KenGen
Energy for the nation.

Our Source, Our Heritage

62ND ANNUAL REPORT & FINANCIAL STATEMENTS
FINANCIAL YEAR ENDED 30 JUNE 2014
geothermal · hydro · wind

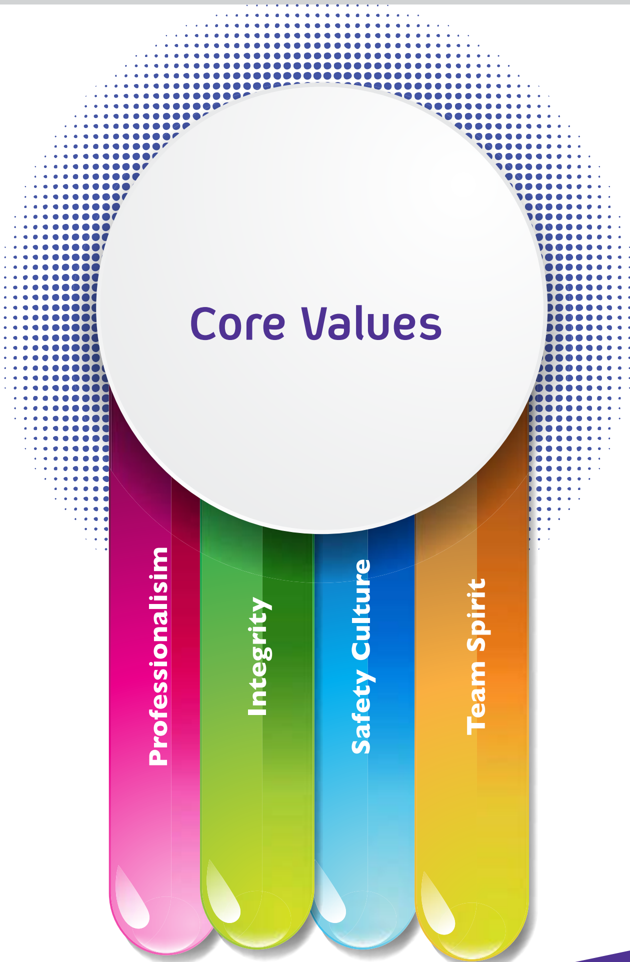
Our Values

Vision

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

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, our core values will be adhered to in all operations.



Our Promise

We promise to create value for all our stakeholders cutting across our shareholders, employees, communities neighbouring our plants and our fellow citizens.

We will continue focusing in achieving sustainability in value creation from the "present generation" of Kenyans to the "next and future generation" of Kenyans.

Our long-term commitment is to empower our people and our economy with reliable, safe and competitively-priced electric energy that is environmentally friendly and continue being a socially responsible Company.

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Significant Achievements

- Development of the largest Geothermal Power Project in the world on course in Olkaria
- Mega Project 280MW Olkaria I & IV to be completed in November 2014; First 70MW Unit completed in June 2014; remaining three 70MW Units to be completed in 2014
- Largest Geothermal Producer in Africa and 9th in the world
- Drilled the largest Geothermal 30MW Well in Africa
- Delivered the Resettlement Plan for over 150 households, making room for the Olkaria IV Project
- ISO QMS 9001:2008 and EMS 14001:2004 certified
- First energy company in Kenya to receive Carbon Asset Funds under the Clean Development Mechanism (CDM)
- Largest Wind Power Producer in Kenya
- Pioneered Geothermal Wellhead Condensing Technology in Africa

Significant Statistics

32.6%

Asset Base

KShs.250 billion

4.3%

Total Revenue

KShs.18.5 billion

5.9%

Electricity Revenue

KShs.17.5 billion

3%

Profit Before Tax

KShs.4.2 billion

7.9%

Installed Capacity

1,337MW

KenGen was incorporated on 1 February 1954 under the Companies Act (Chapter 486 of the Laws of Kenya) as Kenya Power Company (KPC) to construct the transmission line between Nairobi and Tororo in Uganda as well as to develop geothermal and other generating facilities in the country. Since its inception, KPC sold electricity in bulk at cost to Kenya Power under a management contract.

Following the energy sectoral reforms in 1996, the management of KPC was formally separated from Kenya Power and renamed KenGen in January 1997. In 2006, KenGen was listed on the Nairobi Securities Exchange after the Government of Kenya sold 30% of its stake in the company through a very successful Initial Public Offer (IPO).

KenGen owns thirty one (31) power generating plants with a combined installed capacity of 1,337MW from diverse generation modes comprising of hydro, thermal, geothermal and wind technologies as follows:

Hydroelectric Power Plants

• Gitaru	225 MW
• Gogo	2 MW
• Kamburu	94.2 MW
• Kiambere	168 MW
• Kindaruma	72 MW
• Masinga	40 MW
• Mesco	0.38 MW
• Sagana	1.5 MW
• Sondu	60 MW
• Sosiani	0.4 MW
• Tana	20 MW
• Turkwel	106 MW
• Wanjii	7.4 MW
• Sangoro	21MW
• Ndula	2MW

Geothermal Power Plants

• Olkaria I	45 MW
• Olkaria II	105 MW
• Eburru	2.5 MW
• Wellheads (5 Units)	30.6 MW
• Olkaria IV Unit 1	73MW

Thermal Power Plants

• Kipevu III Diesel	120 MW
• Kipevu I Diesel	73.5 MW
• Embakasi Gas Turbine	54 MW
• Lamu	2.8 MW
• Garissa	5.9 MW

Wind

• Ngong Wind Power	5.1 MW

KenGen operates in a liberalised power generation environment and sells all electric power generated in bulk to Kenya Power, who then distributes it to consumers. As at 30th June 2014, the Company had a work force of 2,209 staff with a wealth of experience in various disciplines.

This workforce is necessary as the Company seeks to maintain leadership in the electric energy sub-sector in Kenya and Eastern Africa Region. To ensure business success, the Company efficiently generates competitively priced electric energy using state of the art technology, skilled and motivated human resource. This success is anchored on engrained core values of professionalism, integrity, safety culture and team spirit.

The Company is further propelled by the Good-to-Great (G2G) transformation strategy of moving from a "Good Company" to a "Great Company" through the creation of sustainable value from "One Generation" to the "Next Generation". Under this strategic direction, KenGen has entered a phase of scaling up geothermal development which is evident in the Company's investment and achievements during this fiscal year.

"Celebrating our 60th Birthday"

2014
Completing the Largest Single Geothermal Power Plant in the World (Olkaria 280MW Project)

2013
Innovative Wellhead Technology Project of 75MW Rolled Out

2012
Largest Single Geothermal Power Project in the World (Olkaria 280MW) Launched

2011
Quickest Thermal Power Plant in East Africa commissioned in record 14 months: Kipevu III 120MW

2010
Largest Wind Farm in Kenya Completed: Ngong 5.1MW and a further 20.4MW under implementation

2009
Issued the Largest Infrastructure Bond in Kenya and successfully raised over KShs.26 billion

2006
Deepened Kenyan Capital Markets through successful public listing with 336% subscription rate on the Nairobi Stock Exchange.

2004
Becomes the First Kenyan Parastatal to be ISO: 9001 Standard certified.

1999
Commissioned Gitaru Unit I 80MW making the plant the Largest Hydro Plant in the Kenya at 225MW

1998
Kenya Power Company rebranded as KenGen following a restructuring in the Power Sub-sector

1993
First Ngong' Wind Farm 0.35MW commissioned

1981
First 15MW Geothermal Unit in Olkaria I installed and a total of 45MW completed in 1985

1973
Nairobi South 13.5MW Thermal Plant commissioned

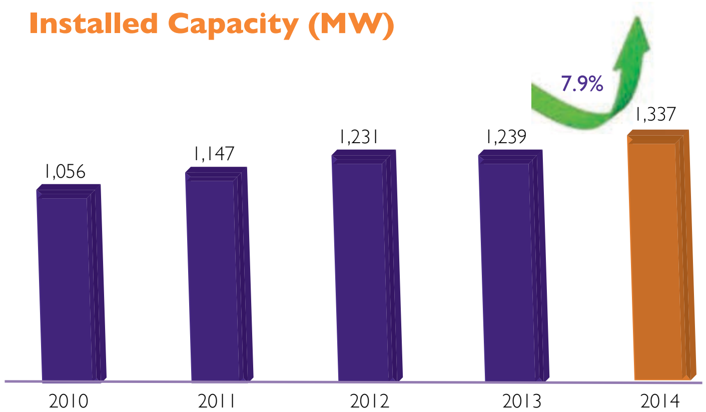
1968
Completed the First post-independence Power Plant along the Tana River: Kindaruma 40MW Hydro Plant

1954
Kenya Power Company (KPC) incorporated as a private Company and converted to a public Company in 1955

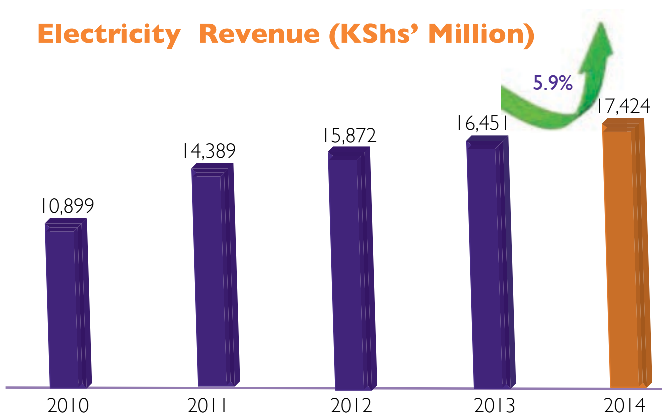
1956
Completed the first three geothermal exploration well in Africa within Olkaria Geothermal Field

1919
Oldest Power Plant in Kenya and still in operation: Mesco 0.38MW Small Hydro Power Plant

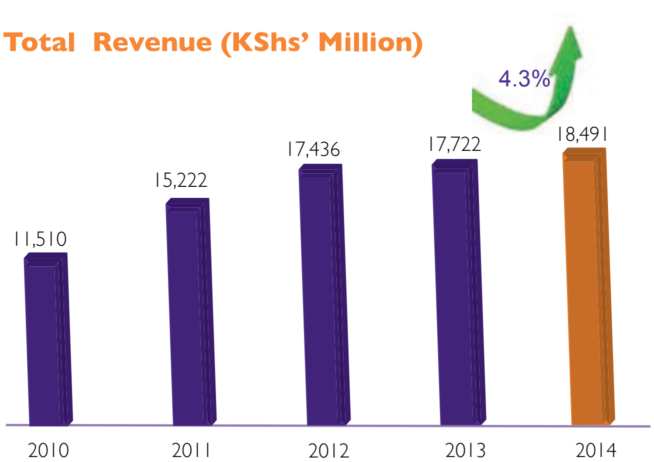
Installed Capacity (MW)

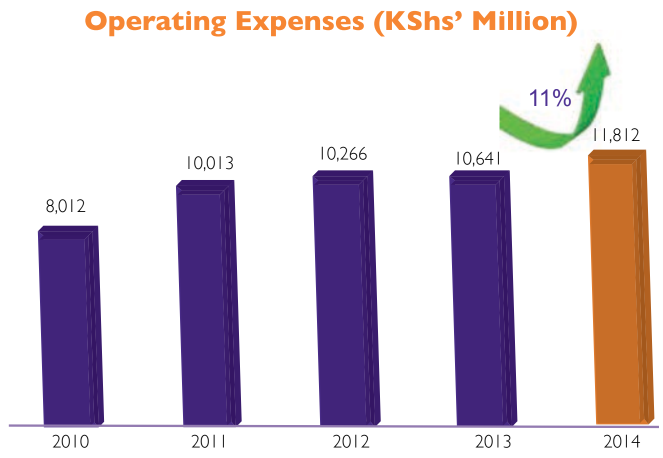


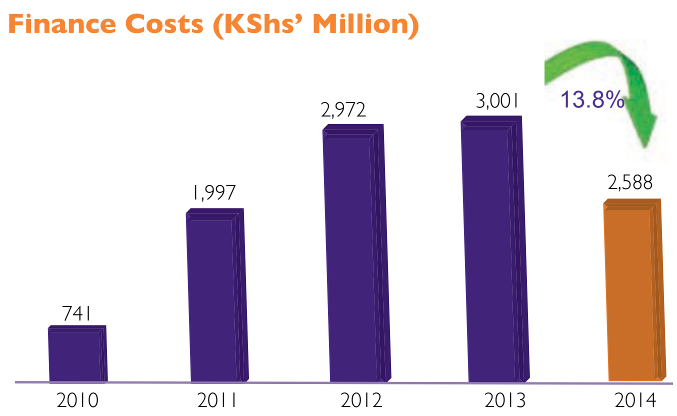
Electricity Revenue (KShs' Million)

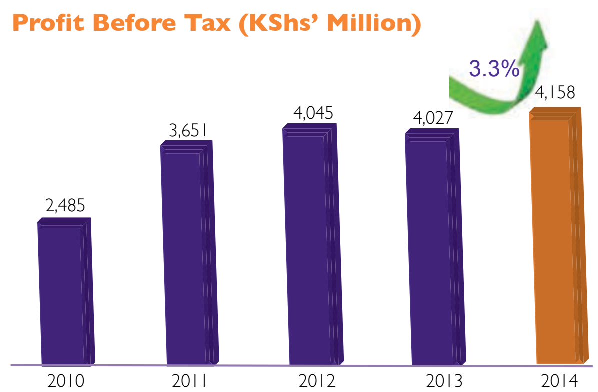


Total Revenue (KShs' Million)



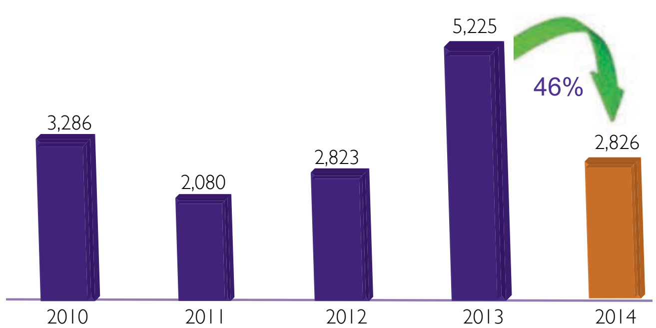

Operating Expenses (KShs' Million)
11%
8,012
10,013
10,266
10,641
11,812
2010
2011
2012
2013
2014


Finance Costs (KShs' Million)
13.8%
741
1,997
2,972
3,001
2,588
2010
2011
2012
2013
2014

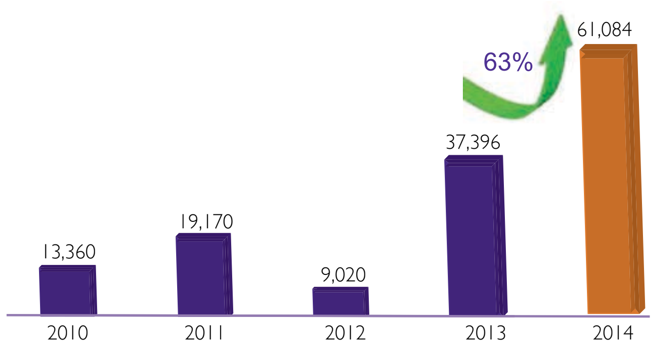

Profit Before Tax (KShs' Million)
3.3%
2,485
3,651
4,045
4,027
4,158
2010
2011
2012
2013
2014

Taxation (KShs' Million)

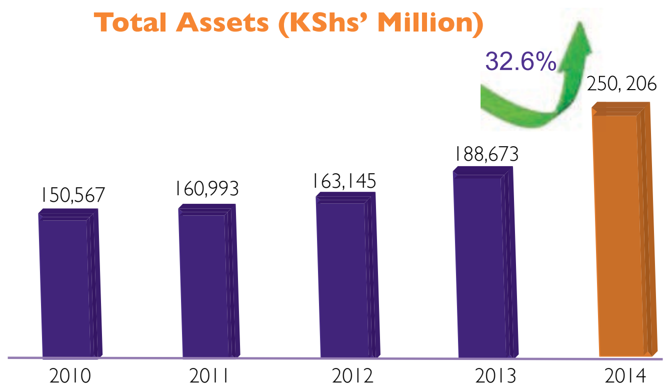
Profit After Tax (KShs' Million)



Capital Investment (KShs' Million)



Total Assets (KShs' Million)



DIRECTORS

Joshua K. Choge	- Chairman (Appointed on 20 December 2013)
Albert Mugo	- Managing Director & CEO (Appointed on 15 January 2014)
Henry Rotich	- Cabinet Secretary, The National Treasury
Joseph Njoroge	- Principal Secretary, Ministry of Energy & Petroleum
George M. Njagi	
Dorcas F. Kombo	
Sarah W. Wainaina	
Henry N. M'Narobi	
Hedrick Omanwa	
Ziporah N. Ndegwa	- Appointed on 20 December 2013
Millicent N. Omanga	- Appointed on 20 December 2013
Humphrey Muhu	- Alternate to Henry Rotich
John Omenge	- Alternate to Joseph Njoroge
Titus K. Mbathi	- Retired on 20 December 2013
Musa Ndeto	- Retired on 20 December 2013
Mary G. Michieka	- Retired on 20 December 2013
Simon Ngure	- Ag. Managing Director & CEO (from 1 July 2013 to 14 January 2014)

SECRETARY

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

REGISTRARS

Image Registrars Limited
Barclays Plaza, 5th Floor
Loita Street
P.O. Box 9287 - 00100 GPO
Nairobi

AUDITORS

The Auditor-General
Anniversary Towers
P. O. Box 30084 - 00100 GPO
Nairobi

On behalf of the Auditor-General:

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

PRINCIPAL BANKERS

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

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

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

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

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

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

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

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

Who Leads Us

KenGen Drilling Rig in action at Olkaria

Not in The Main Picture:

The Board of Directors

JOSHUA K. CHOGE

Mr. Joshua Kibet Choge is the Chairman of KenGen Board of Directors. Born in 1958, he holds a Bachelor of Science Degree in Mathematics and Statistics. He is a trained accountant from Strathmore College and has also undergone training by the Chartered Institute of Purchasing and Supply UK on Procurement Management. He is currently pursuing a Master of Management and Leadership (MML) degree at the Management University of Africa.

Mr. Choge is also an executive member of The Institute of Directors (Kenya). He has over fifteen years experience in the public sector, having served in various positions in public sector, including East African Portland Cement, where he served as Purchasing Manager and also as Deputy Chief Internal Auditor.

He is the Chairman of the Board of African Inland Church Kapsabet Bible College in Nandi County. Currently, Mr. Choge is the C.E.O of Talent Foundation International (TFI), a non-governmental organization that targets to identify and develop talent among needy children.

ENG. ALBERT MUGO

Eng. Albert Mugo, is the Managing Director & CEO of KenGen. Born in the year 1957 he holds a Bachelor of Science Degree in Electrical Engineering and Masters of Business Administration in Strategic Management, both from the University of Nairobi.

In the year 2012, he completed the Advanced Management Programme from Strathmore University. He is a registered Professional Engineer with Engineers Board of Kenya and a member of Institution of Engineers of Kenya.

His experience in the Energy Sector spans over a period of 30 years having worked in various capacities in both petroleum and energy sub-sectors.

In the year 2008, he was appointed the Business Development and Strategy Director at KenGen where he was instrumental in planning for the overall growth of the company. It was during his time as Director of the Division that KenGen made a deliberate move to shift focus to geothermal energy development while effectively delivering on the other ongoing power generating projects like wind and hydro.

Since joining KenGen he has led the teams developing power projects that include 120MW Kipevu III, 280MW Olkaria, among others. In addition, he has been leading the Geothermal Resource Development team that is exploring and developing steam for the additional 560MW geothermal energy.

HENRY K. ROTICH

Mr. Henry K. Rotich is the Cabinet Secretary for the National Treasury born in 1969, holds a Masters Degree in Economics and a Bachelors 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 this appointment, Rotich 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.

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 has also been a Director on several Boards of State Corporations, including: Insurance Regulatory Board; Development Bank of Kenya; Communication Commission of Kenya; and Kenya National Bureau of Statistics.

ENG. JOSEPH K. NJOROGE, MBS

Eng. Joseph K. Njoroge, the Principal Secretary, Ministry of Energy & Petroleum, was born in 1958.

He holds a First Class Honours Degree in Electrical Engineering and an MBA with a major in Strategic Management.

He is a Registered Consulting Engineer, a Chartered Engineer, a Member of the Institution of Engineering & Technology (UK) and a Fellow of the Institute Engineers of Kenya.

He is also a member of the Institute of Directors of Kenya and a trainer in Corporate Governance.

He joined Kenya Power in 1980 and rose through the ranks to become the Managing Director from June 2007 until his appointment to Principal Secretary, Ministry of Energy & Petroleum in June 2013.

Eng. Njoroge is a distinguished Electrical Engineer with a career spanning over three decades and has a 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 Antitrust 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.

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 with emphasis on impact of public sector right sizing to the employees. Prior to that she acquired experience with international audit firms in audit of both private and public enterprises. She is a director of Menana Development Company Limited and Namenge Brothers Limited. Mrs Kombo is also a trustee of the Kenya Medical Women Association (KEMWA).

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 of the Board of Governors of Rebate Teachers' Training College besides chairing Boards for a National Secondary School and a County School. He has also served as Chairman, Pyrethrum Board of Kenya and Commissioner, Poverty Eradication Commission. Mr. M'Narobi has also assisted in projects catering for the needs of the Liberian refugees in Cote D'Ivoire.

HEDRICK MASAKI OMANWA

Mr. Omanwa, born in 1965, holds both a BCom (Hons) degree in Accounting and an MBA in Finance from the University of Nairobi. He is a member of the Institute of Certified Public Accountants of Kenya (ICPAK), the Institute of Certified Public Secretaries of Kenya (ICPSK) and The Institute of Directors (Kenya).

Mr. Omanwa is a career accountant with over 23 years experience in both Public and Private Management. He is currently a private practitioner in Assurance, Consultancy, Taxation and Secretarial services with Omanwa & Associates, a professional firm where he is also the Managing Partner.

ZIPORAH NYAKAIRO NDEGWA

Mrs. Ziporah Nyakairo Ndegwa, born in 1962, holds a Bachelors degree in Law and a diploma in legal practice from the Kenya School of Law. She is a member of the Law Society of Kenya and Christian Lawyers Fellowship. Mrs. Ndegwa is a practising lawyer since 1988 when she was admitted to the bar.

She has previously served as a State Counsel with The Law Reform Commission before entering private practice. Mrs. Ndegwa has been a principal partner in the firm of Maira & Ndegwa Advocates since 1996 where she has engaged in Civil, Commercial and some Criminal Litigation.

MILLICENT NYABOKE OMANGA

Ms. Millicent Nyaboke Omanga, born in 1982, holds a Bachelors degree in Commerce and an ongoing Executive MBA at Strathmore University.

She is presently the Founder and Managing Director of Milways Enterprises a business which deals in construction, interior décor and import of furniture and electrical appliances. Ms. Omanga is a Youth Leader at Rimpa SDA Church.

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-The National Treasury. Mr. Muhu is an Economist with over 20 years experience in various government ministries and departments.

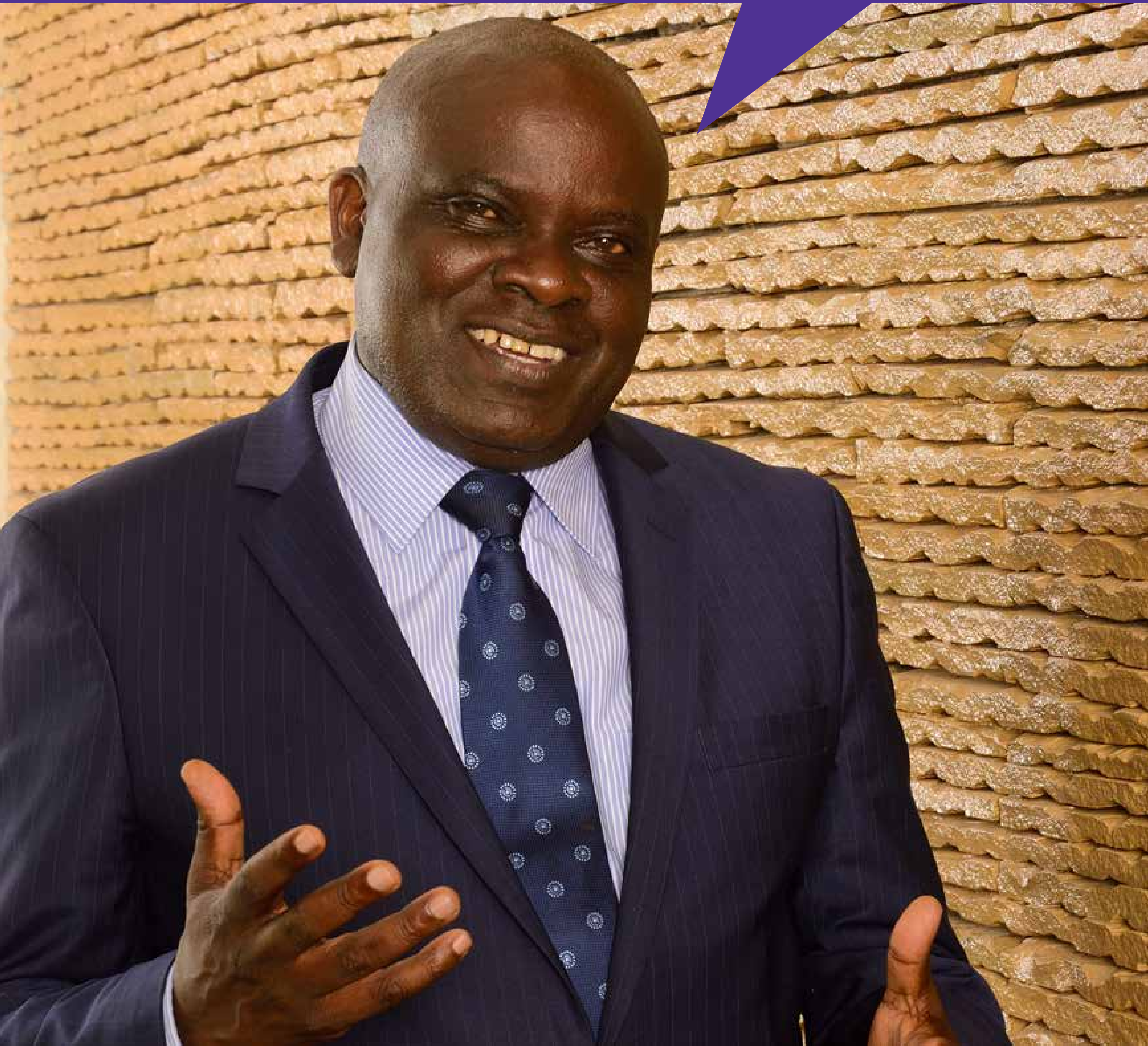
JOHN OMENGE

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 30 years as a Geologist for the Government of Kenya.

"I am proud to report to you that we have continued to deliver positive growth in our financial returns."

Joshua K. Choge - Chairman



Dear Shareholders,

It is my privilege to present to you the 2014 Annual Report & Financial Statements of this great Company. Indeed I would like to express my sincere gratitude to you all for granting me the opportunity to serve you. I commit to steer the growth and operational excellence of this great Company in the years ahead.

On behalf of the Board, I would like to thank the former chairman and appreciate his efforts in steering KenGen to success during his tenure. Equally, I would like to thank the Board members for their support during the transition period.

It is my pleasure to report that the Company recorded yet another year of strong performance and made great strides in scaling up our generation capacity to boost overall revenues and invariably maximize shareholder value.

Strategic Direction

In 2007, the Company set out on a strategic journey to increase its capacity to 3000MW by 2018. The Good-to-Great transformation strategy has been our blueprint for the last seven years. We are committed to this strategy and the Company has been on course in its implementation. Guided by our vision to provide reliable, safe, quality and competitively priced electricity, we have undertaken to continue injecting additional power to the national grid to meet the ever increasing national demand for electricity.

At the last AGM, the shareholders approved the restructuring of the Company's capital to create room for more borrowing to enable the Company access funds for capacity expansion. I wish to report that the process of obtaining the requisite approvals is ongoing.

Wenyehisa Wapendwa,

Ni fahari yangu kuwasilisha kwenu Ripoti ya Kila Mwaka ya Makadirio na Taarifa za Kifedha ya 2014 ya Kampuni hii inayosifika. Ama kweli, ningependa kutoa shukrani zangu kwenu nyote kwa kunipa fursa hii ya kuwahudumia. Ninajitolea kuongoza Kampuni hii kwa ufanisi mkubwa na kuendelea kukua hata zaidi katika miaka ijayo.

Kwa niaba ya Bodi, ningependa kumshukuru mwenyekiti wa zamani na kutambua jitihada zake katika kuongoza KenGen kuafikia ufanisi wakati wa uongozi wake. Vile vile, ningependa kuwashukuru wanachama wa Bodi kwa kutuunga mkono wakati huu wa kipindi cha mpito.

Ni furaha yangu kuripoti kwamba Kampuni ilifanya vyema kwa mara nyingine mwaka huu na kupiga hatua kubwa katika kuongeza uwezo wetu wa uzalishaji ili kuzidisha jumla ya mapato yetu na hivyo, kuimarisha thamani kwa wenyehisa.

Mkakati wa Ustawi

Mnamo 2007, Kampuni ilianzisha mpango muhimu wa kuongeza uwezo wake wa uzalishaji hadi MW3000 kufikia 2018. Mpango wa mageuzi kutoka Bora-hadi-Bora Zaidi umekuwa mwongozo wetu kwa kipindi cha miaka saba iliyopita. Tunajitolea kuzingatia mkakati huu na Kampuni imekuwa ikiutekeleza kikamilifu. Huku tukiongozwa na azima yetu ya kuzalisha umeme wa kutegemewa, salama, wa kiwango cha juu na bei nafuu, tumejitolea kuongeza kawi zaidi ili kutosheleza mahitaji ya kawi yanayozidi kuongezeka nchini kila kukicha.

Kwenye Mkutano Mkuu wa Kila Mwaka uliopita, wenyehisa waliidhinisha mabadiliko kwenye mtaji wa Kampuni ili kutoa nafasi ya kukopa zaidi kuiwezesha Kampuni kupata fedha za kupanua uzalishaji wake. Ningependa kuripoti hapa kwamba utaratibu wa kutafuta idhini zote zinazohitajika unaendelea.

I also wish to let you know that the Board is conscious of emerging issues and has put in place policy measures to secure the future gains of the company and maximize shareholders' wealth. This is well exemplified by our emphasis on innovation, continual improvement, renewable energy solutions, human capital development, adoption of new technologies and strengthening our role as a responsible corporate citizen.

Change in Leadership

During the last AGM, two Board Members - Ziporah Ndegwa, Millicent Omanga and I were elected to the Company's Board of Directors. This was followed by the appointment of Eng. Albert Mugo as the Managing Director & CEO in January 2014. This change in leadership has re-energized and brought a new impetus to the strategy and policy oversight to complement the diverse mix of skills of the Board of Directors.

Financial Results

KenGen achieved its Government of Kenya (GoK) Performance Contract targets as set out in the year under review.

