

REPUBLIC OF KENYA



*Enhancing Accountability*



## REPORT

|                                      |                                                   |
|--------------------------------------|---------------------------------------------------|
| THE NATIONAL ASSEMBLY<br>PAPERS LAID |                                                   |
| DATE: 09 APR 2025                    | DAY: Wednesday                                    |
| TABLED<br>OF                         | Hon. Naomi Wang, MP<br>Deputy Majority Party Whip |
| CLERK-AT<br>THE-TABLE:               | Halima Ahmed                                      |

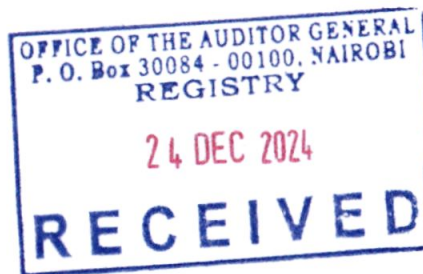
**THE AUDITOR-GENERAL**

**ON**

**GEOHERMAL DEVELOPMENT COMPANY  
LIMITED**

**FOR THE YEAR ENDED  
30 JUNE, 2024**





---

**GEOHERMAL DEVELOPMENT  
COMPANY LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2024**

---

**Prepared in accordance with the International Financial Reporting  
Standards (IFRS)**



| <b>Table of Contents</b>                                                                      | <b>Page No</b> |
|-----------------------------------------------------------------------------------------------|----------------|
| Acronyms and Glossary of Terms                                                                | IV             |
| Key entity information                                                                        | V-VI           |
| The Board of Directors                                                                        | VII-X          |
| Key Management Team                                                                           | XI-XIV         |
| Fiduciary Management                                                                          | XV             |
| Fiduciary Oversight Arrangements                                                              | XVI-XVII       |
| Chairman's Statement                                                                          | XVIII          |
| Report of the Managing Director & CEO                                                         | XIX            |
| Statement of Performance against Predetermined Objectives                                     | XX-XXVII       |
| Corporate Governance Statement                                                                | XXVIII-XXXIX   |
| Management discussion and Analysis                                                            | XL             |
| Environmental and Sustainability Reporting                                                    | XLI-XLIII      |
| Report of the Directors                                                                       | XLIV           |
| Statement of Directors' Responsibilities                                                      | XLV            |
| Report of the Independent Auditors on the financial statements for 30 <sup>th</sup> June 2024 | 0              |
| Financial statements                                                                          |                |
| Statement of Profit/Loss & Other Comprehensive Income for year ended 30th June 2024           | 1              |
| Statement of Financial Position as at 30 June 2024                                            | 2              |
| Statement of changes in equity for the year ended 30 <sup>th</sup> June 2024                  | 3              |
| Statement of Cash Flows for the year ended 30 June 2024                                       | 4              |
| Statement of Comparison of Budget & Actual amounts for the period ended 30 June 2024          | 5-9            |
| Notes to the Financial Statements                                                             | 10-40          |
| Appendices                                                                                    |                |



## ACRONYMS AND GLOSSARY OF TERMS

|              |                                                    |
|--------------|----------------------------------------------------|
| <b>IFRS</b>  | <i>International Financial Reporting Standards</i> |
| <b>CEO</b>   | <i>Chief Executive Officer</i>                     |
| <b>NT</b>    | <i>National Treasury &amp; Economic Planning</i>   |
| <b>PFM</b>   | <i>Public Finance Management.</i>                  |
| <b>PSASB</b> | <i>Public Sector Accounting Standards Board</i>    |
| <b>BOD</b>   | <i>Board of Directors</i>                          |

## **I. KEY ENTITY INFORMATION**

### **BACKGROUND**

Geothermal Development Company Limited (the "Company") is fully government-owned company in Kenya's energy sector. At cabinet level, the Company is represented by the Cabinet Secretaries for National Treasury and Energy, who are responsible for the general policy and strategic direction of the Company. The Company was formed in 2008 and is domiciled in Kenya.

### **PRINCIPAL ACTIVITIES**

The principal activity of the Company is the development of geothermal resources in Kenya, including prospecting, drilling, harnessing, and supplying steam to electricity generating companies for energy production and sale to the national grid.

### **VISION**

To be a world leader in the development of geothermal resources.

### **MISSION**

Develop green energy for Kenya from geothermal resources.

### **DIRECTORS**

|                              |                                                              |
|------------------------------|--------------------------------------------------------------|
| Mr. Walter O. Nyambati       | Chairman                                                     |
| Mr. Paul Ngugi               | Managing Director and Chief Executive Officer                |
| Mr. Stephen Kisaka           | Director (Appointed on 8/9/2023)                             |
| Mr. Boniface Lesiampei Lilah | Director (Appointed on 8/9/2023)                             |
| Ms. Salome Kabando           | Director (Appointed on 8/9/2023)                             |
| Eng. Kipkoros Kandie         | Director (Appointed on 8/9/2023)                             |
| Mr. Eustus Mureithi Maina    | Director (Appointed on 8/9/2023)                             |
| Mr. Stephen Njue             | Alternate Director to the PS, Ministry of Energy & Petroleum |
| Mr. Chrispin O. Lupe         | Alternate Director to the PS, Ministry of Energy & Petroleum |
| Dr. Nelly Yatich             | Director (Up to 7/9/2023)                                    |
| Mr. Mwendia Nyaga            | Director (Up to 7/9/2023)                                    |
| Mr. Kamau Kuria              | Director (Up to 7/9/2023)                                    |
| Mr. John Gicamu              | Director (Up to 7/9/2023)                                    |
| Mr. Hillary Koech            | Director (Up to 7/9/2023)                                    |



## **I. KEY ENTITY INFORMATION (CONTINUED)**

### **COMPANY SECRETARY**

P.O. Box 100746 – 00101  
Nairobi

### **REGISTERED OFFICE**

KAWI House, South C  
P.O. Box 100746 – 00101  
Nairobi, KENYA

### **COMPANY HEADQUARTERS**

P.O. Box 100746 – 00101  
KAWI House, South C  
Nairobi, KENYA

### **BANKERS**

Co-operative Bank of Kenya Limited  
Upper Hill, Nairobi

Kenya Commercial Bank Limited  
Kipande House, Nairobi

ABSA Bank Kenya  
Plaza Corporate Service Centre, Nairobi

NCBA Bank  
Masaba Branch, Upper Hill, Nairobi

### **AUDITOR**

Principal Auditor

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

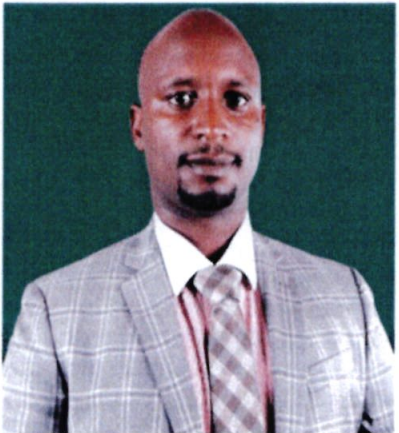
### **PRINCIPAL LEGAL ADVISERS**

The Attorney General  
State Law Office  
Harambee Avenue  
P.O Box 40112  
City Square 00200  
Nairobi, Kenya

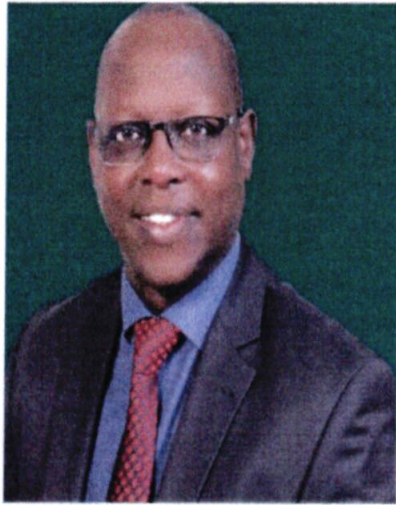
## II.THE BOARD OF DIRECTORS

|                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|-------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|    | <p><b>Hon. Walter Nyambati, Chairman GDC Board of Directors</b></p> <p>Hon Walter Osebe Nyambati is the Chairman of Geothermal Development Company (GDC). He is a member of the Public Relations Society of Kenya (PRSK). He comes to GDC with over 30 years' experience in leadership and management having served both in the public and private sector. Previously, he has served in various leadership positions among them Member of Parliament, Vice Chairperson of Parliamentary Service Commission and Chairperson Jomo Kenyatta Foundation.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|   | <p><b>Mr. Paul Ngugi – Managing Director &amp; CEO</b></p> <p>Mr. Paul Ngugi is the Managing Director &amp; CEO of the Geothermal Development Company. Mr. Paul Ngugi has a wealth of experience in geothermal energy spanning 25 years. He is a long-serving Drilling Engineer who worked as the Head of Geothermal Planning at KenGen, Olkaria, before moving to GDC in 2009, where he served as the General Manager, Business Development – in charge of corporate strategy, planning, and fundraising. He would later become the General Manager, Drilling and Infrastructure, also doubling up as the General Manager, Strategy, Research, and Innovation. Mr. Ngugi holds a BSc in Mechanical Engineering from the University of Nairobi and a Master of Business Administration (MBA) from the same institution. He has undertaken numerous trainings on geothermal technology in Iceland, as well as leadership courses. He is a leader in the geothermal sector – serving currently as the Chairman of the Geothermal Association of Kenya (GAK).</p> |
|  | <p><b>Mr. Stephen Kisaka, Independent Non-Executive Director</b></p> <p>Mr. Stephen Kisaka is an avid corporate business management consultant with expertise in business planning, Strategic plans, revenue management, bankable projects development and Resource mobilization strategies. His work experience of over 20years include strategic plans writing and projects development both in private and public sectors; leadership and management experience in aviation with SAC (K) Ltd, Emirates Airline and Kenya Airways/KLM Airlines both locally and internationally; lectured in Kenyatta University in the department of mathematics; previously was appointed and served on the Board of</p>                                                                                                                                                                                                                                                                                                                                                   |



|                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|-------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                     | <p>Directors of Nzoia Sugar company and privately serve as director of Investcorp capital limited.</p> <p>Mr Kisaka holds a Postgraduate (MSc.) degree in Mathematics and Bachelor of education science in Mathematics and Physics both degrees from Kenyatta University; Certificate in Pricing from Professional Pricing Society in USA; Zodiak Business Finance Simulations from Emirates Aviation college in Dubai and certificate in Policy and governance of state corporations in Kenya from State Corporations Advisory Committee (SCAC)</p>                                                                                                                                                                                                                                                                                                                                                                                     |
|   | <p><b>Mr. Boniface Lesiampei Lilah, Independent Non-Executive Director</b></p> <p>Mr. Boniface Lesiampei Lilah has over ten years of experience in leadership and management, having served in the private sector. He also has expertise in Construction and Project Management, Project Consultancy, and Design with 13 years' experience in private and public project management and consultancy; and has served as a director in two corporate construction companies. Mr. Lilah has been involved in project management, finance, and mobilization of local projects. He holds a Bachelor's degree in Project Planning and Management from the University of Nairobi and a Diploma in Technology (Construction Management) from Kenya Polytechnic University College (now Technical University of Kenya). Mr. Lilah is currently pursuing his Master's degree in Development Studies at the Catholic University of East Africa.</p> |
|  | <p><b>Ms. Salome Kabando, Independent Non-Executive Director</b></p> <p>Ms. Salome Kabando is a skilled media practitioner in business development, Strategy, management and training.</p> <p>In her career spanning over 15 years, she has been instrumental in the success of leading media brands through talent sourcing, content strategy and monetization. She has trained community radio stations across Kenya in development programming and reporting and successfully spearheaded the creative process of numerous national advertising campaigns targeted at varying publics.</p> <p>Ms. Kabando holds a Bachelor's degree in Journalism from The United States International University –Africa (USIU) and a Diploma in Mass Communication from Kenya Institute of Mass Communication. She is a member of the Public relations society of Kenya (PRSK).</p>                                                                 |



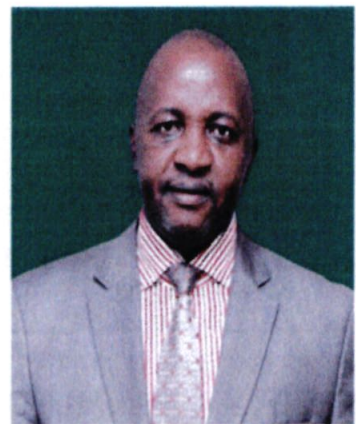


**Eng. Kipkoros Kandie, Independent Non -Executive Director**

Eng. Kipkoros Kandie is a Civil Engineer with over 28 years in practice as a consultant, trainer and educator. He is a Member of both Engineers Board of Kenya (EBK) and Institution of Engineers of Kenya (IEK). He holds a Masters Degree in Sanitary Engineering from The UNESCO-IHE Delft, The Netherlands, and a Bachelors Degree in Civil Engineering from the University of Nairobi. Eng. Kandie has vast knowledge in Engineering Projects Consulting in Studies, Design, Documentation, and Supervision, and Projects implementation, Business and Investment in Engineering, Real Estate, Agricultural, and Capital-growth. He also has experience in Community and Institutional Support and Fundraising, Multi-Disciplinary experience in Projects and Programmes Conceptualization-to-Implementation Cycle, Projects Financing and Research and Development linkages. He has previously served in other Boards in various capacities leveraging on his leadership and institutional governance capabilities. He is a strategic thinker and solution provider to complex institutional challenges.



**Mr. Eustus Mureithi Maina, Independent Non -Executive Director**

|                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|-------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|    | <p><b>Mr. Joseph Mucugu Waruiru, Director (Alternate to the CS, National Treasury)</b></p> <p>Mr. Joseph Waruiru is the alternate director to the Cabinet Secretary National Treasury. He is a Certified Public Accountant with more than 12 years auditing experience in the Public Service. Mr. Waruiru is currently working at the Government Investment Public Enterprise Department, National Treasury.</p>                                                                                                                                                                                                                                                                                                                                                                             |
|   | <p><b>Mr. Stephen Njue<br/>Director (Alternate to the PS, Ministry of Energy &amp; Petroleum)</b></p> <p>Mr. Stephen Njue holds a Bachelor's degree in Business and Economics and MBA ( Finance) both from Kenyatta University. He also holds a National Diploma in Financial Management ( KIM). He has had an illustrious career spanning 30 years in the public sector. Previously he worked as Chief Finance Officer at the Ministries of , Lands, Regional Development, Social Protection, Housing and Water. He also had stints as the Chief Officer Finance -Narok County, and before Devolution he was a Town Treasurer at various councils. Previously he was the Alternate Director at the KenGen Board. Currently Mr. Njue is the Senior CFO Ministry of Energy and Petroleum.</p> |
|  | <p><b>Mr Chrispin O. Lupe, Director (Alternate Director to the PS, Ministry of Energy &amp; Petroleum)</b></p> <p>Mr. Lupe holds a Bachelor of Science Degree in Geology from the University of Nairobi and Master of Science Degree in Geo-informatics from International Institute for Geo-Information Science and Earth Observation (ITC), Netherlands. He is a registered Geologist with the Geologists Registration Board and a professional member of the Geological Society of Kenya. He has served in the Civil Service for 28 years as a Geologist at various levels. He is currently heading the Geo-Exploration Directorate in the Ministry of Energy.</p>                                                                                                                        |



### **III.MANAGEMENT TEAM**

|                      |                                                     |
|----------------------|-----------------------------------------------------|
| Mr. Paul Ngugi       | Managing Director & Chief Executive Officer         |
| Mr. Cornel Ofwona    | General Manager, Geothermal Resource Development    |
| Mr. Stephen Busieney | General Manager, Finance                            |
| Ms. Irene Onyambu    | General Manager, Human Resource & Administration    |
| Mr. Reuben Ngosi     | Ag. General Manager, Drilling & Infrastructure      |
| Ms. Agnes Muthengi   | Ag General Manager, Legal Services                  |
| Eng. Martha Mburu    | Ag. General Manager Strategy, Research & Innovation |

### III.MANAGEMENT TEAM (CONTINUED)

|                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|-------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|    | <p><b>Mr. Paul Ngugi – Managing Director &amp; CEO</b></p> <p>Mr. Paul Ngugi is the Managing Director &amp; CEO of the Geothermal Development Company. Mr. Paul Ngugi has a wealth of experience in geothermal energy spanning 25 years. He is a long-serving Drilling Engineer who worked as the Head of Geothermal Planning at KenGen, Olkaria, before moving to GDC in 2009, where he served as the General Manager, Business Development – in charge of corporate strategy, planning, and fundraising. He would later become the General Manager, Drilling and Infrastructure, also doubling up as the General Manager, Strategy, Research, and Innovation. Mr. Ngugi holds a BSc in Mechanical Engineering from the University of Nairobi and a Master of Business Administration (MBA) from the same institution. He has undertaken numerous trainings on geothermal technology in Iceland, as well as leadership courses. He is a leader in the geothermal sector – serving currently as the Chairman of the Geothermal Association of Kenya (GAK).</p> |
|  | <p><b>Mr. Cornel Ofwona – General Manager, Geothermal Resource development</b></p> <p>Mr. Cornel Ofwona has over 20 years' experience in the geothermal industry. He has vast expertise in geothermal reservoir engineering, analysis and modeling. Prior to his appointment, he was GDC's Acting General Manager, Drilling and Infrastructure. Mr. Ofwona holds a MSc. in Engineering from University of Iceland, Bachelor of Technology in Production Technology from Moi University, and Advanced Diploma in Geothermal Reservoir Engineering from the United Nations University in Iceland. He has several certificates in reservoir modeling. His geothermal expertise spans over 20 years.</p>                                                                                                                                                                                                                                                                                                                                                           |
|  | <p><b>Mrs. Irene Onyambu- General Manager, Human Resource &amp; Administration &amp; Administration</b></p> <p>Mrs. Irene Onyambu has over 15 years' experience in administration and Human Resource Management. Prior to her appointment, she was the Regional Manager for GDC's South Rift Region. She is a member of the Institute of Human Resource Management (IHRM).</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |



|                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|-------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|    | <p><b>Mr. Stephen Busieney – General Manager, Finance</b></p> <p>Mr. Stephen Busieney has over 15 years of experience in Finance and Accounting. Prior to joining GDC, he was the Chief Financial Officer for CIMERWA Cement Company Limited, Rwanda. Mr. Busieney is a member of the Institutes of Certified Public Accountants of Kenya, and of Rwanda and holds Master of Business Administration (MBA) and B. Com degrees from the University of Nairobi, as well as a Leadership Certification from the University of Pretoria's Gordon Institute of Business Science.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|   | <p><b>Eng. Martha Mburu – Ag General Manager, Strategy Research and Innovation.</b></p> <p>Eng. Martha Mburu has over 20 years' experience in the geothermal industry. She has vast expertise in geothermal reservoir engineering, geothermal Steamfield management and geothermal Direct Uses. Engineer Martha holds a MSc. in Renewable Energy, Technology and Sustainability from Reading University, United Kingdom, BSc. Mechanical Engineering from University of Nairobi, Post graduate Diploma from Geothermal Institute, university of Auckland, New-Zealand and Advanced Diploma in Geothermal Reservoir Engineering from the United Nations University in Iceland. She is an expert in geothermal Direct-Use where she has authored and co-authored many papers in this field as well as capacity building across the East African region and beyond. Her geothermal expertise spans over 20 years.</p>                                                                                                                                                                                                                                                                                                                 |
|  | <p><b>Eng. Reuben Ngosi – Ag. Manager Drilling &amp; Infrastructure</b></p> <p>Eng. Reuben Ngosi is a highly skilled and seasoned mechanical Engineer and Project manager with 18 years of cumulative working experience in both private and public sectors; 14 of which are in the Development and Management of geothermal energy projects in Kenya. Reuben holds an MSc in Project Management and a BSc in Mechanical Engineering, both from Jomo Kenyatta University of Agriculture and Technology - JKUAT. He is a transformational leader who holds a Certificate in leadership Development from Harvard Business School. Reuben has undergone several advanced and specialized training in Drilling Technology, Management, &amp; Development of geothermal energy projects, Power plant design, Procurement, Hybrid Project Financing, and Performance management from across the globe. He is a Certified Application Associate- Enterprise Asset Management SAP ERP from SAP Academy in South Africa. Prior to his appointment, he was the Manager, Drilling Operations Department. He has previously served as the Manager, Drilling Equipment Maintenance and Manager, Drilling Planning and Logistics within GDC.</p> |

|                                                                                   |                                                                                                                                                                                                                                                                                                              |
|-----------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                   | Before joining GDC, he worked at KenGen, and other private entities.                                                                                                                                                                                                                                         |
|  | <p><b>Ms Agnes Muthengi – Ag. Manager Legal Services</b></p> <p>Ms. Agnes Muthengi is an Advocate of the High Court with over 17 years' experience in the energy sector, primarily in the geothermal industry. Prior to her appointment she was GDC's Manager, Board Secretarial Services and Insurance.</p> |



## **FIDUCIARY MANAGEMENT**

The key management personnel who held office during the year ended 30th June 2024 and who had direct fiduciary responsibility were:

|                                                     |                      |
|-----------------------------------------------------|----------------------|
| Managing Director & Chief Executive Officer         | Mr. Paul Ngugi       |
| General Manager, Geothermal Resource Development    | Mr. Cornel Ofwona    |
| General Manager, Finance                            | Mr. Stephen Busieney |
| General Manager, Human Resource & Administration    | Ms. Irene Onyambu    |
| Ag. General Manager, Drilling & Infrastructure      | Mr. Reuben Ngosi     |
| Ag General Manager, Legal Services                  | Ms. Agnes Muthengi   |
| Ag. General Manager Strategy, Research & Innovation | Eng. Martha Mburu    |
| Ag. General Manager Internal Audit & Risk           | Mr. Godfrey Shitsama |
| Ag. Manager Supply Chain                            | Mr. Patrick Kapto    |

## **FIDUCIARY OVERSIGHT ARRANGEMENTS**

Organizational performance oversight entails monitoring and evaluating the performance of an organization to ensure it is meeting its goals and objectives. It involves implementing mechanisms and strategies to hold the organization accountable for its actions and outcomes.

Oversight is key as it is a safety net to ensuring that due diligence takes place before key decisions are made, policies and strategies are being implemented as intended and that key risks are identified, monitored, and mitigated. Business processes and systems are working well

As an oversight arrangement, the Company has in place audit committee namely:

- i. Board Audit Committee
- ii. Board Strategy Committee
- iii. Board Finance Committee & General-Purpose Committee

### **Board Audit Committee**

The Board Audit Committee comprises of three (3) non-executive Directors and is chaired by a non-executive independent Director. The Committee regularly invites the Managing Director & CEO, Manager Internal Audit, General Manager, Finance and at times other key staff members to its meetings. External auditors are also invited to attend the meetings when necessary.

