

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL  
Enhancing Accountability

THE NATIONAL ASSEMBLY  
PAPERS LAID

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REPORT

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TABLED BY:	Hon. James Wago, O.S.M.P. (Deputy Majority Whip)
CLERK-AT THE-TABLE:	Imoge Mwale, Hsc

OF

THE AUDITOR-GENERAL

ON

RURAL ELECTRIFICATION SCHEME

FOR THE YEAR ENDED  
30 JUNE, 2025

KENYA POWER AND LIGHTING COMPANY  
PLC



THE KENYA POWER AND LIGHTING COMPANY PLC

RURAL ELECTRIFICATION SCHEME

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2025

Prepared in accordance with the International Financial Reporting Standards (IFRS)

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## 1. Abbreviations and Acronyms

AFD	French Development Agency
AfDB	African Development Bank
CEO	Chief Executive Officer
CGU's	Cash Generating Units
CIDA	Canadian International Development Agency
ECL	Expected Credit Loss
EPRA	Energy and Petroleum Regulatory Authority
EU	European Union
FVOCL	Fair Value through Other Comprehensive Income
GOK	Government of Kenya
GOK-RDR	Recurrent Deficit from Government of Kenya
IBOR	Interbank Offered Rate
IFRS	International Financial Reporting Standards
KEMP	Kenya Electricity Modernisation Project
KOSAP-RES	Kenya Off-grid Solar Access Project - Rural electrification Schemes
KPLC	Kenya Power and Lighting Company PLC
Kshs'	Kenya Shillings
MOE	Ministry of Energy
NCCK	National Council of Churches of Kenya
RES	Rural Electrification Schemes
SIDA	Swedish International Development Agency
World Bank IDA	International Development Association- World Bank
WIP*	Work in Progress
REREC	Rural Electrification and Renewable Energy Cooperation
JICA	Japanese International Co-proration Agency
EIB	European Investment Bank
ESCO	Super Energy Services Company
IESR	Institute of Energy Studies and Research

## 2. Key Entity Information

### a) Background information

The Rural Electrification Scheme was established in 1973 by the Government of Kenya following an agreement between the Government and East African Power & Lighting Company, now The Kenya Power and Lighting Company Plc ("KPLC"). The Scheme was established with the specific objective of extending electricity to the rural areas.

The above agreement followed a previous agreement between the Government of Kenya and the Government of Sweden whereby the Government of Sweden agreed to finance rural electrification in Kenya while the Government of Kenya required to establish a Rural Electrification Fund. The Rural Electrification Fund was to be used to finance investments in new sub-economic rural electrification schemes and the operating losses of such schemes.

Currently, RES is funded by several donors through the Government of Kenya. Any property acquired by RES remains the property of the Government of Kenya. KPLC only acts as a management agent for schemes financed by the Rural Electrification Fund, on behalf of the Government.

The Fund account is maintained by the Principal Secretary, Ministry of Energy and does not form any part of these financial statements. These financial statements only account for direct government contributions to the Scheme and contributions through KPLC on behalf of the Government.

The schemes of RES are generally referred to as sub-economic because their operational and maintenance costs exceed the revenues derived from them. This is because the activities are undertaken in the rural areas where income is low. The Government embarks on these activities to further its development plan.

At the outset of the agreement, it was stipulated that once a scheme ceases to be sub-economic, KPLC may, with consent from the Ministry of Energy, acquire the scheme for consideration as specified in the agreement. KPLC has not acquired any scheme to date.

### b) Principal activities

The principal activities of the Scheme are:

- i) Designing and construction of electricity lines from existing public electricity network comprising grid and isolated diesel systems;
- ii) Installation of transformers and switchgears; and
- iii) Service distribution to potential customers that include rural trade and production centers, social institutions, rural industries and peripheral domestic settlements.

### c) Management

The Principal Secretary, Ministry of Energy is charged with the responsibility of overseeing the activities of RES while KPLC has been mandated as the management agent on behalf of the Ministry of Energy.

#### **Administrator**

Principal Secretary  
Ministry of Energy  
Nairobi, Kenya

The position is currently held by Alex Wachira.

#### **Manager**

The Kenya Power and Lighting Company Plc  
Stima Plaza,  
Kolobot Road, Parklands  
P. O. Box 30099 - 00100  
Nairobi, Kenya

2. Key Entity Information (continued)

**Coordinator**

Eng. Winnie Chelgat Tarus  
Chief Engineer Rural Electrification  
The Kenya Power and Lighting Company Plc  
Stima Plaza, Kolobot Road  
P. O. Box 30099 - 00100  
Nairobi, Kenya

**C) Registered Office**

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

**d) Independent Auditors**

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

**e) Legal Adviser**

Hamilton Harrison & Mathews Adv.  
Delta Office Suites, Waiyaki Way  
P. O. Box 30333 - 00100  
Nairobi, Kenya

### 3. Report of the Scheme Administrator

The Scheme Administrator submits his report together with the audited financial statements of the Rural Electrification Scheme ("RES" or "the Scheme") for the year ended 30 June 2025, which disclose the state of affairs of the Scheme.

#### Schemes in operation

For management and administrative purposes, the Scheme is organized into Counties. The RES Schemes are further clustered into constituencies as detailed below:

1. Nairobi County  
Dagoretti North, Dagoretti South, Embakasi Central, Embakasi East, Embakasi North, Embakasi South, Embakasi West, Kamukunji, Kasarani, Kibra, Langata, Makadara, Mathare, Roysambu, Ruaraka, Westlands, Starehe.
2. Marsabit County  
Laisamis, Moyale, North Horr, Saku.
3. Mandera County  
Banissa, Lafey, Mandera East, Mandera North, Mandera South, Mandera West.
4. Wajir County  
Eldas, Tarbaj, Wajir East, Wajir North, Wajir South, Wajir West.
5. Garissa County  
Balambala, Daadab, Fafi, Garissa Township, Ijara, Lagdera.
6. Kiambu County  
Gatundu North, Gatundu South, Githunguri, Juja, Kabete, Kiambaa, Kiambu, Kikuyu, Lari, Limuru, Ruiru, Thika Town.
7. Makueni County  
Kaiti, Kibwezi East, Kibwezi West, Kilome, Makueni, Mbooni.
8. Machakos County  
Kangundo, Kathiani, Machakos Town, Masinga, Matungulu, Mavoko, Mwala, Yatta.
9. Kajiado County  
Kajiado Central, Kajiado East, Kajiado North, Kajiado South, Kajiado West.
10. Tana River County  
Bura, Galore, Garsen.
11. Lamu County  
Lamu East, Lamu West,
12. Kilifi County  
Ganze, Kaloleni, Kilifi North, Kilifi South, Magarini, Malindi, Rabai.
13. Mombasa County  
Changamwe, Jomvu, Kisauni, Likoni, Mvita, Nyali.
14. Kwale County  
Kinango, Lungalunga, Matuga Msambweni.
15. Taita Taveta County  
Mwatate, Taveta, Voi, Wundanyi.
16. Nakuru County  
Bahati, Gilgil, Kuresoi North, Kuresoi South, Molo, Naivasha, Nakuru Town East, Nakuru Town West, Njoro, Rongai, Subukia.
17. Nyandarua County  
Kinangop, Kipipiri, Ndaragwa, Ol Jorok, Olkalau,
18. Narok County  
Emurua Dikirr, Kilgoris, Narok East, Narok North, Narok South, Narok West.
19. Samburu County  
Samburu East, Samburu North, Samburu West
20. Siaya County  
Alego Usonga, Bondo, Gem, Rarienda, Ugenya, Ugunja
21. Kisumu County  
Kisumu Central, Kisumu East, Kisumu West, Muhoroni, Nyakach, Nyando, Seme,
22. Homa Bay County  
Homa Bay Town, Kabondo, Karachuonyo, Kaspul, Mbita, Ndhiwa, Rangwe, Suba.

**Schemes in operation (continued)**

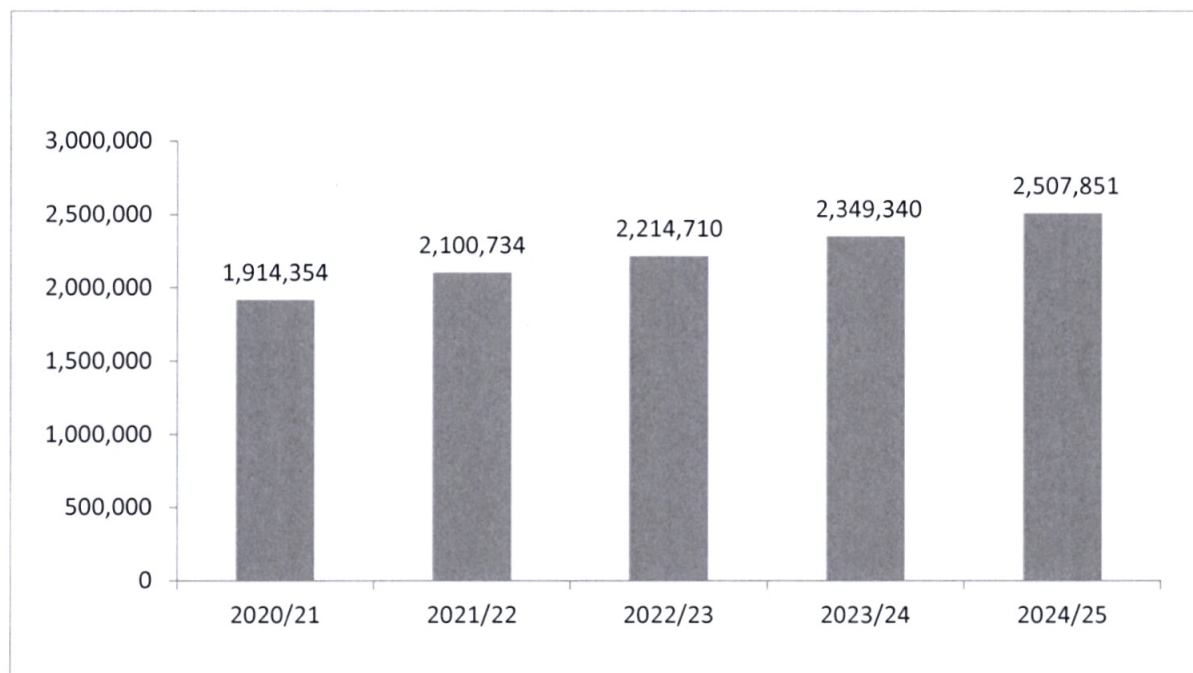
- |   |   |
|---|---|
| <p>23. Migori County<br/>Awendo, Kuria East, Kuria West, Nyatike, Rongo, Suna East, Suna West, Uriri.</p> <p>24. Kisii County<br/>Bobasi, Bomachoge Borabu, Bomachoge Chache, Bonchari, Kitutu Chache North, Kitutu Chache South, Nyaribari Chache, Nyaribari Masaba, South Mugirango.</p> <p>25. Nyamira County<br/>Borabu, Kitutu Masaba, North Mugirango, West Mugirango.</p> <p>26. Bomet County<br/>Bomet Central, Bomet East, Chepalungu, Konoin, Sotik</p> <p>27. Kericho County<br/>Ainamoi, Belgut, Bureti, Kipkelion East, Kipkelion West, Sigowet/Soin.</p> <p>28. Bungoma County<br/>Bumula, Kabuchai, Kanduyi, Kimilili, Mt. Elgon, Sirisia, Tongaren, Webuye East, Webuye West.</p> <p>29. Busia County<br/>Budalangi, Butula, Funyula, Matayos, Nambale, Teso North, Teso South</p> <p>30. Kakamega County<br/>Butere, Ikolomani, Khwisero, Likuyani, Lugari, Lurambi, Malava, Matungu, Mumias East, Mumias West, Nvakholo, Shinyalu.</p> <p>31. Vihiga County<br/>Emuhaya, Hamisi, Luanda, Sabatia, Vihiga</p> <p>32. Nyeri County<br/>Kieni, Mathira, Mukurweini, Nyeri Town, Othaya, Tetu.</p> <p>33. Kirinyaga County<br/>Gichugu, Kirinyaga Central, Mwea, Ndia.</p> <p>34. Muranga County<br/>Gatanga, Kandara, Kangema, Kigumo, Kiharu, Maragua, Mathioya</p> <p>35. Kitui County<br/>Kitui Central, Kitui East, Kitui Rural, Kitui south, Kitui West, Mwingi Central, Mwingi North, Mwingi West.</p> <p>36. Embu County<br/>Manyatta, Mbeere North, Mbeere South, Runyenjes.</p> <p>37. Tharaka-Nithi County<br/>Chuka/ Igambangombe, Maara, Tharaka.</p> <p>38. Meru County</p> | <p>Buuri, Central Imenti, Igembe Central, Igembe North, Igembe South, North Imenti, South Imenti, Tigania East, Tigania West.</p> <p>39. Isiolo County<br/>Isiolo North, Isiolo West.</p> <p>40. Laikipia County<br/>Laikipia East, Laikipia North, Laikipia West</p> <p>41. Baringo County<br/>Baringo Central, Baringo North, Baringo South, Eldama Ravine, Mogotio, Tiaty.</p> <p>42. Elgeyo Marakwet County<br/>Keiyo North, Keiyo South, Marakwet East, Marakwet West</p> <p>43. Uasin Gishu County<br/>Ainabkoi, Kapseret, Kesses, Moiben, Soy, Turbo</p> <p>44. Nandi County<br/>Aldai, Chesumei, Emgwen, Mosop, Nandi Hills, Tinderet</p> <p>45. Turkana County<br/>Loima, Turkana Central, Turkana East, Turkana North, Turkana South, Turkana West.</p> <p>46. West Pokot County<br/>Kacheliba, Kapenguria, Pokot South, West Pokot, Sigor.</p> <p>47. Trans Nzoia County<br/>Cherangany, Endebess, Kiminini, Kwanza, Saboti.</p> |
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#### 4. Management Discussion and Analysis of statistical information

