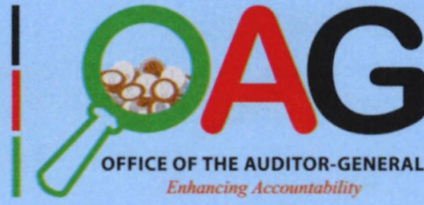


REPUBLIC OF KENYA



REPORT

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THE AUDITOR-GENERAL

ON

KENYA PETROLEUM REFINERIES LIMITED

FOR THE YEAR ENDED
30 JUNE, 2025

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 26 FEB 2026	
DAY: THUR	
TABLED BY:	DEPUTY MAJORITY WHIP
CLERK-AT THE-TABLE:	V. WAMBUI

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KENYA PETROLEUM REFINERIES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2025

Prepared in accordance with the IFRS Accounting Standards

Kenya Petroleum Refineries Limited
Annual Report and Financial Statements for the year ended June 30, 2025

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1. Acronyms and Definition of Key Terms

A. Acronyms

MD	<i>Managing Director</i>
CEO	<i>Chief Executive Officer</i>
NT	<i>National Treasury</i>
IFRS	<i>International Financial Reporting Standards</i>
PFMA	<i>Public Finance Management Act.</i>
PSASB	<i>Public Sector Accounting Standards Board</i>
GoK	<i>Government of Kenya</i>
EEHL	<i>Essar Energy Holdings Limited</i>
MOEP	<i>Ministry of Energy and Petroleum</i>
HSSE	<i>Health Safety Security & Environment</i>
EOPS	<i>Early Oil Pilot Scheme</i>
KPC	<i>Kenya Pipeline Company Limited</i>
PWC	<i>Price Waterhouse Coopers</i>
ICPAK	<i>Institute of Certified Public Accountants of Kenya</i>
STA	<i>Share Transfer Agreement</i>
CPP	<i>Captive Power Plant</i>
LTI	<i>Lost Time Injury</i>
LTO	<i>Large Tax Payer Office</i>
TAT	<i>Tax Appeals Tribunal</i>
SDE	<i>State Department for Energy</i>
DCL	<i>Deloitte Consulting Limited</i>
ICS	<i>Institute of Certified Secretaries</i>

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B. Definition of Key Terms

Fiduciary Management - Members of Management directly entrusted with the entity's financial resources.

Comparative Year- Means the prior period.

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2. Key Entity Information

a) Background information

The company is incorporated as a limited company in Kenya under the Companies Act Chapter 17 of the Laws of Kenya and is domiciled in Kenya. On 24th June 2016, the Government of Kenya (GoK) entered into an agreement with Essar Energy Overseas Limited (Essar), Essar Energy Holdings Limited (EEHL) and Kenya Petroleum Refineries Limited (KPRL) for the transfer of the legal and beneficial interest in all of the shares owned by Essar in KPRL to GoK. The agreement and the disposal of the shares converted Kenya Petroleum Refineries Limited to become 100% wholly owned by GoK. On 27th October 2023, GoK through The National Treasury (TNT) & Economic Planning transferred its 100% shareholding in KPRL to KPC. Consequently, KPRL became a wholly owned subsidiary of KPC. The entity is under the Ministry of Energy and Petroleum.

Vision

To be the number one supplier of integrated energy.

Mission

We will maximise value addition to delight our customer and other stakeholders

b) Principal Activities

The company's principal business activity is to refine crude oil into various petroleum products for sale to the oil marketing companies in Kenya. The company's business changed from a toll refinery to merchant refining with effect from 1st July, 2012. The Government of Kenya (GoK) published Legal Notices No. 24, 25 and 26 dated 12th April, 2012 to amend the energy regulations under the Energy Act to give legal effect to the company's merchant refining business.

However, the company's refining operations stopped on 4th September, 2013. The main reason quoted for the shutdown was that the prices of the products produced by the refinery were marginally higher than those of imported products. This was caused by lack of secondary refining capabilities that would optimise the production of fuel oil. The fuel oil accounted for more yields up to 30% prior to the shut down and conversion of Tops yield to petrol. The company has continued operating by rendering storage and handling services for imported petroleum products and leasing of storage tanks and pipelines.

On 11th August, 2016 the Cabinet of the GoK (as 100% shareholder of KPRL) directed that KPRL be taken over by the Kenya Pipeline Company Limited (KPC). Subsequently KPC initiated a due diligence process which was conducted by Price Water House Coopers(PWC), to facilitate evaluation of KPRL, and form the basis for the takeover decision.

2. Key Entity Information (continued)

Principal Activities (continued)

As an interim measure, on 20th March 2017, KPRL signed a 3 year operating lease agreement with KPC. The Lease Agreement was a culmination of the exit of Essar from shareholding at KPRL, and the termination of the crude oil processing at KPRL, where upon the major assets of KPRL were underutilized. The lease arrangement was therefore seen as an interim phase to allow the finalization of the due diligence and decision making on the pending takeover of KPRL by KPC. The Lease Agreement was operationalized with effect from 1st June, 2017.

Under the lease agreement, the consideration for using KPRL facilities is that KPC would retain all the staff of KPRL and reimburse the company all operating expenses, exclusive of depreciation expense, which would fall due at the end of the lease period. The agreement further provides that KPC may at its option undertake any upgrading, modification, expansion and/or new investment within the facility at its cost, which shall be treated as KPC's cost of investment. In the unlikely event of termination of the agreement before the takeover is actualized, KPC would be entitled to a refund of the upgrading costs by the GoK. A further conditionality for KPC's takeover of the facility was that it would undertake the relevant modification of the facility to accommodate the Early Oil Pilot Scheme (EOPS) geared at the early monetization of crude oil discoveries in Kenya.

On 18th March, 2020 the lease agreement was extended for a further term of 15 months which expired on 20th June, 2021. In line with clause 3.2 of the Agreement, KPC and KPRL expressed interest and mutually agreed to extend the term of the Agreement for a further period of six (6) months with automatic month to month renewal of the agreement effective 20th June, 2021. On 26th April 2022, KPC engaged PwC as transaction advisor for the takeover of KPRL. The consultant delivered the final draft report to KPC on 16th December, 2022.

On 18th July, 2023 the Cabinet considered and approved the acquisition of KPRL by KPC. According to GoK, this State intervention is expected to enhance petroleum supply chain infrastructure and thereby result in security of supply and cost-efficiency through reduced demurrage costs and enhanced penetration of LPG usage in the country through the development of an LPG bulk import handling and storage facility. This will enhance efficiency and also foster synergy in the petroleum value chain by optimizing the use of our existing downstream petroleum infrastructure.

On 27th October 2023, GoK through The National Treasury (TNT) & Economic Planning transferred its 100% shareholding in KPRL to KPC. Consequently, KPRL became a wholly owned subsidiary of KPC.

Kenya Petroleum Refineries Limited
Annual Report and Financial Statements for the year ended June 30, 2025

2. Key Entity Information (continued)

c) Directors

The Directors who served the entity during the year were as follows:

- | | |
|--------------------------------|---|
| 1. Henry Gathara Karinga | Appointed on 06/02/17 (reappointed 27/09/2024) |
| 2. Lilian Bokeye Mahiri – Zaja | Appointed on 06/02/17 (reappointed 27/09/2024) |
| 3. Joseph Zachariah Ngugi | Alternate to CS National Treasury
(Appointed 04/04/2023) |
| 4. Joseph Wafula Wepukhulu | Alternate to PS State Department of Petroleum
Appointed 27/11/2017(Resigned on 27/02/2024) |
| 5. Peter Okombe Ongori | Alternate to the Attorney General- (Appointed
12/06/2023) |
| 6. Eliud S.Mwaruah | Alternate to PS State Department of Petroleum(SDP)
(Appointed 27/02/2024) |

d) Corporate Secretary

The contract for Corporate secretarial services expired on 31st December, 2024. Consequently, KPRL has engaged KPC to offer corporate secretarial Services.

e) Registered Office

Kenya Petroleum Refineries Limited
Changamwe, off Refineries Road,
P.O. Box 90401- 80100 GPO,
Mombasa,
KENYA

f) Corporate Headquarters

Kenya Petroleum Refineries Limited
Changamwe, off Refineries Road,
P.O. Box 90401- 80100 GPO,
Mombasa,
KENYA

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Key Entity Information (continued)

g) Corporate Contacts

Chief Executive Officer,
P.O. Box 90401-80100 GPO,
Mombasa, KENYA.
Telephone :(254) 0724257102
E-mail: refinery@kpri.co.ke
Website: www.kpri.co.ke

h) Corporate Bankers

Absa Bank Kenya Plc,
Nkrumah Road Business Centre,
P.O. Box 90182,
Mombasa, Kenya.

Standard Chartered Bank Kenya Ltd,
Treasury Square,
P.O. Box 90170,
Mombasa, Kenya

Citibank, N. A.
Nkrumah Road Branch,
P.O. Box 83615,
Mombasa, Kenya.

NCBA Group PLC
Moi Avenue Branch,
P.O. Box 90681,
Mombasa, Kenya.

National Bank of Kenya,
Nkrumah Road Branch,
P.O. Box 90363-80100,
Mombasa, Kenya.

KCB Bank Kenya Limited,
Moi Avenue Branch,
P.O. Box 48400-00100,
Nairobi, Kenya

i) Independent Auditors

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

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Key Entity Information (continued)

j) Principal Legal Advisers

The Attorney General,
State Law Office,
Harambee Avenue
P.O.Box 40112,
City Square 00200,

Advocates

The Attorney General
State Law Office and Dept. of Justice,
Harambee Avenue,
P.O. Box 40112 - 00200,
Nairobi, Kenya,

Kipkenda & Company Advocates
Off Riverside Drive, Behind 9 Riverside Drive
Riverside Drive,
P.O. Box 56832 - 00200,
Nairobi, Kenya

Robson Harris Advocate LLP
Transnational Plaza 6th & 9th Floors,
City Hall Way,
P.O. Box 67845 - 00200,
Nairobi, Kenya




Munyao Muthama & Kashindi Advocates
ACK Cathedral Complex 1st Floor,
Nkrumah Road,
P.O. Box 2419 - 80100,
Mombasa, Kenya

Cootow & Associates Advocates
Social Security House, Pent house,
North Tower, Nkrumah Road,
P.O. Box 16858 - 80100,
Mombasa, Kenya





Ahmed Nasir Abdullahi Advocates LLP
FCB Mihrab, 12th Floor,
Lenana Road,
P.O. Box 57731 - 00200,
Nairobi, Kenya

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3. The Board of Directors

Name of Director	Key qualifications and work experience	
<p>1. Hon CPA John MBADI</p>	<p>DOB-1972 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. In addition to his political and legislative accomplishments, the CS is a seasoned finance professional with twenty-eight 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). His professional affiliations extend to the Architectural Association of Kenya (AAK), the Institute of Quantity Surveyors of Kenya, and the Chartered Institute of Arbitration. His skills span planning, budgeting, financial analysis, accounting, economics, and community development, complemented by strong leadership, effective communication, and interpersonal skills.</p>	
<p>2. Mr. Mohamed Liban</p>	<p>DOB- 1961 Permanent Secretary, State Department of Petroleum. Principal Secretary, State Department of Petroleum. Prior to the appointment he was Chairman of the Ewaso Ng'iro North Development Authority from 2019. He has previously served as Regional Elections co-ordinator under IEBC from 2009-2017 among other positions. He holds a Master of Public Health & Epidemiology from Kenyatta Univ. and Higher National Diploma in Cataract Surgery & Ophthalmology both from KMTc.</p>	
<p>3. Hon. Dorcas Oduor</p>	<p>Date of Birth: 1966 The Attorney General of the Republic of Kenya Appointment Date: August 2, 2024 Dorcas Oduor, SC, EBS, OGW, is a seasoned legal expert and passionate environmental advocate with over 32 years of experience. Her career reflects a commitment to justice, community welfare, and environmental conservation: Dorcas Oduor, SC, EBS, OGW, is a highly accomplished professional with a strong academic background and over three decades of experience in law. Her educational journey has been instrumental in shaping her esteemed career. She holds a Master of Arts in International Conflict Management, University of Nairobi. An Advocate of the High Court of Kenya with a Post Graduate Diploma in Law from the Kenya School of Law and an LLB (Hons) degree from the University of Nairobi. Her illustrious career is complemented by numerous accolades that reflect her contributions to Kenya's legal landscape.</p>	

Kenya Petroleum Refineries Limited
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Name of Director	Key qualifications and work experience	
4. Mr. S Mwaruah	<p>DOB-29/12/1966</p> <p>Mr Mwaruah is the Alternate to the PS State Dept of Petroleum. He is currently serving as the Director, Human Resource Management &Development (DHRM&D) in the State department of Petroleum. He holds a Bachelor of Arts (BA) degree from the UoN and a post graduate Diploma in Human Resource Management and Development. He has vast leadership and governance skills and is also a Member of the Institute of Human Resource Management (IHRM), Institute of Directors Kenya (IoD K) and Kenya Association for Public Administration and Management (KAPAM)</p>	
5. Mr. Joseph Zachary Ngugi	<p>DOB-14/06/1966</p> <p>Mr Ngugi is the Alternate Director to the CS The National Treasury. He is Director of Planning, Macro and Fiscal Affairs Department of The National Treasury. He has over 20years experience in Tax matters and heads the Tax Policy Division in the Macro and Fiscal Affairs Dept. He holds a Masters in Economics (UoN) and Bachelor of Arts (BA) Economics and Sociology from Egerton University. As the Head of Tax Policy Division, he participates in the enactment of Tax policy legislations and formulation of tax policy documents. He is currently an alternate Director at Kenya Vehicle Manufacturers & past alternate Director at Kenya Trade Network, Retirement Benefits Authority & Coffee Development Fund. (now Commodity Fund)</p>	
6. Peter Okombe Ongori	<p>DOB-1971</p> <p>Mr. Ongori is an alternate to the Attorney General of the Republic of Kenya. He is an Advocate of the High Court of Kenya and has over seventeen years of post-admission experience in commercial law practice with strengths in the Extractive Industry (Oil and Gas Law). He holds a Master of Laws (LL.M) in International Oil and Gas Law and Policy from the University of Dundee, Scotland, UK, a Bachelor of Laws and Bachelor of Arts (B.A.) Economics from MDS University, India. Throughout the years, he has acquired the competence to review, and negotiate complex international and local contracts on behalf of the Government of Kenya. He is currently a Deputy Chief State Counsel, in the Office of the Attorney General, Government Transactions Division.</p>	
7. Mr. Henry G. Karinga	<p>DOB-13/03/1964</p> <p>He holds a Bachelor of Science (UoN), 1990 and Global Executive MBA (USIU) 2016.</p> <p>Managing Director – H.K. Builders & General Contractors Ltd</p>	

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Name of Director	Key qualifications and work experience	
8. Ms. Lilian B. Mahiri-Zaja	<p>DOB-08/12/1964</p> <p>Lilian is an advocate of the High Court of Kenya and holds a Master of Law Degree from the University of Reading, United Kingdom (2002); a post-graduate Diploma in Legal Education from the Kenya School of Law (1989); and an LL.B. (UoN, 1988). She was previously the Vice Chairperson at the IEBC and has held various positions in the Department of Justice including Deputy Chief Legal Officer from 2004-2011. She also served as a Commissioner with the Energy and Petroleum Regulatory Authority (EPRA).</p>	
9. CPA. Joseph Ndoti	<p>DOB-05/07/1972</p> <p>CPA Ndoti Joseph Bale is currently the Acting Chief Executive Officer for Kenya Petroleum Refineries Ltd since October, 2019 and also serves as the Chief Finance Officer since August, 2016. He has wealth of knowledge and experience spanning over 25 years in Financial Management and Business Administration particularly in Oil and Gas industry. He is a holder of B.Com Accounting Option (UoN), MBA in Strategic Management (UoN) and CPA(K). He Joined KPRL in July,2000 as Financial and Management Accountant and has scaled through the career ladder to his current role. He has witnessed and also contributed immensely to the transformation and transition of KPRL from a Toll Refinery to Merchant Refineries and eventually to the current status whereby KPRL is a Storage and Handling Facility for imported finished products. KPRL is 100% owned Subsidiary of KPC since 27th October 2023 and is in transition towards dissolution and merger with KPC. Prior to joining KPRL, Mr. Ndoti worked for Cargill Kenya Ltd and P & O Nedlloyd East Africa Ltd as Accountant and Chief Accountant respectively.</p>	

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4. Key Management Team

Name of the Staff		Responsibility
CPA. Joseph Ndoti		<p>DOB-05/07/1972 CPA Ndoti Joseph Bale is currently the Acting Chief Executive Officer for Kenya Petroleum Refineries Ltd since October, 2019 and also serves as the Chief Finance Officer since August, 2016. He has wealth of knowledge and experience spanning over 25 years in Financial Management and Business Administration particularly in Oil and Gas industry. He is a holder of B.Com Accounting Option (UoN) , MBA in Strategic Management (UoN) and CPA(K). He Joined KPRL in July,2000 as Financial and Management Accountant and has scaled through the career ladder to his current role. He has witnessed and also contributed immensely to the transformation and transition of KPRL from a Toll Refinery to Merchant Refinery and eventually to the current status whereby KPRL is a Storage and Handling Facility for imported finished products. KPRL is 100% owned Subsidiary of KPC since 27th October 2023 and is in transition towards dissolution and merger with KPC. Prior to joining KPRL, Mr. Ndoti worked for Cargill Kenya Ltd and P & O Nedloyd East Africa Ltd as Accountant and Chief Accountant respectively.</p>
Ms. Abigail Mwangi		<p>DOB-10/10/1968 Currently the Chief Operating Officer now seconded to the Ministry of Energy and Petroleum. She holds a Bsc. Chemistry (UoN). Ms. Mwangi joined KPRL in 1992 and has held a number of senior positions including Commercial Manager (Jul 2012-Oct 2016) Manager Hydrocarbons & Economics (June 2012-Oct 2010) and Manager Process Operations (June 2008-Oct 2010)</p>
Mr. Martin Wahome		<p>DOB-24/04/1965 Currently the Human Resource Manager, KPRL. Holds a Bachelor's degree in Social Sciences (UoN) and an MBA from Middlesex University. Mr. Wahome Joined KPRL in Sept 2004 and has over 25 years' experience in Human Resources Management. He has previously worked for Block Hotels, Sara Lee Limited and Unga Group Limited in the same capacity. He is a member of the Institute of Personnel Management and a certified RBA Trustee.</p>

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Name of the Staff		Responsibility
Michael Kariuki		<p>DOB-26/07/1977</p> <p>Currently the Engineering Manager. He previously served as the Manager Technology Development and Operations at KPRL. He joined KPRL in July 2005 as a Process Engineer and has over 15 years' experience in Manufacturing, Projects, Operations and Health, Environment & Safety. Before joining KPRL, he worked at Chandaria Industries and Kel Chemicals Ltd. Michael holds an MBA in operations Management (UoN) and B.Tech degree in Chemical and Process Engineering (Moi University).</p> <p>He is a Certified Energy Manager and a registered Engineer with the Engineers Board of Kenya and the Institute of Engineers of Kenya</p>
Kadzo Kalama		<p>DOB-17/11/1983</p> <p>Kadzo is the Head of Legal Services; charged with the legal advisory and corporate governance roles in the company. She is an Advocate of the High Court of Kenya with experience in commercial matters in the Energy, Petroleum and Pension sectors with keen interest on policy formulation, regulation and implementation in the sectors. She holds a post graduate Diploma in Legal Education from the Kenya School of Law, LL.B. (UoN) and is a Certified Retirement Benefits Trustee and a member of the Law Society of Kenya (LSK).</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.	Acting CEO	CPA Joseph Ndoti
2.	Head of Legal Services	Kadzo Kalama
3.	Chief Finance Officer	CPA Joseph Ndoti
4.	Human Resource Manager	Martin Wahome
5.	Supply Chain Manager	Janette Mutimbia
6.	Engineering Manager	Michael Kariuki
7.	Acting. Operations Manager	Nelson Karisa

6. Fiduciary Oversight Arrangements

Role of the Business Committee

The Business Committee oversees the integrity of financial reporting, the independence and effectiveness of internal and external audit functions and compliance with legal and regulatory requirements.

Their responsibilities include reviewing the business risk management processes as well as the health, safety, security and environment functions. This committee further oversees the company's major projects, the strategic direction of the company and operations of the business. It also guides the development, review and authorization of procuring and contracting procedures.

This committee also oversees the Company's human resources policy, practices and procedures taking into account that Human resources are one of the most important stakeholders of the Company.

Role of the Audit and Compliance Committee

The Audit and Compliance Committee is responsible for monitoring the integrity of financial statements and any formal announcements relating to financial performance. The audit committee also reviews the process by which the entity's significant risks are identified and ensure that the Board is fully apprised of these risks.

Finance Committee

The purpose of the Finance Committee is to assist the Board of directors in fulfilling its oversight responsibilities with respect to the monitoring and oversight of the Corporations financial resources, including its capital management, recovery and resolution planning processes, and asset/liability.