The committee is appointed by the Board of GDC to assist in fulfilling the following oversight responsibilities: -

- a) Obtain assurance from management that all financial and non-financial internal control and risk management functions are operating effectively and reliably.
- b) Provide an independent review of an entity's reporting functions to ensure the integrity of financial report.
- c) Monitor the effectiveness of the entity's performance management and performance information.
- d) Provide strong and effective oversight of an entity's internal audit function.
- e) Provide effective liaison and facilitate communication between management and external audit.
- f) Provide oversight of the implementation of accepted audit recommendations.
- g) Ensure the entity effectively monitors compliance with legislative and regulatory requirements.
- h) Review and monitor external auditors' independence and objectivity and effectiveness of the audit process taking into consideration relevant regulatory guidelines in Kenya.

### **Board Strategy Committee**

The Committee is comprised of three (3) non-executive Directors and the Company's Managing Director & CEO and is chaired by non-executive independent Director. The Committee considers Management's proposals; provides oversight to Management and recommends to the Board on matters relating to the company's strategic direction and technical services.

### **Board Finance Committee & General-Purpose Committee**

The Board Finance is comprised of the chairperson; three (3) independent Directors; Managing Director & CEO and is chaired by a non-executive independent Director. The committee considers all matters of financial strategy and policy, financial forecasts, annual budgets and reviewing



expenditures/procurements for each quarter of the financial year. They are solely responsible for ensuring that the organization is operating with the financial resources it needs to provide programs and services to the community.

Parliamentary Committees such as the Public Accounts Committee (PAC), Public Investments Committee (PIC) Energy Committee provide oversight on organizational operations on behalf of the people of Kenya. Their central function involves seeking information on a particular issue from a wide range of individuals and organizations, including public officials. These tactical oversight functions monitor, facilitate, and coordinate the activities of business lines, to ensure they are operating effectively, within budget, and in compliance with corporate policies.

## CHAIRMAN'S STATEMENT

Dear Shareholder,

I am pleased to present this annual financial accounts for the year ending June 30, 2024.

Shareholders, I am happy to report that in the year, GDC generated revenues of Ksh. 4.314 billion from sale of steam to KenGen from the Company's wells at Olkaria Geothermal Project. Equally, GDC started to sell steam to Sosian Power at Menengai and it earned Ksh 967 million. The company also earned Ksh. 8.6 million from external consultancies.

The continued income stream is augmenting the company financial position so that it can run its operations effectively and competently.

### Transition

In this financial year, I became the Chairman of the Board of Directors replacing Mr. John Njiraini who had chaired the Board since 2019. I want to thank H.E. President William Ruto for appointing me to this position for a period of three years.

At the same time, Eng. Jared Othieno who had served the Company for three years retired as the Managing Director and CEO. The Company competitively recruited Mr. Paul Ngugi as the new Managing Director and CEO for a period of three years. Mr. Ngugi is a veteran of the energy sector having worked in various positions at KenGen and GDC. He brings a wealth of knowledge and experience to the GDC's C-Suite. The Board of Directors has strong confidence in Mr. Ngugi to drive the agenda of this great Company.

The Board also received new directors. The new team is passionate, confident and capable thus boosting our approach to sound corporate governance.

### Going Concern

I wish to reiterate that GDC is a solid Company as a going concern. Drilling operations in the Baringo-Silali progressed well. The three Independent Power Producers (IPPS) for the Menengai 105MW power project were at different stages. As indicated, Sosian Power LTD completed its power plant, and it is now generating 35 MW. Globeleq LTD broke ground, reached financial closure and has started to construct its power plant. The final IPP, OrPower22 is seeking financial closure.

Indeed, I want to thank the shareholders for the steadfast support of the Company. I am confident that we are facing the next financial year with optimism because of the great insights accrued in the past financial years.



**Hon. Walter O. Nyambati**  
**Chairman, Board of Directors.**



## **REPORT OF THE MANAGING DIRECTOR & CEO**

Dear Shareholder,

GDC is buoyant as we come to the close of the financial year where the company registered tremendous growth in the period under review.

In this period, GDC started to earn steam -sales revenues from the 35 MW Sosian Power LTD a milestone that has boosted the Company brand image as well as incomes.

In total, the Company yielded Ksh. 5.31 billion. In revenues mostly from steam sales at Olkaria to KenGen and in Menengai to Sosian Power.

At the same time Globeleq Power Ltd broke ground for the construction of a 35 MW power plant in Menengai. At the close of the year, power plant civil construction works had started. The plant will buy steam from GDC once completed.

Another major milestone that GDC registered is the contract with Karsan Ramji & Sons LTD who are the makers of Ndovu Cement. GDC will supply brine to the firm for production of cement. Karsan Ramji will also buy steam from GDC for the generation of 4 MW of power for their internal use. This is a major step as GDC seeks to diversify its revenues as well as firming up the dream of establishing a heat park for industrial production in at Menengai.

### **Baringo Silali**

The Baringo Silali is one of GDC's major project. In Paka Project, we closed the year with 70 MW availed at the well-head. This milestone has allowed us to start feasibility studies that will inform the construction of a 100 MW. Similarly, we started drilling operations in Silali Prospect.

### **Stakeholder engagement**

Aware of the critical role that our stakeholders play towards the success of the organization, we have continued to hold strategic engagements with our diverse stakeholders. In the year, GDC engaged the mass media, Governors and other county officials, elected leaders, policymakers, and financiers. Importantly, GDC, through Kfw, facilitated the registration of the Paka Community Land. That is a strategic move that will now allow GDC to acquire land for operations and expansion.

At the same time, GDC developed and launched its Strategic Plan for 2023-2027. The plan outline the trajectory that the company will take in the next five years.

In our quest to build staff morale spur productivity, the Company also developed and launched a Culture Change Strategy.

### **Brand Management**

In the year, GDC embarked on a robust reputation management to restore that Company's brand image. The Company engaged the mass media where positive stories on GDC were produced and published. That way, with time, the company reclaimed its place in the hearts and minds of stakeholders as a leader in geothermal development.



**Mr. Paul K. Ngugi**  
**Managing Director & CEO**

## STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

Geothermal Development Company (GDC) has four strategic pillars, and objectives within the current Strategic Plan for the FY 2023 - FY 2027. These strategic pillars are as follows:

Pillar 1: Geothermal Resource Development and Management

Pillar 2: Financial Sustainability

Pillar 3: Stake Holder Management

Pillar 4: Organizational Capacity

Geothermal Development Company develops its annual work plans based on the above four pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The company achieved its performance targets set for the FY 2023/2024 period for its four strategic pillars, as indicated in the diagram below:

| Strategic Pillar/Theme/Issues                            | Objective                                     | Key Performance Indicators           | Activities                                  | Achievements                                                                                                                |
|----------------------------------------------------------|-----------------------------------------------|--------------------------------------|---------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------|
| Pillar 1: Geothermal Resource Development and Management | To accelerate geothermal resource development | Additional megawatts availed         | Avail additional steam for power generation | An additional 4.5 Mwe was realized during the period under review.                                                          |
|                                                          |                                               | Number of wells drilled              | Undertake drilling of geothermal wells      | Drilling of five geothermal wells was completed during the period under review.                                             |
|                                                          |                                               | Additional number of fields explored | Explore geothermal fields                   | GDC drilled one exploratory well in Silali field during the period under review. Infrastructure work was also undertaken in |



| Strategic Pillar/Theme/Issues | Objective | Key Performance Indicators                        | Activities                                | Achievements                                                                                                                                                   |
|-------------------------------|-----------|---------------------------------------------------|-------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                               |           |                                                   |                                           | preparation to commence exploration in Suswa field.                                                                                                            |
|                               |           | Additional No. of power plant generators procured | Procure additional power plant generators | GDC is currently undertaking a feasibility study for power plant construction for a 105MW plant in Paka.                                                       |
|                               |           | % reduction of downtime                           | Reduce drilling downtime                  | The average downtime for the 5 completed wells during the period under review was 46.35 days average up from an of 37.5 days average during the previous year. |
|                               |           | No. of established commercial direct use projects | Establish commercial direct use projects  | GDC has signed a contract with Karsan Ramji For supply of steam for direct use.                                                                                |
|                               |           | No. of innovative ideas incubated                 | Incubate innovative ideas                 | Two innovative ideas were incubated                                                                                                                            |

| Strategic Pillar/Theme/Issues | Objective                                       | Key Performance Indicators                      | Activities                                                      | Achievements                                                                                                                      |
|-------------------------------|-------------------------------------------------|-------------------------------------------------|-----------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------|
|                               |                                                 |                                                 |                                                                 | during the period under review                                                                                                    |
|                               |                                                 | No. of ideas patented                           | Patent ideas                                                    | Progress towards patenting of inhouse fabricated geothermal well silencer is at an advanced stage.                                |
|                               | To exploit other geothermal resource potentials | No. of agreements signed with EGS partners      | Sign contracts with Enhanced Geothermal Systems (EGS) partners. |                                                                                                                                   |
|                               |                                                 | No. of investors<br>Contracts on green hydrogen | Sign contract on green hydrogen                                 | A green hydrogen committee was formed and prepared a report on the opportunities for green hydrogen and a framework for adoption. |
|                               | To contribute to climate change mitigation and  | No. of trees planted                            | Plant trees in GDC operational areas                            | GDC planted a total of 131,755 trees during the period under review.                                                              |
|                               |                                                 |                                                 |                                                                 |                                                                                                                                   |



| Strategic Pillar/Theme/Issues      | Objective                       | Key Performance Indicators                                     | Activities                                        | Achievements                                                                        |
|------------------------------------|---------------------------------|----------------------------------------------------------------|---------------------------------------------------|-------------------------------------------------------------------------------------|
|                                    | adaptation efforts              |                                                                |                                                   |                                                                                     |
| Pillar 2: Financial Sustainability | To mobilize financial resources | Olkaria (KES Million)                                          | Generate steam sales revenue from Olkaria         | GDC billed a total of KES 4,340 million from Olkaria during the period under review |
|                                    |                                 | Sosian Menengai Geothermal Power Limited (SMGPL) (KES Million) | Generate steam sales revenue from GMGPL           | GDC received a total of KES 967 million from SMGPL during the period under review   |
|                                    |                                 | Orpower (KES Million)                                          | Generate steam sales revenue from Orpower         | -                                                                                   |
|                                    |                                 | Globeleq (KES Million)                                         | Generate steam sales revenue from Globeleq        | -                                                                                   |
|                                    |                                 | Paka (KES Million)                                             | Generate steam sales revenue from Paka            | -                                                                                   |
|                                    |                                 | Geothermal spa revenue (KES Million)                           | Generate revenue from geothermal spa              | -                                                                                   |
|                                    |                                 | Karsan Ramji 5MW – Project II (KES Million)                    | Generate revenue from Karsan Ramji 5MW Project II | -                                                                                   |
|                                    |                                 | Data Centre 5MW – Project III (KES Million)                    | Generate revenue from data centre 5MW project III | -                                                                                   |

| Strategic Pillar/Theme/Issues | Objective | Key Performance Indicators                                                       | Activities                                                                 | Achievements                                                                               |
|-------------------------------|-----------|----------------------------------------------------------------------------------|----------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|
|                               |           | Captive Power Project IV (5MW)                                                   | Generate revenue from captive power project IV (5MW)                       | -                                                                                          |
|                               |           | Captive Power Project V (Heat)                                                   | Generate revenue from captive power project V (Heat)                       | -                                                                                          |
|                               |           | No of consultancy services                                                       | Provide external consultancy services                                      | GDC provided a total of 4 consultancy services during the period under review              |
|                               |           | Revenue generated from consultancy and technical advisory services (KES Million) | Generate revenue from consultancy and technical advisory services provided | GDC received a total of KES 43 million from consultancies during the period under review   |
|                               |           | GoK exchequer funds (KES Million)                                                | Absorb allocated GoK exchequer funds to GDC                                | GDC received a total of KES 530 million from GoK exchequer during the period under review  |
|                               |           | Development Partner funds secured (KES Million)                                  | Mobilize funds from development partners                                   | GDC received a total of KES 2,997 from development partners during the period under review |

| Strategic Pillar/Theme/Issues | Objective | Key Performance Indicators                                  | Activities                                              | Achievements                                                                                                |
|-------------------------------|-----------|-------------------------------------------------------------|---------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|
|                               |           | Investments mobilized from strategic partners (KES Million) | Mobilize investments from strategic partners            | -                                                                                                           |
|                               |           | Investment from IPPs                                        | Number of investments made by IPPs                      | -                                                                                                           |
|                               |           | % GoK exchequer absorption                                  | Absorb GoK exchequer funds                              | GDC absorbed 100% of its GoK allocations during the period under review                                     |
|                               |           | % of development partner funds absorption                   | Absorb development partner funds                        | GDC absorbed 85.6% of development partner funds during the period under review                              |
|                               |           | % absorption of procurement and disposal plans              | Implementation of procurement and disposal plans by GDC | GDC implemented 62.25% of its procurement plan and 5.6% of its disposal plan during the period under review |
|                               |           | Pending bills as a % of the budget                          | Pending bills against the GDC budget for the            | GDC had pending bills totalling to KES 507 million,                                                         |



| Strategic Pillar/Theme/Issues     | Objective                                           | Key Performance Indicators                                                                                    | Activities                                                                                              | Achievements                                                                                                                                  |
|-----------------------------------|-----------------------------------------------------|---------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------|
|                                   |                                                     |                                                                                                               | period under review                                                                                     | representing 6.69% of the budget at the close of the period under review                                                                      |
|                                   |                                                     | % compliance with financial and procurement laws, regulations, policies, circulars, and government guidelines | Comply with financial and procurement laws, regulations, policies, circulars, and government guidelines | GDC complied 100% with financial and procurement laws, policies, regulations, circulars and government guidelines for the period under review |
|                                   |                                                     | % of assets tagged and validated                                                                              | Tag and validate GDC assets                                                                             | GDC tagged and validated 100% of its assets during the period under review                                                                    |
| Pillar 3: Stakeholder Management  | To strengthen corporate brand reputation            | Brand reputation index                                                                                        | Strengthen corporate brand and reputation                                                               | During the period under review GDC had a net promoter score of 31.03%                                                                         |
| Pillar 4: Organizational Capacity | To strengthen the company's institutional framework | Performance contract composite score                                                                          | Implement performance contract targets                                                                  | GDC Achieved a self-evaluation composite score of 3.24                                                                                        |

| Strategic Pillar/Theme/Issues | Objective | Key Performance Indicators                                            | Activities                                                | Achievements                                                                            |
|-------------------------------|-----------|-----------------------------------------------------------------------|-----------------------------------------------------------|-----------------------------------------------------------------------------------------|
|                               |           |                                                                       |                                                           | during the period under review                                                          |
|                               |           | Employee satisfaction index %                                         | Implement Employee Satisfaction Survey Recommendations.   |                                                                                         |
|                               |           | Board performance score                                               | Undertake Board Evaluations                               |                                                                                         |
|                               |           | Level of compliance with legal and governance structures (%)          | Comply with legal and governance structures.              |                                                                                         |
|                               |           | Level of compliance with national values and principles of governance | Comply with national values and principles of governance. | GDC achieved 100% level of compliance with national values and principles of governance |
|                               |           | Level of automation                                                   | Undertake Automation of processes                         | During the period under review GDC automated its performance appraisal process.         |

## **CORPORATE GOVERNANCE STATEMENT**

### **Introduction**

Corporate Governance involves a set of relationships between a Company's Management, its Board, its Shareholders and other Stakeholders. Corporate Governance provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring of performance.

### **Statement of Compliance**

The Board of Directors ("Board") has committed itself to the services of GDC to uphold the tenets of good corporate governance by being responsible, transparent, accountable, efficient, effective, persons of integrity and in exercising fairness in all their dealings.

In its endeavour to uphold the tenets of good governance, the Board is guided by the Code of Governance for State Corporations otherwise known as the Mwongozo Code of Governance for State Corporations, the Board Charter, the Constitution of Kenya 2010, the Leadership and integrity Act No. 19 of 2012, the Public Officers and Ethics Act No. 4 of 2003, and the Directors Code of Conduct and Ethics. GDC is now certified for ISO 9001:2015 - Quality Management System since August 2021.

The responsibility and conduct of individual Directors when dealing with company business is governed by the Directors Code of conduct and Ethics. Each Director has signed the Directors' Code of Conduct and Ethics and has also made a commitment to comply with the same. The areas covered include the values expected of the Director to have respect for people, uphold integrity, be transparent and accountable, provide stewardship and be persons of excellence. The Code also covers policies on Conflict of Interest, Whistleblowing and Resolution of Issues in respectful manner.

### **Board Charter**

The Board Charter is a commitment by members of the Board to discharge the mandate of GDC. It seeks to ensure the effectiveness of each Directors' contribution in the governance of the Company by facilitating full and free exercise of independent judgement and professional competence. It outlines the rules that guides the Board and does not in any way purport to replace or supersede any laws and regulations that govern the Company.

The Board Charter sets out the structure and processes of the GDC Board. It does this by providing an overview of roles, functions, responsibilities and powers of the Board and individual Directors; Composition of Board Committees and their responsibilities; Matters reserved for final decision making by the Board, and Policies and Practices of the Board on matters of Corporate Governance, Directors declarations and Conflicts of Interests, Conduct of Board meetings, Board Induction and Continuous Skills Development, Governance Audit, and Board Evaluation and Performance. The GDC Board Charter was first developed and approved in the year 2012, and it has been reviewed over the years by the Board



in line with changes in law and with Mwongozo guidelines. A copy of the Board Charter has been circulated to the Board members for their reference and records.

### **Board Composition, Size and Appointment**

GDC's Memorandum and Article of Association provides for a maximum of nine (9) directors, eight (8) of whom are Non-Executive and one (1) Executive who is the Managing Director & CEO. Out of the eight (8) non-executives, six (6) should be independent Directors who hold office for a period not exceeding three (3) years and are eligible for reappointment for one term not exceeding three (3) years. A Board member may be appointed for a cumulative term not exceeding six (6) years.

The appointing authority ensures that the Board Composition complies with the applicable legislation as outlined in the Constitution of Kenya. Additionally, at least one member has to be a Financial Management or Accounting Expert.

Board appointments are done by name and notice in the Kenya Gazette. The Board Chairperson is appointed by His Excellency the President while Board members are appointed by the Cabinet Secretary in the Ministry of Energy & Petroleum.

As of 30<sup>th</sup> June 2024, the Board of Directors was made up of eight (8) Non-Executive Directors and one (1) Executive Director, bringing the total to nine (9) Directors. The Board has two (2) Alternate Directors representing the majority shareholder, who is the Cabinet Secretary, National Treasury & Economic Planning and the minority shareholder who is the Principal Secretary, Ministry of Energy.

The nine (9) Board members as shown below;

| <b>No.</b> | <b>Name</b>                  | <b>Position</b>                        | <b>Date of Appointment</b> |
|------------|------------------------------|----------------------------------------|----------------------------|
| 1)         | Hon. Walter Nyambati         | Chairman                               | 23 December 2022           |
| 2)         | Mr. Paul K. Ngugi            | Managing Director & CEO                | 24 April 2023              |
| 3)         | Mr. Joseph Waruiru           | Alternate Director, National Treasury  | 8 February 2019            |
| 4)         | Mr. Stephen Alexius Njue     | Alternate Director, Ministry of Energy | 25 April 2024              |
| 5)         | Ms. Salome Gakenia Kabando   | Member                                 | 19 September 2023          |
| 6)         | Mr. Boniface Lesiampei Lilah | Member                                 | 19 September 2023          |
| 7)         | Mr. Stephen Chase Kisaka     | Member                                 | 19 September 2023          |
| 8)         | Eng. Richard Kipkoros Kandie | Member                                 | 19 September 2023          |
| 9)         | Mr. Eustus Muriithi Maina    | Member                                 | 19 September 2023          |

### **Board Diversity /Skills**

The Board embraces and recognizes the benefits of diversity in skills and experience in its Composition. Board skills is about advancing business to new heights by bringing together diverse experiences. Diverse Board including but not limited to diversity of expertise, experience, age, and gender makes

better decisions. The GDC Board as currently constituted reflects diversity which helps to perform its role effectively. The areas of expertise of the current Board are: -

**Fields of Expertise Numbers**

| No. | Field of Expertise                        | Numbers |
|-----|-------------------------------------------|---------|
| 1.  | Administration                            | 1       |
| 2.  | Mathematician                             | 1       |
| 3.  | Sanitary and Civil Engineering            | 1       |
| 4.  | Project Planning and Management           | 1       |
| 5.  | Communication and Relationship Management | 1       |
| 6.  | Mechanical Engineering                    | 1       |
| 7   | Television Production                     | 1       |
| 8   | Economics and Finance                     | 2       |

**Board Effectiveness**

The separation of roles and duties of the Chairman, Managing Director & CEO and further between the Board and Management ensures that the parties are independent of each other thus enhancing decision making, accountability, power balance and clarity in responsibilities.

**Role of the Board**

The role of the Board is to provide leadership and strategic guidance to GDC, in addition to overseeing Management's implementation of the company's strategic initiatives. It does this through the establishment of GDC's short- and long-term goals and coming up with strategies to achieve these goals thus;

- a) Approving GDC annual targets and financial statements and monitoring the financial performance of the Company.
- b) Setting and reviewing the key performance indicators and performance of management.
- c) Risk management by ensuring that the company has adequate systems of internal controls together with appropriate monitoring of compliance activities.
- d) Ensuring proper and adequate disclosures in regard to the company's operations thus enhancing transparency and integrity.
- e) Ensuring ethical behaviour and compliance with all the relevant laws and regulations.
- f) Audit and accounting principles, corporate policies and procedures, and code of ethics.
- g) Developing and reviewing succession planning for the Management team and approving senior executive appointments, organizational changes and remuneration.
- h) Constituting and reviewing the composition of Board Committees and.
- i) Evaluating and approving each committee's report.