I am proud to present to you continued positive growth in our financial returns. Following growth in capacity, from 1,239MW to 1,337MW, our revenue base increased by 4.3% from KShs.17,722 million in 2013 to KShs.18,491 million in 2014. The increase was attributable to the increased capacity and energy sales. Subsequently our Profit Before Tax increased from KShs.4,027 million to KShs.4,158 million, an increase of 3%.

Dividends

The Board recommends a final dividend of KShs.0.40 per share amounting to KShs.879 million. If approved at this annual general meeting, the dividend will be paid out on or about 20th February

Ningependa kuwafahamisha kuwa Bodi inaelewa kuhusu maswala ibuka na imeweka hatua madhubuti za kisera ili kuhifadhi mapato yajayo ya Kampuni na kuzidisha utajiri wa wenyehisa. Hali hii inathibitishwa na kutilia kwetu mkazo katika ubunifu, kuendelea kujiimarisha, kutumia njia mpya za uzalishaji kawi, kuwekeza katika mafunzo ya wafanyikazi wetu, kutumia teknolojia ya kisasa na kuimarisha uwajibikaji wetu kwa jamii kama shirika.

Mabadiliko ya uongozi

Katika Mkutano Mkuu wa Kila Mwaka uliopita, wanachama wawili wa Bodi - Ziporah Ndegwa, Millicent Omanga pamoja nami tulichaguliwa kujiunga na Halmashauri ya Wakurugenzi. Hii ilifuatiwa na uteuzi wa Mha. Albert Mugo kama Mkurugenzi Mkuu na Afisa Mkuu Mtendaji mnamo Januari 2014. Mabadiliko hayo katika uongozi yametoa msukumo na nguvu mpya kwa mkakati wetu na usimamizi ufaao wa kisera ili kusaidiana na mkusanyiko wa vipawa tofauti vya Wakurugenzi.

Matokeo ya kifedha

KenGen ilifikia malengo yake kwenye Mkataba wa Utendakazi na Serilali ya Kenya (GoK) katika mwaka uliomalizika.

Nina furaha kuwasilisha matokeo ya kifedha yanayoendelea kuimarika. Kufuatia kuongezeka kwa uzalishaji kutoka MW 1,239 hadi MW 1,337, jumla ya mapato yetu yalipanda kwa asilimia 4.3 kutoka Sh.17,722 milioni mnamo 2013 hadi Sh18,491 milioni mnamo 2014. Nyongeza hiyo inatokana na uzalishaji zaidi na mauzo ya umeme. Kutokana na hayo, faida kabla ya ushuru iliongezeka kutoka Sh.4,027 milioni hadi Sh.4,158 milioni, nyongeza ya asilimia 3.

Mgao wa Faida

Bodi inapendekeza malipo ya mgao wa mwisho ya Sh0.40 kwa kila hisa ya Sh879 milioni. Ikiwa utaidhinishwa kwenye mkutano huu mkuu wa kila mwaka, mgao huo utalipwa mnamo au karibu na Februari 20, 2015 to those shareholders whose names appear in the members register as at close of business on 16th December 2014.

Stakeholder Relations

We operate in a continuously changing environment with increasing stakeholder expectations and needs. Towards this end, it has become increasingly necessary to engage the stakeholders with a view to strengthening our relationship for mutual benefit. During the year, the Company reached out to key stakeholders who include communities, government, regulatory bodies, investors and the general public.

We have scaled up our CSR interventions in education, water, sports, health, environment, economic empowerment as well as investor information programs.

Appreciation

I wish to thank the Government of Kenya for its goodwill and invaluable support in making KenGen's investment programs a reality.

Further, I wish to extend my sincere appreciation to our development partners and all other stakeholders who have been instrumental in the attainment of our mandate. Finally, I acknowledge the professionalism and commitment of the entire KenGen management and staff in executing the mandate of the Company in delivering power for the economy.

Thank you

Joshua K. Choge
Chairman

2015 kwa wale wenyehisa ambao majina yao yamo kwenye sajili ya wanachama kufikia mwisho wa shughuli za siku Desemba 16, 2014.

Uhusiano na Washikadau

Tunahudumu katika mazingira yanayozidi kubadilika huku matarajio na mahitaji ya washikadau yakiongezeka. Kufuatia hali hii, imekuwa muhimu kushauriana na washikadau kwa lengo la kuimarisha uhusiano wetu kwa manufaa ya sisi sote. Katika mwaka uliomalizika, Kampuni ilishauriana na jamii tofauti, serikali, taasisi simamizi, wawekezaji na umma kwa jumla.

Tumezidisha mchango wetu chini ya Mpango wa Wajibu wa Kampuni kwa Jamii (CSR) katika sekta ya elimu, maji, michezo, afya, mazingira, ustawi wa kiuchumi pamoja na mipango ya kutoa maelezo kwa wawekezaji.

Shukrani

Ningependa kushukuru Serikali ya Kenya kwa kutuunga mkono na usaidizi wake ambao umefanikisha mipango ya uwekezaji ya KenGen.

Isitoshe, ningependa kuwashukuru washirika wetu wa maendeleo na washikadau wengine wote ambao wamechangia katika kuafikia malengo yetu. Mwisho, ninatambua utendakazi na kujitolea kwa wafanyikazi na wasimamizi wote wa KenGen katika kutekeleza jukumu letu la kuzalisha umeme kwa uchumi wetu.

Asanteni

Joshua K. Choge
Mwenyekiti


KenGen

Management Team

Managing Director & Chief Executive Officer – Eng. Albert Mugo, BSc (Hons) Electrical Engineering, MBA (Strategic Management)

Responsible for the operational running of the Company to ensure that the mission is achieved and efficacy of the business is optimized. The MD & 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 of all the nine divisional directors.

Regulatory & Corporate Affairs Director – Eng. Simon Ngure, BSc (Hons) Mechanical Engineering, Dip Geothermal, Dip Project Management, Certified Energy Manager (CEM), MIEK, MAEE

Responsible for spearheading the Company's interaction with the energy regulatory environment. In-charge of value levers in regard to Power Purchase Agreements and dispatch requirements while steering the deregulation process to maximize value for KenGen by engaging key stakeholders such as energy sector players, regulators and neighbouring communities. Maximizing brand value through effective corporate affairs management, media and stakeholder engagement; Championing prudent and sustainable management of the environment and reinforcement of the quality guarantees and safety practices.

Company Secretary & Legal Affairs Director – Rebecca Miano, OGW, LLB(Hons), Diploma in Law KSL, Post-Graduate Diploma 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. Custodian of the company interests in regard to property and indemnity.

Finance & ICT Director – CPA John Mudany, BCom(Hons) Accounting, MBA (Marketing), MIBA (International Business), FCPAK, AMKIM

Responsible for the Company's finances, Financial Reporting, Information, and Tele-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.

Operations Director – Eng. Richard Nderitu, B.Sc(Hons) Mechanical Engineering, R.Eng. MKIM

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.

Human Resources & Administration Director – Beatrice Soy, BEd (Hons), MEd (Management), Fellow Member, IHRM, AoEC Diploma in Executive Coaching

Responsible for Human Capital, Planning & Recruitment, Learning & Development, Performance Management, Reward & Employee Wellness, Employee Relations, Management of Company facilities, fleet and logistics.

Business Development Director - Moses Wekesa, BSc (Hons) Mechanical Engineering, MSc Mechanical Engineering (Applied Mechanics), Post-Graduate Certificate Project Planning, Appraisal & Financing, Registered Project Manager

Responsible for leading the Planning, Development, Implementation and Execution of major capital projects through Capital Planning, Public Private Partnerships, Projects Execution and driving New Business Initiatives and continually building strong relationships with financiers.

Strategy and Business Performance Director – David Muthike – BSc (Hons) Electrical Engineering, MBA (Strategy), Diploma Projects Appraisal & Management

Responsible for strategy management from strategy formulation, reviews, alignment, communication, monitoring and evaluation through to testing and adaptation; leads overall business performance management through Balanced Scorecard. Designing and embedding end-to-end strategy execution and operational management processes and ensuring that activities across the business are integrated and coordinated to align strategy with operations. Ensures Management priorities are established to achieve targeted improvement in key business metrics. In-charge of organizational renewal through driving innovation as well as knowledge harvesting and transfer throughout the Company. Manages Government of Kenya (GoK) performance contracting.

Geothermal Development Director – Eng. Abel Rotich, BSc (Hons) Mechanical Engineering, R.Eng, MIEK, professional trainings in Power Generation and Management

Responsible for overseeing the assessment and development of geothermal resources as well as the management of the reservoir, steam fields and geothermal plant operations. This is in line with the Good-to-Great transformation strategy and company's focus on green energy with a particular bias to geothermal energy development.

Supply Chain Director – Philip Yego, BA (Economics) MBA (Finance), Diploma in Purchasing and Supplies

Responsible for providing oversight in the efficient and effective operations of the supply chain function of the Company. A key aspect of this role is ensuring KenGen's planning, buying, and monitoring of procurement activities; and initiatives which support strategic organisation goals and objectives.

Managing Director & CEO's Message to the Shareholders

"In pursuit of our vision, we are transforming the way we manage our operations to accelerate achievement of our targets. Our sharp focus is delivering new generation capacity.."

Eng. Albert Mugo - Managing Director & CEO

Dear Shareholders,

I am glad to write to you at this exciting moment when KenGen is making great strides in its quest to provide clean, reliable and affordable energy to Kenyans as well as contribute to the Government's ambitious program to inject 5,000+ MW capacity addition into the national grid by 2016.

As the largest power producer in the country, we have strengths of scale, diversity and expertise, backed by an exceptional record of accomplishment to achieve our targets. Our vision is to become the market leader in the provision of reliable, safe, quality and competitively priced electric energy in the Eastern Africa Region.

Strategy

The Good-to-Great (G2G) transformation strategy adopted by the Company in 2007 remains the guiding philosophy of the Company as it seeks to attain 3000MW by 2018. The G2G transformation journey embodies moving from a "Good" to a "Great" Company that creates value for all stakeholders while focusing on achieving sustainability in value creation from "One Generation to the Next Generation". This is our promise and strategic intent.

Further, our transformation strategy is phased into three horizons. Horizon I (2008-2012) sought to stabilize the existing power situation in Kenya, Horizon II (2013-2018) will create sustainable power growth in the country while Horizon III (beyond 2018) embodies exploration of other expansion opportunities to drive leadership in generation technology as we seek to establish a strong African footprint.

As a Company, we have made great achievements in the implementation of our strategic objectives.

At the commencement of our strategy, Kenya was wholly reliant on power which is susceptible to erratic weather patterns thereby occasionally placing the country in a dire situation in which demand outstripped supply. To stabilize the country's power situation,

Wenyehisa Wapendwa,

Nina furaha kuwasiliana nanyi wakati huu ambapo KenGen inapiga hatua kubwa katika jitihada zake za kutoa umeme safi wa kutegemewa na wa bei nafuu kwa Wakenya pamoja na kuchangia katika mpango kabambe wa Serikali wa kuongeza uzalishaji wa zaidi ya MW5000 nchini kufikia 2016.

Kama mzalishaji mkubwa zaidi wa umeme nchini, tuna nguvu, uwezo na utaalamu unaohitajika pamoja na sifa za kutimiza malengo yetu. Azima yetu ni kuongoza katika utoaji wa umeme nafuu, salama wa kiwango cha juu na wa bei nafuu katika kanda ya Afrika Mashariki.

Katika kufanikisha azima hii, tunabadilisha namna tunavyoendesha shughuli zetu ili kuharakisha ufanisi wa malengo yetu. Shabaha yetu ni kupanua uwezo wetu wa uzalishaji.

Mkakati

Mkakati wa mabadiliko wa Bora –hadi- Boda Zaidi uliokumbatiwa na Kampuni mnamo 2007 bado ndio unatoa mwelekeo kwa Kampuni inapoazimia kuzalisha MW3000 kufikia 2018. Safari ya mabadiliko ya G2G inahusisha kuondoka kwenye Kampuni "Bora -hadi- Bora Zaidi" inayounda thamani kwa wenyehisa wote huku tukilenga kutengeneza faida ya muda mrefu kutoka Kizazi Kimoja hadi Kizazi Kijacho." Hii ndio ahadi yetu na shabaha yetu kuu.

Isitoshe, mkakati wetu wa mabadiliko umegawanywa katika awamu tatu. Awamu I (2008-2012) inalenga kudhibiti hali ya sasa ya uzalishaji kawi nchini, Awamu II, (2013-2018) itakuza uzalishaji umeme wa kutegemewa nchini ilhali Awamu III (kupita 2018) inajumuisha utafutaji wa vyanzo vingine vya uzalishaji kwa kutumia teknolojia ya kisasa huku tunapoazimia kusambaza operesheni zetu barani Afrika.

Kama Kampuni, tumepiga hatua kubwa katika utekelezaji wa malengo yetu muhimu.

Mwanzoni mwa mkakati wetu, Kenya ilikuwa inategemea umeme unaotokana na na maji ambayo hutegemea pia mabadiliko ya hali ya anga na hivyo kuiweka nchi katika hali mbaya ambapo mahitaji

KenGen has invested in diverse energy generation modes to create a sustainable energy mix and I am proud to report that we have so far delivered 419MW to the national grid to meet the growing national demand for electricity as well as build a healthy reserve.

Our capacity addition programs are aligned to the country's Vision 2030 goal and the Government of Kenya 5000+MW plan in which we are contributing 844MW capacity by 2016.

Performance

During the year ended 30th June 2014, the energy power sub-sector was quite vibrant as the key players undertook to strengthen the overall power supply infrastructure particularly building of new transmission & distribution systems.

In this background, we were able to meet our targets and considerably increased shareholder value by bringing in new capacity and scaling up our innovative wellhead generation.

The recent breakthrough with the drilling of a 30MW well, one of the largest in the world, is a testament to the large untapped geothermal resource in the Olkaria Field. Our in-house expertise and adoption of new technologies such as directional drilling is a clear illustration of our capacity to tap the indigenous geothermal to power the economy and boost our shareholder value. Further, we have completed 45 out of 80 wells in readiness for the development of another 350MW of geothermal.

During the year, the Company injected 70MW to the national grid, part of the 280MW Olkaria geothermal project. Another 140MW was completed by July 2014 whilst the remaining 70MW will come on stream by the end of the year. When fully commissioned, this project will more than triple our geothermal generation from the current 15% to 30% of our total installed capacity which means that we will be able to produce more affordable and reliable base-load electric energy.

ya umeme yalizidi umeme. Ili kudhibiti mahitaji ya umeme nchini, KenGen imewekeza katika njia mbadala za uzalishaji umeme ili kuwa na mchanganyiko wa vyanzo vya umeme. Nina furaha kuripoti kuwa kufikia sasa, tumewasilisha MW419 kwa akiba ya kitaifa ili kutosheleza mahitaji ya umeme yanayozidi kuongezeka kitaifa pamoja na kuunda akiba ya kutosha ya umeme.

Mipango yetu ya uzalishaji inaegemea shabaha ya Ruwaza ya 2030 na mpango wa Serikali ya Kenya wa kuzalisha zaidi ya MW5000 ambapo tunachangia MW844 kufikia 2016.

Utendakazi

Katika mwaka uliomalizika Juni 30, 2014, sekta ndogo ya kawi ilikuwa na msisimko mkubwa huku wahusika muhimu wakijitolea kuimarisha kwa jumla miundomsingi ya usambazaji umeme hasa kwa kujenga mifumo mipya ya ugavi na usambazaji umeme.

Katika hali hii, tuliweza kutimiza malengo yetu na kuongeza kwa kiwango kikubwa thamani kwa wenyehisa kwa kuimarisha uwezo wetu wa uzalishaji na kupiga hatua katika ubunifu wetu wa kutumia mitambo ya muda kwenye visima vyetu vya umememvuke.

Ufanisi tuliopata hivi majuzi katika uchimbaji wa kisima cha MW30, mojawapo ya kikubwa zaidi duniani, ni ushahidi tosha kuhusu kuwepo kwa raslimali kubwa ya umememvuke ambayo haijatumiwa katika eneo la Olkaria. Utaalamu wa wahudumu wetu na matumizi ya teknolojia mpya kama vile uchimbaji unaolenga eneo maalumu ni thibitisho tosha kuhusu uwezo wetu wa kutumia umememvuke kuendesha uchumi wetu na kuongeza thamani kwa wenyehisa wetu. Isitoshe, tumekamilisha visima 45 kati ya 80 tayari kwa uzalishaji wa MW350 zaidi za umememvuke.

Katika mwaka uliomalizika, Kampuni ilitoa MW70 kwa akiba ya umeme wa nchi, sehemu ya mradi wa kuzalisha MW280 za Umememvuke katika Olkaria. Mradi mwingine wa MW140 utazinduliwa kufikia Julai 2014 ilhali ule uliosalia wa kuzalisha MW70 utakamilika kufikia mwishoni mwa mwaka. Utakapozinduliwa rasmi, mradi huu utaongeza uwezo wetu wa uzalishaji umememvuke kutoka kiwango

Our innovative, mobile wellhead technology is an indicator of the Company's commitment to play its role in shaping the country's economy through the provision of affordable power, which is a critical recipe for development. This year alone we have added 25.6MW from the wellhead units.

Importantly, we have also made substantial progress in the installation of 24 new turbines in Ngong to be commissioned in December 2014. This will increase power output at the wind power farm from the current 5.1MW to 25.5MW.

Financial Performance Overview

The financial year ended 30 June 2014 was a successful trading year for KenGen. The results were commendable in view of the dynamic economic environment which presented both opportunities and challenges. The Company registered continued growth in revenues arising from increased capacity as a result of newly completed power plants.

Our generation capacity grew by 7.9% from 1,239MW in 2013 to 1,337MW in 2014, following the connection to the national grid of 70MW, which is part of the Olkaria 280MW geothermal project and 25.6MW from Wellhead units. This resulted in a slight increase in electricity sales to Kenya Power from 6,022GWh in 2013 to 6,084GWh. The marginal increase was mainly attributable to low generation from hydro plants which is still our main source of power.

During the year, we experienced unfavorable weather conditions which affected our hydro generation but the company was cushioned by new geothermal capacity as well as increased generation from our Kipevu III 120MW thermal plant. This is expected to improve with the projection of more than normal rains in the next financial year as well as completion of Olkaria 280MW project, Ngong wind and additional Wellheads.

Total revenue grew by 4.3% from KShs.17,722 million in 2013 to KShs.18,491 million in 2014. Electricity revenue rose from

cha sasa cha asilimia 15 hadi asilimia 30 ya uwezo wetu wa uzalishaji kumaanisha kuwa tutaweza kuzalisha umeme ambao ni nafuu zaidi na wa kutegemewa.

Teknolojia yetu ya ubunifu ya kutumia mashine za muda kwenye visima vyetu ni ishara ya kujitolea kwa Kampuni katika kuendesha uchumi wa nchi kupitia utoaji wa umeme nafuu, ambao ni kiungo muhimu cha ustawi. Mwaka huu pekee, tumeongeza MW25.6 kutoka mitambo kwenye visima hivyo.

Muhimu zaidi, Kampuni imepiga hatua kubwa katika kuweka injini mpya 24 Ngong ambazo zitazinduliwa Desemba. Hatua hii itaongeza utoaji umeme katika kiwanda hiki cha kutumia upepo kutoka kiwango cha sasa cha MW5.1 hadi MW25.5.

Tathmini ya Matokeo ya Kifedha

Kipindi cha matumizi ya fedha kilichomalizika Juni 30, 2014 kilikuwa chenye ufanisi mkubwa kibiashara kwa KenGen. Matokeo hayo yalikuwa ya kutia moyo ikizingatiwa kuwa mazingira ya kibiashara yalitoa fursa na changamoto za kibiashara. Mapato ya Kampuni yaliendelea kuongezeka kutokana na upanuzi wa uwezo wetu wa uzalishaji uliotokana na viwanda vipya vya umeme vilivyokamilika.

Jumla ya uzalishaji wetu uliongezeka kwa asilimia 7.9 kutoka MW1,239 mnamo 2013 hadi MW1,337 mnamo 2014, kufuatia kuongezeka kwa MW70 kwa akiba ya kitaifa, ambazo ni sehemu ya mradi wa kuzalisha MW280 kutokana na umememvuke na MW25.6 kutoka mitambo ya muda kwenye visima. Hii iliongeza kwa kiwango kidogo mauzo ya umeme kwa Kenya Power kutoka GWh6,022 mnamo 2013 hadi GWh6,084. Nyongeza hii ilitokana hasa na uzalishaji wa kiwango cha chini kutokana na viwanda vya kutumia maji ambavyo ndio vyanzo msingi vyetu vya umeme.

Katika mwaka huo, kulikuwa na hali mbaya ya hewa ambayo iliathiri uzalishaji umeme kutokana na mitambo ya maji lakini Kampuni ilikabiliana na hali hii kwa kupanua uzalishaji wa umememvuke pamoja na nyongeza ya umeme kutoka kiwanda chetu cha umemejoto cha Kipevu III cha MW120. Hali hii inatarajiwa kuimarika kutokana

KShs.16,451 million to KShs.17,424 million, an increase of 5.9% mainly due to new capacity.

Expenditure increased by 11% from KShs.10,641 million in 2013 to KShs.11,812 million in 2014. This is attributable to the rising cost of spare parts, additional staff to support new plants and an increase in depreciation and insurance expenses associated with the new plants. During the year, we strengthened our efforts to optimize cost as envisaged in our operational excellence strategy.

The implementation of power plants is capital intensive and the company's debt portfolio has been growing significantly over the past few years due to the ambitious expansion plans. On a positive note, financing costs decreased by 14% from KShs.3,001 million in 2013 to KShs.2,588 million in 2014, mainly due to reduced interest expenses on matured borrowings for completed projects.

Profit Before Tax increased by 3.3% from KShs.4,027 million to KShs.4,158 million, mainly due to higher electricity revenue and other income from Carbon Credits. However, Profit After Tax declined to KShs.2,826 million from KShs.5,225 million due to tax expense in the current year compared to tax credit in the previous year. The tax credit last year arose from higher capital allowances enjoyed at 150% for investments in power projects outside major cities.

We continued to sustain our ambitious investment program as per our G2G strategy. As a result, our asset base increased by 32.6% from KShs.188,673 million to KShs.250,206 million.

The implementation of the projects lined up in our strategy requires significant cash in the form of counter funds with development partners. This has continued to strain our cash availability. We have continued to optimize the available resources to ensure timely completion of the projects. The company closed with net cash of KShs.4,628 million at the year end compared to KShs.3,996 million last year.

na mvua kubwa inayotarajiwa kunyesha katika kipindi kijacho cha matumizi ya fedha pamoja na kukamilishwa kwa mradi wa Olkaria wa kuzalisha MW280 za umeme, mradi wa umeme upepo wa Ngong na mitambo zaidi kwenye visima vya umememvuke.

Jumla ya mapato yaliongezeka kwa asilimia 4.3 kutoka Sh17,722 milioni mnamo 2013 hadi Sh18,491 milioni mnamo 2014. Mapato kutokana na umeme yalipanda kutoka Sh16,451 milioni hadi Sh17, 424 milioni, nyongeza ya asilimia 5.9 hasa kutokana na kuimarika kwa kawi.

Gharama za matumizi zilipanda kwa asilimia 11 kutoka Sh10,641 milioni mnamo 2013 hadi Sh11,812 milioni mnamo 2014. Hii inatokana na kupanda kwa gharama za vipuri, na wafanyikazi wa ziada kuhudumu katika viwanda vipya na kupungua kwa thamani na gharama ya bima inayohusiana na viwanda vipya. Katika mwaka uliomalizika, tulijikakamua kudhibiti gharama kama inavyoelezwa kwenye mkakati wetu wa utendajikazi bora.

Ujenzi wa viwanda vipya vya umeme unahitaji mtaji mkubwa na deni la Kampuni limekuwa likiongezeka maradufu katika miaka michache iliyopita kutokana na mipango yetu ya upanuzi. Lakini la kutia moyo ni kuwa, gharama za ukopaji zilipungua kwa asilimia 14 kutoka Sh3,001 milioni mnamo 2013 hadi Sh2,588 milioni mnamo 2014, hasa kutokana na kupungua kwa gharama za faida ya mikopo kwa miradi iliyokamilika.

Faida Kabla ya Ushuru iliongezeka kwa asilimia 3.3 kutoka Shs.4,027 milioni hadi Shs.4,158 milioni, hasa kutokana na mapato ya juu ya umeme na mapato mengine kutokana na malipo ya kutochafua anga. Hata hivyo, Faida Baada ya Ushuru ilipungua hadi Shs.2,826 milioni kutoka Shs.5,225 milioni kutokana na gharama ya ushuru katika mwaka huu ikilinganishwa na nafuu ya ushuru mwaka uliopita. Nafuu hiyo ya ushuru ilitokana na marupurupu ya juu ya mtaji ya asilimia 150 kwa uwekezaji wa miradi ya umeme nje ya maeneo ya miji mikuu.

Operational Sustainability

To improve the availability of our power plants, we are upgrading the control and protection systems of the old power plants. We are also embracing state of the art technology for the new power plants coming online. Efforts are underway to implement SCADA Phase II to increase efficiency and reduce operational costs. SCADA Phase II will provide remote control and visibility of our power plants at a central dispatch centre. This capability aids timely decision making and effective monitoring of our fleet. We are utilizing the SAP plant management module provided in the recent integrated ERP upgrade for the maintenance of our power plants.

In order for the Company to effectively execute its mandate in delivering on the Horizon II targets, the Board approved the review of the organizational structure in February 2014. The review is expected to improve our agility to timely respond to emerging business challenges.

To fund the planned capacity, we are exploring broader modes of financing including the Public Private Partnerships (PPPs). The Company will engage in a long term contract with a private partner to develop earmarked power plants. The private partner will offer financing, project management as well as significantly bear the associated project risks.

Business Sustainability

KenGen is committed to ensuring its economic sustainability, social equity for all its stakeholders and environmental accountability. We maintained long term economic, environmental and social aspects in our strategy as we maintained competitiveness.

Capacity expansion, diversification of our revenue base, policies on risk management, human capital readiness and cost optimization to maximize shareholder value and being a going concern ensures the relevance, profitability and financial sustainability of the Company.

Tuliendelea kudumisha mpango wetu mahususi wa uwekezaji kwa mujibu wa mkakati wetu wa G2G. Kutokana na hali hiyo, thamani ya vifaa vyetu iliongezeka kwa asilimia 32.6 kutoka Sh.188,673 milioni hadi Sh.250,206 milioni.

Utekelezaji wa miradi iliyomo kwenye mkakati wetu unahitaji pesa nyingi kwa njia ya ushirikiano na washirika wetu wa maendeleo. Hali hii imeendelea kutatiza kuwepo kwa fedha. Tumeendelea kutumia ipasavyo raslimali zilizopo kuhakikisha miradi hiyo inakamilika kwa wakati ufaao. Kampuni ilikamilisha mwaka na pesa taslimu Sh.4,628 milioni mwishoni mwa mwaka ikilinganishwa na Sh.3,996 milioni mwaka uliopita.

Huduma ya Kutegemewa

Ili kuimarisha utendakazi wa viwanda vyetu vya umeme, tunaimarisha mifumo ya kudhibiti na kulinda viwanda vyetu vya zamani. Pia tunakumbatia teknolojia ya kisasa kwa viwanda vipya vinavyozinduliwa. Juhudi zinafanywa kutekeleza awamu ya pili ya SCADA ili kuimarisha utendakazi na kupunguza gharama. SCADA Phase II itatuwezesha kusimamia viwanda vyetu vyote kutoka mahali pamoja. Hali hiyo itatuwezesha kufanya maamuzi kwa haraka na kuvisimamia kwa njia inayofaa. Tunatumia mpango wa usimamizi wa viwanda wa SAP ambao umeangaziwa kwenye mfumo wa ERP uliozinduliwa upya kwa utunzaji viwanda vyetu.

Ili Kampuni itekeleze wajibu wake kikamilifu wa kufanikisha malengo ya Awamu II, Bodi iliidhinisha marekebisho ya mpangilio wa Kampuni mnamo Februari 2014. Mabadiliko hayo yanatarajiwa kuimarisha uwezo wetu wa kushughulikia changamoto za kibiashara zinazoibuka.

Ili kufadhili ujenzi wa miradi mipya, tunatafuta mbinu mpya za ufadhili ikiwemo ushirikiano wa Mashirika ya Umma na Kibinafsi (PPPs) Kampuni itatia mkataba wa muda mrefu na mshirika wa kibinafsi kustawisha baadhi ya viwanda vya umeme. Mshirika huyo wa kibinafsi atatoa ufadhili, usimamizi wa mradi pamoja na kugharimia hasara zozote zinazoambatana na mradi huo.

Safety being one of our core values, the Company has put in place an extensive and comprehensive health and safety management framework to ensure the wellbeing of our staff, service providers and other stakeholders. We have inculcated safety in our operational practices to secure both our investments and stakeholders.

Implementation and maintenance of the Company's environmental system, ISO EMS 14001:2008 and application of energy efficiency practices illustrate our commitment to environmental sustainability.

The Company acknowledges the expanding interests from various stakeholders including communities and the society at large. We have a strong tradition of community involvement to improve the quality of the lives of citizens living near our power stations. In this endeavour, the KenGen Foundation has been established as a vehicle to upscale the Company's corporate social investment whose pillars are education, environment, water and sanitation.

During the year, we launched a mentorship program with a view to assisting beneficiaries of the company's scholarship program to excel in life and contribute to national development.

Future Outlook

In view of the need to diversify our revenue base, we are exploring new initiatives through innovation. Indeed I can report that several initiatives have started generating revenue. The Carbon Credit initiative (Clean Development Mechanism – CDM) exemplifies a successful venture that injected Shs126 million during the year. Further, the Ngong Wind project was registered as a CDM project.

Having achieved our targets for the year, we are now focusing on our future goals, including scaling up our geothermal generation through the implementation of 700MW in Olkaria and the completion of the wellhead project by the end of 2015.

Kudumisha Biashara

KenGen inajitolea kuhakisha biashara yake inadumishwa, usawa kwa washikadau wake na uwajibikaji kwa mazingira. Tunazingatia ukuaji wa muda mrefu wa kiuchumi, uhifadhi wa mazingira na masuala mengine ya kijamii huku tukidumisha ushindani wetu.

Upanuzi wa uzalishaji wetu, usambazaji wa vyanzo vya mapato, sera kuhusiana na udhibiti wa hatari, kukaa chonjo kwa watumishi wetu na kupunguza gharama ili kuongeza thamani kwa wenyehisa na kwa kuwa ni biashara inayoendelea, yote hayo uhakikisha Kampuni inaendelea kupata faida na uthabiti wa kifedha.

Usalama kama mojawapo ya nguzo zetu kuu, Kampuni imeweka mpango mkubwa wa afya na usalama kuhakikisha wafanyikazi wetu, washirika wetu na washikadau wengine wako salama. Tunazingatia kwa dhati usalama katika operesheni zetu ili kulinda uwekezaji wetu na washikadau.

Utekelezaji na udumishaji wa mpango wa mazingira wa Kampuni, ISO EMS 14001:2008 na matumizi ya mbinu bora za kuhifadhi umeme zinaonyesha kujitolea kwetu kutunza mazingira.

