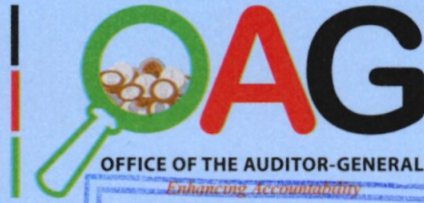


REPUBLIC OF KENYA



 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 08 APR 2026	DAY: WEDNESDAY
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CLERK-AT THE-TABLE:	J. LEMBERELLE

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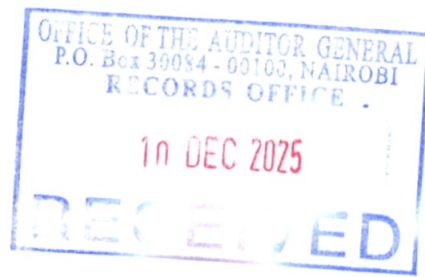
OF

THE AUDITOR-GENERAL

ON

**NATIONAL OIL CORPORATION OF KENYA
LIMITED**

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



NATIONAL OIL CORPORATION OF KENYA LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2025

Prepared in accordance with the IFRS Accounting Standards

National Oil Corporation of Kenya
Annual Report and Financial Statements
for the year ended June 30, 2025



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1. Acronyms and Glossary of Terms

The following is the list of acronyms and glossary of terms used in Annual report and financial statements for financial period ended 30th June 2025

A. Acronyms

Ag	Acting
BETA	Bottom-up Economic Agenda
SLA	Service Level Agreement
CEO	Chief Executive Officer
CBK	Central Bank of Kenya
CPA	Certified Public Accountant
CPS	Certified Public Secretary
CSR	Corporate Social Responsibility
COCO	Company Owned Company Operated
CODO	Company Owned Dealer Operated
DODO	Dealer Owned Dealer Operated
ERP	Enterprise Resource Planning
EBITDA	Earnings before Interest Tax Depreciation and Amortization
ECL	Expected Credit Loss
EOL	End of Life
ESG	Environmental Social Governance
GOK	Government of Kenya
IAS	International Accounting Standards
ICS	Institute of Certified Secretaries
IFRS	International Financial Reporting Standards
IHRM	Institute of Human Resource Management
IOCS	International Oil Marketing Companies
JOGMEC	Japan Oil, Gas and Metal National Corporation
KISM	Kenya Institute of Supply Management
LC	Letter of Credit
LPG	Liquefied Petroleum Gas
MOE&P	Ministry of Energy and Petroleum
NOC	National Oil Corporation of Kenya Limited
NT	National Treasury and Economic Planning
NNT	Nairobi National Terminal
OMC	Oil Marketing Company
OSHA	Occupational Safety and Health Services
PSASB	Public Sector Accounting Standards Board
PFMA	Public Finance Management Act

B. Definition of key terms

- **Fiduciary Management** - Members of management directly entrusted with the entity financial resources
- **Comparative Year**-Means the Prior year

2. Key Entity Information

a) Background information

The National Oil Corporation of Kenya was established by the Companies Act 2015 on 3/4/1981. At Cabinet level, the Corporation is represented by the Cabinet Secretary for Ministry of Energy and Petroleum, who is responsible for the general policy and strategic direction of the Corporation. The Corporation is domiciled in Kenya and has branches in Mombasa, Kisumu, Nakuru and Eldoret.

b) Principal Activities

The principal activity of the Corporation as stipulated in the Memorandum and Articles of Association is trading in refined petroleum products and participation in related petroleum business such as refining, distribution and marketing; provision of related services such as hospitality, storage, transport, product receipt and loading; oil and gas exploration; and promotion activities and participation in energy sector activities as directed by the Government from time to time

Our Vision

To be a fully integrated world class oil and gas company.

Our Mission

Providing security of supply of petroleum product in the country.

Living our values, growing a sustainable, responsible and profitable company that contributes to national development.

Exploring, developing and producing oil and gas resources for the benefit of the Kenyan people.

Core Objectives

Grow market share from 0.5% to 5% by end of 2027

Stabilize operations and drive gradual profit margin improvement through cost efficiency and revenue growth initiative over the next 12 months

Promote Oil and gas exploration in the country

c) Directors

The directors who served the Corporation during the year were as follows:

- | | |
|----------------------------------|--|
| 1. 1. Hon. Kiraitu Murungi E.G.H | Chairperson Appointed on 20 th April 2023 |
| 2. Hon .CPA John Mbadi E.G.H | CS, National Treasury and Economic Planning |
| 3. Mr. Mohamed Liban | PS, Ministry of Energy and Petroleum |
| 4. Mr. Leparan Gideon Morintat | Chief Executive Officer- Re-appointed on 28.02.2023 |

5. Mr. Edward Wamweya	Alternate to CS, National Treasury & Economic Planning
6. Apollo Muchilwa	Alternate to PS, Ministry of Energy & Petroleum
7. Ms. Lilian Matagaro	Representative, Attorney General
8. Mr. James Sitiency	Representative, Inspectorate of State Corporations
9. Hon. Magerer Lang'at	Appointed on 15.12.2023
10. Ms Amina Bille	Appointed on 15.12.2023
11. Mr. Albert Ojonyo	Appointed on 15.11.2024
12. Mr. Michael Rubia	Appointed on 15.11.2024
13. Hon. Lokiru Ali Mohammed	Appointed on 15.11.2024
14. Dr. Njage Makanga Njoki	Appointed on 22.11.2024
15. Dr. Bob Ndubi	Appointed on 17.01.2025
16. Ms. Sally Akinyi Omotto	Appointed on 14.02.2025

d) Corporate Secretary

Leparan Gideon Morintat
Chief Executive Officer
P O Box 58567 – 00200
Nairobi

e) Registered Office

Kawi Complex, Popo Lane
Off Red Cross Road, South C
P O Box 58567 – 00200
Nairobi

f) Corporate Headquarters

Kawi Complex, Popo Lane
Off Red Cross Road, South C
P O Box 58567 – 00200
Nairobi

g) Corporate Contacts

Telephone: (254) -20-6952000
E-mail: ceo@nockenya.co.ke
Website: www.nationaloil.co.ke

h) Corporate Bankers

Standard Chartered Bank Kenya Limited
P.O. Box 30003 – 00100
Nairobi

Stanbic Bank Limited
P.O. Box 72833 – 00200
Nairobi

KCB Bank Kenya Limited
P.O. Box 30081 – 00100
Nairobi

Equity Bank Kenya Limited
P.O. Box 78569 – 00507
Nairobi

The Co-operative Bank of Kenya Limited
P.O. Box 67881 – 00200
Nairobi

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

NCBA Bank
P.O. Box 44599-00100
Nairobi.

i) Independent Auditors



Auditor General


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




j) Principal Legal Advisers



The Attorney General
Office of the Attorney General and Department of Justice
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

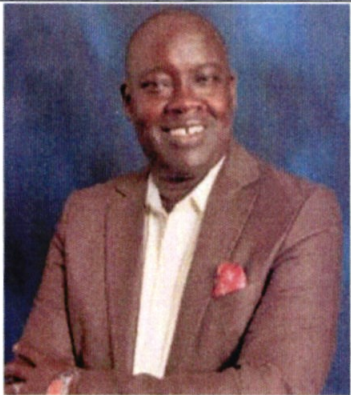

3. The Board of Directors



Ref.	Directors	Details
1.	 <p data-bbox="272 831 639 1003">Hon. Kiraitu Murungi E.G.H Chairman of the Board LLB and LLM, University of Nairobi LLM, Harvard Law School</p>	<p data-bbox="751 465 1461 577">Born 1952, Kiraitu Murungi is a former Governor of Meru County. He previously served as Senator for Meru and was MP for Imenti South constituency.</p> <p data-bbox="751 589 1461 786">One of the longest-serving Energy ministers. It was during Mr. Murungi's tenure that oil was discovered in Turkana and the ministry attributed the State's 22.5 percent share in carried interest in the production sharing contract to National Oil.</p> <p data-bbox="751 797 1461 994">An alumnus of Alliance High School. He graduated with a Bachelor of Law from the University of Nairobi in 1977 and attained a Master of Law from the same university in 1982 before proceeding to Harvard Law School, where he attained another Master of Law in 1991</p> <p data-bbox="751 1005 1461 1072">Mr. Murungi is a senior in Humphrey & Company Advocates LLP.</p> <p data-bbox="751 1084 1126 1117">He is an independent director.</p>
2.	 <p data-bbox="272 1487 687 1621">Hon. CPA John Mbadi Ng'ongo, EGH Cabinet Secretary, The National Treasury and Economic Planning</p>	<p data-bbox="751 1124 1461 1361">Hon. John Mbadi is the Cabinet Secretary (CS) for The National Treasury and Economic Planning. Before his appointment, Hon. Mbadi had an extensive career in public service, most recently serving as a nominated Member of Parliament (MP) and the Chairperson of the Public Accounts Committee in the National Assembly.</p> <p data-bbox="751 1373 1461 1854">The CS has a rich history in legislative leadership, having served as the elected MP for Suba South Constituency, Suba Constituency, and Gwassu Constituency. In addition to his political and legislative accomplishments, the CS is a seasoned finance professional with 28 years of experience. He has held the position of Accountant at the University of Nairobi and served as the Chair of Medair East Africa. Hon. Mbadi holds a Bachelor of Commerce degree with a specialization in Accounting from the University of Nairobi and is a registered member of the Institute of Certified Public Accountants of Kenya (ICPAK).</p> <p data-bbox="751 1865 1174 1899">He is a non- independent director.</p>


<p>3.</p>	 <p>Mr. Mohamed Liban, PS, State Department for Petroleum Ministry of Energy & Petroleum Masters of Public Health (KU) Higher National Diploma (KMTC) International Diploma in Community Eye Health (London University).</p>	<p>Born 1961, Mr. Mohamed Liban is the Principal Secretary, State Department for Petroleum, Ministry of Energy and Petroleum.</p> <p>Prior to this appointment, Mr. Liban served as the Chairman of Ewaso Ngi'ro North Development Authority, of the Ministry of East African Community and Regional Development and previously of IEBC as the Regional Elections Co-ordinator in Isiolo and Upper Easter Region.</p> <p>He is a non-independent director.</p>
<p>4.</p>	 <p>Leparan Gideon Morintat Chief Executive Officer MBA in Strategic Management</p>	<p>Born 1979, Leparan joined the Corporation in February 2020. Prior, he was d.light SOLAR's Country Manager for Ethiopia & Horn of Africa.</p> <p>He has over 18 years of leadership and management experience gained in the Oil & Gas, Energy, Infrastructure development, and ICT sectors in leading multinational companies among them Multi Choice Africa, Mitsui & Co. Ltd, Royal Dutch Shell Group and Equity Bank Group.</p> <p>He is an executive director.</p>
<p>5.</p>	 <p>Mr. Edward Wamweya Alt. CS. The National Treasury and Planning MBA Finance; B.Com (Finance); CPA (K); CIFA (K)</p>	<p>Born 1984, CPA, FA. Edward Wamweya is the Alternate Director to the Cabinet Secretary National Treasury & Planning. He holds a Master of Business Administration (Finance) degree, Bachelor of Commerce (Finance) degree, Certified Public Accountant of Kenya (CPA-K) and Certified Investment and Financial Analyst (CIFA-K). He is a professional accountant and financial analyst. Currently, he is a Principal Investment Officer in The National Treasury.</p> <p>He sits in the Audit and Finance Committees of the Board.</p> <p>He is a non-independent director.</p>

<p>6.</p>	 <p>Ms. Lilian Matagaro Alt. Attorney General M.A. in International Studies; LLB; Dip in Law (KSL).</p>	<p>Born 1976, Lilian is the Chief State Counsel and Parliamentary Liaison Officer at the Office of the Attorney General and Department of Justice. She has vast experience in policy development, public sector negotiation and drafting of legal and legislative instruments. She has consistently proffered legal advice for over 19 years to Government Ministries and Agencies on diverse aspects. She has served on numerous Taskforces and Technical Committees on behalf of the Government. In addition to being a Board Member in NOC, she is currently a member of the Financial Law Review Panel (Capital Markets).</p> <p>She is a non-independent director.</p>
<p>7.</p>	 <p>Mr. Apollo Muchilwa Alt. PS, State Department for Petroleum.</p>	<p>Born 1969, Mr. Apollo Muchilwa is an Alternate representative of the Principal Secretary, State Department for Petroleum, Ministry of Energy and Petroleum. He is currently the Director ICT, State Department for Petroleum.</p> <p>Prior to his appointment he served in the State Department for Mining, Ministry of Health, and East African Community in same capacity.</p> <p>He sits in the Human Resource Committee of the Board.</p> <p>He is a non-independent director.</p>
<p>8.</p>	 <p>Dr. Njage Makanga PhD in Business Administration, Strategic Management and Leadership (Mt. Kenya University). MBA in Strategic Management (Nazarene University).</p>	<p>Dr Njage Makanga is a seasoned banker with broad-based expertise in management, finance, and business development. His training in the area of Strategic Management and Leadership gives him the ability to quickly analyse key business drivers and develop strategies to grow the bottom line. He is known for his ability to envision and create successful outcomes in complex situations.</p> <p>His career in banking and business development spans over 35 years. He is a business consultant involved in successful business ventures in helping business start-ups and turnarounds. He has been involved in developing diverse industry and functional expertise in businesses</p>



	<p>MBA in Entrepreneurship (Nazarene University).</p>	<p>with a tenacious commitment to positive results and market-share growth.</p> <p>He sits in the Boards of several private companies, and where his participation in guiding management has had tremendous outcomes. Currently, he is the Chairman of Universal Group of Companies.</p> <p>He serves at the Finance and Strategy and Business Committees of the Board.</p> <p>He is an independent director.</p>
<p>9.</p>	 <p>Ms. Sally Akinyi Omotto Bachelor of Laws (UON)</p>	<p>Sally Akinyi Omotto is an Advocate of the High Court of Kenya and the Managing partner at Nyawira Milimu and Omotto Advocates.</p> <p>Ms. Omotto is an articulate and goal-oriented Advocate with over 11 years' experience in legal practice. having graduated with a Bachelor of Laws from the University of Nairobi in 2011 and admitted to the roll of Advocates in 2014.</p> <p>Ms. Omotto is stickler for detail with exceptional expertise in Legal drafting, an avid Litigator in Commercial and Civil Litigation, Constitutional Law, Real Property Law and Employment Law.</p> <p>She serves in Audit and Finance Committees</p> <p>She is an independent director.</p>
<p>10.</p>	 <p>Dr. Bob Ndubi Phd in Finance</p>	<p>Dr. Bob Ndubi holds a PhD in Finance and is a trained accountant, experienced arbitrator, certified mediator, certified trustee, and corporate governance expert</p> <p>He is a visionary entrepreneur and investor with a knack for frontier investing. His forte lies in investing in emerging markets, specifically in unlisted securities with the potential for exponential growth. Besides being an investment banker, a visionary investor and an entrepreneur, he is also a philanthropist and public intellectual.</p> <p>Dr. Bob's passion is in creating value for investors and businesses. His investment portfolio runs across industries and sectors of the economy, including finance, agriculture, and manufacturing. He is currently the CEO of Silver House Capital, a regional investment firm based in Nairobi, with a focus on private equity and hedge funds.</p>

		<p>He serves at Human Resources and Strategy and Business Committees. He is an independent director.</p>
11.	 <p>Hon. Magerer Lang'at JK MBA (Strategic Management) (KeMU) BSC. Horticulture (JKUAT)</p>	<p>Born 1973, Hon. Magerer Langat JK has a Bachelor of Science in Horticulture from Jomo Kenyatta University of Agriculture and Technology (JKUAT) and an MBA in Strategic Management at Kenya Methodist University. Hon. Magerer's professional experience spans roles at the Adventist Development Relief Agency, World Food Programme, Cooper Kenya Ltd, and Osho Chemical Industries, among others. He was elected as the Member of Parliament for Kipkelion Constituency in 2007. He has served as an Assistant Minister for Energy from 2010 to 2013. He chairs HR Committee of the Board.</p> <p>He is an independent director.</p>
12.	 <p>Ms. Amina Bille Diploma in Professional Computing and Data Processing</p>	<p>Born 1973, Amina Bille is a dedicated and experienced professional with a diverse background in banking and finance. She possesses a Diploma in Professional Computing and Data Processing alongside several certifications in banking and leadership courses. She has over a decade of experience working at Kenya Commercial Bank (KCB). She sits in the Audit and the HR Committees of the Board.</p> <p>She is an independent director.</p>



<p>13.</p>	 <p>Mr. Albert Ojonyo Bachelor of Business Management [Risk Management & Insurance Option]</p>	<p>Albert is an Insurance and Risk Expert for over 25 years having worked in the insurance industry in various capacities. He has verse experience in matters risk and Insurance. He is also a Certified Professional Mediator and alumni of the Centre for Corporate Governance. He sits on several boards of management including the board of Kisumu Water and Sanitation Company where he is the Chairman of the Finance, Commercial & IT Committee. In this capacity as the Chair Finance he has played a pivotal role that has made Kiwasco the best water utility company in Western region and number nine in the whole country as per the latest Wasreb report. Albert also serves on the board of Kenya National Chamber of Commerce & Industry (Kisumu Chapter) where he is the Director in charge of Business Development. He is a team player and is always keen to listen to divergent views and is focused in developing a successful Corporate Management career both in private and public service, and to nature a strong combination of analytical corporate leadership and interpersonal skills to enhance his intellectual curiosity and entrepreneurial spirit that is able to help his clients and the country to greater heights of economic prosperity. He chairs Finance Board Committee. He is an independent director.</p>
<p>14.</p>	 <p>Mr. Michael Rubia Bachelor of Business Administration (Howard University) Master of Business and Public Administrative(South Eastern University in Washington D.C)</p>	<p>Michael Rubia is a seasoned business executive with extensive experience in management, marketing, and entrepreneurship. His academic background combines a strong foundation in liberal arts with practical management education, emphasizing skills in communication, teamwork, entrepreneurship, and information technology. His work over the years includes: Accounting, Finance management, Economic analysis and Marketing. He has also undertaken a course in Legal Audit and Compliance at the Kenya School of Law. Rubia is the Managing Director of Kifaru Laundry Ltd and Giant Printers. In addition, his professional journey includes pivotal roles such as Marketing Director at Kenya Mystery Tours Ltd and General Manager at Mwamba Distributors Ltd. Rubia’s comprehensive experience in business management and strategic planning underscores his capability as a leader dedicated to economic development. He chairs the Audit Board Committee. He is an independent director.</p>


15.	 <p>Robai Shiakhutsa Company of Law (LL.M) International Law from the University of Mysore. International Law and Legal studies from the University. of Nairobi, Bachelor of Law (LL.B.)</p>	<p>Ms. Robai Shiakhutsa joined the Corporation in 2021 as the Company Secretary and Legal Affairs Manager. Ms. Robai is the secretary to the Corporation Board and also responsible for managing the Corporation’s legal functions, overseeing litigation and reviewing of contracts to ensure policy compliance. She is an Advocate of the High Court and a Certified Public Secretary (CPS) K. She is also a member of the Law Society of Kenya (LSK) and Institute of Certified Secretaries (ICPSK). Ms. Robai comes with a wealth of experience gathered from having served in senior positions both in the private sector and Government. She has a proven record in legal expertise.</p>
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4. Key Management Team

