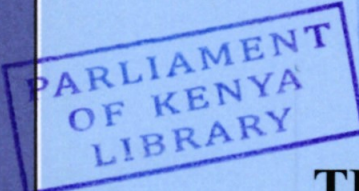


REPUBLIC OF KENYA



REPORT

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 24 FEB 2026 Tuesday

DAY.

TABLED BY: OF Deputy Leader Majority Party
Hon. Cwec Baya, MP
Mr. Benson Inzofa.

THE AUDITOR-GENERAL

ON

THE PROJECT FOR THE IMPROVEMENT OF
POWER DISTRIBUTION SYSTEM IN AND
AROUND NAKURU CITY AND MOMBASA
CITY (JICA GRANT NO: 1860780)

FOR THE YEAR ENDED
30 JUNE, 2025

KENYA POWER AND LIGHTING
COMPANY PLC



**THE PROJECT FOR THE IMPROVEMENT OF POWER DISTRIBUTION SYSTEM IN AND
AROUND NAKURU CITY AND MOMBASA CITY**

KENYA POWER AND LIGHTING COMPANY PLC.

JICA GRANT NO: 1860780

ANNUAL REPORT AND FINANCIAL STATEMENTS

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

Transitional International Public Sector Accounting Standards (IPSAS) Financial Statements

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1. Acronyms and Definition of Terms

CBK	Central Bank of Kenya
Comparative FY	Financial year preceding the current financial year.
EMCA	Environmental Management and Coordination Act
EPRA	Energy and Petroleum Regulatory Authority
ICPAK	Institute of Certified Public Accountants of Kenya
IDA	International Development Agency
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
ISSAI	International Standards of Supreme Audit Institutions
JICA	Japan International Corporation Agencies
JPY	Japanese Yen
KENGEN	Kenya Electricity Generation Company
KFS	Kenya Forestry Service
LMCP	Last Mile Connectivity Project
LV	Low Voltage
MOE	Ministry of Energy
MV	Medium Voltage
NEMA	National Environment Management Authority
NT	National Treasury
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board
REREC	Rural Electrification and Renewable Energy Corporation
WB	World Bank

2. Project Information and Overall Performance

2.1 Name and registered office

Name: The Project for the Improvement of Power Distribution System in And Around Nakuru City and Mombasa City

Executing Agency: Ministry of Energy and Petroleum

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

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

The address of its registered office is:

Stima Plaza

Kolobot Road, Parklands

P. O. Box 30099 - 00100

Nairobi.

Contacts: The following are the projects contacts:

Kenya Power and Lighting Company PLC

Telephone: +254-02-3201000

Website: www.kplc.co.ke

Objective

The key objective of the project is to increase access to electricity for the residents of Nakuru, Nyandarua, Kilifi and Kwale counties, and hence support the attainment of universal electricity access as per the Government's Vision 2030.

2.2 Project Information

Project Start Date:	The project start date is 18 th September 2020
Project End Date:	The project end date is 31 st December 2026
Project Manager:	The project manager is Eng. Kevin Njuguna
Project Sponsors:	JICA Grant, Counterpart funding from GoK

2.3 Project Overview

Line Ministry/State Department of the project	The Kenyan Ministry of Energy and Petroleum is the Executing Agency of the project while Kenya Power and Lighting Company PLC (Kenya Power) is the Implementing Agency.
Project number	Grant No: 1860780
Strategic goals of the Project	The strategic goal of the project is to support the Government’s initiative of ensuring increased Electricity access to Kenyans, particularly the poor.
Summary of Project Strategies for achievement of strategic goals	The project management aims to achieve the goals through the following means: <ul style="list-style-type: none"> • Expansion of the power distribution system to be within reach and thus enable more Kenyans to connect to the grid at affordable cost; and • Reduction of Connection cost paid by the customer.
Other important background information of the project	The Government of the Republic of Kenya (the “Government”) and JICA (the “Fund”) entered into a Grant Agreement for the JICA Last Mile Connectivity Project I (Grant No.: 1860780) (the “Project”) 25th July 2023 (the “Grant Agreement”). As per the Grant Agreement, the Fund agreed to extend a Grant not exceeding JPY 1.887B. The Grant Agreement was subject to conclusion of a Subsidiary Grant Agreement between the Government and the Kenya Power and Lighting Company PLC for on granting of the Grant. The scope of the Project is: Involves Installation and Maximization of 109 new medium voltage distribution transformers (50kVA & 25kVA), Maximization of 50 existing medium voltage distribution transformers and connection of 9,121 customers
Areas that the project was formed to intervene	Access to electricity for the residents of Nakuru, Nyandarua, Kilifi and Kwale counties.
Project duration	The project started on 18 th September 2020 and is expected to run until 31 st December, 2026

