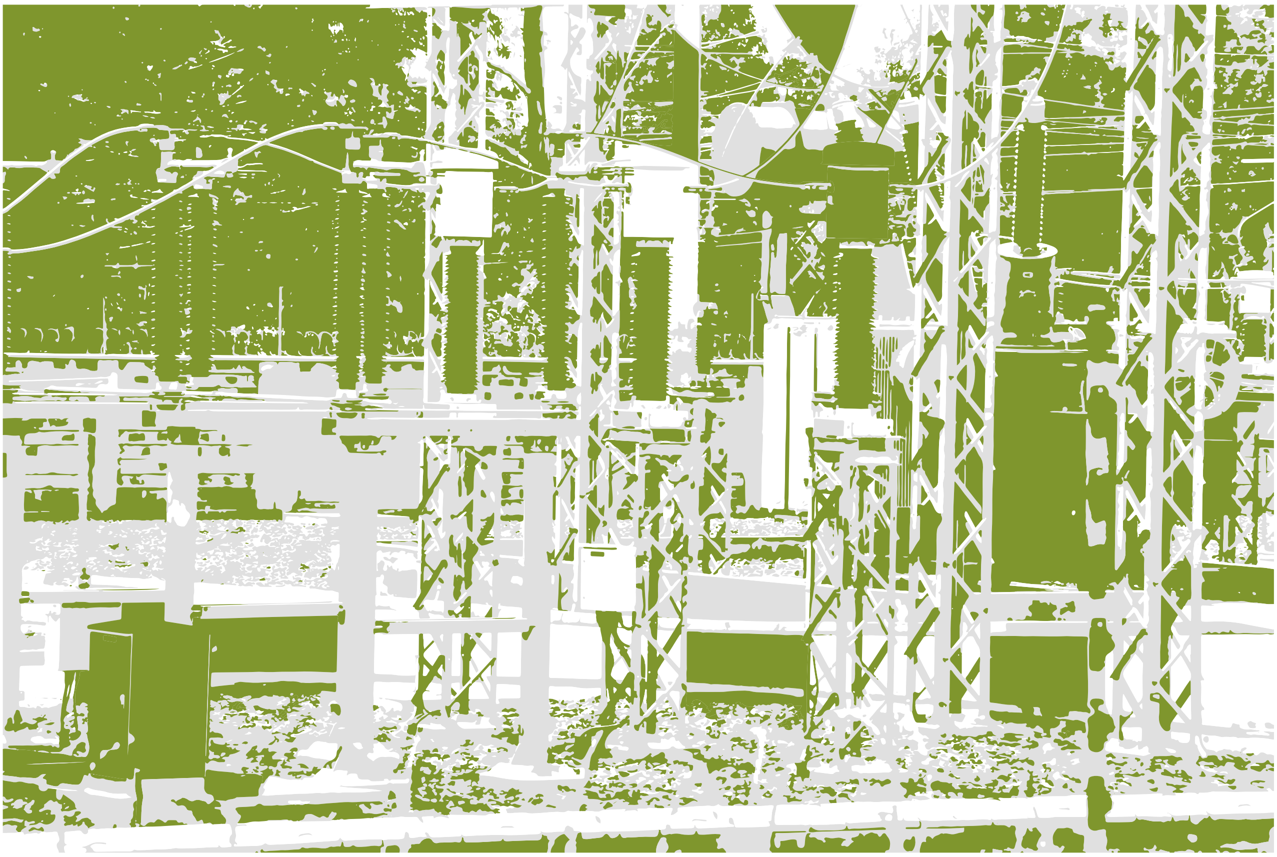
The Company's current liabilities exceed the current assets by KShs. 5.7 billion (2017: KShs. 5.9 billion). The Company may, therefore, not meet its short-term obligations as and when they fall due. However, the Company is 100% owned by the Government of Kenya which secures financing for various projects for implementation by KETRACO. Further, the Company recorded a profit of KShs. 436 million for the year ended 30 June 2018 (2017: KShs. 430 million). 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.

