

**OFFICE OF THE AUDITOR-GENERAL**

*Enhancing Accountability*

**REPORT**

THE NATIONAL ASSEMBLY  
PAPERS LAID

DATE: 18 FEB 2021

THURSDAY

OF

Majority Whip  
Hon - Wangwe  
Anne Musandu

**THE AUDITOR-GENERAL**

**ON**

**LAST MILE CONNECTIVITY PROJECT 1  
(LOAN NO.2100150032195)**

**FOR THE YEAR ENDED  
30 JUNE, 2020**

**KENYA POWER AND LIGHTING  
COMPANY PLC**





**LAST MILE CONNECTIVITY PROJECT I**

**KENYA POWER AND LIGHTING COMPANY PLC.**

**ADF LOAN NO: 2100150032195**

**PROJECT ID No: P-KE-FAO-010**

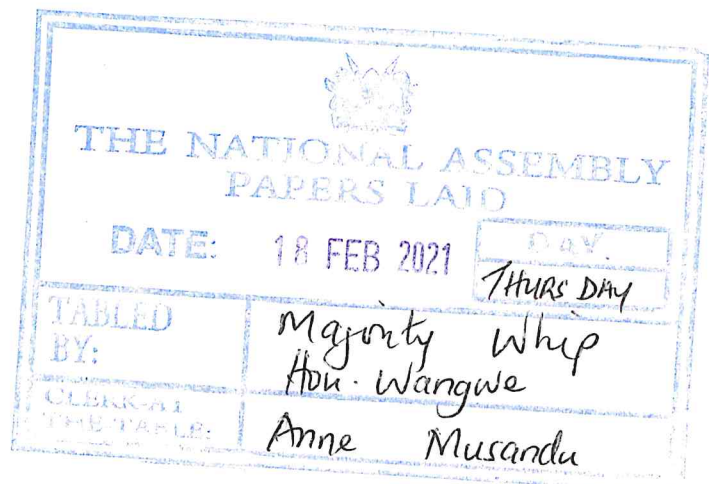
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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
30 JUNE 2020**

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**Prepared in accordance with the Cash Basis of Accounting Method under the International Public  
Sector Accounting Standards (IPSAS)**





<b>CONTENTS</b>	<b>PAGE</b>
1. Project Information and Overall Performance .....	1
2. Statement of Performance Against Project's Predetermined Objectives.....	6
3. Corporate Social Responsibility Statement/Sustainability.....	7
4. Statement of Project Management Responsibilities.....	9
5. Report of the Independent Auditors on the Last Mile Connectivity Project I .....	10
6. Statement of Receipts and Payments for the Year Ended 30 June 2020.....	13
7. Statement of Financial Assets As At 30 June 2020 .....	14
8. Statement of Cash Flows For The Year Ended 30 June 2020.....	15
9. Statement of Comparative Budget And Actual Amounts .....	16
10. Notes to the Financial Statements .....	17
11. Other Important Disclosures .....	23
12. Progress on Follow Up of Prior Year Auditor's Recommendations.....	24



## 1. PROJECT INFORMATION AND OVERALL PERFORMANCE

### 1.1 Name and registered office

**Name:** Last Mile Connectivity Project I

**Objective:** The key objective of the project is to support the Government's initiative of ensuring increased Electricity access to Kenyans, particularly the poor.

**Executing Agency:** Ministry of Energy and Petroleum

**Implementing Agency:** Kenya Power and Lighting Company PLC (Kenya Power)

**Address:** The Implementing Agency headquarters offices are in Nairobi City, Nairobi County, Kenya.

The address of its registered office is:

Stima Plaza  
 Kolobot Road, Parklands  
 P. O. Box 30099 - 00100  
 Nairobi.

**Contacts:** The following are the projects contacts:

Kenya Power and Lighting Company PLC

Telephone: +254-02-3201000

Website: [www.kplc.co.ke](http://www.kplc.co.ke)

### 1.2 Project Information

Project Start Date:	The project start date is 18 December 2014.
Project End Date:	The project end date is 31 December 2022.
Project Manager:	The project manager is Eng. Jared Biwott.
Project Sponsors:	The project sponsors are Government of Kenya and African Development Bank.

### 1.3 Project Overview

Line Ministry/State Department of the project	The Kenyan Ministry of Energy and Petroleum is the Executing Agency of the project while Kenya Power and Lighting Company PLC (Kenya Power) is the Implementing Agency.
Project number	P-KE-FAO-010- Loan No: 2100150032195
Strategic goals of the project	The strategic goal of the project is to support the Government's initiative of ensuring increased Electricity access to Kenyans, particularly the poor.
Achievement of strategic goals	The project management aims to achieve the goals through the following means: <ul style="list-style-type: none"> <li>• Expansion of the power distribution system to be within reach and thus enable more Kenyans to connect to the grid at affordable cost; and</li> <li>• Reduction of Connection cost paid by the customer.</li> </ul>