Ref.	Management	Details
1.	 <p>Leparan Gideon Morintat Chief Executive Officer MBA in Strategic Management; B.Com Accounting</p>	<p>Born 1979, Leparan is the CEO of the National Oil Corporation of Kenya. Prior to joining the Corporation, he was d.light SOLAR's Country Manager for Ethiopia & Horn of Africa.</p> <p>Leparan has over 18 years of leadership and management experience gained in the Oil & Gas, Energy, Infrastructure development, and ICT sectors in leading multinational companies among them Multi Choice Africa, Mitsui & Co. Ltd, Royal Dutch Shell Group and Equity Bank Group.</p> <p>He is a member of the Petroleum Institute of East Africa (PIEA), Kenya Institute of Management (KIM), Marketing Society of Kenya (MSK), Kenya Institute of Supplies Management (KISM) and Kenya Oil & Gas Association (KOGA).</p>
2.	 <p>Benson Theuri Manager-Commercial & Industrial MBA, Strategic Management; B.Com.</p>	<p>Benson is a petroleum enthusiast, proven sales leader, with 20+ years of leadership and management acumen in the FMCG and Oil and Gas.</p> <p>Has held senior leadership roles at Unilever and Shell for over 20 years and has extensive experience in leading sales teams, turnaround efforts, product launches, strategy development and implementation, project management among other key skills.</p> <p>During his short spell at National Oil, he has helped craft the retail and commercial strategy and is leading the team in the implementation and the corporation's turnaround effort with outstanding success to date.</p>

<p>3.</p>	 <p>Robai Shiakhutsa Company Secretary & Manager, Legal Affairs Master of Law (LL.M) International Law from the University of Mysore. International Law and Legal studies from the University of Nairobi.</p>	<p>Ms. Robai Shiakhutsa joined the Corporation in 2021 as the Company Secretary and Legal Affairs Manager. Ms. Robai is the secretary to the Corporation Board and also responsible for managing the Corporation’s legal functions, overseeing litigation and reviewing of contracts to ensure policy compliance. She is an Advocate of the High Court and a Certified Public Secretary (CPS) K. She is also a member of the Law Society of Kenya (LSK) and Institute of Certified Secretaries (ICPSK). Ms. Robai comes with a wealth of experience gathered from having served in senior positions both in the private sector and Government. She has a proven record in legal expertise.</p>
<p>4.</p>	 <p>Scoline Ojunga Manager, Internal Audit MBA in Finance; B.Com, Finance; CPA (K)</p>	<p>Scoline joined the Corporation in 2020 and is responsible for internal audit including developing and implementing an annual risk-based audit plan as well as enterprise risk management planning, execution, monitoring, evaluation and consolidation of the Company’s Risk Management matrices.</p>
<p>5.</p>	 <p>Alex Musungu Manager, Procurement MSc. Procurement and Logistics; BSc.; MCIPS of Chartered Institute of Purchasing and Supply; (CIPS- UK); Membership with (KISM)</p>	<p>He joined the Corporation in 2017 and is responsible for optimal and cost effective procurement of goods, works and services through the development and implementation of appropriate procurement strategies. Prior to joining the Corporation, Alex held various positions in different companies including Unclaimed Financial Assets Authority, Kenya Forest Service, Nairobi Hospital and Kenya Agricultural Research Organization.</p>

<p>6.</p>	 <p>Duncan Waziri Ag. GM-Finance, Treasury and ICT, MSc. Project Management; B.A. Building Economics.</p>	<p>Duncan is a seasoned business management professional with significant experience in oil & gas and logistics sectors. His work experience includes Business Analyst and Sales Manager at Kenya Shell, Consumer Manager at TOTAL Kenya and Director of Courier at G4S. He is a past recipient of The British Chevening Scholarship Award for postgraduate study in the UK from where he graduated with a distinction.</p>
<p>7.</p>	 <p>Willis Otieno Anyango Manager, Human Resource & Administration, BSc. Education, Membership with (IHRM)</p>	<p>Willis joined the Corporation as the Manager Human Resources and Administration in November 2021 and is responsible for the Management of the Corporations Human Capital.</p> <p>He has a broad wealth of experience in Human Resource practice specializing in Organization Design, Talent Management, HR strategy development and performance Management spanning over 18 years in Human Resource Management cutting across various sectors. Prior to joining the Corporation, he held various Senior HR Management roles at Safaricom Ltd, Kenya Shell Ltd, Kenya Airways Ltd and the Karen Hospital.</p>

<p>8.</p>	 <p>Michael Rotich, A.g General Manager, Downstream Sales & Operations MSc. Project Management; B.A BBM (Supplies and Procurement) Membership with (KISM)</p>	<p>Michael joined the organization in 2021 and has been instrumental in steering distribution & logistics as the Manager until June 2023 when he ascended to his current position in an acting capacity. He is an accomplished leader in the fields of supply chain, distribution, and operations management, with an impressive career spanning over two decades. His extensive experience, primarily in the oil and gas industry, has seen him hold key positions in renowned international corporations such as ExxonMobil, Shell, Mogas, and Panone, in Kenya and elsewhere in the region. He also holds a Diploma in Engineering (Agric) from Egerton University, a Bachelor of Business Management (Supplies and Procurement) from Mount Kenya University as well as a Master's Degree in Project Management from Roehampton University in the UK. He is a member of Kenya Institute of Supplies Management (KIMS) among other professional bodies</p>
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5. Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2025 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Chief Executive Officer	Leparan Gideon Morintat
2.	Head of Corporate Services	Meshack Sawe
3.	Ag. General Manager, Finance	Duncan Waziri
4.	Head of Procurement	Alex Musungu

6. Fiduciary Oversight Arrangements

Finance Board Committee

A Finance Board Committee holds fiduciary oversight responsibilities that are essential for maintaining the financial integrity and accountability of an organization. Here's a high-level description of key fiduciary oversight arrangements:

- i. **Governance Structure:** The committee operates under a formal governance structure with clear responsibilities and reporting lines to the board of directors. It ensures that the organization complies with all financial regulations, ethical standards, and internal policies.
- ii. **Financial Stewardship:** The committee provides oversight of the organization's financial management, including budgeting, financial planning, and resource allocation. It ensures that funds are managed prudently to safeguard the organization's assets and long-term sustainability.
- iii. **Financial Reporting and Compliance:** It ensures the accuracy, transparency, and timeliness of financial reports, including annual financial statements. The committee ensures compliance with legal, regulatory, and accounting standards, safeguarding the organization's reputation and financial health.

This oversight ensures that the organization remains financially sound, transparent, and accountable to its stakeholders.

Audit and Risk Committee

The Audit and Risk Committee is essential in supervising the accuracy of an organization's financial reporting, risk management, and compliance activities. Below is a concise overview of the primary fiduciary oversight responsibilities of this committee:

- i. **Governance and Independence:** This committee functions autonomously from management and provides direct reports to the board of directors. It guarantees that the audit and risk management operations are conducted impartially and without external pressures. Members are generally equipped with financial acumen and a solid grasp of risk management and compliance.
- ii. **Internal Audit:** The committee is tasked with overseeing the internal audit processes. This encompasses evaluating audit scopes, analysing audit results, and ensuring that recommendations are implemented in a timely manner.

- iii. **Internal Controls and Compliance:** The committee is responsible for ensuring that a comprehensive system of internal controls is established to safeguard the organization's assets, promote operational efficiency, and adhere to applicable laws and regulations. It assesses the effectiveness of the internal control framework and addresses any identified weaknesses.
- iv. **Risk Management Oversight:** The committee oversees the organization's risk management framework, which includes identifying significant financial, operational, and strategic risks, ensuring that suitable risk mitigation strategies are in place, and evaluating the effectiveness of these strategies. Additionally, the committee promotes a strong risk culture and awareness throughout the organization.
- v. **Ethical Conduct and Whistle-blower Programs:** The committee ensures the presence of effective policies regarding ethical behaviour, including a whistle-blower program that facilitates confidential reporting of unethical or illegal activities. It supervises investigations into any allegations of fraud, misconduct, or policy violations.
- vi. **Regulatory and Legal Compliance:** The committee is responsible for ensuring that the organization adheres to all relevant regulatory and legal obligations.

Strategy and Business Committee

The oversight role of strategic and business board committees is a critical governance function, ensuring that organizations operate effectively, align with their goals, and adapt to a dynamic environment. Below are the key aspects of this role:

- i. **Strategic Oversight:** The committee guarantees that the organizational strategies are in alignment with the company's mission, vision, and long-term objectives.
- ii. **Financial Oversight:** The committee evaluates financial plans to guarantee their consistency with strategic goals and oversees the organization's financial performance and sustainability indicators.
- iii. **Governance and Compliance:** The Committee ensures adherence to governance frameworks and ethical standards within the Corporation.
- iv. **Operational Oversight:** The Committee Reviews operational metrics to ensure they support strategic goals and evaluates the integration of technology and innovation into the business model.
- v. **People and Culture:** The Committee is also responsible for establishing a succession plan, developing a leadership pipeline, and overseeing the alignment of its culture with its strategic objectives and values.

Human Resource Committee

The oversight role of a Human Resource Committee is essential in ensuring effective governance of human capital, promoting organizational culture, and aligning HR strategies with business objectives. Below are the key responsibilities

- i. **Strategic Oversight of Human Capital:** The committee ensures the organization has the right talent, skills, and capacity to achieve strategic goals.
- ii. **Compensation and Benefits:** They also reviews and approves compensation packages for senior executives to ensure competitiveness and fairness.
- iii. **Talent Acquisition and Retention:** Ensures recruitment strategies attract top talent while promoting diversity and inclusion.
- iv. **Employee Development and Training.** They Oversees employee training and professional development programs to enhance skills and performance.
- v. **Diversity, Equity, and Inclusion (DEI)** Ensures policies are in place to promote diversity, equity, and inclusion across the organization.

7. Chairman's Statement

I am pleased to present the Annual Report and Financial Statements of National Oil Corporation of Kenya ("National Oil" or the "Corporation") for the Fiscal Year ended 30th June 2025 on behalf of the Board of Directors. During the year under review, National Oil continued with its transformation journey to profitability and fulfilment of its full mandate. This will be achieved through operational excellence, market leadership, cost efficiency and strategic partnerships.

Operating Environment

The continued increase in global oil prices during the period has led to a rise in fuel prices in the market, as well as working capital requirements that have remained a challenge for the Corporation. After Block 14T's Production Sharing Contract (PSC) was extended for a further two years, the upstream company saw increased activity, further solidifying our position in the industry. More significantly, the Corporation is at the final stage of completing the construction of a state-of-the-art geochemical and petro-physical laboratory that will be made available to other international oil companies and interested parties for commercial purposes.

On boarding a Strategic Partner

The strategic decision by the Corporation to on-board a non-equity partner received Cabinet approval on 8th August 2023. This partnership is integral to our efforts to enhance NOC's operational efficiency, competitive position in the petroleum industry and for a financial turnaround. While the Corporation had initially outlined similar proposals in its Transformation Plan, the current initiative represents a refined approach, focusing on the immediate needs and strategic direction of NOC. With Cabinet backing, we are confident that this collaboration will allow us to leverage the expertise and resources of our partner to drive innovation, optimise our supply chain, and secure the petroleum supply for Kenya. The Board, in its oversight role, has ensured that this process adheres to all legal and regulatory frameworks, including the Mwongozo Code of Governance for State Corporations.

Restructuring of the Corporation

The restructuring of NOC, also approved by the cabinet, marks a significant milestone in our journey toward full commercialisation and profitability. This strategic restructuring will involve the formation of three specialised subsidiaries: NOC Upstream, NOC Trading, and NOC Downstream. Although the Corporation had initially proposed a broader reorganisation as part of its 15-year Transformation Plan, the current restructuring is tailored to meet the immediate operational needs and strategic goals. This approach will enable us to streamline our operations, focus on core areas, and better align with the Bottom-Up Economic

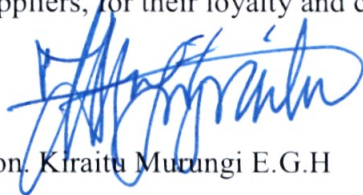
Transformation Agenda (BETA) and the Kenya Kwanza manifesto. The Board is confident that this transformation will not only enhance our operational efficiency but also strengthen our capacity to meet the nation's energy needs, contribute to economic growth, and ensure price stability.

Outlook

The rising oil prices worldwide continue to make the economic environment challenging. Of particular concern is the company's massive debt load brought on by non-performing bank loans, and this is hurting its profitability. We are continuously engaging with our financiers and shareholders to develop a workable solution for our portfolio of non-performing loans. The Board of Directors and Management have also taken steps to explore viable growth opportunities, such as strategic partnerships, and we are confident that this long-term plan will provide favourable outcomes over time.

Appreciation

I wish to thank the various stakeholders, including our shareholders: Ministry of Energy and Petroleum and the National Treasury & Economic Planning, the Board of Directors, management, staff, our customers and suppliers, for their loyalty and commitment even in the challenging business environment.



Hon. Kiraitu Murungi E.G.H

Chairperson of the Board

Date..... 29/8/25

8. Report of the Chief Executive Officer

I am pleased to present to you the National Oil Corporation of Kenya Ltd (NOC) Annual Report and Financial Statements for the year ending 30th June 2025. NOC began the year with high optimism and a renewed determination to turn around the negative performance of our downstream business and desire to ramp up our exploration activities in our upstream assets. Our primary focus remains: “profitable downstream and more upstream - doing more for less, driven by operational excellence, enhanced business controls and making safety our lifestyle.

Financial Performance

From its trading activities, the Corporation recorded a decrease in gross profit from Kshs164 million for the year ended 30th June 2024 to Kshs 22 million for the year ended 30th June 2025, representing decrease of 86%. This was due to the lack of working capital to finance business operations. Despite the dismal trading level, a combination of strategic engagements with both the shareholder and aggressive negotiations with lenders during the year saw the Corporation bounce back to profitability posting profit before tax of Kshs 7.245 billion in the financial year ended 30th June 2025 against a loss before tax of Kshs 2.236 billion the previous year.

This profit is attributable majorly to discount received on financing costs of Kshs 3.477 billion, part collection of the long outstanding Kenya Petroleum Refineries Limited’s (KPRL) debt (yield shift) of 186 million, and recurrent GOK grants of Kshs 4.9 billion.

Revenue

Sales revenue declined by 57%, falling to Kshs 543 million during the year under review, compared to Kshs 1.28 billion recorded in the financial year 2023/24. This significant decrease was primarily attributable to stock-outs resulting from working capital challenges

Operating Expenditure

Operating expenses declined from Kshs 992 million for the year ended 30 June 2024 to Kshs 910 million for the year ended 30 June 2025 mainly due to the adoption of cost-efficiency measures implemented during the year.

Net financing costs also decreased significantly, from Kshs 1.568 billion in FY 2023/2024 to Kshs 640 million in the year under review. This reduction was primarily driven by the suspension of monthly loan interest charges on non-performing loans by KCB Bank Kenya Limited.

Upstream Operations

During the year under review, NOC successfully obtained the extension of Block 14T's Production Sharing Contract (PSC) for a further two-year period. The Corporation subsequently embarked on further geophysical studies and data acquisition, which, when completed, will further boost the block's prospectively for drilling and also aid in marketing the block to other potential farm-in partners.

Downstream turnaround plan

The Corporation embarked on the implementation of its transformation after the Cabinet's approval of its revival and commercialization strategy.

The process of on-boarding a non-equity strategic partner for the downstream oil marketing business is at its tail end after the execution of the non-equity strategic partnership contract with Rubis Energy Kenya PLC on 18th March 2025. This non-equity strategic partnership is not only critical but also significant as it will enhance our operational efficiency, ensuring capacity building, and facilitating technology transfer. While the proposals in our initial 15-year Transformation Plan laid the groundwork for such collaborations, the current initiative is a more focused approach to addressing our short and medium term strategic objectives. The partnership will operate on a profit-sharing basis (success fee), enabling us to inject the necessary working capital, implement a robust ERP system, and enhance controls across our operations.

This is an essential step towards the fulfilment of our legal mandate and in securing NOC's position as a key player in Kenya's downstream petroleum industry.

Restructuring to create an agile Corporation:

The ongoing transformation efforts have taken a significant leap forward with the Cabinet's approval of our restructuring strategy. This restructuring involves the formation of a Holding Company and three distinct subsidiaries: NOC Upstream, NOC Trading, and NOC Downstream. While these actions align closely with the broader objectives outlined in our Transformation Plan, they represent a more tailored response to the challenges facing the corporation and will make NOC more agile and better positioned to exploit market opportunities. The creation of these subsidiaries will not only improve our operational agility but also enable us to diversify risks, access new capital resources, and enhance our resilience in a dynamic market. By streamlining our operations and focusing on our core strengths, we are positioning NOC to contribute significantly to the country's economic development, in line with the Bottom-Up Economic Transformation Agenda (BETA) and Vision 2030. We remain committed to engaging with our stakeholders to ensure that these initiatives bear the desired outcome in the coming financial year.

Appreciation

In conclusion, we take this opportunity to express my sincere appreciation to all our customers for believing and trusting our brand to deliver best quality petroleum products to them. We thank our shareholders - The National Treasury & Economic Planning and the Ministry of Energy & Petroleum - for their significant contribution through both policy and budgetary support to the Corporation during the financial year. On my own behalf and that of the Executive Management team, we also thank the Chairman and the Board of Directors for their immeasurable support, steadfast leadership, and guidance. We also thank in a special way our suppliers, service providers, partners and bankers for their patience invaluable support during the financial year.

Last but not least, on behalf of the Board of Directors and Management, I thank our staff for their continued commitment and resilience that have yielded these outstanding performance and urge them to redouble their efforts as we begin to consolidate these gains to grow our profitability into the new year.



Leparan Gideon Morintat
Chief Executive Officer

Date..... 29/8/25

9. Statement of Performance against Predetermined Objectives for FY 2024/2025

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Pillar/ theme/ issue 1: Grow shareholder value	Improve Financial Performance	On-boarded OMC partner(s)	Procuring an OMC Partner to ensure adequate working capital	OMC partner on boarding ongoing
	Grow core and related business revenues	Sales volumes Sales margins Non fuel revenue	Implementation of Retail Master plan	Retail Master plan not implemented due working capital challenges
			On board credit Commercial Customers	No credit customers on boarded due to lack of product
			Revamp convenience retailing segment	Limited number of convenience retailing segment revamped due to financial constrains
			Refine LPG Distribution model	LPG distribution model refineb but was impacted by lack of product availability
	Increase hydrocarbon assets of oil and gas	Project Milestones achieved	Farm out and develop block T11	Acquired additional data to enhance data package and presented
			Develop upstream support services	Continued physical infrastructure of laboratory and received equipment for installation
Pillar/ theme/ issue 2: Deliver exceptional customer service	Enhance our customer experience	Social media interaction	Increase online customer interaction	Increased social media feedback
Pillar/ theme/ issue 3: Increase operational efficiency and effectiveness	Strengthen Internal Controls	Revenue leakages	Daily stock reconciliations and monthly stock takes	Nil Stock Losses
			Continuous revenue assurance audit	Nil Revenue leakages

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
			Integrate Fuel Fac and Petrol plus to Oracle systems	Project put on hold due to financial constraints
Pillar/ theme/ issue 4: Embed a high-performance culture	Improve performance management	Performance scores	Target setting aligned to corporate objectives and appraisals conducted	All staff set targets and were appraised bi-annually and annually.
Pillar/ theme/ issue 5: Good governance and ethics	Enhance corporate governance and compliance	Compliance	undertake routine Board operations	Compliance to Board Almac

10. Corporate Governance Statement

Good corporate governance is integral in enabling the National Oil Corporation of Kenya Limited (NOC) to interact with both internal and external stakeholders. Corporate governance entails the systems, processes, and structures used to direct and manage the affairs of the corporation, as well as delineate the respective roles of the board and management and the framework of internal controls. The Board and the Management regard good corporate governance as pivotal to the success of the Corporation and is committed to ensuring there is strict adherence to these processes.

