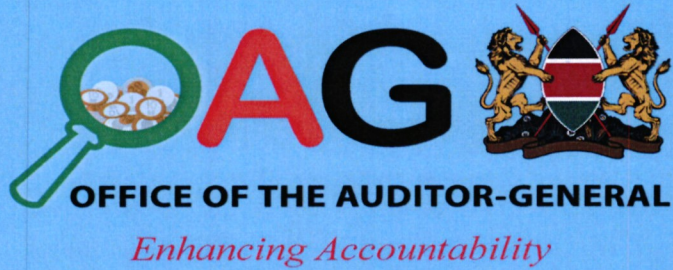


REPUBLIC OF KENYA



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Hon. Kimani Ichung'wah
(Majority Party Leader)

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THE-TABLE:

Modo

THE AUDITOR-GENERAL

ON

**GEOHERMAL DEVELOPMENT
COMPANY LIMITED**

**FOR THE YEAR ENDED
30 JUNE, 2022**

OFFICE OF THE AUDITOR GENERAL
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**GEOHERMAL DEVELOPMENT
COMPANY LIMITED**

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2022**

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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. John Njiraini	Chairman
Eng. Jared O. Othieno	Managing Director and Chief Executive Officer
Dr. Nelly Yatch	Director (Re-Appointed on 22 nd April 2022)
Mr. Kamau Kuria	Director (Re-Appointed on 6 th October 2021)
Mr. John Gicamu	Director (Appointed 28 th October 2021)
Mr. Hillary Koech	Director (Appointed 14 th April 2022)
Mr. Joseph M. Waruiru	Alternate Director to the CS, (National Treasury)
Mr. Chrispin O. Lupe	Alternate Director to the PS, (Ministry of Energy)

COMPANY SECRETARY

P.O. Box 100746 – 00101
Nairobi


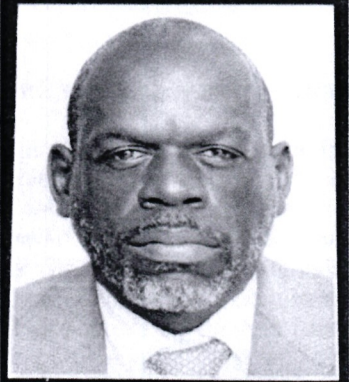

REGISTERED OFFICE

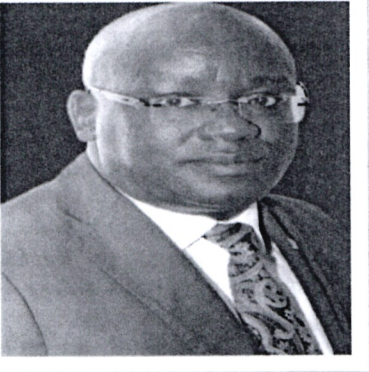


KAWI House, South C
P.O. Box 100746 – 00101
Nairobi, KENYA

COMPANY HEADQUARTERS

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

II. BOARD OF DIRECTORS (CONTINUED)

	<p>Mr. Mwendia Nyaga, Independent Non -Executive Director</p> <p>Mr. Mwendia holds a Bachelor of Commerce (Honours) from UON, and he is a Certified Public Accountant, Kenya. He is the founder and lead consultant at Oil and Energy Services Limited with 15 years' experience in the oil and gas industry. A petroleum and finance professional with experience advising the Government of Kenya on upstream matters, Mr. Mwendia has a deep appreciation of investor and government needs in this sector and specializes in assisting clients navigate this nascent sector. He is a local content expert in Kenya having contributed significantly to the dialogue around sustainable local content development in East Africa.</p>
	<p>Mr Chrispin O. Lupe, Director (Alternate Director to the PS, Ministry of Energy)</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>
	<p>Dr Nelly Yatich, Independent Non -Executive Director</p> <p>Dr Nelly Yatich is a Monitoring, Learning Research and Evaluation Expert. Dr Yatich holds a Doctorate in Public Health with a concentration in Epidemiology from University of Alabama at Birmingham, USA.</p> <p>Dr Yatich has extensive experience in epidemiology, monitoring & evaluation, clinical research, programme design & implementation, grant writing, budgeting as well as capacity building. She previously worked as Country Director at the University of Washington, where she oversaw all program and research activities in Kenya. She is a member of the American Public Health Association, International Society for Infectious Diseases, Global Health Council, and Phi Beta Delta Honour Society for International Scholars and the Delta Omega Honorary Society in Public Health.</p>

	<p>Mr. Kamau Kuria, Independent Non -Executive Director</p> <p>Mr. Kamau Kuria is a social entrepreneur and is currently the CEO of Africaqua Limited and Chairman of Ikotoilet Limited. He holds a bachelor's degree in Architecture from Jomo Kenyatta University of Agriculture and Technology (JKUAT) and a master's degree in Business Administration from KCA University.</p> <p>Mr. Kuria is a recipient of numerous awards in social entrepreneurship. The awards include the 2009 Africa Social Entrepreneur of the Year (World Economic Forum Davos, Switzerland) Ashoka Fellowship, Aspen Fellowship and Schwab Fellowship. He is a member of the Global Agenda Council of Entrepreneurship, Project Management Institute, Kenya Private Sector Alliance, Water, Environment and Natural Resources Working Group, East Africa Grain Council, and the Kenya Bureau of Standards (KEBS) Standards Committee on Wastewater. Mr. Kuria is also a founder member of the Kenya Schools Alumni Association</p>
	<p>Mr. John Gicamu, Independent Non -Executive Director</p> <p>Mr. John Gicamu is a social entrepreneur with a Bachelor of Arts in leadership and management from St. Paul's University. He worked for the Kenyan government as a community leader for over ten years, working with diverse groups and communities to improve their wellbeing and social functioning through a variety of interventions such as advocacy, conflict resolution, and community capacity building. Mr Gicamu served, as the chair of the finance committee and vice chair of the justice, legal, and constitutional affairs committee at the county assembly of Nakuru. Has vast experience in legislation and oversight role.</p>
	<p>Mr. Mr. Hillary Koech, Independent Non -Executive Director</p> <p>Mr. Hillary Koech is a Health Economists, a Monitoring and Evaluation (M&E) Specialist, a Prolific Researcher, and a Public Health professional with over 20 years of progressive and hands-on experience acquired designing and implementing programs in public health and behavioural sciences (HIV/AIDS); community sensitization, training, and empowerment; micro-enterprise development and socio-economic programming and intervention. His expertise has revolved around project research, conceptualization, and design, Fundraising and Program implementation, monitoring and evaluation and Donor reporting. Throughout this over 20-year career period, Hillary has demonstrated his ability to build, manage and lead effective teams, and deliver project results consistent with designed program outputs. Hillary is a highly professional result-driven individual with extensive leadership, management, and technical skills. He is currently pursuing a Master of Science in Public Health from the Jomo Kenyatta University of Agriculture and Technology (JKUAT).</p>

I. KEY ENTITY INFORMATION (CONTINUED)

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. BOARD OF DIRECTORS

	<p>Mr. John Njiraini, Chairman GDC Board of Directors</p> <p>Mr John Njiraini is a distinguished technocrat with vast experience in corporates having worked at various strategic levels including as Chief Executive Officer of the Institute of Certified Public Accounts of Kenya (ICPAK), and Commissioner of Domestic Taxes and Large Taxpayers Office at the Kenya Revenue Authority (KRA) where he rose through the ranks to the position of Commissioner General. He holds Bachelor of Commerce (B. Com) and Master of Business Administration degrees from the University of Nairobi.</p>
	<p>Eng. Jared O. Othieno, Managing Director & CEO</p> <p>Eng. Jared O. Othieno is the Managing Director & CEO of the Geothermal Development Company. He is a Member of the Institution of Engineers of Kenya (IEK). He has over 25 years' leadership and management experience in the Energy Sector and has served in various capacities at Kenya Power and Lighting Company. Eng. Othieno has vast experience in power engineering, corporate strategy and performance management, business processes, corporate governance, and project management. He is a registered professional engineer who holds a master's degree in business administration (MBA) and a Bachelor of Science (BSc) in Electrical Engineering from the University of Nairobi</p>
	<p>Mr. Joseph Mucugu Waruiru, Director (Alternate to the CS, National Treasury)</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>

III.MANAGEMENT TEAM

Eng. Jared O. Othieno	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. Paul Ngugi	General Manager, Drilling & Infrastructure
Ms. Agnes Muthengi	Ag General Manager, Legal Services
Ms. Grace Mwai	Ag General Manager, Corporate Services

III. MANAGEMENT TEAM (CONTINUED)



Eng. Jared O. Othieno, Managing Director & CEO

Eng. Jared O. Othieno is the Managing Director & CEO of the Geothermal Development Company. He is a Member of the Institution of Engineers of Kenya (IEK). He has over 25 years' leadership and management experience in the Energy Sector and has served in various capacities at Kenya Power and Lighting Company. Eng. Othieno has vast experience in power engineering, corporate strategy and performance management, business processes, corporate governance, and project management. He is a registered professional engineer who holds a master's degree in business administration (MBA) and a Bachelor of Science (BSc) in Electrical Engineering from the University of Nairobi



Mr. Cornel Ofwona – General Manager, Geothermal Resource development

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.



Mr. Stephen Busieney – General Manager, Finance

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.



Mrs. Irene Onyambu- General Manager, Human Resource & Administration

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).



Mr. Paul Ngugi - General Manager, Drilling & Infrastructure

Mr. Ngugi has over 25 years' experience in geothermal business development. Prior to his appointment, he was the acting General Manager Technical Service. He is a member of Geothermal Association of Kenya

CHAIRMAN'S STATEMENT

Dear Shareholders,

It is my pleasure to present to you the annual report and financial statements for the year ended 30th June 2022. Geothermal Development Company (GDC) focus is steadfast on lowering the cost of energy and has continued to incorporate governance in its journey of developing geothermal resources for Kenya.

Industry Outlook

Energy is a key driver of Kenya's Big Four Agenda and GDC's role is as such very significant in the development of geothermal producing energy to power the country especially the manufacturing sector.

Revenue

The Government of Kenya and external partners have been critical in financing the Company's operations. In the financial year 2021/22, GDC received support from the Exchequer and development partners towards capital expenditure and steam sales and exchequer recurrent budget.

Board Changes

During this year, a new appointment was made to the Board. Mr. Hillary Koech will serve for a period of three years. I welcome the new Director aboard and look forward to their valuable contribution. Mr. Namada Simoni's term as an independent non-executive director ended.

I thank the Directors who have served during the year for their immense contribution towards the success of the Company.

On behalf of the Board of Directors, I wish to express gratitude to the Government of Kenya, Development Partners, the management, staff and all our stakeholders for their continued support as we strive to achieve our mandate.

John K. Njiraini, CBS

Chairman

MANAGING DIRECTOR & CEO'S STATEMENT

Dear Shareholders,

I am glad to present the Geothermal Development Company's Limited Annual Report and Financial Statements for the year ended 30 June 2022.

