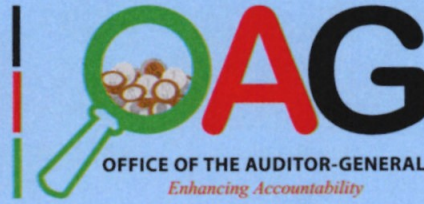


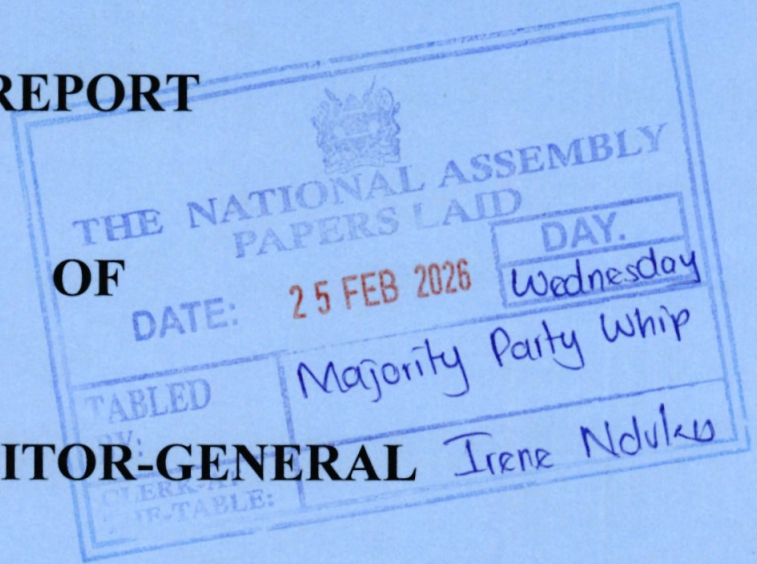
REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability

REPORT

PARLIAMENT
OF KENYA
LIBRARY



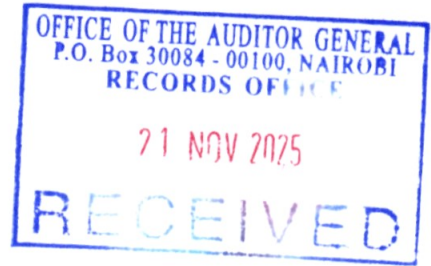
THE AUDITOR-GENERAL

ON

**MENENGAI GEOTHERMAL PROJECT (AFDB
LOAN NO.2100150026101)**

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

**GEOTHERMAL DEVELOPMENT COMPANY
LIMITED**



MENENGAI GEOTHERMAL PROJECT

Being implemented by

GEOTHERMAL DEVELOPMENT COMPANY LIMITED

PROJECT GRANT/CREDIT NUMBER

SCF Grant No. 5565155000401

SCF Loan No. 5565130000101

ADB Loan No. 2100150026101

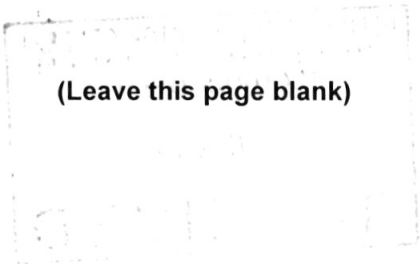
ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2025

Transitional International Public Sector Accounting Standards (IPSAS) Financial Statements

)



(Leave this page blank)

Menengai Geothermal Project

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

Table Contents

Page

1. Acronyms and Definition of Terms	ii
2. Project Information and Overall Performance	iii
3. Statement of Performance against Project's Predetermined Objectives	xii
4. Environmental and Sustainability Reporting	xiii
5. Statement of Project Management Responsibilities	xvii
6. Report of the Independent Auditor on Financial Statements for Menengai Geothermal Project	xviii
7. Statement of Financial Performance for the Year Ended 30th June 2025	1
8. Statement of Financial Position as at 30 th June 2025	2
9. Statement of Changes in Net Assets	3
10. Statement of Cashflow for the year ended 30 th June 2025	4
11. Statement of Comparison of Budget and Actual Amounts for the Year ended 30 th June 2025	5
12. Notes to the Financial Statements	6
13. Annexes	23

1. Acronyms and Definition of Terms

CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
NT	National Treasury
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board
WB	World Bank
Comparative FY	Financial year preceding the current financial year.
IPP's	Independent Power Producers
GDC	Geothermal Development Company Limited
A-I-A	Appropriations in aid

Menengai Geothermal Project

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

2. Project Information and Overall Performance

2.1 Name and registered office

The project's official name is Menengai Geothermal Project ("The Project"). The project's official is the Managing Director (MD) & Chief Executive Officer (CEO) of Geothermal Development Company Limited (GDC or "The Company").

Objective:

The key objective of the project is to facilitate realisation of at least 465MW geothermal power by August 2027, through an accelerated Geothermal Development program. The 465MW geothermal power will be generated as follows:

Field	Phase	Capacity MW
Menengai	I	105
	II	60
	III	100
	IV	100
	V	100
Total		465

Address:

The project headquarters offices are:
Kawi House, South C, Off Mombasa Road,
P.O Box 100746-00101,
Nairobi, Kenya

The address of its registered office is:
Polo Center, Tom Mboya Road (Branch),
P.O. Box 17700-20100,
Nakuru, Kenya

Telephone: +254 719 036 500
E-mail: info@gdc.go.ke
Website: www.gdc.co.ke

Project information and overall performance (continued)