2.4 Bankers

The following are the bankers for the project:

Japan International Cooperation Agency,
Kenya Office Britam Tower, Hospital Road,
Nairobi, Kenya.

2.5 Independent Auditor

The project is audited by:

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

2.6 Roles and Responsibilities

Name	Title Designation	Key Qualifications	Responsibilities
Dr. Eng. Joseph Siror	Managing Director and Chief Executive Officer	PhD. Engineering, MBA, BSc. Electrical Engineering	Accounting officer
Eng. Kennedy Owino	Ag. General Manager, Infrastructure Division	MSc. CBIS, BSc. Electrical Eng. & Electronic Engineering	Supervision and Management of all Projects.
Eng. Jared Biwott	Ag. Manager, Connectivity & Turnkey Projects	BSc. Electrical and Electronic Eng.	Supervision and Management of all Projects.
Eng. Kevin Njuguna	Project Manager, Lastmile JICA	BSc. Electrical and Electronic Eng. PMP, MIEK	Project Coordination, Supervision and Management.
Simon Tirop	Chief Accountant, Projects, KPLC	B. Com Accounting, CPA (K), PMD Pro Level 1.	Project Financial Management.
Stella Muccheke	Chief Supply Chain Officer, Projects	MBA (Operations Management), BA – Economics, Maths and Sociology, CIPS Level 6.	Project Procurement and Contract Management.
Millicent Akeyo	Accountant	MBA Finance BBA Accounting & Finance CPA(K)	Project Financial Management.
Allan Otieno	Procurement specialist	MBA-Procurement & Supply Chain; B.A Anthropology; CIPS Level 4	Project Procurement and Contract Management.
Wilfred Koech	SHE Specialist	M. Philosophy (Environ Sc.), BSc. (Environ. Sc.), Dip. (Environmental Management)	Coordination and Management of Social, Safety and Environmental aspects of the project.

2.7 Funding summary

The Project duration is 3 years, from 18th September 2020 to 31st December 2026, with an approved budget of equivalent to Kshs .1,995,330,000 as highlighted in the table below:

A. Source of Funds

Source of funds	Donor Commitment		Amount Received as at 30.06.2025		Undrawn balance as 30.06.2025	
	J¥'000	kshs'000	J¥'000	kshs'000	J¥'000	kshs'000
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Grant						
JICA Financing	1,887,000	1,695,330	949,304	852,879	937,696	842,451
(ii) Counterpart funds						
Government of Kenya	333,917	300,000	17,822	16,012	316,095	283,988
Total	2,220,917	1,995,330	967,126	868,891	1,253,791	1,126,439

B. Application of funds

	Amount Received as at 30.06.2025		Cumulative Amount Paid as at 30.06.2025		Unutilised Balance as at 30.06.2025	
	J¥'000	kshs'000	J¥'000	kshs'000	J¥'000	kshs'000
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Grant						
JICA Financing	949,304	852,879	949,304	852,879	-	-
(ii) Counterpart funds						
Government of Kenya	17,822	16,012	17,822	16,012	-	-
Total	967,126	868,891	967,126	868,891	-	-

2.8 Summary of Overall Project Performance:

a) Budget Performance against Actual Amounts

To date the Project has utilised Kshs 868.89 Million which is 50% of the budget.

b) Physical Progress and Achievement of the Project

A total of 159 transformers were to be maximized under the Project to connect 9,121 households.

The project is at the installation stage following the successful completion of the design works and substantial materials supplied. The total number of customers connected as at 30 June 2025 was 43, which is 0.5% of the total customers targeted.