### **Induction and Capacity Building for the Board**

The Board attends trainings on Corporate Governance and other relevant areas to equip it with the knowledge required to effectively discharge its responsibilities. Upon appointment, the Board members go through an internal induction programme to familiarize themselves with the operations and the areas that the company carries out its operations. An external induction is undertaken by State Advisory Committee (SCAC) while an internal induction is undertaken by the office of the Managing Director & Chief Executive Officer in liaison with the Company Secretary's Office. The internal induction ensures that the Directors receive knowledge about the Company through site visits, informal interactions with Management and Staff, regular in-depth reports, and presentations. The Managing Director & CEO ensures that Management updates the Board on matters relevant to GDC's business, changes in law and regulation including Government accounting policies.

The Board has also put in place an annual development program for all its members to improve on their individual capacity. Board members are encouraged to undertake continuous professional development in their respective professional bodies as guided by Mwongozo guidelines.

During the year under review, new directors were inducted, and the existing directors were taken through various training programs and retreats to enhance their knowledge in various facets thus strengthening their role in the company.

### **Board Meetings**

Board meetings are constituted in accordance with the Constitutive document and held at least four (4) times a year. A schedule of meetings is agreed upon by the Board members and set out in the Board Work plan and Board Almanac.

The Agenda for the meetings is aligned to the Board work plan and each Board member is free to suggest the inclusion of items on the Agenda. Notices of meetings are issued by the Company Secretary and General Manager Legal Services, and Board papers are circulated in advance to enable the Directors to prepare adequately for the meetings.

The quorum for a Board meeting is five (5) members while for the Board Committee is three (3) members. Senior Managers, employees and advisors are invited by the Managing Director & CEO to attend Board or Committee meetings whenever considered necessary.

The Board of Directors held eight (8) Full Board meetings during the period under review which were attended as follows: -



| No.                                                                                              | Name of Director     | Board Position                         | Status                          | Number of Full Board Meetings Held | Number of Meetings Attended                                                |
|--------------------------------------------------------------------------------------------------|----------------------|----------------------------------------|---------------------------------|------------------------------------|----------------------------------------------------------------------------|
| 1.                                                                                               | Hon. Walter Nyambati | Chairman                               | Independent & non-executive     | 8                                  | 8                                                                          |
| 2.                                                                                               | Mr. Paul K. Ngugi    | MD & CEO                               | Executive                       | 8                                  | 7                                                                          |
| 3.                                                                                               | Mr. Chrispin Lupe    | Alternate Director Ministry of Energy  | Non-Independent & Non-executive | 8                                  | 6*<br>Ceased to be a director with effect from 24 <sup>th</sup> April 2024 |
| 4.                                                                                               | Mr. Joseph Waruiru   | Alternate Director National 60Treasury | Non-Independent & non-executive | 8                                  | 8                                                                          |
| <b>No 5 to 9 were appointed as Directors with effect from 23<sup>rd</sup> September 2023.</b>    |                      |                                        |                                 |                                    |                                                                            |
| 5.                                                                                               | Mr. Stephen Kisaka   | Director                               | Independent & non-executive     | 8                                  | 6                                                                          |
| 6.                                                                                               | Eng. Kipkoros Kandie | Director                               | Independent & non-executive     | 8                                  | 6                                                                          |
| 7.                                                                                               | Ms. Salome Kabando   | Director                               | Independent & non-executive     | 8                                  | 6                                                                          |
| 8.                                                                                               | Mr. Boniface Lilah   | Director                               | Independent & non-executive     | 8                                  | 6                                                                          |
| 9.                                                                                               | Mr. Eustus Muriithi  | Director                               | Independent & non-executive     | 8                                  | 6                                                                          |
| <b>No 10 to 13 were degazetted as Directors with effect from 23<sup>rd</sup> September 2023.</b> |                      |                                        |                                 |                                    |                                                                            |
| 10.                                                                                              | Dr Nelly Yatich      | Director                               | Independent & non-executive     | 8                                  | 1                                                                          |
| 11.                                                                                              | Mr. Mwendia Nyaga    | Director                               | Independent & non-executive     | 8                                  | 2                                                                          |
| 12.                                                                                              | Mr. John Gicamu      | Director                               | Independent & non-executive     | 8                                  | 2                                                                          |
| 13.                                                                                              | Mr. Hillary Koech    | Director                               | Independent & non-executive     | 8                                  | 2                                                                          |

### Directors Remuneration

Directors are remunerated for their services with guidance from the State Corporation Advisory Committee (SCAC) through Government circulars issued from time to time. The Directors are paid sitting, lunch and accommodation allowances and mileage reimbursement where applicable. The sitting allowances are taxed and paid for each meeting attended. Lunch allowance is paid in lieu of lunch being provided. Mileage and accommodation allowances are paid while on Company duty for each event or meeting attended.

The Directors' fee is paid annually based on the performance of the Company, subject to the approval of the Ministry of Energy & Petroleum and the National Treasury & Economic Planning and is approved during the Annual General Meeting (AGM). These allowances are within set limits of Government State Corporations.

The Chairman is paid a monthly honorarium, landline, and telephone expense allowance. There were no loans granted to non-executive Directors at any time during the year. Directors' remuneration has been disclosed in the books of accounts.

The regular allowances for Board Chairpersons and Board Members are as follows: -

| No. | Allowance                            | Chairperson                                                                                                      | Board Member                                                                                                     |
|-----|--------------------------------------|------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|
| 1.  | Honoraria                            | Kes. 80,000/- per month                                                                                          | N/A                                                                                                              |
| 2.  | Sitting                              | Kes. 20,000/- per sitting                                                                                        | Kes. 20,000/- per sitting                                                                                        |
| 3.  | Accommodation                        | Kes. 18,200/- per day                                                                                            | Kes. 18,200/- per day                                                                                            |
| 4.  | Airtime (Mobile)                     | Kes. 5,000/- per month                                                                                           | N/A                                                                                                              |
| 5.  | Airtime (Landline)                   | Kes. 2,000/- per month                                                                                           | N/A                                                                                                              |
| 6.  | Lunch                                | Kes. 2,000 Per day                                                                                               | Kes. 2,000 per day                                                                                               |
| 7.  | Transport                            | Determined by prevailing Government guidelines; currently prevailing Automobile Association of Kenya (AA) rates, | Determined by prevailing Government guidelines; currently prevailing Automobile Association of Kenya (AA) rates, |
| 8.  | Personal Accident Cover ('Not Life') | Procured competitively                                                                                           | Procured competitively                                                                                           |
| 9.  | Medical Expenses                     | Inpatient Kes. 2 million per annum;<br>Outpatient Kes.100,000/- per annum and Last expense (self) Kes.100,000/-  | Inpatient Kes. 2 million per annum;<br>Outpatient Kes.100,000/- per annum and Last expense (self) Kes.100,000/-  |

### Director's Shareholding

No Board Member holds any shares in the Company. The National Treasury & Economic Planning owns 19,999 shares while the Ministry of Energy & Petroleum owns 1 share.



### **Declaration of Conflict of Interest**

The duty stipulated by the law to avoid situations where a Director may have interests that conflict with those of the company has been observed by the Board. The Directors are obliged to fully disclose any real or potential conflict of interest to the Board. In a situation where there be conflict of interest, the Director involved ought to exclude himself/herself from any discussion or decision making over the matter. In any meeting of the Board, there is an agenda item giving an opportunity to Directors to declare any conflict of interest.

### **Directors' Evaluation**

GDC Board of Directors conduct annual evaluation to appraise its performance, and that of individual Directors, Managing Director & CEO using the appraisal tools developed by the State Corporation Advisory Committee (SCAC) and actualized by the circular from Head of Public Service dated 29<sup>th</sup> June 2011.

The Board self-evaluation for the year under review was facilitated by the State Corporation Advisory Committee (SCAC) where strengths, collective skill gaps and individual areas of improvement were identified after which a Board Performance improvement plan was prepared.

### **Performance Evaluation Process**

- a) Facilitation by State Corporation Advisory Committee.
- b) Board Member given individual codes.
- c) Board Members fill Questionnaire.
- d) Results are collated by State Corporation Advisory Committee.
- e) Results presented by State Corporation Advisory Committee and adopted by the Board
- f) Chairman discusses the results with each member.
- g) Performance improvement plan developed.
- h) Results submitted to state Corporation Advisory Committee & Energy.

### **Governance Audit**

No governance audit was undertaken during the period under review.

### **Legal Compliance Audit**

One (1) external legal compliance audit was undertaken a procured external law firm.

### **General Manager Legal Services & Company Secretary**

The General Manager Legal Services & Company Secretary is tasked with providing a central source of guidance and advice to the Board Management on matters of statutory and regulatory compliance as well



as good governance. In addition, as a Certified Secretary, she provides secretarial services to the Board and all Committees among other roles.

### **Board Committees**

The State Corporation Act Cap 446, Section 15, allows Boards of State Corporations to establish Committees. The Mwongozo code Chapter 1 section 1.7 allows the Board to establish not more than four Committees of the Board of which one of them must be the Audit Committee.

The Board is required to provide Terms of Reference (TOR) for each Committee; review the mandate of the committees periodically; determine the frequency of committee meetings; appoint the Chairperson of each Committee; and annually review the effectiveness and performance of its committees.

The Board also provides the Committees with all necessary resources to enable them to undertake their duties in an effective manner. The Chairperson of the Board is not a member of any Committee except an Ad hoc Committee. An Ad hoc committee can be formed when necessary to handle pertinent issues. In addition, the Board may also form a panel to provide it with expert views on issues that may include selection of staff.

During the year under review the, the Board constituted the following committees: -

- a) Audit Committee was chaired by Director John Gicamu until 23<sup>rd</sup> September 2023 and is currently chaired by Eng. Kipkoros Kandie.
- b) Strategy Committee was chaired by Director Mwendia Nyaga until 23<sup>rd</sup> September 2023 and is currently chaired by Boniface Lilah.
- c) Finance & General-Purpose Committee was chaired by Director Hillary Koech until 23<sup>rd</sup> September 2023 and is currently chaired by Stephen Kisaka.
- d) Human Resource Committee was chaired by Director Nelly Yatich until 23<sup>rd</sup> September 2023 and is currently chaired by Salome Kabando.

### **Report from the Chairperson of Board Audit Committee**

The Board Audit Committee comprises of four (4) non-executive Directors and is chaired by a non-executive independent Director.

The Committee regularly invites the Managing Director & CEO, Manager Internal Audit, General Manager, Finance and at times other key staff members to its meetings. External auditors are also invited to attend the meetings when necessary.

The committee is appointed by the Board of GDC to assist in fulfilling the following oversight responsibilities: -

- a) Obtain assurance from management that all financial and non-financial internal control and risk management functions are operating effectively and reliably.

- b) Provide an independent review of an entity's reporting functions to ensure the integrity of financial report.
- c) Monitor the effectiveness of the entity's performance management and performance information.
- d) Provide strong and effective oversight of an entity's internal audit function.
- e) Provide effective liaison and facilitate communication between management and external audit.
- f) Provide oversight of the implementation of accepted audit recommendations.
- g) Ensure the entity effectively monitors compliance with legislative and regulatory requirements.
- h) Review and monitor external auditors' independence and objectivity and effectiveness of the audit process taking into consideration relevant regulatory guidelines in Kenya.

The Committee held five (5) meetings that were attended as follows; -

| No. | Name                 | Meetings held | Attendance |                                                                          |
|-----|----------------------|---------------|------------|--------------------------------------------------------------------------|
| 1)  | Eng. Kipkoros Kandie | 5             | 4          | Chairman                                                                 |
| 2)  | Mr. Joseph Waruiru   | 5             | 5          | Members                                                                  |
| 3)  | Ms. Salome Kabando   | 5             | 4          |                                                                          |
| 4)  | Mr. Eustus Muriithi  | 5             | 4          |                                                                          |
| 5)  | Mr. Paul Ngugi       | 5             | 3          | MD & CEO attends by Standing invitation                                  |
|     |                      |               |            |                                                                          |
| 6)  | Mr. Chrispin Lupe    | 5             | 1*         | Ceased to be a director with effect from 24 <sup>th</sup> April 2024     |
| 7)  | Mr. John Gicamu      | 5             | 1*         | Ceased to be a director with effect from 23 <sup>rd</sup> September 2023 |

#### Report from the Chairperson Board Strategy Committee

The Committee is comprised of three (3) non-executive Directors and the Company's Managing Director & CEO and is chaired by non-executive independent Director. The Committee considers Management's proposals; provides oversight to Management and recommends to the Board on matters relating to GDC's strategic direction and technical services.

The Committee held four (4) meetings which were attended as follows: -

| No | Name                 | Meetings held | Attendance |          |
|----|----------------------|---------------|------------|----------|
| 1) | Mr. Boniface Lilah   | 4             | 3          | Chairman |
| 2) | Mr. Paul K. Ngugi    | 4             | 3          | Members  |
| 3) | Eng. Kipkoros Kandie | 4             | 3          |          |
| 4) | Mr. Eustus Muriithi  | 4             | 3          |          |



| No | Name              | Meetings held | Attendance |                                                                          |
|----|-------------------|---------------|------------|--------------------------------------------------------------------------|
| 5) | Mr. Chrispin Lupe | 4             | 3*         | Ceased to be a director with effect from 24 <sup>th</sup> April 2024.    |
| 6) | Mr. Mwendia Nyaga | 4             | 1*         | Ceased to be a director with effect from 23 <sup>rd</sup> September 2023 |
| 7) | Dr. Nelly Yatich  | 4             | 1*         | Ceased to be a director with effect from 23 <sup>rd</sup> September 2023 |

#### Report from the Chairperson of the Board Human Resource Committee

The Board Human Resource Committee is comprised of (3) non-executive Directors and Managing Director & CEO and is chaired by a non-executive independent Director. The Human Resource Committee is tasked with the responsibility of reviewing terms and conditions of service for employees of the company; reviewing recommendations for appointment, promotion, confirmation, or termination of staff in Job Groups GD3 and handling disputes between management and staff in Job Group GD3 and above; handling all other matters relating to staff; and dealing with occupational, health and safety issues.

The Committee held four (4) meetings which were attended as follows: -

| No | Name               | Meetings held | Attendance |                                                                          |
|----|--------------------|---------------|------------|--------------------------------------------------------------------------|
| 1) | Ms. Salome Kabando | 4             | 3          | Chairman                                                                 |
| 2) | Mr. Paul K. Ngugi  | 4             | 4          | Members                                                                  |
| 3) | Mr. Stephen Kisaka | 4             | 3          |                                                                          |
| 4) | Mr. Stephen Njue   | 4             | 1          |                                                                          |
| 5) | Dr. Nelly Yatich   | 4             | 1*         | Ceased to be a director with effect from 23 <sup>rd</sup> September 2023 |
| 6) | Mr. John Gicamu    | 4             | 1*         |                                                                          |
| 7) | Mr. Hillary Koech  | 4             | 1*         |                                                                          |
| 8) | Mr. Chrispin Lupe  | 4             | 3*         | Ceased to be a director with effect from 24 <sup>th</sup> April 2024.    |

#### Report from the Chairperson of the Board Finance Committee & General-Purpose Committee

The Board Finance is comprised of the chairperson; three (3) independent Directors; Managing Director & CEO and is chaired by a non-executive independent Director. The committee considers all matters of financial strategy and policy, financial forecasts, annual budgets and reviewing expenditures/procurements for each quarter of the financial year.

The Committee held four (4) meetings which were attended as follows: -



| No. | Name               | Meetings held | Attendance |                                                                          |
|-----|--------------------|---------------|------------|--------------------------------------------------------------------------|
| 1)  | Mr. Stephen Kisaka | 4             | 3          | Chairman                                                                 |
| 2)  | Mr. Paul K. Ngugi  | 4             | 4          | Members                                                                  |
| 3)  | Mr. Joseph Waruiru | 4             | 4          |                                                                          |
| 4)  | Mr. Boniface Lilah | 4             | 3          |                                                                          |
|     |                    |               |            |                                                                          |
| 5)  | Mr. Mwendia Nyaga  | 4             | 1*         | Ceased to be a director with effect from 23 <sup>rd</sup> September 2023 |
| 6)  | Mr. Hillary Koech  | 4             | 1*         |                                                                          |

### Internal Control and Risk Management

Risk management is a critical part of Corporate Governance and ensures long term viability and sustainability of the company. GDC's system of financial control ensures that adequate systems are maintained. The Board has come up with policies on risk management that identifies, measures, and manages the risks that GDC faces. These policies have also been integrated into the overall management reporting structure. The Audit Committee of the Board regularly reviews the effectiveness of the internal control system.

### Communication with Stakeholders

The effective management of stakeholder's interest creates goodwill, promotes a positive image of the organization, and enhances the achievement of corporate goals. The Board has carried out stakeholder mapping, approved the stakeholder's policy and ensured that the policies, practices and strategic plans of GDC are aligned with Government directives, national policies and national development goals including the Kenya vision 2030 and the Big 4 Agenda.

The Board considers its primary responsibility to be the maximization of long-term shareholders value. All the Directors have collective responsibilities and are fiduciary agents.

The Board communicates organizational strategy and performance, addresses all issues relevant to members' interests, corporate social responsibility, and good governance.

### Procurement Policies

Procurement policies have been put in place to ensure fair competition taking into consideration economy, efficiency, transparency, and accountability in accordance with legal and statutory requirements consistent with the governing laws.

### Code of Conduct and Ethics

This focuses on ethical conduct and integrity at workplace and since it does not cover everything, the code is not used as a substitute for good judgement expected of Board members and employees working for the company.

The Board has approved the Code of Conduct and Ethics and Corporate gift policies. Every Board member and employee has committed to adhere to the values in the Code of Conduct.

**Going Concern**

The Board confirms that financial statements are prepared on a going concern basis. The Directors work tirelessly to ensure that GDC has adequate resources to continue business for the foreseeable future. This assessment has been made through consideration of a wide range of information relating to current and projected conditions that is cash flows, capital resources and potential exploration sites. For this reason, it continues to adopt the going concern basis when preparing financial statements.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Operational and financial performance

The company's performance for the quarter ended 30<sup>th</sup> June 2024 is as summarized below.

| Performance indicator                                          | 2024   | 2023   |
|----------------------------------------------------------------|--------|--------|
| Revenue (Shs million)                                          | 1,967  | 1,552  |
| Profit/(Loss) before income tax (Shs million)                  | (528)  | 599    |
| Net assets (Shs million)                                       | 839    | (889)  |
| Current ratio                                                  | 2.84:1 | 3.51:1 |
| Expenditure on exploration and evaluation assets (Shs million) | 4,441  | 3,941  |
| Additions to property, plant and equipment (Shs million)       | 270    | 82     |
| Grants received (Shs. million)                                 | 6,654  | 4,880  |

### Compliance with statutory requirements

The company has fully complied with all the statutory requirements.

### Major Risks facing the entity.

The company is currently faced with a litigation at the High Court of Kenya and Court of Appeal and an unresolved tax matter.

### Key projects and investment decisions implemented by the company.

In line with the National Government strategic objectives, GDC aims at increasing the national electricity generation capacity from geothermal resources by an additional 1065 MW from the following fields.

|                           |       |
|---------------------------|-------|
| Menengai Geothermal Field | 465MW |
| Baringo-Silali block      | 300MW |
| Suswa Geothermal Field    | 300MW |

During the year, drilling activities continued in the Bogoria Silali geothermal field.

### Governance

The company has not recorded any issue of governance and financial probity in the year.

## **ENVIRONMENTAL AND SUSTAINABILITY REPORTING**

### **Introduction**

GDC acknowledges that some aspects of its operations can have undesired adverse effects that could harm the biophysical environment, people or assets. The Company is thus committed to promoting safe working environment as guided by our Safety Health and Environment policy. The policy requires conducting all GDC operations in an ethically and practically environmentally sound manner that minimises environmental and social risks while placing high priority on the safety of employees, local communities, visitors, contractors and all stakeholders.

### **Sustainability Strategy and profile**

GDC recently launched its strategic plan 2023-2027, the plan provides direction and defines priorities that the Company will pursue for the planned period 2023 - 2027. The Plan is aligned with the National, Regional, International and other development priorities. Top management with the support of the board recognizes that access to clean, adequate, affordable, and reliable energy is essential to meet the goals of Vision 2030 and for sustainable development.

The Company's contribution to societal well-being in its operational areas continues to be a pillar for business continuity. The Company envisions lowering the cost of power in Kenya through development of geothermal resources. To ensure sustainability of the business, the Company endeavors to align its activities to ensure minimal impact on the environment.

### **Environmental conservation and Tree Growing campaign**

GDC's commitment to enhancing environmental sustainability has ensured its overwhelming support of the Presidential Directive of growing 15 Billion trees by 2032. GDC has a fully-fledged tree nursery at Menengai Geothermal project that has supported its social afforestation program where tree seedlings are raised given donated to local communities around the project areas to plant on their farms. GDC managed to plant 87,427 trees in Menengai Project, 300 in Baringo-Silali project in the Financial year 2023/2024. During the same period, 20,000 tree seedlings were in planted in Koibatek Forest under the presidential tree growing clarion call in collaboration with Community Forest Association (CFA), while 22,728 seedlings were donated to the surrounding community within geothermal project areas.

### **Environmental Management and monitoring**

GDC continues to streamline its environmental and social management/monitoring plans to be in total compliance with International Environmental Best Practices and Standards. The company has also continued to contribute to National realization of Sustainable Development Goals (SDGs) relating to: Affordable and Clean Energy; Clean Water and Sanitation for communities in project areas; Improved Infrastructure, and Climate Change Action.

### **Environmental Compliance**

The Company has strived to ensure compliance to relevant international and national environmental statutory provisions. All the Company operations are conducted in an environmentally sound manner and all environmental impacts mitigated and managed in a sustainable way. Through the commitment of the environmental policy, the Company has demonstrated efficient use of resources, proper management of waste generated and full compliance to legislative requirements. Environmental Social Impact Assessments (ESIA) are conducted prior to development of new projects, Environmental Audits of existing projects conducted on annual basis and timely acquisition of applicable environmental licenses and permits. Company projects EMPs are aligned to International Environmental Standards such as the IFC Performance Standards

During the year, the company conducted Internal environment audit for Menengai Project (2) and Baringo-Silali project (2), Internal Annual Self Environmental Audits for Menengai and Baringo-Silali geothermal Projects. All these were in accordance with the Environmental Management and Coordination Act (EMCA) 1999 and Environmental Impact Assessment and Audit) Regulations 2003 and the relevant National and International legislation and standards/guidelines.



## **Workplace Safety**

GDC as a responsible employer takes priority in the safety of employees. GDC's focus has been to provide a safe working environment for everyone working for and on behalf of company, visitors including communities around our project areas. Our Safety health and environment policy provides for a comprehensive approach to safety. All employees, contractors, suppliers, local communities, visitors and all our stakeholders are protected against harm through regular assessment of any potential hazards and implementation of required safety measures.