GDC is tasked with developing steam fields and supplying geothermal steam for electricity generation. The government and development partners have been financing risks associated with geothermal exploration and drilling with a mission to develop 1,065 MW of geothermal resources by 2030 and to lower the cost of power.

Social Responsibility

GDC seeks to make positive contributions to host communities in various ways. GDC values the communities and engages them continuously. During the year, the Company supplied water to the communities both for domestic use and for their livestock.

Performance Overview

The GDC 2021/2022 Financial Year activities focused on the development of the Menengai and Bogoria-Silali Geothermal Projects. Management continued to implement a performance management culture with positive results.

Infrastructure Development

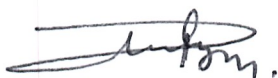
For the 2021/2022 financial year, GDC undertook maintenance of infrastructure which included the roads and the waterline infrastructure in Menengai and Bogoria-Silali Geothermal Projects.

Bogoria-Silali Geothermal Project

Immense progress was made during the year ended 30th June 2022. The construction of second water transmission pipeline for the project kicked off. Five (5) drill pads constructed, five (5) wells drilled to completion, three (3) in Paka, and two (2) in Korosi prospect. Additionally, infield studies carried out in the Korosi prospect.

Menengai Geothermal Project

The 105 MW Menengai geothermal project is on course. The 105 MW Menengai Geothermal Project is at a crucial stage of development. Sosian Menengai Geothermal Power Limited (SMGPL), an Independent Power Producer commenced the construction of a power plant.



PAUL K. NGUGI

For: MANAGING DIRECTOR & CEO

CORPORATE GOVERNANCE STATEMENT FOR FINANCIAL YEAR 2021/2022

Introduction

Corporate Governance involves a set of relationships between a company's Management, its Board, its Shareholders and other Stakeholders, Corporate Governance also 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 have committed themselves 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; Board Charter, Constitution of Kenya, 2010, Leadership and integrity Act No. 19 of 2012, 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 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, be transparent and accountable, provide stewardship and be persons of excellence. The Code also covers policies on conflict of interest and whistleblowing.

Board Charter

The Board Charter is a commitment by member 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 role, responsibilities, 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 and procedures and the nomination, appointment, induction, training and evaluation of members of the Board. The GDC Board Charter was first develop and approved in the year 2012. This charter has been reviewed by the Board

in line with the Mwongozo guidelines and copies of the same 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 and CEO. Out of the eight (8) non-executives, six (6) are six 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 by name and notice in the Kenya Gazette. The Board chairperson is appointed by the president while Board members are appointed by the Cabinet Secretary in the Ministry of Energy.

As of 30th June 2022, the Board of Directors was made up to eight (8) Non-executive Directors and one (1) Executive Director. The two alternate directors represent the majority shareholder, who is the Cabinet Secretary, National Treasury & Planning and the minority shareholder who is the Principal Secretary, Ministry of Energy.

The Eight (8) members as shown below;

No.	Name	Position	Date of Appointment
1)	Mr. John Njiraini	Chairman	16 October 2019
2)	Mr. Jared O. Othieno	Managing Director & CEO	18 April 2020
3)	Mr. Joseph Waruiru	Alternate Director, National Treasury	8 February 2019
4)	Mr. Chrispin Lupe	Alternate Director, Ministry of Energy	4 August 2020
5)	Mr. Namada Simoni	Member	8 February 2019
6)	Dr Nelly Yatich	Member	22 April 2022
7)	Mr. Kamau Kuria	Member	6 October 2021
8)	Mr. Mwendia Nyaga	Member	14 April 2022
9)	Mr. Hillary Koech	Member	14 April 2022
10)	Mr. John Njuguna Gicamu	Member	28 October 2021

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.	Law	1
2.	Finance & Administration	3
3.	Monitoring Learning Research & Evaluation Expert	2
4.	Engineering	1
5.	Economist	1
7.	Architecture & Project Management Social Entrepreneur	1
8.	Entrepreneur	1

Board Effectiveness

The separation of roles and Duties of the Chairman, Managing Director and 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 GDC Board attends trainings on corporate governance and other relevant areas to equip it with knowledge required to effectively discharge their responsibilities. Upon appointment, the Board members go through an internal induction programme to familiarize themselves with GDC 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 which entails the director's receiving knowledge about the Company through site visits, informal interactions with Management and Staff, regular in-depth reports, and presentations. The MD & 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 also encouraged to undertake continuous professional development in their respective professional bodies. During the year under review, new directors were inducted, and the existing directors went 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 almanac.

The agenda for the meetings is aligned to the Board work plan with each Board member being free to suggest the inclusion of items on the agenda. Notices of meetings are issued by the General Manager Legal Services & Company Secretary. The Board papers are circulated in advance to enable the director 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 MD & CEO to attend Board or Committee meetings whenever considered necessary.

The Board of Directors held nine (9) 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.	Mr. John Njiraini	Chairman	Independent & Non-executive	9	9
2.	Mr. Jared O. Othieno	MD & CEO	Executive	9	9
3.	Mr. Namada Simoni	Director	Independent & Non-executive	9	7
4.	Mr. Chrispin Lupe	Alternate Director Ministry of Energy	Non-Independent & Non-executive	9	8
5.	Mr. Joseph Waruiru	Alternate Director National Treasury	Non-Independent & Non executive	9	9
6.	Dr Nelly Yatich	Director	Independent & Non-executive	9	5
7.	Mr. Kamau Kuria	Director	Independent & Non-executive	9	8
8.	Mr. Mwendia Nyaga	Director	Independent & Non-executive	9	8
9.	Mr. John Gicamu	Director	Independent & Non-executive	9	6
10.	Mr. Hillary Koech	Director	Independent & Non-executive	9	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 allowances 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 and The National Treasury and is approved during the Annual General Meeting (AGM). For financial year 2021, it was proposed that each non-executive Director be paid a fee of KES.

360,000/- or pro rata for any part served thereof. 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; Outpatient Kes.100,000/- per annum and Last expense (self) Kes.100,000/-	Inpatient Kes. 2 million per annum; Outpatient Kes.100,000/- per annum and Last expense (self) Kes.100,000/-

Director's Shareholding

No Board Member holds in his/her capacity shares in the Company. The National Treasury & Planning owns 19,999 shares while the Ministry of Energy 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 29th 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

Two (2) half-year compliance audits were undertaken internally by GDC's internal counsel.

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 to all Committees of the Board among other crucial 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 the Committees must be the Audit Committee.

The Board is required to provide terms of reference 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 chaired by Director Kamau Kuria and Namada Simoni
- b) Strategy Committee chaired by Directors Mwendia Nyaga and Kamau Kuria
- c) Finance & General-Purpose Committee chaired by Directors Mwendia Nyaga and Kamau Kuria.
- d) Human Resource Committee chaired by Director Namada Simoni and Nelly Yatich.

Report from the Chairperson of 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 and 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 four (4) meetings that were attended as follows; -

No.	Name	Meetings held	Attendance
1)	Mr. Namada Simoni	4	2
2)	Eng. Jared Othieno	4	2
3)	Mr. Chrispin Lupe	4	2
4)	Mr. Joseph Waruiru	4	4
5)	Mr. John Gicamu	4	2

19.1 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 Seven (7) meetings which were attended as follows: -

No	Name	Meetings held	Attendance
1)	Mr. Kamau Kuria	7	4
2)	Eng. Jared Othieno	7	7
3)	Mr. Mwendia Nyaga	7	6
4)	Mr. Joseph Waruiru	7	2
5)	Dr Nelly Yatich	7	4
6)	Mr. Chrispin Lupe	7	4

19.2 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 Seven (7) meetings which were attended as follows: -

No	Name	Meetings held	Attendance
1.	Mr. Namada Simoni	7	5
2	Eng. Jared Othieno	7	7
3	Dr Nelly Yatich	7	4

4.	Mr. Chrispin Lupe	7	6
5.	Mr. Mwendia Nyaga	7	2
6.	Mr. John Gicamu	7	4
7.	Mr. Hillary Koech	7	1

19.3 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 seven (7) meetings which were attended as follows: -

No.	Name	Meetings held	Attendance
1)	Mr. Kamau Kuria	7	1
2)	Eng. Jared Othieno	7	7
3)	Mr. Mwendia Nyaga	7	6
4)	Mr. Joseph Waruiru	7	7
5)	Mr. Chrispin Lupe	7	1
6)	Dr Nelly Yatich	7	3
7)	Mr. Joh Gicamu	7	2
8)	Mr. Hillay Koech	7	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 and Risk Management 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.

IV.MANAGEMENT DISCUSSION AND ANALYSIS

Operational and financial performance

The company's performance for the year ended 30th June 2022 is as summarized below

Performance indicator	June 2022	June 2021
Revenue (AiA) (Shs million)	1,241	1,033
Profit before income tax (Shs million)	350	439
Net assets (Shs million)	(1,417)	(1,538)
Current ratio	3.38:1	3.2:1
Expenditure on exploration and evaluation assets (Shs million)	3,825	2,911
Additions to property, plant, and equipment (Shs million)	267	359
Grants received (Shs. million)	3,773	3,339

Compliance with statutory requirements

The company has fully complied with all the statutory requirements.

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.

Beyond electricity

In the quest to diversify the development and utilization of geothermal energy, the company has put in place mechanism for direct uses that will culminate into the establishment of geothermal resource parks.

This strategy is critical in the country's desires towards food security as this will help prevent massive post-harvest losses and therefore boost grain reserves.

The model of Resource Parks is set to be the future of Kenya's manufacturing and food security in line with the presidential Big 4 Agenda on Manufacturing, Food Security, Affordable Housing and Universal Healthcare.

IV. MANAGEMENT DISCUSSION AND ANALYSIS (continued)

The utilization of heat geothermal heat will displace massive amounts of wood fuel and heavy diesel normally used in heating industrial boilers. This way, GDC will be offering clean alternative energy an in line with SGD7- Affordable and Clean Energy.

Additionally, the company continues to provide consultancies and training in geothermal. In the quarter, the company offered consultancy to National Oil Corporation and training to ODDEG. In addition, the company is finalizing on other consultancy engagements with AKIIRA Geothermal Limited for provision of coil tubing, well logging and testing services.

Governance

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

ENVIRONMENTAL AND SUSTAINABILITY REPORTING

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 1065MW from geothermal resources. To ensure sustainability of the business, the Company endeavors to align its activities to ensure minimal impact on the environment.

Compliance with Applicable Environmental Laws and Regulations

GDC's environmental and social management/ monitoring plans are anchored on environmental laws, regulations, standards, and best practices.

The Company ensures compliance with all relevant national and international environmental and other statutory regulatory provisions that apply to its projects as pertains to licensing/permitting for water usage (abstraction license) and project implementation to ensure sound environmental management practice.

The Company undertakes quarterly and annual environmental audits and has valid permits and licenses for its operations. The Company is working towards implementation of ISO 14001 (EMS) and has also streamlined its environmental and social management/monitoring plans to be in total compliance with following;

- the Environmental Management and Coordination Act (EMCA) of 1999 Amendment 2015 and the associated regulations;
- the Water Act of 2016 and Associated Rules/ Guidelines.
- Occupational Safety and Health Act 2007 and Associated Rules and any other regulations relating to environmental conservation and management.

