www.kengen.co.ke @kengenkenya KenGen Kenya

KenGen
Energy for the nation.

KenGen RIGHTS ISSUE 2016
INFORMATION MEMORANDUM

KenGen RIGHTS ISSUE NOW OPEN.

Get two New Ordinary shares for every one ordinary share held.
4,396,722,912 shares on offer.

The KenGen Rights Issue opens on **23rd May 2016** and closes on **10th June 2016**

TRANSACTION ADVISORS : Standard Investment Bank and Renaissance Capital are the Lead Transaction Advisors while Dyer & Blair Investment Bank and Faida Investment Bank are the Lead Sponsoring Stockbrokers. Walker Kontos Advocates are the Legal Advisors. Image Registrars are the Receiving Agent, Data Processor and Registrar while Co-operative Bank of Kenya is the Receiving Bank. Deloitte & Touché are the Reporting Accountants for the Rights Issue.

This announcement has been issued with the approval of Capital Markets Authority in Kenya.

THE VISION

Who we want to be

To be the market leader in the provision of reliable, safe, quality and competitively priced electric energy in the Eastern Africa region

- To ensure **QUALITY AND RELIABLE** electric power, we are transitioning from a mix of time-based planned maintenance to condition-based maintenance (CBM) practices to ensure sustained availability of plants.
- KenGen continues to pursue a **CLEAN AND SAFE** generation mix through a combination of green sources such as geothermal, wind, hydro and solar. In the interest of sustainability, KenGen is laying more emphasis on renewable technologies as evidenced by the commissioning of the mega 280MW geothermal and 20.4MW wind projects in the financial year 2014/2015.
- **COMPETITIVELY PRICED ELECTRICITY.** Our generation projects take a lead role in the National Least Cost Power Development Plan. KenGen is committed to deliver projects on time and within budget, optimizing operating costs, competitively negotiated Power Purchase Agreements and negotiating concessionary loans.

OUR MISSION

What we want to achieve

To efficiently generate competitively priced electric energy using state-of-the-art technology, skilled and motivated human resource to ensure financial success. We shall achieve market leadership by undertaking least cost and environmentally friendly capacity expansion. Consistent with our corporate culture, core values will be adhered to in all our operations.

- Using state-of-the art technology, supervisory control and data acquisition (SCADA) systems for plant visibility, operational convenience and enhanced connectivity.
- With a balanced workforce of over 2,400 of diverse technical and professional competencies; KenGen is positioned to realize its mandate and respond appropriately to emerging challenges.
- The combination of growing asset base, increased profitability and enhanced revenue has ensured that KenGen continually maximizes on shareholder value.
- KenGen continues to align its corporate culture with its organizational goals, strategies, structures and approach to the stakeholders in tandem with the evolving workplace dynamics.

OUR CORE VALUES

The base for our work

Core values are our guiding principles and form the foundation of our culture. They guide our business processes and underpin each action we take. These values are:

- **TEAM SPIRIT:** Our willingness to cooperate and work together to achieve the corporate strategy
- **INTEGRITY:** Our firm adherence to ethics and fidelity to doing right
- **PROFESSIONALISM:** Our high level of excellence in delivering results to stakeholders
- **SAFETY CULTURE:** Our care for each other goes beyond the call of duty to ensure safety at all times

KENYA ELECTRICITY GENERATING COMPANY LIMITED

Kenya Electricity Generating Company Limited (registration number C.20/55) was incorporated under the Companies Act on 1 February 1954 and listed on the Nairobi Securities Exchange on 17 May 2006

RENOUNCEABLE RIGHTS ISSUE FOR KSHS 28,798,535,074 OF UP TO 4,396,722,912 NEW SHARES AT KSHS 6.55 PER NEW SHARE

Provisional Allotment Letter is enclosed. Form of Renunciation, Form of Entitlement and Form of Power of Attorney are available from the Company's website: www.kengen.co.ke and from the Sales Agents.

THIS DOCUMENT AND ANY ACCOMPANYING DOCUMENTS ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION.

You should read the whole of this Information Memorandum, the relevant Forms and the documents (or parts thereof) incorporated herein by reference. If you are in doubt as to the action you should take, please seek advice from your own professional advisor. If you sell or have sold or otherwise transferred all of your shares (other than ex-rights) before the record date, please send this document, together with any provisional allotment letter, if and when received, as soon as possible to the Registrar or the stockbroker or other agent through whom the sale or transfer was effected for delivery to the purchaser or the transferee, except that such documents should not be sent to any jurisdiction where to do so might constitute a violation of local securities laws or regulations.

The Capital Markets Authority ("CMA") has granted approval for the Rights Issue. As a matter of policy, the Capital Markets Authority assumes no responsibility for the correctness of any statements or opinions made or reports contained in this Information Memorandum. Approval of the Rights Issue should not be construed as an indication of the merits of Kenya Electricity Generating Company Limited (KenGen) or of the shares of KenGen.

The Nairobi Securities Exchange ("NSE") has granted permission for the listing of the New Shares (hereinafter defined) on the main investment market segment of the official list of the NSE. It is expected that admission of the New Shares shall commence at 9.00 a.m. on the listing date. The NSE assumes no responsibility for the correctness of any of the statements made or opinions or reports expressed in this Information Memorandum. Admission to the official list is not to be taken as an indication of the merits of KenGen or the New Shares.

INFORMATION MEMORANDUM
RIGHTS ISSUE 2016

Lead Transaction Advisor

STANDARD INVESTMENT BANK

Renaissance Capital

YOU ARE ADVISED TO READ "SECTION 9 - on MATERIAL RISKS" BEFORE MAKING A DECISION TO INVEST.

This Information Memorandum is dated 18th May 2016.

Rights Issue opens on 23 May 2016. Rights Issue closes on 10 June 2016.

www.kengen.co.ke **Not For Sale**

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TABLE REFERENCE

FIGURE REFERENCE

CORPORATE INFORMATION

Title	Commentary
Registration Number:	C.20/55
Date of Incorporation:	1 February 1954
Registered Office & Principal Place of Business:	Stima Plaza, Kolobot Road,Land Reference Number 209/16012 P.O. Box 47936, 00100 GPO, Nairobi – Kenya.
Status:	Public company with limited liability whose shares are listed on the NSE and 70% owned by Government of Kenya
Company Secretary:	Rebecca Miano, Certified Public Secretary (Kenya), Stima Plaza, Kolobot Road, P.O. Box 47936-00100 GPO, Nairobi – Kenya.
Auditors:	Deloitte & Touché, Certified Public Accountants (Kenya), Deloitte Place, Waiyaki Way, Muthangari, P.O. Box 40092 – 00100, Nairobi - Kenya On behalf of, The Auditor-General, Anniversary Towers, P.O. Box 30084-00100, Nairobi-Kenya
Principal Bankers:	Commercial Bank of Africa Limited, Upper Hill, Mara and Ragati Roads, P. O Box 30437-00100 GPO Nairobi. Co-operative Bank of Kenya Limited Stima Plaza Branch, Kolobot Road, Parklands, P. O Box 48231-00100 GPO Nairobi. Standard Chartered Bank Kenya Limited 48 Westlands Road, GPO.P O Box 30003-00100 GPO, Nairobi NIC Bank Limited Head Office, Masaba Road, Upper Hill, P. O Box 44599-00100, GPO, Nairobi. Kenya Commercial Bank Limited Kencom House, P. O. Box 48400-00100 GPO, Nairobi. CFC Stanbic Bank Limited CFC Stanbic Centre, Chiromo Road, P. O Box 30550-00100, GPO, Nairobi. Citibank N.A Upper Hill, P. O Box 30711-00100, GPO, Nairobi. Barclays Bank of Kenya Limited West End Building, P. O Box 30120-00100, GPO, Nairobi
PIN Number:	P000591581V
Nominal Share Capital:	Kshs 25,000,000,000 divided into 10,000,000,000 ordinary shares of Kshs 2.50 each
Issued Share Capital:	Kshs 5,495,903,640,divided into 2,198,361,456 ordinary shares of Kshs 2.50 each
Financial Year End:	30th June

TRANSACTION ADVISORS

LEAD TRANSACTION ADVISORS	
Standard Investment Bank Ltd ICEA Building, 16th Floor, Kenyatta Avenue P. O. Box 13714-00800 Nairobi, Kenya Tel: +254 (20) 2228963 / 2220225 Email: advisory@sib.co.ke	**Renaissance Capital (Kenya) Ltd** Purshottam Place, 6th Floor, Westlands Road P. O. Box 40560 – 00100 Nairobi, Kenya Tel: +254 (20) 3682300 Email: info@rencap.com
LEAD SPONSORING STOCK BROKERS	
Dyer & Blair Investment Bank Ltd Pension Towers, 10th Floor, Loita Street P. O. Box 45396 - 00100 Nairobi, Kenya Tel: +254 709 930000 Email: shares@dyerandblair.com	**Faida Investment Bank Ltd** Crawford Business Park, Ground Flr, State House Rd P. O. Box 45236-00100 Nairobi, Kenya Tel: +254 (20) 760 6027-37 Email: info@fib.co.ke
LEGAL ADVISOR	**REPORTING ACCOUNTANT**
Walker Kontos Advocates Hakika House, Bishops Road P. O. Box 60680 – 00200 Nairobi, Kenya Tel: +254 (20) 2713023 Email: walkerkontos@walkerkontos.com	**Deloitte & Touché** Deloitte Place, Waiyaki Way, Muthangari P. O. Box 40092 – 00100 Nairobi, Kenya Tel : +254 (20) 423 0000 Email: admin@deloitte.co.ke
RECEIVING AGENT, DATA PROCESSOR AND REGISTRAR	**RECEIVING BANK**
Image Registrars Ltd Barclays Plaza, 5th Floor, Loita Street P. O. Box 9287 - 00100 Nairobi, Kenya Tel:+254 (20) 2212065/724 699 667 /707 760514 Email: kengenrightsissue@image.co.ke	**The Co-operative Bank of Kenya Limited** Co-operative Bank House, Haille Selassie Avenue P. O. Box 48231-00100 Nairobi, Kenya Tel: +254 (20) 2776000/ 703 027000 Email: gmcorporate@co-opbank.co.ke
ADVERTISING AGENCY	**PUBLIC RELATIONS AGENCY**
J.Walter Thompson Kenya Ltd Laiboni Centre, 4th Floor, Lenana Rd P. O. Box 6642-00300 Nairobi, Kenya Tel: +254 (20) 2799200 Email: info@jwt.co.ke	**Corporate Talk Group** Langata Road, Wilson Business Park, Charlie Block, 2nd Floor P. O. Box 45392-00100, Nairobi, Kenya Tel: +254 704-920383/771 270529 Email: info@corporatetalk.co.ke

DEFINITIONS & ABBREVIATIONS

In this Information Memorandum and related documentation, unless otherwise stated, the following expressions shall have the following definitions and abbreviations:

Word/Term	Defination
Abridged Information Memorandum	A booklet dated 18th May 2016 that is an extract of this Information Memorandum and contains legal, compliance and other relevant information to assist investors in making an informed decision.
Additional Shares	New Shares applied for by an Eligible Shareholder in excess of Entitlement.
AFD	Agence Française de Développement, the French development finance institution
AML Laws	Proceeds of Crime and Anti-Money Laundering Act, 2009 and any subsequent legislation enacted thereunder and any amendments or re-enactments thereto in force from time to time.
Authorised Custodian	Securities depositories authorised by the CMA.
Banker's Cheque	Cheque drawn on the account of a member of the Kenya Bankers Association Clearing House.
Board	The Board of Directors of KenGen.
Business Day	A day (other than a Saturday or Sunday or a gazetted public holiday) on which banks are open for business in the Republic of Kenya.
CAGR	Compounded Annual Growth Rate.
Capital Markets Legislation	The Capital Markets Act (Chapter 485A of the Laws of Kenya), and all subsidiary legislation enacted thereunder and any amendments or re-enactments thereto in force from time to time.
CBK	The Central Bank of Kenya, a statutory corporation established under the Central Bank of Kenya Act Chapter 491 of the Laws of Kenya or any amendment or reenactment in force.
CDA or Central Depository Agent	Means the entity appointed as an agent of CDSC by the CDSC, to carry out one or more of the services provided by the CDSC and is authorized to do so as of the date of the Information Memorandum.
CDS	Means the central depository system operated by CDSC.
CDS Account	A securities account in the CDS held through a CDA for purposes of recording book entries and dealing of approved securities by the CDSC.
CDS Form 1, 2, 5 or 7	Forms issued by CDSC. Refer to Section 3-Terms and Conditions for the Rights Issue for more details.
CDSC	Central Depository & Settlement Corporation Limited of Nation Centre, 10th Floor, Kimathi Street, P.O. Box 3464-00100, Tel: 2912000, 0724-256130/0733-222033, Nairobi, Kenya, that is licensed by the CMA as of the date of this Information Memorandum, to establish and operate the CDS in accordance with The Central Depositories Act, 2000 and any subsequent legislation enacted thereunder and any amendments or re-enactments thereto in force from time to time.
CDSC Fee	Kshs 35.00 per CDS Account or Non Trading CDS Account payable with the RIF.
CEO	Chief Executive Officer.
Closure Date	The last date and time, being 5.00 pm Friday, 10 June 2016, for receipt of the relevant Rights Issue Forms together with the RIF Money.
CMA	Capital Markets Authority established by the Capital Markets Act (Chapter 485A of the Laws of Kenya), (Amended by Act No. 48 of 2013) (or its successor).
Companies Act	The Companies Act (Chapter 486 of the Laws of Kenya) or any amendment, replacement or re-enactment in force.
Company	Kenya Electricity Generating Company Limited.
Director	Member of the Board.
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation.
EIB	European Investment Bank.
Eligible Shareholder	A shareholder registered as holder of Existing Shares as of the record date.
Entitlee	A CDS Account holder who is at least 18 years of age as at the date of purchase of nil paid Rights.
Entitlement	The right of Existing Shareholder to receive New Shares of the Company pursuant to the Rights Issue at the Entitlement Ratio and subject to the payment of the Rights Issue Price and fulfillment of conditions set out herein.
Entitlement Ratio	The entitlement to two New Shares for every one Existing Share (2:1).

EPC	Engineering, Procurement and Construction, which is a form of contracting arrangement where the EPC contractor is made responsible for all the activities from design, procurement, construction to commissioning and handover of project to the end-user or owner.
Existing Shares	Ordinary shares of par value Kshs 2.50 each of KenGen held by the shareholders in CDS Accounts or Non Trading CDS Accounts as of the Record Date.
Financier	A licensed financial institution or commercial bank.
Forward Date	4:30 p.m. on 14 June 2016 - the final date and time the Sales Agent can deliver RIFs and RIF Money to the Receiving Agent.
Funds Transfer	Any of the following modes of transfers of funds: • Electronic Funds Transfer (EFT) is a mode that operates on a deferred net settlement (DNS) basis which settles transactions in batches. In DNS, the settlement takes place at a particular point of time. All transactions are held up till that time. For example, EFT settlement takes place once a day as per CBK guidelines. Any transaction initiated after a designated settlement time would have to wait till the next designated settlement time. • Real Time Gross Settlement (RTGS) transactions are processed continuously throughout the RTGS business hours as per CBK guidelines. • Internal transfers inside the Receiving Bank.
GDP	Gross Domestic Product.
GOK	Government of the Republic of Kenya.
GWh	A gigawatt hour is derived as a unit of energy equal to 1000MW transmitted or used at a constant rate for a period of one (1) hour. 1 year = 8760 hours. So at 100%, a power plant of 1 MW will produce 8760 MWh, i.e. 8.76 GWh.
IBG	Irrevocable Bank Guarantee issued by a member of the Kenya Bankers Association Clearing House. The form of the irrevocable bank guarantee is set out at Annexure of the full Information Memorandum and may be used at your cost and on the terms of this Information Memorandum.
ILU	Irrevocable Letter of Undertaking by an Authorised Custodian or QII. A sample letter is contained in Annexure J and may be used at your cost and on the terms of this Information Memorandum.
Information Memorandum	Document dated 18 May 2016 issued by KenGen to the Eligible Shareholders and the general public setting out the disclosure information required to be published by the CMA with respect to companies intending to list New Shares on the NSE.
IPP	Independent Power Producer.
IPO	Initial Public Offer
JICA	Japan International Cooperation Agency. A governmental agency that coordinates official development assistance for the government of Japan.
KenGen	Kenya Electricity Generating Company Limited.
Kfw	Kreditanstalt für Wiederaufbau, a German development bank.
KNBS	Kenya National Bureau of Statistics.
KPLC or Kenya Power	The Kenya Power & Lighting Company Limited incorporated in Kenya of registered office: Stima Plaza, Kolobot Road, Parklands, P. O. Box 30099-00100 Nairobi, Kenya.
Kshs	Kenya Shillings, the lawful currency of the Republic of Kenya.
Legal Advisor	Walker Kontos Advocates
Listing Date	The date, being 6 July 2016, when the New Shares will commence trading on the NSE
LSB or Lead Sponsoring Stockbroker	Dyer and Blair Investment Bank Ltd and Faida Investment Bank Ltd.
LTA or Lead Transaction Advisor	Standard Investment Bank Ltd and Renaissance Capital (Kenya) Ltd.
Ltd	Limited.
MW	One million watts.
MWe	Megawatt electric; electric output of a power plant in megawatt.
New Shares	4,396,722,912 new ordinary shares of par value Kshs 2.50 each in the capital of KenGen to be issued pursuant to the Rights Issue and ranking pari passu with the Existing Shares.
No.	Number.
Non Trading CDS Account	Non trading securities account with the CDSC, opened by the CDSC, to effect dematerialization and which cannot be viewed online by a CDA.
NSE	Nairobi Securities Exchange.
PAL or Provisional Allotment Letter	The Provisional Allotment Letter issued to Eligible Shareholders indicating an Eligible Shareholder's Entitlement and providing for full, additional or partial acceptance in the form or substantially in the form set out in Annexure D.

Qualified Institutional Investor (QII)	• A corporate body including a financial institution, a collective investment scheme, a fund manager, a dealer or other entities whose ordinary business includes the management or investment of funds, whether as pricipal or on behalf of clients as approved by KenGen; • A local investor or foreign investor (as defined in Section 3.25) who shall use an Authorised Custodian for the purpose of the Rights Issue; • Local managers of national social security funds; • A development finance institution or some other institution that has a strong international credit rating or is approved by KenGen.
Rights Issue	The issue of New Shares by KenGen by way of Rights on the terms and subject to the conditions contained or referred to in this public Information Memorandum including the Rump and also where relevant, in the PAL and Rump Form.
Receiving Agent, Data Processor and Registrar	Image Registrars Limited.
Record Date	16 May 2016, being the date for determining the entitlement of Eligible Shareholders to participate in the Rights Issue.
Renounce	The act by an Eligible Shareholder of formally declaring his/her intention to abandon or give up his/her Rights in favor of another CDS Account holder.
Renouncee	The act by an Eligi ble Shareholder of formally declaring his/her intention to abandon or give up his/her Rights in favor of another CDS Account holder.
Renunciation Date	Friday, 27 May 2016. The last date for Renouncees to complete and submit the Renunciation and transfer form as provided for in Section 3.16 of this Information Memorundum.
Reporting Accountant	Deloitte & Touché, Certified Public Accountants (Kenya).
RIF or Rights Issue Forms	Where the context requires, the Provisional Allotment Letter, the Form of Renunciation, the Form of Entitlement or Rump Form. Please see Section 3.7 for detailed description of these forms.
RIF Money	The amount paid in Kenya shillings which is the Rights Issue Price multiplied by each New Share applied for in accordance with the relevant Rights Issue Form (refer to the definition of "RIF") plus the CDSC Fee.
Rights	The right to subscribe for New Shares under the terms of this Information Memorandum and the PAL.
Rights Trading Last Date	Friday, 3 June 2016. The day, when nil paid Rights will stop trading on the NSE.
Rights Issue Price	Kshs 6.55 per New Share.
Rump	This mechanism can only be activated if there are Untaken Rights. Refer to Section 3.21-Rump Mechanism for more details.
Rump Agent	Lead Transaction Advisors and the Lead Sponsoring Stockbrokers.
Rump Closure Date	Means the last date and time for receipt of the relevant Rump Form (refer to the definition of "RIF") together with the RIF Money. Refer to Section 1-Time table.
Rump Form	The application form to be used by Rump Investors in the form or substantially in the form set out in Annexure H.
Rump Investors	Qualified Institutional Investors (QII), retail and high net worth investors who can apply for a minimum of 100,000 New Shares and QIIs.
Rump Shares	Rump shares are the pool of New Shares not subscribed as at the closure date and which all investors are free to apply for
Sales Agent	A specific party duly authorised by KenGen to receive fully executed RIFs as set out in Appendix C.
Suspended Trader	An entity whose license has been suspended by CMA as of the date of the Information Memorandum but still holds Existing Shares of the Company.
SWIFT	Society for Worldwide Interbank Financial Telecommunication.
Untaken Rights	The aggregate of (i) New Shares provisionally allotted but not subscribed for by Eligible Shareholders, (ii) Any fractional entitlements of the Eligible Shareholders, (iii) Rights purchased but not taken-up, (iv) Rejected RIF as per the rejection policy in Section 3.18.
USD	United States Dollars, the lawful currency of the United States of America.
World Bank	An international bank established in 1944 to help member nations reconstruct and develop, especially by guaranteeing loans. It is a specialized agency of the United Nations.

Except where the context otherwise requires (i) words denoting the singular include the plural and vice versa; (ii) words denoting any one gender include all genders; (iii) words denoting persons include firms and corporations and vice versa and (iv) capitalized terms used in the accompanying forms shall be construed and interpreted in accordance with this Information Memorandum.

Reference to any statute or statutory provision includes a reference to that statute or statutory provision as from time to time amended extended replaced or re-enacted or consolidated and all statutory instruments or orders made pursuant to it.

IMPORTANT NOTICE
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR ATTENTION

1. This document is an Information Memorandum with respect of an invitation to the public to subscribe for the New Shares in KenGen under the terms outlined herein.
2. This Information Memorandum is for your information only. Nothing contained in this Information Memorandum is intended to ***either*** constitute investment, legal, tax, accounting or other professional advice ***or*** to endorse or recommend a particular course of action. You should consult with an appropriate professional for specific advice rendered on the basis of your situation.
3. Any prospective investor shall have either a CDS Account or a Non Trading CDS Account and bank account in order to participate in this Rights Issue.
4. You should carefully consider the matters set forth in this document. In case of any discrepancy or inconsistency between the electronic copy of this Information Memorandum and the printed version, the printed version shall prevail. You are advised to read the printed version of this Information Memorandum before making the investment decision.
5. If you are in doubt as to the meaning of the contents of this Information Memorandum or as to what action to take, please consult your stockbroker or other professional investment advisor.
6. This Information Memorandum is provided in compliance with the Companies Act and the Capital Markets Act
7. A copy of this Information Memorandum together with documents required by Section 43 of the Companies Act to be attached thereto, have been delivered to the Registrar of Companies for registration. By virtue of the provisions of Section 40(6) (a) of the Companies Act (Cap 486), this Information Memorandum is not required to and may not contain all of the information prescribed by Section 40(1) of the said Act.
8. This Information Memorandum does not constitute an offer to sell or the solicitation of an offer to buy securities by any person in circumstances in which such offer or solicitation is unlawful. Persons into whose possession this Information Memorandum (electronic or printed) comes are required by KenGen to inform themselves about any such restriction (refer to Section 3.25-Local & Foreign Investors).
9. The delivery of this Information Memorandum does not at any time imply that the information contained herein concerning the Company is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Rights Issue is correct as of any time subsequent to the date indicated on the document containing the same.
10. The Company has complied with the disclosure requirements under Capital Markets Legislation. If at any time during the offer period of the Rights Issue, there is a significant change affecting any matter contained in this Information Memorandum the inclusion of which would reasonably be required by investors and their professional advisors and would reasonably be expected by them to be found in this Information Memorandum for the purpose of making an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Company, the Company shall prepare an amendment or supplement to this Information Memorandum or publish a replacement Information Memorandum for use in connection with the Rights Issue.
11. No person has been authorised to give any information or to make representations other than those contained in this Information Memorandum and, if given or made, such information or representations shall not be relied upon as having been authorised.
12. The New Shares shall be freely transferable and freely traded at the NSE and shall be subject to governance by the applicable law.
13. Annexure A of this Information Memorandum contains the Reporting Accountant's Report, which constitutes statements made by the Reporting Accountant as an expert in terms of Section 42(1) of the Companies Act. The Reporting Accountant has not withdrawn their consent for the issue of the report in this Information Memorandum. There is no other information other than in the report that has been reviewed by the Reporting Accountant.
14. The Legal Advisor has given a written consent for the inclusion of the letter in Section 10: Legal Opinion and references to its name in the form and context in which it appears in this Information Memorandum.
15. The Lead Transaction Advisors have given a written consent for use of their names in the form and context in which they appear in this Information Memorandum.
16. Sections of this Information Memorandum contain forward-looking statements relating to KenGen's business and can be identified by the use of terminology such as "projected" or "target" or similar expressions or the negative or other variations or comparable terminology, or by discussions of strategy, plans or intentions. These statements reflect the views of the Board and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or achievements of KenGen to be materially different from what is expressed or implied by the forward-looking statements. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary from those described in this Information Memorandum, KenGen and the transaction advisors do not intend, and do not assume any obligation, to update industry and company information or forward-looking statements set out in this Information Memorandum.
17. Investment in KenGen entails financial return and risk that can affect the investment value positively or negatively. Investment objectives and financial position vary; consequently, investors' approach to risk and return will vary. It should also be noted that past returns do not indicate future returns. Prior to investing in KenGen, investors should carefully consider all information contained in this Information Memorandum, including Section 9 - Material Risks relating to KenGen's business and any other correct information in the public domain.
18. The Information Memorandum will be available on KenGen's website (www.kengen.co.ke) and free of charge in the offices of sales agents listed in Annexure C on business days from 9:00 a.m. to 5:00 p.m. prior to the Rights Issue Closure Date and Rump Closure Date (refer to Section 1: Timetable).
19. Some Figures in the Information Memorandum have been rounded off. Accordingly, the figures shown as totals may not be an aggregation of those that precede them.
20. All references to times are Kenyan local time, except as otherwise stated.
21. Enquiries concerning this Information Memorandum and the Rights Issue forms may be made to the sales agents whose contact details are set out in this document.
22. Without limitation, the content of the KenGen website does not form part of this document unless specifically stated

THE TRANSACTION

KenGen is propelled by the Good-to-Great (G2G) Transformation Strategy of moving from a "Good Company" to a "Great Company" through the creation of sustainable value from "One Generation" to the "Next Generation". The strategy is hinged on three major strategic pillars: capital planning and execution, regulatory management and operational excellence. Capital planning is focused on the delivery of projects and geothermal expansion over the next ten years. Planned projects are aimed at increasing installed capacity by 720 MW by the year 2020. The funding of these projects shall include long-term debt and equity funding. The Rights Issue seeks to inject new equity into the Company, thereby creating additional debt headroom needed to access future loans to facilitate KenGen's expansion.

The number of issued shares is 2,198,361,456 of par value Kshs 2.50 each, while the number of unissued shares is 7,801,638,544. The number of shares being offered under the Rights Issue is 4,396,722,912.

The Government of Kenya (GOK) intends to maintain its 70% shareholding in KenGen. It shall participate in the Rights Issue by converting into equity a part of the on-lent loans to KenGen of up to Kshs 20.15 billion. On these New Shares and the Existing Shares, GOK shall earn dividends. The benefit of the GOK being a major shareholder is that KenGen continues to benefit from GOK support including concessionary loans for power plant development.

The Rights Issue seeks to raise cash proceeds of up to Kshs 8.64 billion from KenGen's existing shareholders that do not include the Government of Kenya.

New investors (i.e. non-shareholders) can participate by purchasing nil paid rights on the NSE or via the Rump (subject to a minimum in Section 3.21: Rump Mechanism)

If fully subscribed, the number of new issued shares shall be 6,595,084,368 with GOK controlling 70% or 4,616,559,058 shares. The new pro-forma theoretical equity capitalization of KenGen would be Kshs 174.61 billion immediately post-Rights Issue.

4. STATEMENT BY THE NATIONAL TREASURY & THE MINISTRY OF ENERGY AND PETROLEUM

HARAMBEE

THE GOVERNMENT OF THE REPUBLIC OF KENYA

Mr. Henry K. Rotich   Hon. Charles Keter

To: KenGen Shareholders and the Investing Community,

RE: KENYA ELECTRICITY GENERATING COMPANY LIMITED RIGHTS ISSUE 2016

The overall National development objectives of The Government of Kenya as set out in Vision 2030 are accelerated economic growth; increasing productivity of all sectors, equitable distributions on National income; poverty alleviation through improved access to basic needs; enhance agricultural production; industrialization, accelerated employment creation and improved rural urban balance. The realization of these objectives will be feasible if quality energy services are availed in a sustainable, competitive, cost effective and affordable manner to all sectors of the economy ranging from manufacturing, services, mining and agriculture to households.

It is on this strength that KenGen seeks to achieve the Government's development agenda by delivering new electricity generation infrastructure to enhance security of supply and reduction of electricity tariff to consumers.

The Government therefore wishes to affirm that:

1. The Government is keen on ensuring the continued development of renewable energy to support Kenya's economic growth and expects that KenGen will continue to play its anchor role in energy generation.

2. As a shareholder, the Government intends to take up all its Rights by converting the on-lent loans to

   KenGen to Equity thus maintaining its 70% stake in the Company

3. The Government notes the deepening effect that this Rights Issue, the largest to-date in the history of the Kenyan capital markets, will have on the financial markets and encourages more firms to raise equity through Kenya's vibrant capital markets.

The Government fully supports power generation capacity expansion that KenGen is undertaking with a view to securing the country's energy supply.

We welcome you to partner with us in the financing of Kenya's future power projects.

Thank You.

Mr. Henry K. Rotich
Cabinet Secretary
The National Treasury

Hon. Charles Keter
Cabinet Secretary
Ministry of Energy and Petroleum

DIRECTORS' STATEMENT

The Board accepts responsibility for the information in this Information Memorandum. We declare that to the best of our knowledge and belief, the Board has taken reasonable care to ensure that the information contained in this Information Memorandum is in accordance with the facts and the information required to be included in this Information Memorandum under the Capital Markets Legislation and regulations and makes no omission likely to affect the import of such information.

We further declare that statements contained in this Information Memorandum are fairly stated and that the Board minutes, audit reports and/or any other internal documents do not contain information which could distort the interpretation of this Information Memorandum (as required under paragraph 17 (2) of the Fourth Schedule of the Capital Markets (Securities) (Public Offers, Listing and Disclosure) Regulations 2002).

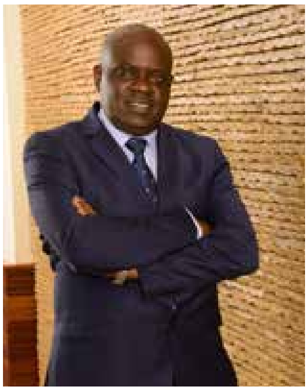
We confirm that the financial position of the Company as described in this Information Memorandum is fairly stated. Likewise, the information relating to the operations and future prospects of the Company as described in the Information Memorandum is fairly stated to the best of our knowledge. That in the event information relating to the financial position, operations and future prospects of the Company changes, a supplemental Information Memorandum disclosing such changes shall be submitted by the Company to the Capital Markets Authority for approval.

We confirm that in our opinion based on the business as is currently run, the working capital available to KenGen is sufficient for KenGen's continued operations.

Mr. Joshua Choge
Chairman

Eng. Albert Mugo
Managing Director and Chief Executive Officer

CHAIRMAN'S STATEMENT



Dear Shareholders/Investors,

I am privileged to present to you this Information Memorandum for the KenGen Rights Issue 2016.

This is the second public equity raising initiative being undertaken by KenGen, having closed a successful IPO in 2006. In 2009, KenGen tapped into the public capital markets through the first corporate infrastructure bond offer in Kenya, which raised over Kshs 25 billion.

From the onset, I wish to thank the Government of Kenya for its unwavering support for our capacity expansion strategy, which requires enormous resources.

KenGen has an impressive track record of raising and using capital on projects, which are delivered efficiently for the benefit of all stakeholders. This time is no different. The completion of the first phase of the "Good-to-Great" Transformation Strategy raised the Company's installed geothermal capacity to 509MW as of 30 June 2015, thereby making geothermal the country's base-load. KenGen is keen to deliver even more clean energy in the form of geothermal and wind to the national grid.

My Board is proud to affirm that we plan to continue increasing geothermal capacity as part of our expansion strategy, which continues to deliver impressive results.

The year ended 30 June 2015 was remarkable, with our turnover crossing the Kshs 25 billion mark and with profit after tax coming in at over Kshs 11 billion. We recognise that these results were warmly received by shareholders and investors. Furthermore, our interim business performance for the six months up to 31 December 2015 shows continued growth with a total revenue of Kshs 18.52 billion and profit after tax of Kshs 5.668 billion.

The Board is committed to leading KenGen's financial and operational transformation to improve profit margins and returns to all the shareholders.

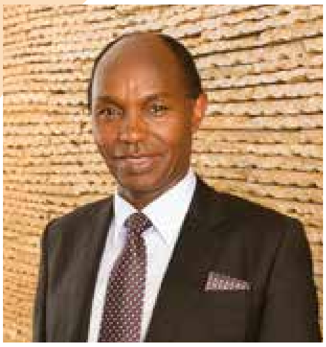
I therefore encourage you to read this Information Memorandum and other documents carefully so that you can make an informed investment decision.

Yours sincerely,

Mr. Joshua Choge

Chairman, KenGen

STATEMENT BY THE MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER



Dear Shareholder

We continue to maintain our position as the market leader in the provision of reliable, safe, quality and competitively priced electric energy in the Eastern Africa region.

This leadership is hinged on capital planning and execution, expansion, regulatory management and operational excellence founded on a healthy, robust and effective organisation. We have transformed the way we run our business and are optimizing the utilization of resources, thereby laying the foundation for a lean, resilient and agile utility. Our Good-to-Great mindset not only applies to how we run our operations but also how we implement our expansion projects.

I am encouraged that the demand for electricity is driven in part by year-on-year economic growth, enhanced economic activities in counties and mega-infrastructure projects. KenGen is in a unique business with a guaranteed demand for its product, now and in the future.

The Company has 62 years of operational excellence and shall continue to play the lead role in the production of energy to meet national targets in a balanced manner, which delivers on the 'value promise' to all stakeholders.

I lead a very experienced and committed team of executives and employees who have relentlessly delivered new projects to achieve an installed capacity of 1,617MW as at 30 June 2015. The entire workforce is capable of delivering even more capacity in a short period of time due to its vast experience acquired over the years.

Our expansion strategy calls for a robust capital raising programme. Consequently, we continue to use domestic capital markets, while exploring other innovative financing alternatives, including joint ventures.

Our target is to deliver up to 720MW by 2020 from geothermal and wind sources in the medium-term. The Rights Issue shall directly help to partly finance these projects.

At the same time, we have embarked on special initiatives to improve efficiency and bring value to our shareholders. They include improved business processes, revenue diversification, enhanced risk management, enhanced power purchase agreement management, human capital development and expenditure optimization.

Indeed, we are focused on achieving sustainability in value creation from one generation to the next.

Our experience, discipline and strategy provide a resilience that our shareholders and investors can depend on.

Yours Sincerely

Eng. Albert Mugo
Managing Director and Chief Executive Officer, KenGen

SECTION 1 – TIMETABLE

The timetable for the Rights Issue is as shown in Table 1 below:

Table 1: Rights Issue Timetable

EVENT	TIME AND DATE
Record Date (share register Closure Date)	3.00 pm Monday, 16 May 2016
Distribution of Abridged IM and PALs to Eligible Shareholders	Friday, 20 May 2016
Upload of Entitlement into CDS accounts and non trading CDS Accounts	4.00 pm Friday, 20 May 2016
Rights Issue Opening Date – date the Offer opens and commencement of trading in rights at the Nairobi Securities Exchange	9.00 am Monday, 23 May 2016
Last date for immobilization of Rights	3.00 pm Friday, 27 May 2016
Last date for renunciation (by way of private transfer)/Last date for splitting	3.00 pm Friday, 27May 2016
Last date for trading in nil paid Rights	3.00 pm Friday, 3 June 2016
Rights Issue Closes (Closure Date), last date and time for acceptance and payment for New Shares	5.00 pm Friday, 10 June 2016
Rump Closes (Rump Closure Date)	5.00 pm Friday, 17 June 2016
Allocation of New shares by the Board of KenGen	Monday, 27 June 2016
Announcement of the Rights Issue Results	Friday, 1 July 2016
Last date for payment of IBG and Letters of Undertaking	3.00 pm Tuesday, 5 July 2016
Electronic crediting of CDS Accounts and Non Trading CDS Accounts with fully paid New Shares and postage of allotment letters to Non Trading CDS Account holders and processing of refunds (if applicable)	5.00 pm Tuesday, 5 July 2016
Listing Date – date of commencement of trading of New Shares on the NSE	9.00 am Wednesday, 6 July 2016
All references to times are Kenyan local time. If any date falls on a Gazetted public holiday, the applicable date shall be the next working day. The dates may be changed at the discretion of the Board, subject to the approval of the Capital Markets Authority and Nairobi Securities Exchange. Any changes or amendments shall be announced/published in the public media.	

SECTION 2: DETAILED OVERVIEW OF KENYA AND KenGen

The following data provides an overview of Kenya's current and future expected macro-economic climate, as well as a detailed overview of KenGen from an operating and financial perspective. This information, together with other information contained in this Information Memorandum has been used to establish the basis for the Rights Issue Price.

2.1 Kenya – Country and Macroeconomic Overview

Kenya's key country statistics are highlighted in Table 2:

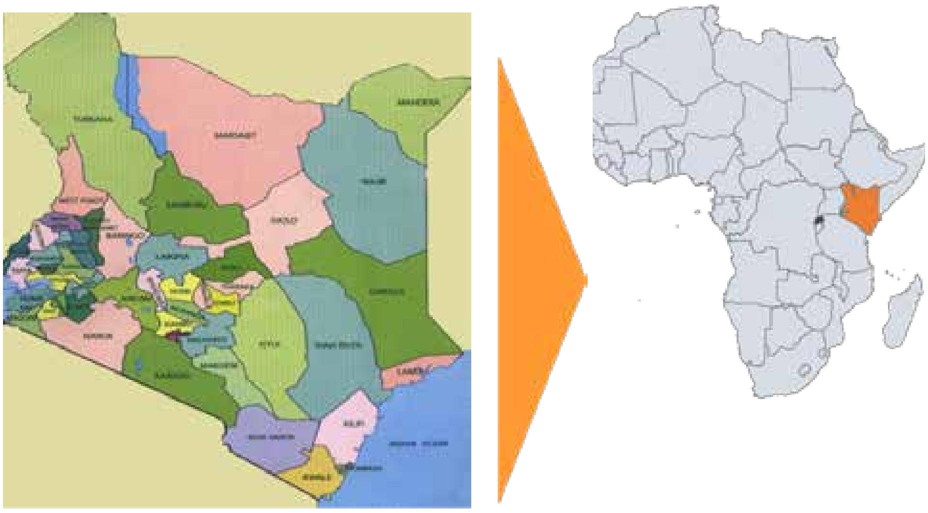


Table 2: Key Country Statistics

Population (2016E)	45 million
Nominal GDP (2016E, US$)	US$ 65 billion
Nominal GDP per capita (2016E, US$)	c.US$1,422
Real GDP growth rate (2016E)	6.0%
Inflation rate (2016E, average)	6.3%
Government Net Debt as % of GDP (2016E)	53%
Installed capacity as of 30 June 2015	2,320 MW
Energy purchased by Kenya Power year ending 30 June 2015	9,280 GWh

Source: KenGen 2015 Annual Report and Accounts, Kenya Power, IMF World Economic Outlook April 2016, World Bank Group

2.1.1 Gross Domestic Product (GDP)

Kenya's GDP was rebased and released in September 2014. This rebasing resulted in a 20% enlargement of the GDP, relative to prior calculations. Kenya's economic growth is supported by strong growth in key economic sectors, including: construction; finance and insurance; information and communication; electricity and water supply; wholesale and retail trade and transport and storage. On an annual basis, real GDP growth was 5.7% in 2013 and 5.3% in 2014, while the IMF World Economic Outlook 2015 and 2016 projections show a real estimated GDP expansion of 5.6% and 6.0% respectively.

For the financial year 2014/2015, the key attributable factors to GDP growth include:

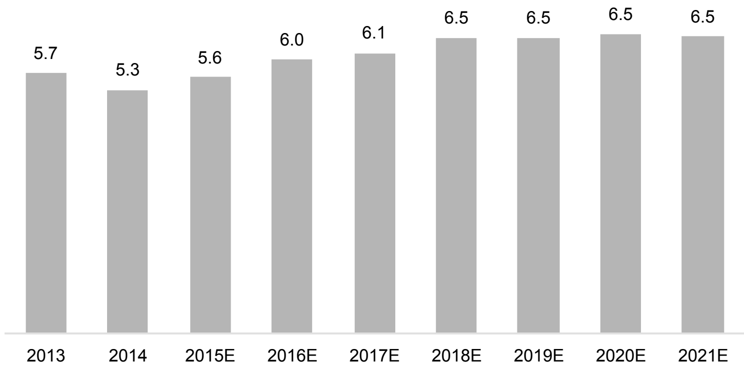
- **Demand side:** driven mainly by a resilient private consumption and a robust growth in fixed assets due to a vibrant growth in the real estate sector and on-going mega infrastructure projects. There was an increase of 7.0% in exports of goods and services. However, imports expanded more rapidly, resulting in the widening of the current account deficit.

- **Supply side:** the major drivers of the economy were: agriculture, forestry and fishing (14.5%); construction (11.1%); wholesale and retail trade (9.8%); education (9.7%); finance and insurance (9.1%).

- **Labour market:** performance in the labour market remained modest with employment growing at 5.9% with about 14.3 million jobs in 2014. Employment within the informal sector dominated job creation, with an increase in its share of employment to 82.7% during the year.

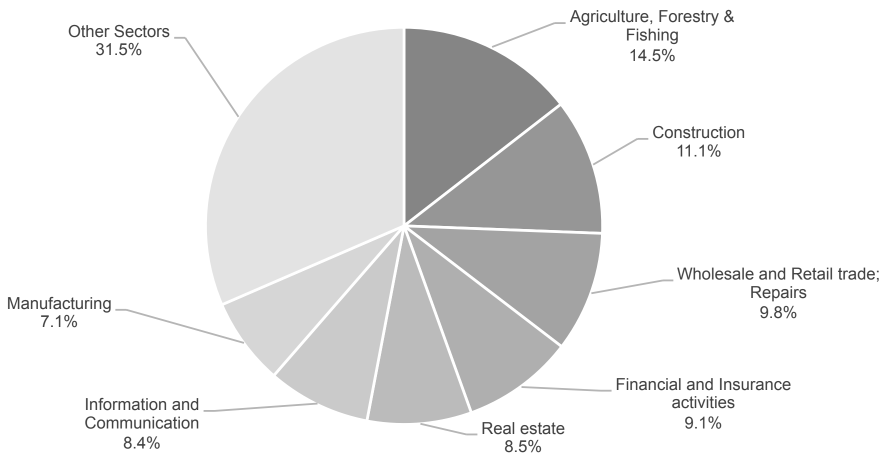
The trends in GDP growth and economic sector contribution are provided as follows:

Figure 1: Kenya Real GDP Growth Rate Expectations (%)



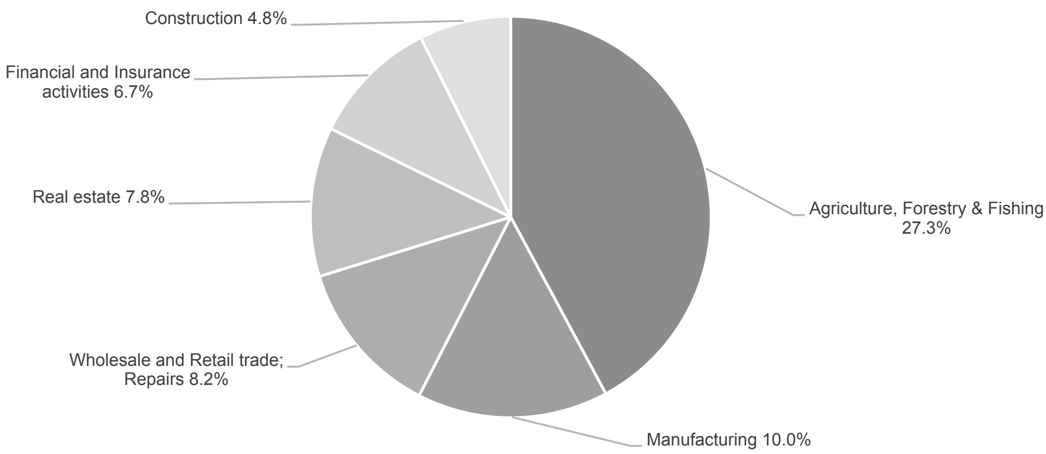
Source: IMF World Economic Outlook Report April 2016; Kenya National Bureau of Statistics Economic Survey 2015. Note: all years from 2016 onwards represent estimates

Figure 2: Key Sector Contribution to GDP Growth (2014)



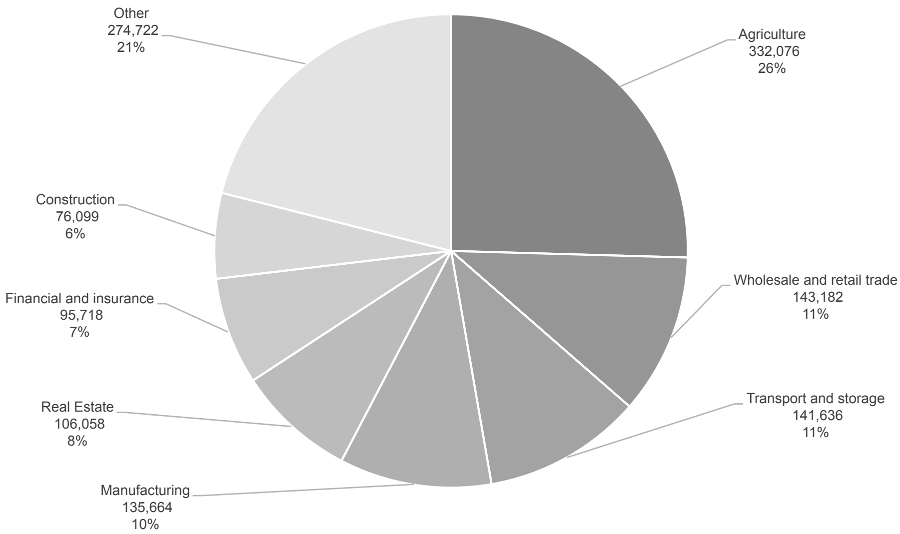
Source: Kenya National Bureau of Statistics Economic Survey 2015

Figure 3: Key Economic Sector Contribution to GDP (2014)



Source: Kenya National Bureau of Statistics Economic Survey 2015

Figure 4: Kenya's Third Quarter 2015 GDP Figures per Sector, in Current Prices (Kshs. Million)



Source: Kenya National Bureau of Statistics Third Quarter 2015 GDP and BOP Release

Kenya is taking notable steps to build on its existing capacities to help drive economic diversification within an integrated regional economy.

2.1.2 Economic Policy and Planning

Kenya has improved on its economic policy-making and remains the planning leader in the sub-Saharan Africa region. Its leadership in policy and planning is reflected in a rise in World Bank's Country Policy Institutional Assessment (CPIA) metric. The CPIA is an indicator of a country's policies and institutional arrangements. Kenya's CPIA score is 3.8 which is one of the highest in sub-Saharan Africa where the average score is 3.2.

The National Treasury has indicated that fiscal policies in the 2015/2016 National Budget will focus on the re-orientation of expenditure from recurrent to development while private sector investment is anticipated to remain vibrant. Investment in the construction industry is likely to remain robust, buoyed by government infrastructural projects and the private sector's resilient participation especially in real estate development.

The Government of Kenya has prioritized the improvement of business environment to enhance job creation and investment. The recent policy changes have seen Kenya's ranking in the World Bank Doing Business Report of 2016, improve by 21 places from position 129 to position 108. Under the coordination of the Ministry of Industrialisation and Enterprise Development, the Government of Kenya has invested significantly in unlocking business environment bottlenecks by creating the Ease of Doing Business Delivery unit. Momentum has been gained in prioritising reforms in company registration, electricity connection, property transaction and access to credit.

2.1.3 Government of Kenya Debt and Public Finances

The Debt Sustainability Analysis (DSA) for Kenya conducted by the National Treasury in the Medium Term Debt Strategy Report of 2015 indicates that the country's debt is sustainable. The DSA compares debt burden indicators to indicative thresholds over a 20-year projection period. In the long term, the value of public debt-to-GDP is expected to be 41.3% of GDP in 2017. Overall, the results from the DSA indicate that Kenya's public debt remains sustainable over the medium term. The rebasing of GDP in 2014 resulted in a substantial reduction of Government debt as a percentage of GDP from 56% to 46.5%.

2.1.4 Inflation

The primary objective of the Central Bank of Kenya (CBK) is to achieve and maintain price stability. Consequently, the Government of Kenya has set a medium term inflation target of 5%. At the same time, the monetary policy has been focused largely on neutralising external pricing shocks in the Kenyan economy, such as those resulting from droughts or oil prices, rather than those resulting from domestic demand pressures. The World Bank considers that in the absence of exogenous supply-side shocks, key policy rates would remain unchanged[1].

In 2013 and 2014, the Kenyan economy enjoyed a stable macroeconomic environment with a single digit inflation. Annual average inflation increased from 5.7% in 2013 to 6.9% in 2014. The modest rise in inflation was attributed to increases in the cost of food and non-food items, which outweighed notable falls in the cost of electricity and petroleum products.

Kenya's headline inflation averaged 6.58% in 2015, coming to a close in 2015 at 8.0%, exceeding the upper-end of the medium- term inflation target range of 2.5% to 7.5%. At its January 2016 meeting, the Monetary Policy Committee observed that the current inflation pressures were temporary and that policy measures had been taken to contain demand pressure on the economy. The overall inflation rate stood at 6.45% in March 2016. Figure 5 below shows a recent history of Kenya's consumer price index percentage change:

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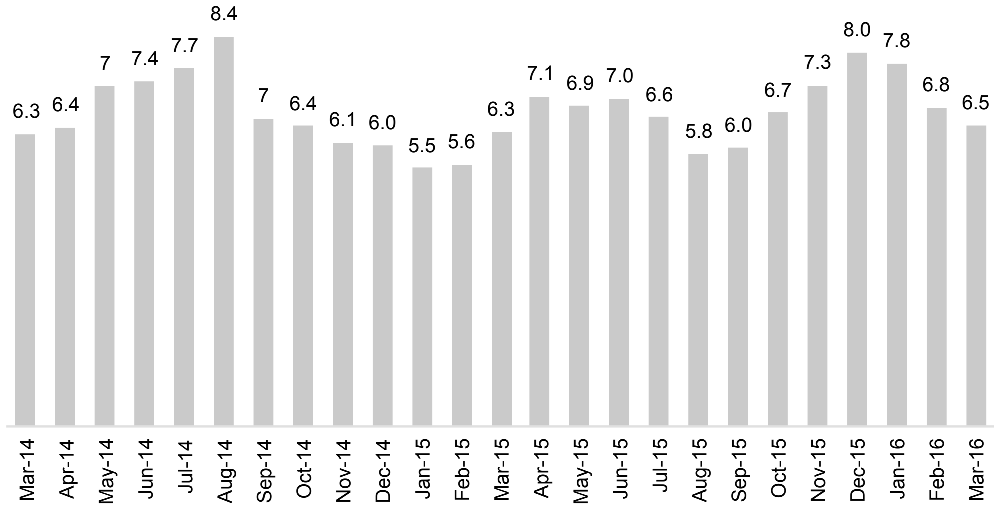
[1]World Bank Country Economic Memorandum for Kenya, March 2016

Figure 5: Kenya's Overall Rate of Inflation - Recent History (% change of consumer price index)



Source: Kenya National Bureau of Statistics CPI and Inflation Rates Release

2.1.5 Interest Rates and Exchange Rates

The Central Bank Rate (CBR) was maintained at 8.5% throughout the first three months of 2015 and was subsequently increased for the first time since May 2013 to 10.0% in June 2015 and 11.5% in July 2015 to strengthen the Kenyan Shilling in a period of depreciation against the US Dollar, and to maintain market confidence. The rate remained 11.5% in January 2016. Having experienced volatility between the third and fourth quarters of 2015, the 91 day Treasury Bill rate has been narrow range-bound in 2016 closing at 8.8% on 14th March 2016 and 8.9% on 18th April 2016.

The CBK maintains a managed-float exchange rate regime with intermittent intervention. The Bank targets a four-month reserve of import cover. While the CBK has intervened to limit the volatility of the exchange rate, it remains committed to allowing the shilling to move in line with market pressures. As at 14th April 2016, the shilling had depreciated by 8.56% (year-on-year) against the US Dollar to trade at 101.17 units per US Dollar[2]. In South Africa, the Rand was trading at 14.25 units to the US Dollar as at 20th April 2016 having depreciated by 15.75% (year-on-year)[3]. In Nigeria, using the central export exchange USD rate, the Naira depreciated by 17.3% [4].

Table 3: Exchange Rates 29 April 2016

CURRENCY	EXCHANGE RATE
KSHS per USD	101.19
Uganda Shilling per KSHS	32.91
Tanzania Shilling per KSHS	21.74
Rwanda Franc per KSHS	7.44
KSHS per Euro	114.42
KSHS per 100 Japanese Yen	91.67

Source: CBK Weekly Statistical Bulletin

2.1.6 Current Account Balance

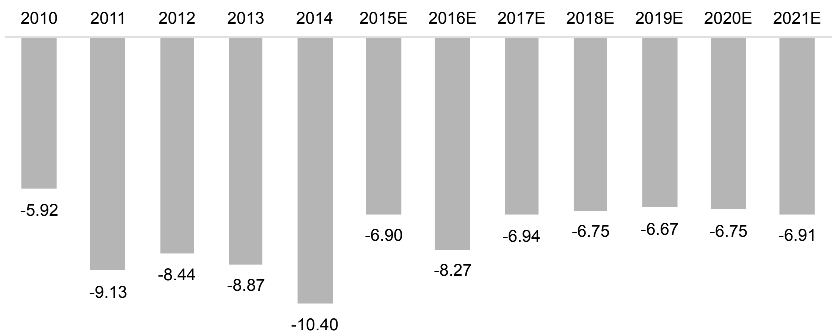
The positive impact of low oil prices has to a certain extent been offset by rising capital imports, particularly for the development of Kenya's Standard Gauge Railway. The IMF expects the account balance deficit to remain stable at approximately 7.3% of GDP over the next two to three years. Kenya's current account deficit stood at 6.9% as of December 2015, having narrowed from 10.4% in 2014, largely as a result of increased tourism flow. The following Figure 6 shows the historical and projected current account balance:

[2] Source: Central Bank of Kenya

[3] Source: South Africa Reserve Bank

[4] Source: Central Bank of Nigeria

Figure 6: Kenya Current Account Balance History (% of GDP)



Source: Kenya National Bureau of Statistics, IMF World Economic Outlook Report April 2016.

2.2 Kenya - Energy Sector Overview

2.2.1 Installed Capacity and Generation

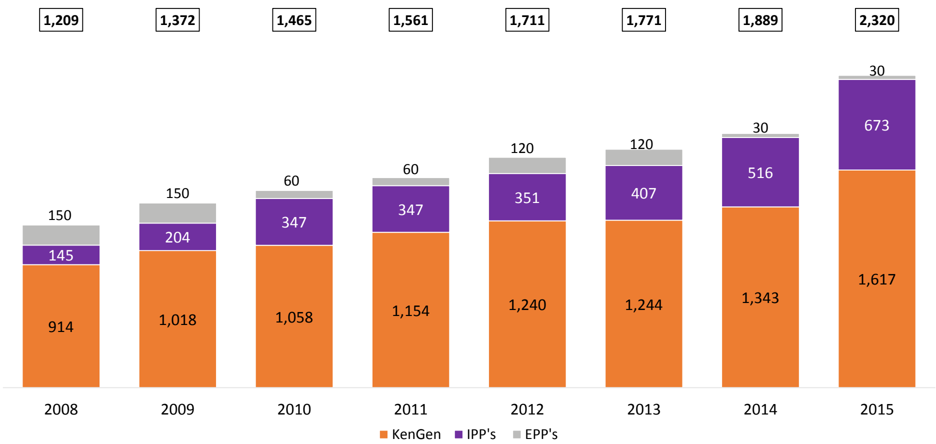
Kenya's total installed generation capacity stood at 2,320MW as at June 2015, up from 1,889MW as at 30th June 2014. A total of 431MW was added during the period as part of the planned 5000+MW additional generation capacity[5]. Although hydro dominates Kenya's energy sources, plans are in place to bolster geothermal capacity with KenGen providing leadership through developments at the Olkaria geothermal field in the Rift Valley.

KenGen's hydro power contribution was 45% of the total national energy purchased in the financial year ended 30th June 2014, falling to 36% a year later. This was as a result of an increase in geothermal capacity from 256MW to 509MW by financial year ended 30th June 2015[6].

The following figure below shows Kenya's installed capacity and generation mix:

Figure 7: Kenya's Installed Capacity (MW)

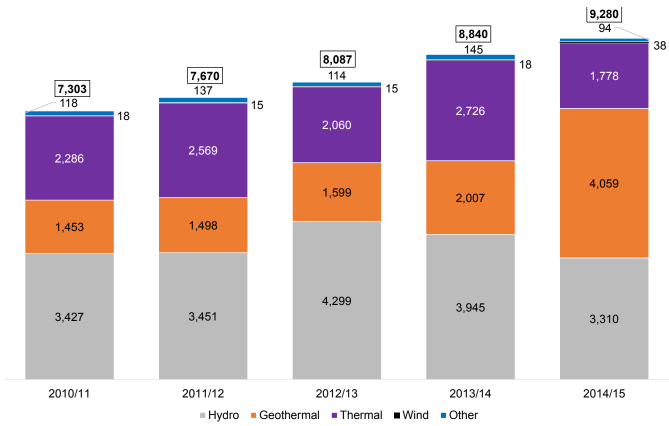
Source: KenGen 2015 Annual Report and Accounts (EPP's – emergency power producers)



[5] *Kenya Power Annual Reports 2015, 2014*

[6] *Kenya Power Annual Reports 2015. Includes energy imports*

Figure 8: National Generation Mix (GWh)



Source: Kenya Power Annual Report 2015. Includes IPPs, EPPs, imported energy and the GOK off-grid rural electrification programme.

Note: slight variations due to rounding of numbers

2.2.2 Current and Future Demand

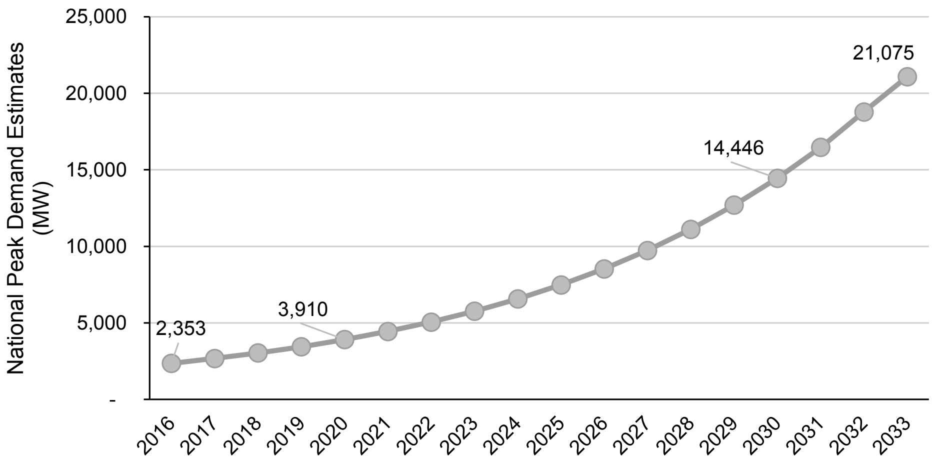
Kenya's demand for power as at 30th June 2015 was 1,512MW[7]. To meet the demand, an additional 5,000MW of new capacity is to be developed as part of the Government efforts to deliver objectives set out in the Vision 2030 Development Blueprint. The Vision 2030 aims to double Kenya's growth rate. The Government's 5,000+ MW initiative is focused on delivering new electricity generation infrastructure to eliminate the supply deficit and stabilise electricity tariffs while providing adequate power to support the Vision 2030 Strategy. Most of the new capacity will be derived from renewable energy sources.

The Energy Regulatory Commission (ERC) of Kenya has the responsibility of preparing Indicative Energy Plans. Accordingly, the electric power sub-sector has prepared the Least Cost Power Development Plan (LCPDP). The purpose of the LCPDP is to guide stakeholders with respect to how the sub-sector plans to meet Kenya's energy needs for subsistence and development at the least cost to the economy and the environment. Kenya's Least Cost Power Development Plan is updated biennially, and the most recent published version is for the period 2013-2033 which is an update of the LCPDP for the period 2011 – 2031.