The Corporation achieves good corporate governance by using a risk-based approach to establish a system of internal controls and reviewing its effectiveness on a regular basis. The Corporation has formulated and implemented sound internal corporate governance guidelines, which spell out the responsibilities of Management and the Board.

The Board meets regularly and has a formal schedule of its matters. Currently, the Board comprises of 12(Twelve) non-executive directors and the Chief Executive Officer. The Board meets at least four times a year.

The Board has established Committees to assist in the implementation of its policy guidelines and strategy. These Committees meet regularly and are chaired by non-executive Board directors. The Committees submit their report to the Board for adoption and approval. All the non-executive Board directors are independent

of management and free from any business or other relationship which may materially interfere with the exercise of their judgment.

(1) Number of Board meetings held

During the period under review, the Board held the following number of meetings. Requisite approvals were sought to have the extra number of meetings per the provisions of sections A (1) to (3) of circular Ref. NO: OP/CAB.9/1A on Management of State Corporations.

NO	NAME OF COMMITTEE/BOARD MEETINGS	NUMBER OF MEETINGS
1.	Board meetings	11
2.	Finance Committee	5
3.	Strategy and Business Committee	4
4.	Human Resource Committee	4
5.	Audit & Risk Committee Meetings	4
6.	Ad-hoc Strategic Partnership Committee	1
	TOTAL	29

The attendance to those meetings by members

Section 3 of the board charter provides that the quorum for the conduct of business at a meeting of the Board shall be two-thirds the number of the board members. The minutes of meetings held during the Years 2024/2025FY capture the details of the members who attended.

Succession Plan

The Corporation has a well-defined Board Succession plan, which is an important way of maintaining a healthy dynamic. The Board Members have different appointment dates and hold various professional competencies.

Section 6(1) and (2) of the State Corporations Act, 1986 provides as follows-

“... A Board shall, subject to subsection (4), consist of—

- (a) a chairman appointed by the President who shall be non-executive unless the President otherwise directs;
 - (b) the chief executive;
 - (c) the Permanent Secretary of the Parent Ministry;
 - (d) the Permanent Secretary to the Treasury;
 - (da) the Attorney-General or his representative;
 - (e) not more than eleven other members not being employees of the state corporation, of whom not more than three shall be public officers, appointed by the Minister.
- (2) Every appointment under subsection (1)(a) and (e) shall be by name and by notice in the *Gazette* and shall be for a renewable period of five years or for such shorter period as may be specified in the notice...”

The Cabinet Secretary's appointment of the aforementioned members has been cascaded to ensure continuity and smooth transaction of NOC's Board's roles and responsibilities.

Existence of a Board Charter

The NOC Board approved its Board Charter during its meeting on 14th January 2022, in accordance with the provisions of Mwongozo, Code of Governance for State Corporations.

Process of Appointment and Removal of Directors

Section 3 of the NOC Board Charter provides that the relevant appointing authority shall select and appoint the respective directors. Every appointment shall be by name and by notice in the Kenya Gazette or nomination by a body mandated to do so but shall cease if the Board member:

- (i) Serves the appointing authority with written notice of resignation; or
- (ii) Is absent, without the permission of the Chairperson, from three consecutive meetings; or
- (iii) Is convicted of an offence by a court of competent jurisdiction and sentenced to imprisonment for a period exceeding six months without the option of a fine or
- (iv) Is incapacitated because of infirmity of body or mind; or
- (v) Is otherwise unable or unfit to discharge the functions of the Board; or
- (vi) If the member dies.

Roles and functions of the Board

Section 10.2 of the NOC Board Charter provides that the board's roles and duties are as set out in the Companies Act, the State Corporations Act, and the Mwongozo Code of Governance for State Corporations, National Oil's Memorandum and Articles of Association, and other relevant legislation and policy documents.

Induction and Training

The NOC Board of Directors attended the below trainings in 2024/2025FY:

1. Mwongozo Induction for Boards of State Corporations & Universities Councils from 09th to 11th December 2024
2. Audit Committee Members and Secretary to the Audit Committee Sensitization by PSASB from 3rd to 7th February 2025.
3. The Mwongozo Induction for Boards of State Corporations from 27th to 29th March 2025

Board and Member Performance

The board evaluation for the FY24/25 will be conducted on 7th October 2025. The overall performance and respective members were captured in the evaluation performance report submitted by SCAC during the Board meeting held on 6th December 2024.

Conflict of Interest

During 2024/2025FY, the Corporation Secretary kept a no-conflict-of-interest register, and none of the members declared any conflict of interest in any of the agenda items that were presented for deliberations and guidance by the Board. In the event any member was conflicted on a particular matter, they recorded it on the register on conflict of interest.

Board Remuneration

The Board was remunerated as per the prevailing SCAC guidelines on the remuneration of board members.

Ethics and Conduct

The board approved a Board Charter in its meeting held on 14th January 2022 that stipulated the code of conduct to be observed by the Board members.

Governance Audit

According to the Mwongozo Code of Conduct and Ethics for State Corporations, a governance audit is expected to be carried out annually. However, during the period under review, a governance audit was not undertaken, though it was approved by the board in its almanac for 2024/2025 FY due to financial constraints. Further, the Board, in its approved work plan for 2025/26 FY, has also approved a governance audit to be undertaken in the current financial year. The Corporation is in the process of procuring a governance auditor to undertake the audit.

11. Management Discussion and Analysis

National Oil Corporation of Kenya Limited is a fully integrated State Corporation involved in all aspects of the petroleum value chain covering the upstream oil and gas exploration, midstream petroleum infrastructure development and downstream marketing of petroleum products.

National Oil has an active downstream business segment with a growing retail network of 69 service stations spread across Kenya. The Corporation also serves a cross-section of resellers, industrial, export and government businesses from its modern Nairobi National Terminal.

The Corporation is also actively involved in the upstream activities key among them being analysis and keeping of exploration data in the petroleum sector on behalf of the Government where there is collaboration with other stakeholders.

During the period, the Corporation has focused more on turn around strategies with a view to competing effectively in the market space to ensure there is a positive trend in the business activities with a view to making a positive return for the shareholders.

Financial Key Performance Indicators

Revenue declined from Kshs 1.3 billion for the year ended 30 June 2024 to Kshs 543 million for the year ended 30 June 2025. This decline was primarily attributed to stock-outs resulting from working capital constraints. Similarly, gross profit decreased significantly from Kshs 164 million in the year ended 30 June 2024 to Kshs 22 million in the year under review, representing an 86% reduction.

Operating expenses decreased to Kshs 910 million from Kshs 992 million, mainly due to the adoption of cost-efficiency measures implemented during the year.

Net financing costs also declined significantly, from Kshs 1.568 billion in the previous year to Kshs 640 million in the year under review. This reduction was primarily driven by the suspension of monthly loan interest charges on non-performing loans by KCB Bank Kenya Limited.

The profit before tax for the year under review amounted to Kshs 7.245 billion, compared to a loss of Kshs 2.236 billion reported for the year ended 30 June 2024. The return to profitability is primarily attributed to a discount received on financing costs amounting to Kshs 3.477 billion, a yield shift refund of Kshs 186 million, and recurrent grants from the Government of Kenya totalling Kshs 4.9 billion.

Principal risks and uncertainties facing the Corporation

- 1) Financial risks: - The Corporation is currently facing financial difficulties that have impeded its ability to fulfil its main mandate.
- 2) Geopolitical instability: - This is affecting oil supply chains and fluctuating global oil prices resulting to demand for increased working capital requirement.

12. Environmental and Sustainability Reporting

Access to affordable, reliable energy lies at the heart of almost every business opportunity and challenge our world faces today. Energy helps economies grow, improves health and quality of life and lifts people out of poverty. Oil and gas accounts for approximately 56% of total global fuel consumption.

Although the petroleum sector is one of the most important sectors in the current era, its operations have serious consequences for society and the environment. Despite yielding much-needed resources, exploiting oil and gas is a double-edged sword. On the one hand, oil and gas are the main drivers of global development and progress. On the other hand, each stage of their lifecycles—including exploration, drilling, production, marketing, and end use by consumers—has a significant impact on the environment and society. These resources also play important political and economic roles that affect policymakers' decisions. Thus, National Oil Corporation of Kenya has important environmental and social responsibilities and is obligated to produce high-quality sustainability reports.

Meeting the world's future energy needs by transitioning to low emission energy sources is key to delivering sustainable development. As a major participant in the Kenya economy, the Corporation is keen on clearly communicating on how it is supporting the energy transition.

i. Sustainability strategy and profile

The concept of "sustainability" provides a perspective on the relationship between National Oil and its stakeholders. It allows the company to reflect on how social and environmental issues affect its operations and forms the driving force of NOC's strategy.

National Oil acknowledges the pressing need to take action in safeguarding our planet's wellbeing, all the while promoting inclusivity in accessing the fruits of development. This commitment remains unwavering, staying true to our dedication to shareholders and the advancement of responsible corporate citizenship. To this end, the Company is dedicated to embedding environmental, social, and governance (ESG) sustainability principles into our organizational and business reporting processes. Among the 17 Sustainable Development Goals (SDGs), the most pertinent objective for National Oil is SDG 7: "Ensure access to affordable, reliable, sustainable, and modern energy for all."

In alignment with SDG 7, our strategic emphasis revolves around promoting clean and affordable energy alternatives for the people of Kenya. Kenya boasts a range of natural gas resources distributed across the nation. It is imperative to embark on a comprehensive examination of these gas reservoirs, conducting a thorough viability analysis to assess their potential role in various clean energy solutions such as electric power generation, clean hydrogen production, and essential petrochemical applications.

Biofuel stands out as a pristine alternative fuel derived from trees. We amalgamate our corporate sustainability initiatives with the establishment of forestry projects, aimed at constructing facilities to manufacture raw materials for biofuels. These forestry endeavours take root on community-owned land, fostered through partnerships with landowners, ensuring the perpetuity of these forests. The products harvested from these forests are then procured by National Oil for the production of biofuels, benefiting both the community and the environment.

ii. Environmental performance

National Oil Corporation, in undertaking its mandate, has integrated environmental considerations in their operations to fulfil the requirements of a clean, healthy and sustainable environment for all as per Article 42 of the Constitution of Kenya, 2010 and Environmental Management and Coordination Act (EMCA) Cap. 387. The Corporation undertakes to uphold environmental standards that exceed the minimum legal and regulatory requirements. To this end, the Corporation shall adopt all reasonable and practical measures to endeavour to comply with and exceed the requirements of all applicable environmental laws, regulations, permit and licence conditions and other requirements to which the organization subscribes to. National Oil Corporation recognizes that her operations have impacts on the environmental, social and financial aspects. In view of this, the Corporation has put in place several operational controls geared towards reducing pollution impacts. National Oil retail stations emit waste oils that, if not properly contained, could have adverse impact to underground and riparian water. This calls for implementation of measures such as: engaging a waste oil collection firm to periodically collect waste oil as well as conduct interceptor cleaning at National Oil retail sites and National Nairobi Terminal (NNT); and engaging a NEMA-designated laboratory to undertake effluent sampling and analysis to provide assurance that effluents into municipal waste drainage are within parameters as prescribed by Water Quality Regulations, 2006.

iii. Employee welfare

The Corporation embraces diversity, equity and inclusion (DEI) through policies and programs that promote the representation and participation of different groups of individuals. DEI encompasses people of different ages, races, ethnicities, abilities, disabilities, genders, religions, cultures and sexual orientations. It

also covers people with diverse backgrounds, experiences, skills and expertise. The Corporation's Board of Directors have ratified a Human Resources Policy Manual stipulates that the Corporation is an equal opportunity employer and shall not in its recruitment and selection process, discriminate on the basis of gender, race, religion, ethnicity or any other form of discrimination. The HR Policy Manual is reviewed every three years.

The constitutional requirement on mainstreaming of gender and persons with disabilities as stipulated in Article 232 of The Constitution of Kenya, 2010 shall be observed alongside policies issued by any of the relevant Government Institutions. In addition, the Corporation Board of Directors have ratified a Gender Mainstreaming Policy that takes into account gender parity during hiring process.

The Corporation has also instituted an annual appraisal system which governs staff performance and staff development. Further, the Corporation has a clear policy on reward and recognition of outstanding performance.

The Corporation takes cognisance of the need to provide a safe working environment for employees and contractors alike as per the provisions of Occupational Safety & Health Act (OSHA), 2007. To this end, the Corporation continually implements safety & health programs that includes among other things, periodic workplace inspections and audits and risk assessments to evaluate job safety as well as put in place mitigating measures against potential hazards at the workplace. The Corporation further provides personal protective clothing & equipment to its employees at no cost to enhance worker safety. Employee personal protective clothing & equipment (PPE) is replaced as per provisions of the Corporation's PPE Policy.

iv. Market place practices-

The organization efforts is outline as follows;

a. Responsible competition practice

Fair Competitor and respect for completion

- ❖ The Corporation achieves this through conducting price market surveys in pricing products (white fuels, LPG and lubricants) this will ensure NOC does not undercut the market
- ❖ Industry bench marking –the corporation also ensure that it embraces best industry practices as it conduct its business operations. Such practices include charging throughput fees as opposed to rental based fees. The fees charged should also be within average range of the industry.
- ❖ Below the line and above the line market activities e.g. forecourt discounts and other incentives to the final consumer

Anti-corruption

There is policy in NOC in regards corruption activities and how they are reported

b. Responsible Supply chain and supplier relations

The Corporation has employed the following strategies in its supply chain management function;

- Purchase in volume for cost reduction- Common user goods and services are procured on framework contracts basis;
- All purchases we use either Purchase Orders (POs) or Contracts; and
- Increase penetration of technology in its operations.

c. Treats its own suppliers responsibly

- We endeavour to pay suppliers the amount agreed upon and on time;
- We communicate regularly with our suppliers hence establishing and maintaining a business connection;
- We treat our suppliers not just as vendors but also business partners; and
- Where payments are overdue/ pending we normally enter into a payment agreement which we adhere to.

d. Responsible marketing and advertisement

The Corporation achieves this through:

- Response to customer complains within the SLA
- Being transparent, i.e., access to information about safety and its effective use;
- NOC website is also accessible to the public for any information regarding all the activities in upstream and downstream operations;
- Protecting customer data and privacy - NOC ensures confidentiality as far data and other sensitive information are concerned of its entire customer base
- Maximize benefits and minimize risks - NOC prioritize on safety first and is being driven by a slogan “if it is not safe it is not worth it”.

e. Product stewardship

The Corporation achieves this through:

- Ensuring high quality and standard for her products that meets industry and KEBS standard;
- Timely response to customer complaints; and
- Disposal of used oil as per approved NEMA Guidelines.

13. Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended June 30, 2025, which show the state of the Corporation's affairs.

i) Principal activities

The core business of the Corporation as stipulated in the Memorandum and Articles of Association is trading in refined petroleum products and participation in related petroleum business such as refining, distribution and marketing; provision of related services such as hospitality, storage, transport, product receipt and loading; petroleum exploration; and promotion activities and participation in energy sector activities as directed by the Government from time to time.

ii) Results

The results of the Corporation for the year ended June 30, 2025 are set out on page below. Below is summary of the profit or loss made during the year.

	2025	2024
	Shs'000	Shs'000
Profit/Loss before taxation	7,245,238	(2,236,449)
Taxation credit	(1,216,131)	669,724
Profit/Loss for the year transferred to retained earnings	6,029,107	<u>(1,566,725)</u>
	=====	=====

iii) Dividends

The Directors do not recommend payment of dividend in respect of the current financial year (2025: nil).


iv) Directors

The members of the Board of Directors who served during the year are shown on page v

v) Auditors

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

By Order of the Board


Leparan Gideon Morintat
(Secretary to the Board)

Date 27/8/25

14. Statement of Directors' Responsibilities

Section 81 of the Public Finance Management Act, 2012 and Companies Act 2015, require the Directors to prepare financial statements in respect of the Corporation, which give a true and fair view of the state of affairs of the Corporation at the end of the financial year/period and the operating results of the Corporation for that year/period. The Directors are also required to ensure that the Corporation keeps proper accounting records which disclose with reasonable accuracy the financial position of the Corporation. The Directors are also responsible for safeguarding the assets of the Corporation.

The Directors are responsible for the preparation and presentation of the Corporation's financial statements, which give a true and fair view of the state of affairs of the Corporation for and as at the end of the period ended on June 30, 2025. This responsibility includes:

- (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity;
- (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- (iv) Safeguarding the assets of the Corporation;
- (v) Selecting and applying appropriate accounting policies; and
- (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors responsibility for the Corporation's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and the Companies Act 2015.

The Directors are of the opinion that the Corporation's financial statements give a true and fair view of the state of Corporation's transactions during the year ended June 30, 2025, and of the Corporation's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained

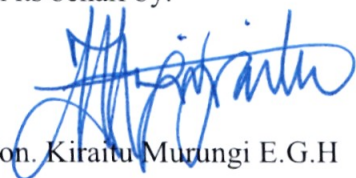
Statement of Directors' Responsibilities (Continued)

for the Corporation, which have been relied upon in the preparation of the Corporation's financial statements as well as the adequacy of the systems of internal financial control.

The Corporation is currently experiencing financial challenges which has hindered its ability to deliver on its core mandate. The Cabinet has issued directives on revival and commercialization of the National Oil Corporation. The Cabinet has issued two directives on the revival and commercialization of National Oil Corporation, namely; i. On-boarding a non-equity strategic partner(s) to inject funds for working capital and capital expenditure. ii. Restructuring of National Oil Corporation through conversion of the parent company into a holding company and creating of three subsidiaries to de-risk the business and increase efficiency and profitability. Based on above, nothing else has come to the attention of the Directors to indicate that the Corporation will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Corporation's financial statements were approved by the Board on29/8/2025 and signed on its behalf by:



Hon. Kiraitu Murungi E.G.H
Chairperson of the Board



Leparan Gideon Morintat
Chief Executive Officer

REPUBLIC OF KENYA

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

REPORT OF THE AUDITOR-GENERAL ON NATIONAL OIL CORPORATION OF KENYA LIMITED FOR THE YEAR ENDED 30 JUNE, 2025

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of National Oil Corporation of Kenya Limited set out on pages 1 to 75, which comprise of the statement of financial position as at 30 June, 2025 and the statement of profit or loss and other comprehensive

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of National Oil Corporation of Kenya Limited as at 30 June, 2025 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 Companies Act 2015 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Material Uncertainty Related to Going Concern

The statement of financial position reflects current liabilities totalling Kshs.8,819,331 which exceeded the current assets of Kshs.4,602,475,000 by Kshs.4,593,655,669 which is a negative capital. The negative capital implies that the Corporation may struggle to settle its obligations as and when they fall due. In addition, during the year under review, the Corporation registered sales of Kshs.542,624,000 compared to the prior year sales of Kshs.1,276,526,000. The decline in sales yielded a gross profit of Kshs.22,228,000 against operating expenses of Kshs.1,846,090,000 resulting in an operating loss of Kshs.1,823,862,000.