Project implementation is guided by the international best practices that include the International Finance Corporation (IFC) Performance Standards on Environment and Social Sustainability.

Stakeholder Management

The Company's stakeholders continue to play a critical role in the success of the projects and for growth. As part of its commitment to a sustainable environment and society, GDC continues to disseminate knowledge on environmental conservation through the social afforestation program and the national/international environmental conservation and management awareness campaigns. 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.

GDC has a deeply rooted tradition of acting in a responsible and ethical manner, and of being actively and positively present in the communities where it is established. It continues to emphasize the need for sustainable relationships with communities in and around its project areas. The value conferred to social acceptance continues to top the Company's agenda as project success is anchored on this important aspect.

STATEMENT OF CORPORATE SOCIAL RESPONSIBILITY

Our approach

GDC's approach to corporate social responsibility (CSR) replicates the steps that we are taking as a company to ensure we are, and remain, a good corporate citizen. Social responsibility embraces everything we do that has an impact on society around us – it is our values and behaviour as an organisation. The company continues to emphasize social, economic, and environmental sustainability.

SOCIAL SUSTAINABILITY

Education

GDC is passionate about offering educational support to local communities in the project areas. During the financial year 2021/2022, the Company started construction of classrooms at Tulwobmoi primary school in Menengai west in the Menengai project area.

Further, the Company continues to provide career guidance talks to students in secondary schools within the Menengai and Bogoria-Silali project areas.

Health

Bogoria-Silali project area, the Company has provided first aid support. Ambulance services are also provided to the local community in Menengai. The company donated 10 delivery sets to five (5) dispensaries in Tiaty East in Baringo county during the year.

Sports

GDC has facilitated youth empowerment by sponsoring a football club (GDC FC) that nurtures local talent and create opportunities to expose their skills.

ECONOMIC SUSTAINABILITY

Reserved Tender Opportunities

The Company has undertaken procurement sensitization to local businesses, women, youth, and People Living with Disabilities (PWDs) on AGPO (Access to Government Procurement Opportunities) on all areas of operation. This has enabled most of the special groups to successfully participate in the tendering process at GDC.

These procurement opportunities have created diverse financial benefits for the special groups as well as enhancing the GDC corporate image and reputation.

Road Infrastructure

The Company has improved the accessibility to the Bogoria-Silali region through a road network system of over 100km within the project area. By extension, the road system has immensely benefited the host community by streamlining transport and communication for commerce, education, health services and government administrative services.

Employment Opportunities

The host communities in the areas of operation have benefited from employment opportunities by GDC and its contractors. This has boosted the living standards of the communities in the project areas.

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 2022.

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 profit before tax of Shs. 391 million compared to previous year's profit before tax of Shs. 439 million.

The overall receipts from steam charge payments remained constant at Shs. 3.0 billion for the two consecutive years due to plant downtimes. The allocation of steam receipts to development activities was Ksh 1.8 billion compared to Ksh 2.0 billion in the previous year.

During the year, an investment of Shs. 3.8 billion (2021: Shs. 2.9 billion) was spent on exploration and evaluation activities in the Menengai field and Bogoria-Silali fields. These were funded by capital grants of Shs. 2.014 billion (2021: Shs 2.145 billion) received from/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.

The table below highlights the performance for the year compared to the restated performance for the previous year:

Performance indicator	June 2022	June 2021
Revenue (AiA) (Shs million)	1,241	1,033
Profit before income tax (Shs million)	350	439
Net assets (Shs million)	(1,417)	(1,538)
Current ratio	3.38:1	3.2:1
Expenditure on exploration and evaluation assets (Shs million)	3,825	2,911
Additions to property, plant, and equipment (Shs million)	267	359
Grants received (Shs. million)	3,773	3,339

Dividend

The net profit for the year of Shs 121,454,487 (2021: Shs 352,456,000) 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:

- there was, as far as each director is aware, no relevant audit information of which the Company's auditor is unaware; and
- 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 ----- 2023.

By order of the Board



PAUL K. NGUGI
For: MANAGING DIRECTOR & CEO

V. 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 June 2022. 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 2022, 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

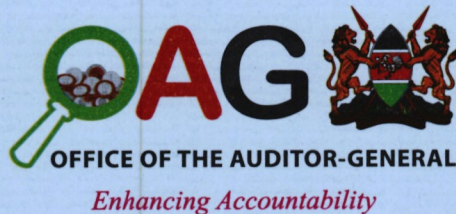
The Company's financial statements were approved by the Board on _____ 2023 and signed on its behalf by:



PAUL K. NGUGI
For: MANAGING DIRECTOR & CEO

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON GEOTHERMAL DEVELOPMENT COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

- A. Report on the 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 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 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, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

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

Adverse Opinion

I have audited the accompanying financial statements of Geothermal Development Company set out on pages 30 to 67, which comprise of the statement of financial position as at 30 June, 2022, 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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the Geothermal Development Company Limited as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, and do not comply with the Public Finance Management Act, 2012, the International Financial Reporting Standards (IFRS) and the Companies Act, 2015.

Basis for Adverse Opinion

1. Inaccuracies in the Financial Statements

Review of the financial statements presented for audit revealed differences between the financial statements and the general ledger as summarized below:

Note	Account Description	Amount as per Financial Statements (Kshs.)	Amount as per General Ledger (Kshs.)	Variance (Kshs.)
6	Other Income	72,989,000	39,852,000	33,137,000
8	ICT Expenses	1,658,000	2,707,638	(1,049,638)
8	Transport/Mileage Expenses	6,330,000	6,155,000	175,000
13	Trade and Other Receivables	1,475,651,000	1,461,826,340	13,824,660
15	Trade and Other Payables	1,845,819,000	1,485,203,480	360,615,520
17	Property, Plant and Equipment	41,566,233,000	41,624,711,820	(58,478,820)
18	Exploration and Evaluation Assets	55,080,165,000	55,062,668,000	17,497,000

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

2. Non-Compliance with International Financing Reporting Standard (IFRS) No.15 on Trading Revenue

The statement of profit or loss and other comprehensive income reflects steam charges revenue totalling Kshs.1,241,123,000 as detailed in Note 5 to the financial statements. The Note indicates that the Company earned Kshs.3,029,976,000 from steam-charges during the year under review but, in line with its accounting policy, reported Kshs.1,788,853,000 of the earnings as capital grants applied to fund development projects. The amount of Kshs.1,788,853,000 is however revenue based on contract between the Company and the Kenya Electricity Generating Company thereby forming a trading 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. According to the standard, proceeds from sale of steam constitutes revenue from contracts with customers and should therefore be recognized in the statement of profit or loss and other comprehensive income and not as a capital grant in the statement of financial position.

Had the Management accounted for revenue from steam sales in accordance with IFRS No.15, the Company would have recognized additional revenue of Kshs.1,788,853,000 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 and profit after tax for the year under review would have increased by Kshs.536,655,900 and Kshs.1,252,197,100 respectively, while shareholders' equity would have increased by Kshs.1,252,197,100.

In the circumstances, the financial statements have not been prepared in accordance with International Financial Reporting Standards with respect to revenue from sale of steam and therefore the accuracy and completeness of the revenue totalling Kshs.1,241,123,000 could not be confirmed.

3. Inaccuracies in Inventories

The statement of financial position and Note 12 to the financial statements reflects inventories balance of Kshs.4,018,244,000. However, review of the stock take report as at 30 June, 2022 revealed that there were variances between the system and physical count of inventory items held in the different stores as detailed below:

Store	System Value (Kshs.)	Count Value (Kshs.)	Variance (Kshs.)
Kawi	7,918,063	7,810,983	(107,080)
Baringo	54,920,032	48,225,849	(6,694,183)
Go Down	294,713,875	294,068,867	(645,008)
Rigs Spares	694,017,624	675,600,528	(18,417,095)
Menengai	3,015,149,457	3,014,887,450	(262,008)

In addition, the inventory movement schedule provided for audit revealed that the Company had negative inventory additions totalling Kshs.22,801,577. Management explanation that the negative balances exist as a result of inter project transfers of inventory items between the Menengai and Bogoria Silali projects was not satisfactory as inventory received in one store could only be transferred to another store through issuance to the next store.

Further, review of inventory records showed 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 balances of Kshs.4,018,244,000 could not be confirmed.

4. Inaccuracies in Property, Plant and Equipment

The statement of financial position and Note 17 to the financial statements reflects property, plant and equipment balance of Kshs.41,566,233,000. However, the following unsatisfactory issues were noted:

4.1 Unutilised GRA Equipment

Included in the property, plant and equipment balance of Kshs.41,566,233,000 is an amount of Kshs.90,434,590 relating to a GRA equipment that was procured from a Technology Company on 20 February, 2013 at a cost of Kshs.90,434,590 (USD1,051,565) and had a net book value of Kshs.997,000 as detailed in the asset register. The equipment was to handle the following applications; Resistivity Depth Sounding, Profiling for Geothermal, Deep Geophysical Structure Investigations, Geological Research, Reservoir Monitoring, Management and Electromagnetics and Micro Seismic Monitoring. However, the equipment had never been used since its procurement because it was incompatible with the software. This is a contravention to IAS 16, which requires that an item of property, plant and equipment should be recognized as an asset when it is probable that the future economic benefits associated with it will flow to the entity and the cost can be measured reliably.

4.2 Unsupported Work-In-Progress Balance

The property, plant and equipment balance of Kshs.41,566,233,000 also includes work-in-progress of Kshs.4,373,420,000. However, Management did not provide certificates of completion and commissioning of assets valued at Kshs.729,967,000 that were capitalized during the year.

4.3 Vandalized Geothermal Drilling Rigs

The property, plant and equipment balance of Kshs.41,566,233,000 further includes an amount of Kshs.8,797,255,000 in respect of geothermal drilling rigs. Review of records revealed that four (4) of the rigs purchased at a cost of Kshs.8,963,025,527 had not been used in the previous five financial years due to vandalization of the equipment. According to Management explanations, assorted electric cables, batteries, and electronic components for the rigs were stolen between 31 December, 2017 and 01 January, 2020. However, Management did not undertake an assessment of impairment of the assets to confirm whether carrying amount of the rigs were higher than the recoverable amount as required by IAS 36 Paragraph 9.

Further, failure to review the rigs for impairment is likely to lead to misstatements of carrying values of the assets, depreciation charge and impairment loss to the statement of profit and loss.

In the circumstances, the accuracy and completeness of property, plant and equipment balance of Kshs.41,566,233,000 could not be confirmed.

5. Inaccuracies in Intangible Assets

The statement of financial position and Note 19 to the financial statements reflects intangible assets balance of Kshs.16,354,000. However, the amount is overstated by Kshs.495,504 representing a portion of obsolete intangible assets.