33. EVENTS AFTER THE REPORTING PERIOD

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

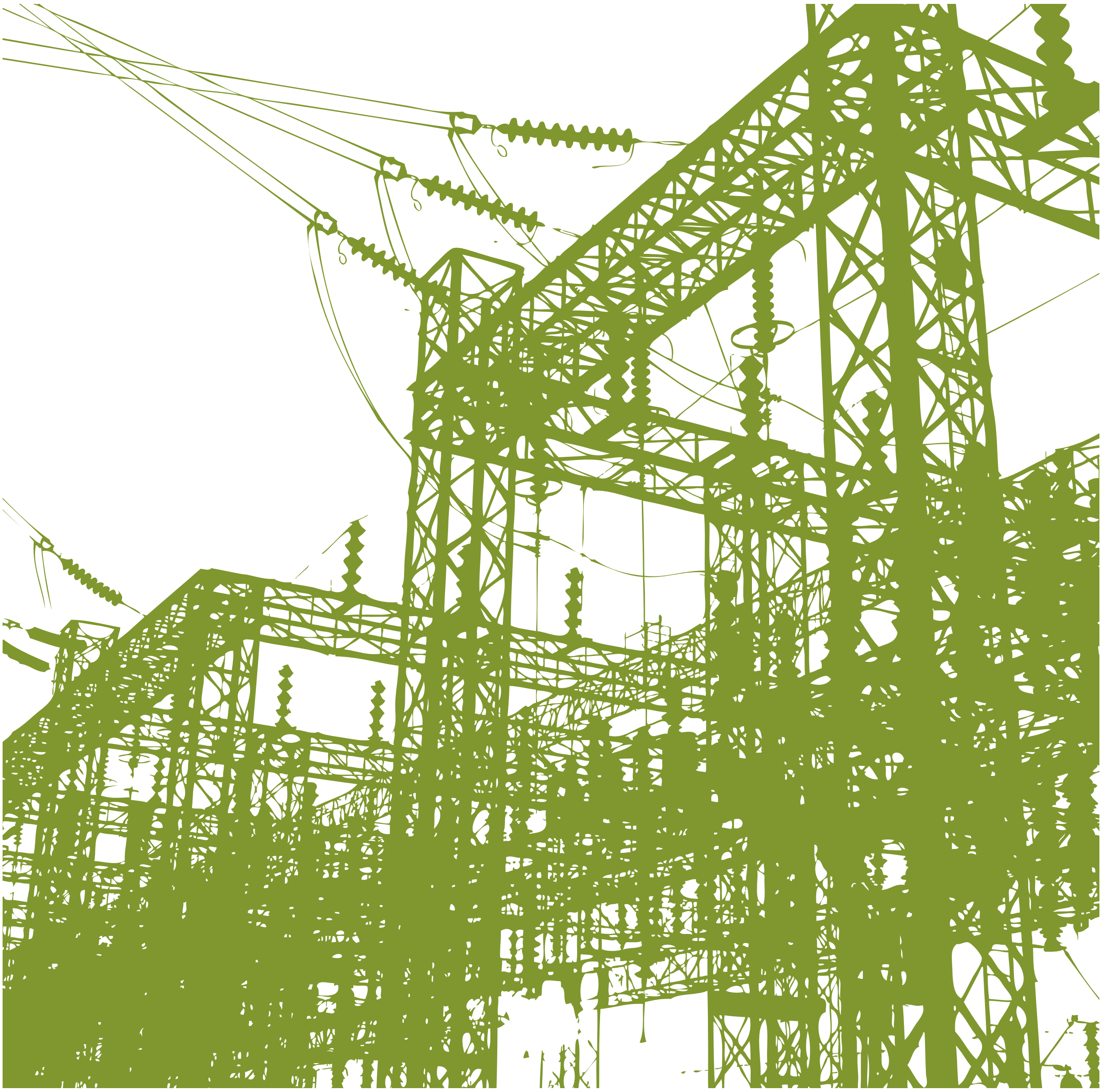
34. CURRENCY

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



Ongoing stringing works

APPENDIX



APPENDIX I: Statement of Comparison of Budget and Actuals

	Statement of Comparison of Budget and Actual Amounts for the Period ended 30th June 2018						
	Details	Original Budget	Adjustments	Final Budget	Actual on Comparable basis	Performance Difference	Variance
		2017/2018	2017/2018	2017/2018	2017/2018	2017/2018	
		KShs.'000'	KShs.'000'	KShs.'000'	KShs. '000'	KShs.'000'	
	Revenue						
1	Wheeling revenue	2,011,000		2,011,000	2,011,000	-	0%
2	Government grants -recurrent	300,000		300,000	225,000	(75,000)	-25%
3	Other Incomes -fibre optic	-	-	-	69,030	69,030	N/A
4	Other incomes - interest income	140,800		140,800	271,049	130,249	93%
5	Amortisation of grants	-	-		869,447	869,447	N/A
6	**Total Revenue**	**2,451,800**	**-**	**2,451,800**	**3,445,526**	**993,726**	41%
	Expenses						
7	Bank charges	2,843		2,843	5,995	3,152	111%
8	Directors fees and Expenses	50,000		50,000	24,064	(25,936)	-52%
9	Staff costs	803,125		803,125	441,119	(362,007)	-45%
10	Staff traveling	21,563		21,563	21,317	(246)	-1%
11	Staff training	23,010	(4,500)	18,510	17,081	(1,429)	-8%
12	Rent	3,480	3,000	6,480	6,295	(185)	-3%
13	Motor vehicle running cost	30,711		30,711	30,375	(336)	-1%
14	Depreciation	340,051		340,051	1,062,912	722,861	213%