Kampuni inatambua matarajio tofauti ya washikadau mbalimbali wakiwemo wakazi na jamii kwa jumla. Tuna desturi ya kushirikisha jamii ili kuboresha maisha ya raia wanaoishi karibu na vituo vyetu vya umeme. Kwa mintaarafu hii, KenGen Foundation imeanzishwa kama chombo cha kuongoza mpango wa uwajibikaji wa kampuni kwa jamii ambao nguzo zake kuu ni elimu, mazingira maji na usafi.

Katika mwaka uliomalizika, tulianzisha mpango wa malezi kwa lengo la kuwasaidia wale walionufaika na mpango wa kampuni wa ufadhili kwa wanafunzi wanaofanya vyema ili waweze kufanikiwa maishani na kuchangia katika maendeleo ya nchi.

Hali ya Baadaye

Kutokana na haja ya kupanua vyanzo vya mapato yetu, tunaendelea kutafuta njia mpya kupitia ubunifu. Ama kweli, ningependa kueleza kuwa mipango kadha mipya imeanza kuingiza mapato. Mpango wa

MD & CEO's Message to the Shareholders

At the same time, we continue to focus on innovation as a way of devising better and efficient ways of producing electricity, meeting the expectations of our stakeholders and creating new opportunities for our people.

It is certain that we are moving towards a lower-carbon society. KenGen has been a leading voice supporting renewable energy especially through Geothermal in response to the challenges created by the price-sensitive diesel power and its effects on the environment. Geothermal power has begun paying dividends by lowering the cost of power and subsequently the cost of living and doing business in Kenya.

As I conclude, our performance in the year demonstrates our ability to deliver value to our customers, employees, the communities we serve and you – our investors – in tough times as well as in good ones. That is what we mean by sustainable performance. And it is what we strive for in our quest to become the market leader in Eastern Africa.

I would like to thank our Board of Directors, Management, our staff and all our partners who have continued to walk with us in our Good to Great journey.

God Bless You All

Eng. Albert Mugo
Managing Director & CEO

Ujumbe kutoka kwa Mkurugenzi Mkuu na Afisa Mkuu Mtendaji

kudumisha anga safi wa Clean Development Mechanism (CDM) ni mojawapo ya miradi iliyofanikiwa baada ya kuingiza Sh.126 milioni katika mwaka uliomalizika. Isitoshe, mradi wa Ngong Wind ulisajiliwa chini ya CDM.

Baada ya kufanikisha malengo yetu ya mwaka uliomalizika, tunaangazia sasa malengo ya siku zijazo, ikiwemo kuongeza uzalishaji wetu wa umememvuke kupitia utekelezaji wa MW700 katika Olkaria na kukamilika kwa mradi wa kisima cha umememvuke kufikia mwisho wa 2015.

Wakati huo huo, tunaendelea kuzingatia ubunifu kutafuta njia bora zaidi za kuzalisha umeme, kutosheleza matarajio ya wahusika wetu na kuunda nafasi mpya kwa watu wetu.

Ni dhahiri kuwa tunaelekea katika jamii ambayo inatoa kiwango cha chini cha hewa chafu ya kaboni. KenGen imekuwa kwenye mstari wa mbele kuunga mkono kawi safi hasa kupitia Umememvuke kutokana na changamoto zinatokana na kawi itokanayo na dizeli na athari zake kwa mazingira. Umememvuke umeanza kutoa matunda kwa kupunguza gharama ya kawi na gharama ya maisha na ile ya kuendesha biashara Kenya.

Nikimalizia, matokeo yetu ya mwaka ni ishara ya uwezo wetu wa kutoa thamani kwa wateja wetu, wafanyikazi na jamii tunazohudumia pamoja nanyi-wenyehisa wetu- katika hali ngumu na pia nzuri. Hilo ndilo tunamaanisha na utendakazi wa kutegemewa. Na ndio tunaazimia tunapopigania kuwa kiongozi katika Afrika Mashariki.

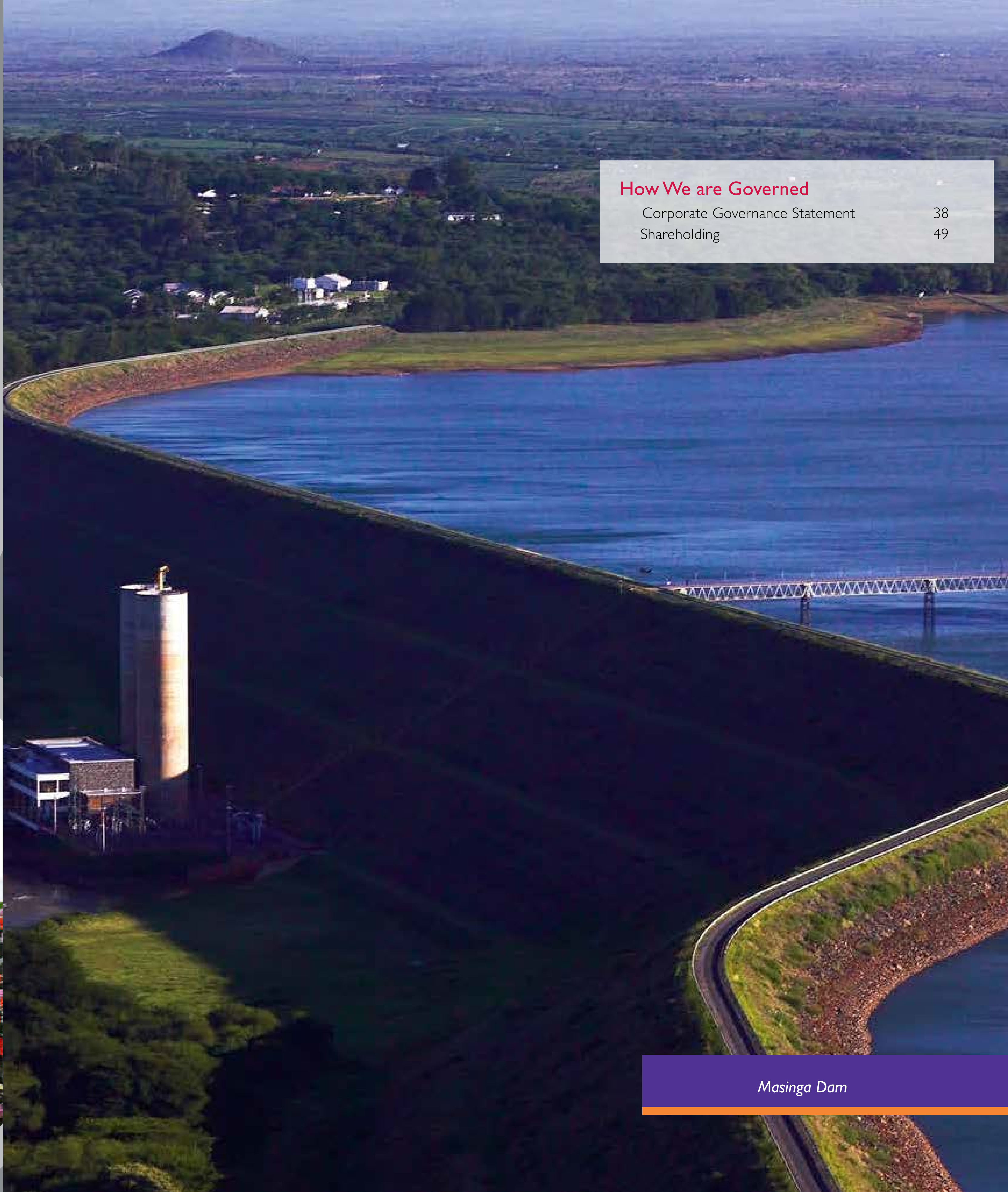
Ningependa kushuruku Bodi ya Wakurugenzi, Wafanyikazi wetu na washirika wote ambao wameendelea kutembea nasi kwenye hii safari ya kuinua Kampuni kutoka Bora- hadi -Bora zaidi.

Mungu awabariki nyote

Mha. Albert Mugo
Mkurugenzi Mkuu na Afisa Mkuu Mtendaji


KenGen
Energy for the nation


KenGen
Olkaria IV Geothermal Power Plant
This power plant was officially commissioned
by
His Excellency Hon. Uhuru Kenyatta, C.G.H.
President and Commander in Chief of the Defence Forces of the Republic of Kenya
on
Friday, 17th October, 2014



How We are Governed

Masinga Dam

Corporate Governance Statement

Corporate Governance is the process by which companies are directed, controlled and held to account. It provides the structure through which the strategic objectives of the company are set, and the means of attaining them as well as monitoring performance. Corporate Governance dictates the engagement between a company's Board, its management, its shareholders, regulators and other stakeholders.

KenGen in its decision-making processes observes the highest ethical standards and benchmarks on global best practices in compliance with the applicable legal principles, its corporate vision, mission and core values for sustainability of the Company.

Statement of Compliance

The Board and management of the Company are in compliance with the Capital Markets Authority (CMA) Corporate Governance Guidelines as part of obligations as a listed company, as well as ascribing to the ethical standards prescribed in the charter and the Company code of conduct. The Board also continues its commitment to the underlying principles of good governance as stipulated in the "Guidelines for Corporate Governance in State-Owned Corporations".

KenGen as a responsible corporate citizen is alive to the tenets of the Constitution of Kenya and is fully compliant with the provisions of relevant Laws of Kenya which include but not limited to the Energy Act, Employment Act, Occupational Safety & Health Act and Public Procurement & Disposal Act. Further, to enhance best practices and benchmarks, the Company remains certified on ISO 9001:2008 Quality Management System and ISO 14001:2004, Environmental Management System.

During the year KenGen as a key stakeholder, actively participated in the review of the new proposed Code of Corporate Governance Blueprint released by CMA in May 2014. This Blueprint is intended to be a high-level strategic guide to strengthen the laws, regulations and institutions to engrain good tenets of corporate governance in Kenya, with a view of increasing the global competitiveness of Kenyan businesses to tap both domestic and international capital.

Board Charter

The Board Charter is a policy document that guides members of the Board in discharge of their mandates. 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. This 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.

Board Composition

In accordance with the Articles of Association of the Company, the Board consists of eleven (11) members made up of 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.

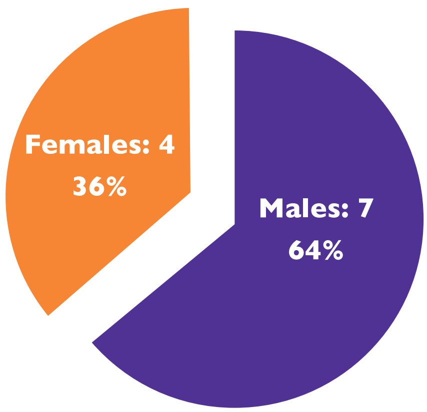
At the last Annual General Meeting and in accordance with the Articles of Association of the Company on Rotation of Directors; three Board members retired and did not offer themselves for re-election. As a result, three independent and non-executive members were elected by the shareholders to join the KenGen Board of Directors. Further, a new Managing Director & CEO was appointed by the Board during the year.

Board Skills Set

The Board has the following skills set therefore offering a depth and breadth of insight perspective and experience.

Field of Expertise	Numbers
Economics	3
Finance	2
Engineering	2
Geology	1
Supply Chain	1
Business Management	3
Law	1

The Board has achieved the 1/3 gender balance on its Board as shown below:



The biographies of the Directors are published on pages 16 to 19.

Board Operations

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

The Board's oversight role is secured through separation of the functions of the Chairman and the Managing Director & CEO. This independence of the Board from the Company's corporate management provides a distinction between the non-executive and executive roles. A clear definition of their responsibilities enables the Company achieve requisite balance of power, increased accountability and improved decision making.

Role of the Board

The Board:

1. Provides leadership in the company by putting in place the strategic intent of the Company, its objectives and values; reviews this strategic direction and adopts business plans proposed by Management.
2. Retains full and effective control over the Company, monitors Management's implementation of the plans and strategies, ensures ethical behaviour and compliance with relevant laws & regulations, audit and accounting principles, corporate policies & procedures and the Code of Ethics.
3. Evaluates performance of Management against targets and objectives and benchmarks performance of the Company against best international practices.
4. Reviews succession planning for the management team and approves senior executive appointments, organisational changes and remuneration.
5. Constitutes and reviews composition of Board Committees and approves reports and performance of each Board Committee
6. Considers and approves the Company's overall budget and specific proposals for capital expenditure & acquisitions plus strategic opportunities for the Company.
7. Approves the quarterly, interim and preliminary financial statements, Annual Report & Accounts, quarterly Management Accounts and Operational Report from the Managing Director & CEO and public announcements of a material nature.

Responsibilities of Directors

The responsibilities of members of the Board are spelt out in both the Articles of Association of the Company, the Board Charter and in accordance with principles of good corporate governance. Execution of the mandate of the Board requires each Director to observe a code of conduct aligned to their duties and responsibilities to the Company and shareholders, and act within limitations as defined in the Charter.

Each Director therefore:

- Undertakes to act in good faith, with care and prudence in the best interest of the Company while exercising their power and executing their duties.
- Subscribes to uphold and promote effective and responsible use of Company resources.
- Commits that, while taking into account the financial impact of their decisions, they shall consider the consequences for sustainable development, effect on relations with stakeholders and interest of the society in general.

- Fully aware that they are individually and collectively responsible for deciding the Company's vision, mission and values, its strategic objectives, ensuring establishment of the organisational structure, putting in place policies to achieve the objectives as well as ensuring effective control over the Company and accounting to shareholders.
- Shall familiarise themselves with the relevant regulations and statutes, the Memorandum and Articles of Association of the Company, the Board's operating norms and procedures, and any other issues necessary for the discharge of their duties.

Board Effectiveness

INDUCTION
Upon appointment to the Board, new Directors embark on detailed program to familiarize themselves with the Company's business and operating environment. Various corporate literature is provided and meetings arranged with senior management team. Visits to power stations are also organized. During the year, the new Directors undertook this program.

CONTINUOUS PROFESSIONAL DEVELOPMENT
During the year, the directors undertook various training and development programs in risk management, participated in relevant energy conferences, fora to ensure they update their skills and knowledge, as well as keep abreast with the developments in corporate governance. Bi-annually, the members of the Board attend specialized five-day corporate governance training for directors offered by the centre for corporate governance Kenya

BOARD EVALUATION
The Board conducts an annual evaluation process on the Board as an entity, its committees, and each individual director to gauge the board's performance. This is done by an independent consultant

THE BOARD HAS AN ELABORATE PROGRAM BASED ON GOOD GOVERNANCE PRACTICE TO ENSURE DEVELOPMENT OF THE BOARD MEMBERS IN VARIOUS FACETS IN ORDER TO STRENGTHEN THE BOARD'S OVERSIGHT ROLE AND PROMOTE BOARD EFFECTIVENESS.

Board Meetings

The Board meets at least once a quarter or more often in accordance with requirements of the business.

The Board work plan and calendar of meetings is prepared in advance. Adequate notice is given for each Board meeting, the agenda and papers are circulated in good time.

The Board was reconstituted in January 2014 when three new members were appointed at the AGM. The Managing Director & CEO thereafter Appointed.

The Board held 14 meetings which were attended as follows:

		Attendance	
No.	Name	July-Dec 2013	Jan-Jun 2014
1.	Hon. Titus Mbathi	7	*
2.	Eng. Musa Ndeto	6	*
3.	Mrs. Mary Michieka	7	*
4.	Mr. Joshua Choge	*	6
5.	Eng. Albert Mugo	*	5
6.	Mr. Henry K. Rotich	*	5
7.	Eng. Joseph K. Njoroge	*	2
8.	Ms. Sarah Wainaina	14	
9.	Mr. George Njagi	14	
10.	Mrs. Dorcas Kombo	14	
11.	Mr. Hedrick Omanwa	13	
12.	Mr. Henry M'Narobi	14	
13.	Mrs. Ziporah Ndegwa	*	6
14.	Ms. Millicent Omanga	*	6

* Members not in the Board

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 2014 is as follows:

Name	No. of Shares	% holding
Joshua Choge	-	-
Albert Mugo	7,531	0.0003
Henry K. Rotich	-	-
Eng. Joseph K. Njoroge	-	-
Sarah Wainaina	6,431	0.0003
George Njagi	33,913	0.0015
Dorcas Kombo	-	-
Hedrick Omanwa	6,431	0.0003
Henry M'Narobi	47,000	0.0021
Ziporah Ndegwa	-	-
Millicent Omanga	-	-
Humphrey Muhu (Alternate to Henry Rotich)	-	-
John Omenge (Alternate to Joseph Njoroge)	-	-

Board Remuneration

As stipulated in the guidelines provided in the State Corporations Act and the shareholder approval granted 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 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 2014.

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

Conflict of Interest and Declaration of Interest

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

Board members are obligated to fully disclose to the Board any real or potential conflict of interest, which comes to his/her attention, whether direct or indirect.

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.

During every Board meeting, an agenda item exists which requires 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 page 133.

Board Committees

The Board Committees including the Audit & Risk Management Committee are established with written terms of reference detailing their respective mandate, authority and duties.

Following the appointment of new members to the Board (as earlier explained) the membership to the respective Committees was reconstituted in January 2014.

The Company Secretary who is 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

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 Finance & Commercial Director and Internal Audit 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 Management 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 functions.

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

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

The Committee held 11 meetings. The members who served in the Committee and the attendance are shown below:

		Attendance	
No.	Name	July-Dec 2013	Jan-Jun 2014
1.	Hedrick Omanwa	11	
2.	Humphrey Muhu (Alternate to Henry Rotich)	10	
3.	Dorcas Kombo	11	
4.	Henry M'Narobi	*	5
5.	Millicent Omanga	*	5
6.	Musa Ndeto	6	*
7.	George Njagi	5	*

* Members not in the committee of the Board

Report from the Chairperson of the Strategy Committee

Henry M'Narobi

Mandate

The Committee is mandated to facilitate the Board to give guidance and strategic direction to management. Its main role includes:

- assisting the Board in discharging its oversight duties with respect to the overall strategic direction of the Company, operational performance and organizational health;
- reviewing the Company's Strategy and investment policies and makes recommendations to the Board on issues of strategy adjustment. It also assesses the progress of the Company's Strategy execution plans through identification of priority areas.
- monitoring, evaluating and overseeing the Company health including the review of financial and business plans and the overall Company Performance Management System.

The Committee held 8 meetings which were attended as follows:

		Attendance	
No.	Name	July-Dec 2013	Jan-Jun 2014
1.	Musa Ndeto	5	*
2.	Dorcas Kombo	5	*
3.	Henry M'Narobi	8	
4.	Humphrey Muhu (Alternate to Henry Rotich)	*	6
5.	Joseph Njoroge	*	1
6.	Albert Mugo	*	3
7.	Ziporah Ndegwa	*	3

* Members not in the committee of the Board

Report from the Chairperson of the Human Resource Committee

Dorcas Kombo

Mandate

The Committee is authorised by the Board to monitor 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 respectively.

The Committee:

- continually reviews, in line with the organisation's strategy; the organization structure and optimum establishment; policies and procedures on staff recruitment and selection, staff training and development policy, performance and reward system the terms and conditions of service.
- reviews the Company's Human Resource Policies and recommend any amendments to the Board for approval.

- supports and advices the Board on the appropriate size and composition that will enable it discharge its responsibilities; evaluation of the performance of the Board, the various committees and individual Directors;

The Committee held 7 meetings. The members who served in the Committee and the attendance are shown below:

		Attendance	
No.	Name	July-Dec 2013	Jan-Jun 2014
1.	Dorcas Kombo	7	
2.	Joseph Njoroge	*	1
3.	Albert Mugo	*	3
4.	Henry M'Narobi	7	
5.	Sarah Wainaina	6	

* Members not in the committee of the Board

Report from the Chairperson of the Procurement Oversight Committee

Sarah Wainaina

Attendance

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

Mandate

The Committee is mandated to offer oversight over all strategic procurements. It also reviews 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.

The Committee held 15 meetings. The members who served in the Committee and the attendance are shown below:

		Attendance	
No.	Name	July-Dec 2013	Jan-Jun 2014
1.	Titus Mbathi	7	*
2.	Musa Ndeto	6	*
3.	Mary Michieka	6	*
4.	Sarah Wainaina	15	
5.	Joshua Choge	*	8
6.	Albert Mugo	*	8
7.	George Njagi	8	
8.	Millicent Omanga	*	8

* Members not in the committee of the Board

Report from the Chairperson of the Financial Advisory Committee

George Njagi

Mandate

- The Committee is mandated to:-
- Oversee the activities of the Financial Arranger and Advisor in particular, adherence to the terms of reference of the contract signed with KenGen,
- Oversee the implementation of the overall investment plan for the Public Infrastructure Bond (PIB) funds, as per the Information Memorandum.
- Review at least quarterly the repayment of the PIB funds to ensure fulfilment of repayment obligation, adequacy of cash flow and any other factor that may be necessary to monitor.
- Monitor on a quarterly basis the Company's key financial ratios.
- Any other issues relevant to the PIB funds.

The Committee held 5 meetings. The members who served in the Committee and the attendance are shown below:

		Attendance	
No.	Name	July-Dec 2013	Jan-Jun 2014
1.	Henry M'Narobi	3	*
2.	Mary Michieka	3	*
3.	George Njagi	*	2
4.	Humphrey Muhu (Alternate to Henry Rotich)	4	
5.	Albert Mugo	*	2
6.	Hedrick Omanwa	4	
7.	Ziporah Ndegwa	*	2

* Members not in the committee of the Board

Executive Management Committee (EXCO)

The Committee is headed by the Managing Director & CEO and comprises of all the Divisional Directors. It convenes its meetings on a weekly basis or as business may dictate to discuss strategy formulation and implementation, policy matters and financial performance. EXCO has the mandate and responsibility of ensuring compliance with the statutory and regulatory framework and guidelines and adherence to Company policy and procedures. This Committee serves as a link between the Board and Management.

Internal Controls & Risk Management

The Board affirms its responsibility for the Company's system of internal financial controls, including taking reasonable steps to ensure that adequate systems are being maintained as set out on page 89. Effective internal control systems to assess and mitigate any risks to which the Company may be exposed to, for effective internal financial management have been operationalised.

A comprehensive policy on the risk management framework to identify, measure and manage all key risks has been put in place by the Board and integrated in the overall management reporting structure.

These risks are further incorporated into the Strategic Corporate Risk Matrix which is closely monitored by the Board. The Audit & Risk Management Committee of the Board through its delegated mandate from the Board regularly reviews the effectiveness of the internal control system. The Head of the Internal Audit & Risk Management Department reports directly to the Board's Audit & Risk Management Committee.

Code of Conduct

At KenGen, good corporate governance is engrained as a valuable contributor to the long-term success of the Company through creation of the right culture throughout the organisation. The core values of integrity, professionalism, team spirit and emphasis on safety culture steer our Company's organizational health and decision-making processes. Owing to the dynamic business environment. The Company periodically conducts reviews such as the culture baseline survey in view of the dynamic business environment so as to review and further improve the existing culture in the organisation.

The Company conducts its business in compliance with relevant legal principles and high ethical standards of business practice. The Board, Management and employees are required to observe the code and high standards of integrity. Further, these standards are applied in all dealings with 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 provision of 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 in the Company's 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 at the AGM. The Company's website provides to shareholders quick access to the corporate information.

All Directors were able to attend the last AGM held on 20th December 2013 and were available to answer questions from shareholders.

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 2014

		Number of shares	%
1	CABINET SECRETARY - THE NATIONAL TREASURY	1,538,853,019	70.00
2	BOARD OF TRUSTEES, NATIONAL SOCIAL SECURITY FUND	17,341,231	0.79
3	CO-OP CUSTODY A/C 4018	13,140,000	0.60
4	STANDARD CHARTERED NOMINEES LIMITED A/C 9230	8,824,000	0.40
5	STANDARD CHARTERED NOMINEES LIMITED A/C 9098AC	8,224,631	0.37
6	CF CSTANBIC NOMINEES LTD A/C R10602	6,185,131	0.28
7	CFC STANBIC NOMINEES LTD A/C R57601	5,950,963	0.27
8	STANDARD CHARTERED NOMINEES LIMITED A/C 9187	4,971,302	0.23
9	NIC CUSTODIAL SERVICES A/C 077	4,777,138	0.22
10	CFC STANBIC NOMINEES LTD A/C NR1030682	4,725,700	0.21
		1,612,993,115	73.37
	195,062 other shareholders	585,368,341	26.63
	Total	**2,198,361,456**	**100.00**

DISTRIBUTION OF SHAREHOLDERS

Range	No. of Shareholders	shares	%Shareholding
1-500	89,041	22,630,650	1.03
501-1,000	40,429	32,209,542	1.47
1,001-5,000	44,466	94,720,249	4.31
5,001-10,000	17,059	111,923,867	5.09
10,001-50,000	3,299	64,902,773	2.95
50,001-100,000	347	24,079,392	1.10
100,001-500,000	303	68,328,741	3.11
500,001-1,000,000	53	38,319,835	1.74
Above 1,000,000	75	1,741,246,407	79.21
Total	**195,072**	**2,198,361,456**	**100.00**

Our Strategy

Wellhead OW-43

The national energy sector landscape is undergoing major realignment as it seeks to bridge the demand and supply imbalance and KenGen is a key player in addressing these challenges.

1. The Power Sector Master Plan

Vision 2030 flagship projects and overall economic growth is expected to increase demand for electricity. The country must therefore increase its generation capacity and efficiency in the energy consumption in the years to come. To facilitate this, the Government has continued to implement institutional reforms in the energy sector, including a review of the energy policy, adopting the renewable energy strategies and reviewing the existing Plans to address emerging issues.

The Ministry of Energy & Petroleum oversees integrated sector planning which ensures synchrony of implementation of generation, transmission and distribution projects. The Ministry is in the process of developing a Generation and Transmission Master Plan that integrates all the power sector activities. The Master Plan is a new initiative which is anchored on the existing Least Cost Power Development Plan (LCPDP) and will give more emphasis to renewable energy, energy efficiency as well as the 5,000+MW by 2016.

The long-term planning is undertaken on a basis of a 20 year rolling plan, updated biennially and documented in the LCPDP. The short/medium term (5 years) plan is undertaken every alternating year of the long term plan.

2. KenGen's Strategic Plan

The Company is further propelled by the Good-to-Great (G2G) transformation strategy of moving from a "Good Company" to a "Great Company" through the creation of sustainable value from "One Generation" to the "Next Generation". Under this strategic direction, KenGen has entered a phase of scaling up geothermal development which is evident in the Company's investment and achievements this fiscal year. The Company through its Good to Great (G2G) Strategy identified three strategic horizons to propel the expansion programme as below:

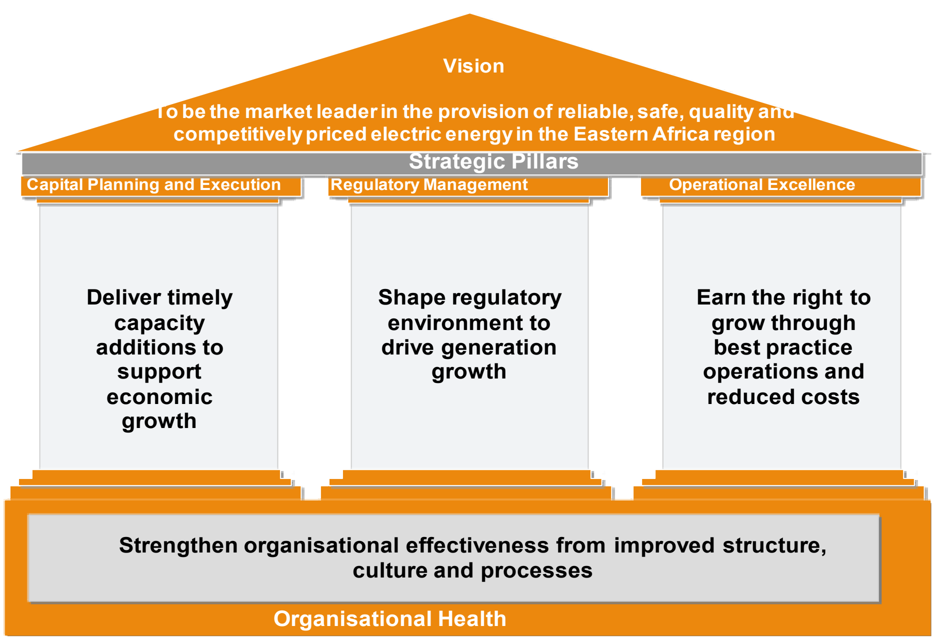


Figure 1: KenGen Strategic Temple

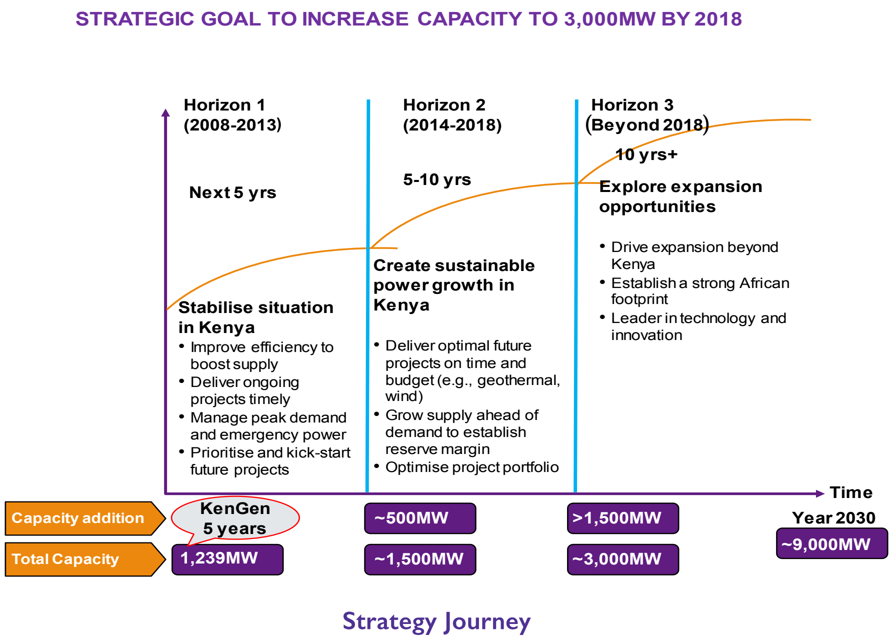


Figure 2: KenGen Strategic Horizons

3. Capacity Planning & Execution

The G2G transformation strategy is in tandem with Least Cost Power Development Plan(LCPDP) to ensure that it is consistent with Vision 2030. The Company is on course to increase its generation capacity from 918MW in 2007 to over 3,000MW by 2018 and is committed to contribute significantly to the delivery of the envisaged 5,000+MW by 2016.

The Company has identified geothermal mode of generation as the key driver in achieving the strategic targets and is undertaking a fast tracked geothermal drilling programme. This will ensure steam availability to support the implementation of the geothermal projects which are central to the achievement of our strategic goal. This is consistent with the overall goal of achieving competitive tariffs as well as optimizing renewable energy into the system.