The company also carried out two (2) biannual follow-up safety; inspections and Statutory occupational health & safety (OSH) and Fire safety audits for all project areas. All these were in accordance with the Occupational Safety and Health Act 2007 (OSHA); and industry Best Practices.

## **Responsible supply chain and supplier relations**

The Company is committed to providing a conducive environment to all suppliers through conducting procurements in a Fair, Equitable, Competitive, Transparent and Maximisation of Value for Money. At the same time Honoring Contractual Obligations, Promotion of Local Industry and Environmental Protection. c)

## **Responsible marketing and advertisement**

GDC doesn't engage in marketing or advertisement.

## **Product stewardship**

The Company is committed to ensuring that it safeguards the well-being and interests of consumers through education, mobilization and representation in all its activities across the project areas.

## **Corporate Social Responsibility / Community Engagements**

### **a) Health Support:**

GDC continued to support the healthcare pillar by providing healthcare services to members of the local community in the Baringo Silali geothermal project. Further GDC continued to provide ambulance services to the community within Menengai Geothermal project.

### **b) Water Support:**

GDC provided water to different communities living around GDC project areas.

### **c) Education Support:**

GDC promoted education through provision of bursaries.

## **Community Engagements**

### **a) Stakeholder & Community Project meetings:**

To promote harmonious and peaceful coexistence in the geothermal projects, GDC facilitated Community engagement forums to deliberate on issues around land, water, power plant development, capacity development, grievance management etc.

## **Other Engagements:**

### **Employment:**

GDC engaged community members from different communities around GDC project areas on casual basis in execution of its activities during the year.

### **Capacity Development:**

To manage social challenges within GDC project areas, the Company established and trained community Engagement Committees on project and grievance management mechanisms.

## **Community Engagement Strategy:**

To promote good governance, GDC implemented the following initiatives:



- i. GDC Collaborated with Power Africa (USAID) to develop Community Engagement Strategy.
- ii. GDC developed and implemented a Community Engagement Strategy to streamline social Risks management amongst its community stakeholders.

## REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements of Geothermal Development Company Limited (the "Company") for the year ended 30 June 2024.

### Business Review

The principal activity of the Company continues to be the development of geothermal resources in Kenya.

### The Company's Performance

In the year, the Company recorded a loss before tax of Shs. 385 million compared to previous year's profit before tax of Shs. 391 million.

The overall receipts from steam charge payments from Olkaria increased to Shs. 4.3 billion compared to Shs 3.75 billion in the previous financial year. The allocation of steam receipts to development activities was Ksh 3.3 billion compared to Ksh 2.2 billion in the previous year.

The Company also generated revenue from sale of steam of Ksh 967 million from its Menengai field. The revenues were ploughed back for further development of the company's projects.

During the year, a total of Shs. 4.41 billion (2022: Shs. 3.95 billion) was spent on exploration and evaluation activities in the Menengai field and Bogoria-Silali fields. These were funded by capital grants of Shs. 3.3 billion (2022: Shs 2.2 billion) received from and through the Government of Kenya and plough-back of funds received from steam charge payments.

The Company continues with exploration and evaluation activities in the Bogoria-Silali area.

### Dividend

The net profit for the year of Shs 1,962,294 (2022: Shs 528,017,949) has been added to retained earnings. The directors do not recommend the payment of a dividend.

### Directors

The Directors who held office during the year and to the date of this report are set out on page 1.

### Disclosure to Auditor

The directors confirm that with respect to each director at the time of approval of this report:

- a. there was, as far as each director is aware, no relevant audit information of which the Company's auditor is unaware; and
- b. each director had taken all steps that ought to have been taken as a director so as to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### Terms of Appointment of Auditor

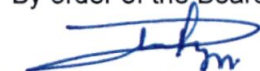
The Auditor-General is responsible for the statutory audit of Geothermal Development Company Limited in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

### Employees

The directors are pleased once again to record their appreciation for the untiring effort of all employees of the Company.

### Approval of Financial Statements

The financial statements were approved by the Board of Directors on 24/12 2024.  
By order of the Board



**Mr. Paul K. Ngugi**  
**MANAGING DIRECTOR & CEO**



## STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management (PFM) Act, 2012, Section 14 of the State Corporations Act and Kenya Companies Act, 2015 require the Directors to prepare financial statements in respect of the Company, which give a true and fair view of the state of affairs of the Company at the end of the financial year and the operating results of the Company for that year. The Directors are also required to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy the financial position of the Company. The Directors are also responsible for safeguarding the assets of the Company.

The Directors are responsible for the preparation and presentation of the Company's financial statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the year ended on 30 December 2023. This responsibility includes:

- (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company;
- (iii) designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- (iv) safeguarding the assets of the Company;
- (v) selecting and applying appropriate accounting policies; and
- (vi) making accounting estimates that are reasonable in the circumstances.

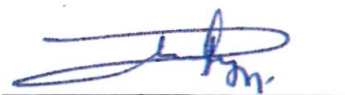
The Directors accept responsibility for the Company's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012, the State Corporations Act and the Kenya Companies Act, 2015. The Directors are of the opinion that the Company's financial statements give a true and fair view of the state of Company's transactions during the year ended 30 June 2024, and of the Company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Company, which have been relied upon in the preparation of the Company's financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the directors have assessed the Company's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. 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.

The directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibility.

### Approval of the financial statements

The Company's financial statements were approved by the Board on 29/12 2024 and signed on its behalf by:

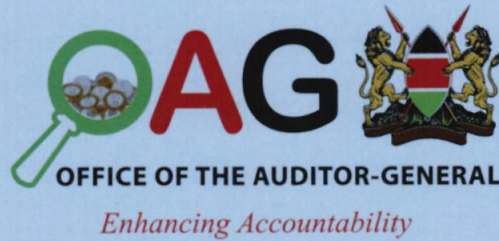


Mr. Paul K. Ngugi  
Managing Director & CEO



# REPUBLIC OF KENYA

Telephone: +254-(20) 3214000  
Email: info@oagkenya.go.ke  
Website: www.oagkenya.go.ke



**HEADQUARTERS**  
Anniversary Towers  
Monrovia Street  
P.O Box 30084-00100  
NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON GEOTHERMAL DEVELOPMENT COMPANY LIMITED (GDC) FOR THE YEAR ENDED 30 JUNE, 2024**

---

### **PREAMBLE**

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

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

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

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

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of Geothermal Development Company Limited (GDC) set out on pages 1 to 40, which comprise the statement of



financial position as at 30 June, 2024 and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows, and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of GDC as at 30 June, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRSs) and comply with the Public Finance Management Act, 2012 and the Companies Act, 2015.

### **Basis for Qualified Opinion**

#### **1. Non-Compliance with the International Financial Reporting Standards on Revenue Recognition**

The statement of profit or loss and other comprehensive income reflects steam charges payments totaling Ksh.1,000,580,000 as disclosed in Note 5(a) to the financial statements. However, the actual revenue received from steam charge was an amount of Kshs.4,341,251,022 out of which Kshs.3,340,671,000 was for development activities which has been placed under capital grants. Management explained that steam charge payments received from Kenya Electricity Generating Company, PLC (KenGen) is appropriations-in-aid and not sales revenue.

However, there is a contract between the Geothermal Development Company Limited and KenGen on steam payments and therefore accounting for the payments should follow International Financial Reporting Standards (IFRSs) 15 on revenue recognition Paragraph 113 which states that "An entity shall disclose all of the following amounts for the reporting period unless those amounts are presented separately in the statement of comprehensive income in accordance with other Standards: (a) revenue recognized from contracts with customers, which the entity shall disclose separately from its other sources of revenue;". The accounting policy adopted by Management constitutes a departure from the requirements of the International Financial Reporting Standards (IFRS) No.15 on revenue from contracts with customers.

Had the Management accounted for revenue from steam sales in accordance with IFRS No.15, amounting to the Company would have recognized additional revenue of Kshs.3,340,671,000 in the statement of profit or loss and other comprehensive income, and the carrying amount of the capital grants in the statement of financial position would have been reduced by a similar amount. Further, the income tax charges and profit after tax for the year under review would have increased.



In the circumstances, and the accuracy and completeness of the revenue from steam charge payments totalling Kshs.1,000,580,000 could not be confirmed.

## **2. Inaccuracies in Inventories Balance**

The statement of financial position reflects inventories balance of Kshs.3,716,274,000 and as disclosed in Note 12 to the financial statements. However, review of the stock take report as at 30 June, 2024 revealed that there were variances between the system and physical count of inventory items held in the different stores resulting to a combined an unreconciled variance of Kshs.93,400,584.87

Further, review of inventory records revealed that the Company did not have a comprehensive inventory management system that provides an ageing report. The stock items could not be identified according to the receipt date they were acquired, date utilized and ageing of the stocks to determine whether some have been rendered obsolete.

In the circumstances, the accuracy and completeness of inventories balance of Kshs.3,716,274,000 could not be confirmed.

## **3. Non-Contribution to the Fund**

The financial position reflects trade and other payables balance of Kshs.4,635,723,000 and as disclosed in Note 15 to the financial statements. However, the Company's projected contribution for the ten-year period towards the Kenya Energy Environment and Social Responsibility Programme Fund, based on the 2019-2029 action plan revealed that out of the expected contribution of Kshs.54,000,000, The Corporation had not made any contributions over the 4 years thus was owing Kshs.27,000,000 which was not included in the trade and other payables balance as at 30 June, 2024.

In the circumstances, the accuracy and completeness of the trade and other payables balance of Kshs.4,635,723,000 could not be confirmed.

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

## **Emphasis of Matter**

### **1. Commitments and Contingent Liabilities**

Note 23 (c) to the financial statements reflects a dispute between the Company and a firm was adjudicated at a Tribunal and at the High Court of Kenya. A ruling was made against the Company, which was ordered to pay USD 18,206,548.72 together with interest at 14% per annum till payment in full by the High Court. However, the matter has been appealed and is currently pending at the Court of Appeal.



In addition, the Company's tax liabilities with Kenya Revenue Authority were picked by the Public Investment Committee (PIC) of Parliament which was scheduled for round table meeting by all stakeholders for further deliberation on way forward. This condition indicates material uncertainty exist.

Further, the Company is subject to several legal claim's incidental to its operations, the outcome of which cannot at present be foreseen and possible loss or range of loss of which cannot at present be meaningfully quantified.

In the event that those contingent liabilities crystalize, the Company may be exposed to huge cash outlay which may affect its ability to meet its obligations when they fall due, thus impacting on service delivery capacity.

## **2. Long Outstanding Receivables**

The statement of financial position reflects receivables and prepayments from exchange transactions balance of Kshs.1,845,845,000 as disclosed in Note 13 to the financial statements. However, review of the aging analysis revealed that the Company has receivables that have been outstanding for more than two years amounting to Kshs.85,767,490.

The recoverability of receivables and prepayments balance of Kshs.1,845,845,000 could not be confirmed, and this may continue to impact negatively on the Company's budget implementation.

My opinion is not modified in respect of these matters.

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. There were no key audit matters to communicate in my report.

### **Other Matter**

### **Unresolved Prior Year Matters**

In the audit of the previous year, several matters were raised under the Report on Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources and Effectiveness of Internal Controls, Risk Management and Governance. Management has indicated the matters as on-going awaiting tabling and deliberations before the Public Investments Committee (PIC) of the National Assembly in Appendix 1 to the financial statements and as such the issues are still outstanding.

### **Other Information**

The Directors are responsible for the other information. set out on page v to xlv which comprise of Key Entity Information and Management, The Board of Directors,

Management Team, Chairman's Statement, Report of the Chief Executive Officer, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors, Statement of Directors Responsibilities, Statement of Performance Against Predetermined Objectives. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Company's financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information and I am required to report that fact. Based on the audit procedures performed and the matters described in my Basis for Qualified Opinion, I confirm that other information is not materially inconsistent with the financial statements.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

## REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

### Conclusion

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

### Basis for Conclusion

#### 1. Unutilized Monitoring Software

The Company entered into a contract with an International Company for Design, Supply and Installation and commissioning of Information Management System at a cost of Kshs.344,523,712 in the year 2014 whose role was to relay real time information on drilling process for off-site monitoring. In addition, the contractor was to supply the fleet management system, CCTV systems in each rig and Rigs information system for the seven rigs. However, field verification during the month of November, 2024 revealed that

the Company has never used or installed this software since they were procured and the supplier had been paid the advance payment and fleet management system totaling Kshs.137,805,089.

Although Management indicated in their response that milestone one (1) on fleet management, has been achieved, no documentary evidence was provided in support of



this assertion. Additionally, Management also indicated that the matter is with the Ethics and Anti-Corruption Commission (EACC) and that efforts to obtain progress report on the case have not yielded any feedback from the Commission therefore there was no evidence to proof this assertion by Management.

In the circumstances, value for money on expenditure totaling to Kshs.137,805,089 has not been achieved as the Management Information System (MIS) is yet to be installed.

## 2. Failure to Insure the Drilling Rigs

Review of the Company's insurance documents revealed that the Company had not insured its seven (7) drilling rigs with book value of Kshs.4,704,617,939 as analysed below:

| <b>Asset Description</b>    | <b>Acquisition Value-Kshs.</b> | <b>Accumulated Depreciation-Kshs.</b> | <b>Book Value Kshs.</b> |
|-----------------------------|--------------------------------|---------------------------------------|-------------------------|
| Drillers Console<br>(RIG 1) | 3,107,997,310.15               | 2,650,020,782.13                      | 457,976,528.02          |
| Drillers Console<br>(RIG 2) | 2,494,910,397.04               | 2,127,274,970.75                      | 367,635,426.29          |
| Drillers Console<br>(RIG 3) | 2,697,787,710.20               | 2,021,842,011.67                      | 675,945,698.53          |
| Drillers Console<br>(RIG 4) | 2,584,054,565.10               | 1,936,605,337.92                      | 647,449,227.18          |
| Drillers Console<br>(RIG 5) | 1,660,831,716.07               | 841,488,069.44                        | 819,343,646.63          |
| Drillers Console<br>(RIG 6) | 1,692,919,769.08               | 857,746,016.32                        | 835,173,752.76          |
| Drillers Console<br>(RIG 7) | 1,699,286,104.65               | 798,192,445.24                        | 901,093,659.41          |
| <b>Total</b>                | <b>15,937,787,572.29</b>       | <b>11,233,169,633.47</b>              | <b>4,704,617,938.82</b> |

In the circumstances, the Company is exposed to high risk in the event of unfortunate event happening to various rigs owned by the Company.

## 3. Non-Compliance on Car Loan and Mortgage Scheme Reporting Requirements

Note 13 (a) to the financial statements reflects restricted cash and cash equivalents balance of Kshs.224,537,000 after adjusting for staff terminal benefits account and land

compensation in favour of the Staff Car Loan and Mortgage Scheme which is being operated by the Company. The amount represent transfers to three local commercial banks. However, Management did not prepare and submit separate financial statements for audit as required contrary to the Salaries and Remuneration Commission (SRC) Circular SRC 023/12/2014 Ref: SRC/ADM/CIR/1/13 Vol. III (128) dated 17 December, 2014 Clause 4 on financing which states that "Each Government Agency/Organ will administer and manage the schemes internally and the same shall be subjected to the annual audit of Government".

In the circumstances, Management was in breach of the circular.

#### **4. Non-Compliance with a Third (1/3) Rule**

During the year, an analysis of the payroll revealed that several staff members were earning salaries below the 1/3 rule with others earning zero. The affected staff members may cause peculiarly embarrassment to the reputation of the Company. Management attributed this situation to the newly introduced mandatory taxes and levies on Affordable Housing Levy and Social Health Insurance Fund. This contravenes section 19(3) of the Employment Act, 2007.

In the circumstances, Management was in breach of the law.

#### **5. Non-Compliance with Data Protection Act**

During the year under review, Management did not appoint an officer for the position of Data Protection Officer as required by the Data Protection Act, 2019. Management did not provide evidence of registering the company with the Data Commissioner as required under the Act.

In addition, no risk assessment has been provided for audit thus the entity may not have mapped out the areas that present the greatest exposure on data protection. Further, it was also noted that the Office of the Data Protection Officer did not exist in the staff establishment of the Company.

In the circumstances, Management was in breach of the law.

#### **6. Failure to File Annual Returns**

During the year under review, it was noted that there were no records provided to indicate if the Company filled annual returns to the Registrar of Companies as required under the Companies Act, 2015. This is contrary to Part XXVI of the Companies Act, Cap. 486, 705 which "Duty of company to lodge annual returns with Registrar (1) Every company shall submit to the Registrar successive annual returns each of which is made up to a date not later than the date that is from time to time the company's return date". No explanation was provided on the failure to make annual returns.

In the circumstances, Management was in breach of the law.



### **3. Irregular Procurement of Governance Audit**

The Company procured an external governance auditor for provision of external legal audit services through request for quotation vide tender No. GDC/HQS/RFQ/049/2023-2024 awarded to Law Advocates for Kshs.2,849,999 inclusive of VAT. However, the service being procured by the company was a consultancy thus outside the scope of Request for Quotation as it is in the realm of intellectual, technical or advisory nature. In addition, it was also noted that the firm assigned to perform the compliance audit was headed by advocate not a member regulated by the Institute of Certified Public Secretaries of Kenya (ICPSK) and accredited for that purpose.

In the circumstances, Management was in breach of the law.

### **4. Long Outstanding Payables**

Included in accrued expenses balance of Kshs.281,478,000 are medical expenses amounting to Kshs.62,287,868 as disclosed under Note 15 to the financial statements. However, review of the aging analysis indicates payables amounting to Ksh.11,944,082 which has been outstanding for a period above six (6) months as indicated in the Company service charter.

Further, Management has not provided justification for non-payment of the long outstanding payables which should have formed the first charge in the subsequent year's budget, and which exposes Company to the risk of incurring significant unquantified interest costs and penalties due to delay in settling bills.

In the circumstances, it was not certain whether Management will settle the bills.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

### **Conclusion**

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

## **Basis for Conclusion**

### **Lack of Board Succession Planning**

Review of appointment of board of directors revealed that majority of the independent directors of the board were appointed at the same time implying that their terms of service will also come to an end at the same time. Board succession planning is a part of leadership succession planning undertaken to maintain a board's members' quality and to ensure the continuity and sustainability of corporate performance.

In the circumstances, lack of staggering of appointment of the board of directors may result in legal and corporate governance issues.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk Management and overall governance were operating effectively in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

As required by the Companies Act, 2015, I report, based on my audit, that:

- i. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. The information given in the Directors' report on pages xlv is consistent with the financial statements; and
- iii. The auditable part of the Directors' remuneration report on pages 40 has been properly prepared in accordance with the Companies Act, 2015.

### **Responsibilities of Management and Board of Directors**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Company's, ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to cease operations.



Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply with the authorities which govern them and that public resources are applied in an effective way.

The Board of Directors is responsible for overseeing the Company's, financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

### **Auditor-General's Responsibilities for the Audit**

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards for Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with IFPP will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.



**FCPA Nancy Gathungu, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

**30 December, 2024**



**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30TH JUNE 2024**

|                                      | Notes | 2024             | 2023             |
|--------------------------------------|-------|------------------|------------------|
|                                      |       | Shs '000         | Shs '000         |
| <b>REVENUES</b>                      |       |                  |                  |
| Steam charge payments                | 5 (a) | 1,000,580        | 1,552,023        |
| 105 MW Steam Revenue                 | 5 (b) | 966,540          | -                |
|                                      |       | 1,967,120        | 1,552,023        |
| <b>Other Income</b>                  |       |                  |                  |
| Grants from National Government      | 20    | 370,000          | 358,000          |
| Revenue grants (Amortized)           | 20    | 1,421,336        | 1,421,336        |
| Finance Income                       | 7 (a) | 118,590          | 32,358           |
| Other Income                         | 6 (a) | 110,603          | 33,366           |
| Other gains/(losses)                 | 6 (b) | (175,888)        | (140,948)        |
|                                      |       | <b>1,844,641</b> | <b>1,704,112</b> |
| <b>TOTAL REVENUES</b>                |       | <b>3,811,761</b> | <b>3,256,135</b> |
| <b>OPERATING EXPENSES</b>            |       |                  |                  |
| Administration Costs                 | 8 & 9 | 1,502,007        | 1,026,539        |
| Depreciation & Amortization of PPE   | 17    | 2,590,251        | 1,437,902        |
| Finance Costs                        | 7 (b) | 247,724          | 192,421          |
| <b>TOTAL OPERATING EXPENSES</b>      |       | <b>4,339,982</b> | <b>2,656,862</b> |
| <b>PROFIT/(LOSS) BEFORE TAXATION</b> |       | <b>(528,221)</b> | <b>599,273</b>   |
| (INCOME TAX EXPENSE)/CREDIT          | 11    | 2,256,236        | (71,255)         |
| <b>PROFIT AFTER TAXATION</b>         |       | <b>1,728,015</b> | <b>528,018</b>   |

**STATEMENT OF FINANCIAL POSITION AS AT 30<sup>TH</sup> JUNE 2024**

|                                      |              | <b>2024</b>        | <b>2023</b>        |
|--------------------------------------|--------------|--------------------|--------------------|
|                                      | <b>Notes</b> | <b>Shs'000</b>     | <b>Shs'000</b>     |
| <b>ASSETS</b>                        |              |                    |                    |
| <b>Non-current assets</b>            |              |                    |                    |
| Property, plant and equipment        | 17           | 75,917,614         | 38,437,500         |
| Exploration and evaluation asset     | 18           | 25,286,694         | 60,700,020         |
| Intangible Assets                    | 19           | 19,609             | 24,581             |
| Deffered Income tax                  | 16           | 3,027,126          | 269,295            |
|                                      |              | <b>104,251,043</b> | <b>99,431,396</b>  |
| <b>Current assets</b>                |              |                    |                    |
| Inventories                          | 12           | 3,716,274          | 3,823,253          |
| Receivables and prepayments          | 13           | 1,845,845          | 4,808,999          |
| Cash and Cash equivalents            | 14           | 4,627,894          | 47,556             |
| Current income Tax Asset             |              | 2,976,273          | 445,439            |
|                                      |              | <b>13,166,286</b>  | <b>9,125,247</b>   |
| <b>TOTAL ASSETS</b>                  |              | <b>117,417,329</b> | <b>108,556,643</b> |
| <b>EQUITY AND LIABILITIES</b>        |              |                    |                    |
| <b>Equity attributable to owners</b> |              |                    |                    |
| Share capital                        |              | 2,000              | 2,000              |
| Retained Earnings                    |              | 837,082            | (890,933)          |
| <b>Total equity</b>                  |              | <b>839,082</b>     | <b>(888,933)</b>   |
| <b>Non- Current liabilities</b>      |              |                    |                    |
| Grants                               | 20           | 110,071,681        | 104,838,540        |
| Term Loan                            | 21           | 1,359,563          | 2,009,278          |
|                                      |              | <b>111,431,244</b> | <b>106,847,818</b> |
| <b>Current liabilities</b>           |              |                    |                    |
| Borrowings                           | 21           | 511,280            | 500,604            |
| Trade and other payables             | 15           | 4,635,723          | 2,097,153          |
|                                      |              | 5,147,003          | 2,597,757          |
| Total liabilities                    |              | 116,578,247        | 109,445,575        |
| <b>TOTAL EQUITY AND LIABILITIES</b>  |              | <b>117,417,329</b> | <b>108,556,643</b> |