Further, the balance of intangible assets comprised of twenty-two (22) intangible assets out of which twenty (20) assets have been fully amortized at a value of Kshs.14,641,791 leaving a balance of Kshs.1,712,209. However, the intangible assets have indefinite useful life and hence required that their useful life be reviewed each reporting period to determine whether events and circumstances continue to support this nature or they have change to a finite life. In addition, the assets have been reported at scrap value in the books for a period ranging between 4 to 9 years.

In the circumstances, the accuracy and completeness of intangible assets balance of Kshs.16,354,000 could not be confirmed.

6. Long Outstanding Salary Advances and Trade Debtors

The statement of financial position and Note 13 to the financial statements reflects receivables and prepayments balance of Kshs.1,475,651,000 which includes amounts of Kshs.839,218,000 and Kshs.13,158,000 for trade receivables and staff receivables respectively. Included in trade receivables is an amount of Kshs.140,416,676 which had been outstanding for a period ranging from six (6) months to more than two (2) years. Management did not explain the measures being undertaken to recover the debts.

Further, review of the payroll records revealed that an amount of Kshs.2,588,079 was owed by employees for periods ranging between one (1) year to two (2) years. However, no documentary evidence was provided to support efforts by Management to recover the amounts from the officers since no deductions had been effected through the payroll.

In addition, the receivables balance includes additional debts totalling Kshs.730,321,000 owed by KenGen. However, the financial statements of KenGen for the year under review reflect debts totalling Kshs.655,478,000 as owed to the Company. No reconciliation was provided by Management for the difference of Kshs.74,843,000 and as a result, the actual amount owed by KenGen could not be confirmed. Similarly, the trade and other receivables balance includes Value Added Tax (VAT) receivable totalling Kshs.344,534,000 while the VAT return indicates a balance of Kshs.423,929,119 resulting in an unexplained variance of Kshs.79,395,119.

In the circumstances, the accuracy, completeness of receivables of Kshs.1,475,651,000 could not be confirmed, and the recovery of long outstanding debts was in doubt.

7. Overstated Expenditure

The statement of profit or loss and other comprehensive income and Note 8 to the financial statements reflects administration costs balance of Kshs.1,042,647,000. The balance includes an amount of Kshs.35,183,000 incurred on software support and maintenance, out of which a fee of Kshs.10,830,732 was paid to a vendor for annual maintenance of an ERP system for the calendar year January, 2022 - December, 2022. However, the payment was recognized as a whole in the financial year ended 30 June, 2022 despite half of portion being for the subsequent financial year.

In the circumstances, the cost of software maintenance had been misstated.

Emphasis of Matter

Uncertainty on Sustainability of Services

The statement of changes in equity reflects a negative retained earnings balance of Kshs.1,418,951,000 (2021 - negative Kshs.1,540,405,000). Review of previous financial statements revealed that the Company had remained in this net liability position for the fifth consecutive year. This condition indicates that material uncertainty exists, which may impair the Company's ability to operate as a going concern in future.

My opinion is not modified in respect of this matter.

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Information

The Directors are responsible for the other information. The other information comprises the Report of Directors as required by the Companies Act, 2015, and the Statement of the Directors' responsibilities which are obtained prior to the date of this report, and the annual report which is expected to be made available after that date.

My opinion on the financial statements does not cover the other information and I do not express an audit opinion or any form of assurance thereon.

In connection with the audit of the 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 the knowledge obtained in the audit, or otherwise appears to be materially misstated. Based on the work I have performed on the other information obtained prior to the date of this auditor's report, if I conclude that there is material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, because of the significance of the matters discussed in the Basis for

Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, I confirm that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Non-Recognition of Power Tariff Reduction Contribution

During the year under review, a Presidential Directive was issued to the Energy Sector to implement a 15% tariff reduction for all customer categories, which was effected through Gazette Notice No.64 dated 07 January, 2022. According to the framework agreed between the Ministry of Energy and Semi-Autonomous Agencies (SAGAs) in the electricity sub-sector, the SAGAs in the electricity supply chain comprising The Kenya Power and Lighting Company PLC (KPLC), the Kenya Electricity Generation Company PLC (KenGen), the Kenya Electricity Transmission Company Limited (KETRACO), and Geothermal Development Company Limited (GDC), were each to contribute through cost reduction initiatives to supplement Government support.

The Kenya Power and Lighting Company PLC (KPLC) who would in turn transfer the benefits to consumers. KPLC implemented the tariff reduction from January, 2022 in line with the directive. However, Management of GDC did not implement the cost reduction of Kshs.173 million as per the commitments, which implies that the reported revenues are overstated by Kshs.173 million which would have been the Company's contribution due to The Kenya Power and Lighting Company PLC (KPLC).

In the circumstances, Management was in breach of the Presidential directive.

2. Overpayment in Provision of Enterprise Resource Planner Software

Review of the financial records revealed that the Company entered into a contract with joint venture of two firms on the 13 July, 2010 for the provision and roll out of Enterprise Resource Planner (SAP software). The role of one of the firms was to provide the 80 SAP user licenses and annual maintenance at a contract sum of Kshs.19,840,218 and Kshs.4,364,848 respectively. On 13 February, 2013, the tender committee awarded the firm a contract of EUR 245,224.66 for an additional 100 SAP licenses. The contract sum included EUR 42,980.74(VAT exclusive) as annual maintenance fee. However, the firm invoiced the Company for annual maintenance fee on 09 February, 2022 for both contracts in Euros despite the fact that the currency of the first contract for 80 SAP user licenses was in Kenya Shillings. The first contract was invoiced at EUR 41,816.34 (Kshs.5,341,004.57). This was over and above the contract sum of Kshs.4,364,848.00 by Kshs.976,157. The invoice was paid on 15 February, 2022.

In the circumstances, Management was in breach of the contract agreement and therefore occasioning an overpayment to the firm.

3. Failure to Comply with Contractual Obligations

Review of financial records revealed that the Company entered into a contract with a security company signed on 27 December, 2017 for provision of security to the Company's assets in Menengai. Clause 34 of the contract stated that in the event of any dispute or differences arising between the parties in relation to or arising from this

contract, the following should happen; - the party claiming such dispute or difference shall forthwith (14) advise the other in writing thereof. Upon receipt of such notice the parties shall meet and negotiate in good faith in order to resolve such dispute or difference by direct informal negotiation within a period of fourteen (14) business days and if the parties are unable to resolve such dispute or difference such dispute or difference shall be referred to arbitration under the Nairobi Center International Arbitration. However, on 01 January, 2020, GDC reported that that it had lost several items comprising assorted electric cables, batteries, and electronic components for rigs 1, 2, 5 and 7 during the period between 01 January, 2018 to 31 December, 2019 through vandalism. The total cost of the vandalized items including replacement value was assessed to be Kshs.51,038,525.

Management blamed the loss on the Security Company, which was manning the sites at the time, and withheld their payments in addition to lodging a claim to the Company against the loss due to negligence. The matter was referred to the Nairobi Centre for International Arbitration. GDC argued that due to negligence of the security firm, it had lost Kshs.2,896,488,313 due to the four (4) rigs being non-operational for two years, in addition to the cost of materials vandalized. In its ruling, the arbitrator established that the Company failed to follow up on the theft and vandalization through the steps laid down in the contract, leading to the defense being disqualified.

The Chartered Institute of Arbitrators Nairobi branch awarded the Security Company Kshs.50,027,187 which was composed of Kshs.46,518,501 for unpaid claims for services rendered and Kshs.3,508,686 for arbitration cost. The loss can be attributed to failure by GDC to adhere to its contractual obligation.

In the circumstances, Management was in breach of its contractual obligations hence resulting in award of Kshs.50,027,187 to the security firm.

4. Stalled Fuel Management System Project

As previously reported in the financial year 2020/2021, the work-in-progress balance includes works costing Kshs.59,433,640 on design, supply, installation, and commissioning of an Information Management System. Examination of records on the project indicated that the Company contracted an International Company in December, 2014 to install a fuel management system at a cost of Kshs.344,523,712. However, implementation of the project stalled in 2015 after the first works certificate valued at Kshs.59,433,640 was paid to the contractor. The procurement execution of the contract was thereafter put under investigation by the Ethics and Anti-Corruption Commission (EACC).

In view of the lapse of the contract period and delay in execution of the project whose completion has since become doubtful, the expenditure totalling Kshs.59,433,640 incurred on the unused assets of the stalled project ought to have been impaired in accordance with International Accounting Standard No.36 - Impairment of Assets.

In the circumstances, the work-in progress balance totalling to Kshs.4,902,832,000 may not be fairly stated.

5. Long Outstanding Payables

The statement of financial position and Note 15 the financial statements reflects trade and other payables balance of Kshs.1,845,819,000. Out of the balance, amounts of

Kshs.84,457,845 and Kshs.388,154,072 are in respect of creditor balances which have been outstanding for a period ranging between one (1) to two (2) years and more than two (>2) years respectively. The Management did not explain why the pending amounts were not treated as first charge during the 2021/2022 financial year. This was contrary to The National Treasury Circular No.10/2020 dated 16 June, 2020 on prioritization of pending bills.

In the circumstances, Management was in breach of The National Treasury circular.

6. Unapproved Investment of Surplus Funds

Review of financial records indicated that the Company had a fixed deposit investment of Kshs.17,900,000 which was invested in a Commercial Bank on 24 June, 2022. However, the investment was not supported by a certificate of bank balance and Management did provide evidence that the investments was approved by the Cabinet Secretary in charge of The National Treasury as required by circular No.22/2019 of 20 December, 2019. Further, the Management did not seek approval for opening and operating of the account from The National Treasury as required by Section 28 of the Public Finance Management Act, 2012.

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

7. Failure to Achieve the Drilling Plan as per the GOK1 and KfW Agreement

The Government of Kenya through The National Treasury entered into a Loan agreement with KfW on 10 July, 2014 for the steam field development project in Bogoria - Silali Block. According to the KfW loan financing agreement signed on 10 July, 2014, KfW was to finance the drilling of 15 - 20 geothermal wells and installation of a water supply system in the Baringo Silali Geothermal Prospects as well as related consultancies on Implementation Consultant, Feasibility Study and Transaction Advisor. The addendum of the loan agreement stipulated that each well would be EUR 3.5M and would be effected through a result disbursement-based lending and therefore the 15 - 20 wells would amount to EUR (15 *3.5M) or EUR 52.5M.

Further, according to the agreement, the drawdown period was to expire on 01 August, 2017 but the target was not achieved and hence an extension was sought from KfW which was granted and again expired on 01 August, 2019. To avoid the perennial extensions, the last one was sought and in August, 2020, the Company shared its updated drilling plan with KfW whereby they reduced the achievable number of wells from 15 to 12. The non-achievement was caused by constraints that related to water supply system, adverse weather conditions and insecurity in the project area. The Company therefore revised timelines for Baringo - Silali KfW drilling plan taking into consideration the constrains and came up with the timelines which were submitted to KfW in April, 2021. According to the Drilling Plan submitted to KfW in April, 2021, the Company could only drill up to twelve (12) wells by 01 August, 2022. This therefore meant that the Company could not be able to absorb about EUR 10.5M (3* EUR 3.5M) of the loan amount by 01 August, 2022.