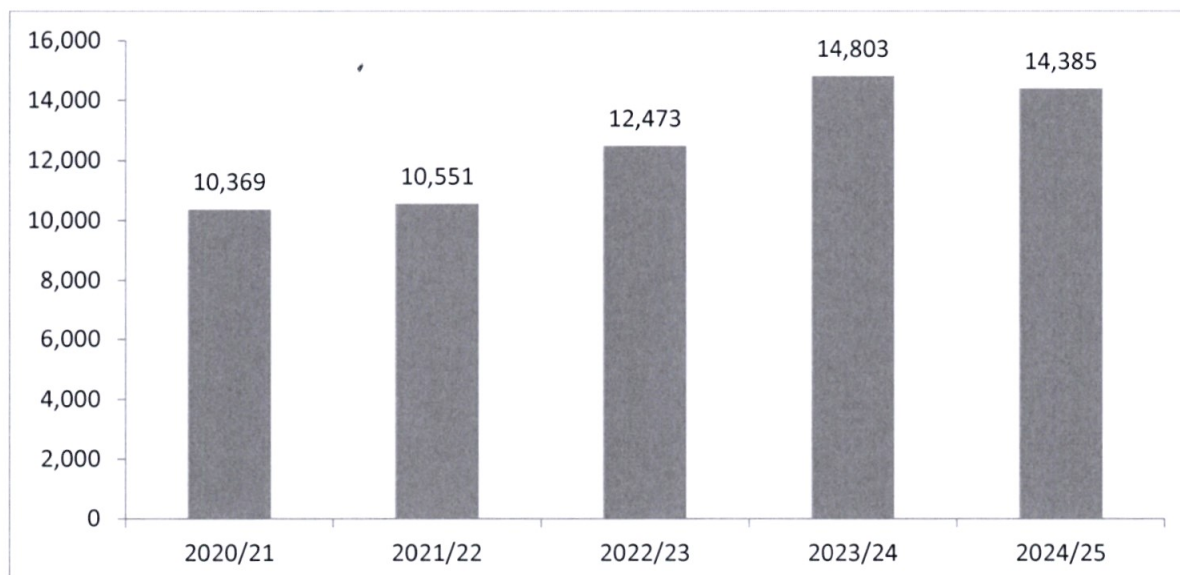
Year	2021	2022	2023	2024	2025
<b>Units sold (GWh) Millions</b>					
National Grid	581	595	609	596	691
Off-Grid Stations	<u>50</u>	<u>55</u>	<u>58</u>	<u>65</u>	<u>69</u>
<b>Total units sold</b>	<b><u>631</u></b>	<b><u>650</u></b>	<b><u>667</u></b>	<b><u>661</u></b>	<b><u>760</u></b>
Number of customers	1,914,354	2,100,734	2,214,710	2,349,340	2,507,851
% Increase in customers per year	27.37%	9.74%	5.43%	6.08%	6.75%
<b>Summarised financial statements</b>	<b>KShs '000</b>	<b>KShs '000</b>	<b>KShs '000</b>	<b>KShs '000</b>	<b>KShs '000</b>
Revenue and other income	10,369,255	10,551,368	12,472,928	14,802,969	14,397,807
Operating expenses	<u>(16,943,224)</u>	<u>(18,607,136)</u>	<u>(22,350,913)</u>	<u>(22,284,631)</u>	<u>(24,876,391)</u>
<b>Deficit for the year</b>	<b><u>(6,573,969)</u></b>	<b><u>(8,055,768)</u></b>	<b><u>(9,877,985)</u></b>	<b><u>(7,481,662)</u></b>	<b><u>(10,478,584)</u></b>
<b>CAPITAL EMPLOYED</b>					
Fixed assets net of depreciation	71,509,120	76,586,960	96,037,004	97,799,617	101,145,565
Due from KPLC	3,074,696	2,663,549	1,212,884	2,404,605	1,941,897
Trade and Other Receivables – Long Term.	-	10,305,274	10,389,495	11,098,169	12,247,493
Inventory	6,584	6,584	2,768	-	6,291
Receivables	<u>10,420,957</u>	<u>3,937,661</u>	<u>5,327,726</u>	<u>5,237,932</u>	<u>6,633,359</u>
	<b><u>85,011,357</u></b>	<b><u>93,500,028</u></b>	<b><u>112,969,877</u></b>	<b><u>116,540,323</u></b>	<b><u>121,974,605</u></b>
<b>FINANCED BY</b>					
Scheme balances	95,796,908	101,824,218	121,943,723	127,708,694	133,071,871
Accumulated deficit	(43,698,024)	(46,253,792)	(55,881,777)	(62,553,939)	(70,232,523)
Last Mile Connected Customers	-	11,272,271	11,408,540	12,162,253	13,361,748
Token Contribution (Ksh.15,000)	-	-	-	-	-
Current liabilities	<u>32,912,473</u>	<u>26,657,331</u>	<u>35,499,391</u>	<u>39,223,315</u>	<u>45,773,509</u>
	<b><u>85,011,357</u></b>	<b><u>93,500,028</u></b>	<b><u>112,969,877</u></b>	<b><u>116,540,323</u></b>	<b><u>121,974,605</u></b>

#### 4. Management Discussion and Analysis of statistical information (continued)

##### Customer base



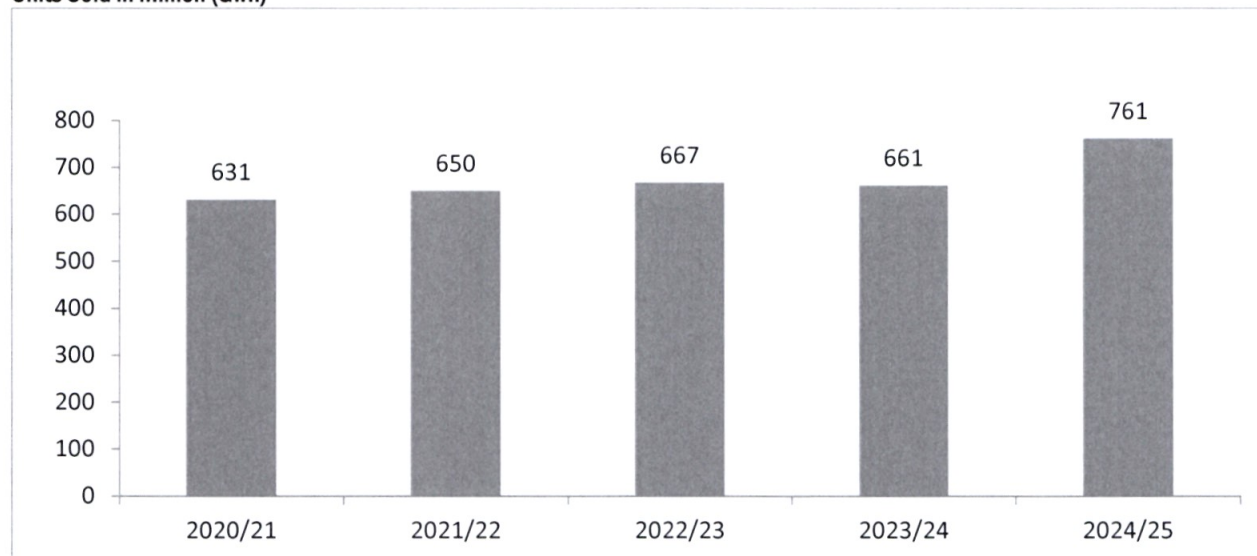
##### Revenue Million (KShs)



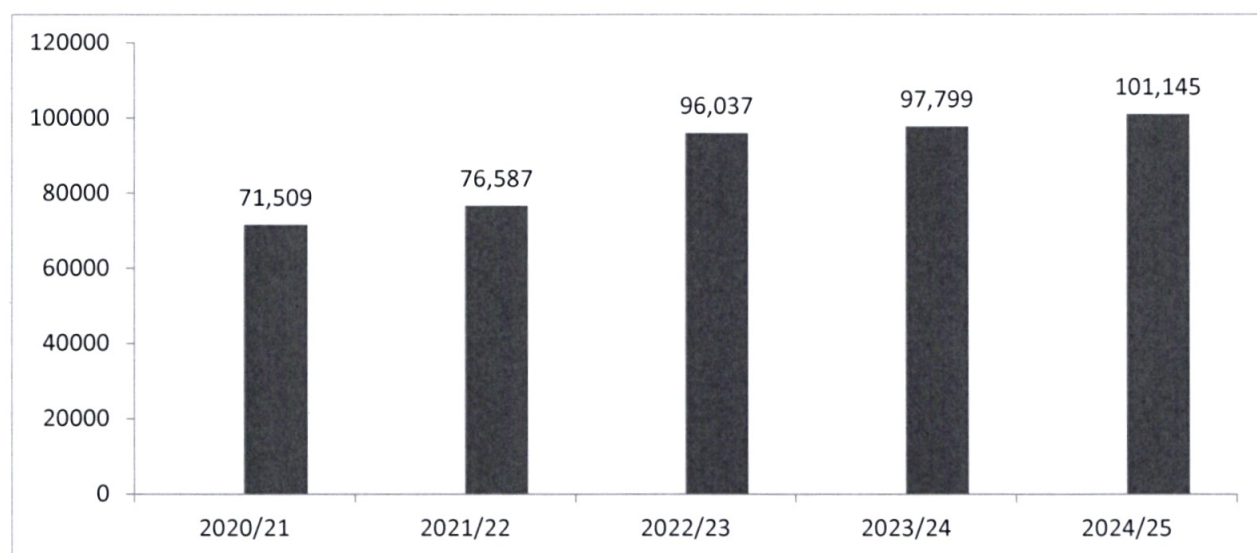


**4. Management Discussion and Analysis of statistical information (continued)**

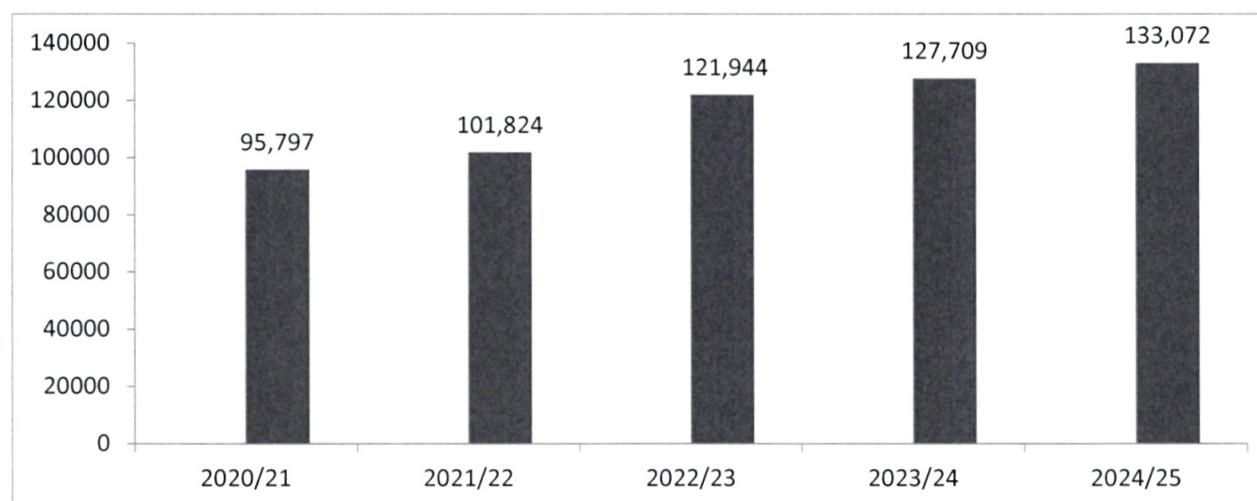
**Units Sold in Million (Gwh)**



**Fixed Assets Net of Depreciation in Millions (KShs)**



**Scheme Balances (Equity) in Million (KShs)**



## 5. Statement of Performance against Pre-determined Objectives for financial year 2024/25

RES is a Government of Kenya funded project whose objective is to increase electricity connectivity in the rural areas (sub-economic)

To achieve this KPLC signed an agreement with Government of Kenya to act as a managing agent. This achievement is based on (6) strategic objectives for the FY2024/2025 namely: **Enhance Financial Stability, Improve Cost Management, Improve Electricity Access, Enhance Customer Satisfaction, Business Operational Efficiency and Improve Performance Management**

The extent to which the objectives were attained as at June 2025 is as tabulated below

PERSPECTIVE	STRATEGIC OBJECTIVES	DIVISIONAL OBJECTIVES	DIVISIONAL INITIATIVES	KEY PERFORMANCE INDICATOR	ANNUAL TARGET 2024/25	ACTUAL 2024/2025
Financial	Enhanced Financial Stability			Sales Growth from new connections	130	203
	Improve Cost management	Improve Cost management	Project Budget absorption rate	Project Budget absorption rate	85%	72%
Customer/Stake holders	Improve electricity Access			Number of customers connected	400,000	401,848
	Enhance customer satisfaction			Customer charter compliance	100%	63.7%
					Customer satisfaction Index	70%
Internal Processes	Business operational Efficiency			Implementation of internal Audit Recommendations	100%	91%
		Business Operational Efficiency	Improve conformance to Procedures	Connectivity Turn-around time	62	26
		Business Operational Efficiency	Improve Business Risk Management	Project completion Rate	100%	85.31%
		Commercial cycle optimization	Enhance Process optimization	No. of processes Re-engineered	2	2
Organizational Capabilities	Improve Performance Management			Implementation of Performance Management	100%	100%

## 6. Environmental and Sustainability Reporting

The schemes operations are implemented by KPLC on Behalf of the Government of Kenya, below is the KPLC's Sustainability Report

### Corporate Strategy Alignment to Sustainability Principles

Building on this foundation, the Company has aligned its Corporate Strategy with sustainability principles to ensure long-term resilience while balancing commercial interests with environmental, social and governance (ESG) best practices. This alignment advances our contribution to the climate change agenda and supports the Sustainable Development Goals.

During the year, we launched a Sustainability Framework and cascaded it across all administrative regions. Key business operations were streamlined to embed safety, environmental stewardship, social responsibility and governance into daily practices, creating long-term value for customers, shareholders and communities. The strategy also aligns with Kenya's universal access and clean energy ambitions and is guided by the Global Reporting Initiative (GRI) Standards for transparent annual disclosures.