The specific objectives of this report include:

- Update the load forecast taking into account the performance of the economy and the Vision 2030 flagship projects;
- Estimate Short-Run Marginal Cost (SRMC) and Long Run Marginal Cost (LRMC) for the generation system;
- Develop an optimum generation expansion plan for the system (least cost generation development plan); and
- Prepare a power transmission system development plan in line with the least cost generation development plan.

Figure 9: National Peak Demand Projections to 2033, as per the Least Cost Power (LCPDP) Development Plan, Base Case (2013-2033)



Source: www.erc.goc.ke, Least Cost Power Development Plan 2013-2033

[7] *Kenya Power Annual Reports 2015*

Table 4 below shows historic data on energy generated, sold, peak demand and number of consumers for the past ten years up to 30th June 2014:

Table 4: Kenya's Energy Demand and Consumer History

Financial Year	Energy Generated (GWh)	Energy Sold (GWh)	Peak Demand (MW)	Number of Consumers
2005/06	5,697	4,444	920	802,249
2006/07	6,169	4,818	987	924,329
2007/08	6,385	5,082	1,044	1,060,383
2008/09	6,489	5,182	1,072	1,267,198
2009/10	6,692	5,345	1,107	1,463,639
2010/11	7,303	5,816	1,194	1,753,348
2011/12	7,670	6,001	1,236	2,038,625
2012/13	8,087	6,175	1,354	2,330,962
2013/14	8,840	6,790	1,468	2,767,983
2014/15	9,280	7,130	1,512	3,611,904

Source: Kenya Power Annual Report and Accounts

2.3 KenGen Operational and Financial Summary

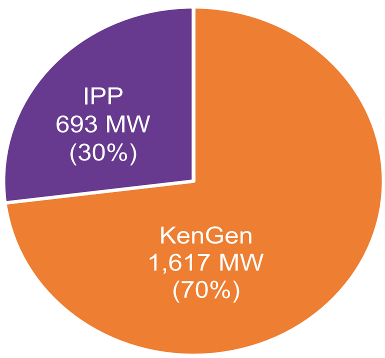
2.3.1 Overview

KenGen is Kenya's largest generator of electricity and supplies power that drives Kenya's industries, homes and businesses. KenGen's corporate vision is to remain the market leader in the provision of reliable, quality, safe and competitively priced electricity. In 2014/2015, KenGen commissioned a total of 274MW, boosting its installed capacity to 1,617MW, accounting for approximately 70% of the national installed capacity.

KenGen is a global leader in geothermal power generation. At 609MW as at 30th June 2015, Kenya was ranked 8th globally in geothermal installed capacity and number one in Africa[8]. Of the 609MW, KenGen contributed 509MW, mostly from Olkaria. In 2015, KenGen unveiled an additional 280MW capacity at the Olkaria field (140MW at Olkaria IV and 140MW at Olkaria 1 unit 4 and 5), one of the single largest geothermal power projects in the world (refer to Section 6.5-Significant Strides).

Geothermal energy contributed significantly to both capacity and energy revenue growth in the financial year ended 30th June 2015, compared to the previous year. The market share of KenGen in comparison to IPPs is shown below:

Figure 10: Market Share by Installed Capacity (30th June 2015)



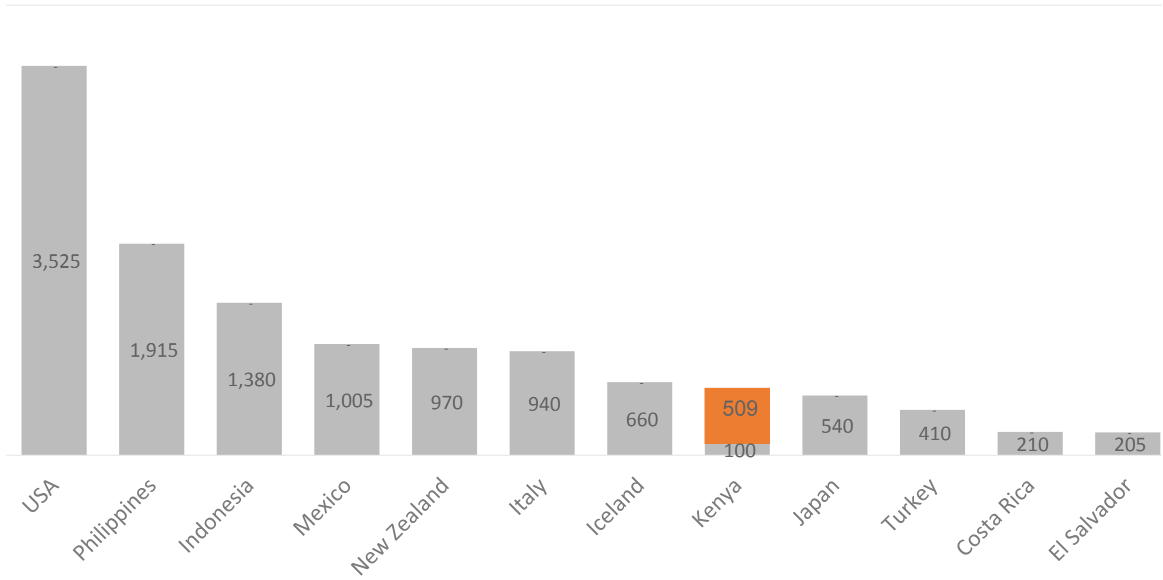
Energy Type	KenGen's Installed Capacity (MW)
Hydro	820
Geothermal	509
Thermal	262
Wind	26
Total	**1,617**

Source: KenGen 2015 Annual Report

[8]*KenGen, 2015 Annual U.S. & Global Geothermal Power Production Report*

The figure below shows the position of Kenya in the world with a total of 609MW of geothermal installed capacity as at 30th June 2015:

Figure 11: Global geothermal installed capacity by country (MW) as at 30th June 2015

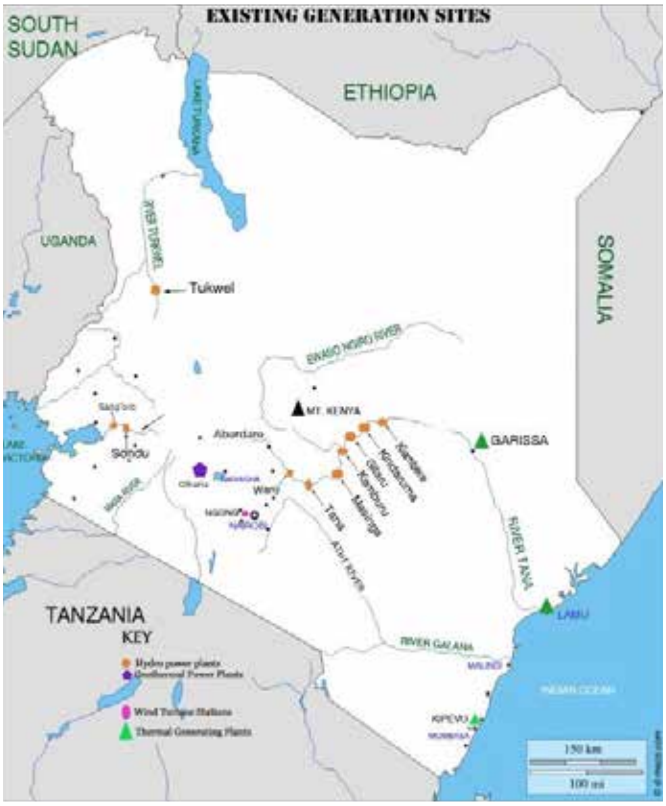


Note: Orange bar represents KenGen's geothermal installed capacity of 509MW in the above chart.

Source: KenGen, 2015 Annual U.S. and Global Geothermal Power Production Report

KenGen's power installations are shown in figure 12 below:

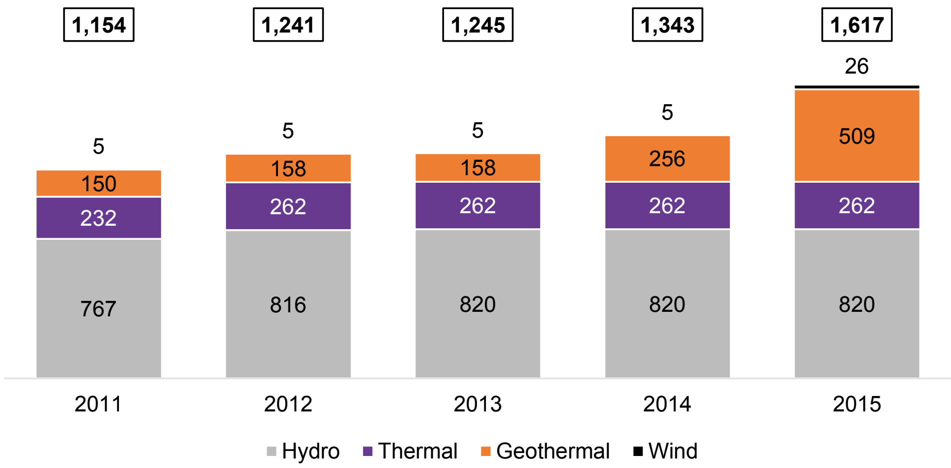
Figure 12: Location of KenGen's power installation



2.3.2 Capacity Growth

KenGen's installed capacity grew by 20% from 1,343MW as of 30th June 2014 to 1,617MW in the financial year ended 30th June 2015. This capacity growth is attributable to a 99% increase in geothermal capacity. In addition to the strong growth over the past year, KenGen expects to commission an additional 720MW by 2020, largely from geothermal and other renewable sources. The following figure shows the capacity growth from 2011-2015:

Figure 13: KenGen's Installed Capacity Growth since 2011 to 30th June 2015 (MW)

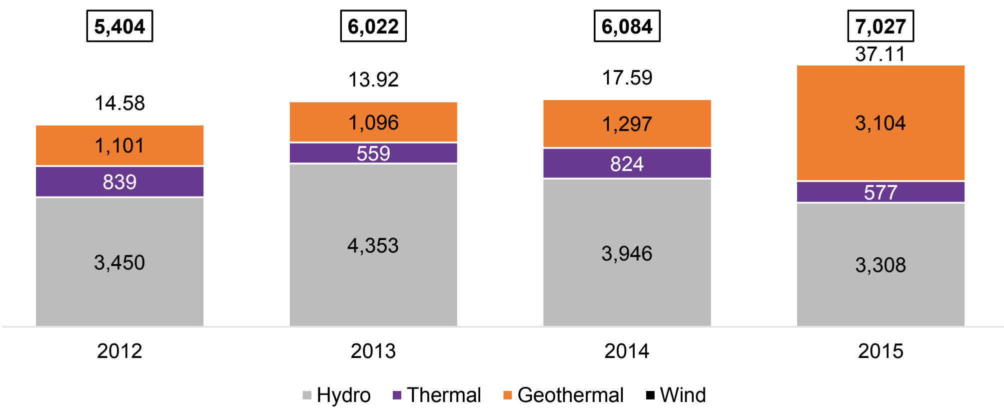


Source: KenGen 2015 Annual Report and Accounts

2.3.3 Energy Sales

As a result of the 99% increase in geothermal capacity in the financial year ended 30th June 2015, KenGen's energy sales increased from 6,084GWh to 7,027GWh. The increase in energy sales was as a result of geothermal energy, which rose by 139% from 1,297Gwh in the financial year ending 30th June 2014 to 3,104Gwh in the financial year ended 30th June 2015 despite the 280MW Olkaria power plants being fully operational only during the second half of the year. The following figure shows the units sold by KenGen from 2011-2015:

Figure 14: KenGen's Units Sold since 2012 for years ended 30th June (GWh)



Source: KenGen 2015 Annual Report and Accounts

For the six-month period up to 31st December 2015, KenGen sold 3,914GWh, 16% higher than the same period ended 31st December 2014. Geothermal units sold increased by 35%, while wind units sold rose by 275%. However, thermal units sold declined by 33% mainly due to the dispatch of increased geothermal energy.

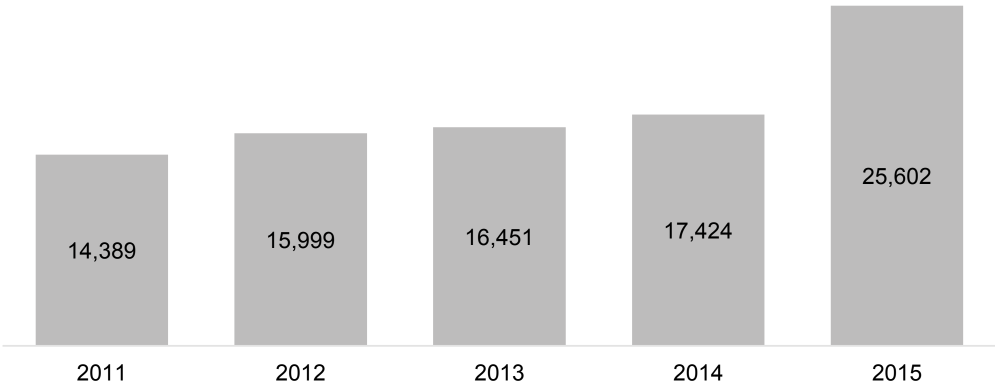
2.3.4 Key Financial Statistics and Performance

The following information is for the financial year up to 30th June 2015. The six-month results up to 31st December 2015 are summarised in Section 7.

The Company's earnings grew significantly in 2015, compared to 2014, largely due to a robust investment strategy and delivery of projects, including the 280MW of geothermal capacity at Olkaria. Further, total revenue rose by 44% from Kshs 18,491 million in June 2014 to Kshs 26,586 million, of which electricity revenue accounted for Kshs 17,424 million and Kshs25,602 million respectively. Other non-electricity income amounted to Kshs 984 million for the period ended 30th June 2015 compared to Kshs 1,067 million for the period ended 30th June 2014. The new installed capacity from geothermal has been the key driver of KenGen's strong revenue growth and revenue growth per MW over the past financial year ended 30th June 2015 and the half year ended 31st December 2015.

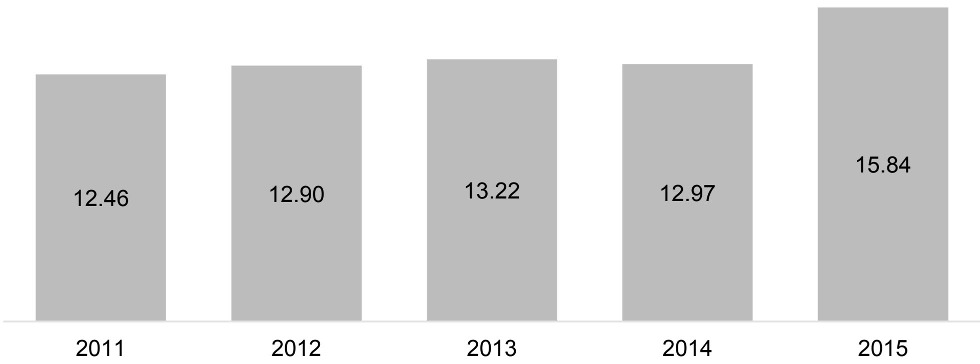
The following figure shows electricity revenue from 2011-2015

Figure 15:KenGen's Electricity Revenue for the past five financial years (2011-2015) (Kshs. millions)



Source: KenGen 2015 Annual Report and Accounts

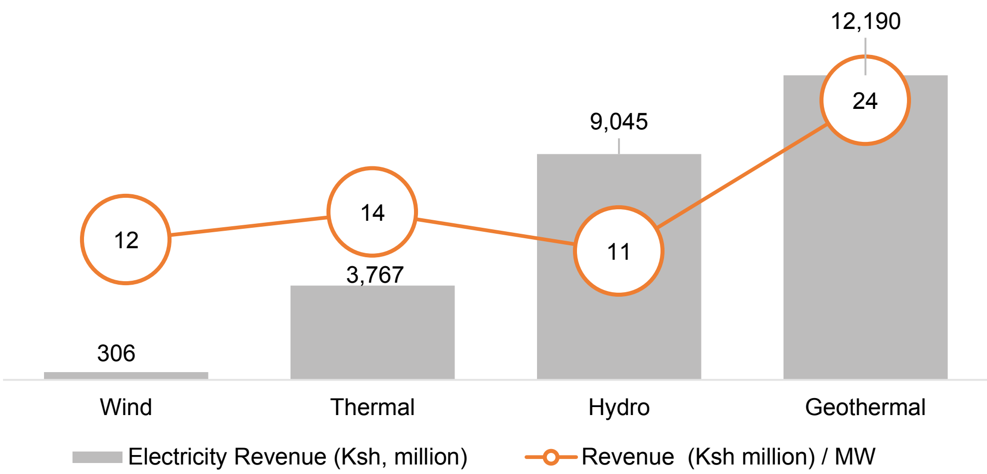
Figure 16: KenGen's Electricity Revenue per MW for the past five financial years (2011-2015) (Kshs millions / MW)



Source: KenGen 2015 Annual Report and Accounts

Geothermal energy dispatch in the next financial year is expected to overtake hydro. Despite hydropower being the largest in KenGen's generation system, geothermal was the largest contributor of energy revenue, both on a "total revenue" and "revenue/MW" basis as noted in the following figure:

Figure 17: KenGen's Revenue Contribution by Energy Type, for the year ended 30th June 2015

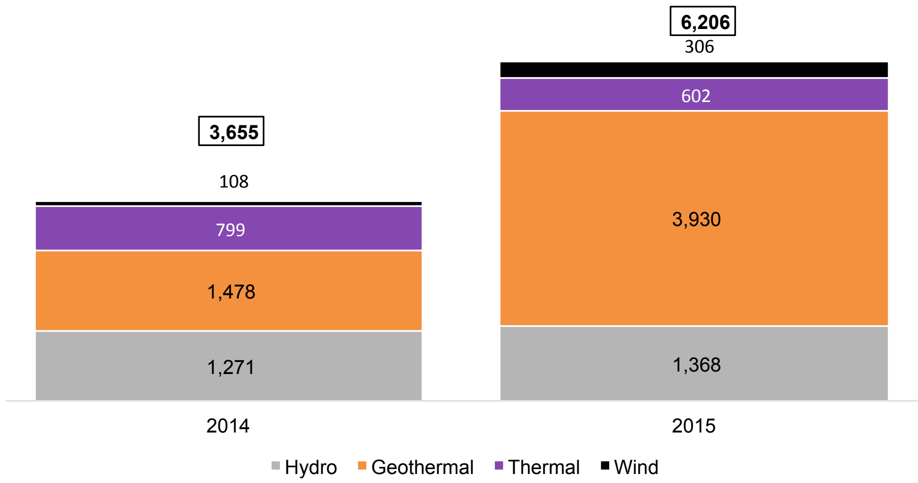


Source: KenGen 2015 Annual Report and Accounts. (Note: Revenue/MW is Electricity Revenue / Installed Capacity as of 30th June 2015)

In 2014, hydro and geothermal power plants provided a similar contribution to total energy revenue (i.e. Kshs 1.3 billion and Kshs 1.5 billion respectively), whereas in 2015, geothermal energy contributed significantly to both capacity and energy revenues, with capacity revenue increasing by 3.4 times compared to the previous year. Wind generation also recorded a significant increase both in installed capacity and contribution to energy revenue.

The following figure shows the composition of energy revenue for 2014 and 2015:

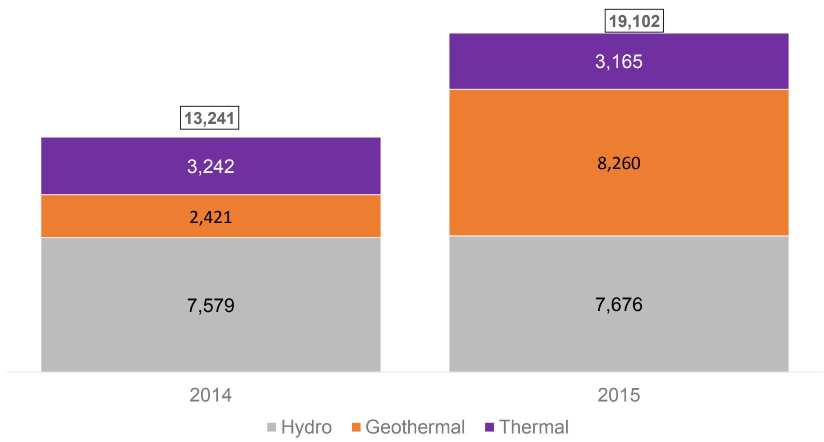
Figure 18: Energy Revenue (Kshs. millions) - Component of Total Electricity Revenue Figure



Source: KenGen 2015 Annual Report and Accounts

The introduction of new geothermal units in 2015, in particular the 280MW, boosted capacity revenue from geothermal by 3.4 times. The figure below shows the composition of capacity revenue for 2014 and 2015:

Figure 19: Capacity Revenue (Kshs. millions) - Component of Total Electricity Revenue

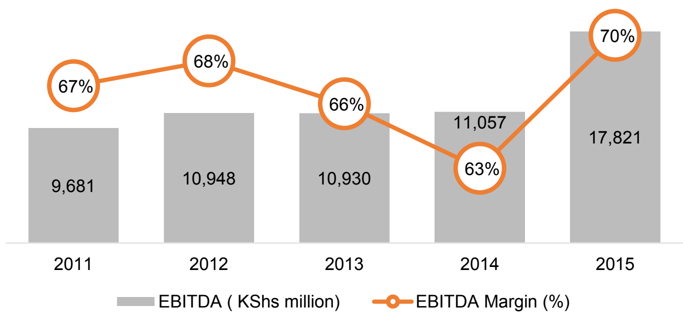


Source: KenGen 2015 Annual Report and Accounts

EBITDA (Earnings before interest, taxes, depreciation and amortization) grew by 61% from Kshs 11,057 million in the financial year ended 30th June 2014 to Kshs 17,821 million in the financial year ended 30th June 2015. Over the same period, EBIT (Earnings before interest and tax) also registered a growth of 79% from Kshs 6,329 million to Kshs 11,342 million driven mainly by increased revenue.

The diagram below shows the EBITDA and the EBITDA margin from 2011 - 2015:

Figure 20: EBITDA (Kshs millions) and EBITDA margin for 5 years ended 30th June



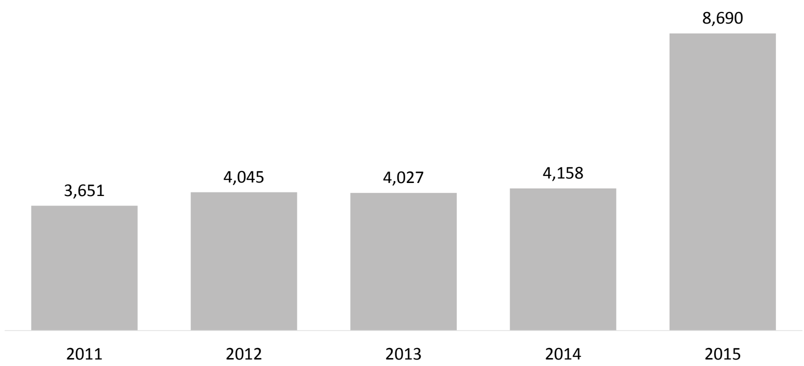
Source: KenGen 2015 Annual Report

Note: EBITDA margin based on revenue figures, excluding "other income" (which included gain on disposal of property, plant, equipment, net fuel pass-through and net water charges pass through)

Profit before tax rose from Kshs 4,158 million in financial year ended 30th June 2014 to Kshs 8,690 million in the financial year ended 30th June 2015, an increase of 109% while profit after tax rose by 308% from Kshs 2,826 million to Kshs 11,517 million propelled by capacity growth, improved performance, and tax incentives granted to the Company through capital allowances on the commissioning of 280MW geothermal power plants, wellheads and wind plants. Other comprehensive income increased from Kshs 1,244 million to Kshs 54,247 million due to revaluation surplus from property, plant and equipment net of deferred tax.

The following figure shows the profit before tax from 2011 - 2015

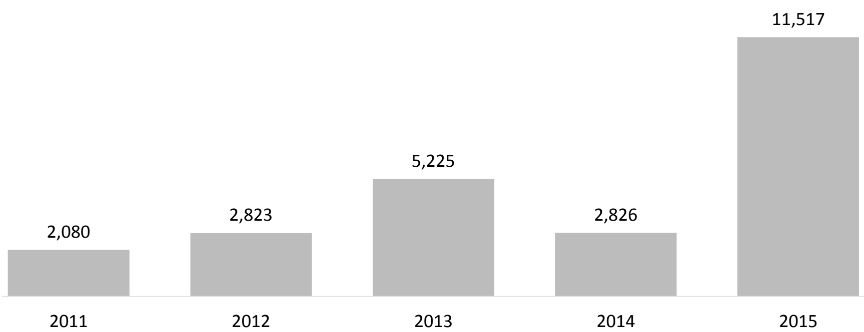
Figure 21: Profit Before Tax (Kshs millions) for the years ended 30th June.



Source: KenGen 2015 Annual Report and Accounts

Kenya's Income Tax Act provides for a 150% investment tax allowance on investments outside major cities. KenGen's geothermal and wind plants fall under this category. The tax gains directly increased KenGen's profit after tax, as noted in the figure below:

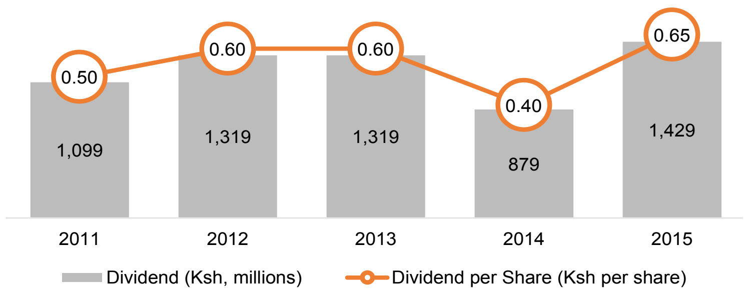
Figure 22: Profit After Tax (Kshs millions) for the years ended 30th June.



Source: KenGen 2015 Annual Report and Accounts

KenGen continues to provide benefits to shareholders in the form of dividends despite capital intensive investments in capacity expansion. The Company allocated Kshs 1,429 million to dividends for shareholders in the financial year ended 30th June 2015, representing a 63% increase from 2014. The following figure shows the dividends paid from 2011-2015:

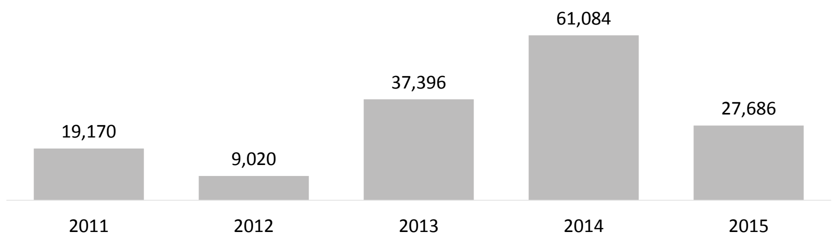
Figure 23: Dividends paid to shareholders over the past five financial years (2011-2015)



Source: KenGen 2015 Annual Report and Accounts

KenGen's capital expenditure fell to Kshs 27.7 billion in 2015 from Kshs 61 billion in 2014, largely due to the commissioning of new units in 2014. The following figure shows the capital expenditure from 2011 to 2015:

Figure 24: Capital Expenditure (Kshs millions) for the years ended 30th June.



Source: KenGen 2015 Annual Report and Accounts

KenGen's financial performance for the six months ended 31st December 2015 remained robust, showing a continued trend of strong revenue and operating profit growth.

Energy unit sales from geothermal for the six months ended 31st December 2015 grew by 35% year-on-year to 1,820GWh, while energy sales from hydro plants grew by 9% as a result of favourable hydrological conditions. Wind generation grew by 275% following the completion of 20.4MW in Ngong. Olkaria 280MW and the Ngong Wind farm had full impact during the period. Thermal generation declined by 33% because geothermal being given priority dispatch.

KenGen's total revenue was Kshs 18,523 million, of which electricity revenue was 80%. Steam revenue was 13% while other income (from drilling services, insurance compensation and miscellaneous income) was 5%. The balance was interest income. EBITDA was Kshs 14,236 million, while profit after tax was Kshs 5,668 million.

2.3.5 Share Price Performance

The following is the performance of the Existing Shares of KenGen on the NSE:

Table 5: KenGen Trading Price

Trading Month	**Low** (Kshs)	**High** (Kshs)	**Volume Weighted Average Price (Kshs)**
April, 2016	7.55	8.70	8.11
March, 2016	7.00	8.15	7.79
February, 2016	5.95	7.00	6.54
January, 2016	5.40	7.00	5.70
December, 2015	6.40	7.90	7.50
November, 2015	7.65	9.05	8.03
Average			**7.28**
Last day of trading before the announcement of the Rights Issue			
9 November 2015			Kshs 9.05
Last practicable day of trading before approval of the Information Memorandum			
9 May 2016			Kshs 8.00

Source: Nairobi Securities Exchange

2.4 KenGen Strategy

Refer to Section 8-KenGen Strategy Overview for more details.

The Company's objective is to deliver affordable, reliable, competitively priced and clean energy while making investments needed to ensure a sustainable future. KenGen's core business is to develop, manage and operate power generation plants to supply bulk electric energy.

The Company has developed a combination of operational performance and organisational health initiatives to respond to two key strategic objectives: (1) optimising existing assets and (2) delivering additional generation capacity. Towards this end, KenGen has identified three key focus areas:

- **Focus area A**: Optimize the performance of existing assets and delivering new ones;
- **Focus area B**: Growth in innovative ways of financing, generation and capacity expansion such as the private public partnerships (PPPs);
- **Focus area C**: Diversify the portfolio to include non-electricity generation ventures (non-core business model).

KenGen's capacity addition projects are aligned with the country's medium term and Vision 2030 energy targets. The Company owns over 30 power generating plants with a combined installed capacity of 1,617MW as of 30th June 2015.

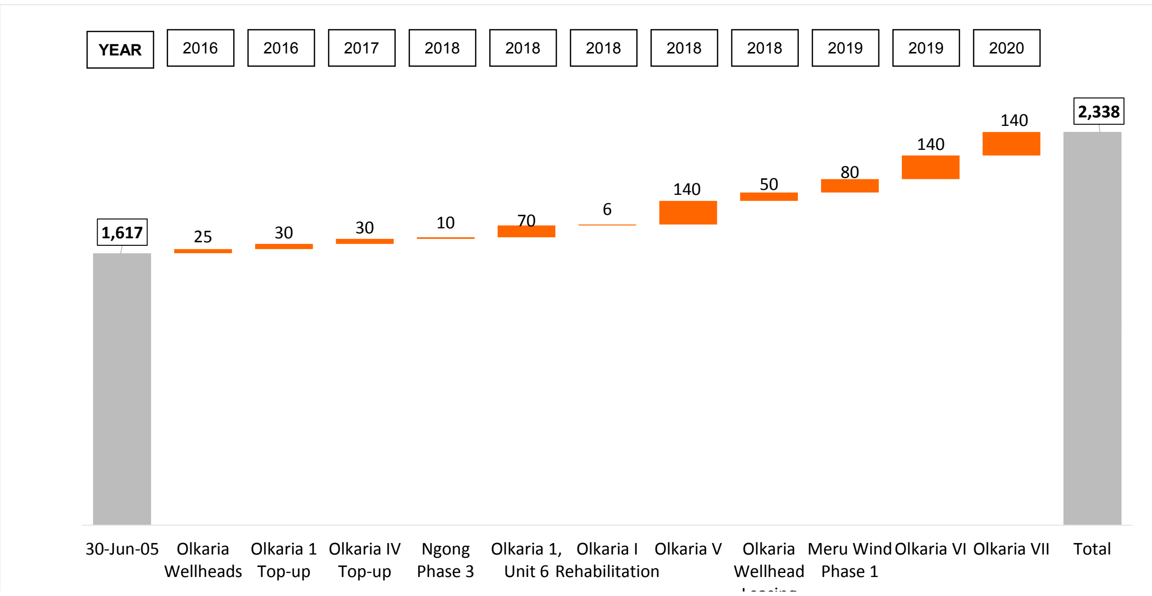
As part of KenGen's growth and expansion strategy, there are plans to scale up generation portfolio over the next 5 years by delivering an additional 720MW by 2020, mainly from geothermal and other renewable energy sources. A robust drilling program is on course to support the implementation of the planned geothermal projects. The expansion projects in summary are as follows:

Table 6: Expansion Projects to 2020

Geothermal	9 geothermal projects including wellhead generation	630MW
Wind	2 wind projects	90MW
Total		**720MW**

The following figure shows the projected expansion projects:

Figure 25:KenGen's Capacity Expansion Strategy to 2020 (MW)



Source: KenGen.

Note: the planned capacity expansion may change depending on energy demand and availability of financing for capacity expansion projects. Any slight variations are due to rounding of numbers.

2.5 Overview of KenGen's planned projects

2.5.1 75 MW Geothermal wellhead Project (of which 50MW is already installed)

This project is located in the Olkaria geothermal field, around 120 kilometres north-west of Nairobi. Wellheads are a new technology in the market which uses modular generators for early generation. As opposed to the conventional power plants that take up to 7 years from commencement of drilling to the installation and commissioning, wellheads take a shorter period between 9 months to a year. The idea behind these modular generators is to ensure early generation of electricity, and subsequently early revenues for KenGen before bigger conventional power plants are constructed.

The project involves the installation of 15 modular geothermal wellhead generating units of 5MW each. To date, up to 50MW has been installed with a balance of 25MW expected to be completed by June 2016. The steam required to generate the 75MW is available.

2.5.2 60MW Olkaria Top Up

The Olkaria field is characterized by very high pressure geothermal wells in the range of 11.2 and 11.6 bar. KenGen intends to engage a contractor to undertake a study on optimal utilisation of the excess energy available in the high pressure wells and it is expected that additional power of 60MW would be realized from the same wells.

2.5.3 10MW Ngong I Phase 3

This project will be located in the Ngong Hills area, next to the existing Ngong I Phase II and Ngong II power plants. The project is expected to cost Kshs.2.56 billion. The Government of Belgium has pledged a Euros 18 million State to State loan towards this project, KenGen will meet any funding gap.

2.5.4 70MW Olkaria I Additional Unit 6

This project is located in the Olkaria geothermal field, around 120km north-west of Nairobi. It entails the implementation of an additional unit to the recently commissioned Olkaria I units 4 & 5. The project will be financed by debt and equity. Financing has been arranged from European Investment Bank, JICA, KfW of Germany and KenGen. Drilling of the geothermal wells has been completed and all the steam required for the power plant is available.

2.5.5 50.7MW Olkaria I Rehabilitation

The 45MW Olkaria I power plant, was the first geothermal power plant in Africa. The first unit was commissioned in June 1981, the second unit in November 1982 and the third unit March 1985. The plant has been in operation for close to 35 years and has experienced normal wear and tear and most of the equipment has become obsolete, thus making acquisition for spare parts difficult. The plant is due for rehabilitation to give it a further 25 years of operation plus an additional capacity of 5.7MW. The cost of rehabilitation is estimated at US Dollars 105 million and financing is being sought.

2.5.6 140MW Olkaria V

Located in Olkaria geothermal field, the project is expected to add 140MW into the grid by 2018. JICA has pledged up to JPY 45,690 million towards the project. Drilling has been completed and all the steam required for the power plant has been proven.

2.5.7 50MW Olkaria Wellhead Leasing

KenGen intends to procure developers (Lessors) to design, procure/manufacture, supply, install/construct, test, commission, operate and maintain Geothermal Modular / Wellhead power plants totaling 50MW on an operating lease basis for a 15-year period at its Olkaria geothermal field.

KenGen will supply steam for generation from these units. The Lessor shall invoice KenGen on a monthly basis for the units of energy exported. KenGen will invoice Kenya Power as per the Energy PPA that will be signed by the two parties.

2.5.8 80MW Meru Wind Phase 1

The proposed 80MW Meru Wind Farm is located in Lailuba Sub-location, Nyambene sub-county in Meru County. The project entails the construction of the first phase of the Meru Wind Park whose total capacity, when fully developed, will be 400MW. Phase I is expected to be commissioned in 2018 at an estimated total cost of US Dollars 120 million. KfW of Germany and Agence Française de Développement (AFD) have committed to finance the project.

2.5.9 140MW Olkaria VI

The project is located in the Olkaria Geothermal field. The project is expected to add 140MW into the grid by 2019. This will be the first project to be developed under the Private Public Partnership framework. Drilling for the project is in progress and KenGen is in the process of procuring a Transaction Advisor.

2.5.10 140MW Olkaria VII

Located in the Olkaria Geothermal field, this project is expected to add 140MW into the grid. Drilling for the project has commenced and a feasibility study for the project is planned to be conducted in 2017.

2.6 Key Investment Highlights

2.6.1 Market leader with significant industry experience

KenGen produces approximately 70% of Kenya's electricity and is the leading power generation company in East Africa. The Company's market leadership is cemented by its diversified power generation mix, with a strategic focus and resulting competitive advantage in leading the generation of low cost, high yield geothermal power. With over 62 years of experience in power generation, KenGen is able to leverage its experience in pioneering innovative technologies to drive power generation growth. KenGen expects to remain the dominant player in the market owing to its capacity increases and the high barriers of entry within the energy sector. In addition, KenGen's ability to fund large projects with concessional debt financing will contribute substantially to the Company's ability to deliver new projects and maintain its market leadership in the region.

2.6.2 Delivering on mega capacity whilst returning value to shareholders

KenGen's investment programme to deliver 720MW by 2020 largely consists of the construction of geothermal power plants. The Company successfully commissioned four geothermal units of 70MW on time and within budget at Olkaria by December 2014, and plans to regularly commission new power plants going forward as highlighted in the Company's investment strategy to 2020. The programme includes the construction of three new geothermal power plants, with a capacity of 140MW each and Olkaria I Unit 6 with a capacity of 70MW. Whilst KenGen has been operating in a capital intensive cycle, the Company has been committed to returning value to shareholders by consistently paying dividends. Furthermore, the Company's strategy is geared towards enhancing return on invested capital and future potential pay out through further geothermal power plants.

2.6.3 Large and diversified asset base

As the leading power generation company in East Africa, KenGen has a diversified generation portfolio that consists of hydropower, geothermal, thermal and wind power plants. KenGen's solid asset base enables it to deliver competitively priced and reliable energy to the Kenyan consumer. Combined with a focus on capital discipline and proven ability to efficiently execute large infrastructure projects, KenGen has managed to deliver strong capacity growth and a well-diversified energy generation mix, with 84% of energy sourced from renewables (geothermal, hydro and wind).

During the financial year 2014/15, KenGen completed the commissioning of one of the world's largest geothermal power plants at Olkaria IV and Olkaria I (units 4 and 5), with a total installed capacity of 280MW. The abundance of Kenya's geothermal resources, and the rapidly expanding infrastructure at Olkaria provides a solid platform from which to extract further value over both the short and long term.

2.6.4 Emerging world geothermal leader

Kenya was the first African country to establish the utilisation of geothermal power 35 years ago, and is expected to remain the continental leader in geothermal capacity and technology. Geothermal power is also expected to remain a highly positive influencing factor in KenGen's operating and financial profile over the medium term, contributing 88% (630MW) of the additional expected 720MW of installed capacity in KenGen's pipeline, by 2020. Continued growth in KenGen's installed capacity supports both its core revenue (capacity revenue) and total revenue by availing additional capacity to support growth in energy sales. Kenya is already the 8th largest geothermal electricity producer in the world and it's ranking is expected to rise as more geothermal projects are brought on line.

At 609MW (of which KenGen contributed 509MW) has as at 30th June 2015, Kenya ranks among the largest geothermal power producers in the world[10]. Following KenGen's strategy to add approximately 630MW geothermal capacity by 2020, the Company is expected to become a global leader in geothermal power generation and capacity development.

This addition of substantial geothermal capacity is significant not only in terms of providing larger capacity from which to grow the Company's revenue, but also in terms of cost reduction as geothermal energy ranks as the lowest cost energy source on an ongoing operating basis. Increasing the development and dependence on geothermal energy is thereby expected to become increasingly advantageous to KenGen in the long term, in terms of strong capacity and energy sales revenue growth, and profitability.

2.6.5 Government support as major shareholder

The Government's shareholding of 70% is of significant support to KenGen in terms of project development and engagement with other industry players and regulators. As a result of the Government's equity interest in KenGen, the Company benefits directly from concessionary debt financing given by various Development Finance Institutions (DFIs). These attractive lending rates allow for better long-term returns on KenGen's power plants while providing competitively priced power to the economy, and making KenGen the preferred energy supplier by the off-taker.

2.6.6 Strong financial results

KenGen delivered strong financial results for the financial year ended 30th June 2015, and continued to drive strong performance for the half year ended 31st December 2015. Operating revenue was up 52% from Kshs 12,011 million to Kshs 18,234 million (excluding interest income) for the half year ended 31st December 2015 and was up 45% from Kshs 18,075 million to Kshs 26,227 million for the financial year ended 30th June 2015.

This strong growth was largely as result of new geothermal power plants that were commissioned in 2015, and is reflected in increased profitability for the Company for both the financial year and half year periods. KenGen realised stronger growth and increased performance down the income statement, with an increase in EBITDA of 76% for the half year ended 31st December 2015 (and 61% for the financial year ended 30th June 2015), and an increase in Profit After Tax of 15% for the Half Year ended 31st December 2015 (and an increase of 308% for the financial year ended 30th June 2015).

2.7 Rights Issue Price

The Rights Issue Price has been determined from:

- KenGen' trading history on the NSE over the last 6 months between and including November 2015 and April 2016;
- NSE trading history over the last 6 months;
- KenGen's unique competitive strengths and focused strategic growth.

The Rights Issue Price of Kshs 6.55 represents a discount of 18.36% on the Volume Weighted Average Price KenGen ordinary share on the NSE for the past 30 trading days up to and including 4 May 2016, being the date the Board of KenGen approved the Rights Issue terms.

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[10] Source: Http://www.geothermal-energy.org

Using the Rights Issue Price, the investment data is as follows:

Table 7: Investment Data

Data	
Par value (Kshs)	2.50
Rights Issue Price (Kshs/Share)	6.55
Entitlement Ratio	2 for 1
Number of authorized shares	10,000,000,000
Authorized share capital (Kshs)	25,000,000,000
Number of issued and fully paid up shares	2,198,361,456
Issued and fully paid up share capital (Kshs)	5,495,903,640
Number of unissued shares	7,801,638,544
Unissued share capital (Kshs)	19,504,096,360
Number of New Shares	4,396,722,912
Gross proceeds of Rights Issue assuming full subscription (Kshs)	28,798,535,074
Number of issued and fully paid up shares post-Rights Issue assuming full subscription	6,595,084,368
Market capitalization of KenGen at Rights Issue Price (Kshs)	43,197,802,610
Profit after tax for financial year ended 30 June 2015 (Kshs)	11,517,327,00
Earnings per share using profit after tax for financial year ended 30 June 2015 (Kshs)	5.24
Trailing price-earnings ratio using the Rights Issue Price and earnings per share for full year 2015	1.25x
Dividend per share for financial year ended 30 June 2015	0.65
Dividend yield on Rights Issue Price	9.92%
Profit after tax for six months to 31 December 2015 (Kshs)	5,668,345,000
Earnings per share using profit after tax for six months to 31 December 2015 (Kshs)	2.58

2.7.7.1 Proforma Impact

Assuming the Rights Issue is fully subscribed, the proforma impact of the gross proceeds on KenGen's financial statements is summarized as follows:

- Increase in issued and fully paid up capital from Kshs 5.49 billion to Kshs 16.48 billion;
- Increase in share premium account from Kshs 5.04 billion to Kshs 22.85 billion;
- Increase in total equity from Kshs 145.82 billion to Kshs 174.62 billion;
- Increase in cash and cash equivalents by Kshs 8.64 billion;
- Decrease in non-current liabilities by Kshs 20.15 billion

Table 8: Proforma Impact of Rights Issue

	Actual 2015(Kshs billions)	Pro-Forma ImmediatelyPost-Rights Issue assuming fully subscribed (Kshs billions)
Non-Current Assets	333.12	333.12
Current Assets	21.89	30.53
Total Assets	**355.01**	**363.65**
Share Capital	5.49	16.48
Share Premium	5.04	22.84
Reserves	135.29	135.29
Non-Current Liabilities	187.91	167.76
Current Liabilities	21.28	21.28
Total Equity & Liabilities	**355.01**	**363.65**

Source: KenGen interim financial results for the period ended 31st December 2015

SECTION 3: TERMS AND CONDITIONS

The terms and conditions for the Rights Issue are as follows:

3.1 Proceeds

The total proceeds will finance new geothermal and wind power projects that will form part of the Company's 720MW development plan, scheduled to be complete by 2020. Proceeds will also be used to re-structure KenGen's balance sheet to maintain leverage at the Company's targeted level, and thereby provide KenGen with sufficient headroom to secure long-term development financing at low interest rates. Further, savings from interest will enhance the Company's cash position. Costs associated with the Rights Issue will be deducted from the gross proceeds.

3.2 Pari Passu & Voting

The New Shares, when issued and fully paid, shall rank *pari passu* with the Existing Shares.

3.3 GOK Intention

GOK intends to take up and pay for its full Rights through the conversion of part of the on-lent loans to KenGen to the sum of approximately Kshs 20.152 billion.

3.4 Dividend Policy

The Company targets a dividend payout ratio of up to one third (33%) of the Company's profit before tax or up to 50% of the Company's profits after tax. The dividend payout may however vary depending on the Company's performance, liquidity and investment plans as determined by the Board. The policy has been effective since 30th June 2012 and is reviewed regularly.

3.5 Minimum Subscription

A minimum of 65% of the Rights Issue is required to be accepted for it to be declared successful. This implies that a minimum of 2,857,869,893 New Shares need to be taken up and fully paid for.

3.6 Over-Subscription

In the event of over-subscription and following allotment, KenGen shall make refunds as detailed in Section 3.23: Refunds.

3.7 Documents

The documents to be used for the perposes of the Rights Issue are as set out in Table 9 below.

Table 9- Documents

No.	Document	Description
1	Abridged Information Memorandum	A booklet that contains an extract of the Information Memorandum and contains legal, compliance and relevant information to assist with making an informed decision.
2	CDS Form 1	Standard form by CDSC to be used to open a CDS Account in CDS through a CDA.
3	CDS Form 2	Standard form by CDSC to be used for immobilisation of Rights and Existing Shares into the CDS through a CDA.
4	CDS Form 5	Standard form by CDSC to be used for utilizing loan facilities.
5	CDS Form 7	Standard form by the CDSC that is used in connection with a private transfer.
6	Form A	Form of Power of Attorney as set out in Annexure G, to be completed by Eligible Shareholders wishing to appoint third parties as their lawful attorney or agent to act on their behalf in connection with the Rights Issue.
7	Form E	Form of Entitlement as set out in Annexure F, to be used by any person and issued in favor of such person, in the case of Rights purchased on the NSE or balance Rights in the CDS Account or Non Trading CDS Account.
8	Form R	Form of Renunciation as set out in Annexure E, to be used by Eligible Shareholders renouncing or transferring their Rights, by way of private transfer and by Renouncees to take up their New Shares.
9	Information Memorandum	As defined above in section on Definitions & Abbreviations.
10	Irrevocable Bank Guarantee ('IBG')	As defined above in section on Definitions & Abbreviations.
11	Irrevocable Letter of Undertaking ('ILU')	As defined above in section on Definitions & Abbreviations.
12	Provisional Allotment Letter ("PAL")	As defined above in sect ion on Definitions & Abbreviations.
13	Rump Form	As set out in Annexure H, to be used by investors to take up Untaken Rights as per Section 3.21-Rump Mechanism below.

3.8 Delivery of Documents

3.8.1 KenGen shall post to Eligible Shareholders a package that shall contain the Abridged Information Memorandum and a personalised PAL. Eligible Shareholders include those that have Existing Shares with a Suspended Trader.

3.8.2 Risks associated with posting of the documents rests with the Eligible Shareholder, and no late acceptances, whether resulting from postal delays, return to sender by the post office or otherwise, shall be permitted.

3.8.3 Eligible Shareholders who do not receive the documents by post should contact the Registrar immediately in order to receive a replacement package.

3.8.4 Eligible Shareholders can obtain a copy of the Information Memorandum from a Sales Agent or download from www.kengen.co.ke.

3.8.5 The Form A, Form R and Form E shall be available from a Sales Agent or www.kengen.co.ke.

3.8.6 CDS Forms 1,2,5,7 shall be available from the Sales Agents.

3.8.7 The Sales Agents shall deliver to QIIs a package that shall contain the Information Memorandum and Rump Form.

3.8.8 The IBG and ILU sample formats are available in the annexures of the Information Memorandum.

3.8.9 The National Treasury and KenGen staff can submit their applications directly to the office of the Company Secretary, through the address below;

The Company Secretary/Legal Affairs Director
KenGen Pension Plaza Building, 9th Floor
Kolobot Rd, Parklands
P.O. Box 47936-00100
Nairobi.

3.9 Entitlement

3.9.1 The number of New Shares that an Eligible Shareholder is entitled to (i.e. your Entitlement or your number of Rights) is shown on the PAL.

3.9.2 Eligible Shareholders are required to verify the correctness of the Entitlement.

3.9.3 The number of New Shares offered to Eligible Shareholders has been calculated on the basis of the Entitlement Ratio and no restrictions are placed on the number of Existing Shares to be held before your Entitlement accrues. However, mathematically, this might result in fractional entitlements to New Shares and in such an event, fractions shall be rounded down. These fractions shall then form part of the Untaken Rights.

3.10 Actions Possible

The following actions can be taken by Eligible Shareholders, potential investors and Renouncees:

3.10.1 Eligible Shareholders

- Take up the Entitlement in full and choose whether to apply for Additional Shares.
- Renounce all or part of the Rights to a close relation (as defined in Section 3.16).
- Sell all of the Entitlement on the NSE.
- Accept part of the Entitlement and sell the balance on the NSE.
- Accept part of the Entitlement and renounce the balance to a close relation.
- Accept part of the Entitlement and allow the balance to lapse.
- Trade in Rights at the NSE.
- Purchase and take up the Rights on the NSE.
- Purchase and take up the Rights on the NSE and apply for Additional Shares.
- Allow the Entitlement to lapse by doing nothing.
- Acceptable combinations of the above.

3.10.2 Potential investor

- Trade in Rights on the NSE.
- Purchase and take up the Rights on the NSE
- Purchase and take up the Rights on the NSE and apply for Additional Shares.
- Participate in the Rump.

3.10.3 Renouncee

- Accept all the Rights renounced and choose whether to apply for Additional Shares.
- Accept part of the Rights renounced and let the balance lapse.
- Refer to Sections 3.12 – 3.16 for more details.

3.11 Additional Shares

3.11.1 Eligible Shareholders shall use the PAL to apply for Additional Shares provided they have accepted their Entitlement in full.

3.11.2 Entitlees shall use the Form E to apply for Additional Shares provided they have accepted their entire purchase in full.

3.11.3 Renouncees shall use the Form R to apply for Additional Shares provided they have accepted their entire renunciation in full.

3.11.4 Applications for Additional Shares should be for a minimum of 100 and in multiples of 100 at the Rights Issue Price.

3.11.5 IBG and ILU can be used for payment of Additional Shares and is to be attached to the RIF.

3.11.6 Acceptance of Additional Shares is subject to Section 3.18-Rejection Policy below.

3.12 Acceptance

3.12.1 For the following RIF: PAL, Form R, Form E, acceptance may only be communicated by submitting to a Sales Agent, a correctly executed and binding RIF, together with RIF Money.

3.12.2 RIF Money can be made using one of the methods under Section 3.13-Modes of Payment.

3.12.3 The RIF and RIF Money shall be received by the Sales Agent by 5.00 p.m. on the Closure Date or Rump Closure Date.

3.12.4 The acceptance of an RIF is subject to Section 3.18-Rejection Policy.

3.12.5 Once accepted, the RIF is irrevocable.

3.13 Modes of Payment

3.13.1 The following shows authorised ways of payment of the RIF Money as per the relevant sub-Section.

3.13.2 All payments shall be made in Kenya Shillings.

3.13.3 Any fees payable in securing any of the payments shall be borne by the Eligible Shareholder, Entitlee or Renouncee but not KenGen or its advisors/agents.

3.13.4 RIF Money paid to the Sales Agent requires that it forward the exact RIF Money (including CDSC Fee) to the Receiving Bank by the Forward Date or else the RIF shall be rejected.

3.13.5 Any payments made to the Receiving Bank, shall upon receipt of the relevant amount in cleared funds, constitute acceptance of the Rights Issue on the terms and conditions set out in the Information Memorandum and in the RIF, but subject to Section 3.18-Rejection Policy.

3.13.6 No interest shall be payable by KenGen nor its advisors/agents on any RIF Money received for the Rights Issue.

3.13.7 If a Financier is involved where the New Shares are to be used as security, payment can be made by the Financier using Mode P2, P3 and P4 in Table 10-Payment Modes.

3.13.8 RIF Money shall be accepted subject to compliance with AML Laws.

Table 10: Payment Modes

No.	Mode	Description
P1	Mobile Money	1. This shall be less than Kshs70,000 and greater than Kshs10 in value. 2. More than one payment for one RIF is disallowed. 3. The Paybill Number is 400205; 4. For account number use the PAL Number or the Form R Number or the Form E Number; 5. Indicate the transaction reference number correctly on the RIF provided zero is denoted as a slashed 0 i.e.”ø”.
P2	Banker’s Cheque	**6. It is preferred that this is paid directly into the Receiving Bank for the reference account of the Sales Agent (see Section 3.14-Accounts List).** 7. This shall be less than Kshs 1,000,000/- (Kshs one million) in value. 8. More than one payment for one RIF is disallowed. 9. It should be drawn in favour of ‘KenGen Rights Issue – Form No. XXXXXXX’ and be crossed “A/C Payee Only”. 10. The form number refers to the RIF and shall be inserted. 11. The Banker’s Cheque shall be attached to the RIF and it shall be deposited immediately for collection.

P3	Funds Transfer	12. This is mandatory for amounts above Kshs 1,000,000/- (Kshs one million) in value. **13. This Funds Transfer shall be transferred to the Receiving Bank directly provided it is into the correct Sales Agent reference account as per Section 3.14-Accounts List.** 14. This electronic transfer can be effected from the paying bank by visiting a branch or using on-line banking and it can also be effected by the Sales Agent using funds held by them. 15. These transfers shall include the name of the Shareholder and the RIF No. for immediate reference. The Funds Transfer must be authenticated by swift message from the paying bank on or before 5:00 p.m. on the Rights Issue Closure Date. 16. More than one payment for one RIF is disallowed. 17. Make a photocopy of the remittance advice. 18. Attach the original remittance advice to the RIF and retain the photocopy.
P4	IBG	19. For Additional Shares or Rump. 20. The key advantage of an IBG is the ability to pay on allocation of shares. 21. The key disadvantage of an IBG is the cost to secure it as fees vary across commercial banks. 22. IBGs shall use the format provided in the Annexure and should be authenticated by the guaranteeing bank via a SWIFT message forwarded to the Receiving Bank, on or before 5:00 p.m on the Rights Issue Closing Date. 23. The original IBG is to be attached to the RIF. 24. The IBG shall be drawn down at the sole discretion of KenGen.
P5	ILU	25. For Additional Shares or Rump. 26. The original ILU is to be attached to the RIF. 27. The ILU shall be drawn down at the sole discretion of KenGen.

3.14 Accounts List

3.14.1 The Co-operative Bank of Kenya Ltd is the receiving bank. It has more than 140 branches countrywide and shall operate during normal working hours as determined by the branch.

3.14.2 The SWIFT Code for the Receiving Bank is KCOOKENA (i.e. letter O not zero).

The following are the Sales Agents (Refer to Annexure C for agent details) assigned bank accounts at the Receiving Bank

Table 11: Accounts List

	Sales Agent Account Name	Account No
	Kengen Rights issue Main A/c	**01136532185000**
1.	KenGen Rights Issue A/c Standard Investment Bank Ltd	**01136532185020**
2.	KenGen Rights Issue A/c Renaissance Capital (Kenya) Ltd	**01136532185024**
3.	KenGen Rights Issue A/c Dyer & Blair Investment Bank Ltd	**01136532185002**
4.	KenGen Rights Issue A/c Faida Investment Bank Ltd	**01136532185017**
5.	KenGen Rights Issue A/c African Alliance Kenya Investment Bank Ltd	**01136532185023**
6.	KenGen Rights Issue A/c CBA Capital Ltd	**01136532185025**
7.	KenGen Rights Issue A/c Equity Investment Bank Ltd	**01136532185026**
8.	KenGen Rights Issue A/c Genghis Capital Ltd	**01136532185019**
9.	KenGen Rights Issue A/c KCB Capital Ltd	**01136532185003**
10.	KenGen Rights Issue A/c Kestrel Capital (East Africa) Ltd	**01136532185021**
11.	KenGen Rights Issue A/c SBG Securities Ltd	**01136532185009**
12.	KenGen Rights Issue A/c ABC Capital Ltd	**01136532185014**
13.	KenGen Rights Issue A/c AIB Capital Ltd	**01136532185012**
14.	KenGen Rights Issue A/c Apex Africa Capital Ltd	**01136532185016**
15.	KenGen Rights Issue A/c Francis Drummond & Company Ltd	**01136532185001**
16.	KenGen Rights Issue A/c Kingdom Securities Ltd	**01136532185011**
17.	KenGen Rights Issue A/c NIC Securities Ltd	**01136532185018**
18.	KenGen Rights Issue A/c Old Mutual Securities Ltd	**01136532185008**
19.	KenGen Rights Issue A/c Sterling Capital Ltd	**01136532185015**
20.	KenGen Rights Issue A/c Suntra Investments Ltd	**01136532185007**
21.	KenGen Rights Issue A/c I & M Bank Ltd	**01136532185005**
22.	KenGen Rights Issue A/c Prime Bank Ltd	**01136532185006**

3.15 Loans

3.15.1 A Financier can be approached for loan to facilitate payment of the RIF Money.

3.15.2 The extension of loan facilities using New Shares as part or full collateral is the decision of the Financier at its sole and absolute discretion and risk.

3.15.3 The CDS Form 5 (available from a Sales Agent) must be properly completed for a pledge/lien to be effected through entries in the CDS maintained by the CDSC and a fee of Kshs 1,000/- is payable via a Banker's Cheque or a cheque issued by a Sales Agent, payable to CDSC. Cheques payable to CDSC must contain the serial number of the CDS Form 5.

3.15.4 In addition, the Financier shall send a letter to the CDSC stating that the New Shares will be pledged as security unless it instructs CDSC in writing to lift the pledge.

3.15.5 Section 3.23.5 refunds require that the Financier provide appropriate bank account details in the RIF.

3.15.6 The documents in Sections 3.15.3 and 3.15.4 shall be attached to the RIF and upon receipt shall be processed by the Receiving Agent.

3.15.7 Neither KenGen nor its advisors/agents will accept responsibility for pledges/lien not created by the Listing Date.

3.16 Renunciation by Private Transfer

3.16.1 Eligible Shareholders are advised to contact a Sales Agent for the purposes of effecting the renunciation by private transfer.

3.16.2 Eligible Shareholders wishing to transfer their nil paid Rights to a particular Renouncee, may do so by way of private transfer, subject to (a) Section 31 of the Capital Markets Act; (b) Regulations 57 to 61 of the Capital Markets (Licensing Requirements) General (Amendment) Regulations 2002 and (c) Rule 31 of the Central Depository Rules, 2004.

3.16.3 Regulation 57 allows a transfer, inter alia, of Rights by an Eligible Shareholder to a close relation in the form of a gift. In such a case, any Sales Agent is required to assess, endorse and submit to the NSE a written application with supporting documents stating the reason for the transfer. A close relation means a relationship supported by documentary evidence of a spouse, parent, sibling, child, father-in-law, mother-in-law, son-in-law, daughter-in-law, brother-in-law, grandchild or spouse of a grandchild.

3.16.4 The Eligible Shareholder and Renouncees are to complete the Form R and the CDS Form 7. If there is balance Rights to be taken-up, the Form E shall also be completed by the Eligible Shareholder.

3.16.5 The completed: PAL, Form R, CDS Form 7 and Form E (where applicable) are to be submitted to the Sales Agent for processing.

3.16.6 RIF Money shall be attached to the Form R and the Form E where applicable.

3.16.7 The last date and time for this renunciation is 3.00 p.m. on Renunciation Date and is subject to regulatory approvals.

3.16.8 Neither KenGen nor its advisors/agents take responsibility for regulatory approvals that may not have been obtained by the Closure Date or Rump Closure Date.

3.17 Renunciation by Rights Trading

3.17.1 The nil paid Rights constitute a security in the form of an option and shall be tradable on the Main Investment Market Segment of the NSE.

3.17.2 The price of nil paid Rights is determined by demand and supply and the trading price of the Existing Shares. It is possible that trading of the nil paid Rights will not happen.

3.17.3 Rights trading can only be effected via CDS Accounts and through a Sales Agent that is a licensee of the CMA and has rights of access to and use of trading facilities on the NSE. Non-trading CDS Account holders shall be required to first transfer nil paid Rights to a CDS Account and are urged to commence the process as soon as possible.

3.17.4 Nil paid Rights may be traded on the NSE from the date the Rights Issue opens to the Rights Trading Last Date.

3.17.5 Rights trading on the NSE shall attract a brokerage commission plus other statutory costs payable by the vendor and purchaser of such Rights and therefore not payable by KenGen.