In addition, examination of documents provided for audit revealed that the Company had only drilled seven (7) wells as at the time of audit (August, 2022) and had been

reimbursed for only two (2) wells. Therefore, the Company is likely to lose an amount of EUR 17.5M (5* EUR 3.5 M) for having failed to achieve the number of wells (12) that had been agreed upon as per the drilling plan that was submitted to KfW in April, 2021. Additionally, by failing to achieve the range of 15 - 20 drilled wells, it had already lost EUR 10.5 and therefore the total loss could become EUR 28M.

In the circumstances, Management did comply with the terms of the loan agreements.

8. Loss of Funds Upon Cancellation of Contract

The Company entered into a consultancy contract with Jomo Kenyatta University of Agriculture and Technology (JKUAT) Enterprises Limited for six (6) months on 16 November, 2020. The contract stipulated that JKUAT Enterprises was to recruit 11 managers on behalf of the Company at a contract sum of Kshs.8,241,600. The recruitment process was to be undertaken in two phases beginning with the preparation for shortlisting before the actual interviews were conducted. Upon the completion of phase one, on 18 March, 2021 JKUAT Enterprises Limited requested for payment of Kshs.3,073,495 and was paid on 23 August, 2021. However, the contract was terminated before proceeding to the second phase.

In the circumstances, the Company did not obtain value for money on expenditure of Kshs.3,073,495.

9. Non-Compliance with Law on Gender Balance

Review of the Human Resource records confirmed that the Company staff composition comprised of 71% male against 29% females. This was contrary to Article 232(1)(h) of the Constitution of Kenya which states that the values and principles of public service include affording adequate and equal opportunities for appointment, training, and advancement at all levels of the public service of men and women.

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

10. Failure to Observe One Third of Basic Salary Payment Rule

Review of the Company's payroll for the month of June, 2022 revealed that sixty-nine (69) officers of the Company earned salaries which were less than a third of their respective basic salaries. This was contrary to Section 19(3) of the Employment Act, 2007 which states that without prejudice to any right of recovery of any debt due, and notwithstanding any written law, the total amount of all deductions which under the provisions of Section (1), may be made by an employer from the wages of his employee at any time shall not exceed two thirds of such wages or such additional or other amount as maybe prescribed by the Minister either generally or in relation to a specified employer or employee of class of employers or employees or any trade or industry.

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

11. Under-Utilized Drilling Rigs

As previously reported, the fixed assets records indicated that the Company owned seven geothermal drilling rigs with a net book value of Kshs.7,732,797,598 as at

30 June, 2022. The rigs were bought at an aggregate cost of Kshs.15,937,787,572 several ago. However, review of records on their use indicated that four (4) of the rigs with a net year book value of Kshs.4,249,024,110 as at 30 June, 2022 and purchase cost of Kshs.8,963,025,527 had not been used in the previous five financial years.

One of the rigs was acquired and used to drill two wells in 2016 and had been idling ever since. Further, records on the rigs indicated each could drill one standard well in one hundred and twenty days (six months), or two wells per year. However, the Company's rigs averaged less than one (1) well per year, which implied that they were not used efficiently, or were idling for much of the time.

In view of the low utilization of the rigs, the Company may not have obtained value for money on public funds totalling Kshs.15,937,787,572 spent on the purchase of the rigs.

12. Failure to Implement E-Procurement System

Regulation 49(2) of the Public Procurement and Asset Disposal Act Regulations, 2020 requires public entities to procure goods, works and services through the e-procurement system integrated to the State Portal. However, none of the Company's procurements in the year under review was done through the State Portal.

Therefore, Management was in breach of the law and the procurements done may not have been competitive enough to ensure value for money on the public funds spent on the resulting contracts.

The audit was conducted in accordance with ISSAI 4000. The standard requires 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 are in compliance, 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, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, based on the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Uncollected Revenue

Review of financial records indicated that accrued revenues of Kshs.2,771,619,446 from KenGen had not been collected since 16 November, 2021 contrary to Section 10 of the agreement between the Company and the Kenya Electricity Generating Company PLC. However, Management has not provided reasons for non-collection of the revenue.

Further, an amount of Kshs.1,063,203,224 remained uncollected from KenGen for over a year. This amount relates to the interest charged for late payment of steam charges and continues to accumulate annually without there being sufficient reasons for non-settlement.

In the circumstances, it was not possible to confirm existence of effective internal controls to collect long outstanding revenues.

2. Failure to Insure Company Assets (Rigs)

The statement of financial position and Note 17 to the financial statements reflects property, plant and equipment balance of Kshs.41,836,174,000. Included in the balance is an amount of Kshs.7,732,797,578 representing the net book value of the seven (7) rigs which are owned by the Geothermal Developing Company Limited. The rigs were purchased at a cost of Kshs.15,937,787,572. Examination of the documents provided for audit revealed that the Company has a Policy of insuring assets before they can be put to use where applicable. However, despite there being a Policy, the Company had not insured the rigs.

Further, included in the balance is an amount of Kshs.617,383 relating to the net book value of a truck number UD trucker KBL 111G and which had been purchased at a cost of Kshs.12,347,658 on 30 April, 2010. The truck got involved in an accident on 19 July, 2019 in Baringo Silali and the accident was reported to the Insurance Company through their Brokers. The Insurance Company appointed a loss adjuster firm to assess the extent of damage. However, on 12 March, 2020, the loss adjuster wrote to the broker stating that the claim was inadmissible because the truck was covered on a third-party basis and therefore GDC has no claim and had to bear the total loss. The insurance cover on a third-party basis contravened Section 19.13 of the GDC Policy Manual 2017.

In the circumstances, it was not possible to confirm existence of effective internal controls to ensure that the Company's assets are safeguarded against loss.

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 control, 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. In my opinion, adequate accounting records have been kept by the Company, so far as appears from the examination of those records; and,
- iii. The Company's financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and the 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 overall 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 liquidate the Company or 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 are in compliance 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 overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness 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 addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, 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 accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.


As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.

- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

27 April, 2023

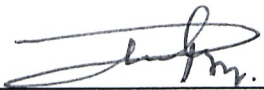
VI. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30TH JUNE 2022


	NOTES	30-Jun-22	30-Jun-21
		Shs '000	Shs '000
REVENUES			
Appropriations-in-Aid			
Steam charge payments	5	1,241,123	1,033,399
Other Income		0	0
Grants from National Government	20	370,000	374,775
Revenue grants (Amortized)	20	1,421,336	1,421,336
Finance Income	7 (a)	22,748	8,433
Other Income	6(a)	72,989	18,58
Other gains/(losses)	6(b)	(112,841)	(1,210)
TOTAL REVENUES		3,015,355	2,855,318
OPERATING EXPENSES			
Administration Costs	8	1,042,647	776,149
Depreciation & Amortization of PPE	8	1,432,166	1,433,145
Finance Costs	7(b)	190,386	206,933
TOTAL OPERATING EXPENSES		2,665,199	2,416,227
PROFIT/(LOSS) BEFORE TAXATION		350,156	439,091
INCOME TAX (EXPENSE)/CREDIT	11	(228,702)	(86,635)
PROFIT AFTER TAXATION		121,454	352,456

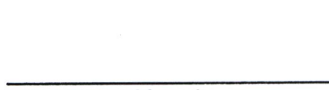
VII. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2022

		30-Jun-22	30-Jun-21
	Notes	Shs'000	Shs'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	41,566,233	44,641,491
Exploration and evaluation asset	18	55,080,165	49,446,304
Intangible Assets	19	16,354	17,243
Deferred Income tax	16	197,871	242806
		96,860,623	94,347,844
Current assets			
Inventories	12	4,018,244	4,440,373
Receivables and prepayments	13	1,475,651	2,396,127
Cash and Cash equivalents	14	1,715,600	887,789
Current income Tax Asset	11(b)	229,668	131,501
		7,439,163	7,855,790
TOTAL ASSETS		104,299,786	102,203,634
EQUITY AND LIABILITIES			
Equity attributable to owners			
Share capital	22	2,000	2,000
Retained Earnings		(1,418,951)	(1,540,405)
Total equity		(1,416,951)	(1,538,405)
Non- Current liabilities			
Grants	20	101,379,410	99,028,238
Term Loan	21	2,133,681	2,269,818
		103,513,091	101,298,056
Current liabilities			
Borrowings	21	357,827	357,827
Trade and other payables	15	1,845,819	2,086,156
		2,203,646	2,443,983
Total liabilities		105,716,737	103,742,039
TOTAL EQUITY AND LIABILITIES		104,299,786	102,203,634

The financial statements on pages 30 to 67 were authorized and approved for issue by the board of directors on 2022 and signed on its behalf by:


Paul K. Ngugi
For: Managing Director & CEO.


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


Mr. Hillary Koech
Director

VIII. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH JUNE 2022

	Share capital Shs'000	Retained earnings Shs'000	Total equity Shs'000
Year ended 30 June 2021			
At start of year	2,000	(1,892,861)	(1,890,861)
Total comprehensive loss for the year		352,456	352,456
At end of year	2,000	(1,540,405)	(1,538,405)

	Share capital Shs'000	Retained Earnings Shs'000	Total equity Shs'000
Year ended 30 June 2022			
At start of year	2000	(1,540,405)	(1,538,405)
Total comprehensive loss for the year		121,454	121,454
At end of year	2000	(1,418,951)	(1,416,951)

IX. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2022

	Notes	Period ended	
		30/06/2022	30/06/2021
		Shs'000	Shs'000
Cash flows from operating activities			
Profit/(loss) before tax		350,156	439,091
<i>Adjustments:</i>			
Depreciation of property, plant, and equipment	17	1,431,499	1,433,145
Write-off of non-productive time	18	50,547	75,438
Amortisation of intangible asset	19	667	953
Amortisation of capital grants	20	(1,421,336)	(1,421,336)
Deferred tax charge	16	44,935	(44,960)
Unrealized foreign exchange loss on borrowings	21	224,149	167,865
Finance income	7(a)	(22,748)	(8,433)
Finance costs	7(b)	190,386	206,933
<i>Changes in working capital:</i>			
- Trade and other receivables		920,476	818,923
- Inventories		422,129	217,116
- Trade and other payables		(240,337)	(146,882)
Income tax paid	11	(326,869)	(415,989)
Interest paid	21	(190,386)	(206,898)
Interest received		22,748	8,433
Net cash generated from/ (used in) operating activities		1,456,016	1,123,360
Cash flows from investing activities			
Purchase of property, plant, and equipment	17	(266,879)	(358,974)
Expenditure on exploration and evaluation assets	18	(3,824,745)	(2,910,632)
Purchases of intangible assets	19	-	(2,588)
Proceeds from sale of property, plant & Equipment		51,198	20,842
Net cash used in investing activities		4,040,426	(3,251,352)
Cash flows from financing activities			
Proceeds from capital grants	20	3,772,507	3,338,897
Repayment of term loan	21	(360,286)	(347,777)
Net cash generated from financing activities		3,412,221	2,991,120
Net increase in cash and cash equivalents		827,811	863,128
Cash and cash equivalents at start of year		887,789	24,661
Cash and cash equivalents at end of year	14	1,715,600	887,789

