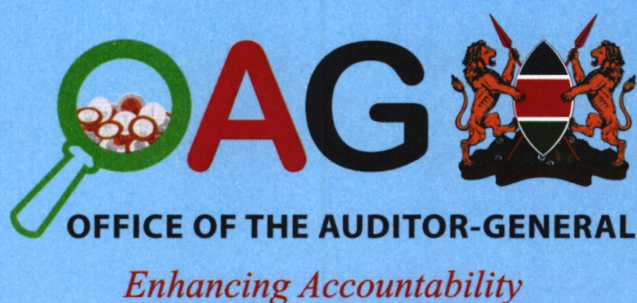


REPUBLIC OF KENYA



REPORT	
THE NATIONAL ASSEMBLY PADDIC 1 AID	
DATE: 22 NOV 2023	DAY: Wednesday
TABLED BY: OF	Hon Owen Baya, MP Deputy majority leader
CLERK-AT-THE-TABLE:	Miriam Njoroge

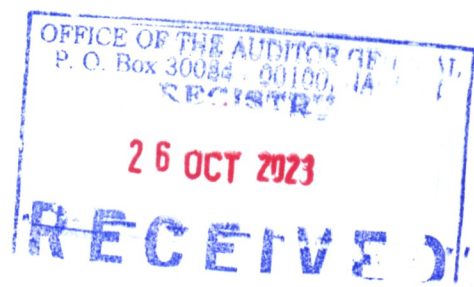
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ON

**KENYA ELECTRICITY GENERATING
COMPANY PLC**

**FOR THE YEAR ENDED
30 JUNE, 2023**



KENYA ELECTRICITY GENERATING COMPANY PLC
AUDITED ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

Kenya Electricity Generating Company Plc
Annual Report and Financial Statements
For the year ended 30 June 2023

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Kenya Electricity Generating Company Plc
Key Corporate Information
For the year ended 30 June 2023

Background Information

Kenya Electricity Generating Company PLC (KenGen) was incorporated in 1954 under the Companies Act (Cap 486) as Kenya Power Company Limited (KPC) renamed as Kenya Electricity Generating Company Limited (KenGen) in 1998 following the implementation of the reforms in the energy sector. It is listed on the Nairobi Securities Exchange with the Government of Kenya owning 70% shareholding and the public 30%. At cabinet level, the Company is represented by the Cabinet Secretary for Energy and Petroleum, who is responsible for the general policy and strategic direction of the entity. The Company is domiciled in Kenya and has a branch in Ethiopia.

Principal Activities

The principal mandate of the Company is to generate electricity through the development, management and operation of power plants and currently has an installed capacity of 1,904 Megawatts, spread across four generation modes namely, Geothermal (799MW), Hydro (825MW), Thermal (254MW) and Wind (26MW).

KenGen operates in a liberalized environment and contributes at least 70% of electric energy sales in Kenya with Independent Power Producers (IPPs) supplying the balance. The Kenya Power and Lighting Company PLC (KPLC) is the sole buyer of electricity generated and sold by KenGen and IPPs under separate power purchase agreements. The Energy and Petroleum Regulatory Authority (EPRA) undertakes the regulatory function in the sub-sector.

The Company is propelled by the Good-to-Great (G2G) Transformation Strategy to a “Great Company” through the creation of sustainable value from “One Generation” to the “Next Generation”. As a result, KenGen is able to generate competitively priced electric energy using skilled and motivated human resource and state-of-the-art technology in line with the core values of Team spirit, Integrity, Professionalism and Safety Culture. The vision, mission, and core values of the Company are:

The Vision

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

The Mission

To efficiently generate competitively priced electric energy using state-of-the-art technology, skilled and motivated human resource to ensure financial success. KenGen shall maintain market leadership by undertaking least cost and environmentally friendly capacity expansion.

Core Values

Core values are our guiding principles and form the foundation of our culture. They guide our business processes and underpin each action we take. They are Team Spirit, Integrity, Professionalism and Safety Culture.

Kenya Electricity Generating Company Plc
Key Corporate Information (Continued)
For the year ended 30 June 2023

Board of Directors

The Directors who served the Company during the period under review are:

Directors

Julius Migos Ogamba	Chairman of the Board (appointed on 28th February 2023)
Samson Mwathethe	Chairman of the Board (served until 28th February 2023)
Peter Njenga	Managing Director & CEO (appointed on 17th August 2023)
Abraham Serem	Ag. Managing Director & CEO (served until 17th August 2023)
Njuguna Ndung'u	Cabinet Secretary, The National Treasury (appointed 27th October 2022)
Ukur Yatani	Cabinet Secretary, The National Treasury (Served until 27th October 2022)
Alex Wachira	Principal Secretary, State Department for Energy (appointed 1st December 2022)
Gordon Kihlangwa	Principal Secretary, State Department for Energy (Served until 1st December 2022)
Maurice Nduranu	(Retired on 28th February 2023)
Joseph Sitati	(Retired on 28th February 2023)
Phyllis Wakiaga	(Retired at the AGM on 26th January 2023)
Peris Mwangi	(Retired at the AGM on 26th January 2023)
James Opindi	
Winnie Pertet	
Samuel Kimani	
Rosemarie Wanyoike	(Elected at the AGM on 26th January 2023)
Stephen Mutai	(Appointed on 28th February 2023)
William Rahedi	(Appointed on February 28th February 2023)
Josephine Koisaba	(Appointed on 28th February 2023)
Benard Ndungu	Alternate Director to CS, The National Treasury
Stephen Njue	Alternate Director to Principal Secretary, State Department for Energy
Chrisologus Makokha	Representative, Inspectorate of State Corporation

Kenya Electricity Generating Company Plc
Key Corporate Information (Continued)
For the year ended 30 June 2023

Corporate Information

Company Secretary	FCPS Austin A. O. Ouko Certified Public Secretary (Kenya) KenGen Pension Plaza Kolobot Road, P.O. Box 47936-00100 GPO Nairobi, Kenya	
Registered Office	Head Office	KenGen Pension Plaza 2 Kolobot Road, P.O. Box 47936-00100 GPO Nairobi, Kenya
Registrars	Image Registrars Limited ABSA Towers, 5th Floor, Loita Street P. O Box 9287-00100 GPO, Nairobi, Kenya	
Principal Auditor	The Auditor-General Anniversary Towers P.O. Box 30084-00100 GPO, Nairobi, Kenya.	
Delegated Auditor	Deloitte & Touche LLP Certified Public Accountants (Kenya) Deloitte Place, Waiyaki Way/Chiromo Road, Westlands P.O. Box 40092 –00100 GPO Nairobi	
Principal Bankers	NCBA Bank Kenya Plc Wabera Street P. O. Box 30437- 00100 GPO Nairobi Co-operative Bank of Kenya Limited Stima Plaza P.O Box 38764-00600 Nairobi Citibank NA Kenya Upper Hill P.O. Box 30711 - 00100 GPO Nairobi Stanbic Bank Kenya Limited Kenyatta Avenue Branch P.O Box 30552-00100 GPO Nairobi Equity Bank Kenya Limited Westlands Supreme Centre P.O. Box 14253 – 00800 Nairobi	KCB Bank Kenya Limited Moi Avenue Branch P. O. Box 24030 - 00100 GPO Nairobi Standard Chartered Bank Kenya Limited Harambee Avenue P.O. Box 30003 - 00100 GPO Nairobi Absa Bank Kenya Plc Westend Building Off Waiyaki Way Corporate Banking Center P.O. Box 30120 – 00100 GPO Nairobi Bank of Africa Kenya Limited Sameer Business Park Unit C. 1 st Floor P.O. Box 69562 - 00400 Nairobi

Kenya Electricity Generating Company Plc
Key Corporate Information (Continued)
For the year ended 30 June 2023

Management Team	Peter Njenga	Managing Director & CEO (appointed on 17th August 2023)
	Abraham Serem	Ag. Managing Director & CEO (served until 17th August 2023)
	FCPS Austin Ouko	Company Secretary & General Manager Legal Affairs
	CPA Mary Maalu	General Manager, Finance & Accounts
	David Muthike	General Manager, Commercial Services
	Philip Yego	General Manager, Supply Chain
	Abraham Serem	General Manager, Corporate Services
	Elizabeth Njenga	General Manager, Business Development & Strategy
	Peketsa Mangi	General Manager, Geothermal Development
	Julius Odumbe	General Manager, Operations

Kenya Electricity Generating Company Plc
Key Corporate Information (Continued)
For the year ended 30 June 2023

Board Committees

Audit, Risk & Compliance Committee	Mr. Samuel Kimani (Chair)
	Mr. Bernard Ndungu (Alternate Director to the CS The National Treasury)
	Ms. Winnie Pertet
	Hon. Stephen Mutai
Strategy Committee	Ms. Josephine Koisaba
	Ms. Winnie Pertet (Chair)
	Mr. Stephen Njue (Alternate Director to PS-State Department for Energy)
	Mr. James Opindi
Human Resource & Nomination Committee	Mr. William Rahedi
	Mr. Samuel Kimani
	Ms. Winnie Pertet
	Mr. Abraham Serem
Governance Advisory Committee	Dr. Rosemarie Wanyoike (Chair)
	Mr. William Rahedi
	Mr. Samuel Kimani
	Ms. Winnie Pertet
Finance Committee	Mr. Abraham Serem
	Hon. Stephen Mutai (Chair)
	Ms. Josephine Koisaba
	Mr. James Opindi
	Dr. Rosemarie Wanyoike
	Mr. Abraham Serem
	Mr. William Rahedi (Chair)
	Mr. Bernard Ndungu
	Mr. Stephen Njue (Alternate Director to PS-State Department for Energy)
	Mr. James Opindi
	Mr. Abraham Serem

The Board of Directors

Julius Migos Ogamba ~ Chairman of the Board (Independent and Non-Executive Director)



Mr. Julius Ogamba is a seasoned, visionary and accomplished advocate with about 30 years of experience in legal practice. He is a self-driven, detail oriented Senior Advocate, with a proven track record of leading teams, forging long-lasting client relationships and influencing organizational productivity by ensuring compliance with legal and regulatory requirements.

Leveraging analytical, problem-solving and negotiation skills, he has built a reputation for providing quality, accurate and relevant legal advice, having developed a large portfolio of corporate clients across banking and financial industries, manufacturing, oil, gas, natural energy and real estate sectors as well as Government Agencies.

Mr. Ogamba is a transformative leader with the capacity to build cultures of excellence and foster efficiency by supporting cross-functional team initiatives and motivating them to promote high performance levels. He holds a Bachelor of Laws (LLB) from the University of Nairobi, a Diploma in Law from the Institute of Advanced Legal Studies, University of London and a Post Graduate Diploma in Law from Kenya School of Law.

He is a Commissioner for Oaths and Notary Public, a member of the Law Society of Kenya and a Certified Public Secretary

Eng. Peter Njenga ~ Managing Director & CEO



Eng. Peter Njenga joined KenGen on 17th August 2023. He brings over 31 years of experience in corporate leadership and management in the energy sector, having joined KPLC in 1991 as a graduate trainee and risen through the ranks.

Previously he was the General Manager for Infrastructure Development at Kenya Power and Lighting Company PLC, where he also held various positions in senior management spanning over 5 years.

He holds a Bachelor of Science Degree in Electrical Engineering from University of Nairobi and a master's degree in business administration (Strategic Management) from the same institution.

He has vast in-depth range of professional training in leadership and management from different institutions including Harvard Business School and Strathmore University

Prof. Njuguna Ndung'u, CBS ~ Cabinet Secretary, The National Treasury (Non-Executive Director)



Prof. Njuguna Ndung'u born in 1960, is the Cabinet Secretary, National Treasury & Economic Planning. He was appointed to the Cabinet on September 27, 2022. Prior to his appointment, Prof. Ndung'u was serving as the Executive Director of the African Economic Research Consortium (AERC). Prof. Ndung'u is an associate professor of economics at the University of Nairobi, and the immediate former Governor, Central Bank of Kenya.

He has been a member of the Global Advisory Council of the World Economic Forum, Visiting Fellow of Practice at Blavatnik School of Government, Oxford University, Director of Training at AERC, Programme specialist at IDRC and Team Leader in Macromodelling at the Kenya Institute for Public Policy Research and Analysis.

He holds a PhD in economics from University of Gothenburg, Sweden. He is a Member of Brookings Africa Growth Initiative, Member of the Advisory Committee of the Alliance for Financial Inclusion and a senior advisor for the UNCDF-based Better Than Cash Alliance.

Alex Wachira ~ Principal Secretary, State Department for Energy (Non - Executive Director)



Mr. Alex Wachira born in 1982, was appointed the Principal Secretary, State Department for Energy on 2nd December 2022. He holds a Bachelor of Science degree in Nursing from the University of Nairobi and is currently pursuing a Master of Arts degree in Leadership at Pan African Christian University. He has a wealth of experience from the private sector where he worked as an investment banker. He previously worked with Faida Investment Bank where he traded and structured treasury bonds and corporate bonds at the Nairobi Securities Exchange. He has also worked with Dyer & Blair Investment Bank and Genghis Capital limited. Mr. Wachira was a founding member of the Bonds Market Association as well as a member of the Steering Committee of the Kenya Association of Stockbrokers and Investment Bankers. He has spearheaded community initiatives such as youth mentorship programme and sports tournaments among other similar projects.

Winnie Pertet (Independent & Non-Executive Director)



Ms. Winnie brings over twenty-five years of experience in people leadership and organizational transformation mostly from multinational and large organizations. Ms. Winnie has led key projects that were aimed at transforming most of the organizations that she worked for including, merger and acquisition for UAP/Old Mutual, rebranding, and culture change at KCB Bank and East African Breweries. She also led restructuring projects at Delphis Bank, KCB, Diageo, and UAP Old Mutual.

Winnie currently serves on the following Boards: At KenGen- A Non- executive independent Board member; chair of the Strategy Committee a member of the HR & Remuneration and Audit, Risk & Compliance Committees.

At Britam General Insurance a subsidiary of Britam- A Non-executive independent Board member -, A Trustee of the Management University of Africa. She is also a proud Rotarian and is currently the President of RC Karura. Winnie also previously served as: Chairperson of the National Employment

Authority, Chairperson, Association of Retirement Benefits Schemes. She is currently the CEO and Lead Consultant at Serian Consulting Limited, a firm that deals in end-to-end Strategic HR consulting services.

She is an HR thought leader skilled in organizational transformation skills, mergers, and acquisition people integration), culture, and organization branding. Winnie is a holder of an MBA in Human Resource Management, and a Degree in Education, both from Kenyatta University. She also has a Higher National Diploma in Human Resource Management and an Executive Coaching certification from the Academy of Executive Coaches. She is a member of the Global Organization Design Community.

Her key leadership skills include coaching, mentorship, team motivation, inclusion, and diversity. Her leadership style is nurturing teams for success.

James Opindi (Independent & Non-Executive Director)



Mr. James Opindi has had an illustrious career in the Energy Sector with specialization in Oil and Gas. He has held positions at Board, Executive, and Senior Management levels at ExxonMobil Affiliate Companies, Navgas Ltd in Nigeria, African Gas and Oil Ltd and Weld-Con Ltd.

During his long experience, James has supervised Energy related projects in several African Countries; and supervised SH&E (Safety, Health and Environmental Protection) operations while in charge of Africa and Middle East for ExxonMobil based in Brussels, Belgium. He has a strong and proven track record in Engineering Project Management, Oil and Gas Operations, and SH&E.

Mr. Opindi has vast knowledge and broad business experience in matrix and multifunctional organizations and is a widely acknowledged Expert and Consultant. Born in 1951, he holds a Bachelor of Science Degree in Mechanical Engineering from the University of Nairobi.

Samuel Kimani (Independent & Non-Executive Director)



Mr. Samuel Kimani born in 1962 holds a Bachelor of Science Degree in Civil Engineering and an MBA in Strategic Management both from the University of Nairobi. He is an alumnus of the Harvard Business School's Advanced Management Program. He is a member of the Institute of Certified Public Accountants of Kenya (ICPAK).

Mr. Kimani is a seasoned financial expert with an illustrious career in banking spanning over 20 years. He is the immediate former Chief Executive Officer of Jamii Bora Bank Limited (now Kingdom Bank Limited). Prior to that, he served in various capacities at the KCB Bank Group Plc including Finance Director, Financial Controller and rose through the ranks to the position of the Deputy Chief Executive Officer of the bank and group.

He has also served at the Central Bank of Kenya in various capacities including Deputy Chief Banking Manager, Deputy Director Financial Markets, Principal Financial Accountant, and the Chief Internal Auditor. He has also headed the Surveillance Division of the Deposit Protection Fund. He has also served as a Senior Auditor at PricewaterhouseCoopers (PwC).

He sits on various boards including the Nairobi Securities Exchange which he chaired for four years.

DR. Rosemarie Wairimu Wanyoike (Independent & Non-Executive Director)



Dr. Rosemarie Wairimu Wanyoike is a Human Capital Specialist with vast knowledge and experience in Human Resource and Business Management.

Top of her achievements includes the initial setup, recruitment and nurturing of Human Resource Management in the School of Business at Kenyatta University. She successfully formulated and implemented HR policies, procedures and practices for the Department, and has published journals on Organizational Transformation, Performance, Work Force Diversity and Employee Performance.

She is currently the Chairperson and Lecturer of Human Resource Management Department at Kenyatta University and a Committee member of Manpower Development. Dr Wanyoike is also serving as the President-elect for Ruiru Rotary Club. She is a member of the Institute of Human Resource Management and Institute of University Training Committee, Academic Advisor, Student Mentor and BOM Member, at Naivasha Girls Secondary School.

Dr Wanyoike holds a PhD in Human Resource Management from Kenyatta University (KU), a Master of Science in Human Resource Management from Jomo Kenyatta University of Agriculture and Technology (JKUAT) and a Bachelor of Science in International Business Administration with a concentration in Management from USIU.

Josephine Koisaba (Independent & Non-Executive Director)



Ms Josephine Koisaba is a leadership and management expert with over 20 years of experience in Government policies, Gender, Human rights and Community Development. She has worked in several non-Governmental organizations and taken lead in Social Work, developing and managing Performance Contracts, Resource Mobilization, Food & Nutrition and Child Development Rights, among others.

Ms Koisaba holds a degree in Leadership and Management from St. Paul's University, a Diploma of Education from Universiteit van Amsterdam (Quality Improvement in Education) and a Diploma in Community Development from Kenya Institute of Social Work and Community Development.

William Rahedi (Independent & Non-Executive Director)



Mr. William Rahedi is a seasoned Independent Business and Finance Consultant with over 40 years of multidisciplinary strengths and experience in Business Investment Advisory, Banking, Finance, Treasury Management, Loan Negotiations and Agreements, Financial and Business Restructuring.

He is currently the Chairman of Spire Bank Kenya Limited and Director of Nairobi Hospice. Mr. Rahedi holds a Bachelor of Science in Business Administration (Accounting) from the United States International University (USIU) and a Master of Business Administration (Finance) from the University of Nairobi.

He is a Certified Public Accountant and a Member of Institute of Certified Public Accountants of Kenya (ICPAK).

Hon. Stephen Mutai (Independent & Non-Executive Director)



Mr. Stephen Mutai is a transformational leader with unmatched experience in Health Care Management, Policy Formation, Implementation and Reporting, Community Mobilization and Budgeting.

He has previously served as a Director and Board member at Agricultural Finance Corporation (AFC) where he spearheaded the development of new financial systems. Mr. Mutai also headed the Finance and Procurement Committee of the Board at the National Hospital Insurance Fund (NHIF)

FCPA Bernard Ndung'u Alternate to Cabinet Secretary the National Treasury - (Non-Executive Director)



FCPA Bernard Ndung'u, holds a Master's Degree in Public Finance Management from the University of London and a Bachelor of Commerce degree (Finance Option) from the University of Nairobi. He is also a Fellowship member of the Institute of Certified Public Accountants of Kenya (ICPAK). Prior to being appointed as Director General at the National Treasury in December 2014, he worked as a Director in PricewaterhouseCoopers (PwC), and previously worked for Ernst & Young.

FCPA Bernard is a Public Financial Management Specialist with experience in accountancy, audit, value-for-money review, procurement, tax, business risk analysis, systems review and re-engineering, development of process manuals, policies and procedures, training and institutional capacity building covering various sectors.

FCPA Bernard is the Director General Accounting Services and Quality Assurance at the National Treasury, Government of Kenya, a position that puts him in charge of accounting function of Government, National Sub County Treasuries, the Integrated Financial Management Information System (IFMIS), Government Digital Payments Unit and the Internal Audit Function of the National Government. He represents the Cabinet Secretary/National Treasury in various boards.

Kenya Electricity Generating Company Plc
Board of Directors (continued)
For the year ended 30 June 2023

Mr. Stephen Njue Alternate Director to Principal Secretary, State Department for Energy (Non-Executive Director)



Mr. Stephen Njue born in 1970, holds a Bachelor of Arts in Economics and Master of Business Administration in Finance from Kenyatta University. He is also a Certified Public Accountant.

He is a member of the Institute of Directors (Kenya) and Institute of Human Resource Management.

He is the Alternate Director to the Principal Secretary, Ministry of Energy (MoE). Mr. Stephen Njue is currently the Senior Deputy Director, Budget at the MoE.



Mr. Chrisologus Makokha ~ Inspectorate of State Corporations

Mr. Makokha is experienced and professional in advising Boards and Management of State Corporations on Corporate Governance and Compliance issues, Monitoring the Performance of State Corporations, Management Audits and undertaking surcharges for restitution of misappropriated Public Funds.