The above conditions and others not reflected in the financial statements indicate material uncertainty relating to the Corporation's ability to continue as a going concern. Therefore, the Corporation was technically insolvent and its continued existence as a going concern was dependent upon the financial support from the Government, bankers, and its creditors. Further, the material uncertainty in relation to going concern was not disclosed in the financial statements, and mitigating measures put in place by the Directors to address the matter were not indicated or provided for review.

In the circumstances, the existence of the Corporation as going concern could not be confirmed.

2. Unresolved Hived-Off Petroleum Products

The statement of financial position reflects inventories valued at Kshs.227,656,000 which as disclosed in Note 21(a) to the financial statements comprise of gross inventory value of Kshs.2,285,615,000 adjusted for provisions totalling Kshs.2,057,959,000. Included in the inventory gross value is Kshs.1,494,624,828 in respect of the total value of products captured as hived off in the books of the Corporation. The classification was based on a resolution by the Corporation Management in October, 2016 to hive-off all historical non-reconciling items in a separate non-trading stock point to ensure new variances were not created. The historical non-reconciling items continue to be carried in the books of the Corporation. However, they lack documentation to support their physical existence.

Although the Board of Directors approved the write-off of the amount, the matter was still pending.

In the circumstances, the accuracy and completeness of the inventories balance of Kshs.227,656,000 could not be confirmed.

3. Unreconciled Payables to Ministry of Energy and Petroleum

The statement of financial position reflects trade and other payables balance of Kshs.3,859,817,000 as disclosed in Note 31 to the financial statements. Included in the trade payables is an amount of Kshs.149,627,793 owed to the Ministry of Energy and Petroleum in respect of surface fees and training levies. Review of the Production Sharing Contract between the Government of the Republic of Kenya and the Corporation for Block 14T, entered into on 15 November, 2010, revealed that the Corporation owed the State Department surface fees and training fees amounting to Kshs.149,627,793 as at 30 June, 2025. However, the amount was not disclosed in the State Department for Petroleum financial records and no reconciliation was provided for audit during the year under review.

In the circumstances, the accuracy and completeness of the trade and other payables balance of Kshs.3,859,817,000 could not be confirmed.

4. Unvalued Property Plant and Equipment

The statement of financial position reflects balances of Kshs.5,553,844,000. Kshs.15,784,000 and Kshs.9,165,000 in respect of property, plant and equipment, intangible assets and investment property respectively, as similarly disclosed in Notes 17, 18 and 19 to the financial statements. Review of the fixed asset register revealed that the assets were not revalued during the financial year. The Corporation policy on non-current assets provides that certain categories of property, plant and equipment and investment property are revalued at an interval of five (5) years. The assets were last revalued in 2019/2020 financial year and were due for revaluation in the year under review. However, Management did not undertake revaluation of the assets in the categorized asset classes.

In the circumstances, the accuracy and completeness of property, plant and equipment, investment property and intangible assets balances of Kshs.5,553,844,000, Kshs.15,784,000 and Kshs.9,165,000 respectively could not be confirmed.

5. Unsupported Other Income

The statement of profit or loss and other comprehensive income reflects total other income balance of Kshs.9,091,329,000 and as disclosed in Note 9 to the financial statements. Included in this balance is discount received-financing costs of Kshs.3,477,665,000 and GoK recurrent grants balance of Kshs. 4,913,000,000. However, the discount received balance was not supported by a ledger or any breakdown giving composition of the entire balance as disclosed in the financial statements. In addition, the

GoK Recurrent grants balance of Kshs.4,913,000,000 was not supported by the accompanying conditions attached to it on how the grants were to be applied by the Corporation.

In the circumstances, the accuracy and completeness of the other income balance of Kshs.9,091,329,000 could not be confirmed.

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

Emphasis of Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects a sale of goods budget of Kshs.1,488,824,000 against actual on comparative basis of Kshs.542,624,000 translating to revenue underperformance of Kshs.946,200,000. In addition, the prior year actual revenue was Kshs.1,276,526,000 in comparison to the current year of Kshs.542,624,000 resulting a decline in sales by Kshs.733,902,000.

The underperformance in revenue may have affected the planned operations during the year and contributed to insolvency state at the Corporation.

2. Long Outstanding Payables

The statement of financial position reflects trade and other payables balance of Kshs.3,859,817,000 as disclosed in Note 31 to the financial statements. Included in the trade payables amount is Kshs.868,607,618 which had been outstanding for more than sixty (60) days with some dating back to 2021. Management did not provide explanations for non-settlement of long outstanding payables, implications to Company operations and measures undertaken by Management to meet obligations to its creditors as and when they fall due.

My opinion is not modified in respect of these matters.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the effect of the matters described in the Basis for Qualified Opinion/Material Uncertainty Related to Going Concern section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Unresolved Prior Year Matters

In the prior years' audit report, several issues were raised under the Report on Lawfulness and Effectiveness in Use of Public Resources. Review of the status during audit of the Corporation in 2024/2025 revealed that the following matters remained unresolved.

	Financial Year	Audit Issue
1	2023/2024	Material Uncertainty Relating to Going Concern
2	2023/2024	Unresolved Hived Off Petroleum Products
3	2023/2024	Unreconciled Trade and Other Payables
4	2023/2024	Non -Payment of the Audit Fees
5	2023/2024	Unsupported Decline in Value of Freehold Land
6	2023/2024	Budgetary Control and Performance
7	2023/2024	Penalties on Late Payment
8	2023/2024	Unauthorized Over Expenditure
9	2023/2024	Failure to Maintain a minimum Operational Stock
10	2023/2024	Breach of Borrowing Repayment Terms
11	2023/2024	Employees on Acting Capacity Beyond Stipulated Time
12	2023/2024	Stalled Liquefied Petroleum Gas Project
13	2023/2024	Defective Cylinders
14	2023/2024	Slow Implementation of Oil Exploration Activities
15	2023/2024	Long Outstanding Receivables
16	2023/2024	Use of Outdated Information Technology Systems
17	2023/2024	Lack of Strategic Plan

Other Information

The Directors are responsible for the Other Information set out on page v to xxxviii which comprise of Key Entity, The Board of Directors, Key Management Team, Fiduciary Management, Fiduciary Oversight Arrangements, Chairman's Statement, Report of the Chief Executive Officer, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors, and the Statement of Directors Responsibilities,. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Corporation's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Unprocedural Engagement of a Strategic Partner

During the year under review, Management entered into a Strategic Partnership Agreement (SPA) with a local Oil Marketing Company, which is subsidiary of an International Oil Company, for purposes of injecting debt, managerial capabilities, technical expertise and innovative solutions in the Corporation's downstream business, and creating value for the business to generate return on investment for the Partner. Review of the agreement revealed several anomalies as indicated below:

- i. On 28 August, 2023 the Corporation's Chief Executive Officer (CEO) wrote to the Cabinet Secretary (CS) for Energy and Petroleum seeking approval to use Specially Permitted Procurement Method for a strategic partner, which was subsequently approved, on 19 September, 2023. However, Management did not provide tender documents submitted to, and approved by the Cabinet Secretary to The National Treasury for the Strategic partner, indicating the justifications for use of the method as required by Regulation 107(2)(d) of the Public Procurement and Asset Disposal Regulations, 2020.
- ii. Section 137(2) of the Public Procurement and Asset Disposal Act, 2015 requires an Accounting Officer to ensure that all contracts of a value exceeding Kshs.1 billion to be cleared by the Attorney-General before they are signed. However, no evidence of clearance from the Attorney General's office was provided for review.
- iii. The SPA entitled the Partner an interest equal to 182 Treasury Bills rate plus 4% on the advanced amount, and a 30% annual share of the Corporations Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) payable twice a year. Any unpaid interest at the date of payment is to be converted into a principal amount and added to the existing loan principle. Further, funds advanced will be secured by the Corporations fixed assets with a book value of Kshs.5,694,221,000 as at 30 June, 2024.

- iv. The SPA set out conditions which parties were required to fulfil before performance of respective obligations. The conditions referred to Conditions Precedent (CPs) included; an exemption or certificate of clearance from the Competition Authority, approval for use of Specially Permitted Procurement Procedure by The National Treasury and a clearance letter from Public Procurement Regulatory Authority (PPRA), confirmation of discharge and release of assets charged as security for the KCB Bank loan, implementation of Cost-of-Service Study in the Supply of Petroleum Products (COSSOP) with respect to increase in petroleum products margins charged in the pump, issuance of a circular requiring Government Ministries, Departments and Agencies (MDAs) to purchase 100% of their fuel requirements from the Corporation, and non-commencement or threat to commence any proceedings or investigations for purposes of prohibiting or otherwise challenging or interfering with matters contained in the SPA, including enactment or proposed enactment of legislation, and threat to take any action on implementation of matters contained in the agreement.
- v. The Corporation also undertook to seek an exemption allowing its financial statements to be audited by an internationally recognised firm of independent auditors licenced to practice in Kenya; and to procure a commitment from the Ministry of Energy and Petroleum for allocation of adequate ullage of Kenya's petroleum requirements to support the expected growth.
- vi. While the Strategic Partnership Agreement provided for utilization of the loan to finance rebranding, renovation and expansion of NOC's retail station network, there was no mention of how leased outlets will be affected by the earmarked changes including rebranding, installation of an ERP system and deployment of a fuel card system.
- vii. The National Treasury through the State Department for Petroleum disbursed a total of Kshs.4,215,000,000 in two tranches comprising of Kshs.1,215,000,000 released in January 2025 and Kshs.3,000,000,000 released in July, 2025 to clear the KCB Bank loan. However, it was not clear why the funding support would have been utilized to support the Corporations operations and return to profitability as was more that the funds sought from the strategic investor for working capital facility loan.

In the circumstances, the validity of the Strategic Partnership Agreement between the Corporation and the Oil Marketing Company could not be confirmed.

2. Penalties for Late Payment

The statement of profit and loss and other comprehensive income reflects cost of sales amounting to Kshs.520,396,000 as disclosed in Note 7 to the financial statements. Included in the cost of sales is Kshs.2,508,720 incurred on penalties and fines. Review of the ledger provided in support of the amount revealed that the Corporation was charged penalties and fines amounting to Kshs.2,508,720 on account of delays in remitting statutory payments to the Kenya Revenue Authority and National Social Security Fund.

In the circumstances, fines and penalties paid on delayed statutory remittances did not amount to a proper charge on public funds and would have been avoided.

3. Failure to Operate a Minimum Operational Stock

The statement of financial position reflects inventories valued at Kshs.227,656,000 which included petroleum products stock. Review of inventory records on petroleum products revealed that during the year under review, the Corporation did not operate a minimum operational stock stored by the Kenya Pipeline Company Limited, and replenished to its optimal levels upon drawdowns as required in Regulation 3 of the Energy (Minimum Operational Stock) Regulations, 2008. The regulation provides that all importers of petroleum products intended for use in Kenya shall maintain at all times physical operational stock in quantities not less than the minimum amounts specified in the Schedule of the Regulations.

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

4. Non-Compliance of Borrowing Repayment Terms

The statement of financial position reflects total borrowings amounting to Kshs.4,954,653,000. As disclosed in Note 28 to the financial statements, the balance comprises of Kshs.1,954,653,000 in respect of a local commercial bank CFC short term loan which has been long outstanding. During the year under review, the Corporation had three (3) loan facilities with the local commercial bank which comprised of Collateral Financing Facility of USD15,000,000, an overdraft facility of Kshs.300,000,000 and a short-term loan facility of Kshs.709,000,000.

The facilities letter agreement with the Bank provided that the Corporation would pay interest on amount drawn down on the Short-Term Facility at a rate of the Central Bank of Kenya plus 3.5% per annum. Similarly, the Corporation was to pay an interest on amount drawn on the Collateral Financing Facility, the Overdraft Facility and on the Short-Term Loan Facility at the Central Bank of Kenya plus 4% per annum on. However, no payments had been made to honor the agreement which continues to accumulate interest.

In the circumstances, the ability of the Corporation to meet obligations set out in the agreements could not be confirmed.

5. Defective LPG Cylinders

The statement of financial position and as disclosed in Note 21(a) to the financial statements reflects inventories with a net book value of Kshs.227,656,000 held by the Corporation as at 30 June, 2025. Included in the inventory are 46,757 defective Liquefied Petroleum Gas (LPG) cylinders valued at Kshs.89,155,892 stored at the Corporation's Nairobi National Terminal. However, Management did provide measures undertaken to address the defective cylinders which were not in use and continued to lose value.

In the circumstances, the value for money incurred on liquefied petroleum gas (LPG) cylinders could not be confirmed.

6. Employees on Acting Capacity Beyond Stipulated Period

The statement of profit or loss and other comprehensive income reflects administration costs balance of Kshs.910,033,000 as disclosed in Note 10 (a) to the financial statements. Included in the amount is Kshs.350,175,000 incurred on employee costs. However, review of the payroll data revealed that eleven (11) employees were paid acting allowances totalling Kshs.3,694,191 for periods exceeding allowed maximum of six (6) months. This is contrary to the Human Resource Policies and Procedures Manual for Public Service, 2016 Section C.14 (1) When an officer is eligible for appointment to a higher post and is called upon to act in that post pending advertisement of the post, he is eligible for payment of acting allowance at the rate of twenty percent (20%) of his substantive basic salary. Acting allowance will not be payable to an officer for more than six (6) months.

In the circumstances, Management was in breach of the Human Resource Policy and Procedures Manual.

7. Slow Implementation of Oil and Gas Exploration Activities

The statement of financial position and as disclosed in Note 36 to the financial statements reflects exploration expenditure on block 14T of Kshs.2,346,952,000. As reported in prior years, the Corporation spent over thirteen (13) years undertaking initial exploration activities whose stipulated period was three (3) years from effective date of the contract.

Further, records provided by Management in respect of exploration activities indicated that the Corporation entered into the first additional exploration period under the Production Sharing Contract (PSC) for Block 14T on 15 February, 2023 which has been extended to 15 February, 2025. The activities include acquisition of additional 500 kilometers of 2D seismic surveys over the most prospective areas of the block, acquisition of 100sq kilometers of 3D seismic surveys and drilling of one (1) exploration well to depth of 3000m in a period of two years. However, review of the Block T11(formerly Block 14T) report for the period between July, 2024 to June, 2025 revealed that drilling of an exploration well was yet to commence. In addition, evidence of the acquisition of 100 square kilometers of 3D seismic surveys were also not provided for review.

In the circumstances, the six (6) extensions to the exploration period may not have contributed to effective resource utilization and service delivery to public.

8. Delays in Laboratory Refurbishment Works

The statement of financial position and as disclosed in Note 17 to the financial statements reflects property, plant and equipment balance of Kshs.5,553,844,000. The balance included capital work in progress balance of Kshs.396,309,000, involving construction and equipping of a Geochemical and Petrophysical laboratory under a contract awarded to Joint venture of two construction companies on 27 May, 2024 at contract price of Kshs.22,863,567.

Review of implementation status of the laboratory refurbishment works revealed the following anomalies;

- i. In the prior year, the Corporation purchased equipment amounting to Kshs.406,978,000. However, the equipment could not be installed as the construction had not been completed as at the time of audit, which risked the equipment becoming obsolete due to evolving technology and damages at the store.
- ii. Review of the minutes of the Contract Implementation Team (CIT) for the contract revealed that testing and commissioning of the laboratory equipment upon installation had stalled due to nonpayment; partial supply of consumables and standards for the equipment; and delay of payment to the supplier. As a result, the remaining time to expiry of the Defect Liability Period (DLP) would likely not be sufficient for equipment installation and any engagements with the contractor thereafter may be subject to additional attendance fees.

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

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Long Outstanding Receivables

The statement of financial position and Note 22 (a) to the financial statement reflects trade and other receivables balance of Kshs.3,839,547,000. Review of an ageing analysis and ledgers provided revealed that trade receivables amounting to Kshs.570,527,682 had been outstanding for more than 360 days. The balance accounts for 89% of all trade receivables totalling to Kshs.644,123,000. Management's attempt to recover the accounts receivables through issuance of demand letters, were yet to yield results.

In the circumstances, existence of effective mechanisms and strategies for debt recovery could not be confirmed.

2. Lack of Governance Audit

During the year under review, the Board did not undertake a governance audit as required by the Mwongozo Code of Governance for State Corporations guidelines. The audit is expected to address among other areas governance practices including leadership and strategic management, transparency and disclosure, compliance with laws and regulations, Board independence and governance, consistent shareholder and stake holders value enhancement among others.

In the circumstances, Management is in breach of Mwongozo Code of Governance.

3. Outdated Information Technology Systems

Review of the Corporation's information technology systems revealed that an oracle system which was in use at the Corporation was outdated. The use of an outdated system increased vulnerability of crucial data and interruption of business operations. Further, as reported in prior years, a contract signed during 2016/2017 financial year at a cost of Kshs.95,624,321 for implementation in a period of fifteen (15) months was terminated on 10 July, 2020 by Management on the basis of non-performance. In addition, there was no evidence of recommendation from contract implementation team to terminate the contract as required in Section 151(2)(g) of the Public Procurement and Asset Disposal Act, 2015.

The provider filed a suit in the High Court against the Corporation for non-payment of outstanding invoices totalling Kshs.102,462,096 inclusive of interest. Subsequently, the systems attained their End of Life (EOL) which meant that updates and patches that enhance the system's security or any technical support from Oracle could no longer be received. Further, the Corporation had not paid the software vendor for three financial years and had accrued debts amounting to Kshs.57,145,833 in respect of annual software updates, technical support and additional license fees risking the data and business interruption in the case of a security attack.

In addition, during the year under review, Management did not have an Information Communication Technology Steering Committee with a mandate to oversee development of the Information Communication Technology strategy of the Corporation. This implied existence of gaps in information technology governance that might have affected the achievement of the organization's mandate.

In the circumstances, the value for money on the amount of Kshs.95,624,321 incurred on the system could not be confirmed.

4. Weaknesses in Management of Service Stations

During the year under review, the Corporation operated sixty-eight (68) service stations with seventeen (17) leased to third parties under facilities lease arrangements. A visit to sampled service stations owned by the Corporation in September, 2025 in Western Region, Central Region and Coastal Region revealed weakness in the facilities management as detailed below:

- i. Some stations were neglected and in a dilapidated state with equipment such as filling pumps and generators left unguarded and at risk of being vandalized.
- ii. Some stations were in a state of despair having been unmaintained over a long period of time which contributed to loss of customers and revenue.
- iii. In most stations Liquefied Petroleum Gas (LPG) orders took long to deliver and orders for lubricants were not received.

In the circumstances, effectiveness of operations of the service stations could not be confirmed.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

As required by the Companies Act, 2015, 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. The information given in the Directors' report on pages xxxvi to xxxviii is consistent with the financial statements; and
- iii. The auditable part of the Directors' remuneration report on page 26 has been properly prepared in accordance with the Companies Act, 2015.