2.2 Project Information

Project Start Date:	The project start date was 10 July 2012
Project End Date:	The expected project end date is August 2027
Project Manager:	The project manager is Eng. George Kinyanjui
Project Sponsor:	Government of Kenya (GoK)
	African Development Bank (AfDB) - SCF Grant No. 5565155000401, SCF Loan No. 5565130000101 and ADB Loan No. 2100150026101
	French Development Agency (AFD) - Agreement No. CKE 1038.01K
	European Investment Bank (EIB) - Loan No. 25.944
	German Development Bank (KfW) - Loan No. 2013.66.103
	United States Trade and Development Agency (USTDA) - Grant Agreement No. GH2010110010
	Nordic Development Fund (NDF) - NDF GRANT -C41

Project information and overall performance (continued)

2.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the Ministry of Energy.
Project number	152102201
Strategic goals of the project	<p>The strategic goals of the project are as follows:</p> <ul style="list-style-type: none"> (i) Facilitate realisation of at least 465MW from Menengai Geothermal project (ii) Reduce electricity tariffs due to inclusion of cheaper power mix. This will in turn spur economic growth. (iii) Lower the cost of electric power by providing fuel (steam to power generators). (iv) To promote alternative uses of geothermal energy.
Achievement of strategic goals	<p>The project management aims to achieve the goals through the following means:</p> <ul style="list-style-type: none"> (i) Facilitate early generation of electricity through provision of steam to Independent Power Producers (IPP's) to ensure electricity becomes available faster. (ii) Environmental sustainability through displacement of biomass and fossil fuel by cleaner and environmentally friendly alternatives. (iii) To promote alternative uses of geothermal resources other than electricity generation. These include greenhouse heating, drying of grains, pasteurizing milk, cooling and heating of rooms, among others.
Other important background information of the project	<p>The project entails the drilling of wells for the connection to power plants. Key activities include the following:</p> <ul style="list-style-type: none"> • Geo-scientific studies. • Access roads and well pads. • Water infrastructure. • Drilling and testing of wells. • Feasibility study. • Construction of steam gathering system. • Construction of power transmission system. • Construction of power plants.
Current situation that the project was formed to intervene	<ul style="list-style-type: none"> • Undertake exploration, appraisal and production drilling to mitigate upfront risks associated with geothermal development that deters the private sector. • To increase the national electricity generation capacity. • Lower unit cost of electricity by providing steam (fuel) to power generators. • Attract capital for accelerated development by opening up opportunities for private sector participation.
Project duration	The project started on 10 July 2012 and is expected to run until August 2027.

Project Information and Overall Performance (Continued)

2.4 Bankers

The following were the bankers for the year:

Cooperative **Bank** of Kenya Limited,
Upper Hill Branch, Nairobi.

Kenya Commercial Bank,
Kipande House, Kenyatta Avenue, Nairobi.

2.5 Independent Auditor

The project is audited by the Auditor General:

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

2.6 Roles and Responsibilities

Names	Title Designation	Key Qualifications	Responsibilities
Stephen K. Busieney	Ag. Managing Director & CEO	Master's in business administration (MBA), Bachelor of Commerce and a member of the Institute of Certified Public Accountant (ICPAK)	Coordination of project work to attain strategic project objectives
Eng. Martha Mburu	Project Manager	MSc. in Renewable Energy- Technology and Sustainability from University of Reading, UK, BSc Mechanical Engineering from University of Nairobi, Postgraduate Diploma in geothermal Energy Technology from Geothermal Training Institute, University of Auckland, New-Zealand and an Postgraduate Advanced Certificate in Geothermal Reservoir Engineering from the United Nations University, Geothermal training program, in Iceland	Supervision of project work

2.7 Funding summary

The Project duration is for 14 years from 2012 to 2026 with initial donor funding of US\$ 343,589 equivalent to KShs 31,518,951. The total donor commitments at the reporting were US\$ 348,805 equivalent to KShs 32,125,077 as per the table below:

Menengai Geothermal Project

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

Project information and overall performance (continued)

Below is the funding summary:

A. Source of Funds

Source of funds	Donor commitments		Amount received to date (30.06.2025)		Undrawn balance to 30 June 2025	
	Donor Currency (USD)	Kshs	Donor currency (USD)	Kshs	Donor currency (USD)	Kshs
	(A) '000'	(A) '000'	(B) '000'	(B) '000'	(A)-(B) '000'	(A)-(B) '000'
(i) Grant						
African Development Bank (AfDB)	17,500	1,766,625	14,513	1,467,018	2,987	299,607
French Development Agency (AFD)	170,000	14,589,647	70,000	6,669,805	100,000	7,919,842
European Investment Bank (EIB)	17,330	1,447,276	17,330	1,447,276	-	-
United States Trade Development Agency (USTDA)	544	46,727	544	46,727	-	-
German Development Bank (KfW)	13,716	1,143,845	13,716	1,143,845	-	-
Nordic Development Fund (NDF)	1,500	186,000	98	10,386	1,402	175,614
ICEIDA	715	72,308	363	36,893	352	35,415
Total	221,305	19,252,428	116,564	10,821,950	104,741	8,430,478
(ii) Loan						
African Development Bank (AfDB)	127,500	12,871,125	120,633	10,356,630	6,867	2,514,495
(iii) Borrowings	-			4,374,112	-	-
(iv) Counterpart Funds						
Government of Kenya	-	92,598,000	-	66,572,639	-	26,025,361
Company Contribution	-					
Grand Total	348,805	124,721,553	237,198	92,125,332	111,608	36,970,333

Project information and overall performance (continued)