15	Professional fees and consultancy	52,500	(11,500)	41,000	39,044	(1,956)	-5%
16	Administration and other operating costs	256,708	26,000	282,708	222,378	(60,330)	-21%
17	Operation and maintenance costs	1,019,799	(13,000)	1,006,799	899,760	(107,039)	-11%
	Total Expenditure	**2,603,790**		**2,603,790**	**2,770,340**	**166,550**	6%
	Surplus/Deficit	**(151,990)**	**-**	**(151,990)**	**675,186**		
	Note.						
	The change between the original budget and the final is due to re-allocation of funds						

APPENDIX II: Inter-Entity Transfers

Break down of Transfers from the Ministry of Energy & Petroleum			
Financial Year ending 30 June 2018			
a. Recurrent Grants	**Bank Statement Date**	**Amount (KShs)**	**Indicate the FY to which the amounts relate**
	01/09/2017	75,000,000	FY 2017/2018
	15/12/2017	75,000,000	FY 2017/2018
	11/04/2018	75,000,000	FY 2017/2018
	Sub Total	**225,000,000**	
b. Development Grants	**Bank Statement Date**	**Amount (KShs)**	**Indicate the FY to which the amounts relate**
	23/10/2017	1,400,750,000	FY 2017/2018
	19/02/2018	1,309,698,980	FY 2017/2018
	21/02/2018	2,651,000,000	FY 2017/2018
	02/03/2018	200,000,000	FY 2017/2018
	04/04/2018	2,651,000,000	FY 2017/2018
	04/04/2018	1,283,849,490	FY 2017/2018
	04/07/2018	1,050,350,765	FY 2017/2018
	Sub Total	**10,546,649,235**	
	Total	**10,771,649,235**	

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

Sign---------------
Ag, General Manager - Finance & Strategy
Kenya Electricity Transmission Company Limited