He has over 26 years of work experience in various Ministries and Government Institutions and extensive exposure and experience in Strategic Planning and Strategy Execution. He is an expert in the field of Statistics, encompassing Data Collection, Analysis and Dissemination, as well as Monitoring and Evaluation.

He is currently a Senior Deputy Inspector General of State Corporations in the Inspectorate of State Corporations, Office of the President. He represents the Secretary, Inspectorate of State Corporations in the KEFRI Board.

He holds a Master of Business Administration from Jomo Kenyatta University of Agriculture and Technology. He is currently a student at the same University, undertaking a PhD in Business Management.

Who Leads Us

Management

Eng. Peter Njenga ~ Managing Director & CEO



Eng. Peter Njenga joined KenGen on 17th August 2023. He brings over 31 years of experience in corporate leadership and management in the energy sector, having joined KPLC in 1991 as a graduate trainee and risen through the ranks.

Previously he was the General Manager for Infrastructure Development at Kenya Power and Lighting Company PLC, where he also held various positions in senior management spanning over 5 years.

He holds a Bachelor of Science Degree in Electrical Engineering from University of Nairobi and a Master’s Degree in Business Administration (Strategic Management) from the same institution. He has a vast in-depth range of professional training in leadership and management from different institutions including Harvard Business School and Strathmore University.

Divisions: Internal Audit, Security & Investigations, KenGen Foundation, and Events & Protocol

Responsibilities

Eng. Peter Njenga is the Managing Director & CEO of Kenya Electricity Generating Company PLC (KenGen), a position he assumed on 17th August 2023.

Kenya Electricity Generating Company Plc
Management Team
For the year ended 30 June 2023

Management

Responsibilities

FCPS Austin Ouko
Company Secretary & General Manager, Legal Affairs JSM,
LL.M, LL.B, FCI Arb



Austin A. O. Ouko is the Company Secretary & General Manager – Legal Affairs at Kenya Electricity Generating Company PLC (KenGen). He has seventeen years’ experience in both public and private sectors.

He is an Advocate of the High Court of Kenya, Commissioner for Oaths, Notary Public, registered Certified Public Secretary, Fellow of the Institute of Certified Secretaries Kenya, Fellow of the Chartered Institute of Arbitrators (UK & Kenya Branch), an Accredited Governance Auditor, member of the Law Society of Kenya, the International Bar Association, the Commonwealth Lawyers Association, and the Kenya Institute of Management.

He holds a Bachelor of Laws (LLB) and Master of Laws (LLM) in Public Finance & Financial Services Law from the University of Nairobi, Master of the Science of Law (JSM) from Stanford University Law School, California, USA. Mr. Ouko holds a Diploma in Law from the Kenya School of Law, Practice Diploma in International Commercial Law from the College of Law of England & Wales, Postgraduate Diploma in Domestic Arbitration from the Chartered Institute of Arbitrators, Advanced Diploma in Business Administration, and a Diploma in Management of Information Systems. FCS Ouko joined KenGen from the National Social Security Fund where he was the Ag. General Manager-Corporate Affairs/Corporation Secretary since December 2013. He was previously, the Legal Manager at National Social Security Fund and Senior Legal Officer at the Standard Group Limited.

Divisions: Legal, Shares & Board Services, Insurance & Ethics and Integrity

Company Secretary & Legal Affairs & General Manager legal Affairs

Mr. Ouko is responsible for driving the Company’s corporate governance agenda, providing legal guidance and support to the Board & Management and is the Secretary to the Board and all its Committees.

Management

Responsibilities

CPA Mary Maalu
General Manager, Finance & Accounts, and GM - ICT



CPA Mary Maalu is a Finance Expert with extensive experience in Audit, Financial Management and Corporate Finance. She holds Master of Business Administration (MBA) and Bachelor of Commerce (BCom) Degrees from the University of Nairobi. She is a Certified Public Accountant and a member of the Institute of Certified Public Accountants of Kenya (ICPAK).

She also holds a Certificate in Senior Leadership Management Programme (SLMP) from Strathmore University and a Certificate in Utility Regulation and Strategy from University of Florida. Previously, she has held senior positions at Ernst & Young as the Assistant Manager Audit, and at Kenya Airways where she held several managerial positions as Manager Credit Control, Manager Outstations Finance and Manager Treasury.

Mary joined KenGen in January 2011 as the Corporate Finance Manager. In August 2020, she was appointed the General Manager - Regulatory & Corporate Services (now Commercial Services) where she was responsible for Regulatory Management, Stakeholder Management, Development and Negotiation of Power Purchase Agreements (PPAs), Quality & Safety Management programmes, Communication, Community Engagement, Environment & Sustainable Development and Business Process Improvement. On 20th February 2023, she was appointed as the General Manager - Finance and Accounts, and General Manager- ICT.

Divisions: Financial Accounting & Reporting, Management Accounting, and Revenue & Treasury Management, and ICT

Her key responsibilities include management of the Company’s finances, financial reporting, raising capital for power generation projects, securing working capital facilities, budgeting process management as well managing relationships with key stakeholders within the financial markets. She is also overseeing the Company’s Information and Communication Technology Department where she is responsible for the development and maintenance of the Company’s cutting-edge ICT infrastructure and systems.

Management

Responsibilities

Eng. David Muthike
General Manager, Commercial Services



David holds a BSC (Hons) Electrical & Electronic Engineering Degree and an MBA (Strategy) both from University of Nairobi and a Post Graduate Diploma in Projects Appraisal, and Management from Maastricht School of Management, Netherlands. He also holds the Advanced Management Program from Strathmore & IESE Business Schools.

He is the Chairman of the Energy Society of Kenya and has 25 years of experience in the power sector.

Divisions: Power Purchase, Sustainable Development, Marketing & Corporate Communications, Alternative Business, and Investments

His responsibilities include: development and management of the Company's Commercial services among them PPA Negotiation and Management, New Business & Investments, Marketing & Corporate Communication, and Sustainable Development Agenda at KenGen.

Phillip Yego
General Manager, Supply Chain Management



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

He oversees the overall management of Tenders, Contracts administration, management and monitoring, Logistics and Inventory operations within the Company, key stakeholder Relationship management, Supply Chain compliance to the relevant Laws and policies.

Management

Management (KISM), Kenya Institute of Management (KIM) and the Chartered Institute of Purchasing and Supplies (MCIPS).

He joined KenGen in October 2014 and is responsible for providing oversight in the efficient and effective operations of the Supply Chain Division, which is a key enabler and driver of the KenGen business spectrum.

Prior to joining KenGen, he worked in senior management positions in various institutions which include the Kenya Agricultural Research Institute (KARI), University of Nairobi Enterprises and Services (UNES), Uchumi, Postbank and Kenya Commercial Bank (KCB). Beyond the practitioner world, Mr. Yego has added the unique technical skills in the academic sector. He also worked at Kenyatta University as a Lecturer.

Divisions: Procurement, Logistics & Inventory, Compliance & Reporting

Responsibilities

Management

Abraham Serem
General Manager, Corporate Services



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

He is a member of the Institute of Human Resource Management, Kenya Prior work experience includes Heineken East Africa Ltd where he held the position of Director, East Africa Breweries Ltd, Nampak East Africa and Reckitt Benckiser East Africa, where he held various senior managerial positions.

Mr. Serem joined KenGen management team on 1st March 2016 as the Human Resource and Administration Director.

Divisions: Human Resource Management, Administration, Property Management and Community Relations

Responsibilities

He is responsible for execution of Human Resource strategy to optimize human capital contribution and provide work environment that continuously adds value to stakeholders in provision of electric energy and business sustainability.

Elizabeth Njenga
General Manager, Business Development & Strategy



Elizabeth is building on over 15 years in strategic and project planning in the Energy Sector while working with KenGen in various positions. Elizabeth is a well skilled Energy strategy and power projects planning, appraisal and financing expert with a keen interest in Public Policy.

She holds a Master’s degree in Business Administration from the University of Nairobi; a Bachelor of Arts (Accounting & Economics) from Moi University and a Post graduate Diploma in Financial Management. She is also a Certified Public Accountant of Kenya CPA (K) and currently pursuing a Master’s degree in Public Policy in Strathmore University. Currently serving as the Business Development General Manager, she has been working as the Capital Planning and PPP Manager since 2014, and previously as Capital Planning and Strategy Manager between 2009 and 2014.

Divisions: Design & Construction, Capital & Energy Planning, Strategy, Business Process Improvement & Innovation, and Monitoring & Evaluation

Her current responsibilities include implementing KenGen’s power generation capacity expansion strategy from ideation of suitable power projects and appraisal of the same through feasibility studies, procurement of power plant consultants and contractors, managing construction of power projects as well as driving the implementation of KenGen’s first Public Private Partnership (PPP) project while also looking at new non-power generation business opportunities.

Peketsa Mangi
General Manager, Geothermal Development



Mr. Mangi is an astute Geothermal energy expert with vast experience spanning over 20 years both locally and regionally. He holds a Master of Science (Information Science) from Moi University and is currently

Key responsibilities comprise: human resource management and administration,

pursuing PhD. in Information Science from the same University. He is a Certified Project Manager (IPMA Level C). Further, he holds various certifications including: Earth Sciences, Reservoir Management, Drilling technology, Master negotiation skills, Public procurement, Geothermal projects management and financing, among others. He is currently the Vice Chairman of the Geothermal Association of Kenya (GAK), a member of the Geological Society of Kenya (GSK) and International Geothermal Association (IGA).

He has risen through the ranks to the position of Geothermal Development Director, having initially served as the Resource Development and Infrastructure Manager. Key achievements include: successful negotiation of geothermal drilling contracts in Kenya, Djibouti and Ethiopia; project manager for geoscientific studies for consultancy services, capacity expansion at Olkaria through identification of geothermal potential areas; negotiated MoU between KenGen PLC and ITC, Netherlands; the Olkaria Geothermal Spa and Demonstration Centre, successful negotiation for the grant for upgrading of Geothermal Training Centre facilities.

Divisions: Drilling & Logistics, Geothermal Resource Assessment, Reservoir & Steam field and Civil Infrastructure

Management
Eng. Julius Odumbe
General Manager, Operations



Eng. Julius Odumbe is a licensed Consulting Engineer in good standing with both Engineers Board of Kenya (EBK) & IEK. His eminence in engineering field propelled him to the highest Engineering category of a Fellow in the Institute of Engineers of Kenya (IEK).

He holds a Master of Business Administration (MBA) degree from Jomo Kenyatta University of Agriculture and Technology (JKUAT), a Bachelor of Science degree in Mechanical Engineering from the University of Nairobi and a Diploma in Project Management from Galilee College, (Israel).

He also holds a certificate in Gender Equity Executive Leadership Program from Georgetown University McDonough School of Business in partnership with USAID’s Engendering Industries Program,

power plant availability, steam availability, reservoir management, drilling operations and management, resource exploration, projects planning and management, infrastructure development, budget management, and coordinating environmental and social impacts assessment frameworks.

Responsibilities

He was appointed as the General Manager Operations on 1st July 2022 where he is responsible for overseeing Operations and Maintenance (O&M) of all KenGen power plants, ensuring attainment of PPA target availability at optimized costs, Rehabilitation and upgrade of plants through uptake of latest technology to improve operation and extend effective plant life, Continuous improvement and automation of systems to align with best practice, optimum power dispatch and scheduling of major plant outages through effective collaboration with the off taker, facilitate design and implementation of

Kenya Electricity Generating Company Plc
Management Team
For the year ended 30 June 2023

Certificate in Corporate Senior Leadership Management Program (SLMP) from Strathmore Business School & Nanyang Technological University - Singapore, Certificate in Self Awareness and Effective Leader from Rice University, Certificate in Balanced score card from Strathmore Business School and Certificate of Proficiency in Insurance from Kenya College of Insurance among many others. This is a testament that he strongly values personal development in all spheres of life.

Eng. Odumbe boasts of an illustrious career in Operation and Maintenance (O&M) of equipment spanning over 30 years. As the General Manager in charge of Operations Department, he provides leadership to over 850 employees.

Divisions: Power Generation - Geothermal, Eastern, Western, Thermal, Wind Farms, Electrical & Automation Engineering, Electricity Dispatch and Quality & Safety.

optimum power evacuation arrangements, Involvement in power purchase agreement negotiations, Coordination of bulk energy billing and collaborating with key sector players to ensure a stable and secure national grid.

Kenya Electricity Generating Company Plc

Shareholding

For the year ended 30 June 2023

Shareholding

In line with the Continuing Obligations for listed companies as prescribed by the Capital Markets Authority and Nairobi Securities Exchange, KenGen files Investors’ Returns monthly.

List of top ten shareholders as at 30 June 2023

	Names	Shares	Percentage
1	Cabinet Secretary - The National Treasury	4,615,424,088	69.99%
2	Stanbic Nominees Limited	495,348,189	7.51%
3	Stanbic Nominees Limited	145,855,600	2.21%
4	Standard Chartered Nominees Ltd A/C KE002339	120,000,000	1.82%
5	Standard Chartered Nominees RESD A/C KE11450	64,702,437	0.98%
6	Stanbic Nominees Limited R6631578	60,148,649	0.91%
7	Standard Chartered Nominees RESD A/C KE11443	40,163,194	0.61%
8	Mavji, Ramila Harji	31,710,100	0.48%
9	Njihia, Waithaka Ng'ang'a	17,000,000	0.26%
10	Standard Chartered Nominees RESD A/C KE11436	16,650,190	0.25%
11	Standard Chartered Nominees RESD A/C KE11401	16,650,190	0.25%
12	Shah, Mansukhlal Khetshi Dharamshi; Shah,Vijayaben Mansukhlal Khetshi	15,184,600	0.23%
13	Nic Custodial Services A/C 077	14,131,414	0.21%
14	Equity Nominees Limited A/C 00099	12,596,799	0.19%
15	Varsani, Suresh Naran Ratna	12,000,000	0.18%
16	Dhanji, Gudhka Ratilal; Gudhka, Chandrikaben Ratilal	10,719,300	0.16%
17	Raikundalia, Sanjaikumar Kantilal; Raikundalia, Neha Sanjai	10,301,108	0.16%
18	Standard Chartered Kenya Nominees LTD A/C KE002749	8,356,863	0.13%
19	Kenya Commercial Bank Nominees Limited A/C 915B Kenya Commercial Bank Nominees Limited A/C 915B	8,086,825	0.12%
20	Standard Chartered Kenya Nominees LTD A/C KE003519	7,676,700	0.12%
21	Others-190,743	871,816,093	13.22%
	Grand Totals:	6,594,522,339	100.00%

Distribution of Shareholders

	Range	Records	Range Total	Percentage
1	1 to 500	82,668	19,704,444	0.30%
2	501 to 1000	34,330	27,369,150	0.42%
3	1001 to 5000	48,894	109,036,060	1.65%
4	5001 to 10000	16,359	110,135,648	1.67%
5	10001 to 50000	6,923	140,192,500	2.13%
6	50001 to 100000	776	55,013,377	0.83%
7	100001 to 500000	610	126,157,942	1.91%
8	500001 to 1000000	94	66,380,719	1.01%
9	1000001 to 2000000000	109	5,940,532,499	90.08%
	Grand Totals:	190,763	6,594,522,339	100.00%

Summary Returns

Investor Pool	Records	Shares	Percentage
Local Institutions	7,932	5,043,387,937	76.48%
Foreign Investors	939	851,347,247	12.91%
Local Individuals	181,892	699,787,155	10.61%
Grand Totals:	190,763	6,594,522,339	100.00%

Kenya Electricity Generating Company Plc
 Business Overview
 For the year ended 30 June 2023

Business Overview

The Financial Year ended 30 June 2023, has been characterized by a mix of opportunities and challenges, however the business has resiliently performed well. This report highlights the operating environment and the financial performance for the year ended 30 June 2023.

KenGen endured the challenging business environment to achieve strong financial performance during the period. The generation assets performed exceptionally well compared to the previous year with minimal outages despite the country experiencing low rainfall within the year resulting to below normal and near normal flows in some of our dams.

This growth was catalysed by the addition of 86MW from the Olkaria I Unit 6 geothermal plant in June 2022 which was critical in securing the national power supply when our hydro generation was low due to the prolonged drought. In addition, the Olkaria I unit 6 plant also increased KenGen’s overall unit sales from 7,918 GWh in 2022 to 8,027 GWh for the period ended 30 June 2023. The power plant output performance in terms of generation mix is summarized below.

Electricity Unit Sales (GWH)

	2023	2022	Change
Source			
Hydro	2,520	3,307	-24%
Geothermal	5,090	3,977	28%
Thermal	360	580	-38%
Wind	57	54	6%
Total	8,027	7,918	1%

Revenue

Revenue grew by13.7% from Shs 47,476 million in the previous year to Shs 53,964 million in 2023, mainly driven by electricity and steam revenues which increased by 25.2 % and 19.7% respectively as a result of higher dispatch from Geothermal generation owing to fewer breakdowns. Revenue from foreign operations decreased by 50.9% owing to reduced undertakings in Ethiopia & Djibouti. Other revenue streams decreased as follows: fuel (15.6%) due to less dispatch, water charge (23.6%) due to lower water levels in the dams.

Other income and gains/(losses)

Other income increased by 170.8% from Shs 769 million to Shs. 2,084 million compared to previous year, attributable to income from insurance compensation of Shs 1,239 million for Olkaria V breakdown which was concluded during the year.

Other gains relate to foreign exchange valuations and fair value measurements of financial assets. The amount increased by 183.2% from a loss of Shs 515 million to a gain of Shs 428 million during the period, mainly attributable to fair value gain on a financial asset through profit or loss as a result of depreciation of the Kenyan Shilling against other major currencies specifically USD, JPY and Euro.

Kenya Electricity Generating Company Plc
Business Overview
For the year ended 30 June 2023

Expenses

Reimbursable expenses decreased by 16.8% from Shs 9,753 million to Shs 8,121 million, attributable to lower dispatch from the thermal power plants arising from breakdowns in Kipevu I power plant.

Depreciation expense increased by 26.8% from Shs 12,462 million to Shs 15,800 million mainly as a result of revaluation of assets and completion of Olkaria I Unit 6 in June 2022 thereby having a full year's impact in the current financial year.

Employee expenses increased by 11.6% from Shs 8,247 million to Shs 9,206 million mainly attributable to Collective Bargaining agreement (CBA), Cost of living adjustment and implementation of new Human Resources Instruments approved by State Corporation Advisory Committee (SCAC) to align with other Government institutions.

Steam costs are incurred in respect to supply of steam used in generation of power from third party owned wells. The costs increased from Shs 3,093 million to Shs 3,731 million due improved dispatch from wells that are vested to GDC to run Olkaria I AU, Olkaria IV and Wellheads to mitigate against poor hydrology. This increased by 20.6% as compared to the previous year.

The plant operation and maintenance (O&M) expenses decreased from Shs 3,151 million to Shs 2,980 million, a decline of 5.4% owing to lower breakdowns.

Other expenses increased by 62.7% from Shs 4,343 million to Shs 7,067 million, mainly attributed to increased insurance costs by Shs 1,320 million, Impairment of Kipevu I and Muhoroni Power Plants by Shs 899 million, impairment of inventory 703 million for Kipevu I and Muhoroni.

Finance income/ expense

Finance income decreased by 18.5% from Shs 2,073 million in 2022 to Shs 1,689 million in 2023 attributable to decline in interest charged to KPLC for late payments following adjustment to close on the disputed amount and improved payments during the period.

Finance costs increased by 39.4% from Shs 1,960 million in the previous year to Shs 2,732 million, attributable to the depreciation of the Kenyan Shillings against other major currencies which closed at Shs 140.52 for the Dollar up from Shs 117.87, Shs 152.98 for the Euro up from Shs 123.06 and Shs 0.9700 for the Yen up from Shs 0.8642 in the previous year.

Results

The profit before tax increased by 37.7% from Shs 6,192 million to Shs 8,525 million while the profit after tax increased by 48.3% from Shs 3,382 million to Shs 5,016 million due to increased revenue.

Financial position

Total assets grew by 3.3% from Shs 500,312 million to Shs 516,577 million, mainly attributable to fair valuation of the financial assets and costs associated with the upcoming power plants.

Cash flows

The cash and bank balances increased from Shs 12,655 million to Shs 15,474 million mainly due to improved KPLC debt repayment and valuation of foreign currency denominated balances.

Kenya Electricity Generating Company Plc
Report of Directors
For the year ended 30 June 2023

REPORT OF DIRECTORS

The Directors submit their report together with the audited financial statements of Kenya Electricity Generating Company Plc (the “Company” or “KenGen”) for the year ended 30 June 2023.

Principal Activities

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

Results

The results of the entity for the year ended 30 June 2023 are set out on page 30 - 31. Below is summary of the profit or loss made during the year.

	2023 Shs’000	2022 Shs’000
Profit before income tax	8,524,816	6,191,985
Income tax expense	(3,508,339)	(2,810,237)
Profit for the year	5,016,477	3,381,748
Other comprehensive loss for the year, net of tax	(4,101,756)	66,211,409
Total comprehensive income for the year	914,721	69,593,157

Recommended dividend

Subject to the approval of the shareholders, the Directors propose payment of a first and final dividend of Shs 1,978 million (2022: Shs 1,319 million) for the year representing Shs 0.30 (2022: Shs 0.20) per issued ordinary share.