**1.3 Project Overview (continued)**

<p>Other important background information of the project</p>	<p>The Government of the Republic of Kenya (the “Government”) and the African Development Fund (the “Fund”/”ADF”) entered into a Loan Agreement for the Last Mile Connectivity Project I (Project ID. No.: P-KE-FAO-010 and Loan No.: 2100150032195) (the “Project”) on 18 December 2014 (the “Loan Agreement”). As per the Loan Agreement, the Fund agreed to extend a loan not exceeding 90 million Units of Account (UA 90,000,000) to the Government.</p> <p>The Loan Agreement was subject to conclusion of a Subsidiary Grant Agreement between the Government and the Kenya Power and Lighting Company PLC for on granting of the loan. The Subsidiary Grant Agreement was signed on 4 September 2015.</p> <p>The scope of the Project is the extension of the low voltage network on existing and new distribution transformers to reach households within the transformer protection distance in areas with a low penetration rate throughout the country. The Project was to include the construction of 11,906.09 kilometres of low voltage distribution lines, and installation of equipment for the connection of 224,952 customers. The Project has been divided into 12 Lots. 10 lots were for supply and installation, 1 lot for supply of meters and 1 for the Supervision and Management Consultant.</p>
<p>Current situation that the project was formed to intervene</p>	<p>Low Electricity access rate especially in the rural areas across all the 47 Counties of Kenya.</p>
<p>Project duration</p>	<p>The project started on 18 December 2014 and is expected to run until 31 December 2022.</p>

**1.4 Auditors**

The project is audited by the below Auditors:

**Principal Auditors**

The Auditor General  
 Kenya National Audit Office  
 Anniversary Towers  
 P. O. Box 30084 -00100  
 Nairobi, Kenya.

**Delegated Auditor**

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



### 1.5 Project Implementation Team

Name	Title Designation	Key Qualifications	Responsibilities
Bernard Ngugi	Managing Director & Chief Executive Officer, KPLC	MBA(Finance), B.COM (Accounting), CPA(K), CPS(K)	Accounting officer
Eng. Aggrey Machasio	General Manager, Infrastructure Development	BSc. Electrical Eng.& Technology	Head Infrastructure Development
Eng. Kennedy Owino	Manager, Connectivity & Turnkey Projects	MSc. CBIS, BSc. Electrical Eng.& Electronic Engineering	Supervision and Management of all Projects.
Eng. Jared Biwott	Project Leader, LMCP I	BSc. Electrical and Electronic Eng.	Project Coordination, Supervision and Management.
Ambrose Lamaon	Chief Accountant, Donor Funded Projects, KPLC	MBA(Finance), B. Com Accounting, CPA(K)	Project Financial Management.
Stella Mucheke	Chief Supply Chain Officer, Donor Funded Project	MBA (Operations Management), BA – Economics, Maths and Sociology, CIPS Level 6.	Project Procurement and Contract Management.
Simon Tirop	Project Accountant	B.Com Accounting, CPA(K).PMD Pro Level 1.	Project Financial Management.
Allan Otieno	Procurement specialist	MBA-Procurement & Supply Chain; B.A Anthropology; CIPS Level 4	Project Procurement and Contract Management.
Wilfred Koech	SHE Specialist	M. Philosophy (Environ Sc.), BSc. (Environ. Sc.), Dip. (Environ Mgt)	Coordination and Management of Social, Safety and Environmental aspects of the project.

### 1.6 Funding summary

The Project duration is 8 years, from 2014 to 2022, with an approved budget of UA 106,951,017 equivalent to KShs 15.733 Billion as highlighted in the table below:

Source of funds	Donor Commitment		Amount Paid as at 30.06.2020		Undrawn balance as 30.06.2020	
	Unit of Account-UA (A)	KShs '000 (A')	Unit of Account-UA (B)	KShs '000 (B')	Unit of Account-UA (A)-(B)	KShs '000 (A')-(B')
<b>(i) Loan</b>						
ADF Financing (UA)	90,000,000	13,228,362	73,178,383	10,371,879	16,821,617	2,856,483
<b>(ii) Counterpart funds</b>						
Government of Kenya	16,951,017	2,505,423	9,112,106	1,346,803	7,838,911	1,158,620
<b>Total</b>	<b>106,951,017</b>	<b>15,733,785</b>	<b>82,290,489</b>	<b>11,718,682</b>	<b>24,660,528</b>	<b>4,015,103</b>



**1.7 Summary of Overall Project Performance:**

**a) Budget Performance against Actual Amounts**

To date the Project has utilised KShs 11.7 Billion, which is 74% of the budget.

**b) Physical Progress and Achievement of the Project**

A total of 5,320 transformers were to be maximized under the Project. During implementation, the targeted number of transformers was reduced to 4,859 after the design.

The survey, design and material supply have been completed. Installation works is at an advanced stage with line works complete and most of the customer metered. Overall, installation works is at 92%. The total number of customers connected at 30 June 2020 is 195,483, which is 87% of the total customers targeted.