B. Application of Funds

Application of funds	Amount received to date – (30th June 2025)		Cumulative Amount paid to date – (30th June 2025)		Unutilised balance to date 30th June 2025	
	Donor Currency (USD)	Kshs	Donor Currency (USD)	Kshs	Donor Currency (USD)	Kshs
	(A) '000'	(A) '000'	(B) '000'	(B) '000'	(A)-(B) '000'	(A)-(B) '000'
(i) Grant				(A)-(B) '000'		(A)-(B) '000'
African Development Bank (AfDB)	14,513	1,467,018	14,513	1,467,018	-	-
French Development Agency (AFD)	70,000	6,669,805	70,000	6,669,805	-	-
European Investment Bank (EIB)	17,330	1,447,276	17,330	1,447,275	-	-
United States Trade Development Agency (USTDA)	544	46,727	544	46,727	-	-
German Development Bank (KfW)	13,716	1,143,845	13,716	1,143,845	-	-
Nordic Development Fund (NDF)	98	10,386	98	10,386	-	-
ICEIDA	363	36,893	363	36,893	-	-
	116,564	10,821,950	116,564	10,821,949	-	-
(ii) Loan					-	-
African Development Bank (AfDB)	120,633	10,356,630	120,633	10,356,630	-	-
(iii) Counterpart funds					-	-
Government of Kenya	-	66,572,639	-	66,570,328	-	2,312
(iv) Borrowings		4,374,112		4,374,112		-
	-	-	-	-	-	-
Total	237,198	92,125,332	237,198	92,123,019	-	2,312

Project information and overall performance (continued)

2.8 Summary of Overall Project Performance:

i) Budget performance against actual amounts for the current year and for cumulative to-date,

Programme Code and Project Title	FY 2024/2025				
	Approved Budget		Total Budget	Expenditure for the year	Cumulative Expenditure As at 30th June 2025
	Gok	foreign			
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
PROGRAMME 1: POWER GENERATION					
Sub- Programme 1.2: Geothermal Development (GDC)					
1152102201 Menengai Geothermal Development Project.	3,007		3,007	1,895,483	94,399,137

ii) Physical progress based on outputs and outcomes since project commencement,

Measurement per year	FY 2024/25	
	Target	Actual
Progress of Power Plant construction by Globeleq Menengai Geothermal Power Plant Limited (GMGL)	70% completion	• 60%
Financial closure and commencement of Power Plant construction by Orpower 22 Limited	Attainment of financial closure and start of power plant construction	• Financial closure September 2024 • Power plant construction commenced 1st November 2024
Drilling of makeup and re injection wells	3 make up 1 re injection	Two wells drilled to completion
Construction of well pads	Target was construction of four (4) well pads	Achieved; Four (4) well pads constructed

Comment on value-for-money achievements:

- Drilling done substantially by GDC staff.
- 59 wells drilled i.e., 7 top holed and 52 completed.
- 169 MW of steam available.
- Steam gathering system (SGS) for 105MW is complete.
- Transmission line completed.
- Sosian Menengai Geothermal Power Ltd Power Plant is grid connected
- Letter of Support negotiations ongoing for Orpower
- Globeleq Menengai Geothermal Power Plant Limited (GMGL) power plant construction is in progress 60% complete
- Orpower 22 have commenced power plant construction, 57% complete
- Signing of Lease with Kenya Forest Services done
- Geothermal License for the prospect secured

Project information and overall performance (continued)

iii) Indicate the absorption rate for each year since the commencement of the project.

<i>Bogoria Silai Budget Absorption rate</i>										
	FY 2024/25	FY 2023/24	FY 2022/23	FY 2021/22	FY 2020/21	FY 2019/20	FY 2018/2019	FY 2017/2018	FY 2016/2017	FY 2015/2016
	77%	116%	78%	100%	89%	68%	142%	114%	116%	130%

iv) Implementation challenges and way forward

Implementation challenges

- Delay in Issuance of Government Support Measures (Letter of support and PRG) to IPP's
- Insufficient Counterpart Funding.

Way forward;

Engaging Government to issue Letter of support and Partial Risk Guarantee to IPPs. Enhance resource mobilization from multi-lateral partners and request for enhanced exchequer appropriation.

Project information and overall performance (continued)

2.9 Summary of Project Compliance:

The project is compliant with applicable financial laws and regulations as well as Treasury circulars on Project Management. There are no instances where the project has been flagged on account of non-compliance and hence no adverse, actual or potential consequences likely to be suffered.

3. Statement of Performance against Project's Predetermined Objectives**Progress on attainment of Strategic development objectives**

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made 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: Below we provide the progress on attaining the stated objectives:

Project	Objective	Outcome	Indicator	Performance
Menengai Geothermal Project	To connect 465MWe of geothermal power to the national grid	Cheap and affordable power to the people of Kenya	Amount of MWe generated	<ul style="list-style-type: none"> In the FY 2024/25, cumulative generation at well head stood at 169MW In the FY 2024/25, construction for a third 35MW power plant commenced
	To increase private sector participation in energy generation	Risk diversification and share of returns generated from energy sector investments	Number of IPPs	Three IPPs have been engaged in Menengai 105MW project to construct three 35MW power plants on a Build Own Operate model.
	To enhance environmental sustainability through provision of clean energy	Clean energy and attainment of health benefits associated with a clean environment	Percentage of geothermal power in Kenya energy mix	In the FY 2024/25 Geothermal power generation was 940MW representing a 45% share in the Kenyan energy mix

4. Environmental and Sustainability Reporting

The Menengai Geothermal Project, located in Nakuru County, is a flagship initiative under Kenya's green energy transition strategy. Spearheaded by the Geothermal Development Company (GDC), the project's core mandate is to develop steam fields for power generation and industrial use, contributing to national energy security, economic growth, and climate resilience. Sustainability is central to the project's implementation strategy. The project seeks to deliver long-term energy services by responsibly managing natural resources, minimizing environmental harm, engaging communities, and aligning operations with Kenya's Vision 2030 and the United Nations Sustainable Development Goals (SDGs). The strategy emphasizes adaptive environmental safeguards, inclusive stakeholder engagement, and efficient, transparent governance to ensure the longevity and social license of the project.