Directors

The Directors who held office during the year and to the date of this report are disclosed on page 2.

Disclosures to the auditor

The Directors confirm that with respect to each Director at the time of approval of this report:

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

Kenya Electricity Generating Company Plc
Report of Directors (Continued)
For the year ended 30 June 2023

Terms of appointment of auditors

The Auditor-General is responsible for the statutory audit of the Company’s financial statements in accordance with Section 35 of the Public Audit Act, 2015. Section 23(1) of the Act empowers the Auditor-General to appoint other auditors to carry out the audit on his behalf. Accordingly, Deloitte & Touche LLP were appointed to carry out the audit for the year ended 30 June 2023.

The Directors monitor the effectiveness, objectivity and independence of the auditor. This responsibility includes the approval of the audit engagement contract and the associated fees on behalf of the shareholders.

By order of the Board



Company Secretary

26/10/.....2023

Kenya Electricity Generating Company Plc
Statement of Directors' Responsibilities
For the year ended 30 June 2023

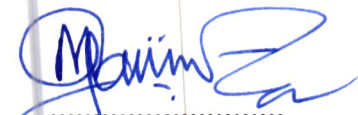
The Kenyan Companies Act, 2015, requires the directors to prepare financial statements for each financial year that give a true and fair view of the financial position of the Company as at the end of the financial year and its profit or loss for that year. The Directors are responsible for ensuring that the Company keeps proper accounting records that are sufficient to show and explain the transactions of the Company. They are also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and error.

The Directors accept responsibility for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Kenyan Companies Act, 2015. They also accept responsibility for:

- i. Designing, implementing and maintaining internal controls as they determine necessary, to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error;
- ii. Selecting suitable accounting policies and then apply them consistently; and
- iii. Making judgements and accounting estimates that are reasonable in the circumstances.

Having made an assessment of the company's ability to continue as a going concern, the directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the company's ability to continue as a going concern.

The Directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.


.....
Julius Migos Ogamba
Chairman


.....
Samuel Kimani
Director


.....
Peter Njenga
Managing Director & CEO

Kenya Electricity Generating Company Plc
Director's Remuneration report
For the year ended 30 June 2023

INFORMATION NOT SUBJECT TO AUDIT

The Company's Directors Remuneration Policy and Strategy

The Board establishes and approves formal and transparent remuneration policies to attract and retain both executive and non-executive Board members.

These policies clearly stipulate remuneration elements such as Directors' fees, honorarium and attendance allowances that are competitive and in line with those of other agencies in the industry and with the State Corporations Act.

In accordance with the guidelines provided in the State Corporations Act and issued by the Salaries & Remuneration Commission as well as shareholder approval granted at the Annual General Meeting; The Directors are paid a taxable sitting allowance of Shs 20,000 for every meeting attended. The Chairman is paid a monthly honorarium of Shs 80,000. The Board members are paid an annual Directors fee of Shs 600,000 subject to approval by the shareholders. It is proposed that each non-executive Director receives a fee of Shs 600,000 excluding sitting allowances and honorarium for the financial year ended 30 June 2023 subject to approval by shareholders during the Annual General Meeting.

The total expenses incurred in the course of enabling the directors discharge their mandate are charged to the statement of profit or loss (Note 10(e)).

Kenya Electricity Generating Company Plc does not grant personal loans, guarantees, share options or incentives to its Directors.

Contract of Service

In accordance with the Capital Markets Authority (CMA) regulations on non-executive Directors, a third of the Board is elected at every Annual General Meeting by the shareholders for a term of 3 years on rotation basis.

The Managing Director and CEO has a three (3) year renewable contract of service with Kenya Electricity Generating Company Plc. The Managing Director & CEO was appointed on 17th August 2023.

Changes to Directors Remuneration

During the period, there were no changes in Directors Remuneration which is set as per the guidelines provided in the State Corporations Act and the Salaries & Remuneration Commission.

Statement of Voting on the Directors Remuneration Report at the Previous Annual General Meeting

During the Annual General Meeting held on 26th January 2023, the shareholders approved the payments of Directors fees for the year ended 30 June 2022 through virtual voting.

Approval will be sought at the upcoming Annual General Meeting from shareholders to pay Directors fees for the financial year ended 30 June 2023.

Kenya Electricity Generating Company Plc
Director's Remuneration report (Continued)
For the year ended 30 June 2023

INFORMATION SUBJECT TO AUDIT

The following tables shows a single figure remuneration for the Managing Director and CEO and Non-Executive Directors in respect of qualifying services for the year ended 30 June 2023 together with the comparative figures for 2022. The aggregate Directors' emoluments are shown in note 37(f).

For the year ended 30 June 2023

Non-Executive Directors

Name	Category & Period of Service	Salary	Directors Fees	Sitting Allowances	Honorarium	Telephone	Total
		Shs'000	Shs'000	Shs'000	Shs '000	Shs '000	Shs '000
Julius Migos Ogamba	Chairman (Appointed on 28 th February 2023)	-	200	960	320	28	1,508
General (Rtd) Samson Mwathethe	Chairman (Retired on 28 th February 2023)	-	400	820	640	56	1,916
Prof. Njuguna Ndung'u	Non-Executive	-	600	-	-	-	600
Alex Wachira	Non-Executive	-	600	60	-	-	660
Joseph Sitati	Non-Executive-(Retired on 28 th February 2023)	-	350	660	-	-	1,010
Maurice Nduranu	Non-Executive – (Retired on 28 th February 2023)	-	350	1,180	-	-	1,530
Phyllis Wakiaga	Non-Executive- (Retired on 26 th January, 2023)	-	350	380	-	-	730
Peris Mwangi	Non-Executive-Retired on 26 th January, 2023)	-	350	780	-	-	1,130
James Opindi	Non-Executive	-	600	1,740	-	-	2,340
Samuel Kimani	Non-Executive	-	600	1,420	-	-	2,020
Winnie Pertet	Non-Executive	-	600	1,860	-	-	2,460
Josephine Koisaba	Non-Executive-(Appointed on 26 th January, 2023)	-	250	940	-	-	1,190
Dr. Rosemarie Wairimu Wanyoike	Non-Executive--(Appointed on 26 th January, 2023)	-	250	1,000	-	-	1,250
William Rahedi	Non-Executive--(Appointed on 28 th February 2023)	-	250	940	-	-	1,190
Hon. Mutai Stephen Kipkoech	Non-Executive--(Appointed on 28 th February 2023)	-	250	900	-	-	1,150
Bernard Ndungu	(Alternate to CS National Treasury & Planning)	-	-	360	-	-	360
Stephen Njue	(Alternate to PS Ministry of Energy	-	-	980	-	-	980
Chris Makokha	(Appointed on 26 th January, 2023	-	-	500	-	-	500
Peter Nyutu	(Retired on 26 th January, 2023)	-	-	894	-	-	894
Total		-	6,000	16,374	960	84	23,418

Executive Directors

Abraham Serem	Ag. Managing Director and CEO (Served until on 17th August 2023)	15,045	-	-	-	-	15,045
Rebecca Miano	Managing Director and CEO (Retired on 28th October 2022)	5,188	-	-	-	-	5,188
Total		20,233	-	-	-	-	20,233

Kenya Electricity Generating Company Plc
 Director’s Remuneration report (Continued)
 For the year ended 30 June 2023

INFORMATION SUBJECT TO AUDIT (continued)

For the year ended 30 June 2022

Non-Executive Directors

Name	Category	Salary	Directors Fees	Sitting Allowances	Honorarium	Telephone	Total
		Shs'000	Shs'000	Shs'000	Shs '000	Shs '000	Shs '000
General (Rtd) Samson Mwathethe	Chairman	-	600	1,000	960	84	2,644
Ukur Yattani (CS, The National Treasury and Planning)	Non-Executive	-	600	-	-	-	600
Gordon O. Kihlangwa (PS, Ministry of Energy)	Non-Executive	-	600	-	-	-	600
Joseph Sitati	Non-Executive	-	600	1,080	-	-	1,680
Maurice Nduranu	Non-Executive	-	600	1,740	-	-	2,340
Phyllis Wakiaga	Non-Executive	-	600	1,012	-	-	1,612
Peris Mwangi	Non-Executive	-	600	1,520	-	-	2,120
James Opindi	Non-Executive	-	600	1,560	-	-	2,160
Samuel Kimani	Non-Executive	-	600	1,366	-	-	1,966
Winnie Pertet	Non-Executive	-	600	1,660	-	-	2,260
Bernard Ndungu (Alternate to CS National Treasury & Planning)		-	-	520	-	-	520
Humphrey Muhu (Alternate to CS National Treasury & Planning)	Non-Executive	-	-	20	-	-	20
Stephen Njue (Alternate to PS Ministry of Energy)	Non-Executive	-	-	420	-	-	420
William Mbaka - (Alternate to PS Ministry of Energy)	Non-Executive	-	-	426	-	-	426
Peter Nyutu		-	-	1,620	-	-	1,620
Total		-	6,000	13,944	960	84	20,988

Executive Director

Rebecca Miano	Managing Director and CEO	19,912	-	-	-	-	19,912
Total		19,912	-	-	-	-	19,912

On behalf of the Board

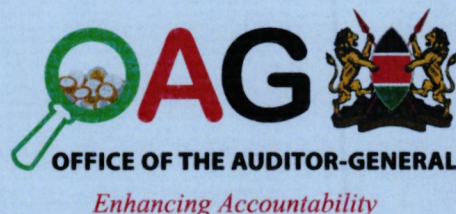


Secretary

Date: ... 26/10/..... 2023

REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke
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HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KENYA ELECTRICITY GENERATING COMPANY PLC FOR THE YEAR ENDED 30 JUNE, 2023

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 the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, 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

Opinion

The accompanying financial statements of Kenya Electricity Generating Company PLC set out on pages 30 to 127, which comprise of the statement of financial position as at 30 June, 2023, statement of profit or loss and other comprehensive income, statement of

Report of the Auditor-General on Kenya Electricity Generating Company PLC for the year ended 30 June, 2023

changes in equity, statement of cash flows, and a summary of significant accounting policies and other explanatory information, have been audited on my behalf by Deloitte & Touché, auditors appointed under Section 23 of the Public Audit Act, 2015. The auditors have duly reported to me the results of their audit and on the basis of their report, I am satisfied that all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit were obtained.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Kenya Electricity Generating Company PLC as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Public Finance Management Act, 2012 and the Companies Act, 2015.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Electricity Generating Company PLC 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 opinion.

Emphasis of Matter

1. Financial Assets Held at Amortised Cost-Contract Asset

I draw attention to Note 18 (d) to the financial statements which discloses contract asset held at amortised cost amounting to Kshs.5,347,560,000 relating to the Olkaria IV and I AU substation. The construction of the assets was done by the Company and completed in the year 2015. The asset has been utilized by Kenya Electricity Transmission Company Limited (KETRACO) since completion in the year 2015 for evacuation of power from Olkaria to the National grid.

The asset construction and implementation agreement indicated that the Company was to sign a novation agreement with KETRACO that would govern the transfer of assets in fulfilment of obligations thereof. This was in line with the Kenya Electricity Transmission Company Ltd mandate as outlined in Sessional Paper No.4 of 2004, on Energy and Energy Act, 2016 to evacuate all power generated in the country to the national grid. However, by the time of conclusion of the audit, the novation agreement had not been signed even though the operation of the substation had already been transferred to KETRACO. There have been ongoing discussions for the National Treasury as per letter referenced DGIPE/loans/84 dated 21 August, 2023 to take over the loan in respect to this asset and facilitate full transfer of the asset to KETRACO. As at the time of the audit the agreement with the National Treasury was yet to be concluded.

2. Impairment of Property, Plant and Equipment

The statement of profit or loss and other comprehensive income includes a net impairment charge amounting to Kshs.4,980,578,000, as recorded in the other comprehensive loss, and Kshs.899,760,000 recorded in profit or loss as disclosed in Note 10(g). These amounts relate to provisions made for assets that have been deemed as impaired by the Company. Included in these amounts are Kshs.1,899,235,000 and Kshs.200,888,000 respectively, that represent full impairment of Muhoroni power station. The Power Purchase Agreement (PPA) for this plant expired in April, 2023 and is currently under negotiation for extension. Evidence obtained during the audit indicated that the negotiations are ongoing for an extension of the PPA for a period of two years, with a clearance from the Ministry of Energy as per letter referenced MOE/CON/1/69 dated 23 August, 2023. However, the effect of this potential extension has not been factored in determining the level of impairment that has been recorded in the financial statements as Management is of the opinion that the extension is uncertain since the plant has been idle and off grid since April, 2023 to date.

My opinion is not modified in respect of the effects of the above matters.

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. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on them. For the matter below, a description of how the audit addressed the matter is provided in that context.

Key Audit Matter	How Audit Addressed the Key Audit Matter
Impairment of Property, Plant and Equipment	
The carrying value of the Company's property, plant and equipment amounts to Kshs.432 billion as reported on the statement of financial position and include the following main categories of assets - land, buildings, transmission lines, plant and machinery and work in progress. These assets are disclosed in Note 15 to the financial statements and are significant to the statement of financial position.	I performed the following procedures, among others, to address the key audit matter: The audit procedures focused on reviewing the reasonableness of assumptions made and methodologies used to ensure that they are reasonable and appropriate given our understanding of similar situations.
An impairment assessment was performed on these assets by Management and a net impairment provision of	I obtained management's assessment of the indicators of impairment and reviewed the key assumptions made with the objective of testing their reasonableness based on evidence available.

Key Audit Matter	How Audit Addressed the Key Audit Matter
Impairment of Property, Plant and Equipment Kshs.4,980,578,000 and Kshs.899,760,000 made in the statement of profit or loss and other comprehensive income respectively. These provisions have been disclosed under other comprehensive income and Note 10(g) to the financial statements respectively. In particular, Management identified impairment indicators in the plant and machinery assets related to Olkaria 1, Muhoroni and Kipevu I power stations, whose Power Purchase Agreements (PPA) expired in February 2023, April 2023 and June 2023, respectively. Olkaria 1 is undergoing rehabilitation while the PPA for Muhoroni power station is undergoing negotiation for a possible extension of two years. Management reported that there was no substantive discussion on the PPA related to Kipevu I power station as a decision had not been made. Significant judgments are required by the directors in the impairment assessment of these assets in line with the accounting policies and International Accounting Standard (IAS 36), Impairment of Assets. My audit attention was directed at this area because of the significance of the carrying values of these assets and the risk that inappropriate judgments or assumptions could lead to material misstatements in the financial statements. For the purposes of the audit, I therefore, identified the impairment of property, plant and equipment as representing a key audit matter.	I challenged the significant judgments made and conclusions reached. My audit procedures focused on understanding the basis of the judgments made considering audit evidence which we could obtain during the audit and our understanding of the nature and use of these assets. I obtained the impairment valuation and analysis prepared by Management and tested the approach applied for appropriateness. I also tested the data used in the impairment calculations for accuracy and completeness. With regards to my analysis of the overall impairment assessment, I did not identify any significant issues with the approach used by Management and I concluded that it was consistent with IAS 36 and the company's accounting policies, in all material respects. I also did not identify any material misstatement in the data used in the calculations in respect of its accuracy and completeness. With regards to Muhoroni power station, I noted Management's assessment that the plant is fully impaired despite the ongoing discussions on the extension of its PPA. This matter has been discussed under the emphasis of matter.

I have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit section of the report, including in relation to these matters. Accordingly, the audit included

the performance of procedures designed to respond to the assessment of the risk of material misstatement of the financial statements. The results of the audit procedures, including the procedures performed to address the matters below, provide the basis for my opinion on the accompanying financial statements.

Other Information

The Directors are responsible for the other information, which comprises Corporate information, the Chairman's Statement, Managing Director's Statement, the Statement of Corporate Governance, Directors Report, Directors Remuneration Report and the Statement of Directors' Responsibilities. The other information does not include the financial statements and my auditor's report thereon.

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

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, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

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, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

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 the audit that:

- (i) In my opinion, the information given in the report of the directors on pages 24 to 25 is consistent with the financial statements.
- (ii) In my opinion, the auditable part of the directors' remuneration report on pages 28 to 29 has been properly prepared in accordance with the Companies Act, 2015 and are in agreement with the accounting records.

Responsibilities of Management and Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, 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 control 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 control 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 policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional scepticism 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 control.
- 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 control 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 which may reasonably be thought to bear on my independence and where applicable, related safeguards.

From the matters communicated with Management, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. These matters are described in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

26 October, 2023

Kenya Electricity Generating Company Plc
Financial Statements
For the year ended 30 June 2023

Statement of profit or loss and other comprehensive income

	Notes	2023 Shs'000	2022 Shs'000 (Restated)*
Revenues from contracts with customers			
Electricity revenue	6 (a)	38,783,964	30,973,503
Steam revenue	6 (a)	6,129,269	5,119,412
Fuel charge	6 (a)	8,165,345	9,672,038
Water charge	6 (a)	125,892	164,872
Revenue from foreign operations	6 (a)	759,207	1,546,647
Total revenue		53,963,677	47,476,472
Reimbursable expenses			
Fuel costs	7	(7,995,258)	(9,587,828)
Water costs	7	(125,892)	(164,872)
Total reimbursable expenses	7	(8,121,150)	(9,752,700)
Revenue less reimbursable expenses		45,842,527	37,723,772
Other income	8	2,083,709	769,403
Other gains/(losses) – net forex and fair valuation of financial assets	9	428,317	(514,978)
Operating income		48,354,553	37,978,197
Expenses			
Depreciation and amortization	10 (a)	(15,800,445)	(12,461,630)
Employee expenses	10 (b)	(9,206,178)	(8,246,955)
Steam costs	10 (c)	(3,731,112)	(3,093,308)
Plant operation and maintenance	10 (d)	(2,979,740)	(3,151,087)
Other expenses	10 (e)	(7,067,800)	(4,343,426)
Allowance for expected credit losses	10 (f)	(1,162)	(601,984)
Operating profit		9,568,116	6,079,807
Finance income	11	1,688,805	2,072,598
Finance costs	12	(2,732,105)	(1,960,420)
Profit before income tax		8,524,816	6,191,985
Income tax charge	13(a)	(3,508,339)	(2,810,237)
Profit for the year		5,016,477	3,381,748
Earnings per share:			
Basic and diluted (Shs per share)	14	0.76	0.51

*See note 44 for details regarding restatement

Kenya Electricity Generating Company Plc
 Financial Statements (Continued)
 For the year ended 30 June 2023

Statement of profit or loss and other comprehensive income (continued)

	Notes	2023 Shs'000	2022 Shs'000 Restated*
Profit for the year		<u>5,016,477</u>	<u>3,381,748</u>
Other comprehensive loss, net of income tax:			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of retirement benefit obligations	29a(ii)	(860,574)	(675,499)
Deferred income tax thereon	26	258,172	202,650
Net (impairment)/revaluation gain on revaluation assets	26	(4,980,578)	88,865,929
Deferred income tax thereon	30	1,494,173	(22,166,245)
		<u>(4,088,807)</u>	<u>66,226,835</u>
Items that may be reclassified subsequently to profit or loss when specific conditions are met:			
Net loss on revaluation on financial instruments measured at FVOCI	26	(18,498)	(22,037)
Deferred income tax thereon	26	5,549	6,611
		<u>(12,949)</u>	<u>(15,426)</u>
Other comprehensive (loss)/income for the year, net of tax		<u>(4,101,756)</u>	<u>66,211,409</u>
Total comprehensive income for the year		<u>914,721</u>	<u>69,593,157</u>

*See note 44 for details regarding restatement

Kenya Electricity Generating Company Plc
 Financial Statements (Continued)
 As at 30 June 2023

Statement of financial position

		2023	2022	1 July 2021
		Shs'000	Shs'000	Shs'000
ASSETS				
Non-current assets	Notes		Restated*	Restated*
Property, plant and equipment	15(a)	432,483,315	440,181,406	353,249,245
Intangible assets	16	2,256,114	2,259,146	1,523,213
Right of Use assets	17	6,579,750	6,817,943	4,733,193
Financial assets at amortized cost	18	4,358,942	4,443,409	4,642,164
Contract asset	18(d)	5,347,560	4,595,112	4,496,503
Financial assets at fair value through profit or loss	19	17,816,799	2,888,923	8,526,063
Restricted cash balances	24(b)	1,861,357	1,344,220	1,117,241
		470,703,837	462,530,159	378,287,622
Current assets				
Inventories	20	1,848,446	1,447,124	2,051,828
Trade receivables	21	21,448,878	20,594,295	24,348,846
Corporate tax recoverable	13(c)	441,713	348,627	385,696
Financial assets at amortized cost	18	137,244	136,046	140,653
Financial assets at fair value through profit or loss	19	2,236,554	1,104,809	1,084,721
Other receivables and prepayments	22	4,441,700	1,428,312	1,755,119
Financial asset at fair value through other comprehensive income	23	320,422	338,920	360,957
Cash and bank balances	24(a)	14,998,431	12,383,934	12,505,186
		45,873,388	37,782,067	42,633,006
TOTAL ASSETS		516,577,225	500,312,226	420,920,628
EQUITY AND LIABILITIES				
Equity attributable to owners				
Share capital	25	16,487,710	16,487,710	16,487,710
Share premium	25	22,151,131	22,151,131	22,151,131
Other reserves	26	122,361,165	129,272,244	65,051,484
Retained earnings	27	113,193,447	106,686,340	103,291,982
		274,193,453	274,597,425	206,982,307
Non- current liabilities				
Borrowings	28	137,042,085	122,216,146	134,777,599
Deferred income tax	30	81,629,986	80,216,843	55,786,804
Lease liabilities	31	691,876	828,574	656,192
Grants	32	833,351	331,949	200,000
Non-current payables		-	-	1,030,082
		220,197,298	203,593,512	192,450,677
Current liabilities				
Borrowings	28	12,809,721	11,916,546	10,797,898
Trade and other payables	33	8,293,841	8,594,803	8,115,264
Provision for compensating tax	34	-	-	401,022
Lease liabilities due within one year	31	159,826	225,312	195,103
Dividends payable	35	923,086	1,384,628	1,978,357
		22,186,474	22,121,289	21,487,644
TOTAL EQUITY AND LIABILITIES		516,577,225	500,312,226	420,920,628