Sign-----------
Head of Accounting Unit
Ministry of Energy

APPENDIX III: Recording of Transfers From other Government Entities

Name of the MDA/ Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/ Development/ Others	Total Amount	Where Recorded/recognized			
				Statement of Financial Performance	Capital Fund	Receivables	Total Transfers during the Year
			KShs	KShs	KShs	KShs	KShs
Ministry of Energy and Petroleum	01/09/2017	Recurrent	75,000,000	75,000,000	-	-	75,000,000
Ministry of Energy and Petroleum	23/10/2017	Development	1,400,750,000	-	1,400,750,000	-	1,400,750,000
Ministry of Energy and Petroleum	15/12/2017	Recurrent	75,000,000	75,000,000		-	75,000,000
Ministry of Energy and Petroleum	19/02/2018	Development	1,309,698,980	-	1,309,698,980	-	1,309,698,980
Ministry of Energy and Petroleum	21/02/2018	Development	2,651,000,000		2,651,000,000	-	2,651,000,000
Ministry of Energy and Petroleum	02/03/2018	Development	200,000,000		200,000,000	-	200,000,000
Ministry of Energy and Petroleum	04/04/2018	Development	2,651,000,000		2,651,000,000	-	2,651,000,000
Ministry of Energy and Petroleum	04/04/2018	Development	1,283,849,490	-	1,283,849,490	-	1,283,849,490
Ministry of Energy and Petroleum	11/04/2018	Recurrent	75,000,000	75,000,000		-	75,000,000
Ministry of Energy and Petroleum	04/07/2018	Development	1,050,350,765	-		1,050,350,765	1,050,350,765
Total			**10,771,649,235**	**225,000,000**	**9,496,298,470**	**1,050,350,765**	**10,771,649,235**

APPENDIX IV: Explanation of Variance -+10% In The Statement of Budget Vs Actuals

	Statement of Comparison of Budget and Actual Amounts for the Period ended 30th June 2018							
	Details	**Original Budget**	**Adjustments**	**Final B udget**	**Actual on Comparable basis**	**Performance Difference**	**Variance**	**Remarks**
		2017/2018	**2017/2018**	**2017/2018**	**2017/2018**	**2017/2018**		
	Kshs.	**'000'**	**'000'**	**'000'**	**'000'**	**'000'**		
	Revenue							
1	Wheeling revenue	2,011,000		2,011,000	2,011,000	-	0%	N/A
2	Government grants -recurrent	300,000		300,000	225,000	(75,000)	-25%	Non-disbursement for fourth quarter from TNT
3	Other incomes -fibre optic	-	-	-	69,030	69,030	N/A	Fibre revenue was not budgeted, though received.
4	Other incomes - Interest Income	140,800		140,800	271,049	130,249	93%	Delays in implementation of Transmission lines led to banks holding a lot of cash which led to increase in interest income,
5	Amortisation of grants	-	-	-	869,447	869,447	N/A	
6	**Total revenue**	**2,451,800**	**-**	**2,451,800**	**3,445,526**	**993,726**	41%	

APPENDIX IV: Explanation of Variance -+10% In The Statement of Budget Vs Actuals (Cont.)

	Statement of Comparison of Budget and Actual Amounts for the Period ended 30th June 2018							
	Details	**Original Budget**	**Adjustments**	**Final B udget**	**Actual on Comparable basis**	**Performance Difference**	**Variance**	**Remarks**
		2017/2018	**2017/2018**	**2017/2018**	**2017/2018**	**2017/2018**		
	Kshs.	**'000'**	**'000'**	**'000'**	**'000'**	**'000'**		
	Revenue							
11	Staff training	23,010	(4,500)	18,510	17,081	(1,429)	-8%	N/A
12	Rent	3,480	3,000	6,480	6,295	(185)	-3%	N/A
13	Motor vehicle running cost	30,711		30,711	30,375	(336)	-1%	N/A
14	Depreciation	340,051		340,051	1,062,912	722,861	213%	Non-cash, non-budgeted expense item
15	Professional fees and consultancy	52,500	(11,500)	41,000	39,044	(1,956)	-5%	N/A
16	Administration and other operating costs	256,708	26,000	282,708	222,378	(60,330)	-21%	N/A
17	Operation and maintenance costs	1,019,799	(13,000)	1,006,799	899,760	(107,039)	-11%	N/A
	Total expenditure	**2,603,790**		**2,603,790**	**2,770,340**	**166,550**	6%	
	Surplus/deficit	**(151,990)**	**-**	**(151,990)**	**675,186**			