### Key Material Matters

Reference	Material Matters	Description	Linked Strategic Goal
L	Liquidity	The financial health of the Company is key to ensuring service delivery and creating long-term stakeholder value. Prudent management of our debt and short-term obligations, coupled with sustained sales growth and income diversification, determines our ability to achieve our Strategic and Sustainability targets.	SG1 <sup>1</sup> , SG3
G	Government Support	The Government remains a pivotal stakeholder for the Company - serving as majority shareholder, policy setter, and major customer at both national and county levels. Its support and collaboration are therefore critical to strengthening the resilience of the electricity sector, particularly through responsive tariff frameworks, well-structured PPAs, and effective management of outstanding receivables.	SG1
R	Grid Reliability & Expansion	With a growing customer base and electricity's central role in driving our economy, enhancing grid reliability and availability is critical to improving customer experience while powering growth. Ongoing initiatives have thus prioritised this supply security and flexibility across the network.	SG2, SG3
C	Customer Experience	Customer centricity and operational excellence remain the pillars of our strategy to preserve and grow our customer base while sustaining demand. By fostering transparent communication, strengthening stakeholder engagements, and ensuring responsive service delivery, we consolidate our reputation as a trusted and dependable service provider.	SG2, SG3

<sup>1</sup> SG = Strategic Goals. 1 = Financial Sustainability; 2 = Customer Centricity; 3 = Operational Excellence; 4 = Human Capital

Reference	Material Matters	Description	Linked Strategic Goal
P	Our People	Our employees are the cornerstone of our operations and the strongest ambassadors of our brand. We remain committed to attracting, developing, and retaining highly skilled talent by fostering engagement, enhancing productivity, and creating an enabling environment that empowers our people to excel.	SG3, SG4
S	Social Investments	With a legacy spanning over a century, Kenya Power remains deeply embedded in the nation's social and economic development. Recognising the material importance of corporate social responsibility, we continue to invest in initiatives that foster community trust, strengthen our social license to operate, and reinforce our purpose of powering lives with sustainable and inclusive growth.	SG2, SG4
E	Climate Change and Environmental Degradation	Climate change remains a material consideration for our business, with growing impacts posing both operational and strategic risks. In recognition of this, Kenya Power has prioritised initiatives aimed at reducing our carbon footprint and advancing sustainable environmental practices. These efforts not only align with global climate action goals but also safeguard the long-term resilience and competitiveness of our operations.	SG3
PG	Public Governance	Safeguarding the interests of our diverse stakeholders remains a material priority for Kenya Power. We have embedded initiatives that strengthen regulatory compliance, enhance transparency, and uphold accountability across all operations. By aligning our practices with ethical standards and evolving reporting requirements, we not only mitigate governance and reputational risks but also reinforce stakeholder trust.	SG3

### Climate Change, Safety and Social Impact

In the period, we anchored our work on four focus areas—Environmental Stewardship, Social Responsibility, Economic Resilience, and Robust Governance—supported by a Company-wide governance and monitoring framework. The Board sets strategic direction; the Managing Director & CEO serves as the Sustainability Accounting Officer; the Kenya Power Foundation (KPF) oversees Corporate Social Investment; and Business Strategy function coordinates execution and reporting. Our sustainability initiatives support 10 Sustainable Development Goals (SDGs), namely 3, 5, 7, 8, 9, 12, 13, 15, 16 and 1) and our reporting is aligned to the GRI framework.

## Climate Change

### Energy and carbon-transition

Kenya's vision for 100% renewable energy by 2030 remained central to our operations. In FY 2024/25, renewable energy accounted for 90% of the generation mix, compared to 92% the previous year. The marginal reduction in growth reflects system constraints that required increased thermal dispatch to meet rising electricity demand.

Initiatives towards carbon neutrality:

- Onboarding of renewable plants with Battery Energy Storage Systems (BESS) to manage intermittency.
- Hybridisation of four diesel plants with solar and battery storage, which is ongoing and is to be completed in the FY 2025-2026.
- Steady growth of Electric Vehicles adoption - The Company fleet expanded by 30% to 26 vehicles.
- KSh 25 million was invested in public charging, including a free charging hub at Stima Plaza.
- Promotion of electric cooking solutions through 173 *Pika na Power* forums and wider education initiatives.

### Environmental stewardship

Kenya Power supports national climate change mitigation and biodiversity conservation objectives through tree growing, ensuring environmental regulatory compliance for our projects and environmental monitoring among other ways. During FY 2024/25, 456,135 seedlings were planted and nurtured across designated forest blocks, public institutions and community lands. Partnerships with KFS, CBOs, schools and local authorities as well as follow up care continue to enhance survival rates and community ownership. Targeted environmental monitoring for AfDB I Savings, JICA LMCP, and AFD/EU/EIB LMCP lots was done in the year. In addition, 11 Environmental Impact Assessment (EIA) submissions were made to NEMA as part of environmental compliance for our projects.

Some of the areas where trees were planted include -

- Southwest Mau Complex – Londiani (Sitoton & Kuresoi blocks) and Narasha (Mumberes) forests.
- Nairobi River Basin/Arboretum; Sirikwa and Gacharage forests; Meru, Embu and Bunyala forest blocks.
- Schools and community sites in Kitui, Kericho, Migori, Kajiado and Kilifi.

### Energy access and network reliability

Kenya Power is an enabler in the achievement of SDG 7 which provides for access to clean, reliable and affordable energy for all, necessary for economic and social development. During the year, the Company implemented network projects to improve power supply availability and also connected 456,135 new customers, including 105,924 households under the Last Mile Connectivity Project (LMCP).

### Local empowerment and inclusion

As part of contribution towards SDGs 1 (No Poverty) and 10 (Reduced Inequalities), in the year under review, the Company's workforce comprised 10,582 staff all drawn from our local communities comprising of 27% female and 73% male, which was an improvement of 2 percentage points year-on-year. We engaged 376 contractors, employing about 6,200 people, mainly from host communities, and engaged 1,032 interns and 214 attachés to deepen the talent pipeline. Local procurement totalled KSh 23.6 billion, with 35% channelled through AGPO to youth, women and persons with disabilities.

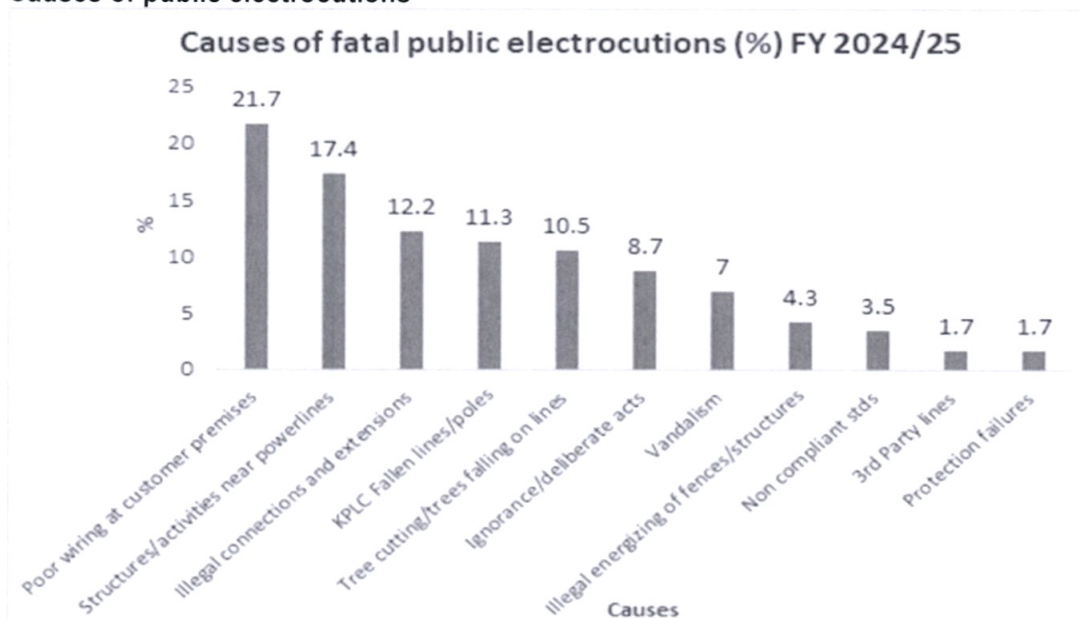
Occupational and Public Safety

At a glance

Indicator	FY 2024/25	Remarks
Staff fatalities (FY24/25)	5	50 % reduction from previous year
Contractor fatalities (FY24/25)	2	33% reduction from previous year
Public fatalities (FY24/25)	115	3% reduction from previous year
Public safety campaigns	648	36 % increase from previous year
Safety talks (technical teams)	237	7 % less than previous year
Statutory compliance (OSH/Fire/Env. audits)	Mostly compliant (some items in progress)	

Safety remains a top priority for the Company, and we deeply regret every life lost or affected in the course of our operations. Unfortunately, there were 122 fatalities attributed to electrocutions and operational-related accidents, comprising 115 members of the public, five employees and two contractors. The number of occupational staff fatalities reduced by 50% from ten in the previous year to five in the year ended June 2025. The staff accident frequency per 100,000 man-hours decreased from 0.19 in the previous year to 0.13 in the year ended June 2025, while accident frequency per 1000 transformers decreased from 2.49 in the previous year to 2.19 in the year ended June 2025.

Causes of public electrocutions



Key actions delivered

To improve occupational and public safety, the Company intensified its safety interventions during the year, focusing on both prevention and awareness. We implemented targeted occupational safety and health programs, directly benefitting 6,686 employees, including routine surveillance to detect occupational illnesses at total cost of KShs.14.4 million. We also procured and supplied to our frontline and field-based employees Personal Protective Equipment (PPE) including overalls, safety shoes, gloves, reflector jackets, and helmets to the tune of Kshs.100 million. Additionally, we conducted routine worksite safety inspections to ensure compliance with safe operating procedures and conducted staff and contractor competency and authorisation interviews for safe operation of the network.

We also conducted 648 public safety campaigns through chiefs' *barazas*, schools and churches, 237 safety talks for technical teams, and delivered targeted training to reinforce safe work practices. We strengthened compliance with applicable safety regulations to entrench a culture of safety across all our operations.

While these measures have contributed to notable progress, our commitment remains steadfast: to continually enhance safety in our business operations towards a future where every employee, contractor, and member of the public is free from accidents.

#### Community investment & social impact (Kenya Power Foundation)

Kenya Power's Corporate Social Responsibility and Investment (CSRI) programme is anchored on three strategic pillars — Education and Skills Development, Environmental Conservation, and Social Impact & Community Wellness — aligned to the Kenya Power Foundation's mission of creating lasting socio-economic value. These initiatives not only foster goodwill and trust but also directly support the Company's licence to operate, advance Kenya's national priorities, and contribute to the United Nations Sustainable Development Goals (SDGs), including SDG 4 (Quality Education), SDG 13 (Climate Action), and SDG 15 (Life on Land). In FY 2024/25, KShs.15 million was invested in CSRI, delivering measurable outcomes and sustainable impact nationwide.

The key achievements under CSRI were: -

- Rolled out mentorship programmes with a focus on STEM education and career readiness.
- Maintained a revolving fund at Starehe Boys' and Girls' Centres to provide full scholarships for academically gifted students from underprivileged backgrounds.
- Invested KSh 10.5 million in construction and rehabilitation of classrooms at schools including Miu CEB (Machakos), Our Lady of Mercy (Nairobi), Napetet Mixed Secondary (Lodwar), Nairobi School, Kabarnet High, Kositei High (Baringo), Athi School (Meru), Charera Special School (Kericho), and Kirigi Day Secondary (Embu).
- Rolled out mentorship programmes with a focus on STEM education and career readiness.
- Maintained a revolving fund at Starehe Boys' and Girls' Centres to provide full scholarships for academically gifted students from underprivileged backgrounds.
- Invested KShs.10.5 million in construction and rehabilitation of classrooms at schools including Miu CEB (Machakos), Our Lady of Mercy (Nairobi), Napetet Mixed Secondary (Lodwar), Nairobi School, Kabarnet High, Kositei High (Baringo), Athi School (Meru), Charera Special School (Kericho), and Kirigi Day Secondary (Embu).

#### Education & Skills Development – Outcomes

- Invested KShs.10.5 million in construction and rehabilitation of classrooms across nine schools, benefiting over 3,500 learners with improved learning environments.
- Maintained a revolving fund at Starehe Boys' and Girls' Centres to support fully funded scholarships for academically gifted students from underprivileged backgrounds; 18 beneficiaries graduated into tertiary education this year.
- Rolled out STEM-focused mentorship programmes, reaching over 1,000 students through school visits and career talks, aimed at improving transition to STEM careers.
- Donation of 250 school uniforms to learners at Mukuru Kwa Njenga and Our Lady of Nazareth Primary under the Luku Safi Campaign; sanitary products supplied to Huruma Girls.

#### Environmental Conservation – Outcomes

- Partnered with the Kenya Forest Service (KFS), community-based organisations (CBOs), and schools in the Kijani Tree Planting Campaign, planting 456,135 seedlings nationwide.
- Estimated carbon sequestration potential of ~9,000 tonnes CO<sub>2</sub> equivalent annually, supporting Kenya's National Climate Change Action Plan.
- Achieved an average seedling survival rate of 78% through community-led nurturing and follow-up visits.

### Social Impact & Community Wellness – Outcomes

- We distributed 250 school uniforms under the Luku Safi Campaign to learners in Mukuru Kwa Njenga and Our Lady of Nazareth Primary Schools, boosting attendance and morale.
- Provided sanitary towels to Huruma Girls, improving class attendance for adolescent girls and promoting dignity and health.
- Delivered community health awareness sessions alongside donations, aligning with Kenya Power's public safety and wellness campaigns.

### Foundation Governance Progress

- We launched the Kenya Power Foundation in September 2024 as the strategic delivery vehicle for CSRI programmes.
- Drafted and approved core governance policies, including the Trustees Charter, Financial Management Policy, and Donor Acceptance, Compliance, and Declaration policies.
- Selected KCB as the preferred banking partner after evaluating nine Tier One banks; account opening in progress.
- Allocated and branded dedicated office space on the 4th floor of Electricity House, Nairobi CBD, with fit-out planned for early 2025/26.

### Looking Ahead – 2025/26 Targets

- Double the number of scholarship beneficiaries by FY 2025/26.
- Expand tree planting to an additional 10 counties and target 500,000+ seedlings annually with an improved survival rate above 80%.
- Scale STEM mentorship programmes to reach 3,000+ students with a specific focus on girls in science and technology.
- Fully operationalise the Kenya Power Foundation and initiate annual independent impact assessments.

### Partnerships and Stakeholder Management

Area	Key Highlights
Customer & community	3,000+ LMCP IV engagements in 32 counties; 186 LMCP V (JICA) in 4 counties; 426 KOSAP engagements in 13 counties.
Brand & sponsorship	WRC Safari Rally 'Lighting Partner' with ~120m viewers reached across 70+ countries
Supply chain & local content	Local manufacturers spend 42.29%; local content 88.86% (up from 21.44% and 61.42% in 2023/24).
Access to Government Procurement Opportunities (AGPO)	8.43% of awards (KShs.3,193.97m, VAT excl.).

Area	Key Highlights
Policy & planning	Draft Medium-Term Plan 2024–2029 issued to electricity sub-sector CEOs.
Regional market (EAPP)	Trader certification, MTP site acceptance, operational readiness testing, and hosted regional trade conference.
Investors and banks	Regular engagements, updates on working capital and transaction execution.

### Strategic Stakeholder Engagements

Strategic and collaborative engagement underpins our license to operate, supports grid reliability, combats vandalism and electricity theft, accelerates growth areas such as e-mobility and regional power trade, and improves customer experience. Insights from stakeholders feed directly into our leadership and Board-level decision-making processes, influencing strategic priorities, partnerships, capital allocation, and programme design. This ensures that Kenya Power remains responsive to the evolving needs of customers, communities, investors, regulators, and other partners.