*See note 44 for details regarding restatement
 The financial statements on pages 30 to 127 were approved and authorised for issue by the Board of Directors on
 26/10/2023 and were signed on its behalf by:


 Julius Migos Ogamba
 Chairman


 Samuel Kimani
 Director


 Peter Njenga
 Managing Director & CEO

Kenya Electricity Generating Company Plc
Financial Statements (Continued)
For the year ended 30 June 2023

Statement of changes in equity

	Share capital Shs'000	Share premium Shs'000	Other Reserves Shs'000	Retained earnings Shs'000	Total Shs'000
As at 1 July 2022 – As previously stated	16,487,710	22,151,131	128,419,108	108,023,752	275,081,701
Prior year adjustment - profit or loss				(1,337,412)	(1,337,412)
Prior year adjustment - other comprehensive income			853,136		853,136
As at 1 July 2022 - Restated*	16,487,710	22,151,131	129,272,244	106,686,340	274,597,425
Profit for the year	-	-	-	5,016,477	5,016,477
Other comprehensive income	-	-	(4,101,756)	-	(4,101,756)
Total comprehensive income for the year	-	-	(4,101,756)	5,016,477	914,721
Transfer of excess depreciation	-	-	(4,013,319)	4,013,319	-
Deferred tax on excess depreciation	-	-	1,203,996	(1,203,996)	-
Dividends declared to equity holders (Note 35)	-	-	-	(1,318,693)	(1,318,693)
As at 30 June 2023	16,487,710	22,151,131	122,361,165	113,193,447	274,193,453
Note	25	25	26	27	

*See note 44 for details regarding restatement

Kenya Electricity Generating Company Plc
 Financial Statements (Continued)
 For the year ended 30 June 2023

Statement of changes in equity (continued)

	Share capital Shs'000	Share premium Shs'000	Other Reserves Shs'000	Retained earnings Shs'000	Total Shs'000
As at 1 July 2021	16,487,710	22,151,131	65,051,484	103,291,982	206,982,307
Profit for the year (restated)*	-	-	-	3,381,748	3,381,748
Other comprehensive income (restated)*	-	-	66,211,409	-	66,211,409
Total comprehensive income for the year	-	-	66,211,409	3,381,748	69,593,157
Transfer of excess depreciation	-	-	(2,843,784)	2,843,784	-
Deferred tax on excess depreciation	-	-	853,135	(853,135)	-
Dividends declared to equity holders (Note 35)	-	-	-	(1,978,039)	(1,978,039)
As at 30 June 2022 as restated*	16,487,710	22,151,131	129,272,244	106,686,340	274,597,425
Note	25	25	26	27	

*See note 44 for details regarding restatement

Kenya Electricity Generating Company Plc
Financial Statements (Continued)
For the year ended 30 June 2023

Statement of cash flows

	Note	2023 Shs '000	2022 Shs '000 Restated*
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	36(a)	22,355,242	26,179,415
Income tax paid	13(c)	(430,388)	(300,113)
Finance income received	36(b)	1,301,881	1,176,203
Payment of compensating tax	34	-	(401,022)
Net cash generated from operating activities		23,226,735	26,654,483
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	15	(10,396,683)	(10,498,762)
Staff costs incurred in capital projects	15	(2,815,221)	(2,611,466)
Interest costs incurred in capital projects	15	(396,423)	(903,447)
Purchase of intangible assets	16	(226,949)	(741,376)
Movement in restricted cash	24(b)	(524,495)	(1,350,709)
Grants received	32	501,402	131,949
Net cash used in investing activities		(13,858,369)	(15,973,811)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	28(d)	12,471,626	1,688,919
Principal loan repayments	28(d)	(14,713,281)	(9,146,656)
Finance costs paid	36(c)	(2,876,753)	(1,876,248)
Dividends paid	35	(1,780,235)	(2,571,768)
Payment of lease liabilities	31	(231,802)	(194,282)
Net cash used in financing activities		(7,130,445)	(12,100,035)
Net increase/(decrease) in cash and cash equivalents		2,237,921	(1,419,361)
Cash and cash equivalents at the beginning of the year	24	12,655,202	13,859,284
Effects of exchange rate changes on cash and bank balances	36(d)	580,880	215,279
CASH AND CASH EQUIVALENTS AT END OF YEAR	24	15,474,003	12,655,202

1 General information

Kenya Electricity Generating Company PLC (KenGen) is a company limited by shares incorporated and registered in Kenya under the Kenyan Companies Act, 2015. The Company was incorporated in 1954 as Kenya Power Company Limited (KPC) and was under management of The Kenya Power & Lighting Company Plc (Kenya Power). In 1997, the management was separated from Kenya Power and Lighting Company and the Company was renamed Kenya Electricity Generating Company Plc (KenGen) following the implementation of the reforms in the energy sector. Its core business is to develop, manage and operate power generation plants to supply electric power to the Kenyan market. The equity shares of the Company are listed on the Nairobi Securities Exchange.

The principal activities of the Company and its subsidiaries (the Group) and the nature of the Group's operations are set out in note 6.

These financial statements are presented in Kenya Shillings and are rounded to the thousand (Shs'000). Foreign operations are included in accordance with the policies set out in note 3.

2. Statement of Compliance and Basis of Preparation

(a) Basis of preparation

The financial statements are prepared on a going concern basis and is in compliance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and the requirements of the Kenyan Companies Act, 2015. They are presented in Kenya Shillings, which is also the functional currency, rounded to the nearest thousand (Shs'000).

The financial statements comprise of the statement of profit or loss and other comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows, and notes to the financial statements. Income and expenses, excluding the components of other comprehensive income, are recognized in profit or loss. Other comprehensive income is recognized in the statement of comprehensive income and comprises items of income and expense (including reclassification adjustments) that are not recognized in profit or loss as required or permitted by IFRS. Reclassification adjustments are amounts reclassified to profit or loss in the current period that were recognized in other comprehensive income in the current or previous periods. Transactions with the owners of the Company in their capacity as owners are recognized in the statement of changes in equity.

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

(i) Basis of Measurement

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments that are measured at revalued amounts or fair valued at the end of each reporting period, and the liability for defined benefit obligations recognised at the present value of the defined benefit obligation less the fair value of the plan assets, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Under the historical cost basis, assets are recorded at the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire them at the time of their acquisition. Liabilities are recorded at the amount of proceeds received in exchange for the obligation or, in some cases, at the amounts of cash or cash equivalents expected to be paid to satisfy the liability in the normal course of business.

2 Statement of Compliance and Basis of Preparation (continued)

(a) Basis of preparation measurement(continued)

(i) Basis of Measurement (continued)

For those assets and liabilities measured at fair value, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the Company using valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs (e.g. by use of the market comparable approach that reflects recent transaction prices for similar items or discounted cash flow analysis). Inputs used are consistent with the characteristics of the asset / liability that market participants would take into account.

Fair values are Categorized into three levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).
- Transfers between levels of the fair value hierarchy are recognized by the Company at the end of the reporting period during which the change occurred.

(ii) Use of Estimates

The preparation of financial statements in conformity with IFRS allows the use of certain critical accounting estimates. It also requires the directors 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 5.

3 Application of New and Revised International Financial Reporting Standards (IFRS)

(i) New and amended IFRS standards in issue but not yet effective in the year ended 30 June 2023

At the date of authorisation of these financial statements, the Group has not applied the following new and revised:

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

3. Application of New and Revised International Financial Reporting Standards (IFRS) (continued)**(i) New and amended IFRS standards in issue but not yet effective in the year ended 30 June 2023 (Continued).**

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except as noted below:

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures—Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the Board; however, earlier application of the amendments is permitted. The directors of the Company anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

Amendments to IAS 1 Presentation of Financial Statements—Classification of Liabilities as Current or Noncurrent

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2024, with early application permitted.

Amendments to IFRS 3 Business Combinations—Reference to the Conceptual Framework

The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

3. Application of New and Revised International Financial Reporting Standards (IFRS) (continued)

(i) New and amended IFRS standards in issue but not yet effective in the year ended 30 June 2023 (Continued).

Amendments to IFRS 3 Business Combinations—Reference to the Conceptual Framework (Continued)

Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2023. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

Amendments to IAS 16 Property, Plant and Equipment—Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories.

The amendments also clarify the meaning of ‘testing whether an asset is functioning properly’. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity’s ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

The amendments are effective for annual periods beginning on or after 1 January 2023, with early application permitted.

3 Application of New and Revised International Financial Reporting Standards (IFRS) (continued)

(i) New and amended IFRS standards in issue but not yet effective in the year ended 30 June 2023 (continued)

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets—Onerous Contracts—Cost of Fulfilling a Contract

The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The amendments are effective for annual periods beginning on or after 1 January 2023, with early application permitted.

Annual Improvements to IFRS Standards 2018-2021 cycle - Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture.

The Annual Improvements include amendments to four Standards:

IFRS 1 First-time Adoption of International Financial Reporting Standards

The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent’s consolidated financial statements, based on the parent’s date of transition to IFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16(a).

The amendment is effective for annual periods beginning on or after 1 January 2023, with early application permitted.

IFRS 9 Financial Instruments

The amendment clarifies that in applying the ‘10 per cent’ test to assess whether to derecognise a financial liability,

an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf.

The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.

The amendment is effective for annual periods beginning on or after 1 January 2023, with early application permitted.

IFRS 16 Leases

The amendment removes the illustration of the reimbursement of leasehold improvements. As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated.

3. 3. Application of New and Revised International Financial Reporting Standards (IFRS) (continued)

(i) New and amended IFRS standards in issue but not yet effective in the year ended 30 June 2023(continued).

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term ‘significant accounting policies’ with ‘material accounting policy information’. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The Board has also developed guidance and examples to explain and demonstrate the application of the ‘four-step materiality process’ described in IFRS Practice Statement 2.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2024, with earlier application permitted and are applied prospectively. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”.

The definition of a change in accounting estimates was deleted. However, the Board retained the concept of changes in accounting estimates in the Standard with the following clarifications:

- A change in accounting estimate that results from new information or new developments is not the correction of an error
- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

The Board added two examples (Examples 4-5) to the Guidance on implementing IAS 8, which accompanies the Standard. The Board has deleted one example (Example 3) as it could cause confusion in light of the amendments.

The amendments are effective for annual periods beginning on or after 1 January 2024 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted.

Amendments to IAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

3 Application of New and Revised International Financial Reporting Standards (IFRS) (continued)

(i) New and amended IFRS standards in issue but not yet effective in the year ended 30 June 2023 (continued)

Amendments to IAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction (continued)

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit.

For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 at the commencement date of a lease.

Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognises:

- A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with:
 - Right-of-use assets and lease liabilities
 - Decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related asset
- The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date

The amendments are effective for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted.

4. Summary of Significant Accounting Policies

(a) Subsidiaries

Control is achieved when the Company (i) has the power over the investee (ii) is exposed, or has rights, to variable returns from its involvement with the investee and, (iii) has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. When the Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders
- Potential voting rights held by the Company, other vote holders or other parties Rights arising from other contractual arrangements.
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings

4. Summary of Significant Accounting Policies (Continued)

(a) Subsidiaries

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

When the Company loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests.

(b) Foreign currency translation

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Kenya Shillings in thousands (Shs '000) which is the Company's functional currency.

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 recognized in the income statement, except for differences arising on translation of non-monetary financial assets carried at fair value through other comprehensive income, which are recognized in other comprehensive income.

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 'gains/ losses-net'.

(c) Revenue Recognition

The Company recognizes revenue from the sale of electricity. The Company recognizes revenue as and when it satisfies performance obligation by transferring control of services to its sole customer, Kenya Power and other customers. The amount of revenue recognized is the amount the Company expects to receive in accordance with the terms of the contract, and excludes amounts collected on behalf of third parties such as Value Added Tax and withholding taxes.

Revenue recognition is in accordance with IFRS 15 which provides a single control-based revenue recognition model and clarifies the principles for recognising revenue from contracts with customers. The core principle is that an entity should recognize revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue is recognized when a customer obtains control of a good or service. A customer obtains control when it can direct the use of and obtain the benefits from the good or service.

The principal activity of the Company is to generate and sell electricity to the authorised distributor, Kenya Power and Lighting Company. The performance obligation is the supply of electricity, and the terms of the contracts can be regarded as electricity service contracts.

4. Summary of Significant Accounting Policies (continued)

(c) Revenue Recognition (continued)

The Company measures its progress towards complete satisfaction of a performance obligation satisfied over time using the output method based on the availability of the power plants and units of electricity delivered to the customer. The output method is suitable for the Company because at the end of the reporting period, Company's performance has not produced work in progress controlled by the customer that is not included in the measurement of the output. Transfer of control of the output (electricity) occurs simultaneously with consumption of the benefits by the customer. The formula for computing the transaction price is agreed in the power purchase agreements and no further allocation is done, as there is a single performance obligation. Detailed company policies for revenue recognition are as below:

(i) Revenue from the sale of goods and services

Electricity revenue

Electricity revenue is recognized based on available capacity and energy sold to the authorised distributor's transmission systems. The Power Purchase Agreements (PPAs) between the Kenya Power and Lighting Company (Kenya Power)) provide for the following categories of revenue:

- Capacity revenue - This relates to the amounts earned from Kenya Power in respect of the contracted capacity as provided for in the PPAs. The charge rates comprise of the investment component and a fixed charge. Contracted capacity is expressed in megawatts (MW).
- Energy revenue - This relates to the amounts earned from Kenya Power in respect of the Net Electrical Output (NEO) as provided for in the PPAs. NEO refers to the electrical energy delivered to Kenya Power from the plant measured in Kilowatt hours (kWh).

Steam Revenue

KenGen acts as a principal with regards to steam revenue. Steam revenue is recognized based on the geothermal power sold to the authorised distributor's transmission system as provided for in the PPAs. Steam revenue is divided into the following categories;

- Third party steam revenue – This relates to steam revenue earned from Kenya Power relating to steam purchased from a third party, Geothermal Development Company ('GDC'). The GDC wells from which this steam is obtained are managed by KenGen. Of the total revenue generated, 69.5% is billed by GDC and is recognized as a cost, under steam costs.
- KenGen steam revenue- This relates to steam revenue earned from Kenya Power for the use of steam obtained from KenGen's own wells.

Fuel charge

Fuel charge is recognized based on amounts billed to Kenya Power for fuel used in the generation of electricity. The fuel revenue is billed based on a predetermined formula embedded in the PPAs. The corresponding cost incurred by the Company for the fuel used in the power generation is recognized as a cost, under reimbursable expenses.

Water charge

Water charge is recognized based on amounts billed to Kenya Power for water used in the generation of electricity. The corresponding cost incurred by the Company for the water used in the power generation is recognized as a cost, under reimbursable expenses.

4. Summary of Significant Accounting Policies (continued)

(c) Revenue Recognition (continued)

(i) Revenue from the sale of goods and services (continued)

Revenue from foreign operations

Revenue from operations in Ethiopia is recognized when consultancy services or construction work are provided to customers based on fulfilment of performance obligations as per contract. The current customers include TMGO, ETO in Ethiopia for drilling services rendered in Tulu moye and Aluto as well as services rendered in Djibouti.

(ii) Revenue from other sources

Other income

Other income comprises mainly of rental income, club revenues, insurance compensation and consultancy fees. Rental income arises from operating leases and is recognized on a straight-line basis over the period of the lease. Club revenues, insurance compensation and consultancy fees are recognized when earned. Rental income is recognized in the income statement as it accrues using the effective rent or rates in lease agreements.

Finance income

Interest income is recognized on a time proportion basis using the effective interest method. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset.

Grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received. Grants from National Government are recognized in the year in which the Company actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income.

Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

(d) Taxation

Income tax expense is the aggregate amount charged/(credited) in respect of current tax and deferred tax in determining the profit or loss for the year. Tax is recognized in the profit and loss account except when it relates to items recognized in other comprehensive income, in which case it is also recognized in other comprehensive income, or to items recognized directly in equity, in which case it is also recognized directly in equity.

(i) Current tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. The Directors periodically evaluate 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.

4. Summary of Significant Accounting Policies (continued)

(d) Taxation (Continued)

(ii) Deferred tax

Deferred tax is determined for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, using tax rates and laws enacted or substantively enacted at the balance sheet date and expected to apply when the asset is recovered, or the liability is settled.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets or liabilities. However, for investment property that is measured using the fair value model, there is a rebuttable presumption that the carrying amount of the investment property will be recovered through sale. Deferred tax liabilities are recognized for all taxable temporary differences except those arising on the initial recognition of an asset or liability, other than through a business combination, that at the time of the transaction affects neither the accounting nor taxable profit or loss.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Recognized and unrecognized deferred tax assets are reassessed at the end of each reporting period and, if appropriate, the recognized amount is adjusted to reflect the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

(e) Post-employment benefit obligations

Defined contribution

The Company operates a defined contribution retirement benefits plan for its employees, the assets of which are held in a separate trustee administered scheme managed by an insurance Company. A defined contribution plan is a plan under which the Company pays fixed contributions into a separate fund and has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current or prior periods. The Company's contributions are charged to the profit and loss account in the year to which they relate.

The Company and its employees also contribute to the National Social Security Fund (NSSF), a national defined contribution scheme. Contributions are determined by local statute and the Company's contributions are charged to the profit and loss account in the year to which they relate.

Defined benefit

The Company also operated a defined benefit scheme until 2011 when the scheme was closed to new entrants. Further details on the scheme are provided in note 29.

The liability/asset recognized in the balance sheet in respect of the defined benefit scheme is the present value of the defined benefit obligations at the balance sheet date less the fair value of the plan assets. The defined obligation is calculated annually by independent actuaries using the projected unit credit method.

4. Summary of Significant Accounting Policies (continued)

(e) Post-employment benefit obligations (continued)

Defined benefit (Continued)

The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using interest rates of high-quality corporate bonds that are denominated in the functional currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

The following components of defined benefit cost are included in profit or loss:

- The service cost of the defined benefit plan (comprising current service costs, past service costs and any gain or loss on settlement)
- The net interest on the net defined benefit liability/asset.

Remeasurements of the net defined benefit liability/asset are recognized in other comprehensive income, with no reclassification to profit or loss in a subsequent period. Remeasurements comprise actuarial gains/losses and the return on plan assets, excluding amounts included in net interest on the net defined benefit liability/asset.

(i) Employee benefits

The estimated monetary liability for employees accrued annual leave entitlement at the balance sheet date is recognized as an employment cost accrual. In addition, company employees who retire at retirement age or whose services are terminated for reasons other than gross misconduct are entitled to gratuity payments in accordance with the prevailing unionisable staff Collective Bargaining Agreement. Service gratuity is provided in the financial statements as it accrues to each employee.

(ii) Service gratuity

Employees engaged in contract terms are entitled to service gratuity after the expiry of the contract.

A liability is recognised for benefits accruing to employees in respect of wages and salaries, service gratuity, and annual leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service. Liabilities recognised in respect of contract employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

(f) Property, plant and equipment

All categories of property, plant and equipment are initially recognized at cost. Cost includes expenditure directly attributable to the acquisition of the assets. Land and buildings, transmission lines and plant and equipment and fittings are subsequently carried at a revalued amount, based on valuations by external independent valuers, less accumulated depreciation and accumulated impairment losses. Computer software, including the operating system, that is an integral part of the related hardware is capitalized as part of the computer equipment under intangible assets. All other items of property, plant and equipment are subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that it will increase the future economic benefits associated with the item that will flow to the Company over those originally assessed and the cost of the item can be measured reliably. Repairs and maintenance expenses are charged to the profit or loss in the year in which they are incurred.

Increases in the carrying amount arising on revaluation are recognized in other comprehensive income and accumulated in equity under the heading 'property revaluation reserve'. Decreases that offset previous increases

4. Summary of Significant Accounting Policies (continued)

(f) Property, plant and equipment (continued)

of the same asset are recognized in other comprehensive income. All other decreases are charged to profit or loss. Annually, the difference between the depreciation charge based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost (excess depreciation) is transferred from the revaluation surplus reserve to retained earnings.

Depreciation is calculated using the straight-line method to write down the cost or the revalued amount of each asset to its residual value over its estimated useful life.

Asset class	Depreciation rates
Buildings	2.85%
Transmission lines	2.5%
Plant and machinery:	
Intake and tunnels	1%
Hydro plants	2%
Geothermal wells	4%
Geothermal plants	4%
Thermal plants and wind plants	5%
Rigs	6.67%
Motor vehicles	25%
Computers	20%
Furniture, equipment and fittings	12.5%

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item, is depreciated separately. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each financial reporting date.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. On disposal of revalued assets, amounts in the revaluation surplus reserve relating to that asset are transferred to retained earnings.