The financial statements on pages 1 to 40 were authorized and approved for issue by the board of directors on 24/1/24 2024 and signed on its behalf by:

  
Mr. Walter O. Nyambati  
Chair of the Board

  
Mr. Paul K. Ngugi  
Managing Director & CEO

  
Mr. Stephen Busieney  
General Manager Finance  
ICPAK M/NO: 4880



**VIII. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH JUNE 2024**

|                                         | <b>Share<br/>capital</b> | <b>Retained<br/>earnings</b> | <b>Total<br/>equity</b>     |
|-----------------------------------------|--------------------------|------------------------------|-----------------------------|
|                                         | <b>Shs'000</b>           | <b>Restated<br/>Shs'000</b>  | <b>Restated<br/>Shs'000</b> |
| <b>Year ended 30 June 2023</b>          |                          |                              |                             |
| At start of year                        | 2,000                    | (1,418,951)                  | -                           |
| Total comprehensive income for the year |                          | 528,018                      | 528,018                     |
|                                         |                          |                              |                             |
| At end of year                          | 2,000                    | -890,933                     | -888,933                    |
|                                         |                          |                              |                             |
|                                         | <b>Share<br/>capital</b> | <b>Retained<br/>earnings</b> | <b>Total<br/>equity</b>     |
|                                         | <b>Shs'000</b>           | <b>Shs'000</b>               | <b>Shs'000</b>              |
| <b>Year ended 30th June 2024</b>        |                          |                              |                             |
| At start of year                        | 2,000                    | -890,933                     | -888,933                    |
| Total comprehensive income for the year |                          | 1,728,015                    | 1,728,015                   |
|                                         |                          |                              |                             |
| At end of year                          | 2,000                    | 837,082                      | 839,082                     |

**IX. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2024**

|                                                              |              | <b>2024</b>        | <b>2023</b>        |
|--------------------------------------------------------------|--------------|--------------------|--------------------|
|                                                              | <b>Notes</b> | <b>Shs'000</b>     | <b>Shs'000</b>     |
| <b>Cash flows from operating activities</b>                  |              |                    |                    |
| Profit before tax                                            |              | (528,221)          | 599,273            |
| <b>Adjustments:</b>                                          |              |                    |                    |
| Depreciation of property, plant and equipment                | 17           | 2,586,497          | 1,433,423          |
| Amortisation of intangible asset                             | 19           | 3,754              | 4,479              |
| Write-off of non-productive time                             | 9            | 51,932             | 98,518             |
| Amortisation of capital grants                               | 20           | (1,421,336)        | (1,421,336)        |
| Deferred Tax charge                                          | 16           | (2,757,831)        | (71,424)           |
| Unrealised exchange gain on borrowings                       | 21           | (152,551)          | 423,545            |
| Finance Income                                               | 7(a)         | (118,590)          | (32,358)           |
| Interest expense                                             | 7 (b)        | 247,724            | 192,421            |
| <b>Changes in working capital:</b>                           |              |                    |                    |
| - receivables                                                |              | 2,963,154          | (3,333,348)        |
| - inventories                                                |              | 106,979            | 194,991            |
| - trade and other payables                                   |              | 2,538,570          | 251,334            |
| <b>Cash generated from/(used in) operations</b>              |              | <b>3,520,080</b>   | <b>(1,660,481)</b> |
| Current income tax paid                                      | 11           | (274,597)          | (287,026)          |
| Interest paid                                                | 21           | (250,610)          | (219,111)          |
| Interest received                                            | 7 (a)        | 118,590            | 32,358             |
| <b>Net cash generated from operating activities</b>          |              | <b>3,113,462</b>   | <b>(2,134,260)</b> |
| <b>Cash flows from investing activities</b>                  |              |                    |                    |
| Purchases of property, plant and equipment                   | 17           | (270,178)          | (82,625)           |
| Expenditure on exploration and evaluation assets             | 18           | (4,441,316)        | (3,941,123)        |
| Expenditure on Intangible assets                             | 19           | (33)               | (13,431)           |
| Proceeds from disposal of property, plant and equipment      | 17           | 7,528              | 1,409              |
| <b>Net cash used in investing activities</b>                 |              | <b>(4,703,999)</b> | <b>(4,035,770)</b> |
| <b>Cash flows from financing activities</b>                  |              |                    |                    |
| Proceeds from capital grants                                 | 20           | 6,654,477          | 4,880,466          |
| Repayment of Term loan                                       | 21           | (483,603)          | (378,481)          |
| <b>Net cash generated from financing activities</b>          |              | <b>6,170,874</b>   | <b>4,501,985</b>   |
| <b>Net increase /(decrease) in cash and cash equivalents</b> |              | <b>4,580,338</b>   | <b>(1,668,044)</b> |
| Cash and cash equivalents at start of year                   |              | 47,556             | 1,715,600          |
| <b>Cash and cash equivalents at end of year</b>              | <b>14</b>    | <b>4,627,894</b>   | <b>47,556</b>      |



**X. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30<sup>TH</sup> JUNE 2024**

|                                                       |       | Original<br>budget | Adjustments<br>(Supplementary<br>budget cuts) | Final budget     | Actual<br>comparable<br>basis | Performance difference |
|-------------------------------------------------------|-------|--------------------|-----------------------------------------------|------------------|-------------------------------|------------------------|
|                                                       | Notes | Shs'000            | Shs'000                                       | Shs'000          | Shs'000                       | Shs'000                |
| <b>Revenue</b>                                        |       |                    |                                               |                  |                               |                        |
| Steam charge payments                                 | 5 (a) | 2,040,000          | -                                             | 2,040,000        | 1,000,580                     | (1,039,420)            |
| Steam Revenue                                         | 5 (b) | 0                  |                                               |                  | 966,540                       | 966,540                |
| Government grant                                      | 20    | 370,000            | -                                             | 370,000          | 370,000                       | (0)                    |
| Amortization of revenue grant                         | 20    | -                  | -                                             | -                | 1,421,336                     | 1,421,336              |
| Other income                                          | 6     | -                  | -                                             | -                | 53,305                        | 53,301                 |
| <b>Total revenue</b>                                  |       | <b>2,410,000</b>   | <b>-</b>                                      | <b>2,410,000</b> | <b>3,811,761</b>              | <b>1,401,761</b>       |
| <b>Expenses</b>                                       |       |                    |                                               |                  |                               |                        |
| Depreciation of property, plant & equipment (Note 17) | 8     | -                  | -                                             | -                | 2,586,497                     | 2,586,497              |
| Employee benefits expenses (Note 4)                   | 8     | 793,330            | -                                             | 781,330          | 743,452                       | (49,878)               |
| Provision for obsolete stock                          | 8     | -                  | -                                             | -                | -                             | -                      |
| Legal expenses                                        | 8     | 87,857             | -                                             | 87,857           | 59,889                        | (27,968)               |
| Accommodation and subsistence                         | 8     | 70,294             | -                                             | 70,294           | 63,958                        | (6,336)                |
| Training and education                                | 8     | 37,082             | -                                             | 37,082           | 22,972                        | (14,110)               |
| Tax penalties and interest                            | 8     | -                  | -                                             | -                | -                             | -                      |
| Director's fees and expenses (Note 24)                | 8     | 31,021             | -                                             | 31,021           | 29,062                        | (1,958)                |
| Transportation expenses                               | 8     | 17,812             | -                                             | 17,812           | 14,884                        | (2,928)                |
| Management consultancy                                | 8     | 25,525             | -                                             | 25,525           | 21,381                        | (4,144)                |
| Auditor's remuneration                                | 8     | 15,004             | -                                             | 15,004           | 10,000                        | (5,004)                |
| Provision for doubtful debts of other receivables     | 8     | -                  | -                                             | -                | 13,507                        | 13,507                 |
| ICT expenses                                          | 8     | 3,850              | -                                             | 3,850            | 2,028                         | (1,822)                |
| Advertising and publicity                             | 8     | 5,798              | -                                             | 5,798            | 4,596                         | (1,202)                |
| Fuel expenses                                         | 8     | 9,523              | -                                             | 9,523            | 6,304                         | (3,219)                |
| Operating lease payments                              | 8     | 123,081            | -                                             | 123,081          | 118,844                       | (4,237)                |

|                                             |       | Original budget  | Adjustments (Supplementary budget cuts) | Final budget     | Actual comparable basis | Performance difference |
|---------------------------------------------|-------|------------------|-----------------------------------------|------------------|-------------------------|------------------------|
|                                             | Notes | Shs'000          | Shs'000                                 | Shs'000          | Shs'000                 | Shs'000                |
| Amortisation of intangible assets (Note 19) | 8     | -                | -                                       | -                | 3,754                   | 3,754                  |
| Security Expenses                           | 8     | 5,260            | -                                       | 5,260            | 4,235                   | (1,025)                |
| Staff Welfare expenses                      | 8     | 37,418           | -                                       | 37,418           | 31,347                  | (6,071)                |
| Insurance & Licenses                        | 8     | 14,850           | -                                       | 14,850           | 14,432                  | (419)                  |
| Software support & Maintenance              | 8     | 76,437           | -                                       | 76,437           | 54,978                  | (21,459)               |
| Internet & ISP services                     | 8     | 9,475            | -                                       | 9,475            | 4,995                   | (4,481)                |
| Maintenance expenses                        | 8     | 19,949           | -                                       | 19,949           | 3,460                   | (16,489)               |
| Stakeholder management expenses             | 8     | 33,673           | -                                       | 33,673           | 20,699                  | (12,975)               |
| Subscriptions                               | 8     | 3,330            | -                                       | 3,330            | 1,972                   | (1,358)                |
| Stock valuation gains/losses                | 8     |                  | -                                       | -                | 4,331                   | 4,331                  |
| Other expenses                              | 8     | 53,727           | -                                       | 53,727           | 50,456                  | (3,271)                |
| Finance costs                               | 7     | 646,283          | -                                       | 646,283          | 247,724                 | (398,559)              |
| Tax expense                                 | 11    | 289,419          | -                                       | 289,419          | (2,256,236)             | (2,545,655)            |
| Other operating expenses                    | 9     | -                | -                                       | -                | 51,932                  | 51,932                 |
| Expected Credit Loss                        | 13    | -                | -                                       | -                | 149,742                 | 149,742                |
| <b>Total expenses</b>                       |       | <b>2,410,000</b> | <b>0</b>                                | <b>2,410,000</b> | <b>2,083,745</b>        | <b>(326,255)</b>       |
|                                             |       |                  |                                         |                  |                         |                        |
| <b>Surplus/(deficit)</b>                    |       | <b>0</b>         | <b>0</b>                                | <b>0</b>         | <b>1,728,015</b>        | <b>1,728,015</b>       |



**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE QUARTER ENDED 30<sup>TH</sup> JUNE 2024**

| Details                                               |       | Final budget     | Actual comparable basis | Performance difference | Variance   | Explanation of differences between actual and budgeted amounts (10% over/ under) |
|-------------------------------------------------------|-------|------------------|-------------------------|------------------------|------------|----------------------------------------------------------------------------------|
|                                                       | Notes | Shs'000          | Shs'000                 | Shs'000                |            |                                                                                  |
| Revenue                                               |       |                  |                         |                        |            |                                                                                  |
| Sale of steam                                         | 5     | 2,040,000        | 1,000,580               | (1,039,420)            | -4%        |                                                                                  |
| 105 MW Steam Revenue                                  |       | -                | 966,540                 | 966,540                |            |                                                                                  |
| Government grant                                      | 20    | 370,000          | 370,000                 | (0)                    | 0%         |                                                                                  |
| Amortization of revenue grant                         | 20    | -                | 1,421,336               | 1,421,336              | 0%         |                                                                                  |
| Other income                                          | 6     | -                | 53,305                  | 53,305                 | 0%         |                                                                                  |
| <b>Total revenue</b>                                  |       | <b>2,410,000</b> | <b>3,811,761</b>        | <b>1,401,761</b>       | <b>(0)</b> |                                                                                  |
| <b>Expenses</b>                                       |       |                  |                         |                        |            |                                                                                  |
| Depreciation of property, plant & equipment (Note 17) | 8     | -                | 2,586,497               | 2,586,497              | 0%         |                                                                                  |
| Employee benefits expenses (Note 4)                   | 8     | 793,330          | 743,452                 | (49,878)               | -5%        |                                                                                  |
| Provision for obsolete stock                          | 8     | -                | -                       | -                      | 0%         |                                                                                  |
| Legal expenses                                        | 8     | 87,857           | 59,889                  | (27,968)               | -32%       | Matter pending at Court of Appeal                                                |
| Accommodation and subsistence                         | 8     | 70,294           | 63,958                  | (6,336)                | -9%        |                                                                                  |
| Training and education                                | 8     | 37,082           | 22,972                  | (14,110)               | -38%       | Commitments to be fulfilled (delayed supplementary II budget)                    |
| Tax penalties and interest                            | 8     | -                | -                       | -                      | 0%         |                                                                                  |
| Director's fees and expenses (Note 24)                | 8     | 31,021           | 29,062                  | (1,958)                | -6%        |                                                                                  |
| Transportation expenses                               | 8     | 17,812           | 14,884                  | (2,928)                | -16%       | Commitments to be fulfilled (delayed supplementary II budget)                    |

| Details                                           |       | Final budget | Actual comparable basis | Performance difference | Variance | Explanation of differences between actual and budgeted amounts (10% over/ under) |
|---------------------------------------------------|-------|--------------|-------------------------|------------------------|----------|----------------------------------------------------------------------------------|
|                                                   | Notes | Shs'000      | Shs'000                 | Shs'000                |          |                                                                                  |
| Management consultancy                            | 8     | 25,525       | 21,381                  | (4,144)                | -16%     | Less consultancies in the year                                                   |
| Auditor's remuneration                            | 8     | 15,004       | 10,000                  | (5,004)                | -33%     | Tax consultancy component under commitments                                      |
| Provision for doubtful debts of other receivables | 8     | -            | 13,507                  | 13,507                 | 0%       |                                                                                  |
| ICT expenses                                      | 8     | 3,850        | 2,028                   | (1,822)                | -47%     | Commitments to be fulfilled (delayed supplementary II budget)                    |
| Advertising and publicity                         | 8     | 5,798        | 4,596                   | (1,202)                | -21%     | Commitments to be fulfilled (delayed supplementary II budget)                    |
| Fuel expenses                                     | 8     | 9,523        | 6,304                   | (3,219)                | -34%     | Majority of the fleet was engaged in the project                                 |
| Operating lease payments                          | 8     | 123,081      | 118,844                 | (4,237)                | -3%      |                                                                                  |
| Amortisation of intangible assets                 | 8     | -            | 3,754                   | 3,754                  | 0%       |                                                                                  |
| Security Expenses                                 | 8     | 5,260        | 4,235                   | (1,025)                | -19%     | Commitments to be fulfilled (delayed supplementary II budget)                    |
| Staff Welfare expenses                            | 8     | 37,418       | 31,347                  | (6,071)                | -16%     | Commitments to be fulfilled (delayed supplementary II budget)                    |
| Insurance & Licenses                              | 8     | 14,850       | 14,432                  | (419)                  | -3%      |                                                                                  |
| Software support & Maintenance                    | 8     | 76,437       | 54,978                  | (21,459)               | -28%     | Commitments to be fulfilled (delayed supplementary II budget)                    |
| Internet & ISP services                           | 8     | 9,475        | 4,995                   | (4,481)                | -47%     | Commitments to be fulfilled (delayed supplementary II budget)                    |
| Maintenance expenses                              | 8     | 19,949       | 3,460                   | (16,489)               | -83%     | Commitments to be fulfilled (delayed supplementary II budget)                    |
| Stakeholder management expenses                   | 8     | 33,673       | 20,699                  | (12,975)               | -39%     | Commitments to be fulfilled (delayed supplementary II budget)                    |
| Subscriptions                                     | 8     | 3,330        | 1,972                   | (1,358)                | -41%     | Commitments to be fulfilled (delayed supplementary II budget)                    |
| Stock valuation gains/losses                      | 8     | -            | 4,331                   | 4,331                  | 0%       |                                                                                  |
| Other expenses                                    | 8     | 53,727       | 50,456                  | (3,271)                | -6%      |                                                                                  |
| Finance costs                                     | 7     | 646,283      | 247,724                 | (398,559)              | -62%     | Principal loan repayment portion                                                 |
| Tax expense                                       | 11    | 289,419      | (2,256,236)             | (2,256,236)            | -880%    | Benefit of capital allowances on the 105MW wells & SGS                           |
| Other operating expenses                          | 9     | -            | 51,932                  | 51,932                 | 0%       |                                                                                  |
| Expected Credit Loss                              | 13    | -            | 149,742                 | 149,742                | 0%       |                                                                                  |



Geothermal Development Company Limited  
Annual Report and Financial Statements for the year ended 30th June 2024

| Details           |       | Final budget | Actual comparable basis | Performance difference | Variance | Explanation of differences between actual and budgeted amounts (10% over/ under) |
|-------------------|-------|--------------|-------------------------|------------------------|----------|----------------------------------------------------------------------------------|
|                   | Notes | Shs'000      | Shs'000                 | Shs'000                |          |                                                                                  |
| Total expenses    |       | 2,410,000    | 2,083,745               | (326,255)              | -14%     |                                                                                  |
| Surplus/(deficit) |       | -            | 1,728,015               | 1,728,015              |          |                                                                                  |

## NOTES TO THE FINANCIAL STATEMENTS

### 1 General information

#### Incorporation

Geothermal Development Company Limited is incorporated in Kenya under the Companies Act as a state-owned corporation and is domiciled in Kenya. The address of its registered office is:

Geothermal Development Company Limited  
Kawi House, South C  
P.O. Box 100746 – 00101  
Nairobi.

### 2 Statement of compliance and basis of preparation

The financial statements have been prepared on a historical cost basis. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Company.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, Kenyan Companies Act, 2015, and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented, unless otherwise stated.

### 3 Application of new and revised International Financial Reporting Standards (IFRSs) and interpretations (IFRIC)

#### *i. New and amended standards and interpretations in issue and effective in the year ended 30 June 2024.*

| Title                                                                                                                                | Description                                                                                                                                                                                                                                                                                          | Effective Date                                                                                                           |
|--------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|
| Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022) | The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period | The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted. |
| Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022)                                       | The amendment, applicable to annual periods beginning on or after 1st January 2024, requires a seller-lessee to subsequently measure lease liabilities arising from a                                                                                                                                | The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted. |



| Title                                                                                      | Description                                                                                                                                                                                                                                                                                                                                                                                       | Effective Date                                                                                                           |
|--------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|
|                                                                                            | leaseback in a way that it does not recognise any amount of the gain or loss.                                                                                                                                                                                                                                                                                                                     |                                                                                                                          |
| Amendments to IAS 1 titled Non-current Liabilities with Covenants (issued in October 2022) | The amendments, applicable to annual periods beginning on or after 1st January 2024, improve the information an entity provides about liabilities arising from loan arrangements for which an entity's right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement. | The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted. |

The Directors have assessed the applicable standards and amendments. Based on their assessment of impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.

**ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024.**

| Title                                                       | Description                                                                                                                                                                                                                                                                                                     | Effective Date                                                                                                            |
|-------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|
| IFRS 18 Presentation and Disclosure in Financial statements | The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses. | The new standard is effective for annual periods beginning on or after January 1, 2027. Earlier application is permitted. |

The Directors do not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be 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 the year ended 30th June 2024.

## Notes to the Financial Statements (Continued))

### 4 Summary of accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below.

#### a) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company, the revenue can be reliably measured and when specific criteria have been met for each of the Company's activities.

Revenue is recognised as follows:

- i. **Revenue from the sale of goods and services**  
Steam charge payments are recognised in the period in which Kengen and IPPs have supplied steam-generated power. Steam utilized in generation is measured by the amount of power generated by use of meters. The portion appropriated to development expenditure in the national budget is treated as development grant.
- ii. **Grants from National Government**  
Grants from National Government are recognized in the year in which the entity actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.
- iii. **Finance income**  
Interest income is recognised on a time proportion basis using effective interest rate method (that is the rate that exactly discounts estimated future cash receipts through the expected life of financial instrument to the net carrying amount of the financial asset).
- iv. **Other income**  
Income from consultancy services is recognised on an accrual basis when the service has been provided while other incomes are recognized as they accrue.

#### b) In-kind contributions

In-kind contributions are donations that are made to the entity in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the entity includes such value in the statement of comprehensive income both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

#### c) Foreign currency translation

- (i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in Kenya Shillings in (Shs) which is the Company's functional currency.

- (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuations where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the



translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'finance income or cost'. All other foreign exchange gains and losses are presented in profit or loss within 'other income or expenses'.

**d) Property, plant and equipment**

Land is shown at cost. All other property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

**e) Depreciation and impairment of property, plant and equipment**

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the cost of ongoing but incomplete works on buildings and other civil works and installations. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

The annual depreciation rates in use are:

|                                           |        |
|-------------------------------------------|--------|
| Land                                      | Nil    |
| Buildings                                 | 2.5%   |
| Wells                                     | 4%     |
| Wells                                     | 4%     |
| Steam Gathering System                    | 4%     |
| Drilling rigs                             | 6.67%  |
| Computers & computer accessories          | 33.33% |
| Plant & machinery                         | 12.5%  |
| Furniture, fittings, and office equipment | 20%    |
| Motor vehicles                            | 20%    |
| Prime movers & tractors                   | 12.5%  |
| Roads                                     | 12.5%  |

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are included in profit or loss.

