KenGen

61st ANNUAL REPORT & FINANCIAL STATEMENTS

Financial Year Ended 30 June 2013

Ngong Wind Farm

Significant Facts

- Largest Geothermal Power Project in the world under development in Olkaria
- The Leading Power Generator in Kenya with 72% market share
- Mega Project 280MW Olkaria I & IV to be commissioned in September 2014
- Largest Geothermal Producer in Africa and 7th in the world
- ISO QMS 9001:2008 and EMS 14001:2004 certified
- Award for commissioning the quickest Thermal Power Plant in a record 14 months
- Sole Wind Producer in East Africa; Upgrading of Ngong Wind Plant to 25.5MW ongoing
- Pioneer in Clean Development Mechanism (CDM) project development process in Kenya
- 5 million Certified Emission Reductions (CERs) expected from Project Portfolio by 2019
- Pioneer in Geothermal Wellhead Technology in the world

Significant Statistics

Asset Base
Kshs.189 billion
16%

Electricity Revenue
Kshs.16.5 billion
4%

Profit Before Tax
Kshs.4.09 billion
1.2%

Earnings Per Share
Kshs.2.39
87%

Employee Numbers
2,063
13%

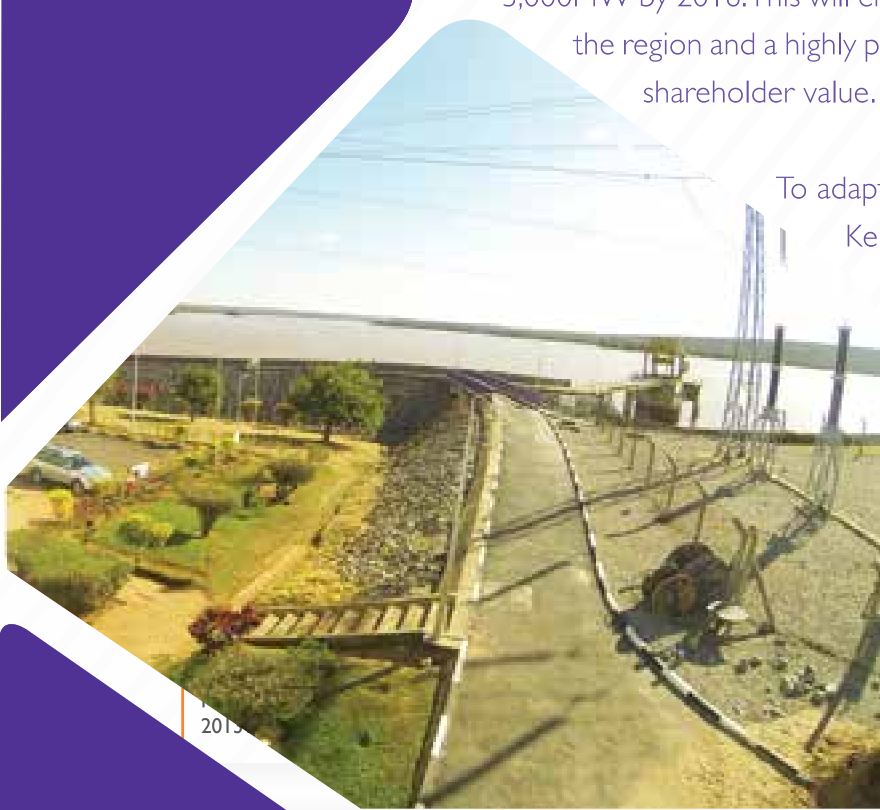
Total Power Stations
24

Large Stations (>=20MW)
14 (constitutes 97%)

Table of Contents

Our Commitment

KenGen commits to its "Good to Great" (G2G) Strategy to increase installed capacity to 3,000MW by 2018.This will ensure the Company remains the leading power generator in the region and a highly profitable organisation which remains focused on maximising shareholder value.



To adapt to the recent changes at the Nairobi Securities Exchange, KenGen encourages all Shareholders holding share certificates to migrate to the electronic Central Depository System (CDS) format. This will enable the Company to communicate using varied means including sms, email, telephone and payments of dividends through electronic funds transfer and mobile money.

Table of Contents

Our Milestones

1925

First Hydro Plant built in Kenya: Ndula2MW

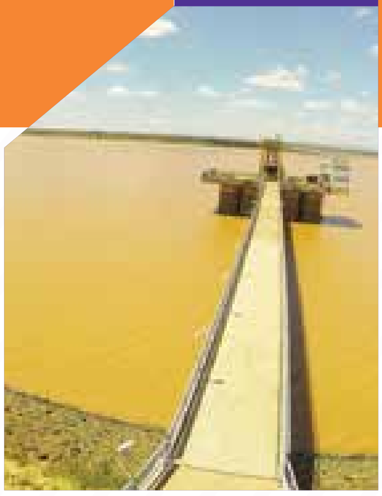
1954

Kenya Power Company (KPC) incorporated

1968

First Hydro Plant commissioned on the Tana Cascade: Kindaruma 40MW

1968



1973

Nairobi South 13.5MW Thermal Plant commissioned

1981

First 15MW Unit Olkaria I installed

1981

1993

Ngong 0.35MW Wind Farm commissioned

Our Milestones

1999

Largest Hydro Plant in East Africa commissioned: Gitaru 225MW

2006

Successful public listing of 30% shareholding at the Nairobi Stock Exchange

2009

First and Largest Corporate Public Infrastructure Bond attracts over Kshs.26 billion

2010

Largest Wind Plant in Eastern Africa goes online: Ngong 5.1MW

2010

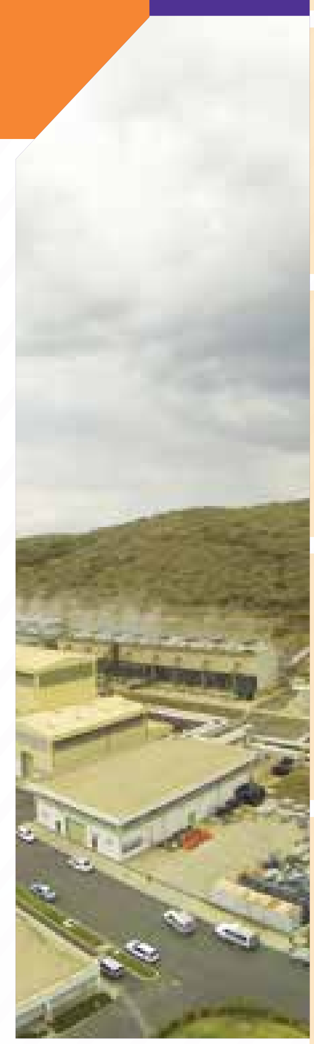
2011

120MW Kipevu III Thermal Power Plant commissioned

2012

Largest Single Geothermal Power Project ever in the world of 280MW launched

2012



Our Transformation Philosophy

Theme	Relevance
1 "Good to Great"	• Moving from a "Good Company" to a "Great Company" that **creates value** for **all stakeholders** (shareholders, employees, citizens, etc)
2 "Generation to Generation"	• Focus on achieving **sustainability in value creation** from "One Generation" of Kenyans to the "Next Generation" of Kenyans

Our Strategy

Vision

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

Strategic Pillars

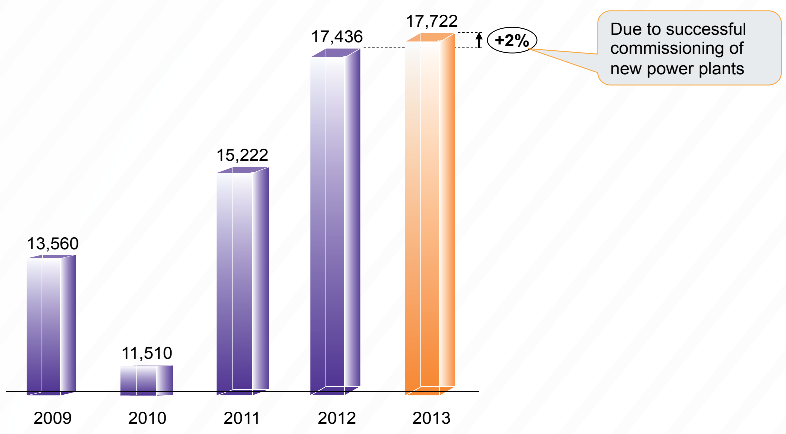
Capital Planning and Execution	Regulatory Management	Operational Excellence
Deliver timely capacity additions to support economic growth	Shape regulatory environment to drive generation growth	Earn the right to grow through best practice operations and reduced costs

Strengthen organisational effectiveness from improved structure, culture and processes

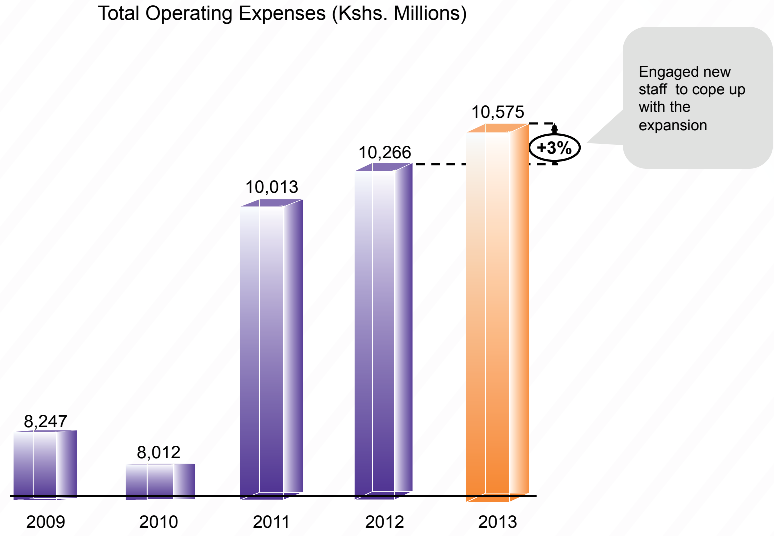
Organisational Health

Financial Highlights

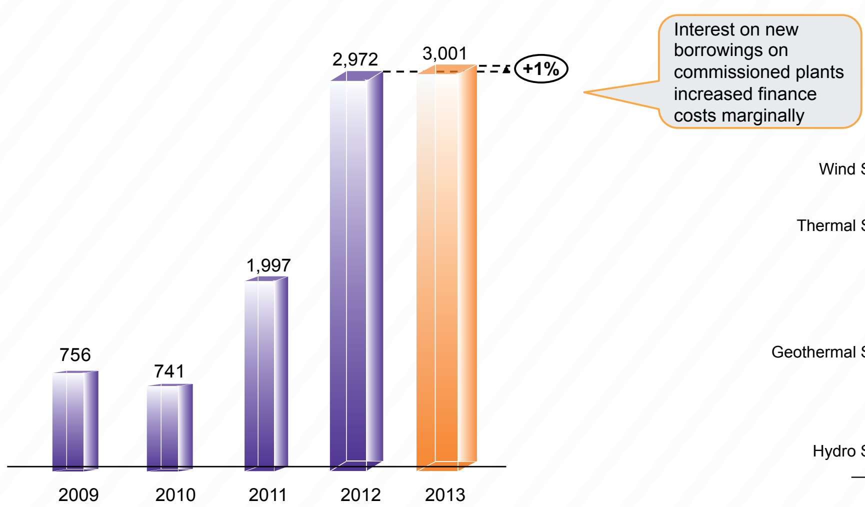
Total Revenue (Kshs. Millions)



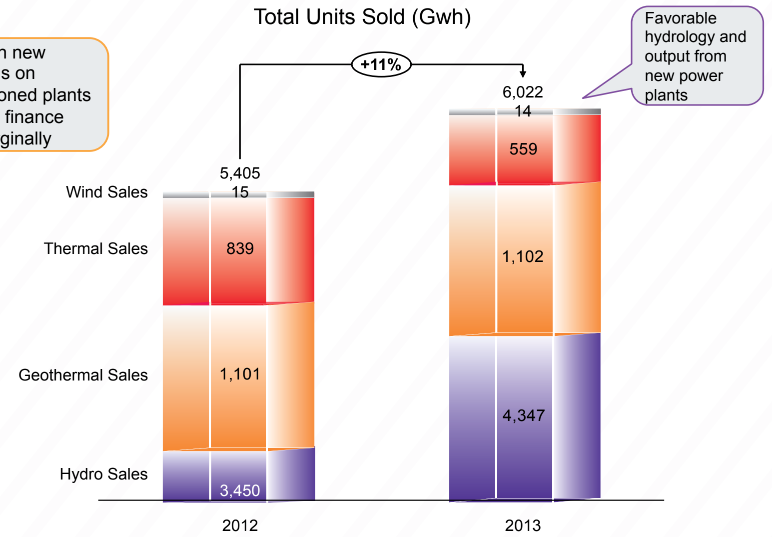
Total Operating Expenses (Kshs. Millions)



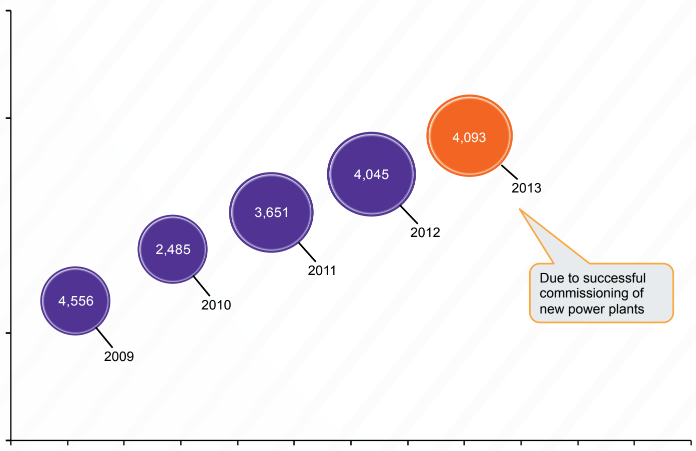
Total Financing Costs (Kshs. Millions)



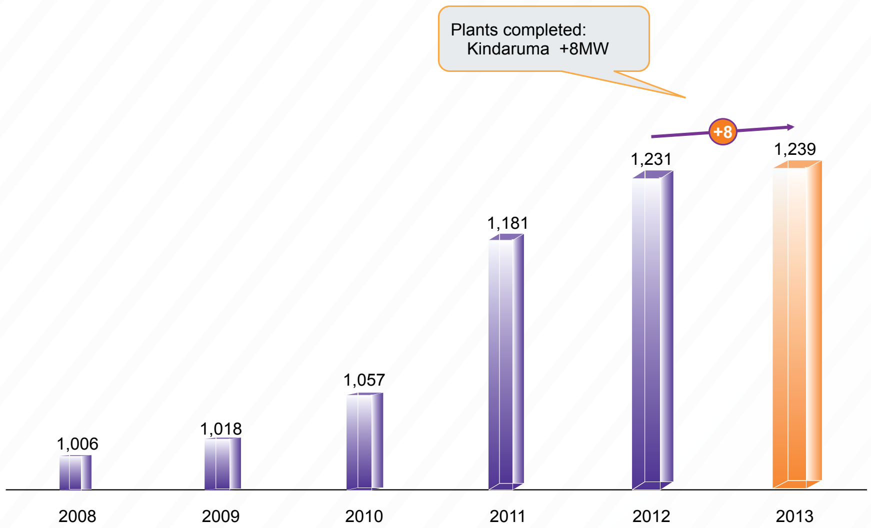
Total Units Sold (Gwh)



Pre-tax Profit (Kshs. Millions)

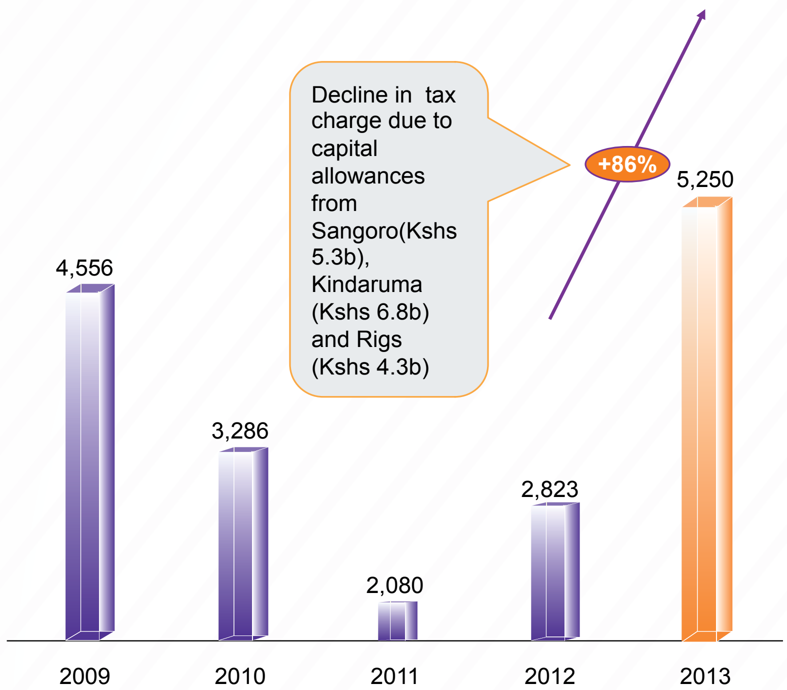


Installed Capacity (MW)

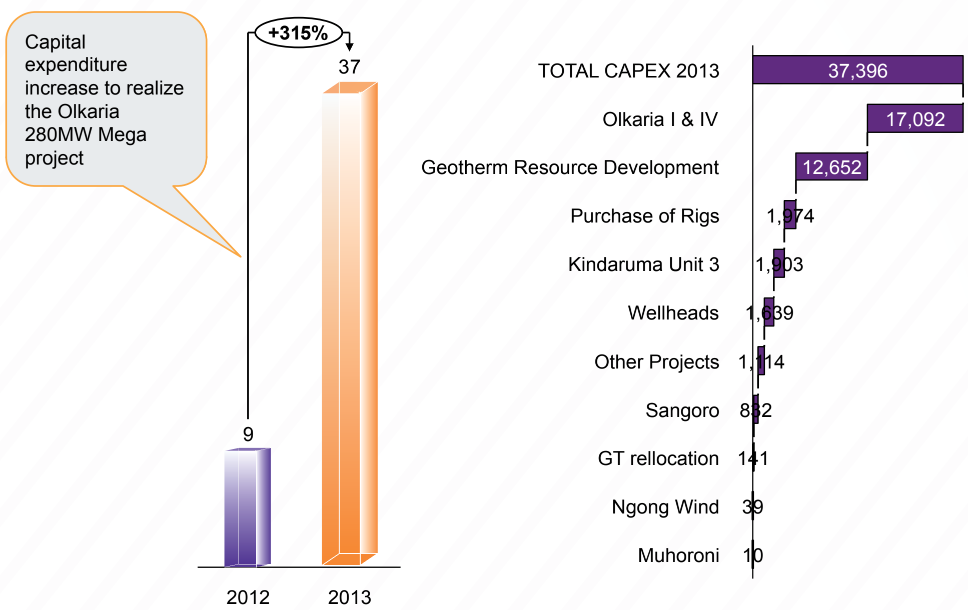


Financial Highlights

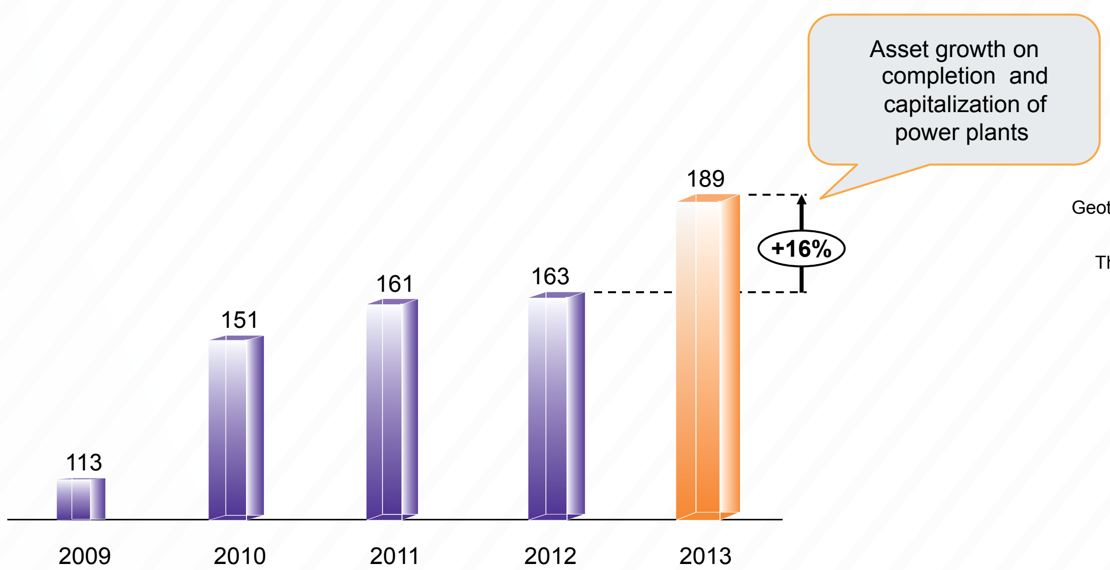
Profit After Tax (Kshs Millions)



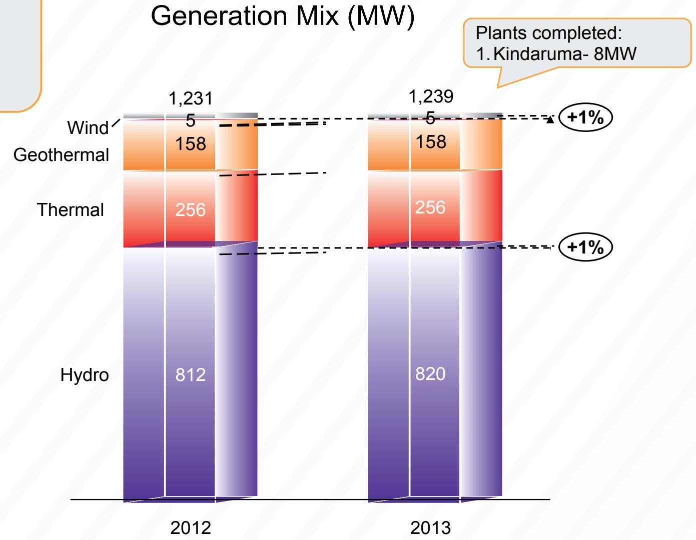
CAPEX (Kshs Millions)



Total Assets (Kshs Billions)



Generation Mix (MW)



Our Core Purpose

KenGen was incorporated on 1 February 1954 under the Companies Act (Chapter 486 of the Laws of Kenya) under registration number C.20/55 and listed on the Nairobi Securities Exchange on 17 May 2006.

Our Vision

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

Our Mission

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.

Our Core Values

- Professionalisim
- Integrity
- Safety Culture
- Team Spirit

Strategic Direction

Vision

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

Capacity Expansion

Aggressive power generation capacity expansion

Regulatory Management

Proactive in shaping the future regulatory environment

Operations Excellence

Optimizing maintenance practices, reducing costs and strengthening operational processes

Organisational Effectiveness

Strengthen development of staff who are the foundation of our success

Who We Are

Kenya Electricity Generating Company is 70% owned by the Government of Kenya and 30% by the public. The Company is the largest power generator producing over 72% of the electricity consumed in the country.

KenGen is 59 years old. Back in 1954, the Kenya Power Company (KPC) was registered as a Company and commissioned to construct the transmission line between Nairobi and Tororo in Uganda as well as to develop geothermal and other generating facilities in the country. The Nairobi - Tororo line was to transmit power generated at the Owen Falls Dam. Since its inception, KPC has sold electricity in bulk at cost, managed by Kenya Power under a management contract. In January 1997, the management of KPC was formally separated from Kenya Power as a direct result of reforms being undertaken in the energy sector and the entire economy. In 2006, KenGen was listed on the Nairobi Stock Exchange after the Government of Kenya sold 30% of its stake in the Company through a successful Initial Public Offer (IPO).

KenGen owns Fourteen Hydro Power Plants with a combined capacity of 820 MW, Five Thermal Power Plants with a capacity of 256MW, Four Geothermal Power Plants generating 158 MW and One Wind Farm generating 5.1 MW resulting in a total installed capacity of 1,239MW.

Hydro Power Plants

1.	Gitaru	225 MW
2.	Gogo	2 MW
3.	Kamburu	94.2 MW
4.	Kiambere	168 MW
5.	Kindaruma	72 MW
6.	Masinga	40 MW
7.	Mesco	0.38 MW
8.	Ndula	2.00 MW
9.	Sagana	1.5 MW
10.	Sondu	60 MW
11.	Sosiani	0.4 MW
12.	Tana	20 MW
13.	Turkwel	106 MW
14.	Wanjii	7.4 MW

Geothermal Power Plants

15.	Olkaria I	45 MW
16.	Olkaria II	105 MW
17.	Eburru	2.5 MW
18.	Wellhead	5 MW

Thermal Power Plants

19.	Kipevu III Diesel	120 MW
20.	Kipevu I Diesel	73.5 MW
21.	Embakasi Gas Turbine	60 MW
22.	Lamu	2.9 MW
23.	Garissa	6.7 MW

Wind

24.	Ngong I	5.1 MW

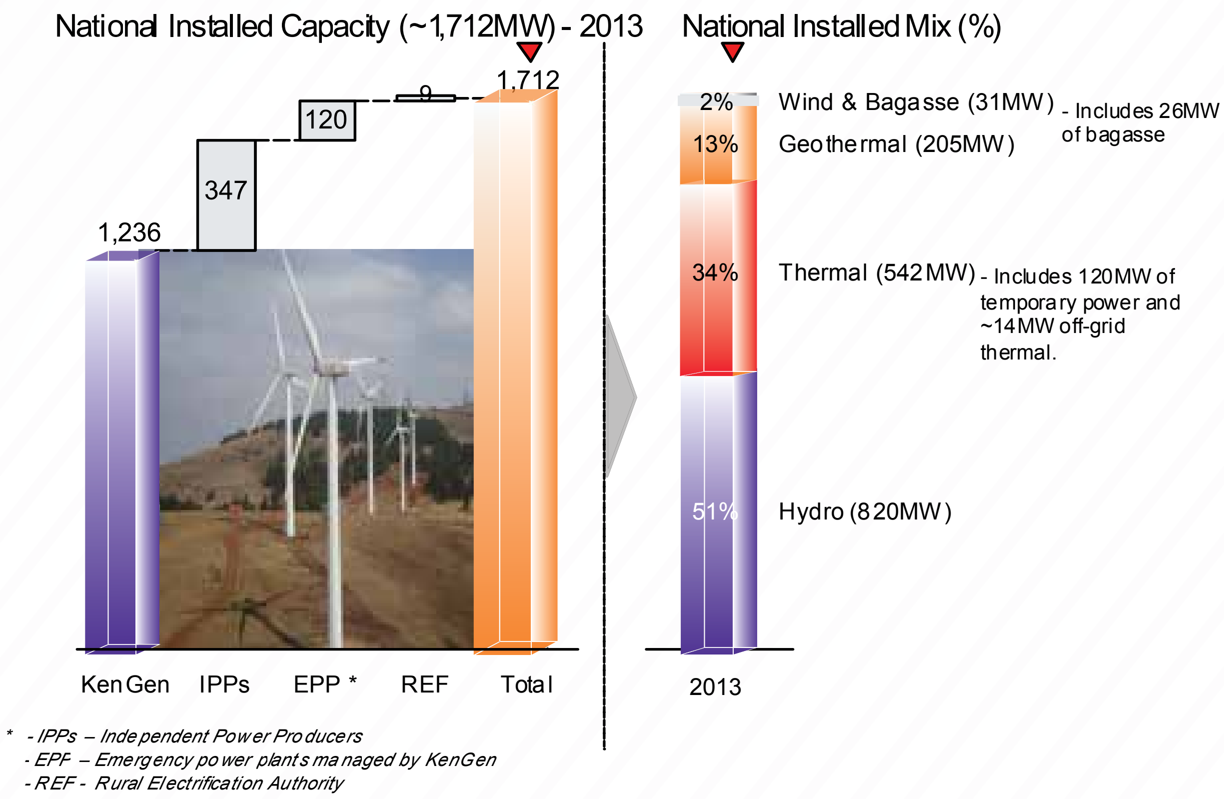


Figure 1: National Installed Power Generation Capacity

KenGen sells power in bulk to Kenya Power which distributes to consumers. The Company is now operating in a liberalized market and has a workforce of 2,063 staff distributed in 24 different sites where its power plants are located. With its wealth of experience, established corporate base and a clear vision, the Company intends to maintain leadership in the electric energy sub-sector in Kenya and in the Eastern Africa Region. Through efficiently generating competitively priced electric energy using state of the art technology, skilled and motivated human resource. Our core values are adhered to in all our operations and are the guiding principles of our success.

To fulfil its vision of being the market leader in the provision of reliable, safe, quality and competitively priced electric energy in the Eastern Africa region, KenGen adopted a transformation strategy in 2007 themed Good-to-Great (G2G), symbolizing two critical themes of moving from a "Good" Company to a "Great" Company through the creation of sustainable value from one "Generation" to the next "Generation." This strategy has three pillars supported by a strong organisation to deliver on this vision :

- **Capital Pillar** - that focuses on delivery of current projects and aggressive geothermal expansion over the next ten years. The target is +3000MW by 2018
- **Regulatory Pillar** - focuses on improving efficiency of the current single buyer model and effect steering of the deregulation process
- **Operation Excellence Pillar** - focuses on optimizing maintenance practices and processes & reducing overhead costs

Corporate Information

DIRECTORS

Titus Kitili Mbathi	-	Chairman
Simon Ngure	-	Acting Managing Director & CEO
Edward Njoroge	-	Managing Director & CEO (Retired on 30 June 2013)
Henry Rotich	-	Cabinet Secretary, National Treasury
Joseph Kinyua	-	Permanent Secretary, Treasury (Retired on 30 June 2013)
Eng. Joseph Njoroge	-	Principal Secretary, Ministry of Energy & Petroleum
Patrick Nyoike	-	Permanent Secretary, Ministry of Energy (Retired on 30 June 2013)
Sarah W. Wainaina		
Musa Ndeto		
George M. Njagi		
Dorcas F. Kombo		
Henry Nyamu M'Narobi		
Hedrick Masaki Omanwa		
Mary Goima Michieka		
Humphrey Muhu	-	Alternate to Henry Rotich
John Omenge	-	Alternate to Joseph Njoroge

SECRETARY

Rebecca Miano
Certified Public Secretary (Kenya)
Stima Plaza
Kolobot Road, Parklands
P.O. Box 47936 - 00100 GPO
NAIROBI

REGISTRARS

Image Registrars Limited
Barclays Plaza
Loita Street
P.O. Box 9287 - 00100 GPO
NAIROBI

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Stima Plaza
Kolobot Road, Parklands
P.O. Box 47936 - 00100 GPO
NAIROBI
TEL: 020-3666000

AUDITORS

Deloitte & Touché
Certified Public Accountants (Kenya)
Deloitte Place, Waiyaki Way
P.O. Box 40092 - 00100 GPO
NAIROBI

On behalf of:
The Auditor-General
Anniversary Towers
P.O. Box 30084 – 00100 GPO
NAIROBI

PRINCIPAL BANKERS

Barclays Bank of Kenya Limited
Naivasha Branch
P.O. Box 46661 - 00100 GPO
Nairobi

Citibank NA
Head Office, Upper Hill
P.O. Box 30711 - 00100 GPO
Nairobi

Kenya Commercial Bank Limited
Moi Avenue Branch
P.O. Box 24030 - 00100 GPO
Nairobi

Standard Chartered Bank Kenya Limited
Harambee Avenue Branch
P.O. Box 30003 - 00100 GPO
Nairobi

CfC Stanbic Bank Limited
Kenyatta Avenue Branch
P.O. Box 30552 - 00100 GPO
Nairobi

Commercial Bank of Africa Limited
Wabera Street Branch
P. O. Box 30437 - 00100 GPO
Nairobi

NIC Bank Limited
Head Office, Masaba Road
P.O. Box 48400 - 00100 GPO
Nairobi

The Co-operative Bank of Kenya Limited
Stima Plaza Branch
P.O. Box 48231 - 00100 GPO
Nairobi

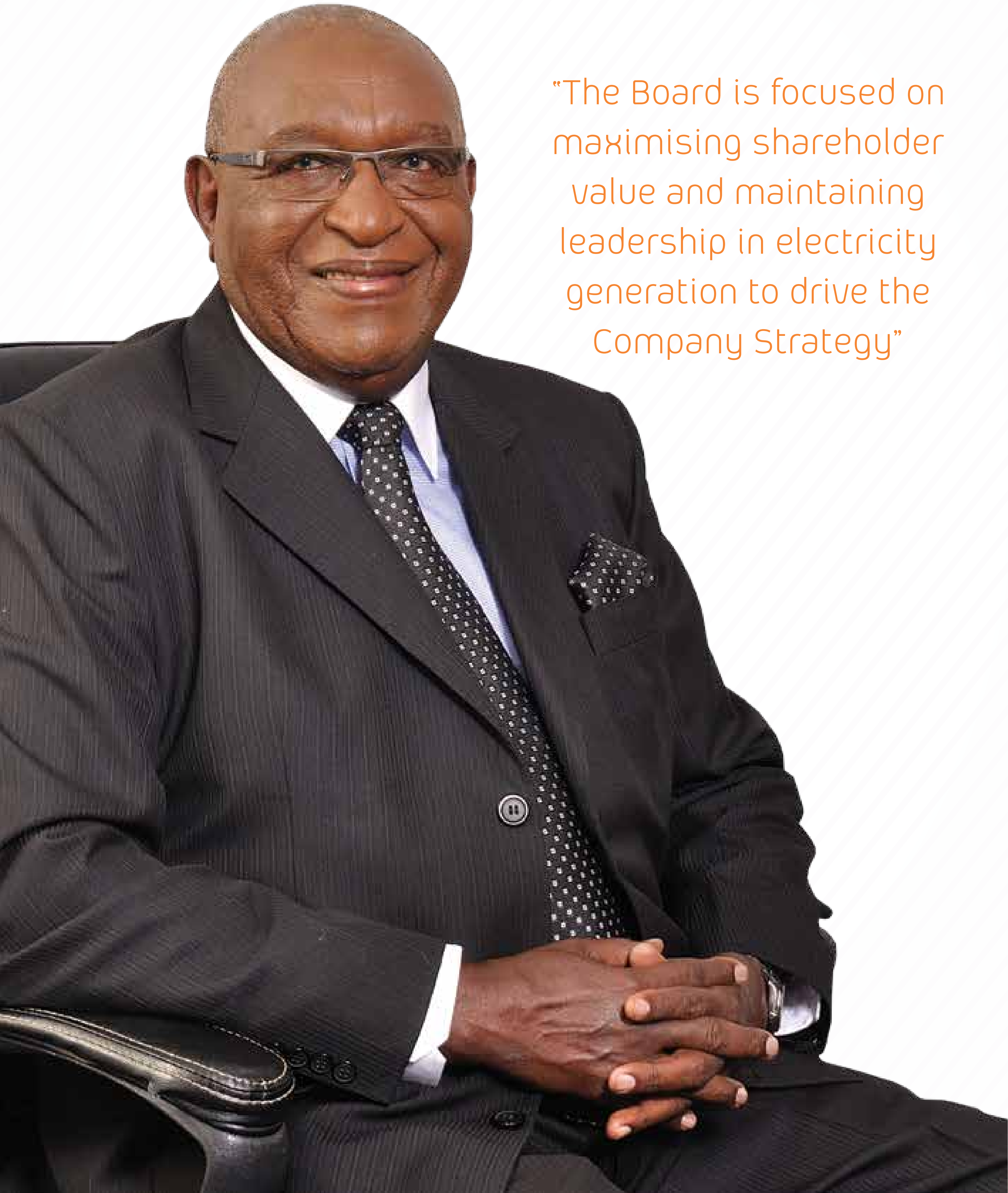
Leadership Overview

Leadership Overview

Leadership Overview

The Masinga Reservoir

Chairman's Message



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

Dear Shareholders,

I am delighted to report that KenGen has recorded another year of excellent financial performance. Our performance demonstrates that we are pursuing the right strategy and have the right leadership to continue to deliver consistent value to our shareholders.

Economic Environment

The Kenyan economy grew at a GDP rate of 4.6% in 2012 from 4.4 % in 2011. The average inflation rate reduced sharply to 4.6 as at June 2013 from 12.27 in June 2012. This was due to reduced lending rates, favourable foreign exchange rates and a decrease in international oil prices which greatly enhanced the business operating environment.

Strategy

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

Overview of Financial Results

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

Wenyehisa wapendwa,

Nina furaha kuripoti kuwa KenGen imepata kwa mwaka mwingine, matokeo bora ya kifedha. Matokeo yetu ni dhihirisho kuwa tunafuata mkakati ufaao na tuna uongozi unaofaa kuendelea kuunda thamani kwa wenyehisa wetu.

Hali ya Kiuchumi

Uchumi wa Kenya ulikua kwa asilimia 4.6 mnamo 2012 ikilinganishwa na asilimia 4.4 mnamo 2011. Kiwango cha wastani cha mfumko wa bei za bidhaa kilipungua maradufu hadi asilimia 4.6 kufikia Juni 2013 ikilinganishwa na asilimia 12.27 mnamo Juni 2012. Hali hii ilitokana na kupungua kwa viwango vya riba vya mikopo, viwango bora vya ubadilishanaji wa fedha za kigeni na kupungua kwa bei ya mafuta katika soko la kimataifa ambazo ziliimarisha pakubwa mazingira ya kibiashara.

Mkakati

Kutokana na miradi ya uzalishaji umememvuke na pia kutokana na upepo, tayari tunafanikisha azima yetu ya kupanua mbinu zetu za uzalishaji umeme kwa lengo la kupungua utegemeaji wa njia ya zamani ya uzajilishaji umeme kutokana na maji. Hii ni sambamba na mkakati wetu wa Bora hadi Bora Zaidi (G2G) wa kuongeza uwezo wetu wa uzalishaji ili kuinua ukuaji wa uchumi; kutoa mwelekeo kuhusu mazingira ya usimamizi ili kuboresha uzalishaji, kutumia njia bora za utendakazi na kupunguza gharama yote inayotokana na ufanisi wa taratibu zilizoimarishwa na muundo, tamaduni na taratibu za utendakazi.