Basis for Conclusion

The Companies Act, 2015 requires that I report on the legal or regulatory requirements, or on performance information disclosed. These matters require expressing a separate opinion as to the Corporation's compliance with laws and regulations. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and Board of Directors

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

18 December, 2025

16. Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2025

	Note	2024/2025	2023/2024
		Kshs'000'	Kshs'000'
REVENUES			
Revenue	6	542,624	1,276,526
Cost of sales	7	(520,396)	(1,112,509)
Gross profit		22,228	164,016
Other Income			
Release of Exploration Expenditure	11	296,383	212,391
Interest Income	8	2,913	10,052
Discount received –Financing costs	9	3,477,655	-
GoK Recurrent grants	9	4,913,000	-
Other Income	9	379,150	149,588
TOTAL REVENUES		9,091,329	536,048
OPERATING EXPENSES			
Exploration Expenditure	11	296,383	212,391
Administration Costs	10(a)	910,033	992,263
Finance Costs	12	639,675	1,567,842
TOTAL OPERATING EXPENSES		1,846,090	2,772,497
PROFIT/(LOSS) BEFORE TAXATION		7,245,238	(2,236,449)
Income Tax Expense/(Credit)	14(a)	(1,216,131)	669,724
PROFIT/(LOSS) AFTER TAXATION		6,029,107	(1,566,725)
Earnings Per Share – Basic and Diluted		117	(30)
OTHER COMPREHENSIVE INCOME			
Profit/ (Loss) after taxation		6,029,107	(1,566,725)
Surplus or Deficit on Revaluation of PPE		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		6,029,107	(1,566,725)

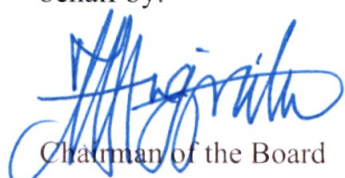
17. Statement of Financial Position as at 30 June 2025

	Note	2024/2025	2023/2024
		Kshs'000'	Kshs'000'
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	17	5,553,844	5,694,221
Intangible Assets	18	15,784	7,663
Investment Property	19	9,165	9,400
Right of Use of Leased Assets	20	207,481	222,948
Exploration Expenditure-Block 14T	36	2,346,952	2,291,112
Deferred Tax Asset	29	1,993,644	3,202,408
Total Non-Current Assets		10,126,868	11,427,753
Current Assets			
Inventories	21(a)	227,656	245,479
Trade and Other Receivables	22(a)	3,839,547	398,612
Tax Recoverable	14(b)	26,358	31,501
Short-term Deposits	24	200,837	191,878
Bank and Cash Balances	25	308,078	344,995
Total Current Assets		4,602,475	1,212,466
TOTAL ASSETS		14,729,343	12,640,218
EQUITY AND LIABILITIES			
Capital and Reserves			
Share Capital	26(a)	1,032,000	1,032,000
Share Premium	26(b)	1,183,000	1,183,000
Revaluation Reserve	27	1,998,088	1,998,088
Retained Earnings	42	(2,304,086)	(8,333,193)
Capital and Reserves		1,909,002	(4,120,105)
Non-Current Liabilities			
Deferred Income	23	3,237,261	3,197,040
Lease Liability	30	200,233	181,468
MOE HQ Construction Fund	37	704	704
Gratuity provision	32	14,951	12,666
SBM Fund	38	11,443	11,443
CSR Projects Fund	39	39,148	39,148
Laboratory Equipment Fund	41	424,316	425,480
E&P Capacity Building Fund	40	72,955	72,955

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Total Non-Current Liabilities		4,001,010	3,940,906
Current Liabilities			
Borrowings	28	4,954,653	6,546,174
Trade and Other Payables	31	3,859,817	6,272,813
Gratuity provision	32	4,861	431
Total Current Liabilities		8,819,331	12,819,418
TOTAL EQUITY AND LIABILITIES		14,729,343	12,640,218

The financial statements were approved by the Board on 29/8/ 2025 and signed on its behalf by:


 Chairman of the Board
 Hon. Kiraitu Murungi


 Chief Executive Officer
 Leparan Gideon Morintat


 Ag. Head of Finance
 Andrew Ringera
 ICPAK.M/NO:20208



18. Statement of Changes in Equity for the year ended 30 June 2025

	Ordinary Share Capital	Revaluation Reserve	Share premium	Accumulated Reserve	Total
Description	Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'
As at the beginning of the prior year (Jul 2023)	1,032,000	1,998,088	1,183,000	(6,766,468)	(2,553,380)
Issue of new share capital	-	-	-	-	-
Revaluation gain(Loss)	-	-	-	-	-
Profit (loss)for the year	-	-	-	(1,566,725)	(1,566,725)
As at the end of prior year (June 2024)	1,032,000	1,998,088	1,183,000	(8,333,193)	(4,120,105)
As at the beginning of the current year(Jul 2024)	1,032,000	1,998,088	1,183,000	(8,333,193)	(4,120,105)
Issue of new share capital	-	-	-	-	-
Profit (Loss)for the year	-	-	-	6,029,107	6,029,107
As at the end of current year (June 2025)	1,032,000	1,998,088	1,183,000	(2,304,086)	1,909,002

19. Statement of Cash Flows for the year ended 30 June 2025

	Note	2024/2025	2023/2024
Description		Kshs'000'	Kshs'000'
Cash Flows from Operating Activities	33	2,079,123	941,535
Interest received	8	2,913	10,052
Interest accrued	12	(639,675)	(1,567,842)
Tax paid	14(b)	(2,224)	(3,970)
Less; GOK Recurrent Grants receipts	9	(1,535,000)	-
Less; Unrealized forex loss	10(a)	(46,607)	
Net Cash Generated from/(used in) Operating Activities		(141,469)	(620,224)
Cash Flows from Investing Activities			
Purchase of property, plant and equipment	17	(84,237)	(488,841)
Transfer to Intangible asset from-PPE	17	(19,990)	-
Transfer from CIP (Intangible assets)/additions	18	19,990	(6,485)
Increase(decrease)in Block 14T Exploration Expenditure	36	(55,839)	(81,834)
Payment of Leases	30	(8,868)	(12,860)
Increase(Decrease Right of Use of Asset)	20	(16,464)	(7,260)
Net increase(Decrease in CSR)	39	-	4,263
Net Cash Generated from/(used in) Investing Activities		(165,409)	(593,017)
Cash Flows from Financing Activities			
GOK Grants	23&9	1,867,000	430,000
Proceeds from borrowings/Interest capitalized	28	(376,521)	170,150
Repayment of borrowings	28	(1,215,000)	-
Interest received under deferred income	23	3,439	9,726
Unrealized gains/losses on fixed deposit held on call	23	-	(93,272)
Recurrent GOK grants utilized	23	-	(71,804)
Net Cash Generated from/(used in) Financing Activities		278,918	444,800
Increase/(Decrease) in Cash and Cash Equivalents		(27,960)	(768,441)
Cash and Cash Equivalents at Beginning of Year		536,874	1,305,315
Cash and Cash Equivalents at end of the Year	33	508,915	536,874



20. Statement of Comparison of Budget and Actual Amounts for the year ended 30 June, 2025

Amount in Kshs	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	% of utilization e=d/c
	Kshs000	Kshs000	Kshs000	Kshs000	Kshs000
Revenue					
Sales of Goods	110,052,393	(108,563,569)	1,488,824	542,624	36%
Other Income	243,626	4,814,460	5,058,086	8,772,717	173%
Total Income	110,296,019	(103,749,110)	6,546,910	9,315,342	142%
Operating Expenses					
Cost of Sales	106,656,345	(105,276,404)	1,379,940	520,396	38%
Staff Costs	471,758	6,200	477,958	350,175	73%
Software Licenses	9,803	-	9,803	209	2%
Repairs and Maintenance	15,000	57,454	72,454	66,495	92%
Insurance Costs	27,550	-	27,550	21,574	78%
Security Charges	14,600	-	14,600	10,037	69%
Utility Costs:- Electricity & Water	11,278	-	11,278	6,525	58%
Sanitary and Cleaning Services	8,860	-	8,860	6,243	70%
Office Rents, Rates & Licenses	89,767	-	89,767	12,587	14%
Traveling & Accommodation	13,700	32,800	46,500	37,465	81%
Telephone and Postages	8,000	-	8,000	6,988	87%
Printing and Stationary	3,013	1,000	4,013	3,576	89%
Office Expenses	5,154	2,700	7,854	7,782	99%
Subscriptions	3,000	-	3,000	1,304	43%
Audit Fees	9,600	-	9,600	7,232	75%
Legal Fees	45,000	7,000	52,000	51,676	99%
Advertising and Publicity	3,351	8,000	11,351	6,567	58%
Board Expenses	10,705	500	11,205	10,898	97%
Professional Fees	50,529	243,800	294,329	13,108	4%
Staff Uniforms	300	-	300	219	73%

Depreciation & Amortization	327,662	(47,000)	280,662	242,766	86%
Unrealized forex loss	-	47,000	47,000	46,607	99%
Finance Costs	2,293,610	(1,639,318)	654,291	639,675	98%
Total expenditure	110,078,584	(106,556,269)	3,522,316	2,070,103	59%
Surplus for the year	217,435	2,807,159	3,024,594	7,245,238	240%
Capital Expenditure	1,051,400	-	1,051,400	519,150	49%

Explanatory notes to Budget

- a) Sales and cost of sales stand at 36% and 39% of the budget, respectively, mainly attributed to persistent stock-outs resulting from working capital constraints.
- b) Other income stands at 173% of the budget, driven by additional shareholder support received towards year-end.
- c) Software licences stand at 2% of the budget, as the Corporation suspended the annual renewal of Oracle licences due to cash flow challenges
- d) Professional fees stand at 4% of the budget, primarily due to minimal engagement resulting from cash flow constraints and the current level of business activity.
- e) Capital expenditure stands at 49% of the budget due to the lack of operating income to finance capital investments in the downstream business.
- f) The surplus of 240% against the budget is primarily attributed to shareholder support through recurrent grants, reduced financing costs, and the suspension of monthly interest on the KCB Bank loan following its restructuring.

21. Notes to the Financial Statements

1. General Information

National Oil Corporation of Kenya Limited (“the Corporation”) is incorporated as a limited Corporation in Kenya under the Kenyan Companies Act 2015, and is domiciled in Kenya. The Corporation is involved in both the upstream and downstream activities in the oil industry in Kenya. In the Upstream activities, the Corporation is involved in the exploration of oil in one of the exploration blocks i.e. Block T11 in Magadi (Formerly Block 14T). In the downstream activities, the Corporation is involved in the purchase and sale of white products, liquefied petroleum gas, lubricants and other by-products of the refining process. The address of its registered office is as follows:

Kawi Complex, Popo Lane
Off Red Cross Road, South C
P O Box 58567 – 00200
Nairobi

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the entity’s accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in various notes.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of National Oil Corporation of Kenya.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented

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

(i) *New and amended standards and interpretations in issue and effective in the year ended 30 June 2025.*

Title	Description	Effective Date
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period <i>The Corporation has already classify the Liabilities as Current and non-current liabilities respectively as per IAS 1 amendments.</i>	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022)	The amendment, applicable to annual periods beginning on or after 1st January 2024, requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss. <i>The Corporation has not made any amendments in respect to accounting policies, lease liability in a sale and leaseback since there were no such arrangement during the year under review.</i>	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendments to IAS 1 titled Non-current Liabilities with Covenants (issued in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, improve the information an entity provides about liabilities arising from loan arrangements for which an entity's right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022)	The amendment, applicable to annual periods beginning on or after 1st January 2024, requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted

Title	Description	Effective Date
Amendments to the Classification and Measurement of Financial Instruments Amendments to IFRS 9 and IFRS 7	The amendments specify: <ul style="list-style-type: none"> i. When a financial liability settled using an electronic payment system can be deemed to be discharged before the settlement date. ii. how to assess the contractual cash flow characteristics of financial assets with contingent features when the nature of the contingent event does not relate directly to changes in basic lending risks and costs; and iii. New or amended disclosure requirements relating to investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features that do not relate directly to basic lending risks and costs. 	1 January 2026

The Directors have assessed the applicable standards and amendments. Based on their assessment of impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

Title	Description	Effective Date
IFRS 18 Presentation and Disclosure in Financial statements	The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.	The new standard is effective for annual periods beginning on or after January 1, 2027. Earlier application is permitted.
IFRS 19 Subsidiaries without Public Accountability	IFRS 19 Subsidiaries without Public Accountability: Disclosures IFRS 19 Subsidiaries without Public Accountability: Disclosures was issued in May 2024. IFRS 19 permits some subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements. These entities apply the requirements in other IFRS Accounting Standards except for their disclosure requirements. Instead, these entities apply the requirements in IFRS 19.	An entity may elect to apply this Standard for reporting periods beginning on or after 1 January 2027. Earlier application is permitted.

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

(iii) **Early adoption of standards**

The Entity did not early – adopt any new or amended standards in the financial year or *the entity adopted the following standards early (state the standards, reason for early adoption and impact on entity's financial statements.)*

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. Summary of Accounting Policies

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

a) Revenue recognition

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

- i) Revenue from the sale of goods and services** is recognized in the period in which the National oil corporation of Kenya delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- ii) Grants from National Government** are recognized in the period in which the National oil corporation of Kenya actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.
- iii) Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognised in profit or loss on a time proportion basis using the effective interest rate method.
- iv) Dividend income** is recognised in the income statement in the period in which the right to receive the payment is established.
- v) Rental income** is recognised in the income statement as it accrues using the effective interest implicit in lease agreements.
- vi) Other income** is recognised as it accrues.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Summary of Accounting Policies

b) In-kind contributions

In-kind contributions are donations that are made to the Corporation 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 Corporation includes such value in the statement of comprehensive income both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

c) Property, plant and equipment

All categories of property, plant and equipment are initially recorded at cost less accumulated depreciation and impairment losses.

Certain categories of property, plant and equipment are subsequently carried at re-valued amounts, being their fair value at the date of re-valuation less any subsequent accumulated depreciation and impairment losses. Where re-measurement at re-valued amounts is desired, all items in an asset category are re-valued through periodic valuations carried out by independent external valuers.

Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement. Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognized in profit or loss in the income statement.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Accounting Policies

d) Depreciation and impairment of property, plant and equipment

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

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

Freehold Land	Nil
Buildings and civil works	25 years or the unexpired lease period
Plant and machinery	12.5 years
Motor vehicles, including motor cycles	4 years
Computers and related equipment	3 years
Office equipment, furniture and fittings	12.5 years

A full year's depreciation charge is recognised both in the year of asset purchase and in the year of asset disposal.

Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

e) Intangible assets

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

f) Amortization and impairment of intangible assets

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

g) Investment property

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Accounting Policies

h) Right of Use Asset

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

i) Fixed interest investments (bonds)

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

j) Quoted investments

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Accounting Policies

k) Unquoted investments

Unquoted investments stated at cost under non-current assets, and comprise equity shares held in other Government owned or controlled entities that are not quoted in the Securities Exchange.

l) Inventories

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

m) Trade and other receivables

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Accounting Policies

n) Taxation

i) Current income tax

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

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

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

o) Deferred tax

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Accounting Policies

Deferred Tax

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Accounting Policies

p) Borrowing costs

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

q) Cash and cash equivalents

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

r) Borrowings

Interest bearing loans and overdrafts are initially recorded at fair value being received, net of issue costs associated with the borrowing. Subsequently, these are measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue cost and any discount or premium on settlement. Finance charges, including premiums payable of settlement or redemption are accounted for on accrual basis and are added to the

carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Loan interest accruing during the construction of a project is capitalized as part of the cost of the project.

s) Trade and other payables

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

t) Retirement benefit obligations

The entity operates a defined contribution scheme for all full-time employees from July 1, 2012. The scheme is administered by an in-house team and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act.

u) Provision for staff leave pay

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

v) Exchange rate differences

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Accounting Policies

w) Budget information

The original budget for FY 2024-2025 was approved by the National Treasury and Economic Planning in June 2024. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded additional appropriations of NIL on the 2024-2025 budget following the governing body's approval.

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented on page 6 of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

x) Service concession arrangements

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

y) Comparative figures

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

z) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2025.

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Entity's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

State all judgments, estimates and assumptions made:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

a) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur.

b) Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the assets

c) Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 22(c).

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

(include provisions applicable for your organization e.g provision for bad debts, provisions of obsolete stocks and how management estimates these provisions)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. Revenue

	2024/2025	2023/2024
Description	Kshs000	Kshs000
Sales of goods	542,624	1,276,526
Total	542,624	1,276,526

7. Cost of Sales

	2024/2025	2023/2024
Description	Kshs000	Kshs000
Costs of goods sold	520,396	1,112,509
Total	520,396	1,112,509

8. Interest Income

	2024/2025	2023/2024
Description	Kshs000	Kshs000
Interest Income	2,913	10,052
Total	2,913	10,052

9. Other Income

	2024/2025	2023/2024
Description	Kshs000	Kshs000
Rental income	41,205	39,450
Throughput fees	12	3,356
Discount received –Financing costs	3,477,655	-
GoK Recurrent grants	4,913,000	-
Decrease in Provision for bad & doubtful debts	1,374	-
Decrease in Provisions	336,129	33,731
Sundry income	430	73,052
Total	8,769,804	149,588

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10(a) Administrative Costs

	2024/2025	2023/2024
Description	Kshs000	Kshs000
Staff costs - Note 10b	350,175	360,634
Rents and Services	209	6,179
Provision for Bad & Doubtful Debts	-	74,203
Repairs and Maintenance	66,495	24,861
Insurance	21,574	25,263
Security charges	10,037	9,908
Utility Costs:- Electricity & Water	6,525	8,996
Sanitary and Cleaning Services	6,243	8,567
Traveling & Accommodation	37,465	36,675
Telephone and Fax	6,988	11,202
Printing and Stationary	3,316	472
Books and Newspaper	260	122
Postage and Courier	123	266
Office Expenses	3,328	4,525
Subscriptions	1,304	1,188
Audit Fees	7,232	7,033
Legal Fees and Provision for Legal Liabilities	51,676	100,464
Advertising and Publicity	6,567	3,881
Groceries and Drinks	4,330	2,511
Director costs	10,898	13,147
Professional fees	13,108	28,914
Staff uniforms	219	170
Hire and Rentals	12,587	13,038
Unrealized forex loss	46,607	-
Depreciation & Amortization	240,680	247,788
Amortization-Intangible Assets	2,086	2,255
Total	910,033	989,567

10(b) Staff Costs

	2024/2025	2023/2024
Description	Kshs000	Kshs000
Salaries and Allowances of Permanent Employees	308,362	318,002
Employer's Contributions to NSSF Scheme	4,689	2,546
Employer's Contributions to pension scheme-Define contribution plan	18,642	20,109
Leave pay	3,986	6,632
Housing Levy Costs	5,503	4,566
Gratuity Provisions	8,993	8,778
Total	350,175	360,634

The average number of employees at the end of the period was:	2024/2025	2023/2024
Permanent employees – Management	141	133
Permanent employees – Unionisable	17	15
Temporary and contracted employees(included in the management and union sable)	34	26
Total	158	148

11. Exploration Expenditure

	2024/2025	2023/2024
Description	Kshs000	Kshs000
Staff Expenses	119,346	120,187
Facilities Expenses	39,764	21,031
Administrative Expenses	103,746	56,459
Depreciation and Amortization	33,527	14,714
Total	296,383	212,391

12. Finance Costs

	2024/2025	2023/2024
Description	Kshs000	Kshs000
Interest expense on loans	531,182	1,381,739
Interest Expense On Overdraft	106,009	170,150
Bank Charges & LC Commission Charges	2,482	14,547
Net foreign exchange loss	1	1,407
Total	639,675	1,567,842

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. Operating Profit/Loss

	2024/2025	2023/2024
Description	Kshs000	Kshs000
The operating profit/(loss) is arrived at after charging/(crediting):		
Staff costs (note 10b)	350,175	360,634
Depreciation of PPE & Amortization of other Intangible Assets	180,880	247,553
Depreciation of right-of-use asset	31,932	-
Depreciation of Investment Property	235	235
Amortization of Intangible Assets	2,086	2,255
Provision for bad and doubtful debts	(1,374)	74,203
Inventory Provisions	(257,116)	(33,731)
Directors' emoluments – fees	10,898	13,147
Auditors' remuneration - current year fees	7,232	7,033
Totals	324,949	671,329

14. Income Tax Expense/ (Credit)

(a)Current taxation

	2024/2025	2023/2024
Description	Kshs000	Kshs000
Current taxation based on the adjusted profit for the year at 30%	7,367	5,130
Tax effect of expenses not deductible for tax rate	-	-
Effect of change in tax rate	-	-
Prior year under/over provision for deferred tax	-	-
Deferred tax on losses, utilized	1,208,765	(674,854)
Total	1,216,131	(669,724)

(b)Tax Recoverable

	2024/2025	2023/2024
Description	Kshs000	Kshs000
As at beginning of the year	31,501	32,661
Income tax charge for the year	(7,367)	(5,130)
Under/(over) provision in prior year/s	-	-
Income tax paid during the year	2,224	3,970
As at end of the year	26,358	31,501

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. Earnings /Loss per share

	2024/2025	2023/2024
Description	Kshs000	Kshs000
Loss attributable to ordinary shareholders	6,029,107	(1,566,725)
Weighted average number of ordinary shares used in the calculation of basic loss per share ('000)	51,600	51,600
Basic loss per share (Shs)	117	(30)

The earnings per share is calculated by dividing the profit /(loss) after tax of Kshs. 6,029,107,106 (2024/2025: by the average number of ordinary shares 51,600,000

There is no dilutive or potentially dilutive ordinary share as at the reporting date.