3.17.6 Purchasers of nil paid Rights are issued with a completed Form E by the Sales Agent for further action. This Entitlement can subsequently be sold, (partially or wholly) on the NSE or be accepted (partially or wholly) or have a combination of sale and acceptance

3.18 Rejection Policy

3.18.1 An RIF shall be rejected for the following reasons:

3.18.1.1 If found to be incomplete, inconsistent or inaccurate with the instructions as provided in the Information Memorandum or Abridged Information Memorandum or an RIF;

3.18.1.2 No signature as required or as per the signing mandate;

3.18.1.3 Insufficient RIF Money paid to by the Receiving Bank;

3.18.1.4 Inappropriate IBG or ILU;

3.18.1.5 Non receipt of CDSC Fee;

3.18.1.6 RIF Money was correctly received but the RIF is incorrect or missing;

3.18.1.7 Money for Additional Shares indicated in the RIF was not included;

3.18.1.8 Any private transfer rejected or where regulatory approval is delayed beyond the Closure Date;

3.18.1.9 Where a Form E is used, there are no Rights in the CDS Account;

3.18.1.10 Multiple Sales Agent stamps on the same RIF;

3.18.1.11 Deliveries after the Forward Date by the Sales Agent to the Receiving Agent.

3.18.1.12 RIF Money is deemed by KenGen to be non-compliant with provisions under AML Laws.

3.18.1.13 Insufficient Rump Shares (i.e applications for Rump Shares for quantities below the stipulated minimum)

3.18.2 Neither KenGen nor its advisors/agents shall be liable should any RIF be rejected as per this Rejection Policy.

3.19 Renunciation by Declining

3.19.1 No action is required of Eligible Shareholders who wish to decline their nil paid Rights.

3.19.2 The nil paid Rights not taken up by such Eligible Shareholders shall form part of the Untaken Rights.

3.20 Untaken Rights

3.20.1 Provisionally allotted New Shares not taken up shall form the Untaken Rights.

3.20.2 Fractional shares resulting from the Entitlement Ratio shall form the Untaken Rights.

3.21 Rump Mechanism

3.21.1 This mechanism is designed to allow the sale of any New Shares not taken up as per the Entitlement and Additional Shares. It allows the new investors to subscribe for the New Shares that may have otherwise remained as Untaken Rights.

3.21.2 These investors will be invited to submit their applications at the Rights Issue Price by completing and signing the Rump Form (refer to Annexure H) together with RIF Money (including option of IBG or ILU).

3.21.3 The minimum application size is 100,000 New Shares. The size of allotment (including for the minimum application) is dependent on the number of Untaken Rights. KenGen accepts no responsibility for any losses incurred as a result of the application.

3.21.4 All the rump applications received will be disclosed to the CMA before the final allocation for the Rights Issue. The rump allotment results will be published in the allotment announcement.

3.21.5 The Rump Shares will be offered at a fixed price, equal to the Rights Issue Price

3.22 Allocation Policy

3.22.1 Subject to the Section 3.18-Rejection Policy:

3.22.1.1 Eligible Shareholders who accept Entitlement in full, or in part, accompanied by RIF Money including CDSC Fee, shall receive the fully paid New Shares indicated in their PAL.

3.22.1.2 Renouncees who successfully accept their Entitlement in full or in part, accompanied by RIF Money (including CDSC Fee), shall receive the full number of fully paid New Shares indicated in their Form R.

3.22.1.3 Entitlees who successfully accept their Entitlement in full, or in part, accompanied by RIF Money (including CDSC Fee), shall receive the full number of fully paid New Shares indicated in their Form E.

3.22.2 The Untaken Rights shall then be available for allocation to the applicants for Additional Shares on a pro-rata basis.

3.22.3 Any further Untaken Rights shall be available for allocation to the applicants for Rump Shares on a pro-rata basis.

3.22.4 For the avoidable of doubt, allocation of shares will be in the following order:

a) Allocation as per the provisional allotment to existing shareholders;

b) Allocation to Renouncees (Form R);

c) Allocation to Entitlees (Form E);

d) Allocation to existing shareholders applying for additional shares;

e) Pro-rata allocation to Rump applicants.

While applicants under category a), b) and c) will receive their full entitlement if they have satisfied the laid down criteria, applicants in category d) and e) will only be entitled to be allocated any shares in the event that there are still unallocated shares outstanding after satisfying the first three categories. Applicants under category e) will only be allocated any shares in the event that there are still unallocated shares after satisfying the first four categories.

3.22.5 Any further Untaken Rights shall then lapse.

3.22.6 Allocations for New Shares shall be undertaken at the time and date on which the Board of KenGen meets to determine the final allocations for the Rights Issue, which includes the issue of New Shares by KenGen by way of rights on the terms, and subject to the conditions contained in this Information Memorandum, including the Rump Shares.

3.23 Refunds

3.23.1 Where applicable, refunds shall be paid via Funds Transfer and a bank account is mandatory.

3.23.2 Receiving Bank customers shall receive an internal credit transfer.

3.23.3 If the first refund is unsuccessful, the Receiving Agent shall make a second attempt after re-checking the data provided on the RIF. A third attempt may be made after contact with the investor.

3.23.4 If the Funds Transfer is still declared unsuccessful, a Banker's Cheque or bank draft may be issued.

3.23.5 Where a Financier has advanced money to an investor to subscribe for New Shares, refunds shall be made to the details provided in the RIF. The Financier is responsible for ensuring bank details are correct.

3.23.6 Refund cheques should be collected from the Sales Agent who received payment in the first place against proof of identity and other documentation must be provided.

3.23.7 Payment of refunds shall take into account the prevailing exchange rates. Exchange rate losses will be borne by the investor and not KenGen or its advisors/agents.

3.23.8 Neither KenGen nor its agents or advisors shall be responsible or liable for refunds that are not received or delayed once they have been made. Losses incurred on a refund are for the account of the investor and not KenGen or any of its appointed advisors/agents.

3.23.9 Where refunds are sent to the incorrect bank account, or where cheques are cleared incorrectly by the Receiving Bank, KenGen shall take responsibility and have the transfer or cheque rectified as required, provided there is a formal notification. The investor is required to write a letter to the Sales Agent or KenGen who within 10 Business Days of receipt shall investigate and give feedback to the investor. Rectification is expected to be made within another 10 Business Days.

3.23.10 The Receiving Agent is expected to put in place measures to ensure safe custody and clearance of cheques. These include effective co-ordination of information with the Sales Agents, the use of special documentation, hierarchical administrative structures and dedicated personnel with specific responsibilities.

3.23.11 Refunds shall be subject to compliance with AML Laws.

3.24 Trading

3.24.1 Fully paid New Shares shall be traded on the NSE after the closure of the Rights Issue and the Rump i.e. from the Listing Date. Contact Sales Agents for details.

3.25 Local & Foreign Investors

3.25.1 Selling and transfer restrictions

The distribution of this Information Memorandum and the Rights Issue in certain jurisdictions may be restricted by law and therefore persons into whose possession this Information Memorandum comes should inform themselves about and observe any such restrictions, including those that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

No action has been taken or will be taken by the Company or the Lead Transaction Advisor in any jurisdiction that would permit a public offering or sale of the New Shares, or possession or distribution of this Information Memorandum (or any other offering or publicity material relating to the Rights Issue), in any country or jurisdiction (other than Kenya) where action for that purpose is required or doing so may be restricted by law.

None of the New Shares may be offered for subscription, sale or purchase or be delivered, and this Information Memorandum and any other offering material in relation to the Rights Issue may not be circulated, in any jurisdiction where to do so would breach any securities laws or regulations of any such jurisdiction or give rise to an obligation to obtain any consent, approval or permission or to make any application, filing or registration.

Persons into whose possession this Information Memorandum comes should inform themselves about and observe any restrictions on the distribution of this Information Memorandum and the Rights Issue contained in this Information Memorandum. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

3.25.2 European Economic Area

In relation to each Member State of the European Economic Area ("EEA") which has implemented the Prospectus Directive (2003/71/EC) (each, a "Relevant Member State") an offer to the public of any New Shares may not be made in that Relevant Member State, except that the New Shares may be offered to the public in that Relevant Member State at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

a. to any legal entity which is a qualified investor as defined under the Prospectus Directive;

b. to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive);

c. in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of New Shares shall result in a requirement for the publication by the Company or Lead Transaction Advisor of an Information Memorandum pursuant to Article 3 of the Prospectus Directive and each person who initially acquires New Shares or to whom any offer is made will be deemed to have represented, warranted and agreed to and with the Lead Transaction Advisors and the Company that it is a "qualified investor" within the meaning of the law in that Relevant Member State implementing Article 2(1)of the Prospectus Directive. For the purposes of this provision, the expression "an offer to the public of any New Shares" in relation to any New Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Offer and the New Shares to be offered so as to enable an investor to decide to purchase or subscribe for the New Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State. The expression **"Prospectus Directive"** means Directive 2003/71/EC (and any amendments thereto, including the **2010 PD Amending Directive**, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in each Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU. In the case of any New Shares being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive each financial intermediary will be deemed to have represented, warranted and agreed that the New Shares acquired by it in the Offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any New Shares to the public other than their offer or resale in a Relevant Member State to qualified investors as so defined or in circumstances in which the prior consent of the Managers has been obtained to each such proposed offer or resale.

   The Company, the Lead Transaction Advisors and their affiliates, and others will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement. Notwithstanding the above, a person who is not a qualified investor and who has notified the Lead Transaction Advisors of such fact in writing may, with the consent of the Lead Transaction Advisors, be permitted to subscribe for or purchase New Shares in the Offer.

3.25.3 United States

The New Shares have not been and will not be registered under the US Securities Act or under any applicable state securities laws of the United States, and, subject to certain exceptions, may not be offered or sold within the United States. The New Shares will be offered or sold only in an offshore transaction outside the United States within the meaning of and in compliance with Regulation S under the US Securities Act.

In addition, until 40 days after the commencement of the Offer, an offer of New Shares within the United States by a dealer (whether or not participating in the Rights Issue) may violate the registration requirements of the US Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

Each person who initially acquires New Shares or to whom any offer is made will be deemed to have represented, warranted and agreed to and with the Lead Transaction Advisors and the Company that (i) it and any person for whose account it is subscribing for New Shares are outside the United States and is acquiring such New Shares in an offshore transaction within the meaning of and in compliance with Regulation S under the Securities Act; (ii) it did not become aware of nor is it making any investment decision with respect to the New Shares as a result of any "directed selling efforts" within the meaning of Rule 902(c) of Regulation S under the Securities Act; and (iii) it will not re-offer, re-sell, pledge or otherwise transfer or deliver any New Shares, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and all applicable securities laws of the states and other jurisdictions of the United States.

The Company and the Lead Transaction Advisors and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.

3.25.4 South Africa

The Rights Issue does not constitute an ''offer to the public or any Section of the public'' (as such expression is defined in the South African Companies Act, No. 71 of 2008 (as amended)) (''South African Companies Act'') in South Africa and this Information Memorandum does not, nor is it intended to, constitute a ''registered Information Memorandum'' (as that term is defined in the South African Companies Act) prepared and registered under the South African Companies Act. To the extent that the New Shares are offered for subscription or sale in South Africa, such Offer is made: (i) only to persons ("Appropriate Persons") described in Section 96(1)(a) of the South African Companies Act; and/or (ii) in terms of Section 96(1)(b) of the South African Companies Act such that the total acquisition cost of the shares for any single addressee acting as principal is equal to or greater than South African Rand 1,000,000. To the extent that the New Shares are made available to any persons in South Africa, such persons shall be subject to, to the extent applicable, any applicable South African Exchange Control Regulations and requisite approvals from the South African Reserve Bank. Each person who initially acquires New Shares or to whom any offer is made in South Africa will be deemed to have represented, warranted and agreed to and with the Lead Transaction Advisor and the Company that it is an Appropriate Person. Accordingly, the Offer made in terms of this Information Memorandum does not constitute an ''offer to the public or any Section of the public'' within the meaning of the South African Companies Act.

3.25.5 United Kingdom

No New Shares have been marketed to, nor are they available for purchase in whole or in part by, the public in the United Kingdom in conjunction with the Offer. This Information Memorandum does not constitute a public offer or the solicitation of a public offer in the United Kingdom to subscribe for or buy any securities in the Company or any other entity.

This Information Memorandum does not constitute an admission document drawn up in accordance with the AIM Rules for Companies. This Information Memorandum is also not an approved Information Memorandum for the purposes of Section 84(2) of the Financial Services and Markets Act 2000 ("FSMA") and has not been approved by the Financial Conduct Authority as an Information Memorandum for the purposes of Sections 85 and 87 of FSMA. This Information Memorandum has not been approved as a financial promotion in the United Kingdom for the purposes of Section 21 of FSMA.

To the extent that any New Shares are made available for purchase to persons in the United Kingdom, they shall only be made available to (i) investment professionals (within article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) (the "FPO")); (ii) certified sophisticated investors (within article 50(1) of the FPO); (iii) self-certified sophisticated investors (within article 50A(1) of the FPO); (iv) persons of a kind described in article 49(2) of the FPO; (v) certified high net worth individuals (within article 48(2) of the FPO); (vi) associations of high net worth or sophisticated investors (within article 51 of the FPO); and (vii) any other persons to whom any offer for the purposes of Section 21 of FSMA can otherwise lawfully be made (in each case a "Relevant Person).

Each person who initially acquires New Shares or to whom any offer is made in the United Kingdom will be deemed to have represented, warranted and agreed to and with the Lead Transaction Advisors and the Company that it is a Relevant Person.

SECTION 4: KENYA'S ENERGY SECTOR

The following summarizes the background and sector background, the role of KenGen and the growth in the sub-sector.

4.1 Background

Middle income countries are home to more than five of the world's seven billion people and over 70% of the world's poor. At the same time, they represent about one third of global GDP and are major engines of global growth. Kenya is a middle-income country and is on the move to improve its ranking through the implementation of various strategies contained within the Vision 2030 economic blueprint.

Vision 2030 comprises economic, social and political pillars and are anchored on macroeconomic stability; governance reforms, enhanced equity and wealth creation opportunities for the poor. The strategy is to undertake reforms in eight key sectors that form the foundation for socio-political and economic growth: infrastructure; information and communications technology; energy; science, technology and innovation; land reform; labor and employment; national values and ethics; public sector reforms; ending drought emergencies and security, peace building and conflict resolution.

The Vision 2030 envisages a country with integrated and firmly interconnected transport infrastructure consisting roads, railways, airports, seaports and waterways. There are various initiatives including the Standard Gauge Railway and the Lamu Port-South Sudan-Ethiopia Transport Corridor.

The devolved system of governance has led to county government development initiatives in each of the 47 counties across the country. This has resulted in an increase demand for power.

Vision 2030 has identified energy as one of the key enablers of economic growth in the country. Consequently, energy shall continue to be a critical ingredient in the attainment of Vision 2030.

4.2 Sector Background

4.2.1 Legal & Regulatory Framework

The energy and petroleum sector is guided by Sessional Paper No. 4 of 2004 and several specific pieces of legislation:

(a) The Energy Act, No. 12 of 2006;

(b) The Geothermal Resources Act No. 12 of 1982;

(c) The Petroleum (Exploration and Production) Act, Chapter 308;

(d) The Petroleum Development Fund Act Chapter 426C enacted in 1991 and

(e) The National Energy and Petroleum Policy 2015.

Others include: The Urban Areas and Cities Act No. 13 of 2011 that gives effect to Article 184 of the Constitution and the County Government Act. In addition, new legislation is being developed by GOK.

4.2.2 Industry Players

Roles of different players are as follows:

4.1.1.1 Ministry of Energy and Petroleum (MOEP). Responsible for national energy policy formulation, including determining the policy on feed-in-tariffs and creating a framework for growth, investment, and operational efficiency in the sector. As part of this role, the MOEP also oversees the implementation of the rural electrification programme and facilitates the mobilization of resources for investment in the sector.

4.1.1.2 Energy Regulatory Commission (ERC). Established under Section 4 of the Energy Act as the successor of the Electricity Regulatory Board, ERC is responsible for the regulation of the energy sector. The Energy Act of 2006 established ERC as an independent energy regulator with responsibility for economic and technical regulation of electric power, renewable energy, and downstream petroleum sub-sectors. Its mandate includes tariff-setting and review, licensing, enforcement, dispute-resolution, approval of power purchase agreements and network service contracts.

4.1.1.3 Energy Tribunal. The quasi-judicial body was established under Section 108 of the Energy Act, 2006 hear appeals against decisions of ERC. It became operational in July 2007 and has the jurisdiction to hear and determine all matters referred to it relating to the energy sector.

4.1.1.4 Kenya Power. A state corporation listed on the Nairobi Securities Exchange with GOK shareholding of 50.086% and private shareholding of 49.914%. It purchases electrical energy in bulk from KenGen and other independent power producers. It is responsible for the distribution, supply and retail of electric power to customers throughout Kenya.

4.1.1.5 Kenya Electricity Generating Company Limited (KenGen). KenGen's business is to generate electricity, which it sells in bulk to Kenya Power. Currently, KenGen is the market leader in electric power production and is listed on the Nairobi Securities Exchange. It is 30% owned by private investors and 70% by the Government of Kenya.

4.1.1.6 Rural Electrification Authority (REA). Established under Section 66 of the Energy Act of 2006, the principal mandate of REA is to extend electricity supply to rural areas, manage the rural electrification fund, mobilizing resources for rural electrification and promote the development and use of renewable energy.

4.1.1.7 Geothermal Development Company Limited (GDC). A 100% State-owned company established as a special purpose vehicle for the development of geothermal resources in Kenya. GDC has the mandate to undertake the high-risk exploration.

4.1.1.8 Kenya Electricity Transmission Company Limited (KETRACO). In 2008, GOK created KETRACO to develop new, high-voltage electricity transmission infrastructure to facilitate grid access by rural areas, allow for grid interconnection with new generating plants and enable power trade with neighbouring countries. KETRACO is 100% owned by GOK and is responsible for planning, designing, constructing, owning, operating, and maintaining new high voltage (132kV and above) electricity transmission infrastructure.

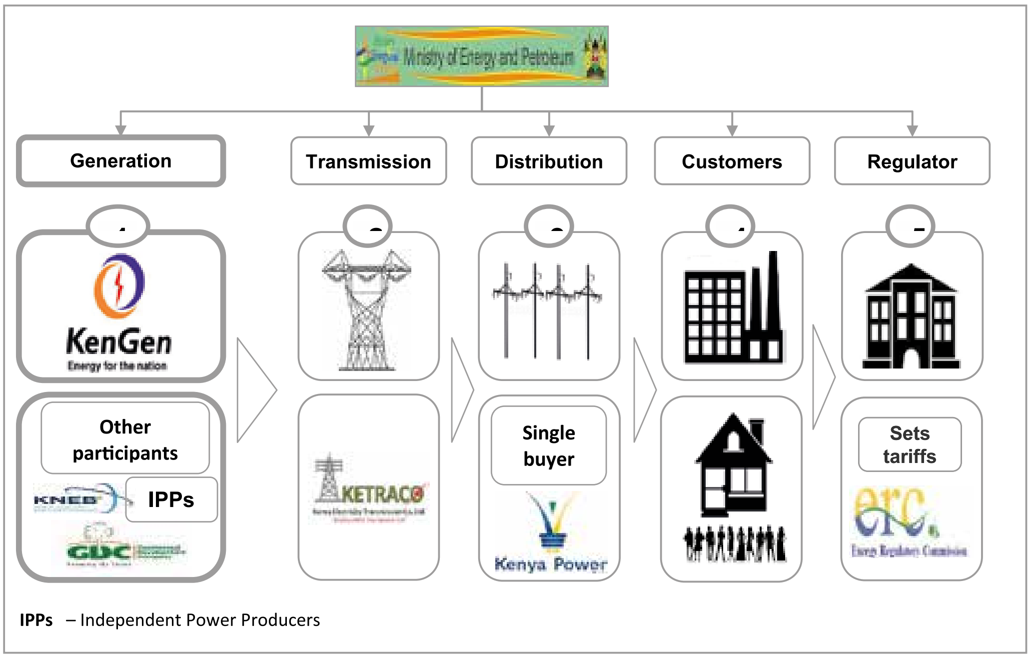
4.1.1.9 Kenya Nuclear Electricity Board (KNEB). KNEB's mandate is to create a working framework and policy to fast-track the development of nuclear power to enhance the production of affordable and reliable electricity.

4.1.1.10 Centre for Energy Efficiency and Conservation (CEEC). The Centre was established jointly by the GOK and the Kenya Association of Manufacturers to champion energy efficiency and conservation in the country.

4.1.1.11 Independent Power Producers (IPPs). In 1996, GOK liberalized power generation as part of the power sector reform efforts. The first IPP developments were the result of this liberalization. IPPs are involved in generation either on a large scale or in renewable energy projects under the feed-in-tariff policy. They currently contribute approximately 30% to the national grid. Majority are thermal producers while one is a geothermal producer.

The following figure shows the value chain in Kenya's electricity sector, including key participants under the Ministry of Energy and Petroleum

Figure 26: Key participants in Kenya's Electricity Sector



4.3 Growth in the Electricity Sub-Sector

4.3.1 Installed Generation Capacity and Electricity Demand

Kenya's installed power capacity as of 30 June 2015 was 2,320 MW, of which KenGen contributed 1,617MW. The national energy mix for the year ended 30th June 2015 was dominated by geothermal at 43.74%. Hydro was second at 35.67% while thermal contributed 19.16%. The balance (1.43%) came from imports, wind and solar.

In 2010/11, Kenya Power purchased a total of 7,303 GWh units (inclusive of system losses as a result of technical and non-technical issues) from all producers for a total connected customer base of 1,753,348. In 2014/15, Kenya Power's total purchases stood at 9,280 GWh, while the number of consumers stood at 3,611,904. The growth in units purchased by Kenya Power and the number of consumers supplied between 2010/11 and 2014/15 represents a compound annual growth rate (CAGR) of 6.17% and 19.80% respectively. For the year 2014/15, Kenya Power purchased more than 76% of its total energy sales from KenGen.

The commercial/industrial sales depend highly on the performance of the manufacturing sector and large commercial establishments. The customers in this category account for about 57% of total electricity sales. The positive growth in the manufacturing sector led to increased electricity sales in 2014/2015. The domestic customer category recorded a positive growth in energy sales in the same year. The narrowing gap between the domestic and off-peak tariffs has led to reduction in the number of customers in the off-peak category.

In Kenya, electricity access is about 47% of the total population, as of June 2015[11]. This is predominantly middle and upper income groups. Kenya Power's strategy to connect more customers to enhance growth is currently under implementation. Some of the strategies include proactive marketing and speeding up of the customer creation process. Generally, the long-term sales growth will be driven by economic growth and other factors including:

[11] Kenya Power Annual Report 2015

- A growing population, which increases the demand for most general services using electricity;
- Increases in electric demand, a result of greater use of electronic and information technologies;
- Continued growth in the manufacturing, agricultural and other sectors of the economy;
- Kenya Power's initiative to connect new customers. 'Refer to Section 5: KenGen's Energy Sales'

4.3.2 Kenya's infrastructure developments

Infrastructure development remains a key driver of power demand in Kenya. Key national infrastructure projects that will require significant amounts of power include:

4.3.2.1 The Standard Gauge Rail: This project was conceived as a flagship project under the Kenyan Vision 2030 development agenda. The project has a regional dimension, with the governments of Kenya, Uganda, Rwanda and South Sudan committed to providing high capacity, cost-effective railway transport within the Northern Corridor. This will be achieved through the construction of a Standard Gauge Railway connecting Mombasa and Kampala and, over time, other domestic and regional destinations. The project is expected to reinvigorate existing urban centres along the Mombasa – Nairobi highway due to ancillary business opportunities associated with such large scale infrastructure projects

4.3.2.2 ICT Parks: The National ICT Masterplan 2014-2017 has various objectives, with the key being an 8% ICT contribution to GDP. The establishment of ICT parks is one initiative planned to facilitate the development of these objecitves. The Government of Kenya will partner with the private sector and development partners to fund a variety of flagship projects planned for implementation during the plan period.

4.3.2.3 LAPSSET: In March 2013, the LAPSSET Corridor Development Authority (LCDA) was established with a mandate to plan, coordinate and manage the implementation of the Lamu Port-South Sudan-Ethiopia Transport Corridor. This project is expected to deliver multiple economic benefits to Kenya and neighbouring countries, including: (a) fostering transport between Kenya, South Sudan and Ethiopia; (b) the promotion of dynamic regional socio-economic development along the transport corridor especially in the Northern, Eastern, North-Eastern and Coastal parts of Kenya; (c) though the utlisation of large quantities of local inputs such as labour, steel, cement and electricity generation.

4.3.2.4 Oil exploration: Completed appraisal work, conducted by independent international firms strongly underpins Kenya's expected average gross resource estimate in the hundreds of millions of barrels. This relatively new discovery highlights Kenya's significant future potential as an oil producer. As identified potential oil fields are discovered, Kenya is likely to benefit from increased foreign investment in the oil exploration and production sector, as well as benefitting from the utilisation of local labour and economic inputs, thereby spurring economic growth.

Other drivers of electricity demand include population growth, urbanisation and GDP growth. The anticipated electrification of railway lines, the establishment of new economic zones and urban centres resulting from county investments, coupled with the implementation of a universal access strategy will spur demand for power.

4.3.3 Supply and Target Capacity Growth

The GOK's target for additional capacity currently stands at 5000+MW to be delivered in the medium-term. The additional capacity supply is expected to meet the growing demand. In the five years up to 2020, KenGen is targeting the installation of 720 MW. As of 31st December 2015, KenGen's installed capacity was 1,617 MW.

Sources: KenGen 2015 Annual Report and Accounts. World Bank, Kenya Vision 2030, The National Energy and Petroleum Policy 2015, Kenya Power 2015 Annual Report

SECTION 5: KenGen's ENERGY SALES

5.1 Background

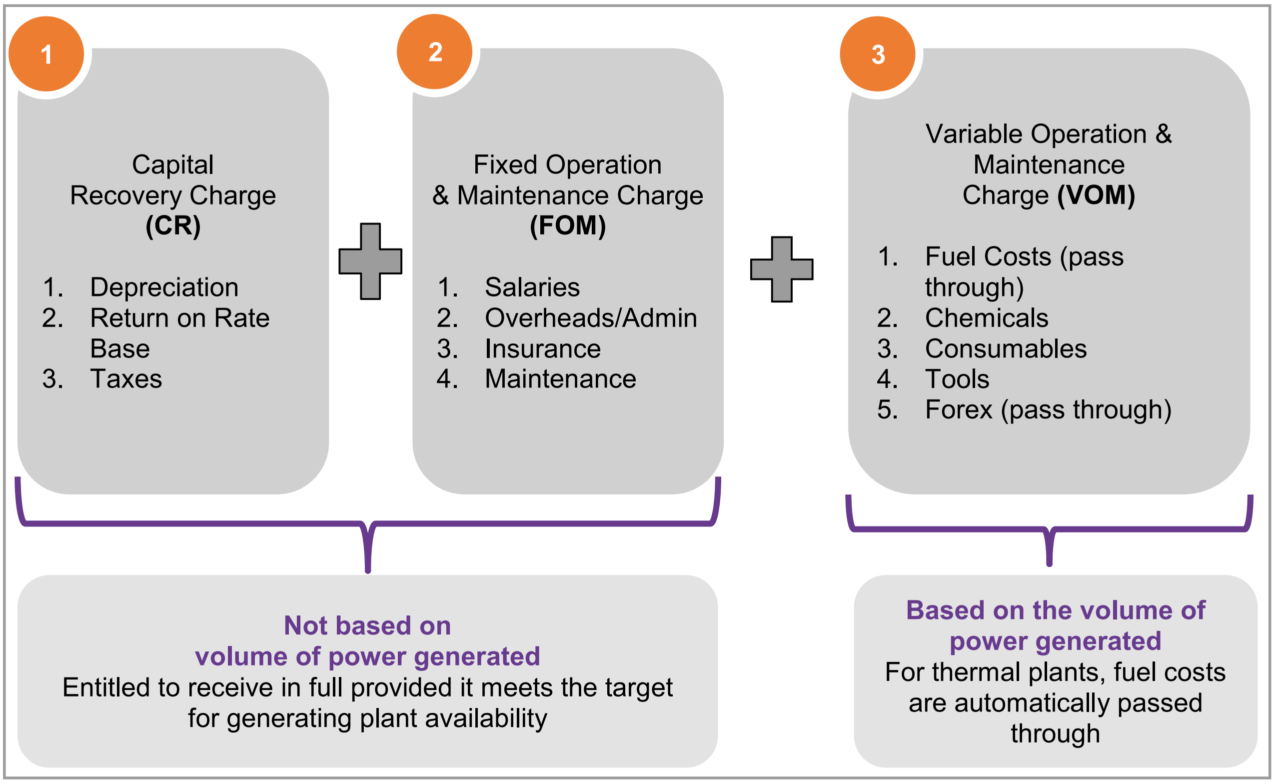
KenGen's core business is to develop, manage and operate power generation plants to supply bulk electric energy to the Kenyan market and the Eastern Africa region.

KenGen and Kenya Power have signed a two-tier tariff power purchase agreement comprising of a capacity and energy charge. The capacity charge recovers all fixed operational and maintenance costs as well as the capital and related costs (repayment of foreign and local loans, financing costs, return on equity, taxes, depreciation and duties) based on availability and contracted plant capacity. The energy charge covers all the variable operation and maintenance costs based on energy generated by the plant. The power purchase agreements (PPAs) are take or pay.

KenGen's revenue from capacity (CCR) and energy (ER) charges are detailed below:

- CCR is a guaranteed fixed payment and is divided into Capacity Charge Rate and Fixed Operations and Maintenance (Fixed O&M). Capacity Charge Rate includes depreciation, return on equity base rate and taxes. Fixed O&M includes salaries, overheads / administration insurance and maintenance.
- ER (i.e. variable O&M) includes pass-through fuel costs, chemicals, consumables and tools.
- The difference between fixed O&M and variable O&M is that the former is independent of output from the plants while the latter is dependent on it.

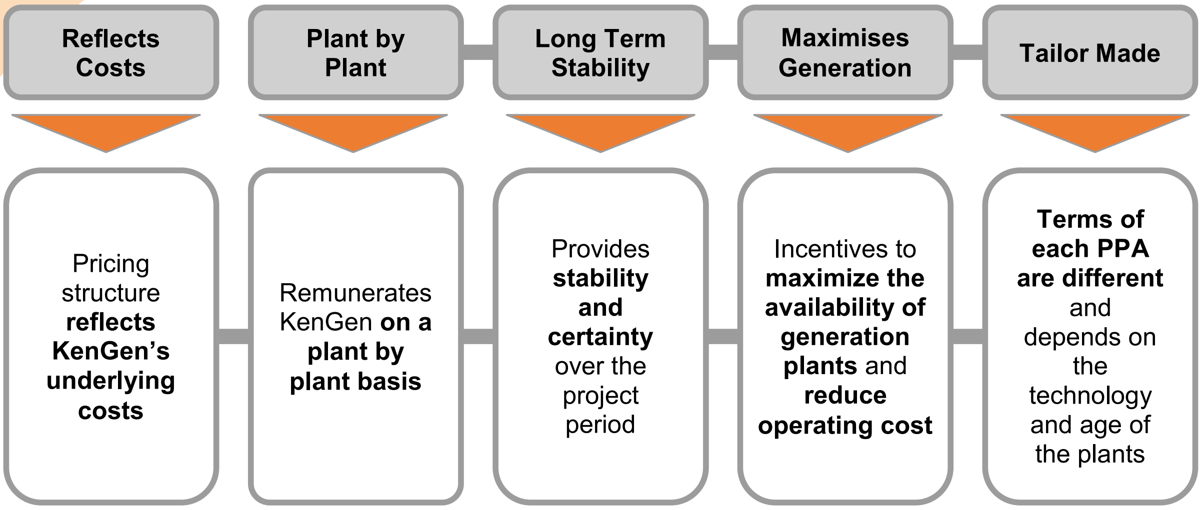
Figure 27: KenGen's Tariff Structure



Source: KenGen Note: Forex and fuel costs are a pass through

KenGen shall continue to sell electricity to Kenya Power as per the power purchase agreements (refer to Section 11.7 for more information). The figure below shows the salient features of the PPAs.

Figure 28: The Salient Features of KenGen's PPAs



5.2 Overview of Kenya Power [12]

Kenya Power is the sole off-taker of power generated by KenGen.

For the year ending 30th June 2015, Kenya Power:

a. purchased energy from KenGen representing 76% of its total purchases.
b. sold a total of 7,130GWh at an average yield of Kshs 14.97 compared to 5,816GWh at an average yield of Kshs 12.58 for the year 2011.
c. reported revenue of Kshs 106.7 billion and profit before tax of Kshs 15.8 billion compared to revenue of Kshs 73.15 billion and profit before tax of Kshs 5.95 billion for year 2011.
d. More than doubled its assets since 2011 to more than Kshs 235 billion as of 2015.
e. purchased 169% more geothermal energy from KenGen in the final year ended 30 June 2015 compared to the previous financial year ended 30 June 2014.

Kenya Power future plans include:

a) Working closely with Kenya Electricity Transmission Company in the implementation of transmission projects under the Kenya Electricity Expansion Project. This entails construction of new power lines and substations.
b) Implementation of the Kenya Electricity Modernisation Project comprising the construction of 36 new substations and lines which are part of the recommendations of the Power Distribution Master Plan to be implemented between 2013 and 2018.
c) Intensifying the implementation of the *Boresha Umeme* programme which is an initiative designed to maximize resources to carry out extensive maintenance especially in areas that experience frequent power outages. In addition, the programme prioritises network upgrades for large power customers and high growth areas including industrial parks, major towns, residential areas and townships.
d) The implementation of the Last Mile Connectivity Project aimed at increasing electricity access to rural and peri-urban areas, accelerating economic growth at the micro-economic level and improving living standards.
e) The implementation by the Rural Electrification Authority of the metering project which aims at completing the connection process for additional 5,489 primary schools bringing the cumulative total to 16,880.

Kenya Power aims to connect over one million new customers every year to achieve the 70% connectivity milestone (30 June 2014: 37%) by year 2017.

For the six months up to 31st December 2015, revenue was Kshs 56.7 billion while profit after tax was Kshs 3.76 billion. Kenya Power purchased 4,532GWh of energy (Full Year 2015: 9,280GWh).

5.2 KenGen's strategy to diversify its future energy sales

In future, KenGen shall seek to diversify its sales via:

a) Selling directly to new large scale consumers including industries at its proposed mega-industrial-park at Olkaria;
b) Selling to new distribution licensees that may arise in future as a result of further unbundling transmission and distribution functions by GOK.
c) Selling products from the Olkaria Geothermal Field directly to users as brine and steam for industrial uses.

[12] Kenya Power Annual Report 2015, KenGen

SECTION 6: OVERVIEW OF KENYA ELECTRICITY GENERATING COMPANY LIMITED

6.1 About KenGen

KenGen is the leading power producer in the country, having started its journey in 1954. It owns over 30 power generating plants with a combined installed capacity of 1,617MW as of 30th June 2015. Generation modes consist of hydro, thermal, geothermal and wind.

KenGen operates in a liberalised environment with a market share of about 70% in terms of installed capacity and sells in bulk to Kenya Power for onward distribution to consumers[13]. KenGen continues to aggressively scale up its generation portfolio as evidenced by its investment plan.

The Company is propelled by the Good-to-Great (G2G) Transformation to a "Great Company" through the creation of sustainable value from "One Generation" to the "Next Generation". As a result, KenGen is able to generate competitively priced electric energy using skilled and motivated human resource and state-of-the-art technology in line with the core values of professionalism, integrity, safety culture and team spirit.

6.2 The Vision

To be the market leader in the provision of reliable, safe, quality and competitively priced electric energy in the Eastern Africa region.

- To ensure quality and reliable electric power, KenGen is transitioning from a mix of time-based planned maintenance to condition-based maintenance practices to ensure sustained availability of plants.
- It continues to pursue a clean and safe generation mix through a combination of green sources such as geothermal, wind and hydro. In the interest of sustainability, KenGen is laying more emphasis on renewable energy technologies.
- KenGen takes the lead role in the National Least Cost Power Development and is committed to delivering projects on time and within budget, optimizing operating costs and competitively negotiating Power Purchase Agreements and negotiating concessionary loans.

6.3 The Mission

To efficiently generate competitively priced electric energy using state-of-the-art technology, skilled and motivated human resource to ensure financial success. KenGen shall maintain market leadership by undertaking least cost and environmentally friendly capacity expansion. Consistent with KenGen's corporate culture, core values will be adhered to in all operations.

- Using state-of-the art technology, supervisory control and data acquisition systems for plant visibility, operational convenience and enhanced connectivity.
- With a workforce of more than 2,400 diverse technical and professional competencies, KenGen is positioned to realize its mandate and respond to emerging challenges.
- The combination of growing asset base, increased profitability and enhanced revenue has ensured that KenGen continually maximizes on shareholder value.
- KenGen continues to align its corporate culture with its organizational goals, strategies, structures and stakeholders management in tande m with the evolving market dynamics.

6.4 Our Core Values

Core values are our guiding principles and form the foundation of our culture. They guide our business processes and underpin each action we take.

Team Spirit: Our willingness to cooperate and work together to achieve the corporate strategy.

Integrity: Our firm adherence to ethics and fidelity to doing right.

Professionalism: Excellence in delivering results to stakeholders.

Safety Culture: Our care for each other goes beyond the call of duty to ensure safety at all times.

6.5 Significant Strides

KenGen's success in achieving strategic goals during the financial year ended 30 June 2015 enabled the Company to shape the national power generation landscape. Geothermal energy sold in the financial year 2014/2015 overtook hydro energy which had for a long time been the main source of power for Kenya.

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[13] KenGen

Other key strides achieved as of 30th June 2015 are:

Geothermal Success

- Olkaria 280MW geothermal project
- The single largest geothermal power project in the world (280MW Olkaria I and Olkaria IV completed in January 2015
- Pioneered the Geothermal Wellhead Technology
- Implemented Geothermal Wellhead Condensing Technology in the world
- Operationalized 56.1MW of geothermal wellhead modular plants, the largest in the world
- Drilled one of the largest geothermal (30MW) well in Africa

Environmentally and socially conscious

- First Energy Company in Kenya to receive Carbon Asset Funds under the Clean Development Mechanism.
- ISO QMS 9001:2008 and EMS 14001:2004 recertified.
- Implemented a community Resettlement Action Plan for over 150 households in Olkaria.

Largest wind power producer in East Africa

- Largest Wind Power Producer in East Africa with a capacity of 25.5MW.

Other notable awards in recent history include:

- Recognized as the Africa Power Utility Company of the Year 2015 by East African Power Industry Convention.
- Quickest Thermal Power Plant in East Africa - commissioned in record 14 months: Kipevu III 120MW -2011
- Successful largest bond offer by a Kenyan in 2006.
- Financial Reporting (FiRe) Promoters Category Award by CMA, NSE & ICPAK
- Best Practice in Board Diversity Award by NSE
- Employee Motivation and Retention by the Institute of Human Resource Management
- Innovation and technology recognition by the Institute of Human Resource Management
- 1st Runners up – Corporate Governance Category (FiRe Awards 2015)
- 1st Runners up – IFRS Public Sector Entities Category (FiRe Awards 2015)
- 2nd Runners Up – State Corporations & SAGAs Category (FiRe Awards 2015)

6.6 Competitive Edge

KenGen's significant asset base, balance sheet strength and an integrated model sets it apart from peers. KenGen strives to be the reliable, affordable and competitively priced utility in the regional energy sector. Capitalizing on these differentiators has contributed to the Company's leadership in the sector and continues to provide a foundation for delivering long-term value to shareholders. Furthermore, KenGen's access to concessionary loans because it has GOK as a major shareholder remains a key strength in enabling continued growth.

6.7 Power Generation

KenGen produces power from various plants. The installed capacity as at 30th June 2015 was 1,617 MW, and is broken down by generation mode as follows:

6.7.1 Geothermal

6.7.1.1

KenGen's geothermal concession area covers 204 square kilometers in Olkaria, Nakuru County. It is located to the south of Lake Naivasha and has a geothermal resource potential estimated at 1,200MW. Developments are under way to generate more green and renewable energy.

6.7.1.2

For the year to 30th June 2015, the total geothermal units sold were 3,104GWh, and that was 139% higher than 2014 and was 44% of the total units sold in the whole of 2015. The plants and their capacities are as shown in Table 12 below:

Table 12: KenGen's Geothermal Plants

Plant	Installed Capacity (MW)
Olkaria I Unit 4 & 5*	150.5MW
Olkaria IV Unit 1 & 2 *	149.8MW
Olkaria II	105.0MW
Wellheads (10 Units)	56.1MW
Olkaria I	45.0MW
Eburru	2.5MW
Total	**508.9MW**
*commissioned during the financial year 2014/15	

Source: KenGen

6.7.2 Hydro

KenGen has an installed hydro capacity of 820MW located as follows;

(i) Eastern hydro plants which include the seven-forks cascade – Masinga; Kamburu; Kindaruma; Gitaru and Kiambere and the mini-hydros – Tana, Wanjii, Sagana, Ndula and Mesco.

(ii) Western hydro plants including Turkwel, Sondu, Sangoro, Gogo and Sosiani.

For the period up to 30th June 2015, the total units sold from hydro were 3,308GWh, which was 16% lower than 2014 and comprised 47% of the total units sold in 2015.

Table 13: KenGen's Hydro Power Plants

Plant	Installed Capacity (MW)
Masinga	40.0
Kamburu	94.2
Gitaru	225.0
Kindaruma	72.0
Kiambere	168.0
Turkwel	106.0
Sondu	60.0
Sangoro	21.0
Tana	20.0
Wanjii	7.4
Gogo	2.0
Sagana	1.5
Mesco	0.43
Sosiani	0.4
Ndula (decommissioned)	2.0
Total	**820MW**

Source: KenGen

6.7.3 Thermal

For the period up to 30th June 2015, the total units sold from thermal were 574GWh, which was 30% lower than 2014 and 8% of the total units sold in 2015. KenGen owns and operates the following thermal installations:

Table 14: KenGen's Thermal Power Plants

Plant	Installed Capacity (MW)
Kipevu III Diesel	120.0 MW
Kipevu 1 Diesel	73.5 MW
Embakasi Gas Turbine	60.0 MW
Garissa	6.2 MW
Lamu	2.8 MW
Total	**262.5MW**

Source: KenGen

6.7.4 Wind

For the year up to 30th June 2015, the number of units sold from wind was 34GWh, which was double that of 2014. KenGen owns and operates the following installations:

Table 15: KenGen's Wind Power Plants

Plant	Installed Capacity (MW)
Ngong I Phase I	5.1 MW
Ngong I Phase II	6.8 MW
Ngong II	13.6 MW
Total	**25.5MW**

Source: KenGen

6.7.5 Installed Capacity & Units Sold Summary

The summary of the installed capacity is as follows:

Table 16: KenGen's Installed Capacity and Units Sold Summary as of 30th June 2015

Plant Type	Installed Capacity (MW)	Units Sold (GWh)
Geothermal	508.90	3,104
Hydro	819.93	3,308
Wind	25.50	37
Thermal	262.50	578
Total	**1,616.83**	**7,027**

Source: KenGen

For the six months to 31st December 2015, KenGen sold 1,820GWh of geothermal energy, 1,844GWh of hydro, 30GWh of wind and 220GWh of thermal.

6.7.6 Overview of Key Power Plants

As an overview, KenGen has five types of electricity generating machines, namely, hydro, geothermal, thermal, wind and gas turbines. A recent independent Operation and Technical Due Diligence Report noted that all of KenGen's machines are of standard design and were manufactured by well-known international companies.

KenGen's geothermal stations are of modern conventional design with the exception of Olkaria I which is over 30 years old and has had an exemplary performance over the years.

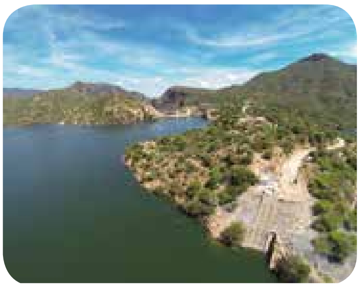
KenGen's thermal stations have diesel driven generators that are relatively new and have operated well. The engines are from well-known medium speed diesel engine manufacturers and operate on heavy fuel oil.

KenGen's wind power stations in Ngong Hills are also new and KenGen is gaining experience in operating and maintaining the machines.

KenGen's hydro power plants have been the major source of electrical power in Kenya until the geothermal power stations came on stream. The eastern hydro stations run on permanent rivers originating from Aberdares Range and Mount Kenya. In Western region, three main power stations and three mini-hydros are located in two river basins, Turkwel and Sondu. The main equipment in all of KenGen's hydro stations are manufactured by reputable firms.

The following is information of the key power plants and includes an associated image:

Geothermal		
Olkaria I (45MW)	Olkaria I was the first geothermal power plant in Africa. The first unit was commissioned in 1981 followed by the second and third units in 1982 and 1985 respectively. Its installed capacity is 45MW (comprising of three units of 15MW each).	
Olkaria I Unit 4 and 5 (150.5MW)	Olkaria 1 additional units 4 and 5 were commissioned in 2014/15. Total installed capacity is 150.5MW.	
Olkaria II (105 MW)	Olkaria II phase I was commissioned in 2003 with an installed capacity of 70MW. The second phase of 35MW was commissioned in 2010, raising the station's installed capacity to 105MW.	
Olkaria IV (149.8MW)	Olkaria IV was commissioned in 2014/15. This flagship project transformed KenGen with the addition of 149.8MW.	
Wellheads Olkaria (56.1MW)	In 2015, an additional 25MW was added to the initial installed wellhead capacity of 31.1MW, raising the total installed capacity to 56.1MW.	
Hydro		
Masinga (40MW)	Masinga Power Station was commissioned in 1981 and is the upmost among the Seven Forks Stations. It has two units each with 20MW capacity. It has a large dam with a capacity of 1.65 billion cubic meters. Masinga regulates the bulk of the water used in downstream stations (Kamburu, Gitaru, Kindaruma and Kiambere) which have lower storage capacities.	

Kamburu (94.2MW)	Kamburu Power Station has three units of 31.4MW each, which were commissioned between 1974 and 1976. The turbines utilise water from Thiba and Tana rivers.	
Gitaru (225MW)	Gitaru was commissioned initially in 1978 with Units 2 and 3 (each 72.4MW). Unit 1 (80MW) was commissioned in 1999. The three units provide a total capacity of 225 MW. Gitaru is KenGen's largest hydro power station in terms of installed and effective capacity.	
Kindaruma (72MW)	Commissioned in 1968, Kindaruma was the first major power station in independent Kenya. It was originally designed with a provision of three turbine generator units. However, two vertical Kaplan turbines were installed. The third unit has been installed with a capacity of 24 MW, while the first two have been upgraded to 24 MW each.	
Kiambere (168MW	The Kiambere hydro power station is the last in the Seven Forks cascade on Tana river. Construction of the dam began in 1983 and was completed in 1987. Both turbines/ generators were upgraded from 72 MW to 84MW each between 2008 and 2009 to a total of 168MW.	
Turkwel (106MW)	The Turkwel Power Station was constructed between 1986 and 1991 and is one of the major hydro-electric power stations in Kenya. Turkwel Power Station has an installed capacity of 106MW and is connected to the national grid at Lessos sub-station on a 220KV transmission line over a distance of 210 kilometres. It is situated in north-western Kenya, on the border of Turkana and West Pokot Counties, approximately 550 km from Nairobi. The station was conceived as a multi purpose project comprising hydro power agricultural fisheries and tourist development.	
Sondu (60MW)	Sondu Miriu Power Station was commissioned in 2008 and has an installed capacity of 60MW and is situated in Kisumu County, 60km from Kisumu town. It draws water from the Sondu Miriu River whose main catchment area is Mau Forest. Sondu is a runoff the river scheme with an intake weir and holding pond. Water from the Power Station is discharged into a 4.7km out-let channel to Sang'oro Plant.	

Sangoro (21MW)	Sang'oro was commissioned in 2012 and is a cascade power station from Sondu Miriu Power Station. Water is conveyed from the Sondu Miriu tailrace through a 4.7 km channel to a head tank and to the Power Station. Power from the station is fed to the national grid through a 5km,132kV transmission line to the Sondu Miriu Sub-station.	
Tana (20MW)	Tana Power Station was commissioned in the early 1930's and 1950's. The redeveloped Tana Power Station was commissioned in 2010 with four generating machines; two on Maragua river rated 4.5MW each and two on Tana River rated 5.5MW. Commercial operation commenced in January 2011.	
Wind		
Ngong (25.5MW)	Ngong was initially commissioned in 1993, with a recent upgrade in 2015. Ngong Wind comprises Ngong Phase 1 (5.1MW) and Phase 2 of 20.4MW. There are 30 units, each with 0.85MW, bringing the total to 25.5MW.	
Thermal		
Kipevu I (73.5MW)	Kipevu I is a diesel plant commissioned in 1999 with an installed capacity of 73.5MW. The plant has 6 diesel engines and runs on heavy fuel oil (HFO).	
Kipevu III (120MW)	Kipevu III (120MW) was commissioned in 2011 and is the largest diesel plant in East Africa. It comprises 7 diesel engines, which run on heavy fuel oil (HFO). The power plant employs the latest technology in plant monitoring and supervision, safety, sound, attenuation and exhaust air emission dispersion control and efficient treatment to ensure environmental protection.	
Embakasi Gas Turbines (60MW)	Two gas turbines each with an installed capacity of 30 MW. The plant runs on Kerosene. KenGen is relocating one of the 30MW gas turbines to Muhoroni to improve load management in villages in Western Kenya.	

Lamu Power Station (2.8MW)	Situated on Lamu Island, the station was commissioned in 1968. It has an installed capacity of 2.8MW. It is an off-grid station serving only the island. Plans are at an advanced stage to connect the town to the national grid.	
Garissa Power Station (6.2MW)	Commissioned in 1994, Garissa Power Station is an off-grid station, and supplies power only to Garissa town and surrounding areas. Plans are at an advanced stage to connect the station to the grid	

KenGen's power plants are of international standard design and manufacture, and are well operated and maintained to an optimum standard in order to meet their contractual obligations under the Power Purchase Agreements entered into with Kenya Power.

6.8 Maintenance of KenGen's plants

KenGen undertakes maintenance procedures depending on the types of generating plant i.e. hydro, diesel, geothermal and wind. While maintenance is mainly routine and preventive, as less regular overhauls are done after five/ten years or after specified running hours, whichever is earlier.

6.9 KenGen's Other Revenue Generating Services

KenGen is seeking to diversify its revenue. For the six months up to 31 December 2015, steam resource maintenance services contributed significantly to revenue growth.

6.9.1 Steam Revenue

For the six months up to 31 December 2015, Steam Revenue was Kshs 2.479 billion. Out of this total Steam Revenue, Kshs 1.941 billion arose because the Company entered into a long term steam resources and maintenance contract with Kenya's Geothermal Development Company, thereby sharing steam revenue based on an agreed method of determination. The balance of Kshs 538 million represents steam revenue generated from wells drilled by the Company using its own resources.

6.9.2 KenGen's Drilling Rigs

KenGen's drilling equipment comprises three rigs: two state-of-the-art 2000HP electric directional land drilling rigs which have revolutionized the process. The electric powered rigs : KGN-1 and KGN-2 have a drilling depth of 5000 metres, and one diesel-powered mechanical rig, N370, with a drilling depth of 2000 metres. The deeper wells have an estimated output of approximately 5MW-7MW, which is a considerable feat in the utilisation of resources. Drilling deep is critical to the optimisation of steam resources.

Due to the expertise of KenGen's engineers and scientists, the Company has managed to drill a geothermal well OW-921A with an estimated output of 30MW in Africa. Other significant achievements include OW-52 and OW-38 with an estimated output of 18.8MW and 18MW respectively.

This modern drilling technology has enabled KenGen to achieve high efficiency, improved lead time in drilling, enhanced technical capacity and a saving in costs. The drilling milestones are in line with the concept of focusing on areas and opportunities that can help reduce operational costs.

Figure 29: One of KenGen's Drilling Rigs

Source: KenGen

6.9.3 Consultancy Services

As an engineering company, KenGen boasts of a highly trained and skilled human resource in all the power generation aspects. In the last thirty years, KenGen's geothermal experts have gained strong skills and experience in various fields including geothermal project management, plant operation and maintenance, geo-scientific surveys, data analysis, cartography and geospatial information system, drilling, reservoir monitoring and management.

It is from these skills and experience that KenGen, through the geothermal resource development unit is generating revenue through the provision of consultancy services in Africa.

6.9.4 Research Services

KenGen is anchored on a culture of continuous improvement. In light of this, research is key. The Company collaborates with local and international universities in a number of research projects.

6.9.5 Carbon Asset Development

KenGen was among the first companies in Kenya to implement the Clean Development Mechanism (CDM) and earn Certified Emission Reduction (CERs) from the United Nations Framework Convention on Climate Change (UNFCCC) from the 35 MW Olkaria II Unit 3 Geothermal Power project, 24 MW Optimization of Kiambere Hydro Power Project and the 20MW Redevelopment of Tana Hydro Power project. The Company has also registered three additional projects: Olkaria I Unit 4 & 5 and Ngong Wind Farm. Certified Emission Reduction (CERs) are emission units or carbon credits generated by a developing country to help it achieve its emission abatement targets under the Kyoto Protocol. They can be purchased either from the primary market (purchased directly from the country that generates the CERs by a government or a company that wants to offset its emissions) or in the secondary market (bought by others and resold).

The Carbon Asset projects are not only additional revenue streams, but also contribute immensely to the reduction of greenhouse gas (GHG) emissions and the impacts of global warming.

The current portfolio of registered CDM projects by KenGen can contribute up to 1,500,000 tonnes of Carbon Dioxide (CO2) equivalent emission reductions every year. The projects have contributed to sustainable development among communities living near them especially in the areas of education, water and sanitation and environmental conservation.

6.9.6 KenGen Central Workshop Services

The KenGen Central Workshop is based in Nairobi and is responsible for all major repair works on KenGen's power plants. From this workshop, the Company provides services to external customers, which generate additional revenue. These services include technical analysis of power transformers and generators, transformer oil regeneration and dielectric tests, transformer oil gas analysis, transformer rewinding, generator and motor rewinding.

6.9.7 Olkaria Industrial Park

KenGen's power generation growth strategy is led by geothermal development. In addition to power generation, the Olkaria field is endowed with an abundant supply of brine and steam heat which can be utilised for non-direct use purposes by industries. KenGen is in the process of developing a premier industrial park anchored on a competitive business environment. Developing energy intensive industries close to the bulk electric power supply, water and heat will create a load demand for geothermal power. The park will benefit from competitively-priced geothermal energy (steam/heat and electricity) in a zoned, mixed-use park. KenGen is undertaking a feasibility study that will guide the development of a master plan to map out the highest and best use of the resources.

6.10 Operational Excellence

This is an element of organizational leadership that stresses the application of principles, systems, and tools to improve performance

- Generating Plant Performance. Plant availability is a key measure that has a direct impact on the Company's financial performance. With the capacity-based power purchase agreements, plant availability is critical since it contributes to stable financial returns.
- Maintenance Practices. High plant availability is attained by the implementation of a combination of time-based (TM) and condition based maintenance (CBM). CBM is gaining currency over TM in eliminating unnecessary outages and downtimes. The Company's ultimate goal is the complete elimination of time-based maintenance and a total shift to CBM, thereby ensuring plants are maintained only when necessary.
- Rehabilitation and upgrade of old plants is necessary to enhance availability and extend their economic life while optimizing operations and maintenance costs. Wherever possible, modern technology is applied to increase the output of old plants using the existing sources of energy.
- Optimization of Business Processes. KenGen Enterprise Resource Planning (ERM)system installed in 2010 is used for the implementation of day-to-day activities. It is a one-stop information technology system encompassing modules tailored to meet the needs of various functions. Examples of key modules within the ERP are Finance, Plant Maintenance and Inventory. The integrated approach aids interaction and effective capturing of data.
- Implementation, Operation and Uptake of New Projects. Projects are mainly managed by the business development unit. However, employees from other divisions are involved at various stages of implementation to improve project uptake upon commissioning and handover.
- Best Practices and Benchmarking. The Company continues to adopt best practices by benchmarking with other power utilities in pursuit of operational excellence. Employees from a particular station visit other stations to learn and share knowledge with colleagues with a view to adopting best practices. Through these visits, they are able to weed out undesired behavior, aiding the realisation of the desired corporate culture.

6.11 Shareholders

As of 31st March 2016, the top 20 shareholders controlled 1.648 billion shares or 74.99% of the issued and fully paid up capital. The balance of 25.03% was held by more than 191,000 investors. The summary is as follows:

Table 17: KenGen's shareholder register summary

NO	Names	Shares	% Shareholding
1	Cabinet Secretary - The National Treasury	1,538,853,019	70.00%
2	Co-Op Custody A/C 4018	12,140,000	0.55%
3	Standard Chartered Nominees A/C 9230	8,824,000	0.40%
4	Kenya Commercial Bank Nominees Limited A/C 915B	8,086,825	0.37%
5	Cfc Stanbic Nominees Ltd A/C Nr1030682	7,634,600	0.35%
6	Standard Chartered Nominees Resd A/C Ke11401	6,267,480	0.29%
7	Standard Chartered Nominees Resd A/C Ke11450	6,267,479	0.29%
8	Paul Wanderi Ndungu	6,098,584	0.28%
9	Cfc Stanbic Nominees Ltd A/C R57601	5,950,963	0.27%
10	Kenya Commercial Bank Nominees Limited A/C 915A	5,212,482	0.24%
11	Standard Chartered Nominee Account Ke18202	5,000,000	0.23%
12	Standard Chartered Nominees A/C 9187	4,971,302	0.23%
13	Nic Custodial Services A/C 077	4,777,138	0.22%
14	The Jubilee Insurance Company Of Kenya Limited	4,571,600	0.21%
15	Kenya Commercial Bank Nominees Limited A/C 1018Cc	4,420,278	0.20%

16	Kensington Developers Limited	4,148,427	0.19%
17	Standard Chartered Nominees Residence A/C Ke11443	4,044,998	0.18%
18	Goodwill (Nairobi) Limited A/C 96631	4,000,000	0.18%
19	Rameshchandra Khetshi Shah	3,446,400	0.16%
20	Ramaben Sumantrai Pursottam Patel	3,429,531	0.16%
	Others	550,216,350	25.03%
	Total	2,198,361,456	100.00%

Source: Registrar

6.12 Board Composition

The Board is made up of eleven (11) members comprising a non-executive and independent Chairman, an executive Managing Director and CEO, the Cabinet Secretary-National Treasury, Principal Secretary-Ministry of Energy and Petroleum, and seven independent and non-executive directors. The composition of the Board is outlined in the Company's Articles of Association. The biographies of the Board members, who are all Kenyan, are as follows.

Mr. Joshua Choge – Non-Executive and Independent Chairman

Mr. Joshua Kibet Choge, Chairman of KenGen Board of Directors, was born in 1958 and holds a Bachelor of Science degree in Mathematics and Statistics. Mr Choge has a Master's degree in Management and Leadership from the Management University of Africa and is currently pursuing a PhD in Leadership and Management.

He is a trained accountant from Strathmore College and has been trained by the Chartered Institute of Purchasing and Supply UK on Procurement Management. Mr Choge is an executive with over fifteen years' experience in the public sector in various positions including the Purchasing Manager and the Deputy Chief Internal Auditor at the East African Portland Cement.

He is fully conversant with corporate governance matters, having attended the critically acclaimed Corporate Governance Training for Directors organised by the Centre for Corporate Governance. He has served as a Director at the Agricultural Finance Corporation where he was the Deputy Chairman of the Board and the Chairman of the Finance and Business Committee of the Board.

He is an experienced businessman and a board member of several schools. He is also the Chairman of the Board of the African Inland Church Kapsabet Bible College in Nandi County. Currently, he is the CEO of Talent Foundation International (TFI), a non-governmental organisation that identifies and develops talent among needy children.

Eng. Albert Mugo, MBS – Managing Director and Chief Executive Officer

Eng. Albert Mugo, born in 1957, holds a Bachelor of Science degree in Electrical Engineering and Masters of Business Administration in Strategic Management, both from the University of Nairobi. In 2012, he completed the Advanced Management Programme from Strathmore University. He is a registered Professional Engineer with the Engineers Board of Kenya and a member of the Institution of Engineers of Kenya. Until his current appointment in January 2014, he was the Business Development and Strategy Director at KenGen.

He has worked in the Energy Sector for over 30 years. He started his career as a graduate electrical engineer at the Kenya Pipeline Company before moving to the Kenya Power and Lighting Company (then the East African Power and Lighting Company) where he was a protection engineer in various stations, including the 7 Forks hydro complex. He then became a power system planner in the electricity sector in Kenya and Eastern Africa, a positon involving power demand forecasting, carrying out studies for prospective power generating and transmission projects as well as development of power generation and transmission lines. He has experience in power sector electricity tariff formulation a

In 2008, he was appointed the Business Development and Strategy Director in Kenya Electricity Generating Company Ltd (KenGen) where he has been in charge of planning for the growth of the Company as well as the implementation of power generating projects with major emphasis on geothermal development.

