

# ABRIDGED RESULTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

The Board of Directors is pleased to announce the abridged results for the financial year ended 30 June 2013

CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013		
	30 June 2013 KShs' million	30 June 2012 KShs' million
Electricity Revenue	16,451	15,872
Operating expenses	(10,575)	(10,266)
<b>Gross profit</b>	<b>5,876</b>	<b>5,606</b>
Interest Income	676	952
Other Income	595	612
Other (losses) and gains	(53)	(153)
<b>Operating profit</b>	<b>7,094</b>	<b>7,017</b>
Finance costs-Net	(3,001)	(2,972)
<b>Profit before Tax</b>	<b>4,093</b>	<b>4,045</b>
Tax Income/(Expense)	1,157	(1,223)
<b>Net profit for the year</b>	<b>5,250</b>	<b>2,822</b>
Net (loss)/gains on revaluation of treasury bonds	(22)	(909)
Cumulative gain reclassified from equity on disposal of treasury bonds	40	(53)
Other comprehensive income	18	(962)
<b>Total comprehensive income</b>	<b>5,268</b>	<b>1,860</b>
Earnings per share		
<b>-Basic and Diluted(Kshs.)</b>	<b>2.39</b>	<b>1.28</b>
Dividend per share		
<b>Final proposed(Kshs.)</b>	<b>0.60</b>	<b>0.60</b>

CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013		
	30 June 2013 KShs' million	30 June 2012 KShs' million
<b>ASSETS</b>		
Property, Plant and Equip.	153,201	120,665
Other Noncurrent assets	10,344	20,192
Current assets	25,128	22,288
	<b>188,673</b>	<b>163,145</b>
<b>EQUITY AND LIABILITIES</b>		
Share capital	5,496	5,496
Reserves	67,314	63,365
Non-Current liabilities	96,872	77,964
Proposed Dividends	1,319	1,319
Current liabilities	17,672	15,001
	<b>188,673</b>	<b>163,145</b>

CONDENSED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013		
	30 June 2013 KShs' million	30 June 2012 KShs' million
Balance at 1 July	436	3,116
Net cash generated from operating activities	22,962	3,050
Net cash used in investing activities	(34,495)	(8,635)
Net cash generated from / (used in) financing activities	15,093	2,905
<b>Balance at June</b>	<b>3,996</b>	<b>436</b>

## REPORT OF THE AUDITOR-GENERAL ON KENYA ELECTRICITY GENERATING COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE 2013

### Report on the Financial Statements

The accompanying financial statements of Kenya Electricity Generating Company Limited set out at pages 9 to 62, which comprise the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, have been audited on my behalf by Deloitte and Touche auditors appointed under Section 39 of the Public Audit Act, 2003. The auditors have duly reported to me the results of their audit and on the basis of their report, I am satisfied that all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit were obtained.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of section 13 of the Public Audit Act, 2003.

### Auditor-General's Responsibility

My responsibility is to express an opinion on the financial statements based on the audit and report in accordance with the provisions of section 15 of the Public Audit Act, 2003. The audit was conducted in accordance with the International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosure in the financial statements. The procedures selected depend on the Auditor's judgement, including the assessment of the risks of material misstatement

of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entities preparations and fair representation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinion.

### Opinion

In my opinion the financial statements present fairly, in all material respects, the financial position of the Company as at 30 June 2013 and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards and comply with the Companies Act, Cap 486 of the Laws of Kenya.

### Report on Other Legal and Regulatory Requirements

As required by the Kenyan Companies Act, I report based on the audit, that;

- I have obtained all the information and explanations, which, to the best of my and belief, were necessary for the purpose of the audit;
- In my opinion, proper books of account have been kept by the company, so far as appears from the examination of those books; and
- The Company's statement of financial position and statement of comprehensive income are in agreement with the books of account.