GDC's sustainability strategy is rooted in the principles of environmental responsibility, resource efficiency, and stakeholder engagement. It aligns with Kenya's Vision 2030, international environmental frameworks, and the Sustainable Development Goals (SDGs), particularly SDG 7 (Affordable and Clean Energy) and SDG 13 (Climate Action). The company prioritizes sustainability across all phases of geothermal development, from exploration and drilling to power production by adopting proactive environmental safeguards, community-driven development approaches, and innovative technologies that minimize the ecological footprint.

Menengai is governed by a robust Environmental and Social Management Plan (ESMP) that aligns to EMCA 1999 (revised 2015) and associated regulations, SDG's, the Geothermal Resources Regulations, ISO 14001 Environmental Management System principles and IFC performance standards.

Key focus areas of GDC's environmental and sustainability approach include:

- **Environmental Protection:** Through robust Environmental and Social Impact Assessments (ESIAs) and Environmental and Social Management Plans (ESMPs), GDC ensures that its operations are conducted in line with both national laws and international standards (e.g., IFC Performance Standards, World Bank Environmental and Social Framework).
- **Biodiversity Conservation:** GDC actively implements habitat restoration programs, avoids encroachment into protected areas, and conducts regular biodiversity assessments to ensure minimal disruption to flora and fauna, especially in sensitive areas such as Menengai and Baringo-Silali. GDC has a Biodiversity Conservation and Landscape Restoration Management Plan (BCLRMP) that governs the conservation of sensitive areas such as Menengai Crater and nearby forest ecosystems are protected through buffer zones, social afforestation programs, and environmental education for local communities.
- **Sustainable Resource Use:** Efficient use of water, drilling fluids, and energy resources is emphasized. Technologies like directional drilling and reinjection of geothermal fluids help reduce waste and preserve underground reservoirs.

Environmental and Sustainability Reporting

- **Community Engagement and Social Inclusion:** GDC involves local communities in project planning and benefit-sharing initiatives. Employment opportunities, capacity building, and Corporate Social Responsibility (CSR) programs help build local resilience and foster shared value.
- **Waste Management and Pollution Control:** The company has adopted a waste minimization hierarchy (reduce, reuse, recycle, and responsible disposal), with clear protocols for handling drill cuttings, non-condensable gases, and other operational waste. GDC has a Waste Management Plan that guides the handling of hazardous and non-hazardous waste. They are segregated at source, transported via licensed handlers, and disposed of in NEMA-approved facilities. Brine reinjection is in pilot phase, aiming to minimize subsurface contamination.
- **Climate Change Mitigation:** By investing in renewable geothermal energy, GDC contributes significantly to the reduction of greenhouse gas emissions in Kenya's energy sector.
- **Air Quality Management:** Air quality management is a critical component of GDC's environmental strategy, given the nature of geothermal operations which may emit gases such as hydrogen sulfide (H₂S), carbon dioxide (CO₂), and other trace gases during drilling and testing phases. GDC is committed to ensuring that its activities do not compromise the health of employees, surrounding communities, or the integrity of the local environment. GDC has an Air Quality Management Plan that guides project in monitoring emissions of hydrogen sulfide (H₂S) and non-condensable gases. Although geothermal emissions are low, Menengai's operations include air dispersion modelling and mitigation mechanisms where thresholds are exceeded.

GDC continues to monitor and report on environmental indicators, identify sustainability risks, and implement mitigation strategies. Internal audits, third-party reviews, and stakeholder feedback inform ongoing improvements in sustainability performance. The company is also exploring opportunities for carbon financing and enhancing its environmental data systems for better transparency and accountability.

Major shortcomings include:

- Inadequate data collection on long-term impacts of exploration on soil and hydrology.
- Occasional delays in environmental audit reporting due to staffing gaps.

Employee welfare

The Geothermal Development Company (GDC) remains committed to providing a safe and healthy work environment in compliance with the Occupational Safety and Health Act, 2007 (OSHA). During FY 2024/25, GDC undertook key statutory activities including third-party inspections of lifting equipment, procurement of medical examinations under Legal Notice No. 24 of 2005, and maintenance of emergency safety equipment in line with Legal Notice No. 59 of 2007.

Environmental and Sustainability Reporting

While challenges such as delayed deliveries and land funding constraints affected full compliance, the company took proactive steps to address gaps.

These included initiating framework procurement of PPE, developing internal safety training content, and revising the Safety Policy to promote shared responsibility and improve organizational safety culture. Although GDC's safety culture is still developing, the company remains dedicated to continuous improvement, employee well-being, and meeting its legal and moral obligations under OSHA, 2007.

Responsible supply chain and supplier relations

Supply Chain Management encompasses effective planning and management of all activities involved in procurement of goods, works & services, disposal and inventory management including storage of goods from point of origin to point of consumption geared towards fulfilling user requirements in a cost-effective manner.

Supply Chain Management aims to create a more sustainable value chain by promoting responsible sourcing, contract management, reducing waste, increasing transparency, fairness and competitiveness in the procurement processes in order to create long-term value for all stakeholders including suppliers, financiers, employees and citizens. Supply Chain Management is responsible for disposal of assets in a manner that is environmentally friendly which involves handling, treating and disposing waste appropriately to minimize environmental and human health impacts.

Environmental and Sustainability Reporting

Community Engagements

Throughout the financial year, GDC has actively engaged the community through a series of structured consultative forums. A total of seven (7) community meetings, six (6) stakeholder engagements, and three (3) focus group discussions were conducted. These forums aimed to inform the community and stakeholders about ongoing project activities and to address any emerging concerns.