Note. The change between the original budget and the final is due to re-allocation of funds

APPENDIX V: Projects

	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	MOE 2/11/2012	KBC Bank, Belgium	3 years	EUROS 16,000,000	No	Yes
5	Kenya Power Transmission Expansion Project	MOE&P/KPTEP-01-2015	EXIM Bank of China	3 years	RMB 677,068,226	No	Yes
6	Mariakani Substation	KETRACO/PT/017/2014	ADB	2 years	USD 23,846,925	Yes	Yes
7	Mombasa-Nairobi	KETRACO/1/6/09-LOT 1	AfDB	8 years	UA 30,386,965.42	Yes	Yes
		KETRACO/1/6/09-LOT 2	EIB		EURO. 60,000,000		
		KETRACO/1/6/09-LOT 3	AFD		EURO. 60,000,000		
8	Nairobi Ring (Suswa – Isinya and substations)	KETRACO/PT/017/2011	AFD	8 years	EURO. 78,500,000	Yes	Yes
		KETRACO/PT/15/2015					
9	Lessos - Tororo (Equitorial Nile lake grids)	KETRACO/PT/007/2012	AfDB	8 years	UA 21,416,407.12	Yes	Yes
		KETRACO/PT/013/2012.					
10	Eastern Electricity Highway	KETRACO/PT/011/2016	IDA,ADB,AFD	5 Years	USD 441M,UAC 75M,EUR 91M	Yes	Yes
11	Garsen Hola Garissa	MOE-CAMCE-01-2012	EXIM CHINA	3 Years	RMB 584M	No	Yes
12	Nyahururu – Nanyuki	KET/2/9/4/98	ADB	8 YEARS	USD 15,191,617.89	Yes	Yes

APPENDIX V: Projects (Cont.)

	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)
		KET/2/9/4/98	ADB	8 YEARS	KES 547,699,840.98	Yes	Yes
13	Lessos – Kabarnet	KET/2/9/4/99	ADB	8 YEARS	USD 10,028,916.1	Yes	Yes
		KET/2/9/4/99	ADB	8 YEARS	KES 403,309,135.14	Yes	Yes
14	Olkaria – Narok	KET/2/9/4/101	ADB	8 YEARS	USD 13,835,047.19	Yes	Yes
		KET/2/9/4/101	ADB	8 YEARS	KES 15,280,440	Yes	Yes
16	Bomet – Sotik	KET/2/9/4/102	ADB	8 YEARS	USD 14,036,792.64	Yes	Yes
		KET/2/9/4/102	ADB	8 YEARS	KES 15280440	Yes	Yes
17	Kitui - Mwingi - Wote - Sultan Hamud	KET/2/9/4/43	ADB	8 YEARS	USD 2975932	Yes	Yes
18	Ishiara – Kieni – Embu	KET/2/9/4/43	ADB	8 YEARS	KES 114,500,975	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
	Loiyangalani – Suswa Tl	KET/2/9/4/34	SPAIN/GOK	7 YEARS	EURO 142038152	No	Yes
22			SPAIN/GOK	7 YEARS	EURO 4364977	No	Yes
23	Loiyangalani – Substation	KET/2/9/4/45	GOK	7 YEARS	EURO 7,962,869	No	Yes
	Rabai – Malindi – Garsen – Lamu	KET/2/9/4/72	Exim Bank of China	6 YEARS	RMB 636,600,105.57	No	Yes
24			Exim Bank of China	6 YEARS	KSH 2132190.269	No	Yes