Our stakeholder engagements in FY 2024/25 directly supported the Company's strategic priorities across Customer Centricity, Reliability, Digital Transformation, Sustainability, and Financial Sustainability. By linking each initiative to our five-year strategy themes, we ensured that the voice of stakeholders shaped decisions, strengthened operational excellence, and delivered tangible benefits to customers, communities, partners, and investors.

### Stakeholder Engagement Summary

Stakeholder Group	Interests	How We Engage	What We Heard	Actions & Outcomes (2024/25)	Priorities 2025/26
<b>Customers</b>	Reliable, safe, affordable supply; transparent billing; fair connections; clear communication	County dialogues and forums with KARA; targeted customer meetings; LMCP/KOSAP consultations.	Need for reliability, billing clarity, faster connections; support for co-created solutions.	3,000+ LMCP IV engagements in 32 counties; 186 LMCP V in 4 counties; 426 KOSAP engagements in 13 counties; co-created local fixes.	Expand county-level co-creation; sharpen billing comms; sustain faster outage restoration.
<b>Communities</b>	Safe, reliable, affordable power; minimal disruption; socio-economic benefits.	Public consultations; project outreach; stakeholder energy dialogues.	Desire for timely information and local benefits from projects.	County dialogues and outreach shaped project planning, improved service delivery.	Publish 'you said, we did' summaries; integrate feedback into scheduling and safety campaigns.
<b>National &amp; County Government / Regulators</b>	Energy security; affordability; reliability; policy alignment.	Sector planning sessions; policy dialogues; regulatory consultations; site visits.	Focus on coordinated planning, vandalism prevention,	Issued draft Medium Term Plan 2024–2029; rolled out anti-vandalism campaigns.	Secure MTP approval; align anti-theft actions with county enforcement.

Stakeholder Group	Interests	How We Engage	What We Heard	Actions & Outcomes (2024/25)	Priorities 2025/26
			and affordable tariffs.		
<b>Investors &amp; Financiers</b>	Strategy execution; cash generation; risk management; ESG performance.	Investor briefings; bank meetings; regular financial updates.	Need for clarity on working capital improvements and transaction timelines.	Strengthened banking relationships; reinforced efficient capital operations.	Maintain proactive lender/investor engagement; publish working capital KPIs.
<b>Supply Chain &amp; Local Manufacturers</b>	Fair procurement; local participation; capacity building.	Framework agreements; restricted tenders to local manufacturers; AGPO sensitisation.	Requests for faster procurement and financing linkages.	Local manufacturers spend 42.29%; local content 88.86%; AGPO awards 8.43% (KSh 3.19b); ordering cycle cut from 6 months to 14 days.	Deepen quality assurance; expand AGPO participation; maintain just-in-time deliveries.
<b>Telecommunications Clients</b>	Uninterrupted power for critical telecom infrastructure; accurate metering; responsive service.	Nationwide regional caravans with Safaricom, Airtel, ATC, Eaton Towers, JTL, Telkom.	Need for smart meter upgrades, billing accuracy, and rapid issue resolution.	Recovered KES 1.1B through reconciliations; 97% smart meter retrofit; 8 regional WhatsApp groups created for real-time issue management.	Maintain meter upgrade programme; sustain WhatsApp engagement groups; enhance proactive outage communication.
<b>Residential &amp; Commercial Cooking Customers</b>	Affordable, clean, and reliable cooking solutions; energy efficiency awareness.	Nationwide 'Pika na Power' forums and e-cooking demonstrations.	Interest in affordable appliance financing, time-of-use tariffs, and efficiency tips.	Held 173 forums nationwide; promoted clean cooking and appliance adoption.	Expand forum reach; integrate appliance financing options; enhance tariff education.
<b>General Public &amp; Communities</b>	Digital platform literacy; safety awareness; energy-efficient practices.	Barazas and door-to-door customer education campaigns.	Requests for improved access to self-service digital platforms and faster fault reporting.	1,332 campaigns executed vs target of 1,272 (105% achievement); regional highs: Mt. Kenya (122%), West Kenya (139%), North Eastern (147%).	Expand outreach to underperforming regions; integrate digital demos into Barazas.
<b>Large Power &amp; SME Customers</b>	Reliable supply; customised technical support;	On-site visits and structured customer forums.	Desire for improved outage management, technical	839 visits; 33 forums held in final quarter; proactive technical	Institutionalise quarterly forums; publish regional reliability scorecards.

Stakeholder Group	Interests	How We Engage	What We Heard	Actions & Outcomes (2024/25)	Priorities 2025/26
	transparent communication.		advice, and tariff clarity.	engagement in NE, Coast, Nairobi South.	
<b>Corporate &amp; Institutional Clients</b>	Efficient issue resolution; strong partnership; customised services.	Dedicated account managers; scheduled visits to strategic clients.	Need for faster resolution of technical and billing issues; proactive infrastructure upgrades.	537 visits across water companies, county/national Governments, embassies, public health facilities, banks, corporates, Telcos, and parastatals.	Introduce quarterly performance reviews; implement proactive upgrade plans for key accounts.

### Medium Term Sustainability Priorities

Looking ahead, the Company remains committed to advancing sustainability by scaling up renewable energy integration, strengthening grid resilience through BESS deployment, and promoting demand-side management initiatives such as time-of-use tariffs. We will continue championing energy transition programmes, including e-mobility and e-cooking, while reducing losses, curbing illegal connections and safeguarding operational viability. In line with the SDGs and GRI reporting standards, we are embedding stronger safety practices, enhancing disclosures with independently assured sustainability indicators, and deepening collaboration through PPPs and blended finance. These efforts position the Company to deliver long-term value whilst contributing to a just and inclusive energy transition.

**RESULTS FOR THE YEAR**

	2025	2024
	KShs'000	KShs'000
Deficit for the year	<u>10,478,584</u>	<u>7,481,662</u>

**PERFORMANCE REVIEW**

The deficit for the year increased due to increase in operational costs and decrease in revenue.

**CAPITAL EXPENDITURE**

During the year, a total of KShs 7,187,837,000 (2024: KShs 4,408,541,000) was spent on capital works. The capital work-in progress as at 30 June 2025 amounted to KShs 12,244,162,000 (2024: KShs 11,120,738,000).

**SCHEME ADMINISTRATOR**

The Principal Secretary, Ministry of Energy. The position is currently held by Alex Wachira


**SCOPE OF THE FINANCIAL STATEMENTS**

The financial statements only cover the Scheme's operations managed by KPLC. All cash related transactions are handled by KPLC through the intercompany current account or directly by the donor.

**TERMS OF APPOINTMENT OF THE AUDITOR**

The Auditor-General is responsible for the statutory audit of the Scheme's financial statements in accordance with section 35 of the Public Audit Act, 2015. Section 23 (1) of the Act empowers the Auditor-General to appoint other auditors to carry out the audit on his behalf. Accordingly, Auditor-General carried out the audit for the year ended 30 June 2025.

By Order of the Scheme Administrator  
Principal Secretary, Ministry of Energy

  
03-11-2025

## 7. Statement of Scheme Administrators and KPLC's Responsibilities

It is the responsibility of the Scheme Administrator to prepare financial statements for each financial year, which give a true and fair view of the financial position of the Scheme as at the end of the financial year and of its financial performance for that year. Under the 1973 agreement, this responsibility was delegated to KPLC. This responsibility is based on the recommendations contained in the Mercado's report, the formula of which was adopted by KPLC Board of Directors during its meeting held on 19 August 2010 under minute No. SCS12/10.

The Scheme Administrator and KPLC are responsible for ensuring that the Scheme keeps proper accounting records that are sufficient to show and explain the transactions of the Scheme; disclose with reasonable accuracy at any time the financial position of the Scheme; and that enables them to prepare financial statements of the Scheme that comply with prescribed financial reporting standards. They are also responsible for safeguarding the assets of the Scheme and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Scheme Administrator and KPLC have accepted responsibility for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards. They also accept responsibility for:

- i) Designing, implementing and maintaining internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error;
- ii) Selecting suitable accounting policies and then applying them consistently; and
- iii) Making judgements and accounting estimates that are reasonable in the circumstances.

In preparing the financial statements, the Scheme Administrator and KPLC have assessed the Scheme's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation in note 2(a) of the financial statements.

The Scheme Administrator and KPLC acknowledge that the independent audit of the financial statements does not relieve them of their responsibility.

Approved by the Scheme Administrator and KPLC on 03-12 2025 and signed on their behalf by:



Mr. Alex Wachira  
Principal Secretary  
Ministry of Energy



Dr (Eng). Joseph Siror  
Managing Director & CEO  
The Kenya Power and Lightning Company Plc



CPA. Stephen Vikiro  
General Manager, Finance  
The Kenya Power and Lightning Company Plc

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## REPORT OF THE AUDITOR-GENERAL ON RURAL ELECTRIFICATION SCHEME FOR THE YEAR ENDED 30 JUNE, 2025 - KENYA POWER AND LIGHTING COMPANY PLC

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### 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 Rural Electrification Scheme set out on pages 23 to 51, which comprise of the statement of financial position as at

30 June, 2025 and the statement of profit or loss and other comprehensive income, statement of changes in Scheme balances, statement of cash flows, and the statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Rural Electrification Scheme as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **Unmatched Pass-through Costs to Revenue**

The statement of profit or loss and other comprehensive income reflects Kshs.1,862,029,000 in respect of fuel cost charge revenue and Kshs.558,779,000 in respect of foreign exchange adjustments revenue, as disclosed in Note 7 to the financial statements. However, review of the corresponding costs for customer charges and foreign exchange adjustments, resulted in amounts of Kshs.1,854,947,000 and Nil, leading to an unreconciled and unexplained variance of Kshs.7,082,000 and Kshs.558,779,000, respectively.

In the circumstances, the accuracy, existence, occurrence and valuation of the revenues of Kshs.1,862,029,000 in respect of fuel cost charge revenue and Kshs.558,779,000 in respect of foreign exchange adjustments revenue could not be confirmed.

#### **1. Accumulated Deficit**

The statement of financial position reflects an accumulated deficit of Kshs.70,232,523,000 as disclosed in Note 14 to the financial statements. The deficit includes Kshs.10,001,789,000 indicated as an irrecoverable deficit from the Government. Management explained the amount as expenditure netted from revenue recoverable from the government under the previous cost recovery formula before 30 June, 2008, which the government refuted. However, no explanation was provided on the source from which the deficit was financed, commensurate with the assets or expenditure already paid.

In the circumstances, the financial position are misstated by the amount of Kshs.70,232,523,000.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Electrification Scheme 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**

Note 2(a) to the financial statements discloses that the Scheme recorded a loss of Kshs.10,478,584,000 during the year under review. Further, the Scheme's current liabilities of Kshs.45,773,509,000 exceeded its current assets of Kshs.6,639,650,000 by Kshs.39,133,859,000 (2024: Kshs.33,985,383,000), an indication that the Scheme was technically insolvent and may not be able to meet its current financial obligations as and when they fall due. Further, the Scheme has reported a negative working capital for the tenth consecutive year.

In addition, the statement of performance against pre-determined objectives discloses that the Scheme is funded by the Government of Kenya, which secures financing through budgetary allocations and other International Development Partners.

The above conditions are indicative of the existence of material uncertainty that may cast significant doubt on the Scheme's ability to continue as a going concern unless satisfactory measures are taken to reverse the trend. The continued survival of the Scheme is, therefore, dependent on the creditor's goodwill and Government support.

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.

### **Other Matter**

#### **Unresolved Prior Year Matters**

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

	<b>Audit Issue</b>
1	Unmatched pass-Through Costs to Revenue
2	Property Plant and Equipment; -Inaccuracies in Work in Progress
3	Unsupported Trade and Other Receivables
4	Accumulated Deficit
5	Misstatement of Trade and Other Payables

	<b>Audit Issue</b>
6	Material Uncertainty related to Going Concern
7	Late submission of Financial Statements
8	Lack of update of Cost Sharing Formula (Mercados Formula)

### **Other Information**

Management is responsible for the Other Information set out on page 2 to 20 which comprise of Key Entity Information, Report of the Scheme Administrator, Management Discussion and Analysis, Statement of Performance Against Predetermined Objectives, Environmental and Sustainability Reporting and Statement of Scheme Administrator's Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Scheme'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 effects of the matter 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**

##### **Unapproved Over Expenditure in Budget**

The statement of comparison of budget and actual amounts reflects recurrent total receipts budget of Kshs.12,952,988,635 and a total expenditure budget of Kshs.18,106,553.329 comprising of power purchase and net operating budgets of Kshs.9,111,553,329 and Kshs.8,991,000,000. However, review of the approved budget for the Scheme for the year under review revealed inconsistencies as detailed below:

- i. The statement reflects recurrent revenue budget and actual on comparative basis of Kshs.12,952,988,635 and Kshs.14,384,708,621 respectively, resulting in overfunding of Kshs.1,431,719,986 or 11% of the budget. In addition, the approved revenue budget of Kshs.12,952,988,635 was lower than the approved expenditure budget of Kshs.18,106,553,329, indicating a budget deficit of Kshs.3,721,844,708 which lacked corresponding sources of funding.
- ii. The actual expenditure of Kshs.21,021,239,461, made up of power purchase costs and operating expenses of Kshs.10,359,860,407 and Kshs.10,661,379,054 respectively, exceeded the expenditure budget of Kshs.18,106,553,329 by Kshs.2,914,686,131.58 or 16%, resulting in an over expenditure of on budget amount. Similarly, the Statement reflects actual revenue of Kshs.14,384,708,621 against actual expenditure of Kshs.21,021,239,461 resulting in over-expenditure of Kshs.6,636,530,840 or 46%.

The overspending was contrary to the Public Finance Management Act, 2012 section 79(2)(b) which require every public officer to ensure that the resources within their area of responsibility are used in a way which is lawful and authorised; effective, efficient, economical and transparent;

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. Long Outstanding Receivables

The statement of financial position and as disclosed in Note 11 to the financial statements reflects a balance of Kshs.4,424,504,000 and Kshs.12,247,493,000 in respect of current and non-current trade and other receivables, respectively, all totalling Kshs.16,671,997,000. The receivables include customer balances amounting to Kshs.3,447,902,784 which had been outstanding for more than 150 days. Although

Management indicated that measures are in place to address long-outstanding debts including termination of dormant accounts, liquidation of customer deposits, follow-up actions, escalation to private debt collectors, and engagement with government entities, no documentary evidence was provided to demonstrate that these actions have been implemented.