During the year under review, the Project absorbed 97% of the budget in the FY2024/2025

c) Implementation Challenges and way forward

Despite the successful completion of the Project, Implementation of the project has faced several challenges, which have affected the timely execution and delivery of key project milestones. Some of the challenges include customer registration and on-boarding issues, erratic climatic conditions and Budgetary Constraints.

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

2.9 Summary of Project Compliance

KPLC is entrusted with the responsibility of implementing the Project for Improvement of Power Distribution System In and Around Nakuru City & Mombasa City .

a) Compliance with applicable environmental laws and regulations

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

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

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

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

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

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

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

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

3. Statement of Performance against Project's Predetermined Objectives

Introduction

Section 81(2)(f) /Section 164 (2)(f) of the Public Finance Management Act, 2012, requires that the Accounting Officer include a statement of the national government entity's performance against predetermined objectives at the end of each financial year.

The key development objective of the *project's* financing agreement is to increase access to electricity for the residents of Nakuru, Nyandarua, Kilifi and Kwale counties, and hence support the attainment of universal electricity access as per the Government's Vision 2030.

Progress on the attainment of strategic development objectives

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

SN	Item Description	Unit	Quantity	Status of Execution	% Achieved
1	Transformer Maximization	No.	159	1	0.6%
3	Customer	PC	9,121	43	0.5%

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

Below, we provide the progress on attaining the stated objectives.

Project	Objective	Outcome	Indicator	Performance
Improvement of Power Distribution System In and Around Nakuru City & Mombasa City	To increase access to electricity for the residents of Nakuru, Nyandarua, Kilifi and Kwale counties, and hence support the attainment of universal electricity access as per the Government's Vision 2030.	Increased electricity connections and improved reliability of supply.	Number of new household connections. (Target: 9,121 customers)	A total of 43 Household connected to the Electricity.

4. Environmental and Sustainability Reporting

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 ¹ , 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	With a growing customer base and electricity's central role in driving our economy, enhancing	SG2, SG3

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

Reference	Material Matters	Description	Linked Strategic Goals
	& Expansion	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.	
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
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	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	SG3

Reference	Material Matters	Description	Linked Strategic Goal
	Degradation	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.	
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, 456,1351 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).