Horizon I

The projects implemented under Horizon I added an additional capacity of 324.6 MW

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
Sang'oro	21 MW	2012
Kindaruma Unit 1 and 2 Upgrade and 3rd Unit	32 MW	2013
Total	324.6 MW	

Table 1; Completed Projects since 2008

Horizon II

KenGen has commenced the implementation of Horizon II through the drilling of production geothermal wells, wind studies, project land acquisition and sourcing of finances.

Resource	Plant	Capacity (MW)	Comm year	Status
Geothermal 1	Olkaria IV Unit 1&2	140	2014	Implementation
2	Olkaria I Unit 4&5	140	2014	Implementation
3	Olkaria I Unit 6	70	2015/16	Financing
4	Olkaria V	140	2016/17	Drilling & Financing
5	Olkaria VI	140	2016/17	Drilling & Financing
6	Olkaria VII	140	2018	Drilling & Financing
7	Well head Generation	350	2018	Drilling & Financing
	Sub-Total	980		
Wind 1	Ngong Wind I Phase II	6.8	2014	Implementation
2	Ngong Wind II	13.6	2014	Implementation
3	Meru Wind Project(Phase I)	100	2016	Financing
	Sub-Total	120.4		
Thermal 1	Kilifi Coal Plant	600	2016/17	Land acquisition
2	LNG Plant	700	2016/17	Gas storage facility
	Sub-Total	1,300		
	TOTAL	2,400.4		

Table 2; Horizon II Projects

Our investment programme targets the implementation of 2,400.4MW by 2018 at a capital cost of US$8.071 billion. This includes the financing of the geothermal drilling at an estimated cost of US$1.1 billion and development of the generation infrastructure at an estimated cost of US$6.966 billion.

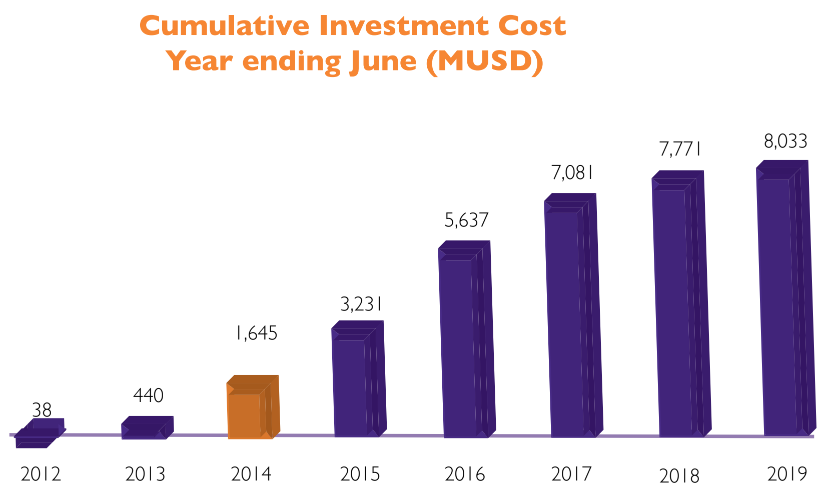


Figure 3; Annual Cumulative Investment Cost

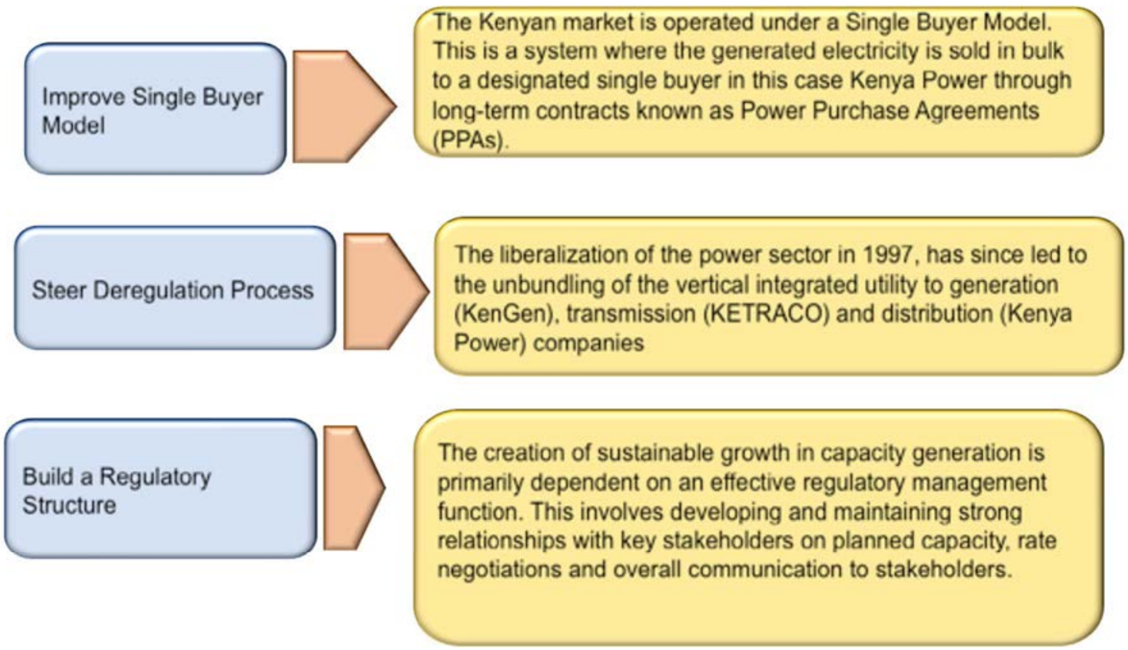
4. Public Private Partnerships

KenGen is exploring broader modes of financing including the Public Private Partnerships (PPPs). The Company will engage in a long term contract with a private partner to develop power plants. The private partner will offer financing, project management as well as share project risks.

Approval has now been granted for KenGen's PPP projects including the 560MW geothermal projects. As a result, KenGen is procuring a partner for the Olkaria VI 140MW project through this PPP framework.

KenGen's ability to deliver on its vision strongly depends on its capability to create the right regulatory environment that favours sustainable generation growth.

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



1. Power Purchase Agreement Regime

Power Purchase Agreement is a contract between an electricity generator (KenGen) and the power purchaser (Kenya Power). The PPA defines all of the commercial terms for 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.

The charge rates are based on cost plus margin, ensuring that we have captured all the costs

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 flat rate of KShs.2.36 per kWh for bulk generation. Whereas the dominant generation mode was hydro, this had a diverse effect on the company's revenues especially when there is a serious drought. Faced with the poor hydrology, the company aggressively pushed for negotiation of a new PPA. The IPPA was subsequently replaced by new PPAs which recognized the capacity and energy based on the generation source.

2. Geothermal Resource Development

Kenya has a geothermal potential of 10,000MW 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 an additional 700MW of geothermal capacity in Olkaria in its strategic expansion. Over sixteen geothermal prospects have been identified in Kenya as illustrated below:

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

3. Energy Policy

The Constitution of Kenya, 2010 has substantially altered the governance structure of the country. It has also enhanced participation by the citizens in decision making processes. This has necessitated the need to review the energy sector framework in order to align it with the new constitutional dispensation.

KenGen is a key participant and contributor to the review of the National Energy Policy and Act. The draft National Energy Policy and Energy Bill are now ready for presentation to cabinet and parliament. The draft policy proposes the establishment of the Hydro Risk Mitigation Fund. This Fund shall alleviate KenGen's perennial hydro risks. Further, the Bill proposes the establishment of the Renewable Energy Resource Advisory Committee to advise on among others the management of geothermal resources.

1. Performance of Generating Plant

During the year under review, we recorded high availabilities in our generating plants leading to good financial returns. The Hydros Stations achieved a Capacity Availability of 98% against a target of 82%, Geothermal 96% against a target of 85%, Gas Turbines 93% against a target of 85%, Diesels 96% against a target of 80% and Off Grid 91% against a target of 80%. These results were achieved as a result of a deliberate strategy of proactive and predictive maintenance philosophy. Our engineers are well trained and simulate probable breakdowns and make provision for the necessary spares and corrective action.

2. Maintenance Practices

In a bid to optimize the utilization of the recently commissioned Enterprise Resource Planning (ERP) system, the company has adopted the Plant Maintenance System (PMS) to guide the maintenance of its plants. The plant maintenance module within the ERP system is able to interact with the inventory and financial modules leading to effective capturing of maintenance costs.

The company runs a mix of time-based and condition-based maintenance practices thus reducing outage costs. Ultimately, we hope to predominantly lean towards the condition-based maintenance strategy. When properly implemented, this strategy has the potential of optimizing Plant availability. The success of the condition-based maintenance practice heavily relies on proper collection and analysis of operational data availed by the Plant Information (PI) system derived from SCADA (Supervision and Data Acquisition) system. This System has been installed and is running all major Hydro Stations on remote from Kamburu Power Station.

Prolonged outage of plants for maintenance purposes leads to loss of income for the company. To minimize the outage periods, KenGen has adopted the SMED (Single Minute Exchange of Die) principle. This fundamental principle requires that all the activities that can be accomplished prior to the kick-off of the outage are carried out beforehand to minimize the outage period.

The company also is equipped with well-trained and highly skilled technical staff. Staff are encouraged to tap into their vast resources to provide innovative home-grown maintenance solutions in order to obviate the need for expensive external solutions.

Reliance on the technical capacity of our staff rather than outsourcing demonstrates the in house competency and capacity of our technical staff.

3. Rehabilitation and Upgrade of Plants

Several of the plants have been upgraded to produce more power from the same primary sources of energy. This has been made possible by technological advancements. Kindaruma Units 1 and 2 were each upgraded from 20MW to 24MW using the same volume of water while Wanjii Plant is also set to be upgraded. Tana Plant was upgraded from 12.5MW to 20MW in 2012.

The aging rotary excitation and protection systems for Kamburu machines have been replaced in the course of the year with modern solid state-of-the art equipment. Similarly, Sagana machines protection systems were replaced with modern numerical protection systems while Mesco machine has been replaced with a new modern Generator and Turbine now upgraded from 380KW to 475KW.

4. Optimization of Business Processes

The Company is certified to both ISO 9001:2008 for Quality Management and ISO 9001:14001 for Environment Management. All our processes comply with these two ISO standards.

The implementation and maintenance of these standards ensure predictable quality outcomes irrespective of the maintenance team involved.

The processes of procurement of new Plants together with the associated strategic spares, is increasingly based on total cost of ownership principle over the life of the plant rather than on the initial quoted price.

5. New Projects Uptake

During the year, a total of 25.6MW were added to the generation portfolio. As at the end of the year KenGen Operation Staff were involved in the commissioning of Olkaria IV (140MW) and we wait commissioning of Olkaria I AU Units 4 and 5 (140MW) in the new fiscal year. KenGen being the biggest producer of Geothermal Energy in Africa has definitely come off age in geothermal exploitation.

Organisational Health

Organizational health is the foundation of KenGen's growth strategy. The attainment of corporate goals requires continuous investment in human capacity and the company's ability to align skills and competencies with the corporate strategy.

1. Human Resources Strategy

The Human Resources Strategy is aimed at attracting and retaining top talent. Targeted programmes are in place for developing employees' key competencies, skills, and abilities in a safe and secure work environment.

The company optimizes human capital to generate long term value for shareholders and ensure sustainability.

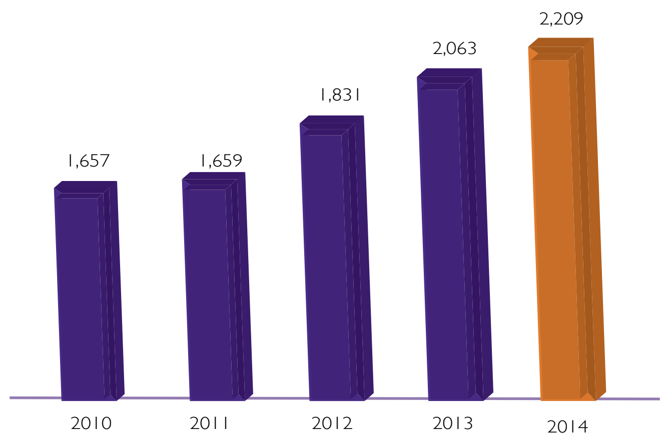
2. Talent Management

The organization's success depends on the quality of the people that it attracts, grows, nurtures and retains. The strategic approach for talent management is focused on identifying and acquiring new employees and developing existing skills for the talent pipeline. This is critical for succession planning and ensuring availability of requisite skills for future growth as the company implements projects under horizon II of G2G strategy and mitigate against natural attrition.

Further, to align our processes with the corporate strategy, new employees were recruited in the year, majority of whom were deployed in Geothermal Development in line with our Geothermal Expansion strategy.

The total staff number as at June 2014 was 2,209.

Number of Employees



KenGen fosters an environment that encourages employees' loyalty and retention, to meet both corporate objectives, diverse needs and aspirations of employees.

3. Learning and Development

Training and development programmes present an opportunities for expansion of the knowledge base for employees and enhance their skill levels to the benefit of the company. The training function focused on enhancement of operations and maintenance practices, and Public Private Partnerships (PPPs) training and will lead to efficient and cost effective delivery of projects. A series of geothermal training programs were conducted in conjunction with the United Nations University (UNU) focusing on geology, geochemistry and geophysics.

Safety is at the heart of KenGen's values and in order to advance the safety culture, a number of employees were trained on fire fighting, emergency preparedness and response.

To enhance the already existing leadership skills, coaching and mentoring skills and leadership development programs were offered to team leaders.

4. Internship Program

The Internship program contributes to the development of human capital for the country's labour market. This provides work experience and industry exposure for continuing students from institutions of higher learning. During the year the company provided 943 internship opportunities in various fields.

5. Performance Management and Evaluation

The company has put in place a comprehensive performance management system to foster accountability and individual contribution. Evaluation process is undertaken twice a year based on key performance indicators as well as employee's leadership capabilities and qualities.

6. Employee Wellness Programmes

During the year, the company put in place various initiatives to promote employee wellness. KenGen, in liaison with various agencies, sensitised employees on social issues including substance abuse prevention, healthy living, HIV/Aids and medical checkups. The company has continued in its employee assistance programme on HIV/Aids management by implementing a workplace policy.

KenGen offers employees a wide range of sporting and social activities enabling them to keep fit and socialise. Family fun days and sporting activities were organised throughout the year in all business areas. These activities have enhanced team spirit.

7. Industrial Relations

Enhancing industrial relations between management and the union is important for the attainment of the company's objectives. The industrial relations were harmonious during the year. To achieve this, management held several consultative meetings with the union leadership supported by various team building activities.

8. Awards

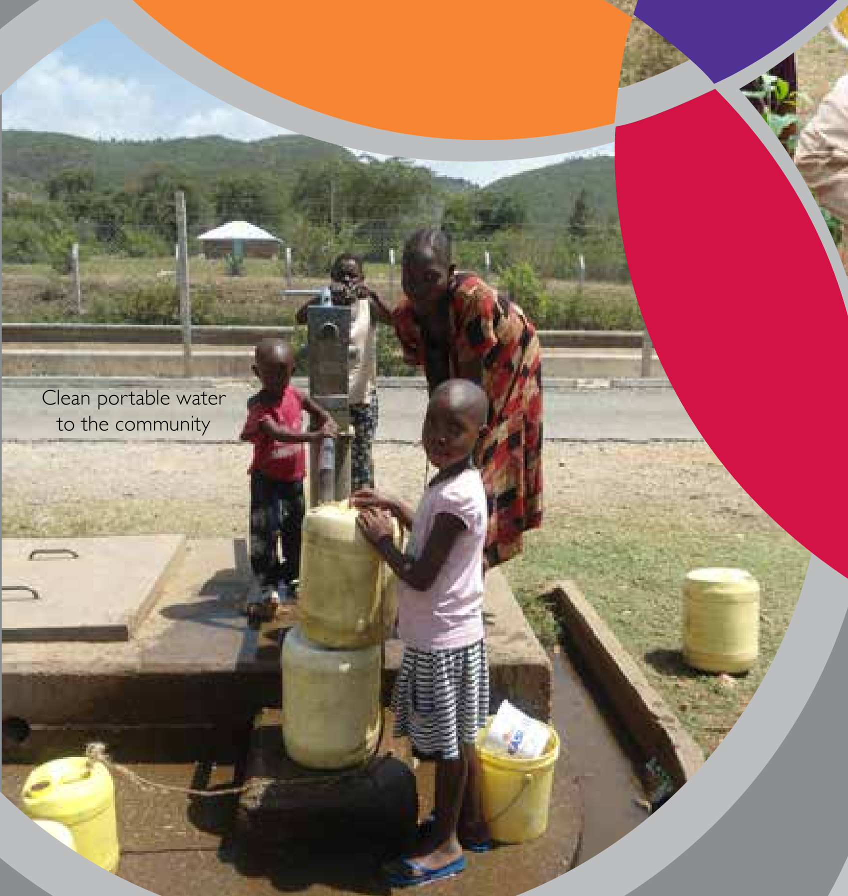
KenGen's quest for professionalism and HR management excellence and implementation of best practice earned it recognition, by the Institute of Human Resource Management (IHRM).

The 2013 HR Index awards saw KenGen emerge as the overall winner of the HR Award for the Best Human Resources Practices in the Public Sector Category. The company earned top awards in four other categories in the following areas; Innovation & Technology, Communication Effectiveness, Employee Motivation & Retention and Employee Wellness.

Human Resource and administration staff with the Institute of Human Resource Management (IHRM) Trophies

Indigenous trees

KenGen Foundation Managing Trustee, Mike Njeru plants a tree at Parklands Primary School

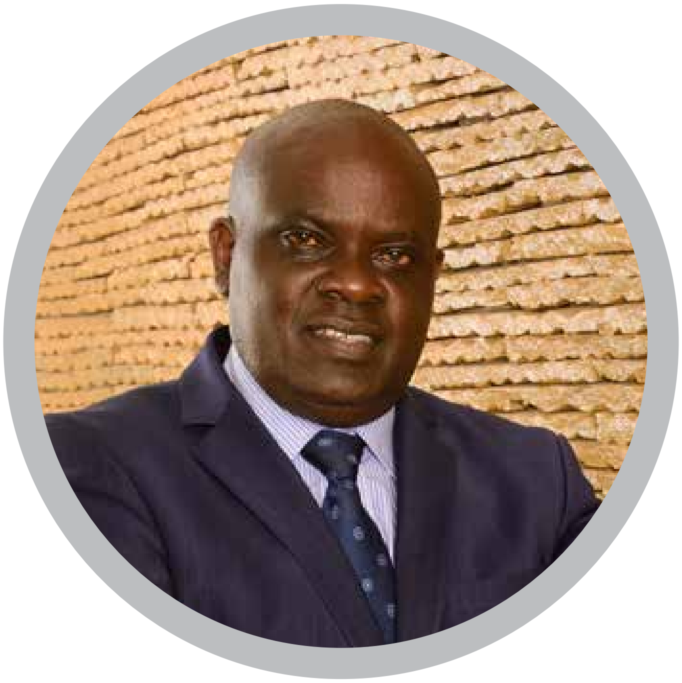


Clean portable water to the community

Sustainability Report

Participants in The Great Dams Race at the starting line

1. JOINT MESSAGE FROM THE CHAIRMAN AND THE MANAGING DIRECTOR & CEO



'OUR WALK TO THE FUTURE'

KenGen's strategy is anchored on value creation and sustainability as clearly outlined in our transformation philosophy: Moving from a "Good Company" to a "Great Company" that creates value for all stakeholders from "One Generation" to the "Next Generation". Sustainability is therefore critical to our Company's success and Kenya's energy future.
Our sustainability is focused on three key pillars: social, financial and environmental aspects.

The Company is alive to its role of bringing about positive social impacts in the ever evolving operating environment which is characterised by high social expectations and greater accountability.

Social investment, Environmental and Financial sustainability are core to KenGen's future as it seeks to continually devising new ways of doing business in a manner that optimises value and minimises risks and costs is core to KenGen's operations. We at KenGen have created an enabling environment for our staff to attain their potential and challenge tradition by coming up with new modes of business practices.

KenGen believes in doing its business in an environmentally sustainable manner with a focus on minimising its carbon footprint and creating a conducive business environment.

2. HIGHLIGHTS

KenGen

Creating sustainability from one Generation to the next Generation (G2G)

Social Sustainability

1. Investing in Communities
2. KenGen Foundation
3. Resettlement Action Plan
4. Infrastructure Development

Environmental Sustainability

1. Environment Performance
2. Carbon Asset Development
3. Stakeholder Management
4. Employee Environment

Financial Sustainability

1. Innovation
2. Diversification
3. Value Addition
4. Risk Management

SOCIAL SUSTAINABILITY – HIGHLIGHTS

Investing In Communities

30,000

No of tree seedlings planted under the Green Initiative Challenge

700

Participants in the Great Dams Race aimed to raise funds to local community

Kshs.65 Million

Funding of water projects in Kivaa (Machakos County) and Mbeere (Embu County)

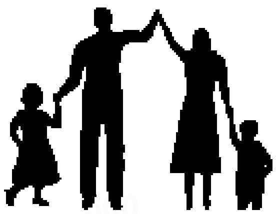
38

No of Scholarships to both high school and university in our local community

600 People benefited from a medical camp in Masinga

3 Schools in West Pokot and Turkana that we provided relief food to.

Resettlement Action Plan



1,181	1,700	KShs.850 Million
No of Project Affected Persons (PAPs) - Naivasha	Acres of Land Bought to Resettle PAPs	Cost of Resettling Project Affected Persons

Infrastructure Development

	175 Kms of Standard Bitumen Roads
80 Kms	Tana Cascade Road –Embu, Machakos, Kitui
40 Kms	Moi South Lake Road – Nakuru County
28 Kms	Turkwel Junction Road – Tukana & Pokot
25 Kms	Kolweny – Nyamarimba Road - Kisumu
2 Kms	Katitu – Kendu Bay Road to Sangoro

ENVIRONMENTAL SUSTAINABILITY – HIGHLIGHTS

Carbon Footprint Reduction

Carbon Footprint Reduction

No	Project	Emission Reduction in tCO_2
1	Olkaria IV Units 1 &2	650,000
2	Olkaria I Unit 4 & 5	635,000
3	Olkaria II Unit 3	149,600
4	Kiambere Optimization	41,000
5	Tana Redevelopment	25,600
6	Ngong Wind	9,000

ENVIRONMENTAL SUSTAINABILITY – HIGHLIGHTS

Carbon Credit Have been used to Fund:

Carbon Credits Have been used to Fund:

	Project
10 Kms	Water Pipeline – Tank Mpya to Maiella
40,000 Livestock	To benefit from Olosingate Water Pan
6 Classrooms	To benefit 800 Pupils per Year in Naivasha
1 Earth Dam	Development of 1 Earth dam in Mbeere County to benefit 600 Residents, 1100 domestic animals and reduce crocodile attacks.

Environmental Audits:

13

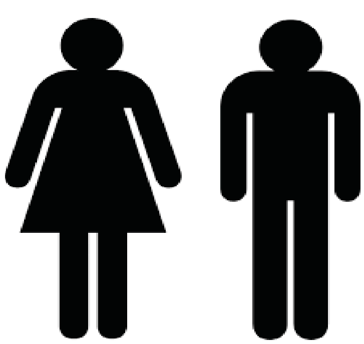
Environmental Social Impact Assessments:

2

Employee Environment

Staff Compliment

442
Number of Female Staff



1,767
Number of Male Staff

146
New Staff Hired

FINANCIAL SUSTAINABILITY – HIGHLIGHTS

17
Number of Innovation Ideas

(KSHS' MILLION')

3. SOCIAL INVESTMENT SUSTAINABILITY

1. KenGen Corporate Social Investment : Investing in Communities

During the period under review, KenGen continued to implement various corporate social investment (CSI) initiatives in its areas of operation with a view to bringing about positive change and strengthening its relationship with various stakeholders, particularly communities. The interventions mainly focused on water provision, health, famine relief, environmental conservation and education.

Environment

During the year, KenGen launched two major environmental initiatives: The schools' Green Initiative Challenge and the Great Dams Race.

The purpose of the Green Initiative Challenge is to encourage environmental consciousness and conservation among school children right from an early age as a means to ensuring a sustained conservation action.

Through the programme, 82 schools in the Seven Forks were supported to establishing small forests and woodlots within their compounds for their own use as well as commercial purpose. KenGen provided more than 30,000 seedlings and technical support to the schools.

Tree Nursery at Gitaru Hdro Power Station

The Green Initiative Challenge is a competition aimed at promoting sustainable use of resources and encouraging schools to come up with innovative ways of conserving the environment.

The pilot project will be eventually rolled out to others areas of operation, and schools with the highest survival rate will be rewarded.

For its part, the Great Dams Race is an annual event aimed at raising money for environmental and community initiatives. The first race took place in Masinga in Machakos County in June and brought together more than 700 community and corporate participants.

Great Dams Race (GDR) lady and man winner pose with The Chairman and The MD & CEO showing off their trophies

The race aims to raise funds to benefit local communities' conservation initiatives, provide an opportunity for environmental enthusiasts to make a difference and promote the Seven Forks and surrounding areas as a getaway destination.

Water Provision

KenGen operates in some of the driest places in the country where access to water is a daunting task. This is particularly so in Turkwel, Seven Forks, Sondu and Olkaria where community members trek for long distances in search of the commodity.

KenGen Foundation Managing Trustee, Mike Njeru test the taps providing running water in Kivaa

In the Seven Forks, the company funded projects aimed at bringing water close to the people in both Embu and Machakos Counties. In Machakos, KenGen funded the Kivaa water project to the tune of Shs. 50 million. It also provided KShs.15 million in support of water provision on the Mbeere side of Embu County.

In addition, the company continued to provide water to neighbouring communities in Olkaria, Sondu, Turkwel and the Seven Forks through various community water points.

Education

With a focus on education as part of its corporate social investment, the Company continued to offer scholarships for both secondary and university students from schools near its installations. The scholarship programme, started in 2005, continued to provide bright but disadvantaged children with an opportunity to change their destiny, enabling them to access education by meeting all tuition and boarding fees.

Managing Trustee, KenGen Foundation, Mike Njeru presents a cheque to Parklands Primary School, Nairobi Headteacher, Mrs. Mureu for children with Special needs.

Last year, the company provided 38 scholarships to both high school and university students from its areas of operation.

At the same time, KenGen absorbed into its workforce two beneficiaries who attained a first class honours degree in their university studies. This is in line with the company's policy of guaranteeing employment to students who attain a first class honours degree in university.

Additionally, KenGen provided infrastructural support to schools in its areas of operation including, Matembuku Primary school in the Seven Forks, Apoko Primary school in Kisumu, Riting Primary School in West Pokot, and Changamwe SDA primary school in Mombasa among other.

Sports

The GDR Race organized by KenGen being flagged off by Chairman Joshua Choge

KenGen continued to support the development of sport as a means to enabling the youth to exploit their talents in the country through the sponsorship of various activities. During the period, the company sponsored Nakuru's annual Rift Valley squash tournament as well as the Mwea Classic marathon in Kirinyaga County.

Health

People at Olkaria Community Dispensary which was constructed by KenGen under RAP Project

KenGen operates in some of the remote areas in the country where access to medical care is a challenge. During the year, the company supported various initiatives aimed at enabling disadvantaged communities to access health services.

In addition to sponsoring the Nyahururu and Nyeri hospices in central Kenya, the company organized a medical camp in conjunction with Gertrude's Children Hospital Foundation during the Great Dams Race in Masinga in June in which more than 600 people from Machakos and Embu counties benefitted.

Famine Relief

During the year, parts of the country, especially the north-western areas of West Pokot and Turkana counties, were hit by famine which disrupted lives and affected learning in schools.

The company responded to the plight of pupils in three schools around Turkwel by providing relief food, mainly maize and beans, with a view to keeping them in school. Schools that benefited were Turkwel Gorge, Lorogon and Riting primary schools.

2. The Future of KenGen's CSI Program: KenGen Foundation

KenGen operates in some of the remotest and often disadvantaged areas, and has had to contend with rising community expectations. As a result, the company has had to devise ways and means of scaling up its corporate social investment initiatives with a view to having a greater impact.

Last year, the company set up KenGen Foundation to serve as a vehicle for up-scaling its CSI programs. The Foundation has now completed development of its strategic plans that are aligned with the company's CSR long term programmes. It is run by a Managing Trustee and is governed by a Board of Trustees. The Board is responsible for overseeing the following:-

- Execution of the operational strategy of the foundation;
- Overall program and grant-making strategy;
- Overall fundraising strategy;
- Budget and investment strategies;
- Overall staff performance and impact.

The key objective of the Foundation is to take a lead role in the focused, strategic utilization of KenGen's Corporate Social Investment as well as mobilize resources to enable long-term impact and sustainability of resultant projects.

The Foundation's Core Pillars are: Education, Environment, Water and Sanitation. However, it also supports community projects in the thematic areas of: Economic Empowerment, Health, Sports & Culture and Humanitarian Aid.

3. Resettlement Action Plan (RAP)

KenGen undertakes Resettlement Action Plans (RAPs) for persons displaced by our projects. This is based on continual stakeholder engagement and consensus building which enable projected affected people to be part of decision making particularly in areas that affect them. As a Company, we strive to ensure that the resettlement program mirrors the desires, aspirations and needs of all stakeholders. This is implemented through all inclusive Stakeholder Coordination Committees (SCCs) that focus on aspects such as Culture, Education, Health, Water, Transport, Roads and Environmental Conservation.

RAP MAJOR MILESTONES

Olkaria RAP

The Olkaria RAP, is a sub-project of the 280MW Olkaria Geothermal Project in Olkaria area of Naivasha District, Nakuru County in which over 150 families, that is, men, women and children, referred to as the Project Affected Persons-PAPs are to be resettled in new homes to give way for the construction of power plant.

The Olkaria RAP was formulated for sustainability providing livelihood restoration, with resources and skills to enable the PAPs achieve an improved socio-economic status. The entire resettlement area covers 1,700 acres of land bought by KenGen and is a testimony of the Company's commitment to responsible corporate citizenship. The package was negotiated with the PAPs through consultations, finally culminating in the formation of:

(i) RAP Implementation Committee (RAPIC);

(ii) Grievance and Complaints Handling Mechanism (GCHM).

The Committees comprised community members, KenGen and line ministries of Health, Education and Agriculture and Fisheries.

As a result of continuous engagement and consensus building the Company has built more than 150 homes for resettling the affected community. In addition the community will enjoy various social amenities such as a modern primary school, four Secondary Schools Scholarships every year, a dispensary, three churches, a cattle dip & watering troughs and a communal meeting hall.

A road network, electricity supply and provision of water will also be provided to the affected community.

The community will be moved in the coming financial year to allow for the operation of the new power plants.

4. Infrastructure Development

The energy resources required by KenGen to develop power generating plants are located in remote parts of the country. To access these resources located within rural communities, KenGen in its various project execution programs therefore develops infrastructure in form of construction of tarmac and all weather access roads, social amenities such as piped water, sand dams, social halls, water kiosks and playing grounds.

Some of the major road projects constructed by KenGen include:

- Katitu Kendu Bay Road to Sangoro Power Plant located in Kisumu Country is a 2km Standard Bitumen Road
- Kolweny-Nyamarimba intake Road transversing Kisumu & Homabay Counties is a 25km Standard Bitumen & All Weather Road
- Moi South Lake Road located in Nakuru County is a 40km Standard Bitumen Road
- Seven Forks Road Network transversing Embu, Machakos & Kitui Counties is a 80km Standard Bitumen Road
- Turkwel junction-Turkwel Power Station transversing Turkana & Pokot Counties is a 28km Standard Bitumen & All Weather Road.