**Edward R. O. Ouko**  
AUDITOR-GENERAL Nairobi 29 October 2013

### NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE SIXTY-FIRST ANNUAL GENERAL MEETING of the Company will be held at the Kasarani Gymnasium, Thika Road, Nairobi on Friday, 20th December 2013 at 11.00 a.m. to conduct the following business:

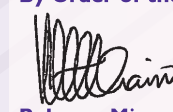
#### ORDINARY BUSINESS

- To table the proxies and note the presence of a quorum.
- To read the Notice convening the meeting.
- To consider and if approved, adopt the Company's audited financial statements for the year ended 30th June 2013, together with the Chairman's, Directors' and Auditors' Reports thereon.
- To approve the payment of a final dividend of 24% or Kshs 0.60 per ordinary share of Kshs.2.50, subject to withholding tax where applicable, in respect of the financial year ended 30th June 2013.
- To elect Directors:
  - Mr. Henry Rotich, Cabinet Secretary-National Treasury who was appointed by the Board on 8th July 2013 to fill a casual vacancy retires in accordance with Article 105 of the Articles of Association of the Company and being eligible offers himself for re-election as a Director of the Company.
  - Eng. Joseph Njoroge, Principal Secretary-Energy & Petroleum who was appointed by the Board on 8th July 2013 to fill a casual vacancy retires in accordance with Article 105 of the Articles of Association of the Company and being eligible offers himself for re-election as a Director of the Company.
  - Mr. Musa Ndeto who retires on rotation in accordance with Article 104 of the Articles of Association of the Company and does not offer himself for re-election as a Director of the Company.
  - Mrs. Mary Michieka who retires on rotation in accordance with Article 104 of the Articles of Association of the Company and does not offer herself for re-election as a Director of the Company.
  - Hon. Titus Mbatia who retires on rotation in accordance with Article 104 of the Articles of Association of the Company and does not offer himself for re-election as a Director of the Company.
- To approve payment of Directors' fees for the year ended 30th June 2013.
- Auditors:
  - To note that the audit of the Company's books of accounts will continue to be undertaken by the Auditor-General or

an audit firm appointed by him in accordance with Part IV Section 14(3) of the State Corporations Act and Section 39(1) of the Public Audit Act 2003.

- To authorise the Directors to fix the remuneration of the Auditors.
- SPECIAL BUSINESS:**
  - Increase of authorised share capital**  
To consider and if thought fit, to pass the following resolution as an Ordinary Resolution.  
"THAT the authorised share capital of the Company be and is hereby increased from Kenya Shillings five billion, five hundred and thirty-nine million, eight hundred and eighteen thousand, eight hundred and twenty only (5,539,818,820.00) divided into two billion, two hundred and fifteen million, nine hundred and twenty-seven thousand, five hundred and twenty-eight (2,215,927,528) ordinary shares of Kenya two shillings fifty cents only (2.50) each to Kenya Shillings twenty-five billion (25,000,000,000.00) divided into ten billion (10,000,000,000) ordinary shares of Kenya two shillings fifty cents only (2.50) by the creation of seven billion, seven hundred and eight-four million, seventy-two thousand, four hundred and seventy-two (7,784,072,472) new ordinary shares of Kenya two shillings fifty cents only (2.50) each ranking pari passu in all respects with the existing ordinary shares in the capital of the Company.
  - Capital Restructuring**  
To consider and if thought fit, to pass the following resolution as an ordinary resolution.  
"THAT subject to the passing of resolution (9)(i) above the Directors are hereby authorized to determine, pursue and implement a recapitalisation measure as a basis of providing the Company with the required capital and that should the needs of the Company require, issue upto two billion, two hundred and fifteen million, nine hundred and twenty-seven thousand, five hundred and twenty-eight (2,215,927,528) ordinary shares, of Kenya two shillings fifty cents only (2.50) each in the capital of the Company, subject to any required regulatory and other approvals. At a price to be determined by the Directors to and amongst the holders of the issued ordinary shares of Kenya two shillings fifty cents only (2.50) each in the capital of the Company registered at the close of business on such date and at such price as shall be determined by the Directors and notified to the Members through the press or otherwise in proportion to the Members' respective holdings in the issued share capital of the Company subject to the Articles of Association of the Company, and to do all such things as may be necessary to give effect to this resolution.
- To consider any other business for which due notice has been given.