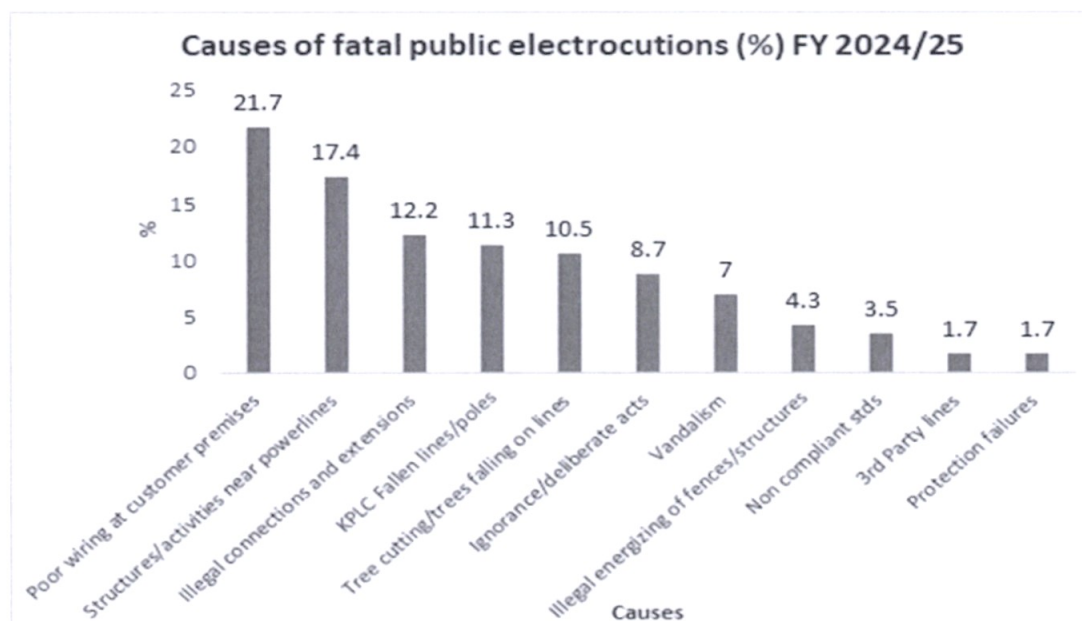
Local empowerment and inclusion

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

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 route 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).
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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 CO₂ 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.).
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
Customers	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.
Communities	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.
National & County Government / Regulators	Energy security; affordability; reliability; policy alignment.	Sector planning sessions; policy dialogues; regulatory consultations; site visits.	Focus on coordinated planning, vandalism prevention, and affordable tariffs.	Issued draft Medium Term Plan 2024–2029; rolled out anti-vandalism campaigns.	Secure MTP approval; align anti-theft actions with county enforcement.
Investors & Financiers	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.

Stakeholder Group	Interests	How We Engage	What We Heard	Actions & Outcomes (2024/25)	Priorities 2025/26
Supply Chain & Local Manufacturers	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.
Telecommunications Clients	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.
Residential & Commercial Cooking Customers	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.
General Public & Communities	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	1,332 campaigns executed vs target of 1,272 (105% achievement);	Expand outreach to underperforming regions; integrate

Stakeholder Group	Interests	How We Engage	What We Heard	Actions & Outcomes (2024/25)	Priorities 2025/26
			faster fault reporting.	regional highs: Mt. Kenya (122%), West Kenya (139%), North Eastern (147%).	digital demos into Barazas.
Large Power & SME Customers	Reliable supply; customised technical support; transparent communication.	On-site visits and structured customer forums.	Desire for improved outage management, technical advice, and tariff clarity.	839 visits; 33 forums held in final quarter; proactive technical engagement in NE, Coast, Nairobi South.	Institutionalise quarterly forums; publish regional reliability scorecards.
Corporate & Institutional Clients	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.

5. Statement of Project Management Responsibilities

KPLC, through the KPLC Project Implementation Team are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year (period) ended on 30 June 2025.

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

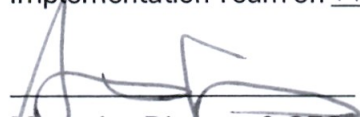
KPLC, through the KPLC Project Implementation Team accept responsibility for the Project's financial statements, which have been prepared on the accrual basis method of financial reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

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

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

Approval of the Project Financial Statements

The Project financial statements were approved by Kenya Power and Lighting Company PLC Project Implementation Team on 19th November 2025 and signed on their behalf by:



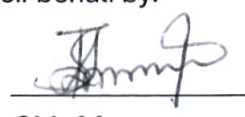
Managing Director & CEO

Name: Dr.Eng. Joseph Siror



Project Manager

Name: Eng. Kevin Njuguna



Chief Accountant, Projects

Name: Simon Tirop

ICPAK Member Number: 9665

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
Email: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON THE PROJECT FOR THE IMPROVEMENT OF POWER DISTRIBUTION SYSTEM IN AND AROUND NAKURU CITY AND MOMBASA CITY (JICA GRANT NO: 1860780) FOR THE YEAR ENDED 30 JUNE, 2025 – KENYA POWER AND LIGHTING COMPANY PLC

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.

An Unmodified Opinion is issued when the Auditor-General concludes that 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 of the Auditor-General on the Project for the Improvement of Power Distribution System in and Around Nakuru City and Mombasa City (JICA Grant No: 1860780) for the year ended 30 June, 2025 - Kenya Power and Lighting Company Plc

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying transitional International Public Sector Standards (IPSAS) financial statements of the Project for the Improvement of Power Distribution Systems in and Around Nakuru City and Mombasa City set out on pages 1 to 24 Which Comprise of the statement of financial position as at 30 June, 2025 and statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the transitional IPSAS financial statements present fairly, in all material respects, the financial position of the Project for the Improvement of Power Distribution System in and Around Nakuru City and Mombasa City as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards Accrual Basis including the transitional provisions permitted under IPSAS 33, and comply with the Financing Agreement Grant No. 1860780 dated 18 September, 2020, between Japan International Cooperation Agency (JICA) and the Government of the Republic of Kenya, and the Public Finance Management Act, 2012 and The National Treasury and Economic Planning Article No. 3 of 14 April, 2025.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Project for the Improvement of Power Distribution Systems in and Around Nakuru City and Mombasa City 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 opinion.