Geothermal Development Company Limited
Annual Report and Financial Statements for the year ended June 30, 2022

X. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 2022

Details	Notes	Original budget	Adjustments (Supplementary budget cuts)	Final budget	Actual comparable basis	Performance difference
		Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Revenue						
Steam charge payments	5	1,457,000	-	1,457,000	1,241,123	(215,877)
Government grant	20	370,000	-	370,000	370,000	-
Amortization of revenue grant	20	-	-	-	1,421,336	1,421,336
Other income	6	-	-	-	(17,104)	(17,104)
Total revenue		1,827,000	-	1,827,000	3,015,355	1,188,355
Expenses						
Depreciation of property, plant & equipment	8	-	-	-	1,431,498	1,431,498
Employee benefits expenses	8	907,270	-	907,270	615,412	(291,857)
Provision for obsolete stock	8	-	-	-	106	106
Legal expenses	8	15,583	-	15,583	13,278	(2,305)
Accommodation and subsistence	8	29,347	-	29,347	25,364	(3,983)
Training and education	8	25,452	-	25,452	21,772	(3,680)
Tax penalties and interest	8	-	-	-	-	-
Director's fees and expenses	8	36,707	-	36,707	34,299	(2,408)
Transportation expenses	8	6,794	-	6,794	6,330	(463)
Management consultancy	8	16,902	-	16,902	16,833	(69)
Auditor's remuneration	8	12,098	-	12,098	8,607	(3,491)
Provision for doubtful debts of other receivables	8	-	-	-	741	741
ICT expenses	8	2,711	-	2,711	1,658	(1,053)
Advertising and publicity	8	3,553	-	3,553	3,393	(160)
Fuel expenses	8	8,527	-	8,527	4,697	(3,829)
Operating lease payments	8	73,705	-	73,705	73,463	(242)
Amortisation of intangible assets (Note 19)	8	-	-	-	667	667
Security Expenses	8	3,600	-	3,600	2,275	(1,325)
Staff Welfare expenses	8	32,994	-	32,994	26,689	(6,305)

Geothermal Development Company Limited
Annual Report and Financial Statements for the year ended June 30, 2022

Details	Notes	Original budget	Adjustments (Supplementary budget cuts)	Final budget	Actual comparable basis	Performance difference
		Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Insurance & Licenses	8	17,011	-	17,011	16,948	(63)
Software support & Maintenance	8	41,370	-	41,370	35,183	(6,188)
Internet & ISP services	8	12,440	-	12,440	6,605	(5,835)
Maintenance expenses	8	433	-	433	347	(86)
Stakeholder management expenses	8	8,492	-	8,492	7,819	(672)
Subscriptions	8	5,691	-	5,691	5,597	(94)
Stock valuation gains/losses	8	-	-	-	4,487	4,487
Other expenses	8	23,372	-	23,372	13,139	(10,233)
Finance costs	7	522,949	-	522,949	190,386	(332,563)
Tax expense	11	20,000	-	20,000	240,997	220,997
Asset impairment	8	-	-	-	40,982	40,982
Other operating expenses	9	-	-	-	50,547	50,547
Total expenses		1,827,000	-	1,827,000	2,893,901	1,066,901
Surplus/(deficit)		-	-	-	121,454	121,454

1 General information

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 Significant accounting policies

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

(a) 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.

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

Relevant new standards and amendments to published standards effective for the year ended 30 June 2022

Title	Description	Effective Date
Amendments to IAS 16 titled Property, Plant and Equipment: Proceeds before Intended Use (issued in May 2020)	The amendments, applicable to annual periods beginning on or after 1 January 2022, prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing an asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
Amendments to IAS 37 titled Onerous Contracts - Cost of Fulfilling a Contract	The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. They are effective for contracts	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted

Title	Description	Effective Date
(issued in May 2020)	for which an entity has not yet fulfilled all its obligations on or after 1 January 2022.	
Amendment to IFRS 1 titled Subsidiary as a First-time Adopter	The amendment, applicable to annual periods beginning on or after 1 January 2022, provides a subsidiary that becomes a first-time adopter later than its parent with an exemption relating to the measurement of its assets and liabilities. The exemption does not apply to components of equity.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
Amendment to IFRS 9 titled Fees in the '10 per cent' Test for De-recognition of Financial Liabilities	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IFRS 9 clarifies the fees that a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
Amendment to IAS 41 titled Taxation in Fair Value Measurements (issued in May 2020 as part of the Annual Improvements to IFRS Standards 2018-2020)	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IAS 41 removed the requirement to exclude taxation cash flows when measuring fair value. This amendment aligned the requirements in IAS 41 on fair value measurement with those in other IFRS	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

2 Significant accounting policies (Continued)

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

Relevant new and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022.

Title	Description	Effective Date
IFRS 17 Insurance Contracts (issued in May 2017)	The new standard, effective for annual periods beginning on or after 1st January 2023, establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. The Company does not issue insurance contracts.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020)	The amendments, 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, 2023. Earlier application is permitted.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
IAS 12 — Income Taxes	IAS 12, "Income Taxes" implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.
IAS 8- Accounting Policies, Errors and Estimates	The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future periods.

2 Significant accounting policies (Continued)

Early adoption of standards

The company did not early adopt any new or amended standards in the year ended 30 June 2022.

(c) Basis of preparation

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'.

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.

Land is not depreciated. 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:

Buildings	2.5%
Wells	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

Significant accounting policies (Continued)

c. Basis of preparation (continued)

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.

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.

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.

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.

Significant accounting policies (Continued)

(c) Basis of preparation (continued)

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.

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

2 Significant accounting policies (Continued)
Basis of preparation (continued)
Financial Instruments (Continued)

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.

2 Significant accounting policies (Continued)

(c) Basis of preparation (continued)

Financial Instruments (Continued)

Impairment (Continued)

(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

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.

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.

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.

2 Significant accounting policies (Continued)

(c) Basis of preparation (continued)

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.

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.

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.

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.

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.

2 Significant accounting policies (Continued)

(c) Basis of preparation (continued)

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.

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.

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) Steam charge payments are recognised in the period in which Kengen has 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) 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).
- (iii) Income from consultancy services is recognised on an accrual basis when the service has been provided.

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.

2 Significant accounting policies (Continued)

(c) Basis of preparation (continued)

Income tax (Continued)

(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.

3 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;

3 Critical accounting estimates and judgements (continued)

Critical judgements in applying accounting policies (Continued)

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.

3 Critical accounting estimates and judgements (continued)

Key sources of estimation uncertainty (Continued)

(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.

4 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 months Shs'000	Between 3 & 12 months Shs'000	Total Shs'000
At 30 June 2022:			
Trade and other payables (Note 15)	1,845,819	-	1,845,819
Bank borrowings	79,297	278,530	357,827
	1,925,116	278,530	2,203,646
At 30 June 2021:			
Trade and other payables (Note 15)	2,086,156	-	2,086,156
Bank borrowings (Note 21)	79,297	278,530	357,827
	2,165,453	278,530	2,443,983

(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 87% of the total trade receivable as at 30 June 2022 (2021: 92%). 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.

4 Financial risk management objectives and policies (continued)

(b) Credit risk (continued)

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/ external rating Shs'000	12 months or Lifetime ECL Shs'000	Gross carrying amount Shs'000	Loss Allowance Shs'000	Net Amount Shs'000
At 30 June 2022:					
Trade receivables (Note 13)	Performing	Lifetime ECL (simplified approach)	845,503	(102,064)	743,439
Grants receivable (GOK) (Note 13a)	Performing	Lifetime ECL (simplified approach)	-	-	-
Bank Balance (Note 14)	BB	12 months ECL	1,715,600	-	1,715,600
Restricted cash (Note 13b)	BB	12 months ECL	254,562	-	254,562
			2,815,665	(102,064)	2,713,601

At 30 June 2021:

Trade receivables (Note 13a)	Performing	Lifetime ECL (simplified approach)	1,264,690	(101,324)	1,163,366
Grants receivable (GOK) (Note 13a)	Performing	Lifetime ECL (simplified approach)	82,680	-	82,680
Bank Balance (Note 14)	BB	12 months ECL	887,789	-	887,766
Restricted cash (Note 13b)	BB	12 months ECL	421,335	-	421,336
			2,656,494	(101,324)	2,555,170

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

4 Financial risk management objectives and policies (continued)

(b) Credit risk (continued)

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 30 June 2022 and 30 June 2021

Loss Rates

	Current	0-30	31-60	61-90	>90
Debtor					
KenGen	0%	0%	0%	0%	0%
Others	0%	0%	0%	0%	100%
	=====	=====	=====	=====	=====

Total exposure as at June 2022

	Current	0-30	31-60	61-90	>90	Total
	Sh'000	Sh'000	Sh'000	Sh'000	Sh'000	Sh'000
KenGen		336,790	361,460	-	32,071	730,321
Others		-	-	-	115,183	115,183
Total		336,790	361,460	0	147,254	845,504
		=====	=====	=====	=====	=====

Total impairment as at 30 June 2022

	Current	0-30	31-60	61-90	>90	Total
	Sh'000	Sh'000	Sh'000	Sh'000	Sh'000	Sh'000
KenGen		-	-	-	-	-
Others		-	-	-	102,064	102,064
Total		-	-	-	102,064	102,064
		=====	=====	=====	=====	=====

4 Financial risk management objectives and policies (continued)

(b) Credit Risk (Continued)

Total exposure as at 30 June 2021

	Current	0-30	31-60	61-90	>90	Total
	Sh'000	Sh'000	Sh'000	Sh'000	Sh'000	Sh'000
KenGen	-	276,753	257,681	281,422	332,562	1,148,418
Others	-	-	-	-	116,272	116,272
Total	-	276,753	257,681	281,422	448,834	1,264,690

Total impairment as at 30 June 2021

	Current	0-30	31-60	61-90	>90	Total
	Sh'000	Sh'000	Sh'000	Sh'000	Sh'000	Sh'000
KenGen	-	-	-	-	-	-
Others	-	-	-	-	101,324	101,324
Total	-	-	-	-	101,324	101,324

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

If the ECL rates on trade receivables had been 10% higher (lower) as of 30 June 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 2022, 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 49,257,999 (June 2021: Shs 101,583,357) higher/lower, mainly as a result of US dollar denominated trade receivables, trade payables and bank balances.

On 30 June 2022, 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 15,038,883.54 (June 2021: 3,525,263) higher/lower, as a result of Euro denominated trade payables

4 Financial risk management objectives and policies (continued)

(c) Market risk (continued)

(ii) 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 June 2022 the Company's exposure to cash flow and fair value interest rate risk on the term loan was Sh.290,106,323 (2021: Nil).