7. Chairman's Statement

On 18th July, 2023 the Cabinet considered and approved the acquisition of KPRL by KPC. According to GoK, this State intervention is expected to enhance petroleum supply chain infrastructure and thereby result in security of supply and cost-efficiency through reduced demurrage costs and enhanced penetration of LPG usage in the country through the development of LPG bulk import handling and storage facility. This will enhance efficiency and also foster synergy in the petroleum value chain by optimizing the use of our existing downstream petroleum infrastructure.

On 27th October 2023, GoK through The National Treasury (TNT) & Economic Planning transferred its 100% shareholding in KPRL to KPC. Consequently, KPRL became a wholly owned subsidiary of KPC. However, during FY2023/24 the company continued to operate under the KPRL/KPC Lease Agreement which was entered on 20th March, 2017. This arrangement is transitional until the transition towards full amalgamation of KPRL and KPC is completed.

On 11th March, 2025 and 13th March, 2025 the National Treasury & Economic Planning and the Ministry of Energy & Petroleum (MOEP) respectively approved the commencement of the process of dissolution of KPRL by KPC pursuant to Section 86(1) of the Public Finance Management Act, 2012. Vide a letter dated 15th May 2025, MOEP directed KPC to draft a Cabinet Memorandum on KPRL's dissolution and submit to MOEP for review. According to MOEP the drafting of the Memorandum should be guided by the National Development Implementation and Communication Committee's (NDICC's) resolution on Cabinet Business. The NDICC during its 6th meeting held on 12th March, 2019 resolved that all Cabinet Memoranda should be countersigned by the Cabinet Secretary for the National Treasury and Planning as well as the Attorney General to denote their confirmation that the Memorandum in question is aligned to the Medium Term Plan. The process is to be expedited and completed by 31st December, 2025.

Vide a letter Ref No. MOEP/SDP/CONF/1/21 dated 3rd November, 2025, the CS- MOEP forwarded the cabinet Memorandum on the merger of KPRL with KPC and the dissolution of KPRL to the CS -National Treasury and Economic Planning to consider and countersign the Cabinet Memorandum and transmit the same to the Attorney-General for subsequent consideration and countersigning.

On 29th July, 2025 the Cabinet approved divesture of 65% shareholding in KPC through an initial public offering on the Nairobi Stock Exchange (NSE). The process is ongoing and is expected to be completed in the Financial Year 2025/26. KPRL is a wholly (100%) owned subsidiary of KPC.

Kenya Petroleum Refineries Limited
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7. Chairman's Statement (Continued)

During the financial year ended 30th June 2025, KPRL continued to operate under the KPRL – KPC lease arrangement whereby it is reimbursed for operating expenses at cost without a profit margin. For the purposes of compliance with International Financial Reporting Standards (IFRS), KPRL and KPC harmonized their accounting policies to facilitate consolidation of financial statements with effect from the Financial year ended 30th June, 2025. Consequently KPRL changed its accounting policy on assets from historical cost model to revaluation model with effect from the financial year ended 30th June, 2025.

The Loss after tax and other comprehensive income for the period ended 30th June, 2025 was Kshs 987M against loss of Kshs 91M for the year ended 30th June, 2024. The loss of Kshs 987M compared to loss of Kshs 91M for the previous year (FY 2023/24) is mainly due to higher depreciation and amortisation charge due to change in accounting policy from historical cost to revaluation model. The depreciation charge for the year was Kshs 675M for Property plant and equipment and Kshs 364M for amortisation of leasehold land.



Signed

Director

Kenya Petroleum Refineries Limited
Annual Report and Financial Statements for the year ended June 30, 2025

8. Report of the Chief Executive Officer

Status of Road Map Towards Integration of KPRL and KPC

On 27th October 2023, GoK through The National Treasury (TNT) & Economic Planning transferred its 100% shareholding in KPRL to KPC. Consequently, KPRL became a wholly owned subsidiary of KPC. On 4th October, 2024 and 6th November, 2024, both KPC and KPRL respectively passed board resolutions to extend the lease agreement which was entered on 20th March, 2017 until the implementation of the post-acquisition integration plan is completed.

On 11th March, 2025 and 13th March, 2025 the National Treasury & Economic Planning and the Ministry of Energy & Petroleum (MOEP) respectively approved the commencement of the process of dissolution of KPRL by KPC pursuant to Section 86(1) of the Public Finance Management Act, 2012. Vide a letter dated 15th May, 2025 MOEP directed KPC to draft a Cabinet Memorandum on KPRL's dissolution and submit to MOEP for review. According to MOEP the drafting of the Memorandum should be guided by the National Development Implementation and Communication Committee's (NDICC's) resolution on Cabinet Business. The NDICC during its 6th meeting held on 12th March, 2019 resolved that all Cabinet Memoranda should be countersigned by the Cabinet Secretary for the National Treasury and Planning as well as the Attorney General to denote their confirmation that the Memorandum in question is aligned to the Medium Term Plan. The process is to be expedited and completed by 31st December, 2025.

Vide a letter Ref No. MOEP/SDP/CONF/1/21 dated 3rd November, 2025, the CS- MOEP forwarded the cabinet Memorandum on the merger of KPRL with KPC and the dissolution of KPRL to the CS -National Treasury and Economic Planning to consider and countersign the Cabinet Memorandum and transmit the same to the Attorney General for subsequent consideration and countersigning.

On 29th July, 2025 the Cabinet approved divestiture of 65% shareholding in KPC through an initial public offering on the Nairobi Stock Exchange (NSE). The process is ongoing and is expected to be completed in the Financial Year 2025/26. KPRL is a wholly (100%) owned subsidiary of KPC.

Going Concern Status of KPRL

The going concern principle is the assumption that an entity will remain in business for the foreseeable future. Since 4th September 2013 when the refinery operations stopped, KPRL has continued to experience uncertainty about its future mandate. While the lease agreement was a transitional arrangement, the acquisition of KPRL by KPC on 27th October, 2023 was intended to resolve the uncertainty about the going concern status of KPRL.

According to GoK, the State intervention is expected to enhance petroleum supply chain infrastructure and thereby result in security of supply and cost-efficiency through reduced demurrage costs and enhanced penetration of LPG usage in the country through the development of LPG bulk import handling and storage facility. This will enhance efficiency and also foster synergy in the petroleum value chain by optimizing the use of our existing downstream petroleum infrastructure. KPRL operations and financial obligations are funded by KPC through the lease agreement.

8. Report of the Chief Executive Officer (continued)

Implementation of KPRL Budget for FY 2024/2025

KPRL budget for FY2024/25 was approved by The National Treasury & Planning on 3rd October, 2024. Under the KPRL-KPC lease agreement, KPRL is responsible for implementation of the Revenue Expenditure budget. As per the terms of the Lease Agreement, the Capital Expenditure program and budget is developed, managed, and implemented by KPC. Project phasing, scheduling, procurement, technical specifications and entire field control is carried out by the KPC and reported in KPC books.

HR Matters

Establishment strength during the year ended 30th June, 2025 stood at 107 with critical short falls in the Human Resource, Legal, Health, Safety & Environment (HSE) and Operations Departments. A key item in the roadmap for post-acquisition activities is the organisational structure of the new subsidiary, which will determine amongst other things staffing requirements and appropriate remedial actions.

Status of KRA Tax Legacy Matters and KRA Audit for the Period 2017- 2022

Matter at the Court of Appeal – Customs Matter-

The amount of tax in dispute was KShs 1,633,968,090/-. On 20th December, 2024 the Court of Appeal ruled in favour of KPRL whereby the appeal lodged by KRA was dismissed.

Matter at the Tax Appeals Tribunal (TAT E452 of 2024)

On 16th January 2024, KPRL appealed against a tax assessment of Kshs 734M which was revised by KRA to Kshs 421M. On 9th April, 2024 KPRL formally applied to have the disputed revised assessment of KShs 421M referred to the Alternative Dispute Resolution (ADR) team. The first meeting with KRA about the matter was held on 4th July 2024, followed by another meeting on 7th October, 2024. Partial Alternative Dispute Resolution (ADR) agreement was signed on 31st October, 2024. Tax payable for VAT and PAYE was revised from KShs 40.7M to KShs 9.7M. Parties agreed to continue the reconciliation of the Corporation Tax Matter (KShs 380.63M) and once the tax credits have been validated, parties will enter into a separate agreement on the same. On 2nd May, 2025, the disputed tax matter of KShs 380.63M relating to Corporation tax was ruled in favour of KPRL by the Tax Appeals Tribunal. On 10th June, 2025 KRA, dissatisfied with the ruling, gave notice of appeal. Eventually on 31st October, 2025, KRA and KPRL signed an Alternative Dispute Resolution (ADR) agreement whereby the tax credits for KSh 380.63M were validated. That paved the way for the tax refund process to start. The tax refund process is still on ongoing.

Restoration and Operationalization of KPRL Power Plant

The State Department for Energy (SDE) vide letter reference no. MOE/SDR/CONF/1/69 dated 22nd January 2025, issued a policy guidance communicating the government's decision to optimize the utilization of the 9.2MW KPRL power plant through relocation of the Plant to Awendo Substation, South Nyanza. Subsequently EPRA vide later dated 3rd February, 2025 on the same matter invited technical teams from KPRL, KPC, KPLC and MOEP to a meeting held on 18th February, 2025.

8. Report of the Chief Executive Officer (continued)

Restoration and Operationalization of KPRL Power Plant

The Technical teams visited Awendo substation and prepared a pre-relocation assessment report on the proposed relocation of the 9.2 MW Diesel thermal plant from Changamwe Mombasa to Awendo substation. The Technical report was finalized on 22nd March, 2025 and was presented to the Cabinet Secretary, MOEP by EPRA. It was recommended that the power plant be operated on site (KPRL) to take advantage of cheaper HFO supply and support the grid at the Coast at a Non-Fuel Tariff negotiated at around KShs. 5.32/kWh to mitigate impact to consumer bills.

Vide letter reference no. MOEP/SDE/CONF/1/50 dated 6th November, 2025, the PS State Department for Energy(SDE) approved the commencement of PPA negotiations with KPLC. KPRL has engaged KPLC accordingly.

Status of Yield Shift Resolution

On 3rd October 2024, the Ministry of Energy & Petroleum communicated to KPRL the GoK policy decision regarding the resolution of the Yield Shift legacy matter which has been pending since the year 2012. The decision of the Government is to pay Refinery Users (OMCs) the pending Yield Shift claim of KShs 3,515,911,634/- as per the DCL report and subsequent approvals /concurrence by The National Treasury and Attorney General’s Office.

Consequently, KPRL initiated the process of settling the Yield Shift claim and has engaged the Refinery Users accordingly. On 24th April, 2025 the State Department for Petroleum transferred to KPRL KShs 3,515,911,634/- to begin the settlement process. The verification and payment process is on going and expected to be concluded during the financial year 2025/26.

HSSE Performance

The Company is compliant with all statutory requirements relating to matters of Health, Safety, Security and Environment. Work-Hours without Lost Time Injury (LTI) are shown below.

Table 1

Work-Hours without Lost Time Injury (LTI)

Target	1,000,000hrs
Hours achieved (30 th June, 2025)	912,599hrs (estimated 20days remaining to achieve target)

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8. Report of the Chief Executive Officer (continued)

Table 2 below shows condensed Statement of Comprehensive Income for the year ended 30th June, 2025.

Table 2

Description	Note	FY 2025 Kshs	FY 2024 Kshs
TOTAL REVENUES	6,7,8	1,704,417,534	1,976,207,492
TOTAL OPERATING EXPENSES	9,10	2,636,212,776	2,082,740,706
PROFIT/(LOSS) BEFORE TAXATION	11	(931,795,242)	(106,533,214)
INCOME TAX EXPENSE/(CREDIT)	12	55,451,103	(15,409,311)
PROFIT/(LOSS) AFTER TAXATION		(987,246,346)	(91,123,903)
Earnings per share - basic and diluted	13	(26.8)	(2.5)
Dividend per share	14	0	0
OTHER COMPREHENSIVE INCOME			
Profit/(Loss) after taxation		(987,246,346)	(91,123,903)
Surplus or deficit on revaluation of PPE		0	0
Remeasurement of net defined benefit liability		0	0
Fair value gain/(loss) on investments in equity instruments designated as at FVTOCI		0	0
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(987,246,346)	(91,123,903)

The Loss after tax and other comprehensive income for the period ended 30th June, 2025 was Kshs 987M against loss of Kshs 91M for the year ended 30th June, 2024. The loss of Kshs 987M compared to loss of Kshs 91M for the previous year (FY 2023/24) is mainly due to higher depreciation and amortisation charge due to change in accounting policy from historical cost to revaluation model. The depreciation charge for the year was Kshs 675M for Property plant and equipment and Kshs 364M for amortisation of leasehold land.



Signed by Acting Chief Executive Officer

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9. Statement of Performance against Predetermined Objectives for FY 2024/25

On 27th October 2023, GoK through The National Treasury (TNT) & Economic Planning transferred its 100% shareholding in KPRL to KPC. Consequently, KPRL became a wholly owned subsidiary of KPC. On 4th October, 2024 and 6th November, 2024, both KPC and KPRL respectively passed board resolutions to extend the lease agreement which was entered on 20th March, 2017 until the implementation of the post-acquisition integration plan is completed.

Strategic Pillars

Since 4th September, 2013 when refining operations were stopped, KPRL strategic plan is yet to be updated and unveiled. Despite the uncertainty about the going concern status of KPRL, the company is still guided by 5 strategic pillars and objectives within its Medium Term Budget for the FY2021/22-2024/25. These strategic pillars are as follows:

- **Pillar 1:** Conduct KPRL Business with integrity and in accordance with the laws of the Country.
- **Pillar 2:** Create value to the Shareholder and our Customers by maximizing use of allocated resources within budgeted limits.
- **Pillar 3:** Secure the going concern status of KPRL through sustainable and profitable operations.
- **Pillar 4:** Carry out KPRL activities with highest regard to health, safety, security and the environment.
- **Pillar 5:** Maintain and develop KPRL facility as a Strategic Asset of the GoK within the Oil and Gas sector.

In line with the KPRL–KPC lease agreement, KPRL develops its annual work plans in collaboration with KPC based on the above 5 strategic pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Company achieved its performance targets set for the FY 2024/25 period for the 5 strategic pillars, as indicated in the Table 3 below:

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Table 3: KPRL Strategic Pillars

Strategic Pillar	Objective	KPI	Activities	Achievements
Pillar 1:	To comply with ethical, governance and statutory requirements	Level of compliance with internal and external requirements.	Adherence to all company policies, operating procedures and statutory requirements.	<ul style="list-style-type: none"> KPRL's level of compliance with internal and statutory requirements is very good. There were no penalties associated with gross non-compliance of internal and statutory reporting requirements.
Pillar 2:	Enhance and sustain shareholder value	<ul style="list-style-type: none"> Operate within the approved budget. Profitability 	<ul style="list-style-type: none"> Budgeted operating activities under the revenue expenditure budget Capital Expenditure Program 	<p>Actual total operating expenses for the year were KShs 2.636Bn representing 170% of the budgeted total revenue expenditure budget of KShs 1.553Bn. This is mainly due to higher depreciation and amortisation charge due to change in accounting policy from cost to revaluation model. The depreciation charge for the year was KShs 675M for Property plant and equipment and KShs 364M for amortisation of leasehold land.</p> <ul style="list-style-type: none"> Actual expenses recovered from KPC were KShs1.629Bn representing 105% of budgeted recoveries of KShs 1.553Bn. <p>The Loss after tax and other comprehensive income for the period ended 30th June, 2025 was KShs 987M against loss of KShs 91M for the year ended 30th June, 2024. The loss of KShs 987M compared to loss of KShs 91M for the previous year (FY 2023/24) was mainly due to higher depreciation and amortisation charge due to change in accounting policy from cost to revaluation model. The depreciation charge for the year was KShs 675M for Property plant and equipment and KShs 364M for amortisation of leasehold land.</p> <p>Capital Expenditure Program on KPRL assets is executed by KPC and is KPC's cost of investment in their books.</p>

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Strategic Pillar	Objective	KPI	Activities	Achievements
Pillar 3:	Secure long-term future of KPRL which was affected by closure of the refining operations since 4 th September, 2013.	-Sustainable operations that meet obligations of all stakeholders	Implement road map for post acquisition integration plan .	<p>On 27th October 2023, GoK through The National Treasury (TNT) & Economic Planning transferred its 100% shareholding in KPRL to KPC. Consequently, KPRL became a wholly owned subsidiary of KPC. However, during FY2024/25 the company continued to operate under the KPRL/KPC Lease Agreement which was entered on 20th March, 2017. This arrangement is transitional until the transition towards full amalgamation of KPRL and KPC is completed.</p> <p>Vide a letter Ref No. MOEP/SDP/CONF/1/21 dated 3rd November, 2025, the CS- MOEP forwarded the cabinet Memorandum on the merger of KPRL with KPC and the dissolution of KPRL to the CS – National Treasury and Economic Planning to consider and countersign the Cabinet Memorandum and transmit the same to the Attorney-General for subsequent consideration and counter signing.</p> <p>On 29th July, 2025 the Cabinet approved divesture of 65% shareholding in KPC through an initial public offering on the Nairobi Stock Exchange (NSE). The process is ongoing and is expected to be completed in the Financial Year 2025/26.</p>

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Strategic Pillar	Objective	KPI	Activities	Achievements
Pillar 4:	Respect and recognize the HSSE concerns of the community, OMCs, employees, service providers and compliance with the law.	HSSE incidents and level of compliance with applicable laws.	Implement HSSE Programs	By 30 th June 2025, KPRL had achieved 912,599 work hours without Lost Time Injury (LTI) against a target of 1,000,000 work hours without LTI. Work Hours remaining to target were 87,401.
Pillar 5:	KPRL facility is a strategic facility of GoK.	Maximize Utilization of the assets	Hospitality Services (products receipts and deliveries)	Actual throughput (product receipts into KPRL tanks) was 1,591,595M3 against plan of 2,652,000M3 representing 60% turnaround tank utilization.

10. Corporate Governance Statement

Leadership and Responsibilities

Overview

The Board of Directors has the fundamental responsibility to promote the success of the Company and act in its best interest and that of its shareholders while having regard to the interest of the employees, customers and other stakeholders.

Throughout the year ended June 2025, the Company, which is now 100% wholly owned by Kenya Pipeline Company, endeavored to comply with its constitutive documents, The Constitution of Kenya 2010, Code of Governance for State Corporations 'Mwongozo' and The State Corporations Act. The Company is committed to supporting corporate governance guidelines through embedment of internal rules of engagement that reflect the highest standards of behavior.

Role of the Board

The operations of the Board are governed by the Board Charter which the Board has deemed to be up to date with the current needs and roles of the Board. The Board has a formal schedule of matters reserved for Board decision that details specific company affairs the Board does not delegate.

The Board is currently comprised of five members and has functioned without a substantive Chairperson since the exit of Director Suleiman Shakombo on 21st October 2016 vide gazette notice number 8733. The Board is collectively responsible for the Company's vision and strategic direction, its values and its governance. The Board is also accountable to the Company's shareholder for the performance of the business and its long-term success. It provides the leadership necessary for the Company to meet its performance objectives within the framework of internal controls. During the year there were no changes to membership.

The Board is satisfied with the commitment and contribution of each director and undertook a Board Evaluation exercise under supervision of State Corporations Advisory Committee (SCAC) during the year.

Attendance

The Board meets regularly and at least four times a year at approximately quarterly intervals. The dates of the meetings are set in November or December of the previous year, well in advance thereby ensuring maximum attendance.

The Board has established two principal Board Committees to which it has delegated certain responsibilities namely; the Business Committee and the Audit and Compliance Committee. The roles, membership and activities of these committees are as described later in this report. Each Committee has its own terms of reference which are subject to review annually. However, due to the lean composition of the Board, only the Audit and Compliance committee is functional.

10. Corporate Governance Statement (continued)

Board induction and training

All Board Members receive an induction upon joining. This provides an overview of the company, new developments in the environment in which the company operates, accounting and financial reporting developments, as well as any regulatory changes. Board members also undergo regular training and education to enable them fulfill their responsibilities.

Division of Responsibilities

As per the Board Charter, the chairperson is responsible for the leadership of the Board by ensuring effectiveness on all aspects of its role and facilitating productive contribution of all Directors. He/She sets the Agenda for the Board meetings in consultation with the Chief Executive Officer and the Company Secretary. He/She is also responsible for ensuring that the interests of the shareholder are safeguarded and effective communication is maintained with the shareholder. The chairperson is accountable to the Board for leading the direction of the Company's corporate and financial strategy and for overall supervision of the policies governing the conduct of the business.

The Chief Executive Officer has overall responsibility for the performance of the business. He provides leadership to facilitate successful planning and execution of the objectives and strategies agreed by the Board. He is also responsible for stewardship of the Company's assets and, jointly with the Chairperson, for representation of the Company externally.