4. ENVIRONMENTAL SUSTAINABILITY

In keeping with our Mission Statement; "to undertake least cost, environmental friendly expansion", KenGen has embraced the ISO 14001: 2014 Standard as an essential part of its sustainability strategy. By implementing ISO 14001 Environmental system, the company has put minimum requirements for the protection of the environment and prevention of pollution. Through this KenGen aims to meet or exceed the statutory and other environmental requirements.

1. Environmental Care

Environmental Policy

KenGen is fully committed to long term environmentally sustainable development that is consistent with National and International Standards in the generation of reliable safe, quality and competitively priced electric energy in the Eastern Africa region. The KenGen environmental policy provides for: prevention of pollution and mitigation of environmental impacts, in compliance with applicable environmental laws, regulations, and permit conditions.

The company continually sets, monitors and evaluates environmental objectives and targets. Adequate training is provided on environmental conservation.

Statutory Environmental Audits

KenGen is committed to going beyond statutory obligations in monitoring and conserving the environment. The company conducts annual statutory environment audits for all the areas. In addition to the statutory audits, ongoing project environmental monitoring is undertaken.

Corporate statutory annual self environmental audits for 2013 were carried out for all the power plants and other facilities. A schedule has been prepared for 2014 corporate self annual statutory audit and it will commence in October 2014.

The Energy Regulatory Commission carried out Environment, Health and Safety (EHS) follow up audits of Muhoroni thermal power plant, Sondu and Sang'oro hydroelectric power plants. Corrective Action Plans (CAPs) for the non-conformities were prepared and submitted to ERC.

Environmental and Social Management Plans and Environmental Monitoring Programmes

Environmental and Social Management Plans (ESMP) monitoring were done for the projects under implementation to ensure compliance to regulatory requirements. Quarterly ESMP implementation status reports were prepared and submitted to NEMA and Project Financiers. Environmental Monitoring programs also continued for all the plants in operation and monthly reports were prepared. Statutory environmental audits for the financial year have been done and submitted to NEMA and ERC.

Environmental Incidences

Isolated environmental incidences occurred and Corrective Action Plans to address them were prepared and implemented as soon as they were noted.

Reduce Reuse Recycle

KenGen embraces a reduce, reuse recycle approach. The environmental significant aspects spell out the objective as well as that of waste segregation. Segregation bins are provided with some of the bins being colour coded for ease of use. Some of the waste material that has undergone this process in the recent past includes: oil rags, oil filters, scrap metal, office used papers, cartons, polythene papers, wood materials and timber and polythene papers,

2. Carbon Asset Development

KenGen was among the first companies in Kenya to implement Clean Development Mechanism (CDM) and the first to earn Certified Emission Reduction (CERs) from United Nations Framework Convention on Climate Change (UNFCCC) from the 35 MW Olkaria II Unit 3 and 24 MW Optimization of Kiambere Project, respectively.

Certified Emission Reduction (CERs) are emission units or carbon credits generated by a developing country to help a developed country to achieve their emission limitation targets under the Kyoto Protocol.

Certified Emission Reduction (CERs) can either be purchased from the primary market (purchased directly from the country that generates the CERs by a government of a company that wants to offset their emission) or in the Secondary Market (bought by others and resold).

The Carbon Asset projects are not only for additional revenue streams, but contribute immensely towards reduction of Carbon Dioxide (CO_2) emissions in the atmosphere and subsequent impacts of global warming.

The current portfolio of registered CDM projects by KenGen can contribute up to 1,500,000 tonnes of Carbon Dioxide (CO_2) emission reduction every year with the latest entrant being the 5.1MW Ngong Wind project (Table 1).

	Installed Capacity	Project	Estimated Annual Emission Reduction	Registration Date
1	35 MW	Olkaria II Unit 3	149,600	4th Dec 2010
2	20 MW	Redevelopment of Tana Power Project	25,600	11th Oct 2011
3	24 MW	Optimization of Kiambere Project	41,000	24th Oct 2012
4	140 MW	Olkaria I Units 4 & 5	635,000	28th Dec 2012
5	140 MW	Olkaria IV Units 1 & 2	650,000	28th Dec 2012
6	5.1 MW	Ngong Wind	9,000	8th Aug 2014

Community Benefits

Additionally, the projects contribute in developing community projects in their vicinity with significant positive impacts on the eight UN Millennium Development Goals (MDGs). For instance, the Community Development Carbon Fund (CDCF) under the World Bank CDM Contract comprises of several companies and government agencies who are the current buyers of KenGen CERs from Optimization of Kiambere, Olkaria II Unit 3 and Redevelopment of Tana Power CDM projects. 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, one USD per ton of 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 Sustainable Development Goals:

- Construction of 10 km water pipeline from Tank Mpya to Maiella within Maiella Location, 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 three classrooms at Ngambani Nursery School within Maiella Location, Naivasha District to benefit 350 pupils per year.
- Construction and equipping of three classrooms at Oloirowua Primary School within Maiella Location, Naivasha District. The construction will benefit 450 pupils per year.

Managing Director & CEO Albert Mugo signs visitors' book at Olonoongot Primary School Olkaria during the official handing over as the Head teacher, Mildred Lukoye and Olkaria community leaders look on.

KenGen is in the process of constructing an earth dam in Mbeere South, Embu County, with a purpose of providing water, improving safety by reducing crocodile attacks, and improving livelihoods. The earth dam is expected to benefit 600 residents about 1,100 domestic animals.

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.

3. Stakeholder Management

KenGen values its stakeholders and embraces an inclusive consultative approach in all engagements. To this end, the Company now has Stakeholder Coordination Committees (SCC) in all operation areas in which we have power plants to ensure that all key issues of concern are discussed with stakeholders and optimum solutions provided to issues of concern. This has ensured harmonious co-existence for the mutual benefit to KenGen, local communities and other stakeholders.

A Stakeholder Coordination Committee (SCC) for Ngong was formed and launched in May 2014. Corporate Social Investments (CSI) projects for Ngong were agreed with the community and the process of implementation started.

KenGen continues to work with Kenya Wildlife Service, Nature Kenya, National Environment Management Authority and other stakeholders, to minimize environmental impacts on the Hell's Gate National Park ecosystem.

Legal and Policy Stakeholders

The company participated in the events to mark the International Day for Forests on 21st March 2014. The Company was also represented in events marking the World Water day held on 22nd March 2014. The company took part in a consultative meeting on drafting Environmental Management and Coordination (Deposit bonds) Regulations, 2014 and made an oral presentation on the need to exclude green energy projects from the requirement for a deposit bond. Upon our request a taskforce was sent to Eburru, Olkaria, Masinga and Gitaru to review our request.

KenGen maintained the water abstraction levels for all the power stations within the levels permitted by Water Resource Management Authority (WRMA).

4. Employee Environment

The following aspects are considered with respect to the Employee Environment:

- Occupational Health and Safety
- Emergency Preparedness

Occupational Health and Safety

Safety being one of our core values is central to our activities and is integrated into every aspect of our operations. The organization has put in place adequate resources including dedicated staff, Occupational Health and safety (OSH) committees, and annual budgets to ensure the safety and welfare of all employees. In addition, there is in place an OSH policy, Accident/Incident reporting procedures, Audits, inspection, medical tests and other procedures to ensure that we meet and exceed OSHA 2007 compliance requirements.

OSH Policy

KenGen has developed and communicated an OSH policy that undertakes to observe Health & Safety standards that exceed the minimum legal requirements. The policy outlines the Company's commitment to the uphold environmentally friendly practices, provide resources and training required to ensure continual improvement of health and safety practices, enhance prevention of accidents, incidents and illnesses and maintain open communications regarding the company's OSH practices.

OSH Resources

KenGen has deployed Safety Officers in all its major areas of operation. The officers are supported by OSH committees that have got management and worker representation. This contributed to effective dialogue and active participation of employees in the implementation of OSH programs and initiatives. The safety committees are augmented by the Emergency Response team comprising incident Commanders, First Aiders, Fire Marshalls and

Logistics team, KenGen has put in place enough resources to ensure adequate training and implementation of safety initiatives such as safety weeks.

Safety Audits and Inspections

KenGen undertook the annual statutory safety audits and inspections as required by the Directorate of Occupational Safety and Health Services (DOSHS). Safety inspections included statutory inspections of lifts, lifting equipment, cranes and air receivers and testing of safety equipment including fire fighting and fire detection systems. In addition workplace inspections of all workplaces were conducted on a regular basis. Medical examinations were carried out on appropriate staff as scheduled. We endeavour to keep noise levels below 85dB(A) for all operations.

Safety Training and Awareness

Training was provided to all the Occupational Health and safety committee member across the company in the year. First Aiders and Fire Marshalls from all business areas were trained as well. The International Labour Organization (ILO) World safety day 2014 was recognized by conducting health checkups and the sharing of safety messages.

Emergency Preparedness

Emergency response drills are carried out frequently. In the year, drills to test effectiveness of response to fire and floods were carried out. First Aid and Dire Safety demonstrations were also conducted.

Quality Assurance and Process Improvement

KenGen continues to maintain a robust Quality Management System (QMS) anchored on the ISO 9001:2008 Standards. The third and fourth surveillance (external) audits were conducted by our certification partner in the period. Internal audits were also conducted. 24 Internal Auditors were trained and ISO QMS awareness conducted in all the areas in the period. A comprehensive Internal Customer Satisfaction Survey was conducted to improve the quality of service delivery in the same period. The company continues to engage in initiatives that reduce waste and enhance service delivery.

Knowledge Management

KenGen is enhancing Knowledge sharing to transfer knowledge from the long term employees to new ones. This is done using several methods including a monthly in house magazine dubbed the Knowledge Exchange Forum. In this magazine staff from various departments are engaged to share on their experiences and their work. KenGen libraries act as a repository for key company information in addition to a variety of books and journals which are readily available for staff use.

Internal Communication

Has also been enhanced to ensure provision of relevant and up to date information to all levels of employees. This is done through; an intranet platform that was redesigned to reflect the current strategic needs. KenGen continues to conduct comprehensive training for staff and has introduced an apprenticeship program for new engineers in the company.

5. FINANCIAL SUSTAINABILITY

1. Innovation

The Company conducted a two day workshop on Innovation on 2nd and 3rd September 2013. The workshop conducted by renown Innovation Guru Rowan Gibson resulted in 17 big innovative ideas. The innovative ideas vary and include ideas on exploitation of resources, enhancing efficiency and innovation management approaches. The ideas will be reviewed in the next financial period. An Innovation Strategy and Road map was thus developed and is under consideration for implementation in the next financial year.

The Board members are taken through one of the recent innovative projects at the exhibition area of the G2G Technical Seminar

2. Diversification

Olkaria Industrial Park

One of the major innovative ideas that was taken through the pre-feasibility stage in the period is the development of an industrial Park in Olkaria. The Industrial Park will enable KenGen to offer utilities and an attractive environment for bulk power consumers whilst enabling the company to diversify its revenue sources.

G2G Technical Seminar

The annual G2G Technical Seminar focus is based on OG5 - Innovation and Continuous Improvement as enshrined in the G2G Strategy.

This year's seminar included a wide range of cutting-edge presentations on various topics that were organized within three streams:

i. Capacity Growth and Expansion: focused on developing new ideas on generation growth and expansion, capacity growth vis-à-vis Kenya's Vision 2030, resource sustainability, alternatives and project management experiences.

ii. Regulatory Management: addressed Industrial accord, favourable policy management and equitable value for money. It tackled modes to share and discuss new forms of stakeholder collaboration and management; continual human capacity building, investment opportunities and resource management.

iii. Resource Improvement: Presentations focused on sharing proven and creative approaches that are building blocks of our G2G Transformation Strategy as well as the novel viable processes that could streamline KenGen's strategic and operational delivery

G2G Technical Seminar in progress

This year's Technical Seminar was attended by close to four hundred delegates who included the Ministry of Energy & Petroleum officials, KenGen Board and Management, Technical Seminar Organizing Committee members, paper presenters, departmental/area delegates, union representatives, exhibitors and judges drawn from the local universities.

A major milestone in this year's Seminar was that for the first time external exhibitors/sponsors were invited to showcase their products and services. This was attributed to the fact KenGen is not just a brand in Kenya but is global reknown also among our consultants and contractors in different parts of the world. Some of these exhibitors included The Great Wall Drilling Company (China), Hyundai Engineering Co Ltd (Korea), Toyota Tsusho(Japan), Mantrac Kenya Ltd, General Motors Corporation, KEC International Ltd(India) and FARAB Energy& Water companies.

The First Blue Lagoon in Africa

Over the years, the use of geothermal resource has been confined largely to electricity generation. To optimize use of the geothermal resources, KenGen established a Geothermal Health Spa and Demonstration Centre in 2012 that showcases direct use applications such as hot/ warm water bathing for balneological effects, sauna, steam bathing, cooking, drying of fruits and vegetables, refrigeration, irrigation of crops, greenhouses and fish farming.

The Geothermal Health Spa and Demonstration Centre is located at the Olkaria Geothermal Project where the company operates two geothermal power stations, Olkaria I and Olkaria II, generating 45 MWe and 105 MWe respectively and a wellhead plant generating 5 MWe. The Olkaria Project is also the home to the 280MW mega-project and is located within the Hell's Gate National Park.

Taking into account that the KenGen's Olkaria Project is located within the Hell's Gate National Park, the site of The Geothermal Health Spa and Demonstration Centre exemplifies how well KenGen has run a business enterprise that blends with nature without disrupting the natural environment. The site of the blue lagoon showcases the blend of nature and wildlife such as giraffes, buffalos, zebras and many species of birds, striding and overflying the landscape magnificently.

The Centre hosts three lagoons, a conference facility, an exhibition hall and a restaurant.

1. KenGen's Geothermal Health Spa
2. Public enjoying a deep in the warm spa waters

Drilling Services

KenGen's fleet comprising of two state-of-the-art electric land rigs brought a new dimension to the Company's drilling process. The electric powered rigs have a drilling profile of 5000m which is a significant shift from the existing diesel-powered mechanical rigs with drilling depths of 2000m. The deeper wells have an estimated production profile of approximately 5MW-7MW which is a considerable move in the utilisation of available resources from the existing well capacity of 2.5-3.5MW. This extra depth is very critical for optimization of steam production.

The drilling of the largest geothermal 30MW well in Africa is attributed to our drilling excellence and modern fleet.

Ultimately this modern drilling services have enabled KenGen achieve efficiency, improved lead time in the drilling process, enhanced technical capacity and eventually fundamental savings in drilling costs. These drilling developments are in sync with the Company's current concept of focussing on identifying areas and opportunities that can be reviewed to reduce operational costs.

Consultancy Services

As an engineering Company, KenGen boasts of highly trained and skilled technical personnel in all the power generation modes. In the last thirty years KenGen's geothermal staff have accumulated unparalled skills and experience in various specialized fields in geothermal operations including but not limited to geo-scientific surveys, data analysis, cartography and GIS, drilling, reservoir monitoring and management among others.

It is for these specialized skills and experience that KenGen through the Geothermal Resource Development arm is generating revenue through provision of geothermal consultancy services within the country and to other African countries.

KenGen is offering geothermal resource assessment which entails provision of specialist services in: geochemistry, laboratories services which include data analysis and associated reports; GIS services, geological analysis. Formation, monitoring among others. In addition we are escalating proposals to Independent Power Producers (IPP's) on drilling services.

Our services have been in high demand especially from countries with geothermal energy potential. In Djibouti, the Icelandic government recently contracted KenGen to carryout MT surveys that is explore the geothermal resource in that country owing to KenGen's vast geothermal exploration experience. The technical team has already accomplished this assignment.

In Rwanda, the geothermal technical team facilitated Geothermal Resource Assessment (GRA) which included MT and detailed geo-scientific surveys. The team is in the process of completing the 2nd phase of the contract.

In Uganda, the team has carried out data analysis and interpretation and topo-cardastral surveys. The most recent assignment was in the Sudan (Khartoum) where the Ministry of Electricity and Dams contracted KenGen to help in carrying out Geothermal Resource Assessment (GRA) and reconnaissance surveys. The team has successfully undertaken this exercise. The next focus will be to facilitate detailed geo-scientific surveys for areas that were covered.

3. Value Added Statement

Contribution to the Economy

KenGen is a major team player in the Kenyan energy sector and the economy as a whole. During the year under review, the company continued to make a significant contribution to the economy and society as it carried on with its business and corporate responsibility activities. We are among the top tax payers in the country and paid taxes in excess of KShs.3.6 billion (2013: KShs.3.4 billion). Our value addition is as demonstrated below.

Sharing of Wealth	2014 KShs'000'	2013 KShs'000'
Wealth Created		
Revenue	17,423,771	16,451,195
Interest income	416,154	676,109
Other income	650,896	594,888
Paid to suppliers of goods and services	(2,823,576)	(2,306,010)
	15,667,245	**15,416,182**
Wealth Distribution		
To employees as wages, salaries and other benefits	3,491,942	3,248,141
To Welfare of our employees	341,304	260,973
To Train our people	207,243	147,965
To providers of Lenders as interest	2,587,519	3,000,802
To Shareholders as dividends	879,344	1,319,017
To Community and Environmental conservation	153,018	153,045
	7,660,370	**8,129,943**
Wealth Re-invested		
Retained profit in the company	1,946,979	3,905,687
Depreciation	4,728,271	4,578,332
Deferred taxation	1,331,625	(1,197,780)
	8,006,875	**7,286,239**
	15,667,245	**15,416,182**

4. Risk Management

Due to the dynamic nature of risks, the Company ensures continuous independent review of the effectiveness of internal controls, risk management and governance processes in line with best practice. It is imperative that they are continuously assessed to determine whether they are still relevant and to incorporate any new or emerging risks and opportunities.

The details of the risks in the Corporate Risk Matrix and the existing and ongoing mitigation measures, which are the subject of the re-assessment exercise, are detailed below.

Risk	Impact	What is being done (Existing & Ongoing)
Hydrology Risks	Unfavorable hydrological conditions adversely affect the generating capacity of the company and its revenues.	a) Proper water reservoir management is being undertaken and storage capacity expansion of Masinga reservoir is planned. b) The company is diversifying from hydro plants with future investments targeting power generation from geothermal, wind, coal to reduce the exposure to hydrological risks. c) The National Government plan to establish a committee comprising of relevant stakeholders to ensure coordination at policy, regulatory and operational levels on matters relating to the apportionment of water resources. d) Plan for implementation of Hydrology mitigation levy in the Power tariffs.
Regulatory Risks (Power Purchase Agreements)	A change to laws and regulations can expose the company to liability and result in increased costs such as water levies payable to WRMA, power project cost overruns & other costs that may be incurred in power project construction but not be recoverable from the PPA, e.g. cost of land.	a) Effective PPAs that ensures full cost recovery and sustainability of operations to be negotiated for all Power Plants.
Geothermal Steam Supply	Geothermal power generation faces the inherent risk of depletion of steam in generation wells due to adverse geological nature such as volcanic eruptions and tectonic movements.	a) KenGen closely monitors the steam pressure of the geothermal wells and drills new make-up wells to ensure continuous adequate supply of steam to the plants. b) Effective reservoir management has been enhanced.

Risk	Impact	What is being done (Existing & Ongoing)
Demand Drop/ Competition	Reduction in market share due to Licensing of more Independent Power Producers (IPPs) as the Government plans to increase capacity by 5,000+MW in 40 months.	a) The G2G transformation strategy has lined up a number of capacity expansion projects with focus on geothermal development to increase its market share. b) The Company is also seeking public private partnerships in order to remain competitive.
Political Risks/ Devolution	The risk that the Government may alter its policies or introduce other regulations may adversely affect investments and existing Company operations such as the County Governments demanding revenues in the form of levies in respect to the power stations that lie within their counties and this could result in increase in cost of power/or KenGen's operating costs.	a) The Company to ensure it puts in place an effective stakeholder management programme, to avoid/minimize adverse effects of Government/County legislation on its operations. b) Ongoing review of the Energy Policy & Act has taken into consideration changes in the Constitution including specific changes related to the energy sector.
Security Risks	Terrorist activities still pose a major security risk to the country and power sector facilities. Power generation, transmission and distribution are important activities for economic, social and national development and hence a possible target of terrorists activities.	a) The Company has engaged outsourced security firms in all its areas of operations which are closely supervised by KenGen's professional security officers. b) The Company has also engaged the services of armed policemen at all its plants as an additional security measure c) The Company is also lobbying the Government to declare KenGen plants strategic national assets and provide additional security and other requisite support from the armed security services at its expense. d) The Company has taken consequential loss insurance cover based on the gross profit and a sabotage and terrorism policy cover.

Risk	Impact	What is being done (Existing & Ongoing)
Single Buyer Model	KenGen currently sells all the electricity it generates to its sole customer, Kenya Power. This is a major risk to the Company as anything affecting the financial health of Kenya Power will adversely affect it.	a) The Company is planning to supply power directly to selected large consumers in the future. b) The Company is currently engaging the power distributor with an aim of ensuring that billing disputes are resolved promptly and payments made to avoid adverse effects on cash flows. c) The Company is also engaging the MOEP & ERC for appointment of an independent power operator to ensure economic order of power dispatch is strictly followed.
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 of land, especially of private land, must always consider Project Affected Persons (PAPS) such as resistance of the community to engage with the site owners, the host community unwillingness or opposition to be relocated from identified project Site, political factors, high compensation demand by the community and ineffective stakeholder management. This may lead to delay in implementation of projects which are critical to the company and the national economy.	a) KenGen is to expedite land acquisition and addition the Company will proactively engage the communities in all project site. b) The Company undertakes Environmental and Social Impact Assessments (ESIA). 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. c) KenGen also through its Corporate Social Investment (CSI) programme supports the PAPs in various community and development activities to enhance stakeholder relations. d) The Company to request the Governments assurance in acquiring land required for Power Projects through Company acquisition, or other Government facilitations.

Risk	Impact	What is being done (Existing & Ongoing)
Project cost escalations risks	Energy generation projects bear significant construction risks arising from delayed completion and commissioning. Factors beyond the control of KenGen and the EPC contractors may result in cost overruns and project delays to KenGen.	a) KenGen intends to minimize these risks by procuring experienced EPC contractors and consultants for all its projects. b) The Company to execute agreements that require the contractors to pay sufficient liquidated damages in the event of default.
Inadequate Stakeholder Management	Inadequate management of stakeholders may lead to poor relations and adversely affect KenGen operations and attainment of its objectives.	a) KenGen has put in place an efficient sustainable review and engagement with an aim of enhancing its reputation and relationships with all key stakeholders. b) KenGen constantly participates in Corporate Social Investment Programs as part of giving back to the community which it operates in. c) Regulatory & Corporate Affairs Division tasked with ensuring that all key stakeholders are engaged on a continuous basis to protect Company interests.

6. AWARDS

FiRe Awards

This year's Excellence in Financial Reporting (FiRe) Awards that were held on 25th October 2013 at the Safari Park Hotel saw KenGen scoop the second runners up trophy. 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". Their vision is "To be the leader in East Africa in financial reporting, practice of corporate governance and corporate social investment."; while their Mission is "To enhance accountability, transparency and integrity in compliance with International Financial Reporting Standards (IFRS) and other disclosures on governance, social and environmental reporting by private, public and other entities domiciled in East Africa." 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".

Finance Team, from left H. Gisa, P. Ng'ethe, D. Barkalia, N. King'ori and C. Naliaka show off the 2nd Runner Up Trophy the Company received at the 2013 FiRe Awards ceremony


KenGen


120
90
60
30

Financial Statements

REPORT OF THE DIRECTORS

The directors have pleasure in presenting their report together with the audited financial statements of the Kenya Electricity Generating Company Limited (the "company") for the year ended 30 June 2014, 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

	2014 Shs'000
Profit before tax	4,157,948
Taxation charge	(1,331,625)
Profit for the year transferred to retained earnings	**2,826,323**

DIVIDENDS

Subject to the approval of the shareholders, the directors recommend the payment of a first and final dividend of KShs.0.879 billion (2013: KShs.1.319 billion) for the year representing KShs.0.40 (2013: KShs.0.60) per issued ordinary share.

DIRECTORS

The present members of the board of directors are shown on pages 16 to 19. Hon.Titus Mbathi, Mr. Musa Ndeto and Mrs. Mary Michieka retired on 20 December 2013. On the same day, Mr. Joshua Choge, Ms. Milicent Omanga and Mrs. Ziporah Ndegwa were elected to replace them as directors. Mr. Simon Ngure was appointed acting Managing Director & CEO from July 2013 to January 2014. Mr Albert Mugo was appointed as the Managing Director and CEO with effect from 15 January 2014.

AUDITORS

The Auditor General is responsible for the statutory audit of the company's financial statements 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 2014.

BY ORDER OF THE BOARD

R. Miano, Company Secretary
Nairobi
23 October 2014

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 affairs 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

23 October 2014

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
23 October 2014

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NAIROBI

KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR-GENERAL ON KENYA ELECTRICITY GENERATING COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE 2014

REPORT ON THE FINANCIAL STATEMENTS

The accompanying financial statements of Kenya Electricity Generating Company Limited set out at pages 94 to 161, which comprise the statement of financial position as at 30 June 2014, the statement of profit or loss and other 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.

Directors' Responsibility for the Financial Statements

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

The Directors are 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 these 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 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 disclosures 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 audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 30 June 2014 and of its financial performance and its cash flows for the year then ended, in accordance with 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 Companies Act, Cap 486 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; and

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

23 October 2014

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 30 June 2014

	Note	2014 Shs'000	2013 (Restated) Shs'000
Revenue	4	17,423,771	16,451,195
Interest income	5	416,154	676,109
Other income	6(a)	650,896	594,888
Total Income		**18,490,821**	**17,722,192**
Other gains/(losses)	7	67,119	(53,107)
Expenses	8	(11,812,473)	(10,641,359)
Finance costs	10	(2,587,519)	(3,000,802)
PROFIT BEFORE TAXATION	**11**	**4,157,948**	**4,026,924**
Taxation (charge)/credit	12(a)	(1,331,625)	1,197,780
PROFIT FOR THE YEAR		**2,826,323**	**5,224,704**
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit obligation	28	1,694,999	(49,697)
Deferred tax relating to remeasurement of defined benefit obligation		(508,500)	14,909
		1,186,499	(34,788)
Items that may be reclassified subsequently to profit or loss:			
Net losses on revaluation of available-for-sale treasury bonds	18(b)	(164,774)	(21,903)
Cumulative loss reclassified to equity on disposal of available-for-sale treasury bonds	18(c)	222,126	39,969
		57,352	18,066
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**4,070,174**	**5,207,982**
Earnings per share:			
- Basic and diluted (Shs)	13	1.29	2.38

	Note	2014 Shs'000	2013 (Restated) Shs'000	1 July 2012 (Restated) Shs'000
ASSETS				
Non-current assets				
Property, plant and equipment	14	209,235,821	153,201,471	120,664,699
Prepaid leases on land	15	1,048,372	439,957	35,426
Intangible assets	16	1,066,049	1,079,686	896,335
Amount due from Kenya Power-deferred debt	17(b)	1,084,900	1,148,965	1,401,133
Treasury bonds	18(a)	2,431,799	2,436,683	8,050,919
Recoverable foreign exchange adjustment	19	6,300,529	5,238,710	9,808,295
Retirement benefit asset	28	1,407,411	-	-
Total non-current assets		222,574,881	163,545,472	140,856,807
Current assets				
Inventories	20	788,333	836,259	1,955,564
Amount due from Kenya Power	17(a)	7,851,600	6,186,749	7,221,777
Other receivables	21	3,231,077	5,903,928	6,077,151
Amount due from Ministry of Energy & Petroleum	22	5,315,816	5,315,816	5,318,021
Treasury bonds	18 (a)	594,769	2,550,345	643,203
Recoverable foreign exchange adjustment	19	357,395	338,286	405,477
Amount due from Kenya Power-deferred debt	17(b)	62,295	-	-
Corporate tax recoverable	12(c)	-	-	231,154
Cash and bank balances	23(a)	9,429,358	3,996,427	435,719
Total current assets		27,630,643	25,127,810	22,288,066
TOTAL ASSETS		**250,205,524**	**188,673,282**	**163,144,873**

	Note	2014 Shs'000	2013 (Restated) Shs'000	1 July 2012 (Restated) Shs'000
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	24	5,495,904	5,495,904	5,495,904
Share premium	25(a)	5,039,818	5,039,818	5,039,818
Capital reserve	25(b)	8,579,722	8,579,722	8,579,722
Investments revaluation reserve	25(c)	(135,072)	(192,424)	(210,490)
Property, plant and equipment revaluation reserve	25(d)	16,658,062	17,306,770	17,954,954
Retained earnings		41,071,239	37,728,726	33,209,643
Total Equity		76,709,673	73,958,516	70,069,551
Non current liabilities				
Borrowings	26(a)	122,324,111	73,934,313	61,850,220
Operating lease liability	27(b)	1,000	3,000	5,000
Retirement benefits liability	28	-	290,876	250,647
Deferred tax liability	29	15,604,657	14,222,916	15,968,498
Trade and other payables	30	10,369,854	8,591,032	-
Total non-current liabilities		148,299,622	97,042,137	78,074,365
Current liabilities				
Borrowings due within one year	26(a)	13,790,779	7,000,387	7,265,504
Trade and other payables	30	6,300,740	6,859,707	4,370,312
Amount due to Kenya Power	17(c)	82,884	83,332	6,405
Operating lease liability	27(b)	2,000	2,000	2,000
Leave pay provision	31	231,334	252,429	160,415
Corporate tax payable	12(c)	668,859	278,453	-
Dividends payable	32(a)	4,119,633	3,196,321	3,196,321
Total current liabilities		25,196,229	17,672,629	15,000,957
TOTAL EQUITY AND LIABILITIES		**250,205,524**	**188,673,282**	**163,144,873**

The financial statements on pages 94 to 161 were approved and authorised for issue by the board of directors on 23 October 2014 and were signed on its behalf by:

Director

Director

Director

STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2014

	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 2012 (as previously reported)	5,495,904	5,039,818	8,579,722	(210,490)	17,954,954	33,319,646	70,179,554
Adjustment on retirement benefit liability (Note 40)	-	-	-	-	-	(110,003)	(110,003)
As at 1 July 2012 (restated)	**5,495,904**	**5,039,818**	**8,579,722**	**(210,490)**	**17,954,954**	**33,209,643**	**70,069,551**
Profit for the year	-	-	-	-	-	5,224,704	5,224,704
Other comprehensive income for the year	-	-	-	18,066	-	(34,788)	(16,722)
Total comprehensive income for the year	**-**	**-**	**-**	**18,066**	**-**	**5,189,916**	**5,207,982**
Transfer of excess depreciation	-	-	-	-	(925,975)	925,975	-
Deferred tax on revaluation surplus – current year	-	-	-	-	277,791	(277,791)	-
Dividend declared – 2012	-	-	-	-	-	(1,319,017)	(1,319,017)
At 30 June 2013 (restated)	**5,495,904**	**5,039,818**	**8,579,722**	**(192,424)**	**17,306,770**	**37,728,726**	**73,958,516**
At 1 July 2013	5,495,904	5,039,818	8,579,722	(192,424)	17,306,770	37,898,949	74,128,739
Adjustment on retirement benefit liability (Note 40)	-	-	-	-	-	(170,223)	(170,223)
At 1 July 2013 (restated)	**5,495,904**	**5,039,818**	**8,579,722**	**(192,424)**	**17,306,770**	**37,728,726**	**73,958,516**
Profit for the year	-	-	-	-	-	2,826,323	2,826,323
Other comprehensive income for the year	-	-	-	57,352	-	1,186,499	1,243,851
Total comprehensive income for the year	**-**	**-**	**-**	**57,352**	**-**	**4,012,822**	**4,070,174**
Transfer of excess depreciation	-	-	-	-	(926,000)	926,000	-
Deferred tax on revaluation surplus – current year	-	-	-	-	277,292	(277,292)	-
Dividend declared – 2013	-	-	-	-	-	(1,319,017)	(1,319,017)
At 30 June 2014	**5,495,904**	**5,039,818**	**8,579,722**	**(135,072)**	**16,658,062**	**41,071,239**	**76,709,673**

STATEMENT OF CASH FLOWS
for the year ended 30 June 2014

	Notes	2014 Shs'000	2013 Shs'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	33(a)	13,908,029	25,147,845
Income tax paid	12(c)	(67,979)	(53,104)
Interest received	33(b)	436,066	824,877
Interest paid	33(c)	(2,169,097)	(2,956,969)
Net cash generated by operating activities		**12,107,019**	**22,962,649**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	14	(61,084,354)	(37,396,364)
Purchase of prepaid leasehold land	15	(614,666)	(406,287)
Purchase of intangible assets	16	(53,646)	(229,740)
Proceeds from disposal of assets		2,641	7,473
Proceeds on sale/redemption of treasury bonds	18(c)	1,790,802	3,530,075
Net cash used in investing activities		**(59,959,223)**	**(34,494,843)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings	26(d)	(8,951,356)	(6,379,012)
Proceeds from borrowings	26(d)	57,830,817	22,790,931
Dividends paid to owners of the company	32	(395,705)	(1,319,017)
Net cash generated from financing activities		**48,483,756**	**15,092,902**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**631,552**	**3,560,708**
Cash and cash equivalents at the beginning of the year		3,996,427	435,719
Cash and cash equivalents at the end of the year	**23(b)**	**4,627,979**	**3,996,427**

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 (KPLC). 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) Relevant new standards and amendments to published standards effective for the year ended 30 June 2014

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 - Offsetting Financial Assets and Financial Liabilities	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 application of the amendment had no effect on the company's financial statements as the company did not have any offsetting arrangements in place.