**f) Exploration and Evaluation Assets**

Exploration and evaluation expenditure comprises costs that are directly attributable to:

- Researching and analysing existing exploration data;
- Conducting geological studies, exploratory drilling and sampling;
- Examining and testing extraction and treatment methods; and/or
- Compiling pre-feasibility and feasibility studies

Exploration expenditure relates to the initial search for deposits with economic potential. Evaluation expenditure arises from a detailed assessment of deposits or other projects that have been identified as having economic potential.

Exploration and evaluation expenditures are accounted for using 'successful efforts' method of accounting. Costs are accumulated on a field-by-field basis. Costs directly associated with exploration are capitalised until the determination of the field's steam potential is evaluated. If it is determined that a commercially viable steam field has not been achieved, these costs are charged to the income statement.

Capitalisation is made within property, plant and equipment or intangible assets according to the nature of expenditure. The carrying values of capitalised evaluation amounts are reviewed annually by management. In the case of undeveloped geothermal wells, there may be only inferred resources to form a basis for the impairment review. The review is based on a status report regarding the Company's intention for development of undeveloped project.

Once a commercially viable steam field is determined to exist, exploration and evaluation assets are tested for impairment and transferred to development of tangible or intangible assets. No depreciation and/or amortization is charged during the exploration and evaluation phase.

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

**g) Impairment – exploration and evaluation assets**

Exploration and evaluation assets are tested for impairment when reclassified to development of tangible or intangible assets, or whenever facts and circumstances indicate existence of impairment. An impairment loss is recognised for the amount by which the exploration and evaluation assets' carrying amount exceeds their recoverable amount. The recoverable amount is the higher of the exploration and evaluation assets' fair value less costs to sell and their value in use.

**h) Intangible assets**

The intangible assets relate to various software which include SAP, the Company's ERP software, GIS software and ICT security software. The software's acquisition costs are recognised as intangible assets and amortized over the estimated useful life of five years.

Costs associated with maintaining computer software are recognised as an expense as incurred.

**i) Amortisation and impairment of intangible assets**

Amortisation is calculated on the straight-line basis over the estimated useful life of five years.



**j) Inventories**

Inventories are valued at the lower of cost or net realisable value. The cost of inventories is based on the weighted average cost and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

**k) Financial instruments**

A financial asset or liability is recognised when the Company becomes party to the contractual provisions of the instrument.

**Financial assets**

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

**(i) Classification of financial assets**

The Company classifies financial instruments into three categories as described below.

Financial assets that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL). Despite the foregoing, the Company may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and the Company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(ii) De-recognition

The Company derecognizes 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 recognizes 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 recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the assets carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss but is transferred to retained earnings.

**Offsetting of financial assets and liabilities**

Financial assets and financial liabilities are offset, and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amount and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

**Impairment**

(i) **Financial assets**

The Company recognises an allowance for expected credit losses (ECLs) for its Trade receivables and Bank balances. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Other assets include cash and bank balances and deposits which the Company uses counter party external rating equivalent both to determine whether the financial asset has significantly increased in credit risk and to estimate ECLs.

The Company considers a financial asset in default when contractual payments are 360 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.



**(ii) Non-financial assets**

The carrying amounts of the Company's non-financial assets other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset Company that generates cash flows that largely are independent from other assets and Company's. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units reduce the carrying amount of the other assets in the unit (Company of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**Financial liabilities**

Recognition and measurement

Derecognition of financial liabilities

A financial liability is derecognized when its contractual obligations are redeemed or otherwise extinguished. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognised in profit or loss.

**l) Bank borrowings**

Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges including premiums payable on settlement or redemption, are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period they arise.

**m) Trade and other payables**

Trade payables and other payables are carried at cost which is measured at the fair or contracted value of the consideration to be paid in future in respect of goods and services supplied by the suppliers, whether billed or not, to the Company and subsequently measured at amortized cost using the effective interest method.

**n) Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short term highly liquid investments with original maturities within three months less advances from banks repayable within three months from the date of the advance.

**o) Share capital**

Ordinary shares are classified as 'share capital' in equity. Any premium received over and above the par value of the shares is classified as government grants and is accounted for under IAS 20.

**p) Trade payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**q) Government Grants**

Grants are recognised at their fair value where there is a reasonable assurance that the grant will be received, and the Company will comply with all attached conditions.

**(i) Revenue Grants**

Grants received to compensate expenses or for the purpose of giving immediate support to the Company with no future related costs are recognised in the statement of comprehensive income in the year of receipt.

**(ii) Capital Grants**

Government grants relating to property, plant and equipment and exploration and evaluation assets are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

**(iii) Non-monetary Grants**

Grants received in kind in form of non-monetary assets are recognised at fair value and are debited to the statement of financial position or the income statement based on the nature of the grant.

**r) Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings, using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

**s) Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of past events; 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.

**t) Employee benefits**

**(i) Retirement benefit obligations**

The Company has registered a defined contribution pension scheme for its employees. The assets of the scheme are held in a separate trustee administered fund, which is funded by contributions



from both the Company at 14.5% and employees at 7.5% of basic salary. Benefits are paid to retiring staff in accordance with the scheme's rules. The Company and all its employees also contribute to the National Social Security Fund which is a defined contribution scheme.

The Company's contributions to the defined contribution schemes are recognised as an employee benefit expense in the income statement when they fall due. The Company has no further obligations once the contributions have been paid.

(ii) Other entitlements

The estimated monetary liability for employees accrued annual leave entitlement at the reporting date is recognised as an expense accrual.

**u) Income tax**

(i) Current income tax

Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the relevant tax legislation. The current income tax charge is calculated on the basis of the tax enacted or substantively enacted at the statement of financial position date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the statement of financial position date and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

**Critical accounting judgments and key sources of estimation uncertainty**

In the process of applying the entity's accounting policies, the directors are required to make estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**Critical judgements in applying accounting policies**

*Equipment*

Critical estimates are made by the company management in determining depreciation rates for equipment.

#### *Impairment losses*

At the end of each reporting period, 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 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.

#### *Classification of leases of land as finance or operating leases*

At the inception of each lease of land, the company considers the substance rather than the form of the lease contract. Examples of situations that individually or in combination would normally lead to a lease being classified as a finance lease are:

- The lease transfers ownership of the asset to the lessee by the end of the lease term;

#### *Classification of leases of land as finance or operating leases (Continued)*

- The lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised;
- The lease term is for the major part of the economic life of the asset even if title is not transferred;
- At the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and
- The leased assets are of such a specialised nature that only the lessee can use them without major modifications.

The company also considers indicators of situations that individually or in combination could also lead to a lease being classified as a finance lease. Examples of such indicators include:

- If the lessee can cancel the lease, the lessor's losses associated with the cancellation are borne by the lessee;
- gains or losses from the fluctuation in the fair value of the residual accrue to the lessee (for example, in the form of a rent rebate equalling most of the sales proceeds at the end of the lease); and
- the lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent.

#### **Key sources of estimation uncertainty**

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

##### *(i) Going concern*

Management has assessed the Company's ability to continue as a going concern and is satisfied that the Company has resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Moreover, being a state corporation, they are expected to continue receiving government support. Therefore, the financial statements continue to be prepared on the going concern basis.



(ii) *Income taxes*

The Company is subject to income taxes. Significant judgement is required in determining the Company's provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(iii) *Impairment of exploration and evaluation expenditure*

The Company's accounting policy for exploration and evaluation expenditure results in certain items of expenditure being capitalised for the wells where it is considered likely to be recoverable by future exploitation. This policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised the expenditure, a judgement is made that recovery of the expenditure is unlikely, the relevant capitalised amount will be written off to the income statement.

**Financial risk management objectives and policies**

**(a) Liquidity risk**

Ultimate responsibility for liquidity risk management rests with the Company's directors, who have built an appropriate liquidity risk management framework for the management of the Company's short, medium, and long-term funding and liquidity management requirements. The Company manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the Company under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

The maturity grouping for all these liabilities is less than a year.

|                                    | Less than 3<br>months<br>Shs'000 | Between 3 &<br>12 months<br>Shs'000 | Total<br>Shs'000 |
|------------------------------------|----------------------------------|-------------------------------------|------------------|
| <b>At 30th June 2024:</b>          |                                  |                                     |                  |
| Trade and other payables (Note 15) | 4,635,723                        |                                     | 4,635,723        |
| Bank borrowings                    | -                                | -                                   | -                |
|                                    | 4,635,723                        |                                     | 4,635,723        |
| <b>At June 2023:</b>               |                                  |                                     |                  |
| Trade and other payables (Note 15) | 2,097,153                        | -                                   | 2,097,153        |
| Bank borrowings (Note 21)          | -                                | -                                   | -                |
|                                    | 2,097,153                        | -                                   | 2,097,153        |

**(a) Credit risk**

Credit risk refers to the risk that customers will default on their contractual obligations resulting in financial loss to the company. The Company has significant concentration of credit risk on amounts due from Kenya Electricity Generating Company (KenGen), which represent 88% of the total trade receivable as at 30 December 2023 (2022: 92.4%). The

carrying amount of financial assets recorded in the financial statements, which are stated net of impairment losses, represents the company's maximum exposure to credit risk.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Company's management based on prior experience and their assessment of the current economic environment.

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

The Company's current credit risk grading framework comprises the following categories:

| Category   | Description                                                                                                                           | Basis for recognizing Expected Credit Losses (ECL) |
|------------|---------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------|
| Performing | The counterparty has a low risk of default and does not have any past-due amounts                                                     | 12 – month ECL                                     |
| Doubtful   | Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition                         | Lifetime ECL – not credit impaired                 |
| In default | Amount is >90 days past due or there is evidence indicating the asset is credit-impaired                                              | Lifetime ECL – credit-impaired                     |
| Write off  | There is evidence indicating that the debtor is in severe financial difficulty and the Company has no realistic prospect of recovery. | Amount is written off                              |

The tables below detail the credit quality of the Company's financial assets, as well as the Company's maximum exposure to credit risk by credit risk rating grades:

|                                   | Internal/<br>external<br>rating | 12 months or<br>Lifetime ECL       | Gross<br>carrying<br>amount | Loss<br>Allowance | Net<br>Amount    |
|-----------------------------------|---------------------------------|------------------------------------|-----------------------------|-------------------|------------------|
|                                   | Shs'000                         | Shs'000                            | Shs'000                     | Shs'000           | Shs'000          |
| <b>At 30 June 2024:</b>           |                                 |                                    |                             |                   |                  |
| Trade receivables (Note13)        | Performing                      | Lifetime ECL (simplified approach) | 1,529,375                   | (116,039)         | 1,413,336        |
| Grants receivable (GOK) (Note13a) | Performing                      | Lifetime ECL (simplified approach) | 30,833                      |                   | 30,833           |
| Bank Balance (Note 14)            | BB                              | 12 months ECL                      | 4,770,528                   | (142,634)         | 4,627,894        |
| Restricted cash (Note 13b)        | BB                              | 12 months ECL                      | 237,709                     | (7,107)           | 230,602          |
|                                   |                                 |                                    | <b>6,568,445</b>            | <b>(265,780)</b>  | <b>6,302,665</b> |
| <b>At 30 June 2023:</b>           |                                 |                                    |                             |                   |                  |
| Trade receivables (Note 13)       | Performing                      | Lifetime ECL (simplified approach) | 2,407,834                   | (102,532)         | 2,305,302        |
| Grants receivable (GOK) (Note13a) | Performing                      | Lifetime ECL (simplified approach) | 2,041,675                   | -                 | 2,041,675        |
| Bank Balance (Note 14)            | BB                              | 12 months ECL                      | 47,556                      | -                 | 47,556           |
| Restricted cash (Note 13b)        | BB                              | 12 months ECL                      | 235,774                     | -                 | 235,774          |
|                                   |                                 |                                    | <b>4,732,839</b>            | <b>(102,532)</b>  | <b>4,630,307</b> |

Bank balances are held in banks with high credit rating and are fully performing.



For trade receivables, the company has applied the simplified approach to measure the expected credit loss allowance. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses.

The provision rates are based on days past due for various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions, and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Company's trade receivables and contract assets using a provision matrix:

**Expected credit loss as at 30th June 2024 and 30 June 2023**

**Loss Rates**

|               | Current | 0-30  | 31-60 | 61-90 | >90   |
|---------------|---------|-------|-------|-------|-------|
| <b>Debtor</b> |         |       |       |       |       |
| KenGen        | 0%      | 0%    | 0%    | 0%    | 0%    |
| Kenya Power   | 0%      | 0%    | 0%    | 0%    | 0%    |
| Others        | 0%      | 0%    | 0%    | 0%    | 100%  |
|               | =====   | ===== | ===== | ===== | ===== |

**Total exposure as at 30th June 2024**

|                 | Current  | 0-30           | 31-60          | 61-90    | >90            | Total            |
|-----------------|----------|----------------|----------------|----------|----------------|------------------|
|                 | Sh'000   | Sh'000         | Sh'000         | Sh'000   | Sh'000         | Sh'000           |
| KenGen          | -        | 697,315        | 363,517        | 0        | 36,521         | 1,097,353        |
| Kenya Power     |          | 144,260        | 78,610         | 0        | 0              | 222,870          |
| Sosian Menengai |          | 22,583         | 281            | 0        | 1213           | 24,077           |
| Others          | -        | 1452           | 112            | 3        | 114,590        | 116,157          |
|                 | =====    | =====          | =====          | =====    | =====          | =====            |
| <b>Total</b>    | <b>-</b> | <b>865,610</b> | <b>442,520</b> | <b>3</b> | <b>152,324</b> | <b>1,460,457</b> |
|                 | =====    | =====          | =====          | =====    | =====          | =====            |

**Total impairment as at 30<sup>th</sup> June 2024**

|              | Current | 0-30     | 31-60    | 61-90    | >90            | Total          |
|--------------|---------|----------|----------|----------|----------------|----------------|
|              | Sh'000  | Sh'000   | Sh'000   | Sh'000   | Sh'000         | Sh'000         |
| KenGen       |         | -        | -        | -        | -              | -              |
| Others       |         | -        | -        | -        | 114,590        | 114,590        |
|              | =====   | =====    | =====    | =====    | =====          | =====          |
| <b>Total</b> |         | <b>-</b> | <b>-</b> | <b>-</b> | <b>114,590</b> | <b>114,590</b> |
|              | =====   | =====    | =====    | =====    | =====          | =====          |

**Total exposure as at 30 June 2023**

|              | <b>Current</b><br>Sh'000 | <b>0-30</b><br>Sh'000 | <b>31-60</b><br>Sh'000 | <b>61-90</b><br>Sh'000 | <b>&gt;90</b><br>Sh'000 | <b>Total</b><br>Sh'000 |
|--------------|--------------------------|-----------------------|------------------------|------------------------|-------------------------|------------------------|
| KenGen       |                          | 1,066,483             | 414,946                | 427,996                | 416,348                 | 2,325,773              |
| Others       |                          | 47,026                | -                      | -                      | 35,035                  | 35,035                 |
| <b>Total</b> |                          | <b>1,113,509</b>      | <b>414,946</b>         | <b>427,996</b>         | <b>451,383</b>          | <b>2,407,834</b>       |

**Total impairment as at 30 June 2023**

|              | <b>Current</b><br>Sh'000 | <b>0-30</b><br>Sh'000 | <b>31-60</b><br>Sh'000 | <b>61-90</b><br>Sh'000 | <b>&gt;90</b><br>Sh'000 | <b>Total</b><br>Sh'000 |
|--------------|--------------------------|-----------------------|------------------------|------------------------|-------------------------|------------------------|
| KenGen       | -                        | -                     | -                      | -                      | -                       | -                      |
| Others       | -                        | -                     | -                      | -                      | 102,532                 | 102,532                |
| <b>Total</b> | <b>-</b>                 | <b>-</b>              | <b>-</b>               | <b>-</b>               | <b>102,532</b>          | <b>102,532</b>         |

**Credit risk – Increase/decrease of ECL rate by 10%.**

If the ECL rates on trade receivables had been 10% higher (lower) as of 30 December 2022, there would be no impact on the loss allowance on trade receivables.

**(b) Market risk**

Market risk is the risk of losses in positions arising from movements in market prices.

**(i) Foreign exchange risk**

The Company makes purchases in foreign currency, holds cash in dollars, has trade receivables denominated in foreign currencies and provides consulting services that are invoiced in foreign currency. It is therefore exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions, and recognized assets and liabilities.

Management's policy to manage foreign exchange risk is to hold foreign currency bank accounts which act as a natural hedge for purchases of imported raw materials.

On 30 June 2024, if the Kenya Shilling had weakened/strengthened by 10% against the US dollar with all other variables held constant, profit for the year and equity would have been Shs (June 2023: Shs 170,437) higher/lower, mainly as a result of US dollar denominated trade receivables, trade payables and bank balances.

On 31 June 2024, if the Kenya Shilling had weakened/strengthened by 10% against the Euro with all other variables held constant, profit for the year and equity would have been Shs (June 2023: 15,038,883.54) higher/lower, as a result of Euro denominated trade payables

**Price risk**

The Company does not hold any financial instruments subject to price risk.



(iii) *Cash flow and fair value interest rate risk*

The Company's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk which is partially offset by cash held at variable rates. The Company regularly monitors financing options available to ensure optimum interest rates are obtained. As at 30<sup>th</sup> June 2024 the Company's exposure to cash flow and fair value interest rate risk on the term loan was Sh. 193,139,164.51 (2023: 676,933,896.85).

(c) **Capital risk management**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may limit the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity, as shown in the statement of financial position, plus net debt.

The gearing ratios as at 30<sup>th</sup> June 2024 and 30 June 2023 were as follows:

|                                           | 2024<br>Shs'000 | /2023<br>Shs'000 |
|-------------------------------------------|-----------------|------------------|
| Total borrowings (Note 21)                | 1,870,843       | 2,509,882        |
| Less: Cash and cash equivalents (Note 14) | (4,627,894)     | (47,556)         |
| Net debt                                  | (2,757,051)     | 2,462,326        |
| Total equity                              | 839,081         | (888,933)        |
| Total debt and equity                     | (1,917,970)     | 1,573,393        |
| Gearing ratio                             | >100%           | >100%            |

**Budget information**

The original budget for FY 23/24 was approved by the National Assembly on 1st July 2023. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded additional appropriations of ksh 1,623 million on the FY 23/24 budget following the governing body's approval.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts has been presented in these financial statements.

**5 (a) Receipts from steam charge payments**

|                                                        | <b>2024</b><br><b>Shs'000</b> | <b>2023</b><br><b>Shs'000</b> |
|--------------------------------------------------------|-------------------------------|-------------------------------|
| Steam charge payments from Olkaria wells               | 4,341,251                     | 2,620,936                     |
| Less: Steam charge payments for development activities | <u>(3,340,671)</u>            | <u>(1,531,198)</u>            |
|                                                        | <u>1,000,580</u>              | <u>1,089,738</u>              |

**5 (b) 105 MW Steam Revenue**

|                      |                |          |
|----------------------|----------------|----------|
| 105 MW Steam Revenue | 966,540        | -        |
|                      | <u>966,540</u> | <u>-</u> |

**6 (a) Other income**

|                                                   |                |               |
|---------------------------------------------------|----------------|---------------|
| Consultancy services on geothermal drilling       | 8,600          | 3,548         |
| Gain on disposal of property, plant and equipment | -              | 1,409         |
| Miscellaneous income                              | 102,003        | <u>9,901</u>  |
|                                                   | <b>110,603</b> | <b>14,858</b> |

**6 (b) Foreign exchange (losses)/gains**

|                                     |           |           |
|-------------------------------------|-----------|-----------|
| Net foreign exchange (losses)/gains | (175,888) | (127,506) |
|-------------------------------------|-----------|-----------|

**7 (a) Finance income**

|                                  |                |               |
|----------------------------------|----------------|---------------|
| Interest income on bank deposits | 118,590        | 31,181        |
|                                  | <u>118,590</u> | <u>31,181</u> |

**(b) Finance costs**

|                                              |                |                |
|----------------------------------------------|----------------|----------------|
| Interest expense on bank loans and overdraft | 247,724        | 133,634        |
|                                              | <u>247,724</u> | <u>133,634</u> |



## 8 Administrative costs

|                                                       | 2024             | 2023             |
|-------------------------------------------------------|------------------|------------------|
|                                                       | Shs'000          | Shs'000          |
| Depreciation of property, plant & equipment (Note 17) | 2,586,497        | 1,074,349        |
| Employee benefits expenses (Note 4)                   | 743,452          | 509,297          |
| Legal expenses                                        | 59,889           | 5,848            |
| Accommodation and subsistence                         | 63,958           | 17,369           |
| Training and education                                | 22,972           | 2,490            |
| Director's fees and expenses (Note 24)                | 29,062           | 13,354           |
| Transportation expenses                               | 14,884           | 2,866            |
| Management consultancy                                | 21,381           | 2,509            |
| Auditor's remuneration                                | 10,000           | 633              |
| Provision for doubtful debts of other receivables     | 12,058           | -                |
| ICT expenses                                          | 2,028            | 2,597            |
| Advertising and publicity                             | 4,596            | 3,721            |
| Fuel expenses                                         | 6,304            | 2,418            |
| Operating lease payments                              | 118,844          | 55,343           |
| Amortisation of intangible assets (Note 19)           | 3,754            | 461              |
| Security Expenses                                     | 4,235            | 2,927            |
| Staff Welfare expenses                                | 31,347           | 15,074           |
| Insurance & Licenses                                  | 14,432           | 10,782           |
| Software support & Maintenance                        | 54,978           | 10,406           |
| Internet & ISP services                               | 4,995            | 4,281            |
| Maintenance expenses                                  | 3,460            | 485              |
| Stakeholder management expenses                       | 20,699           | 6,774            |
| Subscriptions                                         | 1,972            | 1,388            |
| Stock valuation gains/losses                          | 4,331            | 4,837            |
| Other expenses                                        | 50,456           | 15,574           |
| ECL on cash and cash equivalents                      | 149,742          | -                |
|                                                       | <b>4,040,326</b> | <b>1,765,781</b> |

## 9 Other operating expenses

|                                                            |        |   |
|------------------------------------------------------------|--------|---|
| Write-off of non-productive drilling staff costs (Note 18) | 51,932 | - |
|------------------------------------------------------------|--------|---|