Engineer Mugo believes in value-based leadership and is committed to transformational leadership within KenGen and in other entities. He is a Board member of the KenGen Retirement Benefits Scheme, Stima Sacco, and is the chairman of the KenGen Foundation Board of Trustees.

Mr Henry Rotich, EGH, Non-Executive

Mr Rotich is the Cabinet Secretary for National Treasury. Born in 1969, he holds a Master's Degree in Economics and a Bachelor's Degree in Economics (First Class Honours), both from the University of Nairobi. He also holds a Master's degree in Public Administration (MPA) from the Harvard Kennedy School, Harvard University.

Prior to his appointment as Cabinet Secretary, he was the Head of Macroeconomics at the Treasury from March 2006. Under this capacity, he was involved in formulation of macroeconomic policies that ensured an efficient and sustainable public spending aimed at achieving the Government's development priorities. In addition, he was also involved in the preparation of key documents including Budget statements, as well as providing strategic coordination of structural reforms in fiscal and financial sectors.

Prior to joining the Ministry of Finance, Mr Rotich worked in the Research Department of the Central Bank of Kenya from 1994. Between 2001 and 2004, he was attached to the International Monetary Fund (IMF) local office in Nairobi as an economist. He was also a director in several boards of State Corporations, including: Insurance Regulatory Board; Industrial Development Bank; Communication Commission of Kenya and the Kenya National Bureau of Statistics.

Eng. Dr. Joseph Njoroge, MBS, Non-Executive

Engineer Joseph Njoroge, the Principal Secretary, Ministry of Energy and Petroleum was born in 1958. He holds a First Class Honours degree in Electrical Engineering and Masters of Business Administration with a major in strategic management. He is a Chartered Electrical Engineer, a member of the Institution of Engineering and Technology, UK, a Registered Consulting Engineer, and is also a Fellow of the Institution of Engineers of Kenya. He joined Kenya Power in 1980 and rose through the ranks to become the Managing Director from June 2007 until his current appointment. He is a distinguished electrical engineer with a career spanning three decades and has wide experience in power engineering and management.

Mrs Dorcas Kombo, Non-Executive

Mrs. Kombo, born in 1954, is a Fellow of the Chartered Association of Certified Accountants, an Associate of the Institute of Certified Public Accountants of Kenya and a Member of the Institute of Certified Public Secretaries of Kenya. Dorcas has vast experience in Auditing and Human Resources consulting. She previously worked at Delloite and later at Coopers & Lybrand as Audit Manager before the merger to form PriceWaterhouseCoopers. She later trained in Human Resources and later became the Associate Director until 2004 when she retired. She has extensive experience in restructuring organisations.

Currently, she is a Management Consultant and has led teams to deliver human resources and organisational development services to governments, public and private sector organisations across Africa under the business name of Metis Consulting Limited.

Mrs. Ziporah Ndegwa - Non-Executive and Independent

Mrs Ziporah Nyakairo Ndegwa, born in 1962, holds a Bachelor’s degree in Law and a Diploma in Legal Practice from the Kenya School of Law. She is a member of the Law Society of Kenya and Christian Lawyers Fellowship. She is a practicing lawyer since 1988 when she was admitted to the bar.

She previously served as a State counsel in the Law Reform Commission before entering private practice. Mrs Ndegwa has been a principal partner in the firm of Maira & Ndegwa Advocates since 1996 during which she has engaged in civil, commercial and criminal litigation. In 2014 and 2015, she received training in Kenya and Dubai on management of Pension Schemes.

Ms Millicent Omanga, Non-Executive and Independent

Ms Millicent Nyaboke Omanga, born in 1982, holds a Bachelor’s degree in commerce. She is the founder and Managing Director of Milways Enterprises, a business which deals in construction, interior décor and import of furniture and electrical appliances. Ms Omanga is a youth leader at Rimpa SDA Church.

Dr. Musa Arusei - Non-Executive and Independent

Dr Arusei, born in 1957, holds a Bachelor of Science degree (Geochemistry) from the University of Nairobi, Master of Science (Geothermal) from the University of Leeds, UK and a Doctor of Philosophy (Geochemistry) from Moi University.

He is formerly a senior lecturer, Department of Chemistry and Biochemistry at the University of Eldoret. Dr Arusei supervises and marks thesis for doctorate and master’s students. He has attended various local and international conferences on research and geochemistry field. He has also published several research publications and reports on geochemistry and geothermal studies.

Dr Arusei has previously worked as a lecturer and assistant lecturer at the Department of Chemistry and Biochemistry at the University of Eldoret. He has also worked as a geochemist in KenGen and the Ministry of Energy.

Mr Kairu Bachia, Non-Executive

Mr Bachia born, in 1959, holds a Bachelor of Arts degree in Building Economics from the University of Nairobi, and has attended the OMP & Master Negotiator Programmes at Strathmore Business School. He is a corporate member of the Institute of Quantity Surveyors of Kenya and the Architectural Association of Kenya; a member of Chartered Institute of Arbitrators and a registered quantity aurveyor with the Board of Registration of Architects and Quantity Surveyors.

Mr Bachia is currently the Director of MIP Project Management Limited and Masterbill Integrated Projects. He has previously worked as a quantity surveyor at YMR Partnership and Ministry of Public Works.

He has also been the chairman of the Architectural Association of Kenya, council member of the Management of the Professional Centre for the Association of Professional Societies of East Africa and an Ethics & Practice Committee Member of the Board of Registration of Architects and Quantity Surveyors.

Mr Joseph Sitati, Non-Executive and Independent

Mr Sitati was born in 1973 and holds a BSc (Mechanical Engineering) from University of Nairobi. He is a Fellow of the Association of Chartered Certified Accountant and is a Certified Information Systems Auditor. He has attended various professional development training programs.

He is presently the Chief Finance and Administration Officer at Deacons Limited Nairobi. He has previously been the Commercial Finance Manager – Central East & West Africa Business Unit at Coca-Cola Company Nairobi, Group Finance Director at Old Mutual Group Nairobi and Finance Manager at Shell BP Kenya Limited amongst other positions.

Mr Maurice Nduranu, Non-Executive and Independent

Mr. Nduranu was born in 1974 and holds a BSc (Business Administration-concentration in Finance, Real Estate and Law) magna cum laude from California State Polytechnic University and Master of Financial Engineering from the University of California Berkeley.

He is the Principal (director and shareholder) of Black Gold Investments Ltd, a bespoke transaction advisory for private equity funding. He has previously engaged in financial transaction advisory work in an individual capacity, has been the East Africa Portfolio Manager at Acumen Fund and Property and Fixed Income Portfolio Manager at African Alliance Kenya Management Company amongst other positions.

Mr Humphrey Muhu, Alternate to Cabinet Secretary-The National Treasury

Mr Muhu was born in 1964 and holds a BSc (Mathematics & Statistics) from Kenyatta University B.Phil (Economics) and an MA in Economics from the University of Nairobi. He also holds a Diploma in Financial Management from KCA University.

He is the alternate director to the Cabinet Secretary, National Treasury. Mr Muhu is an Economist with 20 years' experience in various government ministries and departments.

Mr Momata Gichana, Alternate to Principal Secretary-Ministry of Energy and Petroleum

Mr Gichana was born in 1961 and holds a BA (Econ) from the University of Nairobi and Master of Arts in Economics from Vanderbilt University, USA. He is the alternate director to the Principal Secretary, Ministry of Energy and Petroleum and is currently the Chief Finance Officer at the Ministry of Energy and Petroleum. He has attended several courses in public management, financial management and leadership at various universities in the US and UK. He has also attended and been awarded a certificate in Oil and Gas Management and Oil & Gas Financial Modelling from the International Human Resource Development Corporation (IHRDC). Mr Gichana has over 30 years' experience in economics budgeting and financial management in the Government of Kenya.

6.13 Corporate Governance

Corporate Governance comprises the practices and processes by which KenGen is directed and controlled and involves balancing the interests of stakeholders who include shareholders, management, customers, suppliers, financiers, government and the community. It also provides the framework for attaining the company's objects; and encompasses practically every sphere of management, from action plans and internal controls to performance measurement and corporate disclosure.

KenGen has engrained corporate governance as the pivotal institutional framework through which strategic objectives of the Company are set, attained and its performance monitored. The Board has wholly embraced corporate governance to direct, control and be held to account by the shareholders. Governance dictates the modus operandi of engagement and interaction between the Company's Board, management, stakeholders and regulators for the sustainable benefit of the shareholders.

In addition, KenGen has risen to the Mwongozo Code of Governance that promotes efficient deployment and accountability in the management of public resources

6.13.1 Statement of Compliance

Adherence to the highest ethical standards and embracing global best practice in KenGen's decision-making structures has ensured compliance with applicable governance principles. The corporate vision, mission and core values underpin the Company's transformation philosophy of achieving sustainability in value creation from generation to generation.

The Company is also in compliance with the governance tenets of the recently developed "Code of Governance for Government Owned Entities (Mwongozo Code)" which offers a corporate governance code for all state corporations in which Government has a stake. The Mwongozo Code is applicable in tandem with the CMA Corporate Governance Guidelines.

As a law-abiding corporate citizen, the Company adheres to the tenets of the Constitution of Kenya and complies with the provisions of relevant statutes such as the Energy Act 2006, Public Procurement & Disposal Act 2005, Employment Act 2007 and Occupational Safety & Health Act 2007.

During the year, the Company was re-certified to ISO 9001:2008-Quality Management System and ISO 14001:2004-Environmental Management System. This is a recognition and demonstration of continual excellence.

KenGen as a listed company, actively participated in the review of various investor-specific legislation spearheaded by CMA to influence outcome in the interest of the shareholders.

Further, KenGen is a represented in the Working Group One Committee of the Capital Markets Master Plan (CMMP) which was launched in November 2014. The CMMP is a 10-year strategic blue print for the Kenyan capital markets for which the four formally constituted Working Groups are to provide the operational implementation path for actualization of long term financial and economic goals as set out in the national development plan.

The Capital Markets Authority published "The Code of Corporate Governance Practices for Issuers of Securities to the Public 2015" ("the Code") on March 4, 2016. In the introductory Section of the Code it is stated that "The Code has moved away from the "Comply or Explain" approach to "Apply or Explain". This approach is principle-based rather than rule-based, and recognizes that a satisfactory explanation for any non-compliance will be acceptable in certain circumstances. The approach therefore requires boards to fully disclose any non-compliance with the Code to relevant stakeholders including the Capital Markets Authority with a firm commitment to move towards full compliance."

The Board, as stated previously, is committed to fully comply with best corporate governance principles and practice and to this end, is taking steps to comply with this newly published Code within the prescribed period of one year set out in the Code, and in the event this timeline is not achieved as intended, the Board will provide the Capital Markets Authority with a full explanation in terms provided in the Code.

6.13.2 Board Charter

The Board Charter guides the Board in the exercise of its responsibilities by providing a concise overview of:

- The separation of the roles, functions, responsibilities and powers of the Board and individual directors;
- Powers delegated to the Board committees;
- Matters reserved for final decision-making by the Board; and
- Policies and practices of the board on matters of corporate governance, directors' declarations and conflicts of interest, conduct of board meetings and procedures, and the nomination, appointment, induction, training and evaluation of Board members.

The Charter does not in any way purport to replace or supersede any laws and regulations that govern the Company.

6.13.3 Board Effectiveness

Separation of powers & duties of the Chairman and Managing Director and CEO;
The separation of the functions of the Chairman and the Managing Director and CEO ensures the independence of the Board and Management. The balance of power, increased accountability, clear definition of responsibilities and improved decision-making is attained through the distinction between the non-executive and executive roles.

Role of the Board;
The Board offers strategic guidance, leadership and control of the Company by defining its strategic intent, objectives and values; reviews the strategic direction and adopts business plans proposed by Management. The Board monitors Management's implementation of the plans and strategies, ensures ethical behaviour and compliance with relevant laws and regulations, audit and accounting principles, corporate policies and procedures and the Code of Ethics..
It evaluates performance of Management against targets and objectives and benchmarks performance of the Company against best international practices. The Board considers and approves the Company's overall budget and specific proposals for capital expenditure & acquisitions plus strategic opportunities. It reviews succession planning for the management team and approves senior executive appointments, organisational changes and remuneration. The Board constitutes and reviews composition of Board Committees and approves reports and performance of each Board Committee. It further approves the quarterly, interim and preliminary financial statements, annual report & accounts, quarterly management accounts and operational report from the Managing Director & CEO and public announcements of a material nature.

Directors Responsibilities;
The Articles of Association of the Company and the Board Charter enumerate the directors' responsibilities. Execution of the mandate of the Board requires each director to observe a code of conduct aligned to his/her duties and responsibilities to the Company and shareholders, and act within limitations as defined in the Charter while observing principles of good corporate governance.

Each director subscribes to upholding and promoting effective and responsible use of Company resources and undertakes to act in good faith, with care and prudence in the best interest of the Company while exercising his/her power and executing his/her duties. The Directors are expected to familiarise themselves with the relevant regulations and statutes, the Company's Memorandum and Articles of Association, the Board's operating norms and procedures, and other requirements necessary for the discharge of their duties.

Further, the Directors commit that, while taking into account the financial impact of their decisions, shall consider the consequences for sustainable development, effect on relations with stakeholders and interest of the society in general. Directors are expected to be aware that they are individually and collectively responsible for deciding the Company's vision, mission and values, its strategic objectives, ensuring the establishment of the organisational structure, putting in place policies to achieve the objectives as well as ensuring effective control over the Company, and being accountable to shareholders.

The Board has an elaborate programme based on good governance practice to ensure development of the Board Members in various facets in order to strengthen its oversight role and promote effectiveness:

<u>Induction</u>: Upon appointment to the Board, new Directors embark on a detailed programme to familiarise themselves with the Company's business and operating environment. Various corporate literature is provided and meetings arranged with senior management team. Visits to power stations are also organized. In 2015, Directors undertook this programme.

<u>Continuous Professional Development</u>: During the year, the directors undertook various training and development programs in risk management, participated in relevant energy conferences, for a to ensure they update their skills and knowledge, as well as keep abreast with the developments in corporate governance. Bi-annually, the members of the Board attend specialized five-day corporate governance training.

<u>Board Evaluation:</u> The Board conducts an annual evaluation process on the Board as an entity, its committees, and each individual director to gauge the board's performance. This is done by an independent consultant.

6.13.4 Board Meetings

The Board meets at least once every quarter or more often in accordance with requirements of the business. Furthermore, the Board's work plan and calendar of meetings is prepared in advance. Adequate notice is given for each Board meeting, the agenda and papers are circulated in good time.

6.13.5 Board Committees

The Board Committees are established with written terms of reference detailing their mandate, authority and duties. The Company Secretary, who is a member of the Institute of Certified Secretaries of Kenya, is the Secretary to all the Committees, listed as follows:

6.13.5.1 Audit and Risk Management Committee

The Audit and Risk Management Committee's duties are based on six broad functions: the internal control, risk management and compliance, financial reporting, internal audit,external audit, compliance with laws and regulations; and adhere to the Company's Code of Conduct and ethical guidelines.

The Committee assesses effectiveness of the Company's internal control and risk management and compliance framework. It:

- reviews the impact of significant accounting and reporting issues such as professional and regulatory pronouncements;
- meets the management, external and internal auditors to review the financial statements and results of the audit process;
- assesses if generally accepted accounting principles have been consistently applied in the preparation of preliminary announcements and interim financial statements;
- is responsible for the internal audit and risk management by ensuring the management acts on audit and risk management reports;
- reviews the performance and considers the independence of the external auditors;
- confirms regulatory compliance in the preparation of financial statements; it invites to its meetings a representative of the external auditors to review audited financial results.

Membership: D. Kombo (Chairperson), H. Muhu, K. Bachia, M. Gichana, J. Sitati

6.13.5.2 Strategy Committee

This committee's main role is to:

- assist the Board in discharging its oversight duties with respect to the overall strategic direction of the Company, operational performance and organizational health;
- review the Company's strategy and investment policies and make recommendations to the Board on issues of strategy adjustment. It also assesses the progress of the Company's strategy execution through the identification of priority areas.
- monitor, evaluate and oversee the Company's health, including the review of financial and business plans and the overall performance management system.

  Membership: K. Bachia (Chairperson), H. Muhu, D. Kombo, M. Arusei. A. Mugo,

6.13.5.3 Human Resources Committee

The Committee monitors KenGen's policies and practices in relation to human resources; offers advice and recommendations on human resource strategies, initiatives and policies; and the nomination and remuneration of Directors and senior management.

Membership: M. Arusei (Chairperson), M. Omanga, Z. Ndegwa, M. Gichana, A. Mugo,

6.13.5.4 Procurement Oversight Committee

The Committee is mandated to approve proposals of the tender committee for contract awards for strategic procurements. It also approves all the annual procurement plans and reviews the quarterly procurement reports for submission to the Board. It has the oversight role to ensure compliance with the Public Procurement and Asset Disposal Act 2015 and the Public Procurement and Disposal Regulations 2006.

Membership: Z. Ndegwa (Chairperson), M. Omanga, M. Arusei, M. Nduranu, A. Mugo.

6.13.5.5 Capital Raising Committee

The Committee oversees the implementation of the overall investment plan for the public infrastructure bond offer funds, as per the Information Memorandum, ministerial approvals and asset allocations for cash and cash equivalents with respect to fixed-income securities, and equities. It reviews management's short-term investment recommendations, including permissible investments with respect to uncommitted public infrastructure bond offer funds and advices as necessary.

Membership: M. Omanga (Chairperson), J. Sitati, M. Nduranu, H. Muhu, A. Mugo.

6.13.6 Interest of Directors

The following directors of KenGen are shareholders in KenGen in their personal capacities as follows as of 31 March 2016:

Table 18: KenGen's Director Equity Interests

Name	No of Shares	% holding
Eng. Albert Mugo	615,831	0.02801%
Mr. Kairu Bachia	60,600	0.00276%
Mr. Humphrey Muhu	812	0.00004%

Source: Registrar

6.13.7 Directors Remuneration

In accordance with the guidelines provided in the State Corporations Act and the shareholder approval granted at the Annual General Meeting, the Directors are paid annual fees, a taxable sitting allowance for every meeting attended, as well as a travel and accommodation allowance while on Company duty. The Chairman is paid a monthly honorarium. KenGen does not grant personal loans, neither does it guarantee loans on behalf of its directors. Each director received fees of Kshs 600,000 for the financial year ended 30 June 2015.

6.13.8 Declaration of Interest and Conflict of Interest

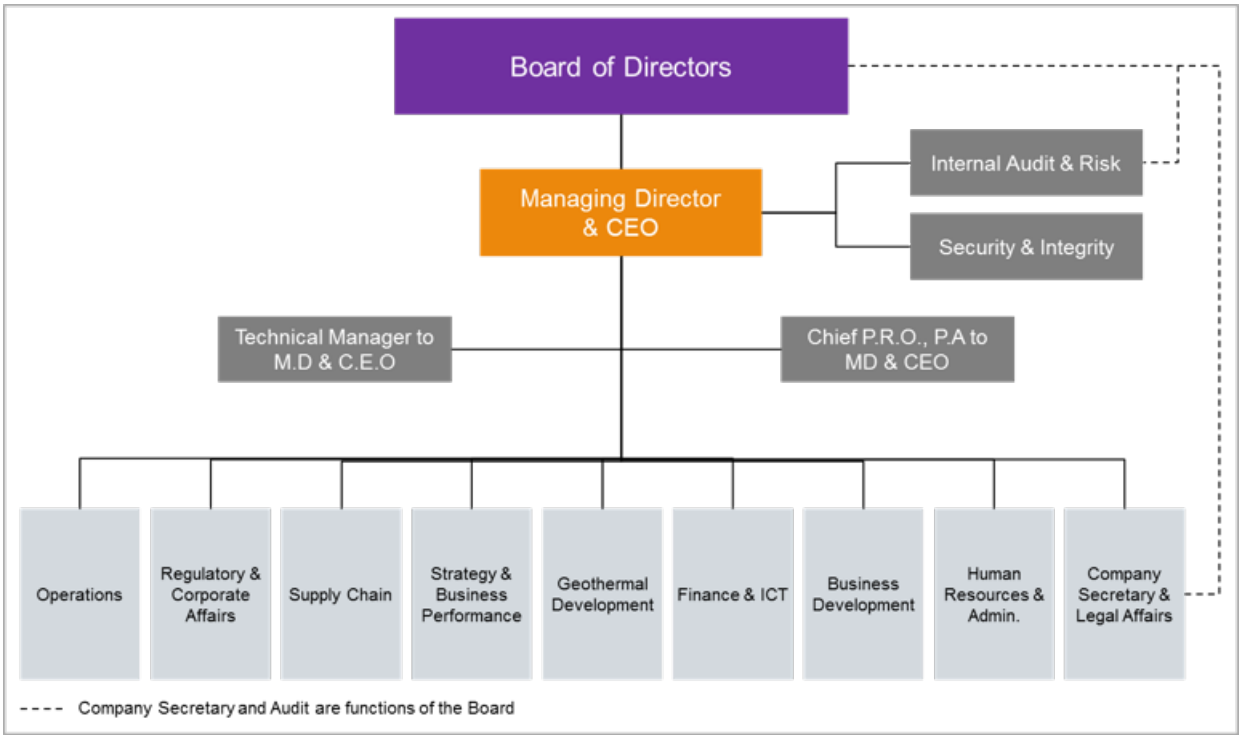
The Directors are obligated to fully disclose to the Board real or potential conflict of interest, which comes to his/her attention, whether directly or indirectly. The statutory duty to avoid situations in which they have or may have interests that conflict with those of the Company has been observed by the Board. All business transactions with all parties, directors or their related parties are carried out at an arms' length. An acknowledgement that should it come to the attention of a director that a matter concerning the Company may result in a conflict of interest, obligates the Director to declare the same and exclude himself/herself from any discussion or decision over the matter in question. At every meeting of the Board, there is an agenda item which requires members to make a declaration of any interest they may have in the business under discussion.

Currently, no Director of the Board of KenGen has declared a conflict of interest in relation to the proposed Rights Issue.

6.13.9 KenGen's Top Level Organisation Structure

This level is as follows:

Figure 30: KenGen's Top Level Organisational Structure



6.13.10 Executive Management Committee (EXCO)

KenGen's Executive Management Committee is headed by the Managing Director and Chief Executive Officer, and comprises of all the heads of Divisions. EXCO convenes its meetings on a weekly basis or as business may dictate to discuss strategy formulation, implementation, policy matters and financial performance. EXCO holds the mandate and responsibility of ensuring compliance with the statutory and regulatory framework and guidelines, as well as adherence to Company policy and procedures. This Committee serves as a link between the Board of Directors and Management, and has the following members:

Eng. Albert Mugo, MBS - Managing Director and Chief Executive Officer

Engineer Albert Mugo is a renowned engineer with over 30 years' experience in the energy sector. He holds a Bachelor of Science Degree in Electrical Engineering, a Master of Business Administration (MBA) in Strategic Management. He is currently pursuing a Doctor of Philosophy (PhD) in Management and Leadership. Other qualifications include a certificate in Advanced Management Programme. He is a registered Professional Engineer with the Engineers Board of Kenya and a member of the Institution of Engineers of Kenya (IEK).

Engineer Mugo boasts an illustrious career with notable assignments including prior experience at Kenya Pipeline Company, Kenya Power and Lighting Company (then East African Power and Lighting Company) where he worked as a protection engineer. He has also worked as a Power System Planner in the electricity sector in Kenya and Eastern Africa, a position involving power demand forecasting, carrying out studies for prospective power generating and transmission projects, as well as development of power generation and transmission lines.

In 2008, he was appointed the Business Development and Strategy Director at KenGen, where he has been in charge of planning for the Company's growth as well as implementation of power generating projects with major emphasis on geothermal development.

Engineer Mugo is 58 years old.

Eng. Richard M. Nderitu, OGW - Operations Director

Engineer Nderitu is a veteran energy sector engineer with a wealth of experience in power management and development. He holds a Bachelor of Science Degree in Mechanical Engineering. He is a member of the Institution of Engineers of Kenya (IEK). Other qualifications include an Advanced Management Programme (AMP).

He was appointed Operations Director in 2008 and is responsible for Operation and Maintenance of power plants to ensure high reliability, availability and continuous improvement to ensure KenGen is aligned to its generation strategy. He is also in charge of Reservoir Management and Regulation.

Previously, he worked for the then East African Power and Lighting Company as a graduate Mechanical Engineer, and rose through the ranks to become the Chief Engineer. He also worked as the Transport Manager at Kenya Power and Lighting Company Limited.

Engineer Nderitu is 60 years old.

Mrs Rebecca Miano, OGW - Company Secretary and Legal Affairs Director

Mrs Miano is a respectable lawyer with an illustrious career in law and corporate governance. She holds a Bachelor of Laws (LLB) degree with Honours, a diploma in Law and a Post-graduate diploma in Comparative Law. She is a member of the Institute of Certified Public Secretaries of Kenya (ICPSK).

She joined KenGen in 1998 and has worked in various capacities including: Senior Legal Officer, Assistant Company Secretary, Acting Company Secretary, Company Secretary and Legal Affairs Director.

She was appointed Company Secretary and Legal Affairs Director in 2008. She is responsible for driving the corporate governance agenda in the Company, providing guidance and support to the Board and is the secretary to the Board and all its Committees. Mrs Miano is the Legal Counsel of the Company and ensures the Company is represented positively and credibly to the external environment.

Mrs Miano is 49 years old.

Mr. Abraham Kiptoo Serem – Human Resource and Administration Director

Mr Abraham Serem is a seasoned human resource practitioner with vast experience both in Kenya and East Africa. He holds a Bachelor of Arts degree from the University of Nairobi. His other professional qualifications include: Higher National Diploma in Human Resource Management and a Diploma in Intermediate Executive Coaching from the Academy of Executive Coaching. He is a member of the Institute of Human Resource Management.

Mr Serem joined KenGen management team on March 1st 2016 as the Human Resource and Administration Director. He is responsible for human capital planning, recruitment, development, performance management, reward and wellness. He is also in charge of employee relations, as well as management of all the Company's transport and logistics.

Prior experience includes: Heineken East Africa Ltd where he held the position of HR Director, East Africa Breweries Ltd, Nampak East Africa and Reckitt Benckiser East Africa, where he held various senior managerial positions.

Mr Serem is 51 years old.

FCPA John Mudany - Finance and ICT Director

Mr John Mudany is a zealous financial management expert with extensive experience. He holds a Bachelor of Commerce degree in Accounting, Masters of Business Administration in Marketing and Master of International Business Administration (MIBA). He is a member of the Kenya Institute of Management (KIM) and the Institute of Certified Public Accountants of Kenya (ICPAK).

Mr Mudany joined KenGen in November 2008 as the Finance and ICT Director. His key responsibilities include: Capital raising, management of finances and banking relations, financial reporting, budgets process management and control, balance sheet restructuring and cost saving mechanisms. He is also responsible for development of Cutting Edge Information Technology infrastructure.

Prior experience includes: Coca Cola (Finance and Performance Manager), Orbit Distributors (MD & CEO), Kenya Airways, World Vision International and PriceWaterhouseCoopers.

Mr Mudany is 53 years old.

Eng. Simon Ngure - Regulatory and Corporate Affairs Director

Engineer Simon Ngure is a versatile engineer with vast experience in the energy sector management and stakeholder relations. He holds a Bachelor of Science degree in Mechanical Engineering, diploma in Geothermal and a diploma in Project Management. He is a certified energy manager and a member of the Institute of Engineers of Kenya.

He has 34 years' experience in the power sector. He joined KenGen in September 1986 and was appointed Regulatory and Corporate Affairs Director in 2008. He is responsible for drafting, negotiating and managing power purchase agreements (PPAs). He is also in charge of environmental and social licensing and management processes, as well as maintenance of ISO Quality and Environmental System, maximising brand value through effective corporate affairs management.

Eng. Ngure is 53 years old.

Mr. Moses Wekesa - Business Development Director

Mr Moses Wekesa is an established project manager with varied exposure in project work spanning over 15 years in economic sectors in Europe, Asia, the Pacific and Africa. He holds a Bachelor of Science degree in Mechanical Engineering from Jomo Kenyatta University of Agriculture and Technology (JKUAT), Master of Science degree in Mechanical Engineering (Applied Mechanics) from University of Nairobi and a Post-Graduate Certificate in Project Planning, Appraisal and Financing from University of Bradford, UK. He is a registered Project Manager with the Project Manager's Chapter of the Architectural Association of Kenya.

He joined KenGen in 2014 as the Business Development Director and is responsible for driving the Company's core business of delivering on the overall strategic goal of capacity expansion through planning and execution of projects.

Previous experience includes: Project Financing, Management and Supervision in agriculture, agro-processing, transport, telecommunication, infrastructure, hospitality, construction, real estate, energy, oil and gas, financial institutions, investments, general manufacturing and processing.

Mr Wekesa is 44 years old.

Eng. Abel Rotich - Geothermal Development Director

Engineer Abel Rotich is a seasoned power sector engineer with a wealth of experience in energy generation. He holds a Bachelor of Science degree in Mechanical Engineering. He is a registered Engineer and a Member of the Institution of Engineers of Kenya (IEK).

He was appointed KenGen's Geothermal Director in September 2014. He is responsible for geothermal resource assessment, drilling, steam establishment for power generation and operation of electricity power plants constructed within the geothermal area. Before his appointment to the current position, He was involved in the management of hydro, thermal and wind power plants.

Eng. Rotich is 54 years old.

Mr David Muthike - Strategy and Business Performance Division Director

Mr David Muthike is a distinguished business strategist with tested experience in power sector strategy-formulation and implementation. He holds a Bachelor of Science degree in Electrical and Electronic Engineering, Masters of Business Administration in Strategy, Post-Graduate diploma in Project Appraisal and Management and a certificate in Advanced Management and Leadership Programme. He is a graduate Engineer with Institution of Engineers of Kenya (IEK) and a member of Kenya Institute of Management (KIM).

He joined KenGen in 1998. He was appointed to the Company's Strategy and Business Performance Division in September 2014. A major role of this function is to support the Company in maintaining "thought leadership" in power generation and related services. His responsibilities include: development and management of the Company's strategy by identifying and driving execution of strategic initiatives and growth opportunities; driving the innovation process that develops new ways of meeting the Company's goals; leading and managing the Company's result-based performance and accountability system and driving knowledge harvesting and transfer across the business.

He previously worked in various divisions and departments within the Company, including: Managing Director's Office, Corporate Planning, Technical Audit and Institutional Strengthening. Mr Muthike is 45 years old.

Mr. Philip Yego - Supply Chain Director

Mr Philip Yego is a Supply Chain Management expert with a wealth of experience in Procurement and Supplies Chain Management. He holds a Bachelor of Arts degree in Economics, Master of Business Administration in Finance, diploma in Purchasing and Supplies from the Chartered Institute of Purchasing and Supply (UK) and a diploma in Purchasing and Supplies Management from Kenya Institute of Management. He is a member Kenya Institute of Supplies Management (KISM), Kenya Institute of Management (KIM) and the Chartered Institute of Purchasing and Supplies (MCIPS).

He joined KenGen in October 2014 and is responsible for providing oversight in the efficient and effective operations of the supply chain function of the Company.

Prior to joining KenGen, he worked in senior management positions at Kenya Agricultural Research Institute, University of Nairobi Enterprises and Services (UNES) and Post Bank.

Mr Yego is 40 years old.

6.13.11 KenGen's employee summary and talent management strategy

KenGen's talent management strategy focuses on driving a culture of performance and creating a productive workforce by developing a strong, skilled and proactive team to sustain the business. As of 30th June 2015, KenGen had 2,407 employees compared to 2,209 in June 2014. The increase is the result of staffing requirements of the new 280MW power plants in Olkaria as well as the geothermal drilling programme. The Company has continued to enjoy good industrial relations with the trade union. KenGen has also implemented gender equity targets as part of its recruitment process.

Table 19: KenGen's Employee Summary as of 30th June 2015

Category	No. of Employees
Operational employees	1,638
Projects employees (Business Development and Geothermal Development)	769
Total	**2,407**
Management	1,403
Union	1,004
Total	**2,407**
Male	1,948
Female	459
Total	**2,407**

6.13.12 Sustainability

Sustainability is anchored in KenGen's Good-to-Great Transformation Strategy, which aims to create value for future generations. Three key pillars form the foundation of the strategy. They are socio-investment, financial and environmental sustainability.

6.13.12.1 Socio-Investment

KenGen is pro-active in implementing its corporate social investment programme focusing on the following areas:

- Education;
- Water and sanitation;
- Health;
- Environmental conservation; and
- Economic improvement.

With the establishment of the KenGen Foundation in 2013, the Company embarked on a structured, focused and strategic utilisation of the corporate social investment. The Foundation is central to the Company's resource mobilisation and enables long-term impact and sustainability. It is run by a Managing Trustee and governed by a Board of Trustees. The Foundation has developed a strategic plan that is aligned with the Company's long-term programmes. The plan is divided into four core pillars of education, environment, water and sanitation. It also supports selected projects in the thematic areas of economic empowerment, health, sports, culture and humanitarian aid.

6.13.12.2 Operational Sustainability

KenGen maintains its focus on operational excellence with an emphasis on process improvement, development of operational standards, improved service delivery and quality audits across all functions. Areas of focus are:

- Quality Management ISO 9001: 2008 Recertification;
- Safety and Health;
- Awareness and Training;
- Safety Promotions and Campaigns;
- Safety and Health Inspections and Audits;
- Business Continuity and Disaster Preparedness Planning;
- Emergency Preparedness and Response.

6.13.12.3 Environmental Performance

KenGen has a responsibility to harness natural resources in a sustainable manner. The Company actively supported environmental programmes aimed at conserving the water towers. Efforts to green and improve the environment were carried out in the counties that host the Company's installations. KenGen employs environment conservation; environmental and social Impact Assessment Studies; Strategic Environmental Assessment and Environmental rehabilitation and conservation activities. In addition, it uses stakeholder management which includes:

- Stakeholder Mapping and Analysis;
- Stakeholder Coordination Committees;
- Olkaria IV Resettlement Action Plan;
- External Environment, Health, Safety Audits by Electricity Regulatory Commission;
- Internal Environmental Audits; and
- Mitigations Monitoring Programmes.

SECTION 7: KenGen's FINANCIAL OVERVIEW

Over the years, KenGen has recorded a financial growth in its performance. The following is a review of the profit and comprehensive income and financial position. Please refer to Section 2.3 for the summary of KenGen's financial performance and the Reporting Accountant's Report in Annexure A1 for the Detailed 5-year Financial Summary (full years 2011-2015) and Annexure A2 for the Interim Financial Report for the six months ended 31st December 2015..

7.1 Statement of Comprehensive Income

The table below summarises KenGen's financial performance over the last five financial years, ended 30th June. A more detailed analysis of the statement of comprehensive income can be noted in Section 7.1.1.

Table 20: Statement of profit and comprehensive income for financial years 2011 – 2015

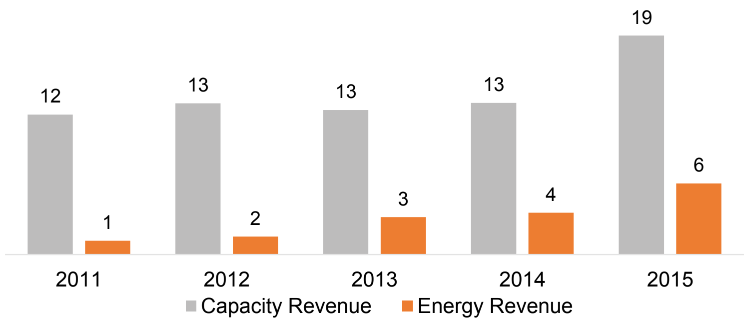
	30-Jun-2011	30-Jun-2012	30-Jun-2013	30-Jun-2014	30-Jun-2015
	KShs'000'	**KShs'000'**	**KShs'000'**	**KShs'000'**	**KShs'000'**
Revenue	14,326,081	15,872,111	16,451,195	17,423,771	25,602,038
Other income	347,040	611,599	594,888	650,896	624,585
	14,673,121	**16,483,710**	**17,046,083**	**18,074,667**	**26,226,623**
Expenses	**(4,992,499)**	**(5,535,596)**	**(6,115,738)**	**(7,017,417)**	**(8,406,089)**
Employee expenses	(2,890,984)	(2,169,802)	(3,248,141)	(3,491,942)	(4,162,284)
Operating expenses	(2,541,184)	(3,212,983)	(2,814,490)	(3,592,594)	(4,285,122)
Other gains/ (losses)	439,669	(152,811)	(53,107)	67,119	41,317
EBITDA	**9,680,622**	**10,948,114**	**10,930,345**	**11,057,250**	**17,820,534**
Depreciation and armortisation	(4,581,339)	(4,883,237)	(4,578,728)	(4,727,937)	(6,478,945)
EBIT	**5,099,283**	**6,064,877**	**6,351,617**	**6,329,313**	**11,341,589**
Interest income	548,975	952,621	676,109	416,154	359,082
Finance costs	(1,996,951)	(2,972,308)	(3,000,802)	(2,587,519)	(3,010,659)
PROFIT BEFORE TAXATION	**3,651,307**	**4,045,190**	**4,026,924**	**4,157,948**	**8,690,012**
Taxation credit/(charge)	(1,571,186)	(1,222,590)	1,197,780	(1,331,625)	2,827,315
PROFIT FOR THE YEAR	**2,080,121**	**2,822,600**	**5,224,704**	**2,826,323**	**11,517,327**
Items that may be reclassified subsequently to profit or loss:					
Net gains/ (losses) on revaluation of available-for-sale treasury bonds	(587,268)	(908,786)	(21,903)	(164,774)	2,270
Cumulative gain/(loss) reclassified from equity on disposal of available-for-sale treasury bonds	(46,230)	(53,666)	39,969	222,126	51,314
	(633,498)	**(962,452)**	**18,066**	**57,352**	**53,584**
Items that will not be reclassified subsequently to profit or loss					
Remeasurement of defined benefit obligation	769,500	(1,106,047)	(49,697)	1,694,999	214,462
Deferred tax relating to remeasurement of defined benefit obligation	(230,850)	331,814	14,909	(508,500)	(64,339)
	538,650	**(774,233)**	**(34,788)**	**1,186,499**	**150,123**
Surplus on revaluation of Property, Plant and Equipment	-	-	-	-	75,786,865
Surplus on revaluation of Leasehold Land	-	-	-	-	1,417,033
Deferred tax on revaluation surplus	-	-	-	-	(23,161,169)
	-	-	-	-	54,042,729
Other comprehensive income for the year, net of income tax	**(94,848)**	**(1,736,685)**	**(16,722)**	**1,243,851**	**54,246,436**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1,985,273**	**1,085,915**	**5,207,982**	**4,070,174**	**65,763,763**
Earnings per share - Basic and diluted (KShs)	0.94	1.28	2.38	1.29	5.24

Source: Reporting Accountants' Report in Annexure A of the Information Memorandum

7.1.1 Revenue Trends

Total electricity revenue for the year 2015 was Kshs 25.6 billion, an increase of 47% from 2014 and 78% from 2011. The increase in 2014 was due to revenue from new plants; Olkaria 280MW, wellheads (25MW) and Ngong Wind Farm (20.4MW). KenGen's growth in both capacity revenue and energy revenue over the past five financial years to 30th June 2015 is shown below

Figure 31: KenGen's Capacity Revenue and Energy Revenue over time (Kshs, billion)



Source : KenGen

7.1.2 Analysis of line items on the statement of comprehensive income

Interest Income
KenGen has investments in treasury bonds, commercial banks and other financial institutions. It also accrues interest income from Kenya Power on outstanding debt. For the year 2015 and 2014, the income was Kshs 359 million and Kshs 416 million respectively. As of 30th June 2015, the held-to-maturity and available-for-sale Treasury bonds were Kshs 2.43 billion and Kshs 0.34 billion, respectively.

Other Income
For the year 2015, other income excluding net-fuel pass through was Kshs 515.4 million and largely comprised insurance compensation and carbon credits.

Total Income
The total income was Kshs 26.586 billion, 75% higher than in 2011, largely due to geothermal capacity increase and the reduction in tax arising from the investment allowance as a result of the commissioning of new geothermal and wind plant

Other Gains/Losses
For year 2015, the net gain was Kshs 41 million.

Expenses
Expenses include operational and administration costs. The total expenses for the year 2015 was Kshs 8.44 billion, a 55% increase from 2011. The growth in expenses is attributable to the costs of operating the new power plants

EBITDA
The earnings before interest, income tax, depreciation and amortisation for the year 2015 was Kshs 17.8 billion, 84% higher compared to 2011. The EBITDA / revenue ratio for the year 2015 was 69.53%, a slight improvement on 67.2% in 2011.

Depreciation & Amortisation
In the year 2015, the depreciation and amortisation costs were Kshs 6.478 billion, which is 41% higher than Kshs 4.581 billion in 2011 as a result of revaluation of Property, Plant and Equipment.

Depreciation is calculated on the straight-line basis and is recognized so as to incrementally write off the cost or valuation of assets (other than freehold land and work-in progress under construction) less their residual values over their useful lives, using the straight-line method. Depreciation of revalued assets is recognized in profit or loss and a transfer of excess depreciation is made from the asset revaluation reserve to retained earnings.

Finance Costs
This comprises interest on borrowings less capitalised interest. For 2015, this was Kshs 3.0 billion.

Profit Before Tax
The profit before income tax for 2015 was Kshs 8.69 billion. The profit / total income ratio was 33%, which is an improvement from 24% in 2011.

Income Tax
The taxation credit for 2015 was Kshs 2.827 billion. According to the Income Tax Act, KenGen is granted an investment allowance of 150% for investments outside the cities of Nairobi, Kisumu and Mombasa. In 2015, KenGen commissioned Olkaria I and IV geothermal power plants and Ngong Wind Farm. Consequently, the Company was granted an investment allowance of 150%, translating to the tax credit.

Profit After Tax

The profit after tax for year 2015 was Kshs 11.5 billion, a 307% increase from 2014 and 453% increase from 2011. This profit / total income ratio for 2015 was 43% compared to 13.68% in 2011.

Other & Total Comprehensive Income

For 2015, the other comprehensive income was Kshs 54.2 billion due to surplus on revaluation of property, plant and equipment following assets revaluation by professional valuers. This brought the total comprehensive income to Kshs 65.76 billion.

7.2 Financial Position Review

The following table summarizes KenGen's financial position over the past five financial years. A more detailed analysis of the financial statement is as follows:.

Table 21: Statements of financial position for financial years ended 30th June 2011 -2015

	30-Jun-2011	30-Jun-2012	30-Jun-2013	30-Jun-2014	30-Jun-2015
	KShs'000'	KShs'000'	KShs'000'	KShs'000'	KShs'000'
Property, plant and equipment	116,786,429	120,664,699	153,201,471	209,235,821	305,378,764
Prepaid leases on land	1,373	35,426	439,957	1,048,372	3,223,658
Intangible assets	663,553	896,335	1,079,686	1,066,049	1,122,452
Amount due from Kenya Power-deferred debt	1,472,503	1,401,133	1,148,965	1,084,900	965,266
Treasury bonds	9,610,661	8,050,919	2,436,683	2,431,799	2,426,440
Recoverable foreign exchange adjustment	12,919,737	9,808,295	5,238,710	6,300,529	6,242,228
Retirement benefit asset	-	-	-	1,407,411	1,792,214
Total Non Current Assets	**141,454,256**	**140,856,807**	**163,545,472**	**222,574,881**	**321,151,022**
Inventories	1,168,240	1,955,564	836,259	788,333	899,076
Amount due from Kenya Power	7,786,396	7,221,777	6,186,749	7,851,600	8,047,705
Other receivables	1,593,845	6,077,151	5,903,928	3,231,077	2,297,838
Amount due from Ministry of Energy and Petroleum	4,574,417	5,318,021	5,315,816	5,315,816	5,821,272
Treasury bonds	391,127	643,203	2,550,345	594,769	341,803
Recoverable foreign exchange adjustment	523,554	405,477	338,286	357,395	633,872
Amount due from Kenya Power- deferred debt	-	-	-	62,295	35,100
Corporate tax recoverable	385,857	231,154	-	-	-
Cash and cash equivalents	3,115,598	435,719	3,996,427	9,429,358	3,292,307
Total Current Assets	**19,539,034**	**22,288,066**	**25,127,810**	**27,630,643**	**21,368,973**
TOTAL ASSETS	**160,993,290**	**163,144,873**	**188,673,282**	**250,205,524**	**342,519,995**
Share capital	5,495,904	5,495,904	5,495,904	5,495,904	5,495,904
Share premium	5,039,818	5,039,818	5,039,818	5,039,818	5,039,818
Capital reserve	8,579,722	8,579,722	8,579,722	8,579,722	8,579,722
Investments revaluation reserve	751,962	(210,490)	(192,424)	(135,072)	(81,488)
Property and plant revaluation reserve	19,038,008	17,954,954	17,306,770	16,658,062	70,077,899
Retained earnings	31,177,403	33,209,643	37,728,726	41,071,239	52,482,236
Total Equity*	**70,082,817**	**70,069,551**	**73,958,516**	**76,709,673**	**141,594,091**
Borrowings	64,166,527	61,850,220	73,934,313	122,324,111	137,191,309
Operating lease liability	7,000	5,000	3,000	1,000	-
Retirement benefits liability	163,500	250,647	290,876	-	-
Deferred tax liability	15,316,853	15,968,498	14,222,916	15,604,657	35,924,900
Trade and other payables	-	-	8,591,032	10,369,854	5,329,722
Total non-current liabilities	**79,653,880**	**78,074,365**	**97,042,137**	**148,299,622**	**178,445,931**
Borrowings due within one year	4,480,481	7,265,504	7,000,387	13,790,779	9,427,225
Trade and other payables	3,852,291	4,539,132	7,197,468	6,616,958	7,922,748
Corporate tax payable	-	-	278,453	668,859	394,826
Dividends payable	2,923,821	3,196,321	3,196,321	4,119,633	4,735,174
Total current liabilities*	**11,256,593**	**15,000,957**	**17,672,629**	**25,196,229**	**22,479,973**
TOTAL EQUITY AND LIABILITIES	**160,993,290**	**163,144,873**	**188,673,282**	**250,205,524**	**342,519,995**

Source: Reporting Accountant's Report in Annexure A of the Information Memorandum

**These figures have been re-stated following adoption of changes in IAS 19 on Retirement Benefits Schemes (as revised in 2011).*

Property, Plant & Equipment

As at 30th June 2015, property, plant and equipment was Kshs 305.37 billion and comprised 89% of total assets. Plant and machinery was valued at Kshs 199 billion, while work-in-progress was valued at Kshs 67.84 billion. Freehold land and buildings were valued at Kshs 34.17 billion.

Equity

As at 30th June 2015, the total equity was Kshs 141.59 billion, a 104% increase from 2011, largely due to the revaluation surplus. The ratio of retained earnings to share capital at the end of 2015 was 9.55 times.

Total Borrowings

KenGen's borrowings stood at Kshs 126.46 billion as at 30th June 2 015, compared to Kshs 68.6 billion in 2011. This comprised GOK guaranteed loans, on-lent loans and direct borrowings. The loans were in Japanese Yen (25.7%), Euros (15.3%), USD (40.8%) and Kenya shillings (18.2%). The amount due within two years was Kshs 24.67 billion. As at 30th June 2015, the net debt/equity ratio was 47% compared to 94% in 2011.

Cash Flows

The closing cash and cash equivalents was Kshs 3.29 billion for the year ended 30th June 2015 compared to Kshs. 4.6 billion in 2014, a net decrease of Kshs 1.335 billion. This was due to investments in power expansion projects.

Return on Average Equity

For the financial year ended 30th June 2015, return on average equity was 10.53%. However, this includes the revaluation of plant and machinery that resulted in a surplus of Kshs 70.08 billion.

7.3 Interim Financial Position Review

The following is a financial summary of the six months up to 31st December 2015.

Table 22: Condensed Statement of profit or loss and other comprehensive income for the six months up to 31st December 2015

Revenue	**Unaudited 6 months 31 Dec 2014 Kshs '000'**	**Unaudited 6 months 31 Dec 2015 Kshs '000'**
Electricity Revenue	11,658,780	14,757,370
Interest income	172,452	288,589
Other income	351,469	3,476,785
Total Revenue	**12,182,701**	**18,522,744**
Other Gains/(Losses)	(24,339)	143,422
Operating Costs	(6,990,924)	(8,659,795)
Finance Costs	(1,377,296)	(1,622,310)
Profit Before Tax	**3,790,142**	**8,384,061**
Tax (Expense)/Income	1,137,646	(2,715,716)
Profit For The Period	**4,927,788**	**5,668,345**
Other Comprehensive (Loss)/Gains		
Net (losses)/gains on revaluation of available-for-sale treasury bonds	4,604	(14,797)
Other Comprehensive Gains/(Loss) For The Period	4,604	(14,797)
Total Comprehensive Income For The Period	**4,932,392**	**5,653,548**
Earnings per share - Basic and diluted (Kshs)	**2.24**	**2.58**

Source: Interim Report (Annexure A2)

Table 23: Condensed Statement of Financial Position for six months as at 31st December 2015

ASSETS	Audited 30 June 2015 Kshs '000	Unaudited 31 Dec 2015 Kshs '000'
Non-current assets		
Property, plant and equipment	305,378,764	312,911,946
Prepaid leases on land	3,223,658	3,214,391
Intangible assets	1,122,452	1,089,845
Amount due from Kenya Power-deferred debt	965,266	1,009,444
Treasury bonds	2,426,440	2,423,569
Recoverable foreign exchange adjustment	6,242,228	10,677,130
Retirement benefit asset	1,792,214	1,792,214
Total non-current assets	**321,151,022**	**333,118,539**
Current assets		
Inventories	899,076	866,456
Amount due from Kenya Power	8,047,705	9,456,971
Other receivables	2,297,838	2,182,967
Amount due from Ministry of Energy and Petroleum	5,821,272	5,821,272
Treasury bonds	341,803	327,006
Recoverable foreign exchange adjustment	633,872	634,542
Amount due from Kenya Power-deferred debt	35,100	37,387
Cash and bank balances	3,292,307	2,564,076
Total current assets	**21,368,973**	**21,890,677**
TOTAL ASSETS	**342,519,995**	**355,009,216**
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	5,495,904	5,495,904
Share premium	5,039,818	5,039,818
Capital reserve	8,579,722	8,579,722
Investments revaluation reserve	(81,488)	(96,285)
Property, plant and equipment revaluation reserve	70,077,899	69,138,040
Retained earnings	52,482,236	57,661,505
Total Equity	**141,594,091**	**145,818,704**
Non-current liabilities		
Borrowings	117,039,768	122,418,303
Borrowings awaiting conversion to equity	20,151,541	20,151,541
Deferred tax liability	35,924,900	38,575,967
Trade and other payables	5,329,722	6,765,773
Total non-current liabilities	**178,445,931**	**187,911,584**
Current liabilities		
Borrowings due within one year	9,427,225	9,873,945
Trade and other payables	7,623,617	4,559,384
Amount due to Kenya Power	4,879	1,105
Operating lease liability	1,000	-
Leave pay provision	293,251	287,968
Corporate tax payable	394,827	392,417
Total current liabilities	**22,479,973**	**21,278,92**
TOTAL EQUITY AND LIABILITIES	**342,519,995**	**355,009,216**

Source: Interim Report (Annexure A2)

Total revenue increased by 52% to Kshs 18.52 billion in December 2015 from Kshs 12.18 billion in December 2014. The Kshs 18.52 billion comprised Kshs 14.75 billion in electricity revenue, Kshs 2.47 billion in steam revenue, Kshs 998 million in other income and Kshs 289 million in interest income. The electricity revenue is attributable to new capacity, additional units generated, steam handling, steam sales and commercial drilling services.

Electricity revenue grew by 27% to Kshs 14.75 billion in December 2015 compared to Kshs 11.65 billion in December 2014. This was due to a growth in capacity and energy revenue. Capacity revenue was Kshs 10.45 billion while energy revenue was Kshs 3.89 billion. Forex adjustments were Kshs 409 million.

By source, the capacity and revenue was as follows:

Table 24: Capacity and energy revenue by source – six months to 31 December 2015

	Capacity			Energy		
	Dec 2015	Dec 2014	% Change	Dec 2015	Dec 2014	% Change
	Kshs millions			Kshs millions		
Hydro	3,840	3,764	2%	750	828	(9%)
Geothermal	5,036	2,971	70%	2,631	1,736	52%
Thermal	1,580	1,566	1%	272	327	(17%)
Wind			0%	239	57	319%
Total	**10,456**	**8,301M**	**26%**	**3,892**	**2,948**	**32%**

Source: KenGen

The 280MW Olkaria plants contributed significantly to capacity revenues while the wellheads and the 20.4MW of wind farm at Ngong contributed to energy revenue growth.

During the period under review, the Company entered into a long-term steam and maintenance contract, thereby sharing steam revenue. At the same time, revenue is generated from wells drilled by the Company using its own resources. Steam resource maintenance services earned the Company Kshs 1.94 billion while steam sales raked in Kshs 538 million.

Other income increased by 184% to Kshs 998 million in December 2015 from Kshs 352 million in December 2014. This was significantly impacted by KenGen's initiatives to diversify revenues. The initiatives include commercial drilling services, which earned Kshs 617 million while insurance income increased owing to compensation for Garissa power station and wellhead cooling towers after a fire incident in 2014. Miscellaneous income was Kshs 85 million.

Operating expenses increased marginally by 1% from Kshs 3,942 million to Kshs 3,998 million while depreciation expenses increased by 47% from Kshs 3,074 million to Kshs 4,519 million as a result of the completion of Olkaria 280MW plants in December 2014 and additional depreciation from asset revaluation which was carried out in June 2015.

Interest income grew by 67% to Kshs 289 million in December 2015 from Kshs 172 million in December 2014. This is mainly attributable to interest earned on bank balances and treasury bonds.

Financing costs went up by 18% to Kshs 1,622 million from Kshs 1,377 million due to the expensing of interest on borrowings for completed projects to the income statement.

EBITDA: Earnings before interest, taxes, depreciation and amortisation grew by 76% to Kshs 14,236 million from Kshs 8,069 million due to improved revenue growth.

EBIT: Earnings before interest and taxes registered a growth of 95% from Kshs 4,995 million to Kshs 9,717million during the period.

PBT: Profit before tax increased by 121% to Kshs 8,384 million from Kshs 3,790 million in December 2014.

PAT: Profit after tax grew by 15% to Kshs 5,668 million compared to Kshs 4,928 million the same period last year. There was tax expense in December 2015 compared to tax credit in the previous period due to less tax allowance due to the Company from completed projects. Last year, we completed 280MW Olkaria and Ngong Wind Farm 20.4MW.

Assets: Total assets increased by 4% to Kshs 355 billion in December 2015 from Kshs 342 billion in June 2015 due to investments in wellheads and drilling of additional wells to secure steam for the upcoming power plants namely: 70MW Olkaria I Unit 6, 140MW Olkaria V and 140MW Olkaria VI which are at an advanced stage of implementation.

SECTION 8: KenGen's STRATEGY OVERVIEW

Electricity remains a key enabler of economic growth and sustainability as stipulated in the Vision 2030 economic pillar. The Vision 2030 has identified key flagship projects that require robust electricity generation. Implementation and operationalization of these projects will create a huge demand for electricity.

KenGen developed a 10-year Strategic Plan dubbed "G2G" Transformation Strategy for moving from a "Good Company" to a "Great Company" through the creation of sustainable value from "One Generation" to the "Next Generation" by 2018. The strategy is focused on three key pillars: Capital planning and execution; regulatory management and operational excellence.

KenGen's strategic direction aligns well with the national growth plan. This is aimed at stabilizing and creating a sustainable power system by increasing generation capacity.

8.1 Capacity Expansion

KenGen's capacity expansion programme focuses mainly on geothermal resource, which is abundant in Kenya's Rift Valley with an aproximate potential of over 8,000MW. Of this, approximately 1,200MW is in KenGen's Olkaria field. Exploration and drilling to support optimal utilization of this field are on course. Additionally, KenGen is exploring other renewable energy sources, including wind and solar.

KenGen's investment programme targets the implementation of 720MW by 2020, with a focus on geothermal which accounts for over 50% of the planned investments. The competitive advantage of geothermal resources ensures KenGen remains the leader in the provision of reliable, safe and affordable power.

To support the capacity expansion programme, KenGen is pursuing various forms of financing including long-term concessionary debt from development financial Institutions and off-balance sheet mechanisms.

KenGen intends to develop certain projects through the PPP framework. These include geothermal, wind, liquefied natural gas (LNG) and coal projects. To this end, work has begun to develop the 140MW Olkaria VI geothermal project.

8.2 Regulatory Strategic Focus

8.2.1 Power Purchase Agreements

KenGen operates in a regulated environment under the Energy Act of 2006. It sells all its power to one buyer- Kenya Power, which is the sole off-taker. The sale of electricity is through long term take-or-pay power purchase agreements (PPA) which guarantee revenues over the economic life of the plants. PPAs are long-term contracts-between a power generator and an off-taker.

KenGen's strategic objective is to secure PPAs that guarantee a return on investment. With guaranteed revenues, the Company uses the PPA to secure equity and debt financing for the construction of power plants. The PPAs also provide a window for review to cater for emerging issues that include changes in law.

The Company continues to lobby for a favourable regulatory environment with a view to safeguarding shareholders' interests.

PPAs for upcoming power plants are being developed.

8.2.2 Stakeholder and Community Management

The Constitution vests land ownership in county governments in whose jurisdiction KenGen operates. This has brought a new dimension to land acquisition for project development and expansion and has emerged as a risk in project implementation. It in turn affects PPA negotiation and tariffs.

KenGen's strategic objective is to improve stakeholder management to ensure timely and cost effective project delivery.

It continues to engage major stakeholders on a variety of issues including PPA negotiation and implementation, security, anti-terrorism and land acquisition.

KenGen has set up a mechanism to deal with community issues, manage environmental and social impacts and deal with regulatory authorities and government institutions. KenGen continues to form stakeholder co-ordination committees (SCC) to ensure harmonious project implementation and delivery. During the year, various SCCs successfully dealt with a wide range of concerns such as employment and economic opportunities, environmental and safety concerns, health and social issues.

8.2.3 National Energy Policy and Energy Bill

KenGen has been a key participant in the review of the (1) National Energy Policy and (2) Energy Bill. The reforms and restructuring of the Kenyan Electricity Supply Industry has been going on since the mid-1990s. The key aims of the reforms are:

- Create appropriate legal, regulatory and institutional framework for the industry;
- Ensure the provision of affordable, competitive, reliable, efficient and sustainable electricity;
- Increase access to electricity to stimulate economic growth;
- Improve efficiency of power distribution and supply through reduction in system losses and collection of revenues; and
- Create a more competitive market structure for public and private players in the supply chain.

The Bill further proposes the establishment of a renewable energy resource advisory committee to provide advice on the management of geothermal resources. Some of the far-reaching recommendations include the establishment of an independent system operator responsible for grid control, operations and dispatch.

8.3. Operational Excellence

The contemporary energy environment has become dynamic and competitive, prompting businesses to adopt new ways to ensure sustainable financial success.

KenGen's strategic objective is to excel in its operations as measured by key performance indicators such as plant availability, reliability, safety and plant utilization factors.

Towards this end, KenGen continues to improve its maintenance practices, adopt new technology as well as optimize business processes. Impressive results have been achieved in the following areas:

- Generating plant performance;
- Maintenance practices;
- Rehabilitation and upgrade of plants;
- Optimisation of business processes;
- Implementation, operation and uptake of new projects;
- Best practices and benchmarking; and
- Energy audits, efficiency and energy back-feeds.

8.4 Organisational Health

Organisational health is the foundation of KenGen's three strategic pillars: capital planning and execution, regulatory management and operational excellence. This foundation focuses on the following key areas:

- Performance Management: Continuous implementation and maintenance of the performance management system and sustaining a culture of achieving results,
- Succession Planning: Creating a meritocratic and transparent promotion and succession planning process to manage talent across the entire organization,
- Governance: Improving the organizational structure and governance to support the strategy,
- Planning and Budgeting: Implementation of the annual planning and budgeting cycle to link the strategy to Company financial and operational budgets,
- Innovation and Continuous Improvement: Promote innovation and continuous improvement for business growth and sustainability,
- Technology: Leveraging on technology to enhance the effectiveness of the organization's systems and processes.

8.5 Other Revenue Streams

KenGen continues to expand its revenue streams with a view to optimizing shareholder value. Through its geothermal development division, the Company earns revenue from steam resource maintenance services, steam sales, commercial drilling and consultancy in drilling, reservoir, environment, safety and scientific services.

Other revenue sources include: KenGen's Geothermal Spa, which has attracted tourists from all over the world. It's the only one of its kind in Africa offering customers the unique combination of natural therapeutic blue lagoon experience, steam bath, captivating outdoor services, conferencing, fine dining and banqueting in a beautiful, serene setting. Revenue is from ticket sales and other services.

SECTION 9: MATERIAL RISKS

Risk is the potential for an adverse impact or the diminished opportunity for a positive impact caused by uncertain factors (events or outcomes) affecting the interests of the Company. The adverse impact can result into direct financial loss, earnings volatility or in an extreme scenario in financial distress. The impact may also take other non-financial forms, which adversely affect the Company's future earnings . However, a positive impact can result into gain. The assessment of risk is a function of the probability of adverse events of varying severity and the extent of KenGen's exposure and preparedness to manage them. Risk management strategies and mitigation measures (controls) are in place to reduce the potential for loss and increase the opportunity for gain. The combined effects of the risk exposures, risk management strategies and mitigation measures determine the residual exposure to adverse events that may arise.