Mukhtasari wa Matokeo ya Kifedha

Tuna furaha kuripoti kwamba, Kampuni ilipata faida nzuri kabla ya ushuru kufuatia kuzinduliwa kwa viwanda vya umeme vya Kindaruma MW 24 na Sang'oro MW 21.1 Kampuni ilipata faida kabla ya ushuru ya Ksh.4,093 milioni kufikia Juni 30, 2013, nyongeza ya asilimia 1.2 ikilinganishwa na Ksh.4,045 milioni kufikia Juni 30, 2012. Mapato yetu ya umeme yaliongezeka hadi Ksh.16,451 milioni, nyongeza ya asilimia 4 kufikia Juni 30, 2013 ikilinganishwa na Ksh.15,872 milloni kufikia Juni 30, 2012.

Chairman's Message

Dividends

The Board recommends a final dividend of Kshs.0.60 per share amounting to Kshs.1,319million. If approved at this annual general meeting, the dividend will be paid out on 31st January 2014 to those shareholders whose names appear in the members register as at the close of business on 18th December 2013.

Vision 2030

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

Hii pia ilipigwa jeki na nyongeza ndogo ya uwezo wetu wa uzalishaji hadi MW 1,239 kufikia Juni 30, 2013 kutoka MW 1,231 kufikia Juni 30, 2012.

Mgao wa Faida

Bodi inapendekeza mgao wa faida wa Sh0.60 kwa kila hisa wa jumla ya Sh.1,319 milioni. Ikiwa utaidhinishwa katika Mkutano huu Mkuu wa kila Mwaka, mgao huo utalipwa mnamo Januari 31, 2014 kwa wale wenyehisa ambao majina yao yatakuwa kwenye sajili ya wanachama kufikia mwisho wa shughuli za siku Desemba 18, 2013.

Ruwaza ya 2030

KenGen inatekeleza wajibu wake kikamilifu katika kufanikisha Ruwaza ya 2030. Tumeanzisha ustawishaji wa mradi wa kuzalisha MW 560 za umememvuke katika Olkaria sambamba na mipango yetu ya kadiri ya Ruwaza 2030. Kutokana na mahitaji makubwa ya umeme yanayotarajiwa kuafikia malengo ya 2030, KenGen inapanga kuongeza MW 700 za umememvuke katika miezi arobaini inayo.

Profile
Leadership Overview
Corporate Governance
Our Strategy
Sustainability
Financial Statements
Additional Information and Statistics
Shareholders Calendar

Community Participation

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

GoK Performance Contract

We continued to perform exceptionally well in our GoK Performance contract. Once again, KenGen achieved its Performance Contract targets as set out with the Government of Kenya by attaining its operational, financial and strategic goals. The Company retained a "very good" rating during the Government appraisal of all government agencies.

Financing

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

Conclusion

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

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

Hon. Titus K. Mbathi
EGH - Chairman/Mwenyekiti

Kushirikisha jamii

Kujitolea kwetu kwa washikadau na kuimarisha hali ya maisha ya jamii zinazopakana na vituo vyetu ni kiungo muhimu kwa hadhi yetu kama kampuni. Katika mwaka uliomalizika, KenGen ilishiriki katika shughuli za kiuchumi na kijamii ikiwa ni pamoja na miradi ya maji, vyoo, afya, elimu, utamaduni na michezo.

Kandarasi ya Utendakazi ya GoK

Tuliendelea kufanya vyema zaidi kwenye maktaba wetu wa Utendakazi na GoK. Kwa mara nyingine, KenGen ilitimiza malengo yake ya operesheni, kifedha na mikakati kama yalivyofafanuliwa kwenye mkataba wake na Serikali ya Kenya. Kampuni ilidumisha alama yake ya "Vyema zaidi" wakati wa tathmini iliyofanyiwa mashirika yote ya Serikali.

Ufadhili

Ili kutimiza maazimio yetu muhimu na mpango wa upanuzi wa uwezo wetu wa uzalishaji, tumeendelea kushauriana na taasisi tofauti za kufadhili miradi ya maendeleo ili kupata udhamini wa muda mrefu kufanikisha maono ya kampuni yetu kutoa umeme safi kwa bei nafuu katika eneo hili. Kwa mintaarafu hii, tungependa kutoa shukrani zetu kwa Serikali kwa kuendelea kutusaidia kupata mikopo nafuu kutoka nchi marafiki.

Hitimisho

Bodi inajitolea kusaidia wasimamizi kuwaajiri, kuwapa mafunzo na kudumisha wafanyikazi wenye ujuzi ufaao. Bodi pia inajitolea kuongeza thamani kwa wenyehisa na kudumisha uongozi wetu katika uzalishaji wa umeme nchini Kenya pamoja na kanda hii.

Ninachukua fursa hii kuwatakia Krismasi Njema na Mwaka Mpya wenye Ufanisi.

Acting Managing Director & CEO's Letter to Shareholders

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

Ujumbe kutoka kaimu Mkurugenzi Mkuu na Afisa Mkuu Mtendaji

KenGen is gearing to realize its vision of becoming the market leader in the provision of reliable, safe, quality and competitively priced electric energy in the Eastern Africa Region.

We have been relently pursuing our strategy to realize this vision. We have transformed the way we manage all our functions. We are optimizing the resources available to us, laying the foundation for a leaner more agile utility that makes a growing contribution to our economy. Indeed a lot more of work remains ahead of us. We have stepped up to meet our role in the Government's 5000MW+ capacity addition in 40 months. Our capacity addition projects are aligned with the country's medium term and Vision 2030 energy targets. We are also re-engineering our operations to ensure optimized and leaner processes.

Our Competitive Environment

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

Our ability to deliver on our vision strongly depends on having in place the right regulatory environment that favours generation growth. As a key player in a highly regulated power industry, we cannot be successful on our own. Our success and that of the industry are inextricably linked. The country needs new regulatory enabling frameworks to rapidly expand power generation to meet industrialization demand.

We are therefore interested in ensuring that the industry

KenGen inajiandaa kutimiza maono yake ya kuwa kiongozi katika utoaji wa umeme wa kutegemewa, safi, wa kiwango cha juu na bei nafuu katika kanda ya Afrika Mashariki. Tumekuwa tukitegemea nguzo zetu muhimu za mikakati kufanikisha maono hayo. Tumebadilisha namna tunavyosimamia shughuli zetu zote. Tunatumia kwa njia ifaayo raslimali zilizopo, kuweka msingi kwa shirika lenye muundo mdogo, lenye nguvu ambalo mchango wake kwa ukuaji wa nchi unaimarika. Hata hivyo, bado kuna changamoto nyingi mbele yetu. Tumejitolea kutoa mchango wetu kwa azima ya Serikali kuongeza uwezo wa uzalishaji kwa MW 5,000 katika muda wa miezi 40. Miradi yetu ya kuongeza uwezo wa uzalishaji inaambatana na malengo ya kadiri ya ruwaza ya 2030 ya mahitaji ya umeme. Pia tunabadilisha operesheni zetu kuhakikisha mifumo inayotumika ipasavyo na kupunguza gharama. Kutokana na utaratibu huu wa mabadiliko, tumelazimika kufanya maamuzi magumu kutekeleza mikakati yetu muhimu katika mazingira yenye ushindani mkubwa.

Mazingira yetu yenye ushindani

Vichochezi vikuu vinavyoongeza mahitaji ya umeme ni kuongezeka kwa idadi ya watu na maendeleo ya kiuchumi. Serikali imeanzisha mpango mkubwa zaidi katika historia ya nchi hii wa kuzalisha umeme. Shabaha ni kuongeza mitambo zaidi ya kuzalisha MW 5,000 za umeme katika muda wa miezi 40. Wakati mpango huu utakapokamlika, Kenya itakuwa nchi tofauti kabisa, uchumi wa Kenya utapanuka pakubwa na kusukuma nchi kuwa taifa lenye mapato ya kadiri. Hii itakuwa na manufaa makubwa kwa viwanda na watu wetu. Umeme utakuwa nafuu na wa kutegemewa, kiungo muhimu kwa chumi zenye mapato ya kadiri.

Uwezo wetu wa kufanikisha maono yetu unategemea pakubwa na kuwepo kwa mazingira yaafayo ya kisheria ambayo yanainua uzalishaji. Kama mshiriki mkubwa katika sekta hii ya kawi iliyo chini ya sheria nyingi, hatuwezi kufanikiwa kivyetu. Ufanisi wetu na ule wa sekta nzima unategemeana. Nchi inahitaji mifumo ya kisheria inayofanikisha upanuzi wa uzalishaji umeme ili is well structured and regulated to secure sustainable growth of all key players in the industry. Moreover, as a parastatal and company listed on the Nairobi Securities Exchange, the Company has a large group of diverse stakeholders, often with very different interests. We are therefore carefully managing these stakeholders in order to deliver value. As a result, regulatory management is a key pillar of our Good to Great transformation strategy.

Access to quick sources of funds is key in energy projects. To attract the high investment capital required in power generation will inevitably require a more enabling public-private-partnership regulatory framework. In 2013 we placed an expression of interest for development of 560MW geothermal power plant in Olkaria through public private partnership. We believe that this will be one of the best avenues for rapid power development. It combines large capital investment readily available from private capital and significant risk reduction by working with a public firm with a solid financial track record.

Financial Performance

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

For 2013, we paid Kshs.1,129 million in plant operation and maintenance, spent Kshs.2.31 billion on supply of goods and services and Kshs.153 million on corporate social investment and responsibility. Our total dividend distribution was Kshs.1,319 million – and we were pleased to declare a final dividend of Kshs.0.60. We have consistently paid dividends since listing on the Nairobi Securities Exchange.

These outcomes are in no small measure due to the fact that the business of power generation generally involves capped margin and therefore optimal utilization of resources and continuously finding innovative

kutosheleza mahitaji ya ustawi wa kiviwanda. Hivyo basi tunajitolea kuhakikisha kuwa sekta hii ina miundo ifaayo na usimamizi bora ili kustawi kwa njia ya kutegemewa kwa wahusika wote wakuu katika sekta hiyo. Isitoshe, kama shirika la kiserikali na kampuni iliyoorodheshwa kwenye Soko la Hisa la Nairobi, Kampuni ina kundi kubwa la washikadau mbalimbali, mara nyingi wenye matarajio tofauti. Hivyo basi, tunahitaji kuwashughulikia washikadau hawa kwa uangalifu ili kutoa thamani kwao. Kutokana na hali hiyo, usimamizi wa kisheria ni nguzo muhimu katika mkakati wetu wa mabadiliko kutoka Kampuni Bora hadi Bora Zaidi. Kufikia vyanzo vya mtaji wa haraka ni muhimu kwa miradi ya umeme. Ili kuvutia mtaji wa uwekezaji unaohitajika katika uzalishaji wa umeme, bila shaka kunahitajika mfumo wa ushirikiano zaidi wa sekta za umma na kibinafsi. Mnamo 2013, tulitangaza nia yetu ya kustawisha kiwanda cha kuzalisha MW 560 za umememvuke katika Olkaria kupitia ushirikiano wa sekta ya umma na kibinafsi. Tunaamini hii ni njia bora zaidi ya kustawisha kwa haraka uzalishaji umeme. Inajumuisha mtaji mkubwa wa uwezekaji unaopatikana kwa urahisi katika sekta ya kibinafsi na kupunguzwa kwa hatari zilizopo kwa kufanya kazi na shirika la umma lenye msingi imara kifedha.

Matokeo ya Kifedha

Nina furaha kuripoti kwamba uzalishaji wa umeme katika mwaka uliomalizika ulipanda kwa asilimia 11, na muhimu zaidi, kukaribia shabaha yetu ya GWh 6,022. Tuliongeza faida yetu baada ya ushuru kwa asilimia 86 hadi Sh.5.250 milioni na nyongeza ya asilimia 87 ya mapato kwa kila hisa ya senti 2.39. Gharama zetu za usimamizi zilipunguzwa.

Katika 2013, tulilipa Sh.1,129 milloni katika operesheni na utunzaji, Sh.2.31 bilioni katika uagizaji wa bidhaa na huduma na Sh.153 milioni katika mpango wa uwajibikaji wa kampuni kwa jamii. Jumla ya mgao wetu wa faida ulikuwa Sh.1,319 milioni- na tuna furaha kutangaza mgao wa faida wa mwisho wa Sh.0.60. Tumekuwa tukiwalipa wenyehisa wetu mgao wa faida bila kukosa tangu tuorodheshwe katika Soko la Hisa la Nairobi.
Matokeo haya si ufanisi mdogo kwa kuwa faida katika

solutions. We believe that the various programmes and initiatives that we have in place to motivate staff and to train and develop our people have contributed to this solid performance. In order to sustain these levels of performance, especially in a competitive environment and with the ever-increasing demands of social and environmental capital, we have to maintain sustainable approach and establish a clear and enduring alignment between the objects of financial, social and environmental capital. We are therefore committed to sustainable development, both as a core value and as a key strategic imperative in deciding the deployment of capital and resources.

Controlling Cost

For KenGen, the past few years have been a period of both introspection and deliberate action, including a comprehensive examination of our business processes and practices, a disciplined focus on cost reduction and optimizing resources. We never lose sight of the fact that we are stewards of an industry-leading company that was built over 59 years. This means that while we have an obligation to meet the near-term demands of the current environment in which we operate, we need to focus on creating a sustainable path to keep delivering power from generation to generation.

We acknowledge that affordable power is a key component to competitiveness of Kenyan industries both locally and globally. We have therefore responded by reducing costs across all our functions and proactively managing our capital. We will take additional action in the coming year to ensure all power plants being constructed will be highly automated in line with our performance contract.

A significant element of providing healthy returns is a disciplined focus on expenses. We have continued to investment in a broad set of ICT platforms that have enabled automation our business processes. This has paid off. At the same time, we have increased the

biashara ya umeme huwa imewekwa kwenye kiwango fulani na hivyo, huhitaji matumizi bora ya raslimali na kuendelea kubuni mikakati mipya ya kibiashara.

Tunaamini kuwa mipango tofauti tulioanzisha ya kuwatia shime wafanyikazi na kuwapa mafunzo watu wetu imechangia katika matokeo haya bora. Ili kudumisha viwango hivi vya ufanisi, hasa katika mazingira yenye ushindani mkubwa ambapo mahitaji ya mtaji wa kijamii na kimazingira yanaongezeka, hatuna budi kudumisha mbinu hii huku tukianzisha mfumo unaombatanisha mahitaji ya kifedha, kijamii na kimazingira. Hivyo basi, tunajitolea kuafikia maendeleo ya kutegemewa kama maadili muhimu na pia kiungo muhimu cha kutuelekeza tunakotumia mtaji na raslimali zetu.

Kudhibiti Gharama

Kwa KenGen, miaka michache iliyopita imekuwa kipindi cha kutafakari na kuchukua hatua mahususi, ikiwemo tathmini kamili ya taratibu za biashara zetu, azimio la kupunguza gharama na matumizi bora ya raslimali. Huwa tunafahamu kuwa sisi ni wasimamizi wa kampuni inayoongoza iliyoundwa katika muda wa miaka 59. Hii inamaanisha kuwa, tuna wajibu wa kutimiza mahitaji ya karibu ya mazingira tunakohudumu, tunahitaji kuunda njia ya kutegemewa ya kuendelea kuzalisha umeme kutoka kizazi kimoja hadi kingine. Tunatambua kuwa umeme nafuu ni kiungo muhimu katika ushindani wa bidhaa zinazoteng'enezwa na viwanda vya Kenya nchini na kimataifa. Tumeitikia hilo kwa kupunguza gharama katika operesheni zetu zote na kutunza vyema mtaji wetu. Tutachukua hatua zaidi mwaka ujao kuhakikisha viwanda vyote vya umeme vinavyojengwa vitakuwa vinajiendesha sambamba na kandarasi yetu ya utendakazi.

Mbinu bora zaidi ya kuhakikisha mapato ni mazuri ni kupunguza kikamilifu gharama. Tuliendelea kuwekeza katika mitambo tofauti ya tekinolojia ya mawasiliano ambayo imetuwezesha kuwa na mfumo wa kibiashara unaojiendesha. Hatua hii imeanza kuzalisha matunda. Vile vile, tumeongeza idadi ya wafanyikazi katika ustawi wa

Acting Managing Director & CEO's Letter to Shareholders

number of people in geothermal resource development. The number of our people in this department has nearly doubled, and today represents 29 percent of the company's population. These engineers, scientists and technicians are charged with strategic activities aimed at delivering 280MW of geothermal power by September 2014 and 560MW by 2018.

Building New Capacity

In 2008 we launched a major capacity expansion programme stretching over 3 horizons to 2018. This was on the burning platform that as the leading provider of electric power in Kenya, KenGen needed to play a central role in successfully addressing the power situation in Kenya. We aim to add at least 3,000MW of generating capacity to our fleet by 2018. In the last five years, we have commissioned 325MW and a further 247MW will be commissioned by June 2014.

A further 70MW will be commissioned in September 2014. This will bring the total amount of additional capacity that KenGen has delivered since 2008 to 659 MW.

The 5MW geothermal wellhead power plant installed in 2012 is the first of 14 such power plant to be built in Kenya utilizing pioneering technology that enables mobile deployment of power plants with the shortest construction period. We are well underway to deliver 70 MW of early geothermal power generation through these mobile power plants by 2015. We will add 700MW of power generation capacity, by June 2016. Construction of 280MW of geothermal power in Olkaria is on schedule.

In line with our strategy to keep in tune with the current technology, improve efficiency and optimize output of the current power plants. We contracted consultants in 2007 to carry out feasibility of optimization of hydro plants along Tana River. In 2010 we upgraded Kiambere power station by 24MW thereby increasing its power output from 144MW to 168MW. Then in 2011 we

raslimali za umememvuke. Idadi ya wafanyikazi katika idara hii imeongezeka marudufu, na kwa sasa ina asilimia 29 ya wafanyikazi wote wa Kampuni. Wahandisi, wanasayansi na mafundi hao wamepewa majukumu muhimu yenye lengo la kuzalisha MW280 za umememvuke kufikia Septemba 2014 na MW 560 kufikia 2018.

Kujenga Viwanda vipya vya Uzalishaji

Mnamo 2008 tulianzisha mpango mkubwa wa upanuzi wa uwezo wetu wa uzalishaji unaohusisha maeneo matatu hadi 2018. Hii ilitokana na msukumo mkubwa kama kiongozi katika uzalishaji wa nguvu za umeme Kenya, KenGen ilihitaji kutekeleza wajibu mkubwa katika kushughulikia mahitaji ya umeme Kenya. Tunakusudia kuongeza angalau MW 3,000 kwa viwanda vyetu vingine kufikia 2018. Kwa miaka tano iliyopita, tulianzisha kiwanda na kuzalisha MW 325 na nyongeza ya MW 247 inatarajiwa kuzalishwa kufikia Juni 2014.

Pia MW 70 itazalishwa Septemba 2014. Hii itafikisha jumla ya umeme wa ziada unaozalishwa na KenGen tangu 2008 hadi MW 659.

Kiwanda cha muda cha umememvuke cha MW 5 kilichojengwa 2012 ni cha kwanza kati ya vingine kumi na nne vitakavyojengwa Kenya kwa kutumia tekinolojia mpya inayowezesha kutumiwa kwa viwanda kwa muda mfupi zaidi. Tumo mbioni kuzalisha MW 70 za umememvuke kupitia kwa viwanda hivi kufikia 2015. Tunaongeza uwezo wetu wa uzalishaji kwa MW700 kufikia Juni 2016. Ujenzi wa kiwanda cha umememvuke cha Olkaria kitakachozalisha MW280 unaendelea kama ilivyopangwa.

Sambamba na mkakati wetu wa kukumbatia teknolojia ya kisasa, kuimarisha utendakazi na kutumia ipasavyo viwanda vilivyopo vya umeme. Tuliteua washauri mnamo 2007 kufanya uchunguzi kuhusu uwezekano wa mradi kuimarisha matumizi ya viwanda vilivyomo kwenye mto Tana. Mnamo 2010, tulipanua kiwanda cha Kiambere kwa MW 24 na hivyo kuongeza uzalishaji wake kutoka MW 144 hadi MW 168. Na mnamo 2011, tulizindua uzalishaji commissioned 20MW at Tana Power Station. In 2013 we upgrade Kindaruma hydro power plant from 40MW to 72MW, an additional 32MW installed in the same powerhouse that was built in 1968. This project was not only achieved on schedule but also slightly below budget. It is part of our US $5 billion 5 year expansion strategy.

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

Fleet Availability

Our business model depends on the availability of our plants to meet the country's demand. We therefore have teams working around-the-clock at all our sites to ensure an uninterrupted availability of our power plant. We put our power plants on SCADA, a computerized system that enables us remotely monitor our plant operations. Remote monitoring reduces the size of onsite deployment requirements and significantly reduces cost of running the plant as it provides an early fault detection system on the condition of the machine and we can therefore take action before a breakdown occurs. This helps us to prevent extensive breakdowns, costly repairs and unnecessary power outages.

Optimizing maintenance practices and instituting efficient operational processes has improved our fleet availability. The performance availability for all hydro power plants was 97.85% against a target of 95%. Wind - The plant achieved 95% availability. Thermal plants had an average availability of 92%. Geothermal plants performance availability was 99.00% against a target of 97%.

Sustainable Development: Our Technology

wa MW 20 katika kituo cha umeme cha Tana. Mnamo 2013, tulipanua kiwanda cha umeme cha Kindaruma kinachozalisha MW 40 hadi MW 72, na hivyo MW 32 zaidi kwenye kiwanda hicho kilichojengwa 1968. Mradi huu ulikamilishwa kwa wakati ufaao na pia chini ya bajeti iliyowekwa. Ni sehemu ya mkakati wetu wa upanuzi wa miaka mitano utakaogharimu Dola 5bilioni.

Kuhusu upepo, tunaendelea kustawisha Awamu ya Pili ya MW 20.4 katika eneo la Ngong-Ujenzi umeanza na uzalishaji wa MW 6.8 utazinduliwa mnamo Machi 2014. na MW 13.6 mnamo Septemba 2014. Hii itafikisha jumla ya umeme unaozalishwa kutokana na upepo Ngong hadi MW 25.5. Ukusanyaji wa data kuhusu upepo unaendelea katika maeneo kumi na mawili tofauti kote nchini. Tunatarajia kuwa na kiwanda cha kuzalisha MW 100 za umeme kutokana na upepo katika eneo la Meru kufikia 2016. Uchunguzi kuhusu uwezekano wa mradi huu umekamilika na mipango inaendelea kuanzisha ujenzi wake.

Viwanda Vyetu

Muundo wetu wa kibiashara unategemea uwezo wa viwanda vyetu kutosheleza mahitaji ya nchi ya umeme. Hivyo basi, tuna makundi yanayofanya kazi kila wakati katika viwanda vyetu vyote kuhakikisha kuna umeme. Viwanda vyetu vya umeme vimo kwenye mfumo wa SCADA, mfumo wa komputa unaotuwezesha kufuatilia kwa mbali operesheni zote za viwanda vyetu. Mfumo huu unapunguza idadi ya wafanyikazi wanaoajiriwa katika viwanda tofauti na kupunguza kwa kiwango kikubwa gharama za kuendesha kiwanda kwa kuwa unatoa tahadhari ya mapema kuhusu hali ya mitambo na hivyo hatua zifaazo kuchukuliwa kabla ya kiwanda kuharibika kabisa. Hii inasaidia kuzuia uharibifu mkubwa, gharama za juu za ukarabati na kupotea kwa umeme mara kwa mara.

Kutumia mbinu zifaazo za utunzaji na kutumia taratibu zinazohitajika katika operesheni zetu kumeimarisha utendakazi katika viwanda vyetu. Viwanda vyote vya kutumia maji viliafikia utendakazi wa asilimia 97.85

Acting Managing Director & CEO's Letter to Shareholders

While tactical and strategic actions are always important, ultimately, our success begins and ends with delivering value. It is imperative that we diversify our sources of growth. Globally, innovation is recognized as the driving force towards lasting sustainable prosperity. The focus of our business going forward is to find innovative solutions to grow and continuously improving our processes and systems. we intend to do this with far greater efficiency as we focus on research and development with the aim of leveraging our existing resources to deliver value.

Our innovation team is implementating various initiatives identified that would reduce our operational costs as well conducting feasibility studies to see if we can recover energy from brine, a by product of geothermal power. If successful we aim to pilot a 40MW combined cycle geothermal power plant running on brine. Research & Development is helping us address how best to use our technology in the areas of operations and maintenance.

Sustainable Development: Our People

We have always recognized that the quality of our people differentiates us and will serve as the cornerstone of our success. The strength of our business has always been defined by the quality of our people and our performance-driven culture.

In this regard our focus is on employee empowerment, and youth development. To this end we established, a graduate trainee programme of developing new engineers who join the organisation as well as provide training and development to all our staff at least once a year to acquire additional skills and knowledge and develop toward a knowledge-based labour force. For undergraduates and college students we have a vibrant internship program to impart work based skills and exposure to these young people as they get ready to join the work-force.

We are also running a scholarship program for selected

dhidi ya kiwango kilichowekwa cha asilimia 95. Kiwanda cha Upepo kiliafikia ufanisi wa asilimia 95. Viwanda vya umemejoto vilikuwa na ufanisi wa kadiri wa asilimia 92. Viwanda vya umememvuke vilikuwa na utendakazi wa asilimia 99 dhidi ya kiwango kilichopendekelewa cha asilimia 97.

Ustawi wa kutegemewa:Tekinolojia yetu

Ingawa mbinu na mikakati yetu ni muhimu kila wakati, hatimaye ufanisi wetu unaanza na kumalizika kwa kutoa thamani kwa wenyehisa. Ni muhimu kupanua vyanzo vya ukuaji wetu. Kimataifa, uvumbuzi unatambuliwa kama kichochezi kikubwa kinacholeta ustawi wa kudumu. Kuendelea mbele, azima yetu ni kutafuta njia za kisasa za kupanua na kuendelea kuinua mifumo na taratibu zetu. Tunapania kufanya hayo kwa weledi mkubwa huku tukiangazia zaidi utafiti na ustawi kwa lengo la kutumia ipasavyo raslimali zetu zilizopo kuzalisha mali.

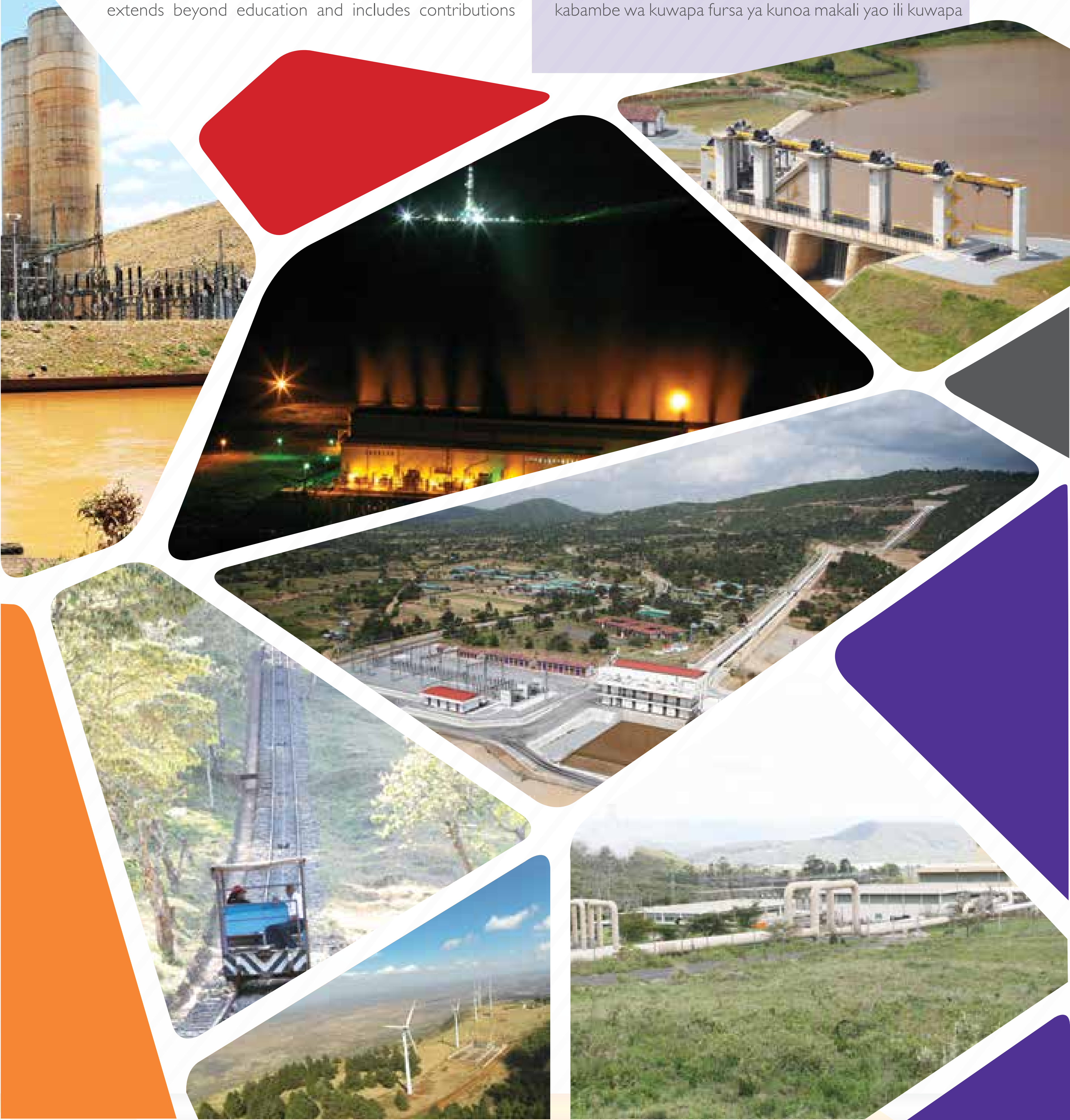
Kundi letu la ubunifu linajihusisha na utekelezaji wa mipango tofauti iliyotambuliwa ambayo itapunguza gharama za utendakazi pamoja na kufanya uchunguzi kuhusu uwezekano wa kupata umeme kutokana na mabaki ya umememvuke. Ikiwa utafaulu, tunapanga kufanyia majaribio uzalishaji wa MW40 kutokana na kiwanda kinachoendeshwa na mabaki hayo ya umememvuke. Utafiti na Maendeleo inatusaidia kuamua njia bora zaidi ya kutumia tekinolojia yetu katika nyanja za operesheni na utunzaji.

Ustawi wa Kudumu: Watu wetu

Wakati wote tunatambua kuwa ujuzi wa watu wetu unatutofautisha na utakuwa nguzo ya ufanisi wetu. Uthabiti wa biashara yetu umefafanuliwa na ubora wa watumishi wetu na utamaduni wetu unaoongozwa na utendakazi.

Kufuatia hayo, malengo yetu ni kuwapa wafanyikazi ujuzi na kuwakuza vijana. Kwa mintarafu hii, tumeanzisha mpango wa kutoa mafunzo maalumu kwa wahandisi chipukizi wanaojiunga na shirika hili pamoja na kuwapa schools in communities around our installations. We provide automatic employment to any of the students that we sponsor who attains a first class degree. The social capital development into surrounding communities extends beyond education and includes contributions

fursa wafanyikazi wote angalau mara moja kwa mwaka kupokea vipawa zaidi na maarifa yanayohitajika kwa lengo la kuwa na watumishi walio na maarifa ya kutosha. Kwa wale wanaoendelea na masomo chuoni, tuna mpango kabambe wa kuwapa fursa ya kunoa makali yao ili kuwapa



towards hardship alleviation and enhancing quality of life; examples include water projects and food supplies during drought seasons.

On the personal wellness front we have been building a campaign in recent years to encourage our employees to make informed life choices and to do the right thing. Beginning with the health awareness talks to routine wellness health checks. These programmes reinforce the concept of living one's best life, both at work and in the home – and setting the right example for younger generations. We have also, had independent counselling and advisory service, to provide support for employees in a number of important areas including health and financial management.

Change of Leadership

After 10 years at the helm in KenGen as Managing Director and CEO, Eddy Njoroge announced his retirement during the 2012 AGM. He retired from the Company at the end of June 2013.

Eddy helped transform the company's strategy, structure and operations. During his tenure he navigated the company through a period of unprecedented market regulation reforms and change. He steered the company's listing on the Nairobi's Securities Exchange and his leadership saw the company raise capital to aggressively grow our power generation capacity. Eddy represents the very best of KenGen, and will remain an example of rigor, work ethic, collegiality and decency for many years to come. We thank Eddy for his remarkable service.

Securing the Future

The global economic crisis has intensified public debate on how quickly countries should embrace clean-energy technologies on a large scale, particularly in light of the cost implications for governments, businesses and households. KenGen remains committed to reducing

fursa ya kupata ufahamu wanapojiandaa kufanya kazi.

Pia tunaendesha mpango wa kutoa ufadhili katika baadhi ya shule zilizo katika jamii tunakoendesha biashara zetu. Tunamwajiri moja kwa moja mwanafunzi yeyote tunayemdhamini na anayepata digirii ya daraja la kwanza. Mchango wetu kwa jamii zinazopakana na mitambo yetu ni zaidi ya elimu na unahusisha mchango wa kupunguza umaskini na kuimarisha hali ya maisha; mifano ni miradi ya maji na chakula cha msaada wakati wa kiangazi.

Kuhusu afya ya wafanyakazi, tumekuwa na kampeni katika miaka ya hivi punde ambapo tumekuwa tukihimiza wafanyikazi wetu kufanya maamuzi yafaayo kuhusu maisha na kufanya yale yanayofaa. Kuanzia mazungumzo kuhusu uhamasisho wa uchunguzi wa kiafya, mipango hii inaimarisha dhana ya kuishi maisha mema kazini na pia nyumbani- na kutoa mfano mwema kwa vijana.Tumekuwa pia na huduma ya mwongozo na ushauri nasaha, kutoa msaada kwa wafanyikazi wetu katika fani zote muhimu za maisha ikiwemo afya na utunzaji wa fedha.

Mabadiliko ya Uongozi

Baada ya miaka 10 usukani kama Mkurugenzi Mkuu na Afisa Mkuu Mtendaji wa KenGen, Eddy Njoroge alitangaza kustaafu kwake wakati wa Mkutano Mkuu wa kila Mwaka wa 2012. Alistaafu kutoka kwa Kampuni mwishoni mwa Juni 2013.

Eddy alisaidia kubadilisha mkakati wa kampuni, muundo na operesheni zake. Katika enzi zake, aliongoza kampuni katika kipindi ambapo kulikuwa na mabadiliko ya kisheria katika soko la hisa. Aliongoza Kampuni hadi ikaorodheshwa kwenye Soko la Hisa la Nairobi na usimamizi wake uliwezesha kampuni kutafuta mtaji wa kupanua uwezo wetu wa uzalishaji umeme. Eddy ni nembo ya ubora wa KenGen na atazalia mfano wa ukakamavu, uchapakazi, ushirikiano na uadilifu kwa miaka mingi ijayo. Tunamshukuru Eddy kwa huduma yake ya kufana.

its environmental footprint and reducing its carbon emissions.

We know that challenges lie ahead but we remain focused on achieving our vision of providing a reliable, safe and affordable supply of electricity for Kenyans. We recognise that our customers rightfully demand high standards of performance. In the coming year, we will continue to make progress on our strategy implementation and manage the complex set of associated risks. We will re-engineer how our business works within the revenue level allowed by the regulator and respond to government's forthcoming decisions on long-term build commitments. Meeting our objectives in this context means looking at what we can do – and what we cannot do – and making decisions about the necessary trade-offs.

Appreciation

I extend my appreciation to the Government including National Treasury, the National Assembly and our parent ministry, the Ministry of Energy & Petroleum for their continued support and insights. I would also like to thank the KenGen Board of directors and the Executive Management Committee for their determination and commitment to the company.

Above all, I extend my thanks to all KenGen's 2,063 employees, who have made it possible to keep the lights on and are continuously working to ensure we bring on stream all power projects in the pipeline. Over the next year, Kenya will rely on this highly talented team to use all the skills and resources at our disposal to ensure that we meet our targets.

Eng. Simon Ngure
Acting Managing Director & CEO

Kujiandaa kwa siku sijazo

Msukosuko wa kiuchumi kote duniani umechochea mdahalo kuhusu ni kwa kasi gani mataifa yanapasa kukumbatia teknolojia inayozalisha kawi safi kwa kiwango kikubwa, hasa kutokana na gharama kubwa kwa serikali, biashara na wananchi. KenGen inajitolea kupunguza uharibifu wa mazingira na kupunguza utoaji wa hewa ya kaboni.

Tunafahamu kuwa kuna changamoto kadha mbele yetu lakini tunamakinika kufanikisha maono yetu ya kutoa umeme wa kutegemewa, salama na nafuu kwa Wakenya. Tunatambua kuwa wateja wetu wana kila haki kudai viwango vya juu vya utendakazi. Katika mwaka ujao, tutaendelea kupiga hatua katika utekelezaji wa mkakati wetu na kukabiliana na hatari zinazoambatana. Tunapiga msasa namna biashara yetu inavyoendeshwa katika viwango vya mapato vilivyoruhusiwa na sheria na kuitikia kwa maamuzi yajayo ya serikali kuhusu miradi ya muda mrefu. Ili kufanikisha malengo yetu katika mukhtada huu yamaanisha kuwa tuangalie kile tunachofanya- na kile hatuwezi kufanya- na kufanya maamuzi yanayofaa.

Shukrani

Ninatoa shukrani zangu kwa Serikali na wizara mlezi- Wizara ya Kawi na Mafuta kwa kuendelea kutuunga mkono na kutoa mwelekeo. Ningependa pia kutoa shukrani kwa Bodi ya Wakurugenzi wa KenGen na Kamati ya Wasimamizi kwa kujitolea kwao kuhudumia Kampuni.

Na zaidi ya hayo, ningetoa shukrani zangu kwa wafanyikazi 2,063 wa KenGen, ambao wamewezesha mwangaza kuendelea kuwaka na wanajikakamua kuhakikisha miradi yote iliyopangwa inakamilika kwa wakati ufaao. Katika mwaka ujao, Kenya itategemea kundi hili lenye vipawa kutumia ujuzi na raslimali tulizo nazo kuhakikisha malengo yetu yanafikiwa.