All productive wells are capitalized in property, plant and equipment when connected and are depreciated over their useful lives. The useful life is currently estimated to be twenty-five years from the date of commencement of commercial operation. The unproductive wells are utilized for reinjection in the steam fields for reservoir sustainability.

Capitalisation of employee costs

The employee costs directly and indirectly attributable to projects associated with development of power generating resources are capitalized. Capitalisation rates are based on estimated time and effort spent on the related project activities.

Capitalisation of depreciation and Amortization

The depreciation and Amortization costs directly attributable to projects associated with development of power generating resources are capitalized. Capitalisation rates are based on estimated depreciation rates and time of use by the project.

4. Summary of Significant Accounting Policies (continued)

(g) Intangible assets

Intangible assets comprise of computer software, Licences and SCADA acquired for business process and operations. Those acquired separately are measured on initial recognition at cost less subsequent amortization and any accumulated impairment losses. The SCADA is part of the operation of the power plants and is assessed for impairment during revaluation of assets. The useful life of the assets depends on the duration of the licences. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the Amortization period or method, as appropriate, and are treated as changes in accounting estimates.

The amortization expense on intangible assets with finite lives is recognized in the profit or loss in the expense category consistent with the function of the intangible asset. An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

(h) Impairment

At each reporting date the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the

Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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

(i) Right of Use Asset

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. However, leasehold land is initially recognized at cost and is subsequently carried at a revalued amount, based on valuations by external independent valuers, less accumulated depreciation, and accumulated impairment losses.

4. Summary of Significant Accounting Policies (continued)**(i) Right of Use Asset (Continued)**

Whenever the entity incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the entity expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Land 2 to 99 years
- Buildings 2 to 35 years
- Plant and machinery 2 to 20 years
- Motor vehicles and other equipment 2 to 5 years

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(j) Borrowing costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. Capitalized costs include interest charges on borrowings for projects under construction. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

(k) Inventories

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

Engineering spares which are used for more than one period are categorized as plant and equipment. All other spares used on normal operations are categorized as consumables and classified under inventory.

(l) Financial instruments

Effective 1 July 2018, the Company applies IFRS 9 which addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Company does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements.

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the Company measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

4. Summary of Significant Accounting Policies (continued)

(I) Financial instruments (Continued)

Financial assets

a) Classification and measurement

The Company recognizes financial assets when it first becomes a party to the contractual rights and obligations in the contract. The company's financial assets comprise of trade and other receivables, treasury bonds, cash and cash equivalents and financial assets at fair value through profit or loss.

The classification requirements for debt instruments are described below:

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the company assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the entity considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.\

Debt instruments held by the Company are now classified under these categories; Amortized Cost, Fair Value Through Other Comprehensive Income (FVOCI) or Fair Value Through Profit or Loss (FVPL).

Subsequent measurement

Based on the business model and the cash flow characteristics, the Company classifies its debt instruments into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either profit or loss or other comprehensive income (OCI), subject to certain criteria being met.

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through other comprehensive income (FVOCI)

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in profit and loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through profit or loss (FVPL)

Financial assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit or loss. A business model where KenGen manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in an FVPL business model.

4. Summary of Significant Accounting Policies (continued)

(I) Financial assets (continued)

Impairment

The Company assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its debt instrument assets carried at amortized cost and FVOCI. The Company recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out in Note 5.

De-recognition

Financial assets, or a portion thereof, are derecognized when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either the Company transfers substantially all the risks and rewards of ownership, or neither transfers nor retains substantially all the risks and rewards of ownership and the Company has not retained control.

Fixed interest investments (bonds)

Fixed interest investments refer to investment funds placed under Central Bank of Kenya (CBK) long-term infrastructure bonds and other corporate bonds with the intention of earning interest income upon the bond's disposal or maturity. Fixed interest investments are freely traded at the Nairobi Securities Exchange. The bonds are measured at fair value through profit or loss.

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. The Company has a credit period of 40 days with Kenya Power and 30 days for other customers, after which they are considered as credit impaired. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Full provision is done;

- For Kenya Power (KPLC), when a debt is justifiably disputed as per the provisions of the various PPA's, and the dispute remains unresolved for more than five years full provisions shall be made.
- For staff debts, where the recoverability from the employee is highly unlikely due to various circumstances and where an employee leaves the Company, provisioning shall be made if the outstanding debt is not recovered within ninety (90) days.
- For all other trade receivables other than KPLC, for any debt which is disputed or remains partially or fully settled for over one year.

Bad debts are written off after all efforts at recovery have been exhausted.

Financial liabilities

Financial liabilities are classified as subsequently measured at amortized cost, except for financial liabilities at fair value through profit or loss.

De-recognition

Financial liabilities are derecognized when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

4. Summary of Significant Accounting Policies (Continued)

(m) Accounting for leases

The Company assesses whether a contract is or contains a lease at inception of the contract. The Company recognises a right of use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which the economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprises of fixed lease payments (including the substance fixed payments), less any lease incentives.

The lease liability is presented as a separate line in the statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method and by reducing the carrying amount to reflect the lease payments made.

The Company re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, plant and equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line 'Other expenses' in the statement of the profit or loss.

4. Summary of Significant Accounting Policies (Continued)

(n) Dividends on ordinary shares

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

(o) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event or service for employees leave pay, 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.

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various commercial banks at the end of the reporting period. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and petty cash accounted for at the end of the financial year.

(q) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(r) Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Company's key management, which consists of the Managing Director & Chief Executive Officer and General Managers is the Company's key decision maker.

(s) Comparatives

Where necessary, comparative figures and disclosures are adjusted to conform with changes in presentation in the current year.

5. Significant Accounting Estimates and Judgments

The preparation of the Company's financial statements in conformity with IFRS requires management and directors to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results.

The Directors also need to exercise judgment in applying the Company's accounting policies.

All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events.

This note provides an overview of the areas that involve a higher degree of judgment or complexity, and major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial years.

Detailed information about each of these estimates and judgements is included in the related notes together with information about the basis of calculation for each affected line item in the financial statements.

The estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements and key sources of estimating uncertainty in applying accounting policies

The following are the critical judgements, apart from those involving estimations, that the Directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the financial statements

(a) Impairment of financial assets

Measurement of the expected credit loss allowance (ECL)

IFRS 9 applies an Expected Credit Loss (ECL) approach that requires entities to use historical, current and forward-looking information to estimate the credit losses on financial instruments. Unlike the Incurred Loss Model where losses were recognized only when an observable loss event occurred, the Company is now required to recognize losses earlier using a probability weighted approach.

The level of provision held for any financial instrument will mostly rely on the instrument's credit quality. IFRS 9 outlines a "three stage" model (general model) for impairment based on changes in credit quality since initial recognition and provides operational simplifications for trade receivables, contract assets and lease receivables. The simplification eliminates the need to calculate 12-month ECL and to assess when a significant increase in credit risk has occurred. The loss allowance for trade receivables or contract assets that do not contain a significant financing component is measured at initial recognition and throughout its life at an amount equal to lifetime ECL.

Entities have a policy choice for trade receivables or contract assets that do not contain a significant financing component to either apply the general model or the simplified approach. The Company has elected to use the simplified approach.

5. Significant Accounting Estimates and Judgments (Continued)

(a) Impairment financial assets (Continued)

Impairment of financial assets (measurements of expectations) (Continued)

ECLs are measured as the probability-weighted present value of expected cash shortfalls over the remaining expected life of the financial instrument. The measurement of ECLs is based primarily on the product of the financial asset's probability of default (PD), loss given default (LGD), and exposure at default (EAD).

The exposure at default (EAD) is a measure of the total value an entity is exposed to in the event of a default. EAD is set as the amortized cost value of the respective financial asset.

The Loss Given Default (LGD) is a measure of the loss in the event of a default. It is assumed to be 100% for all the financial assets because they do not have collateral and if a default was to happen, the Company would most likely lose the entire balance.

IFRS 9 outlines a three-stage approach that is based on the change in the credit quality of assets since initial recognition.

Stage 1 - If, at the reporting date, the credit risk of non-impaired financial instruments has not increased significantly since initial recognition, these financial instruments are classified in Stage 1, and a loss allowance that is measured, at each reporting date, at an amount equal to 12-month expected credit losses is recorded.

Stage 2 - When there is a significant increase in credit risk since initial recognition, these non-impaired financial instruments are migrated to Stage 2, and a loss allowance that is measured, at each reporting date, at an amount equal to lifetime expected credit losses is recorded.

Assessment of significant increase in credit risk

The determination of a significant increase in credit risk takes into account many different factors including a comparison of a financial instruments credit risk or PD at the reporting date and the credit or PD at the date of initial recognition.

Stage 3 - Financial instruments are classified as stage 3 when there is objective evidence of impairment because of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a financial asset. The ECL model requires that lifetime ECL be recognized for impaired financial instruments.

Financial assets in the scope of the expected credit loss model are allocated to stage 1 on origination date, except if the financial asset is credit impaired at initial recognition or origination. In such instances, the financial assets are allocated to stage 3. When a significant increase in the credit risk of a financial asset since origination has been identified, the financial asset is allocated to stage 2. When the financial asset is in default, the financial asset is moved to stage 3. On transition date, cash and treasury bonds were Stage 1 assets hence 12-month ECL was applied.

Cash held in financial institutions

For cash balances with financial institutions, the following steps were taken in determining the 12-month probability of default:

5. Significant Accounting Estimates and Judgments (continued)

(a) Impairment financial assets (Continued)

Cash held in financial institutions (Continued)

- a) The counterparty's global rating was used if available and the mapping table below was used to look up the S&P Global equivalent. External credit ratings from reputable global credit rating agencies for the financial institutions were obtained. These agencies include Moody's, Standard and Poors (S&P), Global Credit Rating (GCR), Fitch and the respective bank's websites where applicable.
- b) If no credible external rating existed as at reporting date, then the rating for a bank of a similar tier was used.

Treasury bonds

The modelling approach for Treasury Bonds (from the Government of Kenya) applies the probability of default from Kenya's sovereign rating.

Trade and other receivables

The Company has applied the simplified approach to impairment for trade and other receivables. Management has grouped financial instruments on the basis of shared credit risk characteristics with the objective of facilitating an analysis that is designed to enable significant increases in credit risk to be identified on a timely basis. Trade receivables and other commercial receivables have been Categorized into two segments;

- a) Kenya Power and other government related entities
- b) Other commercial customers outside government/ retail category

KenGen and Kenya Power are majority owned and heavily regulated by the Government of Kenya through the Ministry of Energy and Petroleum and the National Treasury. In assessing Kenya Power's credit quality, management has used the Government of Kenya's sovereign rating probability of default as a proxy to Kenya Power's and other government entities' credit rating. The Standard and Poors (S&P) cumulative average default curves have been used to obtain the probability of default and has been applied to all debts whose counterparty is a government agency.

Such counterparties include Geothermal Development Company (GDC), Energy Regulatory Commission (ERC) and the Ministry of Energy. There are no publicly available credit ratings for external customers and management has elected to use the retail credit rating from S&P to estimate their probability of default.

(b) Impairment of inventories

Critical estimates are made by the directors in determining the recoverable amount of impaired inventory. The carrying amount of impaired inventory is set out in Note 20.

(c) Financial assets at fair value through profit or loss

The Directors have determined the value of the financial asset at fair value using valuation techniques which incorporate assumptions that are directly supported by observable market data. We have included under Note 42(d) further details the valuation techniques applied. Changes in assumptions used in the valuation do not significantly impact the reported fair value of the financial assets.

5. Significant Accounting Estimates and Judgments (continued)

(d) Lease liabilities

Key sources of estimation uncertainty in the application of IFRS 16 include the following:

- Determination of the appropriate rate to discount the lease payments; and
- Assessment of whether a right-of-use asset is impaired.

(e) Calculation of tax allowances

Management has carried out a detailed assessment and concluded that the company qualifies for the capital allowances which have been claimed. In making this assessment, management makes a number of judgements, the most significant of which are:

- The nature of the arrangements (PPAs) entered into by KenGen and KPLC are purely sale of electricity arrangements and not concession arrangements. Therefore, the investment deduction is claimed on commissioning of a power plant.
- The determination of which investment allowance (e.g. investment deduction, extraction allowance, etc) is applicable to its capital investments.

Calculation of its loss allowances is reasonable and in line with the Income Tax Act.

(f) Capitalisation of staff and other costs

Project related costs including employee costs are capitalized. The key assumption applied in capitalising the employee costs is the time spent by qualifying employees on the capital projects. Significant judgement is required in determining capitalisation rates to be applied on shared service centres.

(i) Capitalization rates

The employee costs directly and indirectly attributable to projects associated with development of power generating resources are capitalised. Significant judgement is required in determining capitalisation rates to be applied on indirect staff costs. The rates applied in capitalising the employee costs are based on estimated time spent on the capital projects ranging from 10% to 100% of the time.

(ii) Departmental Manager's costs

Prudent judgement to be applied on capitalization of the General Managers' costs except General Manager Geothermal Development and General Manager Business Development & Strategy whose costs are directly attributable specific projects.

(g) Capitalisation of depreciation costs

Project assets comprise those assets purchased solely for the execution of a project. They include drilling materials, motor vehicles, prime movers, earth moving equipment, rigs, cranes, equipment, computers, tools, furniture and fittings and buildings. Project assets shall be capitalised on acquisition, depreciated on straight line basis over the useful life of the asset and their depreciation is charged to the project or asset on prorated basis.

Drilling material shall be classified as work in progress and expensed to the wells when consumed. Upon completion of the project or asset the depreciation shall be charged to the income statement or to a subsequent project or asset.

5. Significant Accounting Estimates and Judgments (continued)

(h) Capitalisation of Borrowing costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. Capitalised costs include interest charges and foreign currency exchange differences on borrowings for projects under construction to the extent that they are regarded as adjustments to interest rates.

(i) Revaluation of property plant and equipment

Certain categories of property plant and equipment are carried at fair value. Revaluations are performed by professional valuers at sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the reporting date. At the reporting date, the Directors assess the carrying amount of revalued property, plant and equipment and apply judgement to determine that these do not differ materially from market revaluation.

(j) Useful lives and residual value

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the assets
- Changes in the market in relation to the asset

(k) Actuarial valuation of defined benefits plan

The asset or liability due under the defined benefit pension plan is determined using actuarial valuation techniques. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. We have disclosed the assumptions and sensitivity thereof under Note 29.

(l) Impairment of property, plant and equipment and intangible assets

At the reporting date, the Company reviews the condition of its property, plant and machinery, tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs. Any impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount. A reversal of an impairment loss, other than that arising from goodwill, is recognised as income immediately.

5. Significant Accounting Estimates and Judgments (continued)

(m) Impairment of Right of Use Assets

At the reporting date, the Company reviews the carrying amounts of its Right of Use Assets to determine whether there is any indication that those assets have suffered an impairment loss.

If any such indication exists, the depreciable amount of the asset is estimated by checking the remaining period of leases or status of the assets in order to determine the extent of the impairment loss.

(n) Consolidation of subsidiary

KenGen Foundation was established by KenGen PLC as a public charitable trust by Declaration of trust deed dated 2009 and is domiciled in Kenya. The Foundation serves as the philanthropic arm of KenGen and is mandated to: Turr short term one-off CSR Projects into CSI-Corporate Social Investments; Upscale CSI activities for greater impact and increase and diversify resources available for CSI projects.

The Foundation is wholly controlled by the Company. However, it has not been consolidated as the Foundation is considered immaterial to these financial statements.

6. Revenue

a) Disaggregation of revenue from contracts with customers

The Company derives revenue from the transfer of goods and services in the following revenue types.

	Geotherm al Shs 000	Hydro Shs 000	Thermal Shs 000	Wind Shs 000	Total Shs 000
30 June 2023					
Electricity revenue					
• Capacity	20,459,448	6,003,296	3,029,587	-	29,492,331
• Energy	6,999,351	1,534,172	284,262	473,848	9,291,633
	27,458,799	7,537,468	3,313,849	473,848	38,783,964
Steam revenue (note 6(c))	6,129,269	-	-	-	6,129,269
Fuel charge	-	-	8,165,345	-	8,165,345
Water charge	-	125,892	-	-	125,892
Revenue from foreign operations	759,207	-	-	-	759,207
Total revenue	34,347,275	7,663,360	11,479,194	473,848	53,963,677
30 June 2022					
Electricity revenue					
• Capacity	12,053,874	8,082,173	3,079,630	-	23,215,677
• Energy	5,715,985	1,151,925	451,066	438,850	7,757,826
	17,769,859	9,234,098	3,530,696	438,850	30,973,503*
Steam revenue (note 6(c))	5,119,412	-	-	-	5,119,412
Fuel charge	-	-	9,672,038	-	9,672,038
Water charge	-	164,872	-	-	164,872
Revenue from foreign operations	1,546,647	-	-	-	1,546,647
Total revenue	24,435,918	9,398,970	13,202,734	438,850	47,476,472

*See note 44 on restatement

Kenya Electricity Generating Company Plc

Notes to the financial statements (Continued)

6. Revenue (Continued)

b) Deferred income - Contract assets and liabilities

The Company was contracted on various projects to offer consultancy services in Ethiopia and Djibouti. As part of the contracting terms, the company received advance payments amounting to Nil at end of current year (2022- Shs. 206,411,000) that were accounted for as deferred income, with recognition as revenue to occur after one year. These have been disclosed as part of trade and other payables disclosed under Note 33.

	2023 Shs'000	2022 Shs'000
At start of year	206,411	-
Additions	124,318	206,411
Revenue recognized through profit or loss	(330,729)	-
At end of year (Note 33)	-	206,411

- Payments received in advance, revenue is recognised when control of the goods or services has transferred to the customer, being at the point the goods or services are delivered to the customer. When the customer initially pays advance payment, the transaction price received at that point by the Company is recognised as contract liability until the goods or services have been delivered to the customer.
- Revenue relating to maintenance services is recognised over time although the customer pays up-front in full for these services. A contract liability is recognised for revenue relating to the maintenance services at the time of the initial transaction and is released over the service period.
- Contract liabilities relating to reimbursement, construction contracts are balances from customers under construction contracts whose performance obligations have not been fulfilled.

c) Steam revenue

	2023 Shs'000	2022 Shs'000
Third party revenue*	5,357,593	4,356,212
KenGen steam revenue**	771,676	763,200
Total steam revenue (Note 6(a))	6,129,269	5,119,412

Third party revenue*- this relates to steam income from wells vested to GDC.

KenGen steam revenue**- this relates to income from KenGen's own wells.

7. Reimbursable expenses

Fuel costs ¹	7,995,258	9,587,828
Water costs ²	125,892	164,872
	8,121,150	9,752,700

¹ In line with the provisions of the Power Purchase Agreements, the company is reimbursed by The Kenya Power and Lighting Company Plc for fuel costs incurred in the production of thermal electricity based on pre-agreed plant fuel usage.

Kenya Electricity Generating Company Plc

Notes to the financial statements (Continued)

7. Reimbursable expenses (Continued)

²The Water Resource Management Rules 2007 (Water Regulations) was Gazetted by the Government through legal notice No. 171 of September 2007. The regulation provided for water use charge at the rate of 0.05 Shs/kWh for power plants with capacity of over 1MW. With approval from the Energy Regulatory Commission (Now Energy and Petroleum Regulatory Authority), the company is reimbursed by The Kenya Power and Lighting Company Plc for the cost of water charges.

8. Other income

	2023 Shs'000	2022 Shs'000
Insurance compensation*	1,745,920	115,960
Club income**	152,181	236,228
Miscellaneous income	16,958	201,916
Rent receivable	49,732	65,362
Geothermal spa	24,018	17,489
Consultancy fees	5,926	13,078
Carbon credits***	4,261	12,657
Contract revenue from financial asset****	84,713	106,713
	<u>2,083,709</u>	<u>769,403</u>

* Insurance compensation in 2023 mainly relates to insurance proceeds received with respect to business interruptions and property damage claims mainly arising from the damage to Olkaria V unit 1 on 7 October 2021. The insurance claim process was finalised in June 2023.

** Club income relates to income earned from the welfare clubs in the various operational areas.

***Carbon credits, also known as carbon offsets, are permits that allow the owner to emit a certain amount of carbon dioxide or other greenhouse gases. One credit permits the emission of one ton of carbon dioxide or the equivalent in other greenhouse gases. KenGen with a generation portfolio of 86% renewable energy sources is taking deliberate steps to reduce carbon emissions with actions and commitments locally and internationally. The Company's actions in carbon emission reduction towards a net-zero future has earned KenGen global funds and status of climate champion and accorded us a prestigious position of industry leader in climate change action.

**** Contract revenue from financial asset relates to reimbursable income on the Ketraco asset disclosed under Note 18(d).

9. Other gains/(losses) – net forex and fair valuation of financial assets

	2023 Shs'000	2022 Shs'000 (Restated)*
Realized foreign exchange loss recovered through billing- others transactions (Note 37(a) (i))	593,080	325,886
Realized foreign exchange loss not billed- borrowings (Note 19)	(2,457,623)	(188,612)
Foreign exchange gains from other monetary items	2,019,212	938,833
Bond premium expensed (Note 18(c))	(11,259)	(10,262)
Unrealized revaluation of the financial assets held at fair value through profit or loss (Note 28)	21,909,225	(3,274,468)
Unrealized foreign exchange gain/loss on financial asset not recoverable from KPLC (Note 19)	697,961	(1,580,823)
Unrealized foreign exchange on valuations of borrowings (Note 19)	(21,909,225)	3,274,468
Unrealized foreign exchange loss not recoverable from KPLC due to expiry of Kipevu I PPA(Note 19)	(413,054)	-
	<u>428,317</u>	<u>(514,978)</u>

*See note 44 for details regarding restatement.