The Company generates returns for shareholders by taking calculated risks and managing them in line with its strategy. Risk management is the set of activities through which the Company optimizes its risk-return profile. The management of risk lies at the heart of KenGen and there are structures and measures to continuously identify and mitigate risks.This ensures continuous independent review of the effectiveness of internal controls, risk management and governance processes in line with best practice. It is imperative that KenGen assesses risks to determine whether they are still relevant and also incorporate emerging once.

9.1 Risk Factors Relating to the Kenyan Electricity Sub- Sector

9.1.1 Regulation of the Kenyan Electricity Sector

Activities in the electricity industry are subject to extensive regulation and supervision by the Energy Regulatory Commission on behalf of the GOK. Such activities include licensing, competition, tariff controls, ownership, and other arrangements pertaining to the overall structure of the sector. Changes in laws, regulations or GOK policy, or the interpretation thereof, could affect the business activities and results of operations of the Company. In particular, decisions of regulators, including tariff controls, could adversely affect the Company's business, financial condition and operations.

Mitigation:

- Regulator is independent and have developed the tariff policy with set guidelines on how tariffs are set.
- There are well established dispute resolution mechanisms by formation of the Energy Tribunal.
- KenGen negotiates for effective PPAs that ensure full cost recovery and sustainability of operations for all power plants.
- The Company has a well-resourced regulatory division dealing with the electricity sub-sector regulatory matters.
- KenGen is a participant in the drafting of Energy Policy and Legislation.

9.1.2 Single Customer Model and Ability to Roll Out Capacity Expansion Projects

KenGen and all other power generators sell electricity to Kenya Power, the sole customer. This is a major risk to the generators as anything affecting the financial health of Kenya Power will adversely affect them.

Further, electricity transmission is currently the domain of Kenya Power and Kenya Electricity Transmission Company. The generators ability to expand their electricity generation capacity will in certain respects be influenced by the transmission company's ability to provide transmission grids and supporting substations.

Mitigation:

- There is proactive management of the regulatory environment to improve the single buyer model.
- The generators may supply power directly to selected large consumers in the future as envisaged in the Energy Act of 2006.
- KenGen has continued to strengthen its relationship with Kenya Power and Kenya Electricity Transmission Company to ensure the entire necessary infrastructure for evacuation of electricity is simultaneously constructed and completed at the same time with the power plants. This is achieved through a centralised sector planning committee that ensures that generation, transmission and distribution plans are integrated.

9.1.3 Competition

Competition arising from the liberalization of the sector will have a downward pressure on the market share.

Mitigation:

- KenGen's G2G transformation strategy has lined up a number of capacity expansion projects with a focus on geothermal development to increase its market share.
- The Company is also seeking public private partnerships in order to remain competitive.
- The Company seeks to inculcate Innovation and the generation of new ideas to encourage business diversification
- The pricing strategy used in PPA's is full recovery of costs plus a margin. Further PPA's are long term take-or-pay, covering the entire life of the plant. Hence there is certainty of revenues.

9.1.4 Availability of Land/Site Acquisition for Project Expansion

As the players in the sub-sector seek to expand their footprint, land acquisition is usually consequential. Accordingly, any development activities that involve acquisition of land, especially of private land, must always consider risks associated with dealing with Project Affected Persons (PAPs). There is usually resistance during relocation due to community agitation arising from political factors and high compensation demands. This may lead to delays in implementation of projects which are critical to the national economy. Inadequate management of stakeholders may lead to poor relations and adversely affect operations in the sub-sector.

Mitigation:
- KenGen has put in place an efficient sustainable review and engagement mechanism aimed at enhancing its reputation and relationships with all key stakeholders.
- The Company seeks Government's assistance in acquiring land required for power projects.

9.1.5 Fiscal Policy

If not covered under the power purchase agreement, changes in tax rates including the imposition of new levies by local governments or taxes or excise duties by the Government could affect the business activities and results of operations of the electricity industry in general, and the Company in particular.

Mitigation:
- The PPAs have provisions which address changes on taxation.

9.1.6 Compliance and Regulatory Risk

Compliance and regulatory risk includes the risk of non-compliance with legal and regulatory requirements including laws, rules, regulations, prescribed practice, or ethical standards.
Mitigation:
- KenGen has in place a compliance function which is responsible for establishing and maintaining an appropriate framework of compliance policies and procedures that ensures at all times, KenGen remains compliant with all relevant laws, regulations and market standards.
- KenGen carries out periodic legal and regulatory compliance audits to provide an appropriate level of assurance on full compliance.

9.1.7 Project Implementation Risks

Energy generation projects bear construction risks arising from delayed completion and commissioning. Factors beyond the control of the companies and the contractors may result in cost overruns and project delays.
Mitigation:
- KenGen competitively procures experienced contractors and consultants for all its projects.
- The Company executes agreements such as Engineering, Procurement and Construction (EPC) contracts that require the contractors to pay sufficient liquidated damages in the event of delay in the delivery of projects.
- The Company has highly skilled human capital to deliver the projects.

9.1.8 Liquidity Risk and Default Risk in Power Purchase Agreements

The sub-sector relies on the timely payments from their main customer, Kenya Power. Any default by Kenya Power under the power purchase agreements will have a direct impact on the Company liquidity position and business.

Mitigation:
- The power purchase agreements have strict provisions to safeguard the companies against delays in payments by the off taker.

9.2 Risk Factors Relating to the Company

There are a number of risk factors which may adversely impact KenGen's performance and the value of its shares. The details of the risks as identified by KenGen and the existing and ongoing mitigation measures, which are the subject to continuous re-assessment, are as detailed below.

9.2.1 Operational Risks: Internal Control Effectiveness

The Company's risk management techniques and internal control environment and activities (techniques, policies and procedures) may not be fully effective in mitigating its risk exposure in all market environments or against all types of risk, including risks that are unidentified or unanticipated.

Mitigation:
- The Company has put in place an internal control mechanism to minimize this exposure. In addition, the Company has an independent Internal Audit Department which reports directly to the Board of Directors. The department routinely carries out internal audits with a view to identifying and addressing any weaknesses that may exist.
- The Company is also ISO 9001:2008 quality management and EMS 14001: 2004 certified. This helps enhance the procedures and processes. In addition, external auditors carry out routine audits on KenGen's procedures and processes.

9.2.2 The Company may delay in implementing its strategic plans

There is a risk that KenGen may delay in achieving its major strategic objectives. This may be as a result of market conditions, potential legal and regulatory impediments, financing and other factors,beyond its reasonable control. Any failure by the Company to achieve its strategic objectives could have a negative impact on the Company's ability to meet its future growth plans, as well as on its business, results of operations and/or prospects.

Mitigation:
- The Company has a robust business strategy that is monitored on a continuous basis.
- The Company has an effective performance management system to track the implementation of its strategy

- The Company signed performance contracts with GOK which are in line with the Company strategy
- The Company has competent human capital to deliver on its strategy.
- The Company's budgeting process is in line with its strategy. The Strategy Committee of the Board oversees the implementation of KenGen's strategy. KenGen's Management reports to the committee on a quarterly basis.

9.2.3 Plant Availability Risks

The Company could face the risk of machine down-time in its power plants which could lead to loss of revenues.

Mitigation:
Pro-active measures are in place to address outages. This includes
- Adequate stock of strategic spare parts
- Condition based and scheduled maintenance.
- Long term contract frameworks for supply of parts and servicing with Original Equipment Manufacturers.

9.2.4 Hydrology Risks

Unfavourable hydrological conditions adversely affect the generating capacity of the Company and its revenues.

Mitigation:
- The Company is undertaking proper water reservoir management.
- The Company has diversified from hydro plants with current and future investments targeting power generation from geothermal, wind and coal.

9.2.5 Geothermal Steam Supply

Generally, geothermal steam supply is prone to potential decline over time

Mitigation:
- KenGen already compensates for this potential decline by starting at a higher level of steam generation of at least 20%
- KenGen also drills new make-up wells to ensure continuous and adequate supply of steam to the plants. These make-up wells are planned for well in advance as regards land and financing.
- Highly skilled employees in the field of scientific studies.

9.2.6 Legal Risk

Legal risk is the risk of unexpected loss, including reputational loss, arising from defective transactions or contracts, claims being made or some other event including contract/tender award disputes, resulting in a liability or other loss for the Company, failure to protect the title to and ability to control the rights to assets of the Company (including intellectual property rights), changes in law, or jurisdictional risk.

Mitigation:
- The Company manages legal risk through the legal function and external lawyers. Further, the Company uses its set policies and procedures to mitigate the risk.

9.3 Risks associated with the Kenyan securities market

9.3.1 Risks associated with investing in frontier markets

Investors in frontier markets should be aware that these markets are subject to greater risks than those associated with the more developed markets. Frontier markets are at times subject of significant economic, legal and political risks. Investors should be particularly aware that these markets can be subject to rapid changes, which may render the information contained in this Information Memorandum outdated.

9.3.2 Risks associated with new taxes/levies

Investors should be aware that it is possible for the GOK to introduce new taxes or levies on the equity security business, which can have a negative impact on liquidity or returns.

9.3.3 KenGen's share price may fluctuate

The market price of the nil paid Rights and/or the Existing Shares could be subject to fluctuations due to a change in sentiment in the market regarding the Rights Issue. The fluctuations could arise from national and global economic and financial conditions, the market's response to the Rights Issue, market perception of KenGen, and various other factors and events including significant sales of ordinary shares by major shareholders, regulatory changes, variations in KenGen's operating results, business developments of KenGen and/or its competitors and liquidity of the financial markets. Furthermore, the operating results and prospects of KenGen may, from time to time, be at variance with the market expectations of the analysts and investors. Any of these events could result in fluctuations in the market price of the nil paid Rights and/or the Existing Shares.

Mitigation:
- KenGen's strong long term fundamentals.

9.3.4 Dividends

A company can only pay dividends to the extent that it has distributable reserves and sufficient cash available for this purpose. KenGen's ability to pay dividends in the future is affected by a number of factors, principally, its ability to generate profitability from its operating activities in a manner which creates distributable reserves for KenGen. KenGen's ability to pay dividends to shareholders is therefore a function of its existing distributable reserve and future profitability. The payment of any dividends may be further affected by changes to regulation or the requirements and expectations of regulatory authorities.

Mitigation:

- KenGen has a dividend policy of a dividends payout ratio of one third (33%) of the Company's profit before tax or up to fifty percent (50%) of the profit after tax subject to availability of funds and giving consideration to future investments.
- Due to the nature of the long term take-or-pay PPAs, the Company enjoys a stable revenue stream

9.3.5 Foreign Currency Investment Risk

The New Shares are denominated in Kenya Shillings as are any dividends to be paid in respect of them. An investment in the New Shares by an investor whose principal currency is not Kenya Shillings, exposes the investor to foreign currency risk. Any depreciation of Kenya Shilling in relation to such foreign currency would reduce the value of the investment in the New Shares or any refunds or any dividends in foreign currency terms, and any appreciation of Kenya Shilling against such other currency would increase the value in foreign currency terms.

9.3.6 Dilution

If shareholders do not take up the offer of New Shares in the Rights Issue, their proportionate ownership and voting interests in KenGen will be reduced and the percentage of the total share capital of KenGen that their shares represent will be reduced accordingly. Even if an Eligible Shareholder elects to sell their unexercised nil paid Rights, the consideration they receive may not be sufficient to compensate them fully for the dilution of their percentage ownership of KenGen's share capital that may be caused as a result of the Rights Issue.

9.4 General risks

9.4.1 Interest Rate Risk

Interest rate risk is the risk that the Company's financial condition may be adversely affected as a result of changes in interest rate levels. The Company's interest rate risk arises from short-term and long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Company's borrowings.

Mitigation:

- The Company negotiates for competitive interest rates.
- The Company strives to borrow at fixed interest rates.
- Most of the Company's borrowings is sources from DFIs (Development Finance Institutions) with concessionary debt terms

9.4.2 Inflation Risk

Inflation risk refers to the possibility of a reduction in the value of the income or assets. Inflation risk surfaces when the inflation decrease the purchasing power of a currency. The Company recovers 100% of imported inflation and 50% of underlying inflation. Inflation weakens the purchasing power of consumers.

Mitigation:

- The power purchase agreements have an in-built mechanism to adjust the operation and maintenance cost for inflation.

9.4.3 Industrial Relations Risk

KenGen has an adequate staff complement for the operations of the Company which are labour intensive. Some of the employees are members of a trade union hence exposing the Company to the risk of labour unrest.

Mitigation: KenGen has structures and systems in place for resolution of industrial issues with the Kenya Electrical and Allied Workers Union to ensure that disputes do not result in strikes. In addition, the Company has contingent plans, which can be applied in the event of strikes. The latest Collective Bargaining Agreement was signed in the second half of 2015.

9.4.4 Foreign Exchange Risk

Currency risk arises primarily from purchasing imported goods and services directly from overseas or indirectly via local suppliers and foreign borrowings. The Company is exposed to foreign exchange risk arising from future commercial transactions and recognised assets and liabilities that are denominated in a currency other than the functional currency of the Company. Changes in the exchange rate may result in a gain or loss to KenGen and hence requires prudent management.

Mitigation: Fluctuation in the foreign currency is hedged in the power purchase agreements through a pass through mechanism. The Company therefore does not suffer any loss arising from depreciation of the Kenyan currency.

9.4.5 Terrorism risks

Terrorist activities still pose a major security risk to the country and power sector facilities which are strategic Government assets, and hence a possible target. If the Company or any of its employees are the subject of any attacks, or other security threats, this could have a material adverse effect on the Company's operations.

Mitigation:
- The Company has out-sourced security firms which are closely supervised by KenGen's professional security officers in all its areas of operation.
- The Company has also engaged the services of armed policemen at all its plants as an additional security measure
- The Company is engaging the Government to gazette KenGen installations as strategic national assets and provide additional security and other requisite support from the armed security services.
- The Company has taken consequential loss insurance cover based on the gross profit and a sabotage and terrorism policy cover.
- The Company has put up off-site disaster recovery centres.

9.4.6 Natural/Man-Made Disasters/Security Threats

These pose a risk to power sector facilities which are strategic Government assets and which could have material adverse effects on the Company's operations.

Mitigation:
- The Company's power assets are distributed across different geographical areas therefore diversifying the overall risk.
- The Company's geothermal assets are different and distributed across the same region and therefore diversifying the overall geothermal risk.
- The Company has out-sourced security firms which are closely supervised by KenGen's professional security officers in all its areas of operations.
- The Company has also engaged the services of armed police officers at all its plants as an additional security measure
- The Company is engaging the Government to gazette KenGen installations as strategic national assets and provide additional security and other requisite support from the armed security services.
- The Company has taken consequential loss insurance cover based on the gross profit and a sabotage and terrorism policy cover.
- The Company has put up off-site disaster recovery centres.

9.4.7 Risk of losing key management

KenGen's success depends, in part, on the continued service of its key executives and employees, who have significant experience in the electricity industry, and its ability to continue to attract, retain and motivate qualified personnel. If one or more of the key personnel were unable or unwilling to continue in their present positions, KenGen's business might be significantly disrupted and the financial condition and results of operations might be adversely affected. Furthermore, KenGen may or may not experience difficulties in attracting new, qualified personnel for employment. KenGen focuses on structuring its compensation packages in a manner consistent with the standards in the local market.

Mitigation:
- KenGen ensures that the Company maintains a strong depth of talent within the Company, with various opportunities for professional development and continued training.
- KenGen remains a critical pillar to the economic success of Kenya and as a result, remains a sought after Company for which to work, and one that is able and willing to retain key personnel.

9.4.8 Political Risk

KenGen operates within a framework of political and economic risks. Commercial and employment practices and procedures may at times be at risk from violence and lack of law enforcement, political or labour unrest. Changes in Government policy or the implementation or enforcement of policy by the Government or other authorities may have a detrimental effect. These factors could affect KenGen's results and financial condition, causing interruptions to operations or increasing the cost of operations.

Mitigation:
- The Company has in place an effective stakeholder management programme, to avoid/minimize adverse effects of Government/County legislation on its operations.
- Ongoing review of the Energy Policy & Act has taken into consideration changes in the Constitution including specific changes related to the energy sector.

SECTION 10: LEGAL OPINION

WALKER KONTOS
ADVOCATES · NOTARIES PUBLIC · COMMISSIONERS FOR OATHS

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18th May 2016

The Directors,
Kenya Electricity Generating Company Limited,
Stima Plaza,
Kolobot Road, Parklands,
NAIROBI.

Dear Sirs,

LEGAL OPINION IN RESPECT OF THE RIGHTS ISSUE OF 4,396,722,912 NEW ORDINARY SHARES IN KENYA ELECTRICITY GENERATING COMPANY LIMITED

We have acted as legal advisors to Kenya Electricity Generating Company Limited (the "Company") in relation to the Rights Issue, the terms and conditions of which are contained in the Information Memorandum issued by the Company and dated 18th May 2016 ("the **Information Memorandum"**).

Walker Kontos Advocates are Advocates of the High Court of Kenya, practicing and qualified as such to practice in Kenya, and to advise on the laws of the Republic of Kenya.

Unless otherwise stated, or the context otherwise requires, the words and terms used in this opinion bear the same meaning as those defined in the Information Memorandum.

1. Preliminary Matters

1.1 This opinion is addressed to the Directors of Kenya Electricity Generating Company Limited.

1.2 This opinion is limited to Kenyan Law as applied in the Courts of Kenya and as of the date of this opinion and to matters of fact prevailing as of the date of this opinion.

2. Assumptions and Documents Reviewed

2.1 For the purposes of this opinion, we have assumed that:-

2.1.1 all information contained in the Information Memorandum and all information provided to us by the Company and its officers and advisers is true, accurate and up to date;

2.1.2 all copies of and the signatures and seals on documents supplied to us are genuine and the copies of the documents we have examined conform to the original documents and no alteration, variation or modification has been made to them;

2.1.3 all agreements and other relevant documents have been duly authorized, executed and delivered by the parties to such documents other than the Company; and

2.1.4 with respect to matters of fact, we have relied on the representations contained in the documents supplied to us and the representations of the Company its officers and other advisers.

2.2 In rendering this opinion, we have relied upon documents and information provided to us by the Company comprising copies of:

(a) the Certificate of Incorporation of the Company dated 1st February 1954 together with the Certificate of Change of Name dated 19th January 1998;

(b) the Memorandum and Articles of Association of the Company;

(c) the generation licences granted to the Company which are set out in Section 11.11 of the Information Memorandum;

(d) a Geothermal Resources Licence No. 1/2008 dated 19th September 2008 issued to the Company;

(e) various water permits in respect of the following power stations:-

- Wanji Power Station
- Kindaruma Kenyatta Camp
- Tana Power Station
- Sagana Power Station
- Olkaria Power Station
- Kamburu Power Station
- Ndula Power Station
- Kiambeere Power Station
- Masinga Power Station
- Sondu Miriu
- Maragwa Mesco
- Gitaru Power Station
- Kindaruma Power Station

(f) Business permits in respect of the following premises valid up to 31st December 2016:-

- Stima Plaza
- Sagana Power Station
- Turkwel Power Station
- Changamwe
- Gitaru Power Station
- Muhoroni –Fuel Depot
- Eburru Geothermal Power Station
- Ngong Wind Farm
- Sondu Miriu Power Station
- Wanjii Power Station
- Lamu Power Station
- Kindaruma Power Station
- Gogo Power Station
- Mesco Power Station
- Sosiani Power Station
- Olkaria Geothermal
- Garissa Power Station
- Kiambere Power Station
- Sang'oro Power Station
- Mombasa Road Workshop
- Tana Power Station
- Kipevu I & III Power Stations
- Embakasi GT
- Muhoroni Emergency Power
- Kitale Office

(g) receipts for payments for business permits in respect of the following premises:

- Kamburu Power Station; and
- Masinga Power Station;

(h) resolution of the shareholders of the Company passed at the annual general meeting held on 16th December 2015 approving, inter alia, the Rights Issue;

(i) resolution of the board of directors of the Company passed on 4th May 2016 approving, inter alia, the terms of the Rights Issue;

(j) the documents of title relating to various properties registered in the name of the Company as more particularly listed in Part A of Schedule 1 of this opinion;

(k) the Certificate of Registration dated 16th February 2012 issued to the Company by the Retirement Benefits Authority in respect of the Company's Defined Contribution Scheme for its staff;

(l) the Annual Returns filed on behalf of the Company made up to 30th December 2015;

(m) letter dated 7th July 2015 from the Company Secretary of the Company setting out, the issued and paid share capital of the Company, the names of the Company's current directors and top ten shareholders as at 30th June 2015;

(n) a letter dated 11th March 2015 from the Ministry of Energy and Petroleum addressed to the Company confirming the decision of the Cabinet to convert part of the loans on-lent to the Company by the Government in the sum of K.Shs.20.152 billion to equity;

(o) a letter dated 9th May 2016 from the Capital Markets Authority approving the Rights Issue;

(p) a letter dated 9th May 2016 from the Nairobi Securities Exchange to the Company approving the Rights Issue in the manner prescribed under the Information Memorandum; and

(q) such other records and documents as we have considered necessary and appropriate for the purposes of this opinion.

3. Opinion

Subject to the foregoing and to the reservations expressed below we opine as follows:-

3.1 Status of the Company

3.1.1 The Company is a limited liability company, duly registered under the Companies Act (Chapter 486 of the Laws of Kenya) under Certificate of Registration Number C.20/55. The Company's registered offices are situated on Land Reference Number 209/5964, Kolobot Road, Nairobi and its postal address is P.O. Box 47936 -00100 Nairobi.

3.1.2 The Company is listed at the Nairobi Securities Exchange with power to execute, deliver and exercise its rights and perform its obligations pursuant to the Rights Issue and such execution delivery and performance has been duly authorized by the requisite corporate action.

3.1.3 All rights and obligations of the Company contemplated by the Rights Issue constitute valid and binding rights and obligations.

3.1.4 The transactions contemplated by the Rights Issue and the performance by the Company of its obligations thereunder will not violate any laws of Kenya.

3.2 Licences and Consents

The Company has been issued with the necessary licences to undertake power generation and geothermal exploration and extraction.

3.3 Ownership of Assets

3.3.1 The Company is the registered and/or beneficial owner of the immovable properties particulars of which are listed in Schedule 1 hereto.

3.3.2 The Company holds letters of allotment in relation to the power station in Turkwel and is in the process of pursuing titles in relation thereto.

3.3.3 The Company is still following up legal titles in respect of the properties set out in Part B of Schedule 1 and is seeking extensions of leases in respect of the properties set out in Part C of Schedule 1.

3.4 Contracts

Save for the contracts disclosed in the Information Memorandum at section 11.7 the Company has not entered into any material contracts other than contracts entered into in the ordinary course of the business carried on by the Company. No opinion is expressed as to the validity or enforceability thereof or as to the rights of the parties thereto.

3.5 Material Litigation and Claims

We are informed that the only material litigation and claims in which the Company or any of its Directors are involved are the cases particulars of which are set out below:

Material Litigation:

Case No.	Parties	Nature of Claim	Claim Amount
HCCC No. 10 34 of 2005	Ahmed Dolal, Musa Ahmed and Fatuma Kadid (suing on their own behalf and on behalf of the 27 members of the Likoley Farmers Group v KenGen	Claim for damages arising from alleged oil spillage on the Likoley Farm	General damages, Special damages of KES 865,500,661.00, costs and interest (Special damages adjusted upwards from KES 368,680,000.00 by way of an amended plaint dated and filed on 18th May 2011.)
ELC Petition No. 1238 of 2013	Josephat Nguyu Ngari v KenGen	This claim is a constitutional petition by the Petitioner filed in his capacity as the chairman of the Nditi Clan. The clan claims ownership of L.R. Number 184 – Gichiche Adjudication Section Mbeere District on which the Kindaruma Dam is located. The Clan claims damages against KenGen being the assignee/transferee of Tana River Development Company (TARDA) for the breach of their constitutional right to property	The Petitioner seeks: • a declaration that the acquisition of the property without compensation was unlawful; • a permanent injunction restraining KenGen from accessing and using the property; • compensation of KES 276,000,000.00 • mesne profits of KES 24,380,000.00 • exemplary damages; • general damages; • costs
ELC Petition 596 of 2014	Harrison Njoka Ndogora v KenGen, National Land Commission and the AG	This is a constitutional petition filed by the Petitioner in his capacity as the administrator ad litem of the estate of Njoka Ndongora and as the chairman of the Nditi Clan. The suit relates to the 460 acres allegedly owned by the Nditi Clan that the Kindaruma Dam occupies. KenGen has been sued as the transferee/assignee of TARDA which undertook the acquisition of the property. The Petitioners allege that the acquisition was unlawful as it was done without compensation.	The Petitioner seeksc: • a permanent injunction restraining KenGen from accessing, using or alienating the suit property in any way; • a declaration that the failure to compensate the Nditi Clan was unconstitutional; • compensation amounting to KES 460,000,000.00; • mesne profits of KES 24,840,000.00; • exemplary damages; and • general Damages

Nakuru H.C. Constitutional Petition No. 2 of 2012	Jackson Kirisia Torinke, Mwangi ole Sururu Reson, John Ole Hoseni and 205 others v Ngati Farmers Cooperative Society Limited & the Principal Registrar of Titles	This constitutional petition relates to a claim by the petitioners over L.R. No. 8398/2 Nakuru	**(none)**

3.6 Share Capital

The authorised share capital of the Company is Kshs 25,000,000,000.00 divided into 10,000,000,000.00 ordinary shares of Kshs 2.50 each of which 2,198,361,456 ordinary shares have been issued and are fully paid. The existing share capital has been authorised and issued in conformity with all applicable laws and has received all necessary authorisations.

4. Consent

In accordance with Section 42(1) of the Companies Act, we have given, and have not prior to the date of this Information Memorandum withdrawn our consent to the issue of the Information Memorandum containing the statements by us in the form and context in which they are included.

5. Effective Date

This letter and the opinions in it are governed by Kenyan law and relate only to Kenyan law as applied by the Kenyan courts as at today's date.

Yours faithfully,

<u>WALKER KONTOS</u>

Schedule 1

Part A

Particulars of immovable property and titles registered in the name of the Company

1.	Machakos/Yatta/1	110.	Kabondo/Kodhoch West/865
2.	Machakos/Yatta/2	111.	Kabondo/Kodhoch West/422
3.	Embu/Mavuria/917	112.	Kisumu/West Koguta/5412
4.	Aguthi/Muruguru/703	113.	Kabondo/Kodhoch East/1133
5.	Loc.11/Muchungucha/901	114.	Kabondo/Kodhoch East/1127
6.	West Pokot/Chemwochoi/473	115.	Kabondo/Kodhoch East/1123
7.	Kanyamkago/Kajulu/888	116.	Kabondo/Kodhoch East/1121
8.	Kanyamkago/Kajulu/890	117.	Kisumu/Koguta West/5402
9.	Kanyamkago/Kajulu/703	118.	Kisumu/Koguta West/5400
10.	Lamu/Block I/1200	119.	Kisumu/Koguta West/5398
11.	Land Reference Number 2462 (Original Number 1252/2)	120.	Kisumu/Koguta West/5396
12.	S. Nyakach/West/597	121.	South Nyakach/Koguta West/5066
13.	Land Reference Number 8704/2	122.	South Nyakach/Koguta West/5064
14.	Land Reference Number 14941 (Original No. 9005/2/1)	123.	South Nyakach/Koguta West/5060
15.	Land Reference Number 12859 (original number 8398/1)	124.	South Nyakach/Koguta West/5035
16.	Kabondo/Kodhoch East/1135	125.	South Nyakach/West Koguta/5031
17.	Kabondo/Kodhoch East/1137	126.	South Nyakach/West Koguta/4091
18.	Kabondo/Kodhoch West/867	127.	South Nyakach/West Koguta/4083
19.	Kabondo/Kodhoch West/869	128.	South Nyakach/Koguta West/4075
20.	Kabondo/Kodhoch West/871	129.	South Nyakach/Koguta West/4071
21.	Kabondo/Kodhoch West/881	130.	South Nyakach/Koguta West/4057
22.	Kabondo/Kodhoch West/885	131.	South Nyakach/Koguta West/4051
23.	Kabondo/Kodhoch West/887	132.	South Nyakach/Koguta West/4041
24.	Kericho/Kipsitet/536	133.	South Nyakach/Koguta West /5082
25.	South Nyakach/Koguta West/597	134.	South Nyakach/Koguta West /5068
26.	S.Nyakach/Kadianga West/321	135.	Lamu/Block I/811
27.	South Nyakach/Koguta West/356	136.	Kisumu/Koguta West/5388
28.	S.Nyakach/Kadianga West/322	137.	Kisumu/Koguta West/5384
29.	South Nyakach/Koguta West/373	138.	Kisumu/Koguta West/5382
30.	South Nyakach/W.Koguta/601	139.	Kisumu/Koguta West/5378
31.	South Nyakach/Koguta West/1938	140.	Kisumu/Koguta West/5404
32.	Kisumu/Kajimbo/1821	141.	Kisumu/Koguta West/5402
33.	Kisumu/Kajimbo/1823	142.	Kisumu/Koguta West/5390
34.	Kisumu/Kajimbo/1849	143.	Kisumu/Koguta West/5406
35.	Kisumu/Koguta West/5003	144.	Kisumu/Kajimbo/1835
33.	Kisumu/Kajimbo/1823	145.	Kisumu/Koguta West/5009
34.	Kisumu/Kajimbo/1849	146.	Kisumu/Koguta West/5011
35.	Kisumu/Koguta West/5003	147.	Kisumu/Kajimbo/1827
36.	Kisumu/Koguta West/5001	148.	Kisumu/Kajimbo/1825
37.	Kisumu/Koguta West/4099	149.	Kisumu/Kadianga West/2741
38.	Kisumu/Koguta West/4093	150.	Kisumu/Kajimbo/1845
39.	Kisumu/Koguta West/4077	151.	Kisumu/Kajimbo/1839
40.	Kisumu/Koguta West/4059	152.	Kisumu/Kajimbo/1843

41.	Kisumu/Koguta West/337	153.	Kisumu/Kajimbo/1829
42.	Kisumu/Koguta West/2736	154.	Kisumu/Kadianga West/2585
43.	Kisumu/Kajimbo/1791	155.	Kisumu/Kadianga West/2583
44.	Kisumu/Kajimbo/1789	156.	Kisumu/Kadianga West/2593
45.	Kisumu/Kajimbo/1743	157.	Kisumu/Kadianga West/2591
46.	Kisumu/West Koguta/5410	158.	Kisumu/Kadianga West/2597
47.	Kisumu/Kajimbo/1854	159.	Kisumu/Kadianga West/2598
48.	Kisumu/Kadiang'a West/2744	160.	Kisumu/Kadianga West/2601
49.	Kisumu/Kadiang'a West/2757	161.	Kisumu/Kadianga West/2611
50.	Kisumu/KogutaWest/5353	162.	Kisumu/Kadianga West/2607
51.	Kisumu/Koguta West/5088	163.	S.Nyakach/Kadianga West/320
52.	Kisumu/Koguta West/5084	164.	S.Nyakach/Kajimbo/1785
53.	Kisumu/Koguta West/5080	165.	S.Nyakach/Kajimbo/1783
54.	Kisumu/Koguta West/5074	166.	South Nyakach/Kajimbo/1779
55.	Kisumu/Koguta West/5072	167.	S.Nyakach/Kajimbo/1777
56.	Kisumu/Koguta West/5054	168.	S.Nyakach/Kajimbo/1775
57.	Kisumu/Koguta West/5033	169.	S.Nyakach/Kajimbo/1773
58.	Kisumu/Koguta West/5027	170.	S.Nyakach/Kajimbo/1769
59.	Kisumu/Koguta West/5025	171.	S.Nyakach/Kajimbo/1767
60.	Kisumu/Koguta West/5021	172.	S.Nyakach/Kajimbo/1763
61.	Kisumu/Koguta West/5019	173.	South Nyakach/Kajimbo/1521
62.	Kisumu/Koguta West/5017	174.	S.Nyakach/Kajimbo/1519
63.	South Nyakach/Koguta West/2074	175.	South Nyakach/Kajimbo/1518
64.	S.Nyakach/Kadiang'a West/2349	176.	South Nyakach/Kajimbo/1512
65.	Nyakach/West Kadianga/2532	177.	Land Reference Number MN/VI/4087
66.	South Nyakach/West Kadiang'a /2555	178.	LOC.20/Gikindu/5019
67.	Kisumu/West Kadianga/2563	179.	LOC.20/Gikindu/Mirira/5021
68.	South Nyakach/West Kadianga/2587	180.	Garissa Municipality Block 4/72
69.	South Nyakach/West Kadiang'a/2635	181.	Garissa Municipality Block 1/409
70.	South Nyakach/West Kadiang'a/2661	182.	Land Reference Number 12881/1
71.	South Nyakach/West Kadiang'a/2667	183.	Land Reference Number 12635
72.	South Nyakach/West Kadiang'a/2679	184.	Land Reference Number 9005/12 (Original Number 9005/4/1)
73.	South Nyakach/West Kadianga/2688	185.	Land Reference Number 8396/3
74.	Nyakach/Kadianga West/2693	186.	Land Reference Number 8396/4
75.	South Nyakach/Koguta West /4003	187.	Land Reference Number 8396/10 (Original Number 8396/7/3)
76.	South Nyakach/Koguta West /4005	188.	Land Reference Number 8396/13 (Original Number 8396/7/6)
77.	South Nyakach/Koguta West /4007	189.	Land Reference Number 8396/15
78.	South Nyakach/Koguta West /4009	190.	Land Reference Number 214/215 (Original Number 214/48/4) City of Nairobi (Muthaiga)
79.	South Nyakach/Koguta West /4013	191.	South Nyakach/West Koguta/5086
80.	South Nyakach/Koguta West /4017	192.	Land Reference Number 9374
81.	South Nyakach/Koguta West /4019	193.	Kisumu/Kadianga West/2629
82.	South Nyakach/Koguta West /4021	194.	Kisumu/Kadianga West/2625
83.	South Nyakach/Koguta West /4023	195.	Kisumu/Kadianga West/2623
84.	South Nyakach/Koguta West /4025	196.	Kisumu/Kadianga West/2619
85.	South Nyakach/Koguta West /4029	197.	Kisumu/Kadianga West/2738
86.	South Nyakach/Koguta West /4035	198.	Kisumu/Kadianga West/2734
87.	South Nyakach/Koguta West /4037	199.	Kisumu/Kadianga West/2633

88.	South Nyakach/West Koguta /5173	200.	Kisumu/Kadianga West/2631
89.	South Nyakach/Koguta West /5137	201.	Kisumu/Kajimbo/1837
90.	South Nyakach/Koguta West /5133	202.	Kisumu/Kajimbo/1831
91.	South Nyakach/Koguta West /5131	203.	South Nyakach/West Koguta /5149
92.	South Nyakach/Koguta West /5129	204.	Land Reference Number 11211 (Original No. part of 3934)
93.	South Nyakach/Koguta West /5125	205.	Land Reference Number 8398/2[1]
94.	South Nyakach/Koguta West /5123	206.	Land Reference Number 28040 (Grant Number C.R. 46684)[2]
95.	South Nyakach/Koguta West /5119	207.	Kisumu/Kadianga West/5029[3]
96.	South Nyakach/Koguta West /5111	208.	Land Reference Number 2564 (Original No. 1008/4) of Section VI Mainland North
97.	Nyakach/Koguta West/5092	209.	Land Reference Number 9005/1
98.	Kisumu/Koguta West/5386	210.	Kisumu/Kajimbo/1855
99.	Kisumu/Koguta West/5380	211.	Land Reference Number 9005/7
100.	Kisumu/Koguta West/5376	212.	Lease between East African Power and Lighting Company and Abdalla Mohamed Khatib, Soud Mohamed Khatib, Ahmed Mohamed Khatib and Mahmoud Mohamed Khatib dated 11th May 1971 over subdivision no. 812 of Section I (Title Number C.R. 5024)
101.	Kabondo/Kodhoch East/1133	213.	Land Reference Number 4721
102.	Kisumu/West Koguta/4085	214.	Land Reference Number 8396/11 (Original Number 8396/7/4)
103.	Kisumu/West Koguta/4031	215.	Sub-lease from KWS Land Reference Number 12881/6 dated 8th February 2008
104.	Kabondo/Kodhoch East/1117	216.	Kisumu/Kajimbo/1833
105.	Kabondo/Kodhoch East/1119	217.	Kisumu/Kajimbo/1841
106.	Kabondo/Kodhoch East/1125	218.	Land Reference Number 8396/12 (Original Number 8396/7/5)
107.	Kabondo/Kodhoch West/889	219.	South Nyakach/West Koguta /5184
108.	Kabondo/Kodhoch West/883	220.	Land Reference Number 12852/118 (Grant Number C.R. 40750)[2]
109.	Kabondo/Kodhoch West/875	221.	Kisumu/ West Koguta/5405[2]

Part B

The Company is pursuing titles in relation to the following properties:

1. Land Reference Number 12036/VI/MN
2. Un-surveyed land in Turkwel
3. Land Reference No. 209/4300/166 (subdivision No.172 & 173)
4. Land Reference Number 1135
5. Properties relating to Kiambere and Masinga Stations
6. Land Reference Number: Subdivision 4796 of Section VI Mainland North (Original Number 3482/2/14)
7. Land Reference Number: Subdivision 4800 of Section VI Mainland North (Original Number 3482/2/18)
8. Land Reference Number: Subdivision 4795 of Section VI Mainland North (Original Number 3482/2/13)
9. A portion of land in Embu/Gichichie
10. Part of Land Reference Number 10999 (Original Numbers 1154/4 and 1340)
11. LOC/11/Maragi/1450
12. West Koguta/5350

[1] This property is the subject of the dispute in Nakuru H.C. Constitutional Petition No. 2 of 2012

[2] We have sighted titles in KenGen's name over these properties. However we are informed that there may be third party claims over these properties.

[3] We are informed that this title deed number may be erroneous and is subject to change.

Part C

Particulars of Titles that the Company seeks extension of Leases

1. Land Reference Number 9269 (Grant Number I.R. 1684)
2. Land Reference Number 9719 (Original Numbers 7721/1 & 7167) (Grant Number I.R. 19285)
3. Land Reference Number 9268 (Grant Number I.R.N 1685)
4. Land Reference Number 11430 (Original Numbers 9441/2 and 9718 (Grant Number I.R. 20367)
5. Land Reference Number 1118
6. Land Reference Number 9717 and 9722(Grant Number I.R.N 1696)

SECTION 11: ADDITIONAL INFORMATION

11.1 Incorporation and Share Capital

The Company was incorporated on 1st February 1954 under the Companies Act (Cap 486) of the Laws of Kenya as a private limited company (registration number C20/55) in the name of Kenya Power Company Limited. It was converted into a public company with limited liability pursuant to a special resolution passed on 27th July 1955. Subsequently, on 19th January 1998, the Company changed its name to Kenya Electricity Generating Company Limited, following the reforms implemented by GOK in the sector.

The Company uses the trade name "KenGen", which is duly registered as a business name under the Registration of Business Names Act (Cap 499) under Number 282893. "KenGen" is a registered trademark.

The GOK sold 30% of its share capital in the Company through an initial public offer in May 2006 after which KenGen listed its entire issued share capital on the Nairobi Securities Exchange on 17th May 2006.

11.2 Registered office of the Company

The registered office of the Company is situated at Stima Plaza, Land Reference Number 209/5964 Kolobot Road, Post Office Box Number 47936 – 00100 Nairobi.

11.3 Alterations to Share Capital

The following are the alterations that have been made on the share capital of the Company:

Pursuant to the special resolution passed on 25th October 1979, the authorised share capital of the Company was increased from Kshs 2,000 to Kshs 60,002,000 by the creation of 3,000,000 additional ordinary shares of Kshs 20 each.

On 11th March 1986, the Company passed a special resolution increasing the authorised share capital from Kshs 60,002,000 to Kshs 156,002,000 by the creation of 4,800,000 additional ordinary shares of Kshs 20 each.

The authorised share capital was further increased on 29th June 1998 by a special resolution from Kshs 156,002,000 to Kshs 500,000,000 by the creation of 17,199,900 additional ordinary shares of Kshs 20 each.

On 19th November 2000, the authorised share capital was increased from Kshs 500,000,000 to 5,539,818,820 by the creation of 251,990,941 additional ordinary shares of Kshs 20 each.

The shareholders passed an ordinary resolution on 5th December 2005 that sub-divided each of the ordinary shares in the Company of Kshs 20 into 8 shares of Kshs 2.50.

On 20th December 2013 the authorised share capital of the Company was increased from Kshs 5,539,818,820.00 to Kshs 25,000,000,000 divided into 10,000,000,000 ordinary shares of Kshs 2.50 each by the creation of 7,784,072,472 new ordinary shares of Kshs 2.50 each.

11.4 Additional Shareholding Information

The share capital of the Company is not divided into different classes of shares and all the ordinary shares carry equal rights and the New Shares, when issued, will rank equally in all respects with the Existing Shares and will qualify for dividends declared after completion of the Rights Issue.

11.5 Memorandum and Articles of Association

The following paragraphs are key extracts from the Memorandum of Association of the Company:

To carry on the business of the purchase, generation, storage, distribution, supply and sale of electrical energy in all its branches and for all purposes and in particular to construct, lay down, erect, establish, fix, carry out, maintain, work and use all necessary mains, cables, wires, lines, accumulators, lamps and other works and to purchase, generate, accumulate, store, transform, distribute, supply, sell and use electrical energy for any purpose and to manufacture and sell by-products.

To enter into or adopt and carry into effect any agreement or agreements or arrangement or arrangements for the supply of electrical energy in bulk to or by the Company

To acquire (by purchase or otherwise) contract and equip and to enter into or adopt and carry into effect such agreements as may be thought necessary or proper for the acquisition (by purchase or otherwise), construction and equipment of an electricity generating station or electricity generating stations complete with all necessary building, machinery, plant, mains, apparatus, roads, ways tramways, railways, siding, bridges, reservoirs, watercourses, piers, wharves, factories, warehouses, workshops and other works (including public works) of all kinds and to construct and equip and to enter into adopt and carry into effect such agreement as may be thought necessary or proper for the acquisition (by purchase or otherwise), construction and equipment of any extensions and additions or the effecting of any alterations to such generating station or stations and works, and to operate and maintain or make agreements or arrangements for the operation and maintenance of any generating station or works referred to therein.

11.6 Articles of Association

The following paragraphs are key extracts from the Articles of Association of the Company:

Share Capital and Variation of Rights

Article 5- At the date of this issue, the share capital of the Company is Kshs 25,000,000,000 divided into 10,000,000,000 ordinary shares of Kshs 2.50

Article 7- Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, any share in the Company may be issued with such preferred, deferred or other special rights or such restrictions, whether in regard to dividend, voting, return of capital or otherwise as the Company may from time to time by ordinary resolution determine.

Article 10- The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.

Article 12- Subject to the foregoing provisions of these Articles, the shares in the capital of the Company shall be at the disposal of the Directors who may allot, grant options over or otherwise dispose of them to such persons, for such consideration, on such terms and conditions and at such times as they may determine but so that no shares shall be issued at a discount except with in accordance with the Act.

Application of the Central Depository Act

Article 34- Notwithstanding any Article herein, the provisions of the Central Depository Act, 2000 (CD Act) as amended modified from time to time shall apply to the Company to the extent that any securities of the Company are in part or in whole immobilised or dematerialised or are required by the regulations or rules issue under the CD Act to be immobilised or dematerialised in part or in whole, as the case may be. Any provisions of these articles that are inconsistent with the CD Act or any regulations or rules issued or made pursuant thereto shall be deemed to be modified to the extent of such inconsistencies in their application to such securities. For the purposes of these Articles, immobilisation and dematerialisation shall be construed in the same way as they are construed in the CD Act.

Refusal to Register Transfers

Article 32- The registration of transfers may be suspended at such times and for such periods as the Directors may from time to time determine, provided always that such registration shall not be suspended for more than Thirty days in a year.

Increase of Capital

Article 51- The Company may, from time to time by ordinary resolution, increase the share capital by such sum, to be divided into shares of such amount, as the resolution shall direct, or, in default of such direction, as the Directors shall determine.

General Meetings

Article 54- The Company shall in each year hold a general meeting as its Annual General Meeting (AGM) in addition to any other meetings in that year, and shall specify the matter as such in the notices calling it. Not more than fifteen months shall elapse between the date of one AGM of the Company and that of the next. Provided that if the first AGM is held within e ighteen months of the date of incorporation of the Company, it need not be held in the year of incorporation nor in the next following year. Annual and extraordinary general meetings shall be held at such times and places within Kenya as the Directors shall, from time to time, appoint.

Article 55- All general meetings other than annual general meetings shall be called extraordinary general meetings.

Article 56- The Directors may, whenever they think fit, convene an Extraordinary General Meeting (EGM), and extraordinary general meetings shall also be convened on such requisition, or, in default, may be convened by such requisitionists, as provided by the Act. If at any time there are not within Kenya sufficient Directors capable of acting to form a quorum, any Director or any two members of the Company may convene an EGM in the same manner as nearly as possible as that in which meetings may be convened by the Directors.

Article 60- All business shall be deemed special that is transacted at an extraordinary general meeting, and also all business that is transacted at an AGM, with the exception of declaring a divend, the consideration of the accounts, balance sheets and the reports of the Directors and Auditors, the election of Directors in the place of those retiring (if any), and the appointment and the fixing of the remuneration of the Auditors.

Article 61- No business shall be transacted at any general meeting unless a quorum of members is present at the time when the meeting proceeds to business; save as herein provided, One hundred members personally present shall be quorum.

Votes of Members

Article 71- Subject to any rights or restrictions for the time being attached to any class or classes of shares, on a show of hands every member present in person shall have one vote, and on a poll every member present in person or by proxy shall have one vote for each share of which he is the holder.

Dividends and Reserves

Article 122- The Company in general meeting may declare dividends, but no dividend shall exceed the amount recommended by the Directors.

Article 123- The Directors may from time to time pay to the members such interim dividends (including therein the fixed dividends payable upon any preference or other shares at stated times) as appear to the Directors to be justified by the profits of the Company.

Article 125- Subject to the rights of persons, if any, entitled to shares with special rights as to dividends, all dividends shall be declared and paid according to the amounts paid or certified as paid on the shares, but if and so long as nothing is paid up on any of the shares in the Company dividends may be declared and paid according to the amounts of the shares. No amount paid or credited as paid on a share in advance of calls shall, while carrying interest, be treated for the purposes of this Article as paid on the share. All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the share during any portion or portions of the period in respect of which the dividend is paid; but if any share is issue on terms provided that it shall rand for dividend as from a particular date such share shall rank for dividend accordingly.

Article 128- The Directors may deduct from any dividend payable to any member all sums of money (if any) presently payable by him to the company on account of calls or otherwise in relation to the shares of the Company.

Article 131- No dividend shall bear interest against the Company.

Article 129- Any general meeting declaring a dividend or bonus may direct payment of such dividend or bonus wholly or partly by the distribution of specific assets and in particular of paid up shares, debentures or debenture stock of any other company or in any one or more of such ways, and the Directors shall give effect to such resolution, and where any difficulty arises in regard to such distribution, the Directors may settle the same as they think expedient, and in particular may issue fractional certificates and fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any members upon the footing of the value so fixed in order to adjust the rights of all parties and may vest any such specific assets in trustees as may seem expedient to the Directors.

Article 130- Any dividend interest or other moneys payable in cash in respect of shares may be paid by cheque or warrant sent through the post directed to the registered address of the holder or, in the case of joint holders, to the registered address of that One of the joint holders who is first named on the Register of Members or to such persons and to such address as the holder or joint holders may in writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent. Any one of Two or more joint holders may give effectual receipts for any dividends, bonuses or other moneys payable in respect of the shares held by them as joint holders.

Article 126- The Directors may, before recommending any dividend, set aside out of the profits of the Company such sums as they think proper as a reserve or reserves which shall, at the discretion of the Directors, be applicable for any purpose to which the profits of the Company may be properly applied, and pending such application may, at the like discretion, either be employed in the business of the Company or be invested in such investments (other than the shares of the Company) as the Directors may from time to time think fit. The Directors may also without placing the same reserve carry forward any profits which they may think prudent not to divide.

11.7 Material and Related Party Contracts

Material Contracts

The following paragraphs outline brief details of Material Contracts to which the Company is a party.

Power Purchase Agreements

a) Power Purchase Agreement dated 21st March 2015 between KenGen and Aggreko International Projects Ltd (“Aggreko”) in respect of supply of 3.4 Mw Temporary Thermal Power at Garissa Power Station;

b) Amended and restated Power Purchase Agreement dated 14th November 2012 for the Embakasi Gas Turbine Power Generating Plant;

c) Power purchase agreement dated 20th August 2014 for the Kipevu III Diesel generating plant;

d) Power purchase agreement dated 31st July 2014 for the Sang’oro Hydro power plant;

e) Power purchase agreement dated 20th August 2014 for Olkaria 145mw power plant;

f) Power purchase agreement dated 28th January 2014 for Olkaria IV Geothermal power plant;

g) Power purchase agreement dated 28th January, 2014 between KenGen And Kenya Power and Lighting Company Limited for the Olkaria I Units 4 &5 Geothermal power plant;

h) Power purchase agreement dated 4th June 2009 between KenGen and KPLC for Olkaria I &II power generating plants;

i) Power purchase agreement Dated 4th June, 2009 between KenGen and KPLC for the Kipevu Diesel power generating plant;

j) Power purchase agreement dated 4th September 2014 between KenGen and KPLC for the Kipevu Gas Turbine 1 power generating plant

k) Power purchase agreement dated 4th June, 2009 between KenGen and KPLC for the Seven Folks, Turkwel, Tana (Existing), Sondu Miriu, Kiambere (Upgraded) and Tana (Redevelopment) Hydro power generating plant;

l) Agreement for the use of Energy from Well Ow-306 dated 28th March, 2002 between KenGen And Oserian Development Company Limited;

m) Agreement for the use of Energy from Well Ow-202 dated 23rd May, 2006 between KenGen and Oserian Development Company Limited;

n) Energy purchase agreement dated 8th February 2011 between KenGen and KPLC for the Mobile Geothermal Well Head Generators;

o) Agreement dated 3rd September, 2015 between KenGen and Geothermal Development Company Limited for Utilization, Operation and Maintenance of GDC's fifty nine (59) Geothermal Wells at Olkaria.

11.8 Related Party Contracts

A. Loans On-Lent by Government of Kenya

Full title	Financier/ Development Financial Institution	Amount Borrowed	Interest Rate	Loan Amount outstanding as at 30th June 2015 in Kshs '000'	Dates of Repayment
Subsidiary Credit Agreement dated 7th April 2008 (Ngong Hills)	KBC Bank, NV Belgium	€ 11,314,681.73	1.5% per annum	818,368	Half yearly instalments on the 30th day of December and 30th June each year commencing 30th December 2010.
Subsidiary Loan Agreement dated 30th September 2013 (Ngong Hills Phase Two)	KBC Bank, NV Belgium	€6,368,909.82	3.2% per annum	703,098	Half yearly instalments on the 30th day of December and 30th June each year commencing after 25 months from the effective date of the subsidiary agreement
Subsidiary Loan Agreement dated 4th July 2012 (Implementation of 280 MW Power Generation in Olkaria 1 Unit 4 and 5 and Olkaria IV)	Agence Française de Développement	€ 150,000,000	Rate applicable is the Cost plus 0.5% mark-up per annum in KES	8,925,822	Semi-annual instalments on the 31st day of January and 31st day of July each year commencing on the 31st day of January 2017 and ending on the 31st day of July 2031
Subsidiary Loan Agreement dated 4th July 2012 (Implementation of 280 MW Power Generation in Olkaria 1 Unit 4 and 5 and Olkaria IV)	European Investment Bank	€ 119,000,000	Rate applicable is the Cost plus 0.5% mark-up per annum in KES	7,877,858	Semi annual instalments on the 30th day of March and 30th day of September each year commencing on the 30th day of March 2017 and ending on the 30th day of September 2037
Subsidiary Loan Agreement dated 30th December 1999 (Olkaria II Geothermal Power Plant)	Kredistanstalt Fur Wiederaufbau, Frankfurt am Main (KfW)	Maximum amount to be lent is DM 25,000,000	7.7% per annum	40,972	Semi annual instalments on the 30th day of June and 31st day of December each year commencing on the 30th day of June 2004
Subsidiary Loan Agreement dated 9th June 1998 (Energy Sector Reform and Power Development Project)	World Bank	66,530,000 Special Drawing Rights	7.7% per annum.	2,159,363	Semi annual instalments on the 15th day of May and 15th day of November each year commencing on the 15th day of May 2003
Subsidiary Loan Agreement dated 24 September 2004	World Bank	18,750,000 Special Drawing Rights	4.5% per annum	1,856,792	
Subsidiary Loan Agreement dated 1st October 2010 (Kenya Electricity Expansion Project)	World Bank	USD 120,000,000	3.5% per annum	11,454,365	Semi annual instalments payable on the 1st day of March and 1st day of September each year commencing on the 1st day of September 2017 and ending 1st March 2035

Subsidiary Loan Agreement dated 21st August 2012 (Provision of Drilling Services and Materials for 80 Geothermal Wells at Olkaria Geothermal Field Project Contract)	EXIM Bank of China	US$ 382,500,000	2.5% per annum	27,367,272	Semi annual instalments payable on the 30th day of March and 30th day of September each year commencing at the end of a grace period of 84 months
Subsidiary Loan Agreement dated 12th September 2012 (13.6 MW Ngong II Wind Power Project)	Government of Spain	€ 19,993,615.70	1.5% per annum	2,207,201	Semi annual instalments payable on the 30th day of March and 30th day of September each year commencing on the 30th day of March 2019 and ending 30th day September 2030
Subsidiary Loan Agreement dated 30th September 2013 (Ngong Hills Phase Two)	National Bank of Belgium (NBB)	€ 6,078,000	0.5%	670,983	Annual instalments payable on the 31st day of December each year commencing on the 31st December 2023 and ending 31st December 2042

B. Loans Guaranteed by GOK

Full title	Financier/ Development Financial Institution	Amount Borrowed	Interest Rate	Loan Amount outstanding as at 30th June 2015 in Kshs '000'	Dates of Repayment
Loan Agreement dated 3rd May 2011	Kredistanstalt Fur Wiederaufbau, Frankfurt am Main (KfW)	Maximum amount to be lent is € 60,000,000	Fixed Interest Rate of 2.2% per annum	4,864,636	Half yearly instalments commencing on 30th June 2015 and ending on 30th June, 2026
Loan Agreement dated 16th November 2010	Kredistanst/alt Fur Wiederaufbau, Frankfurt am Main (KfW	Maximum amount to be lent is € 39,100,000 in two portions as follows:- i. Euro 30,000,000 (Portion I); and ii. Euro 9,100,000 (Portion II),	Fixed Interest Rate of 1.5% per annum applicable for Portion I and a fixed interest rate of 4.07% on Portion II	3,699,227	Half yearly instalments commencing on 15th December 2014 and ending on 14th June, 2024
Loan Agreement dated 31st March 1995	Overseas Economic Corporation Fund, Japan ("JICA")	Maximum amount to be lent is ¥10,716,000,000	Fixed Interest Rate of 2.6% per annum	3,392,878	The first instalment of Yen 212,701,762 was payable on 20th March, 2005 and thereafter the sum of Japanese Yen 212,658,000 is payable on each 20th September and 20th March of every year beginning from 20th March, 2005 through 20th March, 2025.
Loan Agreement dated 3rd March 1997	Overseas Economic Corporation Fund, Japan ("JICA")	Maximum amount to be lent is ¥6,933,000,000	2.3% per annum	3,237,454	The first instalment of Yen 169,120,000 fell due on 20th March, 2007 and thereafter the sum of Japanese Yen 169,097,000 is payable on each 20th September and 20th March of every year beginning from 20th September, 2007 through to 20th March, 2027.
Loan Agreement dated 20th February 2004	Overseas Economic Corporation Fund, Japan ("JICA")	Maximum amount to be lent is ¥10,554,000,000	three fourths of 1% per annum	8,005,127	The first instalment of Japanese Yen 173,099,999 0 fell due on 20th February, 2014 and thereafter the sum of Japanese Yen 173,015,000 is payable on each 20th August and 20th February of every year beginning from 20th August, 2014 through to 20th February, 2044.
Loan Agreement dated 23rd January 2007	Overseas Economic Corporation Fund, Japan ("JICA")	Maximum amount to be lent is ¥ 5,620,000,000	three fourths of 1% per annum	3,440,463	The first instalment of Japanese Yen 92,140,000 to fall due on 20th January 2017 and thereafter the sum of Japanese Yen 92,131,000 is payable on each 20th July and 20th January of every year beginning from 20th July, 2017 through to 20th January, 2047.

Loan Agreement dated 31st March 2010	Japan International Co-operation Agency ("JICA")	Maximum amount to be lent is ¥29,516,000,000	0.2% per annum	14,540,413	The first repayment instalment in the sum of Japanese Yen 719,920,000 is payable on 20th March, 2020 and thereafter the sum of Japanese Yen 719,902,000 will be payable on each 20th March and 20th September every year beginning from 20th September through 20th March, 2040.

11.9 Direct Loans/Finance Agreements

Full title	Financier	Amount Borrowed	Interest Rate	Loan Amount outstanding as at 30th June 2015 in Kshs '000'	Dates of Repayment
Term Loan Facility Agreement dated 14th March 2014	Standard Chartered Bank Kenya Limited (SCBK)	Maximum amount to be lent is USD 40,000,000	Rate applicable is the rate per annum determined by the SCBK to be the aggregate of the Margin and LIBOR.	3,838,936	Half yearly instalments
Facility Agreement dated 30th January 2013	HSBC Bank Plc UK	Maximum amount to be lent is USD 33,790,866.23	Fixed Interest Rate of 5.10% per annum.	2,999,800	Semi-annual instalments commencing 30th April 2014 and ending on 30th July 2013
Credit Facility Agreement dated 2nd April 2009	Agence Française De Développement (AFD)	Maximum amount to be lent is Euro 20,000,000.00	2.68 % per annum	1,655,929	Half yearly instalments - first instalment fell due on 31st August 2012 and the last instalment shall be due and payable on 29th February, 2024.
Letter of Offer dated 6th June 2014 in relation to a corporate loan	Commercial Bank of Africa Limited (CBA)	USD 100,000,000	The rate applicable is the 6 months Libor + 6.7% per annum. The Libor rate is to be fixed at the beginning of every six (6) months and will be valid for six (6) months at the end of which the rates for the succeeding month will be determined and adjusted	9,863,940	Semi-annual instalments commencing 31st July 2017 and ending on 31st January 2027
Letter of Offer dated 20th May 2015 in relation to a term loan	Co-operative Bank of Kenya Limited (Co-op Bank)	Kshs.7,000,000,000	The rate applicable is the Kenya Bankers' Reference Rate (KBRR) plus 3.96% Margin	7,000,000	Semi-annual instalments commencing 30th June 2017 and ending on 30th June 2022

Public Infrastructure Bond

- The Company issued a 10-year public infrastructure bond of up to Kshs.25billion (including a greenshoe option of Kshs 10 billion in 2009.
- The Bond is tax-exempt and bears an interest of 12.5% per annum payable semi-annually in arrears on 30 April and 31 October from and including 30 April 2010 up to, and including, 31 October 2019.
- The Bond is redeemed by the Company in 16 equal semi-annual instalments. The first instalment was paid on 30 April 2012 and subsequent instalments paid on each interest payment date up to and including 31 October 2019.
- Under the terms and conditions of the Bond, the Company is restricted from creating or permitting to subsist any mortgage, charge, pledge, lien or other security interest ("Security Interest") upon the whole or any part of its present and future undertaking, assets, or revenues to secure any present or future indebtedness of the Company evidenced by notes, bonds or other securities which are to be quoted, listed or dealt with on any stock exchange, without securing all amounts payable under the bonds and Trust Deed rateably therewith or providing such other security for the amounts payable under the Trust Deed.
- The total amount issued was Kshs.25 billion and the amount redeemed as at the date of this Information Memorandum is Kshs.12.5 billion. The next principal redemption instalment due on 30 April 2016 is Kshs 1.5625 billion. A similar amount will be paid on 31 October 2016 subject to the applicable terms and conditions.

11.10 Fuel Supply Contracts

- Contract for supply of fuel using electronic fuel cards for the period 2014-2016 dated 4th February, 2015 between the Company and KenolKobil Limited.
- Contract for the supply of fuel and management of KenGen fuel stations dated 1st November 2013 between the Company and Hashi Energy Limited.
- Contract for supply of fuel dated 21st July 2015 between the Company and KenolKobil Limited.
- Contract for the supply of fuel dated 3rd August 2015 between the Company and KenolKobil Limited.