Executive Management Team

Acting Managing Director & Chief Executive Officer – Eng. Simon Ngure, Bsc(Hons) Mechanical Engineering, Dip Geothermal, Dip Project Management, Certified Energy Manager(CEM)

Responsible for the running of the Company to ensure that the mission is achieved and efficacy of the business is optimized. The CEO is accountable for the Company's actions, security of resources as well as ensuring execution of the identified corporate strategy for long term competitiveness. In addition to representing the management position on the Board, the MD & CEO chairs and supervises the Executive Committee (ExCo) comprising six divisional directors.

Departments: All Divisional Directors, Internal Audit & Risk Management (administratively though it reports to the Board Audit & Risk Management Committee),Transformation Monitoring Office and Security & Integrity

Business Development & Strategy Director – Eng. Albert Mugo, BSc (Hons) Electrical Engineering, MBA (Strategic Management)

Responsible for planning and effective implementation of all capacity expansion projects as well as driving the aggressive geothermal exploitation plan. In-charge of projects identification in line with national demand forecast, ensuring fast and prudent channelling of projects in the stage-gate process; from concept through feasibility, design, construction and commissioning of power plants.

Departments: Capital Planning & Strategy, Geothermal Resource Development and Project Execution

Company Secretary / Legal & Corporate Affairs Director – Rebecca Miano, OGW, LLB(Hons), Dip in Law KSL, pg Dip Comparative Law, CPS (K)

Responsible for providing guidance and support to the Board and is the secretary to the Board and all its Committees. In-charge of establishing and enforcing the corporate governance framework of the company and safeguarding shareholders' interests. Legal counsel of the company and ensures the company is represented positively and credibly to the external environment. Custodian of the company interests in regard to property and indemnity. Responsible for corporate social responsibility and community relations.

Departments: Company Secretary, Legal, Insurance, Corporate Affairs, Property and Shares & Securities

Regulatory Affairs Director

Also responsible for spearheading the company's interaction with the energy regulatory environment. In-charge of value levers in regard to dispatch requirements and Power Purchase Agreements while steering the deregulation process to maximize value for KenGen by engaging key stakeholders (energy sector players, regulators, neighbouring communities). Championing prudent and sustainable management of the environment and reinforcement of the quality guarantees and safety practices.

Departments: Regulatory Affairs, Technical Assurance & Quality and Environment & CDM

Executive Management Team

Finance & Commercial Director – John Mudany, BCom(Hons), MBA, MIBA (International Business), FCPAK

Responsible for the company's finances, provident supply chain and information communication systems. In-charge of planning, sourcing and management of financial resources to achieve corporate objectives. Responsible for the prudent acquisition of company resources and maintain a robust ICT system to support the operations of the company. Responsible for purchasing & logistics for all company requirements.

Departments: Finance, ICT, Supply Chain and Corporate Finance

Human Resources & Administration Director – Beatrice Soy, BEd(Hons), MEd(Management), Fellow IHRM

Responsible for Human Capital Planning, Recruitment, Development, Performance Management, Reward and Wellness and Employee Relations. Responsible for Management of Company Facilities, Logistics and Fleet.

Departments: Human Resources, Performance Management and Administration

Operations Director – Eng. Richard Nderitu, BSc(Hons) Mechanical Engineering

Responsible for operations at all power generating plants. In-charge of optimized maintenance programs to guarantee the declared plant availability. Ensures efficient and synchronized operations with the transmitter. Implements operational improvements to increase reliability, capacity and optimize costs. Co-ordinates power dispatch and maintains data for billing purposes.

Departments: Eastern Hydros, Geothermal, Thermal, Wind, Technical Services and Western Hydros.

Corporate Governance

Corporate Governance

The KenGen Board of Directors during the e-Board Training

The Board

Hon. Titus Kitili Mbathi EGH

Hon. Mbathi, Chairman of the Board, born in 1928 holds a BA (Hons) Economics degree, from Madras University, India and an MA degree in Economics from New York University, USA. He has previously been a Minister of Labour and Permanent Secretary in various ministries and served on several boards. Hon. Mbathi is currently a Director of Athi River Mining Ltd, Platinum Credit Ltd, Agripro Kenya Limited and several other companies.

Eng. Simon Ngure

Engineer Simon Ngure, Acting Managing Director & CEO, born in 1962 holds a BSc (Hons) Mechanical Engineering from the University of Nairobi. He also holds a Diploma in Geothermal, Diploma in Project Management and is a Certified Energy Manager (CEM). He is member of various local and international professional institutions from which he is consulted by local and international organizations such as Synchroconsult of Kenya, Reuters Insight of London, UK and Guide Point Global Advisors of New York, USA. He is also a resource person and public speaker in a number of disciplines and serves as a board member of a youth organization, among other servant leadership engagements.

Henry Rotich

Mr. Henry K. Rotich is the Cabinet Secretary for National Treasury, born in 1969, holds a Master's Degree in Economics and a Bachelor's Degree in Economics (First Class Honours), both from 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, Ministry of Finance since March 2006. Under this capacity he was involved in formulation of macroeconomic policies that ensured an affordable and sustainable path of public spending aimed at achieving the Government's development priorities. In addition, he was also involved in preparation of key budget documents including the Budget Statements, as well as providing strategic coordination of structural reforms in the area of fiscal and financial sector.

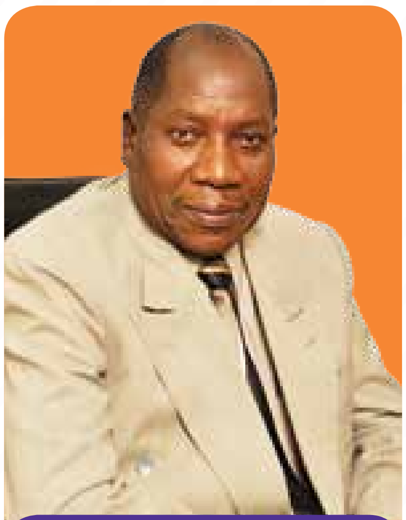
Prior to joining the Ministry of Finance, Mr. Rotich worked at the Research Department of the Central Bank of Kenya since 1994. Between 2001-2004, he was attached to the International Monetary Fund (IMF) local office in Nairobi to work as an economist. Mr. Rotich was also a Director on several Boards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

Eng. Joseph Njoroge

Eng. Joseph Njoroge, the Principal Secretary, Ministry of Energy and Petroleum, born in 1958, holds a First Class Honours degree in Electrical Engineering and Master 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 Managing Director from June 2007 until his current appointment. Eng. Njoroge is a distinguished electrical engineer with a career spanning over three decades and has wide experience in power engineering and management.

Sarah W. Wainaina, HSC

Ms. Wainaina, born in 1942, holds a Bachelor of Arts degree from Morningside College, Iowa, USA and postgraduate studies in Anti-trust Law, Micro Economics and Development Policy from Harvard University. Ms. Wainaina has a wealth of experience in civil service and was previously the Price Controller and later the Commissioner of Monopolies & Prices. She is a member of the Board of Governors of Kirangari High School and Kihara Secondary School.



George M. Njagi

Mr. Njagi, born in 1947, is a former Deputy Secretary, Ministry of Transport and Communications with a wealth of experience in civil aviation and air transport. He was the Chief Executive Officer and Secretary of the defunct Civil Aviation Board (CAB). He has also served as an alternate director of Kenya Airports Authority. His qualifications include certificates in basic and advanced training in air traffic control from the East African School of Aviation and Copenhagen, Denmark among other specialised training in Luxembourg, Canada and UK.

Musa Ndeto

Mr. Ndeto, born in 1952, holds a BSc (Hons) in Electrical Engineering from the University of Nairobi and is a Member of Electrical Engineers of United Kingdom (MIEE). He also holds a Masters in Business Administration (Finance) and an MBA in Strategic Management. Mr. Ndeto is the former Chairman of Kenya Commercial Bank and is currently in private practice.

Dorcas Florence Kombo

Mrs. Kombo, born in 1954, is a Fellow, 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. She is currently a Management Consultant and has extensive experience in restructuring both public and private organizations across Africa. She is a director of Menana Development Company Limited and Namenge Brothers Limited.

The Board

Hedrick Masaki Omanwa

Mr. Omanwa, born in 1965, holds a BCom degree and MBA from University of Nairobi. He is a member of both the Institute of Certified Public Accountants and the Institute of Certified Public Secretaries of Kenya. Mr. Omanwa is the Managing Partner of Omanwa & Associates, an audit and consultancy firm.

Henry Nyamu M'Narobi, MBS, HSC

Mr. M'Narobi, born in 1945, holds a BA (Hons) degree from University of Nairobi. He has held senior positions in both the government and international organisations and served the African Development Bank in Abidjan for 14 years. He is the Chairman of the Presbyterian Foundation, chairman/member of the Boards of Governors for several schools & hospitals in Kenya and the Chairman of Rubate Teachers' Training College. Mr. M'Narobi has also assisted in projects catering for the needs of the Liberian refugees in Cote D'Ivoire.

Mary Goima Michieka

Mrs. Michieka, born in 1946, holds an LLM in International Law from Kiev State University. She has previously worked in the civil service for 17 years and private sector in various capacities. She is a Board Member of Lake Basin Development Authority and KCB Pensioners Association. Mrs. Michieka is also a chairperson and board member to various women associations and board member of Ruthimitu Girls High School Dagoretti.

Humphrey Muhu

Mr. Muhu, born in 1964, holds a BSc (Mathematics & Statistics) from Kenyatta University, B Phil (Economics) degree from the University of Nairobi and 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 over 20 years experience in various government ministries and departments.

John Omenge

Mr. Omenge, born in 1961, holds a BSc degree in Geology from the University of Poona, India and MSc Mineral Exploration and Mining Geology from Leicester University, UK. He is the alternate director to the Principal Secretary, Ministry of Energy & Petroleum and is currently the Chief Geologist at the Ministry of Energy & Petroleum. He is a Professional Member of the Geological Society of Kenya and Registered Geologist by the Geologists Registration Board of Kenya. Mr. Omenge has worked for 29 years as a Geologist for the Government of Kenya.

The Company is guided by its core values of integrity, professionalism, team spirit and safety culture which underpin organisational health and decision-making processes. KenGen has at all times endeavoured in its business to take cognisance of the need for compliance with the relevant legal principles and the highest ethical standards. The Board recognises its mandate to direct and be held accountable for the short and long-term sustainable development of the Company in the vibrant energy sub-sector and its commitment and obligation to the shareholders and key stakeholders.

Board Charter

The Board Charter outlines the core commitment required of members of the Board to discharge their mandates. It ensures the effectiveness of each Director's contribution in the governance of the Company by facilitating full and free exercise of independent judgement and professional competencies. It clearly outlines the rules that guide the Board and does not in any way purport to replace or supersede any laws and regulations that govern the Company.

Compliance

The Company is in compliance with the CMA Corporate Governance Guidelines as part of our continuing listing obligations. We also ascribe to the ethical standards prescribed by the Public Officer Ethics Act.

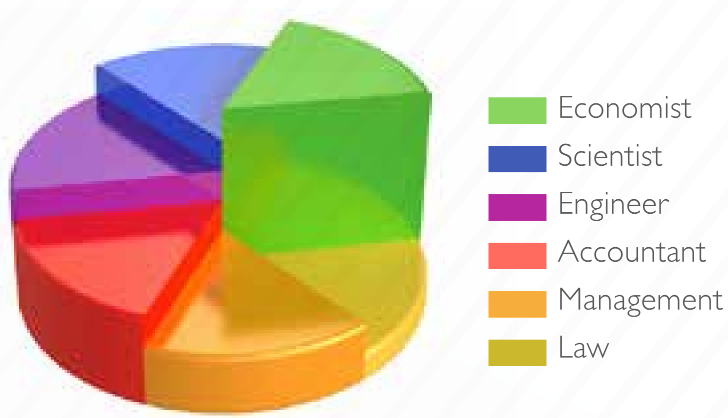
The Board is committed to, the underlying principles of good governance as stipulated in the "Guidelines for Corporate Governance in State-Owned Corporations".

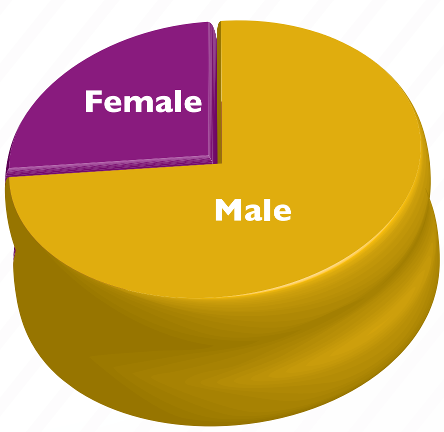
Additionally, the Company is fully compliant with the provisions of but not limited to the following Acts and Regulations: Energy Act 2006, 2004 Sessional Paper no.4 on Energy, Employment Act 2007, Occupational Safety Health Act and Public Procurement & Disposal Act 2005. Further, KenGen continues to be certified on ISO 9001:2008 Quality Management System and ISO 14001:2004, Environmental Management System.

Board Composition

The Board consists of eleven (11) members led by a non-executive and independent Chairman, one executive Managing Director & CEO, the Cabinet Secretary-National Treasury, Principal Secretary-Ministry of Energy & Petroleum, plus seven independent and non-executive directors.

Board Diversity





The biographies of the Directors are published on pages 34-36.

Profile
Leadership Overview
Corporate Governance
Our Strategy
Sustainability
Financial Statements
Additional Information and Statistics
Shareholders Calendar

Corporate Governance Statement

Separation of Powers & Duties of the Chairman and Managing Director & CEO

The independence of the Board from the Company's corporate management is ensured by the separation of the functions of the Chairman and Managing Director & CEO and a clear definition of their responsibilities. This helps the Company in achieving an appropriate balance of power, increased accountability and improved decision making.

Responsibilities of Directors

The responsibilities of members of the Board are clearly spelt out in both the Articles of Association of the Company and the Board Charter.

The Board sets the strategic intent of the Company, its objectives, and values. It ensures that procedures and practices are in place to protect the Company's assets and reputation. The Board reviews the strategic direction and adopts business plans proposed by Management, reviews processes for the identification and management of business risks and compliance with key regulatory and legal issues. It reviews succession planning for the management team and endorses senior executive appointments, organisational changes and remuneration issues. It also provides oversight of performance against targets and objectives. The Board also oversees reporting to stakeholders on the direction, governance and performance of the Company, as well as processes that need reporting and other disclosure requirements.

The Board retains full and effective control over the Company, and monitors management's implementation of plans and strategies, ensures ethical behaviour and compliance with relevant laws & regulations, audit and accounting principles, corporate policies & procedures and the Code of Ethics. It strives to act above and beyond the minimum requirements and benchmark performance against best international practices and not only in practice, but be seen to comply.

In accordance with the principles of good corporate governance, each Director undertakes to always act in the best interest of the Company and exercise his/her power in the execution of duties in good faith and act with care and prudence.

Each Director subscribes to the Company's core values to always act in the interest of society, promote the effective and responsible use of resources, commits to upholding them and ensures their implementation. This takes into account not only the possible financial impact of their decisions, but also their consequences for sustainable development, effect on relations with stakeholders and the general interest of the communities in which the Company operates.

Each Director is fully aware that the Board is responsible for determining the Company's vision, mission and values, deciding its strategic objectives, ensuring establishment of the organizational structure and procedures to achieve the objectives, ensuring effective control over the Company and accounting to its shareholders.

All Directors familiarise themselves with the relevant regulations and statutes, the Memorandum and Articles of Association, the Board's operating rules and procedures and any other issues necessary for the discharge of their duties.

The conduct of Directors is in tandem with their duties and responsibilities to the Company and shareholders and they always act within limitations imposed by the Charter.

On a quarterly basis, the Board considers an Operational Report from the Managing Director & CEO; Management

Accounts; reports from each Board Committee; specific proposals for capital expenditure & acquisitions and major issues & strategic opportunities for the Company.

Every year, the Board approves the quarterly, interim and preliminary financial statements, Annual Report & Accounts, reports to the Government and public announcements of a material nature. It reviews the Company's audit requirements; performance and composition of the Board Committees; the Company's Code of Ethics and ethical standards. The Board also reviews the Company's Corporate Social Responsibility, investment policies and sustainable development programmes.

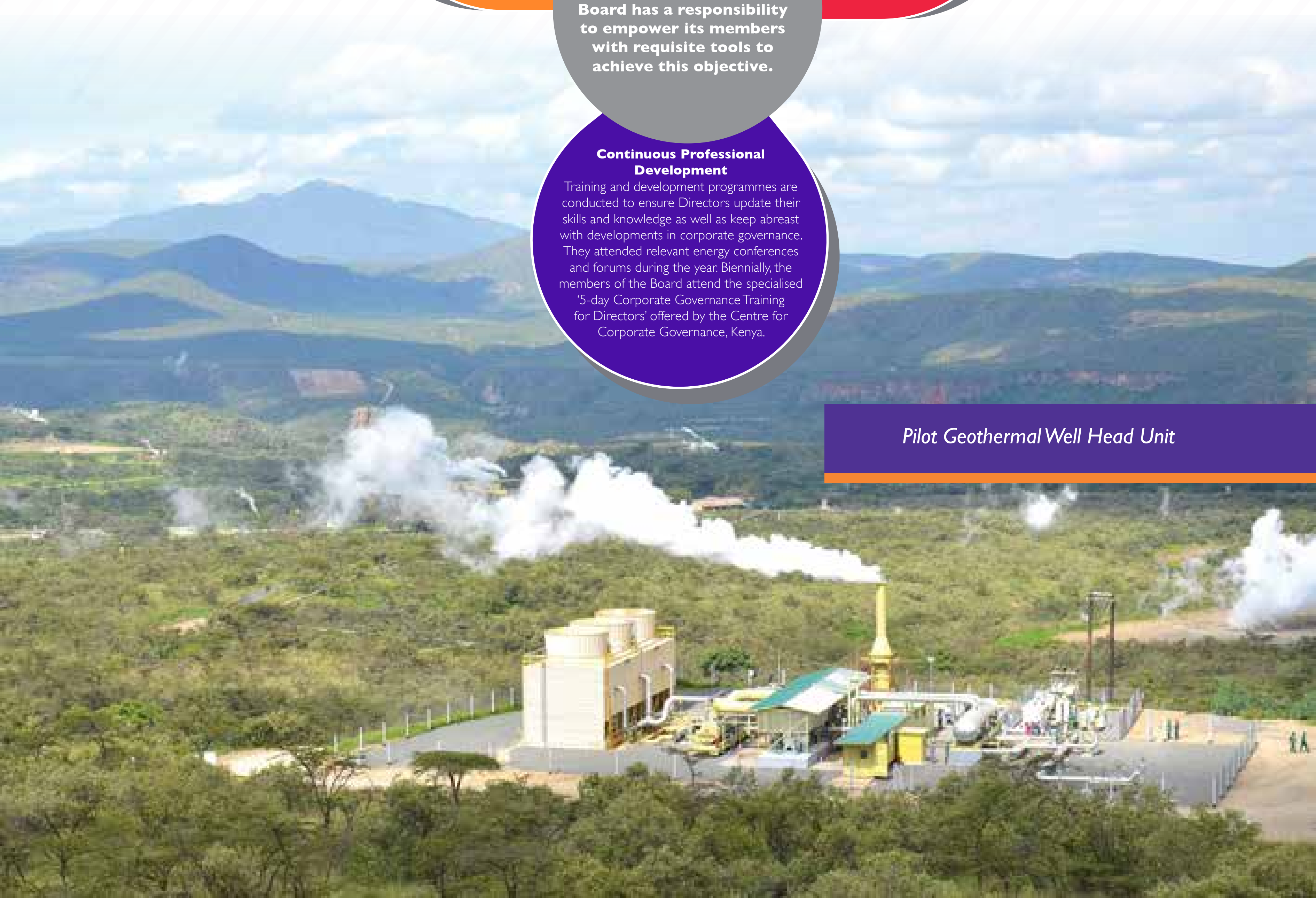
Board Effectiveness

Induction
New Directors undergo a programme to deepen their understanding of the Company's business and operating environment. Corporate literature is provided and meetings arranged with the senior management team. In addition, visits are planned to the power stations.

Performance & Evaluation
The Company's Success is hinged on the performance of the Board. An independent consultant is engaged annually to assess the Board's own performance alongside those of it's Committees and individual Directors.

The Board recognises its obligation to offer effective leadership to steer the Company. The Board has a responsibility to empower its members with requisite tools to achieve this objective.

Continuous Professional Development
Training and development programmes are conducted to ensure Directors update their skills and knowledge as well as keep abreast with developments in corporate governance. They attended relevant energy conferences and forums during the year. Biennially, the members of the Board attend the specialised '5-day Corporate Governance Training for Directors' offered by the Centre for Corporate Governance, Kenya.



Pilot Geothermal Well Head Unit

Board Attendance

The Board held 4 regular and 6 special meetings in the year.

Name	Attendance	
	Regular	Special
Titus Mbathi	4	6
Edward Njoroge	4	6
PS-Treasury	4	5
PS-Ministry of Energy	2	3
Sarah Wainaina	4	6
Musa Ndeto	4	5
George Njagi	4	6
Dorcas Kombo	3	6
Hedrick Omanwa	4	5
Henry M'Narobi	4	6
Mary Michieka	4	5

Individual Directors Shareholding

No member of the Board holds shares in his or her personal capacity that exceeds 1% of the total shareholding of the company. The breakdown of the Directors personal shareholding in the Company as at 30th June 2013 is as follows:

Name	No. of Shares	% holding
Titus Mbathi	28,651	0.0013
Simon Ngure	5,140	0.0002
CS-The National Treasury	-	-
PS-Ministry of Energy & Petroleum	-	-
Sarah Wainaina	6,431	0.0003
Musa Ndeto	6,431	0.0003
George Njagi	33,913	0.0015
Dorcas Kombo	-	-
Hedrick Omanwa	6,431	0.0003
Henry M'Narobi	24,000	0.0011
Mary Michieka	2,985	0.0001

Board Remuneration

In accordance with guidelines provided in the State Corporations Act and the approval given by shareholders at the Annual General Meeting, the Directors are paid taxable sitting allowance for every meeting attended, as well as travel and accommodation allowance while on Company duty. The Chairman is also paid a monthly honorarium. KenGen does not grant personal loans or guarantees to its Directors. It is proposed that each Director receives fees of Kshs.600,000 per annum for the financial year ended 30th June 2013.

No loans were granted to any non-executive and executive director.

Conflict of Interest and Declaration of Interest

Directors have a statutory duty to avoid situations in which they have or may have interests that conflict with those of the Company. Business transactions with all parties, directors or their related parties are carried out at arms' length.

Each Director is obligated to fully disclose to the Board any real or potential conflict of interest, which comes to his/her attention, whether directly or indirectly.

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, an agenda item exists requiring members to make a declaration of any interest they may have in the business to be discussed.

Business transactions with the directors or their related parties are disclosed on page127.

Board Committees

All Board Committees including the Audit & Risk Committee are established with written terms of reference outlining their respective authority and duties.

The Company Secretary/Legal & Corporate Affairs Director who is a member of the Institute of Certified Secretaries of Kenya (ICPSK) is the Secretary to all the Committees.

Report from the Chairperson of the Audit & Risk Management Committee

Hedrick Omanwa

Membership
i. Hedrick Omanwa - Chairperson
ii. Cabinet Secretary - The National Treasury
iii. Dorcas Kombo
iv. Musa Ndeto
v. George Njagi

Its membership includes four independent and non-executive directors. Appointment to the Committee is for a period of three years which may be extended for two further three-year periods provided the director remains independent. The Chairman of the Committee is an independent non-executive director. The Committee routinely invites the Managing Director & CEO and also the Finance & Commercial Director and Internal Audit & Risk Manager who are both members of the Institute of Certified Public Accountants of Kenya (ICPAK) to its meetings. It also invites a representative of the external auditors when reviewing the audited results.

Mandate
The Audit & Risk Committee's duties are based on six broad functions namely the Internal Control, Risk Management & Compliance, Financial Reporting, Internal Audit, External Audit, Compliance with laws and regulations; and Compliance with the Company's Code of Conduct and ethical guidelines.

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

i. reviews the impact of significant accounting and reporting issues such as professional and regulatory pronouncements;
ii. meets the management and both external & internal auditors to review the financial statements and results of the audit process;
iii. assesses if generally accepted accounting principles have been consistently applied within preparation of preliminary announcements & interim financial statements;
iv. is responsible for the internal audit & risk management function by ensuring management acts on audit and risk management reports;
v. reviews the performance and considers the independence of the external auditors;
vi. confirms that all regulatory compliance is considered in the preparation of financial statements; and
vii. reviews the process for monitoring compliance with the Company's ethical guidelines.

Attendance
4 regular meetings were held in the year.

Name	Attendance
Hedrick Omanwa	4
PS-Treasury	3
Dorcas Kombo	4
Musa Ndeto	4
George Njagi	4
Edward Njoroge	4

Report from the Chairperson of the Strategy Committee

Musa Ndeto

Membership

i. Musa Ndeto - Chairperson
ii. Cabinet Secretary - The National Treasury
iii. Principal Secretary - Ministry of Energy & Petroleum
iv. Dorcas Kombo
v. Henry M'Narobi
vi. Simon Ngure

Attendance

4 regular meetings were held in the year.

Name	Attendance
Musa Ndeto	4
PS-Treasury	3
PS-Energy	2
Dorcas Kombo	4
Henry M'Narobi	4
Edward Njoroge	4

Mandate

The Strategy Committee:

i. assists the Board in discharging its oversight duties with respect to the overall strategic direction of the Company, operational performance and organizational health;

ii. reviews the Company's Strategy and investment policies and makes recommendations to the Board on strategy adjustment. It also assesses the progress of the Company's Strategy execution through identification of priority areas. The Committee monitors, evaluates and oversees the Company's health including the review of financial and business plans and the overall Company Performance Management System.

Report from the Chairperson of the Human Resource Committee

Dorcas Kombo

Membership

i. Dorcas Kombo - Chairperson
ii. Principal Secretary - Ministry of Energy & Petroleum
iii. Sarah Wainaina
iv. Henry M'Narobi
v. Simon Ngure

The Committee is authorised by the Board to secure the attendance of external advisers at its meetings if it considers this necessary and to obtain reliable, upto date information about any of its business.

Attendance

4 regular and 1 special meeting were held in the year.

Name	Attendance
Dorcas Kombo	5
PS-Energy	3
Sarah Wainaina	4
Henry M'Narobi	5
Edward Njoroge	5

Mandate

The Committee monitors the policies and practices of KenGen in relation to the Human Resources, offers advice and recommendations on the Company's human resource strategies, initiatives and policies; and the Nomination and Remuneration of Directors and Senior Management. The Committee's duties are based on three broad functions namely the Human Resources, Nominating and Remuneration functions.

Human Resources Function

The Committee:

i) continually reviews, in line with the organisation's strategy; the organisational structure, core functions and optimum establishment;
ii) monitors the Company's Human Resources strategy to determine whether the human resource plans and initiatives will enable the Company achieve its strategic objectives;
iii) examines policies and procedures on staff recruitment and selection process;
iv) reviews the staff training and development policy for operational efficiency and capacity enhancement;
v) examines and reviews the terms and conditions of service;
vi) examines the adequacy of performance and reward system;
vii) reviews the Company's Human Resource Policies and recommend any amendments to the Board for approval;
viii) reviews the Succession Plans.

Nominating Function

The Committee:

i. supports and advices the Board on the appropriate size and composition that will enable it discharge its responsibilities;
ii. sets a formal and transparent procedure for selecting new directors for appointment and re-selection to the Board;

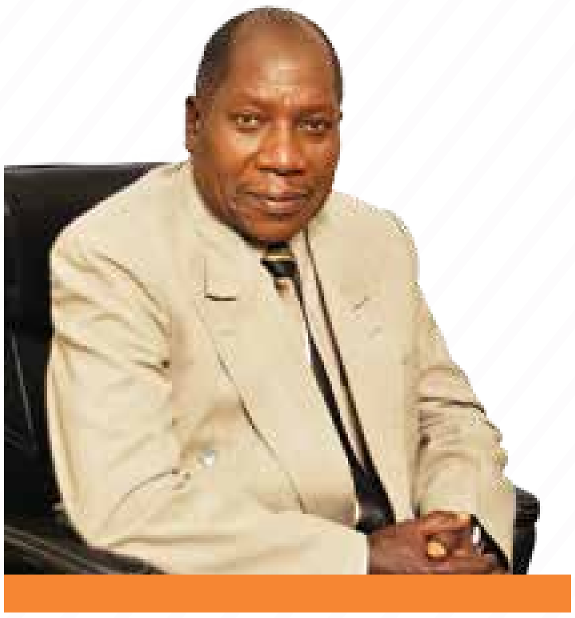
iii. recommendations to the Board on the appointment and removal of Directors;
iv. identifies and proposes ways of enhancing Directors' competencies;
v. develops and regularly reviews a succession plan for the Board;
vi. develops a process for evaluation of the performance of the Board, the various committees and individual Directors;
vii. ensures that there is an appropriate induction program in place for new directors and members of senior management and continuously review its effectiveness.

Remuneration Function

The Committee:

i. reviews the Company's remuneration, recruitment, retention, incentive and termination policies and procedures for Executive Directors and Senior Managers;
ii. considers the basic salary paid to Executive Directors and Senior Managers and any recommendations made by the Chairman or Managing Director & CEO of the Company for changes to that basic salary;
iii. considers and reviews the criteria for payment of bonuses to all staff and monitor its operation, and to consider any recommendations of the Chairman or Managing Director & CEO of the Company regarding payment of bonuses or performance related remuneration;
iv. reviews succession plans for Executive Directors and Senior Managers.

Report from the Chairperson of the G2G Committee



George Njagi

Membership

i. George Njagi- Chairperson
ii. Hedrick Omanwa
iii. Sarah Wainaina
iv. Mary Michieka
v. Simon Ngure

Attendance

4 regular meetings were held in the year.

Name	Attendance
George Njagi	4
Hedrick Omanwa	4
Sarah Wainaina	3
Mary Michieka	3
Edward Njoroge	4

Mandate

The Committee monitors the implementation of the Major Transformation Initiatives (MTIs) in relation to the G2G Strategy, provides guidance on overcoming major organisational challenges and mobilises resources to achieve transformation targets. It also aligns the Company to the transformation strategy.

Report from the Chairperson of the Procurement Oversight Committee

Sarah Wainaina

Membership

i. Sarah Wainaina- Chairperson
ii. Titus Mbathi
iii. George Njagi
iv. Musa Ndeto
v. Mary Michieka
vi. Simon Ngure

The Committee meets once every month or when strategic procurements need to be reviewed.

It held 14 regular meetings in the year.

Name	Attendance
Sarah Wainaina	13
Titus Mbathi	14
George Njagi	14
Musa Ndeto	14
Mary Michieka	12
Edward Njoroge	14

Mandate

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 discusses all the quarterly Procurement reports for submission to the Board. It has the oversight role to ensure compliance to The Public Procurement and Disposal Act 2005 and the Public Procurement and Disposal Regulations 2006.

Report from the Chairperson of the Financial Advisory Committee

Henry M'Narobi

Membership

i. Henry M'Narobi- Chairperson
ii. Cabinet Secretary-National Treasury
iii. Hedrick Omanwa
iv. Mary Michieka
v. Simon Ngure

Attendance

It held 4 regular meetings in the year.

Name	Attendance
Henry M'Narobi	4
PS-Treasury	3
Hedrick Omanwa	4
Mary Michieka	3
Edward Njoroge	4

Mandate

(i) Oversee the activities of the Financial Arranger and Advisor in particular, adherence to the terms of reference of the contract:

a) Receive the Detailed Work plan of the Financial Arranger and Advisor;
b) Receive & review the Inception Report and subsequent progress reports of and the financing plan as recommended by the Financial Advisor & Arranger;
c) Receive the Financial Due Diligence Report;
d) Receive the Balance Sheet Restructuring and Debt Affordability & Sustainability Reports;
e) Receive the Credit Rating Report;
f) Receive the Funds Disbursement Plan;
g) Receive & review the relevant Information Memorandum for Board Approval;
h) Receive & review the Financial Projection Models and Assignment Completion Report.

(ii) Oversee the implementation of the overall investment plan for the PIBO funds, as per the Information Memorandum, Ministerial approvals and asset allocations for cash and cash equivalents with respect to fixed-income securities, and equities.

(a) Review Management's short term investment recommendations, including permissible types of investments, with respect to uncommitted PIBO funds and advice as necessary;
(b) Review quarterly or at such times as required by business volume, the investment performance of the PIBO funds to ensure adequate and competitive returns;
(c) Review at least semi-annually the repayment of the PIBO funds to ensure fulfilment of repayment obligation, adequacy of cash flow and any other factor that may be necessary to monitor;
(d) Monitor on a quarterly basis the Company's key financial ratios.

Executive Management Committee (EXCO)

This Committee meets at least once a week to discuss strategy formulation and implementation, policy matters and financial performance. It is also charged with the responsibility of ensuring compliance with the regulatory framework and guidelines and adherence to company policy and procedures. This Committee also serves as a link between the Board and Management.

Internal Controls & Risk Management

The Directors acknowledge their responsibility as set out on page 88 for the Company's system of internal financial control, including taking reasonable steps to ensure that adequate systems are maintained.

The Company has in place effective internal control systems designed to assess and mitigate any risks to which the Company may be exposed to, for effective internal financial management. The effectiveness of the internal control system is reviewed regularly by the Board through its delegated mandate to the Audit & Risk Management Committee of the Board.

The Board has put in place a comprehensive risk management framework to identify, measure and manage all key risks. These risks are further populated onto the Strategic Corporate Risk Matrix which is closely monitored by the Board. Further, these risk policies are integrated in the overall management reporting structure. The Head of the Internal Audit & Risk Management Department reports directly to the Board's Audit & Risk Management Committee.

Code of Conduct

The Company's core values of integrity, professionalism, team spirit and emphasis on safety culture to steer our Company's organizational health and decision-making processes. We believe good corporate governance is about creating the right culture throughout the organisation. It contributes to the long-term success of the Company. Owing to the dynamic business environment, the Company has proposed a culture baseline survey to review and further improve the existing culture in the organisation.

Our business is conducted in compliance with relevant legal principles and high ethical standards of business practice. All Directors, Management and employees are required to observe the code and high standards of integrity. We also apply these standards in all dealings with employees, customers, suppliers and other stakeholders.

Going Concern

The Board confirms that the Company has adequate resources to continue in business for the foreseeable future. For this reason, it continues to adopt the going concern basis when preparing the financial statements.

Communication with Shareholders

The Board is committed to providing regular and timely information to the shareholders. The Company publishes its half-year and annual results in the local daily newspapers. In accordance with Article 137 of the Articles of Association of the Company, the Annual Report & Accounts is posted on our website at *www.kengen.co.ke* at least 21 days before the Annual General Meeting (AGM) to ensure that all the shareholders are well informed. The Company's revamped website also gives shareholders quick access to corporate information.

All Directors were able to attend the last AGM held on 28th November 2012 and were available to answer shareholders questions.

Shareholding

The Company files monthly Investors' Returns to meet the continuing obligations as prescribed by the Capital Markets Authority and Nairobi Securities Exchange.

Top Ten Shareholders as at 30th June 2013

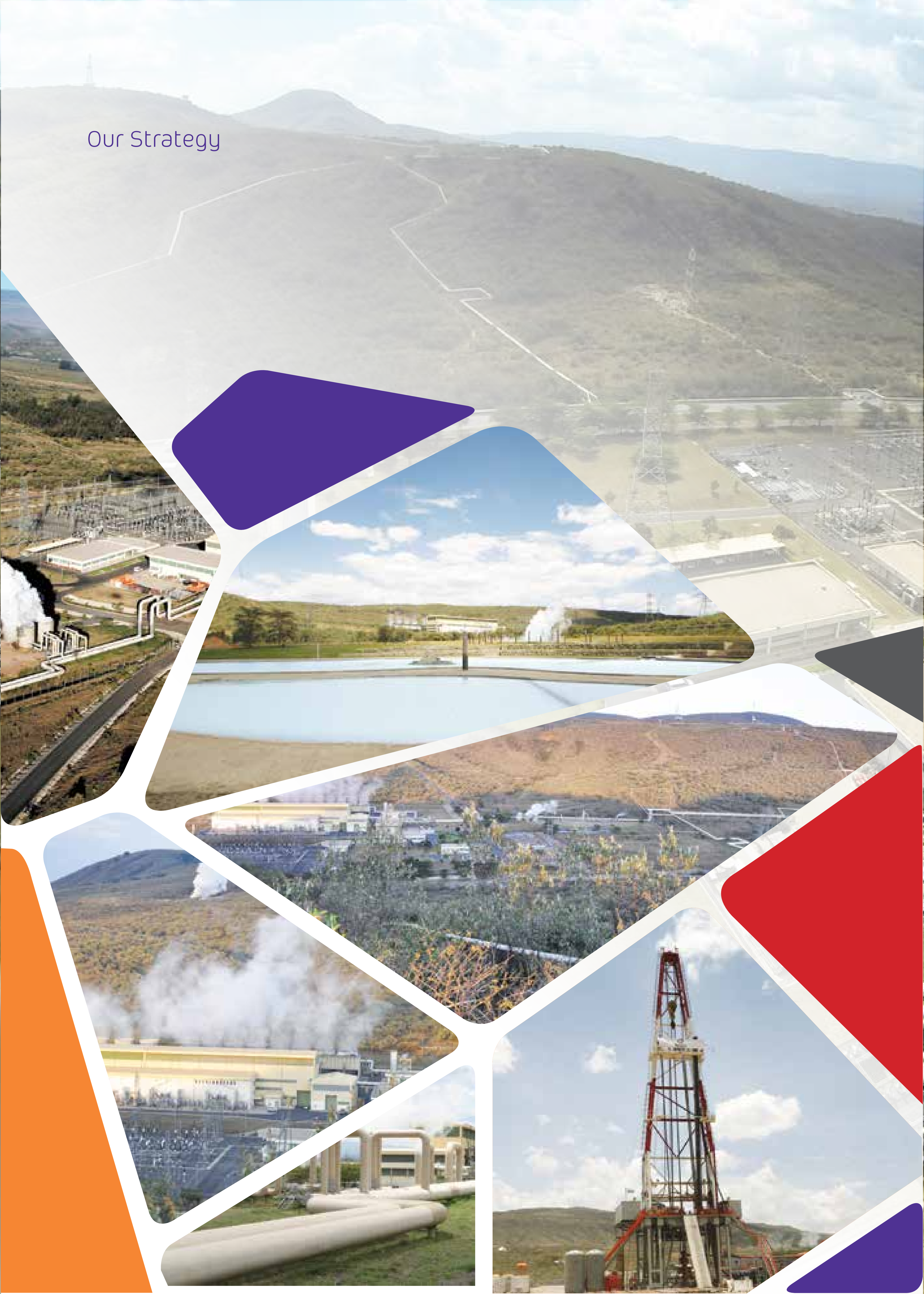
		Number of Shares	%
1	Cabinet Secretary - The National Treasury	1,538,853,019	70.00
2	National Social Security Fund, Board of Trustees	10,899,800	0.50
3	Karim Jamal	10,513,900	0.48
4	Standard Chartered Nominees Limited A/C 9230	10,175,300	0.46
5	Standard Chartered Nominees Limited A/C 9098Ac	8,194,631	0.37
6	CFCStanbic Nominees Ltd A/C R10602	6,185,131	0.28
7	CFCStanbic Nominees Ltd A/C R57601	5,950,963	0.27
8	Standard Chartered Nominees Limited A/C 1853	5,046,204	0.23
9	NIC Custodial Services A/C 077	4,777,138	0.22
10	CFCStanbic Nominees Ltd A/C NR1030682	4,725,700	0.21
		1,605,321,786	**73.02**
	198,839 other Shareholders	593,039,670	26.98
	Total	**2,198,361,456**	**100.00**

Distribution of Shareholders

Range	No. of Shareholders	Shares	% Shareholding
1 - 500	89,840	23,084,656	1.05
501 - 1,000	41,433	32,995,625	1.50
1,001 - 5,000	45,928	97,856,531	4.45
5,001 - 10,000	17,707	115,885,212	5.27
10,001 - 50,000	3,229	62,640,905	2.85
50,001 - 100,000	284	20,142,533	0.92
100,001 - 500,000	302	65,807,774	2.99
500,001 - 1,000,000	49	35,798,274	1.63
Above 1,000,000	77	1,744,149,946	79.34
Total	**198,849**	**2,198,361,456**	**100.00**

Ngong Wind Farm

Our Strategy



Our Strategy

Olkaria II Power Plant

Strategic Capacity Expansion

Various market dynamics have affected the Kenyan electricity sector in general and KenGen in specific ways. This has placed the Company in a position where it needs to effectively respond to the current environment by fast tracking the implementation of the G2G strategy. The Company envisions an increase in its installed capacity from the current 1,239MW to +3,000MW by 2018. KenGen's Strategy has always been aligned to various national plans which include:.

i. National Power Development Plan

MoE&P and ERC coordinate the national power demand and supply plan. To forecast the expected electricity demand and ensure sufficient supply of power, the sector has adopted an integrated and harmonized planning tool. The planning function is coordinated by ERC with participation of key players in the electricity sub-sector. The Long term planning is undertaken on a basis of a 20 year rolling plan updated biennially and documented in the National Least Cost Power Development Plan (LCPDP). The short/medium (5 years) plan is undertaken every alternating year of the long term plan.