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. There were no key audit matters to report in the year under review.

Other Information

Management is responsible for the Other Information set out on page iii to xxiii which comprise of Project Information and Overall Performance, Statement of Performance Against Project's Predetermined Objectives, Environmental and Sustainability Reporting

Report of the Auditor-General on the Project for the Improvement of Power Distribution System in and Around Nakuru City and Mombasa City (JICA Grant No: 1860780) for the year ended 30 June, 2025 - Kenya Power and Lighting Company Plc

and Statement of Project Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Project'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. Based on the audit procedures performed and the matters described in the Emphasis of Matter, I confirm that Other Information is not materially inconsistent with the financial statements.

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 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 matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Slow Absorption of Project Funds

Review of the project information and overall performance revealed that the Donor and the Government had made a total funding commitment of J¥2,220,917,000 (equivalent to Kshs.1,995,330,000). However, verification of actual drawdowns during the project life revealed that the project had drawn an amount of J¥967,126,000 (equivalent to Kshs.852,879,000), leaving out J¥937,696,000 (equivalent to Kshs.868,891,000 or 44%) undrawn. The grant was set to lapse on 31 December, 2026, while the project start date was 18 September, 2020, of which had achieved only 0.6% in transformer maximization and 0.5% in customer connections over a period of five (5) years. Management did not indicate measures taken to absorb the undrawn amount, complete the project targets or secure an extension to the Project Financing Agreement.

In the circumstances, value for money has not been realised in the implementation of the project, and there is a risk of interest charges on the undrawn amount.

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, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

As required by Financing Agreement Grant No. 1860780 dated 18 September, 2020, between Japan International Cooperation Agency (JICA) and the Government of the Republic of Kenya, I report, based on my audit, that:

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.
- ii. Adequate accounting records have been kept by the Project, so far as appears from the examination of those records; and,
- iii. The Project's financial statements are in agreement with the accounting records and returns.

Basis for Conclusion

The Financing Agreement between Japan International Cooperation Agency (JICA) and the Government of the Republic of Kenya on the Project for the Improvement of Power Distribution Systems in and Around Nakuru City and Mombasa City requires that I report on the legal or regulatory requirements, or on performance information disclosed. These matters require expressing a separate opinion as to the Project's compliance with laws and regulations. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) 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 Project'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 Project'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

02 December, 2025

7. Statement of Financial Performance for the Year Ended 30th June 2025.

	Notes	FY2024/2025
		Kshs'000'
Revenue		
Revenue Transfers	6	7,356
Total revenue		7,356
Expenses		
Use of goods and services	7	7,356
Total expenses		7,356
Surplus/ (deficit)		-

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


Managing Director & CEO
 Name: Dr.Eng. Joseph Siror


Project Manager
 Name: Eng. Kevin Njuguna


Chief Accountant, Projects
 Name: Simon Tirop
 ICPAK Member Number: 9665

8. Statement of Financial Position as at 30th June 2025

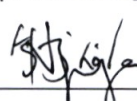
	Note	FY 2024/25	1st July 2024
		Kshs '000'	Kshs '000'
Assets			
Current Assets			
Total Current Assets		-	-
Non-Current Assets			
Property, Plant and Equipment-WIP	8	852,879	368,437
Total Non- Current Assets		852,879	368,437
Total Assets (a)		852,879	368,437
Liabilities			
Current Liabilities		-	-
Total Liabilities (b)		-	-
Net Assets (a-b)		852,879	368,437
Represented By:			
Capital Fund- Transfers from JICA		852,879	368,437
Total Net Assets		852,879	368,437

The financial statements were approved on 19th November 2025 and signed by:



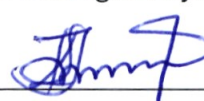
Managing Director & CEO

Name: Dr.Eng. Joseph Siror



Project Manager

Name: Eng. Kevin Njuguna



Chief Accountant, Projects

Name: Simon Tirop

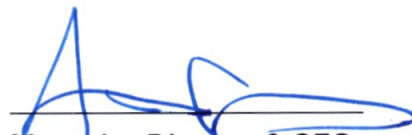
ICPAK Member Number: 9665

9. Statement of Changes in Net Assets

Description	Accumulated Surplus
	Kshs'000'
As at 30th June 2024 (Cash Basis)	-
Adjustments:	
Asset Recognition	368,437
Liabilities recognition	-
As at 1st July 2024	368,437
Capital Fund - Transfers from GoK Counterpart	-
Capital Fund - Transfers from JICA	484,442
As at 30th June 2025	852,879