11.11 Generation Licenses

The Company has been granted the following generation licences:

Table 22: KenGen's Generation Licenses

No	Licence Number	Date	Plant	Duration	Expiry Date
1	G1.04.12	6th December 2012	94.2 MW Hydro Power Generating Plant at Kamburu	25 years from 2nd October 2008	1st October 2033
2	G1.06.12	6th December 2012	72 MW Hydro Power Generating Plant at Kindaruma	25 years from 2nd October 2008	1st October 2033
3	G1.17.12	6th December 2012	70 MW Mobile Wellhead Geothermal Power Generating Plants	15 years from 6th December 2012	5th December 2027
4	G1.09.12	6th December 2012	7.4 MW Hydro Power Generating Plant at Wanjii	15 years from 2nd October 2008	1st October 2023
5	G1.13.12	6th December 2012	5.1MW Wind Power Generating Plant at Ngong I – Phase I	20 years from 6th December 2012	5th December 2032
6	G1.16.12	6th December 2012	5MW Mobile Wellhead Geothermal Power Generating Plant at Ol-Karia	15 years from 6th December 2012	5th December 2027
7	G1.07.12	6th December 2012	40MW Hydro Power Generating Plant at Masinga	25 years from 2nd October 2008	1st October 2033
8	GI.12.12	6th December 2012	380kW Hydro Power Generating Plant at Mesco	12 years from 2nd October 2008	1st October 2020

10	G1.03.12	6th December 2012	225 MW Hydro Power Generating Plant at Gitaru	25 years from 2nd October 2008	1st October 2033
11	G1.08.12	6th December 2012	20 MW Hydro Power Generating Plant at Tana	12 years from 2nd October 2008	1st October 2020
12	G1.15. 12	6th December 2012	185 MW Geothermal Power Generating Plant at Olkaria I	25 years from 2nd October 2008	1st October 2033
13	G1.05.12	6th December 2012	164 MW Hydro Power Generating Plant at Kiambere	25 years from 2nd October 2008	1st October 2033
14	G1.14.12	6th December 2012	140 MW Geothermal Power Generation Plant at Olkaria IV	25 years from 6th December 2012	5th December 2037
15	G1.11.12	6th December 2012	1.5 MW Hydro Power Generating Plant at Sagana	18 years from 2nd October 2008	1st October 2026
16	G1.04.11	27th April 2011	60MW Medium Speed Diesel (MSD) Kipevu I Power Generating Plant, Mombasa	20 years from 27th April 2011	26th April 2031
17	G1.06.11	27th April 2011	60 MW Gas Turbines at Embakasi, Nairobi	20 years from 27th April 2011	26th April 2031
18	G1.05.11	27th April 2011	120 MW Kipevu III Power Generating Plant, Mombasa	20 years from 27th April 2011	26th April 2031
19	G1.03.08	2nd October 2008	106 MW Hydro Power Generating Plant at Turkwel	25 years from 2nd October 2008	1 October 2033
20	G1.07.08	2nd October 2008	0.4MW Mini Hydro Power Generating Plant at Sosiani	12 years from 2nd October 2008	1st October 2020
21	G1.04.08	2nd October 2008	60 MW Hydro Power Generating Plant at Sondu Miriu	25 years from 2nd October 2008	1 October 2033
22	G1.01.09 (modified to replace Licence No. G1.01.08)	21st May 2009	45 MW Geothermal Power Generating Plant at Olkaria I	25 years from 2nd October 2008	1st October 2033
23	G1.02.09 (modified to replace Licence No. G1.01.08)	21st May 2009	105 MW Geothermal Power Generating Plant at Olkaria II	25 years from 2nd October 2008	1st October 2033
24	G1.12.08	2nd October 2008	0.35 MW Wind Power Generating Plant at Ngong	15 years from 2nd October 2008	1st October 2023
25	G1.01.08	2nd October 2008	115 MW Geothermal Power Generating Plants at Olkaria I and Olkaria II	25 years from 2nd October 2008	1st October 2033
27	G1.11.08	2nd October 2008	2.1 MW Thermal Power Generating Plant at Lamu	15 years from 2nd October 2008	1st October 2023
28	G1.09.08	2nd October 2008w	133.5 MW Thermal Power Generating Plants at Kipevu comprising Kipevu I Diesel Plant (73.3 MW) and Kipevu Gas Turbines (60 MW)	15 years from 2nd October 2008	1st October 2023

29	G1.02.08	2nd October 2008	543.2 MW Seven Forks Hydro Power Generating Stations comprising Masinga (40 MW), Kamburu (94.2 MW), Kindaruma (40 MW), Gitaru (225 MW) Kiambere (144 MW)	25 years from 2nd October 2008	1st October 2033
31	G1.10.08	2nd October 2008	3.4MW Thermal Power Generating Plant at Garissa	15 years from 2nd October 2008	1st October 2023
32	G1.05.08	2nd October 2008	21.68 MW comprising Sagana (1.5 MW), Ndula (2.0 MW), Tana (10.4 MW), Wanjii (7.4 MW) and Mesco (0.38 MW)	Sagana – 18 years from 2nd October 2008 Tana – 12 years from 2nd October 2008 Wanjii – 15 years from 2nd October 2008 Mesco – 12 years from 2nd October 2008	Sagana – 1st October 2026 Tana – 1st October 2020 Wanjii – 1st October 2023 Mesco – 1st October 2020

Source: KenGen

11.12 Material Litigation

Refer to Section 10-Legal Opinion for details.

11.13 Material Changes in Financial or Trading Position

Save as provided in this Information Memorandum, there have been no material adverse changes in the financial or trading position of KenGen.

11.14 Auditors for the last three financial years

Deloitte & Touché, Certified Public Accountants (Kenya) of P.O. Box 40092-00100 Nairobi on behalf of the Auditor General.

11.15 Board & Shareholders Authorisation for the Offer

The Offer has been duly authorized by the resolutions of the Directors and the shareholders dated 9 November 2015 and 16 December 2015 respectively.

11.16 Corporate Governance

The Board of directors comprises an independent and non-executive Chairman non-executive directors, audit and risk management committee, human resource committee, strategy committee, procurement oversight committee and capital raising committee. More than one-third of the Board consists of independent, non-executive directors. KenGen holds annual general meetings in compliance with laws and regulations.

11.17 Control of Company's Shares

Other than the Government of Kenya, the Company has no contractual arrangement with a controlling party.

11.18 Planned Management Changes

There are no planned senior management changes in the Company during and immediately after the Rights Issue.

11.19 Loans Conversion Resolution

The Shareholders passed a resolution approving the payment of the GOK's Entitlement in the Rights Issue by way of conversion of part of the on-lent loans to KenGen.

11.20 Loans to be Converted

In support of the Rights Issue, the Government of Kenya has confirmed its intention to participate in the Rights Issue and to pay for their full Entitlement through the conversion of Government On-Lent Loans for up to Kshs20,151,540,500.

11.21 General

1. There are no founders', management or deferred shares in the capital of the Company;
2. The share capital of the Company is not divided into different classes of shares and all shares carry equal rights;
3. No unissued share or loan capital of the Company is under option or agreed conditionally or unconditionally to be put under option;
4. No share or loan capital of the Company or its subsidiary is now proposed to be issued, fully or partly paid, for a consideration other than cash;

5. Commissions, discount, brokerage or other special terms have been granted by the Company on an issue or sale of any share or loan capital, within the period since incorporation and the Offer;
6. As at the date of this Information Memorandum there are 7,801,638,544 unissued shares in the Company but there are no categories of persons having preferential subscription rights to such unissued shares;
7. The Company does not intend to carry on any other businesses that may be material with regard to the profit or loss, assets employed or any other factors affecting the current business;
8. No other material asset has been purchased by the Company in the last five years that is not represented on the balance sheet.
9. So far as the Directors of the Company are aware, there is no material litigation nor are there claims of material importance pending or threatened against the Company save as disclosed in this Information Memorandum;
10. The Company's auditors have not resigned nor have they been removed and Deloitte & Touché on behalf of the Auditor-General, have deposited with the Company a letter following the audit for the year ending 30 June 2015. Key matters have been highlighted in Section 11.24 by the Board.
11. There is no existing or proposed contract between any Director and the Company except with the Managing Director and CEO;
12. The Company's Articles of Association do not stipulate a minimum number of shares required by an individual to allow for qualification as a Director;
13. No amounts have been paid or agreed to be paid in cash or otherwise by any person to any present Director, or to any partnership, company, syndicate, or other association of which any Director is a member, either to induce him to become or to qualify him as a Director or for services rendered by any such Director or by any such partnership, company, syndicate or association in connection with the promotion or formation of the Company;
14. No amount has been paid or agreed to be paid within the three years preceding the date of this Information Memorandum to any Director or to any company which he is beneficially interested, directly or indirectly, or of which he is a Director, or to any partnership, syndicate or other association of which he is a member, in cash or securities or otherwise, by any person either to induce him to become or to qualify him as a Director, or otherwise for services rendered by him or by the Company, partnership, syndicate or other association in connection with the promotion or formation of the Company;
15. Save as disclosed in this Section and in this Information Memorandum, no amount or benefit has been paid or given within the three years preceding the date of this Information Memorandum or is intended to be paid or given to any promoter;
16. All shareholders have equal voting rights and no preferential voting rights attached to any shares;
17. No bankruptcy, receivership or similar proceedings have been taken against the major controlling shareholder of the Company;
18. No options to purchase any securities of the Company have been granted to or exercised by any Director, its subsidiary or holding company within the period of one year prior to the date of this Information Memorandum;
19. Save as disclosed in this Information Memorandum, there are no transactions which are or were unusual in their nature or conditions or significant to the business of the Company, effected during the current or immediately preceding year which remain outstanding or unperformed;
20. Save for the salaries and benefits received by the Managing Director & Chief Executive Officer of KenGen under service contract with the Company and fees and other emoluments paid to non–executive directors; no other cash, securities or benefits have been paid, issued or given to any Director in the last three years preceding the publication of this Information Memorandum or proposed to be paid, issued or given to any such persons, in their capacity as a Director;
21. The Company has contingent liabilities, capital commitments and future rental commitments under operating leases as disclosed in the Reporting Accountant's Report and the Interim Report contained in the Annexures;
22. The Board may exercise all the powers of the Company to borrow or raise money and to mortgage or charge its undertaking, property and uncalled capital or any part thereof, and to issue income notes, bonds, debentures and other securities, subject to necessary approvals.
23. None of the Directors have in the last two years been subject to bankruptcy proceedings nor have they been barred by any court of competent jurisdiction from being a Director or acting as an investment advisor or as a Director or employee of a stockbroker, dealer, or any other financial service institution or from engaging in any type of business practice or activity;
24. There have been no criminal proceedings in which any Director has been convicted of fraud or any criminal offence either within or outside Kenya and no Director is the subject of any pending criminal proceedings, or proceedings in respect of any other offence or action either within or outside Kenya;
25. There is no arrangement pursuant to which any future dividends of the Company have been waived or have been agreed to be waived;
26. There is no other information other than in the Reporting Accountants' Report that has been reviewed by the Reporting Accountant.

11.22 Expenses

The following are the known and planned for expenses of the Rights Issue:

Table 25: Expenses of the Rights Issue

Expense Item	**Kshs**
Placing Commission for Sales Agents*	129,593,407.83
Transaction Advisors (Including Legal Advisor & Reporting Accountant)	73,002,081.60
Lead Sponsoring Stockbrokers	0.05
Offer Processing Fees (Receiving Bank and Data Processor)	24,141,898.06
Advertising and Public Relations	84,702,938.48
CMA Approval Fees	30,000,000.00
NSE Listing and Admission Fees	500,000.00
Printing	30,183,631.52
Postage & Delivery	15,432,118.00
Contingencies	36,200,000.00
Total	**423,756,075.54**
These figures are exclusive of VAT (where applicable), are indicative and are subject to change.	

*Computed at 1.50% for NSE Trading participants and at 1.00% for other Sales Agents, for succesfully allotted applications. No placement commission will be paid for the GoK PAL allotment arising from the conversion of loans on-lent by GOK to KenGen.

Payment to the CMA Investor Compensation Fund Board as per Capital Markets Legislation

The Company shall pay to the Capital Markets Investor Compensation Fund interest on issue proceeds on the basis of the average Central Bank of Kenya inter-bank overnight lending rate for the period between the Rights Issue Closure Date and Rump Closure Date (as applicable) and crediting of accounts.

The gross proceeds to be used for the computation shall be the cleared funds available at the Receiving Bank (in all the relevant accounts) and no other funds.

This payment does not include VAT.

11.23 Documents Available for Inspection

Copies of the following documents are available for inspection at the Registered Office of the Company .

(a) Certificate of Incorporation;

(b) Memorandum and Articles of Association of Kenya Electricity Generating Company Limited;

(c) A copy of the Board Resolution approving the Rights Issue;

(d) A copy of the Shareholders' Resolution approving the Rights Issue;

(e) A copy of the Board Resolution approving the Information Memorandum;

(f) Letter of Comfort from GOK;

(g) A copy of this Information Memorandum, Abridged Information Memorandum, the PAL, the Rump Form, Form A; Form E; Form R;

(h) Published audited financial statements for years ended 2011, 2012, 2013, 2014, 2015;

(i) The Shareholders Register used to determine (as of the Record Date) the Entitlements to Eligible Shareholders;

(j) Consent letters from the Legal Advisor and Lead Transaction Advisor;

(k) A signed copy of the Reporting Accountants' Report in respect of the Rights Issue;

(l) A signed copy of the Legal Opinion by the Legal Advisors.

(m) Approval for the Rights Issue and listing of the New Shares from the Capital Markets Authority;

(n) Approval for Listing of the New Shares from the Nairobi Securities Exchange.

11.24 Key Audit Matters

The Board received a report from the auditor who acted on behalf of the Auditor General, following the audit for the financial year ending 30 June 2015. The following issues were classified as key audit issues by the auditors. The key audit matters from the recent financial year ended 30 June 2015 are noted in the table below:

Table 26: Key audit matters for the financial year ended 30 June 2015

Summary of Issue	Status of Implementation
Amount due from Ministry of Energy and Petroleum The balance due from the Ministry of Energy and Petroleum stands at Kshs 5.8 billion as at 31 December 2015. This debt had been outstanding since 2013. Management continues to follow up on the repayment of this amount with the Government through the Ministry of Energy and Petroleum	The Auditor General completed the audit of this debt following a request from the Ministry of Energy and Petroleum and confirmed the amounts were validly due to KenGen. A confirmation of this balance was also received from the Ministry for the year-end audit purposes. The Government has subsequently committed to pay the full amount during the 2016 financial year. KenGen expects that the amounts will be settled in full in the next 12 months.
Revaluation of Property, Plant and Equipment The Company carries its property, plant and machinary at fair value. However, management carries out an annual review of the assets including power plants to determine their values. The property, plant and equipment were last valued by an external valuer on 30 June 2005.	During the financial year ended 30 June 2015 an external valuer carried out an independent valuation of the Company's property, plant and equipment. The revalued amounts as per the independent valuer have been incorporated in the financial statements for the year ended 30 June 2015.
Lack of approved Purchasing Power Agreements (PPAs) The Company had operated and supplied electricity to KPLC without signed PPAs for Eburru power plant. In addition, the Company did not have a revised PPA for Kindaruma whose billing increased to 70.5MW in the financial year from 40MW.	The Eburru PPA was initialed by the parties and forwarded to Energy Regulatory Commission for approval. The proposal for the revision of the major Hydros PPA is awaiting approval by Energy Regulatory Commission. KenGen is following up with this matter and the Company is confident that the contracts will be concluded soon.

ANNEXURE A1

REPORTING ACCOUNTANT'S REPORT

FOR THE FIVE YEAR PERIOD ENDED 30 JUNE 2015

Deloitte.

8 October 2015

The Directors
Kenya Electricity Generating Company Limited
2nd Floor, Stima Plaza Phase III
Kolobot Road, Parklands
P O Box 47936 - 00100
Nairobi

Dear Sirs,

REPORTING ACCOUNTANTS' REPORT ON KENYA ELECTRICITY GENERATING COMPANY LIMITED

The Auditor General is responsible for the statutory audit of Kenya Electricity Generating Company Limited books of account in accordance with section 14 of the Public Audit Act, 2003 and has acted as the auditor of the company for the 5 year period ended 30 June 2015.

Section 39 (1) of the Public Audit Act 2003 empowers the Auditor General to appoint other auditors to carry out the audit on his behalf. Accordingly, Deloitte & Touche were appointed to carry out the audits for the financial years ended 30 June 2011 to 30 June 2015.

We report hereunder on the audited results of Kenya Electricity Generating Company Limited in respect of each of the five years ended 30 June 2015.

Other than as stated in our Accountants' Report, we have not audited any other information relating to Kenya Electricity Generating Company Limited.

A. INTRODUCTION

We have examined the financial statements of Kenya Electricity Generating Company Limited for the 5 year period ended 30 June 2015.

The financial information set out in this report was compiled in accordance with International Standard on Related Services (ISRS) 4410, (Revised), Compilation Engagement, and is based on the audited financial statements of the company for the 5 years ended 30 June 2015; 2014; 2013; 2012 and 2011. We have carried out on behalf of the Auditor General the company's audit for the five financial years from 1 July 2010 to
30 June 2015. For each of the relevant years, unqualified audit reports were issued on the annual financial statements.

To enable us prepare the Accountants' Report, we carried out procedures to satisfy ourselves that the information presented in the financial statements was in accordance with the Companies Act 486, and the Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations, 2002. In particular, we carried out the following procedures:

(i) reviewed the financial statements of the company for each of the five years ended 30 June 2011, 2012, 2013, 2014 and 2015 for compliance with International Financial Reporting Standards (IFRS) and the requirements of the Kenyan Companies Act.

(ii) made enquiries of the company's management with respect to significant matters relevant to the financial information;

(iii) reviewed other evidence relevant to the company's financial statements; and

(iv) in compliance with the requirements of the Capital Markets Authority (CMA), we prepared an accountants report for the five years ended 30 June 2015 and reviewed the accounting policies for the past five years to ensure they comply with the International Financial Reporting Standards (IFRS).

The accompanying financial information is based on the audited financial statements of the company, after making the additional disclosures considered appropriate to make all the financial statements compliant with International Financial Reporting Standards and accounting policies applicable for the financial period ended 30 June 2015.

We are not aware of any material items not mentioned in the Information Memorandum regarding The Offer, which could influence the evaluation by the investors of the assets, liabilities and financial performance of the company. The audited financial statements have been prepared on the basis of the accounting policies set out in section F of this report.

B. STATEMENT OF ADJUSTMENTS

An adjustment was made to the audited financial statements for the year ended 30 June 2011 to restate the defined benefit measurement to comply with the revised IAS 19 (Note 40).

C. DIRECTORS' RESPONSIBILITY

The directors of Kenya Electricity Generating Company Limited are responsible for the preparation of the financial statements and financial information to which this accountants' report relates and from which it has been prepared. Our responsibility is to compile the financial information set out in this report based on these financial statements and financial information.

D. COUNTRY OF INCORPORATION AND PRINCIPAL ACTIVITIES

Kenya Electricity Generating Company Limited is domiciled and incorporated in Kenya under the Companies Act (Cap. 486) and its principal activity is to generate and sell electricity to the authorised distributor, Kenya Power and Lighting Company Limited (Kenya Power).

E. CURRENCY

The financial statements are expressed in Kenya Shillings Thousands (Shs '000).

F. PRINCIPAL ACCOUNTING POLICIES

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and comply with the requirements of the Kenyan Companies Act.

(b) Application of new and revised International Financial Reporting Standards (IFRSs)

(i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2015

The following new and revised IFRSs were effective in the current year and had no material impact on the amounts reported in these financial statements.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities	The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'. As the Company does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the Company's financial statements.
Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets	The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 Fair Value Measurements. As the Company does not have any cash-generating units (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the Company's financial statements

IFRIC 21 Levies	IFRIC 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period. The application of this Interpretation has had no material impact on the disclosures or on the amounts recognised in the Company's financial statements.

(ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2015

New and Amendments to standards	Effective for annual periods beginning on or after
IFRS 9	1 January 2018
IFRS 15 Revenue from contracts with customers	1 January 2017
Amendments to IFRS 11	1 January 2016
Amendments to IAS 16 and IAS 38	1 January 2016

(iii) Relevant new and revised IFRSs in issue but not yet effective for the year ended 30 June 2015

IFRS 9 Financial Instruments

IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9:

All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

The directors of the Company do not anticipate that the application of IFRS 9 in the future may have a significant impact on amounts reported in respect of the Company's financial assets and financial liabilities. However, it is not practical to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

IFRS 15, Revenue from Contracts with Customers

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

F. PRINCIPAL ACCOUNTING POLICIES (Continued)

(b) Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

(iii) Relevant new and revised IFRSs in issue but not yet effective for the year ended 30 June 2015

IFRS 15, Revenue from Contracts with Customers (Continued)

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.
The directors of the Company do not anticipate that the application of the standard will have a significant impact on the Company's financial statements

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances

a) when the intangible asset is expressed as a measure of revenue; or
b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Company uses the straight-line method for depreciation and amortisation for its property and equipment, and intangible assets respectively.

The directors of the Company do not anticipate that the application of the standard will have a significant impact on the Company's financial statements.

(iv) Early adoption of standards

The company did not early-adopt any new or amended standards in 2015.

Basis of preparation

The financial statements are prepared under the historical cost convention as modified to include the revaluation of certain assets.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurements in its entirety, which are described as follows

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities that an entity can access at a measurement date

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

F. PRINCIPAL ACCOUNTING POLICIES (Continued)

Basis of preparation (Continued)

The principal accounting policies are set out below.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable excluding discounts, rebates and sales taxes or duty. The following specific recognition criteria must be met before revenue is recognised:

(i) Electricity sales

Electricity sales are recognised on the basis of available capacity and energy sold to the authorised distributor's transmission systems. The Power Purchase Agreements (PPAs) between the Kenya Power and the company stipulate that electricity sales will be agreed upfront on capacity and energy the company is going to produce and transmit during the year. Capacity charge is meant to accelerate the company's return on investments so it can focus on future expansion programs in building capacity to meet demand. Energy charge compensates for the electricity produced and sold to the distributor.

(ii) Interest

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(iii) Rental income

Rental income is accounted for on a straight-line basis over the lease term.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

(i) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the reporting date

(ii) Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the deferred tax is also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for business combination.

F. PRINCIPAL ACCOUNTING POLICIES (Continued)

Employees' benefits

i) Retirement benefits obligations

The company operates a defined benefits scheme and a defined contributions scheme.

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as service costs (including current service cost, past service cost, as well as gains and losses on curtailments and settlements), net interest expense or income and remeasurement.

The company presents the first two components of defined benefit costs in profit or loss in the line item of pension cost-defined benefit scheme (included in staff costs). Curtailment gains and losses are accounted for as past service costs.

Employees' benefits

ii) Retirement benefits obligations

The retirement benefit obligation recognised in the statement of financial position represents the actual deficit or surplus in the company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.
A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

iii) Other entitlements

The monetary benefits for employees' accrued annual leave entitlement at the reporting date are recognised as a provision.

Property, plant and equipment

Property, plant and equipment are stated at cost or valuation, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment in value. Plant and machinery class of property, plant and equipment are stated at valuation whereas the other classes of property, plant and equipment are stated at cost.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the decommissioning obligation and for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

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

Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the reporting date. Any increases arising on the revaluation of such plant and machinery is recognised in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed

A decrease in the carrying amount arising on the revaluation of such an asset is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

All productive wells are capitalized in property, plant and equipment when connected and are depreciated over their useful lives. The useful life is currently estimated to be twenty five years from the date of commencement of commercial operation. The cost

F. PRINCIPAL ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

of unproductive wells is transferred to the profit or loss in the year in which they are certified complete but unproductive. Where a well ceases to be productive before the end of its expected useful life, the net book value of the well is charged to the profit or loss in the year it ceases to be productive.

Depreciation

Depreciation is calculated on the straight-line basis and is recognised so as to write off the cost or valuation of assets (other than freehold land and Work-in progress under construction) less their residual values over their useful lives, using the straight-line method.

The annual depreciation rates in use are:

Buildings	2.85%
Transmission lines	2.5%
Plant and machinery:	
- Hydro plants	2%
- Geothermal wells, wellheads and plants	4%
- Thermal plants and wind plants	5%
- Rigs	6.66%
Intake and tunnels	1%
Motor vehicles	25%
Furniture, equipment and fittings	12½%
Computers	25%

Freehold land is not depreciated and leasehold land is amortised over the lease period.

Residual value, useful life and depreciation methods are reviewed at least annually at the reporting date. Changes in the residual value and expected useful life are accounted for by changing the depreciation charge for the year, and treated as changes in accounting estimates.

Depreciation on revalued assets is recognised in profit or loss and a transfer of excess depreciation is made from the asset revaluation reserve to retained earnings. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

On disposal of revalued assets, amounts in the revaluation surplus relating to that asset are transferred to retained earnings.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful life of the assets depends on the duration of the licences. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the profit or loss in the expense category consistent with the function of the intangible asset.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Impairment of tangible and intangible assets excluding goodwill

At each reporting date the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest company of cash-generating units for which a reasonable and consistent allocation basis can be identified.

F. PRINCIPAL ACCOUNTING POLICIES (Continued)

Impairment of tangible and intangible assets excluding goodwill (Continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Capitalised costs include interest charges and foreign currency exchange differences on borrowings for projects under construction to the extent that they are regarded as adjustments to interest rates.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Inventories

Inventories are valued at the lower of cost or net realisable value. Cost is determined on a weighted average basis and comprises expenditure incurred in the normal course of business, including direct material costs. Net realisable value is the price at which the inventory can be realised in the normal course of business after allowing for the costs of realisation. Obsolete and defective inventories are fully written off.

Financial instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the company has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

F. PRINCIPAL ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as Available-for-sale financial assets or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

The company has investments in debt securities that are traded in an active market and are stated at fair value at the reporting date. The fair value of available-for-sale debt securities is determined by reference to published price quotations in an active market. Interest income calculated using the effective interest method is recognised in profit or loss except for interest income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets which is deducted from the borrowing costs eligible for capitalisation.

Fair value changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Financial assets at fair value through profit or loss (FVTPL)

This category has two sub-categories: Financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Gains and losses arising from changes in fair value are recognised in the profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

At each reporting date, all financial assets are subject to review for impairment. If it is probable that the company will not be able to collect all amounts due (principal and interest) according to the contractual terms of loans, receivables, or held-to-maturity investments carried at amortised cost, an impairment or bad debt loss has occurred. The carrying amount of the asset is reduced to its estimated recoverable amount either directly or through use of an allowance account. The amount of the loss incurred is dealt with through profit or loss for the period.

For Available-for-sale debt securities, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 40 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

F. PRINCIPAL ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an Available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of Available-for-sale debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Derecognition of financial assets

The company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the company retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the company retains control), the company allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by the company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the company are recognised at the proceeds received, net of direct issue costs.

F. PRINCIPAL ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or 'other financial liabilities'.

Other financial liabilities

Other financial liabilities (including borrowings) are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The company derecognises financial liabilities when, and only when, the company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Accounting for leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The company as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The company as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from retained earnings when approved by the company's shareholders. Interim dividends are deducted from retained earnings when they are declared and no longer at the discretion of the company.

Grants

Government grants are not recognised until there is reasonable assurance that the company will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the company recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the company should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the company with no future related costs are recognised in profit or loss in the period in which they become receivable.

F. PRINCIPAL ACCOUNTING POLICIES (Continued)

Foreign currencies

In preparing the financial statements of the company, transactions in currencies other than the company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

Provisions

Provisions are recognised when the company 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 will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year. In particular, comparatives have been adjusted to comply with IAS 19 Employee Benefits (as revised in 2011).

F. PRINCIPAL ACCOUNTING POLICIES (Continued)

G. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the company's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

a) Critical judgements in applying the company's accounting policies

The following are the critical judgements, apart from those involving estimations, that the directors have made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Held-to-maturity financial assets

The directors have reviewed the company's held-to-maturity financial assets in the light of its capital maintenance and liquidity requirements and have confirmed the company's positive intention and ability to hold those assets to maturity.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Revaluation of power plants

Power plants are stated at valuation. Revaluations are performed by professional valuers at sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the reporting date.

Classification of leases of land as finance or operating leases

At the inception of each lease of land or building, the Company considers the substance rather than the form of the lease contract. Examples of situations that individually or in combination would normally lead to a lease being classified as a finance lease are:

- The lease transfers ownership of the asset to the lessee by the end of the lease term; The lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised;
- The lease term is for the major part of the economic life of the asset even if title is not transferred;
- At the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and
- The leased assets are of such a specialised nature that only the lessee can use them without major modifications.

The Company also considers indicators of situations that individually or in combination could also lead to a lease being classified as a finance lease. Examples of such indicators include:

- If the lessee can cancel the lease, the lessor's losses associated with the cancellation are borne by the lessee;
- gains or losses from the fluctuation in the fair value of the residual accrue to the lessee (for example, in the form of a rent rebate equalling most of the sales proceeds at the end of the lease); and
- the lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent.

G. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

b) Key sources of estimation uncertainty

Useful lives of property, plant and equipment

The company reviews the estimated useful lives of property, plant and equipment at the reporting date. The useful lives of the plants are then used in establishing the contracts that the company enters into under the Power Purchase Agreements.

Impairment losses

At the reporting date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash generating unit to which the asset belongs. Any impairment losses are recognised as an expense immediately. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount. A reversal of an impairment loss, other than that arising from goodwill, is recognised as income immediately.

Impairment of available-for-sale financial assets

The company classifies certain assets as available-for-sale and recognises movements in their fair value through other comprehensive income. The company treats available-for-sale investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires judgement. When the fair value declines, management makes assumptions about the decline in value to determine whether it is an impairment that should be recognised in the profit and loss account.

Actuarial valuation of defined benefits plan

The liability due under the defined benefit pension plan is determined using actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

H. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	30 June 2015 Shs'000	30 June 2014 Shs'000	30 June 2013 Shs'000	30 June 2012 Shs'000	30 June 2011 Shs'000
Revenue	4	25,602,038	17,423,771	16,451,195	15,872,111	14,326,081
Interest income	5	359,082	416,154	676,109	952,621	548,975
Other income	6(a)	624,585	650,896	594,888	611,599	347,040
		26,585,705	18,490,821	17,722,192	17,436,331	15,222,096
Other gains/ (losses)	7	41,317	67,119	(53,107)	(152,811)	439,669
Expenses	8	(14,926,351)	(11,812,473)	(10,641,359)	(10,266,022)	(10,013,507)
Finance costs	10	(3,010,659)	(2,587,519)	(3,000,802)	(2,972,308)	(1,996,951)
PROFIT BEFORE TAXATION	11	8,690,012	4,157,948	4,026,924	4,045,190	3,651,307
Taxation credit/(charge)	12(a)	2,827,315	(1,331,625)	1,197,780	(1,222,590)	(1,571,186)
PROFIT FOR THE YEAR		11,517,327	2,826,323	5,224,704	2,822,600	2,080,121
OTHER COMPREHENSIVE INCOME						
Items that may be reclassified subsequently to profit or loss:						
Net gains/ (losses) on revaluation of available-for-sale treasury bonds	18(b)	2,270	(164,774)	(21,903)	(908,786)	(587,268)
Cumulative gain/(loss) reclassified from equity on disposal of available-for-sale treasury bonds	18(c)	51,314	222,126	39,969	(53,666)	(46,230)
		53,584	57,352	18,066	(962,452)	(633,498)
Items that will not be reclassified subsequently to profit or loss						
Remeasurement of defined benefit obligation		214,462	1,694,999	(49,697)	(1,106,047)	769,500
Deferred tax relating to remeasurement of defined benefit obligation	29	(64,339)	(508,500)	14,909	331,814	(230,850)
		150,123	1,186,499	(34,788)	(774,233)	538,650
Surplus on revaluation of Property, Plant and Equipment	14	75,786,865	-	-	-	-
Surplus on revaluation of Leasehold Land	15	1,417,033	-	-	-	-
Deferred tax on revaluation surplus	29	(23,161,169)	-	-	-	-
		54,042,729	-	-	-	-
Other comprehensive income for the year, net of income tax		54,246,436	1,243,851	(16,722)	(1,736,685)	(94,848)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		65,763,763	4,070,174	5,207,982	1,085,915	1,985,273
Earnings per share -		Shs	Shs	Shs	Shs	Shs
Basic and diluted (Shs)	13	5.24	1.29	2.38	1.28	0.94

I. STATEMENT OF FINANCIAL POSITION

	Note	30 June 2015 Shs'000	30 June 2014 Shs'000	30 June 2013 Shs'000	30 June 2012 Shs'000	30 June 2011 Shs'000
ASSETS						
Non-current assets						
Property, plant and equipment	14	305,378,764	209,235,821	153,201,471	120,664,699	116,786,429
Prepaid leases on land	15	3,223,658	1,048,372	439,957	35,426	1,373
Intangible assets	16	1,122,452	1,066,049	1,079,686	896,335	663,553
Amount due from Kenya Power-deferred debt	17(b)	965,266	1,084,900	1,148,965	1,401,133	1,472,503
Treasury bonds	18(a)	2,426,440	2,431,799	2,436,683	8,050,919	9,610,661
Recoverable foreign exchange adjustment	19	6,242,228	6,300,529	5,238,710	9,808,295	12,919,737
Retirement benefit asset	28	1,792,214	1,407,411	-	-	-
Total non-current assets		321,151,022	222,574,881	163,545,472	140,856,807	141,454,256
Current assets						
Inventories	20	899,076	788,333	836,259	1,955,564	1,168,240
Amount due from Kenya Power	17(a)	8,047,705	7,851,600	6,186,749	7,221,777	7,786,396
Other receivables	21	2,297,838	3,231,077	5,903,928	6,077,151	1,593,845
Amount due from Ministry of Energy & Petroleum	22	5,821,272	5,315,816	5,315,816	5,318,021	4,574,417
Treasury bonds	18(a)	341,803	594,769	2,550,345	643,203	391,127
Recoverable foreign exchange adjustment	19	633,872	357,395	338,286	405,477	523,554
Amount due from Kenya Power- deferred debt	17(b)	35,100	62,295	-	-	-
Corporate tax recoverable	12(c)	-	-	-	231,154	385,857
Cash and cash equivalents	23(a)	3,292,307	9,429,358	3,996,427	435,719	3,115,598
Total current assets		21,368,973	27,630,643	25,127,810	22,288,066	19,539,034
TOTAL ASSETS		342,519,995	250,205,524	188,673,282	163,144,873	160,993,290
EQUITY AND LIABILITIES						
Capital and reserves						
Share capital	24	5,495,904	5,495,904	5,495,904	5,495,904	5,495,904
Share premium	25(a)	5,039,818	5,039,818	5,039,818	5,039,818	5,039,818
Capital reserve	25(b)	8,579,722	8,579,722	8,579,722	8,579,722	8,579,722
Investments revaluation reserve	25(c)	(81,488)	(135,072)	(192,424)	(210,490)	751,962
Property & plant revaluation reserve	25(d)	70,077,899	16,658,062	17,306,770	17,954,954	19,038,008
Retained earnings		52,482,236	41,071,239	37,728,726	33,209,643	31,177,403
Total Equity		141,594,091	76,709,673	73,958,516	70,069,551	70,082,817
Non-current liabilities						
Borrowings	26(a)	117,039,768	122,324,111	73,934,313	61,850,220	64,166,527
Borrowings awaiting conversion to equity	26(e)	20,151,541	-	-	-	-
Operating lease liability	27(b)	-	1,000	3,000	5,000	7,000
Retirement benefits liability	28	-	-	290,876	250,647	163,500
Deferred tax liability	29	35,924,900	15,604,657	14,222,916	15,968,498	15,316,853
Trade and other payables	30	5,329,722	10,369,854	8,591,032	-	-
Total non-current liabilities		178,445,931	148,299,622	97,042,137	78,074,365	79,653,880
Current liabilities						
Borrowings due within one year	26(a)	9,427,225	13,790,779	7,000,387	7,265,504	4,480,481
Trade and other payables	30	7,623,618	6,300,740	6,859,707	4,370,312	3,645,245
Amount due to Kenya Power	17(c)	4,879	82,884	83,332	6,405	13,659
Operating lease liability	27(b)	1,000	2,000	2,000	2,000	2,000
Leave pay provision	31	293,251	231,334	252,429	160,415	191,387
Corporate tax payable	12(c)	394,826	668,859	278,453	-	-
Dividends payable	32(a)	4,735,174	4,119,633	3,196,321	3,196,321	2,923,821
Total current liabilities		22,479,973	25,196,229	17,672,629	15,000,957	11,256,593
TOTAL EQUITY AND LIABILITIES		342,519,995	250,205,524	188,673,282	163,144,873	160,993,290

J. STATEMENT OF CHANGES IN EQUITY

	Share capital Shs'000	Share premium Shs'000	Capital reserve Shs'000	Investments revaluation reserve Shs'000	Property revaluation reserve Shs'000	Retained earnings Shs'000	Total Shs'000
At 1 July 2010 (As previously reported)	5,495,904	5,039,818	8,579,722	1,385,460	21,600,510	28,429,454	70,530,868
Adjustment on retirement benefit liability (Note 40)	-	-	-	-	-	125,580	125,580
As at 1 July 2011 (restated)	5,495,904	5,039,818	8,579,722	1,385,460	21,600,510	28,555,034	70,656,448
Profit for the year	-	-	-	-	-	2,080,121	2,080,121
Other comprehensive loss for the year	-	-	-	(633,498)	-	538,650	(94,848)
Total comprehensive income for the year	-	-	-	(633,498)	-	2,618,771	1,985,273
Transfer of excess depreciation	-	-	-	-	(1,575,373)	1,575,373	-
Deferred tax on revaluation surplus – current year	-	-	-	-	472,594	(472,594)	-
Deferred tax on revaluation surplus – prior year	-	-	-	-	(1,459,723)	-	(1,459,723)
Dividend declared – 2010	-	-	-	-	-	(1,099,181)	(1,099,181)
At 30 June 2011	5,495,904	5,039,818	8,579,722	751,962	19,038,008	31,177,403	70,082,817
At 1 July 2011 (As previously reported)	5,495,904	5,039,818	8,579,722	751,962	19,038,008	30,513,173	69,418,587
Adjustment on retirement benefit liability (Note 40)	-	-	-	-	-	664,230	664,230
As at 1 July 2011 (restated)	5,495,904	5,039,818	8,579,722	751,962	19,038,008	31,177,403	70,082,817
Profit for the year	-	-	-	-	-	2,822,600	2,822,600
Other comprehensive loss for the year	-	-	-	(962,452)	-	(774,233)	(1,736,685)
Total comprehensive income for the year	-	-	-	(962,452)	-	2,048,367	1,085,915
Transfer of excess depreciation	-	-	-	-	(1,575,373)	1,575,373	-
Deferred tax on revaluation surplus – current year	-	-	-	-	472,612	(472,612)	-
Deferred tax on revaluation surplus – prior year	-	-	-	-	19,707	(19,707)	-
Dividend declared – 2011	-	-	-	-	-	(1,099,181)	(1,099,181)
At 30 June 2012	5,495,904	5,039,818	8,579,722	(210,490)	17,954,954	33,209,643	70,069,551

J. STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Share capital Shs'000	Share premium Shs'000	Capital reserve Shs'000	Investments revaluation reserve Shs'000	Property and plant revaluation reserve Shs'000	Retained earnings Shs'000	Total Shs'000
At 1 July 2012	5,495,904	5,039,818	8,579,722	-210,490	17,954,954	33,209,643	70,069,551
Profit for the year	-	-	-	-	-	5,224,704	5,224,704
Other comprehensive income for the year	-	-	-	18,066	-	(34,788)	(16,722)
Total comprehensive income for the year	-	-	-	18,066	-	5,189,916	5,207,982
Transfer of excess depreciation	-	-	-	-	(925,975)	925,975	-
Deferred tax on revaluation surplus – current year	-	-	-	-	277,791	(277,791)	-
Dividend declared – 2012	-	-	-	-	-	(1,319,017)	(1,319,017)
At 30 June 2013	5,495,904	5,039,818	8,579,722	(192,424)	17,306,770	37,728,726	73,958,516
	========	========	========	========	========	=========	=========
At 1 July 2013	5,495,904	5,039,818	8,579,722	(192,424)	17,306,770	37,728,726	73,958,516
Profit for the period	-	-	-	-	-	2,826,323	2,826,323
Other comprehensive loss for the period	-	-	-	57,352	-	1,186,499	1,243,851
Total comprehensive income for the period	-	-	-	57,352	-	4,012,822	4,070,174
Transfer of excess depreciation	-	-	-	-	(926,000)	926,000	-
Deferred tax on revaluation surplus – current period	-	-	-	-	277,292	(277,292)	-
Dividend declared - 2013	-	-	-	-	-	(1,319,017)	(1,319,017)
At 30 June 2014	5,495,904	5,039,818	8,579,722	(135,072)	16,658,062	41,071,239	76,709,673
	========	========	========	========	=========	=========	=========

J. STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Share capital	Share premium	Capital reserve	Investments revaluation reserve	Property revaluation reserve	Retained earnings	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
At 1 July 2014	5,495,904	5,039,818	8,579,722	(135,072)	16,658,062	41,071,239	76,709,673
Profit for the year	-	-	-	-		11,517,327	11,517,327
Other comprehensive income for the year	-	-	-	53,584	54,042,729	150,123	54,246,436
Total comprehensive income for the year	-	-	-	53,584	54,042,729	11,667,450	65,763,763
Transfer of excess depreciation	-	-	-	-	(854,000)	854,000	-
Deferred tax on revaluation surplus – current year	-	-	-	-	231,108	(231,108)	-
Dividend declared – 2014	-	-	-	-	-	(879,345)	(879,345)
At 30 June 2015	5,495,904	5,039,818	8,579,722	(81,488)	70,077,899	52,482,236	141,594,091
	========	========	========	========	========	=========	=========

K. STATEMENT OF CASH FLOWS

	Note	30 June 2015	30 June 2014	30 June 2013	30 June 2012	30 June 2011
CASH FLOWS FROM OPERATING ACTIVITIES	Note	Shs '000	Shs '000	Shs '000	Shs'000	Shs'000
Cash generated from operations	33(a)	14,698,792	13,908,029	25,147,845	5,259,774	5,253,017
Income tax paid	12(c)	(351,982)	(67,979)	(53,104)	(84,428)	(102,989)
Interest received	33(b)	364,439	436,066	824,877	863,262	710,525
Interest paid	33(c)	(2,185,558)	(2,169,097)	(2,956,969)	(2,988,302)	(1,349,795)
Net cash generated by operating activities		12,525,691	12,107,019	22,962,649	3,050,306	4,510,758
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of property, plant and equipment	14	(27,231,523)	(61,084,354)	(37,396,364)	(9,020,497)	(19,168,158)
Purchase of prepaid leasehold land	15	(772,716)	(614,666)	(406,287)	(4,736)	-
Purchase of intangible assets	16	(129,771)	(53,646)	(229,740)	(3,109)	(143)
Proceeds from disposal of assets		15,632	2,641	7,473	-	-
Proceeds on redemption/ sale of treasury bonds	18(c)	259,073	1,790,802	3,530,075	393,299	1,317,050
Purchase of treasury bonds	18(b)	-	-	-	-	(4,544,707)
Net cash used in investing activities		(27,859,305)	(59,959,223)	(34,494,843)	(8,635,043)	(22,395,958)
CASH FLOWS FROM FINANCING ACTIVITIES						
Repayment of borrowings	26(d)	(12,719,460)	(8,951,356)	(6,379,012)	(3,139,897)	(1,571,189)
Proceeds from borrowings	26(d)	26,981,206	57,830,817	22,790,931	6,871,436	1,570,295
Dividends paid to owners of the company	32	(263,804)	(395,705)	(1,319,017)	(826,681)	(329,754)
Net cash generated from/(used in) financing activities		13,997,942	48,483,756	15,092,902	2,904,858	(330,648)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(1,335,672)	631,552	3,560,708	(2,679,879)	(18,215,848)
Cash and cash equivalents at the beginning of the year		4,627,979	3,996,427	435,719	3,115,598	21,331,446
Cash and cash equivalents at the end of the year	23(a)	3,292,307	4,627,979	3,996,427	435,719	3,115,598
		========	========	========	========	========

L. NOTES TO THE FINANCIAL STATEMENTS (Continued)

		30 June 2015 Shs'000	30 June 2014 Shs'000	30 June 2013 Shs'000	30 June 2012 Shs'000	30 June 2011 Shs'000
4.	REVENUE					
	Electricity sales:-					
	- Capacity charges revenue	19,101,902	13,241,417	12,620,981	13,206,161	12,217,021
	- Energy revenue	6,205,882	3,655,354	3,275,649	1,567,360	1,211,653
	Power Purchase Agreements' adjustments:					
	- Capacity Shortfall	-	-	-	-	-
	- Foreign currency adjustment payments	294,254	527,000	554,565	1,098,590	897,407
		25,602,038	17,423,771	16,451,195	15,872,111	14,326,081
5.	INTEREST INCOME					
	Treasury bonds	283,290	349,208	305,903	625,841	507,762
	Other receivables	5,462	4,546	5,535	6,196	1,768
	Companies and other financial institutions	39,865	8,179	65,124	233,368	37,703
	Kenya Power	30,465	54,221	299,547	87,216	1,742
		359,082	416,154	676,109	952,621	548,975
	The following is an analysis of interest income earned on financial assets by category of asset					
	Available-for-sale treasury bonds	10,988	28,681	141,356	389,591	288,341
	Held-to-maturity treasury bonds	272,302	320,527	164,547	236,250	219,421
	Loans and receivables	75,792	66,946	370,206	326,780	41,213
		359,082	416,154	676,109	952,621	548,975
6.	OTHER INCOME					
	(a) Consultancy services	-	-	55,735	14,699	51,435
	Insurance Compensation	300,439	54,950	67,270	5,024	43,256
	Miscellaneous income	98,556	164,463	108,973	105,061	-
	Net fuel pass-through (note 6 (b))	109,167	271,996	286,165	359,848	189,403
	Revenue from Emergency Power Project (EPP)	24,859	33,661	76,745	126,967	62,946
	Carbon Credits	91,564	125,840	-	-	-
	Net Steam pass through (note6(d))	-	(14)	-	-	-
		624,585	650,896	594,888	611,599	347,040
	(b) Net fuel pass-through[1]					
	Fuel pass-through revenue	7,238,204	13,142,391	8,689,767	12,592,346	6,148,072
	Fuel pass-through costs	(7,129,037)	(12,870,395)	(8,403,602)	(12,232,498)	(5,958,669)
		109,167	271,996	286,165	359,848	189,403

[1]In line with the provisions of the Power Purchase Agreements, the company is reimbursed by Kenya Power for fuel costs incurred in the production of thermal electricity based on pre-agreed plant fuel usage. The net fuel pass-through income therefore represents the fuel usage efficiency which varies with working condition of the thermal power generating plants, because the machines are presently new. As the plants get old, the net fuel pass through is expected to be a charge to the income statement.

L. NOTES TO THE FINANCIAL STATEMENTS (Continued)

6 OTHER INCOME (CONTINUED)

	30 June 2015	30 June 2014	30 June 2013	30 June 2012	30 June 2011
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
(c) Net water charges pass-through[2]					
Water charges pass-through revenue	375,341	459,722	215,141	91,470	-
Water charges pass-through costs	(375,341)	(459,722)	(215,141)	(91,470)	-
	-	-	-	-	-
(d) Net Steam Revenue pass-through[3]					
Steam charges pass-through revenue	3,689,361	192,693	58,365	-	-
Steam charges pass-through costs	(3,689,361)	(192,707)	(58,365)	-	-
	-	(14)	-	-	-

[2]The Water Resource Management Rules 2007 (Water Regulations) was Gazetted by the Government through legal notice No. 171 of September 2007. The regulation provided for water use charge at the rate of 0.05 Shs/kWh for power plants with capacity of over 1MW. With approval from the Energy Regulatory Commission, the company is reimbursed by Kenya Power for the cost of water charges as a pass-through.

[3] In line with the provisions of the Power Purchase Agreements for mobile well heads, the company provides the feed in tariff of US cents 8.5 per kWh . The tariff is broken down in to US cents 3.0 per kWh payable to Geothermal Development Company Limited (GDC) which is the cost for geothermal steam. A capacity charge of US cents 5.5 per kWh is also charged to the company. The company charges Kenya power for the capacity and the GDC portion as a pass through cost.

L. NOTES TO THE FINANCIAL STATEMENTS (Continued)

	30 June 2015 Shs'000	30 June 2014 Shs'000	30 June 2013 Shs'000	30 June 2012 Shs'000	30 June 2011 Shs'000
7 OTHER GAINS/ (LOSSES)					
Foreign exchange gain/(losses) on other monetary items excluding borrowings	46,676	85,877	(10,671)	(208,650)	478,673
Cumulative (loss)/gain reclassified from equity on disposal of available-for-sale investments (note 18 (c))	(51,314)	(222,126)	(39,969)	53,666	46,230
(Loss)/gain on disposal of available-for-sale investments (note 18 (c))	3,837	203,368	(2,467)	2,173	(22,142)
Loss on impairment of property, plant and equipment	-	-	-	-	(63,092)
Capitalised losses on disposal of available-for-sale investments	47,477	-	-	-	-
Amortisation of held to maturity investments (note 18(b))	(5,359)	-	-	-	-
Unrealized foreign exchange gains on revaluation of borrowings (note 26 (d))	(668,722)	(1,425,248)	4,261,464	2,724,912	(6,802,871)
Recoverable foreign exchange differences (note 19)	668,722	1,425,248	(4,261,464)	(2,724,912)	6,802,871
	41,317	67,119	(53,107)	(152,811)	439,669
8. EXPENSES					
a) Employee expenses (note 9)	4,162,284	3,491,942	3,248,141	2,169,802	2,890,984
b) Depreciation and Amortization					
Depreciation (note 14)	6,846,125	5,048,839	4,858,195	4,848,372	4,549,421
Less: amount capitalized*	(454,948)	(394,436)	(327,912)	-	-
	6,391,177	4,654,403	4,530,283	4,848,372	4,549,805
Amortization - Prepaid leases on leasehold land (note 15)	14,463	6,251	1,756	42	44
Less: amount capitalized*	(63)	-	-	-	-
	14,400	6,251	1,756	42	44
Amortization - Intangible assets-software (note 16)	73,368	67,283	46,389	34,823	31,874
	6,478,945	4,727,937	4,578,428	4,883,237	4,581,339

* The depreciation capitalised relate to depreciation for rigs, used in well drilling that were capitalised as part of the cost of the wells.

L. NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. EXPENSES (CONTINUED)

c) Operating expenses

	30 June 2015 Shs'000	30 June 2014 Shs'000	30 June 2013 Shs'000	30 June 2012 Shs'000	30 June 2011 Shs'000
Plant operation and maintenance	1,386,081	1,393,792	1,129,466	1,570,693	919,863
Welfare and benefits	346,238	341,304	260,973	246,428	464,729
Training expenses	91,478	207,243	147,965	89,448	-
Insurance	661,107	464,873	401,752	404,242	278,901
Catchment preservation and dam maintenance	107,000	107,000	107,000	107,000	107,000
Transport and travelling costs	391,560	418,805	366,659	308,242	275,180
Consultants fees	47,466	63,167	28,629	54,204	111,701
Office expenses	264,110	158,954	157,931	107,315	115,925
Provision/(write back) for/(of) bad debts	57,921	198,125	(42,668)	170,941	49,522
Impairment provision for capital projects	482,281	-	-	-	-
Legal and statutory expenses	59,601	65,205	61,979	-	
Other costs	390,279	174,126	195,104	154,470	218,363
	4,285,122	3,592,594	2,814,790	3,212,983	2,541,184
	========	========	=========	========	========
Total Expenses(8a, 8b and 8c)	14,926,351	11,812,473	10,641,359	10,266,022	10,013,507
	========	========	========	========	========

9. STAFF COSTS

	2015	2014	2013	2012	2011
Salaries and wages	3,888,503	3,158,128	2,915,787	2,770,045	2,868,708
Leave pay allowance	124,778	42,940	89,644	27,447	72,865
Pension cost/(gain)- defined benefit scheme (note 28)	(130,680)	32,198	26,583	(744,500)	(56,400)
Pension cost - defined contribution scheme	274,250	254,471	211,785	110,055	-
National Social Security Fund	5,433	4,205	4,342	6,755	5,811
	4,162,284	3,491,942	3,248,141	2,169,802	2,890,984
	=========	========	========	========	========

	2015 Numbers	2014 Numbers	2013 Numbers	2012 Numbers	2011 Numbers
The number of persons employed by the company at the year c vc end was					
-Operational staff	1,638	1,416	1,475	1,377	1,372
-Geothermal Resource Assessment and Other projects staff	769	793	588	452	291
	2,407	2,209	2,063	1,829	1,663
	========	=======	=======	=======	=======

L. NOTES TO THE FINANCIAL STATEMENTS (Continued)

	30 June 2015 Shs'000	30 June 2014 Shs'000	30 June 2013 Shs'000	30 June 2012 Shs'000	30 June 2011 Shs'000
10. FINANCE COSTS					
Interest on borrowings	4,856,825	4,299,088	4,082,831	4,278,140	4,396,453
Less: capitalised interest	(1,846,166)	(1,711,569)	(1,082,029)	(1,305,832)	(2,399,502)
	3,010,659	2,587,519	3,000,802	2,972,308	1,996,951
	========	========	========	========	========
11. PROFIT BEFORE TAXATION					
Profit before taxation is arrived at after charging:					
Depreciation on property, plant and equipment	6,391,177	4,654,403	4,530,583	4,848,372	4,549,421
Amortisation of intangible assets	73,368	67,283	46,389	34,823	31,874
Amortisation of prepaid lease	14,400	6,251	1,756	42	44
Impairment losses	-	-	-	-	63,092
Directors' emoluments: fees - executive	-	-	-	-	-
- fees – non-executive	6,000	6,000	6,000	6,000	6,000
- other emoluments executive	21,242	18,128	28,029	20,045	13,200
- other emoluments non- executive	14,804	14,818	23,897	28,732	17,545
Auditor's remuneration	5,937	5,145	5,073	4,920	4,344
Operating lease rentals	198,182	85,079	92,717	67,518	79,270
Interest on borrowings	3,010,659	2,587,519	3,000,802	2,972,308	1,996,951
	========	========	========	========	========
And after crediting:					
Interest income	(359,082)	(416,154)	(676,109)	(952,621)	(548,975)
	========	========	========	========	========
12. TAXATION					
(a) Taxation charge/(credit)					
Interest taxed as a separate source of income	77,950	73,104	51,093	121,786	-
Compensating tax	-	96,483	-	57,397	-
Deferred tax charge (credit) (note 29)	(2,905,165)	873,241	(1,149,354)	1,055,032	1,571,186
Prior year under provision - interest taxed as a separate source of income	-	288,797	511,618	59,948	-
Prior year over provision – deferred tax	(100)	-	(611,137)	(71,573)	-
	(2,827,315)	1,331,625	(1,197,780)	1,222,590	1,571,186
	=========	========	========	========	=======

L. NOTES TO THE FINANCIAL STATEMENTS (Continued)

	30 June 2015 Shs'000	30 June 2014 Shs'000	30 June 2013 Shs'000	30 June 2012 Shs'000	30 June 2011 Shs'000
12. TAXATION					
(b) Reconciliation of expected tax based on profit before taxation to taxation charge/(credit)					
Profit before taxation	8,690,012	4,157,948	4,026,924	4,045,190	3,651,307
Tax applicable rate of 30%	2,607,004	1,247,384	1,208,077	1,213,557	1,095,392
Tax effect of income not subject to tax	(4,093)	(9,567)	(33,519)	(90,980)	(7,283)
Tax effect of capital allowances exceeding 100% of cost	(6,995,910)	(472,528)	(2,324,368)	(130,573)	(509,218)
Compensating tax	-	96,484	-	57,397	-
Tax effect of expenses not deductible for tax purposes	1,565,784	181,055	51,549	184,814	51,763
Prior year under provision – interest taxed as a separate source of income	-	288,797	511,618	59,948	-
Prior year over provision – deferred tax	(100)	-	(611,137)	(71,573)	-
Deferred tax charge from 25 – 30% rate	-	-	-	-	940,532
Total taxation charge/(credit)	(2,827,315)	1,331,625	(1,197,780)	1,222,590	1,571,186
	=========	========	=========	========	========
(c) Corporate tax payable/ (recoverable)					
Balance brought forward	668,858	278,453	(231,154)	(385,857)	(282,868)
Interest taxed as a separate source of income	77,950	73,104	51,093	121,786	-
Compensating tax	-	96,483	-	57,397	-
Prior year under provision – interest taxed as a separate source of income	-	288,797	511,618	59,948	-
Paid during the year	(351,982)	(67,979)	(53,104)	(84,428)	(102,989)
At end of the year	394,826	668,858	278,453	(231,154)	(385,857)
	========	=======	=======	=======	=======

L. NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares.

There were no potentially dilutive ordinary shares outstanding during the period covered in this report. Diluted earnings per share are therefore same as basic earnings per share.

The following reflects the earnings and the share data used in the basic and diluted earnings per share computations:

	30 June 2015	30 June 2014	30 June 2013	30 June 2012	30 June 2011
Profit attributable to ordinary shareholders for basic earnings (in Shs'000)	11,517,327	2,826,323	5,224,704	2,822,600	2,080,121
	==========	==========	=========	=========	========
Number of ordinary shares in issue during the year used in the calculation	2,198,361,456	2,198,361,456	2,198,361,456	2,198,361,456	2,198,361,456
	===========	===========	===========	==========	==========
Basic and diluted earnings per share (in Shs)	5.24	1.29	2.38	1.28	0.94
	=========	=====	=====	=====	=====

L. NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings Shs'000	Transmission lines Shs'000	Plant and machinery Shs'000	Motor vehicles Shs'000	Furniture, equipment and fittings Shs'000	Work- in-progress Shs'000	Total Shs'000
COST/VALUATION							
At 1July 2010	18,299,235	81,061	93,904,430	595,675	2,216,984	15,405,859	130,503,244
Additions	-	-	-	-	-	19,168,158	19,168,158
Transfers from WIP	3,016,257	21,686	10,195,339	168,554	258,598	(13,660,434)	-
Reclassification	(524,700)	(3,331)	354,010	-	174,021	-	-
At 30 June 2011	20,790,792	99,416	104,453,779	764,229	2,649,603	20,913,583	149,671,402
At 1 July 2011	20,790,792	99,416	104,453,779	764,229	2,649,603	20,913,583	149,671,402
Additions	-	-	-	-	-	9,020,497	9,020,497
Transfers from WIP	338,594	-	2,018,303	-	26,903	(2,383,800)	-
Transfer to intangible assets (note 16)	-	-	-	-	-	(264,496)	(264,496)
Reclassification (Note 15)	(16,564)	-	-	-	-	(16,738)	(33,302)
At 30 June 2012	21,112,822	99,416	106,472,082	764,229	2,676,506	27,269,046	158,394,101
At 1 July 2012	21,112,822	99,416	106,472,082	764,229	2,676,506	27,269,046	158,394,101
Additions	-	-	-	-	-	37,396,364	37,396,364
Transfers from WIP	3,564,983	346,125	14,071,068	221,766	736,908	(18,940,850)	-
Disposal	-	-	-	(28,163)	-	-	(28,163)
At 30 June 2013	24,677,805	445,541	120,543,150	957,832	3,413,414	45,724,560	195,762,302
At 1 July 2013	24,677,805	445,541	120,543,150	957,832	3,413,414	45,724,560	195,762,302
Additions	-	-	-	-	-	61,084,354	61,084,354
Transfers from WIP	343,264	293,571	3,031,936	461,368	308,807	(4,438,946)	-
Disposal	-	-	-	(7,558)	-	-	(7,558)
At 30 June 2014	25,021,069	739,112	123,575,086	1,411,642	3,722,221	102,369,968	256,839,098

L. NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Freehold land and buildings Shs'000	Transmission lines Shs'000	Plant and machinery Shs'000	Motor vehicles Shs'000	Furniture, equipment and fittings Shs'000	Work- in-progress Shs'000	Total Shs'000
At 1 July 2014	25,021,069	739,112	123,575,086	1,411,642	3,722,221	102,369,968	256,839,098
Additions	-	-	-	-	-	27,231,523	27,231,523
Depreciation capitalised	-	-	-	-	-	454,948	454,948
Transfers from WIP	13,553,746	1,724,124	45,786,574	151,441	518,924	(61,734,809)	-
Disposal	-	-	-	(87,890)	(16,919)	-	(104,809)
Impairment for capital projects	-	-	-	-	-	(482,281)	(482,281)
Revaluation adjustment	(4,407,001)	-	29,684,357	-	-	-	25,277,356
At 30 June 2015	34,167,814	2,463,236	199,046,017	1,475,193	4,224,226	67,839,349	309,215,835
Comprising							
At cost	13,553,746	2,463,236	135,215,158	1,475,193	3,849,904	67,839,349	224,396,586
At valuation 2015	20,614,068	-	29,684,357	-	-	-	50,298,425
At valuation 2005	-	-	34,146,502	-	374,322	-	34,520,824
	34,167,814	2,463,236	199,046,017	1,475,193	4,224,226	67,839,349	309,215,835
DEPRECIATION							
At 1 July 2010	4,336,618	8,357	21,988,827	346,029	1,592,629	-	28,272,460
Charge for year	497,056	3,562	3,739,144	140,098	169,561	-	4,549,421
Impairment losses	-	-	63,092	-	-	-	63,092
At 30 June 2011	4,833,674	11,919	25,791,063	486,127	1,762,190	-	32,884,973
At 1 July 2011	4,833,674	11,919	25,791,063	486,127	1,762,190	-	32,884,973
Charge for year	561,460	3,790	4,049,906	83,141	150,075	-	4,848,372
Reclassification (Note 15)	(3,943)	-	-	-	-	-	(3,943)
At 30 June 2012	5,391,191	15,709	29,840,969	569,268	1,912,265	-	37,729,402

L. NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land and buildings Shs'000	Transmission lines Shs'000	Plant and machinery Shs'000	Motor Vehicles Shs'000	Furniture, equipment and fittings Shs'000	Work- in-progress Shs'000	Total Shs'000
At 1 July 2012	5,391,191	15,709	29,840,969	569,268	1,912,265	-	37,729,402
Charge for year	662,557	18,445	3,856,292	107,668	213,233	-	4,858,195
Disposal	-	-	-	(26,766)	-	-	(26,766)
At 30 June 2013	6,053,748	34,154	33,697,261	650,170	2,125,498	-	42,560,831
At 1 July 2013	6,053,748	34,154	33,697,261	650,170	2,125,498	-	42,560,831
Charge for period	660,113	27,471	3,905,907	171,237	284,111	-	5,048,839
Disposal	-	-	-	(6,393)	-	-	(6,393)
At 30 June 2014	6,713,861	61,625	37,603,168	815,014	2,409,609	-	47,603,277
At 1 July 2014	6,713,861	61,625	37,603,168	815,014	2,409,609	-	47,603,277
Charge for period	937,085	108,107	5,255,395	193,886	351,652	-	6,846,125
Eliminated on disposal	-	-	-	(86,030)	(16,792)	-	(102,822)
Write back on revaluation	(7,650,946)	-	(42,858,563)	-	-	-	(50,509,509)
	-	169,732	-	922,870	2,744,469	-	3,837,071
NET BOOK VALUE							
At 30 June 2015	34,167,814	2,293,504	199,046,017	552,323	1,479,757	67,839,349	305,378,764
At 30 June 2014	18,307,208	677,487	85,971,918	596,628	1,312,612	102,369,968	209,235,821
At 30 June 2013	18,624,057	411,387	86,845,889	307,662	1,287,916	45,724,560	153,201,471
At 30 June 2012	15,721,631	83,707	76,631,113	194,961	764,241	27,269,046	120,664,699
At 30 June 2011	15,957,118	87,497	78,662,716	278,102	887,413	20,913,583	116,786,429

L. NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Plant and machinery was revalued by independent valuers, Aon Global Risk valuers, as at 30 June 2015, on a depreciated replacement cost basis and represents the plant and machinery's highest and best use. The land and buildings was valued by Gimco Limited as at 31 December 2013. The valuation reports were adopted by the company in the financial statements for the year ended 30 June 2015.