Centralized sector planning ensures synchrony of implementation, generation, transmission and distribution projects. KenGen's capacity expansion plan is aligned with the LCPDP to ensure that its generation plan is included in the national plan.

ii. Vision 2030

Development projects recommended under Vision 2030 and overall economic growth will increase demand on Kenya's energy supply. Kenya must therefore generate more energy and increase efficiency in energy consumption. To facilitate this, the Government has committed to continued institutional reforms in the energy sector, including a strong regulatory framework and the separation of transmission from the distribution function. New sources of energy will be found through exploitation of geothermal power, coal, renewable energy sources and connecting Kenya to countries in the region for energy trade. The current exploration of oil and gas in the country creates an opportunity for cheaper power as Kenya taps into its natural resources

iii. 5000MW+ for Transforming Kenya

The government has created an initiative to increase the existing national installed capacity to >6700MW in 40months. This period falls within KenGen's Horizon II and part of the 5000MW has been allocated to KenGen to implement. This capacity will mainly be developed from Geothermal 1,646 MW, Natural Gas 1,050 MW, Wind 630 MW and Coal 1,920 MW. The main objectives of this initiative are to:

a) Increase connectivity

The electrification rate in Kenya is about 30% of the total population. This is predominantly middle and upper income groups. The government's strategy is to connect more customers to enhance economic development.

b) Provide a 30% reserve margin

The unsuppressed peak demand stands at 1364 MW which leaves no reserve margin to allow for reduced hydro generation or plant breakdowns. In the short term, the Government has contracted an emergency power producer to fill the gap.

c) Power energy intensive activities in the counties

It is anticipated that electricity demand will rise sharply as numerous economic activities spring up in the counties. The energy intensive activities include mining, production of iron and steel products from local iron ore deposits, irrigation of large tracts of land for food security and agro-based industry, operation of petroleum pipelines for both crude and refined fuel oils, petrochemicals production including urea.

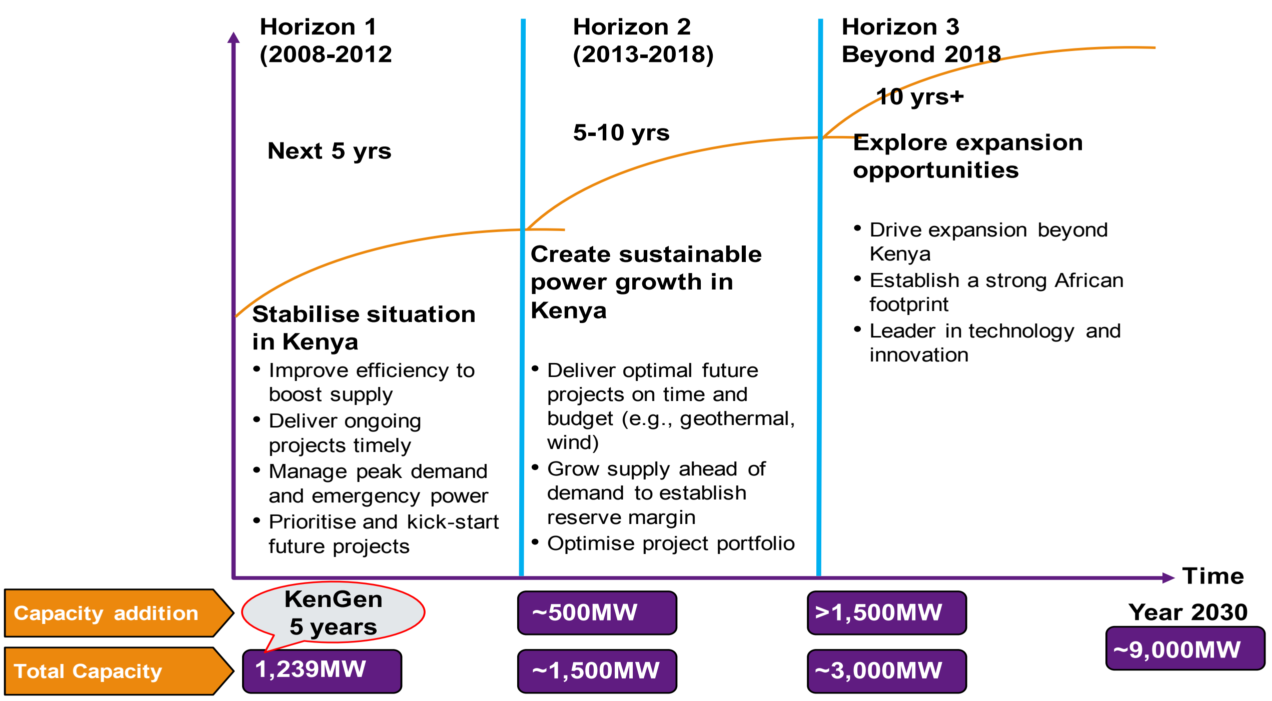
d) Power electrification of rail lines and new economic zoned

Electrification of designated rail lines, installation of escalators at shopping malls and airports, and new economic zones will also require a lot of power. In order to provide affordable electricity for these activities which are expected to sharply transform Kenya.

The Future

The Company through its Good to Great (G2G) Strategy identified three strategic horizons to propel the expansion programme.

STRATEGIC GOAL TO INCREASE CAPACITY TO 3,000MW BY 2018



Strategic Capacity Expansion

Horizon I

The projects implemented under horizon I (July 2008- June 2013) added an additional capacity of 324.6 MW as at June, 2013 against a target of 500MW.

Project	Capacity	Comm Year
Sondu Miriu hydro project	60 MW	2008
Optimization of Kiambere hydro project	24 MW	2009
Ngong Wind-Phase I	5.1 MW	2010
Olkaria II 3rd Unit	35 MW	2010
Redevelopment of Tana	20 MW	2011
Kipevu III	120 MW	2011
Eburru	2.5 MW	2012
Well head generators	5 MW	2012
Sangoro	21 MW	2012
Kindaruma Unit 1&2 upgrade and 3rd Unit	32 MW	2013
Total	**324.6 MW**	

During the financial year under review, the Company commissioned the installation of an additional unit and upgrade of two existing units at Kindaruma Hydro-electric Plant.

Horizon II

This aims at creating sustainable power growth in Kenya. It will be implemented between FY 2014 and FY 2018 and the initial target was an additional capacity of 1500MW.

KenGen will develop 700 MW of Geothermal power, two wind farms in Ngong and Meru with a total capacity of 120.4 MW, Liquefied Natural Gas (LNG) fired plants and coal fired plants. Feasibility studies have been conducted for a 495MW gas fired power plant and a 600 MW coal fired power plant.

Resource		Plant	Capacity (MW)	Comm Year	Status
Geothermal	1	Well head Generation	70	2014	Implementation
	2	Olkaria IV Unit 1&2	140	2014	Implementation
	3	Olkaria I Unit 4&5	140	2014	Implementation
	4	Olkaria I Unit 6	70	2015/16	Financing
	5	Eburru Project	25	2016	ESIA
	6	Olkaria V	140	2016/17	Drilling & Financing
	7	Olkaria VI	140	2016/17	Drilling & Financing
	8	Olkaria VII	140	2018	Drilling & Financing
	9	Olkaria VIII	140	2018	Drilling & Financing
		Sub-Total	**935**		
Wind	1	Ngong wind I Phase II	6.8	2014	Implementation
	2	Ngong' wind II project	13.6	2014	Implementation
	3	Meru wind project(Phase I)	100	2016	Financing
		Sub-Total	**120.4**		

Resource		Plant	Capacity (MW)	Comm Year	Status
Thermal	1	Kilifi coal plant	700	2016/17	Land acquisition
		Sub-Total	**700**		
Hydros	1	Raising Masinga	-	2015	Financial closure
	2	Karura Hydro Power	90	2018	Update of Feasibility study
		Sub-Total	**90**		
		TOTAL	**1,845.4**		

Horizon III

Horizon III focuses on expansion of opportunities beyond the country. Beyond 2018, KenGen with other power generators will have achieved power stability and sustainability and therefore the company will trade power with other Eastern African countries. Already KenGen is a member of the East African Power pool which is coordinating the regional power trade within the member states. At this horizon KenGen also aspire to be the leader of technology and innovation within the region.

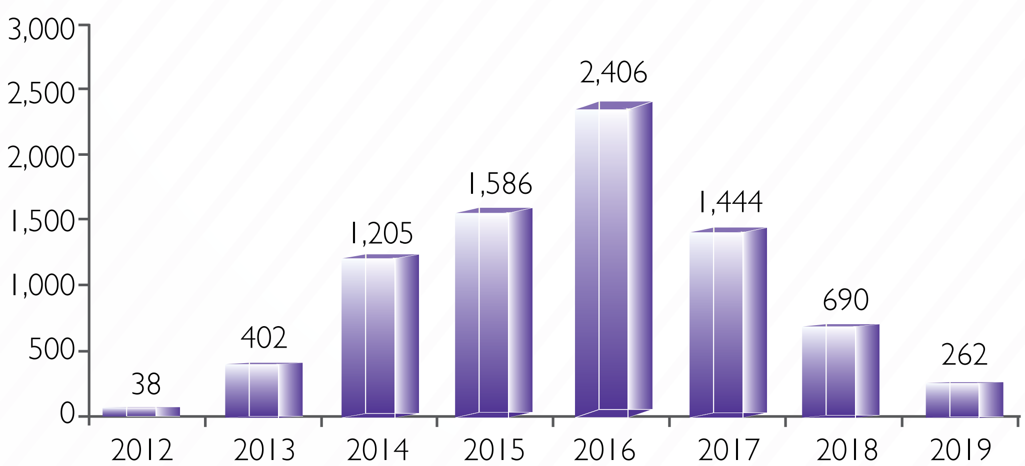
Several initiatives and feasibility studies have been undertaken while many more initiatives are underway. Some of these include:

i) Various feasibility studies have been carried out while others are underway. These include: Geothermal Field Optimization Study, Coal, LNG, Wind, Solar, Study on Geothermal Generation using Brine and another on the upgrade of Olkaria I 45MW power plant;
ii) G2G Technical seminar which supports new ideas and business opportunities;
iii) A robust and structured innovation platform which supports KenGen's strategy;
iv) Establishment of Research and Development capacity.

Large Scale Financing

KenGen is continuously expanding its growth to be positioned as the leader in Eastern Africa. Through our expertise in conventional and renewable power generation, geothermal drilling and power consulting, we aim to cover the entire energy value chain.

Investment Cost/Year
- Year ending June -



Our 5-year investment programme projects the implementation of 1,845.4MW by 2018 at a capital cost of $8.071 billion. This includes the financing of the Geothermal drilling at an estimated cost of $1.1 billion and the development of the generation infrastructure at an estimated cost of $ 6.966 billion.

Regulatory Strategic Focus

KenGen's Mandate in the Regulatory Environment

KenGen's ability to deliver on its vision largely depends on its ability to create the right regulatory environment that favours generation growth. As a key player in a highly regulated power industry, KenGen needs to ensure the sector is well structured and regulated to ensure sustainable growth of the industry of which KenGen is a major stakeholder. Moreover, as a parastatal company now listed on the Nairobi Securities Exchange, KenGen has a large group of diverse stakeholders, often with very conflicting interests.

The regulatory pillar in the overall company strategy was developed with the following key targeted areas.

- Improve Single Buyer Model
- Steer Deregulation Process
- Build a Regulatory Structure

i) Improve Single Buyer Model

The Kenyan market is characterized by and operated under a Single Buyer Model. This is a system where electricity is sold in bulk to a designated single buyer in this case Kenya Power through long-term contracts known as Power Purchase Agreements (PPAs). Power Purchase Agreement is a contract between an electricity generator (KenGen) and the power purchaser (Kenya Power). The PPA defines the sale of electricity between the two parties, including when the project will begin commercial operation, schedule for delivery of electricity, penalties for under delivery, payment terms and termination.

ii) Steer Deregulation Process

The liberalization of the power sector in 1997 led to the unbundling of the vertical integrated utility to generation (KenGen), transmission (KETRACO) and distribution (Kenya Power) companies. Further reforms emanated from the 2004 Sessional Paper which set out the roadmap for future regulatory reform in the country. This major shift resulted in the enactment of the Energy Act in 2006 and the creation of the Energy Regulatory Board later revamped to the Energy Regulatory Commission (ERC).

iii) Build a Regulatory Structure

The creation of sustainable growth in capacity generation is primarily dependent on an effective regulatory management function. This function is critical to KenGen, given its business is within a highly regulated sector and its success depends as such on shaping the external environment.

KenGen has created a dedicated regulatory management team which is additionally tasked with the development and execution of the Company's regulatory management policy to help shape the regulatory evolution in Kenya. The team also develops and maintains strong relationships with key stakeholders on planned capacity, rate negotiations and overall communication to stakeholders.

Power Purchase Agreement Regime

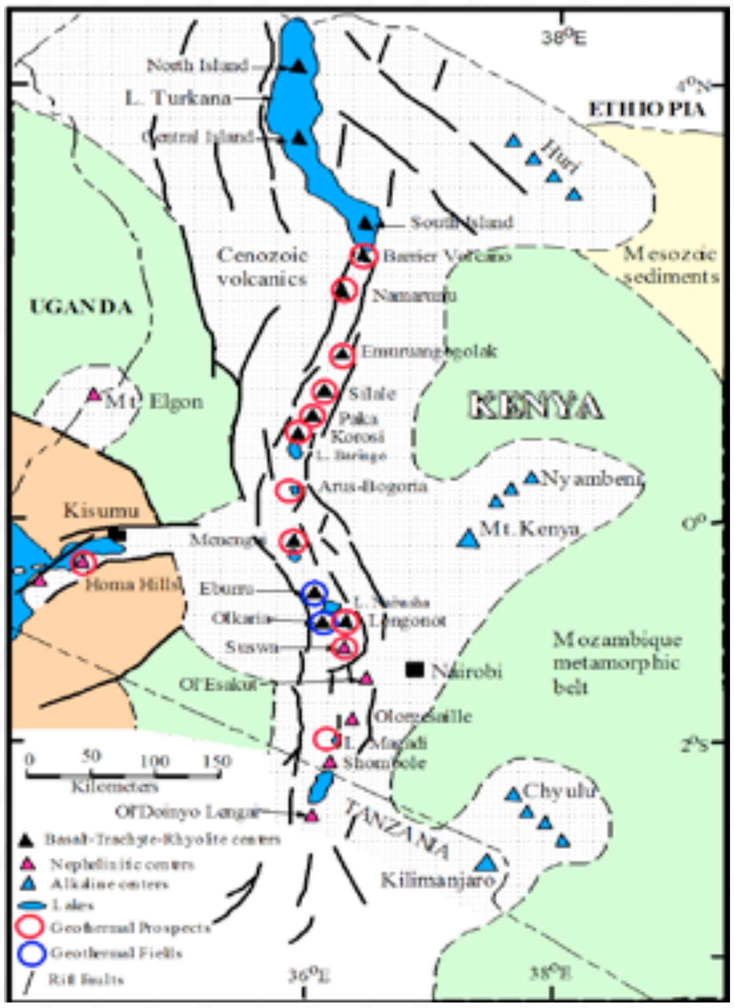
KenGen first signed an Interim Power Purchase Agreement (IPPA) with Kenya Power in July 1999. The IPPA was based on energy generated which disadvantaged KenGen in dispatch decisions. The company was remunerated at an agreed upon flat rate of Kshs.2.36 per kWh for bulk generation. Whereas the dominant generation mode was hydro, this had diverse effects on the company's revenues especially when there is a serious drought. Faced with poor hydrology, the company aggressively pushed for the negotiation of a new PPA. The IPPA was subsequently replaced with new PPAs which recognized capacity and energy based on the generation source.

Geothermal Resource Development

Kenya has a geothermal potential of 10,000 MW found in fields situated in the country's Great Rift Valley. This leaves a huge untapped potential for base load electricity generation. KenGen intends to develop a total of 700

MW of geothermal capacity in Olkaria. Over sixteen geothermal prospects have been identified in Kenya as illustrated below:

East African Rift	Potential (MW)
1. Olkaria	2,000MW
2. Longonot	750MW
3. Suswa	600MW
4. Lake Magadi	100MW
5. Menengai	1,600MW
6. Eburru	250MW
7. Arus Bogoria	400MW
8. Lake Baringo	200MW
9. Korosi	450MW
10. Paka	500MW
11. Silali	1,200MW
12. Emuruangogolak	650MW
13. Namarunu	400MW
14. Barrier	450MW
15. Homa hills	100MW
16. Akira	350MW
Total Potential	**10,000MW**

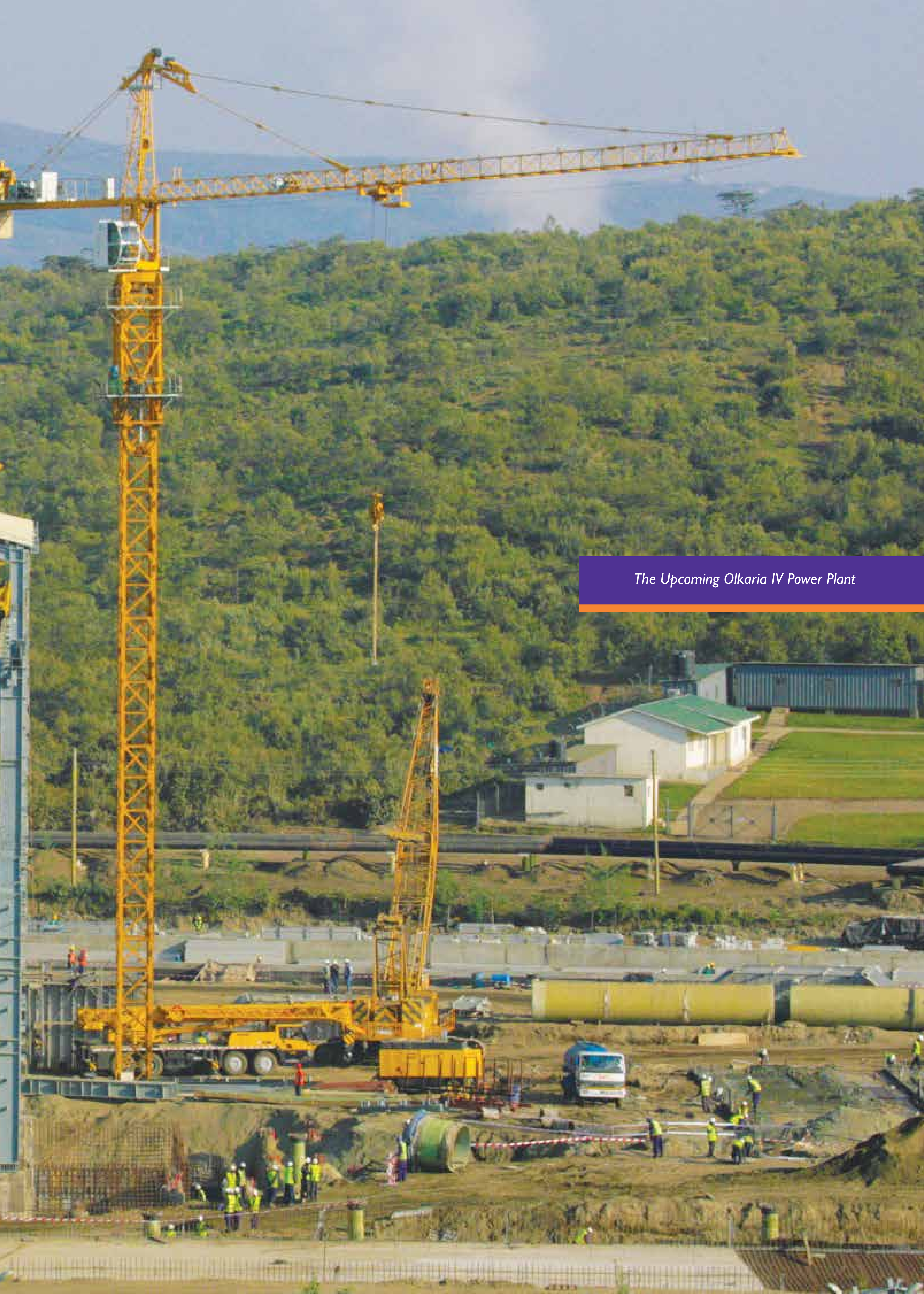


Energy Policy

KenGen is a key participant and contributor to the review of the National Energy Policy. The key features in the Draft Energy Policy August 2013 include a chapter on Energy Financing which acknowledges the need for the establishment of a Hydro Risk Mitigation Fund.

The Constitution

Under the Constitution and County Governments, KenGen will play a proactive role at the county level to secure energy centres. The proposed Renewable Energy Resources Advisory Committee (RERAC) provides KenGen with an opportunity to drive its geothermal strategy in ensuring the provision of affordable and competitive electric power to Kenyans.



The Upcoming Olkaria IV Power Plant

Operational Excellence

The Operations Division is structured into six key operational areas with each area under the leadership of an operations manager. All the seven Operations Managers report to the Operations Director. The six areas comprise Eastern Hydros, Western Hydros, Kipevu Thermal, Geothermal, Central Thermal and Technical Services.

KenGen is committed to applying world's best practices in its plants operation and maintenance practices. This business approach is captured by the third pillar titled Operational Excellence. The key elements being optimization of maintenance practices through adoption of measures such as Condition-Based Methodology, SMED principle, installation of SCADA systems, Service and Spares Contracts, upgrade or rehabilitation of old plants and investment in human capital. The objective of these efforts being improvement of KenGen's profitability by enhancement of plants performance. KenGen is currently utilizing the Plant Maintenance System (PMS) within the overall SAP-based Enterprise Resource Planning system to enhance asset management and realize maximum return on its investment.

A summary of the strategies adopted by KenGen to improve operations and optimize maintenance practices comprise the following:

1. Condition-Based Maintenance

Initially, KenGen's maintenance practices were mainly a mix of preventive maintenance which were mostly time based and corrective maintenances due to occasional plant breakdowns. The time-based preventive maintenances consisted of Weekly and Monthly Inspections, Quarterly, Semi-Annual and Annual Maintenances for Geothermal and Hydro plants. Thermal plants were being maintained based on running hours. This approach entailed conducting scheduled preventive maintenance activities at designated intervals irrespective of whether the plant parts were in good service condition or not. This strategy resulted to unnecessary outages and high spares turnover thus unduly affecting the overall plants availability and company's profitability. With the introduction of capacity-based power purchase agreements, pure time-based preventive maintenance practices were deemed unsustainable. This led to the introduction of condition based preventive maintenance. This involved identification of key plant parameters, setting of alarm and maintenance thresholds, monitoring of the identified plant parameters and aligning the maintenance schedule with when the identified reach pre-determined thresholds. This has been implemented in the hydro power station through SCADA phase I. Thermal and Geothermal plants will be addressed under SCADA phase II which is in KenGen's business plan.

2. Adoption of the SMED Principle

Planned maintenance outages led to loss of energy component of revenue for plants running on a mix of capacity and energy-based power purchase agreement (PPA) with the off-taker. However, for plants running wholly on energy-based PPA, Planned Maintenance Outages led to total loss of revenue. KenGen adopted the SINGLE MINUTE EXCHANGE OF DIES principle to aid in reducing the scheduled period and plug unnecessary financial leakages associated with long outages This entails appreciating those preparatory elements and activities that could be carried out with the plant running. For hydro plants, this approach has reduced the machines annual outage periods from ten to six days. In addition, operations management staff ensure that the correct tools, spares, test equipment, work logistics, work program are in place prior to the commencement of the outage.

3. Installation of SCADA Systems

SCADA systems enable centralized remote monitoring and control of plants. Plants with manual control systems are expensive in terms of spares consumption and slow in response in the event of faults and abnormal circumstances. Effective management and control of manual plants require substantial human intervention. KenGen is making deliberate efforts to enhance the visibility of all its plants through the installation of SCADA systems. It is a requirement that all new plants are installed with integral localized SCADA systems. Minimized breakdown outage period results in improved plant performance through enhanced availability. SCADA Phase I system covering all the major hydro plants was installed six years ago. This system has led to reduction of plant operations staff requirements necessitating redeployment of staff. The system is also able to capture and monitor key plant parameters more effectively providing value-addition through transparent data analysis such as trending. Effective data capture and analysis is aiding the continued utilization of condition-based maintenance practices, easing troubleshooting and the associated problem solving following plant breakdowns. All these positives culminate in improved financial performance. SCADA Phase II project is at the tendering stage and aims to centralise the monitor and control of all KenGen's plants.

4. **Spares and Service/Maintenance Contracts**

Due to the complexity and age of plants, the lead time for procurement of spares is long. Stocking the required spares is difficult and near impossible since they are expensive. Strategic efforts to prevent lack of spares consists of establishing spares and service/maintenance contracts with original manufacturers and system vendors. Whenever a need for a spare arises, the contracted supplier is expected to supply within a stipulated time and at agreed prices. This approach has the potential to boost plant availability enormously and improve profitability. KenGen is reaping the benefits brought about by the establishment of spares and service/maintenance contracts for thermal plants such as Kipevu in Mombasa and Garissa. Similar contracts are being pursued for Plants such as Embakasi Gas Turbines.

5. **Rehabilitation and Upgrade of Plants**

With the improvement in technology, it is possible to harness more electrical power output from the same water resources. Using the modern and highly efficient water turbines, Tana Station was upgraded from an installed capacity of 14.4MW to 20MW. Similar efforts are underway to upgrade Wanjii Power Station. Mesco Power Plant was recently upgraded from 0.38MW to 0.43MW. During the upgrade, all the control systems were upgraded to enhance visibility and ease operations and maintenance.

As plants age, they become expensive to run. This is because obsolete spare parts of control systems such as Governors, Excitation and Protection systems are costly and not easily available. This leads to long lead times which eventually result in extended plant outages. These old control systems are prone to frequent breakdowns. In addition, the old control systems associated with aged plants are not equipped with modern data capturing, monitoring and diagnostic tools which leads to long troubleshooting period. Lack of these tools does not promote the adoption of the preferred condition-based preventive maintenance mode. Turkwel's Governor, Excitation and Protection systems for two Units and Kamburu's Excitation system are scheduled for replacement in 2014.

6. **Succession Planning and Training**

The company recognizes that human capital is its most important resource. This is particularly due to the unique capabilities and competencies required to operate and maintain the generation plants effectively and efficiently. The Company believes in proper succession planning and mentoring to facilitate optimum transfer of knowledge from the older more experienced and technically skilled staff to the younger upcoming generation to guard against knowledge gaps. Towards this goal, the Company recently recruited new employees of all cadres in line with the establishment, conducted induction training and attached them to senior experienced staff to coach and mentor them in preparation for their future roles and responsibilities.

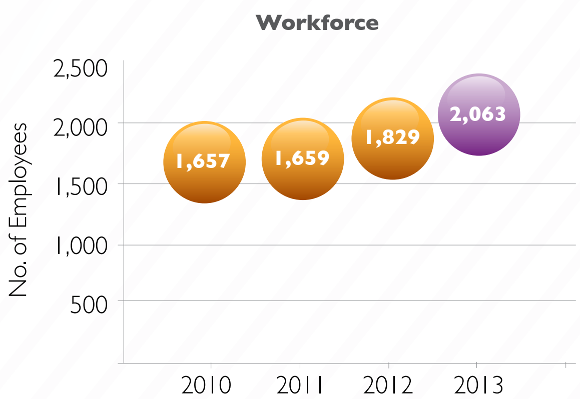
To assure quality of services and safety of staff, the Company invests heavily in the training of its technical staff. Various avenues such as formal training, internal training and workshops are utilized to up-skill their staff. As a rule, ever y technical project has an integral training component to ensure the staff operate and maintain plant safely and properly to avoid accidents and damage.

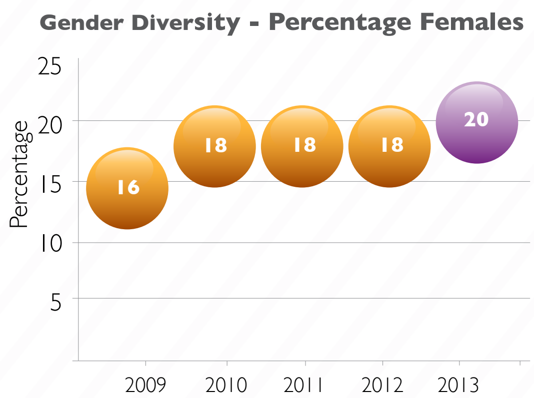
7. **Central Engineering Workshop**

Central Engineering Workshop is KenGen's Electrical Centre of Excellence. The workshop's main function is specialized maintenance of electrical equipment and plant. It is situated in Nairobi and provides services to all KenGen Plants. All major servicing and rewinding motors, generators and transformers is handled by this centre. The workshop is able to deliver on its mandate since it is well equipped with the necessary equipment coupled with highly qualified and competent team of professionals.

Talent Management

Our success as an organization is dependent largely on the quality of people we bring on board. As the organization grows, the level, skills and competence required also grows to meet the strategic objectives. The company seeks to attract and retain best talent to sustain organizational performance.





Talent Diversity

Due to the ongoing capacity expansion programme and for succession planning, the company brought on board 234 employees to the existing talent pool in the period under review. This represents a growth of 13% in the workforce.

Equal Opportunities

The company promotes equal opportunity in employment and advancement in an environment that ensures tolerance and respect for all employees. Our policies ensure that no employee will be treated less favourably, victimized or harassed on the grounds of disability or gender.

We have implemented requisite policies to comply with constitutional and legal requirements by setting up committees on Gender Mainstreaming, Disability, HIV & AIDS and Drug and Substance Abuse.

Staff Wellness

During the year a number of activities to promote employee wellness were organized across the company in order to balance emotional, mental, physical and spiritual wellbeing of the staff, this includes sensitization on drugs and substance abuse, health talks and medical checkups.

In recognition of the company's responsibility towards managing HIV and AIDS, a policy is in place and it promotes training and education, voluntary counseling and testing (VCT), and ensures fair, compassionate and non-discriminatory treatment of those who may be impacted by the disease.

We offer our employees a wide range of sports and social activities enabling them to keep fit and socialize. Events are organized throughout the year at various inter station sports matches that also enhances team-building.

Performance Management

The Company has implemented a robust Performance Management system that ensures the organization objectives are cascaded to the employees for implementation. The performance management system has now become entrenched in all business units and includes signing of performance agreements annually with clear roles and responsibilities, performance evaluation reviews, communication and regular monitoring and reporting.

Training and Development

To enhance skills and competencies, the Company continues to invest in the development of its employees. Opportunity for development offered through a range of development programs based on the training needs and personal development plans.

In order to build leadership capacity for strategy implementation, the company focused on leadership development programmes, safety and Enterprise Risk Management and an e-learning policy was developed to diversify learning opportunities and optimize training cost.

Internship

In order to build future skill base, the Company provided internship for over nine hundred interns across all our stations through our internship program.

Learn and Lunch

In our endeavour to create a learning organization, the company continued with the periodic Learn and Lunch sessions during lunch hour. The learning at lunch sessions are aimed at helping employees better understand the roles and responsibilities of various departments as well as tackle any emerging issues and break any communication barriers.

Industrial Relations

As part of the enhancement of industrial relations between the union and the management, meetings were held with the union leadership under the Central Joint Council. This is a consultative forum for developing collaborative solutions to workplace issues.

Awards

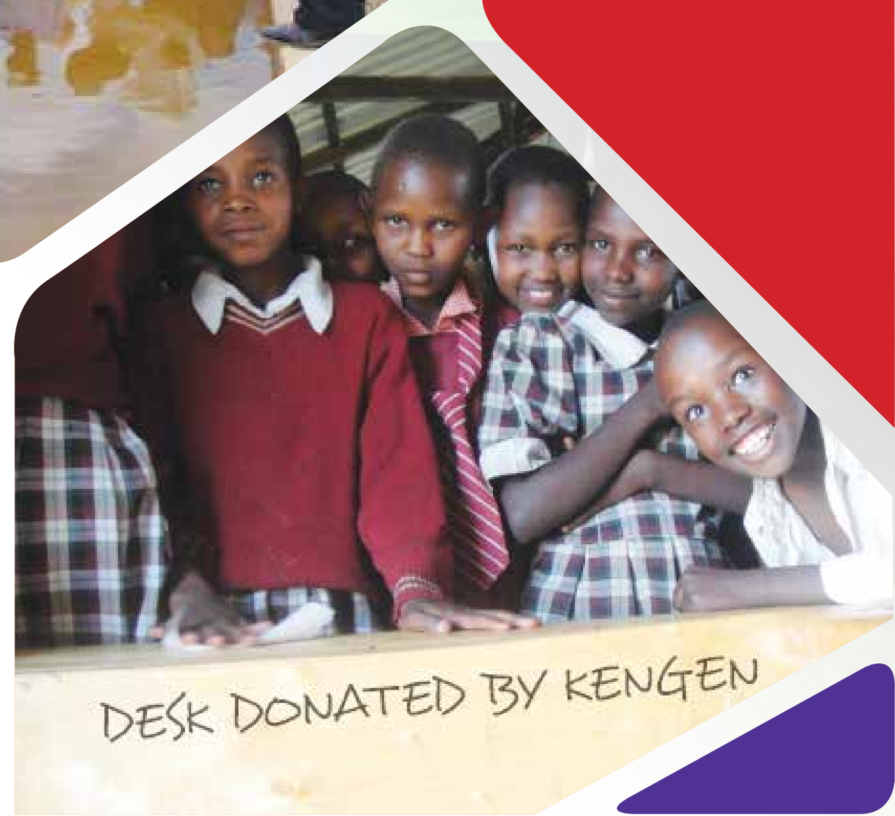
We were awarded the 2nd runners up for the 2013 Fire Award in the industrial and commercial category. The Excellence in Financial Reporting (FiRe) Award which is in its twelfth year, is an initiative of the Institute of Certified Public Accountants of Kenya (ICPAK), the Capital Markets Authority (Kenya) and the Nairobi Securities Exchange (NSE), "The Promoters". It is a key plank of their joint commitment in promoting excellence in financial reporting, fostering sound corporate governance practices and enhancing corporate social responsibility and environmental reporting in East Africa. The theme for this year was "Effective Corporate Communication through Integrated Reporting".

As a Company we shall continue to avail information to our stakeholders.

KenGen delegates follow proceedings during G2G Technical Seminar

Sustainability

"From Generation to Generation"



Sustainability

"From Generation to Generation"

Sustainability: "From Generation to Generation"

Team KenGen after finishing the Mater Heart Run

Sustainability

1. What Sustainability means to KenGen

KenGen recognises the importance of its stakeholders who include but not limited to shareholders, communities, economic partners, climate change, social environment regulatory and competition. The Company strives to attain its vision of offering reliable and cost effective electric energy for the country's economic growth.

Sustainability refers to the interaction that KenGen engages with its environment as it strives to meet its core purpose as outlined in its vision, mission and strategic objectives. The Company seeks to have a positive impact on its environment through its responsible corporate actions.

Where we operate

Eastern Hydros	Masinga, Gitaru, Kamburu, Kindaruma, Kiambere, Tana, Wanjii, Ndula, Mesco, Sagana
Western Hydros	Sondu, Turkwel, Gogo, Sosiani, Sang'oro
Geothermal	Olkaria, Eburru
Thermal	Kipevu, Lamu, Garissa, Nairobi
Wind	Ngong

This Sustainability Report aims to inform our stakeholders of our contribution to the well being of our neighbours in line with our transformation strategy from Generation to Generation.