In the circumstances, the existence and effectiveness of mechanisms for the collection of receivables when they become due could not be confirmed.

## **2. Use of Outdated Cost-Sharing Formula**

The statement of profit and loss and other comprehensive income reflects Kshs.10,359,861,000 and Kshs.14,516,530,000 in respect of total power purchase costs and net operating expenses, respectively. The amounts were apportioned from costs incurred by the Kenya Power and Lighting Company in managing the entire electrical grid, including connection to Rural Electrification Scheme customers are allocated to the Scheme based on the Mercados Formula, which was adopted by the KPLC Board of Directors on 19 August, 2010. However, changes that have occurred in the operations between 2010 and 2024 are not factored into the formula. The Mercados Formula does not explicitly cover the foreign currency adjustments, wheeling charges and finance costs of KPLC to the Scheme. Instead, KPLC Management exercises judgement in recharging those costs, which is not based on an agreed-upon formula. This judgmental recharge of expenditure results in a disproportionate allocation of costs to the Scheme.

In the circumstances, the costs recharged to the Scheme by the Kenya Power and Lighting Company did not reflect current conditions relating to administration of the Scheme.

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.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for maintaining effective internal 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 Scheme'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.

Those charged with governance are responsible for overseeing the Scheme'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

11 December, 2025


**9. Statement of Profit and loss and other Comprehensive  
Income for the year ended 30 June 2025**

	Notes	2025 KShs'000	2024 KShs'000
<b>Revenue</b>			
Electricity sales	7	9,592,429	9,072,348
Fuel cost charge	7	1,862,029	2,126,159
Recoveries from KPLC	7	2,371,472	2,373,648
Foreign exchange adjustment	7	<u>558,779</u>	<u>1,230,814</u>
<b>Total Revenue</b>		<b><u>14,384,709</u></b>	<b><u>14,802,969</u></b>
<b>Other Income (AFDB-ESCO Grant)</b>			
Other income(LMCPAFD/EU/EIB and KPSAP)	7	<u>5,478</u>	-
<b>Power purchase costs</b>			
Non-fuel costs	8	8,473,898	8,389,436
Fuel costs	8	1,854,947	1,693,018
Unrealised power Purchase Cost	8	29,722	18,734
Other Costs	8	<u>1,294</u>	<u>13,616</u>
<b>Total Power Purchase Costs</b>		<b><u>10,359,861</u></b>	<b><u>10,114,804</u></b>
<b>Gross profit</b>		<b><u>4,036,946</u></b>	<b><u>4,688,165</u></b>
<b>Net operating expenses</b>			
Administration	9(a)	4,842,791	3,781,524
Commercial services	9(b)	2,520,835	1,588,924
Network management	9(c)	<u>7,152,904</u>	<u>6,799,379</u>
<b>Total Net Operating Expenses</b>		<b><u>14,516,530</u></b>	<b><u>12,169,827</u></b>
<b>Deficit for the year</b>		<b><u>(10,478,584)</u></b>	<b><u>(7,481,662)</u></b>

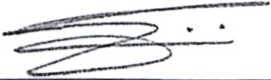
10. Statement of Financial Position as at 30 June 2025

	Notes	2025 KShs'000	2024 KShs'000
<b>Assets</b>			
<b>Non-current Assets</b>			
Property, plant and equipment	10	101,145,565	97,799,817
Due from KPLC	16(e)	1,941,897	2,404,605
Trade and Other Receivables	11	<u>12,247,493</u>	<u>11,098,169</u>
<b>Total Non-current Assets</b>		<b><u>115,334,955</u></b>	<b><u>111,302,391</u></b>
<b>Current Assets</b>			
Inventories	12	6,291	-
Trade and other receivables	11	4,424,504	2,297,846
Due from KPLC	16(e)	<u>2,208,855</u>	<u>2,940,086</u>
<b>Total Current Assets</b>		<b><u>6,639,650</u></b>	<b><u>5,237,932</u></b>
<b>Total Assets</b>		<b><u>121,974,605</u></b>	<b><u>116,540,323</u></b>
<b>Scheme Balances and Liabilities</b>			
<b>Scheme balances</b>			
Government, donor and customer contributions	13	133,071,871	127,708,694
Accumulated deficit	14	<u>(70,232,523)</u>	<u>(62,553,939)</u>
<b>Total Net Scheme Balances</b>		<b>62,839,348</b>	<b>65,154,755</b>
<b>Non - Current Liabilities</b>			
Last Mile Connected Customers Token Contribution (Ksh 15,000)	15	<u>13,361,748</u>	<u>12,162,253</u>
<b>Current Liabilities</b>			
Trade and other payables	15	2,945,318	2,184,556
Due to KPLC	16(e)	<u>42,828,191</u>	<u>37,038,759</u>
<b>Total Current Liabilities</b>		<b><u>45,773,509</u></b>	<b><u>39,223,315</u></b>
<b>Total Scheme Balances and Liabilities</b>		<b><u>121,974,605</u></b>	<b><u>116,540,323</u></b>

The financial statements on pages 23 to 47 were approved and authorised for issue by the Scheme Administrator and KPLC on 03-17- 2025 and signed on its behalf by:

  
Mr. Alex Wachira  
Principal Secretary  
Ministry of Energy

  
Dr. Eng. Joseph Siror  
Managing Director & CEO  
The Kenya Power and Lighting Company Plc

  
CPA. Stephen Vikiru  
General Manager, Finance  
The Kenya Power and Lighting Company Plc

**11. Statement of Changes in Scheme Balances for the year ended 30 June 2025**

	Notes	Government contributions KShs'000	Accumulated deficit KShs'000 Note 14	Total KShs'000
<b>Year ended 30 June 2024</b>				
Balance as at 1 July 2023		121,943,724	(55,881,777)	66,061,947
Government, donor and customer contribution	13	5,764,970	-	5,764,970
Recurrent Deficit receipt from Government	14		809,500	809,500
Total comprehensive deficit for year		-	(7,481,662)	(7,481,662)
At the end of the year		<u>127,708,694</u>	<u>(62,553,939)</u>	<u>65,154,755</u>
<b>Year ended 30 June 2025</b>				
Balance as at 1 July 2024		<u>127,708,694</u>	<u>(62,553,939)</u>	<u>65,154,755</u>
Government, donor and customer contribution	13	5,363,177	-	5,363,177
Recurrent Deficit recovery from Fuel revenue	14		2,800,000	2,800,000
Total comprehensive deficit for year		-	(10,478,584)	(10,478,584)
At the end of the year		<u>133,071,871</u>	<u>(70,232,523)</u>	<u>62,839,348</u>

## 12. Statement of Cash Flows For the year ended 30 June 2025

Cash flows from Operating Activities	Notes	2025 KShs'000	2024 KShs'000
Deficit for the year		(10,478,584)	(7,481,662)
<b>Add Back</b>			
Depreciation	9(a)	3,842,054	2,664,554
Provision for Bad Debts	9(a)	(597,996)	501,577
Afdb-ESCO Consultancy	9(a)	(5,478)	-
LMCP AFD/EU/EIB and KOSAP	9(a)	(7,620)	-
Unrealised Power Purchase	8	29,722	18,734
		<b>(7,217,902)</b>	<b>(4,296,787)</b>
Changes in Working Capital			
Inventories	12	(6,291)	2,768
Trade and receivable-Last Mile (Ksh. 15,000) Current	11	(59,433)	(25,591)
Trade and receivable- Current	11	(1,469,229)	(324,524)
Due From KPLC	16e	1,193,939	(1,253,389)
Due to KPLC	16e	5,789,432	3,744,309
Trade and other payables	15	760,762	(20,385)
<b>Net Cash flows from Operating activities</b>		<b><u>(1,008,722)</u></b>	<b><u>(2,173,609)</u></b>
<b>Cash Flows from Investing Activities</b>			
Purchase of Property Plant and Equipment –WIP	10	(7,188,002)	(4,424,109)
Receivable -Last Mile Debtors (Ksh.15,000) Long Term	11	<u>(1,149,324)</u>	<u>(708,674)</u>
<b>Net Cash flows from Investing Activities</b>		<b><u>(8,337,326)</u></b>	<b><u>(5,135,840)</u></b>
<b>Cash Flows from Financing Activities</b>			
Government, Donor and Customer contribution	13	5,363,177	5,764,970
Recurrent deficit Receipt from GOK	14(iv)	-	809,500
Recurrent deficit Receipt from RES/KPLC Fuel Revenue	14(v)	2,800,000	-
Afdb-ESCO Grant	7	5,478	-
LMCP AFD/EU/EIB and KOSAP	7	7,620	-
Payable-Last Mile creditors (Ksh. 15,000) Long-Term	15	<u>1,199,495</u>	<u>753,713</u>
<b>Net Cash Flows from Financing Activities</b>		<b><u>9,375,770</u></b>	<b><u>7,328,183</u></b>
<b>Net increase/decrease in Cash and Cash Equivalent</b>		<b>29,722</b>	<b>18,734</b>
Cash and Cash Equivalent as at beginning of year		-	-
Effect of Foreign exchange rate fluctuation on Power Purchase Costs		(29,722)	(18,734)
Cash and Cash Equivalent as at end of year		-	-

### 13. Statement of Comparison of capital and recurrent Budgets against Actual performance for the period ended 30 June 2025

KPLC is the managing agent of the schemes, The schemes Budget is incorporated in KPLC's final budget and submitted to the Ministry as one document, below is the budget for the scheme and the utilization for the Financial year 2024/2025 as documented in KPLC's Budget 2024/25

#### Capital Budget (1)

Order No.		Original Budget	Adjustments	Final Budget	Actual Comparable Basis	Budget utilization Difference	% Utilization
		A	B	C=A+B	D	E=C-D	F=D/C
	Receipts From	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	
6572768	GOK RES Maintenance (Res Deficit)	1,000,000	(1,000,000)	-	-	-	-
6572763	GOK Street Lighting	231,000	(231,000)	-	-	-	-
6572762	GOK Last Mile Connectivity Project	1,000,000	(1,000,000)	-	-	-	-
657258	Last Mile Connectivity Project-AFD	3,000,000	(695,535)	2,304,465	2,304,465	-	-
6572759	Last Mile EIB	1,000,000	(416,487)	583,513	583,513	-	-
6572756	AFD-Retrofitting Mini-Grids	691,000	(360,400)	330,600	330,600	-	-
6572760	JICA	-	484,442	484,442	484,442	-	-
	AFDB Phase 1	-	269,917	269,917	269,917	-	-
	REREC Levy	-	300,000	300,000	300,000	-	-
	Last Mile Customer Collection	-	1,090,240	1,090,240	1,090,240	-	-
	<b>Total Receipts</b>	<b>6,922,000</b>	<b>(1,558,823)</b>	<b>5,363,177</b>	<b>5,363,177</b>	-	-
	<b>Payments For</b>						
6572768	GOK RES Maintenance (Res Deficit)	1,000,000	(1,000,000)	-	-	-	-
6572763	GOK Street Lighting	231,000	(231,000)	-	-	-	-
6572762	GOK Last Mile Connectivity Project	1,000,000	(1,000,000)	-	-	-	-
657258	Last Mile Connectivity Project-AFD	3,000,000	(695,535)	2,304,465	2,304,465	-	-
6572759	Last Mile EIB	1,000,000	(416,487)	583,513	583,513	-	-
6572756	AFD-Retrofitting Mini-Grids	691,000	(360,400)	330,600	330,600	-	-
6572760	JICA	-	484,442	484,442	484,442	-	-
	AFDB Phase 1	-	269,917	269,917	269,917	-	-
	REREC Levy	-	300,000	300,000	300,000	-	-
	Last Mile Customer Collection	-	1,090,240	1,090,240	1,090,240	-	-
	<b>Total Payments</b>	<b>6,922,000</b>	<b>(1,558,823)</b>	<b>5,363,177</b>	<b>5,363,177</b>	-	-

**Recurrent Budget (ii)**

Summary	Approved Budget FY 2024/25	Actual Budget FY 2024/25	Variance	Percentage Increase	Variance Analysis
	A	B	C=(B-A)	D=C/A	
Tariff yield	16.39	18.92	2.53	15.45%	
<b>RES Sales (GWhs) Units)</b>					More sales from a wider customer base
	<b>674,000,000.00</b>	<b>760,170,374.23</b>	<b>86,170,374.23</b>	12.78%	
<b>RES Power Purchase (GWhs) Units</b>					More units purchased during the year
	<b>824,000,000.00</b>	<b>964,798,570.78</b>	<b>140,798,570.78</b>	17.09%	
Basic Revenue	10,534,795,080.40	9,592,428,778.40	(942,366,302.00)	(8.95%)	
Foreign Exchange Surcharge	1,003,516,730.61	558,779,198.71	(444,737,531.90)	(44.32%)	Stable exchange rate lower than the planned
Fuel Recovery	1,414,676,823.73	1,862,028,845.38	447,352,021.65	31.62%	Used more fuel on generation
RTA Unis	-	2,371,471,798.24	2,371,471,798.24		Absolute RTA
<b>Total Revenue</b>	<b>12,952,988,634.74</b>	<b>14,384,708,620.73</b>	<b>1,431,719,985.99</b>	<b>11.05%</b>	
Power Purchase Non-Fuel	6,680,834,428	8,473,898,153.03	1,793,063,725.31	26.84%	6.75% Customer growth
Power Purchase Fuel Costs	1,209,513,030	1,854,946,503.00	645,433,473.39	53.36%	
Unrealised Power Purchase	231,509,447	29,722,080.42	(201,787,366.80)	(87.16%)	
Other costs	-	1,293,670.07	1,293,670.07		
Foreign Exchange surcharge	993,696,424.81	-	(993,696,424.81)		
<b>Total Power Purchase Costs</b>	<b>9,115,553,329</b>	<b>10,359,860,407</b>	<b>1,244,307,077</b>	<b>13.65%</b>	
<b>Gross Profit</b>	<b>3,837,435,305.38</b>	<b>4,024,848,214.21</b>	<b>187,412,908.83</b>	<b>4.88%</b>	
<b>Net Operating Expenses</b>	<b>8,991,000,000.00</b>	<b>10,661,379,053.58</b>	<b>1,670,379,053.58</b>	<b>18.58%</b>	Increase in maintenance costs due to network expansion
<b>Deficit for the year</b>	<b>(5,153,564,694.62)</b>	<b>(6,636,530,839.37)</b>	<b>(1,482,966,144.75)</b>	<b>28.78%</b>	

RTA Unis – Units recovered from KPLC Customers

The reported deficit of Ksh.s. 6.6 billion excludes the depreciation of Kshs. 3.8 billion.