As the board does not have a substantive Chairperson, the Board, in its meeting of 14th December 2017 nominated Ms. Mahiri Zaja as the designated Director to facilitate ease of coordination and functioning of the Board and Management. Ms. Zaja is also charged with coordinating board activities and execution of any approved documents on behalf of the board for a period of 6 months (renewable) or until the appointment of a substantive chairperson by the relevant authority, whichever precedes; subject to approval from the line ministry.

Information and Support

The Board receives high quality, up-to date information for review in good time ahead of each meeting. The Company Secretary ensures timely information dissemination within the Board and its Committees.

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10. Corporate Governance Statement (continued)

The Composition of the Board

The composition of the Board as at 30th June 2025 is as set out in the key entity information on page vii. The following change/appointments took place during the current financial year:

a. Extension of term of appointment:

Name	Designation	Date of Expiry of Term	Date of Reappointment	Term of Extension
L. Mahiri-Zaja	Independent Director	20.08.2024	27.09.2024	1year
H. Karinga				

b. Changes in Directorship:

Outgoing Director	Incoming Director	Designation	Date of Appointment	Alternate Director
Njuguna Sospeter Ndung'u	John Mbadi Ng'ongo	CS, National Treasury and Economic Planning	08.08.2024	Joseph Zachariah Ngugi
Justin Njoka Muturi	Dorcas Agik Odhong Oduor	The Attorney General	20.08.2024	Peter Okombe Ongori

Schedule of Meetings – Financial Year Ended 30th June 2025

As detailed in the below schedule, the Board held six (6) full Board meetings, three (4) Special Board meetings and ten (10) Committee meetings during the year 2024/2025 in the Company's Boardroom.

Table 4

Special Board	Full Board	Audit and Compliance Committee	Adhoc Committee (Resolution of Yield Shift/Termination of Processing Agreements)
05/11/2024	29/07/2024	30/07/2024	09/12/2024
07/11/2024	06/11/2024	26/11/2024	10/12/2024
16/05/2025	26/11/2024	27/02/2025	31/01/2025
28/05/2025	13/12/2024	28/04/2025	27/02/2025
	28/02/2025		06/05/2025
	02/05/2025		22/05/2025
			23/06/2025

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10. Corporate Governance Statement (continued)

The attendance by the Directors for the above meetings can be summarized as follows:

Table 5

		L. M. Zaja	H. Karinga	P. Ongori	J. Ngugi	E. Mwaruah
1.	Board Meetings					
i.	29/07/2024	✓	✓	✓	✓	✓
ii.	06/11/2024	✓	✓	✓	✗	✓
iii.	26/11/2024	✓	✓	✓	✓	✗
iv.	13/12/2024	✓	✓	✓	✗	✓
v.	28/02/2025	✓	✗	✓	✓	✓
vi.	02/05/2025	✓	✓	✓	✗	✓
2.	Special Board Meetings					
i.	05/11/2024	✓	✓	✓	✗	✓
ii.	07/11/2024	✓	✓	✓	✗	✓
iii.	16/05/2025	✓	✓	✓	✗	✓
iv.	28/05/2025	✓	✓	✓	✓	✓
3.	Audit and Compliance Committee Meetings					
i.	30/07/2024	✓	N/A	✓	✓	N/A
ii.	26/11/2024	✓	N/A	✓	✓	N/A
iii.	27/02/2025	✓	N/A	✓	✓	N/A
iv.	28/04/2025	✓	✓	✓	✗	N/A
4.	Adhoc Committee (Resolution of Yield Shift/Termination of Processing Agreements) Meetings					
i.	09/12/2024	N/A	✓	✓	N/A	N/A
	10/12/2024	N/A	✓	✓	N/A	N/A
ii.	31/01/2025	N/A	✓	✓	N/A	N/A
iii.	27/02/2025	N/A	✗	✓	N/A	N/A
iv.	06/05/2025	N/A	✓	✓	N/A	N/A
v.	22/05/2025	N/A	✓	✓	N/A	N/A
vi.	23/06/2025	N/A	✓	✓	N/A	N/A

Balance and Diversity

Board Directors come from a diverse industry and professional backgrounds with varied experience and expertise aligned to the needs of the business.

10. Corporate Governance Statement (continued)

Conflict of Interest

Directors are obligated to fully disclose to the Board any real or potential conflict of interest which comes to any director's attention, whether direct or indirect. The statutory duty to avoid situations in which the directors have or may have interests that conflict with those of the company has been observed in the financial year under review. A register for recording any conflict of interest declarations is maintained.

Training and Development

On joining the Board, all Directors receive a full induction on all arrears of the Company's business which includes a tour of the refinery complex and tank farms. Board members also undergo regular training and education to enable them fulfill their responsibilities from time to time. They also receive an overview on new developments in the environment in which the company operates, accounting and financial reporting development.

Directors Remuneration

The Directors remuneration is solely guided by the guidelines set forth in the Terms and Conditions of State Corporations for Chairmen and Board Members, the newly unveiled Guidelines on Management and Terms and Conditions of Service for Board Members and Staff of State Corporations as read together with the Salaries Remuneration Commission (SRC) circular dated 10th December, 2014 and the amendments thereto.

Role of the Business Committee

The Business Committee oversees the integrity of financial reporting, the independence and effectiveness of internal and external audit functions and compliance with legal and regulatory requirements.

Their responsibilities include reviewing the business risk management processes as well as the health, safety, security and environment functions. This committee further oversees the company's major projects, the strategic direction of the company and operations of the business. It also guides the development, review and authorization of procuring and contracting procedures.

This committee also oversees the Company's human resources policy, practices and procedures taking into account that Human resources are one of the most important stakeholders of the Company.

Role of the Audit and Compliance Committee

The Audit and Compliance Committee is responsible for monitoring the integrity of financial statements and any formal announcements relating to financial performance.

11. Management Discussion and Analysis

HUMAN RESOURCES HIGHLIGHTS

Labour

Establishment strength during the period ended 30th June 2025 stood at 107 with critical short falls in the Human Resource and Health, Safety and Environment departments.

A key item in the roadmap for post-acquisition activities is the organisational structure of the new subsidiary, which will determine amongst other things, staffing requirements and appropriate remedial actions.

The KPRL Board of Directors approved the internal advertisement and recruitment of 22 vacant positions but being cognizant of the now impending merger with KPC and dissolution of KPRL, resolved to hold this in abeyance until a clear roadmap of the merger is drawn.

The continued delay in concluding this process and a now overstretched workforce with some staff having to hold more than one extra role on acting capacity is strenuous and may affect staff productivity.

Stalled 2017 – 2020 CBA negotiations and non-commencement of CBA 2021-2024

These remain unresolved and affect 26 staff. The failure to conclude 2017-2020 CBA and commence 2021-2024 CBA has created discontent among Union Staff.

Staff Training

KPRL staff attended various training programmes during the year.

The Table 3 below shows a summary of the overall turnover as at 30th June 2025.

Table 6

	Staff Nos.	Turnover
Staff as at 30th June 2023	116	
Exits During July – September 2023	(1)	1%
Staff as at 30th September 2023	115	
Exits During October – December, 2023	(1)	1%
Staff as at 31st December, 2024	114	
Exits During January – March, 2024	(1)	1%
Staff as at 31st March, 2024	113	
Exits During April – June, 2024	(0)	0%
Staff as at 30th June, 2024	113	
Exits During July – September, 2024	(2)	2%
Staff as at 30th September, 2024	111	
Exits During October – December, 2024	(1)	1%
Staff as at 31st December, 2024	110	
Exits During January – March, 2025	(1)	1%
Staff as at 31st March, 2025	109	
Exits During April – June, 2025	(2)	2%
Staff as at 30th June, 2025	107	

11. Management Discussion and Analysis (continued)

HEALTH, SAFETY, SECURITY & ENVIRONMENT HIGHLIGHTS

KPRL embarked on a journey towards achieving 500,000 workhours without Lost Time Injury on 05th August 2024 after suffering an LTI. As at 30th June 2025, the workhours stood at 912,599 estimated to be 20 days to target.

Table below shows Work hours without lost time injury

Table 7

Target	1,000,000
Hours achieved (30th June 2025)	912,599 (estimated 20days remaining to achieve target)

Site wide sensitization was conducted to ensure the milestone would be achieved. Once achieved, Management will consider approval of issuance of a safety token towards this milestone in line with the policy on rewarding HSSE Performance.

The Company's Health, Safety and Environment Management System (HSE-MS) underwent its 1st Surveillance Audit on 3rd to 4th July 2024. Following the audit, KPRL was recommended for continued certification.

2nd surveillance Audit scheduled for 29th -30th July 2025.

Safety incentive programs were placed on hold during the year, due to austerity measures.

First Aid training was deferred and scheduled for Q1 FY 2025/26 as the tender was non responsive.

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11. Management Discussion and Analysis (continued)

Table 8. Key Projects carried out during the year

	PROJECT	CONTRACT AMOUNT (KSHS)	STATUS AS AT 30th June 2025
	KPRL R22 Refrigerant air-conditioning systems	39.32M	Project was into Parts. <ul style="list-style-type: none"> Part 1: Supply and installation of Split air Conditioning units- This is completed. Part 2: Supply and installation of Chiller units providing Air conditioning in the control room. Project at 96% Completion, and expected to be fully completed by September 2025.
	Purchase of Jet Fuel Thermol Oxidation Tester	39,150,000/-	COMPLETED
	Industrial Vacuum Tanker (Gulley Sucker)	27,583,000/-	COMPLETED,
	Replacement of 3 Primary and 3 Disaster Recovery Data Centres Servers, 6 LAN Base POE Switches and Associated Devices	23,679,080/-	COMPLETED
	Replacement of utilities air compressor	23,397,200/-	COMPLETED,
	Replacement of Automatic Distillation Units	14,124,617/-	COMPLETED,
	Purchase of Automatic Penetrometer	6,796,000/-	COMPLETED,
	Replacement of Automatic Density Meter	5,000,000/-	COMPLETED,
	Replacement of Mercaptan Sulphur Titrator	5,000,000/-	COMPLETED,
	Replacement of 30 Enterprise Desktop Computers complete with Uninterruptible Power Supply (UPS) Units	4,350,000/-	COMPLETED.
	Replacement of Hydrogen gas generator	4,000,000/-	Purchase Order issued in June 2025, completion expected in Dec 2025
	Purchase of 100Nos Office chairs and Coffee tables for Reception.	2,365,356/-	COMPLETED,

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11. Management Discussion and Analysis (continued)

COMMERCIAL HIGHLIGHTS

As per the terms of the lease agreement, KPC is operating the entire KPRL tank storage capacity. More volumes are expected to be handled through the KPRL facility since Oil Marketing Companies (OMCs) can access products easily through the Global Entitlement Program (GEP). The optimal tank turnaround factor is 1.4 translating to monthly volume of at least 196,000M3.

The actual volume of products handled during the period (July 2024 to June, 2025 is shown below on Table 7. Product receipts into KPRL tanks were marginally lower than the budgeted volumes.

Table 9
Summary of throughput during the year ended 30th June, 2025

Operation	Budget Vol.	Actual Vol.	Variance Vol.	Variance %
KPRL Marine receipts (M3)	2,652,000	1,591,595	(1,060,405)	(40.0)%
Pumpover & Backloading to SOT (M3)	72,000	73,435	1,435	2.0%
Truck loading (M3)	531,793	529,769	(2,024)	(0.4)%
HFO Direct transfer/ Line Lease	54,000	91,646	37,646	69.7%
LPG Receipt to KPRL (MT)	30,000	3,073	(26,927)	(89.8)%
LPG Pumpover (MT)	6,000	873	(5,127)	(85.5)%
LPG Truck loading (MT)	24,000	2,390	(21,611)	(90.0)%
LPG Direct Transfer /Line lease (MT)	10,800	2,110	(8,690)	(80.5)%

11. Management Discussion and Analysis (continued)

KEY DEVELOPMENTS IN THE SECTOR

i. Monetization of Kenyan Crude Oil

Kenya discovered commercial deposits of crude oil in Turkana in the year 2012 and commercialization of the crude oil is expected either through direct export of the crude oil or establishment of a refinery to convert the crude oil into petroleum products.

ii. Enhanced uptake of LPG

The Cabinet of Kenya approved the Government's Liquefied Petroleum Gas (LPG) Growth Policy in October 2023 and this paved way for development of requisite infrastructure and policies aimed at enhancing LPG intake in the country. New infrastructure development is expected in the country including import and handling facilities in the Coast and in the hinterland.

iii. Green Energy

With new requirements to safeguard the environment and adoption of new climate change policies, the use of Fossil fuels is expected to reduce, with more efforts and investment expected in green energy including solar and wind power. Clean power production is expected to drive the economy and replacing fossil fuels in in automotive industry.

iv. Bio-Fuel Refining

A bio-refinery project will support the Kenya DE carbonization targets and bio-energy strategy 2020-2027, bringing Kenya in a regional leadership in the bio-fuel sector and become the first African country to successfully develop a Sustainable Aviation Fuel(SAF) and Hydro treated vegetable Oil(HVO) bio-refinery.

Globally there are concerns about the increasing cost of crude oil, energy security, Green House Gas (GHG) emissions, and the realization that energy is essential input for economic growth hence the renewed focus on bio-fuels.

11. Management Discussion and Analysis (continued)

FINANCIAL HIGHLIGHTS

Statement of Comprehensive Income for the period ended 30th June, 2025

Revenue

During the year ended 30th June, 2025 KPRL continued to operate under the KPC- KPRL lease arrangement. The lease agreement provides for recovery of KPRL operating and finance expenses at cost i.e. without a profit margin. The expenses recovered exclude depreciation on the captive power plant. The budget for FY2024/25 was approved by The National Treasury on 3rd October, 2024. Lease recoveries for the year were Kshs 1.629Bn against budget of Kshs 1.553Bn.

Operating Expenses

Total operating expenses are made up of staff costs, use of goods and services, depreciation & amortisation and finance costs. Total operating costs for the year were Kshs 2.636Bn against budget of Kshs 1.553Bn mainly due to higher depreciation and amortisation charge due to change in accounting policy from cost to revaluation model. The depreciation charge for the year was Kshs 675M for Property plant and equipment and Kshs 364M for amortisation of leasehold land.

Loss after Tax and Other Comprehensive Income (OCI)

The Loss after tax and other comprehensive income for the period ended 30th June, 2025 was Kshs 987M against loss of Kshs 91M for the year ended 30th June, 2024. The loss of Kshs 987M compared to loss of Kshs 91M for the previous year (FY 2023/24) is mainly due to higher depreciation and amortisation charge due to change in accounting policy from cost to revaluation model. The depreciation charge for the year was Kshs 675M for Property plant and equipment and Kshs 364M for amortisation of leasehold land.

11. Management Discussion and Analysis (continued)

FINANCIAL HIGHLIGHTS

Statement of Financial Position as at 30th June, 2025

The statement of financial position is shown on page 2.

Non- Current Assets

The Company changed its accounting policy on assets from cost to revaluation model with effect from the FY 2024/25. The net book value of Property plant and equipment as at 30th June, 2025 was Kshs 6.845Bn. Detailed breakdown of property, plant and equipment is shown in note 15 to the financial statements.

Following the conversion of the Defined Benefit (DB) pension scheme to a Defined Contribution (DC) pension scheme with effect from 1st January, 2017, the company's share of surplus was transferred to the DC pension fund to be invested in the DC Pension scheme. The surplus funds would go partly to future funding of the employer's statutory contribution towards the DC pension scheme. In line with RBA rules and regulations, the Board of the Sponsor (KPRL) passed a resolution to meet any contingent liabilities that may arise in future, which shall be covered by a component of the sponsors investment in the DC fund.

On 29th July, 2024 the KPRL Board passed a resolution to recall the investment held in the DC pension fund and utilize the funds to settle the outstanding bank loans. The Investment in the DC Fund was liquidated on 28th January, 2025. The value of the KPRL investment in the DC Pension fund as at that date was 953,255,805/- and the proceeds were invested in Short term bank deposits pending KPRL Banks loan restructuring which was concluded in October, 2025

Deferred Tax Asset

As at 30th June, 2025 the deferred tax asset was Kshs 272M. A deferred tax asset is business tax credit for future taxes, and a deferred tax liability means the business has a tax debt that will need to be paid in future. The significant change affecting the treatment of deferred tax is that the Finance Act, 2021 removed the time restriction on carry forward of losses effective 1st January 2022, thus enabling KPRL to recognise deferred tax asset from previous years.

Current Assets

As at 30th June, 2025 total value of current assets was Kshs 6.227Bn, made up of inventories totaling Kshs 441M (finished products stocks Kshs 306M and plant & equipment spares & other consumables Kshs 135M), trade & other receivables Kshs 389M, tax recoverable Kshs 981M, Short term bank deposits Kshs 987M and bank & cash balances Kshs 3.427Bn. Detailed breakdown of the Inventories and the trade & other receivables are shown in notes 22 and 23 of the financial statements.

11. Management Discussion and Analysis (continued)

FINANCIAL HIGHLIGHTS

Current Liabilities

As at 30th June, 2025 total current liabilities were Kshs 7.529Bn made up of borrowings Kshs 1.675Bn, short term loans from GoK Kshs 1.635bn, cash advance from KPC Kshs 473M, Yield Shift advances Kshs. 3.365Bn, trade & other payables Kshs 357M. Detailed breakdown of the borrowings, trade and other payables are shown in notes 32-36 to the financial statements.

The current liabilities (Kshs 7.529Bn) exceed current assets (Kshs 6.227bn) by Kshs 1.302bn due to outstanding short-term loans from GoK and KPC, bank overdrafts and CPP term loan which was converted to a current loan after default. In May 2020 KPRL began partial repayment of the bank loans using depreciation recoveries from KPC as provided for in the lease agreement. KPRL Banks loan restructuring was concluded in October, 2025

Kenya Petroleum Refineries Limited
Annual Report and Financial Statements for the year ended June 30, 2025

11. Management Discussion and Analysis (continued)

FINANCIAL HIGHLIGHTS

STATEMENT OF CASH FLOWS

The statement of cash flows is shown on page 4.

Cash generated from operations

Net cash generated for the year from operating activities was Kshs 212M.

Cash flow from investing activities

As per terms of the lease agreement between KPRL and KPC, Capital Expenditure incurred by KPC for the upgradation of KPRL assets is KPC 's cost of investment in KPC books. Thus, KPRL has not incurred any Capital Expenditure for the period ended 30th June, 2025. KPRL liquidated the sponsor share of DB Actuarial Surplus invested in the DC Fund in January, 2025.

Investment activities

Net cash generated from investment activities was KSh 881M mainly from liquidation of KPRL investment in DC Fund.

Financing activities

Net cash applied in financing activities was Kshs 3.312bn. This amount is made up of partial principal loan repayment of Kshs 52M towards captive power plant term loan, interest paid on outstanding bank loans Kshs 230M and interest income from Short term bank deposits Kshs 39M. Restructuring the CPP term loan and bank overdrafts was completed in October, 2025. KPRL also received Kshs. 3.515bn from the Government for purposes of Yield Shift compensation to the Refinery Users.

Net decrease in cash and cash equivalents

The net increase in cash and cash equivalents was Kshs 4.402bn. The closing cash and cash equivalents as at 30th June, 2025 was Kshs 3.764bn as detailed in note 25,27 and 32 of the Financial Statements.

The closing cash balance of Kshs 3,764,837,726/- is made up of Short term deposits Kshs 987,305,451/- Bank and cash balances Kshs 3,426,985,379/- as shown in note 25 and 27 and bank overdrafts as detailed in note 32 comprising: NCBA Kshs 329,632,781/- Citibank Kshs 114,042,832/- & Citibank USD facility equivalent Kshs 205,777,491/-

Kenya Petroleum Refineries Limited
Annual Report and Financial Statements for the year ended June 30, 2025

11. Management Discussion and Analysis (continued)

Table 10. KPRL RISK ANALYSIS

No	Risk Code	Risk	Risk Description	Impact	Likelihood	Overall Ratings	Improvement Action Plans	Procedure	Status Q1
1.	24040201	KPRL/KPC Integration	The source of uncertainty is acquisition process failing to meet all legal and regulatory guidelines, bring about the desired integration of its systems with those of KPC and hence fail to attainment the strategic objectives,	3	4	12	1. Implementation of recommendations from the post-acquisition committee reports (Finance, Operations and Governance) and prepare quarterly status reports.	Leg P1	1
							2. Engagement between KPC and KPRL on governance structure		1
2.	24040202	Loss of property rights	Unauthorized access arising from encroachment and intrusion to KPRL facilities and illegal occupancy of company land/properties by strangers or squatters who may lay claim to the land	3	3	9	1. Implement court orders on eviction in liaison with the Ministry of Interior.	Leg P1	2
							2. Reinstate dysfunctional CCTV cameras.		2
							3. Install perimeter masonry wall along Magongo road.		1
3.	24020301	Dilapidated assets	Obsolete/aging plant equipment could result in environmental hazards, operational failures and disruption, regulatory non-compliance, technological obsolescence, Occupational and ergonomic hazards that may negatively impact on staff productivity and overall performance of the company.	3	3	9	1. Carry out assessment on all manually operated equipment and recommend upgrade and automation.	HSE P1	2
							2. System integration between LPG project and Yokogawa to enhance automation of manually operated valves.		1
							3. Dismantle high risk equipment		1
							4. Prepare plan for decommissioning of dilapidated asset		1
							5. Cordon off process plants by fencing		1

Kenya Petroleum Refineries Limited
Annual Report and Financial Statements for the year ended June 30, 2025

No	Risk Code	Risk	Risk Description	Impact	Likelihood	Overall Ratings	Improvement Action Plans	Procedure	Status Q1
4.	24020102	Explosion and fire.	Main concern is on the joint parking area for loaded trucks of LPG and ground fuels that may result to catastrophic events due to leakages or truck collisions.	4	3	12	1. Review and update the fire prevention plan to include explosion hazards.	OP P1	1
							2. Review the annual preventive maintenance programs FY2024/2025 to include new LPG plant maintenance, inspections and gas leak detection system.		1
							3. Train 20No. staff on firefighting skills and emergency response.		1
							4. Prepare proposal for dedicated LPG Truck parking yard for trucks with loaded LPG awaiting clearance and dispatch.		1

Legend 1: Overall Risk Rating

	Low Risks		Medium Risks		High Risks		Extreme Risks
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Note: Please refer to ERM Policy for Risk Rating Criteria.