The company land is located in the following locations:

- Olkaria
- Gitaru
- Kiambere
- Kamburu
- Kindaruma
- Masinga
- Sangoro
- Turkwel
- Sosiani
- Gogo
- Wanjii
- Tana
- Sagana
- Ndula
- Mesco
- Garissa
- Lamu
- Kipevu I and III
- OlKaria IV Domes
- Sondu Miriu

L. NOTES TO THE FINANCIAL STATEMENTS (Continued)

15 LONGTERM LEASES ON LAND

	30 June 2015 Shs'000	30 June 2014 Shs'000	30 June 2013 Shs'000	30 June 2012 Shs'000	30 June 2011 Shs'000
COST					
At 1 July	1,060,759	446,093	39,806	1,768	1,768
Additions	772,716	614,666	406,287	4,736	-
Reclassification (Note 14)	-	-	-	33,302	-
Revaluation adjustment	1,390,183	-	-	-	-
At 30 June	3,223,658	1,060,759	446,093	39,806	1,768
	========	========	======	======	======
AMORTIZATION					
At 1 July	12,387	6,136	4,380	395	351
Prepaid lease amortization for the year	14,463	6,251	1,756	42	44
Reclassification (Note 14)	-	-	-	3,943	-
Write back on revaluation	(26,850)	-	-	-	-
At 30 June	-	12,387	6,136	4,380	395
NET BOOK VALUE					
At 30 June	3,223,658	1,048,372	439,957	35,426	1,373
	========	========	=======	=======	=======

This relates to leases on land that is under use by the Company countrywide mainly hosting power plants. The leases carry different lease periods and lease amounts, depending on when the land was leased.

The land is leased from the Government of Kenya and other Government Agencies under renewable leases. The lease periods range from between 50 years to 999 years. Leases are renewed as they expire. Where leases have expired in the past, all have been renewed without any complications and no renewal complications are expected in the foreseeable future.

The Company's leasehold land was revalued by Gimco Limited, a firm of independent valuers, on the market value existing basis. The revaluation has been adopted in the financial statements.

16 INTANGIBLE ASSETS

	30 June 2015 Shs'000	30 June 2014 Shs'000	30 June 2013 Shs'000	30 June 2012 Shs'000	30 June 2011 Shs'000
COST					
At 1 July	1,246,418	1,192,772	963,032	695,427	695,284
Additions	129,771	53,646	229,740	3,109	143
Transfer from work-in-progress	-	-	-	264,496	-
At 30 June	1,376,189	1,246,418	1,192,772	963,032	695,427
AMORTIZATION					
At 1 July	180,369	113,086	66,697	31,874	-
Charge for the year	73,368	67,283	46,389	34,823	31,874
At 30 June	253,737	180,369	113,086	66,697	31,874
At 30 June	1,122,452	1,066,049	1,079,686	896,335	663,553
	=======	=======	========	=======	=======

L. NOTES TO THE FINANCIAL STATEMENTS (Continued)

16 INTANGIBLE ASSETS (Continued)

Intangible assets relate to costs incurred towards the installation of software. Amortisation has been charged on these assets from the time they became available for use. Amortisation was not charged during the software development phase in 2009 and 2010.

17. RELATED PARTIES

The company is 70% owned by the Government of Kenya. The remaining 30% of the shares are widely held. The company's main related parties are the Government of Kenya - Ministry of Energy & Petroleum, Kenya Power and Lighting Company Limited (Kenya Power) and Geothermal Development Company Limited (GDC).

Kenya Power is the authorised electricity distributor in Kenya with its majority shareholder being the Government of Kenya. Geothermal Development Company Limited is wholly owned by the Government of Kenya and its principal activities are the development of geothermal resources in Kenya through surface exploration and drilling for steam and to avail steam power to developers for electricity generation.

	30 June 2015	30 June 2014	30 June 2013	30 June 2012	30 June 2011
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
(a) Amount due from Kenya Power	8,047,705	7,851,600	6,186,749	7,221,777	7,786,396
	========	========	========	========	========
(b) Amount due from Kenya Power-deferred debt					
Current portion	35,100	62,295	-	-	-
Non- current portion	965,266	1,084,900	1,148,965	1,401,133	1,472,503
	1,000,366	1,147,195	1,148,965	1,401,133	1,472,503
	========	========	========	========	========

The amounts due from Kenya Power relate to outstanding balances at year end for sale of electricity.

The deferred debt from Kenya Power relates to the foreign component of project costs for land, other costs, transmission lines and substations on the Sondu Miriu project implemented by the company on behalf of Kenya Power under a management agreement. Japan Company for International Corporation funded the foreign component of the Sondu Miriu project under the loan agreement between the Japan Company for International Corporation, and the company. The debt of Shs 1,000,366,000 (2014: Shs 1,147,195,000, 2013: Shs 1,148,964,630, 2012: Shs 1,401,133,000, 2011: Shs 1,472,503,000) is payable over a duration of 30 years commencing on 15 August 2014 to 15 August 2043. The effective interest rate in Japanese Yen on the deferred debt during the year was 0.75%.

The deferred debt and corresponding loan from Japan Company for International Corporation are both denominated in Japanese Yen (JPY). The amount outstanding as at year end was JPY 1,254,061,339 (2014: JPY 1,320,013,268, 2013: JPY 1,320,013,268, 2012: JPY 1,320,013,268, 2011: JPY 1,320,013,268).

	30 June 2015	30 June 2014	30 June 2013	30 June 2012	30 June 2011
			Shs'000	Shs'000	Shs'000
(c) Amount due to Kenya Power	4,879	82,884	83,332	6,405	13,659
	======	======	======	=======	======

L. NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. RELATED PARTIES (CONTINUED)

(e) Related party transactions

Parties are considered to be related if one party has the ability to control the other or exercise significant influence over the other party in making financial or operational decisions.

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

	30 June 2015	30 June 2014	30 June 2013	30 June 2012	30 June 2011
	Shs'000		Shs'000	Shs'000	Shs'000
(i) Electricity sales to Kenya Power	25,307,784	16,896,771	15,896,631	14,773,521	13,428,674
Foreign exchange recovery	294,254	527,000	554,564	1,098,590	897,407
Interest income on amounts due from Kenya Power	30,465	54,221	299,547	87,216	1,742
Fuel pass-through	7,238,204	13,142,391	8,689,767	12,592,346	6,148,072
Water charges pass-through	375,341	459,722	215,141	91,470	-
Steam charges pass-through	3,689,361	192,693	58,365	-	-
	36,935,409	31,272,798	25,714,015	28,643,143	20,475,895
(ii) Electricity purchases from Kenya Power	343,155	311,856	93,605	289,856	133,152

Terms and conditions of transactions with related parties

The sales to Kenya Power are made in accordance with the signed Power Purchase Agreements whereas the purchases from Kenya Power are made at normal market prices. Outstanding balances at the year-end are unsecured and settlement occurs in cash.

	30 June 2015	30 June 2014	30 June 2013	30 June 2012	30 June 2011
	Shs'000	Shs'000	30 June 2013	Shs'000	Shs'000
(iv) Staff advances	103,580	80,312	82,330	89,895	108,674

The company, through the welfare and benefits scheme, provides staff with financial support.

L. NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. RELATED PARTIES (CONTINUED)

	30 June 2015 Shs'000	30 June 2014 Shs'000	30 June 2013 Shs'000	30 June 2012 Shs'000	30 June 2011 Shs'000
Fees for services as a director					
Non-Executive Directors	6,000	6,000	6,000	6,000	6,000
Other emoluments					
Salaries and other short-term employment benefits:					
Executive Directors and key management	115,858	105,608	98,310	104,028	95,540
Non-Executive Directors	14,804	14,818	23,897	28,732	17,545
Total other emoluments	130,662	120,426	122,207	132,760	113,085
Total	136,662	126,426	128,207	138,760	119,085

18. TREASURY BONDS

(a) Analysis of treasury bonds	30 June 2015 Shs'000	30 June 2014 Shs'000	30 June 2013 Shs'000	30 June 2012 Shs'000	30 June 2011 Shs'000
Available-for-sale treasury bonds carried at fair value	341,803	594,769	2,550,345	643,203	391,127
Held-to-maturity treasury bonds carried at amortised cost	2,426,440	2,431,799	2,436,683	8,050,919	9,610,661
	2,768,243	3,026,568	4,987,028	8,694,122	10,001,788
Maturity analysis of treasury bonds					
Current portion	341,803	594,769	2,550,345	643,203	391,127
Non-current	2,426,440	2,431,799	2,436,683	8,050,919	9,610,661
	2,768,243	3,026,568	4,987,028	8,694,122	10,001,788
Less: current portion	(341,803)	(594,769)	(2,550,345)	(643,203)	(391,127)
	2,426,440	2,431,799	2,436,683	8,050,919	9,610,661
Weighted average interest rate	11.25%	11.14%	9.6%	10%	9.31%

L. NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. TREASURY BONDS (Continued)

(b) Movement in treasury bonds

	Available-for-sale Shs'000	Held-to-maturity Shs'000	Total Shs'000
30 June 2015			
At 1 July 2014	594,769	2,431,799	3,026,568
Disposals	(255,236)	-	(255,236)
Fair value gain	2,270	-	2,270
Amortisation	-	(5,359)	(5,359)
At 30 June 2015	341,803	2,426,440	2,768,243
30 June 2014			
At 1 July 2013	2,550,345	2,436,683	4,987,028
Disposals	(1,790,802)	-	(1,790,802)
Fair value losses	(164,774)	-	(164,774)
Amortisation	-	(4,884)	(4,884)
At 30 June 2014	594,769	2,431,799	3,026,568
30 June 2013			
At 1 July 2012	6,252,888	2,441,234	8,694,122
Disposals	(3,530,075)	-	(3,530,075)
Fair value losses	(21,903)	-	(21,903)
Amortisation	-	(4,551)	(4,551)
Maturing within three months(note 23a)	(150,565)	-	(150,565)
At 30 June 2013	2,550,345	2,436,683	4,987,028
30 June 2012			
At 1 July 2011	7,552,800	2,448,988	10,001,788
Disposals	(391,126)	-	(391,126)
Fair value losses	(908,786)	-	(908,786)
Amortisation	-	(7,754)	(7,754)
At 30 June 2012	6,252,888	2,441,234	8,694,122
30 June 2011			
At 1 July 2010	7,383,541	-	7,383,541
Additions	2,095,719	2,448,988	4,544,707
Disposals	(1,339,192)	-	(1,339,192)
Fair value losses	(587,268)	-	(587,268)
At 30 June 2011	7,552,800	2,448,988	10,001,788

L. NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. TREASURY BONDS (Continued)

c) Loss on disposal of available-for-sale treasury bonds

	Cost Shs'000	Proceeds Shs'000	Losses on disposal Shs'000
30 June 2015			
Available-for-sale treasury bonds	306,550	259,073	47,477
	=======	=======	======
Comprising:			
Cumulative loss reclassified from equity on disposal			51,314
Gain during the year			(3,837)
			47,477
			======
30 June 2014			
Available-for-sale treasury bonds	1,999,619	1,790,802	208,817
	========	========	=======
Comprising:			
Cumulative loss reclassified from equity on disposal			222,126
Gain during the year			(203,368)
			18,758
			======
30 June 2013			
Available-for-sale treasury bonds	3,572,511	3,530,075	42,436
	=======	=======	======
Comprising:			
Cumulative loss reclassified from equity on disposal			39,969
Gain during the year			2,467
			42,436
			======
30 June 2012			
Available-for-sale treasury bonds	337,460	393,299	(55,839)
	=======	=======	======
Comprising:			
Cumulative gain reclassified from equity on disposal			(53,666)
Gain during the year			(2,173)
			(55,839)
			========
30 June 2011			
Available-for-sale treasury bonds	1,292,962	1,317,050	(24,088)
	========	========	=======
Comprising:			
Cumulative gain reclassified from equity on disposal			(46,230)
Loss during the year			22,142
			(24,088)
			========

L. NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. RECOVERABLE FOREIGN EXCHANGE ADJUSTMENT

Recoverable foreign exchange adjustment relates to unrealised exchange differences on foreign denominated borrowings recoverable from Kenya Power when realised. The Power Purchase Agreement ("PPA") with Kenya Power, allows the company to bill and recover all realised foreign currency fluctuations relative to the base rates allowed by the PPA. The amount in the statement of financial position relates to unrealised exchange differences arising on retranslation of borrowings at the reporting date which are recoverable from Kenya Power.

The movement in recoverable foreign exchange adjustment is as follows:

	30 June 2015 Shs'000	30 June 2014 Shs'000	30 June 2013 Shs'000	30 June 2012 Shs'000	30 June 2011 Shs'000
At beginning of the year	6,657,924	5,576,996	10,213,772	13,443,291	6,955,455
Unrealised exchange gains/(losses) in the year (note 26 (d))	668,722	1,425,248	(4,261,464)	(2,724,912)	6,802,871
Realised exchange gains on loan repayment (note 26 (d))	(450,546)	(344,320)	(375,312)	(504,607)	(315,035)
At the end of the year	6,876,100	6,657,924	5,576,996	10,213,772	13,443,291
Less current portion	(633,872)	(357,395)	(338,286)	(405,477)	(523,554)
Non-current portion	6,242,228	6,300,529	5,238,710	9,808,295	12,919,737

20. INVENTORIES

Fuel	260,095	198,681	236,961	1,377,060	596,314
General stores	133,453	109,345	102,293	95,012	67,294
Machinery spares	505,528	480,307	497,005	483,492	425,990
Goods –in -transit	-	-	-	-	78,642
	899,076	788,333	836,259	1,955,564	1,168,240

21. OTHER RECEIVABLES

Receivable from staff	91,518	68,648	70,659	35,491	
Payments made on behalf of third parties*	163,251	95,471	188,131	220,917	
Other receivables and prepayments	1,343,351	1,871,882	906,109	1,520,780	
Advance payments**	697,710	1,078,223	4,620,063	4,150,011	
VAT recoverable	2,008	116,853	118,966	149,952	-
	2,297,838	3,231,077	5,903,928	6,077,151	

*Payments made on behalf of third parties mainly relate to recoverable payments made by the company on behalf of Aggreko International Projects, an Emergency Power Project administered by the company as commission agent.

**Advance payments mainly relate to amounts paid to contractors and suppliers involved in the Olkaria I and Olkaria IV geothermal projects.

***Included in other receivables and prepayments in the current year is an amount of Shs 569,072,498 (2014: Shs 907,681,000, 2013: Nil, 2012: Shs 528,096,000, 2011: Shs 76,855,000) relating to the funds for Olkaria I and IV projects received by National Treasury from the World Bank on behalf of KenGen.

None of these assets were past due or impaired at the reporting date.

L. NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. AMOUNT DUE FROM MINISTRY OF ENERGY & PETROLEUM

	30 June 2015 Shs'000	30 June 2014 Shs'000	30 June 2013 Shs'000	30 June 2012 Shs'000	30 June 2011 Shs'000
(a) Geothermal resource assessment funds					
At start of period/year	1,466,146	1,466,146	1,466,146	1,842,145	1,316,384
Received during the year	-		-	(504,634)	-
Advances during the year	-		-	128,635	525,761
Interest receivable	-				-
At end of period/year	1,466,146	1,466,146	1,466,146	1,466,146	1,842,145
(b) Geothermal Development Company Limited					
At start of period/year	3,849,670	3,849,670	3,851,875	2,732,272	-
Interest receivable	-		-	451,031	105,307
Advances during the year	-		-	3,668,572	2,626,965
Refund received	-	-	(2,205)	(3,000,000)	-
At end of period/year	3,849,670	3,849,670	3,849,670	3,851,875	2,732,272
(c) Geothermal Exploration-Other Fields					
As at 1 July and 30 June	-	-	-	-	-
Cost incurred on geothermal exploration fields taken over by GDC and accrued interest	505,456	-	-	-	-
Total Due	5,821,272	5,315,816	5,315,816	5,318,021	4,574,417

These balances relate to the application of Geothermal Resource Assessment funds and advances to Geothermal Development Company Limited for the purpose of exploration, exploitation and development of geothermal resources in the country. The company acts on behalf of the Ministry of Energy & Petroleum in undertaking the activities pertaining to this project.

23. CASH AND CASH EQUIVALENTS

	30 June 2015 Shs'000	30 June 2014 Shs'000	30 June 2013 Shs'000	30 June 2012 Shs'000	30 June 2011 Shs'000
a) Analysis of bank and cash balances					
Cash and bank balances	3,292,307	9,429,358	3,996,427	435,719	1,894,001
b) Cash and cash equivalents					
Cash and bank balances	3,292,307	9,429,358	3,996,427	435,719	1,894,001
Overdrafts	-	(4,801,379)	-	-	-
	3,292,307	4,627,979	3,996,427	435,719	3,115,598

L. NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. CASH AND CASH EQUIVALENTS (Continued)

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash in hand, deposits held at call with company's and other short term highly liquid investments with original maturities of three months or less, net of company overdrafts.

24. SHARE CAPITAL

	30 June 2015 Shs'000	30 June 2014 Shs'000	30 June 2013 Shs'000	30 June 2012 Shs'000	30 June 2011 Shs'000
Authorised:					
10, 000, 000, 000 (2014 10, 000, 000, 000,					
2013, 2012 and 2011: 2,215,927,528					
ordinary shares of Shs 2.50 each	25,000,000	25,000,000	5,539,819	5,539,819	5,539,819
	========	========	========	=======	=======
Issued and fully paid:					
2,198,361,456 ordinary shares					
of Shs 2.50 each	5,495,904	5,495,904	5,495,904	5,495,904	5,495,904
	=======	========	=======	=======	=======

25. RESERVES

(a) The share premium arose as a result of the company taking over more assets than liabilities from the government during the Power Sector Reform Program in 2000. The capitalisation of the related excess was in the form of share capital issued at a premium.

(b) The capital reserve relates to development surcharge received from Kenya Power for financing the development of certain power projects for the period 1997 and prior years. The directors do not currently intend to make any distribution from the c apital reserve.

(c) The investments revaluation reserve represents the cumulative gains and losses arising on the revaluation of available-for-sale financial assets that have been recognised in other comprehensive income, net of amounts reclassified to profit or loss when those assets have been disposed of.

(d) The property, plant and equipment revaluation reserve arises on the revaluation of plant and machinery. The reserve is not distributable.

L. NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. BORROWINGS

(a) Analysis of interest bearing borrowings

	Maturity Year	30 June 2015 Shs'000	30 June 2014 Shs'000	30 June 2013 Shs'000	30 June 2012 Shs'000	30 June 2011 Shs'000
Government of Kenya Guaranteed						
2.6% Japan Bank for International Cooperation KE P20-Kipevu 1 (JPY 4,253,160,000)	2025	3,392,878	4,047,551	4,442,438	5,868,894	6,642,285
2.3% Japan Bank for International Cooperation KE P21 –Sondu Miriu (JPY 4,058,328,000)	2027	3,237,454	3,803,620	4,121,187	5,384,661	6,036,200
0.75% Japan Bank for International Cooperation KE P23-Sondu Miriu (JPY 10,034,870,001)	2044	8,005,127	8,980,963	9,186,402	11,202,585	11,773,209
0.75% Japan Bank for International Cooperation KE P24-Sangoro (approved JPY 5,620,000,000), (Disbursed JPY 4,312,811,135)	2047	3,440,463	3,685,820	3,696,750	4,281,303	3,238,222
0.20% Japan International Cooperation Agency KE P26-Olkaria I & IV (approved JPY 29,516,000,000), (Disbursed JPY18,227,213,033)	2040	14,540,413	12,953,242	5,279,027	1,836,453	-
Kreditanstalt Fur Wiederaufbau (KfW)-Kindaruma (approved 1.5% Euro 30,000,000, 4.07% Euro 9,100,000; (Disbursed Euro 33.508,916)	2024	3,699,227	4,187,736	3,547,093	2,081,305	-
2.2% Kreditanstalt Fur Wiederaufbau (KfW)-Olkaria I & IV (approved Euro 60,000,000), (Disbursed Euro 44,065,608)	2034	4,864,636	4,683,412	1,432,703	-	-
On lent						
7.7% International Development Association IDA 2966KE-Olkaria II(USD 21,891,484)	2018	2,159,363	2,557,711	3,138,053	3,687,984	4,590,260
7.7% Kreditanstalt Fur Wiederaufbau - Olkaria II (Euro 371,141)	2018	40,972	57,047	65,553	73,034	103,556
4.5% International Development Association Credit IDA 3958KE-OlkariaII Unit 3 (USD 18,824,045)	2025	1,856,792	1,831,333	1,975,054	803	2,436,091
1.5% KBC Bank loan (Belgium)-Ngong Wind Power (Euro 7,413,067)	2024	818,368	979,520	1,008,627	1,033,539	1,371,679
3.5% International Development Association IDA 4743 KE-Olkaria I & IV (USD 116,123,632)	2035	11,454,365	8,233,539	4,266,676	571,736	77,508
2.003% Agence Francaise de Developpement (AFD) - Olkaria I & IV(EURO 80,853,276.46)	2031	8,925,822	9,666,009	2,604,965	-	-
3.884% European Investment Bank-Olkaria I & IV (Euro 71,360,447.2)	2037	7,877,858	8,531,141	2,573,234	-	-
2.50% Export-Import Bank of China (EXIM) - 80wells(USD277,447,670.78)	2033	27,367,272	16,219,476	3,495,124	-	-
1.50% Spanish loan-Ngong Phase II - 13.6MW (Euro 19,993,617)	2030	2,207,201	2,103,408	337,086	-	-
3.20% KBC Ngong I Phase 11 - 6.8 MW (Euro 6,368,910)	2020	703,098	574,545	-	-	-
0.50% National Bank of Belgium (NBB) Ngong 1 Phase 11 - 6.8 MW (Euro 6,078,000)	2043	670,983	665,051	-	-	-

L. NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. BORROWINGS

(a) Analysis of interest bearing borrowings (Continued)

	Maturity Year	30 June 2015 Shs'000	30 June 2014 Shs'000	30 June 2013 Shs'000	30 June 2012 Shs'000	30 June 2011 Shs'000
Direct borrowings						
2.68% Agence Francaise de Developement (AFD)- Olkaria II Unit 3 (Euro 15,000,000)	2024	1,655,929	1,992,500	2,060,630	2,119,202	2,604,200
5.1% HSBC Bank loan-Rigs (USD 30,411,780)	2024	2,999,800	2,689,319	2,475,266	-	-
12.5% Public Infrastructure Bond –Various projects(Shs)	2019	13,908,089	17,033,089	20,158,089	23,283,089	-
5.72% Standard Chartered Bank loan-EIB -Olkaria II Unit 3 (USD 38,918,890.85)	2021	3,838,936	3,410,342	-	-	-
7.02% CBA Term loan-- Wellheads 75MW (USD 100,000,000)	2027	9,863,940	8,762,690	-	3,589,370	4,122,124
Citibank NA short-term loan (Shs)	2014	-	1,200,000	840,000	1,192,574	24,816,178
Equity Bank Limited (Shs)	2014	-	1,200,000	-	-	-
Cooperative Bank Term Loan (Shs)	2022	7,000,000	-	-	-	-
European Investment Bank—Olkaria II Unit 3 (USD Nil)	2025	-	-	3,384,718	-	-
Overdrafts						
Commercial bank of Africa Limited (Shs)	2014	-	642,502	-	-	-
Bank of Africa Limited (Shs)	2014	-	1,424,839	-	-	-
NIC Bank Limited (Shs)	2014	-	1,226,099	-	-	-
Kenya Commercial Bank Limited (Shs)	2014	-	1,507,939	-	-	-
		144,528,986	134,850,443	80,088,675	68,313,532	67,811,512
Accrued interest (note 33(c))		2,089,548	1,264,447	846,025	802,192	835,496
Less: Reclassified to borrowings awaiting to conversion to equity*		(20,151,541)	-	-	-	-
Total borrowings		126,466,993	136,114,890	80,934,700	69,115,724	68,647,008
Less: Amounts due within 12 months		(9,427,225)	(13,790,779)	(7,000,387)	(7,265,504)	(4,480,481)
Non-current borrowings		117,039,768	122,324,111	73,934,313	61,850,220	64,166,527
		=========	=========	=========	=========	=========

L. NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. BORROWINGS (Continued)

	30 June 2015 Shs'000	30 June 2014 Shs'000	30 June 2013 Shs'000	30 June 2012 Shs'000	30 June 2011 Shs'000
(b) Borrowings maturity analysis					
Due within 1 year	9,427,225	13,790,779	7,000,387	7,265,504	4,480,481
Due between 1 and 2 years	15,251,670	12,508,615	5,946,957	2,048,643	1,687,740
Due between 2 and 5 years	20,373,605	21,195,786	20,265,361	10,934,955	5,063,221
Due after 5 years	81,414,493	88,619,710	47,721,995	48,866,622	57,415,566
	126,466,993	136,114,890	80,934,700	69,115,724	68,647,008

(c) Analysis of loans by currency

	Borrowings in US$ Shs'000	Borrowings in JPY Shs'000	Borrowings in EUR Shs'000	Borrowings in Shs Shs'000	Total Shs Shs'000
Loans 30 June 2015	51,710,082	32,616,334	19,412,939	22,997,638	126,466,993
Loans 30 June 2014	43,704,409	33,471,195	33,440,371	25,498,915	136,114,890
Loans 30 June 2013	21,308,125	26,725,803	11,056,658	21,844,114	80,934,700
Loans 30 June 2012	**9,956,893**	**28,573,896**	**5,307,080**	**25,277,855**	**69,115,724**
Loans 30 June 2011	**11,378,794**	**27,817,857**	**4,103,356**	**25,347,001**	**68,647,008**

	30 June 2015 Shs'000	30 June 2014 Shs'000	30 June 2013 Shs'000	30 June 2012 Shs'000	30 June 2011 Shs'000
(d) The movement in borrowings is as follows:					
At beginning of the year	130,049,064	80,088,675	68,313,532	67,811,512	61,324,570
Received in the year	26,981,206	57,830,817	22,790,931	6,871,436	1,570,295
Repaid in the year	(12,719,460)	(8,951,356)	(6,379,012)	(3,139,897)	(1,571,189)
Realised exchange losses on repayment (note 19)	(450,546)	(344,320)	(375,312)	(504,607)	(315,035)
Unrealised exchange (loss)/ gain in the year (note 19)	668,722	1,425,248	(4,261,464)	(2,724,912)	6,802,871
Reclassified to borrowings awaiting to conversion to equity*	(20,151,541)	-	-	-	-
At the end of the year	124,377,445	130,049,064	80,088,675	68,313,532	67,811,512
Bank overdraft	-	4,801,379	-	-	-
Add accrued interest (note 33(c))	2,089,548	1,264,447	846,025	802,192	835,496
Total borrowings at the end of the year	126,466,993	136,114,890	80,934,700	69,115,724	68,647,008

L. NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. BORROWINGS (Continued)

(e) Securities

The Government of Kenya guaranteed and the on-lent borrowings have no securities held as the Government of Kenya is the guarantor. The Public Infrastructure Bond is u

The securities held for the European Investment Bank and the Agence Francaise de Development borrowings are a fixed charge over all rights, title and interest of the company in and to (a) all the land, (b) all the real property including power plant buildings and structure at the Olkaria II geothermal power plant, a fixed charge over the plant, machinery and other infrastructure at the Olkaria II geothermal power plant and an assignment of the benefits of proceeds of insurance in connection with the project.

*The borrowings awaiting conversion to equity relate to borrowings on lent from the government which approval has been received to convert into equity after the rights issue later in the last quarter of 2015 calendar year

(f) World Bank financing credit line

(i) The company received financial support from the World Bank Credit No. 3958-dated 4 August 2004 to support implementation of the Energy Sector Recovery Project. A portion of this is disbursed directly into a Special Account B operated by the company and summary information on transactions during the year is as follows:

	30 June 2015 Shs'000	30 June 2014 Shs'000	30 June 2013 Shs'000	30 June 2012 Shs'000	30 June 2011 Shs'000
Balance at the beginning of the year	-	39,376	53,189	66,662	36,093
Amounts received during the year	-	13,254	-	-	83,418
Interest income	-	(13)	-	-	(7,231)
Expenditure during the year	-	(40,861)	(13,813)	(13,473)	(45,618)
Refunded to World Bank at Credit closure	-	(11,756)	-	-	-
Balance at the end of the year	-	-	39,376	53,189	66,662

The Credit facility was closed on 30 September 2013. The unutilized balance of USD 136,400 (KShs 11,755,975) in the Special Account B was refunded to World Bank at the Credit closure.

L. NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. BORROWINGS (Continued)

(f) World Bank financing credit line (Continued)

(ii) a) Designated Account B

The company received financial support from the World Bank Credit No. 4743- KE dated 1st October 2011 to support implementation of the Kenya Energy Expansion Project (KEEP). Summary information on transactions during the year is as follows:

	30 June 2015	30 June 2014	30 June 2013	30 June 2012	30 June 2011
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Balance at the beginning of the year	905,614	1,201,623	571,736	77,508	-
Amounts received during the year	1,562,619	2,318,332	1,868,644	494,229	77,508
Net interest expense	-	(2)	-	-	-
Transfers to project account	(1,900,496)	(2,614,339)	(1,238,757)	-	-
Balance at the end of the year	567,737	905,614	1,201,623	571,737	77,508
	========	========	========	=======	=======

The closing balance shown above is included in loan balances and represents the balances outstanding on the World Company funded designated Account No. 0810296571876 held at the Equity Bank Ltd.

As at 30 June 2015 Shs 11,454,365,000 – US$ 116,123,632 (2014: Shs 8,233,539,000 – US$ 93,961,316, 2013: Shs 4,266,676,000 - US$ 49,608,182.30, 2012: Shs 571,736,000 – US$ 6,787,532, 2011: Shs 77,507,614 – US$ 862,500) had been disbursed under this credit line as disclosed in note 26(a). The disbursements to the special account have been expended in accordance with the intended purpose as specified in the loan agreement.

(ii) b) Project Account

	30 June 2015	30 June 2014	30 June 2013	30 June 2012	30 June 2011
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Balance at the beginning of the year	60,562	498,415	-	-	-
Amounts received during the year	20,404	2,614,339	-	-	-
Net interest expense		(1,201)	-	-	-
Transfers to project account		(3,050,991)	-	-	-
Balance at the end of the year	584,282	60,562	-	-	-
		========	========	=======	=======

L. NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. BORROWINGS (Continued)

(f) World Bank financing credit line (Continued)

(ii) b) Project Account (Continued)

The closing balances shown above are included in Cash and Cash Equivalents and represent balances outstanding on the World Bank funded project Account No. 6563380114 held at the Commercial Bank of Africa.

(iii) Direct payments were disbursed through the letter of credit from special Commitment as below:

	30 June 2015 Shs'000	30 June 2014 Shs'000	30 June 2013 Shs'000	30 June 2012 Shs'000	30 June 2011 Shs'000
Direct payments from letter of credit	-	-	3,807,236	1,754,384	249,629
	========	=======	========	========	=======

27. OPERATING LEASE COMMITMENTS

(a) As lessee

The future rental payments under operating leases are as shown below:

	30 June 2015 Shs'000	30 June 2014 Shs'000	30 June 2013 Shs'000	30 June 2012 Shs'000	30 June 2011 Shs'000
Within 1 year	59,241	32,873	33,905	32,703	15,089
After 1 year but not later 5 years	128,087	65,745	54,620	52,465	36,421
Balance at the end of the year	187,328	98,618	88,525	85,168	51,510
	========	========	========	=======	=======

The company has entered into commercial leases on premises. These leases have an average life of between three and five years. There are no restrictions placed upon the lessee by entering into the leases.

(b) As lessor

The company leased out geothermal wells OW 101 and OW 306 to Oserian Development Company Limited for a period of 15 years at a cost of Shs 15,000,000 per well receivable in advance.

L. NOTES TO THE FINANCIAL STATEMENTS (Continued)

27. OPERATING LEASE COMMITMENTS

(b) As lessor (Continued)

The advance receipts have been accounted for as shown below:

	30 June 2015 Shs'000	30 June 2014 Shs'000	30 June 2013 Shs'000	30 June 2012 Shs'000	30 June 2011 Shs'000
At beginning of year	3,000	5,000	7,000	9,000	11,000
Charge to profit or loss	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)
At end of the year	1,000	3,000	5,000	7,000	9,000
Less: current portion	(1,000)	(2,000)	(2,000)	(2,000)	(2,000)
Non-current portion	-	1,000	3,000	5,000	7,000
	======	======	======	======	======
Maturity analysis of operating lease commitments as lessor:					
Within 1 year	1,000	2,000	2,000	2,000	2,000
After 1 year but not later than 5 years	-	1,000	3,000	5,000	7,000
	1,000	3,000	5,000	7,000	9,000
	======	======	======	======	======

This amount is amortised anaine basis over the remaining lease period.

28. RETIREMENT BENEFITS LIABILITY

The company operated a joint defined benefit scheme with Kenya Power, which was funded by contributions from both the company and employees up to 31 December 1999.

The company registered its own defined benefits scheme in 2000 and commenced making contributions to the scheme, alongside employees' contributions, with effect from 1 January 2001. The scheme is administered independently by Alexander Forbes Financial Services (E.A) Limited. AIG Global Investment Company (EA) Limited and Stanbic Investment Management Services (EA) Limited jointly manage the funds.

Under the plan, the employees are entitled to retirement benefits of 3% of Final Pensionable Emoluments for Pensionable Service upto 1 January 2000 and 2% of Final Pensionable Emoluments for Pensionable Service after 1 January 2000 on attainment of a retirement age of 60 years. No other post-retirement benefits are provided to these employees.

The KenGen Staff Retirement Benefits Scheme (DB Scheme) is established under trust and was closed to new entrants and to future accrual of benefits with effect from 31 December 2011 in respect of members aged below 45 years. A new Defined Contribution Scheme, the KenGen Defined Contribution (DC Scheme) 2012 was established effective 1 January 2012, for all new eligible employees. All active in service members aged 45 years and over as at 31 December 2011 had an option to either remain in the DB scheme for future benefit accrual or join the new DC scheme. Some members have opted to join the new DC scheme for future benefit accrual while others opted to remain in the DB scheme. The company therefore only makes contributions to the DB scheme in respect of those members who opted to remain in the DB scheme. In addition, the company makes such additional contributions required to amortise the deficit under the DB scheme. DB scheme member contributions are a fixed percentage of pay with the company responsible for the balance.

A valuation of plan assets and the present value of the defined benefit obligation were carried out at 31 December 2011 by M/S Alexander Forbes Financial Services EA Limited for statutory purposes. An actuarial valuation to fulfill the financial reporting and disclosure requirements of IAS19 was also carried out as at 30 June 2013. On this basis, the present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

L. NOTES TO THE FINANCIAL STATEMENTS (Continued)

28. RETIREMENT BENEFITS LIABILITY (Continued)

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	30 June 2015 %	30 June 2014 %	30 June 2013 %	30 June 2012 %	30 June 2011 %
Discount rate(s)	13.25%	13.00%	12.50%	12.50%	
Future salary increase	8%	8%	8%	8%	8%
Future pension increases[1]	0%	0%	0%	0%	0%
Mortality (pre-retirement)	A 1949- 1952	A 1949- 1952	A 1949- 1952	-	-
Mortality (pre-retirement)	n/a	n/a	n/a	n/a	n/a
Retirement age	60 years	60 years	60 years	-	-

[1]Increases of 3% per annum apply on pensions secured on pre 31 December 1999 (Kenya Power) service.

The amount included in the statement of financial position arising from the entity's obligation in respect of its defined benefit plans is as follows:

29. DEFERRED TAX LIABILITY

Deferred taxes are calculated on all temporary differences under the liability method using the applicable rate, currently at 30%. The makeup of the deferred tax liabilities in the year and the movement on the deferred tax account during the year are presented below:

	30 June 2015 Shs'000	30 June 2014 Shs'000	30 June 2013 Shs'000 Restated	30 June 2012 Shs'000 Restated	30 June 2011 Shs'000 Restated
Deferred tax assets:					
Tax losses	(27,192,428)	(9,933,282)	(10,396,680)	(4,830,933)	(6,417,053)
Provisions for cost of living adjustment	-	-	-	(39,600)	-
Provisions for bad debt	(3,619)	(3,499)	(124,117)	(67,537)	(23,393)
Provision for write off of feasibility studies	(144,684)	-	-	-	-
Leave pay provision	(87,975)	(69,400)	(75,729)	(48,125)	(57,416)
Provision for bonus	-	-	-	(11,970)	(13,750)
Provision for gratuity	(5,782)	-	(4,252)	(4,157)	-
Defined benefit obligation	-	-	(87,263)	(75,194)	(49,050)
	(27,434,488)	(10,006,181)	(10,688,041)	(5,077,516)	(6,560,662)

L. NOTES TO THE FINANCIAL STATEMENTS (Continued)

29. DEFERRED TAX LIABILITY (CONTINUED)

	30 June 2015 Shs'000	30 June 2014 Shs'000	30 June 2013 Shs'000	30 June 2012 Shs'000	30 June 2011 Shs'000
Deferred tax liabilities:					
Defined benefit	537,664	422,223	-	-	
Revaluation surplus	30,069,955	7,139,895	7,417,187	7,694,980	8,285,745
Accelerated capital allowances	32,737,430	18,033,894	17,498,283	13,413,972	13,533,666
Unrealised exchange gains	14,339	14,826	(4,513)	(62,938)	58,104
	63,359,388	25,610,838	24,910,957	21,046,014	21,877,515
Net deferred tax liability	35,924,900	15,604,657	14,222,916	15,968,498	15,316,853
Movement on the deferred tax account is as follows:					
At the beginning of the year	15,604,657	14,222,916	15,968,498	15,316,853	12,055,094
Deferred tax charge (note 12(a))	(2,905,165)	873,241	(1,149,354)	1,055,032	1,571,186
Prior year over provision	(100)	-	(611,137)	(71,573)	-
Effect of change in tax rate from 25% to 30% on deferred	-	-	-	-	1,459,723
Deferred tax through other comprehensive income	64,339	508,500	14,909	(331,814)	230,850
Deferred tax passing through revaluation surplus	23,161,169	-	-	-	-
At the end of the year	35,924,900	15,604,657	14,222,916	15,968,498	15,316,853

The company's deferred tax balance includes deferred tax assets of KSh 27.2 billion relating to accumulated tax losses available for offset against future profits. Kenyan tax laws now allow for tax losses to be carried forward for a maximum period of 4 years.

On 27 April 2015, the Cabinet Secretary for the National Treasury approved the extension of the 2010 tax losses carry forward for a further four years from 30 June 2014. This is in accordance with section 15(4A) of the Income Tax Cap 470.

30. TRADE AND OTHER PAYABLES

	30 June 2015 Shs'000	30 June 2014 Shs'000	30 June 2013 Shs'000	30 June 2012 Shs'000	30 June 2011 Shs'000
Trade payables	3,369,456	3,959,258	2,728,168	3,635,589	2,611,977
Contract and Retention money	5,274,218	10,383,919	11,355,007	200,375	184,251
Sundry payables	4,309,666	2,327,418	1,367,564	534,348	659,654
VAT payable	-	-	-	-	189,363
Total trade and other payables	12,953,340	16,670,595	15,450,739	4,370,312	3,645,245
Non-current trade and other payables	(5,329,722)	(10,369,854)	(8,591,032)	-	-
Current trade and other payables	7,623,618	6,300,741	6,859,707	4,370,312	3,645,245

L. NOTES TO THE FINANCIAL STATEMENTS (Continued)

30. TRADE AND OTHER PAYABLES (Continued)

* These liabilities relate to payments due to contractors for the ongoing construction of long-term assets. They are financed by the Development Finance Institutions (DFIs) and represents invoices that were under verification at the reporting dates. After the verification is complete, the amounts are settled by the DFI's directly to the contractors and the company assumes the liability as long term borrowing.

31. LEAVE PAY PROVISION

	30 June 2015 Shs'000	30 June 2014 Shs'000	30 June 2013 Shs'000	30 June 2012 Shs'000	30 June 2011 Shs'000
At beginning of the year	231,334	252,429	160,415	191,387	182,049
Charge/(credit) to profit or loss	61,917	(21,095)	92,014	(30,972)	9,338
At close of the year	293,251	231,334	252,429	160,415	191,387

32. DIVIDENDS

	30 June 2015	30 June 2014	30 June 2013	30 June 2012	30 June 2011
a) Dividend payable					
At beginning of the year	4,119,633	3,196,321	3,196,321	2,923,821	2,154,394
Declared	879,345	1,319,017	1,319,017	1,099,181	1,099,181
Paid during the year	(263,804)	(395,705)	(1,319,017)	(826,681)	(329,754)
At end of the year	4,735,174	4,119,633	3,196,321	3,196,321	2,923,821
b) Dividend proposed	1,428,935	879,345	1,319,017	1,319,017	1,099,181
	Sh	Sh	Sh	Sh	Sh
Proposed dividend per share in Shs	0.65	0.40	0.60	0.60	0.50

Proposed dividend is proposed for approval at annual general meeting (not recognised as a liability)

L. NOTES TO THE FINANCIAL STATEMENTS (Continued)

33 NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of operating profit to cash generated from operations

	30 June 2015 Shs'000	30 June 2014 Shs'000	30 June 2013 Shs'000	30 June 2012 Shs'000	30 June 2011 Shs'000
Profit before taxation	8,690,012	4,157,948	4,026,924	4,045,190	3,651,307
Adjustments for:					
Depreciation (note 8)	6,391,177	5,048,839	4,858,195	4,848,372	4,549,805
Impairment provision for capital projects (note 14)	482,281	-	-	-	63,092
Prepaid lease expense (note 15)	14,463	6,251	1,756	42	44
Amortisation of intangible assets (note 16)	73,368	67,283	46,389	34,823	31,874
Interest income (note 33(b))	(359,082)	(416,154)	(676,109)	(952,621)	(548,975)
Interest expense (note 33(c))	3,010,659	2,587,519	3,000,802	2,954,998	1,996,951
Gain on disposal of assets	(13,645)	(1,476)	(6,746)	-	-
Unrealised foreign exchange loss/(gain) related to amount due from Kenya Power-deferred debt	86,925	1,770	252,168	71,370	(251,933)
Net gain/(loss) on derecognition of treasury bonds	47,477	201,320	42,436	(55,839)	(24,472)
Amortisation of held-to-maturity treasury bonds	5,359	4,884	4,551	7,754	-
Reduction in actuarial deficit arising from valuation of retirement benefit liability in the year	(170,341)	(3,289)	6,103	(1,018,900)	(306,700)
Operating profit before working capital changes	18,258,653	11,654,895	11,556,469	9,935,189	9,160,993
Changes in working capital:					
Decrease/(increase) in inventories	(110,743)	47,926	1,119,305	(787,324)	275,134
(Increase)/decrease in amounts due from Kenya Power	(136,201)	(1,664,851)	1,035,028	564,619	(4,195,871)
Decrease/(increase) in other receivables	927,882	2,672,851	187,470	(4,393,947)	2,359,843
(Decrease)/increase in amount due from Ministry of Energy & Petroleum	(505,456)	-	2,205	(743,604)	(3,258,033)
(Decrease)/increase in trade and other payables	(3,717,255)	1,219,855	11,080,427	725,067	895,909
Increase/(decrease) in amount due to Kenya Power	(78,005)	448	76,927	(7,254)	7,704
Decrease in operating lease liability	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)
(Decrease)/increase in leave pay provision	61,917	(21,095)	92,014	(30,972)	9,338
Cash generated from operations	14,698,792	13,908,029	25,147,845	5,259,774	5,253,017

L. NOTES TO THE FINANCIAL STATEMENTS (Continued)

33 NOTES TO THE STATEMENT OF CASH FLOWS (Continued)

(b) Movement in interest receivable

1 July	30,455	50,367	199,135	109,776	271,326
Interest income	359,082	416,154	676,109	952,621	548,975
Interest received	(364,439)	(436,066)	(824,877)	(863,262)	(710,525)
30 June	25,098	30,455	50,367	199,135	109,776

(a) Movement in interest payable

1 July	(1,264,447)	(846,025)	(802,192)	(835,496)	(188,340)
Interest expense	(3,010,659)	(2,587,519)	(3,000,802)	(2,954,998)	(1,996,951)
Interest paid	2,185,558	2,169,097	2,956,969	2,988,302	1,349,795
30 June	(2,089,548)	(1,264,447)	(846,025)	(802,192)	(835,496)

34. EMERGENCY POWER PROJECT

The company manages an Emergency Power Supply project known as Aggreko International Projects as an implementing commissioning agent on behalf of the Ministry of Energy & Petroleum. Funds from the Ministry of Energy & Petroleum are disbursed to the company for the purpose of procuring emergency power supply capacity on behalf of the Ministry of Energy & Petroleum through the Project. These funds are held in an escrow company account at the Commercial Company of Africa and are represented below as disbursements from the Ministry of Energy & Petroleum. Electricity generated from this Project is sold to the Kenya Power and Lighting Company and relating revenue is represented below as Receipts from sale of electricity. Expenditure incurred relating to the project is represented below as expenditure during the year. None of these transactions and balances are presented in these financial statements.

At the beginning of the year	60,079	243,237	369,324	453,662	531,728
Receipts from sale of electricity	2,690,767	4,999,690	5,994,060	10,442,305	5,806,949
Disbursements from the Ministry of Energy	-	-	-	946,133	3,903,500
Interest income	9,143	25,596	33,931	101,957	12,441
Expenditure during the year	(2,213,712)	(5,208,444)	(6,154,078)	(11,574,733)	(9,800,956)
As at the end of the year	546,277	60,079	243,237	369,324	453,662

The company earned Shs 25 million in the year (2014: Shs 34 million, 2013: Shs 77 million, 2012: Shs 127 million, 2011: Shs 63 million) in relation to managing these projects. This revenue is disclosed under note 4 (a) of these financial statements.

L. NOTES TO THE FINANCIAL STATEMENTS (Continued)

35. CONTINGENT LIABILITIES

I. Disputed tax penalties

On 12 August 2002, the Customs and Excise Department issued an assessment of Shs 22.2 million excise duty arising from electricity imported from Uganda between 1998 and 2001. The principal tax has since been settled in full except for penalties amounting to Shs 31 million. The company has petitioned the National Treasury for a waiver of the penalties and, in the opinion of the directors, no provision is required in the financial statements as the liability will not crystallise.

II. Disputed withholding Tax

In 2014, Kenya Revenue Authority (KRA) performed a tax audit for the financial years 2009-2013. Subsequently KRA issued an assessment of KShs. 975,848, 686. The company objected to the assessment after which KRA issued a stand over notice pending resolution of matters in dispute. In the opinion of the directors no provision is required in the financial statements as the liability is not expected to crystallise.

III. Letters of credit

Letters of credit signify commitment by the company to make payments to third parties for contracts entered into, generally relating to foreign payments. Outstanding letters of credit as at 30 June 2015 amounted to Shs 1.196 billion (2014: Shs: 1.186 billion, 2013: Shs: 3.063 billion, 2012: Shs: 1.754 billion, 2011: Shs: 3.697 billion).

36 CAPITAL COMMITMENTS

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

	30 June 2015 Shs'000	30 June 2014 Shs'000	30 June 2013 Shs'000	30 June 2012 Shs'000	30 June 2011 Shs'000
Authorised but not contracted for	136,550,759	117,332,419	427,703,764	1,321,474	153,068,207
Authorised and contracted for	15,428,962	30,591,152	66,730,466	94,298,150	23,402,629
	151,979,721	147,923,571	494,434,230	95,619,624	176,470,836

37. OPERATING SEGMENT INFORMATION

In accordance with IFRS 8, Operating segments, information reported to the company's chief operating decision makers (the Board of Directors) for the purposes of resource allocation and assessment of segment performance is focussed on the principal activities and the products offered by the company.

The company has one reportable segment; which is the generation of electricity.

a) Reported revenue

b) All the company revenues were generated from an external customer.

c) Geographical areas

d) All the company operations, revenues and assets are based in Kenya.

e) Major customers

The company operates in a regulated industry; all its revenue is derived from one single external customer Kenya Power.

L. NOTES TO THE FINANCIAL STATEMENTS (Continued)

38. FINANCIAL RISK MANAGEMENT

Introduction and overview

The company's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the company's business and the operational risks are an inevitable consequence of being in business. The company's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on its financial performance. The key types of risks include:

- Market risk – includes currency, interest rate and other price risk
- Credit risk
- Liquidity risk

The company's overall risk management programme focuses on the unpredictability of changes in the business environment and seeks to minimise potential adverse effects of such risks on its financial performance within the options available by setting acceptable levels of risks.

Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the company's risk management framework.

The company's Finance Division identifies, evaluates and hedges financial risks in close cooperation with operating units. The board provides written principals for overall risk management, as well as written policies covering specific areas such as credit risk, liquidity risk, foreign exchange risk, interest rate risk and price risk.

The company does not enter into or trade in financial instruments, including derivative financial instruments, for speculative purposes.

a) Market risks

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

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

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

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

i) Foreign currency risk

The company has transactional currency exposures. Such exposure arises when borrowings are revalued at the end of the year and also through purchases of goods and services that are done in currencies other than the local currency. The company has loans from multilateral donors, which are denominated in currencies other than the functional local currency. Loan payments are made by using the prevailing exchange rate as there is no forward currency contracts to eliminate the currency exposures. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

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

L. NOTES TO THE FINANCIAL STATEMENTS (Continued)

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

i) Foreign currency risk (continued)

	2015 Shs '000	2014 Shs '000	2013 Shs '000	2012 Shs '000	2011 Shs '000
Financial assets					
Amount due from Kenya Power – Deferred debt	1,000,366	1,147,194	1,148,964	1,401,133	1,472,503
Cash and cash equivalents*	2,151,367	8,854,471	2,983,346	1,304,256	544,064
	3,151,733	10,001,665	4,132,310	2,705,389	2,016,567
Liabilities					
Trade and other payables	(5,274,259)	(10,383,919)	(11,355,008)	-	(10,747)
Net currency (liability)/ asset	(2,122,526)	(382,254)	(7,222,698)	2,705,389	2,005,820

*Cash and cash equivalents exclude cash in hand.

Exposure to borrowings foreign currency risk is mitigated by the terms of the Power Purchase Agreement that allows the company to recover a foreign exchange movement from Kenya Power.

The following are the gazetted base rate and the exchange rates that existed at the various dates for the following significant currencies:

	Gazetted base rate Shs	2015 Shs	2014 Shs	2013 Shs	2012 Shs	2011 Shs
US$	64.9242	98.6394	87.627	86.0075	84.2333	89.8639
Yen	0.6404	0.7977	0.8650	0.8704	1.0614	1.1155
Euro	100.793	110.3953	119.55	112.40	105.96	130.21

Foreign currency sensitivity analysis

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

L. NOTES TO THE FINANCIAL STATEMENTS (Continued)

38. FINANCIAL RISK MANAGEMENT (Continued)

(i) Foreign currency risk (Continued)

Foreign currency sensitivity analysis

	Change in currency rate	Effect on Profit before tax Shs' 000
2015		
Us$	13%	52,190
Yen	(8%)	(3,429)
Euro	(8%)	(9,859)
Total		38,902
2014		
Us$	2%	34,208
Yen	-1%	(286)
Euro	6%	53,919
Total		87,841
June 2013		
Us$	2%	315
Yen	-18%	(102,,484)
Euro	6%	10,601
Total		(91,568)
2012		
Us$	-5%	17,742
Yen	-6%	-
Euro	-19%	(72,632)
Total		(54,890)
2011		
Us$	10%	2,578
Yen	21%	-
Euro	30%	21,794
Total		24,372

L. NOTES TO THE FINANCIAL STATEMENTS (Continued)

38. FINANCIAL RISK MANAGEMENT (Continued)

i) Interest rate risk

The company exposure to interest rate risk is with regards to fluctuation in company's' interest rates in the market which affects the borrowings by the company. The company's variable rate of borrowings is exposed to a risk of change in cash flows due to changes in foreign exchange rates. The company's non current borrowings are at fixed rates thus minimising the exposure to the interest rate risk. The effect of fluctuation of overdraft floating interest rate would not be significant. The interest earning financial assets that the company holds include investments in government securities and short term deposits whose rates of return are predetermined.

ii) Other price risk

This is the risk that the rate of the tariff will decline in the future. It is the risk of losing energy revenues due to a fall in the tariff. The company's exposure to this kind of risk is highly regulated by the Power Purchase Agreement, which is a product of discussion by Kenya Power and the company, with Energy Regulatory Commission as a moderator. The company's main input for thermal energy generation is fuel which is a significant cost component. The company is in an arrangement to pass this cost to the customer, Kenya Power.

b) Credit risk

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

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

	Neither past Due nor impaired	Past due but not impaired over 60 days	over 365 days	Impaired over 365 days	Total
	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000
At 30 June 2015					
Amount due from Kenya Power	7,510,074	537,631	617,673	(617,673)	8,047,705
Treasury bonds –available-for-sale	341,803	-	-	-	341,803
Foreign exchange adjustment Receivables	6,876,100	-	-	-	6,876,100
Other receivables (excluding prepayments)	637,134	-	-	-	637,134
Amount due from Ministry of Energy	5,821,272	-	-	-	5,821,272
Cash and cash equivalents*	3,292,307	-	-	-	3,292,307
	24,478,690	537,631	617,673	(617,673)	25,016,321

L. NOTES TO THE FINANCIAL STATEMENTS (Continued)

38. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (continued)

	Neither past Due nor impaired Shs '000	Past due but not impaired over 60 days Shs '000	over 365 days Shs '000	Impaired over 365 days Shs '000	Total Shs '000
At 30 June 2014					
Amount due from Kenya Power	6,033,194	1,640,285	788,906	(600,785)	7,851,600
Treasury bonds –available-for-sale	594,769	-	-	-	594,769
Foreign exchange adjustment receivables	6,657,923	-	-	-	6,657,923
Other receivables (excluding prepayments)	1,130,151	-	-	-	1,130,151
Amount due from Ministry of Energy	5,315,816	-	-	-	5,315,816
Cash and cash equivalents*	9,429,358	-	-	-	9,429,358
	29,161,211	1,640,285	778,906	(600,785)	30,979,617
At 30 June 2013					
Amount due from Kenya Power	4,505,609	1,308,492	774,708	(402,060)	6,186,749
Treasury bonds – held to maturity	2,550,345	-	-	-	2,550,345
Foreign exchange adjustment receivables	5,576,996	-	-	-	5,576,996
Other receivables (excluding prepayments)	4,932,003	-	-	-	4,932,003
Amount due from Ministry of Energy	5,315,816	-	-	-	5,315,816
Cash and cash equivalents*	3,988,847	-	-	-	3,988,847
	26,869,616	1,308,492	774,708	(402,060)	28,550,756
At 30 June 2012					
Amount due from Kenya Power	4,752,108	1,756,436	884,174	-	7,392,718
Treasury bonds – held to maturity	8,694,122	-	-	-	8,694,122
Foreign exchange adjustment receivables	10,213,772		-	-	10,213,772
Other receivables (excluding prepayments)	4,934,515	-	-	-	4,934,515
Amount due from Ministry of Energy	5,318,021	-	-	-	5,318,021
Cash and cash equivalents*	435,719	-	-	-	435,719
	34,348,257	1,756,436	884,174	-	36,988,867
At 30 June 2011					
Amount due from Kenya Power	6,297,091	741,542	747,763	-	7,786,396
Treasury bonds – held to maturity	10,001,788	-	-	-	10,001,788
Foreign exchange adjustment receivables	13,443,291	-	-	-	13,443,291
Other receivables (excluding prepayments)	750,155	-	-	-	750,155
Amount due from Ministry of Energy	4,574,417	-	-	-	4,574,417
Cash and cash equivalents*	3,108,018	-	-	-	3,108,018
	38,174,760	741,542	747,763	-	39,664,065

*Cash and cash equivalents exclude cash in hand.

L. NOTES TO THE FINANCIAL STATEMENTS (Continued)

38. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (continued)

The company only sells generated electricity to Kenya Power and this minimizes the credit risk exposure on amount due from Kenya Power. Both companies have a contract that stipulates a two-month credit period. In addition, receivable balances from company staff are recovered on payment of salaries.

Credit risk from balances with company's and financial institutions is managed by company's treasury department in accordance with the company's policies. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the company's direc tors on an annual basis, and may be updated throughout the year subject to approval of the company's audit and risk management committee. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty failure.

c) Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation. Typically the company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 30 days, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters and political violence. The company monitors its risk to shortage of funds using a recurring liquidity planning tool.

This tool considers the account receivables from Kenya Power and the Ministry of Energy & Petroleum and maturity of financial instruments, together with projected cash flows from operations. The company's objective is to maintain a balance between continuity of funding and flexibility through the use of company overdrafts and other borrowings.

The table below analyses maturity profiles of the financial liabilities of the company based on the remaining period using 30 June 2013 as a base period to the contractual maturity date:

At 30 June 2015	Less than 3 months Shs '000	3 to 12 months Shs '000	1 to 5 years Shs '000	> 5 years Shs '000	Total Shs '000
Trade and other payables	7,623,617	-	5,329,722	-	12,953,339
Less non-financial liabilities	(4,309,666)	-	-	-	(4309,666)
	3,313,951	-	5,329,722	-	8,643,673
Amount due to Kenya Power	4,879	-	-	-	4,879
Borrowings	2,975,283	6,451,963	35,625,255	81,414,492	126,466,993
	6,294,113	6,451,963	40,954,977	81,414,492	135,115,545

L. NOTES TO THE FINANCIAL STATEMENTS (Continued)

38. FINANCIAL RISK MANAGEMENT (Continued)

c) Liquid risk (Continued)

	Less than 3 months Shs '000	3 to 12 months Shs '000	1 to 5 years Shs '000	> 5 years Shs '000	Total Shs '000
At 30 June 2014					
Trade and other payables	6,300,741	-	10,369,854	-	16,670,595
Less non-financial liabilities	(2,327,418)	-	-	-	(2,327,418)
	3,973,323	-	10,369,854	-	14,343,177
Amount due to Kenya Power	82,884	-	-	-	82,884
Borrowings	6,876,076	6,914,703	33,704,401	88,619,710	136,114,890
	10,932,283	6,914,703	44,074,255	88,619,710	150,540,951
At 30 June 2013					
Trade and other payables	6,859,707	-	8,591,032	-	15,450,739
Less non-financial liabilities	(1,717,362)	-	-	-	(1,717,362)
	5,142,345	-	8,591,032	-	13,733,377
Amount due to Kenya Power	83,332	-	-	-	83,332
Borrowings	840,000	6,160,387	26,212,318	47,721,995	80,934,700
	6,065,677	6,160,387	34,803,350	47,721,995	94,751,409
At 30 June 2012					
Trade and other payables	3,886,933	483,379	-	-	4,370,312
Less non-financial liabilities	(511,519)	-	-	-	(511,519)
	3,375,414	483,379	-	-	3,858,793
Amount due to Kenya Power	6,405	-	-	-	6,405
Borrowings	643,942	8,192,130	14,579,940	48,866,622	72,282,634
	4,025,761	8,675,509	14,579,940	48,866,622	76,147,832
At 30 June 2011					
Trade and other payables	2,662,460	982,785	-	-	3,645,245
Less non - financial liabilities	(532,093)	-	-	-	(532,093)
	2,130,367	982,785	-	-	3,113,152
Amount due to Kenya Power	13,659	-	-	-	13,659
Borrowings	643,942	6,206,318	28,279,922	41,474,057	76,604,239
	2,787,968	7,189,103	28,279,922	41,474,057	79,731,050

L. NOTES TO THE FINANCIAL STATEMENTS (Continued)

38. FINANCIAL RISK MANAGEMENT (Continued)

a) Fair value hierarchy

The company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

As at 31 December 2013, the company held the following financial instruments measured at fair value:

	Level 1	Level 2	Level 3
	Shs'000	Shs'000	Shs'000
Assets measured at fair value:			
30 June 2015			
Treasury bonds-available-for-sale	341,803	-	-
	========	========	========
Assets measured at fair value:			
30 June 2014		-	-
Treasury bonds-available-for-sale	594,769		
	========	========	========
Assets measured at fair value:			
30 June 2013			
Treasury bonds-available-for-sale	2,550,345	-	-
	========	========	========
30 June 2012			
Treasury bonds-available-for-sale	6,252,888	-	-
	========	========	========
Assets measured at fair value:			
30 June 2011	7,552,800	-	-
Treasury bonds-available-for-sale	========	========	========

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

39. CAPITAL RISK MANAGEMENT

The primary objective of the company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Capital Management policy as approved by the Board of Directors (the Board) is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board monitors the return on capital, which the company defines as net operating income divided by total shareholders' equity. The Board also monitors the level of dividends to ordinary shareholders.