## 10 Employee benefits expenses

The following items are included within employee benefits expense

|                                |                |                |
|--------------------------------|----------------|----------------|
| Salaries and wages             | 701,718        | 478,753        |
| Retirement benefits costs:     |                |                |
| -Defined contribution scheme   | 38,777         | 29,877         |
| -National Social Security Fund | 2,957          | 667            |
|                                | <b>743,452</b> | <b>509,297</b> |

|                                               | 2024<br>Shs'000 | 2023<br>Shs'000 |
|-----------------------------------------------|-----------------|-----------------|
| <b>11 Income tax</b>                          |                 |                 |
| <b>(a) Income tax charge/(credit)</b>         |                 |                 |
| Current income tax                            | 501,595         | 163,492         |
| Deferred income tax charge/(credit) (Note 16) | (2,757,831)     | -               |
|                                               | <hr/>           | <hr/>           |
| Income tax expense/(asset)                    | (2,256,236)     | 163,492         |
|                                               | <hr/>           | <hr/>           |

**Reconciliation of tax based on accounting profit to tax charge**

The tax on the Company's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

|                                                        | 2024<br>Shs'000 | 2023<br>Shs'000 |
|--------------------------------------------------------|-----------------|-----------------|
| Profit/(loss) before income tax                        | (528,221)       | 355,858         |
|                                                        | <hr/>           | <hr/>           |
| Tax calculated at the statutory income tax rate of 30% | (158,466)       | 106,758         |
| Tax effects of:                                        |                 |                 |
| Income not subject to tax                              | (423,560)       | (507,226)       |
| Expenses not deductible for tax purposes               | 1,083,621       | 535,858         |
| Deferred tax assets                                    | (2,757,831)     | 28,102          |
|                                                        | <hr/>           | <hr/>           |
| Income tax charge/(credit)                             | (2,256,236)     | 163,492         |
|                                                        | <hr/>           | <hr/>           |

**(b) Current tax payable/(Receivable)**

The movements in the current income tax liability are as follows:

|                               | 2024<br>Shs'000 | 2023<br>Shs'000 |
|-------------------------------|-----------------|-----------------|
| At start of year              | (445,440)       | (229,668)       |
| Taxation charge (Note 11 (a)) | 501,595         | 142,679         |
| Paid during the year          | (274,597)       | (287,027)       |
| Deferred Tax Charge           | (2,757,831)     | (71424)         |
|                               | <hr/>           | <hr/>           |
| At end of year                | (2,976,273)     | (445,440)       |
|                               | <hr/>           | <hr/>           |



|                                                                | 2024             | 2023             |
|----------------------------------------------------------------|------------------|------------------|
|                                                                | Shs'000          | Shs'000          |
| <b>12 Inventories</b>                                          |                  |                  |
| Drilling materials                                             | 3,563,458        | 3,650,903        |
| Pipes                                                          | 107,385          | 142,625          |
| Fuel                                                           | 25,954           | 32,565           |
| Consumables                                                    | 21,268           | 22,880           |
| Total inventory held for exploration and evaluation activities | 3,718,065        | 3,848,973        |
| Other inventories                                              | 58,244           | 42,687           |
| Less: Provision for Obsolete stock & borrowings                | (60,035)         | (68,587)         |
|                                                                | <b>3,716,274</b> | <b>3,823,073</b> |
| <b>13 Trade and other receivables</b>                          |                  |                  |
| Trade receivables                                              | 1,460,457        | 2,407,834        |
| Less: Provision for expected losses                            | (114,590)        | (102,532)        |
| Net trade receivables                                          | 1,345,867        | 2,305,302        |
|                                                                | 0                |                  |
| Value Added Tax (VAT) recoverable                              | 0                | (6,233)          |
| Advance payment to suppliers                                   | 80,426           | 80,686           |
| Grants receivable (GOK)                                        | 30,833           | 2,041,675        |
| Restricted cash (Note 13a)                                     | 237,709          | 235,774          |
| Less: Provision for ECL on restricted cash                     | -7,107           | -                |
| Staff receivables (Note 13b)                                   | 8,588            | 9,013            |
| Other receivables and prepayments                              | 149,529          | 48,745           |
|                                                                | <b>1,845,845</b> | <b>4,714,963</b> |

Movements for the provision for expected losses of trade receivables are as follows:

|                          | 2024           | 2023           |
|--------------------------|----------------|----------------|
|                          | Shs'000        | Shs'000        |
| At start of year         | 102,533        | 102,065        |
| Charge to profit or loss | 12,057         | 468            |
| At end of year           | <u>114,590</u> | <u>102,533</u> |

The fair value of other receivables approximates their carrying value.

The ageing analysis of the gross trade receivables was as follows:

|                        |                  |                  |
|------------------------|------------------|------------------|
| Less than 30 days      | 865,611          | 1,113,507        |
| Between 30 and 60 days | 442,519          | 403,113          |
| Between 61 and 90 days | 3                | 427,996          |
| Over 90 days           | 152,324          | 463,218          |
|                        | <u>1,460,457</u> | <u>2,407,834</u> |

|                                        | 2024<br>Shs'000 | 2023<br>Shs'000 |
|----------------------------------------|-----------------|-----------------|
| <b>13(a) Restricted cash</b>           |                 |                 |
| Deposit with Development Bank of Kenya | 94,568          | 94,568          |
| Deposit with Cooperative Bank          | 2,022           | 2,022           |
| Staff Mortgage Account - KCB           | 127,947         | 127,518         |
| Staff Terminal Benefits Account - KCB  | 164             | 11,656          |
| Land Compensation                      | 13,008          | 10              |
|                                        | <u>237,709</u>  | <u>235,774</u>  |
| Less: Expected Credit Loss             | -7,107          | -               |
|                                        | <u>230,602</u>  | <u>235,774</u>  |

Restricted cash with Development Bank of Kenya is used as a security for staff car loans and its withdrawal is restricted. Restricted cash with Cooperative bank of Kenya is used as a guarantee for provision of goods by National Oil Corporation of Kenya. Its withdrawal is also restricted. Restricted cash balances with KCB are the security for staff mortgage loans and the Company's contributions for meeting the terminal benefits liability due to contracted staff. Land compensation and KCB fixed deposits account funds have been set aside as part of KfW's financing requirements for Bogoria Silali project. Their withdrawal is restricted.

**13(b) Staff receivables**

|                                       | 2024<br>Shs'000 | 2023<br>Shs'000 |
|---------------------------------------|-----------------|-----------------|
| Gross staff loans and advances        | 8,588           | 26,729          |
| Less: provision for Impairment loss   | -               | -               |
| Net staff advances                    | 8,588           | 26,729          |
| Less Amounts due in the next one year | 5,192           | 26,729          |
| Amounts Due after one year            | 3,396           | -               |

**14 Cash and cash equivalents**

For the purposes of the statement of cash flows, cash and cash equivalents include the following:

|                           | 2024<br>Shs'000  | 2023<br>Shs'000 |
|---------------------------|------------------|-----------------|
| Cash at Bank              | 4,770,388        | 47,481          |
| Less: ECL on cash at Bank | (142,635)        | -               |
|                           | <u>4,627,753</u> | <u>47,481</u>   |
| Cash at hand              | 141              | 75              |
|                           | <u>4,627,894</u> | <u>47,556</u>   |



**14 Cash and cash equivalents (Continued)**

The make-up of cash and cash equivalents is as follows:

**Detailed analysis of cash and cash equivalents by financial Institution and account numbers:**

| <b>a) Current accounts</b>         |                | <b>2024</b>      | <b>2023</b>      |
|------------------------------------|----------------|------------------|------------------|
|                                    |                | <b>Shs'000</b>   | <b>Shs'000</b>   |
| Co-operative Bank of Kenya         | 01136160857600 | 18,934           | 14,040           |
| Co-operative Bank of Kenya         | 01136160857603 | 0                | -                |
| Co-operative Bank of Kenya         | 02120160857600 | 1,311,781        | 15,991           |
| Co-operative Bank of Kenya         | 22120160857600 | 0                | -                |
| Co-operative Bank of Kenya         | 01136350124400 | 4,479            | 135              |
| Co-operative Bank of Kenya         | 01136115849200 | 85,010           | 5                |
| Co-operative Bank of Kenya         | 02120160857601 | 0                | -                |
| Co-operative Bank of Kenya         | 01141160857601 | 397,813          | 10               |
| Kenya Commercial Bank              | 1119615208     | 7,478            | 10               |
| Kenya Commercial Bank              | 1166553671     | 2,603            | 10               |
| ABSA Bank (KES)                    | 2041818169     | 73               | 13,041           |
| ABSA Bank (USD)                    | 2041818193     | 746,842          | 14               |
| Co-operative Bank of Kenya         | 01136160857601 | 2,697            | 2,756            |
| NCBA Bank                          | 4761090015     | 2,192,677        | 1,468            |
| <b>Sub- total</b>                  |                | <b>4,770,387</b> | <b>47,480</b>    |
| <b>b) On - call deposits</b>       |                |                  |                  |
| Co-operative Bank of Kenya         | 021501608576   | 1                | 1                |
| <b>Sub- total</b>                  |                | <b>1</b>         | <b>1</b>         |
| <b>c) Others</b>                   |                |                  |                  |
| Cash in hand                       |                | 141              | 75               |
| <b>Sub- total</b>                  |                | <b>141</b>       | <b>75</b>        |
| <b>Grand total</b>                 |                | <b>4,777,529</b> | <b>47,556</b>    |
| Less: Provision for ECL            |                | -142,635         | -                |
|                                    |                | <b>4,634,894</b> | <b>47,556</b>    |
| <b>15 Trade and other payables</b> |                | <b>2024</b>      | <b>2023</b>      |
|                                    |                | <b>Shs'000</b>   | <b>Shs'000</b>   |
| Trade payables                     |                | 876,235          | 1,088,107        |
| VAT payable                        |                | 64,957           |                  |
| Accrued expenses                   |                | 281,478          | 362,640          |
| Retirement benefit obligations     |                | -                | 12,273           |
| Provision for leave pay            |                | 64,204           | 60,147           |
| Other payables                     |                | 3,348,849        | 479,951          |
|                                    |                | <b>4,635,723</b> | <b>2,003,118</b> |

The carrying amounts of trade and other payables approximate their fair values.

## 16 Deferred taxation

Deferred income tax is calculated using the enacted income tax rate of 30%. The movement of the deferred income tax account is as follows:

|                                                                | 2024<br>Shs'000 | 2023<br>Shs'000 |
|----------------------------------------------------------------|-----------------|-----------------|
| At start of year                                               | 269,295         | 197,871         |
| Charge/(credit) to profit or loss                              | 2,757,831       | 71,424          |
| Effect of reduction in tax rate on opening deferred tax assets | -               | -               |
| At end of year                                                 | 3,027,126       | 269,295         |

Deferred tax assets and liabilities and deferred tax charge in the statement of profit or loss are attributable to the following items:

| Year ended 30 June 2024                | At start of year<br>Shs'000 | Charge/<br>(credit) to<br>profit or<br>loss<br>Shs'000 | At end of year<br>Shs'000 |
|----------------------------------------|-----------------------------|--------------------------------------------------------|---------------------------|
| Deferred tax (assets)/liabilities      |                             |                                                        |                           |
| Provision for expected credit losses   | -25,541                     | -                                                      | -25,541                   |
| Unrealized exchange losses             | 17,517                      | -50,245                                                | -32,728                   |
| Unrealized exchange gains              | -101,637                    | -135,797                                               | -237,434                  |
| Other general provisions               | -54,937                     | 39,441                                                 | 15,496                    |
| Tax Losses                             | -104,697                    | -                                                      | -104,697                  |
|                                        | -269,295                    | -146,601                                               | -415,896                  |
| INVESTMENT DEDUCTION                   |                             |                                                        |                           |
| Investment Deduction (SGS) yr 1 @ 100% |                             | -1,194,783                                             | -1,194,783                |
| Investment Deduction (Wells) Yr1@20%   |                             | -1,416,447                                             | -1,416,447                |
| <b>Net deferred income tax asset</b>   | <b>-269,295</b>             | <b>-2,757,831</b>                                      | <b>-3,027,126</b>         |

| Year ended 30 June 2023                  | At start of year<br>(Restated)<br>Shs'000 | Effect of<br>change<br>in tax<br>rate<br>Shs'000 | Charge/<br>(credit) to<br>profit or loss<br>Shs'000 | At end of year<br>Shs'000 |
|------------------------------------------|-------------------------------------------|--------------------------------------------------|-----------------------------------------------------|---------------------------|
| <b>Deferred tax (assets)/liabilities</b> |                                           |                                                  |                                                     |                           |
| Provision for expected credit losses     | (25,541)                                  | -                                                | -                                                   | (25,541)                  |
| Unrealized exchange losses               | 42,492                                    | 0                                                | (24,975)                                            | 17,517                    |
| Unrealized exchange gains                | (40,602)                                  |                                                  | (61,035)                                            | (101,637)                 |
| Other general provisions                 | (69,523)                                  | -                                                | 14,586                                              | (54,937)                  |
| Tax losses                               | (104,697)                                 | -                                                | -                                                   | (104,697)                 |
| <b>Net deferred income tax asset</b>     | <b>(197,871)</b>                          | <b>-</b>                                         | <b>(71,424)</b>                                     | <b>(269,295)</b>          |



## 17 Property, plant, and equipment

|                              | Land    | Buildings | Rigs and water supply infrastructure | Roads       | Wells & Steam Gathering System | Plant machinery, power substation, small tools and equipment | Motor vehicles | Furniture, fittings and equipment | Computers | Menengai 105 Wells | Steam Gathering System | Work In Progress | Total        |
|------------------------------|---------|-----------|--------------------------------------|-------------|--------------------------------|--------------------------------------------------------------|----------------|-----------------------------------|-----------|--------------------|------------------------|------------------|--------------|
| Year ended 30th June 2024    | Shs'000 |           | Shs'000                              | Shs'000     | Shs'000                        | Shs'000                                                      | Shs'000        | Shs'000                           | Shs'000   | Shs'000            | Shs'000                | Shs'000          | Shs'000      |
| Opening net book amount      | 99,544  | 124,444   | 7,594,408                            | 583,641     | 24,552,742                     | 707,134                                                      | 299,173        | 52,162                            | 7,043     | -                  | -                      | 4,417,210        | 38,437,500   |
| Additions/trans              |         | 31910     |                                      | -           | -                              | 23,657                                                       | -              | 5,028                             | 37,484    |                    |                        | 172,098          | 270,178      |
| Transfer From WIP            | -       | -         | 329,513                              | -           |                                | -                                                            |                | -                                 |           |                    | 3,982,611              | (4,312,124)      | -            |
| Transfer From E&E            |         |           |                                      |             |                                |                                                              |                |                                   |           | 41,439,054         |                        | -                | 41,439,054   |
| Depreciation (Charge to P&L) | -       | -         | -                                    | -           | (1,421,336)                    | -                                                            | (0)            | (5,309)                           | (9,170)   | (1,049,789)        | (100,893)              | -                | (2,586,497)  |
| Depreciation to E&E          | -       | (6,116)   | (1,223,716)                          | (107,065)   | -                              | (157,892)                                                    | (136,716)      | (1,124)                           | (2,462)   | -                  | -                      | -                | (1,635,091)  |
| Disposal                     |         |           |                                      |             |                                |                                                              | (7,528)        |                                   |           |                    |                        |                  | (7,528)      |
| Closing net book amount      | 99,544  | 150,238   | 6,700,205                            | 476,576     | 23,131,406                     | 572,899                                                      | 154,928        | 50,757                            | 32,895    | 40,389,264         | 3,881,718              | 277,184          | 75,917,614   |
|                              |         |           |                                      |             |                                |                                                              |                |                                   |           |                    |                        |                  | -            |
| Year ended 30th June 2024    |         |           |                                      |             |                                |                                                              |                |                                   |           |                    |                        |                  | -            |
| Cost                         | 99,544  | 183,330   | 19,253,059                           | 2,232,466   | 37,403,578                     | 3,037,432                                                    | 2,653,548      | 503,373                           | 200,539   | 41,439,054         | 3,982,611              | 277,184          | 111,265,718  |
| Accumulated depreciation     | -       | (33,092)  | (12,552,854)                         | (1,755,890) | (14,272,172)                   | (2,464,533)                                                  | (2,498,620)    | (452,616)                         | (167,644) | (1,049,789)        | (100,893)              | -                | (35,348,104) |
| Net book amount              | 99,544  | 150,238   | 6,700,205                            | 476,576     | 23,131,406                     | 572,899                                                      | 154,928        | 50,757                            | 32,895    | 40,389,265         | 3,881,718              | 277,184          | 75,917,614   |

### NOTE

Assets worth Ksh 1,711,888,076 have been fully depreciated for the year.

**17 Property, plant, and equipment (Continued)**

|                              | Land & Buildings | Rigs and water supply infrastructure | Roads       | Wells        | Plant machinery, power substation, small tools, and equipment | Motor vehicles | Furniture, fittings, and equipment | Work In Progress | Total        |
|------------------------------|------------------|--------------------------------------|-------------|--------------|---------------------------------------------------------------|----------------|------------------------------------|------------------|--------------|
| Year ended 30th June 2023    | Shs'000          | Shs'000                              | Shs'000     | Shs'000      | Shs'000                                                       | Shs'000        | Shs'000                            | Shs'000          | Shs'000      |
| Opening net book amount      | 229,599          | 8,797,255                            | 831,315     | 25,974,078   | 863,184                                                       | 428,988        | 68,395                             | 4,373,420        | 41,566,234   |
| Additions                    | -                | -                                    | -           | -            | 5,731                                                         | 21,468         | 6,164                              | 43,790           | 77,153       |
| Transfer From WIP            | -                | -                                    | -           | -            | -                                                             | -              | -                                  | -                | -            |
| Depreciation (Charge to P&L) | -                | -                                    | -           | (1,421,336)  | -                                                             | (445)          | (11,642)                           | -                | (1,433,423)  |
| Depreciation to E&E          | (5,612)          | (1,202,847)                          | (247,674)   | -            | (161,781)                                                     | (150,839)      | (3,711)                            | -                | (1,772,464)  |
| Disposal                     | -                | -                                    | -           | -            | -                                                             | -              | -                                  | -                | -            |
| Closing net book amount      | 223,987          | 7,594,408                            | 583,641     | 24,552,742   | 707,134                                                       | 299,172        | 59,206                             | 4,417,210        | 38,437,500   |
| Year ended 30th June 2023    |                  |                                      |             |              |                                                               |                |                                    |                  | -            |
| Cost                         | 250,963          | 18,923,546                           | 2,232,466   | 37,403,578   | 3,013,775                                                     | 2,661,076      | 661,400                            | 4,417,210        | 69,564,014   |
| Accumulated depreciation     | (26,976)         | (11,329,138)                         | (1,648,825) | (12,850,836) | (2,306,641)                                                   | (2,361,904)    | (602,194)                          | -                | (31,126,514) |
| Net book amount              | 223,987          | 7,594,408                            | 583,641     | 24,552,742   | 707,134                                                       | 299,172        | 59,206                             | 4,417,210        | 38,437,500   |



## 18 Exploration and evaluation assets

These are expenses incurred by the Company in exploration and steam development. The movement in the year is as follows:

|                                                          | 2024<br>Shs'000 | 2023<br>Shs'000 |
|----------------------------------------------------------|-----------------|-----------------|
| At start of year                                         | 60,700,020      | 55,080,165      |
| Additions/ (Transfer to PPE)                             | 6,077,660       | 5,718,373       |
| Write off of non-productive time expenses                | (51,932)        | (98,518)        |
| Transfer to complete Assets                              | (41,439,054)    |                 |
| At end of year                                           | 25,286,694      | 60,700,020      |
| The additions in the year comprise the following:        |                 |                 |
| Depreciation of property, plant, and equipment (Note 17) | 1,635,091       | 1,772,464       |
| Amortisation of intangible assets (Note 19)              | 1,251           | 204             |
| Staff costs capitalised                                  | 2,044,822       | 1,856,483       |
| Drilling materials and consumables                       | 2,396,496       | 2,089,222       |
|                                                          | 6,077,660       | 5,718,373       |

### Impairment assessment for 105 MW Menengai project wells

Exploration and evaluation expenditures are accounted for using 'successful efforts' method of accounting. Costs are accumulated on a field-by-field basis. Costs directly associated with exploration are capitalised until the determination of the field's steam potential is evaluated. If it is determined that a commercially viable steam field has not been achieved, these costs are charged to the income statement. No impairment has been made in the period.

## 19 Intangible assets

Intangible assets relate to SAP, the Company's accounting software, GIS software and ICT security software.

|                                                  | 2024<br>Shs'000 | 2023<br>Shs'000 |
|--------------------------------------------------|-----------------|-----------------|
| Opening net book amount                          | 24,581          | 16,354          |
| Additions                                        | 33              | 3,031           |
| Amortisation:                                    |                 |                 |
| Charge to profit or loss                         | (3,754)         | (4,479)         |
| Capitalized as exploration and evaluation assets | (1,251)         | 9,676           |
| Closing net book amount                          | 19,609          | 24,581          |
| Cost                                             | 298,709         | 298,676         |
| Accumulated amortization                         | (279,100)       | (274,095)       |
| Net book amount                                  | 19,609          | 24,581          |

## 20 Government grants

IAS 20 Accounting for Government Grants and Disclosure of Government Assistance prescribes the accounting for government grants and other assistance. Revenue grants relate to grants received to cover operating expenses or for the purpose of giving immediate support to the Company. Capital grants relate to grants received for financing the exploration and drilling of geothermal wells. There are no unfulfilled conditions relating to the government grants recognised as income at 30 June 2024. The company has recognised Government grants as appropriated in line with the provisions of IAS 20.

|                                                          | 2024<br>Shs'000  | 2023<br>Shs'000  |
|----------------------------------------------------------|------------------|------------------|
| <b>Revenue grants and amortisation of capital grants</b> |                  |                  |
| Revenue grants issued by Government of Kenya             | 370,000          | 358,000          |
| Capital grants amortized:                                |                  |                  |
| - Amortization of deferred income                        | 1,421,336        | 1,421,336        |
| - Write-off of unproductive and abandoned wells          | -                | -                |
|                                                          | <u>1,421,336</u> | <u>1,421,336</u> |
|                                                          | <u>1,791,336</u> | <u>1,791,336</u> |

### The movement in the capital grant balance is for the year is as summarized below:

|                                                       |                    |                    |
|-------------------------------------------------------|--------------------|--------------------|
| At 1 July                                             | 104,838,540        | 101,379,410        |
| Grants received in the year:                          |                    |                    |
| - Grants from Government of Kenya                     | 197,403            | 252,000            |
| - Grant from Government of Kenya (from steam charges) | 3,340,671          | 2,202,195          |
| - Grants from KfW                                     | 2,709,099          | 2,423,931          |
| - Grants from GRMF                                    | 407,304            |                    |
| - Grants Asset (JICA)                                 | -                  | 2,340              |
|                                                       | <u>6,654,477</u>   | <u>4,880,466</u>   |
| GOK grant amortized (Olkaria wells) –Current year     | (1,421,336)        | (1,421,336)        |
| As at                                                 | <u>110,071,681</u> | <u>104,838,540</u> |



## 21 Borrowings

|                                                        | 2024<br>Shs'000 | 2023<br>Shs'000 |
|--------------------------------------------------------|-----------------|-----------------|
| <b>Term Loan</b>                                       |                 |                 |
| The movement in bank borrowings is as summarized below |                 |                 |
| At 1 July                                              | 2,509,882       | 2,491,508       |
| Additions                                              |                 |                 |
| Interest charge                                        | 247,724         | 192,421         |
| Repayments - principal                                 | (483,602)       | (378,481)       |
| Repayments – interest                                  | (250,610)       | (219,111)       |
| Unrealized foreign exchange (gain)/ losses             | (152,551)       | 423,545         |
| As at                                                  | 1,870,843       | 2,509,882       |

The Company has a term loan facility with the Co-operative Bank of Kenya which is repaid on a quarterly basis. The facility is secured by a letter of negative pledge over assets of the Company, and an assignment of all steam charge proceeds from KenGen.