(d) 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 June 2022 and 30 June 2021 were as follows:

	30/06/2022 Shs'000	30/06/2021 Shs'000
Total borrowings (Note 21)	2,491,508	2,627,645
Less: Cash and cash equivalents (Note 14)	(1,715,600)	(887,789)
Net debt	775,908	1,739,856
Total equity	(1,416,951)	(1,538,405)
Total debt and equity	(641,043)	201,451
Gearing ratio	>100%	>100%

5 Receipts from steam charge payments	30/06/2022	30/06/2021
	Shs'000	Shs'000
Steam charge payments from Olkaria wells	3,029,976	3,028,849
Less: Steam charge payments for development activities	<u>(1,788,853)</u>	<u>(1,995,450)</u>
	<u>1,241,123</u>	<u>1,033,399</u>
 6 (a) Other income		
Consultancy services on geothermal drilling	58,973	11,960
Gain on disposal of property, plant and equipment	2,931	2,973
Miscellaneous income	<u>11,085</u>	<u>3,652</u>
	<u>72,989</u>	<u>18,585</u>
 6 (b) Foreign exchange (losses)/gains		
Net foreign exchange (losses)/gains	<u>(112,841)</u>	<u>(1,210)</u>
 7 (a) Finance income		
Interest income on bank deposits	<u>22,748</u>	<u>8,433</u>
 (b) Finance costs		
Interest expense on bank loans and overdraft	<u>190,386</u>	<u>206,933</u>

8 Administrative costs

	30/06/2022	30/06/2021
	Shs'000	Shs'000
Depreciation of property, plant & equipment (Note 17)	1,431,498	1,433,145
Employee benefits expenses (Note 4)	615,412	523,473
Provision for obsolete stock	106	8,753
Legal expenses	13,278	23,563
Accommodation and subsistence	25,364	10,923
Training and education	21,772	10,669
Director's fees and expenses (Note 24)	34,299	26,677
Transportation expenses	6,330	1,751
Management consultancy	16,833	7,252
Auditor's remuneration	8,607	1,507
Provision for doubtful debts	741	-
ICT expenses	1,658	2,391
Advertising and publicity	3,393	6,398
Fuel expenses	4,697	4,252
Operating lease payments	73,463	0
Amortisation of intangible assets (Note 19)	667	953
Security Expenses	2,275	2,448
Staff Welfare expenses	26,689	10,740
Insurance & Licenses	16,948	5,145
Software support & Maintenance	35,183	22,575
Internet & ISP services	6,605	7,541
Maintenance expenses	347	3,467
Stakeholder management expenses	7,819	512
Subscriptions	5,597	1,921
Stock valuation gains/losses	10,563	2,333
Asset impairment	40,982	-
Other expenses	13,139	15,467
	2,424,265	2,133,856

9 Other operating expenses

Write-off of non-productive drilling staff costs (Note 18)	50,547	75,438
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10 Employee benefits expenses

The following items are included within employee benefits expense

Salaries and wages	577,373	491,772
Retirement benefits costs:		
- Defined contribution scheme	37,635	31,343
- National Social Security Fund	404	358
	615,412	523,473

	30/06/2022 Shs'000	30/06/2021 Shs'000
11 Income tax		
(a) Income tax charge/(credit)		
Current income tax	183,767	131,595
Deferred income tax charge/(credit) (Note 16)	44,935	(44,960)
Effect of reduction in tax rate on opening deferred tax assets	-	-
	<hr/>	<hr/>
Income tax expense/(Refund)	228,702	86,635
	<hr/> <hr/>	<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:

	30/06/2022 Shs'000	30/06/2021 Shs'000
Profit/(loss) before income tax	350,155	439,091
	<hr/>	<hr/>
Tax calculated at the statutory income tax rate of 30%	105,047	131,727
Tax effects of:		
Income not subject to tax	(488,062)	(500,237)
Expenses not deductible for tax purposes	566,782	500,105
Effect of reduction in tax rate on opening deferred tax assets	44,935	(44,960)
	<hr/>	<hr/>
Income tax charge/(credit)	228,702	86,635
	<hr/> <hr/>	<hr/> <hr/>

(b) Current tax payable/(Receivable)

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

	30/06/2022 Shs'000	30/06/2021 Shs'000
At start of year	(131,501)	197,853
Taxation charge (Note 11 (a))	183,767	131,595
Paid during the year	(326,869)	(415,989)
Deferred Tax Charge	44,935	(44,960)
	<hr/>	<hr/>
At end of year	(229,668)	(131,501)
	<hr/> <hr/>	<hr/> <hr/>

	30/06/2022	30/06/2021
	Shs'000	Shs'000
12 Inventories		
Drilling materials	3,829,538	4,072,983
Pipes	144,582	261,759
Fuel	20,771	29,330
Consumables	39,939	62,150
	<hr/>	<hr/>
Total inventory held for exploration and evaluation activities	4,034,830	4,426,222
Other inventories	43,450	48,324
Less: provision for obsolete stocks	<u>(60,036)</u>	<u>(34,173)</u>
	<hr/>	<hr/>
	4,018,244	4,440,373
13 Trade and other receivables		
Trade receivables	845,504	1,264,690
Less: Provision for expected losses	<u>(102,065)</u>	<u>(101,324)</u>
	<hr/>	<hr/>
Net trade receivables	743,439	1,163,366
Value Added Tax (VAT) recoverable	344,534	598,671
Advance payment to suppliers	74,916	83,534
Grants receivable (GOK)	-	82,680
Restricted cash (Note 13a)	254,562	421,335
Staff receivables (Note 13b)	13,041	5,442
Other receivables and prepayments	45,158	41,099
	<hr/>	<hr/>
	1,475,651	2,396,127
	<hr/>	<hr/>

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

	30/06/2022	30/06/2021
	Shs'000	Shs'000
At start of year	101,324	102,163
Charge to profit or loss	741	(839)
	<hr/>	<hr/>
At end of year	<u>102,065</u>	<u>101,324</u>

The fair value of other receivables approximates their carrying value.

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

	30/06/2022	30/06/2021
	Shs'000	Shs'000
Less than 30 days	336,790	541,008
Between 30 and 60 days	361,460	272,747
Between 61 and 90 days	-	313,321
Over 90 days	147,254	137,614
	<hr/>	<hr/>
	845,504	1,264,690
	<hr/>	<hr/>

13(a) Restricted cash

	30/06/2022 Shs'000	30/06/2021 Shs'000
Deposit with Development Bank of Kenya	94,568	94,568
Deposit with Cooperative Bank	2,022	17,632
Staff Mortgage Account - KCB	127,196	126,864
Staff Terminal Benefits Account - KCB	11,786	47,463
Co-operative Bank Escrow Account	994	134,808
Land Compensation	17,996	-
	<u>254,562</u>	<u>421,335</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 funds have been set aside as part of KfW's financing requirements for Bogoria Silali project. Their withdrawal is restricted.

13(b) Staff receivables

	30/06/2022 Shs'000	30/06/2021 Shs'000
Net staff advances	13,042	5,442
	<u>13,042</u>	<u>5,442</u>

14 Cash and cash equivalents

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

	30/06/2022 Shs'000	30/06/2021 Shs'000
Cash at Bank	1,715,595	887,767
Cash at hand	5	22
	<u>1,715,600</u>	<u>887,789</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:

a) Current accounts		30/06/2022	30/06/2021
		Shs'000	Shs'000
Co-operative Bank of Kenya	01136160857600*	46,458	60,949
Co-operative Bank of Kenya	01136160857603*	0	0
Co-operative Bank of Kenya	02120160857600*	553,562	539
Co-operative Bank of Kenya	22120160857600	0	0
Co-operative Bank of Kenya	01136350124400*	183	352
Co-operative Bank of Kenya	01136115849200*	34	49
Co-operative Bank of Kenya	02120160857601	5	13
Co-operative Bank of Kenya	01141160857601	374,043	0
Kenya Commercial Bank	1119615208*	334	56,401
Kenya Commercial Bank	1166553671*	1,237	2,211
ABSA Bank (KES)	2041818169	71	13,924
ABSA Bank (USD)	2041818193	2,537	66
Co-operative Bank of Kenya	01136160857601	93,324	209,266
NCBA Bank	4761090015*	607,845	490,139
Sub- total		<u>1,679,633</u>	<u>833,909</u>
b) On - call deposits			
Co-operative Bank of Kenya	021501608576*	35,962	53,858
Sub- total		<u>35,962</u>	<u>53,858</u>
c) Others			
Cash in hand		5	22
Sub- total		5	22
Grand total		<u>1,715,600</u>	<u>887,789</u>

Note:

* These accounts were subject to a garnishee order nisi issued by the High Court on 23.6.2023 in respect of the Lantech Africa case disclosed in note 23.

15 Trade and other payables	30/06/2022	30/06/2021
	Shs'000	Shs'000
Trade payables	973,723	1,142,868
Accrued expenses	350,810	296,476
Retirement benefit obligations	12,273	12,287
Provision for leave pay	57,573	66,095
Other payables	<u>451,439</u>	<u>568,430</u>
	1,845,818	2,086,156

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:

	30/06/2022 Shs'000	30/06/2021 Shs'000
At start of year	(242,806)	(197,846)
Charge/(credit) to profit or loss	44,935	(44,960)
	<hr/>	<hr/>
At end of year	197,871	(242,806)
	<hr/>	<hr/>

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 2022	At start of year Shs'000	Effect of change in tax rate Shs'000	Charge/ (credit) to profit or loss Shs'000	At end of year Shs'000
Deferred tax (assets)/liabilities				
Provision for expected credit losses	(25,541)	-	-	(25,541)
Unrealized exchange losses	(34,623)	-	77,115	42,492
Unrealized exchange gains	-	-	(40,602)	(40,602)
Other general provisions	(77,945)	-	8,422	(69,523)
Tax losses	(104,697)	-	-	(104,697)
	<hr/>	<hr/>	<hr/>	<hr/>
Net deferred income tax asset	(242,806)	-	44,935	197,871
	<hr/>	<hr/>	<hr/>	<hr/>
Year ended 30 June 2021	At start of year (Restated) Shs'000	Effect of change in tax rate Shs'000	Charge/ (credit) to profit or loss Shs'000	At end of year Shs'000
Deferred tax (assets)/liabilities				
Provision for expected credit losses	(25,541)	-	-	(25,541)
Unrealized exchange losses	(24,073)	-	(10,550)	(34,623)
Other general provisions	(43,535)	-	(34,410)	(77,945)
Tax losses	(104,697)	-	-	(104,697)
	<hr/>	<hr/>	<hr/>	<hr/>
Net deferred income tax asset	(197,846)	-	(44,960)	(242,806)
	<hr/>	<hr/>	<hr/>	<hr/>

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17 Property, plant, and equipment