**c) Implementation Challenges and way forward**

Implementation of the project has faced several challenges, which affected the timely execution and delivery of key project milestones. Document collection and data gathering challenges were experienced as most of the customers are in the rural areas and do not have the mandatory statutory documents for power supply contracting. In addition, poor performance of contractors due to lack of adequate cash flow and poor project planning affected the project. During the year, the effects of Covid-19 slowed down the progress of installation and connection of customers.

To mitigate the effects of the various challenges the Project Implementation Team have enhanced supervision of works by increasing site supervisors, fast tracking payments to contractors and closely liaising with Government for adequate funding. In addition, the project implementation Team has embraced the use the local administration for stakeholder sensitization to facilitate document collection and data gathering.



### 1.8 Summary of Project Compliance

KPLC is entrusted with the responsibility of implementing the Last Mile Connectivity Project I.

a) Compliance with applicable environmental laws and regulations

KPLC strives to comply with all the national and international environmental statutory and regulatory provisions that apply to its operational activities. The key national laws are; the Water Act of 2002 and the Environmental Management and Coordination Act (EMCA) of 1999 and the associated regulations. While key International Best practices include the IFC Performance Standards.

Therefore, all KPLC's projects promote sound healthy environment and opportunities for environmental conservation with local communities in all project areas.

b) Consequences if any suffered on account of non-compliance or likely to be suffered.

KPLC takes the utmost precautions in its operations in ensuring all associated impacts are negligible on health and the environment.

The Company has not suffered any consequences as a result of non-compliance due to its commitment towards environmental regulatory compliance.

c) Mitigation measures taken or planned to be taken to alleviate the adverse effects of actual or potential consequences of non-compliance

KPLC has a sound environmental policy that reflects commitment to continually improve in the field of environmental management and monitoring. It serves as a guide to the company, Contractors and Suppliers and forms the basis for good collaboration with stakeholders.

The Company continues to streamline its environmental and social management/monitoring plans to be in total compliance with International Environmental Best Practices and Standards. Dissemination of knowledge on environmental conservation, management and awareness has been a key component through the social afforestation program





## 2. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETERMINED OBJECTIVES

### Introduction

Section 81 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting officer when preparing financial statements of each National Government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the national government entity's performance against predetermined objectives.

The key development objective of the project's 2018-2022 plan is to support the Government's initiative of ensuring increased electricity access to Kenyans, particularly the poor.

### Progress on attainment of Strategic development objectives

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives are specific, measurable, achievable, realistic and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement. The Project status deliverables as at year-end is as follows.

S N	Item Description	Unit	Quantity	Status of Execution	% Achieved
1	LV route length	km	11,906.09	10,977.60	92%
2	Customer	PC	224,952	195,483	87%

The project as proposed targets connecting customers in areas with low access to electricity as per the Government policy. The electrification of rural areas has immediate effect on economic activities in that region thus creating employment and increase business opportunities, better education services, improve health facilities and overall quality of life for the citizens.



### **3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY**

#### **Reporting**

In the course of carrying out our business operations, we closely interact with numerous communities and our work highly impacts on their lives in significant ways. Our Corporate Social Responsibility Policy affirms our commitment to the communities that surround us and promotes our positive contribution to the environment from which we draw our resources, and which we all owe our existence. Our aim is to significantly reduce any negative impacts on the lives of the people that we serve, and to help contribute to their wellbeing through our business as well as through programmes that demonstrate our social consciousness. During the year under review, our numerous social investment programmes and our activities were embodied under the following four pillars: -

#### **Promoting Education**

We acknowledge the value of education and its important contribution as a foundation of society. Indeed, at Kenya Power, we have over the years prioritised programmes that support education of marginalised children because we understand the role of education as a powerful tool to enable disadvantaged communities lift themselves up economically and socially. Education helps develop responsible citizens who can contribute positively to society. Similarly, as an organisation, we highly depend on qualified people and the skills of our staff is the greatest asset that we possess. Our Corporate Social Investment programmes envisage a future where more people access high quality education as our way of giving back to the communities from which we draw our human resources.

During the period, in addition to our continued support for students from underprivileged communities to study at Starehe Boys Centre and Starehe Girls Center, more than KShs 2.5 million was used to support schools and education programmes for different communities. Out of this, KShs 1 million was used to fund renovation of classrooms at Masumbi Primary School in Siaya County. In Bungoma County, KShs 319,400 went to electrical wiring of Kiminini Primary School to enable pupils in the school extend their learning hours in the mornings and evenings. KShs 1 million was spent in Trans Nzoia County to support construction of additional classrooms at Chesitia Primary School. At the same time, the bulk of our funds under the Wezesha Jamii Programme went to support educational programmes.