In addition, GDC's established grievance handling mechanism has demonstrated efficiency, with grievances being addressed and resolved swiftly and within appropriate timelines. This has contributed to meeting the corporate objective of minimizing project downtime.

To strengthen local representation, GDC -through support from USAID/Power Africa- has empowered members of the Community Engagement Committees (CECs) in Bahati District by facilitating capacity-building training sessions. These trainings were designed to enhance their leadership, management, and community mobilization skills, enabling them to effectively serve in their roles as community representatives.

As part of its community social investment, GDC has provided direct economic benefits to the Menengai community by engaging two hundred and seventy-two (272) locals in various casual job opportunities within the company and with the independent power producers (IPPs) associated with the project.

Additionally, GDC's donated ambulance has been serving the community at the Bahati Sub-County Hospital. This ambulance has significantly improved the referral system, facilitating the transportation of patients from Bahati, Nakuru North to the Nakuru General Provincial Referral Hospital.

Moreover, GDC has continued to support national unity and cultural heritage by contributing approximately KES 100,000/- annually toward the celebration of national holidays, including Madaraka Day, Mashujaa Day, and Jamhuri Day.

5. Statement of Project Management Responsibilities

The MD & CEO and Project Manager for Menengai Geothermal Project 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 the financial year ended on June 30, 2025.

This responsibility includes;

- (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period,
- (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the 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.

The MD & CEO and Project Manager for Menengai Geothermal Project *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.

The MD & CEO and Project Manager for Menengai Geothermal Project 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.

The MD & CEO and Project Manager for Menengai Geothermal Project 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.

The MD & CEO and Project Manager for Menengai Geothermal Project 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 MD & CEO and Project Manager for Menengai Geothermal project

on 20/11 2025 and signed by them.



Stephen K. Busieney
Ag. Managing Director & CEO



Eng. Martha Mburu
Project Manager



Solomon Sankaire
Project Accountant:
ICPAK No.:19098

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: 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 MENENGAI GEOTHERMAL PROJECT (AFDB LOAN NO.2100150026101) FOR THE YEAR ENDED 30 JUNE, 2025 – GEOTHERMAL DEVELOPMENT COMPANY LIMITED

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying transitional International Public Sector Accounting Standards (IPSAS) financial statements of Menengai Geothermal Project set out on

Report of the Auditor-General on Menengai Geothermal Project (AfDB Loan No.2100150026101) for the year ended 30 June, 2025 - Geothermal Development Company Limited

pages 1 to 24, which comprise of the statement of financial position as at 30 June, 2025 and the statement of financial performance, statement of changes in equity, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended and summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the transitional IPSAS financial statements present fairly, in all material respects, the financial position of Menengai Geothermal Project 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 Loan Agreement No.2100150026101 dated 12 March, 2012 between the African Development Fund and Republic of Kenya and the Public Finance Management Act, 2012 and The National Treasury and Economic Planning Circular No.3 of 14,2025.

Basis for Qualified Opinion

Inaccuracies of the Financial Statements

Review of the financial statements of the Project revealed several inconsistencies, and inaccuracies as detailed below:

- i. A budget reconciliation statement which forms part of explanatory notes to the statement of comparison of budget and actual amounts reflects other receipts of Kshs.2,258,000. However, the receipts were not included in the statement of financial performance as an income during the year.
- ii. The statement of changes in net assets reflects a surplus for the year of Kshs.3,119,515,000. However, the statement of financial performance reflects a Nil surplus. The variance between the two statements was not explained or reconciled.

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

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

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 Matter

Unresolved Prior Year Matters

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

	Financial Year	Audit Issue
1	2023/2024	Inaccuracies in the cash and cash equivalents
2	2023/2024	Long Outstanding imprests
3	2023/2024	Budgetary control and performance
4	2023/2024	Long Outstanding pending bills
5	2023/2024	Unaccounted for monitoring of strategic stock
6	2023/2024	Commingling of funds
7	2023/2024	Delay in project completion

Other Information

Management is responsible for the Other Information set out on page iii to xvii which comprise of Project Information and Overall Performance, Statement of Performance Against Predetermined Objectives, Environmental and Sustainability Reporting and Statement of 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 matter described in the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources, 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 conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

Slow absorption of Project Funds

As disclosed in Paragraph 2.2 of Project information and overall performance, the Project is expected to close in August, 2027, following an extension by the Donor from the initial date of June, 2025. The funding summary in Paragraph 2.7 indicates that the Donors had made commitments of USD 348,805,000 equivalent to Kshs.32,123,553,000. The Government of Kenya also made a funding commitment to of Kshs.92,598,000,000 making a total commitment of Kshs.124,721,553,000.

As indicated in Paragraph 2.7A of Project information and overall performance, the actual drawdowns during the project life of thirteen (13) years amounted to Kshs.92,123,019,000 resulting to Kshs.32,598,534,000 equivalent to 26% of the total commitment undrawn. Management did not indicate measures being implemented to absorb the remaining funding commitment within the remaining project life.

In the circumstances, existence of effective mechanisms for project planning and implementation including utilization of funds could not be ascertained.

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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Long Outstanding Imprest

The statement of financial position reflects receivables balance of Kshs.2,104,000. As disclosed in Note 7 to the financial statements, the balance was in respect of staff advances. However, review of imprest and advance records revealed that some advances amount had been outstanding since 2010, a period exceeding fifteen (15) years. Management indicated that some of the employees owed had since left the employment, making recovery of the amount doubtful. Management did not indicate measures which had been taken to recover the long outstanding amounts.

In the circumstances, the effectiveness of mechanisms implemented for accounting and recovery of staff advances could not be ascertained.