Legend - Status of Action Plans	
1. Intervention Required	Either action has not started yet/or at planning/ identification stage
2. Attention Received	Action has commenced and is below 50%, still requires significant work to complete
3. Finalize	Action is in progress above 50%, nearing finalization, and progress is on schedule.
4. Fully Implemented	Action is complete and is subject to continuous improvement

12. Environmental and Sustainability Reporting

KPRL exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer first, delivering relevant goods and services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability

i) Sustainability strategy and profile

KPRL has been in transition mode since 4th September, 2013. The company's refining operations stopped on 4th September, 2013 and the plant was shut down effective the same date. The main reason quoted for the shutdown was that the refinery gate prices of the products produced by the refinery were marginally higher than those of imported products. As an interim measure, on 20th March, 2017, KPRL signed a 3 year operating lease agreement with KPC. The Lease Agreement was a culmination of the exit of Essar from shareholding at KPRL, and the termination of the crude oil processing at KPRL, where upon the major assets of KPRL were underutilized. The lease arrangement was therefore seen as an interim phase to allow the finalisation of the due diligence and decision making on the pending takeover of KPRL by KPC. The Lease Agreement was operationalized with effect from 1st June, 2017.

Status of the Lease Agreement and Road Map for Take Over of KPRL by KPC

On 18th March, 2020 the lease agreement was extended for a further term of 15 months which expired on 20th June, 2021. In line with clause 3.2 of the Agreement, KPC and KPRL expressed interest and mutually agreed to extend the Term of the Agreement for a further period of six (6) months with effect from 20th June, 2021 with automatic month to month extension until the implementation of the joint proposed roadmap on takeover of KPRL by KPC is completed.

On 26th April, 2022 KPC engaged PwC as transaction advisor for the takeover of KPRL. The final draft due diligence report was delivered on 16th December, 2022. On 18th July 2023 the Cabinet considered and approved the acquisition of KPRL by KPC. According to GoK, this State intervention is expected to enhance petroleum supply chain infrastructure and thereby result in security of supply and cost-efficiency through reduced demurrage costs and enhanced penetration of LPG usage in the country through the development of LPG bulk import handling and storage facility. This will enhance efficiency and also foster synergy in the petroleum value chain by optimizing the use of our existing downstream petroleum infrastructure.

On 18th July, 2023 the Cabinet considered and approved the acquisition of KPRL by KPC. According to GoK, this State intervention is expected to enhance petroleum supply chain infrastructure and thereby result in security of supply and cost-efficiency through reduced demurrage costs and enhanced penetration of LPG usage in the country through the development of LPG bulk import handling and storage facility. This will enhance efficiency and also foster synergy in the petroleum value chain by optimizing the use of our existing downstream petroleum infrastructure. On 27th October 2023, GoK through The National Treasury (TNT) & Economic Planning transferred its 100% shareholding in KPRL to KPC. Consequently, KPRL became a wholly owned subsidiary of KPC.

12. Environmental and Sustainability Reporting (continued)

Strategic Pillars

Since 4th September, 2013 when refining operations were stopped, KPRL strategic plan is yet to be updated and unveiled. Despite the uncertainty about the going concern status of KPRL, the company is still guided by 5 strategic pillars and objectives within its Medium Term Budget for the FY2021/22-2024/25. These strategic pillars are as follows:

- **Pillar 1:** Conduct KPRL Business with integrity and in accordance with the laws of the Country.
- **Pillar 2:** Create value to the Shareholder and our Customers by maximizing use of allocated resources within budgeted limits.
- **Pillar 3:** Resolve the uncertainty about the going concern status of KPRL and secure the future of the Company.
- **Pillar 4:** Carry out KPRL activities with highest regard to health, safety, security and the environment.
- **Pillar 5:** Maintain and develop KPRL facility as a Strategic Asset of the GoK within the Oil and Gas sector.

ii) Environmental performance

KPRL has a robust HSSE policy that ranks HSSE matters on equal terms with other strategic business objectives and anchored on the premise that all KPRL activities will be conducted taking foremost account of the health and safety of employees, contractors, customers and the community while paying proper regard to the environment. This policy has been implemented through a comprehensive Health, Safety and Environment management system (HSE MS) which is certified to the ISO 14001;2015 Environmental Management System standard. To this end, all reasonable steps are taken to protect and preserve the environment through the identification and control of hazards that are inherent in the company's operations. It is KPRL's policy to minimize and prevent environmental pollution in all its activities.

Hazardous and non-hazardous wastes were disposed in accordance with applicable waste management regulations. In the year under review, KPRL implemented phase three (3) and final on removal, transportation and disposal of asbestos off site as per National Guidelines on Safe Management and Disposal of Asbestos (2013). Reroofing was done on areas that were to be done.

As part of the environmental sustainability programs, improvement of biodiversity and in line with the Presidential directive on tree restoration drive which aims at restoring over 10million hectares of degraded land countrywide, KPRL Staff and contractors joined hands in tree planting exercises and managed to plant seven trees on site.

Kenya Petroleum Refineries Limited
Annual Report and Financial Statements for the year ended June 30, 2025

12. Environmental and Sustainability Reporting (continued)

The **Table 11** below shows **Status of HSSE Audits**

S/NO	AUDIT	REMARKS
1	Fire Safety Audit	<ul style="list-style-type: none"> The audit was done on 21st to 23rd January 2025 Final report submitted had no major findings. The next audit is scheduled for December 2025
2	Occupational Health and Safety Audit	<ul style="list-style-type: none"> This was carried out on 24th and 25th June 2025. Awaiting submission of final report. The next audit is scheduled for June 2026
3	ISO 14001:2015 Second Surveillance Audit	<ul style="list-style-type: none"> Recertification Audit was done on 27th to 30th June 2023. The 1st Surveillance Audit by Bureau Veritas scheduled for 3rd and 4th July 2024. 2nd surveillance was done on 29th and 30th July 2025
4	Air Quality Monitoring Noise Survey	<ul style="list-style-type: none"> This was done on 23rd June 2025. Awaiting submission of final report. The next Survey is scheduled for June 2026. Noise Survey carried out on 26th June 2025 Awaiting submission of final report.
5	Statutory Medical Examination	<ul style="list-style-type: none"> The exposed staff were examined on 12th -13th May 2025 and follow up review exercise with medical practitioner in progress. The next examination is scheduled for May 2026.

iii) Employee welfare

KPRL aims to employ the optimum mix of talent, knowledge and skills required for its current and future operations. Observance of gender equality, ethnicity and other diversity aspects are key in the selection process. Established posts falling vacant will be as far as possible filled from within unless there is no suitable candidate in the organization in which case external recruitment will be adopted.

Skills improvement at KPRL is carried out via a comprehensive training programme which runs the course of the calendar year. The various departments in the course of their performance management procedures carry out a training needs analysis for their members whose results are combined to form a companywide programme which is managed by the Human Resources Department by way of an approved budget. The company has a reward programme that awards bonuses to employees who meet and surpass their targets on an annual basis.

12. Environmental and Sustainability Reporting (continued)

iv) Market place practices-

a) Responsible competition practice.

Since 20th March, 2017, KPRL operates under the KPC–KPRL lease agreement that transferred customer care, marketing practices and contractual arrangement between KPRL and Oil Marketing Companies (OMCs) to KPC.

b) Responsible supply chain and supplier relations

KPRL honours contractual obligations. As at 30th June, 2023 KPRL had no pending bills.

c) Responsible marketing and advertisement

As per the current lease arrangement, KPC operates the KPRL facility and is responsible for product marketing and advertisement

d) Product stewardship or Awareness creation

Since 20th March, 2017, KPRL operates under the KPC–KPRL lease agreement that transferred customer care, marketing practices and contractual arrangement between KPRL and Oil Marketing Companies (OMCs) to KPC.

v) Corporate Social Responsibility / Community Engagements

KPRL in conjunction with Torch Sacco donated Kshs. 200,000/- towards needy children in Public schools within Changamwe Sub-county. The donation together with that of Torch Sacco which is predominantly for KPRL Staff, supported some thirty students.

The KPRL Sports club plays host to three football teams drawn from Changamwe. One team Magongo Ranger (Mombasa Elite FC) plays in the Nationwide league. The Junior arm of it Mangongo Ranger youth FC plays in the county league and the Magongo Youth academy who all use the KPRL Sports Club for practice, friendly matches and league games at no cost.

The Saratoga open field adjacent KPRL Housing Estate also hosts a number of community activities including being a prayer site for Muslim faithful during their UMMA prayers on large occasions like Eid-ul-fitr etc

12. Environmental and Sustainability Reporting (continued)

The following public schools and groups also benefitted from use of KPRL sports club free of charge, for their school games and other group activities;

Table 12

S/No	BENEFICIARY	EVENT	DATE
1	Kenya Scouts Association	Changamwe Sub-county Scouts Talent Show	12 th July, 2025
2	County Assembly Office, Airport Ward	Women Widows' welfare meeting	20 th June, 2025
3	Changamwe Sub-County Secondary Schools Sports Association	Sub-County Championship games	5 th June, 2025
4	Bomu Primary School	Changamwe Sub-County Athletics Rehearsals	12 th - 13 th March, 2025
5	Bomu Secondary School	School Athletics Trials	11 th February, 2025
6	Ujamaa Welfare Group (KPC Welfare for Coast Region Staff)	Farewell Party for a Staff	1 st February, 2025

KPRL runs a student attachment program for diploma and degree students. Apart from paying them a stipend each month, the students are taken through counselling and life skills sessions during their monthly meetings. They are also taken through a session of Basic Fire Fighting drills to equip them with the much-needed emergency preparedness which would come in handy in the unfortunate event of a fire at home and/or in their institutions of learning.

KPRL Believes that this produces an all-round person besides academics and work alone. A total of 26 students are absorbed per quarter, translating to a minimum of 100 students per year.

Forty KPRL staff members participated in the Standard Chartered Marathon held in October, 2024. The annual event brings together various stakeholders and fitness enthusiasts. Proceeds of the event are used to help various programs under the auspices of Standard Chartered Bank. Participants in various categories were awarded medals and tree saplings to plant back home and in their respective organizations.

VISITATIONS

More than fifteen schools and institutions visited KPRL on Educational and familiarization tours. The company hosts learning institutions for educational visits being a unique one of its kind in this region.

Kenya Petroleum Refineries Limited
Annual Report and Financial Statements for the year ended June 30, 2025

13. Report of the Directors

The Directors submit their report together with the unaudited financial statements for the year ended June 30, 2025, which show the state of the KPRL affairs.

i) Principal activities

KPRL has been on transition mode since 4th September, 2013. The company's refining operations stopped on 4th September, 2013 and the plant was shut down effective the same date. The main reason quoted for the shutdown was that the refinery gate prices of the products produced by the refinery were marginally higher than those of imported products.

As an interim measure, on 7 March, 2017, KPRL signed a 3 year operating lease agreement with KPC. The Lease Agreement was a culmination of the exit of Essar from shareholding at KPRL, and the termination of the crude oil processing at KPRL, where upon the major assets of KPRL were underutilized. The lease arrangement was therefore seen as an interim phase to allow the finalisation of the due diligence and decision making on the pending takeover of KPRL by KPC.

Status of Road Map Towards Integration of KPRL and KPC

On 27th October 2023, GoK through The National Treasury (TNT) & Economic Planning transferred its 100% shareholding in KPRL to KPC. Consequently, KPRL became a wholly owned subsidiary of KPC. On 4th October, 2024 and 6th November, 2024, both KPC and KPRL respectively passed board resolutions to extend the lease agreement which was entered on 20th March, 2017 until the implementation of the post acquisition integration plan is completed.

On 11th March, 2025 and 13th March, 2025 the National Treasury & Economic Planning and the Ministry of Energy & Petroleum (MOEP) respectively approved the commencement of the process of dissolution of KPRL by KPC pursuant to Section 86(1) of the Public Finance Management Act, 2012. Vide a letter dated 15th May 2025, MOEP directed KPC to draft a Cabinet Memorandum on KPRL's dissolution and submit to MOEP for review. According to MOEP the drafting of the Memorandum should be guided by the National Development Implementation and Communication Committee's (NDICC's) resolution on Cabinet Business. The NDICC during its 6th meeting held on 12th March 2019 resolved that all Cabinet Memoranda should be countersigned by the Cabinet Secretary for the National Treasury and Planning as well as the Attorney General to denote their confirmation that the Memorandum in question is aligned to the Medium Term Plan. The process is to be expedited and completed by 31st December, 2025.

ii) Results

The results of the Company for the year ended June 30, 2025, are set out on page 1 to 5. Following is Table 13 showing summary of the loss made during the year.

Kenya Petroleum Refineries Limited
Annual Report and Financial Statements for the year ended June 30, 2025

13. Report of the Directors (continued)

Table 13

Description	Note	FY 2025 Kshs	FY 2024 Kshs
TOTAL REVENUES	6,7,8	1,704,417,534	1,976,207,492
TOTAL OPERATING EXPENSES	9,10	2,636,212,776	2,082,740,706
PROFIT/(LOSS) BEFORE TAXATION	11	(931,795,242)	(106,533,214)
INCOME TAX EXPENSE/(CREDIT)	12	55,451,103	(15,409,311)
PROFIT/(LOSS) AFTER TAXATION		(987,246,346)	(91,123,903)
Earnings per share – basic and diluted	13	(26.8)	(2.5)
Dividend per share	14	0	0
OTHER COMPREHENSIVE INCOME			
Profit/(Loss) after taxation		(987,246,346)	(91,123,903)
Surplus or deficit on revaluation of PPE		0	0
Remeasurement of net defined benefit liability		0	0
Fair value gain/(loss) on investments in equity instruments designated as at FVTOCI		0	0
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(987,246,346)	(91,123,903)

iii) Dividends

There were no dividends declared during the year as the company reported losses during the year.

iv) Directors

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

v) Auditors

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

By Order of the Board

.....

Name

Corporate Secretary

Date

14. Statement of Directors' Responsibilities

Section 14 of the State Corporations Act requires that entities should quote the applicable legislation under which they are regulated while Section 81 of the Public Finance Management Act, 2012 require the Directors to prepare financial statements in respect of KPRL, which give a true and fair view of the state of affairs of the company at the end of the financial year and the operating results of the company for that year. The Directors are also required to ensure that KPRL keeps proper accounting records which disclose with reasonable accuracy the financial position of the company. The Directors are also responsible for safeguarding the assets of KPRL.

The Directors are responsible for the preparation and presentation of the KPRL financial statements, which give a true and fair view of the state of affairs of the company for and as at the end of the financial year 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 company, (v) selecting and applying appropriate accounting policies, and (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors responsibility for the KPRL 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 State Corporations Act.

Kenya Petroleum Refineries Limited
Annual Report and Financial Statements for the year ended June 30, 2025

Statement of Directors' Responsibilities (Continued)

The Directors are of the opinion that the KPRL financial statements give a true and fair view of the state of the company's transactions during the financial year ended June 30, 2025, and of the KPRL financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the company, which have been relied upon in the preparation of the KPRL financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the company 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 KPRL financial statements were approved by the Board on _____ 2025 and signed on its behalf by:

Name
Director

HENRY KARUNA
H. Karuna

Name
Ag, Chief Executive Officer

Joseph Bale Ndofu

REPUBLIC OF KENYA

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REPORT OF THE AUDITOR-GENERAL ON KENYA PETROLEUM REFINERIES 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 Kenya Petroleum Refineries Limited set out on pages 1 to 65, which comprise of the statement of financial position as at 30 June, 2025, and the statement of profit/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 effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kenya Petroleum Refineries Limited 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

Unsupported Ownership of Motor Vehicles

The statement of financial position reflects property, plant and equipment balance of Kshs.6,845,118,000 as disclosed in Note 15 to the financial statement. Included in the value are motor vehicles and tractors with a net book value of Kshs.25,280,000. However, ownership documents for ten (10) motor vehicles were not provided for review.

In the absence of ownership documents, it was not possible to confirm whether the Company holds or controls the rights to assets, and whether there are any liabilities or obligations to the Company attached to these motor vehicles.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Petroleum Refineries Limited 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.

Material Uncertainty Related to Going Concern

The statement of profit or loss and other comprehensive income reflects a loss of Kshs.987,246,346 (2024: loss of Kshs.91,123,903), raising the Company's accumulated losses to Kshs.1,461,795,787 as at 30 June, 2025. Similarly, the Company's current liabilities balance of Kshs.7,528,920,982 exceeded the current assets balance of Kshs.6,226,799,368 by Kshs.1,302,121,614. Further, the report of the Chief Executive Officer on Page xviii discloses that the Refinery operations stopped on 4 September, 2013 and the Company's operations and financial obligations are funded by Kenya Pipeline Company.

In addition, the Chairman's Statement indicates that The National Treasury and the Ministry of Energy and Petroleum have approved commencement of dissolution of the Company by Kenya Pipeline Company Limited. A Cabinet memorandum communicated

by Cabinet Secretary for Energy and Petroleum on 3 November, 2025 revealed the intention to dissolve the Company.

These events and conditions indicate material uncertainty regarding the Company's ability to continue as a going concern.

My opinion is not modified in respect of this matter.

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 and Material Uncertainty Related to Going Concern section, I have determined that there are no other key audit matters to communicate in my report.

Prior year matters

Unresolved Prior Year Matters

In the prior years' audit report, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on the Effectiveness Internal Controls, Risk Management and Governance. Review of the status during audit of the Project in 2024/2025 revealed that the following matters remained unresolved;

No.	Audit Issue
1	Undisclosed Material Uncertainty Relating to Going Concern
2	Fully depreciated assets in use
3	Unreconciled related entities balances
4	Long Outstanding trade receivables
5	Inaccuracies in Captive Power Plant Loan Balance
6	Crude and finished products stocks
7	Employees Acting for more than six months
8	Unprocedural secondment of an employee
9	Unutilized residential buildings
10	Non-Implementation of E-Procurement Requirements
11	Non – Compliance with Mwongozo Code of Governance
12	Lack of strategic plan
13	Lack of a functional Internal Audit Department

Other Information

The Directors are responsible for the Other Information set out on page v to I which comprise of Key Entity Information and Management, The Board of Directors, Management Team, Chairman's Statement, Report of the Chief Executive Officer, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors, Statement of Directors

Responsibilities, Statement of Performance Against Predetermined Objectives. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Company'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. Irregular Secondment of an Employee

As reported in the previous years, the Company's Chief Operating Officer was seconded to the State Department of Petroleum in April, 2023 for an additional period of 2 years ending 31 March, 2025. This was despite the officer having exhausted the maximum allowable secondment period of 6 years. Further, review of the personnel records revealed that the employee had not resumed her duties, and continued to draw salaries at the Company, despite the lapse of the secondment extension period in March, 2025 and a Board resolution requiring the employee resumes duties at the Company.

In the circumstances, Management was in breach of the law and the continued payment of salaries and allowances to the seconded employee amounted an irregular charge on public funds.

2. Employees Acting for More than Six Months

Review of human resource records revealed that five (5) employees were appointed in acting capacity for a period of more than 6 months with some of the appointees had been serving in acting capacity roles for periods exceeding thirty (30) months. This was contrary to the Head of Public Service Circular dated 11 March, 2020, which provides that acting positions should be for a maximum period of 6 months.

In the circumstances, Management was in breach of public service policies and guidelines.

3. Expenditure on Unexecuted Wayleave Clearance

The statement of profit or loss and other comprehensive income reflects administration costs amounting to Kshs.2,405,018,988 which includes legal fees of Kshs.19,673,073 as disclosed in Note 9 to the financial statements. Review of legal expenses revealed a payment of Kshs.12,003,000 made to a law firm on behalf of Auctioneers appointed by the High Court to undertake lawful eviction and clearance of illegal structures on the pipeline wayleave and buffer zone. However, the auctioneers did not undertake the evictions or clear the illegal structures.

In the circumstances, value for money for the expenditure incurred on legal fees amounting to Kshs.12,003,000 could not be confirmed.