#### **Employee Participation through Wezesha Jamii Programme**

The Company continued its support for employee-championed projects countrywide which were funded at a cost of KShs 13 million during the year. Through the Wezesha Jamii Programme, employees are given an opportunity to participate by proposing potential programmes that can support communities of their choice. The projects funded under the programme were distributed across all the regions of the Company.

Some of the key projects that were funded through the Wezesha Jamii Programme include KShs 1 million for the completion of a workshop for children living with disability at Obalwanda School in Homabay County; KShs 625,000 for renovation of classrooms and a toilet block for Kyome Primary School in Makueni County; KShs 943,000 for construction of classrooms and a toilet block for Kenet Early Childhood Education and Primary School in Baringo County and KShs 453,000 for purchase of school desks for Moyeni Primary School in Kwale County and KShs 750,000 for renovations of classrooms in Funannyata Primary School in Marsabit among others.



### **3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY (continued)**

#### **Nurturing the Environment**

In the process of transmitting and distributing electricity to our customers throughout Kenya, power lines and cables traverse through land and we construct lines through forests cutting some trees in the process. A significant number of trees are also used for poles and damage to the environment occurs as a consequence of our operations. The Company promotes programmes that help promote the nurturing of the environment to mitigate against the consequent unavoidable environmental degradation.

During the year, KShs 2 million was used to procure 30,000 seedlings for a Tree Planting Programme. More than 10,000 trees were planted on the Company grounds throughout the country and the rest were planted in Kisii County in partnership with the Kenya Forest Service.

#### **Supporting Social Welfare**

Our programmes to support social welfare activities included a donation of KShs 300,000 for the Kakamega Charity Cup to support young people through sports. KShs 250,000 was channeled to Primadona Foundation to help rehabilitate vulnerable children in Makeni County. Our annual support for the Beyond Zero Marathon was KShs 2 million. In Garissa County, the Company supported the community by installing a generator and pump to provide water to the Faf Kalala village borehole. During the same period, KShs 500,000 was donated to the Little Sisters of the Poor who support elderly and underprivileged people from different communities.

Additionally, we supported Jaramogi Oginga Odinga Teaching and Referral Hospital, a Public referral hospital, to purchase a Cardiotocograph machine at a cost of KShs 900,000. A Cardiotocograph is an advanced medical equipment that helps monitor foetal progress during maternal labour. Jaramogi Oginga Odinga Hospital serves seven counties in the region. There had been poor maternal and neonatal outcomes in the region over the years and research has shown that this machine, will reverse the trend and see the situation improve by 25%.



**4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES**

KPLC, through the KPLC Project Implementation Team are responsible for the preparation and presentation of the Project’s financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year (period) ended on 30 June 2020. This responsibility includes: (i) maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Project; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Project; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.


The KPLC Project Implementation Team accept responsibility for the Project’s financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS).

The KPLC Project Implementation Team is of the opinion that the Project’s financial statements give a true and fair view of the state of Project’s transactions during the financial year ended 30 June 2020, and of the Project’s financial position as at 30 June 2020 in accordance with the Cash Basis of Accounting Method under the International Public Sector Accounting Standards (IPSAS). The KPLC Project Implementation Team further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project’s financial statements as well as the adequacy of the systems of internal financial control.


The KPLC Project Implementation Team confirms that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial years under audit were used for the eligible purposes for which they were intended and were properly accounted for.

**Approval of the Project financial statements**

The Project financial statements were approved by Kenya Power and Lighting Company PLC Project Implementation Team on 31/12/2020 and signed on their behalf by:

  
\_\_\_\_\_  
Managing Director & CEO  
Name: Bernard Ngugi

  
\_\_\_\_\_  
Project Coordinator  
Name: Jared Biwott

  
\_\_\_\_\_  
Project Accountant:  
Name: Simon Tirop  
ICPAK Member Number:9665





# REPUBLIC OF KENYA

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

## **REPORT OF THE AUDITOR-GENERAL ON LAST MILE CONNECTIVITY PROJECT 1 (LOAN NO.2100150032195) FOR THE YEAR ENDED 30 JUNE, 2020 – KENYA POWER AND LIGHTING COMPANY PLC**

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### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Opinion**

The accompanying financial statements of Last Mile Connectivity Project 1 (Loan No.2100150032195) set out on pages 13 to 24, which comprise of the statement of receipts and payments for the year ended 30 June, 2020, statement of cash flows and the statement of comparative budget and actual amounts 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 LLP, 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 the Last Mile Connectivity Project as at 30 June, 2020, and of its financial performance and cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Financing Agreement No.2100150032195 dated 18 December, 2014, between the African Development Fund (ADF) and the Republic of Kenya and the Public Finance Management Act, 2012.

In addition, the special accounts statement presents fairly the special accounts transactions and the closing balance has been reconciled with the books of account.