The company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares as circumstances would dictate. There were no changes in the company's approach to capital management as regards the objectives, policies or processes during the year.

L. NOTES TO THE FINANCIAL STATEMENTS (Continued)

39. CAPITAL RISK MANAGEMENT (Continued)

The company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The company's target is to keep the self- financing ratios greater than 25%. The company includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash equivalents. Capital includes 30% ordinary shares attributable to the public and 70% ordinary shares attributable to the Government of Kenya and distributable reserves.

	30 June 2015 Shs'000	30 June 2014 Shs'000	30 June 2013 Shs'000	30 June 2012 Shs'000	30 June 2011 Shs'000
Equity	141,594,091	76,709,673	73,958,516	70,179,554	69,418,587
Borrowings	126,466,993	136,114,890	80,934,700	69,115,724	68,647,008
Less cash and cash equivalents	(3,292,307)	(9,429,358)	(3,996,427)	(435,719)	(3,115,598)
Net debt	123,174,686	126,685,532	76,938,273	68,680,005	65,531,410
Gearing ratio	47%	61%	51%	98%	94%

40. STATEMENT OF ADJUSTMENTS

In compiling the financial information included herein, the company has adopted the specific transitional provisions applicable to first-time application of IAS 19 (as revised in 2011). The company has applied the relevant transitional provisions and restated the comparative amounts on a retrospective basis. The impact of the changes on the total comprehensive income for the year 2011, assets, liabilities and equity is shown below.

(a) Restatement of audited statement of profit or loss and other comprehensive income

For the year ended 30 June 2011	As previously reported Shs'000	Prior year adjustment Shs'000	Restated Shs'000
Defined benefit remeasurement (30 June 2010)	-	125,580	125,580
Defined benefit remeasurement (30 June 2011)	-	538,650	538,650
	-	664,230	664,230
Effect on retained earnings	(30,513,173)	(664,230)	(31,177,403)

L. NOTES TO THE FINANCIAL STATEMENTS (Continued)

40. STATEMENT OF ADJUSTMENTS (Continued)

a) Restatement of audited statement of financial position

As at 30 June 2011	As previously reported Shs'000	Prior year adjustment Shs'000	Restated Shs'000
Assets			
Defined benefit liability	(1,112,400)	948,900	(163,500)
Deferred tax liability	(15,032,183)	(284,670)	(15,316,853)
	(16,144,583)	664,230	(15,480,353)
Equity and Liabilities			
Effect on retained earnings	(30,513,173)	(664,230)	(31,177,403)

41. CURRENCY

These financial statements are prepared in Kenya shillings thousands (Shs'000) which is the company's functional and presentation currency.

M. CONSENT

We consent to the inclusion of this report in the prospectus in the form and context in which it appears.

N. RESTRICTION OF USE

This report has been prepared to assist Kenya Electricity Generating Company Limited to comply with the Capital Markets Authority (CMA) requirements towards the a rights issue at the Nairobi Securities Exchange.

O. CONCLUSION

The financial information set out in this Accountants' Report has been extracted from the audited financial statements of the company for 5 years to 30 June 2015. For each of the relevant periods, unqualified audit report was issued. Based on our review, nothing has come to our attention that causes us to believe that the financial information is not prepared in all material respects in accordance with International Financial Reporting Standards.

Yours faithfully

Deloitte & Touche

Certified Public Accountants (Kenya)

Nairobi, Kenya

2015

ANNEXURE A2

INTERIM FINANCIAL REPORT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2015

Deloitte.

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REPORT OF THE INDEPENDENT AUDITORS TO THE DIRECTORS OF KENYA ELECTRICITY GENERATING COMPANY LIMITED

Introduction

We have reviewed the accompanying interim financial statements comprising the condensed statement of financial position of Kenya Electricity Generating Company Limited as at 31 December 2015 and the related condensed statement of profit or loss and other comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The directors are responsible for the preparation of interim financial information that gives a true and fair view in accordance with International Financial Reporting Standards and in compliance with the Nairobi Securities Exchange listing rules. Our responsibility is to issue a report on these interim financial information based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements (ISRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that would be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not give a true and fair view of the financial position of the Company as at 31 December 2015, and of the Company's results for the six months then ended in accordance with International Financial Reporting Standards.

The engagement partner responsible for the audit resulting in this independent auditors' report is ***CPA Fred Aloo – P/No 1537.***

Deloitte & Touche

Certified Public Accountants (Kenya)

Nairobi, Kenya

26 February 2016

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2015

		Unaudited 6 months 31 Dec 2015 KShs'000'	Unaudited 6 months 31 Dec 2014 KShs'000'
Revenue			
Electricity Revenue		14,757,370	11,658,780
Interest income		288,589	172,452
Other income		3,476,785	351,469
Total Revenue		**18,522,744**	**12,182,701**
Other Gains/(Losses)		143,422	(24,339)
Operating Costs		(8,659,795)	(6,990,924)
Finance Costs		(1,622,310)	(1,377,296)
Profit Before Tax		**8,384,061**	**3,790,142**
Tax (Expense)/Income		(2,715,716)	1,137,646
Profit For The Period		**5,668,345**	**4,927,788**
Other Comprehensive (Loss)/Gains			
Net (losses)/gains on revaluation of available-for-sale treasury bonds		(14,797)	4,604
Other Comprehensive Gains/(Loss) For The Period		(14,797)	4,604
Total Comprehensive Income For The Period		**5,653,548**	**4,932,392**
Earnings per share - Basic and diluted (Kshs)	3	**2.58**	**2.24**

CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

	Unaudited 31 December 2015 Kshs'000	Audited 30 June 2015 Kshs'000
ASSETS		
Non-current assets		
Property, plant and equipment	312,911,946	305,378,764
Prepaid leases on land	3,214,391	3,223,658
Intangible assets	1,089,845	1,122,452
Amount due from Kenya Power-deferred debt	1,009,444	965,266
Treasury bonds	2,423,569	2,426,440
Recoverable foreign exchange adjustment	10,677,130	6,242,228
Retirement benefit asset	1,792,214	1,792,214
Total non-current assets	**333,118,539**	**321,151,022**
Current assets		
Inventories	866,456	899,076
Amount due from Kenya Power	9,456,971	8,047,705
Other receivables	2,182,967	2,297,838
Amount due from Ministry of Energy & Petroleum	5,821,272	5,821,272
Treasury bonds	327,006	341,803
Recoverable foreign exchange adjustment	634,542	633,872
Amount due from Kenya Power-deferred debt	37,387	35,100
Cash and bank balances	2,564,076	3,292,307
Total current assets	**21,890,677**	**21,368,973**
TOTAL ASSETS	**355,009,216**	**342,519,995**
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	5,495,904	5,495,904
Share premium	5,039,818	5,039,818
Capital reserve	8,579,722	8,579,722
Investments revaluation reserve	(96,285)	(81,488)
Property, plant and equipment revaluation reserve	69,138,040	70,077,899
Retained earnings	57,661,505	52,482,236
Total Equity	**145,818,704**	**141,594,091**
Non-current liabilities		
Borrowings	122,418,303	117,039,768
Borrowings awaiting conversion to equity	20,151,541	20,151,541
Deferred tax liability	38,575,967	35,924,900
Trade and other payables	6,765,773	5,329,722
Total non-current liabilities	**187,911,584**	**178,445,931**
Current liabilities		
Borrowings due within one year	9,873,945	9,427,225
Trade and other payables	4,559,384	7,623,617
Amount due to Kenya Power	1,105	4,879
Operating lease liability	-	1,000
Leave pay provision	287,968	293,251
Corporate tax payable	392,417	394,827
Dividends payable	6,164,109	4,735,174
Total current liabilities	**21,278,928**	**22,479,973**
TOTAL EQUITY AND LIABILITIES	**355,009,216**	**342,519,995**

The interim financial statements were approved and authorised for issue by the Board of Directors on 26th February 2016 and were signed on its behalf by:

Director   Director   Director

CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2015

	Share capital	Share premium	Capital reserve	Investments revaluation reserve	Property revaluation reserve	Retained earnings	Total
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
At 1 July 2014	5,495,904	5,039,818	8,579,722	(135,072)	16,658,062	41,071,239	76,709,673
Profit for the year	-	-	-	-	-	11,517,327	11,517,327
Other comprehensive income for the year	-	-	-	53,584	54,042,729	150,123	54,246,436
Total comprehensive income for the year	-	-	-	53,584	54,042,729	11,667,450	65,763,763
Transfer of excess depreciation	-	-	-	-	(854,000)	854,000	-
Deferred tax on revaluation surplus – current year	-	-	-	-	231,108	(231,108)	-
Dividend declared – 2014	-	-	-	-	-	(879,345)	(879,345)
At 30 June 2015	**5,495,904**	**5,039,818**	**8,579,722**	**(81,488)**	**70,077,899**	**52,482,236**	**141,594,091**
	========	========	========	========	========	=========	=========
At 1 July 2015	5,495,904	5,039,818	8,579,722	(81,488)	70,077,899	52,482,236	141,594,091
Profit for the year	-	-	-	-	-	5,668,345	5,668,345
Other comprehensive income for the year	-	-	-	(14,797)	-	-	(14,797)
Total comprehensive income for the year	-	-	-	(14,797)	-	5,668,345	5,653,548
Transfer of excess depreciation	-	-	-	-	(1,342,654)	1,342,654	-
Deferred tax on revaluation surplus – current year	-	-	-	-	402,795	(402,795)	-
Dividend declared – 2015	-	-	-	-	-	(1,428,936)	(1,428,935)
At 31 December 2015	**5,495,904**	**5,039,818**	**8,579,722**	**(96,285)**	**69,138,040**	**57,661,505**	**145,818,704**
	========	========	========	========	========	=========	=========

CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2015

	Unaudited 6 months 31 Dec. 2015 Kshs.'000	Unaudited 6 months 31 Dec. 2014 Kshs.'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash flows generated from operations	11,922,301	5,610,075
Income tax paid	(67,057)	(182,921)
Interest received	288,589	139,654
Interest paid	(1,307,626)	(739,352)
NET CASH FLOWS GENERATED FROM OPERATING ACTIVITIES	**10,836,207**	**4,827,456**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(12,232,703)	(12,409,433)
Purchase of intangible assets	(5,532)	(62,101)
Proceeds on redemption of treasury bonds on maturity	-	268,794
NET CASH FLOWS USED IN INVESTING ACTIVITIES	**(12,238,235)**	**(12,202,740)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of borrowings	(3,785,543)	(4,169,498)
Proceeds from borrowings	4,459,340	3,475,993
Dividends paid to owners of the company	-	-
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	**673,797**	**(693,505)**
INCREASE IN CASH AND CASH EQUIVALENTS	**(728,231)**	**(8,068,789)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	3,292,307	4,627,979
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**2,564,076**	**(3,440,810)**

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2015

1 BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting.

2 SIGNIFICANT ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, except for the revaluation of certain properties and financial instruments.

The same accounting policies, presentation and methods of computation have been followed in these condensed financial statements as were applied in the company's audited financial statements for the year ended 30 June 2015.

3 EARNINGS PER SHARE

Basic earnings per share is arrived at by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the period, as shown below:

	2015	2014
(Loss)/profit attributable to Shareholders (KShs'000')	5,668,345	4,927,788
	======	=======
Weighted average number of ordinary Shares ('000')	2,198,361	2,198,361
	======	=======
Basic (loss)/earnings per share (KShs)	2.58	2.24
	======	=======

The basic and diluted (loss)/earnings per share are the same as there were no potentially dilutive shares outstanding at 31 December 2015 or at 31 December 2014.

4 DIVIDENDS

During the interim period, no dividends were paid to the shareholders (2014: Nil).

5 CONTINGENCIES AND COMMITMENTS

There have been no significant changes in contingent liabilities or contingent assets since 30 June 2015.

6 EVENTS AFTER THE END OF THE REPORTING PERIOD

There have been no material events subsequent to the end of the interim reporting period.

ANNEXURE B: RECEIVING BANK BRANCHES

Table 27: Co-operative Bank Branches across Kenya

	COUNTY	BRANCH NAME		COUNTY	B R A N C H NAME		COUNTY	BRANCH NAME		COUNTY	BRANCH NAME
1	**Bomet**	Bomet	14	**Kirinyaga**	Kerugoya		**Nairobi**	Eastleigh		**Nairobi**	Upperhill
2	**Bungoma**	Bungoma			Mwea			Karen			Wakulima Market
		Kimilili	15	**Kisii**	Kisii			Kayole			Westlands
		Webuye			Kisii East			Langata			Zimmerman
3	**Busia**	Busia	16	**Kisumu**	Kisumu			Aga Khan Walk			Thika Road Mall Branch
		Malaba			United Mall			City Hall			Green House Mall
5	**Embu**	Embu			Kisumu East			Co-op House Branch	31	**Nakuru**	Gilgil
		Kutus	17	**Kitui**	Kitui Branch			Dagoretti Corner			Molo
		Siakago	18	**Kwale**	Mariakani			Dandora			Naivasha
4	**Elgeyo Marakwet**	Iten			Ukunda			Donholm			Nakuru
6	**Garissa**	Garissa	19	**Laikipia**	Nanyuki			Embakasi I			Nakuru East
7	**Homa Bay**	Homa-Bay	20	**Lamu**	Mpeketoni			Embakasi II	32	**Nandi**	Kapsabet
		Migori	21	**Machakos**	Athi River			Enterprise Rd			Nandi Hills
		Mbita			Machakos			Gigiri Mall	33	**Narok**	Kilgoris
		Oyugis			Mlolongo			Githurai			Narok
8	**Isiolo**	Isiolo			Tala			Githurai Kimbo	34	**Nyamira**	Keroka
9	**Kajiado**	Kajiado	22	**Makueni**	Wote			Gikomba			Nyamira Branch
		Maasai Mall	23	**Mandera**	Co-op Agencies			Industrial Area	35	**Nyandarua**	Engineer
		Kitengela	24	**Marsabit**	Marsabit			Kangemi			Nyahururu
		Kiserian	25	**Meru**	Maua			Kawangware I			Ol Kalau
		Ngong			Makutano			Kawangware II	36	**Nyeri**	Karatina
		Rongai			Meru			Kibera -Ayany			Nyeri
10	**Kakamega**	Kakamega			Nkubu			Kimathi St.			Othaya
		Mumias	26	**Migori**	Ndhiwa			Lavington Mall	37	**Samburu**	Co-op Agencies
11	**Kericho**	Kericho			Rongo			Mombasa Rd	38	**Siaya**	Bondo
12	**Kiambu**	Gatundu	27	**Mombasa**	Changamwe			Moi Avenue			Siaya
		Githunguri			Digo Rd-Msa			N.B.C Ngong Rd			Yala
		Kiambu			Kenyatta Av. Mombasa			Nacico	39	**Taita Taveta**	Voi
		Kikuyu			Likoni			Parliament Rd	40	**Tana River**	Co-op Agencies
		Juja			Kongowea			River Road	41	**Tharaka Nithi**	Chogoria Mobile Unit
		Limuru			Nkrumah Rd			Ruaka			Chuka
		Ruiru			Nyali			Stima Plaza	42	**Trans Nzoia**	Kitale
		Thika	28	**Murang'a**	Murang'a			Tom Mboya	43	**Turkana**	Lodwar
13	**Kilifi**	Kilifi	29	**Mwingi**	Mwingi			Umoja	44	**Uasin Gishu**	Eldoret
		Malindi	30	**Nairobi**	Buruburu			U- Way			Eldoret West
		Mtwapa			Kariobangi			Ukulima	45	**Vihiga**	Mbale
									46	**Wajir**	Co-op Agencies
									47	**West Pokot**	Co-op Agencies

ANNEXURE C: LIST OF SALES AGENTS

Sales Agents have been appointed by KenGen via an agreement. Sales Agents are required to comply with the terms and conditions of the agreement in their interaction with investors, KenGen and the advisor/agents. In particular, there are deadlines that Sales Agents must meet in order for the timelines in Section 1-Timetable to be adhered to. KenGen and its advisors/agents shall not be held responsible for any delays in successful processing of RIFs by Sales Agents.

Investment Banks	
Standard Investment Bank Ltd ICEA Building, 16th Floor, Kenyatta Avenue P.O. Box 13714-00800, Nairobi, Kenya|Tel: 2228963 Email: advisory@sib.co.ke	**Renaissance Capital (Kenya) Ltd** Purshottam Place, 6th Floor, Westlands Road P. O. Box 40560 – 00100, Nairobi, Kenya | **Tel:** 3682300 Email: info@rencap.com
Dyer & Blair Investment Bank Ltd Nairobi Office, Pension Towers, 10th Floor, Loita Street P.O. Box 45396 - 00100, Nairobi, Kenya|**Tel:** 0709 930 000 Email: shares@dyerandblair.com	**Faida Investment Bank Ltd** Crawford Business Park, Ground Floor, State House Road P.O. Box 45236-00100, Nairobi, Kenya|**Tel:** 7606026-37 Email: info@fib.co.ke
African Alliance Kenya Investment Bank Limited Trans-national Plaza, 1st Floor P.O. Box 27639 – 00506, Nairobi, Kenya|**Tel:** 2762000/2762557 Email: securities@africanalliance.co.ke	**CBA Capital Limited** Commercial Bank of Africa Limited, Mara & Ragati Roads, Upper Hill P.O. Box 30437 - 00100 Nairobi | **Tel:** 2884444 Email: contact@cbagroup.com
Equity Investment Bank Limited Equity Center, 6th Floor, Hospital Road, Upper Hill P.O. Box 75104 – 00200, Nairobi, Kenya | **Tel:** 0763 056 000 Email: info@equityinvestmentbank.co.ke	**KCB Capital Limited** Kencom House, 2nd Floor P.O. Box 48400 – 00100, Nairobi, Kenya | **Tel:** 3270000/2851000 Emaill: contactus@kcbbankgroup.com
SBG Securities Limited CFC Stanbic Centre, 58 Westlands Road, 2nd Floor P.O. Box 47198 - 00100, Nairobi, Kenya | **Tel:** 3638900 Email: sbgs@stanbic.com	**Kestrel Capital (East Africa) Limited** Orbit Place, Westlands Road, 2nd Floor, Westlands P.O. Box 40005 – 00100, Nairobi, Kenya | **Tel:** 2251758/2251893 Email: info@kestrelcapital.com
Genghis Capital Limited PwC Tower, Waiyaki Way/Chiromo Road, 4th Floor P.O. Box 9959 - 00100, Nairobi, Kenya |**Tel:** 2774750/1/2 Email: customerservice@genghis-capital.com	
Stockbrokers	
Apex Africa Capital Limited (Part of AXYS Group (Mauritius)) Rehani House, 4th Floor, Koinange Street P.O. Box 43676 - 00100, Nairobi, Kenya |**Tel:** 2242170, 2228203 Email: invest@apexafrica.com	**ABC Capital Limited** IPS Building, 5th Floor, Kimathi Street P.O. Box 34137 - 00100, Nairobi, Kenya | **Tel:** 2246036/2245971 Email: headoffice@abccapital.co.ke
AIB Capital Limited Finance House, 9th Floor, Loita Street P.O. Box 11019 - 00100, Nairobi, Kenya |**Tel:** 2210178/2212989 Email: info@aibcapital.com	**Francis Drummond & Company Limited** Hughes Building, 2nd Floor, Kenyatta Avenue P.O. Box 45465 - 00100, Nairobi, Kenya | **Tel:** 318690/318689 Email: customerservice@drummond.co.ke
Kingdom Securities Limited (and branches of the Receiving Bank as shown in Appendix II) Co-operative House, 5th Floor, P.O. Box 48231 – 00100 Nairobi Kenya | **Tel:** 3276676 Email: info@kingdomsecurities.co.ke	**NIC Securities Limited** NIC House, Ground Floor, Masaba Road P.O. Box 44599-00100, Nairobi, Kenya | **Tel:** 2888444 Email: service@nic-securities.com
Old Mutual Securities Limited IPS Building, 6th Floor, Kimathi Street P.O. Box 30059 - 00100, Nairobi, Kenya | **Tel:** 2241379 Email: omsecurities@oldmutualkenya.com	**Sterling Capital Limited** Barclays Plaza, 11th Floor, Loita Street P.O. Box 45080 - 00100, Nairobi, Kenya | **Tel:** 2213914/315414 Email: info@sterlingib.com
Suntra Investment Limited Nation Center, 10th Floor, Kimathi Street P.O. Box 74016 - 00200, Nairobi | **Tel:** 2870000 info@suntra.co.ke	
Custodians	
Prime Bank Limited Prime Bank Building, Riverside Drive P. O. Box 43825-00100, Nairobi, Kenya | **Tel:** 4203116/4203148 Email: headoffice@primebank.co.ke	**I & M Bank Limited** I & M Bank Tower, Kenyatta Avenue P. O. Box 30238-00100, Nairobi, Kenya|**Tel:** 3221200/246552 Email : invest@imbank.co.ke

ANNEXURE D

PROVISIONAL ALLOTMENT LETTER

KenGen
Energy for the nation.
RIGHTS ISSUE 2016

PROVISIONAL ALLOTMENT LETTER (PAL)

USE BLOCK LETTERS TO COMPLETE THE FORM

THE PAL IS OF VALUE, NEGOTIABLE AND IS ISSUED PURSUANT TO AN INFORMATION MEMORANDUM DATED WEDNESDAY, 18 MAY 2016 PLEASE CONSULT YOUR ADVISOR. READ NOTES ON THE REVERSE OF THIS PAL. RIGHTS ISSUE OPENS AT 9:00 A.M. ON MONDAY, 23 MAY 2016 AND CLOSES AT 5:00 P.M. ON FRIDAY, 10 JUNE 2016.

PAL No:

Sales Agent Stamp | CDS A/C

OFFICIAL USE ONLY

Eligible Shareholders Name and Address

BOX 1 Existing Shares as of Record Date	
BOX 2 New Shares provisionally allotted to you	
BOX 3 Amount payable (Kshs) in full	

OFFICIAL USE ONLY

ATTORNEY Eligible Shareholders who wish to appoint an attorney to deal with the Rights Issue may do so via Form A (Form of Appointment of Attorney) available from a Sales Agent or downloaded from www.kengen.co.ke.

PART 1A **FULL ACCEPTANCE.** I/We hereby accept in full, subject to the terms of the Information Memorandum, this PAL and the Memorandum and Articles of Association of Kenya Electricity Generating Company Limited, the number of New Shares above in Box 2 for the value in Box 3 above. Tick (√)

PART 1B	**ADDITIONAL SHARES.** Having accepted all the New Shares in Part 1A above, I/we hereby apply for Additional Shares (in multiples of 100), subject to the terms of the Information Memorandum, this PAL and the Memorandum and Articles of Association of Kenya Electricity Generating Company Limited, the number of Additional Shares in Box 4 for the value in Box 5 herein.	**BOX 4** Number of Additional Shares (multiples of 100)	**BOX 5** Amount payable (Kshs) (multiply figure in Box 4 by Kshs 6.55)
PART 1C	**TOTAL SHARES.** Having accepted all the New Shares in Part 1A above and applied for Additional Shares in Part 1B above (where applicable), I/we hereby apply for the total New Shares in Box 6 for the value in Box 7 herein (including Kshs 35.00 for the CDSC Fee).	**BOX 6** Number of total New Shares (Box 2 + Box 4)	**BOX 7** Amount payable (Kshs) (Box 3 + Box 5 + Kshs 35.00 CDSC Fee)
PART 2	**PARTIAL ACCEPTANCE.** IF PART 1 ABOVE IS NOT ACCEPTED. I/We hereby accept in part, subject to the terms of the Information Memorandum, this PAL and the Memorandum and Articles of Association of Kenya Electricity Generating Company Limited the number of New Shares specified in Box 8 for the value set out in Box 9 herein (including Kshs 35.00 for the CDSC Fee).	**BOX 8** Number of New Shares accepted in part	**BOX 9** Amount payable (Kshs) (multiply figure in Box 8 by Kshs 6.55 + Kshs 35.00 CDSC Fee)

SPECIMEN

PART 3 PAYMENT

Tick (√)	3.1 Direct Amount Payment	Kshs.	Chq/Transfer Ref No./ Deposit Ref No.	Bank Name & Branch
Tick (√)	3.2 Mobile Money	Kshs.	Mobile Money Ref No.	
Tick (√)	3.3 Agents Payment	Kshs.	**3.5 FINANCIER DETAILS**	
			CDS Form 5 Serial No	
Tick (√)	3.4 Irrevocable: Bank Guarantee or Letter of Under taking for Additional Shares		Institution & Branch	

PART 4 *Mandatory REFUND

Account Name (as per statement)	Bank Name	Branch Code
Country & Swift if not Kenya	Account Number (full account No.)	

PART 5 SIGNATURE of ELIGIBLE SHAREHOLDER or AUTHORISED ATTORNEY

Sign as necessary Date: ....

PART 6 Provide Email & Mobile No.:

Tear off -- Tear off

KENYA ELECTRICITY GENERATING COMPANY LTD – RIGHTS ISSUE 2016-PAL RECEIPT	PAL No	Eligible Shareholder	Sales Agent

P.T.O

NOTES (PAL)

If you wish to take action, please note the following:

GENERAL INSTRUCTIONS:

- Use **BLOCK** letters to complete the form
- A copy of the Information Memorandum or Abridged Information Memorandum to which this PAL is attached has been lodged with the Registrar of Companies.
- A copy of the information Memorandum or Abridged Information Memorandum may be obtained from the Sales Agents named below or www.kengen.co.ke.
- Persons into whose possession this PAL may come are required to observe the restrictions contained in the Information Memorandum or Abridged Information Memorandum.
- Terms defined in the Information Memorandum shall bear the same meaning herein unless otherwise indicated.
- For advice on the Rights Issue and completion of this form an Eligible Shareholder should consult their preferred professional advisor.
- A PAL shall be rejected as per the policy set out in the Information Memorandum or Abridged Information Memorandum.
- All alterations on the PAL, other than the deletion of alternatives, must be authenticated by the full signature of the Eligible Shareholder.
- Presentation of cheques for payment or receipt of funds transferred shall not amount to the acceptance of any application.
- A completed PAL must be physically returned to a Sales Agent. Once made, it is irrevocable and may not be withdrawn.
- The PAL and Application Money should be received by the Sales Agent or the Receiving Bank by 5:00 P.M. on Friday, 10 June 2016 (Closure Date) and neither KenGen, nor any of the advisors nor any of the Sales Agents shall be under any liability whatsoever should a PAL not be received by this date.
- This PAL and the accompanying Information Memorandum or Abridged Information Memorandum shall be governed by and construed in accordance with the Laws of Kenya.

PART 1 FULL ACCEPTANCE, ADDITIONAL SHARES, TOTAL SHARES

a. FULL. Tick PART 1A if accepting in full all New Shares as in Box 2 .
b. ADDITIONAL & TOTAL.
i. Application for Additional Shares can only be made if all New Shares in Box 2 were accepted in full. To apply for Additional Shares (PART 1B): fill in Box 4 subject to multiples of 100 and fill in the amount due for these Additional Shares in Box 5 by multiplying the number in Box 4 by Kshs 6.55 per New Share.
ii. Complete total number of New Shares applied for in Box 6 in PART 1C, i.e. Box 6 = Box 2 + Box 4.
iii. Complete the total value of New Shares applied for in Box 7, PART 1C. i.e. Box 7= Box 3 + Box 5.
c. Acceptance and Allocation is subject to terms and conditions in the Information Memorandum or the Abridged Information Memorandum.

PART 2 PARTIAL ACCEPTANCE

a. Complete this part if you wish to accept a portion of the New Shares to which you are entitled. You must not have completed PART 1.
b. Enter number of New Shares you would like to accept into Box 8. This number must be less than the number in Box 2.
c. Enter the amount due for the New Shares in Box 9 by multiplying the number in Box 8 with Kshs 6.55 per New Share.

PART 3 PAYMENT

a. All payments are to be made in Kenya Shillings.
b. Section 3.13 in the Information Memorandum and Section 10.5 in the Abridged Information Memorandum provides details on Modes of Payment. Please read carefully the instructions.
c. Complete Section 3.1 with the Funds Transfer Number or Banker's Cheque Number and name of remitting/paying bank
d. Complete Section 3.2-Mobile Money Reference Number if this mode is used to make payment.
e. If payment for Additional Shares is via Irrevocable Bank Guarantee or Irrevocable Letter of Undertaking, tick the box provided and attach the IBG/ILU to this PAL.
f. If a Financier is involved, complete section labeled 'Financier Details' by providing the Loan Reference and the name of the Institution and Branch.
g. All Application Money must be made in cleared funds on or before 5:00 P.M. on Friday, 10 June 2016 (Closure Date).

PART 4 REFUND

a. A bank account is mandatory for eligible investors.
b. Please refer to Section 3.23 in the Information Memorandum and Section 10.12 in the Abridged Information Memorandum for details on Refunds.
c. Please provide clearly the relevant details in the boxes provided.

PART 5 SIGNATURE

The PAL must be signed to ensure acceptance. For companies/institutions/organisations, signatures can be affixed as per the authorized mandate.

PART 6 EMAIL &/or MOBILE No

Space has been provided to insert this information so that contact can be established in case of need.

SALES AGENTS: Standard Investment Bank Limited, Renaissance Capital (Kenya) Limited, Dyer & Blair Investment Bank Limited, Faida Investment Bank Limited, ABC Capital Limited, African Alliance Kenya Investment Bank Limited, AIB Capital Limited, Apex Africa Capital Limited, CBA Capital Limited, Equity Investment Bank Limited, Genghis Capital Limited, Francis Drummond & Company Limited, I&M Bank Ltd, KCB Capital Limited, Kestrel Capital (East Africa) Limited, Kingdom Securities Limited, NIC Securities Limited, Old Mutual Securities Limited, Prime Bank Ltd, SBG Securities Limited, Sterling Capital Limited, Suntra Investments Limited.

or for assistance contact: kengenrightsissue@image.co.ke or advisory@sib.co.ke

Tear off *Tear off*

PAL RECEIPT. Eligible Shareholder must ensure that this tear off is Stamped by the Sales Agent and returned to them for their safe custody together with the proof of payment.

The last date and time for acceptance and payment of the New Shares is on or before 5:00 P.M. on Friday, 10 June 2016. If no action is taken on the Rights, they will lapse and be subject to Section 3.20 (Untaken Rights) in the Information Memorandum and Section 10.9 in the Abridged Information Memorandum.

Monday, 23 May 2016

ANNEXURE E

FORM R – FORM OF RENUNCIATION

KenGen
Energy for the nation.
RIGHTS ISSUE 2016

FORM OF RENUNCIATION (FORM R)

USE BLOCK LETTERS TO COMPLETE THE FORM

THIS DOCUMENT IS OF VALUE AND IS NEGOTIABLE. IT IS TO BE READ AND EXCUTED IN CONJUCTION WITH THE INFORMATION MEMORANDUM FOR THE RIGHTS ISSUE AND NOTES ON THE REVERSE OF THIS FORM R. PLEASE CONSULT YOUR PREFERRED ADVISOR FOR FURTHER EXPLANATION IF REQUIRED. RIGHTS ISSUE OPENS AT 9.00 A.M. ON MONDAY, 23 MAY 2016 AND CLOSES AT 5:00 P.M. ON FRIDAY, 10 JUNE 2016. **Available from Sales Agents or www.kengen.co.ke.**

Sales Agent Stamp	CDS A/C

ELIGIBLE SHAREHOLDER. For NIL consideration, I/we the Eligible Shareholder hereby accept, subject to the terms of the Information Memorandum/Abridged Information Memorandum, my/our PAL, the Memorandum & Articles of Association of Kenya Electricity Generating Company Limited and requisite approvals from the regulator/s in good time, to renounce my/our Rights as per my/our PAL in favour of person (s) named below in this Form R relating to such New Shares. Accordingly, I/we have signed below.

BOX 1 Eligible Shareholder Name	BOX 2 PAL NUMBER / Box 3 Shareholder Member No	BOX 4 Number of New Shares provisionally renounced to the Renouncee (less than or equal to the number of New Shares provisionally allotted to the Eligible Shareholder in the original PAL) ENTITLEMENT	BOX 5 Amount payable (Kshs) (multiply figure in Box 4 by Kshs 6.55)

SIGNATURE OF ELIGIBLE SHAREHOLDER OR AUTHORISED ATTORNEY

Sign as necessary	Date:

Renouncee	CDS A/C	Relationship to Eligible Shareholder
Name	ID No. /Passport No.	
Postal Address including post code & Email / Mobile No		

PART 1A – ACCEPTANCE IN FULL
I/We hereby accept in full, subject to the terms of the Information Memorandum, this Form R, the attached PAL and the Memorandum and Articles of Association of Kenya Electricity Generating Company Limited, the number of Rights specified in Box 4, and for the value in Box 5 above. Tick (√)

PART 1B – ADDITIONAL SHARES	Box 6 Number of Additional Shares (multiples of 100)	Box 7 Amount payable (multiply value in Box 6 by Kshs 6.55)
Having accepted in full all the New Shares in PART 1A above, I/we hereby apply for Additional Shares, (in multiples of 100) subject to the terms of the Information Memorandum, this Form R, the attached PAL and the Memorandum and Articles of Association of Kenya Electricity Generating Company Limited, the number of Additional Shares in Box 6 for the value in Box 7 herein.		

PART 1C – TOTAL SHARES	Box 8 Number of total New Shares (Box 4 + Box 6)	Box 9 Amount payable (Kshs) (Box 5 + Box 7 + Kshs 35.00 CDSC Fee)
Having accepted all the New Shares in PART 1A above and applied for Additional Shares in PART 1B above (where applicable), I/we hereby apply for the total New Shares in Box 8 for the value in Box 9 herein (including Kshs 35.00 for the CDSC Fee).		

PART 2

Tick (√)					
Tick (√)	2.1 Direct Amount Payment	Kshs		Chq/Transfer Ref No./ Deposit Ref No.	Bank Name & Branch
Tick (√)	2.2 Mobile Money	Kshs		Mobile Money Ref No.	
Tick (√)	2.3 Agents Payment	Kshs		**2.5 FINANCIER DETAILS**	
				CDS Form 5 Serial No.	
Tick (√)	2.4 Irrevocable: Bank Guarantee or Letter of Under taking for Additional Shares			Institution & Branch	

PART 3 – REFUND

Account Name (as per statement)	Bank Name	Branch Code
Country & Swift if not Kenya	Account Number (full account No.)	

SIGNATURE OF RENOUNCEE & DATE	Date:

ENDORSEMENT by SALES AGENT for RENUNCIATION (where applicable)	APPROVAL by REGULATOR for RENUNCIATION (where applicable)
Name, Signature & Stamp	Name, Signature & Stamp

Tear Off

FORM R RECEIPT - KenGen RIGHTS ISSUE 2016

Eligible Shareholder	Form R No.	New Shares Accepted	Sales Agent & Date

P.T.O

NOTES (FORM R)

If you wish to take action, refer to Section 3.16 in the Information Memorandum and Section 10.7 in the Abridged Information Memorandum and please note the following:

GENERAL INSTRUCTIONS.

- Use **BLOCK** letters to complete the form
- The Form R must be accompanied by a PAL. A copy of the Information Memorandum or Abridged Information Memorandum to which the PAL is attached has been lodged with the Registrar of Companies. A copy of the Information Memorandum or Abridged Information Memorandum may be obtained from the Sales Agents named below or www.kengen.co.ke.
- Persons into whose possession this Form R may come are required to observe the restrictions contained in the Information Memorandum.
- Terms defined in the Information Memorandum shall bear the same meaning herein unless otherwise indicated.
- For advice on the Rights Issue and completion of this form a Renouncee should consult their preferred professional advisor.
- A Form R shall be rejected as per the policy set out in the Information Memorandum or Abridged Information Memorandum.
- All alterations on the Form R, other than the deletion of alternatives, must be authenticated by the full signature of the Renouncee.
- Presentation of cheques for payment or receipt of funds transferred shall not amount to the acceptance of any application.
- A completed Form R must be physically returned to a Sales Agent. Once made, it is irrevocable and may not be withdrawn.
- The Form R and Application Money should be received by the Sales Agent or the Receiving Bank by 5:00 P.M. on Friday, 10 June 2016 (Closure Date) and neither KenGen, nor any of the advisors nor any of the Sales Agents shall be under any liability whatsoever should a Form R not be received by this date.
- This Form R and the accompanying Information Memorandum or Abridged Information Memorandum shall be governed by and construed in accordance with the Laws of Kenya.

ELIGIBLE SHAREHOLDER. Complete Box 1, Box 2, Box 3, Box 4 and Box 5 and sign in the space provided .
RENOUNCEE. Complete Name, ID / Passport No., Relationship, Postal Address and Email address / Mobile No and the parts below .

PART 1 ACCEPTANCE IN FULL, ADDITIONAL SHARES, TOTAL NEW SHARES

a. Tick PART 1A if accepting in full all New Shares as in Box 4.
b. Application for Additional Shares can only be made if all New Shares in Box 4 were accepted in full. To apply for Additional Shares (PART 1B), follow the directions below, otherwise, skip to instruction (e). Fill in Box 6 subject to multiples of 100. Fill in the amount due for these Additional Shares in Box 7 by multiplying the number in Box 6 by Kshs 6.55 per New Share.
c. If you have chosen not to apply for Additional Shares, write “0” in both Box 6 and Box 7.
d. Complete total number of New Shares applied for in Box 8 in PART 1C, i.e. Box 8 = Box 4 + Box 6.
e. Complete the total value of New Shares applied for in Box 9, PART 1C. i.e. Box 9= Box 5 + Box 7.
f. Allocation and Allotment is subject to the terms in the Information Memorandum and Abridged Information Memorandum.

PART 2 PAYMENT

a. All payments are to be made in Kenya Shillings.
b. Section 3.13 in the Information Memorandum and Section 10.5 in the Abridged Information Memorandum provides details on Modes of Payment. Please read carefully the instructions.
c. Complete Section 2.1 with the Funds Transfer Number or Banker’s Cheque Number and name of remitting/paying bank
d. Complete Section 2.2-Mobile Money Reference Number if this mode is used to make payment.
e. If payment for Additional Shares is via Irrevocable Bank Guarantee or Irrevocable Letter of Undertaking, tick the box provided and attach the IBG/ILU to this PAL.
f. If a Financier is involved, complete section labeled ‘Financier Details’ by providing the Loan Reference and the name of the Institution and Branch.
g. All Application Money must be made in cleared funds on or before 5:00 P.M. on Friday, 10 June 2016.

PART 3 REFUND

a. A bank account is mandatory for eligible investors..
b. Please refer to Section 3.23 in the Information Memorandum and Section 10.12 in the Abridged Information Memorandum for details on Refunds.
c. Please provide clearly the relevant details in the boxes provided.

SIGNATURE of RENOUNCEE

The Form R must be signed to ensure acceptance.

ENDORSEMENTS BY SALES AGENT & REGULATOR

Renunciation by Private Transfer requires certain documentation to support this action by Eligible Shareholders. This section provides for the Sales Agent to confirm that the documentation is attached including the PAL.

Renunciation by Private Transfer requires private transfers to be approved by regulators. This section provides for the regulator to approve the transfer (if applicable).

SALES AGENTS: Standard Investment Bank Limited, Renaissance Capital (Kenya) Limited, Dyer & Blair Investment Bank Limited, Faida Investment Bank Limited, ABC Capital Limited, African Alliance Kenya Investment Bank Limited, AIB Capital Limited, Apex Africa Capital Limited, CBA Capital Limited, Equity Investment Bank Limited, Genghis Capital Limited, Francis Drummond & Company Limited, I&M Bank Ltd, KCB Capital Limited, Kestrel Capital (East Africa) Limited, Kingdom Securities Limited, NIC Securities Limited, Old Mutual Securities Limited, Prime Bank Ltd, SBG Securities Limited, Sterling Capital Limited, Suntra Investments Limited.

or for assistance contact: kengenrightsissue@image.co.ke or advisory@sib.co.ke

Tear Off

FORM E RECEIPT. Renouncee must ensure that this is stamped by the Sales Agent and kept in safe custody.

The last date and time for acceptance and payment of the New Shares is on or before 5:00 P.M. on Friday, 10 June 2016. If no action is taken on the Rights, they will lapse and be subject to Section 3.20 (Untaken Rights) in the Information Memorandum and Section 10.9 in the Abridged Information Memorandum.

ANNEXURE F

FORM E – FORM OF ENTITLEMENT

KenGen
Energy for the nation.
RIGHTS ISSUE 2016

FORM OF ENTITLEMENT (FORM E)

USE BLOCK LETTERS TO COMPLETE THE FORM

THE FORM IS OF VALUE, NEGOTIABLE AND IS ISSUED PURSUANT TO AN INFORMATION MEMORANDUM DATED WEDNESDAY, 18 MAY 2016 PLEASE CONSULT YOUR ADVISOR. READ NOTES ON THE REVERSE OF THIS FORM. RIGHTS ISSUE OPENS AT 9:00 A.M. ON MONDAY, 23 MAY 2016 AND CLOSES AT 5:00 P.M. ON FRIDAY, 10 JUNE 2016. Available from Sales Agents or www.kengen.co.ke.

FORM E No.

OFFICIAL USE ONLY

Sales Agent Stamp	CDS A/C
Entitlee Name	BOX 1 No of Rights in your CDS A/C
	BOX 2 Amount payable (Kshs) in full

OFFICIAL USE ONLY

ATTORNEY	Entitlees who wish to appoint an attorney to deal with the Rights Issue may do so via Form A (Form of Appointment of Attorney) available from a Sales Agent or downloaded from www.kengen.co.ke.

PART 1A	FULL ACCEPTANCE. I/We hereby accept in full, subject to the terms of the Information Memorandum, this Form E and the Memorandum and Articles of Association of Kenya Electricity Generating Company Limited, the number of New Shares above in Box 1 for the value in Box 2 above.	Tick (√)	
PART 1B	ADDITIONAL SHARES. Having accepted all the New Shares in Part 1A above, I/we hereby apply for Additional Shares (in multiples of 100), subject to the terms of the Information Memorandum, this Form E and the Memorandum and Articles of Association of Kenya Electricity Generating Company Limited, the number of Additional Shares in Box 3 for the value in Box 4 herein.	**Box 3 Number of Additional Shares (multiples of 100)**	**BOX 4 Amount payable (Kshs) (multiply figure in Box 3 by Kshs 6.55)**
PART 1C	TOTAL SHARES. Having accepted all the New Shares in Part 1A above and applied for Additional Shares in Part 1B above (where applicable), I/we hereby apply for the total New Shares in Box 5 for the value in Box 6 herein (including Kshs 35.00 for the CDSC Fee).	**Box 5 Number of New Shares (Box 1 + Box 3)**	**Box 6 Amount payable (Kshs) (Box 2 + Box 4 + Kshs 35.00 CDSC Fee)**
PART 2	PARTIAL ACCEPTANCE. IF PART 1 ABOVE IS NOT ACCEPTED. I/We hereby accept in part, subject to the terms of the Information Memorandum, this Form E and the Memorandum and Articles of Association of Kenya Electricity Generating Company Limited the number of New Shares specified in Box 7 for the value set out in Box 8 herein (including Kshs 35.00 for the CDSC Fee).	**Box 7 Number of New Shares accepted in part**	**Box 8 Amount payable (Kshs) (multiply figure in Box 7 by Kshs 6.55 + Kshs 35.00 CDSC Fee)**

SPECIMEN

PART 3					
Tick (√)	3.1 Direct Amount Payment	Kshs		Chq/Transfer Ref No./ Deposit Ref No.	Bank Name & Branch
Tick (√)	3.2 Mobile Money	Kshs		Mobile Money Ref No.	
Tick (√)	3.3 Agents Payment	Kshs		**3.5 FINANCIER DETAILS**	
Tick (√)	3.4 Irrevocable: Bank Guarantee or Letter of Under taking for Additional Shares			CDS Form 5 Serial No.	
				Institution & Branch	

PART 4 REFUND		
Account Name (as per statement)	Bank Name	Branch Code
Country & Swift if not Kenya	Account Number (full account No.)	

PART 5	SIGNATURE of ENTITLEE or AUTHORISED ATTORNEY
	Sign as necessary / Date:
PART 6	Provide Email & Mobile No.:

Tear Off

KENYA ELECTRICITY GENERATING COMPANY LTD – RIGHTS ISSUE 2016-FORM E RECEIPT	Form E No.	Entitlee	Sales Agent

P.T.O

ANNEXURE G

FORM A – POWER OF ATTORNEY

KenGen
Energy for the nation.
RIGHTS ISSUE 2016

FORM OF POWER OF ATTORNEY (FORM A)

USE BLOCK LETTERS TO COMPLETE THE FORM

THIS DOCUMENT IS TO BE READ AND EXECUTED IN CONJUCTION WITH DOCUMENTS FOR THE RIGHTS ISSUE 2016 INCLUDING THE INFORMATION MEMORANDUM. PLEASE CONSULT YOUR PREFERRED ADVISOR IF REQUIRED. RIGHTS ISSUE CLOSES AT 5:00 P.M. ON FRIDAY, 10 JUNE 2016.

Available from Sales Agents or www.kengen.co.ke.

Sales Agent

Eligible Shareholder/Rump Investor: Name and Address:	REFERENCE PAL/Rump Form Serial No
CDS A/C	

1. This Form A is only for Eligible Shareholders/Rump Investors who wish to appoint entirely at their own risk an attorney to act on their behalf for the Rights Issue.
2. This Form A will be required to be attached to a PAL or Rump Form.

To: The Directors, Kenya Electricity Generating Company Limited:

This appointment of Attorney is limited in respect of the Kenya Electricity Generating Company Limited Rights Issue 2016 (Rights Issue).

I/We hereby accept, subject to the terms of the Information Memorandum and the Memorandum and Articles of Association of Kenya Electricity Generating Company Limited, to appoint the persons as named in Attorney Details below to be my/our attorney (“Attorney”) in my/our name and on my/our behalf, to take appropriate action including complete any forms in connection with the New Shares and to do all or acts which the Attorney thinks fit with regard to any other forms. I/We agree to ratify everything the Attorney does or purports to do in accordance with this appointment of Attorney and to indemnify the Attorney against all claims and liabilities arising out of anything lawfully done by the Attorney. This power shall remain irrevocable until Wednesday, 6 July 2016.

SPECIMEN

SIGNATURE OF ELIGIBLE SHAREHOLDER / RUMP INVESTOR

Signature 1	Signature 2	Company Seal/Stamp (If applicable)
Date: ______________________		
Provide Email & Tel/Mobile No:		

ATTORNEY DETAILS

Name	ID/Passport No.
Postal Address including postcode and Email	Tel/Mobile No

SIGNATURE OF ATTORNEY

Signature 1	Signature 2	Company Seal/Stamp (If applicable
Date: ______________________		

Monday, 23 May 2016

ANNEXURE H

RUMP FORM

KenGen
Energy for the nation.
RIGHTS ISSUE 2016

RUMP FORM (APPLICATION FOR RUMP SHARES)

USE BLOCK LETTERS TO COMPLETE THE FORM

THIS DOCUMENT IS OF VALUE AND IS NEGOTIABLE. IT IS TO BE READ AND EXCUTED IN CONJUCTION WITH THE INFORMATION MEMORANDUM FOR THE RIGHTS ISSUE AND NOTES ON THE REVERSE OF THIS RUMP FORM. PLEASE CONSULT YOUR PREFERRED ADVISOR FOR FURTHER EXPLANATION IF REQUIRED. APPLICATIONS FOR RUMP UNDER THE RIGHTS ISSUE OPENS AT 9:00 A.M. ON MONDAY, 23 MAY 2016 AND CLOSES AT 5:00 P.M. ON FRIDAY, 17 JUNE 2016.

Available from RUMP Agents.

Sales Agent Stamp	Rump Form No

PART 1.
I/We hereby accept in full, subject to availability of Rump Shares, subject to the terms of the Information Memorandum, this Rump Form, and the Memorandum and Articles of Association of Kenya Electricity Generating Company Limited, the number of Untaken Rights specified in Box 4 below, and for the value in Box 6 below.

Box 1. CDS A/C is mandatory (include CDA Code) (No.) (LI/LC/FI/FC):

Box 2. Applicant Name:

Box 3. Email:

Box 4. No. of Rump Shares applied for (minimum 100,000, multiples of 1,000):	**Box 5.** Mobile / Tel No.(include area code where necessary)

Box 6. Amount Payable (Kshs)
(multiply by Kshs 6.55) (Minimum Kshs 655,000) (add Kshs 35.00 for the CDSC Fee)

SPECIMEN

PART 2 PAYMENT

Tick (√)	2.1 Direct Amount Payment	Kshs		Chq/Transfer Ref No./ Deposit Ref No.	Bank Name & Branch
Tick (√)	2.2 Agents Payment	Kshs		**2.4 FINANCIER DETAILS**	
				CDS Form 5 Serial No	
Tick (√)	2.3 Irrevocable: Bank Guarantee or Letter of Under taking for Additional Shares			Institution & Branch	

PART 3 REFUND

Account Name (as per statement)	Bank Name	Branch Code
Country & Swift if not Kenya	Account Number (full account No.)	

PART 4

SIGNATURE OF APPLICANT & DATE

Sign as necessary

OFFICIAL USE ONLY

RECEIVING AGENT PROCESSING

Tear off -- *Tear off*

Applicant	Rump Form No.	No of Rump Shares applied for	Sales Agent & Date
RUMP FORM RECEIPT - KenGen RIGHTS ISSUE 2016			Rump Form No

P.T.O

RUMP FORM. If you wish to take action, refer to Section 3.21 in the Information Memorandum and please note the following:

APPLICANT'S STATEMENT. By signing this Application Form, I/We the applicant(s) state that:

A. I/We have read and understood the terms and conditions of the Rump as contained in the Information Memorandum and agree to be bound by its contents.

B. I/We have full legal capacity to contract and hereby irrevocably apply for and request you to accept my/our application for the overleaf Rump Shares, or any lesser number that may, in your sole and absolute discretion, be allotted to me/us subject to the Memorandum and Articles of Association of Kenya Electricity Generating Company Limited ("KenGen").

C. I/We authorize KenGen to credit my/our CDS Account thus entering my/our name in the register of members of KenGen as the holder(s) of New Shares allotted to me/us and refund any money in respect of New Shares applied for by me/us but not allocated to me/us in accordance with the terms and conditions contained in the Information Memorandum.

D. I/We declare that the application made hereby is made solely on behalf of the applicant(s) and that the information contained in this form is true and complete.

GENERAL INSTRUCTIONS

- Use **BLOCK** letters to complete the form

1. A copy of the Information Memorandum to which this Rump Form is attached has been lodged with the Registrar of Companies. A copy of the Information Memorandum may be obtained from the Sales Agents named below or www.kengen.co.ke.
2. Persons into whose possession this Rump Form may come are required to observe the restrictions contained in the Information Memorandum.
3. Terms defined in the Information Memorandum shall bear the same meaning herein unless otherwise indicated.
4. For advice on the Information Memorandum and completion of this form an applicant should consult a professional advisor.
5. The Board of Directors of KenGen reserves the right to accept or reject any application, in whole or in part, particularly if the instructions set out in the Information Memorandum Prospectus and in this Application Form are not complied with.
6. An applicant must be the holder of a CDS Account. To open a CDS Account contact a Sales Agent referred to below. A bank account is mandatory.
7. Joint applications may only be made by individuals and must not be used to defeat the allocation policy. For purposes of the minimum initial allocation under the allocation policy, KenGen reserves the right to consider each joint application as an application by each joint applicant alone, namely two separate applications, jointly for the number of Rump Shares applied for.
8. A deceased estate, a trust that has not been incorporated or a partnership cannot apply. Executors, trustees of trusts that have not been incorporated and individual partners may apply in their own names.
9. No alterations on the Application Form will be allowed.
10. Presentation of cheques for payment or receipt of funds transferred shall not amount to the acceptance of any application.
11. Investors may approach a Financier for loan facilities to facilitate participation and payment of the full amount due in respect of the Rump Shares.
12. A Rump Form will be rejected if : (a) it is incomplete, inconsistent or inaccurate with the instructions as provided in the Information Memorandum and Rump Form; (b) it is not signed by the applicant ; (c) the Application Money received by Sales Agent or Receiving Bank is insufficient; (d) it contains multiple Sales Agent stamps; (e) Application Money was correctly received but the Rump Form is incorrect or missing; (f) there are any alterations; (g) differences in the name and ID/Passport with data in the CDS Account.
13. A completed Rump Form must be physically returned to a Sales Agent. Once made, an application is irrevocable and may not be withdrawn.
14. This Rump Form and the Information Memorandum shall be governed by and construed in accordance with the Laws of Kenya.

PART 1 APPLICANT DETAILS.

Complete Box 1, Box 2, Box 3, Box 4, Box 5 and Box 6.

PART 2 PAYMENT

a. All payments are to be made in Kenya Shillings.
b. Section 3.13 in the Information Memorandum provides details on Modes of Payment. Please read carefully the instructions.
c. Complete Section 2.1 with the Funds Transfer Number or Banker's Cheque Number and name of remitting/paying bank
d. If payment is via Irrevocable Bank Guarantee or Irrevocable Letter of Undertaking, tick the box provided and attach the IBG/ILU to this Rump Form.
e. If a Financier is involved, complete section labeled 'Financier Details' by providing the CDS Form 5 Serial No and the name of the Institution and Branch.
f. All Application Money must be made in cleared funds on or before 5:00 P.M. on Friday, 17 June 2016.

PART 3 REFUND

a. A bank account is mandatory.
b. Please refer to Section 3.23 in the Information Memorandum and Section 10.12 in the Abridged Information Memorandum for details on Refunds.
c. Please provide clearly the relevant details in the boxes provided.

PART 4 SIGNATURE of APPLICANT. Or Authorised Attorney . The Rump Form must be signed to ensure application.

SALES AGENTS. Standard Investment Bank Limited, Renaissance (Capital Kenya) Limited, Dyer & Blair Investment Bank Limited and Faida Investment Bank Limited.

or for assistance contact: kengenrightsissue@image.co.ke or advisory@sib.co.ke

Tear off *Tear off*

RUMP FORM RECEIPT. Applicant must ensure that this is stamped by the Sales Agent and kept in safe custody .

The last date and time for application and payment of the Rump Shares is on or before 5:00 P.M. on Friday, 17 June 2016.

ANNEXURE I

IRREVOCABLE BANK GUARANTEE

[Bank Letterhead and also via Authenticated Swift]

Ref: [•]

Date: [•]

The Directors
Kenya Electricity Generating Company Ltd
P.O. Box 47936-00100
Nairobi.

Dear Sirs

KENYA ELECTRICITY GENERATING COMPANY LTD – RIGHTS ISSUE 2016

IRREVOCABLE BANK GUARANTEE IN RESPECT OF PAYMENT FOR ALLOCATION OF NEW SHARES TO [name of investor] (the "IBG")

WHEREAS [name of investor] (the "Investor") has by an [RIF No] [•] applied for [•] New Shares in the **KENYA ELECTRICITY GENERATING COMPANY LTD – RIGHTS ISSUE 2016** as set out in the **Information Memorandum dated** 18th May 2016 (capitalised terms used in this IBG shall have the meaning and interpretation given to such terms in the KenGen Information Memorandum),

AND WHEREAS it has been stipulated in the KenGen Information Memorandum that the Investor shall furnish you with an irrevocable on demand bank guarantee for the full value of the New Shares applied for at the Rights Issue Price,

AND WHEREAS we [name of guarantor] have agreed to give this IBG,

NOW, at the request of the Investor and in consideration of you allocating to the Investor the New Shares or such lesser number as you shall in your sole and absolute discretion determine, we hereby irrevocably undertake to pay you in Kenya Shillings, upon your first written demand (vide email, fax, hand delivered letter or SWIFT) and without any delay or argument, such sums as may be demanded by you up to a maximum of Kenya Shillings [amount in words] (Kshs [amount in figures]) without your needing to prove or show grounds or reasons for your demand or the sum specified therein by way of RTGS within 32 hours of the said demand or before 3.00 p.m. on 5th July 2016 whichever occurs earlier, as set out in the KenGen Information Memorandum.

This IBG shall remain in force up to and including 3.00 p.m. on [ ] 2016 and any demand in respect thereof should reach our office not later than the above date and time.

This IBG shall be governed and construed in accordance with the Laws of Kenya and we irrevocably

submit to the non-exclusive jurisdiction of the Courts of Kenya.

IN WITNESS WHEREOF THIS LETTER OF IRREVOCABLE BANK GUARANTEE HAS BEEN EXECUTED BY US ON THIS [•] DAY OF [•] 2016.

[signed as per bank mandate]

ANNEXURE J

IRREVOCABLE LETTER OF UNDERTAKING [INVESTOR/CUSTODIAN LETTERHEAD]

Ref: [•]

Date: [•]

The Directors
Kenya Electricity Generating Company Ltd
P.O. Box 47936-00100
Nairobi.

Dear Sirs

KENYA ELECTRICITY GENERATING COMPANY LTD – RIGHTS ISSUE 2016

IRREVOCABLE LETTER OF UNDERTAKING IN RESPECT OF PAYMENT FOR ALLOCATION OF NEW SHARES TO [name of investor] (the "ILU")

WHEREAS [name of investor] (the "Investor") has by an [RIF No] [•] applied for [•] New Shares in the **KENYA ELECTRICITY GENERATING COMPANY LTD – RIGHTS ISSUE 2016** as set out in the **Information Memorandum dated** 18th May 2016 (capitalised terms used in this ILU shall have the meaning and interpretation given to such terms in the KenGen Information Memorandum),

AND WHEREAS it has been stipulated in the KenGen Information Memorandum that the Investor shall furnish you with a letter of undertaking for the full value of the New Shares applied for at the Rights Issue Price,

AND WHEREAS we [name of guarantor] have agreed to give this ILU,

NOW, at the request of the Investor and in consideration of you allocating to the Investor the New Shares or such lesser number as you shall in your sole and absolute discretion determine, we hereby irrevocably undertake to pay you in Kenya Shillings, upon your first written demand (vide email, fax, hand delivered letter or SWIFT) and without any delay or argument, such sums as may be demanded by you up to a maximum of Kenya Shillings [amount in words] (Kshs [amount in figures]) without your needing to prove or show grounds or reasons for your demand or the sum specified therein by way of RTGS within 32 hours of the said demand or before 3.00 p.m. on 5th July. 2016 whichever occurs earlier, as set out in the KenGen Information Memorandum.

This ILU shall remain in force up to and including 3.00 p.m. on [ ] 2016 and any demand in respect thereof should reach our office not later than the above date and time.

Should such payment not be made within two business weekdays by 3:30 p.m. following the deemed service of such notice then KenGen shall be entitled without further notice to either: treat our application as having been repudiated and cancel the provisional allotment to us and re-allocate the provisionally New Shares on such terms and conditions as it shall think fit without prejudice to any rights to damages for such repudiation, or to allow us further time for payment on such terms and conditions as it shall think fit in which event we shall pay default interest on all sums outstanding at the rate per annum of Kenya Bankers Reference Rate plus 5% calculated on daily balances and compounded monthly.

This ILU shall be governed and construed in accordance with the Laws of Kenya and we irrevocably submit to the non-exclusive jurisdiction of the Courts of Kenya.

IN WITNESS WHEREOF THIS IRREVOCABLE LETTER OF UNDERTAKING HAS BEEN EXECUTED BY US ON THIS [•] DAY OF [•] 2016.

[signed as per mandate]

NOTES

KenGen

Energy for the nation.

Kenya Electricity Generating Company Limited
(KenGen)
Stima Plaza, Kolobot Road,
P. O. Box 47936-00100 GPO
Nairobi – Kenya