Kenya Electricity Generating Company Plc

Notes to the financial statements (Continued)

10. Expenses

	2023 Shs'000	2022 Shs'000
(a) Depreciation and Amortization		
Depreciation (Note 15(a))	15,885,725	12,661,753
Less: Amount capitalized (Note 15(a))	(454,564)	(491,468)
	<u>15,431,161</u>	<u>12,170,285</u>
- Intangible assets- software (Note 16)	<u>214,034</u>	<u>112,279</u>
Amortization - Prepaid leases on leasehold land (Note 17)	45,398	55,449
: Amount capitalized to property, plant and equipment	-	11,878
: Other Right of Use Assets (Note 17)	<u>109,852</u>	<u>111,739</u>
	<u>155,250</u>	<u>179,066</u>
Total depreciation and amortization charge for the year	<u>15,800,445</u>	<u>12,461,630</u>
(b) Employee expenses		
Salaries, wages and other staff costs	10,118,776	9,579,333
Welfare and benefits	896,722	553,173
Training expenses	228,663	127,321
Retirement benefit cost:		
- Defined contribution scheme	728,839	542,342
- Defined benefit scheme (Note 29 (a))	36,707	50,089
- National Social Security Fund	<u>11,692</u>	<u>6,163</u>
	<u>12,021,399</u>	<u>10,858,421</u>
Less: Capitalized costs* (Note 15(a))	<u>(2,815,221)</u>	<u>(2,611,466)</u>
	<u>9,206,178</u>	<u>8,246,955</u>

*The employee expenses incurred and attributable to implementation of capital projects are capitalized in line with the application of the Company's accounting policy as disclosed under Note 4.

10. Expenses (Continued)

b) Employee expenses (Continued)

Number of employees	2023 Numbers	2022 Numbers
The number of persons employed by the Company at the year-end was;		
- Operational staff	1,061	1,015
- Geothermal resource assessment and other projects staff	1,532	1,461
	2,593	2,476
Management staff	1,730	1,665
Union Staff	863	811
Total	2,593	2,476
Permanent employees – management	1,720	1,607
Permanent employees – unionizable	863	811
Contract employees-management and Union	10	58
Total	2,593	2,476

c) Steam costs

Steam expenses (Note 37(b)(ii))	3,731,112	3,093,308
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Steam costs represent amounts payable for steam from Geothermal Development Company wells utilized in generation of power from Olkaria I AU 4 & 5, Olkaria IV and some Wellhead plants. The related income is disclosed under Note 6(c).

	2023 Shs'000	2022 Shs'000
(d) Plant operation and maintenance expenses		
Operation and maintenance costs	1,532,625	1,261,927
Machinery spares and consumables (Note 20*)	1,447,115	1,889,160
	2,979,740	3,151,087

Kenya Electricity Generating Company Plc

Notes to the financial statements (Continued)

10. Expenses (continued)

	2023 Shs'000	2022 Shs'000
(e) Other expenses		
Insurance	2,440,934	1,115,453
Transport and travelling costs	1,315,964	1,240,927
Office	305,854	134,352
Catchment preservation and dam maintenance	107,000	107,000
Consultants' fees	272,785	113,370
Legal and statutory	133,145	139,478
Corporate Social Responsibility	172,598	139,665
Director's fees and other expenses	67,311	44,515
Advertising	69,606	53,677
Audit fees	10,906	9,800
Club	163,198	81,135
Provisions and impairment of assets (Note 10(g))	1,695,725	736,008
Loss on disposal of fixed assets	-	2,626
Tax expense for foreign operations	31,906	181,198
Other costs*	280,868	244,222
	<u>7,067,800</u>	<u>4,343,426</u>

*Other costs include expenses for drilling in Ethiopia and Djibouti among other general costs.

	2023 Shs'000	2022 Shs'000
(f) Allowance for expected credit losses (IFRS 9)		
Ketraco-Sondu Miriu line (Note 18(a))	21,952	(3,716)
KPLC- Olkaria V transmission lines (Note 18(b))	32,084	(2,955)
Treasury bonds (Note 18 (c))	9,273	10,485
Ketraco- Olkaria I AU & IV transmission lines (Note 18(d))	147,321	(5,897)
Trade receivables - KPLC debt (Note 21)	(371,995)	445,617
Other receivables (Note 22)	(49,137)	117,551
Cash and cash equivalents (Note 24 (a))	204,304	34,410
Restricted cash (Note 24 (b))	7,360	6,489
	<u>1,162</u>	<u>601,984</u>

(g) Impairment and provisions for assets

Provision for inventory obsolescence	683,624	(231,992)
Impairment of feasibility studies and other cost (Note 15(a))	10,040	968,000
Impairment of intangible cost (Note 16)	15,947	-
Impairment of property, plant and equipment assets*	899,760	-
Impairment of other assets	86,354	-
	<u>1,695,725</u>	<u>736,008</u>

*The impairment relates to property, plant and equipment assets attached to Kipevu 1 and Muhoroni power plants whose PPAs expired during the year and were not renewed.

Kenya Electricity Generating Company Plc

Notes to the financial statements (Continued)

11. Finance income

	2023 Shs'000	2022 Shs'000
Interest income from Kenya Power and Lighting Company Plc (Note 37(a)(i))*	364,696	847,924
Interest income from treasury bonds	282,796	282,795
Interest income from banks and other financial institutions	980,742	881,739
Interest on KPLC Olkaria V financial asset** (Note 18(b))	55,454	57,155
Interest income from staff advances	5,117	2,985
	<u>1,688,805</u>	<u>2,072,598</u>

*Interest income from The Kenya Power and Lighting Company Plc relates to interest penalties charged to Kenya Power due to late payments of invoices. Interest on late payments accrues after 40 days after billing and Kenya Power acknowledging invoice or lapse of credit period.

** Interest on Financial asset for Olkaria V transmission line.

12. Finance costs

	2023 Shs'000	2022 Shs'000
Interest on borrowings	3,015,967	2,774,290
Interest on leases as per IFRS 16 (Note 31)	112,561	89,577
Less: capitalized interest* (Note 15(a))	<u>(396,423)</u>	<u>(903,447)</u>
Interest expensed	<u>2,732,105</u>	<u>1,960,420</u>

*The interest and forex relating to implementation of projects are capitalized as part of the cost of the projects in accordance with the Company's accounting policy as disclosed under Note 4.

13. Income tax charge

(a) Taxation charge

	2023 Shs'000	2022 Shs'000 Restated*
Current income tax*	337,301	337,183
Deferred tax charge (Note 30)	<u>3,171,038</u>	<u>2,473,054</u>
	<u>3,508,339</u>	<u>2,810,237</u>

*Current income tax relates to revenue and other income lines which are taxed as a separate source of income.

Kenya Electricity Generating Company Plc

Notes to the financial statements (Continued)

13. Income tax charge (Continued)

(b) Reconciliation of expected tax based on profit before taxation-to-taxation charge

	2023 Shs'000	2022 Shs'000 Restated*
Profit before taxation	8,524,816	6,191,985
Tax applicable rate of 30%	2,557,445	1,857,595
Tax effect of expenses not deductible for tax purposes	950,894	952,642
Total income tax charge	3,508,339	2,810,237

	2023 Shs'000	2022 Shs'000 Restated*
(c) Corporate tax recoverable		
Balance brought forward as previously reported	(348,627)	(385,696)
Current income tax payable (Note 13(a))	337,301	337,183
Paid during the year	(430,388)	(300,113)
At end of year	(441,713)	(348,627)

14. Earnings per share

Basic earnings per share have been calculated by dividing the net profit for the year by the weighted average number of ordinary shares in issue during the year. There were no potentially dilutive shares as at 30 June 2023 and 30 June 2023.

	2023	2022 Restated*
Profit attributable to ordinary shareholders (in Shs'000)	5,016,477	3,381,748
Number of ordinary shares in issue at end of year(in '000 ')(Note 25)	6,595,522	6,595,522
Basic and diluted earnings per share (Shs)	0.76	0.51

*See note 44 for details regarding restatement

Kenya Electricity Generating Company Plc
Notes to the financial statements (Continued)

15(a). Property, plant and equipment

Year ended 30 June 2023	Freehold land Shs'000	Buildings Shs'000	Transmission lines Shs'000	Plant and machinery Shs'000	Motor vehicles Shs'000	Furniture, equipment and fittings Shs'000	Work-in- progress Shs'000	Total Shs'000
Cost or Valuation								
At 1 July 2022	4,953,000	68,288,243	5,371,155	310,860,616	2,573,536	7,299,682	57,071,098	456,417,330
Adjustments**	-	-	-	15,125	-	-	10,396,682	10,411,807
Staff cost capitalized (Note 10(b))	-	-	-	-	-	-	2,815,221	2,815,221
Interest cost capitalized (Note 12)	-	-	-	-	-	-	396,423	396,423
Depreciation capitalized (Note 10 (a))	-	-	-	-	-	-	454,564	454,564
Impairment of CWIP assets*(Note 10(g))	-	-	-	-	-	-	(10,040)	(10,040)
Transfers from WIP	19,513	853,710	4,450	12,316,261	274,860	546,880	(14,015,674)	-
Impairment of assets***	-	(1,116,497)	(221,415)	(6,090,307)	-	-	-	(7,428,218)
At 30 June 2023	4,972,513	68,025,456	5,154,190	317,101,695	2,848,396	7,846,562	57,108,274	463,057,086
Depreciation								
At 1 July 2022	-	2,245,442	767,735	5,934,322	2,065,354	5,223,071	-	16,235,924
Charge for year	-	1,982,660	402,927	12,735,598	125,255	639,287	-	15,885,727
Reversal on impairment***	-	(217,457)	(18,435)	(1,311,988)	-	-	-	(1,547,880)
At 30 June 2023	-	4,010,645	1,152,227	17,357,932	2,190,609	5,862,358	-	30,573,771
Net book value at 30 June 2023	4,972,513	64,014,811	4,001,963	299,743,763	657,787	1,984,204	57,108,274	432,483,315
Net book value at 30 June 2023 (cost basis)	619,613	38,611,739	763,505	175,802,872	657,787	1,984,204	57,108,274	275,547,996

*An assessment for impairment was carried out in respect to assets under capital work in progress including unconnected wells and feasibility studies. It was determined that some assets could no longer be carried in the books and were impaired.
 **corrective entry for assets earlier booked with negative net book values.
 *** During the year, assets assigned to two thermal plants whose PPAs had expired and had not been renewed and one geothermal plant that had been temporarily halted for refurbishment were impairment and the related accumulated depreciated was adjusted to derive at the net impairment loss for each asset.

Kenya Electricity Generating Company Plc
Notes to the financial statements (Continued)

15(a). Property, plant and equipment (continued)

Year ended 30 June 2022	Freehold land Shs'000	Buildings Shs'000	Transmission lines Shs'000	Plant and machinery Shs'000	Motor vehicles Shs'000	Furniture, equipment and fittings Shs'000	Work-in- progress Shs'000	Total Shs'000
Cost or Valuation								
At 1 July 2021	2,017,133	52,675,132	4,809,804	258,803,433	2,341,771	5,911,261	96,457,632	423,016,166
Additions	-	-	-	-	-	-	10,498,765	10,498,765
Staff cost capitalized (Note 10(b))	-	-	-	-	-	-	2,611,466	2,611,466
Interest cost capitalized (Note 12)	-	-	-	-	-	-	903,447	903,447
Depreciation capitalized (Note 10 (a))	-	-	-	-	-	-	491,468	491,468
Foreign exchange capitalized	-	-	-	-	-	-	(33,011)	(33,011)
Reclassification to intangible assets (Note 16)	-	-	-	-	-	-	(671,458)	(671,458)
Reclassification to contract asset	-	-	-	-	-	-	14,000	14,000
Impairment of assets*(Note 10(g))	-	-	-	-	-	-	(968,000)	(968,000)
Transfers from WIP	-	7,283,070	165,204	43,012,695	251,677	1,520,565	(52,233,211)	-
Revaluation surplus/(deficit)	2,917,067	8,330,041	395,955	9,044,488	-	(132,144)	-	20,555,407
Adjustment**	-	-	192	-	8,034	-	-	8,226
Reclassification from leasehold land	18,800	-	-	-	-	-	-	18,800
Disposal***	-	-	-	-	(27,946)	-	-	(27,946)
At 30 June 2022	4,953,000	68,288,243	5,371,155	310,860,616	2,573,536	7,299,682	57,071,098	456,417,330
Depreciation								
At 1 July 2021	-	9,165,030	1,224,488	52,588,863	1,985,503	4,803,039	-	69,766,923
Charge for year	-	1,498,476	73,399	10,503,277	105,172	481,429	-	12,661,753
Depreciation writeback****	-	(8,418,064)	(530,152)	(57,157,818)	-	(61,397)	-	(66,167,431)
Eliminated on disposal	-	-	-	-	(25,321)	-	-	(25,321)
At 30 June 2022	-	2,245,442	767,735	5,934,322	2,065,354	5,223,071	-	16,235,924
Net book value at 30 June 2022	4,953,000	66,042,801	4,603,420	304,926,294	508,182	2,076,611	57,071,098	440,181,406
Net book value at 30 June 2022 (cost basis)	600,101	39,740,689	1,161,982	173,518,576	567,607	2,017,186	57,071,098	274,677,239

* An assessment for impairment was carried out in respect to assets under capital work in progress including unconnected wells and feasibility studies. It was determined that some assets could no longer be carried in the books and were impaired.

** corrective entry for assets earlier booked with negative net book values.

*** Vehicles disposed during the period.

**** During asset revaluation, the accumulated depreciated was adjusted to derive at the net surplus/deficit for each asset.

Notes to the financial statements (continued)

15(b) Revaluation of property plant and equipment

Plant, machinery and transmission lines were professionally valued on 30 June 2022 by Aon Risk Services Australia Limited registered professional valuers, on a depreciated replacement cost basis which represents the plant and machinery’s highest and best use value.

The freehold land and buildings were revalued, and the report adopted on 30 June 2022 based on prevailing market values and depreciated to reflect carrying amounts by Ebony limited, Zenith Limited and Syagga Associates registered professional valuers.

The values were incorporated in the financial statements for the year ended 30 June 2022.

15(c). Property plant and equipment – other disclosures

The Company’s freehold and leasehold land is located in the following locations:

☐	Olkaria	☐	Turkwel	☐	Mesco
☐	Gitaru	☐	Sosiani	☐	Garissa
☐	Kiambere	☐	Gogo	☐	Lamu
☐	Kamburu	☐	Wanjii	☐	Kipevu
☐	Kindaruma	☐	Tana	☐	Sondu Miriu
☐	Masinga	☐	Sagana		
☐	Sangoro	☐	Ndula		

If the freehold land, buildings, plant and machinery and transmission lines were stated on the historical cost basis, the amounts would be as follows:

	Freehold land Shs’000	Buildings Shs’000	Transmission lines Shs’000	Plant and machinery Shs’000	Total Shs’000
At 30 June 2023					
At cost	619,613	58,789,153	3,746,436	261,788,704	324,943,906
Accumulated depreciation	-	(20,177,414)	(2,982,931)	(85,985,832)	(109,146,177)
	619,613	38,611,739	763,505	175,802,872	215,797,729
At 30 June 2022					
At cost	600,101	57,935,443	3,741,987	249,472,444	311,749,975
Accumulated depreciation	-	(18,194,754)	(2,580,004)	(75,953,868)	(96,728,626)
	600,101	39,740,689	1,161,983	173,518,576	215,021,349

Impairment

At each reporting date, the Directors review the conditions of property, plant and equipment to determine whether there are any indicators of impairment. If any such indication exists, an impairment assessment is performed.

Kenya Electricity Generating Company Plc

Notes to the financial statements (continued)

16. Intangible assets

Year ended 30 June 2023	Computer software and licences Shs'000	Plant monitoring software Shs'000	Work-in-progress Shs'000	Total Amount Shs'000
Cost or Valuation				
At 1 July 2022	1,926,838	853,721	127,540	2,908,099
Additions	-	-	226,949	226,949
Transfer	195,237	-	(195,237)	-
Impairment*	-	-	(15,947)	(15,947)
At 30 June 2023	2,122,075	853,721	143,305	3,119,101
Amortization				
At 1 July 2022	431,982	216,970	-	648,953
Charge for the year	145,870	68,164	-	214,034
At 30 June 2023	577,852	285,134	-	862,986
Net book value At 30 June 2023	1,544,223	568,587	143,305	2,256,114
Net book value At 30 June 2022	1,494,856	636,750	127,540	2,259,146

*An assessment for impairment was carried out in respect to assets under capital work in progress. It was determined that some assets could no longer be carried in the books and were impaired.

Work in progress balance relates to SAP additional modules and Integrated Resource Management System that had not been fully operationalised at year end.

Intangible assets comprise of Supervisory Control and Data Acquisition (SCADA), computer software and licences that are acquired for business process and operations and have a useful life of over one year. The are acquired separately and measured on initial recognition at cost less subsequent amortization and any accumulated impairment losses. The SCADA is part of the operation of the power plants and was professionally revalued as at 30 June 2022 on a depreciated replacement cost basis which represents the intangible asset's highest and best use value by Aon Risk Services Australia Limited.

Notes to the financial statements (continued)

16. Intangible assets (continued)

Year ended 30 June 2022	Computer software and licences Shs'000	Plant monitoring software Shs'000	Work-in-progress Shs'000	Total Amount Shs'000
Cost or Valuation				
At 1 July 2021	973,790	763,877	424,371	2,162,038
Additions	-	-	69,918	69,918
Transfer from PPE (Note 15)	-	-	671,458	671,458
Capitalised	953,048	85,158	(1,038,208)	-
Revaluation Surplus	-	4,685	-	4,685
At 30 June 2022	1,926,838	853,720	127,541	2,908,099
Amortization				
At 1 July 2021	356,795	282,029	-	638,824
Charge for the year	75,187	37,092	-	112,279
Depreciation writeback*	-	(102,151)	-	(102,151)
At 30 June 2022	431,982	216,970	-	648,953
Net book value At 30 June 2022	1,494,856	636,750	127,541	2,259,146

If the Intangible Assets were stated on the historical cost basis, the amounts would be as follows:

	Computer software and licences Shs'000	Plant monitoring software Shs'000	Work-in-progress Shs'000	Total Shs'000
At 30 June 2023				
At cost	2,122,075	849,035	143,305	3,114,415
Accumulated depreciation	(577,852)	(375,837)	-	(953,689)
	1,544,223	473,198	143,305	2,160,726
At 30 June 2022				
At cost	1,926,838	849,035	127,540	2,903,413
Accumulated depreciation	(431,982)	(319,121)	-	(751,103)
	1,494,856	529,914	127,540	2,152,310

Kenya Electricity Generating Company Plc

Notes to the financial statements (continued)

17. Right of Use assets			
Year ended 30 June 2023	Leasehold Land	Buildings	Total
	Shs'000	Shs'000	Shs'000
Cost or valuation			
At 1 July 2022	6,213,571	1,027,879	7,241,450
Adjustments* (Note 31)	-	(82,943)	(82,943)
At 30 June 2023	6,213,571	944,936	7,158,507
Depreciation			
At 1 July 2022	42,857	380,650	423,507
Charge for the year (Note 10(a))	45,398	109,852	155,250
At 30 June 2023	88,255	490,502	578,757
Net carrying value			
At 30 June 2023	6,125,316	454,434	6,579,750

*During the year, an adjustment to correct the lease liability with respect to service charge was made to align the lease obligations under IFRS 16.

The Leasehold land was revalued on 30 June 2022 based on prevailing market values and amortised to reflect carrying amounts by Ebony limited, Zenith Limited and Syagga Associates registered professional valuers.

The values were incorporated in the financial statements for the year ended 30 June 2022.

Year ended 30 June 2022	Leasehold Land	Buildings	Total
	Shs'000	Shs'000	Shs'000
Cost or valuation			
At 1 July 2021	4,651,384	720,583	5,371,967
Additions under IFRS 16 (Note 31)	-	307,296	307,296
Revaluation Surplus*	1,580,987	-	1,580,987
Reclassification to freehold land**(Note 15)	(18,800)	-	(18,800)
At 30 June 2022	6,213,571	1,027,879	7,241,450
Depreciation			
At 1 July 2021	369,861	268,911	638,772
Charge for the year (Note 10(a))	67,327	111,739	179,066
Depreciation writeback*	(394,331)	-	(394,331)
At 30 June 2022	42,857	380,650	423,507
Net carrying value			
At 30 June 2022	6,170,714	647,229	6,817,943

*During revaluation exercise, the accumulated depreciation is offset against the new values to determine the surplus or deficit on each asset.

**The title of the piece of land previous accounted for under leasehold land was noted to be freehold during the revaluation exercise necessitating the reclassification.