#### **Basis for Opinion**

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Last Mile Connectivity Project 1 Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audit of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## **Key Audit Matters**

Key audit matters are those matters which, in my professional judgment, were of most significance in the audit of the financial statements. There were no key audit matters 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, 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**

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 on whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities which govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

### **Conclusion**

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

### **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 2315 and 2330. The standards require that I plan and perform the audit to obtain assurance on 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 the African Development Bank (AfDB) except for the matter under other matter, 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 Project, so far as appears from the examination of those records; and,
- iii. The Project's financial statements are in agreement with the accounting records and returns.

### **Responsibilities of Management and those Charged with Governance**

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

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

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

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

Those charged with governance are responsible for overseeing the Project's financial reporting process, reviewing the effectiveness of how the Project's 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 which 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 review is planned and performed to express a conclusion on whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them and that public resources are applied in an effective way, 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 overall 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 which 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 which 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 Project's 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 which 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 applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions which may cast significant doubt on the Project's ability to continue 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 Project to cease to continue 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 which achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Project 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 which are identified during the audit.

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



**Nancy Gathungu**  
**AUDITOR-GENERAL**

**Nairobi**

**04 January, 2021**





**6. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30 JUNE 2020**

	Notes	FY 2019/2020		FY 2018/2019		Cumulative to-date (From inception)
		Receipts and payments controlled by the entity KShs'000	Payments made by third parties KShs'000	Receipts and payment controlled by the entity KShs'000	Payments made by third parties KShs'000	
<b>RECEIPTS</b>						
GoK Counterparty Funding	10.3	74,554	-	315,955	-	1,346,803
Loan from African Development Fund	10.4	-	446,607	-	1,255,294	10,371,879
<b>TOTAL RECEIPTS</b>		<b>74,554</b>	<b>446,607</b>	<b>315,955</b>	<b>1,255,294</b>	<b>11,718,682</b>
<b>PAYMENTS</b>						
Construction of Distribution Lines	10.5	74,554	446,607	315,955	1,255,294	11,718,682
<b>TOTAL PAYMENTS</b>		<b>74,554</b>	<b>446,607</b>	<b>315,955</b>	<b>1,255,294</b>	<b>11,718,682</b>
<b>SURPLUS/(DEFICIT)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

  
 Managing Director & CEO  
 Name: Bernard Ngugi

  
 Project Coordinator  
 Name: Jared Biwott

  
 Project Accountant  
 Name: Simon Tirop  
 ICPAK Member Number: 9665






**7. STATEMENT OF FINANCIAL ASSETS AS AT 30 JUNE 2020**

	Notes	FY 2019/2020 KShs	FY 2018/2019 KShs
<b>FINANCIAL ASSETS</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances		-	-
Cash Balances		-	-
Cash Equivalents (short-term deposits)		-	-
<b>Total Cash and Cash Equivalents</b>		-	-
Accounts receivables – Imprest and Advances		-	-
<b>TOTAL FINANCIAL ASSETS</b>		-	-
<b>REPRESENTED BY</b>			
Fund balance b/fwd		-	-
Prior year adjustments		-	-
Surplus/(Deficit) for the year		-	-
<b>NET FINANCIAL POSITION</b>		-	-

  
 Managing Director & CEO  
 Name: Bernard Ngugi

  
 Project Coordinator  
 Name: Jared Biwott


  
 Project Accountant  
 Name: Simon Tirop  
 ICPAK Member Number: 9665




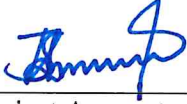
**8. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020**

	Notes	FY 2019/2020 KShs '000	FY 2018/2019 KShs '000
<b>Receipts from operating activities</b>			
Transfer from Government entities	10.3	74,554	315,955
Miscellaneous Receipts		-	-
<b>Net Cash Flows from Operating Activities</b>		<b>74,554</b>	<b>315,955</b>
<b>Net cash flows from Investing Activities</b>			
Construction of Distribution Lines	10.5	(521,161)	(1,571,249)
<b>Net Cash Flows from Investing Activities</b>		<b>(521,161)</b>	<b>(1,571,249)</b>
<b>Cash Flows from Borrowing Activities</b>			
Proceeds from African Development Bank	10.4	446,607	1,255,294
<b>Net Cash Flows from Borrowing Activities</b>		<b>446,607</b>	<b>1,255,294</b>
		-	-
<b>Net Increase in Cash and Cash Equivalent</b>		<b>-</b>	<b>-</b>
Cash and cash equivalent at beginning of the year		-	-
<b>Cash and cash equivalent at end of the year</b>		<b>-</b>	<b>-</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 31/12 2020 and signed by:

  
 Managing Director & CEO  
 Name: Bernard Ngugi

  
 Project Coordinator  
 Name: Jared Biwott


  
 Project Accountant  
 Name: Simon Tirop  
 ICPAK Member Number: 9665




**9. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS**

	Original budget	Adjustments	Final budget	Actual on Comparable Basis	Budget Utilization Difference	% Utilization
	A	B	C = A + B	D	E = C - D	F = D/C %
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	
<b>Receipts</b>						
Transfer from Government of Kenya	74,554	-	74,554	74,554	-	100%
Proceeds from ADF	1,000,000	(618,000)	382,000	446,607	(64,607)	117%
<b>Total receipts</b>	<b>1,074,554</b>	<b>(618,000)</b>	<b>456,554</b>	<b>521,161</b>	<b>(64,607)</b>	<b>114%</b>
<b>Payments</b>						
Construction of Distribution Lines	1,074,554	(618,000)	456,554	521,161	(64,607)	114%
<b>Total payments</b>	<b>1,074,554</b>	<b>(618,000)</b>	<b>456,554</b>	<b>521,161</b>	<b>(64,607)</b>	<b>114%</b>

**NB:** Budget Utilization differences are explained in Annex1 of the financial statements.

  
 Managing Director & CEO  
 Name: Bernard Ngugi

  
 Project Coordinator  
 Name: Jared Biwott

  
 Project Accountant  
 Name: Simon Tirop  
 ICPAK Member Number: 9665



## 10. NOTES TO THE FINANCIAL STATEMENTS

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

### 10.1 Basis of Preparation

#### 10.1.1 Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with Cash-basis IPSAS financial reporting under the cash basis of Accounting, as prescribed by the PSASB and set out in the accounting policy note below. This cash basis of accounting has been supplemented with accounting for; a) receivables that include imprests and salary advances and b) payables that include deposits and retentions. The financial statements comply with and conform to the form of presentation prescribed by the PSASB.

The accounting policies adopted have been consistently applied to all the years presented.

#### 10.1.2 Reporting entity

The financial statements are for the Last Mile Connectivity Project I under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012.

#### 10.1.3 Reporting currency

The financial statements are presented in Kenya Shillings (KShs), which is the functional and reporting currency of the Project and all values are rounded to the nearest a thousand Kenya Shilling.

### 10.2 Significant Accounting Policies

#### a) Recognition of receipts

The Project recognises all receipts from the various sources when the event occurs, and the related cash has actually been received by the Government.

- **Transfers from the Exchequer**

Transfer from Exchequer is be recognized in the books of accounts when cash is received. Cash is considered as received when payment instruction is issued to the bank and notified to the receiving entity.

- **External Assistance**

External assistance is received through grants and loans from multilateral and bilateral development partners.

#### Donations and grants

Grants and donations shall be recognized in the books of accounts when cash is received. Cash is considered as received when a payment advice is received by the recipient entity or by the beneficiary. In case of grant/donation in kind, such grants are recorded upon receipt of the grant item and upon determination of the value. The date of the transaction is the value date indicated on the payment advice.





## 10. NOTES TO THE FINANCIAL STATEMENTS (continued)

### 10.2 Significant Accounting Policies (Continued)

#### a) Recognition of receipts (continued)

##### Proceeds from borrowing

Borrowing includes Treasury bill, treasury bonds, corporate bonds, sovereign bonds and external loans acquired by the Project or any other debt the Project may take on will be treated on cash basis and recognized as a receipt during the year they were received.

##### Undrawn external assistance

These are loans and grants at reporting date as specified in a binding agreement and relate to funding for the Project currently under development where conditions have been satisfied or their ongoing satisfaction is highly likely and the project is anticipated to continue to completion. An analysis of the Project's undrawn external assistance is shown in the funding summary

- **Other receipts**

These include Appropriation-in-Aid and relates to receipts such as proceeds from disposal of assets and sale of tender documents. These are recognised in the financial statements the time associated cash is received.

#### b) Recognition of payments

The Project recognises all payments when the event occurs, and the related cash has actually been paid out by the Project.

- **Compensation of employees**

Salaries and Wages, Allowances, Statutory Contribution for employees are recognized in the period when the compensation is paid.

- **Use of goods and services**

Goods and services are recognized as payments in the period when the goods/services are consumed and paid for. If not paid for during the period where goods/services are consumed, they shall be disclosed as pending bills.

- **Interest on borrowing**

Borrowing costs that include interest are recognized as payment in the period in which they incurred and paid for.

- **Repayment of borrowing (principal amount)**

The repayment of principal amount of borrowing is recognized as payment in the period in which the repayment is made. The stock of debt is disclosed as an annexure to the consolidated financial statements.



## 10. NOTES TO THE FINANCIAL STATEMENTS (continued)

### 10.2 Significant Accounting Policies (Continued)

#### b) Recognition of payments (Continued)

- **Acquisition of fixed assets**

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment.

A fixed asset register is maintained by each public entity and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the consolidated financial statements.

#### c) In-kind donations

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

#### d) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

##### Restriction on cash

Restricted cash represents amounts that are limited/restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation. Amounts maintained in deposit bank accounts are restricted for use in refunding third part deposits.

#### e) Accounts receivable

For the purposes of these financial statements, imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year is treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as payments when fully accounted for by the imprest or AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.