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 2014

New and revised standards on consolidation and joint arrangements, associates and disclosures	In May 2011, a package of five standards in consolidation and joint arrangements, associates and disclosures was issued comprising IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, IASs 27 (as revised in 2011) Separate Financial Statements and IAS 28 (as revised in 2011) Investments in Associates and Joint Ventures. Subsequent to the issue of these standards, amendment to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain guidance on first application of the standards. The application of the new standard has not had any impact on the disclosures or the amounts recognised in these financial statements as the company does not have any joint arrangements.
IFRS 13 Fair Value Measurement	The scope of IFRS 13 is broad; the fair value measurement requirements of IFRS 13 apply 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 for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes). IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements. IFRS 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the company has not made any new disclosures required by IFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognised in the financial statements.

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 2014

Amendments to IAS 1 Presentation of Financial Statements (as part of the Annual Improvements to IFRSs 2009 - 2011 Cycle issued in May 2012)	The Annual Improvements to IFRSs 2009 - 2011 have made a number of amendments to IFRSs. The amendments that are relevant to the company are the amendments to IAS 1 regarding when a statement of financial position as at the beginning of the preceding period (third statement of financial position) and the related notes are required to be presented. The amendments specify that a third statement of financial position is required when a) an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items in its financial statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The amendments specify that related notes are not required to accompany the third statement of financial position. In the current year, the company has restated the retirement benefit liability as it adopted the revised IAS 19 standard, which has resulted in material effects on the information in the statement of financial position as at 1 July 2012. In accordance with the amendments to IAS 1, the company has presented a third statement of financial position as at 1 July 2012 without the related notes except for the disclosure requirements relating to the impact on the application of the new standard.
IAS 19 Employee Benefits (as revised in 2011)	IAS 19 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a 'net interest' amount under IAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset. The above amendments are generally effective for annual periods beginning on or after 1 January 2013. Specific transitional provisions are applicable to first-time application of IAS 19 (as revised in 2011). The company has applied the relevant transitional provisions and restated the comparative amounts on a retrospective basis. The impact of the changes on the total comprehensive income for the year, assets, liabilities and equity under note 40:

2. ACCOUNTING POLICIES (Continued)

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

(ii) Relevant new and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2014

New and Amendments to standards	Effective for annual periods beginning on or after
IFRS 9	1 January 2018
Amendments to IFRS 9 and IFRS 7	1 January 2015
Amendments to IFRS 10, IFRS 12 and IAS 27	1 January 2014
Amendments to IAS 32	1 January 2014
Amendments to IAS 36	1 January 2014
Amendments to IAS 39	1 January 2014

(iii) Relevant new and revised IFRSs in issue but not yet effective for the year ended 30 June 2014

IFRS 9 Financial Instruments

- IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other

2. ACCOUNTING POLICIES (Continued)

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

(iii) Relevant new and revised IFRSs in issue but not yet effective for the year ended 30 June 2014 (Continued)

comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

The directors of the company anticipate that the application of IFRS 9 in the future may not have a significant impact on amounts reported in respect of the company's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

IFRS 15, Revenue from Contracts with Customers

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.

The directors of the company do not anticipate that the application of the standard will have a significant impact on the company's financial statements.

Amendments to 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'.

2. ACCOUNTING POLICIES (Continued)

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

(iii) Relevant new and revised IFRSs in issue but not yet effective for the year ended 30 June 2014 (Continued)

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.

Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)

Amends IAS 36 Impairment of Assets to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique.

The directors of the company do not anticipate that the application of these amendments to IAS 36 will have a significant impact on the company's financial statements as the company does not have any significant financial assets and financial liabilities that qualify for the offset.

Annual Improvements 2010-2012 Cycle

The annual improvements 2010-2012 cycle makes amendments to the following standards:

- IFRS 2 — Amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition'.
- IFRS 3 — Require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date.
- IFRS 8 — Requires disclosure of the judgements made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly.
- IFRS 13 — Clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term

2. ACCOUNTING POLICIES (Continued)

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

(iii) Relevant new and revised IFRSs in issue but not yet effective for the year ended 30 June 2014 (Continued)

receivables and payables on an undiscounted basis (amends basis for conclusions only).

- IAS 16 and IAS 38 — Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount.
- IAS 24 — Clarify how payments to entities providing management services are to be disclosed.

Annual Improvements 2011-2013 Cycle

Makes amendments to the following standards:

- IFRS 1 — Clarify which versions of IFRSs can be used on initial adoption (amends basis for conclusions only).
- IFRS 3 — Clarify that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.
- IFRS 13 — Clarify the scope of the portfolio exception in paragraph 52.
- IAS 40 — Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

These IFRS improvements are effective for accounting periods beginning on or after 1 January 2014. The directors of the company do not anticipate that the application of these improvements to IFRSs will have a significant impact on the company's financial statements.

(iii) Early adoption of standards

The company did not early-adopt any new or amended standards in 2014.

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.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer liability in an orderly transaction between market participants at the measurement

2. ACCOUNTING POLICIES (Continued)

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

(iii) Early adoption of standards (Continued)

date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurements in its entirety, which are described as follows.

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities that an entity can access at a measurement date.
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The principal accounting policies are set out below.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable excluding discounts, rebates and sales taxes or duty. The following specific recognition criteria must be met before revenue is recognised:

(i) Electricity sales

Electricity sales are recognised on the basis of available capacity and energy sold to the authorised distributor's transmission systems. The Power Purchase Agreements (PPAs) between the Kenya Power and the company stipulate that electricity sales will be agreed upfront on capacity and energy the company is going to produce and transmit during the year. Capacity charge is meant to accelerate the company's return on investments so it can focus on future expansion programs in building capacity to meet demand. Energy charge compensates for the electricity produced and sold to the distributor.

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

2. ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

(ii) Interest

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(iii) Rental income

Rental income is accounted for on a straight-line basis over the lease term.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

(i) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the reporting date

(ii) Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

2. ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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 retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as service costs (including current service cost, past service cost, as well as gains and losses on curtailments and settlements), net interest expense or income and remeasurment.

The company presents the first two components of defined benefit costs in profit or loss in the line item of pension cost-defined benefit scheme (included in staff costs). Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the statement of financial position represents the actual deficit or surplus in the company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

ii) Other entitlements

The monetary benefits for employees' accrued annual leave entitlement at the reporting date are recognised as a provision.

2. ACCOUNTING POLICIES (Continued)

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.

Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the reporting date. Any increases arising on the revaluation of such plant and machinery is recognised in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed.

A decrease in the carrying amount arising on the revaluation of such an asset is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

All productive wells are capitalized in property, plant and equipment when connected and are depreciated over their useful lives. The useful life is currently estimated to be twenty five years from the date of commencement of commercial operation. The cost 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.

2. ACCOUNTING POLICIES (Continued)

Depreciation

Depreciation is calculated on the straight-line basis and is recognised so as to write off the cost or valuation of assets (other than freehold land and Work-in progress under construction) less their residual values over their useful lives, using the straight-line method.

The annual depreciation rates in use are:

Buildings	2.85%
Transmission lines	2.5%
Plant and machinery:	
- Hydro plants	2%
- Geothermal wells, wellheads and plants	4%
- Thermal plants and wind plants	5%
- Rigs	6.66%
Intake and tunnels	1%
Motor vehicles	25%
Furniture, equipment and fittings	12½%
Computers	25%

Freehold land is not depreciated and leasehold land is amortised over the lease period.

Residual value, useful life and depreciation methods are reviewed at least annually at the reporting date. Changes in the residual value and expected useful life are accounted for by changing the depreciation charge for the year, and treated as changes in accounting estimates.

Depreciation on revalued assets is recognised in profit or loss and a transfer of excess depreciation is made from the asset revaluation reserve to retained earnings. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

On disposal of revalued assets, amounts in the revaluation surplus relating to that asset are transferred to retained earnings.

2. ACCOUNTING POLICIES (Continued)

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful life of the assets depends on the duration of the licences. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the profit or loss in the expense category consistent with the function of the intangible asset.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Impairment of tangible and intangible assets excluding goodwill

At each reporting date the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest company of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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.

2. ACCOUNTING POLICIES (Continued)

Impairment of tangible and intangible assets excluding goodwill (Continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Capitalised costs include interest charges and foreign currency exchange differences on borrowings for projects under construction to the extent that they are regarded as adjustments to interest rates.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Inventories

Inventories are valued at the lower of cost or net realisable value. Cost is determined on a weighted average basis and comprises expenditure incurred in the normal course of business, including direct material costs. Net realisable value is the price at which the inventory can be realised in the normal course of business after allowing for the costs of realisation. Obsolete and defective inventories are fully written off.

2. ACCOUNTING POLICIES (Continued)

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

2. ACCOUNTING POLICIES (Continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as Available-for-sale financial assets or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

The company has investments in debt securities that are traded in an active market and are stated at fair value at the reporting date. The fair value of available-for-sale debt securities is determined by reference to published price quotations in an active market. Interest income calculated using the effective interest method is recognised in profit or loss except for interest income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets which is deducted from the borrowing costs eligible for capitalisation.

Fair value changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

At each reporting date, all financial assets are subject to review for impairment. If it is probable that the company will not be able to collect all amounts due (principal and interest) according to the contractual terms of loans, receivables, or held-to-maturity investments carried at amortised cost, an impairment or bad debt loss has occurred. The carrying amount of the asset is reduced to its estimated recoverable amount either directly or through use of an allowance account. The amount of the loss incurred is dealt with through profit or loss for the period.

For Available-for-sale debt securities, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

2. ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

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.

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.

2. ACCOUNTING POLICIES (Continued)

Derecognition of financial assets

The company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.
On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the company retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the company retains control), the company allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by the company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the company are recognised at the proceeds received, net of direct issue costs.

2. ACCOUNTING POLICIES (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or 'other financial liabilities'.

Other financial liabilities

Other financial liabilities (including borrowings) are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The company derecognises financial liabilities when, and only when, the company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Accounting for leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The company as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The company as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

2. ACCOUNTING POLICIES (Continued)

Financial liabilities and equity instruments (Continued)

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from retained earnings when approved by the company's shareholders. Interim dividends are deducted from retained earnings when they are declared and no longer at the discretion of the company.

Grants

Government grants are not recognised until there is reasonable assurance that the company will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the company recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the company should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the company with no future related costs are recognised in profit or loss in the period in which they become receivable.

Foreign currencies

In preparing the financial statements of the company, transactions in currencies other than the company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

2. ACCOUNTING POLICIES (Continued)

Financial liabilities and equity instruments (Continued)

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. In particular, comparatives have been adjusted to comply with IAS 19 Employee Benefits (as revised in 2011).

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.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

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 Sh 2,432 million (30 June 2013: Sh 2,437million). 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 2014 was KShs.9,933,282,000 (2013: KShs.10,396,680,000). 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 2014.

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.

	2014 Shs'000	2013 Shs'000
4. REVENUE		
Electricity sales:-		
- Capacity charges revenue	13,241,417	12,620,981
- Energy revenue	3,655,354	3,275,649
Power Purchase Agreements' adjustments:		
- Foreign currency adjustment payments	527,000	554,565
	17,423,771	**16,451,195**
5. INTEREST INCOME		
Treasury bonds	349,208	305,903
Other receivables	4,546	5,535
Banks and other financial institutions	8,179	65,124
Kenya Power	54,221	299,547
	416,154	**676,109**
The following is an analysis of interest income earned on financial assets by category of asset		
Available-for-sale treasury bonds	28,681	141,356
Held-to-maturity treasury bonds	320,527	164,547
Loans and receivables (including cash and bank balances)	66,946	370,206
	416,154	676,109

	2014 Shs'000	2013 Shs'000
6. OTHER INCOME		
(a) Consultancy services	-	55,735
Insurance Compensation	54,950	67,270
Miscellaneous income	164,463	108,973
Net fuel pass-through (Note 6 (b))	271,996	286,165
Revenue from Emergency Power Project (EPP)	33,661	76,745
Carbon Credits	125,840	-
Net Steam pass through(Note6(d))	(14)	-
	650,896	**594,888**
(b) Net fuel pass-through1		
Fuel pass-through revenue	13,142,391	8,689,767
Fuel pass-through costs	(12,870,395)	(8,403,602)
	271,996	286,165
(c) Net water charges pass-through2		
Water charges pass-through revenue	459,722	215,141
Water charges pass-through costs	(459,722)	(215,141)
	-	-
(d) Net Steam Revenue pass-through3		
Steam charges pass-through revenue	192,693	58,365
Steam charges pass-through costs	(192,707)	(58,365)
	(14)	-

[1] 1In 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 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 steam portion as a pass through cost.

	2014 Shs'000	2013 Shs'000
7 OTHER GAINS AND LOSSES		
Foreign exchange gains/(losses) on other monetary items excluding borrowings	85,877	(10,671)
Cumulative loss reclassified from equity on disposal of available-for-sale investments (note 18 (c))	(222,126)	(39,969)
(Loss)/gain on disposal of available-for-sale investments (note 18 (c))	203,368	(2,467)
Unrealized foreign exchange gains on revaluation of borrowings (note 26(d))	(1,425,248)	4,261,464
Recoverable foreign exchange differences (note 19)	1,425,248	(4,261,464)
	67,119	**(53,107)**

8. EXPENSES

	2014 Shs'000	2013 Shs'000
a) Employee expenses (note 9)	**3,491,942**	**3,248,141**
b) Depreciation and Amortization		
Depreciation* (note 14)	5,048,839	4,858,195
Less: amount capitalised	(394,436)	(327,912)
	4,654,403	4,530,583
Amortization - Prepaid leases on leasehold land* (note 15)	6,251	1,756
- Intangible assets- software (note 16)	67,283	46,389
	4,727,937	**4,578,728**

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

	2014 Shs'000	2013 Shs'000
c) Operating expenses		
Plant operation and maintenance	1,393,792	1,129,466
Welfare and benefits	341,304	260,973
Training expenses	207,243	147,965
Insurance	464,873	401,752
Catchment preservation and dam maintenance	107,000	107,000
Transport and travelling costs	418,805	366,659
Consultants fees	63,167	28,629
Office expenses	158,954	157,931
Provision/(write back) for/(of) bad debts	198,125	(42,668)
Legal and statutory expenses	65,205	61,979
Other costs	174,126	194,804
	3,592,594	**2,814,490**
Total Expenses(8a,8b and 8c)	**11,812,473**	**10,641,359**

	2014 Shs'000	2013 Shs'000
9. STAFF COSTS		
Salaries and wages	3,158,128	2,915,787
Leave pay allowance	42,940	89,644
Pension cost- defined benefit scheme (Note 28)	32,198	26,583
Pension cost - defined contribution scheme	254,471	211,785
National Social Security Fund	4,205	4,342
	3,491,942	**3,248,141**

	2014 Numbers	2013 Numbers
The number of persons employed by the company at the year end was		
- Operational staff	1,416	1,475
- Geothermal resource assessment and projects staff	793	588
	2,209	**2,063**

	2014 Shs'000	2013 Shs'000
10. FINANCE COSTS		
Interest on borrowings	4,299,088	4,082,831
Less: capitalised interest	(1,711,569)	(1,082,029)
	2,587,519	**3,000,802**
11. PROFIT BEFORE TAX		
Profit before tax is arrived at after charging:		
Depreciation on property, plant and equipment	4,654,403	4,530,583
Amortisation of intangible assets	67,283	46,389
Amortisation of prepaid lease	6,251	1,756
Directors' emoluments: fees - executive	-	-
- fees – non-executive	6,000	6,000
- other emoluments executive	32,805	28,029
- other emoluments non-executive	31,109	23,897
Auditor's remuneration	5,145	5,073
Operating lease rentals	85,079	92,717
Interest on borrowings	2,587,519	3,000,802
And after crediting: Interest income	(416,154)	(676,109)

	2014 Shs'000	2013 (Restated) Shs'000
12. TAXATION		
(a) Taxation (credit)/charge		
Interest taxed as a separate source of income	73,104	51,093
Compensating tax	96,484	-
Deferred tax charge/(credit) (note 29)	873,241	(1,149,354)
Prior year underprovision - interest taxed as a separate source of income	288,796	511,618
Adjustment on provision – deferred tax (note 29)	-	(611,137)
	1,331,625	**(1,197,780)**
(b) Reconciliation of expected tax based on profit before taxation to taxation charge /(credit)		
Profit before taxation	4,157,948	4,026,924
Tax applicable rate of 30%	1,247,384	1,208,077
Tax effect of income not subject to tax	(9,567)	(33,519)
Tax effect of capital allowances exceeding 100% of cost	(472,528)	(2,324,368)
Tax effect of expenses not deductible for tax purposes	181,055	51,549
Prior year under provision – interest taxed as a separate source of income	288,797	511,618
Prior year over provision – deferred tax	-	(611,137)
Compensating tax	96,484	-
Total taxation charge/(credit)	**1,331,625**	**(1,197,780)**
(c) Corporate tax movement		
Balance brought forward	278,453	(231,154)
Interest taxed as a separate source of income	73,104	51,093
Compensating tax	96,484	-
Prior year under provision – interest taxed as a separate source of income	288,797	511,618
Paid during the year	(67,979)	(53,104)
At end of the year	**668,859**	**278,453**

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 2014 and 30 June 2013. 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:

	2014	2013 (Restated)
Profit attributable to ordinary shareholders for basic earnings (in Shs'000)	2,826,323	5,224,704
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)	1.29	2.38

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 2012	21,112,822	99,416	106,472,082	764,229	2,676,506	27,269,046	158,394,101
Additions	-	-	-	-	-	37,396,364	37,396,364
Transfers from WIP	3,564,983	346,125	14,071,068	221,766	736,908	(18,940,850)	-
Disposal	-	-	-	(28,163)	-	-	(28,163)
At 30 June 2013	**24,677,805**	**445,541**	**120,543,150**	**957,832**	**3,413,414**	**45,724,560**	**195,762,302**
At 1 July 2013	24,677,805	445,541	120,543,150	957,832	3,413,414	45,724,560	195,762,302
Additions	-	-	-	-	-	61,084,354	61,084,354
Transfers from WIP	343,264	293,571	3,031,936	461,368	308,807	(4,438,946)	-
Disposal	-	-	-	(7,558)	-	-	(7,558)
At 30 June 2014	**25,021,069**	**739,112**	**123,575,086**	**1,411,642**	**3,722,221**	**102,369,968**	**256,839,098**
DEPRECIATION							
At 1 July 2012	5,391,191	15,709	29,840,969	569,268	1,912,265	-	37,729,402
Charge for year	662,557	18,445	3,856,292	107,668	213,233	-	4,858,195
Disposal	-	-	-	(26,766)	-	-	(26,766)
At 30 June 2013	**6,053,748**	**34,154**	**33,697,261**	**650,170**	**2,125,498**	**-**	**42,560,831**
At 1 July 2013	6,053,748	34,154	33,697,261	650,170	2,125,498	-	42,560,831
Charge for year	660,113	27,471	3,905,907	171,237	284,111	-	5,048,839
Disposal	-	-	-	(6,393)	-	-	(6,393)
At 30 June 2014	**6,713,861**	**61,625**	**37,603,168**	**815,014**	**2,409,609**	**-**	**47,603,277**
NET BOOK VALUE							
At 30 June 2014	**18,307,208**	**677,487**	**85,971,918**	**596,628**	**1,312,612**	**102,369,968**	**209,235,821**
At 30 June 2013	**18,624,057**	**411,387**	**86,845,889**	**307,662**	**1,287,916**	**45,724,560**	**153,201,471**

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 and represents the plant and machinery's highest and best use. 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 2014.

Details of the company's buildings and machinery and equipment and information about fair value hierarchy as at 30 June 2014 are as follows:

GROUP	Level 1 Sh'000	Level 2 Sh '000	Level 3 Sh'000	Fair value as at 30 June Sh '000
30 June 2014				
Plant and machinery	-	-	85,971,582	85,971,582
30 June 2013				
Plant and machinery	-	-	86,845,889	86,845,889

There were no transfers between levels 1, 2 and 3 in the period (2013: none).

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

	2014 Shs'000	2013 Shs'000
Cost	221,679,224	160,602,289
Accumulated depreciation	(37,168,336)	(32,125,890)
Net book value	184,510,888	128,476,399

The company land is located in the following locations:

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

15. PREPAID LEASES ON LEASEHOLD LAND

	2014 Shs'000	2013 Shs'000
COST		
1 July	446,093	39,806
Additions	614,666	406,287
30 June	**1,060,759**	**446,093**
AMORTIZATION		
1 July	6,136	4,380
Prepaid lease amortization for the year	6,251	1,756
30 June	**12,387**	**6,136**
NET BOOK VALUE		
30 June	**1,048,372**	**439,957**

16. INTANGIBLE ASSETS

	2014 Shs'000	2013 Shs'000
COST		
1 July	1,192,772	963,032
Additions	53,646	229,740
30 June	**1,246,418**	**1,192,772**
AMORTIZATION		
1 July	113,086	66,697
Charge for the year	67,283	46,389
	180,369	**113,086**
NET BOOK VALUE		
30 June	**1,066,049**	**1,079,686**

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.

	2014 Shs'000	2012 Shs'000
(a) Amount due from Kenya Power	7,851,600	6,186,749
(b) Amount due from Kenya Power-deferred debt		
Current portion	62,295	-
Non-current portion	1,084,900	1,148,965
	1,147,195	**1,148,965**

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 KShs.1,147,195,000 (2013: KShs.1,148,964,630) 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% (2013: 0.75%).

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 (2013: JPY 1,320,013,268).

	2014 Shs'000	2013 Shs'000
(c) Amount due to Kenya Power	**82,884**	**83,332**

17. RELATED PARTIES (CONTINUED)

(d) 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:

	2014 Shs'000	2013 Shs'000
(i) Electricity sales to Kenya Power	16,896,771	15,896,631
Foreign exchange recovery	527,000	554,564
Interest income on amounts due from Kenya Power	54,221	299,547
Fuel pass-through	13,142,391	8,689,767
Water charges pass-through	459,722	215,141
Steam charges pass-through	192,693	58,365
	31,272,798	25,714,015
(ii) Electricity purchases from Kenya Power	311,856	93,605

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.

	2014 Shs'000	2013 Shs'000
(iii) Government of Kenya (Ministry of Energy & Petroleum):		
Receipts from Ministry of Energy & Petroleum	-	2,205

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

	2014 Shs'000	2013 Shs'000
(iv) Staff advances	80,312	82,330

17. RELATED PARTIES (CONTINUED)

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

	2014 Shs'000	2013 Shs'000
Fees for services as a director		
Non-Executive Directors	6,000	6,000
Other emoluments		
Salaries and other short-term employment benefits:		
Executive Directors and key management	105,608	98,310
Non-Executive Directors	31,109	23,897
Total other emoluments	136,717	122,207
Total	**142,717**	**128,207**

18. TREASURY BONDS

	2014 Shs'000	2013 Shs'000
(a) Analysis of treasury bonds		
Available-for-sale treasury bonds carried at fair value	594,769	2,550,345
Held-to-maturity treasury bonds carried at amortised cost	2,431,799	2,436,683
	3,026,568	4,987,028
Maturity analysis of treasury bonds		
- Within one year	594,769	2,550,345
- After five years	2,431,799	2,436,683
	3,026,568	4,987,028
Less: current portion	(594,769)	(2,550,345)
Non-current	2,431,799	2,436,683
Weighted average interest rate	**11.14%**	**9.6%**

(b) Movement in treasury bonds

	Available-for-sale Shs'000	Held-to-maturity Shs'000	Total Shs'000
30 June 2014			
At 1 July 2013	2,550,345	2,436,683	4,987,028
Disposals	(1,790,802)	-	(1,790,802)
Fair value losses	(164,774)	-	(164,774)
Amortisation	-	(4,884)	(4,884)
At 30 June 2014	**594,769**	**2,431,799**	**3,026,568**
30 June 2013			
At 1 July 2012	6,252,888	2,441,234	8,694,122
Disposals	(3,530,075)	-	(3,530,075)
Fair value losses	(21,903)	-	(21,903)
Amortisation	-	(4,551)	(4,551)
Maturing within three months(note 23a)	(150,565)	-	(150,565)
At 30 June 2013	**2,550,345**	**2,436,683**	**4,987,028**

18. TREASURY BONDS (Continued)

(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 2014			
Available-for-sale treasury bonds	1,999,619	1,790,802	(208,817)
Comprising:			
Cumulative loss reclassified from equity on disposal			(222,126)
Loss during the year			203,368
Capitalised losses			(182,562)
			(201,320)
30 June 2013			
Available-for-sale treasury bonds	3,572,511	3,530,075	(42,436)
Comprising:			
Cumulative loss reclassified from equity on disposal			(39,969)
Gain during the year			(2,467)
			(42,436)

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:

	2014 Shs'000	2013 Shs'000
At beginning of the year	5,576,996	10,213,772
Unrealised exchange gains in the year (note 26(d))	1,425,248	(4,261,464)
Realised exchange gains on loan repayment (note (26))	(344,320)	(375,312)
At the end of the year	6,657,924	5,576,996
Less current portion	(357,395)	(338,286)
Non-current portion	**6,300,529**	**5,238,710**

20. INVENTORIES

	2014 Shs'000	2013 Shs'000
Fuel	198,681	236,961
General stores	109,345	102,293
Machinery spares	480,307	497,005
	788,333	**836,259**

21. OTHER RECEIVABLES

	2014 Shs'000	2013 Shs'000
Receivable from staff	68,648	70,659
Payments made on behalf of third parties*	95,471	188,131
Other receivables and prepayments***	1,871,882	906,109
Advance payments**	1,078,223	4,620,063
VAT recoverable	116,853	118,966
	3,231,077	**5,903,928**

*Payments made on behalf of third parties mainly relate to recoverable payments made by the company on behalf of Aggreko International Projects, an Emergency Power Project administered by the company as commission agent.

**Advance payments mainly relate to amounts paid to contractors and suppliers involved in the Olkaria I and Olkaria IV geothermal projects.

***Included in other receivables and prepayments in the current year is an amount of KShs.907,681,467 relating to the funds for Olkaria I and IV projects received by National Treasury from the World Bank on behalf of KenGen.

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

22. AMOUNT DUE FROM MINISTRY OF ENERGY & PETROLEUM

	2014 Shs'000	2013 Shs'000
(a) Geothermal resource assessment funds		
As at 1 July	1,466,146	1,466,146
(b) Geothermal Development Company Limited		
As at July 1	3,849,670	3,851,875
Refund received	-	(2,205)
As at 30 June	3,849,670	3,849,670
Total Due	**5,315,816**	**5,315,816**

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

	2014 Shs'000	2013 Shs'000
a) Analysis of bank and cash balances		
Cash and bank balances	9,429,358	3,845,862
Available for sale bond – maturing within three months	-	150,565
	9,429,358	3,996,427
b) Cash and cash equivalents		
Cash and bank balances	9,429,358	3,845,862
Available for sale bond – maturing within three months	-	150,565
Bank overdrafts (note 26(d))	(4,801,379)	-
	4,627,979	**3,996,427**

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.

24. SHARE CAPITAL

	2014 Shs'000	2013 Shs'000
Authorised: 10,000,000,000 (2013:2,215,927,528) ordinary shares of KShs.2.50 each	25,000,000	5,539,819
Issued and fully paid: 2,198,361,456 ordinary shares of KShs.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 reserve is not distributable to shareholders.

(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. The reserve is not distributable to shareholders.

(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. The reserve is not distributable to shareholders.