18. Financial assets held at amortized cost

	2023 Shs'000	2022 Shs'000
Deferred debt due from KPLC (Note 18(a))	841,092	804,474
Financial asset due from KPLC-Olkaria V transmission line (Note 18(b))	1,319,019	1,418,374
Treasury bonds at amortised cost (Note 18 (c))	2,336,075	2,356,607
	4,496,186	4,579,455
Presentation analysis:		
Non-current	4,358,942	4,443,409
Current	137,244	136,046
	4,496,186	4,579,455

a) Deferred debt due from Kenya Power

Deferred debt relates to the amounts recoverable from The Kenya Power & Lighting Company Plc in respect of a loan taken out by the Company for the construction of the Sondu Miriu transmission and sub-station project implemented by the Company on behalf of Kenya Power under a management agreement. Japan Bank for International Corporation funded the foreign component of the Sondu Miriu project under the loan agreement between the Japan Bank for International Corporation and the Company. The debt is payable over a period of 30 years commencing 15 August 2014.

The effective interest rate in Japanese Yen on the deferred debt during the year was 0.75% (2022: 0.75%). Through an agreement entered between Kenya Power and Kenya Electricity Transmission Company Limited (KETRACO), KETRACO are servicing the debt.

The deferred debt and corresponding loan from Japan Bank for International Corporation are both denominated in Japanese Yen (JPY). The amount outstanding as at year end was JPY 895,338,775 (2022: JPY 946,009,512).

Kenya Electricity Generating Company Plc

Notes to the financial statements (continued)

18. Financial assets held at amortized cost

a) Deferred debt due from KPLC

	2023 Shs'000	2022 Shs'000
At start of year	816,485	964,827
Interest charge	7,798	8,849
Repayment during the year	(48,676)	(51,949)
Foreign exchange loss/(gain)	99,448	(105,242)
	875,055	816,485
Less: Allowance for impairment	(33,963)	(12,011)
At end of year	841,092	804,474
The movement in the allowance for impairment in the year is as follows:		
At start of year	(12,011)	(15,727)
(Charge)/credit to profit or loss	(21,953)	3,716
Allowance for impairment	(33,963)	(12,011)
Maturity analysis of deferred debt is as follows:		
Within one year	41,028	37,417
After one year	800,064	767,057
Net book amount	841,092	804,474

18. Financial assets held at amortized cost (continued)

b) Financial asset due from KPLC-Olkaria V transmission line

KenGen implemented Substation and Transmission lines component for Olkaria V Geothermal Power Plant on behalf of Kenya Power and Lighting Company Plc (KPLC). The cost of the Substation and Transmission line will be recovered through the PPA. During implementation of the project the costs were booked in WIP and later transferred to financial asset account as per IFRIC 12 “Service Concession Arrangements”. On full recovery of the costs through PPA, the transmission assets will be transferred to KPLC.

	2023 Shs’000	2022 Shs’000
At start of year	1,439,551	1,480,495
Interest amortization (Note 11)	55,454	57,155
Recoveries through billing	(122,725)	(98,099)
Less: Allowance for impairment	1,372,280 (53,261)	1,439,551 (21,177)
At end of year	1,319,019	1,418,374

The movement in the allowance for impairment in the year is as follows;

	2023 Shs’000	2022 Shs’000
At start of year	(21,177)	(24,132)
(Charge)/credit to profit or loss	(32,084)	2,955
Allowance for expected credit loss	(53,261)	(21,177)
Maturity analysis of deferred debt is as follows:		
Within one year	96,216	98,628
After one year	1,222,803	1,319,746
Net book amount	1,319,019	1,418,374

Kenya Electricity Generating Company Plc

Notes to the financial statements (continued)

18. Financial assets held at amortized cost(continued)

c) Treasury Bonds (T. BOND FD1 2010/25)

The company invested in long term treasury bonds which continues to earn interest on a semi-annual basis. They are recognized as financial assets at amortized cost. The coupon rate is 11.25%.

	2023 Shs'000	2022 Shs'000
At start of year	2,371,142	2,381,404
Bond premium amortization (Note 9)	(11,259)	(10,262)
	2,359,883	2,371,142
Less: allowance for expected credit loss	(23,808)	(14,535)
At end of year	2,336,075	2,356,607

The movement in the provision of expected credit losses in the year is as follows

	2023 Shs'000	2022 Shs'000
At start of year	(14,535)	(4,050)
Charge to profit or loss	(9,273)	(10,485)
Allowance for impairment	(23,808)	(14,535)

d) Contract asset -KETRACO-Olkaria 280MW transmission line

On or around the year 2010 the Government of the Republic of Kenya received financing for the Kenya Electricity Expansion Project (KEEP) from various financiers. The KEEP projects included the construction of Olkaria IV & I AU power plants, High Voltage Substations and Transmission Lines (the Project).

The Project was financed by European Investment Bank (EIB) and Kreditanstalt Für Wiederaufbank (KfW). On the 8th day of September 2010, KenGen and KETRACO entered into an Implementation Agreement Framework for co-operation in certain services in connection with the transmission of electricity under the KEEP Project.

Upon completion of the Project in 2015 and in accordance with the Implementation Agreement, KenGen was to sign a novation agreement that would govern the transfer of assets and fulfilment of obligations thereof. This is in line with KETRACO's mandate as outlined in the Sessional Paper No.4, 2004, on Energy and Energy Act No. 12, 2006.

Negotiations have been ongoing between KenGen, KETRACO, KPLC and the government to facilitate the transfer of Olkaria I AU & IV 280MW and offset against the EIB on-lent loan. Summary of balances are as follows:

18. Financial assets held at amortized cost(continued)

d) Contract asset -KETRACO-Olkaria 280MW transmission line

	2023 Shs'000	2022 Shs'000
At start of year	4,663,722	4,571,009
Addition*	899,769	92,713
Less: Allowance for impairment	5,563,491 (215,931)	4,663,722 (68,610)
At end of year	5,347,560	4,595,112

The movement in the allowance for impairment in the year is as follows;

	2023 Shs'000	2022 Shs'000
At start of year	(68,610)	(74,507)
(Charge)/credit to profit or loss	(147,321)	5,897
Allowance for expected credit loss	(215,931)	(68,610)
Maturity analysis of deferred debt is as follows:		
Within one year	-	-
After one year	5,347,560	4,595,112
Net book amount	5,347,560	4,595,112

*The addition during the year relates to additional interest Sh. and forex losses on the European Investment Bank (EIB) and Kreditanstalt Für Wiederaufbank (KfW) loan facilities.

19. Financial assets held at fair value through profit or loss

The financial assets at fair value through profit or loss relates to unrealized exchange differences on foreign denominated borrowings recoverable from The Kenya Power & Lighting Company Plc under the respective Power Purchase Agreements (“PPAs”) with Kenya Power. The derivative financial instrument is entered into to manage foreign exchange borrowings exposures. The PPA provides that the amounts should be billed to Kenya Power as the related borrowings are repaid. This allows the Company to bill and recover all realized foreign currency fluctuations relative to the base rates allowed by the PPA. The amount in the statement of financial position relates to fair value of this financial asset.

Kenya Electricity Generating Company Plc

Notes to the financial statements (continued)

19. Financial assets held at fair value through profit or loss (Continued)

The movement in the financial asset during the year is as follows:

	2023 Shs'000	2022 Shs'000
At start of year	3,993,732	9,610,784
Realized foreign exchange loss recovered through billing	(1,346,187)	(606,160)
Realized foreign exchange loss not billed – borrowings (Note 9)	(2,457,623)	(188,612)
Unrealized (loss)/gain on revaluation of the financial asset at fair value through profit or loss recoverable (Note 9)	21,909,225	(3,274,468)
Unrecoverable foreign exchange gain/(loss) expensed (Note 9)	697,961	(1,580,823)
Unrecoverable foreign exchange (loss)/gain capitalised	(2,330,701)	33,011
Impairment of recoverable forex for Kipevu I due to expiry of PPA (Note 9)	(413,054)	-
At end of year	20,053,353	3,993,732
Less: current portion recoverable within one year	(2,236,554)	(1,104,809)
At end of year (long term portion)	17,816,799	2,888,923

20. Inventories

Machinery consumable spares	2,190,526	1,237,000
Fuel and lubricants	202,975	231,022
General stores	532,549	373,082
	2,926,050	1,841,104
Allowance for impairment and provisions	(1,077,604)	(393,980)
	1,848,446	1,447,124

*The cost of inventories recognized as an expense and included in operating costs and reimbursable expenses are machinery consumable spares amounting to Shs 1,447,115,000 (2022: Shs 1,889,160,000) and fuel consumed amounting to Shs 7,995,258,000 (2022: Shs 9,587,829,000) respectively. Impairment allowance for inventory is recognized on items that are slow moving and/or obsolete.

Kenya Electricity Generating Company Plc

Notes to the financial statements (continued)

21. Trade receivables

The following amounts due from The Kenya Power and Lighting Company Plc (KPLC) relate to outstanding balances at year end arising from billings as per the respective PPA’s.

	2023 Shs’000	2022 Shs’000 Restated*
Due from KPLC – as previously stated	22,314,971	23,582,383
Adjustment for contribution to tariff reduction *	-	(1,750,000)
Due from KPLC – as restated	22,314,971	21,832,383
Less: Allowance for impairment	(866,093)	(1,238,088)
Balance at end of the year	21,448,878	20,594,295

The amounts include Shs 5,049,737,000 (2022: Shs 3,877,218,000) which is denominated in foreign currency.

The movement in the allowance for expected credit losses in the year is as follows:

	2023 Shs’000	2022 Shs’000
At start of year	(1,238,088)	(792,471)
Net credit/(charge) to profit or loss	371,995	(445,617)
Allowance for expected credit loss	(866,093)	(1,238,088)

*See note 44 for details regarding the restatement

22. Other receivables and prepayments

Receivables from foreign operations	415,170	654,420
Prepayments*	586,523	467,565
Sundry debtors	206,689	252,437
Staff receivables	133,284	116,084
Other receivables**	3,617,438	504,347
	4,959,104	1,994,853
Less: Allowance for expected credit loss	(517,404)	(566,541)
	4,441,700	1,428,312

*Included in prepayments is an amount of Shs 260,041,000 (2022: Shs 131,747,000) relating to advances to Contractors for ongoing projects.

**Included under other receivables is an amount of Shs. 1,259,619,330 relating to insurance refunds recovered after year end and Shs. 1,586,079,358 receivable from the ministry of finance on the EIB on - let loans.

Kenya Electricity Generating Company Plc

Notes to the financial statements (continued)

22. Other receivables and prepayments (Continued)

The movement in the allowance for impairment in the year is as follows:

	2023 Shs'000	2022 Shs'000
At start of year	(566,541)	(448,990)
Net credit/(charge) to profit or loss	49,137	(117,551)
Allowance for impairment	(517,404)	(566,541)

23. Financial asset at fair value through other comprehensive income

At start of year	338,920	360,957
Fair value loss through other comprehensive income	(18,498)	(22,037)
At end of year	320,422	338,920

The FVOCI asset relates to the treasury bonds (T. BFXD1 2010/25, coupon rate of 11.25%) held by the Company. This treasury bond is held to collect cash as well as held for sale.

24. (a) Cash and bank balances

	2023 Shs'000	2022 Shs'000
Cash at bank	15,470,703	12,651,852
Less: Allowance for expected credit loss	(475,572)	(271,268)
	14,995,131	12,380,584
Cash at hand	3,300	3,350
		-
	14,998,431	12,383,934

The movement in the allowance for impairment in the year is as follows;

At start of year	(271,268)	(236,858)
Net charge to profit or loss	(204,304)	(34,410)
Allowance for expected credit loss	(475,572)	(271,268)

Notes to the financial statements (continued)

24. (a) Cash and bank balances (Continued)

For purposes of the statement of cashflows, the cash and cash equivalents are presented as;

	2023 Shs'000	2022 Shs'000
Cash at bank*	15,470,703	12,651,852
Cash at hand	3,300	3,350
	15,474,003	12,655,202

*Included in the cash at bank is local currency of Shs 14,826,231,000 (2022: Shs 9,901,747,000) and foreign currency of Shs 647,772,000 (2022: Shs 2,753,455,000).

(b) Restricted cash balances

	2023 Shs'000	2022 Shs'000
Restricted cash	1,875,206	1,350,709
Allowance for expected credit loss	(13,849)	(6,489)
	1,861,357	1,344,220

(c) Expected credit loss on cash balances

At start of the year	(6,489)	-
Net charge to profit or loss	(7,360)	(6,489)
Allowance for expected credit loss	(13,849)	(6,489)

(d) Restricted cash movement

At start of year	1,344,220	1,117,241
Un-utilized funds as year end	308,932	233,468
Staff mortgage funding	200,000	-
Interest earned	22,054	-
Amortisation of deferred restricted cash asset	(13,849)	(6,489)
Net deferred restricted cash	1,861,357	1,344,220

The restricted cash balances relate to funds deposited with institutions enable those institutions to facilitate lending of car and mortgage facilities to company staff at affordable interest rate. The funds earn a nominal interest.

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Notes to the financial statements (continued)

25. Ordinary share capital and share premium

Ordinary share capital and share premium	Number of shares (Thousands)	Ordinary shares Shs'000	Share premium Shs'000
Authorised			
At 30 June 2022 and 30 June 2023	<u>10,000,000</u>	<u>25,000,000</u>	<u>-</u>
Issued and fully paid			
At 30 June 2022 and 30 June 2023	<u>6,594,522</u>	<u>16,487,710</u>	<u>22,151,131</u>

The total authorised number of ordinary shares is 10,000,000,000 with a par value of Shs 2.50 per share. All issued shares are fully paid.

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Notes to the financial statements (continued)

26. Other reserves

	Capital reserve Shs'000	Investment's revaluation reserve Shs'000	Property revaluation reserve Shs'000	Actuarial gains/ (losses) Shs'000	Total Shs'000
At 1 July 2022	8,579,722	(81,273)	121,811,273	(1,037,478)	129,272,244
Other comprehensive loss for the year;					
- Net loss on revaluation on investments in financial instruments measured at FVOCI	-	(18,498)	-	-	(18,498)
- Re-measurement of defined benefit	-	-	(4,980,578)	(860,574)	(860,574)
- Net impairment on assets	-	-	-	-	(4,980,578)
- Deferred income tax thereon	-	5,549	-	-	5,549
- Deferred tax relating to components of other comprehensive income (Note 30)	-	-	-	258,172	258,172
- Deferred income tax thereon	-	-	1,494,173	-	1,494,173
Total other comprehensive loss for the year	-	(12,949)	(3,486,405)	(602,402)	(4,101,756)
Transfer of excess depreciation	-	-	(4,013,319)	-	(4,013,319)
Deferred tax on excess depreciation	-	-	1,203,996	-	1,203,996
At 30 June 2023	8,579,722	(94,222)	115,515,545	(1,639,880)	122,361,165

Notes to the financial statements (continued)

26. Other reserves (Continued)

	Capital reserve Shs'000	Investment's revaluation reserve Shs'000	Property revaluation reserve Shs'000	Actuarial gains/ (losses) Shs'000	Total Shs'000
At 1 July 2021	8,579,722	(65,847)	57,102,238	(564,629)	65,051,484
Other comprehensive loss for the year;					
- Net loss on revaluation on investments in financial instruments measured at FVOCI	-	(22,037)	-	-	(22,037)
- Re-measurement of defined benefit	-	-	-	(675,499)	(675,499)
- Net revaluation surplus on assets	-	-	88,865,929	-	88,865,929
- Deferred income tax thereon	-	6,611	-	-	6,611
- Deferred tax relating to components of other comprehensive income (Note 30)	-	-	-	202,650	202,650
- Deferred income tax thereon	-	-	(22,166,245)	-	(22,166,245)
Total other comprehensive loss for the year	-	(15,426)	66,699,684	(472,849)	66,211,409
Transfer of excess depreciation	-	-	(2,843,784)	-	(2,843,784)
Deferred tax on excess depreciation	-	-	853,135	-	853,135
At 30 June 2022	8,579,722	(81,273)	121,811,273	(1,037,478)	129,272,244

(a) The capital reserve relates to development surcharge received from Kenya Power for financing the development of certain power projects for the period on or before 1998. The reserve is not distributable to shareholders.

(b) The investments revaluation reserve represents the cumulative gains and losses arising on the revaluation of financial assets that have been recognized in other comprehensive income, net of amounts reclassified to profit or loss when those assets have been disposed of. The reserve is not distributable to shareholders.

(c) The property revaluation reserve arises on the revaluation of property, plant & machinery and intangible assets as well as leasehold land which is part of Right of Use Assets. When revalued property, plant and equipment are disposed, the portion of the plant and machinery revaluation reserve that relates to that asset is transferred directly to retained earnings. The reserve is not distributable to shareholders.

Actuarial reserves represent the accumulated remeasurements arising from the retirement benefit scheme recognized through other comprehensive income as disclosed under Note 29. The reserve is not distributable to shareholders.

Kenya Electricity Generating Company Plc

Notes to the financial statements (continued)

27. Retained earnings

The retained earnings represent amounts available for distribution to the company’s shareholders. Undistributed retained earnings are retained to finance the company’s business activities.

28. Borrowings

The movement in borrowings is as follows:

	2023 Shs’000	2022 Shs’000
At start of year	133,002,263	144,529,241
External borrowings received in the year	2,519,394	1,688,919
Domestic borrowings received in the year	9,952,232	-
External borrowings repayments in the year	(10,343,240)	(7,584,911)
Domestic borrowings repayments in the year	(8,173,850)	(2,356,518)
Exchange loss/(gain) on revaluation of borrowings (Note 19)	21,909,225	(3,274,468)
At end of year	148,866,024	133,002,263
Add: Accrued interest	985,782	1,130,429
At end of year	149,851,806	134,132,692
Less: Amounts due within one year (Current portion)	(12,809,721)	(11,916,546)
Amounts due after one year (Non-current portion)	137,042,085	122,216,146

(a) Analysis of interest-bearing borrowings:

	Maturity Year	2023 Shs’000	2022 Shs’000
Government of Kenya Guaranteed loans			
2.6% Japan Bank for International Cooperation KE P20-Kipevu 1 (JPY 850,632,000)	2025	825,196	1,101,249
2.3% Japan Bank for International Cooperation KE P21 – Sondu Miriu (JPY 1,352,776,000)	2027	1,312,325	1,459,447
0.75% Japan Bank for International Cooperation KE P23-Sondu Miriu (JPY 7,266,630,000)	2044	7,049,343	6,570,357
0.75% Japan Bank for International Cooperation KE P24-Sangoro (JPY 3,397,728,000)	2047	3,296,129	3,054,710
0.20% Japan International Cooperation Agency KE P26-Olkaria I & IV JPY 19,244,675,547)	2040	18,669,222	17,622,793
2.09% Kreditanstalt Fur Wiederaufbau (KfW)-Kindaruma (Euro 3,910,000)	2024	598,158	969,839
2.2% Kreditanstalt Fur Wiederaufbau (KfW)-Olkaria I & IV (Euro 15,654,000)	2026	2,394,772	2,588,552
0.98% DSSI I (JICA KP20, KP21, KP23, KP24 & KP26) (JPY 1,171,120,000)	2027	1,136,101	1,263,481
0.68% DSSI II (JICA KP20, KP21, KP23, KP24 & KP26) (JPY 1,311,615,000)	2027	1,272,395	1,257,825
		36,553,641	35,888,253

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Notes to the financial statements (continued)

28. Borrowings (Continued)

(a) Analysis of interest-bearing borrowings: (continued)

	Maturity Year	2023 Shs'000	2022 Shs'000
Government of Kenya on lent loans			
3.5% International Development Association IDA 4743 KE-Olkaria I & IV (USD 22,296,678)	2035	3,133,207	2,846,210
2.003% Agence Francaise de Development (AFD) - Olkaria I & IV (EURO 49,284,890)	2031	7,539,676	6,831,424
2.645% European Investment Bank-Olkaria I & IV (Euro 3,922,158)	2037	600,018	522,459
2.50% Export-Import Bank of China (EXIM) – 89 wells (USD 279,519,231)	2033	39,279,021	36,403,413
1.50% Spanish loan-Ngong Phase II - 13.6MW (Euro 12,496,011)	2030	1,911,659	1,756,394
0.50% National Bank of Belgium (NBB) Ngong 1 Phase 11 - 6.8 MW (Euro 6,078,000)	2043	929,822	753,795
3.5% International Development Association IDA 5844-KE Olkaria I& IV (USD 52,703,852)	2041	7,406,130	6,210,221
0.20% Japan International Cooperation Agency Loan (KE-P31) Olkaria V (JPY 29,858,758,936)	2046	28,965,922	25,719,132
3.5% EIB Olkaria 1 Unit 6 (Euro 69,127,564)	2042	10,575,238	7,093,167
		100,340,693	88,136,215
Direct borrowings			
2.68% Agence Francaise de Developpement (AFD)- Olkaria II Unit 3 (Euro 1,666,667)	2024	254,969	413,401
5.1% HSBC Bank Loan-Rigs (USD 3,379,087)	2024	474,841	796,332
CBA Term loan - Wellheads 75MW	2023	-	7,768,062
Absa Bank Loan (USD 80,000,000)	2035	11,241,880	-
		11,971,690	8,977,795
		148,866,024	133,002,263
Accrued interest		985,782	1,130,429
		149,851,806	134,132,692

28. Borrowings (Continued)

	2023 Shs'000	2022 Shs'000
(b) Borrowings maturity analysis:		
Due within 1 year	12,809,721	11,916,546
Due between 1 and 2 years	10,495,971	11,342,373
Due between 2 and 5 years	34,805,113	32,501,382
Due after 5 years	91,741,001	78,372,391
	<u>149,851,806</u>	<u>134,132,692</u>
(c) Analysis of loans by currency:		
Borrowings in US\$	61,535,079	54,024,239
Borrowings in JPY	62,526,633	58,048,994
Borrowings in EUR	24,804,312	20,929,030
	<u>148,866,024</u>	<u>133,002,263</u>
Borrowings in foreign currencies	148,866,024	133,002,263
Borrowings in Shs	985,782	1,130,429
	<u>149,851,806</u>	<u>134,132,692</u>

On-lent loan facilities are entered into by the Government of Kenya with Development Finance Institutions (DFIs) and subsequently cascaded down to the Company through subsidiary loan agreements.