## 10. NOTES TO THE FINANCIAL STATEMENTS (continued)

### 10.2 Significant Accounting Policies (Continued)

#### f) Contingent Liabilities

A contingent liability is:

- a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- b) A present obligation that arises from past events but is not recognised because:
  - (i) It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
  - (ii) The amount of the obligation cannot be measured with sufficient reliability.

Some of contingent liabilities may arise from: litigation in progress, guarantees, indemnities. Letters of comfort/ support, insurance, Public Private Partnerships,

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

Section 89 (2) (i) of the PFM Act requires the National Government to report on the payments made, or losses incurred, by the county government to meet contingent liabilities as a result of loans during the financial year, including payments made in respect of loan write-offs or waiver of interest on loans

#### g) Contingent Assets

The Entity does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

#### h) Pending bills

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they recorded as 'memorandum' or 'off-balance' items to provide a sense of the overall net cash position of the Project at the end of the year. When the pending bills are finally settled, such payments are included in the statement of receipts and payments in the year in which the payments are made.



## 10. NOTES TO THE FINANCIAL STATEMENTS (continued)

### 10.2 Significant Accounting Policies (Continued)

#### i) Budget

The budget is developed on a comparable accounting basis (cash basis), the same accounts classification basis (except for accounts receivable - outstanding imprest and clearance accounts and accounts payable - deposits, which are accounted for on an accrual basis), and for the same period as the financial statements. The Project's budget was approved as required by Law and National Treasury Regulations, as well as by the participating development partners, as detailed in the Government of Kenya Budget Printed Estimates for the year. The Development Projects are budgeted for under the MDAs but receive budgeted funds as transfers and account for them separately. These transfers are recognised as inter-entity transfers and are eliminated upon consolidation.

A high-level assessment of the Project's actual performance against the comparable budget for the financial year/period under review has been included in an annex to these financial statements.

#### j) Third party payments

Included in the receipts and payments, are payments made on its behalf by to third parties in form of loans and grants. These payments do not constitute cash receipts and payments and are disclosed in the payment to third parties' column in the statement of receipts and payments.

During the year, there was no loan disbursements received in form of direct payments from third parties.

#### k) Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the Project operates, Kenya Shillings. Transactions in foreign currencies during the year/period are converted into the functional currency using the exchange rates prevailing at the dates of the transactions. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statements of receipts and payments.

#### l) Comparative figures

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

#### m) Subsequent events

There have been no events subsequent to the financial year/period end with a significant impact on the financial statements for the year ended 30 June 2020.

#### n) Errors

Material prior period errors shall be corrected retrospectively in the first set of financial statements authorized for issue after their discovery by: i. Restating the comparative amounts for prior period(s) presented in which the error occurred; or ii. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.





## 10 NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 10.3 RECEIPTS FROM GOVERNMENT OF KENYA

These represent counterpart funding and other receipts from government as follows:

	FY 2019/2020	FY 2018/2019	Cumulative to-date (from inception) KShs '000
	KShs '000	KShs '000	
<i>Counterpart Funding</i>	74,554	315,955	1,346,803
<i>Other transfers from government entities</i>	-	-	-
<b>Appropriation in Aid</b>	-	-	-
<b>Total</b>	<b>74,554</b>	<b>315,955</b>	<b>1,346,803</b>

NB: KPLC receive funds through Ministry of Energy and Petroleum in Lumpsum for the all the programmes. All the funds are managed together with other Government fund and allocated on need basis.

### 10.4 LOAN FROM EXTERNAL DEVELOPMENT PARTNERS

During the 12 months to 30 June 2020, we received funding from development partners in form of loans negotiated by the National Treasury as detailed in the table below:

Name of Donor	Amount in loan currency	Loans received in cash	Loans received as direct payment*	Total amount in KShs'000	
				FY 2019/2020	FY 2018/2019
	UA	KShs	KShs'000		
<b>Loans Received from Multilateral (International Organisations)</b>					
African Development Fund	3,135,955	-	446,607	446,607	1,255,294
<b>Total</b>				<b>446,607</b>	<b>1,255,294</b>



**10. NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**10.5 ACQUISITION OF NON FINANCIAL ASSETS**

	FY 2019/2020			FY 2018/2019	Cumulative to- date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs'000	KShs '000	KShs '000	KShs '000	KShs'000
Construction of Distribution Lines	74,554	446,607	521,161	1,571,249	11,718,682
<b>Total</b>	<b>74,554</b>	<b>446,607</b>	<b>521,161</b>	<b>1,571,249</b>	<b>11,718,682</b>

**11. OTHER IMPORTANT DISCLOSURES**


**11.1 PENDING ACCOUNTS PAYABLE (Refer to Annex 2)**


Description	Balance b/f	Additions for the period	Paid during the year	Balance c/f
	FY 2018/2019			FY 2019/2020
	KShs'000	KShs'000	KShs'000	KShs'000
Construction of Distribution Lines	97,192	583,229	521,161	159,260
<b>Total</b>	<b>97,192</b>	<b>583,229</b>	<b>521,161</b>	<b>159,260</b>




**12. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S RECOMMENDATIONS**

There were no such matters reported in prior year audit report.