26. BORROWINGS

(a) Analysis of interest bearing borrowings	Maturity Year	2014 Shs'000	2013 Shs'000
Government of Kenya Guaranteed			
2.6% Japan Bank for International Cooperation KE P20-Kipevu I (JPY 4,678,476,000)	2025	4,047,551	4,442,438
2.3% Japan Bank for International Cooperation KE P21 –Sondu Miriu (JPY 4,396,522,000)	2027	3,803,620	4,121,187
0.75% Japan Bank for International Cooperation KE P23-Sondu Miriu (JPY 10,380,900,000)	2044	8,980,963	9,186,402
0.75% Japan Bank for International Cooperation KE P24-Sangoro (approved JPY 5,620,000,000), (Disbursed JPY 4,260,358,858)	2047	3,685,820	3,696,750
0.20% Japan International Cooperation Agency KE P26-Olkaria I & IV (approved JPY 29,516,000,000), (Disbursed JPY14,972,370,615)	2040	12,953,242	5,279,027
Kreditanstalt Fur Wiederaufbau (KfW)-Kindaruma (approved 1.5% EUR 30,000,000; 4.07% EUR 9,100,000), (Disbursed 1.5% Euro 26,876,593.32; 4.07% Euro 8,152,566.60)	2026	4,187,736	3,547,093
2.2% Kreditanstalt Fur Wiederaufbau (KfW)-Olkaria I & IV (approved EUR 60,000,000), (Disbursed Euro 39,175,344.17)	2026	4,683,412	1,432,703
On lent			
7.7% International Development Association IDA 2966KE-Olkaria II (USD 29,188,645.46)	2018	2,557,711	3,138,053
7.7% Kreditanstalt Fur Wiederaufbau –Olkaria II (Euro 477,181.37)	2018	57,047	65,553
4.5% International Development Association Credit IDA 3958KE-Olkaria II Unit 3(USD 20,899,215.75)	2025	1,831,333	1,975,054
1.5% KBC Bank loan (Belgium)-Ngong Wind Power (Euro 8,193,390.21)	2024	979,520	1,008,627
3.5% International Development Association IDA 4743 KE-Olkaria I & IV (USD 93,961,316.31)	2035	8,233,539	4,266,676
2.003% Agence Francaise de Developpement (AFD) -Olkaria I & IV (EURO 80,853,276.46)	2031	9,666,009	2,604,965
3.884% European Investment Bank-Olkaria I & IV (EURO 71,360,447.2)	2037	8,531,141	2,573,234

26. BORROWINGS (Continued)

(a) Analysis of interest bearing borrowings (Continued)

	Maturity Year	2014 Shs'000	2013 Shs'000
2.50% Export-Import Bank of China (EXIM) - 80wells(USD 185,096,993.48)	2033	16,219,476	3,495,124
1.50% Spanish loan-Ngong Phase II 13.6MW (Euro 17,594,381.93)	2030	2,103,408	337,086
3.20% KBC Ngong I Phase 11 6.8 MW (Euro 4,805,899.83)	2020	574,545	-
0.50% National Bank of Belgium (NBB) Ngong I Phase 11 6.8 MW (Euro 5,562,952.95)	2043	665,051	-
Direct borrowings			
2.68% Agence Francaise de Developpement (AFD)- Olkaria II Unit 3 (EURO 16,666,666.64)	2024	1,992,500	2,060,630
European Investment Bank—Olkaria II Unit 3 (USD Nil)	2025	-	3,384,718
2.901% HSBC Bank loan-Rigs (USD 30,690,562.7)	2024	2,689,319	2,475,266
12.5% Public Infrastructure Bond –Various projects(Shs)	2019	17,033,089	20,158,089
5.7219% Standard Chartered Bank loan-EIB -Olkaria II Unit 3 (USD 38,918,890.85)	2021	3,410,342	-
7.0234% CBA Term loan-- Geothermal wellheads 75MW (USD 100,000,000)	2027	8,762,690	-
Citibank NA short-term loan (KES)	2014	1,200,000	840,000
Equity Bank Limited	2014	1,200,000	-
Overdrafts			
Commercial bank of Africa Limited	2014	642,502	-
Bank of Africa Limited	2014	1,424,839	-
NIC Bank Limited	2014	1,226,099	-
Kenya Commercial Bank Limited	2014	1,507,939	-
		134,850,443	80,088,675
Accrued interest		1,264,447	846,025
Total borrowings		**136,114,890**	**80,934,700**
Less: Amounts due within 12 months		(13,790,779)	(7,000,387)
Non-current borrowings		**122,324,111**	**73,934,313**

(b) Borrowings maturity analysis

	2014 Shs'000	2013 Shs'000
Due within 1 year	13,790,779	7,000,387
Due between 1 and 2 years	12,508,615	5,946,957
Due between 2 and 5 years	21,195,786	20,265,361
Due after 5 years	88,619,710	47,721,995
	136,114,890	**80,934,700**

26. BORROWINGS (Continued)

(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
Balances at 30 June 2014	43,704,409	33,471,195	33,440,371	25,498,915	136,114,890
Balances at 30 June 2013	21,308,125	26,725,803	11,056,658	21,844,114	80,934,700

(d) The movement in borrowings is as follows:

	2014 Shs'000	**2013** Shs'000
At beginning of the year	80,088,675	68,313,532
Received in the year	57,830,817	22,790,931
Repaid in the year	(8,951,356)	(6,379,012)
Realised exchange losses on repayment (note 19)	(344,320)	(375,312)
Unrealised exchange gain/(loss) in the year (note 19)	1,425,248	(4,261,464)
At the end of the year	**130,049,064**	**80,088,675**
Add: accrued interest (note 33(c))	1,264,447	846,025
Add: bank overdrafts (noted 23(b))	4,801,379	-
Total borrowings at the end of the year	**136,114,890**	**80,934,700**

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.

26. BORROWINGS (Continued)

(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 US Dollar denominated Special Account B operated by the company and summary information on transactions during the year is as follows:

	2014 Shs'000	2013 Shs'000
Balance at the beginning of the year	39,376	53,189
Amounts received during the year	13,254	-
Net interest expense	(13)	-
Expenditure during the year	(40,861)	(13,813)
Refunded to World Bank at Credit closure	(11,756)	-
Balance at the end of the year	**-**	**39,376**

The Credit facility was closed on 30th September 2013. The unutilized balance of USD 136,400 (KShs.11,755,975) in the Special Account B was refunded to World Bank at the Credit closure.

(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:

	2014 Shs'000	2013 Shs'000
Balance at the beginning of the year	1,201,623	571,736
Amounts received during the year	2,318,332	1,868,644
Net interest expense	(2)	-
Transfers to project account	(2,614,339)	(1,238,757)
Balance at the end of the year	**905,614**	**1,201,623**

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 2014 Kshs.8,233,539,000 - US$ 93,961,316.31 (2013: KShs.4,266,676,000 - US$ 49,608,182.30) had been disbursed under this credit line as disclosed in note 26(a). The disbursement to the special account has been expended in accordance with the intended purpose as specified in the loan agreement.

27. OPERATING LEASE COMMITMENTS

	2014 Shs'000	2013 Shs'000
(a) As lessee		
The future rental payments under operating leases are as shown below:		
Within 1 year	32,873	33,905
After 1 year but not later than 5 years	65,745	54,620
	98,618	88,525

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 KShs.15,000,000 per well receivable in advance.

The advance receipts have been accounted for as shown below:

	2014 Shs'000	2013 Shs'000
At beginning of year	5,000	7,000
After 1 year but not later than 5 years	(2,000)	(2,000)
	3,000	5,000
Less: current portion	(2,000)	(2,000)
Non-current portion	**1,000**	**3,000**
Maturity analysis of operating lease commitments as lessor:		
Within 1 year	2,000	2,000
After 1 year but not later than 5 years	1,000	3,000
	3,000	5,000

This amount is amortised annually to the income statement 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 by Alexander Forbes Financial Services (E.A) Limited while British-American Asset Managers and Co-optrust Investment Services ltd act as Investment Managers for the DB Scheme. Under the plan, the employees are entitled to retirement benefits of 3% of Final Pensionable Emoluments for Pensionable Service upto 1 January 2000 and 2% of Final Pensionable Emoluments for Pensionable Service after 1 January 2000 on attainment of a retirement age of 60 years. No other post-retirement benefits are provided to these employees.

The KenGen Staff Retirement Benefits Scheme (DB Scheme) is established under trust and was closed to new entrants and to future accrual of benefits with effect from 31 December 2011 in respect of members aged below 45 years. A new Defined Contribution Scheme, the KenGen Defined Contribution (DC Scheme) 2012 was established effective 1 January 2012, for all new eligible employees. All active in service members aged 45 years and over as at 31 December 2011 had an option to either remain in the DB scheme for future benefit accrual or join the new DC scheme. Some members have opted to join the new DC scheme for future benefit accrual while others opted to remain in the DB scheme. The DC scheme is administered by Alexander Forbes Financial Services (EA) while Stanlib Ltd act as Investment Managers for the Scheme.

The company therefore only makes contributions to the DB scheme in respect of those members who opted to remain in 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 2014. 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:

	2014 %	2013 %
Discount rate(s)	13%	12.5%
Future salary increases	8%	8%
Future pension increases1	0%	0%
Mortality (pre-retirement)	A 1949-1952	A 1949-1952
Mortality (pre-retirement)	n/a	n/a
Retirement age	60 years	60 years

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

28. RETIREMENT BENEFITS LIABILITY (Continued)

The amount recognised in the statement of profit or loss and other comprehensive income in respect of these defined benefit plan are as follows:

	2014 Shs'000	2013 Shs'000
Current service cost	(1,829)	(2,348)
Interest on obligation	726,506	661,024
Interest income on plan assets	(692,479)	(632,093)
Components of defined benefits plan recognized in profit or loss	32,198	26,583
Acturial gain obligation	(1,356,386)	-
Return on plan assets (excluding amount in interest cost)	(338,613)	49,697
Components of defined benefits plan recognized in other comprehensive income	(1,694,999)	49,697
Total	**(1,662,801)**	**76,280**

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:

	2014 Shs'000	2013 (Restated) Shs'000
Present value of funded defined benefit obligation	5,114,694	5,879,527
Fair value of plan assets	(6,522,105)	(5,588,651)
Present value of unfunded defined benefit (asset)/obligation	**(1,407,411)**	**290,876**

The reconciliation of the amount included in the statement of financial position is as follows:

	2014 Shs'000	2013 Shs'000
Net liability at the start of the period	290,876	250,647
Net expense recognised in the income statement	32,198	26,583
Employer contributions	(35,486)	(36,051)
Fair value of plan assets	(1,694,999)	49,697
Present value of unfunded defined benefit (asset)/obligation	**(1,407,411)**	**290,876**

28. RETIREMENT BENEFITS LIABILITY (Continued)

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

	2014 Shs'000	2013 (Restated) Shs'000
Opening defined benefit obligation	5,879,527	5,357,885
Current service cost	(1,829)	(2,348)
Interest cost	726,506	661,024
Contributions from plan participants	18,488	18,026
Acturial gain due to change in assumptions	(212,813)	-
Acturial gain due to experience	(1,143,573)	-
Benefits paid	(151,612)	(155,060)
Closing defined benefit obligation	**5,114,694**	**5,879,527**

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

	2014 Shs'000	2013 (Restated) Shs'000
Opening fair value of plan assets	(5,588,651)	(5,107,238)
Interest income on plan assets	(692,479)	(632,093)
Contributions from the employer	(35,486)	(36,051)
Employee contributions	(18,488)	(18,026)
Benefits paid	151,612	155,060
Return on plan assets	(338,613)	49,697
Closing fair value of plan assets	**(6,522,105)**	**(5,588,651)**

The fair value of the plan assets at the end of the reporting period for each category are as follows:

	2014 Shs'000	2013 Shs'000
Equity instruments	2,560,518	718,336
Debt instruments	323,189	2,166,567
Property	3,495,377	2,420,516
Offshore investments	94,472	182,929
Cash	48,549	100,303
Total scheme assets	**6,522,105**	**5,588,651**

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:

	2014 Shs'000	2013 Shs'000
Deferred tax assets:		
Tax losses	(9,933,282)	(10,396,680)
Provisions for bad debt	(3,499)	(124,117)
Leave pay provision	(69,400)	(75,729)
Provision for gratuity	-	(4,252)
Defined benefit obligation	-	(87,263)
Unrealised exchange losses	-	(4,513)
	(10,006,181)	**(10,692,554)**
Deferred tax liabilities:		
Defined benefit asset	422,223	-
Revaluation surplus	7,139,895	7,417,187
Accelerated capital allowances	18,033,894	17,498,283
Unrealised exchange gain	14,826	-
	25,610,838	24,915,470
Net deferred tax liability	**15,604,657**	**14,222,916**
Movement on the deferred tax account is as follows:		
At the beginning of the year	14,222,916	15,968,498
Deferred tax charge/(credit) (note 12(a))	873,241	(1,149,354)
Prior year overprovision (note 12 (a))	-	(611,137)
Deferred tax through other comprehensive income	508,500	14,909
At the end of the year	**15,604,657**	**14,222,916**

The company's deferred tax balance includes deferred tax assets of KShs.9.1 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 amounting to Sh 9.1 billion cannot be carried forward unless the Cabinet Secretary, National Treasury approves extension of the tax loss period upon recommendation by Kenya Revenue Authority. On 12th February 2014, the company applied for extension of the loss carried forward period. On 8 August 2014, KRA advised the company that the loss which relates to the year ended 30 June 2010 will be considered for extension, once the company provides the audited financial statements for the year ended 30 June 2014. Separately, on 9th June 2014, the Cabinet Secretary, Ministry of Energy and Petroleum wrote to the Cabinet Secretary, National Treasury seeking for extension of the tax loss period for KenGen and other Electricity Sub- Sector players.

30. TRADE AND OTHER PAYABLES

	2014 Shs'000	2013 Shs'000
Trade payables	3,959,258	2,728,168
Contract and Retention money	10,383,919	11,355,007
Sundry payables	2,327,417	1,367,564
Total trade and other payables	16,670,594	15,450,739
Non-current trade and other payables*	(10,369,854)	(8,591,032)
Current trade and other payables	**6,300,740**	**6,859,707**

* 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

	2014 Shs'000	2013 Shs'000
At beginning of the year	252,429	160,415
(Credit)/charge to profit or loss	(21,095)	92,014
At close of the year	**231,334**	**252,429**

32. DIVIDENDS

	2014 Shs'000	2012 Shs'000
a) Dividend payable		
At beginning of the year	3,196,321	3,196,321
Declared	1,319,017	1,319,017
Paid during the year	(395,705)	(1,319,017)
At end of the year	**4,119,633**	**3,196,321**
b) Dividend proposed		
Proposed for approval at annual general meeting (not recognised as a liability)	879,345	1,319,017
Proposed dividend per share in (Shs)	**0.40**	**0.60**

33. NOTES TO THE STATEMENT OF CASH FLOWS

		2014 Shs'000	2013 Shs'000
(a)	Reconciliation of operating profit to cash generated from operations		
	Profit before taxation	4,157,948	4,026,924
	Adjustments for:		
	Depreciation (note 14)	5,048,839	4,858,195
	Prepaid lease expense (note 15)	6,251	1,756
	Amortisation of intangible assets (note 16)	67,283	46,389
	Interest income (note 33(b))	(416,154)	(676,109)
	Interest expense (note 33(c))	2,587,519	3,000,802
	Gain on disposal of assets	(1,476)	(6,746)
	Unrealised foreign exchange loss related to amount due from Kenya Power-deferred debt	1,770	252,168
	Net loss on derecognition of treasury bonds	201,320	42,436
	Amortisation of held-to-maturity treasury bonds	4,884	4,551
	Reduction in actuarial deficit arising from valuation of retirement benefit liability	(3,289)	6,103
	Operating profit before working capital changes	11,654,895	11,556,469
	Changes in working capital:		
	Decrease in inventories	47,926	1,119,305
	(Increase)/decrease in amounts due from Kenya Power	(1,664,851)	1,035,028
	Decrease in other receivables	2,672,851	187,470
	Decrease in amount due from Ministry of Energy & Petroleum	-	2,205
	Increase in trade and other payables	1,219,855	11,080,427
	Increase in amount due to Kenya Power	448	76,927
	Decrease in operating lease liability	(2,000)	(2,000)
	(Decrease)/increase in leave pay provision	(21,095)	92,014
	Cash generated from operations	**13,908,029**	**25,147,845**
(b)	Movement in interest receivable		
	1 July	50,367	199,135
	Interest income	416,154	676,109
	Interest received	(436,066)	(824,877)
	30 June	**30,455**	**50,367**
(c)	Movement in interest payable		
	1 July	846,025	802,192
	Interest expense	2,587,519	3,000,802
	Interest paid	(2,169,097)	(2,956,969)
	30 June	**1,264,447**	**846,025**

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. 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.

	2014 Shs'000	2013 Shs'000
At the beginning of the year	243,237	369,324
Receipts from sale of electricity	4,999,690	5,994,060
Interest income	25,596	33,931
Expenditure during the year	(5,208,444)	(6,154,078)
At end of the year	**60,079**	**243,237**

The company earned KShs.33,661 million in the year (2013 - KShs.76,745 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 KShs.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 KShs.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 is not expected to 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 2014 amounted to KShs.1.186 billion (30 June 2013: Shs: 3.063 billion).

III. Disputed witholding tax

During the year, Kenya Revenue Authority (KRA) performed a tax audit for the financial years 2009-2012. Subsequently KRA issued an assessment of Shs. 975,848, 686. The company objected to the assessment after which KRA issued a stand over notice pending resolution of matters in dispute. In the opinion of the directors no provision is required in the financial statements as the liability is not expected to crystallise.

36. CAPITAL COMMITMENTS

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

	2014 Shs'000	2013 Shs'000
Authorised but not contracted for	117,332,419	427,703,764
Authorised and contracted for	30,591,152	66,730,466
	147,923,571	**494,434,230**

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.

38. FINANCIAL RISK MANAGEMENT (Continued)

Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the company's risk management framework.

The company's Finance Division identifies, evaluates and hedges financial risks in close cooperation with operating units. The board provides written principals for overall risk management, as well as written policies covering specific areas such as credit risk, liquidity risk, foreign exchange risk, interest rate risk and price risk.

The company does not enter into or trade in financial instruments, including derivative financial instruments, for speculative purposes.

(a) Market risks

The board has put in place an internal audit function to assist it in assessing the risk faced by the company on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the company's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The company's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

There has been no change to the company's exposure to market risks or the manner in which it manages and measures the risk.

i) Foreign currency risk

The company has transactional currency exposures. Such exposure arises when borrowings are revalued at the reporting date 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.

38. FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risks (Continued)

The carrying amount of the company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting date is:

	Shs Shs '000	Others Shs '000	Total Shs '000
At 30 June 2014			
Financial assets			
Amount due from Kenya Power – Deferred debt	-	1,147,194	1,147,194
Recoverable foreign exchange adjustment	-	6,657,923	6,657,923
Cash and cash equivalents*	574,887	8,854,471	9,429,358
	574,887	16,659,588	17,234,475
Liabilities			
Trade and other payables	(6,286,676)	(10,383,919)	(16,670,595)
Borrowings	(25,498,915)	(110,615,975)	(136,114,890)
	(31,785,591)	(120,999,894)	(152,785,485)
Net currency liability	**(31,210,704)**	**(104,340,306)**	**(135,551,010)**
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)**

*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	2014 Shs	2013 Shs
US$	64.9242	87.627	86.0075
Yen	0.6404	0.8650	0.8704
Euro	100.793	119.55	112.40

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
2014		
Us$	2%	121,750
Yen	-1%	(62,022)
Euro	6%	588,075
Total		**647,803**
2013		
Us$	2%	118,328
Yen	-18%	(1,343,161)
Euro	6%	321,047
Total		**(903,786)**

38. FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risks (Continued)

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.

(b) Credit risk

The company has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

The carrying amount of financial assets recorded in the financial statements representing the company's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Neither past due nor impaired	Past due but not impaired		Impaired	
		Over 60 days	Over 365 days	Over 365 days	Total
	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000
At 30 June 2014					
Amount due from Kenya Power	6,033,194	1,640,285	778,906	(600,785)	7,851,600
Treasury bonds –available-for-sale	594,769	-	-	-	594,769
Foreign exchange adjustment receivables	6,657,923	-	-	-	6,657,923
Other receivables (excluding prepayments)	1,130,151	-	-	-	1,130,151
Amount due from Ministry of Energy	5,315,816	-	-	-	5,315,816
Cash and cash equivalents*	9,429,358	-	-	-	9,429,358
	29,161,211	**1,640,285**	**778,906**	**(600,785)**	**30,979,617**

38. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

	Neither past due nor impaired KShs.'000	Past due but not impaired Over 60 days KShs.'000	Over 365 days KShs.'000	Impaired Over 365 days KShs.'000	Total KShs.'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	5,576,996	-	-	-	5,576,996
Other receivables (excluding prepayments)	4,932,003	-	-	-	4,932,003
Amount due from Ministry of Energy	5,315,816	-	-	-	5,315,816
Cash and cash equivalents*	3,988,847	-	-	-	3,988,847
	26,869,616	**1,308,492**	**774,708**	**(402,060)**	**28,550,756**

*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 40 day credit period. 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:

2014	Less than 3 months KShs.'000	3 to 12 months KShs.'000	1 to 5 years KShs.'000	> 5 years KShs.'000	Total KShs.'000
Trade and other payables	6,300,741	-	10,369,854	-	16,670,595
Less non-financial liabilities	(2,327,418)	-	-	-	(2,327,418)
	3,973,323	-	10,369,854	-	14,343,177
Amount due to Kenya Power	82,884	-	-	-	82,884
Borrowings	6,876,076	6,914,703	33,704,401	88,619,710	136,114,890
	10,932,283	**6,914,703**	**44,074,255**	**88,619,710**	**150,540,951**
2013					
Trade and other payables	6,859,707	-	8,591,032	-	15,450,739
Less non-financial liabilities	(1,717,362)	-	-	-	(1,717,362)
	5,142,345	-	8,591,032	-	13,733,377
Amount due to Kenya Power	83,332	-	-	-	83,332
Borrowings	840,000	6,160,387	26,212,318	47,721,995	80,934,700
	6,065,677	**6,160,387**	**34,803,350**	**47,721,995**	**94,751,409**

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 2014, the company held the following financial instruments measured at fair value

	Fair value as at		**Fair value hierarchy**	**Valuation technique (s) and key inputs**	**Significant unobservable inputs**	**Relationship of unobservable inputs to fair value**
Financial assets/liabilities	**30 June 2014 Sh**	**30 June 2013 Sh**				
Treasury bonds-available-for-sale	594,769	2,550,345	Level 1	Quoted bid prices in an active market	N/A	N/A

There were no transfers between levels 1, 2 and 3 in the period (2013: none).

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.

	2014 Shs'000	2013 Shs'000
Equity	76,709,673	73,958,516
Borrowings	136,114,890	80,934,700
Less cash and bank balances (note 23 (a))	(9,429,358)	(3,996,427)
Net debt	126,685,532	76,938,273
Gearing ratio	61%	51%

40. PRIOR YEAR ADJUSTMENTS

In compiling the financial information included herein, the company has adopted the specific transitional provisions applicable to first-time application of IAS 19 (as revised in 2011). The company has applied the relevant transitional provisions and restated the comparative amounts on a retrospective basis. The impact of the changes on the total comprehensive income for the year, assets, liabilities and equity is shown below

a) Impact on assets, liabilities and equity as at 1 July 2012 of the application of the amendments to IAS 19 (as revised in 2011)

	As at 1 July 2012 (as previously reported) Shs'000	IAS 19 adjustments Shs'000	As at 1 July 2012 (as restated) Shs'000
Increase in retirement benefit obligation liabilities	93,500	157,147	250,647
Increase in deferred tax liabilities	16,015,642	(47,144)	15,968,498
Increase in liabilities	16,109,142	110,003	16,219,145
Decrease in retained earnings	**33,319,646**	**(110,003)**	**33,209,643**

b) Impact on assets, liabilities and equity as at 30 June 2013 of the application of the amendments to IAS 19(as revised in 2011)

	As at 1 July 2013 (as previously reported) Shs'000	IAS 19 adjustments Shs'000	As at 1 July 2013 (as restated) Shs'000
Increase in retirement benefit obligation liabilities	47,700	243,176	290,876
Increase in deferred tax liabilities	14,295,869	(72,953)	14,222,916
Increase in liabilities	14,343,569	170,223	14,513,792
Decrease in retained earnings	**37,898,949**	**(170,223)**	**37,728,726**

40. PRIOR YEAR ADJUSTMENTS (Continued)

c) Impact on total comprehensive income for the year on the application of IAS 19 (as revised in 2011)

Impact on profit for the year	As at 1 July 2013 (as previously reported) Shs'000	IAS 19 adjustments Shs'000	As at 1 July 2013 (as restated) Shs'000
Profit before tax	4,093,074	(66,150)	4,026,924
Taxation credit	1,157,062	40,718	1,197,780
Profit for the year	5,250,136	(25,432)	5,224,704
Impact on other comprehensive income for the year			
Remeasurement of defined benefit liability	-	(49,697)	(49,697)
Deferred tax relating to items of other comprehensive income	-	14,909	14,909
Other comprehensive income for the year	18,066	(34,788)	(16,722)
Total comprehensive income	**5,268,202**	**(60,220)**	**5,207,982**

41. CURRENCY

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

Ngong Wind Farm

Additional Information and Statistics

Sondu Miriu Power Station

SEGMENT REPORTS

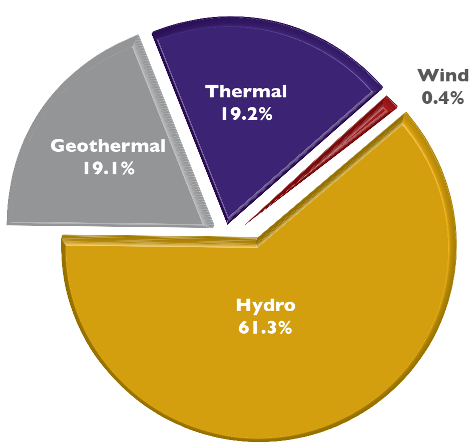
The Company operates in four segments which are mainly the electricity generating modes namely; Hydro, Geothermal, Thermal and Wind. The Company reports on the four segments for management purposes.

Below are summary reports on segments for the year ended 30 June 2014:

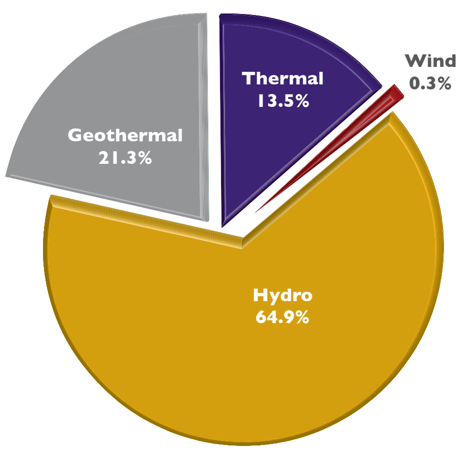
Electricity Output

	Installed Capacity(MW)		Units Generated and Sold Out (GWh)	
Segment	**2014**	**2013**	**2014**	**2013**
Hydro	820	820	3,945	4,347
Geothermal	256	158	1,297	1,102
Thermal	256	256	824	559
Wind	5.1	5.1	18	14
Total	**1,337**	**1,239**	**6,084**	**6,022**

Installed Capacity Mix (%) 2014



Units Sold by Source (%) 2014



REVENUE FROM ELECTRICITY SALES (KShs'000)

	2014				2013			
Segment	**Capacity**	**Energy**	**Forex Recovery**	**Total**	**Capacity**	**Energy**	**Forex Recovery**	**Total**
Hydro	7,578,958	1,270,567	20,677	8,870,202	7,130,191	1,249,450	148,838	8,528,479
Geothermal	2,420,893	1,477,997	258,540	4,157,429	2,452,551	1,349,568	202,998	4,005,116
Thermal	3,241,567	799,141	238,427	4,279,135	3,038,239	591,944	197,631	3,827,814
Wind	-	107,650	9,356	117,005	-	84,687	5,098	89,785
Total	**13,241,417**	**3,655,354**	**527,000**	**17,423,771**	**12,620,981**	**3,275,649**	**554,564**	**16,451,195**

CAPITAL EXPENDITURE (CAPEX)

Project	2014 (KShs'000)	2013 (KShs'000)
Kindaruma Unit 3	431,367	1,903,017
Sang'oro	-	831,818
Olkaria I & IV	30,426,255	17,091,921
Wellhead	2,718,353	1,639,211
GT relocation	-	141,050
Purchase of Rigs	185,246	1,973,944
Ngong Wind	3,583,807	38,873
Muhoroni	-	10,454
Geothermal Resources Development-Drilling	19,730,956	12,621,825
Other projects	4,008,370	1,144,251
Total	**61,084,354**	**37,396,364**

HISTORICAL PERFORMANCE

Company's Five Year Financial Review

Plant Performance

	2010	2011	2012	2013	2014
Units Sold(GWh)	3,596	5,041	5,404	6,022	6,084
Average Weighted Tariff (KShs/KWh)	3.06	2.85	2.96	2.73	2.86

Statement of Comprehensive Income

	2010 KShs'000	2011 KShs'000	2012 KShs'000	2013 KShs'000	2014 KShs'000
Revenue	10,998,429	14,389,027	15,999,078	16,451,195	17,423,771
Interest income	398,331	548,975	952,621	676,109	416,154
Other income	113,683	284,094	484,632	594,888	650,896
	11,510,443	**15,222,096**	**17,436,331**	**17,722,192**	**18,490,821**
Other gains and losses	274,449	439,669	(152,811)	(53,107)	67,119
Operating costs	(8,558,448)	(10,013,507)	(10,266,022)	(10,641,359)	(11,812,473)
Finance costs	(741,491)	(1,996,951)	(2,972,308)	(3,000,802)	(2,587,519)
Profit Before Tax	**2,484,953**	**3,651,307**	**4,045,190**	**4,026,924**	**4,157,948**
Taxation (charge)/credit	801,534	(1,571,186)	(1,222,590)	1,197,780	(1,331,625)
Profit After Tax	**3,286,487**	**2,080,121**	**2,822,600**	**5,224,704**	**2,826,323**
Other Comprehensive Income/(Loss)	1,363,450	(633,498)	(962,452)	(16,722)	1,243,851
Total Comprehensive Income	**4,649,937**	**1,446,623**	**1,860,148**	**5,207,982**	**4,070,174**
Earnings per share - Basic and diluted (KShs)	1.49	0.94	1.28	2.38	1.29
Dividend per share (KShs)	0.50	0.50	0.60	0.60	0.40

HISTORICAL PERFORMANCE

Company's Five Year Financial Review

Statement of Financial Position

ASSETS	2010 KShs'000	2011 KShs'000	2012 KShs'000	2013 KShs'000	2014 KShs'000
Non-current assets					
Property, plant and equipment	102,230,784	116,786,429	120,664,699	153,201,471	209,235,821
Prepaid leases on land	1,417	1,373	35,426	439,957	1,048,372
Intangible assets	695,284	663,553	896,335	1,079,686	1,066,049
Amount due from Kenya Power-deferred debt	1,220,570	1,472,503	1,401,133	1,148,965	1,084,900
Treasury bonds	6,864,340	9,610,661	8,050,919	2,436,683	2,431,799
Recoverable foreign exchange adjustment	6,705,077	12,919,737	9,808,295	5,238,710	6,300,529
Retirement benefit asset	-	-	-	-	1,407,411
	117,717,472	141,454,256	140,856,807	163,545,472	222,574,881
Current assets					
Inventories	1,443,374	1,168,240	1,955,564	836,259	788,333
Amount due from Kenya Power	3,590,525	7,786,396	7,221,777	6,186,749	7,851,600
Other receivables	4,115,238	1,593,845	6,077,151	5,903,928	3,231,077
Amount due from Ministry of Energy & Petroleum	1,316,384	4,574,417	5,318,021	5,315,816	5,315,816
Treasury bonds	519,201	391,127	643,203	2,550,345	594,769
Recoverable foreign exchange adjustment	250,378	523,554	405,477	338,286	357,395
Corporate tax recoverable	282,868	385,857	231,154	-	-
Amount due from Kenya Power-deferred debt	-	-	-	-	62,295
Cash and cash equivalents	21,331,446	3,115,598	435,719	3,996,427	9,429,358
	32,849,414	19,539,034	22,288,066	25,127,810	27,630,643
TOTAL ASSETS	**150,566,886**	**160,993,290**	**163,144,873**	**188,673,282**	**250,205,524**

HISTORICAL PERFORMANCE

Company's Five Year Financial Review

Statement of Financial Position (Continued)

	2010 KShs'000	2011 KShs'000	2012 KShs'000	2013 KShs'000	2014 KShs'000
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	5,495,904	5,495,904	5,495,904	5,495,904	5,495,904
Share premium	5,039,818	5,039,818	5,039,818	5,039,819	5,039,818
Capital reserve	8,579,722	8,579,722	8,579,722	8,579,721	8,579,722
Investments revaluation reserve	1,385,460	751,962	(210,490)	(192,424)	(135,072)
Property, plant and equipment revaluation reserve	21,600,510	19,038,008	17,954,954	17,306,770	16,658,062
Retained earnings	28,429,454	30,513,173	33,209,643	37,728,726	41,071,239
	70,530,868	69,418,587	70,069,551	73,958,516	76,709,673
Non-current liabilities					
Borrowings	59,636,829	64,166,527	61,850,220	73,934,313	122,324,111
Operating lease liability	9,000	7,000	5,000	3,000	1,000
Retirement benefits liability	1,419,100	1,112,400	250,647	290,876	-
Deferred tax liability	12,001,274	15,032,183	15,968,498	14,222,916	15,604,657
Long term Contract payables	-	-	-	8,591,032	10,369,854
	73,066,204	80,318,111	78,074,365	97,042,137	148,299,622
Current liabilities					
Borrowings due within one year	1,876,081	4,480,481	7,265,504	7,000,387	13,790,779
Trade and other payables	2,749,336	3,645,245	4,370,312	6,859,707	6,300,740
Amount due to Kower Ppower	5,955	13,659	6,405	83,332	82,884
Operating lease liability	2,000	2,000	2,000	2,000	2,000
Leave pay provision	182,049	191,387	160,415	252,429	231,334
Tax Payable	-	-	-	278,453	668,859
Dividends payable	2,154,394	2,923,821	3,196,321	3,196,321	4,119,633
	6,969,814	11,256,592	15,000,957	17,672,629	25,196,229
TOTAL EQUITY AND LIABILITIES	**150,566,886**	**160,993,290**	**163,144,873**	**188,673,282**	**250,205,524**
Capex	**13,360,515**	**19,169,926**	**9,020,497**	**37,396,364**	**61,084,354**

Financial Ratios

	2010	2011	2012	2013	2014
Profit Margin	22.59%	25.38%	25.28%	24.48%	23.86%
Profit before tax, dividend & exeptional items/Net fixed assets in service	2.80%	3.74%	4.33%	3.75%	3.89%
Return on total assets	1.91%	2.80%	3.35%	3.21%	3.39%
Current Ratio	4.71	1.74	1.49	1.42	1.10
Debt Service Coverage Ratio	4.53	2.86	1.94	1.24	0.99
Self Financing Ratio	57%	48%	35%	27%	17%
Debt/(Debt+Equity)	31%	48%	50%	51%	61%

INSTALLED CAPACITY (MW) AS AT JUNE...