#### By Order of the Board



**Rebecca Miano**  
Company Secretary 29th October 2013

#### NOTES:

- A member entitled to attend and vote at the meeting and who is unable to attend is entitled to appoint a proxy to attend and vote on his or her behalf. A proxy need not be a member of the Company.  
A Proxy Form may be obtained from the Company's website at www.kengen.co.ke, registered office of the Company, Stima Plaza, Kolobot Road, Parklands, Nairobi or offices of the Company's shares registrar firm, Image Registrars Limited, Transnational Plaza 8th Floor, Mama Ngina Street, Nairobi.  
To be valid, the Proxy Form, must be duly completed by a member and must either be lodged at the registered offices of the Company's shares registrar firm, Image Registrars Limited, Transnational Plaza 8th Floor, Mama Ngina Street, P.O Box 9287, 00100 GPO, Nairobi or be posted, or scanned and emailed to info@image.co.ke in PDF format; so as to reach Image Registrars not later than Wednesday, 18th December 2013 at 11.00 a.m.
- In accordance with Article 137 of the Articles of Association of the Company, a copy of the entire Annual Report & Accounts may be viewed on the Company's website at www.kengen.co.ke or a printed copy may be obtained from the Registered Office of the Company, Stima Plaza, Kolobot Road, Parklands, Nairobi, P.O. Box 47936 - 00100 GPO, Nairobi.



"The Board is focused on maximising shareholder value and maintaining our leadership in electricity generation to drive the Company Strategy"

### CHAIRMAN'S ABRIDGED COMMENTARY

#### Dear Shareholders

I am delighted to report that KenGen has recorded another year of excellent financial performance. Our performance demonstrates that we are pursuing the right strategy.

With the ongoing geothermal and wind projects, we are already meeting our desire to diversify power generation modes with a view to reducing over-reliance on the traditional hydro generation mode. This is in line with our Good-to-Great (G2G) Strategy to deliver timely capacity additions to support economic growth; shape the regulatory environment to drive generation growth; harness best practice operations and reduce costs founded on strengthened organisational effectiveness from improved structure, culture and processes.

#### Overview of Financial Results

We are happy to report that the Company recorded impressive pre-tax profits following the commissioning of Kindaruma 24MW and Sang'oro 21.2MW in 2012. The Company realised a pretax profit of Kshs.4,093million as at 30th June 2013, a 1.2% increase compared to Kshs.4,045million as at 30th June 2012. Our electricity revenues grew to Kshs.16,451million, a 4% increase as at 30th June 2013 as compared to Kshs.15,872million as at 30th June 2012. This was also boosted by our slight increase in the installed capacity to 1,239MW as at 30th June 2013 from 1,231MW as at 30th June 2012 attributable to the upgrade of Kindaruma hydro power plant with an addition of 8MW.

#### Vision 2030

KenGen is playing its role positively towards realisation of Vision 2030. We have commenced development of 560MW Olkaria geothermal project in line with the Medium Term Plan initiatives of the Vision 2030. Given the anticipated electricity demand to fuel the Vision 2030 targets, KenGen plans to add 700MW of geothermal power in the next forty months.

#### Community Participation

Our commitment to our stakeholders and improving quality of life of communities surrounding our installations is central to our corporate identity. During the year under review, KenGen has engaged countrywide in local socio-economic activities including water projects, sanitation, health, education, culture and sports.

#### Financing

To meet our strategic objectives and capacity expansion plan, we have continued to engage various development financial institutions to acquire affordable long-term financing to fulfil our company's vision to provide clean and competitively low priced electricity in the region. In this regard we wish to record our appreciation to the Government for its continued support to secure concessional loans from friendly governments.

#### Conclusion

The Board remains fully focussed in supporting the management to attract, develop and retain the right talent. The Board is also fully committed to maximising shareholder value and maintaining our leadership in electricity generation in Kenya as well as in the region.

May I take this opportunity to wish you all a Merry Christmas and a prosperous New Year.



**Hon. Titus K. Mbatia EGH**  
Chairman

### SHAREHOLDER NOTIFICATION

#### Final Dividend for the financial year ended 30th June 2013

##### Closure of Register and Date of Payment

The Register of Members will be closed from Thursday, 19th December 2013 to Friday, 20th December 2013, both dates inclusive. If approved, the dividend will be paid, less withholding tax where applicable on or about Friday, 31st January 2014 to the shareholders whose names appear in the Register of Members at the close of business on Wednesday, 18th December 2013.