4. Unutilized Residential Buildings

The Board approved commercialization of six (6) out of seven (7) leasehold properties owned by the Company in 2016. However, as at the time of the audit, the properties had not been commercialized. Management did not provide explanation as to why the properties had not been commercialized. Further, the Company continued to incur recurrent utility costs relating to the facility like water, electricity, maintenance of the property, security charges further increasing the losses.

In the circumstances, the effectiveness in use of the assets and value for money incurred in maintaining the assets could not be confirmed.

5. Long Outstanding Trade Payables

The statement of financial position reflects trade and other payables balance of Kshs.341,396,904 as disclosed in Note 36 to the financial statements. Review of an ageing analysis provided in support of the amount revealed a balance of Kshs.67,894,692 which had been outstanding for more than 3 years. The outstanding amounts ought to have formed first charge in the subsequent year. This was contrary to Regulation 150 (1) of Public Procurement and Asset Disposal Regulation, 2020 which provides that subject to the availability of funds and after proper certification of the goods, services or works have been done, a procuring entity shall make prompt payments for all performed contracts including enterprises owned by youth, women or persons with disabilities and shall make payment within sixty days from the date of receipt of the invoice.

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

6. Lack of a Company Secretary

The statement of profit and loss and other comprehensive income reflects administration costs amount of Kshs.2,405,018,988 as disclosed in Note 9 to the financial statement. Included in the amount is Board expenses totalling Kshs.17,828,334 out of which, Kshs.1,920,000 was paid to a contracted Company Secretary. The contract which had set out the scope of services to include provision of company secretarial services, convene Board and shareholders meetings, attend Board meetings and take minutes, to

witness appending of the Company seal amongst other services. The contract expired on 31 December, 2024 resulting in the Company and its Board of Directors operating without a Company Secretary from January, 2025 to June, 2025.

In the circumstances, it was not possible to confirm how Board activities including convening of meetings, maintaining minutes of meetings and providing legal advisories were conducted in the absence of the Company Secretary were carried out and the legality of the activities.

7. Non-Compliance with State Entities Motor Vehicle Registration Requirements

Physical verification carried out in the month of July, 2025 at the Company revealed that sixteen (16) motor vehicles owned by the Company bore registration plates which were embossed and printed in black on white aluminium reflective sheet. This was contrary to the Traffic Act (Registration Plates) Rules (Legal Notice 62 of 2016) which requires State Corporation to have their plates embossed and printed in white on blue aluminum reflective sheet.

In the circumstances, Management was in breach of law.

8. Lack of Climate Change and Financing Reports

The Company did not have a Strategic Plan and was therefore not able to integrate its own climate change action plan. Management did not provide audit evidence that the Company filed a report on emissions to the National Inventory. Further, despite the Company having an established Health, Safety and Environment Department, the Department lacked sufficient capacity to effectively carry operations in respect of climate reporting. This was contrary to Section 15 (5) of the Climate Change Act, 2016.

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

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. Encroachment of Land

Physical verification of Company's land and buildings in October, 2025 revealed that part of land situated between the junction of Magongo and Refinery Road in Changamwe, Mombasa where the Company's refinery plant, tank farms, industrial and administrative buildings were located had been encroached and temporary structures erected by encroachers. The situation was aggravated by lack of a fence on the affected part to demarcate that portion of the land.

In the circumstances, effectiveness of security of the land could not be confirmed.

2. Inadequacies in Board of Directors Composition

Review of Board composition during the year revealed several anomalies as indicated below;

- i. The Board was not fully constituted as it had only five (5) Directors instead of a minimum of seven (7) provided for in Paragraph 1.1 of Mwongozo Code of Governance for State Corporations. Consequently, the Board could not achieve the required quorum for full Board meetings, which limited its ability to discharge of its mandate and roles;
- ii. Review of bio data of Directors provided for audit revealed that the Board of Kenya Petroleum Refineries Limited did not have a Director with financial expertise as required and Mwongozo Code of Governance for State Corporations;
- iii. Two Board members were first appointed on 21 February, 2017 and were reappointed on 4 August, 2023 following expiry of their terms. This means that the two Board Members have been serving for more than eight (8) years contrary to the law; and
- iv. The Board did not have a Chairperson appointed by the President as required by Section 6 (1) (a) of the State Corporations Act.

In the circumstances, the composition of the Board of Directors was not in line with the Mwongozo guidelines.

3. Long Outstanding Trade Receivables

The statement of financial position reflects trade and other receivables balance of Kshs.389,831,141 as disclosed in Note 23 to the financial statements. The balance is comprised of gross trade and other receivables less provision of bad and doubtful debt of Kshs.480,996,083 and Kshs.91,164,942 respectively. Review of an ageing analysis provided in support of the receivables revealed an amount of Kshs.83,382,614 which had been outstanding for over 120 days. Included in the amount is Kshs.83,141,715 in respect of inactive Oil Marketing Companies (OMCs) whose recoverability was doubtful. During the year under review, the Company received Kshs.3,515,911,654 from the State Department for Petroleum to settle yield shift claims by OMCs. A total of Kshs.25,451,371 was recovered from OMCs who had outstanding receivables leaving a balance of Kshs.57,692,327 outstanding.

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

4. Lack of Strategic Plan

Review of records the Corporation revealed that the Corporation lacked an approved Strategic Plan. The most recent Strategic Plan was in the year 2013 and Management was yet to develop another Strategic Plan to cover the current period contrary to Section 68(2) of Public Finance Management Act, 2012. As a result, achievement of the Corporation's strategic goals may not be communicated for implementation by Management and employees.

In the circumstances, the Corporations' strategic direction 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 xvii to I is consistent with the financial statements; and
- iii. The auditable part of the Directors' remuneration report on page 23 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 Company'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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to 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 is responsible for overseeing the Company's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to 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

16 December, 2025

Kenya Petroleum Refineries Limited

Annual Report and Financial Statements for the year ended June 30, 2025

16. Statement of Profit/Loss & Other Comprehensive Income for the Year Ended 30th June 2025.

Description	Note	FY 2024/25 Kshs	FY 2023/24 Kshs
REVENUES			
Finance income	6	39,605,920	16,080
Other Income	7	1,666,156,709	1,738,424,721
Other gains/(losses)	8	(1,345,096)	237,766,691
TOTAL REVENUES		1,704,417,534	1,976,207,492
OPERATING EXPENSES			
Administration Costs	9	2,405,018,988	3,151,759,849
Finance Costs	10	231,193,788	(1,069,019,143)
TOTAL OPERATING EXPENSES		2,636,212,776	2,082,740,706
PROFIT/(LOSS) BEFORE TAXATION	11	(931,795,242)	(106,533,214)
INCOME TAX EXPENSE/(CREDIT)	12	55,451,103	(15,409,311)
PROFIT/(LOSS) AFTER TAXATION		(987,246,346)	(91,123,903)
Earnings per share - basic and diluted	13	(26.8)	(2.5)
Dividend per share	14	0	0
OTHER COMPREHENSIVE INCOME			
Profit/ (Loss) after taxation		(987,246,346)	(91,123,903)
Surplus or deficit on revaluation of PPE			0
Re-measurement of net defined benefit liability			0
Fair value gain/(loss) on investments in equity instruments designated as at FVTOCI			0
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(987,246,346)	(91,123,903)

Kenya Petroleum Refineries Limited
Annual Report and Financial Statements for the year ended June 30, 2025

17. Statement of Financial Position as at 30 June 2025

Description	Note	FY 2024/25 Kshs	FY 2023/24 Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	15	6,845,118,000	1,701,498,502
Leasehold Land	16	12,000,675,960	6,013,191
Right of Use Asset	18	39,064,673	0
Investments -KPRL Pension Trust ltd	19	10,000,000	10,000,000
KPRL Investment in DC Pension Fund	20	0	922,669,022
Deferred Tax Asset	21	271,638,589	256,334,435
Total Non-Current Assets		19,166,497,222	2,896,515,150
Current Assets			
Inventories	22	441,204,169	319,546,164
Trade and other receivables	23	389,831,141	415,324,151
Tax recoverable	24	981,473,228	909,961,264
Short-term deposits	25	987,305,451	0
Bank and cash balances	27	3,426,985,379	53,531,100
Total Current Assets		6,226,799,368	1,698,362,678
Total Assets		25,393,296,590	4,594,877,828
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	28	736,000,000	736,000,000
Share Premium		144,000,000	144,000,000
Retained earnings	31	(1,461,795,788)	(474,549,442)
Revaluation Reserve	29	18,420,240,436	0
Capital and Reserves		17,838,444,649	405,450,558
Non-Current Liabilities			
Lease Liability	37	25,930,958	0
Total Non-Current Liabilities		25,930,958	0
Current Liabilities			
Borrowings (CPP & Overdraft)	32	1,674,574,560	1,770,356,056
Short Term Loans From GoK	33	1,634,945,444	1,634,945,444
Cash Advances- KPC	34	473,100,558	323,100,558
Yield Shift Advance	35	3,365,576,667	0
Trade and other payables	36	341,396,904	436,276,722
Lease Liability	37	13,790,216	0
KPRL Pension Trust Ltd	40	10,000,000	10,000,000
Provision for leave pay	41	15,536,632	14,748,489
Total Current Liabilities		7,528,920,982	4,189,427,269
TOTAL EQUITY AND LIABILITIES		25,393,296,590	4,594,877,828

The financial statements were approved by the Board on

Name: *Henry Karanja*
 Director

Name: *Joseph Bale Ndoti*
 Acting CEO

2025 and signed on its behalf by:

Name: *Joseph Bale Ndoti*
 Head of Finance

ICPAK M/NO: *3749*

Kenya Petroleum Refineries Limited
Annual Report and Financial Statements for the year ended June 30, 2025

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

	Ordinary share capital +Share Premium	Revaluation reserve	Retained earnings	Proposed dividends	Capital Development Grants/Fund	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
At July 1, 2023	880,000,000	-	(383,425,539)	-	-	496,574,461
Issue of new share capital	-	-	-	-	-	-
Total comprehensive income	-	-	(91,123,903)	-	-	(91,123,903)
Revaluation gain	-	-	-	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	-	-	-
Interim dividends paid – 2022	-	-	-	-	-	-
Proposed final dividends	-	-	-	-	-	-
At June, 2024	880,000,000	-	(474,549,442)	-	-	405,450,558
		-		-	-	
At July 1, 2024	880,000,000	-	(474,549,442)	-	-	405,450,558
Issue of new share capital	-	-	-	-	-	-
Total comprehensive income	-	-	(987,246,346)	-	-	(987,246,346)
Revaluation gain	-	18,420,240,436	-	-	-	18,420,240,436
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	-	-	-
Interim dividends paid – 2024	-	-	-	-	-	-
Proposed final dividends	-	-	-	-	-	-
At 30th June, 2025	880,000,000	18,420,240,436	(1,461,795,787)	-	-	17,838,444,649

Kenya Petroleum Refineries Limited

Annual Report and Financial Statements for the year ended June 30, 2025

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

	Note	FY 2025	FY 2024
		KShs	KShs
OPERATING ACTIVITIES			
Cash generated from/(used in) operations	42	162,510,568	175,272,911
Interest received	6	(39,605,920)	(16,080)
Interest expense	10	229,631,201	261,973,762
Interest expense on Lease liability	10	1,562,587	0
Reversal of Provision for Interest on dead stock		0	(1,330,992,905)
Taxation paid		(142,267,222)	(120,265,901)
Net cash generated from/(used in) operating activities		211,831,213	(1,014,028,213)
INVESTING ACTIVITIES			
Proceeds from disposal of Fixed Assets		0	841,150
Liquidation of KPRL Investment in DC Fund	20	922,669,022	0
Leased Assets	37	(41,668,984)	0
Net cash generated from/(used in) investing activities		881,000,037	841,150
FINANCING ACTIVITIES			
Yield shift Advance	35	3,365,576,667	0
Cash Advance from KPC	34	150,000,000	161,100,558
Repayment of borrowings	32	(51,982,130)	(43,897,374)
Interest received	6	39,605,920	16,080
Interest expense	10	(229,631,201)	(261,973,762)
Interest expense on Lease liability	10	(1,562,587)	0
Provision for Interest on dead stock		0	1,330,992,905
Lease liability		39,721,175	0
Net cash generated from/(used in) financing activities		3,311,727,845	1,186,238,407
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		4,404,559,095	173,051,344
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		(637,289,136)	(719,926,102)
Effects of foreign exchanges rate fluctuations		(2,432,233)	(90,414,377)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		3,764,837,726	(637,289,136)

Note: The closing cash balance of Kshs 3,764,837,726/- is made up of Short term deposits Kshs 987,305,451/- Bank and cash balances Kshs 3,426,985,379/- as shown in note 25 and 27 and bank overdrafts as detailed in note 32 comprising: NCBA Kshs 329,632,781/- Citibank Kshs 114,042,832/- & Citibank USD facility equivalent Kshs 205,777,491/-

Kenya Petroleum Refineries Limited
Annual Report and Financial Statements for the year ended June 30, 2025

20. Statement of Comparison of Budget & Actual amounts for the period ended 30 June 2025

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization	Remarks
	Kshs	Kshs	Kshs	Kshs	Kshs	%	
	a	b	c = a + b	d	E= c - d	d/c%	
Revenue							
KPC Recoveries	908,454,635	644,258,582	1,552,713,217	1,628,565,740	(75,852,523)	105%	
Finance income	0	0	0	39,561,642	(39,561,642)	100%	Investment of Sponsor DB Actuarial surplus pending loan restructuring.
Other income	6,000,000	0	6,000,000	37,635,247	(31,635,247)	627%	Investment of Sponsor DB Actuarial surplus pending loan restructuring.
Total Receipts	914,454,635	644,258,582	1,558,713,217	1,705,762,629	(147,049,412)	109%	
Payments							
Compensation of employees	249,178,443	258,481,164	507,659,607	473,092,623	34,566,984	93%	
Use of goods and services	504,286,806	297,529,775	801,816,581	890,248,697	(88,432,116)	111%	The over expenditure is due to Asset revaluation loss of Ksh 243M
Finance cost	114,810,845	42,312,183	157,123,028	232,538,883	(75,415,855)	148%	Higher interest cost pending loan restructuring
Depreciation and Armotization	40,178,541	45,935,459	86,114,000	1,041,677,668	(955,563,668)	1210%	Change of accounting policy from Cost to Revaluation model resulting in higher depreciation and ammortisation.
Taxation paid	0	0	0	55,451,103	(55,451,103)		
Total expenditure	908,454,635	644,258,581	1,552,713,216	2,693,008,974	(1,140,295,758)	173%	
Capital Expenditure	0	0	0	0	0		
Surplus/deficit for the period	6,000,000	0	6,000,001	(987,246,346)	993,246,346	-16454%	

21. Notes to the Financial Statement

1. General Information

a) Background information

The company is incorporated as a limited company in Kenya under the Companies Act Chapter 17 of the Laws of Kenya and is domiciled in Kenya. On 24th June 2016, the Government of Kenya (GoK) entered into an agreement with Essar Energy Overseas Limited (Essar), Essar Energy Holdings Limited (EEHL) and Kenya Petroleum Refineries Limited (KPRL) for the transfer of the legal and beneficial interest in all of the shares owned by Essar in KPRL to GoK. The agreement and the disposal of the shares converted Kenya Petroleum Refineries Limited to become 100% wholly owned by GoK. On 27th October 2023, GoK through The National Treasury (TNT) & Economic Planning transferred its 100% shareholding in KPRL to KPC. Consequently, KPRL became a wholly owned subsidiary of KPC. The entity is under the Ministry of Energy and Petroleum.

Vision

To be the number one supplier of integrated energy.

Mission

We will maximise value addition to delight our customer and other stakeholders

b) Principal Activities

The company's principal business activity is to refine crude oil into various petroleum products for sale to the oil marketing companies in Kenya. The company's business changed from a toll refinery to merchant refining with effect from 1st July, 2012. The Government of Kenya (GoK) published Legal Notices No. 24, 25 and 26 dated 12th April, 2012 to amend the energy regulations under the Energy Act to give legal effect to the company's merchant refining business.

However, the company's refining operations stopped on 4th September, 2013. The main reason quoted for the shutdown was that the prices of the products produced by the refinery were marginally higher than those of imported products. This was caused by lack of secondary refining capabilities that would optimise the production of fuel oil. The fuel oil accounted for more yields up to 30% prior to the shut down and conversion of Tops yield to petrol. The company has continued operating by rendering storage and handling services for imported petroleum products and leasing of storage tanks and pipelines.

On 11th August, 2016 the Cabinet of the GoK (as 100% shareholder of KPRL) directed that KPRL be taken over by the Kenya Pipeline Company Limited (KPC). Subsequently KPC initiated a due diligence process which was conducted by Price Water House Coopers(PWC), to facilitate evaluation of KPRL, and form the basis for the takeover decision.

Principal Activities (continued)

As an interim measure, on 20th March 2017, KPRL signed a 3 year operating lease agreement with KPC. The Lease Agreement was a culmination of the exit of Essar from shareholding at KPRL, and the termination of the crude oil processing at KPRL, where upon the major assets of KPRL were underutilized. The lease arrangement was therefore seen as an interim phase to allow the finalization of the due diligence and decision making on the pending takeover of KPRL by KPC. The Lease Agreement was operationalized with effect from 1st June, 2017.

Under the lease agreement, the consideration for using KPRL facilities is that KPC would retain all the staff of KPRL and reimburse the company all operating expenses, exclusive of depreciation expense, which would fall due at the end of the lease period. The agreement further provides that KPC may at its option undertake any upgrading, modification, expansion and/or new investment within the facility at its cost, which shall be treated as KPC's cost of investment. In the unlikely event of termination of the agreement before the takeover is actualized, KPC would be entitled to a refund of the upgrading costs by the GoK. A further conditionality for KPC's takeover of the facility was that it would undertake the relevant modification of the facility to accommodate the Early Oil Pilot Scheme (EOPS) geared at the early monetization of crude oil discoveries in Kenya.

On 18th March, 2020 the lease agreement was extended for a further term of 15 months which expired on 20th June, 2021. In line with clause 3.2 of the Agreement, KPC and KPRL expressed interest and mutually agreed to extend the term of the Agreement for a further period of six (6) months with automatic month to month renewal of the agreement effective 20th June, 2021. On 26th April 2022, KPC engaged PwC as transaction advisor for the takeover of KPRL. The consultant delivered the final draft report to KPC on 16th December, 2022.

On 18th July, 2023 the Cabinet considered and approved the acquisition of KPRL by KPC. According to GoK, this State intervention is expected to enhance petroleum supply chain infrastructure and thereby result in security of supply and cost-efficiency through reduced demurrage costs and enhanced penetration of LPG usage in the country through the development of an LPG bulk import handling and storage facility. This will enhance efficiency and also foster synergy in the petroleum value chain by optimizing the use of our existing downstream petroleum infrastructure.

On 27th October 2023, GoK through The National Treasury (TNT) & Economic Planning transferred its 100% shareholding in KPRL to KPC. Consequently, KPRL became a wholly owned subsidiary of KPC.

On 11th March, 2025 and 13th March, 2025, the National Treasury & Economic Planning and the Ministry of Energy & Petroleum (MOEP) respectively approved the commencement of the process of dissolution of KPRL by KPC pursuant to Section 86(1) of the Public Finance Management Act, 2012. Vide a letter dated 15th May, 2025 MOEP directed KPC to draft a Cabinet Memorandum on KPRL's dissolution and submit to MOEP for review. According to MOEP the drafting of the Memorandum should be guided by the National Development Implementation and Communication Committee's (NDICC's) resolution on Cabinet Business. The NDICC during its 6th meeting held on 12th March, 2019 resolved that all Cabinet Memoranda should be countersigned by the Cabinet Secretary for the National Treasury and Planning as well as the Attorney General to denote their confirmation that the Memorandum in question is aligned to the Medium Term Plan.

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Vide a letter Ref No. MOEP/SDP/CONF/1/21 dated 3rd November, 2025, the CS- MOEP forwarded the cabinet Memorandum on the merger of KPRL with KPC and the dissolution of KPRL to the CS –National Treasury and Economic Planning to consider and countersign the Cabinet Memorandum and transmit the same to the Attorn-General for subsequent consideration and countersigning.

On 29th July, 2025 the Cabinet approved divesture of 65% shareholding in KPC through an initial public offering on the Nairobi Stock Exchange (NSE). The process is ongoing and is expected to be completed in the Financial Year 2025/26. KPRL is a wholly (100%) owned subsidiary of KPC.

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 the notes.. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Kenya Petroleum Refineries Limited, and all values are rounded off to the nearest Kenya shillings. The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, the Company'Act cap 486 and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

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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	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022)	The amendment, applicable to annual periods beginning on or after 1st January 2024, requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendments to 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 the impact of the application of the above, they do not expect that there will be a significant impact on the company's financial statements.

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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 2025.*

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 Company did not early – adopt any new or amended standards in the financial year.

4. Summary of Accounting Policies

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

Summary of Accounting Policies

b) In-kind contributions

In-kind contributions are donations that are made to the company 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 company 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.