16. Dividend Per share

No dividends were declared in the year under review.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. Property, Plant and Equipment

	Free hold Land	lease hold	Building & Civil Works	Plant & Machinery	Motor Vehicles	Computers	Equipment & Furniture	Capital Work in progress	Total
Description	Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'
Depreciation rate	-	-	2.5%	12.5%	25%	33.3%	12.5%	-	
Cost or Valuation									
As at 1 st July 2023	518,200	2,986,997	1,598,470	1,830,114	31,911	243,329	277,344	6,098	7,492,464
Additions	-	-	-	-	-	2,951	78,912	406,978	488,841
Disposals	-	-	-	-	-	-	-	-	-
As at 30 th June 2024	518,200	2,986,997	1,598,470	1,830,114	31,911	246,280	356,256	413,076	7,981,305
Depreciation and impairment									
As at 1 st July 2023	-	210,909	195,263	1,212,656	17,192	240,012	210,810	-	2,086,841
Depreciation	-	58,029	73,077	41,970	4,498	2,710	19,958	-	200,243
On Disposals	-	-	-	-	-	-	-	-	-
As at 30 th June 2024	-	268,938	268,340	1,254,626	21,690	242,722	230,768	-	2,287,084
As at 30 th June 2024	518,200	2,718,059	1,330,130	575,488	10,222	3,558	125,489	413,076	5,694,221

	Free hold Land	lease hold	Building & Civil Works	Plant & Machinery	Motor Vehicles	Computers	Equipment & Furniture	Capital Work in progress	Total
Description	Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'
Depreciation rate	-	-	2.5%	12.5%	25%	33.3%	12.5%	-	
Cost or Valuation									
As at 1 st July 2024	518,200	2,986,997	1,598,470	1,830,114	31,911	246,280	356,256	413,076	7,981,305
Additions	-	-	15,011	3,431	6,027	-	56,546	3,223	84,237
Transfer to Intangible Asset	-	-	-	-	-	-	-	(19,990)	(19,990)
As at 30 th June 2025	518,200	2,986,997	1,613,480	1,833,545	37,938	246,280	412,802	396,309	8,045,552
Depreciation and impairment									
As at 1 st July 2024	-	268,938	268,340	1,254,626	21,690	242,722	230,768	-	2,287,084
Depreciation	-	58,029	73,171	36,295	5,502	1,827	29,800	-	204,624
As at 30 th June 2025	-	326,967	341,511	1,290,921	27,192	244,549	260,568	-	2,491,708
As at 30 th June 2025	518,200	2,660,030	1,271,969	542,624	10,746	1,731	152,234	396,309	5,553,844
As at 30 th June 2024	518,200	2,718,059	1,330,130	575,488	10,222	3,558	125,489	413,076	5,694,221

Property Plant and Equipment includes the following assets that are fully depreciated		
Description	Cost (Kshs.000)	Normal Annual Depreciation charge(Kshs.000)
Plant and Machinery	864,940	108,118
Motor vehicles, including Motor cycles	13,920	3,480
Computers And Related Equipment's	240,645	80,215
Office Equipment, Furniture and Fittings	144,135	18,017
Total	1,263,640	209,829

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. Intangible Assets

	2024/2025	2023/2024
Description	Kshs000	Kshs000
COST		
As at the beginning of the year	713,833	707,348
Transfer from-PPE/ Additions	19,990	6,485
Disposals	-	-
As at the end of the year	733,822	713,833
AMORTISATION		
As at the beginning of the year	706,169	699,922
Charge for the year	11,869	6,248
Disposals	-	-
As at the end of the year	718,038	706,169
NET BOOK VALUE		
As at the end of the year	15,784	7,663

Intangible Assets includes the following assets that are fully depreciated:

Description	Cost (Kshs.000)	Normal Annual Depreciation charge(Kshs.000)
Intangible Assets	696,549	232,183
Total	696,549	232,183

19. Investment Property

	2024/2025	2023/2024
Description	Kshs000	Kshs000
Opening Costs	13,531	13,531
Additions	-	-
Closing Costs	13,531	13,531
Depreciation		
As at the beginning of the year	4,131	3,896
Charge for the year	235	235
Disposals	-	-
As at the end of the year	4,366	4,131
Net Book Value at year end	9,165	9,400

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Investment property relate to a building held for rental purposes. The Corporation applies cost model as provided by IAS 40

20. Right of Use of Leased Assets

	2024/2025	2023/2024
Description	Kshs000	Kshs000
Cost		
As at the beginning of the year	373,516	366,256
Additions	16,464	7,260
As at the end of the year	389,981	373,516
Accumulated Depreciation		
As at the beginning of the year	150,569	118,866
Charge for the year	31,932	31,703
As at the end of the year	182,501	150,569
Carrying Amount	-	-
As at the end of the year	207,481	222,948

21. (a) Inventories

	2024/2025	2023/2024
Description	Kshs000	Kshs000
White Products, Lubricants and LPG Gas	2,285,615	2,560,554
Inventory in Transit and WIP	-	-
Provision of stocks(Note 21b)	(2,057,959)	(2,315,075)
Total	227,656	245,479

(b).Reconciliation of impairment allowance for Inventories

	2024/2025	2023/2024
Description	Kshs000	Kshs000
At the beginning of the year	(2,315,075)	(2,348,806)
Additional provisions during the year	-	-
Decrease in provisions during the year	257,116	33,731
Written off during the year	-	-
At the end of the year	(2,057,959)	(2,315,075)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. (a) Trade and Other Receivables

	2024/2025	2023/2024
Description	Kshs000	Kshs000
Trade receivables	644,123	668,075
Deposits and prepayments	3,746,795	283,282
Gross trade and other receivables	4,390,918	951,357
Provision for bad and doubtful receivable	(551,371)	(552,745)
Net trade and other receivables	3,839,547	398,612

(b) Trade Receivables

	2024/2025	2023/2024
Description	Kshs000	Kshs 000
Gross trade receivables	644,123	668,075
Provision for doubtful receivables	(551,371)	(552,745)
Net trade receivables	92,752	115,330
As at June 30th, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	4,985	6,941
Between 30 and 60 days	2,862	2,300
Between 61 and 90 days	1,946	2,784
Between 91 and 120 days	6,066	4,639
Over 120 days	628,264	651,411
Total	644,123	668,075

(c) Reconciliation of Impairment Allowance for Trade Receivables

	2024/2025	2023/2024
Description	Kshs000	Kshs 000
As at the beginning of the year	(552,745)	(478,542)
Additional/reduction of provisions during the year	1,374	(74,203)
As at the end of the year	(551,371)	(552,745)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. Deferred Income

Description	Training funds grants Shs(000)	Exploration grants Shs(000)	Government recurrent grants (000)	Total Deferred Income Shs000
As at 1 July 2023	10,225	3,052,753	71,804	3,134,782
Receipts during the year	30,000	400,000	-	430,000
Interest Income	-	9,726	-	9,726
Unrealized gain on fixed cash deposit	-	(93,272)	-	(93,272)
Charge out to profit & Loss account	-	-	(71,804)	(71,804)
Exploration Expenditure during the year	(19,046)	(193,345)	-	(212,391)
As at 30 June 2024	21,179	3,175,862	-	3,197,040
As at 1 July 2024	21,179	3,175,862	-	3,197,041
Receipts during the year	30,000	250,000	52,000	332,000
Interest Income	-	3,439	-	3,439
Training /Exploration Expenditure during the year	(10,319)	(284,900)	-	(295,219)
As at 30 June 2025	40,859	3,144,402	52,000	3,237,261

The Corporation applies IAS 20 in accounting for government grants. The Capital grants are presented as deferred income with a corresponding Asset, however recurrent grants are charged to income statement.

Training fund grants relates to amounts received from oil exploration companies as part of the contractual commitments between the oil exploration companies and government. Withdrawals from these funds are utilized for training staff involved in exploration activities.

Oil exploration grants funds are received from the government for exploration activities (upstream business).

Government downstream grants relates to funds received from the Government for recurrent expenditure.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. Short Term Deposits

	2024/2025	2023/2024
Description	Kshs000	Kshs 000
Other commercial banks		
KCB Bank Kenya Limited	100,639	177,165
Stanbic Bank Kenya Limited	14,098	13,413
NCBA Bank Kenya Limited	556	556
Co-operative Bank of Kenya	85,444	-
Equity Bank Limited	100	745
Total	200,837	191,878

The weighted average interest rate received on call deposits during the year was 7.5% (2023:8.5%)

25. Bank and Cash Balances

	2024/2025	2023/2024
Description	Kshs000	Kshs 000
Staff Mortgage and Car Loan Scheme Deposit	270,176	267,694
Cash at Bank	37,132	76,511
Cash in Hand	770	790
Total	308,078	344,995

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(a) Detailed analysis of the cash and cash equivalents

a) Current Account		2024/2025	2023/2024
Financial institution	Account Numbers	Kshs 000	Kshs 000
KCB Bank Kenya Limited - Kshs.	1107169380	2,630	227
KCB Bank Kenya Limited - USD	1109158068	210	476
Equity Bank of Kenya-Kshs	560292466991	131	189
Cooperative Bank of Kenya-Kshs	1120002167901	6,783	1,327
Cooperative Bank of Kenya-Kshs	1120002167902	505	21,852
Stanbic Bank of Kenya Limited -Kshs	100001516439	8	19,934
Stanbic Bank of Kenya Limited- Escrow -Kshs	100004398186	19,842	-
Stanbic Bank of Kenya Limited Escrow-USD	1000004398194	107	107
Stanbic Bank of Kenya Limited -USD	100001516447	40	180
NCBA Bank Kenya PLC-Kshs	8110800013	119	889
NCBA Bank Kenya PLC-Kshs (Mwananchi Gas)	8110800029	236	-
Standard Chartered Bank -Kshs	106004961200	5,836	31,332
Standard Chartered Bank -USD	8706004961200	685	-
National Bank of Kenya-Kshs	1020056960000/ 7700048614	-	-
Grand total		37,132	76,511
b) Staff Car Loan/ Mortgage Scheme			
KCB Staff Mortgage	MM1714569496	123,807	131,289
KCB Staff Mortgage	MM1833959258	21,716	12,874
KCB Staff Mortgage	1119821548	335	339
HF Staff Mortgage	2,000085373	68,587	73,608
HF Staff Mortgage	3000011572	9,027	3,283
CFC staff Car Loan	MM1529518225	46,702	46,302
Sub- Total		270,176	267,694
c) Others (Specify)			
Cash in Hand		770	790
Mpesa		-	-
Sub- Total		770	790
Grand total		308,078	344,995

NOTES TO THE FINANCIAL STATEMENTS (Continued)

b) Mortgage Scheme Facility-Housing Finance

	2024/2025	2023/2024
Description	Kshs'000'	Kshs'000'
Opening Balance	76,891	76,109
Addition		-
Interest earned during the year	723	782
Closing Balance	77,614	76,891

	2024/2025	2023/2024
Description	Kshs'000'	Kshs'000'
Utilised Funds	68,587	73,607
Available for lending	9,027	3,284
Closing Balance	77,614	76,891

c) Mortgage Scheme Facility -KCB Kenya Limited

	2024/2025	2023/2024
Description	Kshs'000'	Kshs'000'
Opening Balance	144,502	143,143
Addition		-
Interest earned during the year	1,357	1,359
Closing Balance	145,859	144,502

Funds Summary-KCB Kenya Limited

	2024/2025	2023/2024
Description	Kshs'000'	Kshs'000'
Utilized Funds	123,807	131,289
Available for lending	22,051	13,213
Closing Balance	145,859	144,502

d)Funds Summary-CFC Car Loan Facility

	2024/2025	2023/2024
Description	Kshs'000'	Kshs'000'
Opening Balance	79	45,381
Interest earned during the year	46,623	921
Closing Balance	46,702	46,302

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Funds Summary-CFC Car Loan Facility

	2024/2025	2023/2024
Description	Kshs'000'	Kshs'000'
Utilized Fund	79	1,230
Interest earned during the year	401	-
Available for lending	46,223	921
Closing Balance	46,702	44,151

26(a) Ordinary Share Capital

	2024/2025	2023/2024
Description	Kshs'000'	Kshs'000'
Authorized:		
51,600,000 ordinary shares of KShs 20 par value each	1,032,000	1,032,000
Issued and fully paid:		
51,600,000 ordinary shares of KShs 20 par value each	1,032,000	1,032,000

(b) Share premium

	2024/2025	2023/2024
Description	Kshs'000'	Kshs'000'
9,100,000 ordinary shares of KShs 150 per value each	1,183,000	1,183,000
Issued and fully paid:		
	1,183,000	1,183,000

On 29 October 2008, the general meeting of shareholders approved the issuance of 9,100,000 ordinary shares at a price of Shs 150 per share resulting in a share premium of Shs 130 per share totalling to a share premium of Shs.1, 183,000,000

SHAREHOLDING STRUCTURE

	2025 No. of shares '000'	2024 No. of shares '000'
The National Treasury and Economic Planning (99%)	51,084	51,084
Ministry of Energy and Petroleum (1%)	516	516
	51,600	51,600

NOTES TO THE FINANCIAL STATEMENTS (Continued)

27. Revaluation Reserve

	2024/2025	2023/2024
Description	Kshs'000'	Kshs'000'
At the beginning of the year	1,998,088	1,998,088
New capital issued	-	-
Revaluation gain/Loss	-	-
Profit(Loss) for the year	-	-
	1,998,088	1,998,088

28. Borrowings

	2023/2024	2023/2024
Description	Kshs'000'	Kshs'000'
a) External Borrowings		
Balance at beginning of the year	-	-
External borrowings during the year	-	-
Repayments of during the year	-	-
Balance at end of the year	-	-
b) Domestic Borrowings		
Balance at beginning of the year	6,546,174	6,376,024
Interest Capitalized during the year	(376,521)	170,150
Repayments during the year	(1,215,000)	-
Balance at end of the year	4,954,653	6,546,174
Balance at end of the period- Domestic and External borrowings c = a+b	4,954,653	6,546,174

Borrowing interest rate

	2024/2025	2024/2025	2023/2024	2023/2024
Description	Avr int rates %	Kshs'000'	Avr int rates %	Kshs'000'
CFC short Term Loan	20	1,954,653	22.5	1,848,644
KCB Term out 2	23	3,000,000	23	4,697,530
At end of the year		4,954,653		6,546,174

The effective interest rate for KCB bank limited is 23 % pa until 23rd August 2024, there after the loan was renegotiated from 7.6billion to 4.3billion with no further interest chargeable on the principal. However, Stanbic Bank Limited's current loan rates stand at 20%.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Borrowings from KCB Bank Kenya Limited are secured over the following Corporation's land.