	2014		2013		2012		2011		2010	
PLANT	Installed	Effective	Installed	Effective	Installed	Effective	Installed	Effective	Installed	Effective
HYDRO										
TANA	20	20	20	20	20	20	20	10.4	14.4	10.4
KAMBURU	94.2	90	94.2	90	94.2	90	94.2	94.2	94.2	94.2
GITARU	225	216	225	216	225	216	225	216	225.0	216.0
KINDARUMA	72	70.5	72	48	68	44	40	40	40.0	40.0
MASINGA	40	40	40	40	40	40	40	40	40.0	40.0
KIAMBERE	168	164	168	164	168	164	168	164	168.0	164.0
TURKWEL	106	105	106	105	106	105	106	106	106.0	106.0
SONDU MIRIU	60	60	60	60	60	60	60	60	60.0	60.0
SANG'ORO	21	20	21	20	21	20	0	0	0.0	0.0
SMALL HYDROS	13.7	11.1	13.7	11.1	13.7	10.9	13.7	13.3	14.7	13.3
HYDRO TOTAL	**819.9**	**796.6**	**819.9**	**774.1**	**815.9**	**769.9**	**766.9**	**743.85**	**762.3**	**743.9**
THERMAL										
KIPEVU I DIESEL	73.5	60	73.5	60	73.5	60	73.5	59	73.5	66.0
KIPEVU III DIESEL	120	115	120	115	120	115	120	115	0.0	0.0
KIPEVU GAS TURBINE*	54	54	54	27	54	27	27	27	60.0	60.0
GARISSA & LAMU	8.7	7.7	8.7	7.7	8.7	8.3	8.87	7.11	5.4	5.4
THERMAL TOTAL	**256.2**	**236.7**	**256.2**	**209.7**	**256.2**	**210.3**	**229.37**	**208.11**	**138.9**	**131.4**
GEOTHERMAL										
OLKARIA I	45	44	45	44	45	44	45	45	45.0	45.0
OLKARIA II	105	101	105	88.2	105	101	105	105	105.0	105.0
EBURRU	2.5	2.3	2.5	2.3	2.5	2.3	0	0	0.0	0.0
WELLHEAD 37	5	4.4	5	4.4	5	4.4	0	0	0.0	0.0
WELLHEAD 43	12.8	12.8	-	-	0	0	-	-	0	0
WELLHEAD 914	12.8	12.8	-	-	0	0	-	-	0	0
OLKARIA IV	73	70	-	-	0	0	-	-	0	0
GEOTHERMAL TOTAL	**256.1**	**247.3**	**157.5**	**138.9**	**157.5**	**151.7**	**150**	**150**	**150.0**	**150.0**
WIND										
NGONG	**5.1**	**5.1**	**5.1**	**5.1**	**5.1**	**5.1**	**5.1**	**5.1**	**5.1**	**5.1**
KenGen TOTAL	**1,337.3**	**1,285.7**	**1,238.7**	**1,127.8**	**1,234.7**	**1,137.0**	**1,151.4**	**1,107.1**	**1,056.3**	**1,030.4**

UNITS SENT OUT (Gwh)

	2014		2013		2012		2011		2010	
Plant	Generated	Sales	Generated	Sales	Generated	Sales	Generated	Sales	Generated	Sales
TANA	71.11	68.92	107.56	107.56	88.00	85.66	49.40	49.40	28.98	28.71
WANJII	42.21	42.12	41.41	41.11	49.06	48.95	40.70	40.40	27.79	27.33
KAMBURU	421.91	420.87	520.10	520.10	410.50	409.60	407.50	407.50	251.34	251.34
GITARU	831.72	829.95	1,038.29	1,035.55	793.40	792.60	804.30	803.80	457.65	457.65
KINDARUMA	201.89	201.23	251.99	251.99	185.20	184.62	191.30	191.20	108.93	108.84
GOGO	5.83	5.83	5.13	5.07	6.57	6.47	6.80	6.70	5.27	5.18
SOSIANI	0.99	0.98	1.57	1.55	1.90	1.88	1.60	1.50	1.44	1.41
MESCO	1.90	1.90	-	-	-	-	-	-	0.26	0.22
NDULA	-	-	-	-	-	-	0.40	0.40	3.44	3.44
SAGANA	9.05	9.05	9.71	9.71	10.68	8.88	8.00	8.00	8.38	8.36
MASINGA	206.81	206.49	148.11	148.11	137.28	136.74	201.10	201.00	61.57	61.43
KIAMBERE	980.35	978.67	1,178.47	1,178.47	887.90	885.83	898.80	882.70	549.72	549.36
TURKWEL	721.05	718.59	545.04	545.04	474.62	472.96	455.40	455.40	335.30	335.30
SONDU MIRIU	351.74	3	392.87	392.87	409.60	408.84	364.30	364.30	320.95	320.95
SANGORO	109.54	109.32	110.04	110.04	6.72	6.71	-	-	-	-
TOTAL HYDROS	**3,956.10**	**3,945.71**	**4,350.29**	**4,347.17**	**3,461.43**	**3,449.74**	**3,429.60**	**3,412.30**	**2,161.01**	**2,159.53**
GEOTHERMAL										
OLKARIA I	367.41	352.49	368.69	368.69	292.10	278.89	236.00	235.10	366.19	366.19
OLKARIA II	754.25	712.38	695.64	695.64	865.30	818.59	796.40	794.00	584.36	572.94
EBURRU	9.38	6.72	14.47	14.47	0.90	0.78	-	-	-	-
WELLHEAD 37 (I)	16.75	16.75	22.78	22.78	2.92	2.90	-	-	-	-
Wellhead 43(II&III)	29.28	29.28	-	-	-	-	-	-	-	-
Wellhead 914 (IV&V)	7.24	7.24	-	-	-	-	-	-	-	-
Olkaria IV	172.20	172.20	-	-	-	-	-	-	-	-
TOTAL GEOTHERMAL	**1,356.51**	**1,297.06**	**1,101.58**	**1,101.58**	**1,161.22**	**1,101.17**	**1,032.40**	**1,029.10**	**950.55**	**939.13**

UNITS SENT OUT (Gwh) (Continued)

	2014		2013		2012		2011		2010	
PLANT	Generated	Sales	Generated	Sales	Generated	Sales	Generated	Sales	Generated	Sales
THERMAL										
KIPEVU I DIESEL	228.41	219.93	185.16	185.16	265.67	256.14	226.30	222.70	325.16	316.36
KIPEVU III DIESEL	533.67	524.22	320.73	320.73	535.17	524.82	227.00	227.00	-	
EMBAKASI GAS TURBINE (ACTIVE)*	27.17	26.94	27.00	27.00	33.00	32.51	0.90	0.90	145.91	145.31
EMBAKASI GAS TURBINE (RE - ACTIVE)	25.39	25.39	-	-	-	-	-	-	-	-
GARISSA DIESEL	20.29	20.29	20.02	20.02	19.00	18.42	16.70	16.10	13.32	12.40
LAMU DIESEL	7.33	7.24	6.99	6.91	6.70	6.61	7.00	6.90	6.61	6.51
TOTAL THERMAL	**842.26**	**824.01**	**559.9**	**559.82**	**859.54**	**838.5**	**477.9**	**473.6**	**491**	**480.58**
WIND TURBINE										
OLD NGONG WIND	-	-	-	-	-	-	-	-	0.02	0.02
NEW NGONG' WIND	17.59	17.59	13.92	13.92	15.20	14.58	17.70	17.70	16.29	16.29
TOTAL WIND	**17.59**	**17.59**	**13.92**	**13.92**	**15.20**	**14.58**	**17.70**	**17.70**	**16.30**	**16.30**
TOTAL KenGen	**6,172.46**	**6,084.37**	**6,025.68**	**6,022.47**	**5,496.11**	**5,403.99**	**4,957.60**	**4,932.70**	**3,618.88**	**3,595.55**

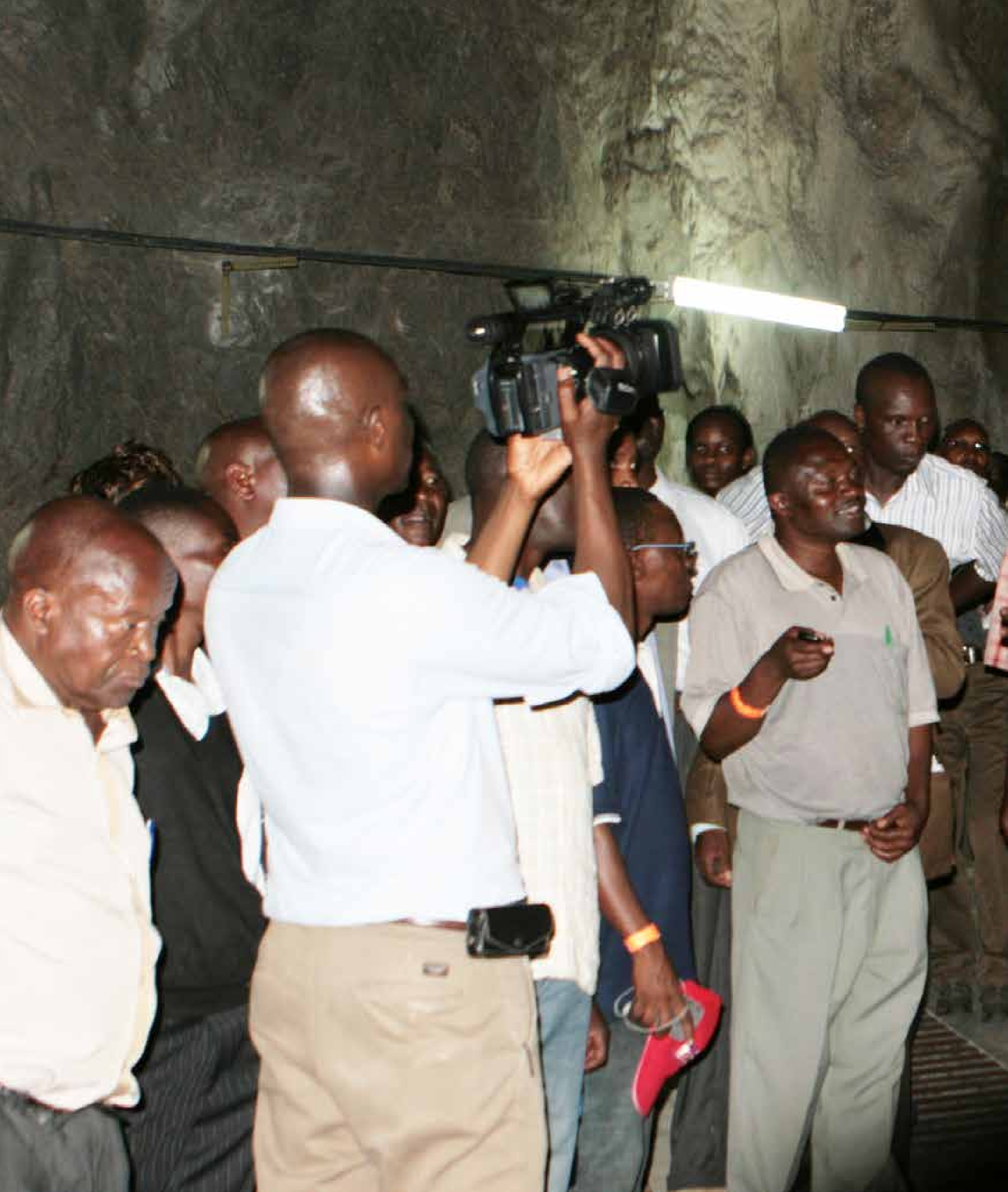
WEIGHTED FACTORS (%)

		2013/2014		2012/2013		2011/2012		2010/2011		2009/2010	
POWER STATION	Effective Capacity	Availability	Load Factor	Availability	Load Factor	Availability	Load Factor	Availability	Load Factor	Availability	Load Factor
Hydro											
Tana	20	40.95	39.34	77.85	61.39	71.31	50.11	90.68	32.65	90.68	32.65
Wanjii	7.4	91.39	64.98	75.60	63.42	89.52	70.16	73.35	42.86	73.35	42.86
Kamburu	90	90.59	53.38	94.71	65.97	96.62	48.83	97.04	27.99	97.04	27.99
Gitaru	216	97.15	43.86	97.69	54.73	84.98	40.14	92.52	23.93	92.52	23.93
Kindaruma	70.5	90.81	32.58	71.98	65.38	85.18	47.09	96.43	31.15	96.43	31.15
Gogo	1.8	66.25	37.00	64.52	32.12	77.96	32.53	66.58	32.53	66.58	32.53
Sosiani	0.4	93.44	55.82	84.20	44.30	91.25	52.67	100.00	40.80	100.00	40.80
Mesco	0.45	69.70	72.61	8.04	0.00	0.00	0.00	11.72	7.86	11.72	7.86
Ndula	0	0.00	0.00	0.00	0.00	0.00	0.00	70.59	18.37	70.59	18.37
Sagana	1.5	99.42	68.88	82.59	73.87	96.25	68.92	94.72	56.52	94.72	56.52
Masinga	40	96.83	58.93	76.44	42.27	98.77	10.42	65.90	17.48	65.90	17.48
Kiambere	164	93.06	68.12	99.13	78.58	96.74	60.17	77.56	37.98	77.56	37.98
Turkwel	105	98.08	78.12	87.62	59.26	90.59	51.09	95.98	37.18	95.98	37.18
Sondu Miriu	60	97.95	66.78	81.29	74.75	95.61	77.72	95.35	64.78	95.35	64.78
Sangor'o	20	94.01	62.40	80.20	59.86	0.00	0.00	0.00	0.00	0.00	0.00
Total Effective Capacity	**797.05**										
Weighted Factors - Hydros		**93.55**	**56.53**	**90.44**	**63.65**	**88.64**	**48.24**	**88.93**	**33.15**	**88.93**	**33.15**
Geothermal											
Olkaria I	44.0	97.15	99.23	88.31	95.65	73.11	74.10	94.27	95.87	94.27	95.87
Olkaria 2	101	79.70	92.20	78.79	78.62	85.50	94.50	97.94	89.30	97.94	89.30
Eburru	2.3	43.73	67.27		45.66	68.62	0.04	0.00	0.00	0.00	0.00
Wellhead 37	4.4	65.37	43.45		56.54	0.53	19.60	0.00	0.00	0.00	0.00
Wellhead 43	12.8	30.48	52.22	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Wellhead 914											
Olkaria IV											
Total Effective Capacity	**164.50**										
Weighted Factors - Geothermal		**79.65**	**88.38**	**72.00**	**76.01**	**78.60**	**84.10**	**96.84**	**91.27**	**96.84**	**91.27**

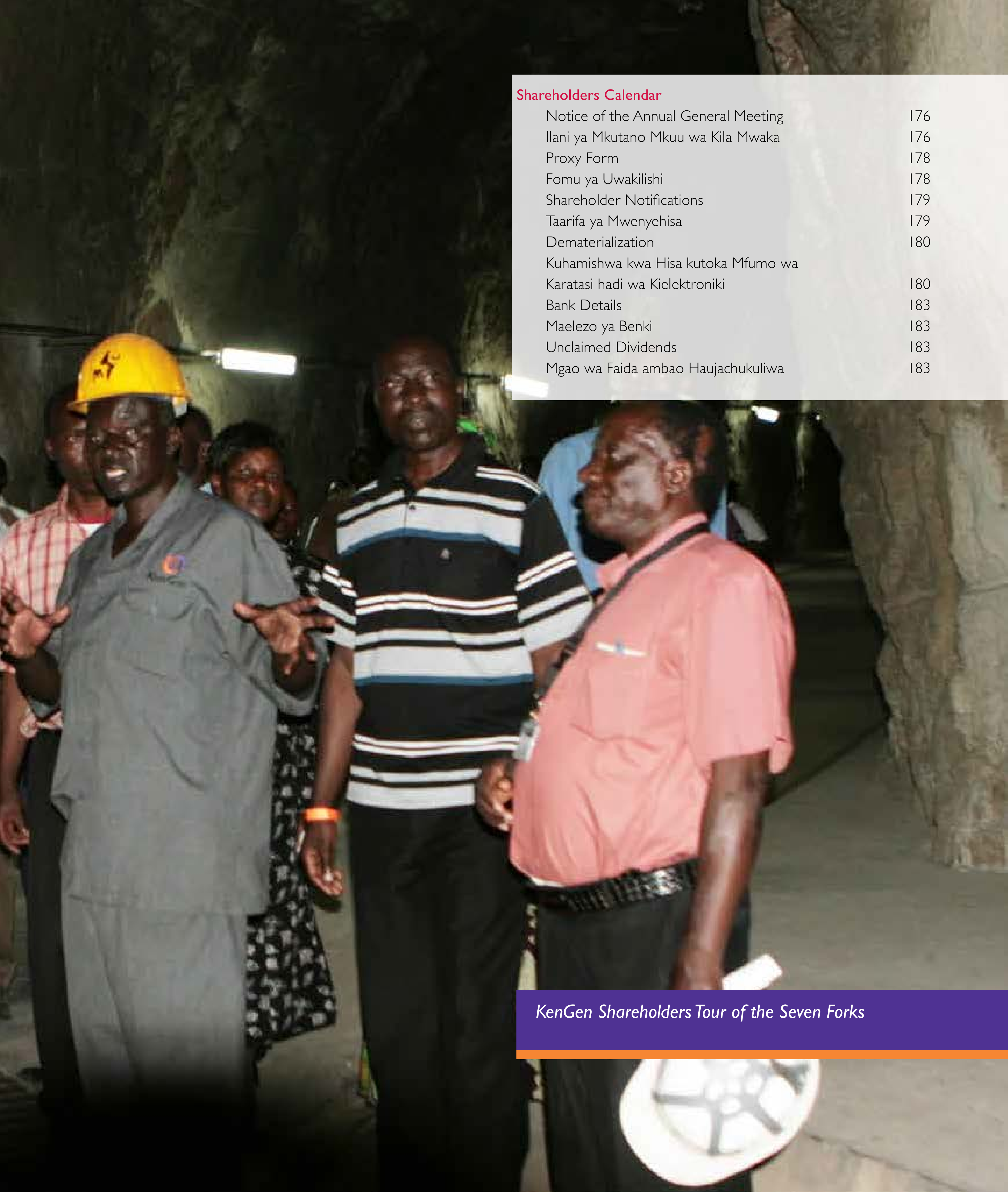
WEIGHTED FACTORS (%) (Continued)

		2013/2014		2012/2013		2011/2012		2010/2011		2009/2010	
POWER STATION	Effective Capacity	Availability	Load Factor	Availability	Load Factor	Availability	Load Factor	Availability	Load Factor	Availability	Load Factor
Thermal											
Diesel											
Kipevu I Diesel	60.00	68.52	41.84	89.18	35.23	66.18	48.55	76.95	59.49	76.95	59.49
Kipevu III Diesel	115.00	96.38	52.04	93.85	31.56	92.92	51.82	0.00	0.00	0.00	0.00
Total Effective Capacity	**175.00**										
Weighted Factors - Diesel		**86.83**	**48.54**	**92.25**	**32.82**	**83.75**	**50.70**	**76.95**	**59.49**	**76.95**	**59.49**
Gas Turbines											
Kipevu Gas Turbine*	60.0	87.14	17.18	36.94	11.24	42.00	6.28	77.92	28.33	77.92	28.33
Total Effective Capacity	60.00										
Weighted Factors - GT's		**87.14**	**17.18**	**36.94**	**11.24**	**42.00**	**6.28**	**77.92**	**28.33**	**77.92**	**28.33**
Isolated Diesels											
Garissa	5.98	90.17	37.35	72.76	38.08	74.00	39.30	83.25	49.76	83.25	49.76
Lamu	1.72	87.27	48.04	90.98	35.84	88.29	39.21	80.95	35.65	80.95	35.65
Total Effective Capacity	**7.70**										
Weighted Factors - Isolated		**89.52**	**39.74**	**76.83**	**37.58**	**85.10**	**39.23**	**82.78**	**46.88**	**82.78**	**46.88**
Wind Turbine											
New Ngong' Wind	5.1	91.63	39.38	70.00	31.15	69.30	38.05	87.52	44.05	87.52	44.05
Total Effective Capacity	5.10										
Weighted Factors - Ngong'		**91.63**	**39.38**	**70.00**	**31.15**	**69.30**	**38.05**	**85.24**	**42.81**	**85.24**	**42.81**

Notes.
Availability and Load Factor is a Percentage (%)



Shareholders Calendar



KenGen Shareholders Tour of the Seven Forks

1. Notice of the Annual General Meeting

NOTICE IS HEREBY GIVEN THAT THE SIXTY-SECOND ANNUAL GENERAL MEETING of the Company will be held at the Kasarani Gymnasium, Thika Road, Nairobi on Tuesday, 16th December 2014 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 2014, together with the Chairman's, Directors' and Auditors' Reports thereon.
4. To approve the payment of a final dividend of 16% or KShs.0.40 per ordinary share of KShs.2.50, subject to withholding tax where applicable, in respect of the financial year ended 30th June 2014.
5. To elect Directors:
   (i) Mrs. Dorcas Kombo who retires on rotation in accordance with Article 104 of the Articles of Association of the Company and being eligible offers herself for re-election as a Director of the Company.
   (ii) Mr. George M. Njagi 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.
   (iii) Ms Sarah Wainaina 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.
6. To approve payment of Directors' fees for the year ended 30th June 2014.
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.

1. Ilani Ya Mkutano Mkuu Wa Kila Mwaka

ILANI INATOLEWA KWAMBA MKUTANO MKUU WA KILA MWAKA WA SITINI NA MBILI wa Kampuni utaandaliwa katika Kasarani Gymnasium, Thika Road, Nairobi mnamo Jumanne, Desemba 16, 2014 saa tano asubuhi kuendesha shughuli zifuatazo:

SHUGHULI ZA KAWAIDA

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, 2014, pamoja na Ripoti za Mwenyekiti, Wakurugenzi na Wahasibu zilizoambatanishwa.
4. Kupitisha malipo ya mgao wa mwisho wa asilimia16 au Sh.0.40 kwa kila hisa ya kawaida ya Sh2.50 ikitegemea ushuru wa kushikilia inavyohitajika, kuhusiana na kipindi cha matumizi ya fedha kilichomalizika Juni 30, 2014.
5. Kuchagua Wakurugenzi
   i) Bi. Dorcas Kombo ambaye anastaafu kwa mzunguko kwa mujibu wa Kifungu 104 cha Katiba ya Kampuni na kwa kuwa anahitimu, anajitokeza kuchaguliwa tena kama Mkurugenzi wa Kampuni.
   ii) Bw. George Njagi anastaafu kwa mzunguko kwa mujibu wa Kifungu 104 cha Katiba ya Kampuni, hajitokezi kuchaguliwa tena kama Mkurugenzi wa Kampuni.
   iii) Bi Sarah Wainaina 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, 2014.
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. To consider any other business for which due notice has been given.

By Order of the Board

Rebecca Miano
Company Secretary

23 October 2014

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 Thursday, 11th December 2014 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. An abridged version of the Statement of Comprehensive Income, Statement of Financial Position and Statement of Cash Flows for the year ended 30 June 2014 has been published in two daily newspapers with nationwide circulation.

9. Kuangalia shughuli zingine zile ambazo ilani imepeanwa.

Amri ya Bodi

Rebecca Miano
Katibu wa Kampuni

Oktoba 23, 2014

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, 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, Loita Street, S.L.P. 9287, 00100 GPO, Nairobi au kutumwa ili ifikie Image Registrars kabla ya Alhamisi, Desemba 11, 2014 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 Nakala kwa ufupi ya takwimu ya mapato yote kwa jumla, takwimu ya hali ya kifedha na ya jinsi fedha zilipatikana na kutumika kwa mwaka uliokwisha 30 Juni 2014 ilichapishwa kwenye magazeti mawili yanayoongoza kwa usomwaji humu nchini.

2. 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 Tuesday, 16th December 2014 and at any adjournment thereof.

As witness my/our hand this ………….........................……. day of ………………….2014. 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 Thursday, 11th December 2014 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.

2. 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 Jumanne 16 Desemba 2014 au wakati wowote ule endapo utaahirishwa.

Kama mashahidi sahihi yangu/yetu……….........................……. siku ya …….........……………… 2014. 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 Alhamisi, 11 Desemba 2014 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.

3. Shareholder Notifications

Final Dividend for the financial year ended 30th June 2014

Closure of Register and Date of Payment

The Register of Members will be closed from Wednesday, 17th December 2014 to Thursday 18th December 2014, both days inclusive.

If approved, the dividend will be paid, less withholding tax where applicable, on or about Friday, 20th February 2015 to the shareholders whose names appear in the Register of Members at the close of business on Tuesday, 16th December 2014.

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.

3. Taarifa ya Mwenyehisa

Mgao wa Mwisho kwa Kipindi cha Matumizi ya Fedha kilichomalizika Juni 30, 2014

Kufungwa kwa Rejista na Tarehe ya Malipo

Rejista ya wanachama itafungwa kuanzia Jumatano 17 Desemba 2014 hadi Alhamisi 18 Desemba 2014 siku zote zikiwemo.

Ikiwa itaidhinishwa, mgao wa faida utalipwa baada ya kuondoa ushuru wa kushikilia mnamo au karibu Ijumaa 20 Februari 2015, kwa wenyehisa ambao majina yao yamo kwenye Rejista ya Wanachama kufikia mwisho wa shughuli za siku mnamo Jumanne, 16 Desemba 2014.

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 kumili 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.

4. Dematerialisation 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 to be transferred into electronic accounts by 1st November 2013 through a process called Dematerialization.

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

a) 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.

b) 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.

4. Kubadilishwa kwa Mfumo wa Kuhifadhi Hisa kutoka Karatasi ya Cheti hadi Rekodi ya 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.

a) 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.

b) 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.

c) What is the impact of dematerialization?

Previously, 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 and electronic record at CDSC.

d) 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.

e) What happens if I did not immobilize my share certificates by the dematerialization date?

After the Dematerialization date, all shares that had not been immobilized were reflected as temporary records in the CDS in the shareholder's name awaiting the owner to transfer them.

f) 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.

g) When was 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.

c) Athari ya kuhamisha hisa kutoka karatasi hadi mfumo wa kielektroniki ni ipi?

Hapo awali, 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 na rekodi katika akaunti ya kielektroniki katika CDSC.

d) 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.

e) Nini itafanyika iwapo sikusalimisha 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 hazikuwa zimesalimishwa zilionekana kama rekodi katika akaunti ya muda ya CDS katika jina la mwenyehisa zikingonjea uhamisho.

f) 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.

KenGen's dematerialization date is 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.

h) 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.

g) 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.

Tarehe ya kuhamishwa kwa hisa za KenGen ni 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.

h) 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 KSh.10.00 kwa kila ujumbe. Ili kujiandikisha, tuma neno "Register" kwa 22372 na kufuata maagizo.

5. 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 the future dividends directly to their bank accounts.

6. 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, 0724699667, email: info@image.co.ke, or Shares & Securities Office, Stima Plaza, Kolobot Road, Parklands, Nairobi P.O. Box 47936-00100 Nairobi, Tel: 020-3666961/4, 0711036961/4, email: shares@kengen.co.ke.

5. 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.

6. 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, Barclays Plaza, Ghorofa ya 5, Loita Street, Nairobi S.LP. 9287, 00100 GPO, Nairobi Nambari ya Simu: 020-2212065/2230330,0770052116,0735565666,0724699667, baruapepe: info@image.co.ke au Afisi yetu ya Hisa, Stima Plaza, Kolobot Road, Parklands, Nairobi S.L.P. 47936-00100 Nairobi, Simu: 020-3666961/4, 0711036961/4, baruapepe: shares@kengen.co.ke.

Notes

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Kolobot Road, Parklands
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Mobile: +254-711-036000 | +254-732-116000
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Fax: 050 - 2021223
Mobile: 0722 202894
0722 202895

Western Hydro Power Stations
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P.O. Box 80801 - 80100, Mombasa
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041 - 3434876
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0734 600377

Olkaria IV 140MW Plant at dusk

KenGen

Kenya Electricity Generating Company Limited
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