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

The financial statements were approved on 19th November 2025 and signed by:



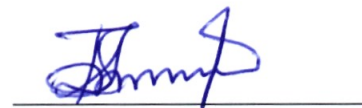
Managing Director & CEO

Name: Dr.Eng. Joseph Siror



Project Manager

Name: Eng. Kevin Njuguna



Chief Accountant, Projects

Name: Simon Tirop

ICPAK Member Number: 9665

10. Statement of Cashflow for the year ended 30th June 2025

Description	Note	FY 20242025
		Kshs'000'
Cashflow from operating activities		
Receipts		
Revenue Transfers	6	7,356
Total receipts		7,356
Payments		
Use of goods and services	7	(7,356)
Total payments		(7,356)
Net cash flow from operating activities		0
Cashflow from investing activities		
Acquisition of non-financial assets	8	(484,442)
Net cash flows from investing activities		(484,442)
Cash flow from financing activities		
Capital fund -Transfer from JICA		484,442
Net cash flow from financing activities		484,442
Net increase/Decrease in cash and cash equivalents		
Cash and cash equivalent as at 1st July 2024		0
Cash and cash equivalent as at 30 June 2025		0



Managing Director & CEO

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Project Manager

Name: Eng. Kevin Njuguna


Chief Accountant, Projects

Name: Simon Tirop

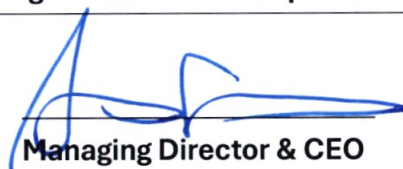
ICPAK Member Number: 9665


11. Statement of Comparison of Budget and Actual Amounts for the Year ended 30th June 2025


Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
	Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'	
Budget Carry Overs from previous periods	-	-	-	-	-	-
Receipts						
Transfers for JICA	500,000	0	500,000	484,442	15,558	97%
Gok Contribution	7,356	0	7,356	7,356	0	100%
Total Receipts	507,356	0	507,356	491,798	15,558	97%
Payments						
Capital Works in Progress	500,000	0	500,000	484,442	15,558	97%
Use of Goods and Services	7,356	0	7,356	7,356	0	100%
Total Payments	507,356	0	507,356	491,798	15,558	97%
Surplus	0	0	0	0	0	0

Budget Reconciliation

Actual Surplus Amounts as per the statement of Budget	0
Closing Cash and Cash Equivalent as per the statement of Cash flows	0


Managing Director & CEO
 Name: Dr.Eng. Joseph Siror


Project Manager
 Name: Eng. Kevin Njuguna


Chief Accountant, Projects
 Name: Simon Tirop
 ICPAK Member Number: 9665

12. Notes to the Financial Statements

1. General Information

The Kenya Power and Lighting Company Plc (KPLC) is established as a Limited Liability Company under the Companies Act, Cap 486, Laws of Kenya as a listed company with approximately 49.9% of its shares publicly traded on the Nairobi Securities Exchange and the Government of Kenya owns the remaining 50.1% of its shares. As a state-owned enterprise, KPLC is governed by the State Corporations Act.

The Company is a major player in the energy sector whose mandate is to plan for sufficient electricity generation and transmission capacity to meet the country's energy demand; build and maintain the distribution network and retail electricity to customers.

2. Statement of Compliance and Basis of Preparation

The Project has taken advantage of the transitional provisions allowed under IPSAS 33 and therefore these financial statements are transitional financial statements. The Project has deferred recognition of certain property, plant and equipment, work in progress, employee benefits, provisions, and some revenue from non-exchange transactions pending completion of valuation and verification processes.

In line with the transition provisions, certain elements of the financial statements have not yet been recognized. The project is in the process of implementing a phased approach towards full compliance with accrual-based IPSAS, which includes:

- Conducting comprehensive asset verification and valuation exercises.
- Strengthening accounting systems and capacity to capture accrual information; and
- Gradual recognition and measurement of assets, liabilities, revenues, and expenses in accordance with relevant IPSAS requirements.