"We are optimizing the utilization of resources available to us, laying the foundation for a leaner, more agile utility that makes a major contribution to this country's economy"



### ACTING MANAGING DIRECTOR & CEO'S ABRIDGED COMMENTARY

KenGen is gearing to realize its vision of becoming the market leader in the provision of reliable, safe, quality and competitively priced energy in the Eastern Africa Region. We have been building on our strategic pillars to realize this vision. We have transformed the way we manage all our functions. The company is optimizing the available resources, laying the foundation for a leaner, more agile utility that makes a growing contribution to the country. Yet a lot more of work remains ahead of us, we have stepped up to meet our contribution to the Government's 5000MW capacity addition in 40 months. Our capacity addition projects are aligned with the country's Medium Term Plan and Vision 2030 energy targets. We are also re-engineering our operations to ensure optimized processes and cost reduction. Through this transformation process we have had to make tough decisions to implement our strategic initiatives in a very competitive environment.

#### Our Competitive Environment

The main forces driving the demand for energy are population growth and economic development. The Government has initiated the most ambitious power generation programme in our country's history with a target to install an additional 5,000MW of power in 40 months. When this programme is complete, Kenya will be a very different country; the Kenyan economy will be on a much stronger footing, economic development will accelerate the country's drive towards a middle-income economy. This will have lasting benefits to our industries and people. Electricity will be more affordable and reliable, a key component for middle-income economies.

#### Financial Performance

I am pleased to report energy production for the year was up 11% and, importantly, toward the higher end of our target range at 6,022 GWh. We increased post-tax profits by 86% to Kshs.5,250 million, with an 87% increase in earnings per share to 2.39 cents per share. Our all-in sustaining costs were contained.

#### Building New Capacity

5MW geothermal wellhead power plant installed in 2012 is the first of fourteen such power plants to be built in Kenya utilising pioneering technology that enables mobile deployment of power plants with the shortest construction period. Implementation of 70 MW of early geothermal power generation through these mobile power plants by 2015 is at an advanced stage. We will add 700MW of power generation capacity, by June 2016. Construction of 280MW of geothermal power in Olkaria is on schedule.

In line with our strategy to keep in tune with the current technology, improve efficiency and optimise output of the current power plants; we contracted consultants in 2007 to carry out feasibility study on optimization of hydro plants along Tana River. In 2010 we upgraded Kiambere power station by 24MW thereby increasing its power output from 144MW to 168MW. In 2011 we commissioned 20MW at Tana Power Station. In 2013 we upgrade Kindaruma hydro power plant from 40MW to 72MW, an additional 32 MW installed in the same powerhouse that was built in 1968. This project was not only achieved on schedule but also slightly below budget.

KenGen is developing 20.4 MW - Phase II on the Ngong Wind farm - Construction has begun and 6.8MW will be commissioned in March 2014 and 13.6 MW in September 2014, bringing our total installed Wind Capacity to 25.5MW. Wind data collection is on-going in twelve sites around the country. We expect to put up a Wind farm of 100MW in Meru by 2016. The feasibility study is complete and plans are underway to begin development.

#### Securing the Future

The global economic crisis has intensified public debate on how quickly countries should embrace clean-energy technologies on a large scale, particularly in light of the cost implications for governments, businesses and households. KenGen remains committed to reducing its environmental footprint and reducing its carbon emissions. We know that challenges lie ahead but we remain focused on achieving our vision of providing a reliable, safe and affordable supply of electricity for Kenyans. We recognise that our customers rightfully demand high standards of performance. In the coming year, we will continue to make progress on our strategy implementation and manage the complex set of associated risks. We will re-engineer how our business works within the revenue level allowed by the regulator and respond to government's forthcoming decisions on long-term build commitments. Meeting our objectives in this context means looking at what we can do - and what we cannot do - and making decisions about the necessary trade-offs.



**Eng. Simon Ngure**  
Acting Managing Director & CEO