KenGen staff visiting with a children's home

2. Joint Message from the Chairman and MD& CEO

Playing Our Part

At KenGen we have over the years cultivated and learned the culture of operating in the market as a responsible corporate player. It is also our tradition to support various initiatives aimed at improving the wellbeing of the communities we operate in as well as promoting diverse environmental conservation initiatives around the country.

The year under review was not different for us and infact it saw us upscale our Corporate Social Investment, as we sought to play an even more significant role in improving living standards and the environment.

During the period, we established The KenGen Foundation whose role and mandate is to spear head the company's Corporate Social Investment with the aim of making it more focussed, meaningful and able to mobilize more development resources, for a greater impact. The foundation has engaged highly experienced professionals in matters of Corporate Social Investment, development work and resource mobilization. Through this foundation, KenGen is set to have a better organized Corporate Social Investment in reinvesting in the societies that we do business.

Leading by Example

KenGen is driving the green energy agenda by embracing clean energy and supporting environmental conservation programs across the country. This will put Kenya firmly on the path to a green economy and in achieving its objectives of being a middle income economy by the year 2030.

Through sustainable modes of power generation, we will maximise shareholder value to improve earnings and enhance brand value thereby ensuring our sustainability as outlined in our transformation philosophy from Generation to Generation.

Google Sub-Saharan Africa lead Joe Mucheru(Left) presents a prize to a KenGen Scholarship beneficiary, looking on is Kaara Wainaina of Corporate Affairs

Pupils recite a poem during the launch of the schools' Green Initiative Challenge

3. KenGen Corporate Social Investment

In the year, KenGen's investment remained strong on key thematic areas as espoused in our Corporate Social Responsibility policy, namely

- Education
- Water
- Environment
- Health
- Sports
- Peace Building
- Infrastructure Development

Education

Education remains among the most powerful means of positively transforming young lives. In KenGen we are well alive to this fact as well as a great beneficiary of the highly skilled manpower available in the country. This continues to inform our company's extensive support for the education sector.

KenGen does this mainly through two ways, offering annual scholarships to bright and deserving students and by supporting school infrastructure development such as education facilities, furniture and provision of educational materials.

In the year under review KenGen continued with its custom of offering annual scholarships to 36 students across the country, in areas where the company has operations.

18 of these scholarships go towards high school education and 18 scholarships target university students. Further, two university students sponsored by the company who attained first class degrees upon graduation will receive automatic employment into the company in line with the policy.

Among the education infrastructure projects that we supported in the year are:

- Water Harvesting and Storage Facility at Kiambere Mixed School
- Construction of a classroom at Kikuuni Mixed School in Masinga
- Repairing school amenities in Changamwe Primary School at the coast
- Roofing classrooms at Apoko Primary, in Sondu Miriu region.
- Constructing a student's dormitory at St. Anthony's Kajimbo Girls
- Providing school building materials for Muhang'o Secondary School
- Establishing school sponsorships in places KenGen has set up wind data loggers.

Water

The very nature of our business often see us operate in far flung places some of which do not have adequate water supply. As a result KenGen actively engages in providing clean water to various communities around the country.

For instance, we were able to kick start two major water community projects around the Seven Fork Cascade area, where we generate most of our hydro electric power.

KenGen Chairman Hon. Titus Mbathi breaks ground for the Ksh.50 million Kivaa Water Project.

In Kivaa area, we funded a water project to the tune of Kshs. 50 million that will benefit more than two thousand households and 150,000 livestock while in Mbeere we contributed water pipes worth Kshs. 15 million towards a community water project.

Other water projects supported in the year include the Construction of two Livestock Troughs at the Kiambere Water Point and purchase of water tanks as well as provision of water twice a week to Isako and Bondeni villages.

Environment

A couple of years ago, KenGen adopted a two pronged philosophy dubbed, 'G2G Strategy'. The strategy's two main aspects are moving from a good company to a great one, and growing the company from generation to generation. For the second part to happen, the company is highly conscious of environmental conservation as a way of ensuring sustainable use of natural resources, such as those used in electricity generation.

As such, we were the main sponsor of 'To Hell's Gate on a Wheelbarrow Race' an initiative of the Kenya Wildlife Service, that targets conservation of the Hell's Gate National Park. For this initiative we contributed Kshs.3 million.

Other environmental conservation initiatives supported during the year included sponsoring numerous tree planting initiatives by schools around our installations. Our

KenGen Operations Director Richard Nderitu is assisted by a pupil to water a tree during the launch of the Green Initiative Challenge

staff from across the installations also donated thousands of hours in environmental conservation related projects such as tree planting and town clean-ups.

Health

By operating in remote areas, some with poor road networks, we remain the most significant actor in opening up such regions. In such areas, provision of health services

The public enjoy the KenGen Geothermal spa whose waters have balneology effects

Sustainability

Former KenGen Managing Director & CEO Eddy Njoroge flags off the 'To Hell's gate on a Wheelbarrow Race'

Former KenGen Managing Director& CEO Eddy Njoroge enjoys a wheel barrow ride, pushed by KWS Director William Kiprono

'Team KenGen' strategizing ahead of the race

Team KenGen in action

Holding nothing back...

Cheering our team on

Navigating the maze section

Team KenGen at the finish line

is hampered by poor infrastructure and minimal access. KenGen has thus over the years sought to contribute towards improving and safeguarding the health of communities around us.

In the year, we continued to run health centres in the Seven Forks, Olkaria, Kipevu, Turkwel and Sondu which serve our staff while offering emergency support services for the surrounding communities. Further, all public health centres neighbouring our installations have access to our ambulance services in the event of emergencies. Among other health initiatives we supported include being a key sponsor for the Mater Heart Run, providing laboratory equipment for Riaciina Dispensary in Mbeere, while in Mombasa we supported the Kilindini Health Outreach.

Youth and Sports

At KenGen we believe in nurturing the youth. This is why we support youth empowerment programmes and sports as a way of developing talent, while engaging our youth in healthy and creative ways.

During the year we supported the national football team, Harambee Stars in their World Cup qualifying matches. Also held were the KenGen Golf Day and Squash tournaments in Nakuru and Parklands. We also supported Mwea and Taita marathons that improve sportsmanship in their respective areas. Other initiatives supported in this regard include:

- Bomu Women Volleyball team in Mombasa
- Provision of trophies for Muranga Scrabble competition
- 'I am Kenyan' national youth peace initiative
- Purchase of vocational tools & equipment for Kisauni Youth in Mombasa

4. KenGen Foundation: *Upscaling the Company's Corporate Social Investment*

In order to upscale our Corporate Social Responsibility (CSR), we completed the process of establishing a foundation which is aimed at attaining greater impact in improving the well being of communities neighbouring our installations and other stakeholders. The foundation will transform the Company's CSR initiative to another level based on the current global concept of Corporate Social Investment (CSI).

The KenGen Foundation will spear head this crucial responsibility by focusing on and investing in high impact programs that will bring direct and long-term benefits to the communities. It will mobilize resources to inject more dynamism and efficiency in this aspect of our responsibility as a corporate citizen.

The Foundation will carry to a new level the bright torch of our work in social responsibility over the years. Whereas we stand proud of our achievements in improving the livelihood of communities within our operational areas and beyond, particularly in areas of education, health and water provision, we continue with our desire and passion to do more. Indeed we acknowledge that we have not been able to do as much as we would have wanted due to limited financial resources and internal capacity.

Creating Sustainability

The KenGen Foundation has adopted a model that will allow it to raise funds from various sources to create a sustainable pool of funds and enlarge the Company's CSI kitty.

Milestones Realized so far

The Foundation was successfully registered in March 2012 and a Managing Trustee appointed in December 2012. Temporally offices have already been set up and a number of staff already engaged. The Foundation's corporate identity has also been developed and its logo is already in use in signage and vehicle lively. The Foundation is already working, in collaboration with the Company's Corporate Affairs Department on two programs and has also started negotiations on two partnerships.

Soaring Higher

The KenGen Foundation is expected to re-strategize and give new focus to the four pillars of Company's current CSR engagement, namely education, water and health provision and environment. A new pillar, economic empowerment will be added to the foundation's focus. Other areas which have received considerable support of the Company's past CSR activities, among them sports, peace building and arts and culture will continue to receive attention from the Foundation.

Through this initiative, the Company is assured of scaling new levels in Corporate Social Investment by 'Touching Lives & Enabling Communities'.

5. Infrastructure Development

For every project, KenGen allocates a substantial portion of the funds of putting up a power generating plant to the development of infrastructure and civil works. This infrastructure development includes opening up of remote and rural areas by constructing tarmac & all weather access roads, social amenities-dispensaries, social halls, swimming pools, piped water, water kiosks, soil erosion prevention barrier/sand dams and playing grounds.

Further, KenGen continues to maintain and rehabilitate the infrastructure by re-carpeting the roads, run & rehabilitating the social amenities which are accessible to all members of the public. The roads have accelerated development in the various regions as demonstrated in:

- Turkwel-Kainuk road (23km Standard Bitumen road) whereby the project's extensive civil works are being done by the local community for job creation;
- The Sang'oro road which was constructed for the dual purpose of KenGen use and opening up of Koguta Forest and Kasae Area for economic development;
- Moi South Lake Road (Bitumen Standard) rehabilitation has enabled the growth of the flower and hotel industries;
- Ngong Road (Murram Standard) has increased accessibility.

A section of a road constructed by KenGen in Sondu

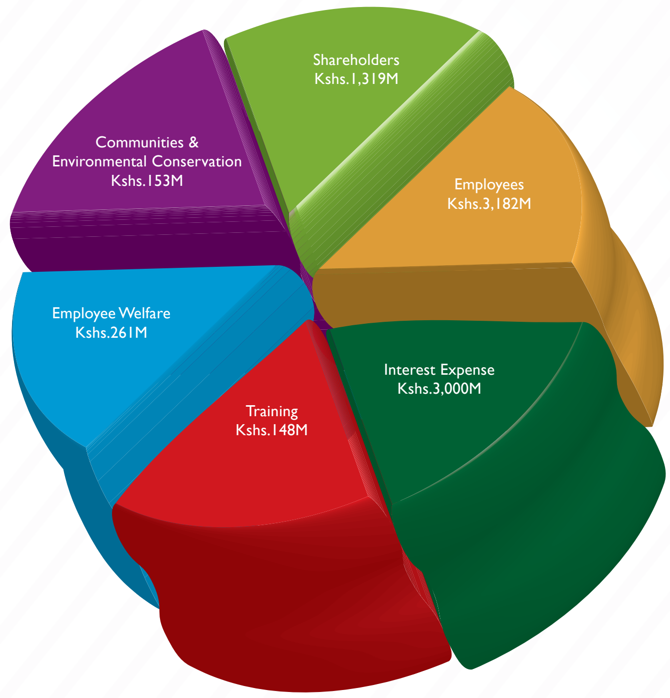
6. Value Added Statement

Growing our Business

We have invested KShs 37.4 billion (2012: KShs 9.02 billion) in capital projects for expansion of electricity supply to meet the country's growing demand. We have injected 60MW to the national grid out of which 52.5MW is hydro and 7.5MW geothermal. These are the cheapest sources of power to the economy.

Contributing to our Country

We made contribution to the Government of over Kshs 4.50 billion (2012: Kshs 3.90 billion) in duties, taxes and licenses during the year under review



Distribution of our Wealth

	2013 (Kshs'000)	2012 (Kshs'000)
Wealth created		
Revenue	16,451,195	15,872,111
Interest income	676,109	952,621
Other income	594,888	611,599
Paid to suppliers of goods and services	(2,306,010)	(2,888,917)
	15,416,182	**14,547,414**
Wealth Distribution		
To employees as wages, salaries and other benefits	3,181,991	2,169,803
To Welfare of our employees	260,973	246,428
To Train our people	147,965	89,448
To providers of funds as interest	3,000,802	2,972,308
To Shareholders as dividends	1,319,017	1,319,017
To Community and Environmental conservation	153,045	141,000
	8,063,793	**6,938,004**
Wealth Reinvested		
Retained profit in the Company	3,931,119	1,503,583
Depreciation	4,578,332	4,883,237
Deferred taxation	(1,157,062)	1,222,590
	7,352,389	**7,609,410**
	15,416,182	**14,547,414**

KenGen Board members admire an innovation by a staff member during the G2G Technical Seminar

7. Innovation and Continual Improvement

Today, Corporations have to contend with accelerating change and increasing customer demands. The working environment, technological advances, customer and employee demands, as well as the regulatory framework are constantly evolving. Innovation and continuous improvement is a key focus area in KenGen. The Company has maintained a track record for innovation, embracing new technology and providing forums to enable staff to exchange ideas.

Despite the gains made so far on innovation, we are not satisfied and are keen to make innovation systemic and embed the innovation culture into the corporate fiber. KenGen provided a one day Innovation "Master class' training for the entire leadership including the Board of Directors, the MD & CEO and Executive Directors alongside several staff. Following this training, the corporate leaders committed to take the principal ownership of the innovation embedment process specifically building, sustaining and managing a corporate wide innovation capability. In the new financial year, a second Innovation training complete with ideas generation will be conducted followed by the development of a comprehensive Innovation strategy and roadmap.

8. Quality Assurance and Process Improvement

The ISO 9001:2008 Quality Management System (QMS) is an internationally recognized standard for business processes excellence and managerial integrity. KenGen was the first parastatal to receive this QMS certification in 2004.

Consequently, it achieved the status of being the first energy utility company in East and Central Africa to join the league of elite firms worldwide that adhere to internationally respected management practices. Recertification to ISO 9001: 2008, QMS was awarded to the organization in 2009. KenGen subsequently pursued ISO 14001:2004, Environmental Management System (EMS) certification which was awarded in 2009. This reinforced KenGen's commitment to long term environmental sustainability. Recertification to ISO 9001: 2008, QMS and ISO 14001:2004, EMS was further awarded in 2012.

Technical Assurance and Root Cause Analysis

KenGen continues to employ various methods to ensure that it is operating efficiently. Some of the methods employed include Root cause analysis to get to the Root cause of problems identified as well as conducting review of technical operations to ensure that they are running according to specifications. So far the company has reaped benefits from the Root Cause Analysis of Kipevu Thermal Plant. Other technical assurance projects undertaken include Olkaria II and Masinga projects.

Health, Safety and Emergency Preparedness

Emergency Preparedness

KenGen has commenced efforts to improve it's emergency preparedness, response and business continuity. An emergency response team comprising First Aiders and Fire Marshals have been trained and equipped to deal with emergencies. Emergency drills are conducted regularly and the response time of respondents monitored. KenGen is planning for increased training and focus on Emergency preparedness and Business Continuity in the next financial year. This will be conducted to address the risks identified in the current disaster risk matrix.

Health and Safety

KenGen maintains an unwavering commitment to the health, safety and welfare of its employees, stakeholders and the environment. This core belief is embedded in our corporate culture and integrated into every aspect of KenGen's operations. In the course of the year, several initiatives were undertaken to enhance the safety and welfare of employees and stakeholders.

Safety Weeks

Three safety weeks were mounted in different locations in the year. A safety week was conducted in Eastern Hydros in June 2013 and in Kipevu in April 2013. A Corporate Safety week was mounted at the Head Office in April 2013. The Safety week was designed to coincide with the World Safety Day of 28th April as a show of our commitment to international safety standards and labour practices.

Safety Inspections and Audits

KenGen undertook statutory Directorate of Occupational Health and Safety Services and NEMA audits, internal and external workplace audits and inspections in the year.

Emergency Drills and Demonstrations

Emergency drills including fire and flooding were conducted in all areas. First aid demonstrations, health surveillance and other safety trainings were further conducted as appropriate.

9. Environment & Social Impact Mitigation

Environmental & Social Impact Assessment (ESIA)

KenGen in its commitment to contribute towards sustainable development and in compliance with legal requirements carried out environment and social impact assessment for various projects during July 2012-June 2013. The following projects were licensed by the National Environment Management Authority (NEMA):

i. Proposed 80MW Muhoroni Thermal Power Plant
ii. Proposed 30MW Muhoroni EPP
iii. Drilling of 80 Production Geothermal Wells in Olkaria
iv. Construction of Olkaria Geothermal Complex and Workshops
v. Construction of Olkaria 280MW PAPs Resettlement Houses and other Infrastructure in Olkaria
vi. Proposed 70MW Olkaria I Additional Unit 6 Geothermal Power Plant
vii. Proposed 60MW Eburru Geothermal Power Plant
viii. Desilting of Mathioya Dam in Murang'a
ix. Rehabilitation of Wanjii Hydroelectric Power Plant and Mathioya Tunnel in Murang'a
x. Desilting of Maragua Dam
xi. Desilting of Kindaruma Dam.

Internal and External Audits

Internal Statutory Audits

The annual statutory self environment audits for the year 2012 were undertaken for all the KenGen installations and reports submitted to NEMA. Environment audit for Kipevu I, III and Lamu thermal power plants were undertaken by an independent firm of experts as per NEMA recommendations.

ERC Environmental Health and Safety Audits

ERC carried out Environment Health Safety Audits for Muhoroni temporary thermal power plant, Sondu, Sang'oro, Kindaruma, Tana, Wanjii, Sagana, Masinga and Gitaru hydro electric power plants and Lamu thermal power station in the period July 2012-June 2013. Corrective Actions Plans (CAPs) were developed and are being implemented.

Strategic Environmental Assessment (SEA) Studies

The company procured consultancy services for undertaking SEA for proposed geothermal expansion plans at Olkaria and Eburru geothermal fields. The study will take about 4 months to complete. After SEA reports approval, project reports for the additional units will be prepared and submitted to NEMA for approval.

Environment and Resettlement

Olkaria IV RAP

Stakeholder engagement and participation in the RAP implementation continued during 2012-2013 with the following key milestones achieved through participatory and inclusive processes:

i. **Agreement on and Acceptance of the Cultural Centre Land:** KenGen and the Project Affected Persons (PAPs) agreed that the Cultural Centre sits on 14 acres of land, which is to be owned by the PAPs. It was also agreed that the land touches borders with KWS.
ii. **Conclusion and Agreement on the Resettlement Pattern Site Layout at the Resettlement Land:** Working together, KenGen and the PAPs (through their representatives in RAPIC) agreed on a resettlement pattern, which allowed for the site layout planning to be concluded. The construction of residential and social facilities started in May 2013.
iii. **Agreements on Compensation Measures and Signing of the MOU:** KenGen and the PAPs agreed on all compensation measures for RAP and a binding MOU was signed between the parties in July 2013.
iv. **Land Registration and Transfer Process:** The PAPs, during the Months of September and October 2013, agreed on the formation of a Welfare Society to act as the community land holding entity. In addition, they have elected and agreed on officials for the society. Registration of the society is pending. In the meantime, KenGen continues to process the registration and transfer of both the resettlement and the Cultural Centre land parcels.
v. **Livelihoods Restoration and Enhancement Program:** The activity ongoing. All social groups within the PAP community, including the vulnerable groups, have been identified, and training needs assessment for each social group has been planned. The program will be concluded in December 2013.

Narasha Primary pupils Olkaria, perform during a KenGen Scholarship Open Day

10. Carbon Asset Development

KenGen is looking for additional revenue streams from its Carbon Asset projects through different emission trading schemes. The Carbon Asset projects will also contribute towards sustainability and reducing the company's carbon footprint through deployment of green energy projects. The following Carbon Asset projects have been developed under the Clean Development Mechanism (CDM) emission trading scheme and are at different stages of verification to ensure emission reduction.

Registered Carbon Asset Projects

	Installed Capacity	Project	Estimated Annual Emission Reduction	Registration Date
1.	140MW	Olkaria I Unit 4&5	635,000	28-12-2012
2.	140MW	Olkaria IV Unit 1&2	650,000	28-12-2012
3.	20MW	Re-development of Tana	25,600	11-10-2011
4.	24MW	Optimization of Kiambere	41,000	24-10-2012
5.	35 MW	Olkaria II Unit 3	149,600	04-12-2010
6.	5.1 MW	Ngong' Wind	9,000	In validation

Community Benefits from Carbon Assets under Clean Development Mechanisms

The 35MW Olkaria II Geothermal Expansion Project, 20MW Optimization of Kiambere and the 20 MW Redevelopment of Tana projects were developed under the World Bank's Community Development Carbon Fund (CDCF).The CDCF supports projects that combine community development attributes with emission reductions to create significant positive impact on the surrounding communities and their local environment.

Under the CDCF, ten percent of the total carbon revenue from a project is intended for community benefit projects. An advance payment of the expected revenue from Olkaria II Unit 3 CDM project has been used in developing the following community projects with positive impacts on the Millennium Development Goals:

- Construction of 10 km water pipeline from Tank Mpya to Maiella within Maiella, Naivasha District. The tank is expected to benefit 20,000 people and reduce the distance to water sources and time spent by women and children in search for water.
- Excavation of Olosing'ate water pan for watering about 40,000 community livestock in Enoosupukia Location, Mau Division of Narok North District.
- Construction and equipment of 3 classrooms at Ngambani Nursery School within Maiella Location, Naivasha District to benefit 350 pupils per year.
- Construction and equipment of 3 classrooms at Oloirowua Primary School within Maiella Location, Naivasha District. The construction will benefit 450 pupils per year.

The 140MW Olkaria I Unit 4&5 and 140MW Olkaria IV Unit 1&2 CDM projects were not registered under the CDCF but have made significant contribution towards community development initiatives.

Carbon Markets

The carbon price fell drastically to less than a dollar per tonne in 2012 and continued to remain low in 2013. The fall of the carbon price was due to weak demand, European economic crisis, and project developers from non-LDCs trying to register projects ahead of new EU restrictions which were to take effect in 2013. Emission reductions from non-Least Developed Countries (non-LDCs) such as Kenya will not be allowed to trade in the European Union - Emission Trading Scheme (EU-ETS). Despite the low carbon activity in carbon trading, activity in the reconstruction and redesigning of the new or proposed market mechanisms and frameworks for various approaches within and outside Kyoto remained high.

With our continued renewable energy capacity expansion programme and the existing potential for emission reduction, we intend to widen the scope of our carbon markets by venturing into the new and unregulated markets outside the Kyoto mechanisms such as the Voluntary Carbon Markets (VCM), Bilateral Offset Carbon Mechanisms (BOCM)/ /Joint Credit Mechanism, Nationally Appropriate Mitigation Actions (NAMAs) and others. Additionally, KenGen will be looking for direct buyers for CERs, while continuing with Monitoring, Reporting and Verification (MRV) of the registered CDM projects.

KenGen Carbon Centre

To bridge the existing knowledge and technical skills gaps in CDM project development and climate change in the region, KenGen intends to open the Carbon Centre as an additional revenue stream.

The Carbon Centre will offer broad range of carbon services such as carbon project development and technical support, capacity building, research and development to potential clients. The Centre will also provide carbon market related consultancy services such as environmental assessment, financial analysis, air quality modeling, and energy efficiency audits. It will work in close collaboration with, and provide a platform for liaison to local and international carbon market stakeholders in the region. It will also improve access to carbon market information and data, and encourage development and innovation in low carbon technologies.

The Centre therefore has five key Strategic Pillars, namely:

- Carbon asset development and technical support services
- Capacity Building and information dissemination
- Marketing (of the Centre services), networking and liaison
- Research and development
- Carbon market related technical support (environmental assessment, financial analysis, air quality modeling, and energy efficiency audits)

11. Integrated Risk Management

The Company ensures continuous independent review of the effectiveness of Governance, Risk Management & Controls' processes. Value is added through recommendations for the improvement of these processes in line with best practice. Assurance, & Consultancy and special reviews are undertaken on various aspects of the Company's operations on planned basis.

Risk Register

During the year, the Company's Enterprise Risk Management framework has continued to be rolled out throughout the organization and continuous awareness on risk management initiatives. This has culminated in the set up and continuous monitoring of a strategic risks; process/operational risks, project risk, disaster & emergency risks, fraud risks and risks related to business continuity.

The Company is creating a culture of risk awareness, by making risk a management competence and of embedding a risk management culture in all decision making and key activities. This will facilitate continuous monitoring of existing and emerging risks and their mitigation on a timely basis, to ensure successful achievement of the Company's strategic objectives.

Risk Management

1.1 Environmental and Social Risks

(i) Environmental Risks

Compliance with current and future environmental regulations, particularly by the older plants, may require substantial capital expenditure and, in certain cases, may require closing down non-complying plants or result in increased projects and plant operating costs.

The Company is certified for ISO 14001:2004 environmental management system and conducts annual environmental audits in line with legal and regulatory requirements.

1.2 Economic Risks

KenGen's Capacity expansion program may be adversely affected by changes in the macro-economic variables such as inflation, exchange rate and taxation. These risks are managed through our long term power purchase agreements.

(i) Regulatory Risks (Power Purchase Agreements)

The Company's operation has many regulatory challenges. Changes to laws and regulations may expose the company to liability and result in increased costs. The power plants and power generation projects are subject to Power Purchase Agreements (PPAs). Effective PPAs that ensures sustainability of operations and compliance with the applicable laws is in place.

(ii) Hydrology Risks

About 50% of power generated in Kenya is hydro based. In light of this, unfavorable hydrological conditions adversely affect the generation capacity of the company.

Mitigation: To mitigate this risk, proper water reservoir management is being undertaken and storage capacity expansion of Masinga reservoir is planned. In addition, the company is diversifying its sources of power with future investments targeting power generation from wind, solar and all-weather generation plants such as geothermal, coal and LNG fired thermal plants to reduce the exposure to hydrological risks.

The National Government is setting up a Hydro Risk Mitigation Fund to cater for risks such as prolonged droughts. This is to cushion generators, transmitters, distributors and consumers of electricity from the adverse effects of hydrology. The National Government aims at establishing a committee comprising of relevant stakeholders to ensure coordination at policy, regulatory and operational levels on matters relating to the apportionment of water resources (Ref National Energy Policy, May 11, 2012).

(iii) Geothermal Steam Supply

KenGen generates about 13% of its electricity from geothermal sources. In addition, the company is currently expanding its geothermal capacity. Geothermal power generation faces the inherent risk of depletion of steam in generation wells. The existing and planned projects in Olkaria, Menengai and Longonot also fall within the same geological region. This region, in the Rift Valley, lies within a geologically active area. It may be prone to events that are of an adverse nature such as volcanic eruptions and tectonic movements.

Mitigation: KenGen closely monitors the steam pressure of the geothermal wells and drills new make-up wells to ensure continuous supply of steam to the plants. In addition effective reservoir management has been enhanced by re-injecting brine into the reservoir. The Company also monitors seismic activities to gauge the probability of tectonic movements.

(iv) Demand Drop

The Company has a market share of about 77% in electricity generation. Licenses given to the Independent Power Producers (IPPs) are a loss of market share to KenGen. Apart from KenGen, there are currently other five electricity bulk suppliers in Kenya. KenGen intends to implement projects that yield competitively priced electricity with the geothermal and hydro plants being ranked highest in the economic order of dispatch. The G2G transformation strategy has lined up a number of capacity expansion projects with a focus on geothermal development to increase its market share.

Kipevu III power plant

(v) Political Risks/Devolution

Kenya, like the majority of developing countries, is subject to certain political, economic and social events that may individually or collectively, create risks for investors. These risks are more difficult to predict and/or measure than in developed countries. The possibility that the Government may alter its policies or other regulations may adversely affect investments. Political instability will hurt an investment or business.

There is a possibility of County Governments demanding revenues in the form of royalties in the long run with respect to the power stations that lie within their jurisdiction.

Mitigation: The Constitution of Kenya ensures good governance, political stability and socio-economic growth. In addition, the ongoing review of the Energy Policy & Act has taken into consideration changes in the Constitution including specific changes related to the energy sector.

(vi) Security Risks

Power generation, transmission and distribution are important activities for economic, social and national security. Terrorist activities pose a major security risk and power sector facilities could be targeted.

Mitigation: KenGen's power generating facilities are well secured and guarded at all times. The company engages state security and outsourced qualified security firms in all its areas of operation; the outsourced firms are closely supervised by KenGen's professional security officers. In addition, the Company has consequential loss insurance based on the gross profit and a sabotage and terrorism policy cover.

(vii) Single Buyer Exposure

KenGen currently sells all the electricity it generates to its sole customer, Kenya Power. Power exchange in Kenya is done under PPAs. Should Kenya Power decide to switch its preference for sourcing power away from KenGen in favour of IPPs or if Kenya Power were unable to meet its obligations under the terms of the contracted current and future trading arrangements, then KenGen's ability to service existing and future debt obligations could be jeopardized.

Mitigation: The Economic Dispatch Order ensures that KenGen sells its electricity first to Kenya Power since it has the most competitive prices. In addition, the government is currently a major shareholder and ensures that both Companies are sustainable. Kenya Power has announced measures to restructure its operations to ensure that it is better placed to meet its PPA obligations. Further, the Energy Act, 2006 allows KenGen to expand and diversify its customer base by supplying electricity directly to large electricity/power consumers and hence diversifying the business risk.

(viii) Project Delivery (Funding) Risks

The Company needs substantial capital to finance its business plan and in particular the capacity expansion projects. The planned capacity addition under the various expansion programs between the years 2013-2018 is 1760MW with an estimated cost of over US$ 4.9 billion. The Company has engaged a financial arranger to advise KenGen on the optimal financing options. The ability to finance the capital expenditure plans is subject to a number of risks, contingencies and other factors, some of which are beyond the control of the Company, including tariff regulations, interest rates, borrowing or lending restrictions, insurance and other costs and the ability to obtain financing on acceptable terms. Further, the expansion plans are subject to a number of contingencies, including laws and regulations, government actions, delays in obtaining permits or approvals, global prices of crude oil and other fuels, accidents and natural calamities.

Mitigation: These risks would be mitigated by KenGen pursuing additional sources of funding through PPP arrangements to supplement its internally generated funds. This may also include raising project finance through capital markets by the issue of debt instruments..

(ix) Stakeholder Management Risks

KenGen like any other organization is driven by key stakeholders. Adequate stakeholder management supports an organization's strategic objectives by interpreting and influencing both the external and internal environments and by creating positive relationships through managing of their expectations and agreed objectives. Stakeholder Management is a process and control that must be planned and guided by underlying Principles. On the other hand inadequate management of stakeholders is likely to trigger reputational damages from KenGen's key stakeholders.

KenGen has put in place an efficient sustainable review and engagement with the aim of enhancing its reputation. In addition, KenGen constantly participates in Corporate Social Investment (CSI) programs as part of giving back to the community which it operates in.

(xii) Occupational Safety and Health Risks

Majority of KenGen staff are exposed to different kinds of hazards may affect human health. KenGen meets the occupational safety and health standards as defined by the occupational safety and health regulations. There are systems in place to handle emergency situations such as fire. Routine first aid drills are carried out in addition to training employees on the use of fire equipment as well as the installation of additional fire hydrants at all company operations.

(xiii) Availability of Land/Site Acquisition for Project Expansion

As KenGen seeks to expand its footprint, land acquisition is usually consequential. Accordingly, any development activities that involve acquisition especially of private land, must always consider Project Affected Persons (PAPS). There is risk of failing to agree on compensation due to among other factors, cultural practices and strong attachment to ancestral land.

Mitigation: KenGen in all its programmes includes Environmental and Social Impact Assessments. The results of these form the basis for successful negotiations with the PAPs for relocation and compensation for their land to be acquired for development/expansion projects. KenGen also through its Corporate Social Investment (CSI) programme supports the PAPs in various community and development activities such as scholarships, water provision, environmental conservation and promotion of health.

(xiv) Community Agitation in KenGen Operational Areas and Project Sites

One of KenGen's key strategic objectives is project expansion to increase energy generation. This has often led to displacement of human and wildlife which his has triggered hostility from local communities targeting KenGen and its key stakeholders/partners. The Company is managing this risk by ensuring that costs related to community activism are embedded in the project costs while Community Liaison Officers have been put in most areas. Stakeholder Coordination Committees have been set-up in major projects to help handle this, and key policies within the company are to be reviewed in line with the changes within the community.

(xv) Project Implementation Risks

Energy generation projects bear significant construction risks arising from delayed completion and commissioning, costs escalation during the construction period, logistical challenges and other EPC risks. While KenGen intends to execute competitive EPC contracts that mitigate most of the risks associated with construction, factors beyond the control of KenGen and the EPC contractors may result in cost overruns and project delays to the Company's detriment.

Mitigation: KenGen intends to minimize these risks by procuring experienced EPC contractors and consultants for all its projects. The Company executes agreements that require the contractors to pay sufficient liquidated damages in the event of default. KenGen will also ensure that adequate base studies are carried out before entering into construction projects so that potential issues are known in advance as well as enhance effective management of the project.

KenGen also requires EPC contractors to provide advance payment guarantees and performance bonds.

(xvi) Contract Management Risks

Timely commissioning of electric power projects is dependent on the quality of the contractors procured to implement them. Despite the contractors' bids having been solicited through international competitive bidding and evaluated in accordance with International Procurement Guidelines, the electric power sector especially generation has been characterized by few and low quality responses to the bids. This has led to delays in project implementation in cases where some projects have had to be re-tendered. Project costs have also increased due to limited choices. Power projects have long lead-times, as the projects are implemented in various stages lasting several years. A combination of all these factors would lead to substantial delay in commissioning electric power plants.

Mitigation: These risks would be mitigated by adhering to international best practices in Contract Packaging, Procurement and Project Management. KenGen has also embraced business application ERP-SAP in management of its contractual processes.

(xvii) Procurement (Strategic Spare) Risks

Power plants are dependent on timely supply of spare parts for smooth operations. The Company is also subject to the rigorous PPD Act. In addition, there is a long lead time between order and delivery of spares since some have to be manufactured. Consequently, any disruption in supply of spare parts could have an adverse impact on power generation and on revenues, margins and cash flows. Disruptions in supply of spare parts could arise from inability to find suppliers to deliver parts within reasonable timeframes after failure particularly of old plants or delays in shipping and transporting parts to generating power plants located in remote areas.

Mitigation: KenGen intends to directly procure these spare parts from original manufacturers. Further, the company intends to enter into operational and maintenance contracts with the suppliers of equipment that will assist in minimizing the scope for equipment breakdown.

Financial Statements

Financial Statements

Financial Statements

One of the modern rigs in Olkaria

FINANCIAL STATEMENTS

REPORT OF THE DIRECTORS

The directors have pleasure in presenting their report and the audited financial statements of the Kenya Electricity Generating Company Limited (the "company") for the year ended 30 June 2013, which shows the state of affairs of the company.

PRINCIPAL ACTIVITIES

The principal activity of the company is to generate and sell electricity to the authorised distributor, Kenya Power and Lighting Company Limited (Kenya Power).

RESULTS

	2013
	Shs'000
Profit before tax	4,093,074
Taxation credit	1,157,062
Profit for the year transferred to retained earnings	5,250,136

DIVIDENDS

Subject to the approval of the shareholders, the directors recommend the payment of a first and final dividend of Shs.1.319 billion (2012: Shs.1.319 billion) for the year representing Shs 0.60 (2012: Shs 0.60) per issued ordinary share.

DIRECTORS

The present members of the board of directors are shown on page 34-36. The Managing Director & CEO, Mr Edward Njoroge retired from the company effective 30 June 2013. Mr Simon Ngure was appointed as the Managing Director and CEO in an acting capacity as the board concludes the appointment of Mr. Njoroge's replacement.

AUDITORS

The Auditor General is responsible for the statutory audit of the company's books of account in accordance with Section 14 of the Public Audit Act, 2003. Section 39(1) of the Act 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 audit for the year ended 30 June 2013.

BY ORDER OF THE BOARD

Secretary
29 October 2013
Nairobi

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Kenyan Companies Act requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of the company as at the end of the financial year and of its operating results for that year. It also requires the directors to ensure that the company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the company. They are also responsible for safeguarding the assets of the company.

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, and for such internal controls as directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and of its operating results. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the company will not remain a going concern for at least the next twelve months from the date of this statement.

Director	**Director**	**Director**

29 October 2013

STATEMENT BY COMPANY SECRETARY

In accordance with Section125 of the Companies Act, Cap486, I certify that the Company has lodged with the Registrar General all such returns as are required of a public company in terms of the Act, and that all such returns are true, correct and up to date.

R. Miano, Company Secretary
Nairobi
29 October 2013

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-mail: cag@kenao.go.ke
Website: www.kenao.go.ke

P.O. Box 30084-00100
NAIROBI

KENYA NATIONAL AUDIT OFFICE

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

Report on the Financial Statements

The accompanying financial statements of Kenya Electricity Generating Company Limited set out at pages 91 to 145, which comprise the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, have been audited on my behalf by Deloitte and Touche auditors appointed under Section 39 of the Public Audit Act, 2003. The auditors have duly reported to me the results of their audit and on the basis of their report, I am satisfied that all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit were obtained.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of section 13 of the Public Audit Act, 2003.

Auditor-General's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosure in the financial statements. The procedures selected depend on the

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

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

Opinion

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

Report on Other Legal and Regulatory Requirements

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

i. I have obtained all the information and explanations, which, to the best of my knowledge and belief, were necessary for the purpose of the audit;

ii. In my opinion, proper books of account have been kept by the company, so far as appears from the examination of those books; and

iii. The Company's statement of financial position and statement of comprehensive income are in agreement with the books of account.