Interest on the term loan (US Dollar denominated) is the applicable 3 months USD LIBOR plus 6% p.a (floor rate of 7.5% p.a).

## 22 Share capital

|                                           | Number<br>of<br>shares | Ordinary<br>shares<br>Shs'000 |
|-------------------------------------------|------------------------|-------------------------------|
| Balance at 30 June 2023, and 30 June 2024 | 20,000                 | 2,000                         |

The total authorised number of ordinary shares is 20,000 with a par value of Shs 100 per share.

Shares are held in trust by the sitting Principal Secretaries of the Ministry of Energy & Petroleum and The National Treasury. All issued shares are fully paid for by:

|                                                     | Number<br>of shares<br>30/06/2024 | Number of<br>shares<br>30/06/2023 |
|-----------------------------------------------------|-----------------------------------|-----------------------------------|
| Permanent Secretary, The National Treasury          | 19,999                            | 19,999                            |
| Permanent Secretary, Ministry of Energy & Petroleum | 1                                 | 1                                 |
|                                                     | 20,000                            | 20,000                            |

## 23 Commitments and contingent liabilities

### Contingent liabilities

The Company's tax dispute with Kenya Revenue Authority was picked up by the Public Investments Committee (PIC) of parliament is scheduled for a round table meeting by all the stakeholders for further deliberation on the way forward. Appropriate provisions relating to the dispute where applicable have been incorporated in the financial statements.

Additionally, the Company is subject to several legal claims incidental to its operations, the outcome of which cannot at present be foreseen and the possible loss or range of loss of which cannot at

## **23 Commitments and contingent liabilities (continued)**

present be meaningfully quantified. In particular, the Company is subject to claims arising from various contracts with suppliers. The cases are summarized below:

### **a) Linksoft Communications Limited vs GDC**

The Company entered into a contract with Linksoft Communications Limited for provision of manpower services. The contract was terminated by GDC in May 2016. Linksoft sued GDC for alleged unlawful termination of the contract and was claiming Shs.361 million being unutilised balance of the contract price as well as a claim on certain reimbursements incurred in the orderly termination of the contract.

The matter was partly heard on 23rd July 2021 and fixed for a further hearing on 24th September 2021 where GDC testified. Parties closed their cases and submissions was filed by 23rd February 2022.

The Arbitral Tribunal issued an award on termination of the arbitration proceedings on 6th December 2022, save as to costs upon finding that the continuance of the same had become impossible.

On 11th August 2023, the Arbitral Tribunal issued an award on cost of the arbitration proceedings and ordered GDC to pay the claimant the costs as follows.

Legal costs in a sum of Kes. 500,000.00.

Arbitration costs amounting to Kes. 3,343,724.00 paid to the respective Tribunal members

Based on the legal advice received, the Directors believe that the matter has since been terminated by the Arbitral Tribunal with little or no chances of being reinstated in future thus closed. No provisions have been made in the financial statements in respect of this matter.

### **Bonfide Clearing Company Limited vs GDC**

The Company entered a contract with Bonfide Clearing and Forwarding Company Limited for provision of rig moves services. The Company terminated the contract on 13th September 2016.

Bonfide referred the matter for arbitration claiming an amount of Shs. 3,334,124,194 for work done, loss of business, interest, and damages. The arbitrator issued an interim award No 1 in September 2017 which dismissed the bulk of Bonfide's claim leaving a balance of Kshs. 38,494,710.00 million which the Hon. Arbitrator deemed "provable" and was to proceed to determination of the same.

Bonafide elected to abandon the prosecution of the balance of their claim as per Interim Award No. 1 and filed an appeal at the High Court against the award in October 2017 resulting to a mention of the appeal in the High Court (Misc Application No. 431 of 2017) took place on 6th November 2019 and further on 18th November 2021.

The ruling on the High Court (Misc Application No. 431 of 2017) was delivered on the 24th of June 2022 where the Court found that the application by Bonfide C & F was unmerited and dismissed the same with costs.

GDC received a Notice of Appeal from Bonfide C & F dated 28th June 2022, however Bonfide is yet to file the substantive memorandum before the Court of Appeal.

GDC anticipates that the challenge to the arbitration award will fail as the law on the subject is clear and legal authorities, both at the High Court and at the Court of Appeal, do not favour the position and arguments presented by Bonfide Clearing and Forwarding Company Limited, hence no additional provision has been accrued for in the financial statements.

### **b) Lantech Africa Limited vs GDC**

Dispute over alleged un invoiced payments from a contract for provision of drilling consultancy services which lapsed by effluxion of time in 2015. Arbitral Tribunal heard the matter, delivered its ruling which was unfavourable to GDC wherein GDC was ordered to pay USD 18,206,548.72 together with interest



at 14% per annum till payment in full. GDC moved to the High Court to set aside the Tribunal award through Misc. Application No. E779 of 2020 which was opposed by Lantech and a preliminary objection filed on a jurisdictional basis. The High Court upheld the preliminary objection and struck out GDC's application to set aside the final award through its Ruling on 16th December 2020. Subsequently, a decree was

GDC moved to the Court of appeal to appeal the decision of the High Court at the Court of Appeal vide Civil Application No. E029 of 2021. However, recently, through its Ruling dated 26th July 2024, the Court of Appeal granted GDC leave to appeal against the decision of the High Court striking out the application to set aside the arbitral award.

On June 23, 2022, Lantech initiated garnishee proceedings to enforce the decree, recovering a paltry sum of kes.1,558,173.80 from GDC's account at Kenya Commercial Bank of Kenya (KCB). Subsequently on February 27, 2023, Lantech filed a second garnishee application to attach GDC's funds across various accounts with Central Bank of Kenya Limited (CBK), Co-operative Bank of Kenya Limited (Co-op Bank) and KCB and steam sale receivables from KenGen, for the benefit of GDC. The High Court, on September 20, 2023, in a composite ruling, upheld that funds held in Co-op Bank were protected from garnishment due to an encumbrance, but other accounts were open to garnishment. Lantech's review application was dismissed.

Subsequently, in an application that consolidated Civil application No. E454 of 2023 and E460 of 2023, the Court of Appeal, through its Ruling, granted the stay of execution applications filed by KenGen on September 29, 2023, and GDC on 4th October, 2023, ruling that the intended appeals against the High Court ruling were arguable and would be rendered nugatory without a stay. The costs of the applications were awarded against Lantech, and the Court emphasized the need to carefully handle garnishee proceedings involving significant public funds.

Based on the legal advice received on the stay of execution pending the hearing and determination at the Court of Appeal, the Directors believe the probability of an unfavourable outcome is remote and as such no provision has been accrued in the financial statements.

**c) Capital commitments**

Capital expenditure contracted for at the reporting date but not recognized in the financial statements is as follows:

|                               | 2024<br>Shs'000  | 2023<br>Shs'000  |
|-------------------------------|------------------|------------------|
| Authorized and contracted     | 656,130          | 362,967          |
| Authorized but not contracted | 3,506,974        | 1,607,248        |
|                               | <u>4,163,104</u> | <u>1,970,215</u> |

**24 Related party transactions**

The Government of Kenya is the principal shareholder of the Company, holding 100% of the Company's equity interest. Other related parties include The Ministry of Energy and Petroleum, The National Treasury, Board of Directors, and key management.

IAS 24, 'Related party disclosures' clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities.

**24 Related party transactions (Continued)**

**i) Key management compensation**

Key management includes members of senior management. The compensation paid or payable to key management for employee services is shown below:

|                                                   | <b>2024</b><br><b>Shs'000</b>       | <b>2023</b><br><b>Shs'000</b>       |
|---------------------------------------------------|-------------------------------------|-------------------------------------|
| Salaries and other short-term employment benefits | 73,132                              | 59,706                              |
|                                                   | <b>30/06/2024</b><br><b>Shs'000</b> | <b>30/06/2023</b><br><b>Shs'000</b> |
| <b>ii) Directors' fees and expenses</b>           |                                     |                                     |
| Remuneration as management                        | 10,962                              | 12,437                              |
| Fees and allowances for services as director      | 29,062                              | 21,903                              |
|                                                   | <b>40,024</b>                       | <b>34,340</b>                       |

**25 Events after the Reporting Period**

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

**26 CURRENCY**

The financial statements are presented in Kenya Shillings rounded to the nearest thousands (Shs '000), which is also the functional currency.



| Reference No. on the external audit Report | Issue / Observations from Auditor              | Management comments                                                                                                                                                                  | Status:<br>(Resolved / Not Resolved)   | Timeframe:<br>(Put a date when you expect the issue to be resolved) |
|--------------------------------------------|------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|---------------------------------------------------------------------|
|                                            |                                                | Regarding the capitalization dates for vehicles, there was a procedural delay in getting the vehicles registered. Therefore, depreciation aligns well with the start of utilization. |                                        |                                                                     |
| 3.2                                        | Vandalization of Geothermal Drilling Rigs      | The company has incorporated a budget for the cables to enable repair of the rigs.                                                                                                   | On-going (Awaiting tabling before PIC) |                                                                     |
| 4                                          | Unsupported VAT Recoverable                    | The differences arose from withholding VAT recognised in the ledger during the year but not on i-tax. Management has written to KRA for alignment                                    | On-going (Awaiting tabling before PIC) |                                                                     |
| 5                                          | Unsupported Bank Accounts                      | This account has not been closed due to ongoing discussions about future funding from the development partner. The account is to be closed in the current year.                      | On-going (Awaiting tabling before PIC) |                                                                     |
| <b>Emphasis of matter</b>                  |                                                |                                                                                                                                                                                      |                                        |                                                                     |
| 1                                          | Material Uncertainty Relating to Going Concern | The company has assessed its going concern and is assured of continuity into the future as represented by subsequent performance                                                     | On-going (Awaiting tabling before PIC) |                                                                     |

## Appendix 1: Implementation Status of Auditor-General prior year recommendations

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

| Reference No. on the external audit Report | Issue / Observations from Auditor                                      | Management comments                                                                                                                                                                                                   | Status:<br>(Resolved / Not Resolved)   | Timeframe:<br>(Put a date when you expect the issue to be resolved) |
|--------------------------------------------|------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|---------------------------------------------------------------------|
| <b>Basis for adverse opinion</b>           |                                                                        |                                                                                                                                                                                                                       |                                        |                                                                     |
| 1                                          | Non-Compliance with International Financial Reporting Standards (IFRS) | The apportionment of steam sales is based on the appropriated budget as per the attached printed estimates                                                                                                            | On-going (Awaiting tabling before PIC) |                                                                     |
| 2.1                                        | Failure to Assess Unproductive Wells for Impairment                    | There are no indications of impairment of the cash-generating unit to warrant an impairment in the books of accounts.                                                                                                 | On-going (Awaiting tabling before PIC) |                                                                     |
| 2.2                                        | Exploration and Evaluation Assets                                      | The wells indicated as non-productive and abandoned in the management's view do not warrant an impairment in the books of accounts since they will be used for monitoring the field, as re-injection or make-up wells | On-going (Awaiting tabling before PIC) |                                                                     |
| 3.1                                        | Inaccuracies in the Property, Plant and Equipment                      | The fully depreciated assets were mainly low value assets purchased prior to the implementation of the SAP system (2011) and two 33-seater buses which have been earmarked for disposal .                             | On-going (Awaiting tabling before PIC) |                                                                     |



| Reference No. on the external audit Report                               | Issue / Observations from Auditor       | Management comments                                                                                                                                                                                                                                                                                              | Status:<br>(Resolved / Not Resolved)   | Timeframe:<br>(Put a date when you expect the issue to be resolved) |
|--------------------------------------------------------------------------|-----------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|---------------------------------------------------------------------|
|                                                                          |                                         | following the on-boarding of Menengai 105MW project.                                                                                                                                                                                                                                                             |                                        |                                                                     |
| 2                                                                        | Commitments and Contingent Liabilities  | Management continues to assess its contingent liabilities in view of their implications on the Company's operations. Based on the legal advice received on the application for review of the arbitral award to Lantech Africa Limited, the Directors believe the probability of an unfavorable outcome is remote | On-going (Awaiting tabling before PIC) |                                                                     |
| <b>Report on lawfulness and effectiveness in use of public resources</b> |                                         |                                                                                                                                                                                                                                                                                                                  |                                        |                                                                     |
| 1                                                                        | Irregular Procurement of Legal Services | There was need to engage a senior counsel as a defence strategy. The urgency of the matter and its implications necessitated direct procurement. The fees were computed in line with the Advocates (Remuneration) (Amendment) Order.                                                                             | On-going (Awaiting tabling before PIC) |                                                                     |
| 2                                                                        | Long outstanding payables               | The outstanding payable were due to budgetary issues which have since been addressed and the payment plan put in place.                                                                                                                                                                                          | On-going (Awaiting tabling before PIC) |                                                                     |

| Reference No. on the external audit Report | Issue / Observations from Auditor                         | Management comments                                                                                                                                                                                                                                                                                                                                                  | Status:<br>(Resolved / Not Resolved)   | Timeframe:<br>(Put a date when you expect the issue to be resolved) |
|--------------------------------------------|-----------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|---------------------------------------------------------------------|
| 3                                          | Non-Compliance with Law on Gender Balance                 | Management escalated the matter to the Ministry for action                                                                                                                                                                                                                                                                                                           | On-going (Awaiting tabling before PIC) |                                                                     |
| 4                                          | Non-Compliance with the Law on Basic Salary Rule          | The non-compliance to the 1/3 rd rule is largely because of defaulted guarantor loans. An analysis is undertaken every three months and communication done to affected staff for regularization.                                                                                                                                                                     | On-going (Awaiting tabling before PIC) |                                                                     |
| 5                                          | Unutilized Geothermal Resource Assessment (GRA) Equipment | The equipment was not utilized due to compatibility/technology changes. There are engagements to review its deployment.                                                                                                                                                                                                                                              | On-going (Awaiting tabling before PIC) |                                                                     |
| 6                                          | Idle and Unutilized Assets                                | In respect to the bulkers, the company procured delivery services of cement due to shortage of Articulated drivers arising from government freeze on recruitment and delayed approval of HR instruments.<br>On the issue of the drilling software, contractor did not fulfil the contractual milestones as contracted. The matter is pending conclusion at the EACC. | On-going (Awaiting tabling before PIC) |                                                                     |



| Reference<br>No. on the<br>external<br>audit Report                                 | Issue / Observations from<br>Auditor | Management comments                                                                                                                                                                                                                                   | Status:<br>(Resolved / Not Resolved)   | Timeframe:<br>(Put a date<br>when you<br>expect the issue<br>to be resolved) |
|-------------------------------------------------------------------------------------|--------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|------------------------------------------------------------------------------|
|                                                                                     |                                      | The company has also carried out an asset verification exercise for any asset impairments and repairs.                                                                                                                                                |                                        |                                                                              |
| <b>Report on effectiveness of internal controls, Risk management and governance</b> |                                      |                                                                                                                                                                                                                                                       |                                        |                                                                              |
| 1                                                                                   | Long Outstanding Trade Receivables   | The outstanding interest charges to KenGen were settled in the current financial yearwhile for the other customers, demand letters were sent and follow-up is being done by legal team. Additionally, plans are underway to engage a debt collector . | On-going (Awaiting tabling before PIC) |                                                                              |
| 2                                                                                   | Commingling of funds                 | Separation of banks for the project and recurrent is in place. However, steam charges from Olkaria are received in one account before distribution in line with the assignment agreement.                                                             | On-going (Awaiting tabling before PIC) |                                                                              |
| 3                                                                                   | Weakness in inventory management     | The drilling pipes and casings are utilized in high temperature conditions and management evaluated the risk of wear and tear of these items was minimal.                                                                                             | On-going (Awaiting tabling before PIC) |                                                                              |

| Reference No. on the external audit Report | Issue / Observations from Auditor                      | Management comments                                                                                                                                                                                                | Status:<br>(Resolved / Not Resolved)   | Timeframe:<br>(Put a date when you expect the issue to be resolved) |
|--------------------------------------------|--------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|---------------------------------------------------------------------|
|                                            |                                                        | For storage of bentonite, a storage yard has been constructed in Kabarak for storing these materials. For cement, management is exploring installation of load cell sensors on the silos for ease of verification. |                                        |                                                                     |
| 4                                          | Losses Through Theft and Vandalism at Geothermal Sites | The incidences were reported, and action taken. Management will endeavour to beef up security in its drilling sites.                                                                                               | On-going (Awaiting tabling before PIC) |                                                                     |



## APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

### Projects

Projects implemented by the Company funded by development partners

|   | Project title    | Project Number | Donor                           | Period/ duration | Donor commitment (USD millions) | Separate donor reporting required as per the donor agreement (Yes/No) | Consolidated in these financial statements (Yes/No) |
|---|------------------|----------------|---------------------------------|------------------|---------------------------------|-----------------------------------------------------------------------|-----------------------------------------------------|
| 1 | Menengai         | 1152102200     | African Development Bank (AfDB) | June 2012        | 145                             | Yes                                                                   | Yes                                                 |
| 2 | Bogoria - Silali | 1152100500     | German Development Bank (KfW)   | July 2014        | 100                             | Yes                                                                   | Yes                                                 |

### Status of projects completion

|   | Project                  | Total project cost | Total expended to date | Completion % to date | Budget (Shs millions) | Actual (Shs millions) | Sources of funds |
|---|--------------------------|--------------------|------------------------|----------------------|-----------------------|-----------------------|------------------|
|   |                          | (Shs millions)     | (Shs millions)         |                      |                       |                       |                  |
| 1 | Menengai Project         | 115,926            | 74,462                 | 85% (105MW)          | 1,634                 | 1,603                 | GoK              |
|   |                          |                    |                        | 32% (60MW)           |                       |                       | Local AIA        |
|   |                          |                    |                        | 2%(300MW)            |                       |                       | AfDB             |
| 2 | Bogoria – Silali Project | 78,029             | 17,043                 | 25%                  | 4,648                 | 4,264                 | GoK              |
|   |                          |                    |                        |                      |                       |                       | KfW              |
| 3 | Suswa Project            | 78,029             | 1,054                  | 2%                   | 489                   | 403                   | GoK              |
|   |                          |                    |                        |                      |                       |                       | Local AIA        |

### APPENDIX III: INTER-ENTITY TRANSFERS

| Entity Name: Geothermal Development Company Limited |                    |                         |                  |                |
|-----------------------------------------------------|--------------------|-------------------------|------------------|----------------|
| Breakdown of Transfers from the Ministry of Energy  |                    |                         |                  |                |
| Financial year 2023/24                              |                    |                         |                  |                |
| a.                                                  | Recurrent Grants   | Bank statement date     | Amount (Shs'000) | Financial Year |
|                                                     |                    | 17.08.2023              | 30,834           | 2023/2024      |
|                                                     |                    | 18.09.2023              | 30,833           | 2023/2024      |
|                                                     |                    | 13.10.2023              | 30,833           | 2023/2024      |
|                                                     |                    | 06.11.2023              | 30,833           | 2023/2024      |
|                                                     |                    | 07.12.2023              | 30,833           | 2023/2024      |
|                                                     |                    | 29.12.2023              | 30,834           | 2023/2024      |
|                                                     |                    | 06.02.2024              | 30,834           | 2023/2024      |
|                                                     |                    | 13.03.2024              | 30,833           | 2023/2024      |
|                                                     |                    | 30.04.2024              | 30,833           | 2023/2024      |
|                                                     |                    | 20.05.2024              | 30,833           | 2023/2024      |
|                                                     |                    | 12.06.2024              | 30,834           | 2023/2024      |
|                                                     |                    | 03.07.2024              | 30,833           | 2023/2024      |
|                                                     |                    | <b>Total</b>            | <b>370,000</b>   |                |
| b.                                                  | Development Grants | Bank statement date     | Amount (Shs'000) |                |
|                                                     |                    | 13/03/2024              | 50,350           | 2023/2024      |
|                                                     |                    | 27/02/2024              | 170,000          | 2023/2024      |
|                                                     |                    | 26/06/2024 (Refund)     | (22,947)         | 2023/2024      |
|                                                     |                    | <b>Total</b>            | <b>197,403</b>   |                |
| c.                                                  | Direct Payments    | Bank statement date     | Amount (Shs'000) |                |
|                                                     |                    | Nil                     | -                |                |
|                                                     |                    | <b>Total</b>            | <b>-</b>         |                |
| d.                                                  | Donor Receipts     | Payments through donors | Amount (Shs'000) |                |
|                                                     |                    | KfW (27.09.2023)        | 192,070          | 2023/2024      |
|                                                     |                    | KfW (30.09.2023)        | 41,126           | 2023/2024      |
|                                                     |                    | KfW (30.09.2023)        | 2,086            | 2023/2024      |
|                                                     |                    | KfW (27.02.2024)        | 2,473,817        | 2023/2024      |
|                                                     |                    | <b>Total</b>            | <b>2,709,099</b> |                |
|                                                     |                    | GRMF (28.03.2024)       | 407,304          | 2023/2024      |

The above amounts have been communicated to and reconciled with the parent Ministry.

Mr. Stephen Busieney (ICPAK No.4880)  
General Manager Finance

Rose Baraza  
Head of Accounting Unit  
Ministry of Energy



**Appendix III: Recording of Transfers From Other Government Entities**

**N/A**