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 recognised in profit or loss in the income statement.

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

Item	Rates
Freehold Land	Nil
Buildings	2%
Pipeline and Tanks	2.50%
Pumps, Transformers and Switchgear	5%
Furniture, Fittings & Equipment	10%
Roads	20%
Motor vehicle	25%
Computers	33%

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.

f) Amortisation and impairment of intangible assets

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

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.

h) Biological Assets

The company recognizes biological assets when it controls the assets due to past events, it is probable that future economic benefits associated with the asset will flow to the entity, and when the fair value or cost of the asset can be measured reliably. Biological assets are initially and subsequently measured at fair value less costs to sell, except where fair value cannot be reliably determined. In such cases, the asset is measured at its cost less accumulated depreciation and any accumulated impairment losses. Changes in fair value less costs to sell are recognized in surplus/deficit in the period in which they occur.

i) 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

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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.

j) Fixed interest investments (bonds)

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

k) Quoted investments

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

l) Unquoted investments

Unquoted investments are measured at cost under non current assets and comprise equity share holding in related parties.

m) 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.

n) Trade and other receivables

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

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o) 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.

p) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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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.

q) 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.

r) 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.

Restricted cash

Restricted cash refers to cash and cash equivalent balances that have usage constraints. An entity shall disclose, together with a commentary by management, the amount of significant cash and cash equivalent balances held by the company that are not available for use by the entity.

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s) 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 capitalised as part of the cost of the project.

t) Trade and other payables

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

u) Retirement benefit obligations

The entity operates a defined contribution scheme for all full-time employees from January 1st January, 2017. The scheme is administered by a Fund Administrator and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.4,320/-per employee per month.

v) Provision for staff leave pay

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

w) Exchange rate differences

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

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Summary of Accounting Policies

x) Budget information

The original budget for FY 2024/25 was approved by the National Assembly on 3rd October, 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 company recorded additional appropriations of in February, 2025 on the FY 2024/25 budget following the governing body's approval.

The company'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 Cash flows has been presented under section 20 of these financial statements.

y) 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

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asset has been recognized, the Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

z) Comparative figures

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

aa) 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 Company'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 judgements, estimates and assumptions made:

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

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- 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 41.

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.

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Notes to the Financial Statements (Continued)

6. Finance Income

	FY 2024/25	FY 2023/24
Description	Kshs	Kshs
Interest from commercial banks and financial institutions	39,561,642	0
Interest on staff loans	44,278	16,080
Dividends	0	0
Total	39,605,920	16,080

The interest income relates to short term deposits held in commercial banks during the period ended 30th June, 2025.

7. Other Income

	FY 2024/25	FY 2023/24
Description	Kshs	Kshs
*KPC lease recoveries	1,628,565,740	1,653,784,578
House Rent Recoveries	6,889,040	6,602,761
*Investment Income- KPRL investment in DC Pension fund	30,586,783	77,987,792
Other miscellaneous receipts	115,146	49,590
Total	1,666,156,709	1,738,424,721

*As per the lease agreement between KPRL and KPC, Lease recoveries are KPRL operating expenses recovered at cost and invoiced to KPC on a monthly basis.

**Following the conversion of the Defined Benefit (DB) pension scheme to Defined Contribution (DC) pension scheme, the company's share of surplus was transferred to the DC pension fund to be invested with the DC fund. Ultimately, the fund would go partly towards future funding of the employer's statutory contribution towards the DC pension scheme and funding any contingent liability arising in the future.

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Notes to the Financial Statements (Continued)

8. Other Gains and Losses

	FY 2024/25	FY 2023/24
Description	Kshs	Kshs
Foreign exchange gains / (losses)	(2,084,530)	(579,664)
Unrealized foreign exchange gains/(losses)	739,434	237,505,205
Gain on sale of fixed assets	0	841,150
Total	(1,345,096)	237,766,691

The unrealised exchange gains relate to translation of foreign currency denominated transactions. This is mainly attributed to the USD Term loan for the Captive Power Plant.

9. Administration Costs

	FY 2024/25	FY 2023/24
Description	Kshs	Kshs
Staff costs - note 9 (a)	451,189,502	447,744,823
Electricity and water	92,566,517	135,683,897
Communication services and supplies	5,975,469	8,448,252
Transportation, travelling and subsistence	32,849,976	32,345,840
Advertising, printing, stationery and photocopying	5,718,890	4,399,461
Insurance costs	102,570,261	90,905,896
Security	42,413,896	39,986,100
Board expenses	17,828,334	15,101,013
Bank charges and commissions	837,897	806,709
Office and general supplies and services	4,969,924	6,057,795
Licenses	28,556,374	30,395,166
Property/ Land Rates	8,606,240	8,606,240
Auditors' remuneration	7,827,586	6,000,000
Legal fees	19,673,073	2,759,771
Consultancy fees	51,150,033	18,203,715
Repairs and maintenance	283,862,853	439,573,144
Materials costs	37,644,241	54,462,470
Occupational Health & Safety	4,775,544	4,940,761
Canteen Expenses	7,382,402	10,336,068
Staff training & Development	14,520,720	21,338,102
Provision/Write on_ impairment Stocks	(97,589,860)	1,566,914,647
Other operating expenses	(2,873,365)	(1,823,868)
Loss on Asset Valuation	242,884,813	0
Depreciation_PPE	674,749,317	208,405,678
Depreciation_Right of Use Assets	2,604,312	0
Operating Lease - Amortisation	364,324,040	168,167
Total	2,405,018,988	3,151,759,849

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Notes to the Financial Statements (Continued)

10. Finance Costs

	FY 2024/25	FY 2023/24
Description	Kshs	Kshs
Interest expense on loans	127,308,732	154,995,221
Interest expense on bank overdrafts	102,322,469	106,978,541
Provision for interest on dead stock	0	(1,330,992,905)
Interest expense on Right of Use Assets	1,562,587	0
Total	231,193,788	(1,069,019,143)

11. Operating Profit/ (Loss)

	FY 2024/25	FY 2023/24
Description	Kshs	Kshs
The operating profit/(loss) is arrived at after charging/(crediting):		
Staff costs (note 9a)	451,189,502	447,744,823
Depreciation of property, plant and equipment	674,749,317	208,405,678
Depreciation of Right of Use Asset	2,604,312	0
Ammortisation of operating leasehold land	364,324,040	168,167
Gain on sale of Fixed Assets	0	(841,150)
Auditors' remuneration - current year fees	7,827,586	6,000,000
Net foreign exchange loss/(gain)	1,345,096	(237,766,691)
Interest receivable	(39,605,920)	(16,080)
Interest payable	231,193,788	(1,069,019,143)
Rent receivable	(6,889,040)	(6,602,761)

Kenya Petroleum Refineries Limited
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Notes to the Financial Statements (Continued)

12. Income Tax Expense/(Credit)

(a) Income tax charge/ credit

	FY 2024/25	FY 2023/24
Description	Kshs	Kshs
Current taxation based on the adjusted profit for the year at 30%	70,755,257	43,092,893
Current tax: prior year under/(over) provision		0
Current year deferred tax charge	(15,304,154)	(58,502,204)
Prior year under-provision for deferred tax	0	0
Total	55,451,103	(15,409,311)

(b) Reconciliation of tax expense/ (credit) to the expected tax based on accounting profit

	FY 2024/25	FY 2023/24
Description	Kshs	Kshs
Profit/(loss) before taxation	(931,795,242)	(106,533,214)
Tax at the applicable tax rate of 30%	(279,538,573)	(31,959,964)
Prior year under-provision	0	0
Tax effects of expenses not deductible for tax purposes	334,989,676	16,550,653
Effect of change in Tax rate	0	0
Tax effects of excess capital allowances over depreciation/amortization	0	0
Deferred tax prior year over-provision	0	0
Total	55,451,103	(15,409,311)

Notes to the Financial Statements (Continued)

13. Earnings Per Share

The earnings per share is calculated by dividing the profit/(Loss) after tax of (Kshs. 987,246,346) (2023/24): Kshs. (91,123,903)) by the average number of ordinary shares in issue during the year of 36,800,000 (2023/24): 36,800,000). There were no dilutive or potentially dilutive ordinary share as at the reporting date.

14. Dividend per Share

Proposed dividends are accounted for as a separate component of equity until they have been ratified and declared at the relevant Annual General Meeting (AGM). There were no dividends proposed as the company has reported losses for the year ended 30th June, 2025.

Notes to the Financial Statements (Continued)

15. Property, Plant and Equipment

	Freehold Property	Buildings and Roads	Refining Assets	Pipeline Pumps, Tanks & Fuel Loading	Equipment Furniture & Fittings	Captive Power Plant	Motor Vehicles & Tractors	Capital Work-in-Progress	Total
COST	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
1st July 2024	295,160	103,696,618	121,070,082	540,934,385	182,532,047	752,970,208	1	0	1,701,498,502
Additions (Acquisitions)	0	0	0	0	0	0	0	0	0
Transfers from WIP	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0	0
Revaluation	905,704,840	1,050,927,299	368,466,992	3,315,415,295	337,331,434	(189,601,855)	30,124,811	0	5,818,368,817
At 30 June 2025	906,000,000	1,154,623,917	489,537,074	3,856,349,681	519,863,480	563,368,353	30,124,812	0	7,519,867,316
DEPRECIATION									
1st July 2024									-
Charge for the year	0	44,023,917	18,071,074	515,707,681	60,782,480	31,319,353	4,844,812	0	674,749,316
Eliminated on Disposal	0	0	0	0	0	0	0	0	0
At 30 June 2025	0	44,023,917	18,071,074	515,707,681	60,782,480	31,319,353	4,844,812	0	674,749,316
NET BOOK VALUE:									
At 30 June 2025	906,000,000	1,110,600,000	471,466,000	3,340,642,000	459,081,000	532,049,000	25,280,000	0	6,845,118,000

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15, Property, Plant and Equipment (Continued)

	Freehold Property	Buildings and Roads	Refining Assets	Pipeline Pumps, Tanks & Fuel Loading	Equipment Furniture & Fittings	Captive Power Plant	Motor Vehicles & Tractors	Capital Work-in-Progress	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Cost									
At July 1, 2023	295,160	682,522,315	1,632,801,126	1,930,753,106	1,823,415,125	1,476,412,172	118,955,612	621,267,926	8,286,422,543
Additions	0	0	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0	0	0
Provision for impairment	0	(5,135,219)	(117,962,635)	0	(15,240,991)	0	0	(621,267,926)	(759,606,772)
Disposals	0	0	0	0	0	0	(5,295,841)	0	(5,295,841)
Reclassification of assets	0	(4,651,517)	121,070,082	18,329,255	(134,634,821)	0	(113,000)	0	0
At June 30, 2024	295,160	672,735,579	1,635,908,573	1,949,082,361	1,673,539,313	1,476,412,172	113,546,771	0	7,521,519,929
Depreciation									
At July 1, 2023	0	559,438,057	1,482,278,708	1,343,785,310	1,448,407,427	664,385,477	118,616,612	0	5,616,911,591
Charge for the year	0	9,600,904	32,559,783	64,362,665	42,599,840	59,056,487	226,000	0	208,405,678
Impairment loss	0	0	0	0	0	0	0	0	0
Eliminated on disposal	0	0	0	0	0	0	(5,295,841)	0	(5,295,841)
At June 30, 2024	0	569,038,961	1,514,838,491	1,408,147,975	1,491,007,266	723,441,964	113,546,770	0	5,820,021,428
Net book value at June 30, 2024	295,160	103,696,618	121,070,082	540,934,385	182,532,047	752,970,208	1	0	1,701,498,502

Notes to the Financial Statements (Continued)

15. Property, Plant and Equipment (continued)

Accounting Policy: Property, Plant and Equipment

Property, plant and equipment are tangible assets held by the Company for use in the production or supply of goods and services, for administrative purposes, or for rental to others, and are expected to be used over more than one financial period.

Items of property, plant and equipment are initially recognized at cost, including all direct costs necessary to bring the asset to working condition for its intended use.

Effective 30 June 2025, the Company adopted the revaluation model under International Accounting Standard 16 ("IAS 16"). Under this model, property, plant and equipment are subsequently measured at fair value, as determined by periodic professional valuations, less subsequent accumulated depreciation and impairment losses for depreciable assets. Land is not depreciated. Depreciation rates and useful lives are reviewed annually.

The election to apply the revaluation model to these asset classes has been accounted for as a revaluation in accordance with IAS 16 and applied prospectively from 30th June 2025, with the resulting increase in carrying amount recognised in other comprehensive income and accumulated in equity within the revaluation surplus.

Asset classes and basis of Measurement

The following asset classes are now measured under the revaluation model:

- Land (Freehold and Leasehold)
- Buildings and Roads
- Refining Assets
- Pipelines, Pumps and Tanks
- Equipment, Furniture and Fittings
- Captive Power Plant
- Automobiles (Motor Vehicles and Tractors)
- Capital Work-in-Progress (measured at cost until ready for use)

Valuation Methodology and Fair Value Hierarchy

The Company engaged Tysons Limited (independent, registered valuers) to conduct a full asset revaluation as of 30th June 2025.

- **Land (Freehold and Leasehold):** Market/Sales Comparison Approach (categorized as Level 2, IFRS 13)
- **Buildings and Roads, Refining Assets, Pipelines, Pumps and Tanks, Equipment, Furniture and Fittings, Captive Power Plant, Automobiles:** Depreciated Replacement Cost (DRC) methodology, reflecting current replacement cost, age, condition, functional and economic obsolescence (Level 3, IFRS 13)
- **Significant judgments and estimation uncertainty:**

Management's significant judgments include remaining useful lives, assessment of asset condition, and appropriateness of DRC for specialized industrial assets. The greatest estimation uncertainty involves DRC calculations for complex technical plants.

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Notes to the Financial Statements (Continued)

15. Property, Plant and Equipment (continued)

Movement in Carrying Amounts (for the Year Ended 30 June 2025)

Asset Class	Opening Net Book Value 30.06.2024	Additions/ Transfers	Revaluation Increase	Depreciation Charge	Disposals/ Other	Closing Net Book Value 30.06.2025
Land -Freehold	295,160	-	905,704,840	-	-	906,000,000
Buildings and Roads	103,696,618	-	1,050,927,299	(44,023,917)	-	1,110,600,000
Refining Assets	121,070,082	-	368,466,992	(18,071,074)	-	471,466,000
Pipelines, Pumps and Tanks	540,934,385	-	3,315,415,295	(515,707,681)	-	3,340,642,000
Equipment, Furniture and Fittings	182,532,047	-	337,331,434	(60,782,480)	-	459,081,000
Captive Power Plant	752,970,208	-	(189,601,855)	(31,319,353)	-	532,049,000
Automobiles (Motor Vehicles & Tractors)	-	-	30,124,811	(4,844,812)	-	25,280,000
Capital Work-in-Progress	-	-	-	-	-	-
Total	1,701,498,502	-	5,818,368,817	(674,749,317)	-	6,845,118,000

The net revaluation gain on PPE for the year of Kshs. 5,818,368,817 includes revaluation loss as per the summary below.

Revaluation Loss	Kshs
Refining plant (Steam Supply)	1,330,981
Equipment Furniture & Fittings (ICT & Lab equipment)	15,146,610.00
Pipeline Pumps,Tanks & Fuel Loading (Fuel loading)	36,805,367.00
CPP	189,601,855.00
Total	242,884,813

Carrying Amounts under Cost Model (IAS 16.77e)

Had the cost model been applied instead of the revaluation model, the carrying amounts as at 30th June 2025 would have been:

Asset Class	Carrying Amount (Cost Model) Kshs
Land (Freehold)	295,160
Buildings and Roads	99,864,524
Plant, Equipment and Motor Vehicles	1,466,866,024
Total	1,567,025,708

Kenya Petroleum Refineries Limited
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Notes to the Financial Statements (Continued)

16. Leasehold Land

Description	Lease hold Land
	Kshs
Cost	
As At 1 July 2023	9,796,958
Additions	0
As At 30 June 2024	9,796,958
Additions	0
Disposals	0
Revaluation Surplus	12,355,203,042
As At 30 June 2025	12,365,000,000
Accumulated Depreciation	
As At 1 July 2023	3,615,600
Charge For The Year	168,167
As At 30 June 2024	3,783,767
Transferred to Revaluation reserve	(3,783,767)
Charge For The Year	364,324,040
As At 30 June 2025	364,324,040
Carrying Amount	
As At 30 June 2024	6,013,191
As At 30 June 2025	12,000,675,960

Change of Accounting Policy

Effective 30th June 2025, the Company changed its accounting policy for land (both leasehold and freehold) from the cost model to the revaluation model in accordance with IAS 16 'Property, Plant and Equipment'. This decision follows the acquisition of Kenya Petroleum Refineries Limited (KPRRL) by Kenya Pipeline Company (KPC) and reflects a move to align group accounting policies and to provide more relevant and reliable information regarding the Company's land assets.

Basis for Policy Change

The revaluation model was adopted to ensure that the carrying values of land assets reflect their fair value, as determined by an external independent valuer. The Company believes this approach provides enhanced transparency and comparability to users of the financial statements.

Effect of the Change

The change in policy was applied prospectively from 30th June 2025. No retrospective restatement of prior periods was made, as it was not practicable to determine fair values of land assets reliably for earlier periods.

Notes to the Financial Statements (Continued)

Valuation Methodology

The revaluation was performed by Tysons Ltd, registered and qualified professional valuers, using the market approach for land and the depreciated replacement cost approach for site improvements as at 30th June 2025. Significant assumptions and key inputs included prevailing market transactions for similar properties, location characteristics, permitted land use, and the condition of site works and associated buildings.

Quantitative Effects

The carrying amount of leasehold land increased by Kshs 12,358,989,809 (from Kshs 6,013,191 to Kshs12,365,000,000).

Corresponding credits were recognized in revaluation surplus within equity (Other Comprehensive Income).

A reconciliation of leasehold land is as follows (Kshs):

Description	Carrying Value Before	Revaluation Adjustment	Carrying Value After
Leasehold	6,013,191	12,358,986,809	12,365,000,000

Amortization on revalued leasehold land is calculated and charged to profit or loss annually over the unexpired lease terms.

Treatment of Accumulated Amortization

Accumulated amortization as at the revaluation date (Kshs3,783,767) was reset against the asset carrying amount prior to restating to fair value, as per IAS 16.35(b).

Revaluation Surplus

Increases resulting from the revaluation were credited to revaluation surplus in equity except to the extent that they reversed a revaluation decrease previously recognized in profit or loss. No such prior decreases existed.

Disclosure of Key Judgements

Management relied on external valuations and made significant judgments regarding market comparables, observable market inputs, and the appropriateness of the market approach for these assets.

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Notes to the Financial Statements (Continued)

Impact on Financial Statements

The financial effect of the change is summarized as follows for the year ended 30th June 2025:

- a. Increase in carrying value of land assets (leasehold and freehold): Kshs13,264,691,649
- b. Increase in revaluation surplus (equity, OCI): Kshs13,264,691,649
- c. Impact on annual amortization expense due to higher asset base (leasehold land): Kshs 364,324,040/-

Other Disclosures

The Company will perform future revaluations with sufficient regularity to ensure that the carrying amount does not differ materially from fair value at each reporting date.

A detailed schedule of the movement is set out in note 16 Leasehold Land.

Key valuation assumptions

For all properties:

Title is free from encumbrances and adverse claims.

No significant environmental, legal, or zoning restrictions are expected to impact value.

Assumed continued use for the current permitted purpose.

Comparable market transactions reflect willing buyer-willing seller terms without forced sale conditions.

Fair value hierarchy (IFRS 13 / IPSAS 20)

All valuations fall under **Level 2** of the fair value hierarchy, as they are based on observable market data for similar properties, adjusted for location, size, and lease terms.

17. Intangible Assets

Description	FY 2024/25	FY 2023/24
	Kshs	Kshs
Cost		
At July 1	214,907,528	214,907,528
Additions	0	0
Disposals	0	0
At June 30	214,907,528	214,907,528
Amortisation		
At July 1	214,907,528	214,907,528
Charge For The Year	0	0
Disposals	0	0
Impairment Loss	0	0
At June 30	214,907,528	214,907,528
Net Book Value		
At June 30	0	0

The company has intangible assets with a cost of 214,907,528 that are fully amortised but still in use. The cost method has been adopted to align with the parent company policy on Intangible assets.

Kenya Petroleum Refineries Limited
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Notes to the Financial Statements (Continued)

18. Right-of-use assets

Description- Leased Motor Vehicles	Amount Kshs
Cost	
As At 1 July 2023	0
Additions	0
As At 30 June 2024	0
Additions	41,668,984
Disposals	0
As At 30 June 2025	41,668,984
Accumulated Depreciation	
As At 1 July 2023	0
Charge For The Year	0
As At 30 June 2024	0
Charge For The Year	2,604,312
As At 30 June 2025	2,604,312
Carrying Amount	
As At 30 June 2024	0
As At 30 June 2025	39,064,673

On 22 January 2025, the Company entered into a four-year lease agreement with Isuzu East Africa Limited for the supply of seven (7) Isuzu TFS 86 Double Cab 4x4 pickups (diesel, 1900–2700 cc) under the Government of Kenya’s Master Operating Lease Agreement framework. The Leased vehicles were delivered in March, 2025.