Full compliance with accrual-based IPSAS is expected to be achieved by the end of the transitional period as allowed under IPSAS 33.

These financial statements were authorized for issue by the accounting officer on 31st August 2025

3. Adoption of New and Revised Standards**i) New and amended standards and interpretations in issue effective in the year ended 30 June 2025.**

Standard	Effective date and impact:
IPSAS 43	<p>Applicable 1st January 2025</p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p>The implementation of this standard is not expected to have any impact on the Project.</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p>Applicable 1st January 2025</p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p>The implementation of this standard is not expected to have any impact on the Project.</p>

Standard	Effective date and impact:
<p>IPSAS 45- Property Plant and Equipment</p>	<p>Applicable 1st January 2025</p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p> <p>The implementation of this standard is not expected to have any impact on the Project.</p>
<p>IPSAS 46 Measurement</p>	<p>Applicable 1st January 2025</p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>

Standard	Effective date and impact:
	The implementation of this standard is not expected to have any impact on the Project.

ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2025

Standard	Effective date and impact:
IPSAS 47- Revenue	<p>Applicable 1st January 2026</p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p> <p>The implementation of this standard is not expected to have any impact on the Project.</p>
IPSAS 48- Transfer Expenses	<p>Applicable 1st January 2026</p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p> <p>The implementation of this standard is not expected to have any impact on the Project.</p>

Standard	Effective date and impact:
IPSAS 49- Retirement Benefit Plans	<p>Applicable 1st January 2026</p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p> <p>The implementation of this standard is not expected to have any impact on the Project.</p>
12 IPSAS 50: Exploration For & Evaluation of Mineral Resources	<p>Applicable 1st January 2027</p> <p>The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p> <ul style="list-style-type: none"> i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized. <p>The implementation of this standard is not expected to have any impact on the Project.</p>

iii) Early adoption of standards

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

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that have been acquired using such funds.

ii) Revenue from exchange transactions

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

b) Budget information

The original budget for FY 2024/2025 was approved by the Parliament in June 2024. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals to conclude the final budget. Accordingly, the entity recorded reduction in appropriations of Kes .500 Million on the FY 2024/2025 budget following the Parliamentary approval. The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented on these financial statements.

c) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition or construction of the item of property appropriately according to the acronyms you use in your financial statements plant and equipment. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus, or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

d) Leases

Finance leases are leases that transfer substantially the entire risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition. Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

e) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite. Intangible assets with an indefinite useful life are assessed for impairment at each reporting date.

f) Research and development costs

The Entity expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Entity can demonstrate:

- The technical feasibility of completing the asset so that the asset will be available for use or sale.
- Its intention to complete and its ability to use or sell the asset.
- How the asset will generate future economic benefits or service potential
- The availability of resources to complete the asset.
- The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete, and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

g) Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The entity does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Financial assets

Classification

The entity classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity, or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made an irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

Based on the business model and the cash flow characteristics, the entity classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through net assets/ equity

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through surplus or deficit

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the entity manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year-end.

Impairment

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date.

Financial liabilities

Classification

The entity classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

h) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method.
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Project .

i) Provisions

Provisions are recognized when the *Project* has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the *Entity* expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent liabilities

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

Contingent assets

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

j) Nature and purpose of reserves

The Entity creates and maintains reserves in line with the specific requirements of the financing agreements and the Entity's financial management policies

k) Changes in accounting policies and estimates

The Entity recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

l) Employee benefits

Retirement benefit plans

The Entity provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable. Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

m) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. At each reporting date, foreign currency monetary items are translated using the closing rate. Non-monetary items measured in historical cost are translated using the exchange rate at the date of the transaction, and those measured at fair value are translated using the exchange rates at the date when the fair value was determined. Exchange differences arising from the settlement of monetary items or translation of monetary/non-monetary items at rates different from those at which they were initially reported are recognized in surplus or deficit in the period.

n) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed, and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

o) Related parties

The Entity regards a related party as a person or an entity with the ability to exert control individually or jointly or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the directors, the Principal and senior managers.

p) Service concession arrangements

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

q) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year.

r) Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available.