Location	Description	Net book Value
Nakuru	L.R. NO: NAKURU MUN/BLOCK 16/263	64,791,762
Nakuru	RAVINE SERVICE STATION- LR NO: NAKURU MUN BLOCK 21/581	39,196,989
Mombasa	L.R NO: KWALE/UKUNDA/3061	9,820,628
Nairobi	NAIROBI NATIONAL TERMINAL-L.R NO: 209/12298	839,239,631
Nakuru	New Gilgil PSS-L.R NO: 1317/19/1/11	17,000,000
Eldoret	Highway PSS-L.R NO: ELD MUN/BLOCK 2/73/1	47,653,959
Eldoret	West Indies PSS-L.R NO: ELD MUN/BLOCK 5/628	44,116,564
Eldoret	Kipkaren PSS-LR NO: ELD MUN/BLOCK 13/417 & 689	49,442,748
Eldoret	L.R NO: ELD MUN BLOCK 21/Kingongo875	56,944,255
Mombasa	Magongon PSS Land-LR NO: MAINLAND NORTH/SECTION VI/2495/2& 29/1	53,500,000
Kisumu	Magharibi PSS –LR NO:KIS MUN/BLOCK 4/73	58,004,158
Kisumu	Kisumu Market PSS-LR NO:KIS MUNBLOCK 9/6	76,743,003
Kisumu	Kisumu Family –LR NO: KIS MUN BLOCK 8/7	57,377,049
Kisumu	Kisumu Lake PSS-LR NO: KISUMU MUN BLOCK 7/7	47,826,087
Thika	Bidco Thika station- LR NO: THIKA MUN/BLOCK 12/176	19,638,418
Mombasa	Gulshan Kenyattah Avenue PSS-LR NO:MOMBASA/BLOCK/XVI/136	34,951,557
Mombasa	Ganjoni PSS Land-LR NO:MOMBASA BLOCK/XX11/127	35,000,000
Mombasa	Mwembe Tayari PSS Land- LR NO:MOMBASA/BLOCK/XVIII/424	70,000,000
Mombasa	Mackinon PSS Land-LR NO:MOMBASA/BLOCK XVII/390,391&629	43,800,000
Nairobi	Ngong Road PSS Land L.R NO: 209/7753	218,949,580
Nairobi	Tassia Nairobi Vacant Plot-LR NO:NRB/BLOCK/97/59.60,61,&62	128,969,871
TOTAL		2,012,966,259

NOTES TO THE FINANCIAL STATEMENTS (Continued)

29. Deferred Tax Asset

Deferred tax is calculated on all temporary differences under the liability method using the enacted tax rate, currently 30%. The net deferred tax liability at year end is attributable to the following items

Description	2024/2025 Kshs'000'	2023/2024 Kshs'000'
Assets:		
Temporary provisions	824,731	893,225
Tax losses	1,572,356	2,457,730
Deferred tax adjustment on IFRS 16	(2,174)	67,630
Unrealized exchange loss	-	27,858
Deferred tax asset(liability)	<u>2,394,913</u>	<u>3,446,444</u>
Liabilities		
Unrealized exchange gain	(277)	-
Revaluation surplus	-	161,081
Accelerated capital allowances	(400,992)	(405,116)
Deferred tax liability	-	-
Net deferred tax asset	<u>1,993,644</u>	<u>3,202,409</u>
Reconciliation of deferred asset		
At beginning of the year	3,202,408	2,527,555
Deferred tax credit	(1,158,187)	674,854
Prior year under/(over) provision of deferred tax note	(50,578)	-
		3,202,409
Deferred tax on tax losses (derecognized)/ not recognized now utilized		
At end of year	1,993,644	3,202,409

30. Lease Liability

Description	2024/2025 Kshs'000'	2023/2024 Kshs'000'
At the start of the year	181,468	167,999
Addition during the year		-
Interest on lease liability	27,633	26,329
Paid during the year	(8,868)	(12,860)
At end of the year	200,233	181,468

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31. Trade and Other Payables

	2024/2025	2023/2024
Description	Kshs 000	Kshs
Trade payables	926,500	794,246
Accrued expenses	1,615,199	4,268,609
Payables Provisions	102,032	92,950
Other payables	1,216,086	1,117,008
Total	3,859,817	6,272,813

Analysis of Trade payables

Total	0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-180 Days	181 and above
926,500,406	41,470,163	16,422,625	32,398,649	16,678,918	31,375,388	788,154,663

32. Gratuity Provisions & Other provisions

	2024/2025	2023/2024
Description	Kshs'000'	Kshs'000'
Balance at the beginning of the year	13,098	17,865
Additional Provisions	10,595	10,215
Payments during the year	(3,881)	(14,983)
Balance at the end of the year	19,811	13,098
The amounts are due as Bellow		
Within one year	4,861	431
After one year	14,951	12,666
As at the end of the year	19,811	13,098

The gratuity represents the value of future obligations in respect to employees work are employed on contract basis by the corporation.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

33. Notes to the Statement of Cash Flows

	2024/2025	2023/2024
Description	Kshs 000	Kshs000
(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations		
Profit or Loss before tax	7,245,238	(2,236,449)
Depreciation-PPE	180,880	189,521
Amortization-Intangible	2,086	2,255
Amortization-IP	235	235
Amortization-ROUA	31,932	31,703
Interest on Leased Assets	27,633	26,329
Unrealized forex loss	46,607	-
Release of deferred income	(262,855)	(197,677)
Finance income recognized in the profit & Loss	(2,913)	(10,052)
Finance cost recognized in profit & Loss	639,675	1,567,842
(Increase)/decrease in inventories	17,824	(8,229)
(Increase)/decrease in trade and other receivables	(3,455,659)	378,383
Increase/(decrease) in trade and other payables	(2,398,272)	1,202,440
Increase/(decrease) in gratuity provision	6,714	(4,767)
Cash generated from/(used in) operations	2,079,123	941,535
(b) Analysis of cash and cash equivalents		
Short term deposits	200,837	191,878
Cash at Bank	307,308	344,205
Cash in hand	770	790
Balance at end of the year	508,915	536,874

NOTES TO THE FINANCIAL STATEMENTS (Continued)

34. Related Party Disclosures

The Government of Kenya is the sole shareholder of the Corporation.

The Corporation's sales include sales made to Government agencies, departments and companies.

The amounts due from/(to) related parties have been included in the trade and other receivables and the trade and other payables respectively in the statement of financial position.

Other related parties include:

- i) The Parent Ministry
- ii) Key management
- iii) Board of directors
- iv) County Government

Description	2024/2025	2023/2024
	Kshs 000	Kshs000
a) Sales to related parties		
Sales-fuel card lifting's and bulk sales to government agencies	61,587	610,925
Rent income from govt. agencies	-	-
Water sales to govt. agencies	-	-
Interest income from government commercial banks	-	-
Interest income from bills and bonds	-	-
Others (<i>specify</i>)	-	-
Total	61,587	610,925
b) Purchases from related parties		
Purchases of electricity from KPLC	4,014	7,253
Purchase of water from Government service providers	2,123	1,744
Rates and licenses to County government	185	6,995
Training and conference fees paid to govt. Agencies	1,831	3,307
Bank charges paid to government commercial banks	-	-
Interest expense to investments by other govt. Entities	-	-
Others (<i>specify</i>)	-	-
Total	8,153	19,299
c) Grants from the government		
Grants from National government	1,867,000	430,000
Grants from County government	-	-
Donations in kind	-	-
Total	1,867,000	430,000

d) Expenses incurred on behalf of related party		
Payments of salaries and wages for employees	-	-
Payments for goods and services	-	-
Total	-	-
e) Key management compensation		
Directors' emoluments	10,898	12,735
Compensation to key management	50,505	59,470
Total	61,403	72,205

35. Contingent Liabilities

	2024/2025	2023/2024
Description	Kshs 000	Kshs 000
Opening Balance	92,950	15,000
Addition	12,610	77,950
Decrease in Contingent liabilities	(3,528)	-
As at the end of the year	102,032	92,950

36. Block 14T Exploration Expenditure

(a) Capitalised exploration expenses

In November 2010, the Corporation entered into an agreement with the Government of Kenya (GoK) giving the Corporation the rights of tenure to an exploration block in Magadi i.e. Block 14T. Under this agreement, the Corporation:

- (a) Is responsible to the GoK for execution of petroleum operations;
- (b) Will provide all capital, machinery, equipment, technology and personnel necessary for petroleum operations; and
- (c) Will bear all the risks of the petroleum costs required in carrying out petroleum operations and therefore have an economic interest in the development of petroleum deposits in the contract area. Such costs shall be included in petroleum costs recoverable.

The exploration activity began during the year ended 30 June 2012. The exploration and evaluation expenses incurred to date with regards to this block are as follows:

	2024/2025	2023/2024
Description	Kshs 000	Kshs 000
COST		
As at the beginning of the year	2,291,112	2,209,278
Additions	55,839	81,834
Adjustment of over accrued expenses	-	-
Disposals	-	-
As at the end of the year	2,346,952	2,291,112

The value of Corporation's interest in exploration expenditure is dependent upon the:

- Continuance of the economic entity rights to tenure of the areas of interest;
- Results of future exploration; and
- Recoupment costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.

37. Ministry Of Energy and Petroleum Headquarter Construction Fund

The Corporation receives funds from the Ministry of Energy and Petroleum (Ministry) for the construction of both headquarters offices and a laboratory for the Ministry. The Corporation holds these funds on behalf of the Ministry. The movement in the funds is as follows:

	2024/2025	2023/2024
Description	Kshs 000	Kshs 000
As at the beginning of the year	704	704
Additional during the year		-
Utilized during the year		-
As at the end of the year	704	704

38. Single Buoy Mooring Jetty Fund

The Government has undertaken to put up a floating jetty at the port of Mombasa, with the Corporation being the facilitator of the project. National Oil arranges the operational works with the contractor, and pays the contractors using the funds which the Government has advanced to it and which it maintains in a fiduciary capacity.

	2024/2025	2023/2024
Description	Kshs 000	Kshs 000
As at the beginning of the year	11,443	11,443
Additional during the year		-
Recovered during the year		-
As at the end of the year	11,443	11,443

39. Corporate Social Responsibility Project Fund

As guided by the Production Sharing Contracts (PSC), Exploration Companies are required to spend a percentage of their funds in CSR projects within the communities where they are carrying out exploration.

ENI is one of the exploration companies in the coast region who's its CSR activities in their block is administered by the Corporation into the current year.

	2024/2025	2023/2024
Description	Kshs 000	Kshs 000
As at the beginning of the year	39,148	34,885
Additional during the year	-	4,263
Recovered during the year	-	-
As at the end of the year	39,148	39,148

40. Exploration and Production Capacity Building Fund

The Corporation received funds from the Ministry of Energy and Petroleum which are meant to equip the Exploration department staff with the requisite knowledge. In 2013, the Corporation enhanced the capacity of the Exploration department by among other things recruiting 32 management trainees. The Corporation uses this fund for training and salaries to these staff.

	2024/2025	2023/2024
Description	Kshs 000	Kshs 000
As at the beginning of the year	72,955	72,955
Additional during the year	-	-
Recovered during the year	-	-
As at the end of the year	72,955	72,955

41. Laboratory Equipment Fund

The funds from the Ministry of Energy and Petroleum which are meant for Laboratory Equipment amounting to Shs 425,480,000

	2024/2025	2023/2024
Description	Kshs 000	Kshs 000
As at the beginning of the year	425,480	425,480
Additional during the year	-	-
Upstream expenses-Lab consumable's during the year	(1,165)	-
As at the end of the year	424,316	425,480

NOTES TO THE FINANCIAL STATEMENTS (Continued)

42. Retained Earning

	2024/2025	2023/2024
Description	Kshs 000	Kshs 000
As at the beginning of the year	(8,333,193)	(6,766,468)
New capital issued	-	-
Revaluation gain/Loss	-	-
Profit(Loss) for the year	6,029,107	(1,566,725)
As at the end of the year	(2,304,086)	(8,333,193)

43. Financial Risk Management

The Corporation's activities expose it to a variety of financial risks, including credit risk, liquidity risk and market risk. The Corporation's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

Management identifies, evaluates and mitigates the financial risks under general principles for overall risk management.

(a) Fair Values

(i) Comparison by class of the carrying amounts and fair values of the financial instruments is as set out below.

	Carrying amount		Fair value	
	2025	2024	2025	2024
	Shs'000	Shs'000	Shs'000	Shs'000
<i>Financial assets</i>				
Trade receivables	3,839,547	398,612	3,839,547	398,612
Call deposits	200,837	191,878	200,837	191,878
Bank and cash balances	308,078	344,995	308,078	344,995
	=====	=====	=====	=====
<i>Financial liabilities</i>				
Borrowings	4,954,653	6,546,174	4,954,653	6,546,174
Trade payables	3,859,817	6,272,813	3,859,817	6,272,813
	=====	=====	=====	=====

Trade and other receivables are evaluated regularly to assess the likelihood of impairment.

Based on this evaluation, allowances are taken to account for the expected losses on these receivables. As at 30th June 2025, the carrying amounts of such receivables, net of allowances, approximates their fair value.

The fair values of term deposits, bank and cash balances and trade and other payables approximates their carrying amounts largely due to the short term maturities of these instruments.

(ii) Fair value hierarchy

The Corporate uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Disclosures of non-financial assets recorded at fair value by level of the fair value hierarchy have been made under note 17.

b) Capital Risk Management

The Corporation's objectives when managing capital are to safeguard the Corporation's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. The capital structure of the Corporation consists of borrowings (net of cash and cash equivalents) and equity attributable to equity holders comprising issued share capital, share premium, shareholders and revenue reserve.

The Corporation monitors capital adequacy on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity plus net debt. Note 8 summarises the procedures the Directors' are putting in place to address the solvency challenges facing the Corporation. The composition of capital managed by the Corporation is as shown below

	2025 Shs'000	2024 Shs'000
Share capital	1,032,000	1,032,000
Share premium	1,183,000	1,183,000
Revaluation surplus	1,998,088	1,998,088
Accumulated deficit	(2,304,086)	(8,333,193)
	<hr/>	<hr/>

Equity	1,909,002	(4,120,105)
	_____	_____
Borrowings	4,954,653	6,546,174
Structured trade finance facility	-	-
Less: Cash and cash equivalents (excluding borrowings)	(508,915)	(536,874)
	_____	_____
Net debt	4,445,738	6,009,300
	_____	_____
Gearing ratio	233%	318%
	=====	=====

c) Operational Risk Management

Operational risk is the risk of the direct or indirect loss arising from a wide variety of causes associated with the Corporation's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Corporation's operations.

The Corporation's objective is to manage the operational risk so as to balance the avoidance of financial losses and damage to the Corporation's reputation with overall costs effectiveness and to avoid control procedures that restrict initiative and creativity.

The ultimate accountability for operational risk management within the Corporation rests with the Board of Directors. Consequently, the level of risk that the Corporation accepts, together with the basis for managing those risks are assigned to senior management. The responsibility is supported by the development of overall standards for the management of operational risk.

d) Credit Risk

Credit risk refers to the risk that a counter party will default on their contractual obligations resulting in financial loss to the Corporation.

Credit risk arises from cash and cash equivalents, deposits with banks, as well as trade and other receivables. The Corporation's exposure to credit risk is minimal because the Corporation assesses potential customers' creditworthiness prior to granting credit. In addition the Corporation closely monitors customer's accounts to ensure no exposure exists above the approved credit limits established by credit control.

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Bank balances	A, BBB, B+, B-	Performing	12 month ECL	344,995	-	344,995
Call deposits	AA	Performing	12 month ECL	191,878	-	191,878
				<u>1,488,230</u>	<u>(552,745)</u>	<u>935,485</u>

e) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Corporation's Board of Directors who have built an appropriate liquidity risk management framework for the management of the Corporation's short, medium and long-term funding and liquidity requirements.

The table below analyses the Corporation's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the financial reporting date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	1 – 3 Months Shs'000	3-12 Months Shs'000	Over 12 months Shs'000	Total Shs'000
At 30 June 2025:				
Ministry of Energy and Petroleum				
Headquarters construction fund		704		704
SBM Jetty fund		11,443		11,443
CSR Funds	-	39,148	-	39,148
Capacity Building fund	-	72,955	-	72,955
Laboratory equipment fund	-	424,316	-	424,316
Trade payables	-	3,859,817	-	3,859,817
Borrowings	-	4,954,653	-	4,954,653
Structured trade financing	-	-	-	-
		<u>9,363,036</u>		<u>9,363,036</u>
		=====		=====
At 30 June 2024:				
Ministry of Energy and Petroleum				
Headquarters construction fund	-	704	-	704
SBM Jetty fund	-	11,443	-	11,443

CSR Funds	-	39,148	-	39,148
Capacity Building fund	-	72,955	-	72,955
Laboratory equipment fund	-	425,480	-	425,480
Trade payables	-	6,272,813	-	6,272,813
Borrowings	-	6,546,174	-	6,546,174
		<u> </u>		<u> </u>
	-	13,368,717	-	13,368,717
		<u> </u>		<u> </u>

f) Market risk

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market related factors. Market risk includes currency risk, other price risk and interest rate risk.

(i) Currency risk

The Corporation is exposed to currency risk arising from various currency exposures, primarily with respect to the United States Dollar (US Dollar or USD). Currency risk arises from future commercial transactions, recognised assets and liabilities.

To manage the foreign exchange risk, the Corporation maintains a bank account in US Dollars to facilitate transactions in foreign currency. The Corporation also negotiates with its bankers to get favourable exchange rates when converting foreign currencies to the Kenya shilling.

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market related factors. Market risk includes currency risk, other price risk and interest rate risk.

The Corporation purchases its products in US Dollars and mainly buys US Dollars via spot deals as opposed to forward deals. However, when there is reliable information in the market about the anticipated exchange rate movements in the US Dollar to the Kenya Shilling, the Corporation enters into short term forward deals to mitigate foreign exchange risks.

	2025 Sh'000'	2024 Sh'000'
Assets		
Bank and cash balances	308,078	344,995
Trade and other receivables	3,839,547	398,612
	<u> </u>	<u> </u>

	4,147,625	743,607
	<u> </u>	<u> </u>
Liabilities		
Trade and other payables	3,859,817	6,272,813
Borrowings	4,954,653	6,546,174
	<u> </u>	<u> </u>
	8,814,470	12,818,987
	<u> </u>	<u> </u>

10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis covers only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

(ii) Other price risk

The Corporation does not hold investments that would be subject to market price risk. Therefore, the Corporation is not exposed to this financial risk.

(iii) Interest rate risk

The Corporation holds interest earning assets in form of call deposits. The risk of fluctuation in the interest rates is mitigated by the fact that the interest rates are pre-fixed for the term of the call deposits by the banks prior to the Corporation placing these deposits.

Interest rate risks arise from fluctuations in the bank borrowing rates. The interest rates vary from time to time depending on the prevailing economic circumstances. Since the base rates charged by the banks are determined by the market forces, the Corporation negotiates with its bankers to get favourable interest rates

(iv) Interest rate risk

Exposure to interest rate risk

The weighted average interest rate profile of the Corporation's interest bearing financial instruments as reported to management of the Corporation is as follows:

	Nominal amount			
	30 June 2025		30 June 2024	
	Effective interest rate	Sh'000	Effective interest rate	Sh'000
Call deposits		200,233	8.5%	191,878
Term loans		(4,954,653)	23%	(6,546,174)
Bank overdrafts		-	23.0%	-
		-----		-----
Total exposure		(4,754,420)		(6,354,296)
		=====		=====

Sensitivity Analysis

A 1% increase/decrease in the interest rates at the reporting date would have increased/ decreased profit or loss and equity by the amounts shown below. The analysis assumes that all other variables, in particular, foreign currency rates, remain constant and is applied on interest bearing instruments.

	Profit or loss/equity	
	30 June 2025 Sh'000	30 June 2024 Sh'000
1% increase	(5,410)	(5,410)
1% decrease	5,410	5,410
	=====	=====

The entity manages foreign exchange foreign risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

a) Foreign currency sensitivity analysis

The above table demonstrate the effect of sensitivity of exchange rate on the company's statement of comprehensive income on applying the sensitivity for a reasonable possible change in exchange rate of the three main transaction currencies, with all other variables held constant

b) Interest rate risk

Interest rate is the risk that the entity financial condition may be adversely affected as results of changes interest rate levels. The company interest rate risk arises from bank deposits .This exposes the company to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the company deposit

c) Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

44. Incorporation

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

45. Events after the Reporting Period

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

46. Currency

The financial statements are presented in Kenya Shillings (Kshs).