## 14. Notes to the Financial Statements

### 1 General information

The Rural Electrification Scheme (RES) was established in 1973 by the Government of Kenya following an agreement between the Government and East African Power & Lighting Company (now The Kenya Power and Lighting Company Plc (KPLC)). The Scheme was established with the specific objective of extending electricity connectivity to the rural areas.

The address of the Scheme's registered office is as follows:

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

### 2. Statement of compliance and basis of preparation

The financial statements have been prepared on a going concern basis in accordance with the International Financial Reporting Standards (IFRS). They are presented in Kenya Shillings, which is also the functional currency (see Note 3 (f) below), rounded to the nearest thousand (KSh's '000).

The financial statements comprise statement of Comprehensive Income, statement of financial position, statement of changes in scheme balances, statement of cash flows and the notes to the financial statements.

#### (a) Going concern assessment

The Scheme recorded a deficit of KShs 10,478, billion (2024: KShs 7,482, billion) and its current liabilities exceed the current assets by KShs 39,133billion (2024: KShs 33,983billion). The Scheme may, therefore, not meet its short-term obligations as and when they fall due. However, the Scheme is 100% funded by the Government of Kenya which secures financing for various projects for implementation by KPLC from the exchequer through budgetary allocation and other Donors. The Scheme's Administrator, therefore, is confident of continued support from the Government of Kenya and other development partners for the foreseeable future. Consequently, the financial statements have been prepared on the basis of accounting applicable to a going concern.

#### (b) Changes in accounting policy and disclosures

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

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 IAS 1 titled Non-current Liabilities with Covenants (issued in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, improve the information an entity provides about liabilities arising from loan arrangements for which an entity's right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
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None of the standards and interpretations listed above have had a significant impact on the Scheme's financial statements when they become effective

**ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024**

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.

The adoption of the standard will not have a material impact on the schemes financial statements when it becomes effective

#### 14. Notes to the Financial Statements(continued)

### 3. Summary of accounting policies

#### (a) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Scheme and the revenue can be reliably measured. Revenue is recognised at the fair value of consideration received or receivable taking into account contractually defined terms of payment and net of Value Added Tax and other Government levies. The following specific recognition criteria must be met before revenue is recognised:

##### (i) Electricity sales

Electricity sales revenue is recognised when customers on post-paid metering are billed for the power consumed. The billing is done for each monthly billing cycle based on the units consumed as read on the customers' electricity meters and the approved consumer tariffs. Electricity sales revenue for customers on prepaid metering is recognised when customers purchase electricity units and then adjusted for the estimated amount of unconsumed power based on the consumption rate over a period of time.

##### (ii) Fuel cost charge

The scheme recognises revenue relating to fuel costs charge in the month of approval by the Energy and Petroleum Regulatory Authority (EPRA). The billing to customers is based on their individual consumption in the month and applied as a charge per KWh. Fuel costs recoveries comprise the actual amounts billed to the customers.

##### (iii) Foreign exchange adjustment

Foreign exchange payments, arising from exchange rate differences not factored in the retail tariffs, are recognised and charged to the consumers of power to recover the losses in the foreign exchange rates. The net foreign currency costs are passed on to the customers as a charge per KWh, which is approved each month by the EPRA.

The recovery of fuel costs and the foreign exchange costs is based on supplier invoices and factors in the EPRA's target loss factor in transmission and distribution. For the year ended 30 June 2025, the target loss factor was 17.5%.

##### (iv) Deferred Revenue

The scheme has used a weighted average approach to determine the amount of revenue to defer and recognise in the subsequent period(s). Historical value of transactions and the current month's value of transactions is obtained over each day of the current month.

The historical data is then used to obtain the average number of tokens purchased in a month that is to be applied to the current month's (June 2025) data to obtain the revenue to be deferred.

##### (v) Recoveries from KPLC

The electricity tariff rates billed to KPLC customers include a portion of revenue that goes towards funding the Scheme's activities. This is normally collected from KPLC customers and remitted to the Scheme.

#### (b) Power purchase costs

Power purchase costs comprise the actual costs of the isolated power stations operated by the Scheme. In addition, KPLC power purchase costs are apportioned to the Scheme based on units purchased by the Scheme's customers. These comprise:

##### (i) *Non-fuel costs*

These include capacity charges, energy cost and steam charges.

##### (ii) *Fuel costs*

These comprise the cost of fuel incurred in the generation of electricity and invoiced by suppliers.

#### 14. Notes to the Financial Statements(continued)

#### 3. Summary of accounting policies (continued)

##### (c) Net operating expenses

The Scheme's expenses are computed as a percentage of KPLC costs based on the provisions contained in the agreement of 1973 between KPLC and the Government of Kenya and the Mercado's report of 2008. The main expenditure categories are:

##### *(i) Administrative expense*

The expense relates to costs directly incurred by the Scheme such as depreciation, audit fees and provision for doubtful debt.

##### *(ii) Commercial expenses*

The expense is calculated as a proportion of RES metered customers to total number of metered customers countrywide.

##### *(iii) Network management*

The expense is calculated based on 2% and 4% of the total high voltage and low voltage assets, respectively, in the books of the Scheme and Rural Electrification and Renewable Energy Corporation at the close of the financial year.

##### (d) Funding

Currently, the Scheme is funded by several donors through the Government of Kenya. Any property acquired by the Scheme remains the property of the Government. KPLC only acts as a management agent on behalf of the Government. Movements in the Government contributions account are accounted for in the statement of changes in Scheme balances. Contributions are accounted for on a receipts basis, either in cash or kind, where contributions in kind relate to capital costs contributed directly to the Scheme by a donor.

##### (e) Property and equipment

All property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of the property and equipment when that cost is incurred, if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation on other assets is calculated to write down their cost to their residual values, on a straight-line basis, over their expected useful lives. The depreciation rates used are as follows:

Buildings	The greater of 2% and the unexpired period of the lease
Distribution lines and Street Lights	2.5 - 20%
Motor vehicles	25%
Furniture, equipment & fittings	6.66 - 20%
Computer equipment	30%

The assets' residual values, estimated useful lives and methods of depreciation are reviewed at the end of each reporting period with the effect of any changes in estimate accounted for prospectively. An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from the recognition of an item of property and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset at the disposal date) is included in profit or loss for the year. This does not apply to assets acquired by the scheme on sale and leaseback transactions.

## 14. Notes to the Financial Statements (continued)

### 3. Summary of accounting policies (continued)

#### (e) Property and equipment (continued)

Properties in the course of construction for production, supply or administrative purposes are carried at cost less any recognised impairment loss. Cost includes professional fees and for qualifying assets, borrowing costs capitalised in accordance with the Scheme's accounting policy. Such properties are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

#### *Capital work in progress*

Capital work-in-progress is included under property and equipment and comprises costs incurred on ongoing capital works. The ongoing works are for the Last Mile electrification program funded directly by The Government of Kenya and by the donors. These costs include material, transport and labour costs incurred.

#### (f) Functional currency

The financial statements are presented in Kenya shillings (KShs), which is the Scheme's Functional and Presentation currency. Transactions in foreign currencies are initially recognized at amounts arrived at using the Functional currency exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated to the Functional currency using the rate of exchange ruling at the reporting date. Transactions during the year are translated at the rates ruling at the dates of the transactions. Gains and losses on exchange are dealt with in the surplus or deficit for the year.

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

#### (g) Financial instruments

The Scheme assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its debt instrument assets carried at amortised cost and FVOCI. The Scheme recognises a loss allowance for such losses at each reporting date.

The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

#### *Impairment of financial assets*

The Scheme always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Scheme's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Scheme recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Scheme measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

## 14. Notes to the Financial Statements (continued)

### 3 Summary of accounting policies (continued)

#### (g) Financial Instruments (continued)

##### *Impairment of financial assets (continued)*

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

##### (i) *Significant increase in credit risk*

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Scheme compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Scheme considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

##### (ii) *Definition of default*

The Scheme considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Scheme, in full (without taking into account any collateral held by the Scheme).

Except for amounts where the counterparty is the Government or related public sector entities or Government Business Entities, the Scheme considers that default has occurred when a financial asset is more than 90 days past due.

The Scheme writes off debt only when there is objective evidence that the debt will not be recovered and after it has exhausted its collection avenues.

##### (iii) *Measurement and recognition of expected credit losses*

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Scheme in accordance with the contract and all the cash flows that the Scheme expects to receive, discounted at the original effective interest rate.

The Scheme recognises an impairment gain or loss in profit or loss or other comprehensive income for all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account.

#### 14. Notes to the Financial Statements (continued)

##### (g) Financial Instruments (continued)

###### *Financial liabilities*

###### *Offsetting of financial instruments*

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

##### (h) Provisions

Provisions are recognised when the scheme has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

##### (i) Impairment of non-financial assets

The Scheme reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss at reporting date, or when there are indications of impairment. If any such indication exists, the recoverable amount of the asset is estimated, and an impairment loss is recognised in profit or loss whenever the carrying amount of the asset exceeds its recoverable amount. An asset's recoverable amount is the higher of the asset's or cash-generating unit's (CGU's) fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Where it is not possible to estimate the recoverable amount of an individual asset, the Administrator estimate the recoverable amount of the cash-generating unit to which the asset belongs.

###### *Impairment of transmission and distribution lines*

A decline in the value of the transmission and distribution lines could have a significant effect on the amounts recognised in the financial statements. Management assesses the impairment of the lines whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors that are considered important which could make an impairment review necessary include the following:

- (i) Significant decline in the market value beyond that which would be expected from the passage of time and normal use.
- (ii) Evidence from internal reporting which indicates that the performance of the asset is, or will be, worse than expected.
- (iii) Significant changes with adverse effect on the Scheme have taken place during the period, or will take place in the near future, in the technology or market environment in which the Scheme operates, or in the market to which an asset is dedicated.
- (iv) Evidence is available of the obsolescence or physical damage of an asset.
- (v) Significant changes with an adverse effect on the Scheme have taken place during the period or are expected to take place in the near future, which impact the manner or the extent to which an asset is used. These changes include plans to discontinue or restructure.
- (vi) the operation to which an asset belongs, or an asset is disposed before the previously expected date.

*Impairment of transmission and distribution lines (continued)*

In management's judgment, the impaired carrying values of the lines and substations are reinforced, replaced or upgraded under the network strengthening, reinforcement and modernisation programs, after considering the above key indicators of impairment.

**(j) Payables**

Payables are stated at their nominal value.

**(k) Comparatives**

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

**4 Significant judgements and sources of estimation uncertainty**

**a) Significant judgements**

In the process of applying the accounting policies adopted by the Scheme, the Administrator makes certain judgements and estimates that may affect the amounts recognised in the financial statements. Such judgements and estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the current circumstances. However, actual results may differ from those estimates. The judgements and estimates are reviewed at each financial reporting date to ensure that they are still reasonable under the prevailing circumstances based on the information available, and any revisions to such judgements and estimates are recognised in the year in which the revision is made.

**b) Key sources of estimation uncertainty**

The key assumptions about the future, and other sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amount of assets and liabilities within the next financial year include;

**Deferred prepaid revenue**

Revenue from prepaid customers is recognised when the customer purchases the tokens, before the customer actually consumes the electricity. The amount of unused tokens to be adjusted at year end is estimated based on historical customer trends.

**Impairment losses on receivables**

When measuring expected credit losses (ECL), the Scheme uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the Scheme would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

**Provisions**

The Scheme faces exposure to claims and other liabilities. The claims and other liabilities normally take time to be determined and therefore significant judgement is required in assessing the likely outcome and the potential liabilities for such matters.

**Useful lives of Property and equipment**

The Scheme management determines the estimated useful lives and related depreciation charges for its property and equipment. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down obsolete items of property and equipment that have been abandoned or sold.

## 14. Notes to the Financial Statements (continued)

### 5. Financial risk management objectives and policies

The Scheme has an integrated risk management framework. The Scheme's approach to risk management is based on risk governance structures, risk management policies, risk identification, measurement and reporting. Three types of risks are reported as part of the risk profile, namely operational, strategic and business continuity risks.

For the Scheme, a strategic risk is a significant unexpected or unpredictable change or outcome beyond what was factored into the Scheme's strategy and business model which could have an impact on the Scheme's performance.

Business continuity risks are those events, hazards, variances and opportunities which could influence the continuity of the Scheme.

One of the key risks for the Scheme, identified both under the operational and strategic risk categories, is financial sustainability of the Scheme. The financial risks, as defined by IFRS 7, and the management thereof, form part of this key risk area.

One of the Administrator's responsibilities is to review risk management strategies in order to ensure business continuity and survival. Most of the financial risks arising from financial instruments are managed in the centralised finance function of the Scheme.

The Scheme's exposure to risk, its objectives, policies and processes for managing the risk and the methods used to measure it have been consistently applied in the years presented, unless otherwise stated.

The Scheme has exposure to the following risks as a result of its financial instruments:

#### a) Credit risk

The Scheme has exposure to credit risk which is the risk that a counter party will be unable to pay amounts in full when they fall due. Credit risk arises mainly from electricity and other trade receivables.

Counterparty risk is the risk that a counterparty is unable to meet its financial and/or contractual obligations during the period of a transaction. Delivery or settlement risk is the risk that counterparty does not deliver on its contractual commitment on maturity date (including the settlement of money and delivery of securities).

Management assesses the credit quality of each counterparty, taking into account its financial position, past experiences and other factors. Individual risk limits are set based on internal ratings in accordance with limits set by management. The utilization of credit limits is regularly monitored.

At the reporting date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is analyzed as follows:

	Fully performing	Past due but not impaired	Impaired	Total
	KShs '000	KShs '000	KShs '000	KShs '000
<b>At 30 June 2025</b>				
Electricity receivables and last mile debtors	<u>16,671,997</u>	<u>-</u>	<u>3,617,279</u>	<u>20,289,276</u>
<b>At 30 June 2024</b>				
Electricity receivables and last mile debtors	<u>13,396,014</u>	<u>-</u>	<u>4,215,275</u>	<u>17,611,289</u>

The customers under the fully performing categories are paying their debts as they fall due. Past due amounts are those beyond the established credit period. Past due receivable balances continue to be serviced even though this is not done on contractual dates and the Scheme through KPLC (the managing agent) follows up these receivables.

Customer deposits collateral held by the Scheme as security amounted to KShs 1,504 billion (2024: KShs 1.535 billion.)

#### 14. Notes to the Financial Statements (continued)

##### *b) Liquidity risk*

Liquidity risk is the risk the Scheme will not have sufficient financial resources to meet its obligations when they fall due, or will have to do so at excessive cost. This risk can arise from mismatches in the timing of cash flows from revenue and capital and operational outflows. The Scheme's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient cash to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Scheme's reputation. The Scheme is fully funded by the Government and donor agencies and therefore faces minimal liquidity exposure.