Edward R. O. Ouko

AUDITOR-GENERAL

Nairobi

Date 29 Oct 2013

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 30 june 2013

	Notes	2013 Shs'000	2012 Shs'000
Revenue	4	16,451,195	15,872,111
Interest income	5	676,109	952,621
Other income	6(a)	594,888	611,599
		17,722,192	**17,436,331**
Other gains and losses	7	(53,107)	(152,811)
Expenses	8	(10,575,209)	(10,266,022)
Finance costs	10	(3,000,802)	(2,972,308)
PROFIT BEFORE TAXATION	11	**4,093,074**	**4,045,190**
Taxation credit/(charge)	12(a)	1,157,062	(1,222,590)
PROFIT FOR THE YEAR		**5,250,136**	**2,822,600**
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified subsequently to profit or loss		-	-
Items that may be reclassified subsequently to profit or loss:			
Net losses on revaluation of available-for-sale treasury bonds	18(b)	(21,903)	(908,786)
Cumulative gain/(loss) reclassified from equity on disposal of available-for-sale treasury bonds	18(c)	39,969	(53,666)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**18,066**	**(962,452)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**5,268,202**	**1,860,148**
Earnings per share -			
		Shs	Shs
Basic and diluted (Shs)	13	2.39	1.28

Profile
Leadership Overview
Corporate Governance
Our Strategy
Sustainability
Financial Statements
Additional Information and Statistics
Shareholders Calendar

STATEMENT OF FINANCIAL POSITION
for the year ended 30 june 2013

	Notes	2013 Shs'000	2012 Shs'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	153,201,471	120,664,699
Prepaid leases on land	15	439,957	35,426
Intangible assets	16	1,079,686	896,335
Amount due from Kenya Power-deferred debt	17(b)	1,148,965	1,401,133
Treasury bonds	18(a)	2,436,683	8,050,919
Recoverable foreign exchange adjustment	19	5,238,710	9,808,295
Total non-current assets		**163,545,472**	**140,856,807**
Current assets			
Inventories	20	836,259	1,955,564
Amount due from Kenya Power	17(a)	6,186,749	7,221,777
Other receivables	21	5,903,928	6,077,151
Amount due from Ministry of Energy & Petroleum	22	5,315,816	5,318,021
Treasury bonds	18 (a)	2,550,345	643,203
Recoverable foreign exchange adjustment	19	338,286	405,477
Corporate tax recoverable	12(c)	-	231,154
Cash and cash equivalents	23(a)	3,996,427	435,719
Total current assets		**25,127,810**	**22,288,066**
TOTAL ASSETS		**188,673,282**	**163,144,873**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	24	5,495,904	5,495,904
Share premium	25(a)	5,039,818	5,039,818
Capital reserve	25(b)	8,579,722	8,579,722
Investments revaluation reserve	25(c)	(192,424)	(210,490)
Property, plant and equipment revaluation reserve	25(d)	17,306,770	17,954,954
Retained earnings		37,898,949	33,319,646
Total Equity		**74,128,739**	**70,179,554**
Non-current liabilities			
Borrowings	26(a)	73,934,313	61,850,220
Operating lease liability	27(b)	3,000	5,000
Retirement benefits liability	28	47,700	93,500
Deferred tax liability	29	14,295,869	16,015,642
Trade and other payables	30	8,591,032	-
Total non-current liabilities		**96,871,914**	**77,964,362**
Current liabilities			
Borrowings due within one year	26(a)	7,000,387	7,265,504
Trade and other payables	30	6,859,707	4,370,312
Amount due to Kenya Power	17(d)	83,332	6,405
Operating lease liability	27(b)	2,000	2,000
Leave pay provision	31	252,429	160,415
Corporate tax payable	12(c)	278,453	-
Dividends payable	32(a)	3,196,321	3,196,321
Total current liabilities		**17,672,629**	**15,000,957**
TOTAL EQUITY AND LIABILITIES		**188,673,282**	**163,144,873**

The financial statements on pages 91 to 145 were approved and authorised for issue by the board of Directors on 29 October 2013 and were signed on its behalf by:

Director Director Director

STATEMENT OF CHANGES IN EQUITY
for the year ended 30 june 2013

	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 2011	5,495,904	5,039,818	8,579,722	751,962	19,038,008	30,513,173	**69,418,587**
Profit for the year	-	-	-	-	-	2,822,600	2,822,600
Other comprehensive loss for the year	-	-	-	(962,452)	-	-	(962,452)
Total comprehensive income for the year	-	-	-	(962,452)	-	2,822,600	**1,860,148**
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	33,319,646	**70,179,554**
At 1 July 2012	5,495,904	5,039,818	8,579,722	(210,490)	17,954,954	33,319,646	**70,179,554**
Profit for the year	-	-	-	-	-	5,250,136	5,250,136
Other comprehensive income for the year	-	-	-	18,066	-	-	18,066
Total comprehensive income for the year	-	-	-	18,066	-	5,250,136	**5,268,202**
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	37,898,949	**74,128,739**

STATEMENT OF CASH FLOWS
for the year ended 30 june 2013

	Notes	2013 Shs'000	2012 Shs'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	33(a)	25,147,845	5,259,774
Income tax paid	12(c)	(53,104)	(84,428)
Interest received	33(b)	824,877	863,262
Interest paid	33(c)	(2,956,969)	(2,988,302)
Net cash generated by operating activities		**22,962,649**	**3,050,306**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	14	(37,396,364)	(9,020,497)
Purchase of prepaid leasehold land	15	(406,287)	(4,736)
Purchase of intangible assets	16	(229,740)	(3,109)
Proceeds from disposal of assets		7,473	-
Proceeds on sale/redemption of treasury bonds	18(c)	3,530,075	393,299
Net cash used in investing activities		**(34,494,843)**	**(8,635,043)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings	26(d)	(6,379,012)	(3,139,897)
Proceeds from borrowings	26(d)	22,790,931	6,871,436
Dividends paid to owners of the company	32	(1,319,017)	(826,681)
Net cash generated from financing activities		**15,092,902**	**2,904,858**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**3,560,708**	**(2,679,879)**
Cash and cash equivalents at the beginning of the year		435,719	3,115,598
Cash and cash equivalents at the end of the year	23(a)	**3,996,427**	**435,719**

1. GENERAL INFORMATION

The company is incorporated and domiciled in Kenya under the Kenyan Companies Act. The company was incorporated in 1954 as Kenya Power Company Limited (KPC) and was under management of Kenya Power & Lighting Company (Kenya Power). In 1997, the management was separated from Kenya Power & Lighting Company Limited and the company was renamed to Kenya Electricity Generating Company Limited (KenGen) following the implementation of the reforms in the energy sector. Its core business is to develop, manage and operate power generation plants to supply electric power to the Kenyan market. The shares of the company are listed on the Nairobi Securities Exchange.

2. ACCOUNTING POLICIES

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

For the Kenyan Companies Act reporting purposes, in these financial statements, the balance sheet is represented by/equivalent to the statement of financial position and the profit and loss account is presented in the statement of profit or loss and other comprehensive income.

Application of new and revised International Financial Reporting Standards (IFRSs)

(i) New standards and amendments to published standards effective for the year ended 30 June 2013

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 IFRS 7 Disclosures – Transfers of Financial Assets	The amendments to IFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures of transactions where a financial asset is transferred but the transferor retains some level of continuing exposure in the asset The application of the amendment had no effect on the company's financial statements as the company did not transfer any such financial assets during the year.

2. ACCOUNTING POLICIES (Continued)

Application of new and revised International Financial Reporting Standards (IFRSs) (Continued)

(i) New standards and amendments to published standards effective for the year ended 30 June 2013

Amendments to IAS 12 Deferred Tax, Recovery of Underlying Assets	The amendments to IAS 12 provide an exception to the general principle set out in IAS 12, Income Taxes, that the measurement of deferred tax should reflect the manner in which an entity expects to recover the carrying amount of an asset. Specifically, the amendments establish a rebuttable presumption that the carrying amount of an investment property measured using the fair value model in IAS 40, Investment Property, will be recovered entirely through sale. The amendments were issued in response to concerns that application of IAS 12's general approach can be difficult or subjective for investment property measured at fair value because it may be that the entity intends to hold the asset for an indefinite or indeterminate period of time, during which it anticipates both rental income and capital appreciation. The application of the amendment had no impact on the company's investment properties as the company intends to hold the investment properties over an indefinite period of time.
Amendments to IFRS 1 Severe Hyperinflation	The amendments regarding severe hyperinflation provide guidance for entities emerging from severe hyperinflation either to resume presenting IFRS financial statements or to present IFRS financial statements for the first time. The amendments had no effect on the company's financial statements as the company did not operate in a hyper-inflationary environment.

2. ACCOUNTING POLICIES (Continued)

Application of new and revised International Financial Reporting Standards (IFRSs) (Continued)

(i) New standards and amendments to published standards effective for the year ended 30 June 2013

Amendments to IAS 1: Presentation of Items of Other Comprehensive Income	These amend IAS 1, Presentation of Financial Statements, to revise the way other comprehensive income is presented. The amendments: • Preserve the amendments made to IAS 1 in 2007 to require profit or loss and other comprehensive income to be presented together, i.e. either as a single 'statement of profit or loss and comprehensive income', or a separate 'statement of profit or loss' and a 'statement of other comprehensive income' – rather than requiring a single continuous statement. • Require entities to group items presented in other comprehensive income based on whether they are potentially reclassifiable to profit or loss subsequently i.e. those that might be reclassified and those that will not be reclassified. • Require tax associated with items presented before tax to be shown separately for each of the two groups of other comprehensive income items (without changing the option to present items of other comprehensive income either before tax or net of tax). The above amendments are generally effective for annual periods beginning on or after 1 July 2012. The company has applied the amendments. Other than presentation, there has been no material impact to the company's financial statements.
Amendment to IFRS 1: Removal of fixed dates for first time adopters	The amendments regarding the removal of fixed dates provide relief to first time adopters of IFRS's for reconstructing transactions that occurred before the dates of transition to IFRSs. The amendment had no effect on the company as it is not a first time adopter of IFRS.

2. ACCOUNTING POLICIES (Continued)

Application of new and revised International Financial Reporting Standards (IFRSs) (Continued)

(ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2013

New and amendments to standards	*Effective for annual periods beginning on or after*
IFRS 9, Financial Instruments	1 January 2015
IFRS 10, 11, 12, 27 and 28, Consolidation, joint arrangements, joint arrangements, IAS 27 as revised in 2011 and IAS 28 as revised in 2011	1 January 2013
IFRS 13, Fair Value Measurement	1 January 2013
Amendments to IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to IFRS 9 and IFRS 7 Mandatory Effective Date of IFRS 9 and Transition Disclosures	1 January 2015
IAS 19, Employee Benefits (as revised in 2011)	1 January 2013
IAS 32, Financial Instruments: Presentation – Amendments to application guidance on the offsetting of financial assets and financial liabilities	1 January 2014
Annual Improvements to IFRSs 2009-2011 Cycle	1 January 2013

New interpretation

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
IFRIC 21 Levies	1 January 2014

(iii) Impact of relevant new and revised IFRSs in issue but not yet effective for the year ended 30 June 2013

- **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 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

2. ACCOUNTING POLICIES (Continued)

Application of new and revised International Financial Reporting Standards (IFRSs) (Continued)

(iii) Impact of relevant new and revised IFRSs in issue but not yet effective for the year ended 30 June 2013

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. Previously, 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 was presented in profit or loss.

  The directors anticipate that IFRS 9 will be adopted in the company's financial statements for the annual period beginning 1 January 2015 and that the application of IFRS 9 may have a significant impact on amounts reported in respect of the company's financial assets and financial liabilities (e.g the company will classify financial assets as subsequently measured at either amortised cost or fair value). However, it is not practicable to provide a reasonable estimate of that effect until a detailed review is done.

- New and revised Standards on consolidation, joint arrangements, associates and disclosures

  In May 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011). Key requirements of these five Standards are described below:

  IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. SIC-12 Consolidation – Special Purpose Entities will be withdrawn upon the effective date of IFRS 10. Under IFRS 10, there is only one basis for consolidation, that is, control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

2. ACCOUNTING POLICIES (Continued)

Application of new and revised International Financial Reporting Standards (IFRSs) (Continued)

(iii) Impact of relevant new and revised IFRSs in issue but not yet effective for the year ended 30 June 2013

- New and revised Standards on consolidation, joint arrangements, associates and disclosures (Continued)

  IFRS 11 replaces IAS 31 Interests in Joint Ventures. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. SIC-13 Jointly Controlled Entities – Non-monetary Contributions by Venturers will be withdrawn upon the effective date of IFRS 11. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

  In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportional consolidation.

  IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

  In June 2012, the amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the application of these IFRSs for the first time.

  These five standards together with the amendments regarding the transition guidance are effective for annual periods beginning on or after 1 January 2013, with earlier application permitted provided all of these standards are applied at the same time. The company will apply these amendments prospectively.

  The directors anticipate that the application of IFRS 10 and IFRS 11 will have no material impact to the company's financial statements currently. However, the company would have to apply this standard to any such arrangements entered in the future. The directors anticipate that the application of IFRS 12 would result in more extensive disclosures in the financial statements.

- **IFRS 13, Fair Value Measurement**

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad;

2. ACCOUNTING POLICIES (Continued)

Application of new and revised International Financial Reporting Standards (IFRSs) (Continued)

(iii) Impact of relevant new and revised IFRSs in issue but not yet effective for the year ended 30 June 2013

- **IFRS 13, Fair Value Measurement (Continued)**

  it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 Financial Instruments: Disclosures will be extended by IFRS 13 to cover all assets and liabilities within its scope.

  IFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

  The directors anticipate that the application of the new Standard may affect the amounts reported in the financial statements and result in more extensive disclosures in the financial statements, however, the company is yet to assess IFRS 13's full impact and intends to adopt the standard no later than the accounting period beginning on or after 1 January 2013.

- **Amendments to IFRS 7 and IAS 32 Offsetting Financial Assets and Financial Liabilities and the related disclosures**

  The amendments to IAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

  The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

  The amendments to IFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods. However, the amendments to IAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

  The directors anticipate that the application of these amendments to IAS 32 and IFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

2. ACCOUNTING POLICIES (Continued)

Application of new and revised International Financial Reporting Standards (IFRSs) (Continued)

(iii) Impact of relevant new and revised IFRSs in issue but not yet effective for the year ended 30 June 2013

- **IAS 19, Employee Benefits**

Revised IAS 19 takes effect for the financial periods commencing on or after 1 January 2013. One of the major changes to the IAS 19 standards is the elimination of amortization of gains and losses and past service costs. As a result, once these new standards take effect, there will no longer be unrecognized amounts in the balance sheet liability and all future gains and losses and past service costs will be recognized in full.

In the current year, the company has net actuarial losses not recognized of Sh 243 million.

- **Annual Improvements to IFRSs 2009 – 2011 Cycle issued in May 2012**

The Annual Improvements to IFRSs 2009 – 2011 Cycle include a number of amendments to various IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to IFRSs include:

- amendments to IAS 1 Presentation of Financial Statements;
- amendments to IAS 16 Property, Plant and Equipment; and
- amendments to IAS 32 Financial Instruments: Presentation.

IAS 1 Presentation of Financial Statements

The amendments to IAS 1 clarify that an entity is required to present a statement of financial position as at the beginning of the preceding period (third statement of financial position) only when the retrospective application of an accounting policy, restatement or reclassification has a material effect on the information in the third statement of financial position and that the related notes are not required to accompany the third statement of financial position.

The amendments also clarify that additional comparative information is not necessary for periods beyond the minimum comparative financial statement requirements of IAS 1. However, if additional comparative information is provided, the information should be presented in accordance with IFRSs, including related note disclosure of comparative information for any additional statements included beyond the minimum comparative financial statement requirements. Presenting additional comparative information voluntarily would not trigger a requirement to provide a complete set of financial statements.

The directors anticipate that the amendments to IAS 1 will result in the company's presenting a statement of financial position at the beginning of the preceding period (third statement of financial position) only when the restatement or reclassification has a material effect on the information in the financial statements.

2. ACCOUNTING POLICIES (Continued)

Application of new and revised International Financial Reporting Standards (IFRSs) (Continued)

(iii) Impact of relevant new and revised IFRSs in issue but not yet effective for the year ended 30 June 2013

IAS 16 Property, Plant and Equipment

The amendments to IAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16 and as inventory otherwise.

The directors do not anticipate that the amendments to IAS 16 will have a significant effect on the company's financial statements as the company does not have significant amounts of spare parts, stand-by equipment and servicing equipment.

IAS 32 Financial Instruments: Presentation

The amendments to IAS 32 clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with IAS 12 Income Taxes.

The directors anticipate that the amendments to IAS 32 will have no effect on the company's financial statements as the company has already adopted this treatment.

(iv) Early adoption of standards

The company did not early-adopt any new or amended standards in 2013.

Basis of preparation

The financial statements are prepared under the historical cost convention as modified to include the revaluation of certain items of plant and machinery.

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:

2. ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

(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.

Revenue also includes realised foreign exchange adjustments as stipulated in the PPAs.

(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 by the end of the reporting period

(ii) Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary

2. ACCOUNTING POLICIES (Continued)

Taxation (Continued)

(ii) Deferred tax (Continued)

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 end of each reporting period 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 by the end of the reporting period. 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 end of the reporting period, 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.

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 benefit 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 reporting period. Actuarial gains and losses that exceed 10 per cent of the greater of the present value of the company's defined benefit obligation and the fair value of plan assets as at the end of the prior year are amortised over the expected average remaining working lives of the participating employees.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. ACCOUNTING POLICIES (Continued)

Employees' benefits (Continued)

Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

The company and all its employees also contribute to the National Social Security Fund, a statutory defined contribution pension scheme. The company's obligation under the scheme is limited to specific contributions legislated from time to time and are currently limited to a maximum of Shs 200 per month per employee. The company's contributions in respect of retirement benefit costs are charged to the profit and loss in the year to which they relate.

ii) 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.

Properties, 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.

2. ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

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 land and buildings 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 fifteen years from the date of commencement of commercial operation. The cost 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 estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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.

2. ACCOUNTING POLICIES (Continued)

Depreciation (Continued)

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 buildings is recognised in profit or loss. An annual transfer from the asset revaluation reserve to retained earnings is made. 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 each financial year end. 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

2. ACCOUNTING POLICIES (Continued)

Impairment of tangible and intangible assets excluding goodwill (Continued)

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.

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.

2. ACCOUNTING POLICIES (Continued)

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.

Effective interest method

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

2. ACCOUNTING POLICIES (Continued)

Financial assets (Continued)

expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

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.

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

2. ACCOUNTING POLICIES (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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.

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.

2. ACCOUNTING POLICIES (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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.

2. ACCOUNTING POLICIES (Continued)

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.

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.

2. ACCOUNTING POLICIES (Continued)

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.

2. ACCOUNTING POLICIES (Continued)

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.

Foreign currencies

In preparing the financial statements of the company, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, 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.

Profile
Leadership Overview
Corporate Governance
Our Strategy
Sustainability
Financial Statements
Additional Information and Statistics
Shareholders Calendar

3. 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 (see 3 (b) below), 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. The carrying amount of the held-to-maturity financial assets is Shs 2,437 million (30 June 2012: Shs 2,441). Details of these assets are set out in note 18.

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. The carrying value of recognised tax losses at 30 June 2013 was Shs 10,396,680,000 (2012: Shs 4,830,933,000). There are no tax losses prior to 1 January 2010. Further details are contained in Note 29.

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. At the reporting date, the directors assess the carrying amount of revalued property, plant and equipment and apply judgement to determine that these do not differ materially from that which would be determined using fair values at 30 June 2013.

3. 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. See note 28.

	2013 Shs'000	2012 Shs'000
4. REVENUE		
Electricity sales:-		
- Capacity charges revenue	12,620,981	13,206,161
- Energy revenue	3,275,649	1,567,360
Power Purchase Agreements' adjustments:		
- Foreign currency adjustment payments	554,565	1,098,590
	16,451,195	15,872,111
5. INTEREST INCOME		
Treasury bonds	305,903	625,841
Other receivables	5,535	6,196
Banks and other financial institutions	65,124	233,368
Kenya Power	299,547	87,216
	676,109	952,621
The following is an analysis of interest income earned on financial assets by category of asset		
Available-for-sale treasury bonds	141,356	389,591
Held-to-maturity treasury bonds	164,547	236,250
Loans and receivables (including cash and bank balances)	370,206	326,780
	676,109	952,621
6. OTHER INCOME		
(a) Consultancy services	55,735	14,699
Insurance Compensation	67,270	5,024
Miscellaneous income	108,973	105,061
Net fuel pass-through (Note 6 (b))	286,165	359,848
Revenue from Emergency Power Project (EPP)-Note 34	76,745	126,967
	594,888	611,599
(b) Net fuel pass-through[1]		
Fuel pass-through revenue	8,689,767	12,592,346
Fuel pass-through costs	(8,403,602)	(12,232,498)
	286,165	359,848
(c) Net water charges pass-through[2]		
Water charges pass-through revenue	215,141	91,470
Water charges pass-through costs	(215,141)	(91,470)
	-	-
(d) Net Steam Revenue pass-through[3]		
Steam charges pass-through revenue	58,365	-
Steam charges pass-through costs	(58,365)	-
	-	-

[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.

[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.

	2013 Shs'000	2012 Shs'000
7 OTHER GAINS AND LOSSES		
Foreign exchange losses on other monetary items excluding borrowings	(10,671)	(208,650)
Cumulative (loss)/gain reclassified from equity on disposal of available-for-sale investments (note 18 (c))	(39,969)	53,666
(Loss)/gain on disposal of available-for-sale investments (note 18 (c))	(2,467)	2,173
Unrealized foreign exchange gains on revaluation of borrowings (note 26 (d))	4,261,464	2,724,912
Recoverable foreign exchange differences (note 19)	(4,261,464)	(2,724,912)
	(53,107)	(152,811)

	2013 Shs'000	2012 Shs'000
8. EXPENSES		
a) Employee expenses (note 9)	3,181,991	2,169,802
b) Depreciation and Amortization		
Depreciation* (note 14)	4,530,583	4,848,372
Amortization - Prepaid leases on leasehold land* (note 15)	1,360	42
- Intangible assets- software (note 16)	46,389	34,823
	4,578,332	4,883,237

*The depreciation/amortisation charge for the year does not tie to notes 14 and 15 because the depreciation for rigs used in well drilling & amortization of land were capitalised to the wells drilled as part of the cost of the wells.

	2013 Shs'000	2012 Shs'000
c) Operating expenses		
Plant operation and maintenance	1,129,466	1,570,693
Welfare and benefits	260,973	246,428
Training expenses	147,965	89,448
Insurance	401,752	404,242
Catchment preservation and dam maintenance	107,000	107,000
Transport and travelling costs	366,659	308,242
Consultants fees	28,629	54,204
Office expenses	157,931	107,315
Other costs	214,511	325,411
	2,814,886	3,212,933
Total Expenses(8a,8b and 8c)	**10,575,209**	**10,266,022**

	2013 Shs'000	2012 Shs'000
9. STAFF COSTS		
Salaries and wages	2,723,220	2,770,045
Leave pay allowance	89,644	27,447
Pension cost/(gain) - defined benefit scheme (Note 28)	153,000	(744,500)
Pension cost - defined contribution scheme	211,785	110,055
National Social Security Fund	4,342	6,755
	3,181,991	2,169,802

	2013 Numbers	2012 Numbers
The number of persons employed by the company at the year end was		
- Operational staff	1,475	1,377
- Geothermal resource assessment and projects staff	588	452

	2013 Shs'000	2012 Shs'000
10. FINANCE COSTS		
Interest on borrowings	4,082,831	4,278,140
Less: capitalised interest	(1,082,029)	(1,305,832)
	3,000,802	2,972,308

	2013 Shs'000	2012 Shs'000
11. PROFIT BEFORE TAX		
Profit before tax is arrived at after charging:		
Depreciation on property, plant and equipment	4,530,583	4,848,372
Amortisation of intangible assets	46,389	34,823
Amortisation of prepaid lease	1,360	42
Directors' emoluments: fees - executive	-	-
- fees – non-executive	6,000	6,000
- other emoluments executive	28,029	20,045
- other emoluments non-executive	23,897	28,732
Auditor's remuneration	5,073	4,490
Operating lease rentals	92,717	67,518
Interest on borrowings	3,000,802	2,972,308
And after crediting: Interest income	(676,109)	(952,621)

	2013 Shs'000	2012 Shs'000
12. TAXATION		
(a) Taxation (credit)/charge		
Current taxation based on the adjusted profit at 30%	-	-
Interest taxed as a separate source of income	51,093	121,786
Compensating tax	-	57,397
Deferred tax charge (note 29)	(1,108,636)	1,055,032
Adjustment on interest taxed as a separate source of income	511,618	59,948
Adjustment on provision – deferred tax	(611,137)	(71,573)
	(1,157,062)	1,222,590

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. TAXATION (CONTINUED)

	2013 Shs'000	2012 Shs'000
(b) Reconciliation of expected tax based on profit before taxation to taxation (credit)/charge		
Profit before taxation	4,093,074	4,045,190
Tax applicable rate of 30%	1,227,922	1,213,557
Tax effect of income not subject to tax	(33,518)	(90,980)
Tax effect of capital allowances exceeding 100% of cost	(2,324,368)	(130,573)
Compensating tax	-	57,397
Tax effect of expenses not deductible for tax purposes	72,421	184,814
Prior year under provision – interest taxed as a separate source of income	511,618	59,948
Prior year over provision – deferred tax	(611,137)	(71,573)
Total taxation (credit)/charge	(1,157,062)	1,222,590
(c) Corporate tax movement		
Balance brought forward	(231,154)	(385,857)
Interest taxed as a separate source of income	51,093	121,786
Compensating tax	-	57,397
Prior year under provision – interest taxed as a separate source of income	511,618	59,948
Paid during the year	(53,104)	(84,428)
At end of the year	278,453	(231,154)

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 as at 30 June 2013 and 30 June 2012. 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:

	2013	2012
Profit attributable to ordinary shareholders for basic earnings (in Shs'000)	5,250,136	2,822,600
Number of ordinary shares in issue during the year used in the calculation	2,198,361,456	2,198,361,456
Basic and diluted earnings per share (in Shs)	2.39	1.28

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 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	-	-	-	-	-	(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**
DEPRECIATION							
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**
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**
NET BOOK VALUE							
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**

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Plant and machinery was revalued by an independent valuer, CB Richard Ellis International valuers as at 30 June 2005, on a depreciated replacement cost basis.The directors have re-assessed the carrying amount of revalued property, plant and equipment as at year end and determined that these do not differ materially from that which would be determined using fair values at 30 June 2013.

If the property, plant and equipment were stated on the historical cost basis, the amounts would be as follows:

	2013 Shs'000	2012 Shs'000
Cost	160,602,289	123,234,227
Accumulated depreciation	(32,125,890)	(28,219,462)
Net book value	128,476,399	95,014,765

The company land is located in the following locations and is a mixture of both freehold and leasehold:

- Olkaria I and II
- Kamburu
- Turkwel
- Wanjii
- Ndula
- Lamu
- Sondu Miriu
- Gitaru
- Kindaruma
- Sosiani
- Tana
- Mesco
- Kipevu I and III
- Sang'oro
- Kiambere
- Masinga
- Gogo
- Sagana
- Garissa
- OlKaria IV Domes

15. PREPAID LEASES ON LEASEHOLD LAND

	2013 Shs'000	2012 Shs'000
COST		
1 July	39,806	1,768
Additions	406,287	4,736
Reclassification (Note 14)	-	33,302
30 June	**446,093**	**39,806**
PREPAID LEASE AMORTIZATION		
1 July	4,380	395
Prepaid lease amortization for the year	1,756	42
Reclassification (Note 14)	-	3,943
30 June	**6,136**	**4,380**
NET BOOK VALUE		
30 June	**439,957**	**35,426**

16. INTANGIBLE ASSETS

	2013 Shs'000	2012 Shs'000
COST		
1 July	963,032	695,427
Additions	229,740	3,109
Transfer from work-in-progress	-	264,496
30 June	**1,192,772**	**963,032**
AMORTIZATION		
1 July 2012	66,697	31,874
Charge for the year	46,389	34,823
30 June	**113,086**	**66,697**
30 June	**1,079,686**	**896,335**

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.

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.

	2013 Shs'000	2012 Shs'000
(a) Amount due from Kenya Power	6,186,749	7,221,777
(b) Amount due from Kenya Power-deferred debt	1,148,965	1,401,133

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 Bank for International Corporation funded the foreign component of the Sondu Miriu project under the loan agreement between the Japan Bank for International Corporation, and the company. The debt of Shs 1,148,964,630 (2012: Shs 1,401,133,000) is payable over a duration of 30 years commencing on 15 August 2014 to 15 August 2044. The effective interest rate in Japanese Yen on the deferred debt during the year was 0.75% (2011: 0.74%).

The deferred debt and corresponding loan from Japan Bank for International Corporation are both denominated in Japanese Yen (JPY). The amount outstanding as at year end was JPY 1,320,013,268 (2012: JPY 1,320,013,268).

	2013 Shs'000	2012 Shs'000
(c) Amount due from National Treasury (note 21)	-	528,096

17. RELATED PARTIES (CONTINUED)

The amounts due from National Treasury relate to funds disbursed by the World Bank to the National Treasury for onward transmission to the Company under The Kenya Electricity Expansion Project IDA Credit No 4743-KE.

	2013 Shs'000	2012 Shs'000
(d) Amount due to Kenya Power	83,332	6,405

(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:

	2013 Shs'000	2012 Shs'000
(i) Electricity sales to Kenya Power	15,896,631	14,773,521
Foreign exchange recovery	554,564	1,098,590
Interest income on amounts due from Kenya Power	299,547	87,216
Fuel pass-through	8,689,767	12,592,346
Water charges pass-through	215,141	91,470
Steam charges pass-through	58,365	-
	25,714,015	28,643,143
(ii) Electricity purchases from Kenya Power	93,605	118,915

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.

(e) Related party transactions (Continued)

	2013 Shs'000	2012 Shs'000
(iii) Government of Kenya (Ministry of Energy & Petroleum):		
Funds received for Geothermal Resource assessment	-	504,634
Geothermal Resource Assessment payments	-	(128,635)
Receipts from Ministry of Energy & Petroleum	2,205	3,000,000
Geothermal Development Company Limited - advance	-	(4,119,603)

Other details relating to balances with the Government of Kenya (Ministry of Energy & Petroleum) are disclosed in notes 22, 26 and 34.

17. RELATED PARTIES (CONTINUED)

	2013 Shs'000	2012 Shs'000
(iv) Staff advances	82,330	89,895

The company, through the welfare and benefits scheme, provides staff with financial support.

	2013 Shs'000	2012 Shs'000
Fees for services as a director		
Executive Directors	-	-
Non-Executive Directors	6,000	6,000
	6,000	6,000
Other emoluments		
Salaries and other short-term employment benefits:		
Executive Directors and key management	98,310	104,028
Non-Executive Directors	23,897	28,732
Total other emoluments	122,207	132,760
Total	128,207	138,760

18. TREASURY BONDS

	2013 Shs'000	2012 Shs'000
(a) Analysis of treasury bonds		
Available-for-sale treasury bonds carried at fair value	2,550,345	643,203
Held-to-maturity treasury bonds carried at amortised cost	2,436,683	8,050,919
	4,987,028	8,694,122
Maturity analysis of treasury bonds		
- Within one year	2,550,345	643,203
- After five years	2,436,683	8,050,919
	4,987,028	8,694,122
Less: current portion	(2,550,345)	(643,203)
Non-current	2,436,683	8,050,919
Weighted average interest rate	9.6%	10%

(b) Movement in treasury bonds

	Available-for-sale Shs'000	Held-to-maturity Shs'000	Total Shs'000
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 23(a))	(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

(c) Gains/(losses) on disposal of available-for-sale treasury bonds

	Cost Shs'000	Proceeds Shs'000	(Loss)/gain on disposal Shs'000
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)
Loss 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

19. RECOVERABLE FOREIGN EXCHANGE ADJUSTMENT

(a) 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.

(b) The movement in recoverable foreign exchange adjustment is as follows:

	2013 Shs'000	2012 Shs'000
At beginning of the year	10,213,772	13,443,291
Unrealised exchange gains in the year (note 26(d))	(4,261,464)	(2,724,912)
Realised exchange gains on loan repayment (note (26))	(375,312)	(504,607)
At the end of the year	5,576,996	10,213,772
Less current portion	(338,286)	(405,477)
Non-current portion	5,238,710	9,808,295

20. INVENTORIES

	2013 Shs'000	2012 Shs'000
Fuel	236,961	1,377,060
General stores	102,293	95,012
Machinery spares	497,005	483,492
	836,259	1,955,564

21. OTHER RECEIVABLES

	2013	2012
Receivable from staff	70,659	35,491
Payments made on behalf of third parties*	188,131	220,917
Other receivables and prepayments	906,109	992,684
Advance payments**	4,620,063	4,150,011
Amounts due from the National Treasury (note 17(c))	-	528,096
VAT recoverable	118,966	149,952
	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.

None of these assets were past due or impaired at the reporting date.

Profile
Leadership Overview
Corporate Governance
Our Strategy
Sustainability
Financial Statements
Additional Information and Statistics
Shareholders Calendar

22. AMOUNT DUE FROM MINISTRY OF ENERGY & PETROLEUM

	2013 Shs'000	2012 Shs'000
(a) Geothermal resource assessment funds		
As at 1 July	1,466,146	1,842,145
Received during the year	-	(504,634)
Advances during the year	-	128,635
As at 30 June	1,466,146	1,466,146
(b) Geothermal Development Company Limited		
As at July 1	3,851,875	2,732,272
Interest receivable	-	451,031
Advances during the year	-	3,668,572
Refund received	(2,205)	(3,000,000)
As at 30 June	3,849,670	3,851,875
Total Due	5,315,816	5,318,021

These amounts 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

	2013 Shs'000	2012 Shs'000
a) Analysis of bank and cash balances		
Cash at bank and on hand	3,845,862	434,896
Short term bank deposits – held to maturity	-	823
Available for sale bond – maturing within three months	150,565	-
	3,996,427	435,719

b) Cash and cash equivalents

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 banks and other short term highly liquid investments with original maturities of three months or less, net of bank overdrafts.

c) Short-term bank deposits – Held-to-maturity

The short-term bank deposits mature within 90 days from the date of placement.

	2013 Shs'000	2012 Shs'000
Term deposits – at amortised cost	-	823

The weighted average interest rates earned on the short-term bank deposits during the year was nil (2012: 10%).

24. SHARE CAPITAL

	2013 Shs'000	2012 Shs'000
Authorised: 2,215,927,528 ordinary shares of Shs 2.50 each	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

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 capital 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. When revalued property, plant and equipment are disposed, the portion of the plant and machinery revaluation reserve that relates to that asset is transferred directly to retained earnings.

26. BORROWINGS

(a) Analysis of interest bearing borrowings

	Maturity Year	2013 Shs'000	2012 Shs'000
Government of Kenya Guaranteed			
2.6% Japan Bank for International Cooperation KE P20 2005/2025 (JPY 5,103,792,000)	2025	4,442,438	5,868,894
2.3% Japan Bank for International Cooperation KE P21 2007/2027 (JPY 4,734,716,000)	2027	4,121,187	5,384,661
0.75% Japan Bank for International Cooperation KE P23 2014/2044 (JPY 10,554,000,000)	2044	9,186,402	11,202,585
0.75% Japan Bank for International Cooperation KE P24 (approved JPY 5,620,000,000), (Disbursed JPY 4,247,092,606)	2047	3,696,750	4,281,303
0.20% Japan Bank for International Cooperation KE P26 (approved JPY 29,516,000,000), (Disbursed JPY6,064,925,746)	2040	5,279,027	1,836,453
2.5% Kreditanstalt Fur Wiederaufbau-Kindaruma (approved EUR 39,100,000), (Disbursed Euro 31,558,330.47)	2024	3,547,093	2,081,305
Kreditanstalt Fur Wiederaufbau-Olkaria I & IV (approved EUR 60,000,000), (Disbursed Euro 12,746,693.55)	2034	1,432,703	-
On lent			
7.7% International Development Association 2003/2018 IDA 2966KE(USD 36,485,806.87)	2018	3,138,053	3,687,984
7.7% Kreditanstalt Fur Wiederaufbau 2004/2019 (Euro 583,221.69)	2019	65,553	73,034
4.5% International Development Association Credit IDA 3958 KE, 2011/2027(USD 22,963,747.09)	2027	1,975,054	2,107,803
1.5% KBC Bank loan (Belgium) Ngong Wind Power (Euro 8,973,713.09)	2023	1,008,627	1,033,539
3.5% International Development Association IDA 4743 KE (USD 49,608,182.3)	2035	4,266,676	571,736

Profile
Leadership Overview
Corporate Governance
Our Strategy
Sustainability
Financial Statements
Additional Information and Statistics
Shareholders Calendar

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. BORROWINGS (Continued)

(a) Analysis of interest bearing borrowings (Continued)

	Maturity Year	2013 Shs'000	2012 Shs'000
Agence Francaise de Development (AFD)-Olkaria I & IV(EURO 23,176,259)	2030	2,604,965	-
European Investment Bank-Olkaria I & IV (EURO22,893,951.38)	2034	2,573,234	-
Export-Import Bank of China (EXIM) - 80wells(USD 40,637,435)	2032	3,495,124	-
Spanish loan-Ngong Phase II 13.6MW (Euro 2,999,042.36)	2047	337,086	-
Direct borrowings			
Agence Francaise de Development (AFD) (EURO 18,333,333.32)	2024	2,060,630	2,119,202
European Investment Bank (USD 39,353,750)	2025	3,384,718	3,589,370
12.5% Public Infrastructure Bond (Shs. 25,000,000,000)	2019	20,158,089	23,283,089
HSBC Bank loan-Rigs (USD 28,779,643)	2047	2,475,266	-
Citibank NA short-term loan (KES)	2013	840,000	1,192,574
		80,088,675	68,313,532
Accrued interest and other short term borrowings		846,025	802,192
Total borrowings		80,934,700	69,115,724
Less: Amounts due within 12 months		(7,000,387)	(7,265,504)
Non-current borrowings		73,934,313	61,850,220

(b) Borrowings maturity analysis

	2013 Shs'000	2012 Shs'000
Due within 1 year	7,000,387	7,265,504
Due between 1 and 2 years	5,946,957	2,048,643
Due between 2 and 5 years	20,265,361	10,934,955
Due after 5 years	47,721,995	48,866,622
	80,934,700	69,115,724

(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 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

(d) The movement in borrowings is as follows:

	2013 Shs'000	2012 Shs'000
At beginning of the year	68,313,532	67,811,512
Received in the year	22,790,931	6,871,436
Repaid in the year	(6,379,012)	(3,139,897)
Realised exchange losses on repayment (note 19)	(375,312)	(504,607)
Unrealised exchange gain in the year (note 19)	(4,261,464)	(2,724,912)
At the end of the year	80,088,675	68,313,532
Add accrued interest (note 33(c))	846,025	802,192
Total borrowings at the end of the year	80,934,700	69,115,724

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 unsecured.

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.

(e) 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:

	2013 Shs'000	2012 Shs'000
Balance at the beginning of the year	53,189	66,662
Amounts received during the year	-	-
Interest income	-	-
Expenditure during the year	(13,813)	(13,473)
Balance at the end of the year	39,376	53,189

The closing balance shown above is included in cash and cash equivalents and is held in Account No. 0154003517 at Commercial Bank of Africa Limited.