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

6. Revenue Transfers

Description	FY 2024/25
	KShs'000;
Conditional Transfers	
GoK Counter Part funding	7,356
Transfers from JICA	484,442
Total Conditional Transfers (a)	491,798
Unconditional Transfers (b)	0
Total Transfers for the Year (a + b)	491,798

a) Details to Revenue Transfers

Name of The Entity Transferring	Amount recognized to of Statement Financial performance	Amount deferred under deferred income.	Amount moved to Capital fund	Total transfers 2024/2025
	Kshs	Kshs	Kshs	Kshs
GOK Funding	7,356	0	0	7,356
JICA	0	0	484,442	484,442
Subtotal	7,356	0	484,442	491,798
Deferred Income realized	0	0	0	0
Transfers in Kind	0	0	0	0
Total	7,356	0	484,442	491,798

7. Use of Goods and Services

Description	FY 2024/25
	Kshs'000'
Bank charges	-
Domestic travel and subsistence	7,356
Total	7,356

8. Property, Plant and Equipment

	Distribution Lines	Capital Work in progress	Total
	Kshs'000'	Kshs'000'	Kshs'000'
Cost			
As at 1st July 2024 (opening balances)	0	368,437	368,437
Additions	0	484,442	484,442
Disposals	0	-	-
Transfers/Adjustment	0	-	-
As at 30th June 2025	0	852,879	852,879
Depreciation And Impairment			
As at 1 July 2024	0	0	0
Depreciation charge for the year	0	0	0
Impairment loss	0	0	0
Transfers/ Adjustments	0	0	0
As At 30th June 2025	0	0	0
Net Book Values	0		
As at 1st July 2024	0	368,437	368,437
As at 30th June 2025		852,879	852,879

9. Cash Generated from Operations

Description	FY 2024/25
	Kshs'000'
Surplus/Deficit for the year	-
Adjusted for:	
Depreciation	-
Non-cash grants received	-
Impairment	-
Gains and losses on disposal of assets	-
Working capital adjustments	
Increase in inventory	-
Increase in receivables	-
Increase in deferred income	-
Increase in payables	-
Increase in payments received in advance	-
Net cash flow from operating activities	-

10. Related Party Disclosures

Under the implementation arrangement, the National Treasury is the borrower on behalf of the Government of Kenya, the Ministry of Energy and Petroleum is the Executing Agency, and the Kenya Power and Lighting Company PLC (KPLC) serves as the Implementing Agency.

(a) No transactions were undertaken outside the normal operational activities of the Project's implementation.		
(b) Transactions with related parties during the period include		
	2024/2025	2023/ 2024
	Kshs'000'	Kshs'000'
The National Treasury/ Ministries of Energy		
Direct Disbursements	484,442	368,437

Kenya Power and Lighting Company PLC

The project for Improvement of Power Distribution System In and Around Nakuru City & Mombasa City
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11. Events after the Reporting Period

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

12. Ultimate And Holding Entity

The Entity is a State Corporation/ or a Semi-Autonomous Government Agency under the Ministry of Energy. Its ultimate parent is the Government of Kenya.

13. Currency

The financial statements are presented in Kenya Shillings (Kshs.) rounded up to the nearest thousands '000'.

13. Annexes

Annex 1: Prior Year Auditor-General’s Recommendations

Reference on previous year’s Audit Report	Issue / Observations from Auditor	Management comments	Status	Time frame
NONE	NONE	NONE	N/A	N/A

Managing Director & CEO
 Name: Dr.Eng. Joseph Siror

Project Manager
 Name: Eng. Kevin Njuguna

Chief Accountant, Projects
 Name: Simon Tirop
 ICPAK Member Number: 9665

Kenya Power and Lighting Company PLC

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Annex 2: Fixed Asset Register

Asset class	Historical Cost B/F 1st July 2024 (Kshs'000')	Additions during the year (Kshs'000')	Disposals during the year (Kshs'000')	Transfers in/(out) during the year (Kshs'000')	Historical Cost c/f (30th June 2025 (Kshs'000')
Distribution Lines	-	-	-	-	-
Capital Work in Progress	368,437	484,442	-	-	852,879
Total	368,437	484,442	-	-	852,879