The Scheme's financial liabilities disclosed under Note 15 are all due within one year based on the remaining period using 30 June 2025 as the base period to the contractual maturity date.

##### *c) Market risk*

Market risk is the risk that the fair value or future cash flow of financial instruments will fluctuate because of changes in foreign exchange rates, commodity prices and interest rates. The objective of market risk management policy is to protect and enhance the statement of financial position and statement of comprehensive income by managing and controlling market risk exposures within acceptable parameters and to optimise the funding of business operations and facilitate capital expansion.

###### *i) Commodity or price risk*

Commodity or price risk arises from the fuel that is used for the generation of electricity.

Exposure due to commodity risk is managed by passing the cost of fuel used in generation to customers. In addition, the Scheme has well-established credit control procedures that monitor activity on customer accounts and allow for remedial action should the customer not comply with payment terms. These procedures include the issue of a notice of disconnection of supply, an internal collection process; follow up of the customer by telephone or in person, negotiations of mutually acceptable payment arrangements and letters of demand. Non-payment will result in disconnection of supply and the customer's account being closed. The legal collection process is pursued thereafter.

The decision to impair overdue amounts is assessed on the probability of recovery based on the customer's credit risk profile.

###### *ii) Interest rate risk*

Interest rate is the risk that the Schemes financial condition may be adversely affected as a result of changes in the market interest rates levels. The Scheme is not exposed to interest rate risks as it has no borrowings or cash and cash equivalents.

###### *iii) Currency exchange risk*

Currency risk arises primarily from purchasing imported goods and services directly from overseas or indirectly via local suppliers and foreign borrowings. The Scheme operates wholly within Kenya and its assets and liabilities are denominated in Kenya shillings. The Scheme has limited transactions in foreign currency. The Scheme Administrator believes there is minimal risk of significant losses due to exchange rate fluctuations.

##### *d) Fund management*

The primary objective of the Scheme's fund management is to ensure that it is able to implement projects as they are projected and in line with the Government policy on rural electrification. To achieve this, the Scheme's Administrator ensures that all costs allocation is done as per Mercados report. Any excess losses are recovered from the Government.

#### 14. Notes to the Financial Statements (continued)

##### *b) Liquidity risk*

Liquidity risk is the risk the Scheme will not have sufficient financial resources to meet its obligations when they fall due, or will have to do so at excessive cost. This risk can arise from mismatches in the timing of cash flows from revenue and capital and operational outflows. The Scheme's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient cash to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Scheme's reputation. The Scheme is fully funded by the Government and donor agencies and therefore faces minimal liquidity exposure.

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14. Notes to the Financial Statements (continued)

6 Taxation

The Government established the Rural Electrification Programme in 1973 for purposes of subsidizing electricity supply in the rural areas for purposes of supporting the socio-economic development of the country. KPLC was appointed as a contractor for planning, implementation, operation and maintenance of rural electrification schemes under the programme. The Government through MOE took responsibility of sourcing for funds and coordinating the implementation of the programme. Hence, RES is not an independent entity which can be subjected to corporate tax. All other taxes are accounted for by KPLC.

7 Revenue and Other Income	2025	2024
	KShs'000	KShs'000
The Scheme continued to be managed by the KPLC on behalf of the Government of Kenya		
<b>Revenue allocation</b>		
Tariff	9,592,429	9,072,348
Fuel	1,862,029	2,126,159
Forex	558,779	1,230,814
Recoveries from KPLC*	<u>2,371,472</u>	<u>2,373,648</u>
<b>Total Electricity Revenue</b>	<b><u>14,384,709</u></b>	<b><u>14,802,969</u></b>
<b>Other Income (AfdB- ESCO Grant) *</b>	<b>5,478</b>	-
<b>Other Income (LMCP AFD/EU/EIB and KOSAP*)</b>	<b>7620</b>	

\*Included in the electricity tariff to KPLC customers is an amount that goes towards funding the Scheme's activities. This amount is reallocated based on the percentage of KPLC's revenue to total revenue collected applied to the units recoverable from KPLC, currently fixed at KShs 2,500,000,000.

(AfdB- ESCO Grant) \*

This is a grant agreement signed between African Development Bank (AfDB) and the Republic of Kenya on October 29, 2021, as a Technical Assistance (TA) with the overall objective of enhancing the Kenyan Energy Efficiency (EE) market to improve efficiency and quality of electricity supply and promotion of energy conservation and thereby contribute to Nationality Determined Contribution (NDC). It will assist in structuring and building the capacity of a dedicated team, within the Institute on Energy Studies and Research (IESR) which will operate the Super ESCO targeting the public and private sectors

LMCP AFD/EU/EIB and KOSAP\* This are interest Income earnest donor receipts

8 Power Purchase costs		
Non-fuel costs:		
Recharge from KPLC	8,473,898	8,389,436
Fuel costs:		
Recharge from KPLC	1,854,947	1,693,018
Unrealized Power Purchase	29,722	18,734
Other costs	<u>1,294</u>	<u>13,616</u>
<b>Total power purchase costs</b>	<b><u>10,359,861</u></b>	<b><u>10,114,804</u></b>

The increase of Shs.0,245 billion in power purchase costs is as a result of rise in non- fuel overall power purchase costs and an increase in units purchased attributable to RES and unrealized power purchase

14. Notes to the Financial Statements (continued)

9 Net operating expenses	2025	2024
<i>(a) Administration</i>		
(Decrease)/Increase in expected credit losses	(597,996)	501,577
Overprovision of audit fees	-	(208)
Impairment of assets	124,022	-
IDA Kemp Donor claims	451,816	-
Depreciation	3,842,054	2,664,553
Non-meter reading and billing (recharge from KPLC)	1,009,797	615,602
Afdb-Esco Consultancy	<u>5,478</u>	-
<b>Total administration expenses</b>	<b><u>4,835,171</u></b>	<b><u>3,781,524</u></b>
 <i>(b) Commercial services</i>		
Recharge from KPLC: Meter reading and billing	<u>2,520,835</u>	<u>1,588,924</u>
 <i>(c) Network management expenses</i>		
Recharge from KPLC: HV Lines-costs	1,658,901	1,653,541
LV Lines-costs	<u>5,167,123</u>	<u>4,797,495</u>
	6,826,024	6,451,036
Off-grid cost non fuel	<u>326,880</u>	<u>348,343</u>
<b>Total network management expenses</b>	<b><u>7,152,904</u></b>	<b><u>6,799,379</u></b>

The rise in network management costs of KShs 0.354Billion on was due to additional network cost capitalized during the year of KShs 9.51 billion in both RES (KShs 5.63 billion) and RREC (KShs 3.88 billion) books

14. Notes to the Financial Statements (continued)

10. Property Plant and Equipment

	Land and buildings	Distribution lines	Furniture and equipment	Motor vehicles	Street Lighting	Work in progress	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
<b>Cost</b>							
At 1 July 2023	25,272	59,641,367	566,011	43,947	13,146,221	41,540,807	114,963,624
Additions to WIP*	-	-	-	-	-	4,427,166	4,427,166
Transfer from WIP*	-	34,356,797	-	-	490,438	(34,847,235)	-
<b>At 30 June 2024</b>	<b>25,272</b>	<b>93,998,164</b>	<b>566,011</b>	<b>43,947</b>	<b>13,636,659</b>	<b>11,120,738</b>	<b>119,390,790</b>
<b>Depreciation</b>							
At 1 July 2023	24,520	18,319,137	505,358	39,552	38,053	-	18,926,620
Charge for the The Year	-	2,190,814	15,409	-	458,331	-	2,664,554
<b>At 30 June 2024</b>	<b>24,520</b>	<b>20,509,951</b>	<b>520,767</b>	<b>39,552</b>	<b>496,384</b>	<b>-</b>	<b>21,591,174</b>
<b>Net Book Value As At 30 June 2024</b>	<b>752</b>	<b>73,488,213</b>	<b>45,244</b>	<b>4,395</b>	<b>13,140,275</b>	<b>11,120,738</b>	<b>97,799,617</b>
<b>Cost</b>							
At 1 July 2024	25,272	93,998,164	566,011	43,947	13,636,659	11,120,738	119,390,790
Additions to WIP*	-	-	-	-	-	7,187,837	7,187,837
Additions to WIP*	-	-	-	-	-	165	165
Transfer from WIP*	184,032	5,627,232	206,605	-	46,402	(6,064,271)	-
<b>At 30 June 2025</b>	<b>209,304</b>	<b>99,625,396</b>	<b>772,616</b>	<b>43,947</b>	<b>13,683,061</b>	<b>12,244,469</b>	<b>126,578,792</b>
<b>Depreciation</b>							
At 1 July 2024	24,520	20,509,951	520,767	39,552	496,384	-	21,591,174
Charge for the The Year	3,794	3,339,471	25,417	-	473,371	-	3,842,053
<b>At 30 June 2025</b>	<b>28,314</b>	<b>23,849,422</b>	<b>546,184</b>	<b>39,552</b>	<b>969,755</b>	<b>-</b>	<b>25,433,227</b>
<b>Net Book Value As At 30 June 2025</b>	<b>180,990</b>	<b>75,775,974</b>	<b>226,432</b>	<b>4,395</b>	<b>12,713,306</b>	<b>12,244,469</b>	<b>101,145,565</b>

11 Receivables	2025 KShs' 000	2024 KShs' 000
Last Mile Connected Customers Token Contribution (ksh.15,000)	13,351,503	12,142,746
Less Amounts Receivable within one Year	<u>1,104,010</u>	<u>1,044,577</u>
<b>Total Trade and other receivables – non -current</b>	<b><u>12,247,493</u></b>	<b><u>11,098,169</u></b>
Electricity receivables Gross	6,937,773	5,468,544
Expected credit losses	<u>(3,617,279)</u>	<u>(4,215,275)</u>
Net electricity receivables	3,320,494	1,253,269
Last Mile Connected Customers Token Contribution Ksh. 15,000 (Receivable within one year)	<u>1,104,010</u>	<u>1,044,577</u>
<b>Total Trade and other Receivables - current</b>	<b><u>4,424,504</u></b>	<b><u>2,297,846</u></b>
Movement in the expected credit losses for trade receivables		
At start of year	(4,215,275)	(3,713,698)
Decrease/(Increase) in provision for trade receivables	<u>597,996</u>	<u>(501,577)</u>
At end of year	<u>(3,617,279)</u>	<u>(4,215,275)</u>
<b>12 Inventories</b>		
Inventories	<u>6,291</u>	=
<b>13 Government, donor and customer contribution cumulative</b>		
	2025 KShs'000	2024 KShs'000
Direct government contributions	39,278,573	39,278,573
Government Contribution – Last mile	20,230,460	19,071,770
African Development Bank Contribution – Last Mile	12,889,087	12,619,170
Government Contribution – Street Lighting	15,947,681	16,016,132
AFD/EU ***Last Mile Contribution	2,961,757	657,291
Spanish credit programme	3,269,502	3,269,502
EIB/GOK Interest Subsidy Contribution	47,359	47,359
European Investment Bank Last Mile Contribution	583,513	-
Japan International Cooperation Agency (JICA) Contribution	852,879	368,437
World Bank Kemp IDA Last Mile	15,950,531	15,950,531
African Development Bank Contribution II – Last Mile	14,119,701	14,119,701
World Bank KOSAP-RES**	136,163	136,163
AFD Contribution for Mini-Grids	1,572,180	1,241,580
Rural Electrification & Renewable Energy Corporation (REREC)	514,280	214,280
Nordic Development Bank-NDF Solar Lanterns	155,151	155,151
KPLC (2% contribution)	1,901,057	1,901,057
French credit programme	842,419	842,419
Interest on CIDA transmission lines loan	470,900	470,900
CIDA Kipevu Rehabilitation*	68,000	68,000
Token capital contributions	368,043	368,043
Finnish materials grant	269,808	269,808
Interest on Finnish loan	31,396	31,396

	2025	2024
	KShs'000	KShs'000
Stabex Development funds	266,893	266,893
Danish materials grant	155,306	155,306
SIDA material grant**	66,838	66,838
Overseas Development Agency	48,335	48,335
NCCK Project IV***	34,974	34,974
Norwegian material grant	25,733	25,733
Canadian material grant	<u>13,352</u>	<u>13,352</u>
	<b><u>133,071,871</u></b>	<b><u>127,708,694</u></b>
At start of year	127,708,694	121,943,724
New contribution	<u>5,363,177</u>	<u>5,764,970</u>
At end of year	<b><u>133,071,871</u></b>	<b><u>127,708,694</u></b>

Government contributions comprise the funds either in cash or in materials that the government releases to the Scheme to fund the rural electrification programme. Contributions to the Scheme are not regarded as revenue since the Scheme is a program of the Government and hence the Government invests its own resources to fund the rural electrification activities.

Government contributions – Street Lighting comprise the funds from the Kenya Government to fund Street Lighting Project

Contributions are accounted for on a receipt basis, either in cash or kind, where contributions in kind relate to capital costs contributed directly to the Scheme by a sponsor. These are accounted for through Scheme balances.

\* CIDA – Canadian International Development Agency

\*\* SIDA – Swedish International Development Agency

\*\*\* NCCK – National Council of Churches of Kenya

\*\* KOSAP-RES – Kenya Off-grid solar Access Project

\*\*\* AFD/EU The Agence Francaise de Development (AFD) and European Investment Bank (EU)



#### 14. Notes to the Financial Statement (continued)

##### 14 Accumulated deficits

	Pre-Res 2008 deficit- government	Accumulated recoverable deficit	Accumulated recoverable deficit-Tariff	Asset Retirement	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
<b>Year ended 30 June 2024</b>					
At start of year	10,001,789	18,926,619	26,926,060	27,309	55,881,777
Depreciation charge for the year	-	2,664,554	(2,664,554)	-	-
Recurrent Deficit receipt from Government	-	-	(809,500)	-	(809,500)
Total comprehensive deficit for the year	-	-	<u>7,481,662</u>	-	<u>7,481,662</u>
At end of year	<u>10,001,789</u>	<u>21,591,173</u>	<u>30,933,668</u>	<u>27,309</u>	<u>62,553,939</u>
<b>Year ended 30 June 2025</b>					
At start of year	<u>10,001,789</u>	21,591,173	30,933,668	27,309	62,553,939
Depreciation charge for the year	-	3,842,053	(3,842,053)	-	-
Recurrent Deficit recovery from Fuel revenue	-	-	(2,800,000)	-	(2,800,000)
Total comprehensive deficit for the year	-	-	<u>10,478,584</u>	-	<u>10,478,584</u>
At end of year	<u>10,001,789</u>	<u>25,433,226</u>	<u>34,770,199</u>	<u>27,309</u>	<u>70,232,523</u>

3

- (i) Pre-Res 2008 deficit – Government comprises all expenditure net of revenue recoverable from the Government of Kenya under the previous cost recovery formula prior to 30th June 2008. The Government refuted the amount and recommended it to be re-classified. As at 30th June 2020 KShs 10.001Billion as irrecoverable Pre –RES 2008 deficit as per the MOE Letter Ref No ME/CONF/2/1/1 dated April 06, 2020.
- (ii) Recoverable deficit comprises depreciation charged on the Scheme assets and is only recoverable when the respective asset is disposed. The amount relates to accumulated depreciation since inception of the Scheme.
- (iii) Recoverable deficit – tariff charges comprises all expenditure net of revenue recoverable if the actual operation and maintenance costs for RES exceed the current available revenue as a result of the accelerated rural electrification program.
- (iv) The Recurrent Deficit recovery from fuel is an amount of Kshs. 2.800Billion as per MOE Ref; No. ME/CONF /1/78 dated Jan 09, 2025 to be recovered both from RES and KPLC fuel revenue to offset part of the Recurrent Deficit.