APPENDIX V (B): Status of Projects Completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Exim funded projects	7,228,000,000	5,669,385,923	78%			GOK, Exim Bank of India
2	Olkaria-Lessos-Kisumu TL	28,256,000,000	7,689,057,739	27%			GOK, JICA
3	Nanyuki-Isiolo-Meru TL	5,588,120,000	2,516,520,199	45%			GOK, KBC Belgium Bank
4	Sondu-Homabay-Ndhiwa-Awendo	1,792,000,000.00	985,600,000.00	55%			GOK, KBC Belgium Bank
5	Kenya Power Transmission Expansion Project	10,169,564,754.52	1,525,434,713.18	15%			GOK,Exim Bank of China
6	Mariakani Substation	2,541,020,642.00	508,204,128.40	20%			GOK, ADB
7	Mombasa-Nairobi	22,548,000,000.00	20,098,642,473.60	89%			GOK,EIB,AFD
8	Nairobi Ring (Suswa – Isinya and substations)	18,566,981,305.88	13,210,754,217.89	71%			GOK,AFD
9	Lessos - Tororo (Equitorial Nile lake grids)	8,809,000,000.00	5,608,222,657.06	64%			GOK,AfDB
10	Eastern Electricity Highway Project	42,781,458,070.75	22,607,895,457.27	53%			GOK,IDA,ADB,AFD
11	Garsen Hola Garissa	8,796,368,519.86	1,759,273,703.97	20%			GOK,Exim Bank of China
12	Kenya Power Transmission System Improovement Project (KPTSIP)	8,482,404,634.86	7,587,989,878	89%			ADB/GOK
13	Loiyangalani Suswa	28,171,733,657.53	24,583,506,250.32	87%			GOK

The makeup of bank balances and short term deposits is as follows:

APPENDIX VI: Detailed Analysis of The Cash and Cash Equivalents

Financial institution	Account number	Currency	Foreign Currency 2018	Foreign Currency 2017	2018 KShs' 000	2017 KShs'000
Current account						
Kenya Commercial Bank	1111251622	KShs			2,446,049	2,555,941
Kenya Commercial Bank	1200560752	KShs			402,579	377,848
Kenya Commercial Bank(Escrow)	1221490435	KShs			66,143	-
National Industrial Credit Bank	1001309443	KShs			55,876	54,953
National Industrial Credit Bank	1003385554	USD	979.68		100,415	27,123
Co-operative Bank of Kenya	01136160914100	KShs			16,955	43,984
Co-operative Bank of Kenya	01136160914101	KShs			18,172	21,200
Co-operative Bank of Kenya	01136160914102	KShs			10,657	8,906
Commercial Bank of Africa	7612350017	KShs			223,764	31,717
Commercial Bank of Africa	7612350025	KShs			13,696	10,998
Commercial Bank of Africa	7612350038	EUR	7,388.44		863,064	-
National Bank of Kenya	1037033184100	KShs			5,368	5,375
Standard Chartered Bank	0104026386601	KShs			98	(82,669)
Standard Chartered Bank	9304026386600	EUR	1.85	1.93	219	229
Standard Chartered Bank	8704026386600	USD	4.92	5.05	510	524
Standard Chartered Bank	0104026386600	KShs			74	86
Citi Bank	300092007	KShs			1,114	13,688
Citi Bank	300092018	EUR	-	13,694	-	1,568,524
Sub- total					**4,224,753**	**4,638,427**
e) Others(specify)						
cash in hand					**1,000**	**1,000**
Sub- total					**1,000**	**1,000**
Grand total					**4,225,753**	**4,639,427**

As at the year end, the Company had an undrawn Letter of Credit facility with Kenya Commercial Bank amounting to KShs 3,994 million. The facility is guaranteed by the National Treasury

FORM OF PROXY FOR ANNUAL GENERAL MEETING

Kenya Electricity Transmission Company Limited
Kawi Complex, Block B
Popo Lane, off Red Cross, South C
P.O. BOX 34942-00100, NAIROBI

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 6th December, 2019 and at any adjournment thereof.

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, 2018 together with the Chairman's, Directors' and Auditors' reports thereon.		
2.	Declaration of Dividends.		
3.	To authorize Dierctors to fix the Remuneration of Auditors.		
4.	To approve Directors' fees of KShs. 420,000.00 (less withholding tax), for each Director who served during the period.		

Signature ....

Dated this .... day of 2019

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.