Statement of Profit or Loss Impact : 6 months to 30th June 2025

Depreciation Expense on Right of Use assets	2,653,447
Interest Expense - Lease liability	1,562,587
Variable/short-term/low-value lease expenses:	Nil

Kenya Petroleum Refineries Limited
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Notes to the Financial Statements (Continued)

19. Unquoted Investments

Description	FY 2024/25	FY 2023/24
	Kshs	Kshs
COST		
At July 1	10,000,000	10,000,000
Additions	0	0
Disposals	0	0
At end of period	10,000,000	10,000,000
IMPAIRMENT		
At July 1	0	0
Disposals	0	0
Impairment loss in the year	0	0
At end of period	0	0
NET BOOK VALUE		
At end of period	10,000,000	10,000,000
	=====	=====

KPRL holds 100% of the issued ordinary share capital of Kenya Petroleum Refineries Pension Trust Limited (10,000 ordinary shares at Kshs 1,000/- each). The subsidiary functions in a trustee capacity only and as such made neither a profit nor a loss for the period ended 30th June, 2025.

The subsidiary thus did not contribute to the group's revenue and profit before tax for the period ended 30th June, 2025.

Name of entity where investment is held	No of shares			Nominal value of shares/ purchase price	Value of shares less impairment	Value of shares less impairment
	Direct shareholding	Indirect shareholding	Effective shareholding			
Description	%	%	%	Kshs	Current year	Prior year
					Kshs	Kshs
Kenya Petroleum Refineries Pension Trust Ltd	100	0	100	10,000,000	10,000,000	10,000,000
	100	0	100	10,000,000	10,000,000	10,000,000

Notes to the Financial Statements (Continued)

20. KPRL Investment in the DC Pension Fund

	FY 2024/25	FY 2023/24
Description	KShs	KShs
Balance as at 1st July	922,669,022	844,681,230
Accrued investment income	30,586,783	77,987,792
Liquidated during the period	(953,255,805)	0
Balance at the end of the period	0	922,669,022

Following the conversion of Defined Benefit (DB) pension scheme to a Defined Contribution (DC) pension scheme, the company's share of surplus was transferred to the DC pension fund to be invested with the DC fund. In line with RBA rules, the KPRL Board, for the Sponsor, passed a resolution to meet any contingent liability that may arise in the future, which would be covered by a component of the sponsors share of surplus invested in the DC fund.

On 29th July, 2024 the KPRL Board passed a resolution to recall the investment held in the DC pension fund and utilize the funds to settle the outstanding bank loans. The Investment in the DC Fund was liquidated on 28th January, 2025. The value of the KPRL investment in the DC Pension fund as at this date was 953,255,805/- and the proceeds were invested in Short term bank deposits pending KPRL Bank loan restructuring.

21. 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:

	FY 2024/25	FY 2023/24
Description	Kshs	Kshs
Accelerated capital allowances	353,236,283	395,041,599
Unrealised exchange gains/(losses)	221,830	71,251,562
Provisions for liabilities and charges	(484,450,727)	(622,763,873)
Tax losses carried forward	(1,053,765,093)	(1,105,914,324)
Prior year	0	92,931,484
Net deferred tax liability	(1,184,757,707)	(1,169,453,552)

	FY 2024/25	FY 2023/24
Description	Kshs	Kshs
Balance at beginning of the year	(256,334,435)	(197,832,231)
Credit to revaluation reserve	(15,304,154)	0
Under provision in prior year	0	0
Income statement charge/(credit)	0	(58,502,204)
Balance at end of the year	(271,638,589)	(256,334,435)

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Notes to the Financial Statements (Continued)

22. Inventories

	FY 2024/25	FY 2023/24
	Kshs	Kshs
Engineering stores	837,514,746	812,729,072
Fuel, oil and lubricants	556,515	940,659
Crude & finished product stocks	305,694,169	305,694,169
Stationery, Safety and general stores	7,927,266	8,260,649
Less: Impairment of stocks	(710,488,526)	(808,078,385)
Total	441,204,169	319,546,164

Details of Inventory movement

Description	FY 2024/25	FY 2023/24
At the beginning of the year	808,078,385	771,111
Additional provisions during the year	0	807,307,875
Recovered during the year	97,589,860	0
Written off during the year	0	(601)
At the end of the year	710,488,526	808,078,385

Notes to the Financial Statements (Continued)

23. Trade and Other Receivables

	FY 2024/25	FY 2023/24
Description	Kshs	Kshs
Trade Receivables (Note 23 (a))	421,394,799	499,961,934
Deposits and prepayments	39,931,081	46,973,294
Vat recoverable	0	0
Staff receivables (Note 23 (c))	1,372,173	1,970,923
Other receivables	18,298,031	19,287,994
Gross Trade and Other Receivables	480,996,083	568,194,144
Provision for Bad And Doubtful Receivables	(91,164,942)	(152,869,993)
Net Trade and Other Receivables	389,831,141	415,324,151

23 (a) Trade Receivables

	FY 2024/25	FY 2023/24
Description	Kshs	Kshs
Gross Trade Receivables	421,394,799	499,961,934
Provision for Doubtful Receivables	(91,164,942)	(152,869,993)
Net Trade Receivables	330,229,857	347,091,941
Ageing analysis of gross Trade Receivables		
Less than 30 Days	336,566,020	335,724,247
Between 30 and 60 Days	1,425,397	(202,221)
Between 61 and 90 Days	(3,634)	2,257,226
Between 91 and 120 Days	24400.52	(3,410,194)
Over 120 Days	83,382,615	165,592,876
Total	421,394,799	499,961,934

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Notes to the Financial Statements (Continued)

23 (b) Reconciliation of Impairment Allowance for Trade Receivables

	FY 2024/25	FY 2023/24
Description	Kshs	Kshs
At the beginning of the period	152,869,993	152,869,993
Additional provisions during the period	0	0
Recovered during the period	0	0
Written off during the period	(61,705,051)	0
At the end of the period	91,164,942	152,869,993

23 (c) Staff Receivables

	FY 2024/25	FY 2023/24
Description	Kshs	Kshs
Gross staff loans and advances	1,372,173	1,970,923
Provision for impairment loss	0	0
Net staff loans	1,372,173	1,970,923
Less: Amounts due within one year	(1,372,173)	(1,970,923)
Amounts due after one year	0	0

23 (d) Reconciliation of Impairment Allowance for Staff Receivables

	FY 2024/25	FY 2023/24
Description	Kshs	Kshs
At the beginning of the year	0	0
Additional provisions during the year	0	0
Recovered during the year	0	0
Written off during the year	0	0
At the end of the year	0	0

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Notes to the Financial Statements (Continued)

24. Tax Recoverable

Description	FY 2024/25	FY 2023/24
	Kshs	Kshs
At beginning of the period	909,961,264	832,788,256
Less: Income tax charge for the year	70,755,257	43,092,893
Income tax paid during the year	142,267,222	120,265,901
Tax recoverable	981,473,228	909,961,264

25. Short Term Deposits

Description	FY 2024/25	FY 2023/24
	Kshs	Kshs
Kenya Commercial Bank	968,232,057	0
Accrued interest	19,073,394	0
Balance at end of the period	987,305,451	0

The average effective interest rate on the short term deposits as at June 30, 2025 was 8.6%.

26. Prepayments

Description	FY 2024/25	FY 2023/24
	Kshs	Kshs
Insurance	19,709,368	27,001,667
Land Rates	4,162,870	4,303,120
Software Licenses	9,782,160	9,391,399
Subscriptions	5,022,500	5,022,940
Total	38,676,898	45,719,126

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Notes to the Financial Statements (Continued)

27. Bank and Cash Balances

Description	FY 2024/25	FY 2023/24
	Kshs	Kshs
Cash at bank	3,426,743,592	53,038,600
Cash in hand	241,787	492,501
Balance at end of the period	3,426,985,379	53,531,100

The bulk of the cash at bank was held at Standard Chartered Bank the company's main bankers.

Detailed analysis of the cash and cash equivalents

Description		FY 2024/25	FY 2023/24
Financial institution	Account number	Kshs	Kshs
a) Current account			
Standard Chartered Bank of Kenya-KES A/C	01 040 926614 00	3,422,848,187	46,513,147
Standard Chartered Bank of Kenya-USD A/C	87 040 926614 00	2,824,786	5,554,558
ABSA Bank Kenya PLC-Main KES A/C	016 5009 479	61,624	23,814
ABSA Bank Kenya PLC-Staff Imprest KES A/C	016 5009 770	265,488	190,970
ABSA Bank Kenya PLC-USD A/C	22 7252 715	454,579	464,331
National Bank of Kenya	010 200 666 03700	0	291,780
Kenya Commercial Bank	134 0567 970	288,930	0
Sub- total		3,426,743,592	53,038,600
b) On - call deposits			
National Bank of Kenya		0	0
Sub- total		0	0
c) Fixed deposits account			
Kenya Commercial bank		0	0
Sub- total		0	0
d) Staff car loan/ mortgage			
Other Commercial banks		0	0
Sub- total		0	0
e) Others(specify)			
Cash in transit		0	0
cash in hand		241,787	492,500
Mobile money account		0	0
Sub- total		241,787	492,500
Grand total		3,426,985,379	53,531,100

Notes to the Financial Statements (Continued)

28. Ordinary Share Capital

	FY 2024/25	FY 2023/24
Description	Kshs	Kshs
Authorized:		
36,800,000 (36,800,000 FY 2023/2024) ordinary shares of Kshs.20 par value each	736,000,000	736,000,000
Issued and fully paid:		
36,800,000 (36,800,000 FY 2023/2024) ordinary shares of Kshs.20 par value each	736,000,000	736,000,000

29. Revaluation Reserve

The revaluation reserve relates to the revaluation of certain items of property, plant and equipment. As indicated in the Statement of Changes in Equity, this is stated after transfer of excess depreciation net of related deferred tax to retained earnings. Revaluation surpluses are not distributable.

30. Fair Value Adjustment Reserve

The fair value adjustment reserve arises on the revaluation of available-for-sale financial assets, principally the marketable securities. When a financial asset is sold, the portion of the reserve that relates to that asset is reduced from the fair value adjustment reserve and is recognised in profit or loss. Where a financial asset is impaired, the portion of the reserve that relates to that asset is recognised in profit or loss.

31. Retained Earnings

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

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Notes to the Financial Statements (Continued)

32. Borrowings

Description	FY 2024/25	FY 2023/24
	Kshs	Kshs
Domestic borrowings		
Balance at beginning of the year	1,770,356,056	1,939,201,651
Domestic borrowings during the year	0	0
Repayments of domestics borrowings during the period (CPP Term loan)	(51,982,130)	(43,897,374)
Movement in Bank Overdraft during the year	(40,975,565)	(13,121,266)
Exchange losses/(gains) on foreign denominated loans	(2,432,233)	(90,414,377)
Exchange losses/(gains) on foreign denominated overdraft facility	(391,567)	(21,412,578)
Balance at end of the year	1,674,574,560	1,770,356,056
Less: Amounts due with one year (current portion)	1,674,574,560	1,770,356,056
Amounts due after one year (non-current portion)	0	0

The analyses of both external and domestic borrowings is as follows:

Description	FY 2024/25	FY 2023/24
	Kshs	Kshs
External Borrowings		
Dollar denominated loan	0	0
Euro denominated loan	0	0
	0	0
Domestic Borrowings		
Kenya Shilling overdraft from NCBA	329,632,781	351,614,745
Kenya Shilling overdraft from Citibank N.A.	114,042,832	132,789,449
Dollar denominated overdraft from Citibank N.A.	205,777,491	206,416,042
Dollar denominated loan from Barclays Bank-CPP	1,025,121,457	1,079,535,819
	1,674,574,560	1,770,356,056
Total balance at end of the year	1,674,574,560	1,770,356,056

The short term borrowings include Kshs 649M bank overdrafts as detailed in the analysis of borrowings above and KShs. 1.025bn in respect of a term loan from Absa Bank for the Captive Power Plant (CPP). Foreign denominated loans have been restated based on CBK closing mean rates at the end of the financial period.

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Notes to the Financial Statements (Continued)

	FY 2024/25	FY 2023/24
Description	Kshs	Kshs
Short term borrowings (current portion)	1,674,574,560	1,770,356,056
Long term borrowings	0	0
Total	1,674,574,560	1,770,356,056

Current portion of borrowings represents borrowings that are payable within one year or in the next financial year. Due to the shut down of refining operations with effect from 4th Sept, 2013, KPRL immediately defaulted on principal loan repayment but continued to service interest payments. On 8th May, 2020 KPRL released depreciation recoveries of KShs 380M to the Banks. The depreciation recovery was invoiced to KPC and paid in accordance with the terms of the KPRL-KPC lease agreement. The funds were applied against principal loan repayment. Subsequently, depreciation recovery is invoiced quarterly and the proceeds applied against the principal loan repayment. This is an interim arrangement pending full restructuring of the bank loans.

On 29th July 2024, the KPRL Board approved restructuring of the KPRL bank loans. The settlement of the overdraft facilities and restructuring of the CPP Term Loan was concluded in October, 2025.

33. Short Term Loan from GoK

	FY 2024/25	FY 2023/24
Description	Kshs	Kshs
Balance at the beginning of the period	1,634,945,444	1,634,945,444
Additions during the year	0	0
Repayment during the year	0	0
Balance at end of the year	1,634,945,444	1,634,945,444

34. Cash Advance from KPC

	FY 2024/25	FY 2023/224
Description	Kshs	Kshs
Balance at the beginning of the Year	323,100,558	162,000,000
Additions during the year	150,000,000	161,100,558
Repayment during the year	0	0
Balance at end of year	473,100,558	323,100,558

KPRL facilities are currently leased by KPC. In addition to the monthly expenses recovered from KPC every month, KPC advanced KPRL Kshs 150M in April, 2025 in addition to Kshs 323M advanced in prior years to further support lease operations.

Kenya Petroleum Refineries Limited
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Notes to the Financial Statements (Continued)

35. Yield Shift Compensation_GoK

	FY 2024/25	FY 2023/24
Description	Kshs	Kshs
Balance at the beginning of the Year	0	0
Received during the year	3,515,911,634	0
Interest Earned/Accrued during the Year	36,189,808	0
Payment during the year	(186,524,775)	0
Balance at end of period	3,365,576,667	0

36. Trade and Other Payables

	FY 2024/2025	FY 2023/2024
Description	Kshs	Kshs
Trade payables	172,565,785	246,816,697
Accrued expenses	164,686,875	175,943,328
Retention/ Contract monies	3,602,873	11,225,072
Deposits	490,050	1,266,050
Employee payables	51,321	1,025,574
Total	341,396,904	436,276,722

Aging Analysis for Trade and other Payables

Description	FY 2024/2025	% of the total	FY 2023/2024	% of the total
Under one year	232,909,455	68%	186,739,243	43%
1-2 years	40,592,755	11.9%	11,001,470	3%
2-3 years	-	0	15,942,438	4%
Over 3 years	67,894,692	20%	222,593,571	51%
Total	341,396,904	100%	436,276,722	100%

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Notes to the Financial Statements (Continued)

37. Lease Liability

Description	FY 2024/25	FY 2023/24
	KShs	KShs
At the start of the year	41,668,984	0
Discount interest on Lease Liability	1,562,587	0
Paid during the year	(3,510,396)	0
At end of the year	39,721,175	0

Description	FY 2024/25	FY 2023/24
	Kshs	Kshs
Maturity Analysis		
2025	3,383,515	0
2026	12,354,511	0
2027	10,662,846	0
2028	9,202,816	0
2029	6,065,296	0
Total	41,668,984	0
	-	-
Less: Unearned Interest	(1,947,810)	0
	<u>39,721,174</u>	<u>0</u>
Analysed As:		
Non-Current	25,930,958	0
Current	13,790,216	0

38. Refundable Deposits and Prepayments from Customers

Description	FY 2024/2025		FY 2023/2024	
	Kshs		Kshs	
Customer deposits	490,050		1,266,050	
Prepayments	0		0	
Other deposits	0		0	
Total deposits	490,050		1,266,050	
Ageing analysis: (Refundable deposits)	Current FY	% of the Total	Comparative FY	% of the Total
Under one year	0	0%	0	0%
1-2 years	0	0%	0	0%
2-3 years	0	0%	0	0%
Over 3 years	490,050	100%	1,266,050	100%
Total	490,050		1,266,050	

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Notes to the Financial Statements (Continued)

39. Retirement Benefit Obligations

KPRL operated a funded defined benefit plan for its full-time employees until 31st December 2016. The employees were contributing at a fixed rate of 5% of pensionable emoluments. The company was responsible for the balance of the cost of the benefits of the fund. From 1st January 2017, the company established a Defined Contribution (DC) pension scheme for its members. Pensioners under the Defined benefit fund were bought out by an insurer.

Active and deferred members joined the DC scheme and transferred their fund benefits to the DC scheme. Employees contribute 10% while the employer contributes 20% of basic salary. Employer contributions are recognized as expenses in the statement of financial performance within the period they are incurred.

The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 4,320/- per employee per month with effect from February, 2025.

40. KPR Pension Trust Limited

	FY 2024/25	FY 2023/24
Description	Kshs	Kshs
As at beginning of period	10,000,000	10,000,000
Additions	0	0
Disposals	0	0
	_____	_____
At end of year	10,000,000	10,000,000
	=====	=====

This liability is in respect of share capital payable to the KPR Pension Trust Limited.

KPRL holds 100% of the issued ordinary share capital of Kenya Petroleum Refineries Pension Trust Limited (10,000 ordinary shares at Kshs 1,000/- each). The subsidiary functions in a trustee capacity only and as such made neither a profit nor a loss for the period ended 30th June, 2025. The subsidiary thus did not contribute to the group's revenue and profit before tax for the period ended 30th June, 2025.

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Notes to the Financial Statements (Continued)

41. Provisions

Description	Long service leave	Bonus Provision	Gratuity provisions	Other Provisions	Total
	Kshs	Kshs	Kshs	Kshs	Kshs
Balance at the beginning of the year	14,748,489	16,000,000	-	8,088,105	38,836,594
Additional provisions	15,536,632	7,234,559	-	-	22,771,191
Provision utilised	(14,748,489)	(4,375,929)	-	-	(19,124,418)
Change due to discount and time value for money		-	-	-	-
Less: current portion	-	-	-	-	-
Balance at the end of the year	15,536,632	18,858,630	-	8,088,105	42,483,367

Kenya Petroleum Refineries Limited
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Notes to the Financial Statements (Continued)

42. Notes to the Statement of Cash Flows

Description	FY 2024/25 Kshs	FY 2023/24 Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations		
Profit/(loss before tax	(931,795,242)	(106,533,214)
Depreciation	677,353,628	208,405,678
Amortisation of Leasehold Land	364,324,040	168,167
Gain from Disposal of fixed assets	0	(841,150)
Provision/(Write back) for impairment	(97,589,860)	1,566,914,647
Add back Revaluation loss on Asset revaluation	242,884,813	0
Operating profit/(loss) before working capital changes	255,177,379	1,668,114,128
(Increase)/decrease in inventories	(24,068,146)	(904,098)
(Increase)/decrease in trade and other receivables	25,493,011	(78,526,542)
Increase/(decrease) in trade and other payables	(94,879,820)	(1,335,387,659)
Increase/(decrease) Sponsor surplus-DC Fund	0	(77,987,792)
Increase/(decrease) in provision for staff leave pay	788,143	(35,126)
Cash generated from/(used in) operations	162,510,568	175,272,911
(b) Analysis of changes in loans		
Balance at beginning of the period	1,770,356,056	1,939,201,651
Receipts during the period	0	0
Repayments of domestics borrowings during the period (CPP Term loan)	(51,982,130)	(43,897,374)
Movement in Bank Overdraft during the quarter	(40,975,565)	(13,121,266)
Foreign exchange losses /(gains)	(2,823,801)	(111,826,955)
Balance at end of the period	1,674,574,560	1,770,356,056
(c) Analysis of cash and cash equivalents		
Bank overdraft- CBA KES	(329,632,781)	(351,614,745)
Bank overdraft- Citi bank KES	(114,042,832)	(132,789,449)
Bank overdraft- Citi bank USD	(205,777,491)	(206,416,042)
Short Term deposit	987,305,451	0
Cash at bank	3,426,743,592	53,038,600
Cash in hand	241,787	492,501
Balance at end of the period	3,764,837,726	(637,289,136)

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Notes to the Financial Statements (Continued)

		FY 2025	FY 2024
Description		Kshs	Kshs
(d) Analysis of interest paid			
Interest expense on loans		127,308,732	154,995,221
Interest expense on bank overdrafts		102,322,469	106,978,541
Interest on lease liability		1,562,587	0
Balance at Beginning of the year		0	0
Balance at end of the year		0	0
Interest paid		231,193,788	261,973,762
		=====	=====
(e) Analysis of dividend paid			
Balance at beginning of the year		0	0
2023 dividends paid		0	0
2024 dividends paid		0	0
2025 interim dividends paid		0	0
Balance at end of the year		0	0

43. Going Concern

Going Concern Status of KPRL

The going concern principle is the assumption that an entity will remain in business for the foreseeable future.