2. Delay in project completion

The Company Strategic Plan 2018-2023 envisaged that enough steam will be generated to produce power equivalent to 195 MW for addition to the national grid by June, 2023. It was expected that Phases I and II of the Project would supply steam to power plants that would generate 105 MW and 60 MW respectively and an additional 30MW through Wellheads.

To achieve this objective, Management engaged three (3) Independent Power Producers (IPPs) in 2014 through competitive bidding. The IPPs were meant to design, construct, install, build own and operate a plant that would produce 35MW of power each. Review of the status of project in the month of October, 2025 revealed that only one power plant, operated by a local incorporated company had commenced operations. It was not indicated when the other two IPPs would become operational.

In the circumstances, existence of effective measures and capacity at the Company for effective implementation of the project could not be ascertained.

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 Loan Agreement No.2100150026101 dated 12 March, 2012 between the African Development Fund and 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 the African Development Fund and the Republic of Kenya for Menengai Geothermal Project 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 of 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 ISSAIs 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

03 December, 2025

Menengai Geothermal Project
Annual Report and Financial Statements for the financial year ended June 30, 2025

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

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

	Notes	FY 2024/25 Kshs '000'
Revenue		
Steam Charge Payments		-
Transfer from Exchequer		
Total revenue		-
Expenses		
		-
Total expenses		-
Other gains/(losses)		
		-
Surplus/ (deficit)		-

Note:

The Entity recognises proceeds from sale of steam, transfer from Exchequer and Development partners as Capital Grants (portion financing Menengai Geothermal Project). The payments are capitalised under Property Plant & Equipment & Exploration & Evaluation Activities.



Stephen K. Busieney
Ag. Managing Director & CEO



Eng. Martha Mburu
Project Manager



Solomon Sankaire
Project Accountant:
ICPAK No.:19098

*Menengai Geothermal Project
Annual Report and Financial Statements for the financial year ended June 30, 2025*

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

	Note	FY 2024/25 Kshs '000'	1st July 2024 Kshs '000'
Assets			
Current Assets			
Cash and Cash equivalents	6	2,312	246,950
Receivables	7	2,104	1,176
Prepayment	8	205,411	-
Total Current Assets		209,827	248,126
Non-Current Assets			
Property, Plant and Equipment	9	69,381	41,180
Exploration & Evaluation	10	14,484,581	11,828,006
Total Non- Current Assets		14,553,962	11,869,186
Total Assets (a)		14,763,789	12,117,311
Liabilities			
Current Liabilities			
Trade and Other Payables	11	2,388,475	2,861,512
Total Current Liabilities		2,388,475	2,861,512
Total Liabilities (b)		2,388,475	2,861,512
Net Assets (a-b)		12,375,314	9,255,800
Represented By:			
Accumulated Surplus (Grants)		12,375,314	9,255,800
Total Net Assets		12,375,314	9,255,800

The financial statements were approved on 20/11 2025 and signed by:


Stephen K. Busieney
Ag. Managing Director & CEO


Eng. Martha Mburu
Project Manager


Solomon Sankaire
Project Accountant:
ICPAK No.:19098

Menengai Geothermal Project
Annual Report and Financial Statements for the financial year ended June 30, 2025

9. Statement of Changes in Net Assets

Description	Accumulated Surplus
	Kshs '000'
As at 30th June 2024 (Cash Basis)	248,126
Adjustments:	
Asset Recognition	11,869,186
Liabilities Recognition	(2,861,512)
As at 1st July 2024	9,255,800
Changes for the year	3,119,514
As at 30th June 2025	12,375,314

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

The financial statements were approved on 20/11 2025 and signed by:



Stephen K. Busieney
Ag. Managing Director & CEO



Eng. Martha Mburu
Project Manager



Solomon Sankaire
Project Accountant:
ICPAK No.:19098

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

Description	Note	FY 2024/25 Kshs '000'
Cashflow from operating activities		
Receipts		
Miscellaneous Revenue		
Total receipts		-
Changes in working Capital		
Increase in Prepayments		(205,411)
Increase in receivables		(928)
Decrease in Payables		(473,037)
Total		(679,377)
Net cash flow from operating activities		(679,377)
Cashflow from investing activities		
Expenditure on PPE		(28,778)
Expenditure on Exploration & Evaluation Assests		(1,866,705)
Net cash flows from investing activities		(1,895,483)
Cash flow from financing activities		
Grants		2,327,964
Other Receipts		2,258
Net cash flow from financing activities		2,330,222
Net increase/Decrease in cash and cash equivalent		(244,638)
Cash and cash equivalent at 1st July 2024	6	246,950
Cash and cash equivalent at end June 2025	6	2,312



Stephen K. Busieney
Ag. Managing Director & CEO



Eng. Martha Mburu
Project Manager



Solomon Sankaire
Project Accountant:
ICPAK No.:19098

Menengai Geothermal Project

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

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 %
Revenue	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	
Budget Carry Overs	-	246,950	246,950	246,950		
A-I-A (Steam Charge Receipts)	2,112,000	895,000	3,007,000	2,327,964	679,036	77%
Total Revenue	2,112,000	1,141,950	3,253,950	2,574,913	679,036	
Payments						
Expenditure on PPE & E&E	2,112,000	1,141,950	3,253,950	1,895,483	1,358,467	58%
Total Payments	2,112,000	1,141,950	3,253,950	1,895,483	1,358,467	
Surplus or Deficit	-	-	-	679,431		

Budget notes

1. Provide a commentary on significant underutilization (below 90% of utilization) and any overutilization (IPSAS 24.14)

- Shortfall in the collection of local A.I.A
- Rationalization of Exchequer support