(ii) 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:

	2013 Shs'000	2012 Shs'000
Balance at the beginning of the year	571,736	77,508
Amounts received during the year	1,868,644	494,229
Transfers to project account	(1,238,757)	
Balance at the end of the year	1,201,623	571,737

The closing balance shown above is included in loan balances and represents the balances outstanding on the World Bank funded designated Account No. 0810296571876 held at the Equity Bank Ltd. As at 30 June 2013 Kshs 4,266,676,000 - US$ 49,608,182.30 (2012: Kshs 571,736,000 - US$ 6,787,532) 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

27. OPERATING LEASE COMMITMENTS

	2013 Shs'000	2012 Shs'000
(a) As lessee		
The future rental payments under operating leases are as shown below:		
Within 1 year	33,905	32,703
After 1 year but not later than 5 years	54,620	52,465
	88,525	85,168

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.

The advance receipts have been accounted for as shown below:

	2013 Shs'000	2012 Shs'000
At beginning of year	7,000	9,000
Charge to profit or loss	(2,000)	(2,000)
At end of the year	5,000	7,000
Less: current portion	(2,000)	(2,000)
Non-current portion	3,000	5,000
Maturity analysis of operating lease commitments as lessor:		
Within 1 year	2,000	2,000
After 1 year but not later than 5 years	3,000	5,000
	5,000	7,000

This amount is amortised annually on a straight-line basis over the remaining lease period.

28. RETIREMENT BENEFITS LIABILITY

Up to 31 December 2000, the company operated a joint defined benefit scheme with Kenya Power, which was funded by contributions from both the company and employees.

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.

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.

28. RETIREMENT BENEFITS LIABILITY(Continued)

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.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Valuation at	2013 %	2012 %
Discount rate(s)	12.5	12.5
Expected return on scheme assets	10	10
Expected rate(s) of salary increase	8.0	8.0
Future pension increases1	0%	0%

Increases of 3% per annum apply on pensions secured on pre 31 December 1999 (Kenya Power) service.

	2013 Shs'000	2012 Shs'000
Current service cost	(2,300)	23,600
Interest on obligation	661,000	622,600
Expected return on plan assets	(505,700)	(475,100)
Net actuarial gains recognized in the year	-	(19,400)
Past service cost	-	(869,000)
Gains on curtailments and settlements	-	(27,200)
Adjustments for restrictions on the defined benefit asset (note 9)	153,000	(744,500)

The expense for the year is included in the employee benefits expense in the profit or loss account.

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:

	2013 Shs'000	2012 Shs'000
Present value of funded defined benefit obligation	5,879,500	5,393,300
Fair value of plan assets	(5,588,700)	(5,107,200)
Present value of unfunded defined benefit obligation	290,800	286,100
Net underfunding	290,800	286,100
Net actuarial loss not recognized	(243,100)	(192,600)
Net liability arising from defined benefit obligation	47,700	93,500

28. RETIREMENT BENEFITS LIABILITY(Continued)

Movements in the present value of the defined benefit obligation in the current year were as follows:

	2013 Shs'000	2012 Shs'000
Opening defined benefit obligation	5,357,900	4,832,100
Current service cost	(2,300)	23,600
Interest cost	661,000	622,600
Contributions from plan participants	18,000	82,000
Actuarial losses	-	814,400
Past service cost	-	(869,000)
Benefits paid	(155,100)	(112,400)
Closing defined benefit obligation	5,879,500	5,393,300

Movements in the present value of the plan assets in the current year were as follows.

	2013 Shs'000	2012 Shs'000
Opening fair value of plan assets	5,107,200	4,668,600
Expected return on plan assets	505,700	475,100
Actuarial losses	76,800	(280,500)
Contributions from the employer	36,100	274,400
Contributions from plan participants including Actual Voluntary Contributions (AVCs)	18,000	82,000
Benefits paid	(155,100)	(112,400)
Closing fair value of plan assets	5,588,700	5,107,200

The major categories of plan assets, and the fair values at the end of the reporting period for each category, are as follows:

	2013 Shs'000	2012 Shs'000
Equity instruments	718,336	739,929
Debt instruments	2,166,567	1,992,494
Property	2,420,516	2,167,153
Offshore investments	182,929	199,018
Cash	100,352	8,606
Deficit	5,588,700	5,107,200
The actual return on plan assets in the year was	582,500	194,600
The plan assets include ordinary shares of the company with a fair value of	29,040	27,281

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:

	2013 Shs'000	2012 Shs'000
Deferred tax assets:		
Tax losses	(10,396,680)	(4,830,933)
Provisions for cost of living adjustment	-	(39,600)
Provisions for bad debt	(124,117)	(67,537)
Leave pay provision	(75,729)	(48,125)
Provision for bonus	-	(11,970)
Provision for gratuity	(4,252)	(4,157)
Defined benefit obligation	(14,310)	(28,050)
Unrealised exchange losses	(4,513)	(62,938)
	(10,619,601)	(5,093,310)
Deferred tax liabilities:		
Revaluation surplus	7,417,187	7,694,980
Accelerated capital allowances	17,498,283	13,413,972
	24,915,470	21,108,952
Net deferred tax liability	14,295,869	16,015,642
Movement on the deferred tax account is as follows:		
At the beginning of the year	16,015,642	15,032,183
Deferred tax charge (note 12(a))	(1,108,636)	1,055,032
Prior year overprovision	(611,137)	(71,573)
At the end of the year	14,295,869	16,015,642

The company's deferred tax balance includes deferred tax assets of KSh 10 billion related to accumulated 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. The year 2014 will be the first year that tax losses related to the year 2010 cannot be carried forward unless the company is granted exemption by KRA to carry forward the losses or it is able to generate sufficient taxable profits to utilize the losses .Should the company fail to get exemptions for the carry forward of tax losses, or fail to make taxable profits to utilise the losses, the company will be required to write off a deferred tax asset of Sh 3.4 billion next financial year ending 30 June 2014. On 23 August 2013, KRA advised the company to make a formal application for review and approval by KRA and Cabinet Secretary to the National Treasury.

30. TRADE AND OTHER PAYABLES

	2013 Shs'000	2012 Shs'000
Trade payables	2,728,168	3,635,589
Contract and Retention money	11,355,007	200,375
Sundry payables	1,367,564	534,348
Total trade and other payables	15,450,739	4,370,312
Non-current trade and other payables*	(8,591,032)	-
Current trade and other payables	6,859,707	4,370,312

* 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

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:

	2013 Shs'000	2012 Shs'000
At beginning of the year	160,415	191,387
Charge/(credit) to profit or loss	92,014	(30,972)
At close of the year	252,429	160,415

32. TRADE AND OTHER PAYABLES

	2013 Shs'000	2012 Shs'000
a) Dividend payable		
At beginning of the year	3,196,321	2,923,821
Declared	1,319,017	1,099,181
Paid during the year	(1,319,017)	(826,681)
At end of the year	3,196,321	3,196,321
b) Dividend proposed		
Proposed for approval at annual general meeting (not recognised as a liability)	1,319,017	1,319,017
	Sh	Sh
Proposed dividend per share in Shs	0.60	0.60

33 NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of operating profit to cash generated from operations

	2013	2012
Profit before taxation	4,093,074	4,045,190
Adjustments for:		
Depreciation	4,858,195	4,848,372
Prepaid lease expense (note 15)	1,756	42
Amortisation of intangible assets (note 16)	46,389	34,823
Interest income (note 33(b))	(676,109)	(952,621)
Interest expense (note 33(c))	3,000,802	2,954,998
Gain on disposal of assets	(6,746)	-
Unrealised foreign exchange loss/(gain) related to amount due from Kenya Power-deferred debt	252,168	71,370
Net gain/(loss) on derecognition of treasury bonds	42,436	(55,839)
Amortisation of held-to-maturity treasury bonds	4,551	7,754
Reduction in actuarial deficit arising from valuation of retirement benefit liability in the year	(45,800)	(1,018,900)
Operating profit before working capital changes	11,570,716	9,935,189
Changes in working capital:		
Decrease/(increase) in inventories	1,119,305	(787,324)
Decrease in amounts due from Kenya Power	1,035,028	564,619
Decrease/(increase) in other receivables	173,223	(4,393,947)
(Decrease)/increase in amount due from Ministry of Energy & Petroleum	2,205	(743,604)
Increase in trade and other payables	11,080,427	725,067
Increase/(derease) in amount due to Kenya Power	76,927	(7,254)
Decrease in operating lease liability	(2,000)	(2,000)
Increase/(decrease) in leave pay provision	92,014	(30,972)
Cash generated from operations	25,147,845	5,259,774

33 NOTES TO THE STATEMENT OF CASH FLOWS

(b) Movement in interest receivable

	2013 Shs'000	2012 Shs'000
1 July	199,135	109,776
Interest income	676,109	952,621
Interest received	(824,877)	(863,262)
30 June	50,357	199,135

(c) Movement in interest payable

	2013 Shs'000	2012 Shs'000
1 July	802,192	835,496
Interest expense	3,000,802	2,954,998
Interest paid	(2,956,969)	(2,988,302)
30 June	846,025	802,192

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 bank account at the Commercial Bank 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.

	2013 Shs'000	2012 Shs'000
At the beginning of the year	369,324	453,662
Disbursements from the Ministry of Energy & Petroleum	-	946,133
Receipts from sale of electricity	5,994,060	10,442,305
Interest income	33,931	101,957
Expenditure during the year	(6,154,078)	(11,574,733)
As at the end of the year	243,237	369,324

The company earned Shs 76,745 million in the year (2012 - Shs 126,967 million) in relation to managing these projects. This revenue is disclosed under note 6 (a) of these financial statements.

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. 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 2013 amounted to Shs 3.063 billion (30 June 2012: Shs: 1.754 billion).

36. CAPITAL COMMITMENTS

Capital commitments at the year-end for which no provision has been made in these financial statements are:

	2013 Shs'000	2012 Shs'000
Authorised but not contracted for	427,703,764	1,321,474
Authorised and contracted for	66,730,466	94,298,150
	494,434,230	95,619,624

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
All the company revenues were generated from an external customer.

b) Geographical areas
All the company operations, revenues and assets are based in Kenya.

c) Major customers
The company operates in a regulated industry; all its revenue is derived from one single external customer Kenya Power.

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.

38. FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risks (Continued)

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:

	Ksh Shs '000	Others Shs '000	Total Shs '000
At 30 June 2013			
Financial assets			
Amount due from Kenya Power – Deferred debt	-	1,148,964	1,148,964
Recoverable foreign exchange adjustment	-	5,576,996	5,576,996
Cash and cash equivalents*	1,013,081	2,983,346	3,996,427
	1,013,081	9,709,306	10,722,387
Liabilities			
Trade and other payables	(4,095,731)	(11,355,008)	(15,450,739)
Borrowings	(21,844,114)	(59,090,586)	(80,934,700)
	(25,939,845)	(70,445,594)	(96,385,439)
Net foreign currency liability	(24,926,764)	(60,736,288)	(85,663,052)
At 30 June 2012			
Assets			
Amount due from Kenya Power – Deferred debt	-	1,401,133	1,401,133
Recoverable foreign exchange adjustment	-	10,213,772	10,213,772
Cash and cash equivalents*	(868,537)	1,304,256	435,719
	(868,537)	12,919,161	12,050,624
Liabilities			
Trade and other payables	(4,370,312)	-	(4,370,312)
Borrowings	(25,277,855)	(43,837,869)	(69,115,724)
	(29,648,167)	(43,837,869)	(73,486,036)
Net foreign currency liability	(30,516,704)	(30,918,708)	(61,435,412)

*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.

38. FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risks (Continued)

i) Foreign currency risk (Continued)

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	2013 Shs	2012 Shs
US$	64.9242	86.0075	84.2333
Yen	0.6404	0.8704	1.0614
Euro	100.793	112.40	105.96

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.

	Change in currency rate	Effect on Profit before tax Shs' 000
2013		
Us$	2%	118,328
Yen	-18%	(1,343,161)
Euro	6%	321,047
Total		(903,786)
2012		
Us$	-5%	(415,475)
Yen	-6%	(204,754)
Euro	-19%	(176,293)
Total		(796,552)

ii) Interest rate risk

The company exposure to interest rate risk is with regards to fluctuation in banks' 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.

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.

38. FINANCIAL RISK MANAGEMENT (Continued)

(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 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 2013					
Amount due from Kenya Power	4,505,609	1,308,492	774,708	(402,060)	6,186,749
Treasury bonds –available-for-sale	2,550,345	-	-	-	2,550,345
Foreign exchange adjustment receivables	5,238,710	-	-	-	5,238,710
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*	3,996,427	-	-	-	3,996,427
	26,538,910	1,308,492	774,708	(402,060)	28,220,050
At 30 June 2012					
Amount due from Kenya Power	4,752,108	2,350,238	713,233	(593,802)	7,221,777
Treasury bonds –available-for-sale	8,694,122	-	-	-	8,694,122
Foreign exchange adjustment receivables	10,213,772	-	-	-	10,213,772
Other receivables (excluding prepayments and taxes)	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	2,350,238	713,233	(593,802)	36,817,926

*Cash and cash equivalents exclude cash in hand.

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 banks 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 directors 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 bank overdrafts and other borrowings.

38. FINANCIAL RISK MANAGEMENT (Continued)

c) Liquidity risk (Continued)

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:

2013	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	15,450,739	-	-	-	15,450,739
Less non-financial liabilities	(1,717,362)	-	-	-	(1,717,362)
	13,733,377	-	-	-	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
	14,656,709	6,160,387	26,212,318	47,721,995	94,751,409
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

d) Fair value hierarchy

The company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:
As at 30 June 2013, the company held the following financial instruments measured at fair value:

	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000
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	-	-

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.

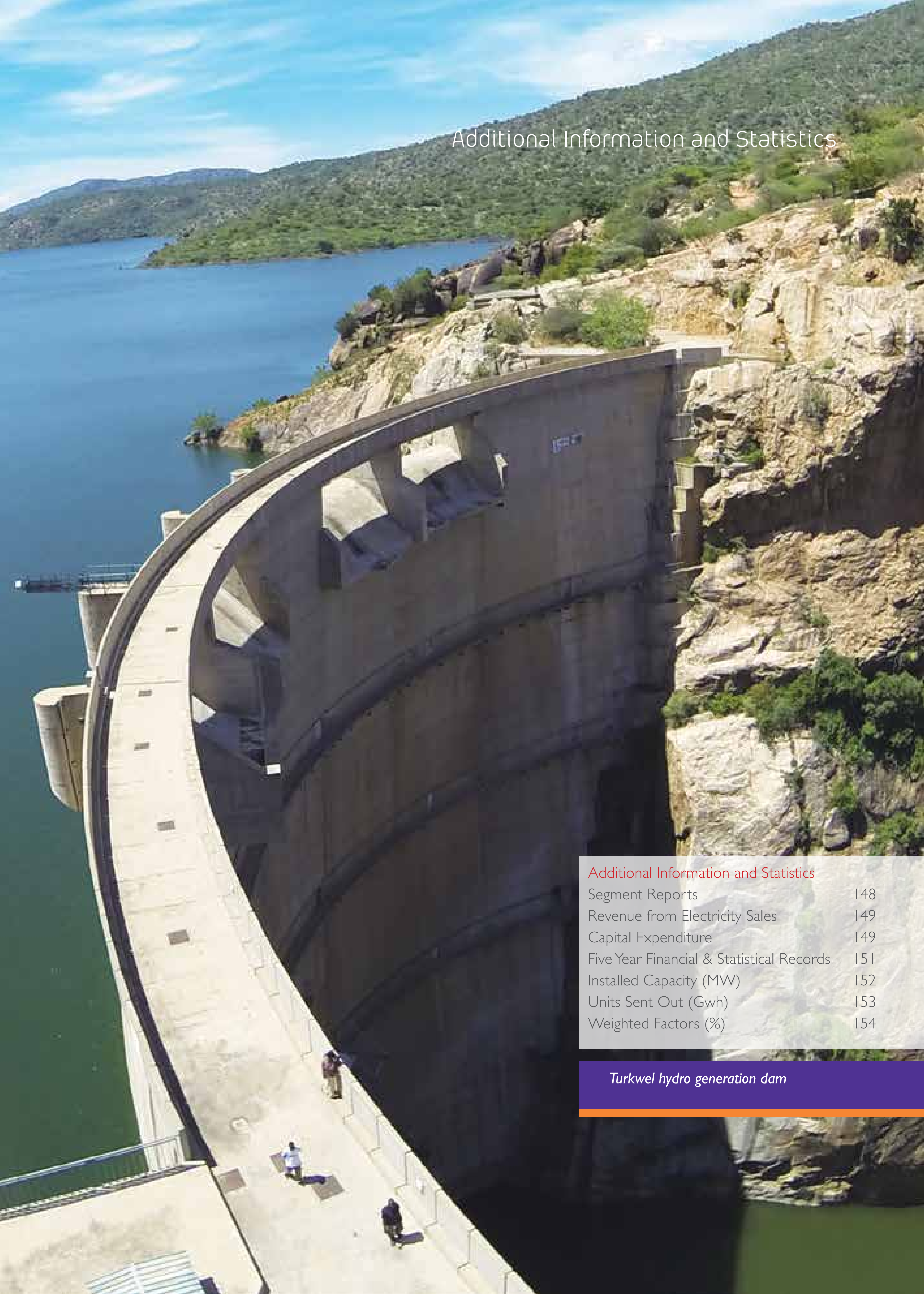
The company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The company's target is to keep the self- financing ratios greater than 25%. The company includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash equivalents. Capital includes 30% ordinary shares attributable to the public and 70% ordinary shares attributable to the Government of Kenya and distributable reserves.

	2013 Shs'000	2012 Shs'000
Equity	74,128,739	70,179,554
Borrowings	80,934,700	69,115,724
Less cash and cash equivalents	(3,996,427)	(435,719)
Net debt	76,938,273	68,680,005
Gearing ratio	104%	98%

40 CURRENCY

These financial statements are prepared in Kenya shillings thousands (Shs'000) which is the company's functional and presentation currency.

Additional Information and Statistics



Additional Information and Statistics

Additional Information and Statistics

Turkwel hydro generation dam

Additional Information and Statistics

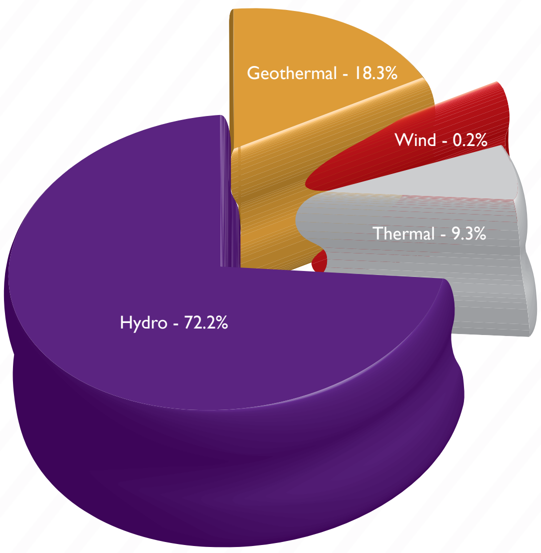
SEGMENT REPORTS

For the management purpose, the Company is currently organized into four generation modes (reporting segments). The Company reports its primary information based on the four generation modes which are Hydro, Geothermal, Thermal and Wind.

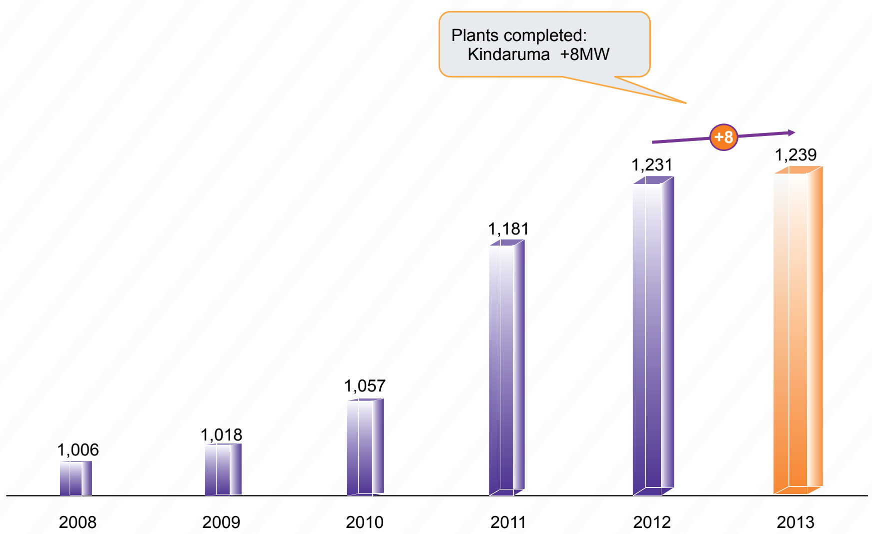
The table below shows the Company's installed capacity, generation output and revenue.

Electricity Output

	Installed Capacity(MW)		Units generated and sold out (GWh)	
Segment	2013	2012	2013	2012
Hydro	820	812	4,347	3,450
Geothermal	158	158	1,102	1,101
Thermal	256	256	559	839
Wind	5	5	14	15
Total	**1,239**	**1,231**	**6,022**	**5,404**



Installed Capacity (MW)



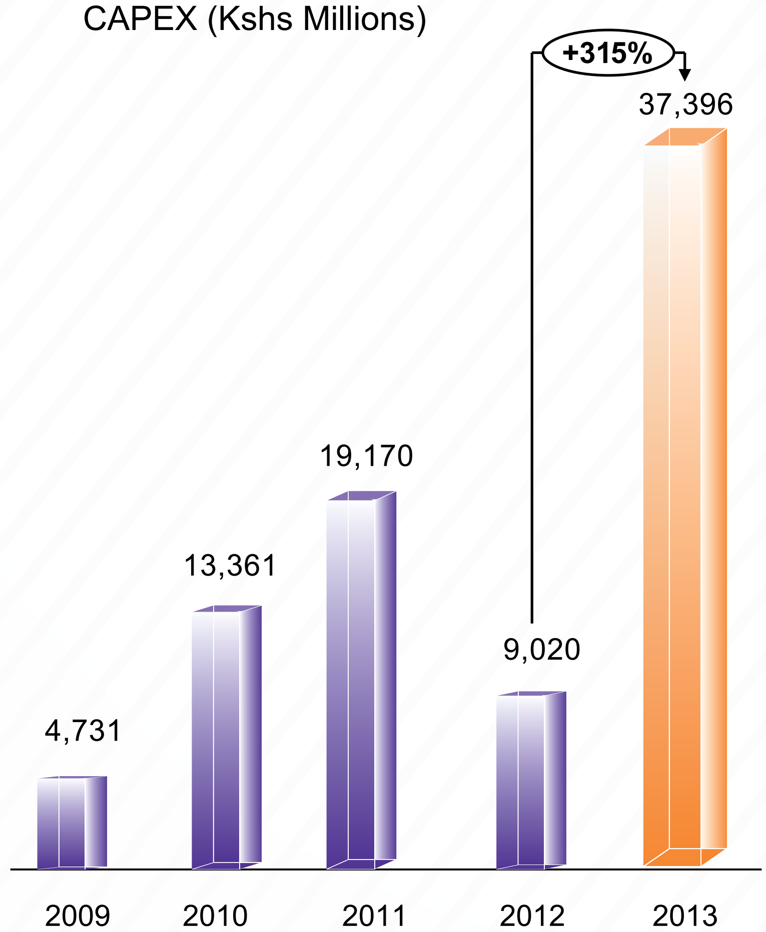
REVENUE FROM ELECTRICITY SALES (KSHS'000)

	2013				2012			
Segment	**Capacity**	**Energy**	**Forex Recovery**	**Total**	**Capacity**	**Energy**	**Forex Recovery**	**Total**
Hydro	7,130,191	1,249,450	148,838	8,528,479	6,775,768	562,028	71,350	7,409,146
Geothermal	2,452,551	1,349,568	202,998	4,005,117	3,758,670	145,499	764,116	4,668,285
Thermal	3,038,239	591,944	197,631	3,827,814	2,671,723	771,898	247,625	3,691,246
Wind	-	84,687	5,098	89,785	-	87,935	15,499	103,434
Total	**12,620,981**	**3,275,649**	**554,565**	**16,451,195**	**13,206,161**	**1,567,360**	**1,098,590**	**15,872,111**

CAPITAL EXPENDITURE (CAPEX)

Project	2013 (Kshs'000)	2012 (Kshs'000)
Kipevu III	-	76,960
Redevelopment of Tana	-	264,097
Kindaruma Unit 3	1,903,017	1,684,396
Sang'oro	831,818	1,366,854
Olkaria I & IV	17,091,921	1,288,612
Eburru	-	529,074
Wellheads	1,639,211	-
GT relocation	141,050	45,821
Purchase of Rigs	1,973,944	1,652,530
Ngong Wind	38,873	90,521
Muhoroni	10,454	11,322
Geothermal Resource Development	12,621,825	1,431,387
Other projects	1,144,251	578,922
Total	**37,396,364**	**9,020,496**

CAPEX (Kshs Millions)



Turkwel hydro-generation dam

FIVE YEAR FINANCIAL AND STATISTICAL RECORDS

	2009	2010	2011	2012	2013
Units Sold(Gwh'Millions)	4,339	3,596	5,041	5,404	6,022
Weighted Average tariff(Kshs/Kwh)-excluding forex	2.65	2.73	2.66	2.73	2.64
Weighted Average tariff(Kshs/Kwh)-including forex	2.92	3.06	2.85	2.94	2.73
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Electricity Sales	11,518,156	9,818,888	13,428,674	14,773,521	15,896,631
Foreign Currency Recoveries	1,134,231	1,179,540	960,353	1,098,590	554,564
	12,652,387	**10,998,428**	**14,389,027**	**15,872,111**	**16,451,195**
Operating expenses	(8,246,999)	(8,558,448)	(10,013,507)	(10,418,833)	(10,628,317)
	4,405,388	**2,439,980**	**4,375,520**	**5,453,278**	**5,822,878**
Interest and Other income	907,211	786,463	1,272,738	1,564,220	1,270,998
	5,312,599	**3,226,443**	**5,648,258**	**7,017,498**	**7,093,876**
Finance costs	(756,319)	(741,491)	(1,996,951)	(2,972,308)	(3,000,802)
Profit before tax	4,556,280	2,484,952	3,651,307	4,045,190	4,093,074
Taxation	(2,485,368)	801,534	(1,571,186)	(1,222,590)	1,157,062
	2,070,912	**3,286,486**	**2,080,121**	**2,822,600**	**5,250,136**
Funds Generated from Operations					
Net income for the year	1,163,706	3,286,486	2,080,121	2,822,600	5,250,136
Depreciation	3,843,226	3,829,136	4,549,805	4,848,372	4,530,583
Amortization of operating lease	29	29	32	42	47,749
Currency realignment	(176,069)	(131,329)	(252,000)	(152,811)	(53,110)
	4,830,892	**6,984,322**	**6,377,958**	**7,518,203**	**9,775,358**
Capital employed					
Fixed assets less depreciation	92,699,408	102,230,784	116,786,429	120,664,699	153,201,471
Operating lease payment	1,445	1,417	1,373	35,426	439,957
Intangible assets	543,893	695,284	663,553	896,335	1,079,686
Kenya power deferred debt	1,064,696	1,220,570	1,472,503	1,401,133	1,148,965
Treasury Bonds	1,545,680	6,864,340	9,610,661	8,050,919	2,436,683
Deferred assets- Recoverable forex	4,220,359	6,705,077	12,919,737	9,808,295	5,238,710
Kenya power	5,195,179	3,590,525	7,786,396	7,221,777	6,186,749
Net current assets	1,806,759	22,289,074	496,045	65,332	1,268,432
	107,077,419	**143,597,071**	**149,736,697**	**148,143,916**	**171,000,654**
Financed by					
Share capital	5,495,904	5,495,904	5,495,904	5,495,904	5,495,904
Reserves	61,484,210	65,034,964	63,922,683	64,683,650	68,632,836
Deferred tax	12,802,808	12,001,274	15,032,183	16,015,642	14,295,870
Prepaid lease	11,000	9,000	7,000	5,000	3,000
Retirement Benefits Scheme	1,490,300	1,419,100	1,112,400	93,500	47,700
Long term contract payables		0	0	0	8,591,032
Loan capital	25,**793**,197	59,636,829	64,166,527	61,850,220	73,934,313
	107,077,419	**143,597,071**	**149,736,697**	**148,143,916**	**171,000,654**
Capital expenditure	4,731,066	13,360,515	19,169,926	9,020,497	37,396,364

Financial Ratios

	2009	2010	2011	2012	2013
Income for the year as % of Av. Capital employed	4.60%	2.10%	1.42%	1.90%	3.29%
Profit before tax, dividend & exceptional items/Net fixed assets in service	4.92%	2.36%	3.13%	3.35%	2.67%
Return on total assets	4.89%	2.20%	1.29%	1.73%	2.78%
Profit before tax, dividend (less exceptional items)/capital employed	3.37%	1.77%	2.44%	2.73%	2.39%
Current Ratio	2.17	4.68	1.74	1.49	1.42
Debt Service Coverage Ratio	3.90	4.50	2.43	1.75	2.14

Additional Information and Statistics

INSTALLED CAPACITY (MW)

	2013		2012		2011		2010		2009	
PLANT	INSTALLED	EFFECTIVE	INSTALLED	EFFECTIVE	INSTALLED	EFFECTIVE	INSTALLED	EFFECTIVE	INSTALLED	EFFECTIVE
HYDRO										
TANA	20	20	20	20	20	10.4	14.4	10.4	14.4	10.4
KAMBURU	94.2	90	94.2	90	94.2	94.2	94.2	94.2	94.2	94.2
GITARU	225	216	225	216	225	216	225.0	216.0	225.0	216.0
KINDARUMA	72	48	64	44	40	40	40.0	40.0	40.0	40.0
MASINGA	40	40	40	40	40	40	40.0	40.0	40.0	40.0
KIAMBERE	168	164	168	164	168	164	168.0	164.0	156.0	156.0
TURKWEL	106	105	106	105	106	106	106.0	106.0	106.0	106.0
SONDU MIRIU	60	60	60	60	60	60	60.0	60.0	60.0	60.0
SANG'ORO	21	20	21	20	0	0	0.0	0.0	0.0	0.0
SMALL HYDROS	13.7	11.1	13.7	10.9	13.7	13.3	14.7	13.3	13.7	13.5
HYDRO TOTAL	**819.9**	**774.1**	**811.9**	**769.9**	**766.9**	**743.85**	**762.3**	**743.9**	**749.3**	**736.1**
THERMAL										
KIPEVU STEAM	0	0	0	0	0	0	0.0	0.0	0.0	0.0
KIPEVU I DIESEL	73.5	60	73.5	60	73.5	59	73.5	66.0	73.5	66.0
KIPEVU III DIESEL	120	115	120	115	120	115	0.0	0.0	0.0	0.0
FIAT- NAIROBI SOUTH	0	0	0	0	0	0	0.0	0.0	13.5	10
KIPEVU GAS TURBINE*	54	27	54	27	27	27	60.0	60.0	60.0	60.0
GARISSA & LAMU	8.7	7.7	8.7	8.3	8.87	7.11	5.4	5.4	5.4	5.4
THERMAL TOTAL	**256.2**	**209.7**	**256.2**	**210.3**	**229.37**	**208.11**	**138.9**	**131.4**	**152.4**	**141.4**
GEOTHERMAL										
OLKARIA I	45	44	45	44	45	45	45.0	45.0	45.0	45.0
OLKARIA II	105	88.2	105	101	105	105	105.0	105.0	70.0	70.0
EBURRU	2.5	2.3	2.5	2.3	0	0	0.0	0.0	0.0	0.0
WELLHEAD	5	4.4	5	4.4	0	0	0.0	0.0	0.0	0.0
GEOTHERMAL TOTAL	**157.5**	**138.9**	**157.5**	**151.7**	**150**	**150**	**150.0**	**150.0**	**115.0**	**115.0**
WIND										
NGONG	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	0.35	0.35
KenGen TOTAL	**1,238.7**	**1,127.8**	**1,230.7**	**1,137.0**	**1,151.4**	**1,107.1**	**1,056.3**	**1,030.4**	**1,017.0**	**992.8**

UNITS SENT OUT (Gwh)

	2013		2012		2011		2010		2009	
PLANT	GENERATED	SALES	GENERATED	SALES	GENERATED	SALES	GENERATED	SALES	GENERATED	SALES
TANA	107.56	107.56	88.00	85.66	49.40	49.40	28.98	28.71	43.83	43.61
WANJII	41.41	41.11	49.06	48.95	40.70	40.40	27.79	27.33	28.92	28.44
KAMBURU	520.10	520.10	410.50	409.60	407.50	407.50	251.34	251.34	347.90	347.90
GITARU	1,038.29	1,035.55	793.40	792.60	804.30	803.80	457.65	457.65	655.40	655.40
KINDARUMA	251.99	251.99	185.20	184.62	191.30	191.20	108.93	108.84	157.24	156.96
GOGO	5.13	5.07	6.57	6.47	6.80	6.70	5.27	5.18	5.78	5.63
SOSIANI	1.57	1.55	1.90	1.88	1.60	1.50	1.44	1.41	1.62	1.58
MESCO	-	-	-	-	-	-	0.26	0.22	2.61	2.56
NDULA	-	-	-	-	0.40	0.40	3.44	3.44	2.05	2.04
SAGANA	9.71	9.71	10.68	8.88	8.00	8.00	8.38	8.36	5.87	5.81
MASINGA	148.11	148.11	137.28	136.74	201.10	201.00	61.57	61.43	129.22	128.07
KIAMBERE	1,178.47	1,178.47	887.90	885.83	898.80	882.70	549.72	549.36	620.89	614.36
TURKWEL	545.04	545.04	474.62	472.96	455.40	455.40	335.30	335.30	526.76	523.56
SONDU MIRIU	392.87	392.87	409.60	408.84	364.30	364.30	320.95	320.95	333.15	333.15
SANGORO	110.04	110.04	6.72	6.71	-	-	-	-	-	-
TOTAL HYDROS	**4,350.29**	**4,347.17**	**3,461.43**	**3,449.74**	**3,429.60**	**3,412.30**	**2,161.01**	**2,159.53**	**2,861.24**	**2,849.07**
DIESEL										
KIPEVU I DIESEL	185.16	185.16	265.67	256.14	226.30	222.70	325.16	316.36	386.37	376.41
KIPEVU III DIESEL	320.73	320.73	535.17	524.82	227.00	227.00	-		-	
TOTAL DIESEL	**505.89**	**505.89**	**800.84**	**780.96**	**453.30**	**449.70**	**325.16**	**316.36**	**386.37**	**376.41**
GEOTHERMAL										
OLKARIA I	368.69	368.69	292.10	278.89	236.00	235.10	366.19	366.19	384.45	368.46
OLKARIA II	695.64	695.64	865.30	818.59	796.40	794.00	584.36	572.94	563.82	534.82
EBURRU	14.47	14.47	0.90	0.78	-	-	-	-	-	-
WELLHEAD	22.78	22.78	2.92	2.90	-	-	-	-	-	-
TOTAL GEO-THERMAL	**1,101.58**	**1,101.58**	**1,161.22**	**1,101.17**	**1,032.40**	**1,029.10**	**950.55**	**939.13**	**948.27**	**903.27**
GAS TURBINE										
FIAT - NAIROBI SOUTH	-	-	-	-	-	-	-	-	9.30	9.10
JBE - KIPEVU*	27.00	27.00	33.00	32.51	0.90	0.90	145.91	145.31	187.48	184.21
TOTAL GAS TURBINE	**27.00**	**27.00**	**33.00**	**32.51**	**0.90**	**0.90**	**145.91**	**145.31**	**196.78**	**193.31**
ISOLATED DIESELS										
GARISSA	20.02	20.02	19.00	18.42	16.70	16.10	13.32	12.40	11.49	10.87
LAMU	6.99	6.91	6.70	6.61	7.00	6.90	6.61	6.51	6.26	6.17
TOTAL ISOLATED	**27.01**	**26.92**	**25.70**	**25.03**	**23.70**	**23.00**	**19.94**	**18.91**	**17.75**	**17.05**
WIND TURBINE										
OLD NGONG WIND	-	-	-	-	-	-	0.02	0.02	0.29	0.29
NEW NGONG' WIND	13.92	13.92	15.20	14.58	17.70	17.70	16.29	16.29	-	-
TOTAL WIND	**13.92**	**13.92**	**15.20**	**14.58**	**17.70**	**17.70**	**16.30**	**16.30**	**0.29**	**0.29**
KenGen TOTAL	**6,025.68**	**6,022.47**	**5,496.11**	**5,403.99**	**4,957.60**	**4,932.70**	**3,618.88**	**3,595.55**	**4,410.70**	**4,339.39**

Additional Information and Statistics

WEIGHTED FACTORS (%)

		2009		2010		2011		2012		2013	
POWER STATION	Effective Capacity	Availability	Load Factor	Availability	Load Factor	Availability	Load Factor	Availability	Load Factor	Availability	Load Factor
Hydro											
Tana	20	99.28	48.11	90.68	32.65	90.68	32.65	71.31	50.11	77.85	61.39
Wanjii	7.4	99.63	44.61	73.35	42.86	73.35	42.86	89.52	70.16	75.60	63.42
Kamburu	90	99.63	45.13	97.04	27.99	97.04	27.99	96.62	48.83	94.71	65.97
Gitaru	216	99.11	34.64	92.52	23.93	92.52	23.93	84.98	40.14	97.69	54.73
Kindaruma	48	99.38	44.87	96.43	31.15	96.43	31.15	85.18	47.09	71.98	65.38
Gogo	1.8	95.25	33.02	66.58	32.53	66.58	32.53	77.96	32.53	64.52	32.12
Sosiani	0.4	72.42	46.28	100.00	40.80	100.00	40.80	91.25	52.67	84.20	44.30
Mesco	0	93.16	78.37	11.72	7.86	11.72	7.86	0.00	0.00	8.04	0.00
Ndula	0	97.49	15.58	70.59	18.37	70.59	18.37	0.00	0.00	0.00	0.00
Sagana	1.5	96.20	44.71	94.72	56.52	94.72	56.52	96.25	68.92	82.59	73.87
Masinga	40	98.23	36.88	65.90	17.48	65.90	17.48	98.77	10.42	76.44	42.27
Kiambere	164	90.21	49.22	77.56	37.98	77.56	37.98	96.74	60.17	99.13	78.58
Turkwel	105	93.81	56.73	95.98	37.18	95.98	37.18	90.59	51.09	87.62	59.26
Sondu Miriu	60	97.49	63.38	95.35	64.78	95.35	64.78	95.61	77.72	81.29	74.75
Sangor'o	20.0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	80.20	59.86
Total Effective Capacity	**774.10**										
Weighted Factors - Hydros		**96.33**	**45.56**	**88.93**	**33.15**	**88.93**	**33.15**	**88.64**	**48.24**	**91.03**	**63.63917969**
Thermal											
Kipevu I Diesel	60.00	91.90	73.51	76.95	59.49	76.95	59.49	66.18	48.55	89.18	35.23
Kipevu III Diesel	115.00	0.00	0.00	0.00	0.00	0.00	0.00	92.92	51.82	93.85	31.56
Total Effective Capacity	**175**										
Weighted Factors - Diesel		**91.90**	**73.51**	**76.95**	**59.49**	**76.95**	**59.49**	**83.75**	**50.70**	**92.25**	**32.81828571**