  
\_\_\_\_\_  
Managing Director & CEO  
Name: Bernard Ngugi

  
\_\_\_\_\_  
Project Coordinator  
Name: Jared Biwott

  
\_\_\_\_\_  
Project Accountant:  
Name: Simon Tirop  
ICPAK Member Number: 9665



**ANNEX 1: VARIANCE EXPLANATIONS-COMPARATIVE BUDGET AND ACTUAL AMOUNTS**

	Original budget	Adjustments	Final budget	Actual on Comparable Basis	Budget Utilization Difference	% Utilization	Comments on Variance
	A	B	C = A + B	D	E = C - D	F = D / C%	
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	%	
<b>Receipts</b>							
Transfer from Government of Kenya	74,554	-	74,554	74,554	-	100%	
Proceeds from ADF	1,000,000	(618,000)	382,000	446,607	(64,607)	117%	(i)
<b>Total receipts</b>	<b>1,074,554</b>	<b>(618,000)</b>	<b>456,554</b>	<b>521,161</b>	<b>(64,607)</b>	<b>114%</b>	
<b>Payments</b>							
Construction of Distribution Lines	1,074,554	(618,000)	456,554	521,161	(64,607)	114%	
<b>Total payments</b>	<b>1,074,554</b>	<b>(618,000)</b>	<b>456,554</b>	<b>521,161</b>	<b>(64,607)</b>	<b>114%</b>	

- (i) The budget for the project was reduced during the supplementary budget review by the National Treasury. The payments for the period includes KShs 97,192,853 pending bills already charged to the previous years hence the high absorption rate.





Kenya Power and Lighting Company PLC  
Last Mile Connectivity Project I  
Report and Financial Statements  
For the year ended 30 June 2020

**ANNEX 2: ANALYSIS OF PENDING BILLS**

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Amount Approved for payments	Outstanding Balance as June 2020	Outstanding Balance as June 2019
		a	b	c	d	e= d-c	
Lot 1-Gammon India Ltd	Construction of Distribution Lines	2,515,190,252	30/03/2016	2,078,417,150	2,078,417,150	-	12,759,479
Lot 2- AEE Power S.A	Construction of Distribution Lines	2,376,920,220	23/03/2016	1,541,980,034	1,485,370,112	56,609,922	6,462,412
Lot 3-Rwathia Distributor JV	Construction of Distribution Lines	1,706,758,972	15/04/2016	1,476,346,973	1,476,346,973	-	-
Lot 4-AEE Power S.A	Construction of Distribution Lines	1,574,587,087	30/03/2016	1,150,047,833	1,117,594,227	32,453,606	-
Lot 5-Etrade Company Ltd	Construction of Distribution Lines	1,132,843,148	17/05/2016	765,311,439	765,311,439	-	-
Lot 6-Polyphase Systems Ltd	Construction of Distribution Lines	406,177,170	17/05/2016	321,596,077	321,596,077	-	-
Lot 7-Neo Electric Company Ltd	Construction of Distribution Lines	1,720,885,769	01/06/2016	1,390,254,929	1,390,254,929	-	57,455,831
Lot 8-Metsec Cables Ltd	Construction of Distribution Lines	1,405,276,589	24/04/2016	1,130,947,239	1,067,786,326	63,160,913	1,832,221
Lot 9-Angelique International Ltd	Construction of Distribution Lines	735,678,957	17/05/2016	657,402,371	657,402,371	-	17,536,505
Lot 10-Etrade Company Ltd	Construction of Distribution Lines	776,997,264	17/05/2016	513,498,156	513,498,156	-	1,146,405
Shenhen Inhemeter	Construction of Distribution Lines	728,069,880	27/10/2016	728,069,880	728,069,880	-	-
Feedback Infra Pvt Ltd	Construction of Distribution Lines	153,948,691	08/01/2016	124,071,484	117,035,796	7,035,688	-
<b>Grand Total</b>		<b>15,233,333,999</b>		<b>11,877,943,565</b>	<b>11,718,683,436</b>	<b>159,260,129</b>	<b>97,192,853</b>

The Pending Bills at the end of the year comprises of approved outstanding payments as at year end.



**ANNEX 3: SUMMARY FIXED ASSETS REGISTER**

Asset class	Opening Cost as at 01.07.2019	Acquisition in the year	Disposals in the Year	Transfers in/(out)	Closing Cost as 30.06.2020
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
	(a)	(b)	(c)	(d)	(e)=(a)+(b)-(c)+(-)d
Construction of Distribution Lines	<u>11,197,521</u>	<u>521,161</u>	-	-	<u>11,718,682</u>
<b>Total</b>	<b>11,197,521</b>	<b>521,161</b>	<b>-</b>	<b>-</b>	<b>11,718,682</b>