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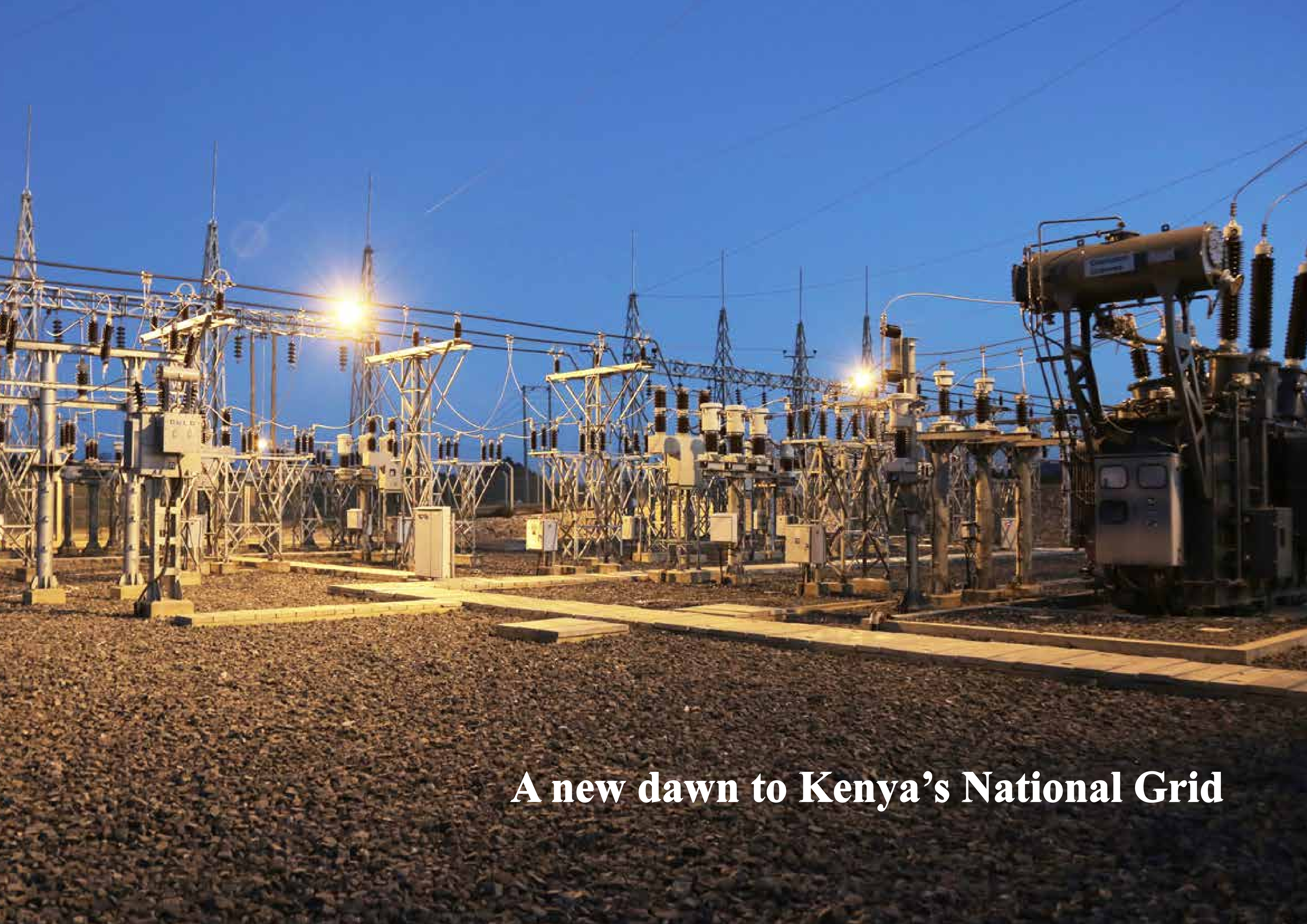
A new dawn to Kenya's National Grid

KETRACO
Kenya Electricity Transmission Company Limited
“Building a World Class National Grid”

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