22. Appendices

Appendix 1: Implementation Status of Auditor-General prior year recommendations

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.	<p>Basis for Qualified Opinion</p> <p>Material Uncertainty Relating to Going Concern.</p> <p>The Corporation recorded a loss before taxation of Kshs, 2,236,449,000 during the year under review (2023: Kshs. 2,334,502,000) raising its accumulated losses to Kshs. 8,333,193,000 from Kshs.6,766,468,000 in 2023. In addition, the corporation's current liabilities totalling Kshs. 12,819,418,000 exceeded the current assets balance of Kshs. 1,212,466,000 by an amount of Kshs. 11,606,952,000. These events or conditions indicate material uncertainty in relation to going concern and any mitigation measures put in place by the directors to address the matter were disclosed in the notes to the financial statements as required by the international Accounting Standards (IAS 1), presentation of financial statements.</p>	<p>The Board of Directors and Management have actively engaged the shareholder on the restructuring of non-performing loans, which has led to the settlement of the loan from KCB Bank Kenya Limited as well as payments to major petroleum product creditors. This has resulted in an improvement in the Corporation's current ratio. In addition, Management is in the process of on-boarding a non-equity strategic partner aimed at injecting funds to support</p>	Not resolved	31.12.25

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	In the circumstances, the corporation was technically insolvent, and its continued existence is dependent upon the financial support of the government and its creditors unless management puts in place measures to improve the performance of the corporation and to reduce reliance on financial support from shareholders.	working capital requirements and capital expenditure. This initiative is expected to facilitate the Corporation's return to sustained profitability.		
2.	<p>Unresolved Hived Off Petroleum Products.</p> <p>The statement for financial position reflects inventories balance of Kshs. 245,479,000 which as disclosed in Note 21(a) to the financial statements comprise of a gross value of Kshs. 2,560,554,000 adjusted for Provisions of Kshs 2,315,075,000. Included in the inventory gross value is Kshs 1,494,624,828 in respect of petroleum products captured as hived off in the books of the corporation? According to management, a resolution of the board In October, 2016, authorized management to hive- off all historical non- reconciling items to ensure new variances were not created. However, the historical no reconciling items to continue to be carried in the books of the corporation. Although the board of directors approved the write off of the amount and made a request to the National Treasury for write off, the matter is still pending. In the circumstances, the accuracy</p>	<p>The hived-off petroleum products relate to historical stock losses, which have been fully provided for in the financial statements in accordance with the requirements of IAS 2 – Inventories.</p> <p>Furthermore, the Corporation has submitted a formal request for approval to write off these historical stock losses, in compliance with Section</p>	Not Resolved	31.10.2025

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	and completeness of the Inventories balance of kshs. 245,479,000 could not be confirmed.	69(3)(a) of the Public Finance Management (PFM) Act, 2012, and the relevant supporting regulations.		
3.	<p>Trade and Other Payables</p> <p>Unreconciled Trade and other Payables</p> <p>Statement of financial position reflects trade and other payables balance of Kshs. 6,272,813,000 as similarly disclosed in Note 31 to the financial statements. Included in the balance are Block 14T surface fees accruals payable to the State Department of Petroleum amounting to Kshs.131,982,568 However, and review of records at the State Department of Petroleum did not reveal any amount owed by National Oil Corporation of Kenya Limited as at 30 June, 2024.</p> <p>In the circumstances, the accuracy and completeness of the payables of Ksh.6,272,813,000 could not be confirmed.</p>	The Corporation signed a Production Sharing Contract (PSC) with the Ministry of Petroleum and Mining in November 2010 for Block T11(Formally Block 14T). It states that NOC shall pay service fees as per prescribed rates provided in clause 5 of the PSC. Therefore, the accrual of service fees amounting to Kshs 131,982,568 is based on the aforementioned clause of the Production Sharing Contract between the Ministry	Resolved	30 th June 2025

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		of Energy and Petroleum and the Corporation.		
3.2	<p>Non-Payment of the Audit fees.</p> <p>The statement of financial position reflects trade and other payables balance of Kshs.6,272,813,000 as disclosed in Note 31 to the financial statement. Review of the ageing analysis provided reflects audit fees payable of Kshs.30, 805,551 and an accrued expense balance of Kshs. 11, 834,069 totalling Kshs.42, 639,620. The fees have been long outstanding. Management stated that the Corporation is at the tail end of on-boarding non-equity strategic partner as per the Cabinet approval and on its revival and commercialization on 8 August, 2023, who is meant to provide funds for working and capital expenditure. Considering the process, the Corporation is expected to resume business operations, generate sufficient cash flows to settle all outstanding financial obligations including audit fees.</p> <p>In the circumstances, existence and occurrence of the outstanding audit fees amounting to Kshs.42, 639,620 could not be confirmed.</p>	<p>The Corporation is in the process of on-boarding a non-equity strategic partner as per the Cabinet approval on revival and commercialization of the Corporation during its sitting on 8th August 2023. The strategic partner is meant to provide funds for working and capital expenditure. In light of the above, the Corporation is expected to resume business operations,</p> <p>Generate sufficient cash flows to settle all outstanding financial obligations which</p>	Not Resolved	31 st Dec 2025

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		include audit fees among other pending bills.		
4.	<p>Unsupported Decline in Value of Freehold Land</p> <p>The statement of financial position reflects property, plant and equipment with a net book value of Kshs.5,694,221 ,000 and as disclosed in Note 17 to the financial statements. As previously reported, the values are based on a revaluation of assets in 2019/2020 financial year which resulted in a decline in the value of ten (10) parcels of freehold land by Kshs. or 43%, from a previous value of Kshs.336,140,000 to Kshs. The decline was not supported or justified by either change in size of the parcels or any other adverse conditions. Management attributed the decline to premiums paid on the acquisition of the parcels.</p> <p>In the circumstances, the accuracy and valuation of the property, plant and equipment balance of Kshs.5,694,221 ,000 could not be confirmed.</p>	<p>An asset revaluation exercise was conducted by Ebony Estates Limited, a firm of registered valuers and technical experts. The valuers provided a detailed justification for their final report, which was subsequently adopted by Management.</p> <p>It is important to note that the valuation was carried out solely for accounting purposes, and no assets have been</p>	Not Resolved	31 st Dec 2025

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>disposed of based on the valuation report.</p> <p>The Corporation intends to undertake a comprehensive asset valuation to validate current market values once the necessary funds become available.</p>		
1.	<p>Emphasis of Matter Budgetary Control and performance. The statement of comparison of budget and actual amounts reflects a final revenue budget of Kshs. 91,769,264,000. However, only Kshs.1,436,166,000 was realized resulting in under collection of Further, Management spent Kshs.3,672,615,000 from the realized revenue of Kshs. 1,436,166,000 resulting in an over expenditure of Kshs2,236,449,000 The under collection may have affected the planned activities during the year.</p>	<p>The unrealized revenue is attributed to stock out resulting from working capital challenges. However, the prevailing condition is being addressed by on boarding a non-equity strategic partner as per the Cabinet approval on revival and commercialization of the Corporation during its sitting on 8th August 2023.</p>	Not Resolved	31 st Dec 2025

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		The strategic partner is meant to provide funds for working and capital expenditure. The working capital is meant to finance trading stocks.		
1	<p>Basis for Conclusion</p> <p>Penalties for late Payments</p> <p>The statement of profit and loss and other comprehensive income reflects cost of sales amounting to Kshs. 1,112,509,000. Included in the cost of sales is Kshs. 1,309,340 in respect of penalties and fines. Review of the ledger provided in support of the balance revealed that the Company was charged the penalties and fines on account of delays in remitting statutory payments to the Kenya Revenue Authority (KRA). In the circumstances, value for money on Kshs. 1,309,340 incurred on fines and penalties on account of delayed statutory remittances could not be confirmed.</p>	The penalties were as a result of late payment of VAT and PAYE. This was due to the Corporation's cash flow challenges.	Unresolved	31.10.25

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
2.	<p>Authorized Over Expenditure The statement of comparison of budget and actual amounts reflects Kshs.90,178,858,000 and Kshs.3,672,615,000 in respect of operating expenses budget and actual on comparable basis respectively. Review of expenditure items making up the operating expenses revealed that Management overspent on legal fees and finance costs by Kshs. 30,464,000 and Kshs 280,952,000 respectively, resulting in a total over expenditure of Kshs.313,324,000. However, neither a supplementary budget nor approval for reallocation of funds was provided to support the over expenditure contrary to Regulation 54 (1) which provides that an Accounting Officer of an entity may not authorize payment to be made out of funds Earmarked for specific activities for purposes other than those activities. In the circumstances, Management was in breach of the law.</p>	<p>The Corporation had limited control over certain expenditures that exceeded the approved budget, specifically financing costs and provisions for legal liabilities. The accrued financing costs, which remain unpaid, form part of the outstanding loan obligations. Under legal costs, an amount of Kshs 77.9 million has been recognized as a provision for legal liabilities. While this amount has not yet been incurred, there is a high probability that the obligation will materialize. Due to a significant revenue shortfall, the Corporation was unable to undertake a</p>	Unresolved	31.10.25

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		supplementary budget during the financial year. Furthermore, the incremental amounts relating to financing costs and legal provisions could not be addressed through budgetary reallocation, as they exceeded the 10% threshold allowed under existing financial regulations.		
3.	<p>Failure to Maintain a minimum Operational Stock. Review of inventory records on petroleum products revealed that during the year under review, the Corporation did not maintain operational stocks replenished to optimal levels as required by Regulation 3 of the Energy (Minimum Operational Stock) Regulations, 2008 which provides that all importers of petroleum products intended for use in Kenya shall maintain at all times physical operational stock in quantities not less than the minimum amounts specified in the Schedule of the Regulations. In the circumstances, Management was in breach of the law.</p>	In FY 2023, the Corporation recorded sales volumes of 19,927 m ³ , representing only 15% of the budgeted target. This underperformance was primarily due to working capital constraints following the freezing of credit lines by lenders, which limited the	Unresolved	31.10.25

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>Corporation's ability to procure petroleum products.</p> <p>To address this, the Corporation is in the process of on-boarding a strategic partner, in line with a Cabinet directive on the revival and commercialization of the National Oil Corporation. The partner is expected to inject working capital, enabling the Corporation to maintain optimal and legally required minimum stock levels.</p>		
4	<p>Breach of borrowing Repayment Terms. The statement of financial position reflects borrowings balance of Kshs.6,546,174,000 and as disclosed in Note 28 to the financial</p>	<p>The Corporation, through its shareholder—the National Treasury—successfully</p>		

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>statements. Review of the loan account revealed that the Corporation had not been servicing the loan contrary to the loan agreement. Further, records provided indicated that Management had negotiated with the lender to restructure the outstanding loan and secure an extension to a moratorium on the loan, which had lapsed on 3 May, 2022, for an additional period of seven (7) months. However, the lender declined to grant an extension until Management implements recommendations of a Liquidity and Independent Business Review which was conducted by a consultant on behalf of the lenders.</p> <p>In addition, default on loan and interest repayment prompted the lenders to charge a default interest rate which was higher than the normal interest and confirmed that the Corporation had accrued a penalty of Kshs. 2,434,192,749 thereby increasing the Corporation's loan liability.</p> <p>In the circumstances, the value for money in respect of default interest and penalties amounting to Kshs.2,434,192,749 could not be ascertained.</p>	<p>engaged KCB Bank Kenya Limited regarding its outstanding debt, resulting in a negotiated settlement of Kshs 4.215 billion, which has since been fully paid by the National Treasury.</p> <p>To address the remaining loan with Stanbic Bank, the Corporation is in the process of onboarding a strategic partner to inject funds for working capital and capital expenditure. This initiative aims to restore operations and facilitate the settlement of outstanding obligations through negotiated payment plans.</p>	Not Resolved	31 st Dec 2025

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
5.	<p>Employees on Acting Capacity Beyond Stipulated Time.</p> <p>Review of records on appointments to acting positions and allowances paid thereof revealed that eight (8) employees were appointed on acting capacity for long periods and continued to draw acting allowances beyond the stipulated six months' period resulting in irregular payment of Kshs. 1, 144,314. This is contrary to Section 8.8.3 of the Corporation's Human Resources and Procedures Manual which provides that acting allowance will be payable to an employee for a period of not more than six (6) months within which the position should be advertised and competitively filled, In the circumstances, Management was in breach of the law.</p>	Owing to financial constraints, the Corporation has been unable to replace staff who have exited, resulting in some employees serving in acting capacities for extended periods. The Board has reviewed the situation and resolved to defer recruitment for the vacant positions pending the improvement in the Corporation's financial position.	Unresolved	31.12.25
6.	<p>Stalled Liquefied Petroleum Gas Project</p> <p>As reported in prior years, the State Department for Petroleum delegated to the Corporation the responsibility of implementing Mwananchi gas project on behalf of the</p>	The Mwananchi Project inventory is owned by the State Department for Petroleum (SDP), with the National Oil Corporation providing storage services	Resolved	30 th June 2025

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>National Government through a letter dated 16 September, 2021. The project was intended to promote the use of modern cooking fuels among low-income households and entailed distribution of subsidized Liquefied Petroleum Gas (LPG) cylinders, grills and burners purchased by the Ministry of Petroleum and Mining. According to the Ministry, funds realized from sales were to be used to purchase additional gas.</p> <p>The pilot program for the project roll out was expected to kick off during the 2020/2021 financial year but the Corporation lacked sufficient working capital to purchase the gas for filling the cylinders. Review of records at the Corporation at the close of the financial year comprised of 161,448 6kg cylinders, of which 5,444 had been filled with gas, 329,303 burners, 330,115 6kg grills, 60,000 horse pipes and 84,499 double burner stoves. As at 30 June, 2024, only 11,675 6kg cylinders, 12,869 burners and 87,147 grills with an aggregate value of Kshs. 20,501,191 had been included in the Corporation's financial statements. Management attributed non-inclusion of other items to lack of formal ownership transfer of the items to the Corporation by the State Department.</p> <p>In addition, implementation of the project was uncertain due to what management attributed to lack of sufficient working capital.</p>	<p>only and therefore not incorporating the inventory into its records. The Corporation has formally requested the SDP to facilitate the transfer of this inventory.</p> <p>As of 30 June 2025, approval for the transfer had been received. Additionally, the SDP has allocated Kshs 52 million to support the implementation of the project, including activities related to the launch and distribution of LPG gas and accessories, which are budgeted under the SDP.</p>		

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	In the circumstances, the value for money on the expenditure incurred on the project could not be confirmed.			
7.	<p>Defective Cylinders</p> <p>The statement of financial position and as disclosed in Note 21 (a) to the financial statements reflects inventories with a net book value of Kshs.245,479,000 held by the Corporation. Included in the inventory are 88,248 defective Liquefied Petroleum Gas (LPG) cylinders valued at Kshs.155,845,107 stored at the Corporation's Nairobi National Terminal. However, during the year under review, Management did not provide measures taken regarding the defective cylinders which were not in use and continue to lose value.</p> <p>In the circumstances, the value incurred on acquisition of the LPG cylinders valued at Kshs. 155,845,107 could not be ascertained.</p>	Based on the cost-benefit analysis, the management considered revalidation of the cylinders as the best option compared to disposal. Despite the Corporation's cash flow challenges, the revalidation of the cylinders has been ongoing. From July 2024, the Corporation has revalidated 18,234 cylinders.	Not Resolved	31 st Oct 2025
8.	<p>Slow Implementation of Oil Exploration Activities</p> <p>The statement of financial position and as disclosed in Note 36 to the financial statements reflects exploration expenses on block 14T of Kshs. 2,291,112,000. As reported in the prior year, the Corporation has in the past thirteen (13) years been undertaking exploration activities in the</p>	The scope of exploration requires a certain minimum capital to be waved upfront. In the absence of that initial exploration period is	Not Resolved	31 st Dec 2025

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>Block which were expected to take a period of three (3) years as per the Production Sharing Contract (PSC) entered with the Government. In addition, records provided indicate that the Corporation entered into the first additional exploration period for Block 14T on 27 July, 2023 which entailed acquisition of additional 500 kilometers of 2D seismic survey on the most prospective areas of the block, acquisition of 100 square kilometers 3D seismic survey, and drilling of one (1) exploration well to a depth of 3000m within two (2) years. However, review Block 14T exploration update report for July 2023 to June 2024 dated August, 2024 revealed that the 3D seismic survey and drilling of an exploration well were yet to be done.</p> <p>In the circumstances, the value for money on the expenditure of Kshs. 2,291,112,000 on exploration activities could not be confirmed.</p>	<p>compensated by extended time.</p> <p>The Corporation met over and above the requirements of the initial exploration period.i.e.525KM of 2D seismic beyond the required 120km of 2D seismic. In this case the extra deliverables are adopted in the current phase of 1st additional. i.e. (525minus 120) kms of 2D is attributed to the-Is' additional period that is still valid.</p>		
1.	<p>Long Outstanding Receivables</p> <p>The statement of financial position reflects trade and other receivables balance of Kshs. 398,612,000, as further disclosed in Note 22 (a) to the financial statements. Review of an ageing analysis provided in respect of the receivables revealed that Kshs. 533,106,728 had been outstanding for</p>	<p>In addition to internal collection efforts, the Management has procured the services of a debt collector in the 2024-2025 financial year to</p>	Unresolved	31.12.25

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>more than one year. The long outstanding balance accounts for 80% of the total trade receivables balance of Kshs.668,075,000</p> <p>Management attempts to recover the accounts receivables through issuance of demand letters, were yet to yield results.</p> <p>In addition, Note 22(b) of the financial statement reflects a receivables balance of Kshs. 651,411,000 which was outstanding for over 120 days. However, the balance was not supported by an ageing analysis.</p> <p>In the circumstances, the adequacy and effectiveness of measures implemented by management to recover long outstanding trade and other receivables could not be confirmed.</p>	<p>assist in the recovery of the long outstanding debts.</p> <p>The Board of Directors approved the proposed write off of long outstanding bad debts. The management is waiting for the final approval as provided in PFM Act to effect the write off.</p> <p>However, Debtors provided for in the year 2009 of Kshs 57,518,210 relates to balances that were transferred to oracle during system migration.</p> <p>The same has been provided for under provision for bad debts others with a balance of Kshs 87,367,315 as at 30th June 2024.</p>		

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
2.	<p>Use of Outdated Information Technology Systems</p> <p>Review of the Corporation's information technology systems revealed that Information Technology (IT) systems in use at the Corporation were outdated as it had been acquired in 2016/2017 financial year. The systems had attained their End of Life (EOL) period which meant that updates that enhance the system's security or technical support from the vendor could no longer be received. Further, the Corporation had not paid the software vendor for over three years and had accrued debts amounting to Kshs. 57,145,833 as at 30 June 2024 in respect of annual software updates, technical support and additional licenses.</p> <p>In the circumstances, the existence of controls to safeguard against business data and continued operations using the existing IT system could not be ascertained.</p>	<p>National Oil's ERP system is not up to date due to the cash flow challenges. We intend to upgrade the ERP systems once the cash flow issue in the corporation is addressed through the on boarding of a strategic partner.</p> <p>The matter regarding establishment of ICT steering committee was resolved in the FY 2022/2023 by establishing the ICT Steering Committee.</p>	Unresolved	31.12.25
3	<p>Lack of a strategic Plan</p> <p>During the year under review, the Corporation did not have an approved strategic plan, with the previous one having expired in the year 2020.</p>	<p>The organization has already developed a draft strategic plan, which is designed to cover a five-year period from</p>		

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>This was contrary to Section 68(2)(g) of Public Finance Management Act, 2012 which require the Accounting Officer to prepare a strategic plan for the entity in conformity with the medium-term fiscal framework and fiscal policy objectives of the national government.</p> <p>In the circumstances, existence of a policy framework and objectives aligned to the Government fiscal policies could not be confirmed.</p>	<p>2024/25 to 2028/29 and ensure the strategic plan meets the highest standards and aligns with our long-term goals, the Corporation has contracted a consultant to review and finalize on the draft strategic plan with official launch planned in the current financial year.</p>	<p>Unresolved</p>	<p>31.12.25</p>

Name

Accounting Officer

(National Oil Corporation of Kenya)

Date

29/8/25

APPENDIX II: TRANSFER FROM OTHER GOVERNMENT ENTITIES

ENTITY NAME:				
Break down of Transfers from the State Department of Petroleum				
FY 2024/25				
a.	Recurrent Grants	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		08-Jan-2025	1,535,000,000	2024/2025
		26-Jun-2025	52,000,000	2024/2025
		09-Jul-2025	3,378,000,000	2024/2025
		Total	4,965,000,000	
b.	Development Grants	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
	Exploration Grant	31-Aug-2024	15,000,000	2024/2025
		04-Sep-2024	125,000,000	2024/2025
		28-Feb-2025	125,000,000	2024/2025
		28-Feb-2025	15,000,000	2024/2025
		Total	280,000,000	

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

Finance Manager

National Oil Corporation of Kenya

Sign