	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 30 June 2022	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Opening net book amount	222,913	9,995,036	194,823	27,469,771	1,013,812	588,883	52,866	5,103,387	44,641,491
Additions	12,297	5,066	901,597	-	33,280	-	44,606	(729,967)	266,879
Transfer From WIP									-
Additions to WIP									-
Depreciation (Charge to P&L)	-	-	-	(1,421,336)	-	(3,422)	(6,741)	-	(1,431,499)
Depreciation to E&E	(5,611)	(1,202,847)	(265,105)	(74,357)	(183,908)	(105,276)	(22,336)	-	(1,859,440)
Disposal						(51,198)			(51,198)
Closing net book amount	229,599	8,797,255	831,315	25,974,078	863,184	428,987	68,395	4,373,420	41,566,233
Year ended 30 June 2022									-
Cost	250,964	18,923,547	2,232,467	37,403,578	3,008,044	2,639,609	655,236	4,373,420	69,486,865
Accumulated depreciation	(21,365)	(10,126,292)	(1,401,152)	(11,429,500)	(2,144,860)	(2,210,622)	(586,841)	-	(27,920,632)
Net book amount	229,599	8,797,255	831,315	25,974,078	863,184	428,987	68,395	4,373,420	41,566,233

NOTE

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

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17	Property, plant, and equipment									
	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	
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Year ended 30 June 2021										
Opening net book amount	228,237	11,197,562	352,864	28,891,107	1,236,399	776,901	58,771	4,749,740	47,491,582	
Additions	-	-	-	-	70	-	5,259	353,647	358,976	
Additions to WIP								-	-	
Depreciation (Charge to P&L)	-	-	-	(1,421,336)	-	(3,422)	(8,383)	-	(1,433,141)	
Depreciation to E&E	(5,324)	(1,202,526)	(158,041)	-	(222,657)	(163,754)	(2,781)	-	(1,755,083)	
Disposal						(20842)			(20842)	
Closing net book amount	222,913	9,995,036	194,823	27,469,771	1,013,812	588,883	52,866	5,103,387	44,641,491	
As at 30 June 2021										
Cost	238,666	18,918,480	1,330,869	37,403,578	2,974,764	2,669,962	610,631	5,103,387	69,250,337	
Accumulated depreciation	(15,753)	(8,923,444)	(1,136,046)	(9,933,807)	(1,960,952)	(2,081,079)	(557,765)	-	(24,608,846)	
Net book amount	222,913	9,995,036	194,823	27,469,771	1,013,812	588,883	52,866	5,103,387	44,641,491	

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:

	30/06/2022 Shs'000	30/06/2021 Shs'000
At start of year	49,446,304	44,855,735
Additions	5,684,408	4,666,007
Write off of non-productive time expenses	(50,547)	(75,438)
	<hr/>	<hr/>
At end of year	55,080,165	49,446,304

The additions in the year comprise the following:

Depreciation of property, plant, and equipment (Note 17)	1,859,440	1,755,079
Amortisation of intangible assets (Note 19)	222	295
Staff costs capitalised	2,146,139	2,083,215
Drilling materials and consumables	1,678,607	827,418
	<hr/>	<hr/>
	5,684,408	4,666,007

Impairment assessment for 105MW 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.

19 Intangible assets

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

	30/06/2022 Shs'000	30/06/2021 Shs'000
Opening net book amount	17,243	15,903
Additions	-	2,588
Amortisation:		
Charge to profit or loss	(667)	(953)
Capitalized as exploration and evaluation assets	(222)	(295)
	<hr/>	<hr/>
Closing net book amount	16,354	17,243
	<hr/>	<hr/>
Cost	295,645	295,645
Accumulated amortization	(279,291)	(278,402)
	<hr/>	<hr/>
Net book amount	16,354	17,243

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 2022. The company has recognised Government grants as appropriated in line with the provisions of IAS 20.

	30/06/2022 Shs'000	30/06/2021 Shs'000
Revenue grants and amortisation of capital grants		
Revenue grants issued by Government of Kenya	370,000	374,775
Capital grants amortized:		
- Depreciation of wells	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>1,796,111</u>

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

At 1 July	99,028,238	97,110,677
Grants received in the year:		
- Grants from Government of Kenya	225,000	150,000
- Grant from Government of Kenya (from steam charges)	1,788,853	1,995,450
- Grants from KfW	1,308,648	900,646
- Grants from AfDB	-	13,354
- Grants from GRMF	383,160	-
- European Investment Bank (EIB)	66,847	279,447
	<u>3,772,508</u>	<u>3,338,897</u>
GOK grant amortized (Olkaria wells) –Current year	(1,421,336)	(1,421,336)
Well write-off against grant	-	-
	<u>101,379,410</u>	<u>99,028,238</u>

21	Borrowings	30/06/2022 Shs'000	30/06/2021 Shs'000
	Term Loan		
	The movement in bank borrowings is as summarized below		
	At 1 July	2,627,645	2,807,562
	Additions		
	Interest charge	190,386	206,933
	Repayments - principal	(360,286)	(347,777)
	Repayments – interest	(190,386)	(206,898)
	Unrealized foreign exchange losses	224,149	167,825
		2,491,508	2,627,645
	At 30 June	2,491,508	2,627,645

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 of shares	Ordinary shares Shs'000
Balance at 1 July 2020, 30 June 2021, and 30 June 2022	20,000	2,000
	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 of shares 30/06/2022	Number of shares 30/06/2022
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 has a tax dispute with Kenya Revenue Authority which is being resolved. Appropriate provisions relating to the dispute where applicable have been incorporated in the financial statements. Additionally, the Company is subject to a number of 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 present be meaningfully quantified. In particular, the Company is subject to claims arising from various contracts with suppliers. The cases are summarized below:

23 Commitments and contingent liabilities (continued)

a) Linksoft Communications Limited vs GDC

The Company entered a contract with Linksoft Communications Limited for provision of labour services. The contract was terminated by GDC in May 2016. Linksoft sued GDC for alleged unlawful termination of the contract and is claiming Shs 361 million being unutilised balance of the contract price as well as a claim in 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 for the respondents to testify. Parties closed their respective cases and submissions filed by 23rd February 2022. On the 6th December 2022, the Arbitral Tribunal issued an order terminating the proceedings save as to costs as below:

Based on the legal advice received, the Directors believe the probability of unfavourable outcome is remote and as such no provision has been accrued for in the financial statements.

b) 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 13 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 in September 2017 and Bonfide filed an application in the High Court against the award in October 2017.

Bonfide Clearing Company Limited have appealed against the interim award No. 1 which dismissed the bulk of their claim leaving a balance of Kshs. 38.5 million which the Hon. Arbitrator deemed provable which was to proceed to hearing.

A mention of the appeal in the High Court Misc Application No. 431 of 2017 took place on 6 November 2019 where the appellant requested for more time. The Arbitration matter is in abeyance after the claimant elected to abandon the prosecution of the balance of their claim as per Interim Award No. 1 pending the conclusion of the appeal filed at the High Court.

GDC proceeded to request the court to make its final judgement in the matter which is pending. The matter is in abeyance after the claimant elected to abandon the prosecution of the balance of their claim as per Interim Award No. 1 pending the conclusion of the appeal filed at the High Court. The matter will be mentioned on 18th November 2021 for further directions. The appeal seeks for reinstatement of the full claim of USD 3,334,124,194.00.

Ruling on the matter was delivered on the 24th of June 2022 wherein the Court found that the application by Bonfide C & F is unmerited and dismissed the same with Costs.

GDC has since received a Notice of Appeal from Bonfide C & F and we shall be responding as and when the substantive memorandum is filed before the court of appeal.

We anticipate 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.

23 Commitments and contingent liabilities (continued)

c) Lantech Africa Limited vs GDC

Dispute over alleged un invoiced payments from a contract for provision of manpower services which lapsed by effluxion of time in 2015. Arbitral Tribunal heard the matter, delivered its ruling which was unfavourable to GDC. GDC moved to appeal the decision of the High Court at the Court of Appeal vide Civil Application No. E029 of 2021 which is pending directions at the court of appeal.

Ruling on this matter was delivered on 16th December 2020. GDC has since moved to appeal the decision of the High Court at the Court of Appeal vide Civil Application No. E029 of 2021 which was admitted and is pending directions at the court of appeal.

A formal application for stay of execution was filed in the High Court and consolidated with an application for enforcement filed by Lantech Ltd. The Court delivered a ruling on the matter on the 23rd of June 2022 in which it dismissed GDC's application. GDC filed an Appeal before the Court of Appeal as Civil Application No. NAI E230 of 2022.

On the 26th of July 2022, following a request for review of the decision of the Hon. Judge delivered on the 23rd of July 2022, the Office of the Attorney General & Department of Justice on 31st October 2022 made an application to be enjoined in the matter as principal legal advisor to the Government. The application was rejected on 17th February 2023 and the Court made the Garnishee orders Nisi to be Garnishee orders absolute. She further directed that the sums held in the accounts save for the KfW Project funds be released to the Judgement Debtors Advocates pending a ruling on 24th February 2023 on the application for Stay by GDC and the Objector Proceedings by the Hon. Attorney General on behalf of the National Treasury.

The Court delivered its ruling on the KfW funds on 24th February in which the court declined to have the sums garnished thereby releasing the KfW Project funds.

On 28th February 2023, a second garnishee application was filed, and the application is coming up on 30th March 2023.

Based on the legal advice received, the Directors believe the probability of unfavourable outcome is remote and as such no provision has been accrued for in the financial statements.

Capital commitments.

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

	30/06/2022 Shs'000	30/06/2021 Shs'000
Authorized and contracted	362,967	362,967
Authorized but not contracted	1,607,248	1,607,248
	1,970,215	1,970,215

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:

	30/06/2022 Shs'000	30/06/2021 Shs'000
Salaries and other short-term employment benefits	107,337	107,337
	2022 Shs'000	2021 Shs'000
ii) Directors' fees and expenses		
Remuneration as management	12,706	12,706
Fees and allowances for services as director	34,299	26,677
	47,005	39,383

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.

APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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)	March 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 (Shs millions)	Total expended to date (Shs millions)	Completion % to date	Budget (Shs millions)	Actual (Shs millions)	Sources of funds
1	Menengai Project	115,926	80,705	84% (105MW) 32% (60MW) 2%(300MW)	2,308	2,349	GoK Steam charge payments AfDB
2	Bogoria – Silali Project	78,029	5,395	24%	1,271	1,061	GoK KfW

APPENDIX III: INTER-ENTITY TRANSFERS

**Entity Name: Geothermal Development Company Limited
Breakdown of Transfers from the Ministry of Energy
Financial year 2021/22**

a.	Recurrent Grants	Bank statement date	Amount (Shs'000)
		03.09.2021	92,500
		01.11.2021	92,500
		17.05.2022	92,500
		28.06.2022	92,500
		Total	370,000
b.	Development Grants	Bank statement date	Amount (Shs'000)
		06.09.2021	100,000
		26.11.2021	100,000
		20/04/2022	12,500
		23/05/2022	12,500
		Accrued	225,000
		Total	595,000
c.	Direct Payments	Bank statement date	Amount (Shs'000)
		Nil	-
		Total	-
d.	Donor Receipts	Payments through donors	Amount (Shs'000)
		KfW	1,308,648
		European Investment Bank (EIB)	66,847
		GRMF	383,160
		Total	1,758,655

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


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

Rose Barasa
Head of Accounting Unit
Ministry of Energy