2. Provide an explanation of changes between the original and final budget, indicating whether the difference is due to reallocations or other causes. (IPSAS 24.29)

- Re-allocations of Local A.I.A from Bogoria Silali Project to finance deficit in Menengai
- Inter-Project Borrowings
- Rationalization of Exchequer support

Budget Reconciliation

	Description of Particulars	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	679,431
1	Other Receipts	2,258
2	Changes in working capital	(679,377)
	Closing Cash and Cash Equivalent as per the statement of Cash flows	2,312

12. Notes to the Financial Statements

1. General Information

GDC is established by and derives its authority and accountability from Energy Act No 12 of 2016 Act. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is developing steam fields and selling geothermal steam for electricity generation.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared in accordance with the Public Finance Management Act, 2012 and with the International Public Sector Accounting Standards (IPSAS). The Menengai Geothermal Project *has taken advantage of the transitional provisions outlined in IPSAS 33 and therefore this first year financial statements are transitional financial statements.*

These financial statements were authorized for issue by the accounting officer on 29th 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	<i>Applicable 1st January 2025</i> 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. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<i>Applicable 1st January 2025</i> The Standard requires, 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: 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.
IPSAS 45-Property Plant and Equipment	<i>Applicable 1st January 2025</i> 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

Menengai Geothermal Project
Annual Report and Financial Statements for the financial year ended June 30, 2025

Standard	Effective date and impact:
	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.
IPSAS 46 Measurement	<p>Applicable 1st January 2025</p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ol 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>

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>
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>
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</p>

Menengai Geothermal Project
Annual Report and Financial Statements for the financial year ended June 30, 2025

Standard	Effective date and impact:
	and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.

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 Board on on 25th January 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 additional appropriations of 895 million on the FY 2024/2025 budget following the Council/ Board's approval. The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on 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 page 5 under section statement of comparison of budget vs Actual performance of 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.

Notes to the financial statements

d) 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.

e) 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. (amend as appropriate).* 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.

Notes to the financial statements

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. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out in *Note xx*.

Financial liabilities

Classification

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

f) Provisions

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

Notes to the financial statements

Contingent assets

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

g) Nature and purpose of reserves

The *Entity* creates and maintains reserves in terms of specific requirements. (*Entity to state the reserves maintained and appropriate policies adopted*).

h) 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.

Notes to the financial statements

i) Employee benefits

Retirement benefit plans

The *Entity* provides retirement benefits for its employees. 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.

j) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

k) 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 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.

l) 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.

Notes to the financial statements

m) 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.

n) 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.

Notes to the financial statements

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

*Menengai Geothermal Project
Annual Report and Financial Statements for the financial year ended June 30, 2025*

Notes to the financial statements

6. Cash & Cash Equivalents

Description	FY 2024/25	1 st July
	Kshs '000'	Kshs '000'
Cash in Bank	2,312	246,950
Total Cash and Cash Equivalents	2,312	246,950

Project Bank Accounts

Description	FY 2024/25	1st July 2024
	Kshs'000'	Kshs'000'
Foreign Currency Accounts		
Co-operative Bank of Kenya [A/c No 02120160857600]	-	237,752
Total Foreign Currency Accounts	-	237,752
Local Currency Accounts		
Cooperative Bank of Kenya [A/c No 01136350124400]	290	4,479
Guarantee deposits	2,021	2,021
Cooperative Bank of Kenya [A/c No 011360857601]	0.65	2,697
Total local currency balances	2,312	9,198
Total bank account balances	2,312	246,950

*Menengai Geothermal Project
Annual Report and Financial Statements for the financial year ended June 30, 2025*

Notes to the financial statements

7. Receivables

Description	FY 2024/25	1st July 2024
	Kshs'000'	Kshs'000'
Staff Advances	2,104	1,176
Total Receivables	2,104	1,176

Staff advances relate to un-surrendered imprests by members of staff as at the close of the respective financial years.

Ageing analysis for Receivables

Description	FY 2024/25		1 st July 2024	
	Kshs'000'		Kshs'000'	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	31	1%	-	0%
Between 1- 2 years	850	40%	-	0%
Between 2-3 years	-	0%	850	72%
Over 3 years	1,224	58%	326	28%
Total (a+b)	2,104	100%	1,176	100%

8. Prepayments

Description	FY 2024/25	1st July 2024
	Kshs'000'	Kshs'000'
Steam Gathering System	205,411	-
Total inventories	205,411	-

Menengai Geothermal Project
Annual Report and Financial Statements for the financial year ended June 30, 2025

Notes to the financial statements

9. Property, Plant and Equipment

Cost	Motor Vehicles	Furnitures & Fittings	ICT Equipments	Other Assets	Capital Works in Progress	Total
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Depreciation rate						
As At 1July 2024 (opening balances)	-	-	-	-	41,180	41,180
Additions	-	-	943	2,291	25,544	28,778
Disposals	-	-	-	-	-	-
Transfers/Adjustments	-	-	-	-	(27)	(27)
As at 30th June 2025	-	-	943	2,291	66,696	69,930
						-
Depreciation And Impairment						-
As at 1July 2025	-	-	-	-	-	-
Depreciation charge for the year	-	-	157	393	-	549
As At 30th June 2025	-	-	157	393	-	549
						-
Net Book Values						-
As at 1st July 2024	-	-	-	-	41,180	41,180
As at 30th June 2025	-	-	787	1,898	66,696	69,381