##### 15 Payable – non current

	2025 KShs'000	2024 KShs'000
Last Mile Connected Customers Token Contribution (Ksh. 15,000) *	13,361,748	12,162,253

Last Mile Connected Customers Token Contribution (Ksh.15,000) \* These are amounts due from customers connected through last Mile Connectivity Project as a Token contribution of Ksh. 15,000 per connection

**15 Payables - current**

	2025 KShs'000	2024 KShs'000
Customer deposits	1,504,126	1,424,439
Customer credit balances	479,874	466,092
Other deposits	504,523	156,059
Other payables	<u>456,795</u>	<u>137,966</u>
<b>Total payables - current</b>	<b><u>2,945,318</u></b>	<b><u>2,184,556</u></b>

**16 Related party disclosures**

During the year, the following transactions were carried out with related parties:

- (a) The Scheme had no individually significant transactions carried out on non-market terms.
- (b) Other transactions that are collectively significant are detailed as follows:

	2025 KShs'000	2024 KShs'000
(i) Government of Kenya Contributions	1,158,691	3,073,095
(ii) Government of Kenya Contributions – Street Lighting	(68,451)	723,007
(iii) AfDB Last Mile- Contributions	269,917	369,433
(iv) European Investment Bank	583,513	-
(v) AFD Mini-Grids	330,600	969,359
(vi) AFD/EU	2,304,465	-
(vii) Rural Electrification & Renewable Energy Corp (REREC)	300,000	214,280
(viii) Japan International Cooperation Agency (JICA)	484,442	368,437
(ix) EIB/GOK Interest Subsidy Contribution	-	47,359
	<u>5,363,177</u>	<u>5,764,970</u>
(c) Transactions with KPLC during the year		
Power Purchase	10,359,861	10,114,804
Administration and Customer service	3,530,633	2,204,525
Operating Expenses	<u>7,152,904</u>	<u>6,799,379</u>
	<u>21,043,398</u>	<u>19,118,708</u>
Revenue and recoveries from KPLC	<u>2,371,472</u>	<u>2,373,648</u>

- (i) Government of Kenya contributions comprise the amount of funds provided directly by the Government to fund the Scheme's activities in the year.
- (ii) Government of Kenya contributions- Street Lighting comprise the amount of funds provided directly by Government to fund the Street lighting project
- (iii) These are contributions by The African Development Bank (AfDB) Phase I towards the Last Mile Electrification Program based on a loan signed between the Republic of Kenya and the African Development Fund dated 18 December 2014. The loan is to be repaid by the Government of Kenya after a 5 years grace period..
- (iv) These are contributions by The Agence Francaise de Development (AFD) and European Investment Bank (EU) towards AFD/EU Project in Kenya Arid based on a Grant signed between the Government of Kenya and KPLC dated 04 Apr 2019
- (v) These are contributions by The Agence Francaise de Development (AFD) towards off-grid hybridization Project in Kenya Arid Areas based on a loan signed between the Government of Kenya and KPLC dated 16 Apr 2018
- (vi) These are contributions by The Agence Francaise de Development (AFD) towards off-grid hybridization Project in Kenya Arid Areas based on a loan signed between the Government of Kenya and KPLC dated 16 Apr 2018
- (vii) These are contributions by Rural Electrification & Renewable Energy Corp (REREC) towards Electrification of Primary Schools Project in Kenya at a cost of ksh. 248,000(214,280 Capital, 12,784 Vat)



- (viii) These are contributions by Japan International Cooperation Agency (JICA) towards the Last Mile Connectivity Project (LMCP) based on a Grant signed between the Government of Kenya and JICA dated 18 September 2020

(d) Recording of transfers from other government entities

Name of Donor transferring the funds	Date as per bank statement	Nature	Total amount KShs'000	Capital fund KShs'000	Total transfers KShs'000
KPLC	21.05.2025	Street Lighting	(68,451)	(68,451)	(68,451)
*KPLC Revolving Fund	27.09.2024	Last Mile	374,330	374,330	374,330
*KPLC Revolving Fund	26.02.2025	Last Mile	489,369	489,369	489,369
*KPLC Revolving Fund	18.06.2025	Last Mile	294,992	294,992	294,992
REREC			300,000	300,000	300,000
AfDB I	Various	Donor Last Mile	269,917	269,917	269,917
AFD/EU			2,304,465	2,304,465	2,304,465
European Investment Bank			583,513	583,513	583,513
JICA			484,442	484,442	484,442
AFD Mini-Grids			<u>330,600</u>	<u>330,600</u>	<u>330,600</u>
Total			<u>5,363,177</u>	<u>5,363,177</u>	<u>5,363,177</u>

\*MoE - Ministry of Energy

\*KPLC Revolving Fund comprise of collection of Ksh. 15,000 Token Contribution from GOK Last Mile Connected Customers French Development Bank/European Union (AFD/EU)

REREC- Rural Electrification and Renewable Energy Corporation

(e) Outstanding balances with The Kenya Power and Lighting Company Plc	2025 KShs'000	2024 KShs'000
<b>Due from KPLC</b>		
Non-Current:		
KPLC current account - Capital	<u>1,941,897</u>	<u>2,404,605</u>
KPLC current account – Street Lighting	590,781	808,616
KPLC current account – Last Mile GOK	1,496,093	1,978,051
EIB Project Account	2,393	-
KPLC current account – Last Mile AfDB II	128	128
KPLC current account World Bank Kemp IDA Last Mile	3,044	3,044
KPLC World Bank KOSAP- RES	91,981	110,801
KPLC Current account- EIB/GOK Interest Subsidy	<u>24,435</u>	<u>39,446</u>
	<u>2,208,855</u>	<u>2,940,086</u>
	<u>4,150,752</u>	<u>5,344,691</u>
<b>Due to KPLC</b>		
KPLC Inter-company	8,057,992	6,105,091
KPLC current account - Recurrent Deficit	<u>34,770,199</u>	<u>30,933,668</u>
	<u>42,828,191</u>	<u>37,038,759</u>

The 'due from KPLC' balance represents the amount received by KPLC for execution of the Schemes activities. The due to KPLC balance represents amounts owed to KPLC on account of the Scheme's activities executed on its behalf.

#### 17 Capital commitments

Net capital commitments on the various incomplete schemes	<u>30,422,209</u>	<u>10,834,908</u>
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The capital commitments relate to the ongoing capital projects that have been approved and were at various stages of implementation as at 30 June 2025.

#### 18. Subsequent events

The Administrator is not aware of any material events after the reporting date that would require adjustment to, or disclosure in, these financial statements.

15. Appendix 1; Implementation Status of the Auditor-General Prior Recommendations

Matters in the Auditor General Report	Observation in 2024	Managements comments *	Status in 2025	Time frame
1. Unmatched Pass-Through Costs to Revenue	The statement of Profit or loss and other comprehensive income as disclosed in Note 7 to the financial statements reflects Kshs. 2,126,159,000 and Kshs. 1,230,814,000 in respect of fuel cost charge revenue and foreign exchange adjustments revenue respectively. However, the corresponding costs for the charges to customers, being pass through costs, amount to Kshs. 1,693,018,000 and Nill respectively resulting in an explained variance of Kshs. 433,141,000 and Kshs. 1,230,814,000 respectively	The revenue attributable to fuel cost charge and foreign cost adjustments is directly from billing, that is, units consumed by the Schemes customers multiplied by fuel energy charge per unit or forex charge per unit respectively. On the other hand, the rechargeable costs to the Scheme are derived from KPLC's Financial Statements using Mercado's formula, which takes into account proportion of units purchased, and total power purchase cost. The accuracy of the Schemes revenue and costs was confirmed by the Auditors on the ground after auditing the formula parameters.	Recurring	
<b>2. Property Plant and Equipment</b>				
2.1 Inaccuracies in Work in Progress	(i) Disclosed in Note 10, the financial statements included (10) projects with a negative value of Kshs. 64,168,782 which understated the work in progress balance. Management attributes the negative cost value to cots of returned materials to store, variances between booked costs and actual incurred costs, erroneous posting between KPLC and Rural Electrification (RES) Books. Unreversed capital contribution	Correct posting was done in the year under audit	Resolved	
	(ii) Work in Progress balance includes four hundred and zero	The projects have been capitalised	Resolved	

	<p>five (405) projects with a total cost of Kshs. 1,931,032,549 which had been completed and commissioned during the year were still reflected as work in progress in the financial statements resulting in overstatement of work in progress balance</p>			
	<p>(iii) One hundred and sixty-six (166) projects with a cost of Kshs. 3,196,194,598 which were started in 2021 and earlier years had not been completed as at 30 June, 2024. Management explained the delayed project completion as a result of lack of materials</p>	<p>This has been a challenge, but the management has prioritised the completion projects</p>	<p>Resolved</p>	
	<p>(iv) Seven hundred and twenty-eight (728) projects had incurred costs amounting to Kshs. 3,158,419,595 which exceeded the total budget of the projects of Kshs. 1,308,699,040 by Kshs. 1,849,720,555 with some of the projects still on-going. Management explained that the actual project costs might exceed planned budgets due to escalation in material process or changes in projects scope due to additional customers and additional funds are usually offset against the already disbursed GOK funds and Donor fundings. However, evidence of additional funding for the projects with budget overruns have not been provided</p>	<p>628 projects capitalised in the financial year under audit.</p>	<p>Resolved</p>	
<p>3. Unsupported Trade and Other Receivable</p>	<p>The statement of financial posting and as disclosed in Note 11 to the financial statements reflects a balance Kshs. 11,098,169,000 and Kshs. 12,297,846,000 in respect long-term trade and other receivables and current trade and other receivable respectively, all totaling Kshs. 13,396,015,000. The balance includes last mile prepaid debtors amounting to Kshs. 12,142,746,000 which were not supported by detailed debtor listing and aging analysis and therefore, the periods for which the debts have been outstanding could not be confirmed</p>	<p>A new system of debt management was introduced in the year of audit which had challenges providing the Last Mile debtors, this has since been solved.</p>	<p>Resolved</p>	

<p>4.Accumulated Deficit</p>	<p>The statement of financial position reflects an accumulated deficit amounting to Kshs.62,354,856 which, as disclosed in Note 14 to the financial statements, includes Kshs.10,001,789,000 indicated as irrecoverable deficit from the Government. According to Management, the amount relates to all expenditure net of revenue recoverable from the Government of Kenya under the previous cost recovery formula prior to 30 June 2008 which the Government refuted. However, no explanation was provided on the source from which the deficit was financed commensurate to the assets or expenditure already paid. In the circumstances, continued inclusion of the amount of Kshs.10,001,789,000 in the financial statements misstates the financial position of the scheme.</p>	<p>Following the enactment of the Energy Act 2006, the first tariff control period was in 2008, during the review a provision was made in the tariff for Ksh 1.36 billion to recover RES operations and maintenance costs going forward. This did not, however, provide a mechanism for the recovery of the deficit accumulated prior to 2008.</p> <p>Guidance has been sort from the Ministry of Energy on treatment of the accumulated deficit prior to 2008.</p> <p>The Ministry of Energy has also engaged a consultant to review the cost allocation mechanism as well as the impact of the entire program on KPLC and the sector,</p>	<p>Recurring</p>	
<p>5.. Misstatement of Trade and Other Payable</p>	<p>The statement of financial position reflects trade and other payable of Kshs. 2,184,764,000, As disclosed in Note 15 to the financial statements, included in the trade other payables balance is Kshs. 1,424,439,000 and Kshs. 137,966,000 in respect of customer deposits and other payable respectively. However, review of the make-up of the balance revealed accounts with debit balances of Kshs. 144,306,883 which ought to have been reclassified to trade</p>	<p>The Ksh. 110,680,976 in customer deposits has been resolved</p>	<p>Resolved</p>	

	<p>and other receivables thus understating trade and other payable</p> <p>In addition, as aging analysis provided to support the customer deposits balance of Kshs. 1,424,439,000 reflects an amount of Kshs. 1,535,119,976 resulting in a variance of Kshs. 110,680,976.</p>			
<p>Lack of update of the Cost Sharing Formula (Mercados Formular)</p>	<p>The statement of profit and loss and other comprehensive income reflects amount of Kshs. 10,114,804,000 and KShs. 12,169,827,000 in respect of total power purchase costs and net operating expenses respectively. The amounts were apportioned from costs incurred by KPLC in managing the entire electrical grid including connection to Rural Electrification Scheme customers are allocated to the Scheme based on the Mercado's Formula, which was adopted by KPLC Board on 19 August 2010. However, changes which have occurred in the operations between 2010 and 2024 are not factored in the formula, for instance the Mercado's Formula does not explicitly cover the foreign currency adjustment, wheeling charges and finance costs of KPLC to the Scheme</p> <p>In addition, the wheeling charges, which were introduced in 2013 payable by KPLC to Kenya Electricity Transmission Company Limited (KETRACO), are not also covered by the formula. Management of the company exercises judgement in recharging those costs which is not based on an agreed upon formula. This judgmental recharge of expenditure without an agreed basis may lead to misstatement of costs allocated Rural Electrification Schemes as a result to ineffective internal controls and governance by the managers</p>	<p>The only costs that are apportioned to the Scheme using the Mercado's Formula are Power Purchase, Network operations and maintenance, Administration and customer service. However costs of connecting new Rural Electrification Customers to the grid are 100% funded by Government of Kenya through budgetary allocations and International Development Partners.</p> <p>While certain items, such as wheeling charges, were introduced after the Mercados framework and are not explicitly addressed in the formula, the spirit and intent of the Mercados formula are adhered to in apportioning these costs, pending the next review and update of the formula.</p>	<p>Recurring</p>	



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