On 27th October 2023, GoK through The National Treasury (TNT) & Economic Planning transferred its 100% shareholding in KPRL to KPC. Consequently, KPRL became a wholly owned subsidiary of KPC. The acquisition of KPRL by KPC was to address the uncertainty about the going concern status of KPRL. The Government of Kenya (GoK) intervention is expected to enhance petroleum supply chain infrastructure and thereby result in security of supply and cost-efficiency through reduced demurrage costs and enhanced penetration of LPG usage in the country through the development of LPG bulk import handling and storage facility. This will enhance efficiency and also foster synergy in the petroleum value chain by optimizing the use of our existing downstream petroleum infrastructure.

On 11th March, 2025 and 13th March, 2025, the National Treasury & Economic Planning and the Ministry of Energy & Petroleum (MOEP) respectively approved the commencement of the process of dissolution of KPRL by KPC pursuant to Section 86(1) of the Public Finance Management Act, 2012. Vide a letter dated 15th May, 2025 MOEP directed KPC to draft a Cabinet Memorandum on KPRL's dissolution and submit to MOEP for review. According to MOEP the drafting of the Memorandum should be guided by the National Development Implementation and Communication Committee's (NDICC's) resolution on Cabinet Business. The NDICC during its 6th meeting held on 12th March, 2019 resolved that all Cabinet Memoranda should be countersigned by the Cabinet Secretary for the National Treasury and Planning as well as the Attorney General to denote their confirmation that the Memorandum in question is aligned to the Medium Term Plan.

Notes to the Financial Statements (Continued)

43. Going Concern (continued)

Vide a letter Ref No. MOEP/SDP/CONF/1/21 dated 3rd November, 2025, the CS- MOEP forwarded the cabinet Memorandum on the merger of KPRL with KPC and the dissolution of KPRL to the CS –National Treasury and Economic Planning to consider and countersign the Cabinet Memorandum and transmit the same to the Attorn-General for subsequent consideration and countersigning.

On 29th July, 2025 the Cabinet approved divesture of 65% shareholding in KPC through an initial public offering on the Nairobi Stock Exchange (NSE). The process is ongoing and is expected to be completed in the Financial Year 2025/26. KPRL is a wholly (100%) owned subsidiary of KPC.

While the lease agreement was a transitional arrangement, the acquisition of KPRL by KPC on 27th October, 2023 has significantly addressed the uncertainty about the going concern status of KPRL.

The current liabilities (Kshs 7.529bn) exceed current assets (Kshs 6.227bn) by Kshs 1.302bn due to outstanding short-term loans from GoK and KPC, bank overdrafts and CPP term loan which was converted to a current loan after default. In May 2020 KPRL began partial repayment of the bank loans using depreciation recoveries from KPC as provided for in the lease agreement. The settlement of the overdraft facilities and restructuring the CPP term loan was concluded in October 2025.

During FY 2024/25 the company continued to operate under the KPRL/KPC Lease Agreement which was entered on 20th March, 2017. This lease agreement is transitional until the progress towards full integration of KPRL and KPC is achieved. Consequently on 4th October, 2024 and 6th November, 2024, both KPC and KPRL respectively passed board resolutions to extend the lease agreement until the implementation of the post acquisition integration plan is completed. Thus, KPRL operations and financial obligations are funded by the Shareholder (KPC) through the lease agreement.

44. Yield Shift

In the normal course of business the company's contracts with oil marketing companies under the toll processing arrangement allowed for a difference between the programmed or expected yields under controlled and stable conditions (as defined in the refinery data book) and the actual yields achieved in a given period. This difference is referred to as yield shift because the loss in one product (the refinery fuel and loss is recognized as a yield) is reflected as a gain in another without any loss of mass. The company and the Oil Marketing companies ("OMCs") operating in Kenya engaged Deloitte Consulting Limited (DCL) to conduct a forensic audit of the company's toll stocks and proposed yield shifts for the period March 2002 to August 2012 under the directions of the Ministry of Energy ("MoE") to ascertain the actual yield shift. The MOE also requested, as a special deliverable because the processing agreement is based only on mass balance, that the forensic auditor value the yield shift.

Notes to the Financial Statements (Continued)

44. Yield Shift (continued)

Based on the findings of the report, there was indeed a difference between programmed yields and actual yields. The value of yield shifts for the period was valued at KShs 7,174,097,776 out of which KShs 3,515,911,634 was yet to be reflected in OMCs statements. The forensic auditor recommended that both KPRL and the OMCs adjust the stock balances to reflect the yield shift and that industry-wide discussions be held on how the losses would be borne.

However, having regard to the explicit provisions of the Processing Agreement and legal advice received, the directors are of the opinion that the company is not liable for losses arising from yield shifts under the toll processing agreements.

On 3rd October 2024, Ministry of Energy & Petroleum communicated to KPRL the GoK policy decision regarding the resolution of the Yield Shift legacy matter which has been pending since the year 2012. The decision of the Government is to pay Refinery Users (OMCs) the pending Yield Shift claim of KShs 3,515,911,634 as per the DCL report and subsequent approvals /concurrence by The National Treasury and Attorney General Office. Consequently KPRL initiated the process of settling the Yield Shift claim and has engaged the Refinery Users accordingly. On 24th April, 2025 the State Department for Petroleum transferred to KPRL KShs 3,515,911,634 to begin the settlement process. This process is expected to be concluded during FY 2025/26.

45. Related Party Disclosures

Government of Kenya

The Government of Kenya is the principal shareholder of the Kenya Petroleum Refineries Limited, holding 100% of the company's equity interest having transferred its shares to Kenya Pipeline Company which is wholly owned by the GoK. The Government of Kenya has provided full guarantees to all long-term lenders of the entity, both domestic and external.

Other related parties include:

- i) the Ministry of Energy and Petroleum
- ii) County Government of Mombasa
- iii) County Government of Kilifi
- iv) Kenya Pipeline Corporation
- v) Kenya Commercial Bank
- vi) Key management
- vii) Board of directors

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Notes to the Financial Statements (Continued)

Transactions with related parties

Description	FY 2024/25	FY2023/24
	Kshs	Kshs
a) Sales to related parties		
Sales of electricity to govt agencies	-	-
Lease income from KPC	1,631,215,360	1,656,220,534
Water sales to govt. agencies	-	-
Interest income from KCB & NBK	29,015,760	-
Interest income from bills and bonds	-	-
Others	-	-
Total	1,660,231,120	1,656,220,534
b) Purchases from related parties		
Purchases of electricity from KPLC	81,513,294	120,393,576
Purchase of water from govt service providers	11,053,223	15,290,322
Rent expenses paid to govt agencies	8,606,240	8,606,240
Training and conference fees paid to govt. Agencies	6,922,117	6,162,855
Bank charges paid to govt commercial banks	500	-
Interest expense to investments by other govt. Entities	-	-
Others-Licences/Armed security/Audit fee/Consultancy/Milk/LPG/Catering	17,137,059	25,581,522
Total	125,232,434	176,034,515
c) Grants from the government		
Grants from national govt	-	-
Grants from county government	-	-
Donations in kind	-	-
Total	-	-
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	-	-
Compensation to key management	52,300,616	61,554,449
Total	52,300,616	61,554,449

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Notes to the Financial Statements (Continued)

46. Capital Commitments

Capital commitments at the year- end for which no provision has been made in these financial statements are:

Description	FY 2024/25	FY 2023/24
	Kshs	Kshs
Amounts authorised and Contracted for	0	0
Amounts authorizes but Not Contracted for	0	0
Less: Amounts included in Work In Progress	0	0
Total	0	0

Under the KPC/KPRL Lease arrangement, Capital expenditure is under KPC.

47. Contingent Assets and Liabilities

Contingent Assets

Description	FY 2024/25	FY2023/24
	Kshs	Kshs
Contingent assets		
Insurance reimbursements	0	0
Assets arising from determination of court cases	0	0
Reimbursable indemnities and guarantees	0	0
Receivables from other government entities	0	0
Reimbursable performance bond	0	1,586,668
Receivable from Olivine	5,545,564	5,545,564
Total	5,545,564	7,132,232

Contingent Liabilities

Description	FY2024/25	FY2023/24
	Kshs	Kshs
Court case by Total (K) Ltd against KPRL(Rejected Crude Oil)	232,621,740	233,148,600
Court case by County Government of Mombasa against KPRL (Land Rates matter)	0	64,570,610
Bank guarantees in favour of 3rd parties	505,222,344	505,222,344
Contingent liabilities arising from contracts including PPPs	0	0
Disputed Tax Assessments by KRA	0	380,629,000
Disputed Tax demand by KRA	0	1,633,968,000
Total	737,844,084	2,817,538,554

In the opinion of the directors, no provision is required in these financial statements as the liabilities are not expected to crystallize.

Notes to the Financial Statements (Continued)

48. Financial Risk Management

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

The company's financial risk management objectives and policies are detailed below:

(i) Credit risk

The entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

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

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

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Notes to the Financial Statements (Continued)

Credit Risk (Continued)

Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2025				
Receivables from exchange transactions	480,996,083	378,977,380	10,853,761	91,164,942
Receivables from non-exchange transactions	-	-	-	-
Bank balances	3,426,985,379	3,426,985,379	0	0
Total	3,907,981,462	3,805,962,759	10,853,761	91,164,942
At 30 June 2024				
Receivables from exchange transactions	568,194,144	330,740,089	84,584,062	152,869,993
Receivables from non-exchange transactions	-	-	-	-
Bank balances	53,531,100	53,531,100	0	0
Total	621,725,244	384,271,189	84,584,062	152,869,993

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The entity has significant concentration of credit risk on amounts due from Oil Marketing Companies (OMCs) and Kenya Pipeline Company (KPC).

The board of directors sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

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Notes to the Financial Statements (Continued)

ii) Liquidity risk management

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

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

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2025				
Trade payables	198,425,344	94,874,210	63,633,983	356,933,536
Current portion of borrowings	-	-	3,309,520,005	3,309,520,005
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	198,425,344	94,874,210	3,373,153,988	3,666,453,541
At 30 June 2024				
Trade payables	268,109,976	53,171,000	129,744,236	451,025,212
Current portion of borrowings	-	-	3,405,301,499	3,405,301,499
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	268,109,976	53,171,000	3,535,045,735	3,856,326,711

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Notes to the Financial Statements (Continued)

(iii) Market risk

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

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

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

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

a) Foreign currency risk

The Company has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

The carrying amount of the entity's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

Description	In Kshs	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2025			
Financial assets			
Investments	987,305,451	0	987,305,451
Cash	3,423,675,493	3,309,886	3,426,985,379
Debtors	346,271,443	43,559,698	389,831,141
	4,757,252,386	46,869,584	4,804,121,971
Financial liabilities			
Trade and other payables	322,609,547	34,323,989	356,933,536
Borrowings	2,078,621,057	1,230,898,948	3,309,520,005
	2,401,230,604	1,265,222,936	3,666,453,541
Net foreign currency asset/(liability)	2,356,021,783	- 1,218,353,352	1,137,668,431

Kenya Petroleum Refineries Limited
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Notes to the Financial Statements (Continued)

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

Description	In Kshs	Other Currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2024			
Financial Assets			
Investments	0	0	0
Cash	47,481,690	6,049,411	53,531,100
Debtors	365,484,467	49,839,684	415,324,151
	412,966,157	55,889,095	468,855,251
Financial Liabilities			
Trade and Other Payables	412,996,992	38,028,220	451,025,212
Borrowings	2,119,349,639	1,285,951,861	3,405,301,500
	2,532,346,631	1,323,980,081	3,856,326,712
Net Foreign Currency Asset/(Liability)	(2,119,380,474)	(1,268,090,986)	(3,387,471,461)

Notes to the Financial Statements (Continued)

b) Foreign currency sensitivity analysis

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

Details	Change in	Effect on Profit	Effect on
	currency rate	before tax	equity
	Kshs	Kshs	Kshs
2025			
Euro	10%	0	0
GBP	10%	0	0
USD	10%	(122,255,221)	0
2024			
Euro	10%	(578,265)	0
GBP	10%	(26,167)	0
USD	10%	(272,901,249)	0

c) Interest rate risk

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

i) Management of interest rate risk

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

ii) Sensitivity analysis

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of Kshs 16,745,746/-(2024: Kshs17,703,561/-. A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of Kshs 83,728,728/- (2024 – KShs 88,517,805/-).

Notes to the Financial Statements (Continued)

iii) Fair value of financial assets and liabilities

a) *Financial instruments measured at fair value*

Determination of fair value and fair values hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the *entity's* market assumptions.

These two types of inputs have created the following fair value hierarchy:

- i)** Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- ii)** Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- iii)** Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The *entity* considers relevant and observable market prices in its valuations where possible.

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Notes to the Financial Statements (Continued)

The following table shows an analysis of financial and non- financial instruments recorded at fair value by level of the fair value hierarchy:

At 30 June 2025	Level 1 Kshs	Level 2 Kshs	Level 3 Kshs	Total Kshs
Financial assets				
Quoted equity investments	0	0	0	0
Non- financial assets				
Investment property	0	0	0	0
Land and buildings	0	13,958,300,000	0	13,958,300,000
	0		0	0
At 30 June 2024				
Financial assets				
Quoted equity investments	0	0	0	0
Non- financial assets				
Investment property	0	0	0	0
Land and buildings	0	0	0	0
	0	0	0	0

There were no transfers between levels 1, 2 and 3 during the year.

Financial instruments not measured at fair value

Disclosures of fair values of financial instruments not measured at fair value have not been made because the carrying amounts are a reasonable approximation of their fair values.

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Notes to the Financial Statements (Continued)

iv) Capital Risk Management

The objective of the Company's capital risk management is to safeguard the Board's ability to continue as a going concern. The entity capital structure comprises of the following funds:

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Revaluation reserve	18,423,325,262	-
Retained earnings	(1,464,880,613)	(474,549,442)
Share Capital	736,000,000	736,000,000
Share Premium	144,000,000	144,000,000
Capital reserves	-	-
Total Funds	17,838,444,649	405,450,558
Total Borrowings	7,148,197,230	3,405,301,500
Less: Cash and Bank balances	(3,426,985,379)	(53,531,100)
Net Debt/(Excess Cash and Cash Equivalents)	3,721,211,851	3,351,770,400
Gearing	21%	827%

49. Incorporation

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

50. Events after the Reporting Period

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

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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	Material uncertainty relating to Going concern	KPRL became a wholly owned subsidiary of KPC with effect from 27 th October, 2023. During FY 2024/25 the company continued to operate under the KPRL/KPC Lease Agreement which was entered on 20 th March, 2017. This lease agreement is a transitional arrangement until the transition towards full integration of KPRL and KPC is completed. Consequently on 4 th October, 2024 and 6 th November, 2024, both KPC and KPRL respectively passed board resolutions to extend the lease agreement until the implementation of the post acquisition integration plan is completed. Thus, KPRL operations and financial obligations are funded by the Shareholder (KPC) through the lease agreement.	Going Concern Risk significantly reduced	
2	Fully Depreciated assets in use	KPRL Asset Policy reviewed, asset valuation carried out during the year and . Assets reviewed for the remaining Useful life.	Done	
3	Unreconciled related party balances	The variance relates to expenses incurred by KPC and booked in KPC ledger. Those are KPC expenses not KPRL expenses	Reconciled	
4	Long outstanding Trade receivables	These were old debts that were fully provided for since chances of recovery were very low.	Done	
5	Inaccuracies in CPP Loan balance	Bank issued confirmation of balance	Reconciled	
6	Crude and Finished product stocks	The stocks are under global custody of KPC. KPC undertakes the annual stock takes	Reconciled	

Name: Joseph Bale Ndlovu

Accounting Officer: Acting Chief Executive Officer

Signed: [Signature]
 Date: 11/12/2025

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Appendix II: Projects implemented by KPRL

Projects implemented by the State Corporation/ SAGA Funded by development partners.

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
KPRL R22 Refrigerant air-conditioning systems		n/a	2023/24 to 2025/26	N/A	No	Yes
Purchase of Jet Fuel Thermol Oxidation Tester		n/a	2024/25	N/A	No	Yes
Industrial Vacuum Tanker (Gulley Sucker)		n/a	2023/24 to 2024/25	N/A	No	Yes
Replacement of 3 Primary and 3 Disaster Recovery Data Centres Servers, 6 LAN Base POE Switches and Associated Devices		n/a	2023/24 to 2024/25	N/A	No	Yes
Replacement of utilities air compressor		n/a	2023/24 to 2024/25	N/A	No	Yes
Replacement of Automatic Distillation Units		n/a	2023/24 to 2024/25	N/A	No	Yes
Purchase of Automatic Penetrometer		n/a	2023/24 to 2024/25	N/A	No	Yes
Replacement of Automatic Density Meter		n/a	2023/24 to 2024/25	N/A	No	Yes
Replacement of Mercaptan Sulphur Titrator		n/a	2023/24 to 2024/25	N/A	No	Yes
Replacement of 30 Enterprise Desktop Computers complete with Uninterruptible Power Supply (UPS) Units		n/a	2023/24 to 2024/25	N/A	No	Yes
Replacement of Hydrogen gas generator		n/a	2024/25	N/A	No	Yes
Purchase of 100 Nos Office chairs; Chairs; 2pcs Coffee tables for Reception		n/a	2023/24 to 2024/25	N/A	No	Yes

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Appendix III Status of Projects completion

	Project	Total project Cost	Total expended to date 30.06.2025	Completion % to date	Budget	Actual	Sources of funds
1	KPRL R22 Refrigerant air-conditioning systems	39,320,578	29,108,000	95%	39,320,578	29,108,000	KPC/KPRL Lease
2	Purchase of Jet Fuel Thermol Oxidation Tester	39,150,000	37,102,530	100%	39,150,000	37,102,530	KPC/KPRL Lease
3	Industrial Vacuum Tanker (Gulley Sucker)	27,583,000	27,583,000	100%	27,583,000	27,583,000	KPC/KPRL Lease
4	Replacement of 3 Primary and 3 Disaster Recovery Data Centres Servers, 6 LAN Base POE Switches and Associated Devices	23,679,080	23,679,080	100%	23,679,080	23,679,080	KPC/KPRL Lease
5	Replacement of utilities air compressor	23,397,200	23,397,200	100%	23,397,200	23,397,200	KPC/KPRL Lease
6	Replacement of Automatic Distillation Units	14,124,617	13,391,522	100%	14,124,617	23,397,200	KPC/KPRL Lease
7	Purchase of Automatic Penetrometer	6,796,000	4,948,763	100%	6,796,000	4,948,763	KPC/KPRL Lease
8	Replacement of Automatic Density Meter	5,000,000	4,998,494	100%	5,000,000	4,998,494	KPC/KPRL Lease
9	Replacement of Mercaptan Sulphur Titrator	5,000,000	3,334,815	100%	5,000,000	3,334,815	KPC/KPRL Lease
10	Replacement of 30 Enterprise Desktop Computers complete with Uninterruptible Power Supply (UPS) Units	4,350,000	4,184,700	100%	4,350,000	4,184,700	KPC/KPRL Lease
11	Replacement of Hydrogen gas generator	4,000,000	Nil	0%	4,000,000	Nil	KPC/KPRL Lease
12	Purchase of 100Nos Office chairs; 2pcs Coffee tables for Reception	2,365,356	2,365,356	100%	2,365,356	2,365,356	KPC/KPRL Lease
	Total	194,765,831	174,093,460		194,765,831	184,099,138	

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Appendix IV: Transfers From Other Government Entities

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - Kshs	Statement of Financial Performance	Where Recorded/Recognized				Total Transfers during the Year
					Capital Fund	Deferred Income	Receivables	Others - must be specific	
Ministry of Planning and Devolution	0	Recurrent	0	0	0	0	0	0	0
Ministry of Planning and Devolution	0	Development	0	0	0	0	0	0	0
Ministry of Planning and Devolution	0	Direct Payment	0	0	0	0	0	0	0
Total			0	0	0	0	0	0	0

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Appendix V- Inter-Entity Confirmation Letter

Name of Transferring entity.....

Name of Beneficiary entity.....

Confirmation of amounts received by [Insert name of beneficiary Entity] as at 30 th June (Current FY)					
Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Total (C)=(A+B)	Remarks
Total					

I confirm that the amounts shown above are correct as of the date indicated.

Head of Accounts Department - Disbursing Entity:
Name Sign Date

Head of Accounts Department - Beneficiary Entity:
Name Sign Date.....



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Appendix VI: Reporting of Climate Relevant Expenditures

Name of the Organization
 Telephone Number
 Email Address
 Name of CEO/

Name and contact details of contact person (in case of any clarifications)

Project Name	Project Description	Project Objectives	Project Activities					Source Of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		

Appendix VII: Reporting Disaster Management Expenditure

Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments
N/A	N/A	N/A	N/A	N/A	N/A	N/A