Notes to the financial statements

10. Exploration & Evaluation Asset

Cost	Exploration & Evaluation	Total
	Kshs'000'	Kshs'000'
Depreciation rate	-	
As At 1 July 2024 (opening balances)	11,828,006	11,828,006
Additions	2,656,575	2,656,575
Disposals	-	-
Transfers/Adjustments	-	-
As at 30 th June 2025	14,484,581	14,484,581
		-
Depreciation And Impairment		-
As at 1 July 2025	-	-
Depreciation charge for the year	-	-
As At 30 th June 2025	-	-
		-
Net Book Values		
As at 1 st July 2024	11,828,006	11,828,006
As at 30 th June 2025	14,484,581	14,484,581

Notes to the financial statements

11. Trade & Other Payables

Description	FY 2024/25	1 st July 2024
	Kshs'000''	Kshs'000''
Trade payables	206,931	284,791
Employee payables	32,989	30,798
Term Loan	353,349	859,163
Other payables (Inter Project Borrowings)	1,795,205	1,686,760
Total trade and other payables	2,388,475	2,861,512

The payables for kshs. 206,931,000 and 32,989,000 relates to trade and employee payables that had not been settled as at 30.06.2025.

Ageing analysis: (Trade and other payables)	FY 2024/25	% of the Total	1st July 2024	% of the Total
	Kshs'000''		Kshs'000''	
Under one year	336,429	14%	553,619	19%
1-2 years	308,096	13%	619,453	22%
2-3 years	582,837	24%	844,286	30%
Over 3 years	1,161,112	49%	844,154	30%
Total (tie to above total)	2,388,475	100%	2,861,512	100%

Notes to the financial statements

12. Related Party Disclosures

Nature of related party relationships

Entities and other parties related to the *Entity* include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

Government of Kenya

The Government of Kenya is the principal shareholder of the *Entity*, holding 100% of the *Entity's* equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the *Entity*, both domestic and external.

Notes to the financial statements

13. Events after the Reporting Period

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

14. Ultimate And Holding Entity

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

15. Currency

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

13. Annexes

Annex 1: Prior Year Auditor-General’s Recommendations


Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.	Inaccuracies in the cash & Cash equivalent	Issue arose because of receipting A-I-A in the co-operative bank account. Management will open a separate account for the project	Not resolved	30.06.2026
2.	Long outstanding imprests	Demand letters have been done to staff concerned. Management will work with National Treasury on write-off or otherwise where recovery Mechanisms have failed.	Not resolved	30.06.2026
3.	Budgetary Control & Performance	Management has put in place a PIT to facilitate closure of condition precedence.	Resolved	
4.	Long outstanding pending bills	Most of the pending bills have been paid except the once in dispute.	Resolved	
5.	Unaccounted for monitoring of strategic stock	Management has put in place measures and system that monitor receipting, issuing and management of strategic stocks in our various stores	Resolved	
6.	Commingling of funds	Management will open a separate account for the project	Not resolved	30.06.2026

Menengai Geothermal Project
Annual Report and Financial Statements for the financial year ended June 30, 2025

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date you expect the issue to be resolved)
7.	Delay in project completion	The remaining 2 IPP's are expected to be onboarded before end of current financial year	Resolved	30.06.2026



 Stephen Busieney
Ag. Managing Director & CEO



 Eng. Martha Mburu
Project Coordinator

Menengai Geothermal Project
Annual Report and Financial Statements for the financial year ended June 30, 2025

Annex 2: Fixed Asset Register

Asset class	Historical Cost b/f	Additions during the year	Disposals during the year	Transfers during the year	Historical Cost c/f
	(Kshs'000') 1st July 2024	(Kshs'000')	(Kshs'000')	(Kshs'000')	(Kshs'000') FY 2024/25
Land	-	-	-	-	-
Buildings and structures	-	-	-	-	-
Transport equipment	-	-	-	-	-
Office equipment, furniture and fittings	-	2,291	-	-	2,291
ICT Equipment	-	943	-	-	943
Machinery and Equipment	-	-	-	-	-
Biological assets	-	-	-	-	-
Infrastructure Assets- Roads, Rails	-	-	-	-	-
Intangible assets	-	-	-	-	-
Work in Progress	41,180	25,544	-	(27)	66,696
Total	41,180	28,778	-	(27)	69,930

Note:

The financial statements are 1st Transitional IPSAS Financial Statements/Prepared in accordance with the Accrual Basis of Accounting Method. The Entity has onboarded Exploration & evaluation Assets, Intangible Assets and Work in Progress. The rest of the asset line items above will be on-boarded in FY 2025/26 financial statements.

Annex 3: Other Support Documents

i. Bank Reconciliations statement as at 30th June 2025

02

BANK RECONCILIATION REPORT

GEOHERMAL DEVELOPMENT COMPANY LIMITED
CO-OP Nakuru Branch Main A/C (KES)
Bank Acc No. 01136350124400
AS AT 30.06.2025

Account Description	Account	Balance (KES)
Main Bank A/C	140110	289,547.59
INCOMING CHEQUES	140111	0.00
OUTGOING CHEQUES	140112	0.00
CASH IN TRANSIT A/C	140113	0.00
CASH BOOK BALANCE	KES	289,547.59

Prepared By : Murungu A 8/7/25
Checked By : Nelly A 8/7/25
Reviewed By : do 9/07/25

10/7/25

BANK RECONCILIATION REPORT

GEOHERMAL DEVELOPMENT COMPANY LIMITED
European Investment Bank Subsidy Account Kes
Bank Acc No. 01136160857601
AS AT 30.06.2025

Account Description	Account	Balance (KES)
Main Bank A/C	141140	645.27
INCOMING CHEQUES	141141	0.00
OUTGOING CHEQUES	141142	0.00
CASH IN TRANSIT A/C	141143	0.00
CASH BOOK BALANCE	KES	645.27

Prepared By : Moses Gizenga 09/07/2025

Checked By : _____

Reviewed By : Lkhaemba ~~PK~~ 10/7/25