WEIGHTED FACTORS (%)

		2009		2010		2011		2012		2013	
POWER STATION	Effective Capacity	Availability	Load Factor	Availability	Load Factor	Availability	Load Factor	Availability	Load Factor	Availability	Load Factor
Geothermal											
Eburru	2.3	0.00	0.00	0.00	0.00	0.00	0.00	68.62	0.04		45.66
Wellhead Generator	4.4	0.00	0.00	0.00	0.00	0.00	0.00	0.53	19.60		56.54
Total Effective Capacity	138.9										
Weighted Factors - Geothermal		96.39	94.13	96.84	91.27	96.84	91.27	78.60	84.10	78.01	82.76946004
Gas Turbines											
Fiat-Nairobi South	0.0	48.21	10.61	76.11	37.83	76.11	37.83	0.00	0.00	0.00	0.00
JBE-Embakasi *	27.0	95.44	35.67	77.92	28.33	77.92	28.33	42.00	6.28	36.94	11.24
Total Effective Capacity	**27.0**										
Weighted Factors - GT's		**86.76**	**31.07**	**77.92**	**28.33**	**77.92**	**28.33**	**42.00**	**6.28**	**36.94**	**11.24**
Isolated Diesels											
Garissa	5.98	86.72	37.46	83.25	49.76	83.25	49.76	74.00	39.30	72.76	38.08
Lamu	1.72	70.48	55.87	80.95	35.65	80.95	35.65	88.29	39.21	90.98	35.84
Total Effective Capacity	**7.700**										
Weighted Factors - Isolated		**80.32**	**44.72**	**82.78**	**46.88**	**82.78**	**46.88**	**85.10**	**39.23**	**76.83**	**37.57963636**
Wind Turbine											
Old Ngong Wind	0	53.69	9.42	7.66	0.50	7.66	0.50	0.00	0.00	0.00	
New Ngong' Wind	5.1	0.00	0.00	87.52	44.05	87.52	44.05	69.30	38.05		31.15
Total Effective Capacity	**5.10**										
Weighted Factors - Ngong'		**1.5**	**0.3**	**85.2**	**42.8**	**85.2**	**42.8**	**69.3**	**38.1**	**0**	**31.15**
											31.15

Shareholders Calendar

Shareholders Calendar

Shareholders Calendar

Shareholders' tour the Olkaria geothermal field

Shareholders Calendar

1. Notice of the Annual General Meeting

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

ORDINARY BUSINESS

1. To table the proxies and note the presence of a quorum.
2. To read the Notice convening the meeting.
3. To consider and if approved, adopt the Company's audited financial statements for the year ended 30th June 2013, together with the Chairman's, Directors' and Auditors' Reports thereon.
4. To approve the payment of a final dividend of 24% or Kshs.0.60 per ordinary share of Kshs.2.50, subject to withholding tax where applicable, in respect of the financial year ended 30th June 2013.
5. To elect Directors:
   (i) Mr. Henry Rotich, Cabinet Secretary-National Treasury who was appointed by the Board on 8th July 2013 to fill a casual vacancy retires in accordance with Article 105 of the Articles of Association of the Company and being eligible offers himself for re-election as a Director of the Company.
   (ii) Eng. Joseph Njoroge, Principal Secretary-Energy & Petroleum who was appointed by the Board on 8th July 2013 to fill a casual vacancy retires in accordance with Article 105 of the Articles of Association of the Company and being eligible offers himself for re-election as a Director of the Company.
   (iii) Mr. Musa Ndeto who retires on rotation in accordance with Article 104 of the Articles of Association of the Company and does not offer himself for re-election as a Director of the Company.
   (iv) Mrs. Mary Michieka who retires on rotation in accordance with Article 104 of the Articles of Association of the Company and does not offer herself for re-election as a Director of the Company.
   (v) Hon. Titus Mbathi who retires on rotation in accordance with Article 104 of the Articles of Association of the Company and does not offer himself for re-election as a Director of the Company.
6. To approve payment of Directors' fees for the year ended 30th June 2013.
7. Auditors:
   To note that the audit of the Company's books of accounts will continue to be undertaken by the Auditor-General or an audit firm appointed by him in accordance with Part IV Section 14(3) of the State Corporations Act and Section 39(1) of the Public Audit Act 2003.
8. To authorise the Directors to fix the remuneration of the Auditors.
9. **SPECIAL BUSINESS:**
   (i) Increase of authorised share capital
   To consider and if thought fit, to pass the following resolution as an Ordinary Resolution:

   "THAT the authorised share capital of the Company be and is hereby increased from Kenya Shillings five billion, five hundred and thirty-nine million, eight hundred and eighteen thousand, eight hundred and twenty only (5,539,818,820.00) divided into two billion, two hundred and fifteen million, nine hundred and twenty-seven thousand, five hundred and twenty-eight (2,215,927,528) ordinary shares of Kenya two shillings fifty cents only (2.50) each to Kenya Shillings twenty-five billion (25,000,000,000.00) divided into ten billion (10,000,000,000) ordinary shares of Kenya two Shillings fifty cents only (2.50) by the creation of seven billion, seven hundred and eight-four million, seventy-two thousand, four hundred and seventy-two (7,784,072,472) new ordinary shares of Kenya two Shillings fifty cents only (2.50) each ranking pari passu in all respects with the existing ordinary shares in the capital of the Company.

(ii) Capital Restructuring

To consider and if thought fit, to pass the following resolution as an Ordinary Resolution:

"THAT subject to the passing of resolution (9)(i) above the Directors are hereby authorized to determine, pursue and implement a recapitalisation measure as a basis of providing the Company with the required capital and that should the needs of the Company require, issue upto two billion, two hundred and fifteen million, nine hundred and twenty-seven thousand, five hundred and twenty-eight (2,215,927,528) ordinary shares, of Kenya two Shillings fifty cents only (2.50) each in the capital of the Company, subject to any required regulatory and other approvals. At a price to be determined by the Directors to and amongst the holders of the issued ordinary shares of Kenya two Shillings fifty cents only (2.50) each in the capital of the Company registered at the close of business on such date and at such price as shall be determined by the Directors and notified to the Members through the press or otherwise in proportion to the Members' respective holdings in the issued share capital of the Company subject to the Articles of Association of the Company, and to do all such things as may be necessary to give effect to this resolution.

10. To consider any other business for which due notice has been given.

By Order of the Board

Rebecca Miano
Company Secretary

29th October 2013

NOTES:

1. A member entitled to attend and vote at the meeting and who is unable to attend is entitled to appoint a proxy to attend and vote on his or her behalf. A proxy need not be a member of the Company.

   A Proxy Form may be obtained from the Company's website at www.kengen.co.ke, registered office of the Company, Stima Plaza, Kolobot Road, Parklands, Nairobi or offices of the Company's shares registrar firm, Image Registrars Limited, Barclays Plaza 5th Floor, Loita Street, Nairobi.

   To be valid, the Proxy Form, must be duly completed by a member and must either be lodged at the registered offices of the Company's shares registrar firm, Image Registrars Limited, Barclays Plaza 5th Floor, Loita Street, P.O Box 9287, 00100 GPO, Nairobi or be posted, or scanned and emailed to info@image.co.ke in PDF format; so as to reach Image Registrars not later than Wednesday, 18th December 2013 at 11.00 a.m.

2. In accordance with Article 137 of the Articles of Association of the Company, a copy of the entire Annual Report & Accounts may be viewed on the Company's website at www.kengen.co.ke or a printed copy may be obtained from the Registered Office of the Company, Stima Plaza, Kolobot Road, Parklands, Nairobi, P.O. Box 47936 - 00100 GPO, Nairobi.

2. Ilani Ya Mkutano Mkuu Wa Kila Mwaka

ILANI INATOLEWA KWAMBA MKUTANO MKUU WA KILA MWAKA WA SITINI NA MOJA wa Kampuni utaandaliwa katika Kasarani Gymnasium, Thika Road, Nairobi mnamo Ijumaa, Decemba 20, 2013 saa tano asubuhi kuendesha shughuli zifuatazo:

1. Kuwasilisha majina ya wawakilishi na kutambua kuwepo kwa idadi ya kutosha ya wanachama kuendesha shughuli.
2. Kusoma Ilani ya kuandaa mkutano
3. Kuchunguza na iwapo itaidhinishwa, kupitisha taarifa za kifedha za Kampuni zilizokaguliwa kwa mwaka uliomalizika Juni 30, 2013, pamoja na Ripoti za Mwenyekiti, Wakurugenzi na Wahasibu zilizoambatanishwa.
4. Kupitisha malipo ya mgao wa mwisho wa asilimia 24 au Sh.0.60 kwa kila hisa ya kawaida ya Sh.2.50 ikitegemea ushuru wa kushikilia inavyohitajika, kuhusiana na kipindi cha matumizi ya fedha kilichomalizika Juni 30, 2013.
5. Kuchagua Wakurugenzi
   (i) Bw. Henry Rotich, Katibu wa Fedha aliyechanguliwa mnamo Julai 8, 2013 anastaafu kwa mujibu wa Kifungu 105 cha Katiba ya Kampuni na kwa kuwa anahitimu, anajitokeza kuchaguliwa tena kama Mkurugenzi wa Kampuni.
   (ii) Eng. Joseph Njoroge, Katibu wa Umeme na Mafuta aliyechanguliwa mnamo Julai 8, 2013 anastaafu kwa mujibu wa Kifungu 105 cha Katiba ya Kampuni na kwa kuwa anahitimu, anajitokeza kuchaguliwa tena kama Mkurugenzi wa Kampuni.
   (iii) Bw. Musa Ndeto ambaye anastaafu kwa mzunguko kwa mujibu wa Kifungu 104 cha Katiba ya Kampuni na kwa kuwa anahitimu, hajitokezi kuchaguliwa tena kama Mkurugenzi wa Kampuni.
   (iv) Bi. Mary Michieka anastaafu kwa mzunguko kwa mujibu wa Kifungu 104 cha Katiba ya Kampuni na kwa kuwa amehitimu, hajitokezi kuchaguliwa tena kama Mkurugenzi wa Kampuni.
   (v) Mhe. Titus Mbathi anastaafu kwa zamu kwa mujibu wa Kifungu 104 cha Katiba ya Kampuni na kwa kuwa amehitimu, hajitokezi kuchaguliwa tena kama Mkurugenzi wa Kampuni.
6. Kuidhinisha malipo ya ujira wa Wakurugenzi kwa mwaka uliomalizika Juni 30, 2013.
7. Wahasibu:
   Kutambua kuwa ukaguzi wa vitabu vya hesabu vya Kampuni utaendeela kutekelezwa na Mhasibu Mkuu au kampuni ya uhasibu atakayoteua kwa mujibu wa Sehemu ya IV Sehemu 14(3) ya Sheria ya Mashirika ya Umma na Sehemu 39 (1) ya Sheria ya Uhasibu ya 2003.
8. Kuidhinisha Wakurugenzi kuamua mshahara wa Wahasibu.
9. **SHUGULI MAALUMU:**
   (i) Kuongeza Mtaji wa Hisa Ulioidhiniswa
   Kuchunguza na, ikiwa itaamuliwa kuwa inafaa, kupitisha azimio lifuatalo kama Azimio la Kawaida:

   "Kuwa mtaji wa hisa ulioruhusiwa wa kampuni uongezwe kutoka Shilingi za Kenya bilioni tano, milioni mia tano thelathini na tisa elfu mia nane kumi na nane mia nane ishirini pekee (5,539,818,820.00) iliyogawanywa katika bilioni mbili, milioni mia mbili kumi na tano, elfu mia tisa ishirini na saba, mia tano ishirini na nane (2,215,927,528) ya hisa za kawaida za Shilingi mbili senti hamsini za Kenya (2.50) hadi Shilingi bilioni hamsini na tano (25,000,000,000) zilizogawanywa katika bilioni kumi (10,000,000,000) za hisa za kawaida za Shilingi mbili senti hamsini za Kenya (2.50) kwa kupata hisa mpya za kawaida bilioni saba milioni mia saba themanini na nne elfu sabini na mbili mia nne sabini na mbili (7,784,072,472) za Shilingi mbili senti hamsini za Kenya pekee (2.50) kila moja ili kuwa sawa na viwango."

(ii) Ubadilishaji wa Mtaji

Kuchunguza na, ikiwa itaamuliwa kuwa inafaa, kupitisha azimio lifuatalo kama Azimio la Kawaida:

"Kwamba ikitegemea kupitishwa kwa azimio la juu la 9(i) Wakurugenzi waidhinishwa na wameidhinishwa na kuagizwa kutekeleza mtaji kama msingi wa kupata mtaji inayohitajika na kampuni na iwapo kampuni itahitaji, kutoa hadi hisa za kawaida bilioni mbili, milioni mia mbili kumi na tano, elfu mia tisa ishirini na saba, mia tano ishirini na nane (2,215,927,528) za hisa za kawaida za Shilingi mbili senti hamsini za Kenya (2.50) kwa kila moja katika mtaji wa kampuni, ikitegemea sheria zozote zile. Kwa bei itakayo idhinishwa na Wakurugenzi kwa na miongoni mwa wamiliki wa hisa za kawaida zilizotolewa za Shilingi mbili senti hamsini za Kenya pekee (2.50) kila katika mtaji wa Kampuni uliosajiliwa hadi wakati wa kufunga biashara kwa siku itakayoteuliwa na wakurugenzi na kwa bei itakayoamuliwa na wakurugenzi na taarifa kutolewa kwa wanachama kupitia vyombo vya habari au vinginevyo ikitengemea umiliki wa kila mwanachama katika mtaji wa hisa uliotolewa wa kampuni ikitegemea katiba ya kampuni na kuyashughulikia makubaliano na maidhinisho yote kufanikisha utekelezaji wa Azimio hili."

10. Kuangalia shughuli zingine zile ambazo ilani imepeanwa.

Amri ya Bodi

Rebecca Miano
Katibu wa Kampuni

Oktoba 29, 2013

MAELEZO:

1. Mwanachama ana haki kuhudhuria na kupiga kura kwenye mkutano na yule hawezi kuhudhuria ana haki ya kuteua mwakilishi ambaye atahudhuria na kupiga kura kwa niaba yake. Mwakilishi si lazima awe mwanachama wa Kampuni.

   Fomu ya Uwakilishi inaweza patikana kwenye mtandao wa Kampuni katika www.kengen.co.ke, afisi rasmi za Kampuni, Stima Plaza, Kolobot Road, Parklands, Nairobi, au kwenye afisi rasmi za msajili wa hisa wa Kampuni, Image Registrars Limited, Barclays Plaza ghorofa ya tano 5, Loita Street, Nairobi.

   Ili kuwa halali, Fomu ya uwakilishi, ni lazima ijazwe na mwanachama na ni lazima iwasilishwe katika afisi rasmi za msajili wa hisa wa Kampuni, Image Registrars Limited, Barclays Plaza ghorofa ya tano 5, Loita Street, S.L.P 9287, 00100 GPO, Nairobi au kutumwa ili ifikie Image Registrars kabla ya Jumatano, Desemba 18, 2013 saa 5.00 asubuhi.

2. Kwa mujibu wa Kifungu 137 cha Sheria za Kampuni, nakala ya Ripoti yote ya Hesabu ya Kila Mwaka inaweza kuangaliwa kwenye mtandao wa Kampuni katika www.kengen.co.ke au nakala iliyochapishwa inaweza kupatikana kwenye afisi rasmi za Kampuni, Stima Plaza, Kolobot Road, Parklands, Nairobi, SLP 47936 - 00100 GPO, Nairobi.

3. Proxy Form

P.O. Box 47936 – 00100 GPO
NAIROBI

I/WE……………………….......……....……....of……………......being a member of the above Company,

hereby appoint:……………........................……………………..............…...……of………………..........…………

or failing him/her …………………..............................……..................…...….. of …………………………...
failing whom, the Chairman of the Meeting, as my/our proxy, to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on Friday, 20th December 2013 and at any adjournment thereof.

As witness my/our hand this ………………. day of ………………….2013. Signed …………………………
Notes:

1. A member entitled to attend and vote is entitled to appoint one or more proxies to attend and vote in his stead and a proxy need not be a member of the Company.
2. In the case of a member being a limited Company this form must be completed under its Common Seal or under the hand of an officer or attorney duly authorised in writing.
3. The Proxy Form must be delivered to Image Registrars not later than Wednesday, 18th December 2013 at 11.00 a.m. Proxy Forms should be sent by Post to Image Registrars of P O Box 9287, 00100 Nairobi. Alternatively, duly signed proxies can be scanned and emailed to info@image.co.ke in PDF format.

Fomu ya Uwakilishi

S.L.P. 47936 – 00100 GPO
NAIROBI

MIMI/SISI ……………………... wa ……………kama mwanachama wa Kampuni

iliyotajwa hapa juu, namteua:……..wa …………………

au akikosa …………………………………... wa ……………………………
na iwapo hataweza kuhudhuria, mwenyekiti wa Mkutano, kama mwakilishi wangu/wetu, kupiga kula kwa niaba yangu/yetu katika Mkutano Mkuu wa Kila Mwaka wa Kampuni utakaoandaliwa mnamo Ijumaa, 20 Decemba 2013 au wakati wowote ule endapo utaahirishwa.

Kama mashahidi sahihi yangu/yetu……………. siku ya …………………… 2013. Sahihi …………………
Maelezo:

1. Mwanachama aliye na haki ya kuhudhuria na kupiga kura ana haki ya kuteua mwakilishi mmoja au zaidi kuhudhuria na kupiga kura kwa niaba yake na sio lazima mwakilishi awe mwanachama wa Kampuni.
2. Iwapo ni mwanachama wa kampuni ya dhima yenye kikomo, hii fomu ni lazima ijazwe chini ya nembo yake au mbele ya afisa au wakili ambaye ataidhinishwa kwa maandishi.
3. Fomu ya Uwakilishi ni lazima iwasilishwe kwa Image Registrars kabla ya Jumatano, 18 Decemba 2013 saa 5 asubuhi. Fomu za Uwakilishi zinapasa kutumwa kwa Posta kwa Image Registrars wa SLP 9287, 00100 Nairobi. Badala yake, fomu za uwakilishi zilizojazwa na kutiwa sahihi zinaweza kutolewa nakala na kutumwa kwa baruapepe info@image.co.ke kwa umbo la PDF.

4. Shareholder Notifications

Final Dividend for the financial year ended 30th June 2013

Closure of Register and Date of Payment

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

Update of Particulars

- **For all CDS account holders,** please update your postal address, email address and bank account details at the CDSC through your Stockbroker or Custodian Bank.
- **For all Share Certificate holders,** please update your postal address, email address and bank account details at the offices of Image Registrars, Barclays Plaza 5th Floor, Loita Street, P.O. BOX 9287-00100 GPO Nairobi.

Taarifa ya Mwenyehisa

Mgao wa Mwisho kwa Kipindi cha Matumizi ya Fedha kilichomalizika Juni 30, 2013

Kufungwa kwa Rejista na Tarehe ya Malipo

Rejista ya wanachama itafungwa kuanzia Alhamisi 19 Decemba, 2013 hadi Ijumaa 20 Decemba 2013 siku zote zikiwemo. Ikiwa itaidhinishwa, mgao wa faida utalipwa baada ya kuondoa ushuru wa kushikilia mnamo au karibu Ijumaa 31 Januari 2014, kwa wenyehisa ambao majina yao yamo kwenye Rejista ya Wanachama kufikia mwisho wa shughuli za siku mnamo Alhamisi, 18 Decemba 2013.

Kuteng'eneza Upya/Kurekebisha Maelezo

- **Kwa wote walio na akaunti za CDS,** tafadhali toa maelezo mapya kuhusu anwani yako, barua pepe na akaunti ya benki katika CDSC kupitia wakala wako wa hisa au Benki Angalizi.
- **Kwa wote walio na vyeti vya kumiliki hisa,** tafadhali toa malezo upya kuhusu anwani yako ya posta, barua pepe na maelezo kuhusu akaunti yako ya benki katika afisi za Image Registrars, Barclays Plaza ghorofa ya tano, Loita Street, SLP 9287-00100 GPO Nairobi.

Shareholders Calendar

5. Dematerialization of Shares

The Central Depository and Settlement Corporation (CDSC) commenced operations in 2004 with the intention of facilitating the holding of shares in electronic accounts instead of paper/physical share certificates to enable electronic trading & settlement of shares. This migration would shorten the settlement period, and enhance the safety & security of dealing with shares listed on the securities. The first step towards achieving electronic trading of shares was immobilization of share certificates which commenced in 2004. The number of Central Depository System (CDS) accounts has grown significantly and CDSC is now targeting to have all the shares owned by Kenyans transferred to electronic accounts by 1st November 2013 through a process called Dematerialization.

We trust that the following FAQ's will explain the dematerialization process:

1) What is Dematerialization?

Dematerialization is the next step after immobilization. On the dematerialization date, the underlying physical certificates will cease to be evidence of ownership under the Company listed at the Nairobi Securities Exchange (NSE). Evidence of ownership will be in the electronic holdings maintained in the Central Depository System (CDS) operated by CDSC.

2) What is a Dematerialized Security?

It is a book entry security which has been prescribed by CDSC under section 24 of the Central Depositories Act, whereby the underlying physical certificate is no longer recognized as evidence of ownership under the Companies Act Cap 486 on or after the dematerialization date.

5. Kuhamishwa kwa Hisa kutoka Mfumo wa Karatasi hadi wa Kielektroniki

Shirika la Central Depository and Settlement Corporation (CDSC) lilianza kutoa huduma zake 2004 kwa lengo la kufanikisha utoaji wa akaunti za elektroniki badala ya hati kamili za umiliki wa hisa kuwezesha uuzaji wa hisa kwa njia ya kieletroniki. Mpango huu utapunguza muda wa kununua na kuuza hisa zilizoorodheshwa kwenye soko la hisa la Nairobi. Hatua ya kwanza kufanikisha uuzaji wa hisa kwa njia ya kielektroniki ilikuwa kusalimisha hati zenyewe za hisa, hatua ambayo ilianza 2004. Idadi ya akaunti za . Central Depository System (CDS) imepanda maradufu na CDSC sasa inalenga kuhakikisha hisa zote zinazomilikuwa na Wakenya zinahamishwa kwa akaunti za kielektroniki kufikia Novemba 1, 2013 kupitia utaratibu unaohusisha kusalimisha vyeti vyenyewe vya hisa.

Tunaamini kuwa maswali na majibu yafuatayo yatafafanua ipasavyo utaratibu huo.

1) Kuhamisha hisa kutoka karatasi hadi mfumo wa kielektroniki ni nini?

Hii ndio hatua inayofuata baada ya kusitisha kutumia hati za umiliki wa hisa. Katika siku ya kuanza kutumia mfumo wa elektroniki, hati halisi zitakoma kuwa ithibati ya umiliki wa kampuni iliyoorodheshwa chini ya Soko la Hisa la Nairobi. Ithibati ya umiliki itakuwa kupitia kwa akaunti ya kielektroniki (CDS) ambayo inasimamiwa na CDSC.

2) Thibitisho la usalimishaji wa hati za umiliki wa hisa ni lipi?

Ni kujazwa kwa maelezo yaliyo kwenye hati ya umiliki ambayo yamependekezwa na CDSC chini ya sehemu 24 ya Sheria ya Central Depositories, ambapo cheti chenyewe cha karatasi hakitatambuliwa tena kama ushahidi wa umiliki chini ya Sheria ya Kampuni Sura 486 katika siku yenyewe ya mwisho au baada ya kuhamia mfumo wa kielektroniki.

3) **What is the impact of dematerialization?**
Currently, shares can be withdrawn from a CDS account and held in a certificated form. With effect from the dematerialization date, shares will not be withdrawn from the CDS account because the law does not permit the issuing of share certificates with respect to a dematerialized security. Share Certificates will no longer be recognized as prima facie evidence of ownership and will be replaced with an electronic record at CDSC.

4) **What do I need to do as a shareholder if I have already deposited all my shares in the CDS account?**
You shall not be required to take any further action as a result of dematerialization.

5) **What happens if I do not immobilize my share certificates by the dematerialization date?**
After the Dematerialization date, all shares that have not been immobilized will be reflected as a record in the CDS in the shareholder's name.

6) **What if I want to access my shares which are held in CDS?**
If you wish to access your shares for purposes of trading, you will be required to open a CDS account and follow a verification process through KenGen's shares registrar firm, Image Registrars Limited, after which your shares will be transferred to your personal CDS account.

7) **When is the dematerialization date?**
CDSC dematerialized securities of listed companies in three groups/tranches on 1st September 2013, 1st October 2013 and 1st November 2013 respectively.

3) **Athari ya kuhamisha hisa kutoka karatasi hadi mfumo wa kielektroniki ni ipi?**
Kwa sasa, hisa zinaweza kuondolewa kutoka kwa akaunti ya CDS na kuhifadhiwa kwa njia ya cheti. Lakini kwanzia tarehe ya kuhamishwa kwa hisa kutoka karatasi hadi mfumo wa kielekroniki, hisa haziwezi kuondolewa kwenye akaunti ya CDS kwa kuwa sheria hairuhusu kutolewa kwa vyeti vya hisa kama ushahidi. Vyeti vya hisa havitatambuliwa tena kama ushahidi wa umiliki na badala yake kutakuwa rekodi katika akaunti ya kielektroniki katika CDSC.

4) **Ninahitajika kufanya nini kama mwenyehisa ikiwa tayari nimeweka hisa zangu zote kwenye akaunti ya CDS?**
Hautahitajika kufanya chochote zaidi kutokana na utaratibu huu mpya wa kusitisha matumizi ya vyeti kama ushahidi wa umiliki.

5) **Nini itafanyika iwapo sitasalimisha hati zangu za umiliki kufikia tarehe ya kuhamishwa kwa hisa kutoka karatasi hadi mfumo wa kielekroniki?**
Baada ya tarehe hiyo, hisa zote ambazo hati zake za umiliki hazitakuwa zimesalimishwa zitaonekana kama rekodi katika akaunti ya CDS katika jina la mwenyehisa.

6) **Na iwapo ningependa kuchukua hisa zangu zilizoko katika akaunti ya CDS?**
Ikiwa utahitaji kufikia hisa zako kwa lengo la kuziuza, utahitajika kufungua akaunti ya CDS na kufuata utaratibu wa uthibitishaji kupitia kwa kampuni ya hisa za KenGen, Image Registrars Limited, na baada ya hapo hisa zako zitahamishwa hadi akaunti yako ya CDS.

7) **Ni lini hisa zitahamishwa kutoka karatasi hadi mfumo wa kielekroniki?**
CDSC ilihamisha hisa za kampuni zilizoorodheshwa kwenye soko la hisa katika makundi/awamu tatu mnamo Septemba 1, 2013, Oktoba 1, 2013 na Novemba 1, 2013 zikifuatana.

Shareholders Calendar

KenGen's dematerialization date was 1st November 2013. Additionally, KenGen will place a notice in the newspapers informing the public about the dematerialization date for KenGen shares.

In the meantime, we urge shareholders who still hold physical certificates to immediately contact any Stockbroker for assistance to immobilize their shares.

8) How do I keep track of my shares?

CDSC shall send you monthly statements if your account is active otherwise; you will receive your statement only once a year. However, if you would like to view/download/print your statements, you can visit the CDSC website at www.cdsckenya.com. You can also subscribe to the CDSC mobile services where you will receive an alert every time there is an activity in your accounts such as sale or purchase of shares for a minimum fee of Kshs.10.00 per alert. To subscribe, send the word 'register' to 22372 and follow the instructions.

6. Bank Details

We encourage all shareholders who hold certificates and whose dividends are paid via cheques to provide their bank details to our Company's shares registrar firm, Image Registrars Limited, Barclays Plaza 5th Floor, Loita Street, Nairobi P.O. Box 9287, 00100 GPO, Nairobi Tel: 020-2212065/2230330, 0770052116, 0735565666,0724699667, email: **info@image.co.ke** to enable us post the future dividends directly to their bank accounts.

Also, we encourage all shareholders who hold CDSC accounts and whose dividends are paid via cheques to provide their bank details through their stockbrokers to enable us post future dividends directly to their bank accounts.

Tarehe ya kuhamishwa kwa hisa za KenGen ilikuwa Novemba 1, 2013. Isitoshe, KenGen itaweka tangazo kwenye magazeti kufahamisha umma kuhusu tarehe ya kuhamishwa kwa hisa za KenGen.

Lakini kwa sasa, tunahimiza wenyehisa ambao bado wana vyeti vya umiliki kuwasiliana mara moja na mawakala wa hisa kwa usaidizi kuhamisha hisa zao.

8) Nitafuatiliaje hisa zangu?

CDSC itakuwa inakutumia taarifa za kila mwezi ikiwa akaunti yako ina shughuli nyingi; la sivyo utakuwa unapokea taarifa yako mara moja kwa mwaka. Hata hivyo, ikiwa ungependa kuchapisha taarifa zako, unaweza kutembelea tovuti ya CDSC katika www.cdsckenya.com. Pia unaweza kujiandikisha kupokea huduma za CDSC mobile ambapo utakuwa unapokea ujumbe kila kunapokuwa na shughuli kwenye akaunti zako kama vile uuzaji na ununuzi wa hisa kwa ada ndogo ya Sh10.00 kwa kila ujumbe. Ili kujiandikisha, tuma neon "Register" kwa 22372 na kufuata maagizo.

6. Maelezo ya Benki

Tunahimiza wenyehisa wote walio na vyeti vya hisa na ambao mgao wao wa faida hulipwa kwa njia ya hundi kutoa maelezo kuhusiana na akaunti zao za benki kwa kampuni ya hisa zetu, Image Registrars Limited, Barclays Plaza Ghorofa ya 5, Loita Street, Nairobi S.LP 9287, 00100 GPO, Nairobi Simu: 020-2212065/2230330, 0770052116, 0735565666,0724699667, baruapepe: **info@image.co.ke** kutuwezesha siku sijazo kutuma mgao wa faida moja kwa moja kwa akaunti zao.

Pia, tunahimiza wenyehisa wote walio na akaunti za CDSC na ambao mgao wa faida hulipwa kwa njia ya hundi kutoa maelezo kuhusu akaunti zao za benki kupitia kwa maajenti wao wa hisa kutuwezesha kutuma mgao wa faida moja kwa moja hadi akaunti zao.

7. Unclaimed Dividends

Further to the Unclaimed Financial Assets Act 2011, we are appealing to Shareholders who have unclaimed dividends to do so with immediate effect to avoid the dividends being surrendered to the Unclaimed Assets Authority.

Dividend enquiries can be made at the offices of the Company's shares registrar firm, Image Registrars Limited, Barclays Plaza 5th Floor, Loita Street, Nairobi P.O. Box 9287, 00100 GPO, Nairobi Tel: 020-2212065/2230330, 0770052116,0735565666,0724 699667, email: **info@image.co.ke**

7. Mgao wa Faida ambao haujachukuliwa

Mbali na Sheria ya Rasilmali ambazo Hazijadaiwa 2011, tunahimiza wenyehisa ambao hawajachukua mgao wao wa faida kufanya hivyo mara moja ili kuepuka faida yao kusalimishwa kwa Mamlaka ya Vifaa ambavyo Havijadaiwa..

Maswali kuhusu mgao wa faida yanaweza kuelekezwa kwa afisi za msajili wa hisa za Kampuni, Image Registrars Limited, TBarclays Plaza Ghorofa ya 5, Loita Street, Nairobi S.LP. 9287, 00100 GPO, Nairobi Nambari ya Simu: 020-2212065/2230330, 077005 2116,0735565666,0724699667, baruapepe: **info@ image.co.ke**

Notes

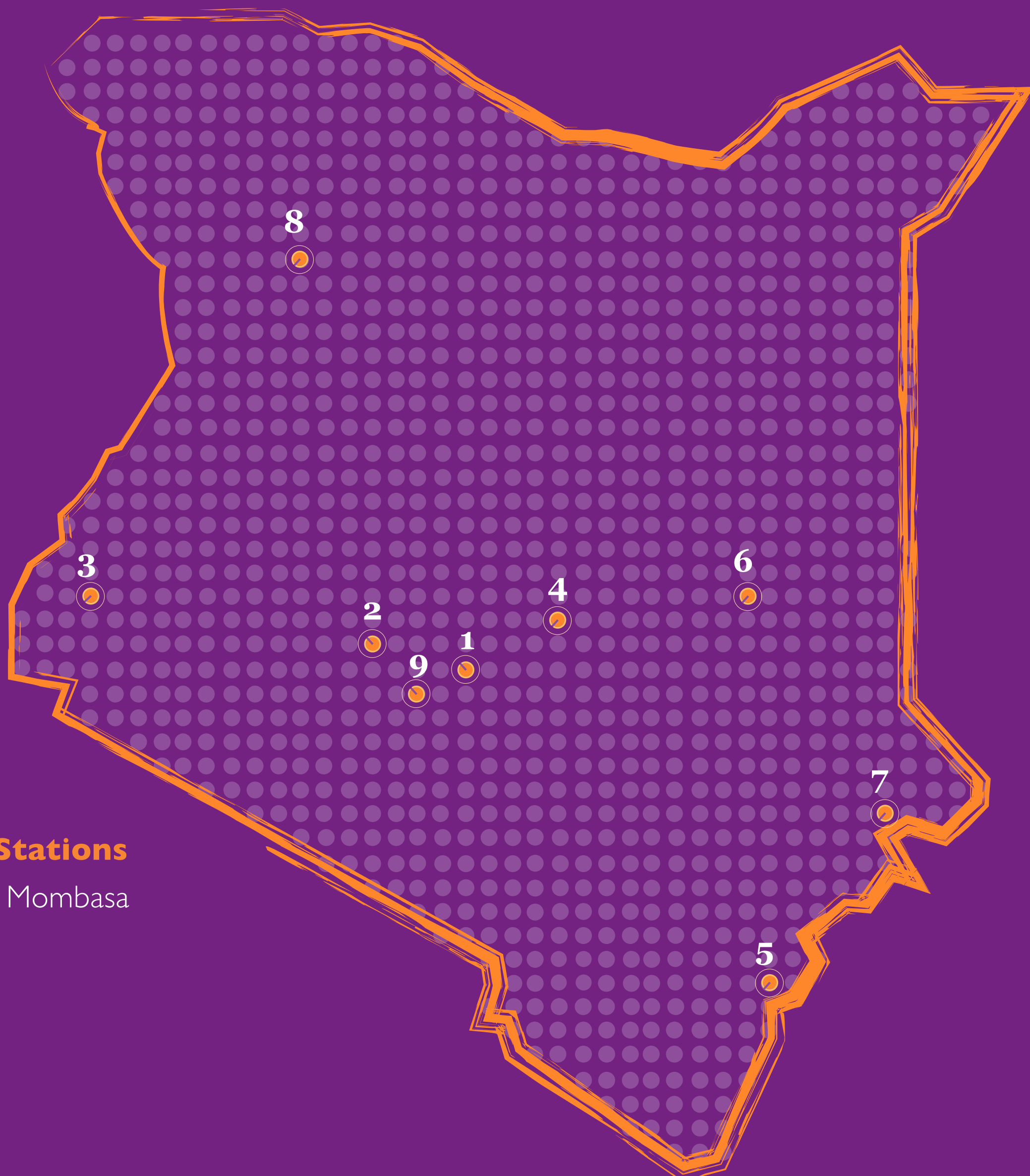
Contact Information

1. HEAD OFFICE
Stima Plaza, Phase III
Kolobot Road, Parklands
P. O. Box 47936, 00100
GPO Nairobi, Kenya
Tel: +254-20-3666000
Mobile: +254-711-036000
+254-732-116000
Fax: +254-20-2248848
E-mail: comms@kengen.co.ke

2. Olkaria I & II Geothermal Power Station
P.O. Box 785 - 20117, Naivasha
Tel: 050 - 20233/4
050 - 2021223
Mobile: 0722 202894
0722 202895
Fax: 050 - 2021223

3. Western Hydro Power Stations
P.O. Box 874 - 40100, Kisumu
Tel: 057 - 2023800
Mobile: 0728 608203
0738 600078
Fax: 057 - 2023855

4. Eastern Hydro Power Stations
P.O. Box 205 - 60100, Embu
Tel: 020 - 2310323
Mobile: 0722 509500
0735 826344
Fax: 020 - 2310324



5. Thermal Power Stations
P.O. Box 80801 - 80100, Mombasa
Tel: 041 - 3435000/1
3434876
Mobile: 0722 2653900
0734 600377
Fax: 041 - 3435431

6. Garissa Power Station
P.O. Box 9, Garissa
Tel: 046 - 2102028/3158
Mobile: 0724 255113
0733 600678
Fax: 046 - 210 3159

7. Lamu Power Station
P.O. Box 72 - 80500, Lamu
Tel: 042 - 633346
Mobile: 0724 255110
0733 600678
Fax: 042 - 633346

8. Turkwel Power Station
P.O. Box 698 - 30099, Kitale
Mobile: 0733 600691
0733 600687
Fax: 054 - 30099

9. Ngong Wind Power Station
P.O. Box 47936, 00100,
GPO Nairobi, Kenya
Tel: +254-20-3666000
Mobile: +254-711-036000
+254-732-116000
Fax: +254-20-2248848

KenGen
Kenya Electricity Generating Company Limited
Stima Plaza, Phase III, Kolobot Road, Parklands
P.O. Box 47936 - 00100 GPO, Nairobi, Kenya
www.kengen.co.ke