Securities:

The Government of Kenya has issued guarantees to the lenders in relation to the guaranteed borrowings.

The securities held for the Agence Francaise de Development borrowings are a fixed charge over all rights, title and interest of the Company in and to (a) all the land, (b) all the real property including power plant buildings and structure at the Olkaria II geothermal power plant, a fixed charge over the plant, machinery and other infrastructure at the Olkaria II geothermal power plant and an assignment of the benefits of proceeds of insurance in connection with the project.

Kenya Electricity Generating Company Plc

Notes to the financial statements (continued)

28. Borrowings (Continued)

(d) The movement in borrowings is as follows:

	2023 Shs'000	2022 Shs'000
At start of year	133,002,263	144,529,241
Received in the year	12,471,626	1,688,919
Repayments in the year	(14,713,281)	(9,146,656)
Realized exchange loss on repayment of borrowings billed to KPLC	(1,346,186)	(606,160)
Realized exchange loss on repayment of borrowings not billed to KPLC	(2,457,623)	(188,612)
Unrealized exchange (gain)/loss on revaluation of borrowings	21,909,225	(3,274,468)
At end of year	148,866,024	133,002,263
Add: Accrued interest	985,782	1,130,428
At end of year	149,851,806	134,132,692
Less: Amounts due within one year (Current portion)	(12,809,721)	(11,916,546)
Amounts due after one year (non-current portion)	137,042,085	122,216,146

29. Retirement benefits asset

The Company operated a joint defined benefit scheme with Kenya Power, which was funded by contributions from both the Company and employees up to 31 December 1999.

The Company registered its own defined benefits scheme in 2000 and commenced making contributions to the scheme, alongside employees' contributions, with effect from 1 January 2000. The scheme is administered by Zamara Actuaries, Administrators & Consultants Limited while British-American Asset Managers and Coop trust Investment Services act as investment managers for the scheme. NIC bank Kenya plc are the custodians of the Scheme.

Under the plan, the employees are entitled to retirement benefits of 3% of final pensionable emoluments for pensionable service up to 1 January 2000 and 2% of final pensionable emoluments for pensionable service after 1 January 2000 on attainment of a retirement age of 60 years. No other post-retirement benefits are provided to these employees.

The KenGen Staff Retirement Benefits Scheme (DB Scheme) is established under trust and was closed to new entrants and to future accrual of benefits with effect from 31 December 2011 in respect of members aged below 45 years. A new Defined Contribution Scheme, the KenGen Defined Contribution (DC Scheme) 2012 was established effective 1 January 2012, for all new eligible employees. All active in-service members aged 45 years and over as at 31 December 2011 had an option to either remain in the DB scheme for future benefit accrual or join the new DC scheme. Some members opted to join the new DC scheme for future benefit accrual while others opted to remain in the DB scheme. The DC scheme is administered by Zamara Actuaries, Administrators & Consultants Limited while African Alliance Investment Bank Kenya Limited and Old Mutual Investment Group Limited act as Investment Managers for the Scheme. The Company therefore only makes contributions to the DB scheme in respect of those members who opted to remain in the DB scheme. DB scheme member contributions are a fixed percentage of their basic pay with the Company responsible for the balance of the contributions.

29. Retirement benefits asset (Continued)

An actuarial valuation to fulfill the financial reporting and disclosure requirements of IAS19 was carried out as at 30 June 2022 by Zamara Actuaries, Administrators and Consultants Limited. On this basis, the present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2023	2022
Discount rate(s) ¹	14.6%	13.90%
Future salary increases	8%	8%
Future pension increases	0%	0%
Mortality (pre-retirement)	A(55) males/Female Ultimate	A(55) males/Female Ultimate
Mortality (post-retirement)	N/A	N/A
Withdrawals	At rates consistent with similar arrangements	At rates consistent with similar arrangements
Ill health	At rates consistent with similar arrangements	At rates consistent with similar arrangements
Retirement age	60 years	60 years

¹IAS19 requires the discount rate to be determined by reference to market yields on the balance sheet date on high quality corporate bonds, or in countries where there is no deep market in such bonds, the market yields on Government bonds. The currency and term of the corporate or Government bonds should be consistent with the currency and estimated term of the post-employment benefit obligation. In the absence of a deep corporate bond market in Kenya, we have determined our discount rate assumption with reference to Government of Kenya long bond yields as published by the Central Bank of Kenya.

Recognition

The amount recognized in the statement of profit or loss and other comprehensive income and statement of financial position in respect of these defined benefit plan are as shown below:

(a) Amounts recognized in the statement of profit or loss and other comprehensive Income

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

	2023 Shs'000	2022 Shs'000
(i) Statement of profit or loss		
Service cost:		
Current service cost (employer)	(91,506)	(86,797)
	(91,506)	(86,797)
Interest income/(cost):		
Interest cost on defined benefit obligation	(968,644)	(951,456)
Interest income on plan assets	1,106,927	1,069,063
Interest income on the effect of the asset ceiling	(83,484)	(80,899)
	54,799	36,708
Net expense included in profit or loss in respect of scheme (Note 10(b))	(36,707)	(50,089)

Kenya Electricity Generating Company Plc

Notes to the financial statements (continued)

29. Retirement benefits asset (Continued)

Recognition (Continued)

(a) Amounts recognized in the statement of profit or loss and other comprehensive Income (Continued)

	2023 Shs'000	2022 Shs'000
(ii) Other comprehensive income (OCI)		
Actuarial loss due to change in financial assumptions	267,925	285,835
Return on plan assets	(736,489)	(1,049,887)
Change in effect of asset ceiling (excluding amount in interest cost)	(392,010)	88,553
Amount recognized in OCI	(860,574)	(675,499)
(iii) Movement in retirement benefit asset		
Net asset at start of the year	-	-
Net expense recognized in the income statement	(36,707)	(50,089)
Employer contributions	897,281	725,588
Amount recognized in OCI	(860,574)	(675,499)
Net asset at end of the year	-	-

(b) Amounts recognized in the statement of financial position

The amount included in the statement of financial position arising from the entity's obligation in respect of its defined benefit plans is as follows:

	2023 Shs'000	2022 Shs'000
Present value of funded defined benefit obligation	(6,877,771)	(7,353,265)
Fair value of plan assets	7,953,871	7,953,871
Effect of asset ceiling	1,076,100	600,606
	(1,076,100)	(600,606)
	-	-

29. Retirement benefits asset (Continued)

Recognition (Continued)

(b) Amounts recognized in the statement of financial position (Continued)

Reconciliation of the effect of asset ceiling is as follows:

	2023 Shs'000	2022 Shs'000
Effect of asset ceiling	(600,606)	(608,260)
Interest effect of the asset ceiling	(83,484)	(80,899)
Change in the effect of the asset ceiling excluding interest	(392,010)	88,553
Effect of asset ceiling at end of the period	(1,076,100)	(600,606)

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

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

	2023 Shs'000	2022 Shs'000
Opening benefit obligation	(7,353,265)	(7,533,173)
Current service cost	(91,506)	(86,797)
Interest cost	(968,644)	(951,456)
Employee contributions	(11,241)	(12,994)
Actuarial loss due to change in financial assumptions	267,925	265,851
Actuarial loss on experience	-	19,984
Past service costs	-	-
Benefits paid	889,253	945,320
Closing defined benefit obligation	(7,267,478)	(7,353,265)

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

	2023 Shs'000	2022 Shs'000
Opening market value of assets	7,953,871	8,141,433
Interest income on plan assets	1,106,927	1,069,063
Employer contributions	897,281	725,588
Employee contributions	11,241	12,994
Return on plan assets	(736,489)	(1,049,887)
Benefits paid	(889,253)	(945,320)
Closing fair value of plan assets	8,343,578	7,953,871

Kenya Electricity Generating Company Plc

Notes to the financial statements (continued)

29. Retirement benefits asset (Continued)

Recognition (Continued)

(b) Amount recognized in the statement of financial position (Continued)

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

	2023 Shs'000	2023 Shs'000
Property investments	4,319,980	4,713,889
Quoted equity instruments	553,284	664,354
Offshore investments	115,177	84,483
Government securities	2,707,334	2,354,108
Commercial paper and corporate bonds	34,343	34,371
Cash & short-term deposits	748,739	218,580
Net current assets/(liabilities)	(135,279)	(115,914)
Total scheme assets	8,343,578	7,953,871

(c) Sensitivity analysis

When there is an unfavorable change in the principal assumptions, they negatively affect the Company's deficit obligation. The sensitivity of the defined benefit obligation to changes in the principal assumptions is:

	Sensitivity	2023	Change in assumption	Impact on defined benefit obligation
Discount rate	13.60%	14.60%	Decrease 1%	Increase in the present value of obligation by Shs 442,700,000
Salary	7%	8%	Decrease 1%	Decrease in the present value of obligation by Shs 90,900,000
Retirement age	55	60	Decrease by 5yrs	Increase in the present value of obligation by Shs758,300,000
	=====	=====	=====	=====

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit asset recognized in the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

Notes to the financial statements (continued)

30. Deferred income tax

Deferred income taxes are calculated on all temporary differences under the liability method using the applicable rate, currently at 30%. The makeup of the deferred tax liabilities in the year and the movement on the deferred tax account during the year are presented below:

	2023 Shs'000	2022 Shs'000 (Restated)*
Movement on the deferred tax account is as follows:		
At start of year	80,216,843	55,786,804
Deferred tax charge (Note 13(a))	3,171,038	2,473,054
Credit to other comprehensive income (Note 26)	(1,757,895)	21,956,985
Restated at the end of the year	81,629,986	80,216,843

The increase in deferred tax liability arises from revaluation of assets and profit of the year.

*See note 44 on restatement

Notes to the financial statements (continued)

30. Deferred income tax (continued)

	At start of year Shs'000 *Restated	Charged / (Credited) to P/L Shs'000	Charged / (Credited) to OCI Shs'000	At end of year Shs'000
Year ended 30 June 2023				
Deferred tax assets:				
Tax losses	(9,873,325)	1,875,999	-	(7,997,326)
Provisions and other temporary differences	(1,290,170)	(92,707)	(263,722)	(1,646,599)
	(11,163,495)	1,783,292	(263,722)	(9,643,925)
Deferred tax liabilities:				
Unrealized exchange gains	147,718	413,016	-	560,734
Revaluation surplus - Capital gains	170,398	340,796	-	511,194
Revaluation surplus	46,680,761	(1,203,997)	(1,494,173)	43,982,591
Accelerated capital allowances	44,381,461	1,837,931	-	46,219,392
	91,380,338	1,387,746	(1,494,173)	91,273,911
Net deferred tax liability	80,216,843	3,171,038	(1,757,895)	81,629,986

Notes to the financial statements (continued)

30. Deferred income tax (continued)	As previously reported – 30 June 2021 Shs'000	Prior year adjustment*	Charged / (Credited) to P/L Shs'000 *Restated	Charged / (Credited) to OCI Shs'000 *Restated	At end of year Shs'000 *Restated
Year ended 30 June 2022					
Deferred tax assets:					
Tax losses	(7,269,618)	(34,843)	(2,568,864)	-	(9,873,325)
Provisions and other temporary differences	(637,938)	(270,205)	(172,765)	(209,261)	(1,290,169)
	(7,907,556)	(305,048)	(2,741,629)	(209,261)	(11,163,494)
Deferred tax liabilities:					
Unrealized exchange gains	(100,554)	-	248,271	-	147,717
Unrealized revaluation gains	1,757,965	(1,198,122)	(559,843)	-	-
Revaluation surplus - Capital gains	-	170,398	-	170,398	170,398
Revaluation surplus	24,514,515	-	-	21,995,848	46,680,761
Accelerated capital allowances	37,522,434	-	6,859,027	-	44,381,461
	63,694,360	(1,027,724)	6,547,455	22,166,246	91,380,337
Net deferred tax liability					
	55,786,804	(1,332,772)	3,805,826	21,956,985	80,216,843

*See note 44 on restatement

Kenya Electricity Generating Company Plc

Notes to the financial statements (continued)

31. Lease Liabilities

	2023 Shs'000	2022 Shs'000
At start of year	1,053,886	851,295
Additional leases (Note 17)	-	307,296
Adjustments	(82,943)	-
Interest on lease liability (Note 12)	112,561	89,577
Paid during the year	(231,802)	(194,282)
At end of year	851,702	1,053,886
Comprising:		
Current Portion	159,826	225,312
Non- current portion	691,876	828,574
	851,702	1,053,886
Maturity Analysis of discounted cash flows		
Year 1	159,826	225,312
Year 2	142,028	228,405
Year 3	110,699	237,577
Year 4	55,631	106,832
Year 5 and beyond	383,518	255,760
	851,702	1,053,886

32. Grants

At start of year	331,949	200,000
Received during the year	501,402	131,949
At end of year	833,351	331,949

This relates to funds received from the World Bank as a grant towards the construction of Geothermal Centre of Excellence and is expected to be completed by the financial year ending June 2024.

33. Trade and other payables

	2023	2022
	Shs'000	Shs'000 Restated*
Contractors and retention money	197,222	1,322,078
Trade payables	5,804,922	4,464,940
Due to Kenya Power (note 37(a)(ii))	164,685	4,366
Sundry creditors accruals	1,821,408	2,278,624
Deferred income from contracts (Note 6(b))	-	206,411
Gratuity accrual	46,592	84,576
Leave accrual	259,012	233,808
Total trade and other payables	8,293,841	8,594,803

34. Provision for compensating tax

At start of year	-	401,022
Paid during the year	-	(401,022)
At end of year	-	-

The amount in the comparative period 2022 relates to compensating tax arising on dividends paid in 2016. The Company has significant tax losses arising from investment deductions granted on its projects and therefore insufficient current tax credits to cover for the dividend tax account. The outstanding compensating tax was settled by 30th June 2022.

35. Dividends payable

Proposed dividends are accounted for as part of equity until they have been ratified and declared at the relevant Annual General Meeting (AGM). At the AGM, a final dividend in respect of the year ended 30 June 2023 of Shs. 0.30 (2022: Shs. 0.20) for every ordinary share of par value of Shs.2.50 is to be proposed. No interim dividend was declared during the year. The dividend account is as follows:

	2023	2022
	Shs'000	Shs'000
At start of year	1,384,628	1,978,357
Approved dividends	1,318,693	1,978,039
Amount paid during the year	(1,780,235)	(2,571,768)
At end of year	923,086	1,384,628

Kenya Electricity Generating Company Plc

Notes to the financial statements (continued)

36. Notes to the statement of cash flows

(a) Reconciliation of profit before taxation to cash generated from operations.

	2023 Shs'000	2022 Shs'000
Profit before taxation	8,524,816	6,191,985
<i>Adjustments for:</i>		
Depreciation (Note 10(a))	15,431,161	12,170,285
Amortization of intangible assets (Note 10(a))	214,034	112,279
Depreciation of Right of use assets (Note 10(a))	155,250	179,066
Finance income (Note 11)	(1,688,805)	(2,072,598)
Finance cost (Note 12)	2,732,105	1,960,420
Net increase in contract asset (Note 18(d))	(899,769)	(92,713)
Loss on disposal of fixed assets (Note 10(e))	-	2,626
Amortization of treasury bonds (Note 18(c))	(11,259)	10,262
Impairment of deferred debt (Note 18(a))	21,953	(3,716)
Impairment of held-to-maturity treasury bonds (Note 18(c))	9,273	10,485
Impairment of feasibility studies and other project costs (Note 10(g))	10,040	968,000
Impairment of intangible cost (Note 16)	15,947	-
Asset revaluation deficit and other adjustments (Note 10(g))	986,114	-
Impairment of financial asset through profit or loss	179,405	(8,852)
Decrease in financial asset through profit or loss	1,090,599	1,306,987
Tax paid for foreign operations	31,906	181,198
Financial asset recoveries (Note 18(b))	122,725	98,099
Operating profit before working capital changes	26,925,495	21,013,813
Changes in working capital:		
Decrease/(increase) in inventories (Note 20)	(401,322)	604,704
Decrease/(increase) in trade receivables (Note 21)	(854,582)	3,754,551
Decrease in other receivables (Note 22)	(3,013,387)	326,808
Increase/(decrease) in trade and other payables (Note 33)	(300,962)	479,539
Cash generated from operations	22,355,242	26,179,415

Restated*

- The movements in restricted cash has within the current year been reclassified from cash and Cash equivalents to cash flows from investing activities. This reclassification had no impact on any reported earnings nor on any totals presented on the statement of financial position.
- The movement in financial assets within the current year has been reclassified from cash flows from financing activities to cash flows from operating activities. This reclassification had no impact on any reported earnings nor on any totals presented on the statement of financial position

36. Notes to the statement of cash flows (Continued)

	2023 Shs'000	2022 Shs'000
(b) Movement in finance income		
At start of year	93,341	44,870
Interest income (Note 11)	1,688,805	2,072,598
Finance income received	(1,301,882)	(1,176,203)
Accrued interest from Kenya Power (Note 11)	(364,696)	(847,924)
At end of year	115,568	93,341
(c) Movement in interest payable		
At start of year	1,130,429	1,046,256
Interest expense (Note 12)	2,732,106	1,960,420
Interest paid	(2,876,753)	(1,876,247)
At end of year (Note 28)	985,782	1,130,429

(d) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	2023 Shs'000	2022 Shs'000
Cash and bank balances (Note 24)	14,998,431	12,383,934
Borrowings repayable within one year (Note 28)	(12,809,721)	(11,916,546)
Borrowings repayable after one year (Note 28)	(137,042,085)	(122,216,146)
Net debt	(134,853,375)	(121,748,758)

Kenya Electricity Generating Company Plc

Notes to the financial statements (continued)

36. Notes to the statement of cash flows (continued)

(d) Net debt reconciliation (Continued)

	Cash and bank balances Shs'000	Borrowings Shs'000	Net Debt Shs'000
Net debt as 1 July 2022	12,655,202	(133,002,263)	(120,347,061)
Cashflows	2,237,921	-	2,237,921
Received in the year	-	(12,471,626)	(12,471,626)
Repaid in the year (including realised forex)	-	18,517,090	18,517,090
Unrealised exchange loss in the year	-	(21,909,225)	(21,909,225)
Accrued interest	-	(985,782)	(985,782)
Expected credit loss on cash and bank balances	(475,572)	-	(475,572)
Expected effect of forex on cash balances	580,880	-	580,880
Net debt as at 30 June 2023	14,998,431	(149,851,806)	(134,853,375)
Net debt as 1 July 2021	13,859,284	(144,529,241)	(130,669,957)
Cashflows	(1,419,362)	-	(1,419,362)
Received in the year	-	(1,688,919)	(1,688,919)
Repaid in the year (including realised forex)	-	9,941,428	9,941,428
Unrealised exchange loss in the year	-	3,274,469	3,274,469
Accrued interest	-	(1,130,429)	(1,130,429)
Expected credit loss on cash and bank balances	(271,268)	-	(271,268)
Expected effect of forex on cash balances	215,279	-	215,279
Net debt as at 30 June 2022	12,383,933	(134,132,692)	(121,748,759)

37. Related party transactions

The Company is 70% owned by the Government of Kenya. The remaining 30% of the shares are widely held by the public. In line with the exemptions in IAS 24, and by virtue that the government is the major shareholder of the company, we do not consider as related parties: providers of finance, trade unions, public utilities and any agencies, departments of the government of Kenya, any state corporations or other state or county entities that do not control, jointly control or significantly influence the reporting entity. The Government of Kenya has provided some guarantees to long-term external lenders of the entity and on-lent loans to the Company (Note 28).

The company's main related parties include Government of Kenya - Ministry of Energy, The National Treasury, The Kenya Power and Lighting Company Plc (Kenya Power), Geothermal Development Company Limited (GDC), Rural Electrification & Renewable Energy Corporation, Water Resource Management Authority (WARMA), Board of Directors and Key Management.

37. Related party transactions (Continued)

(a) The Kenya Power and Lighting Company Plc

Kenya Power is the authorised electricity distributor in Kenya with its majority shareholder being the Government of Kenya.

(i) During the year the following transactions were carried out with KPLC;

	2023 Shs'000	2022 Shs'000 Restated*
Electricity sales (Note 6(a))	38,783,964	30,973,503
Steam revenue (Note 6 (a))	6,129,269	5,119,412
Fuel charges billed (Note 6(a))	8,165,345	9,672,038
Water charges billed (Note 6(a))	125,892	164,872
Interest income on amounts due (Note 11)	364,696	847,924
Realized foreign exchange loss billed to Kenya Power- borrowings (Note 19)	1,346,186	606,160
Realized foreign exchange loss billed to Kenya Power-other transactions (Note 9)	593,080	325,886
	<u>55,508,432</u>	<u>47,709,795</u>
Electricity purchases from Kenya Power	<u>698,712</u>	<u>811,434</u>

(ii) The following amounts due to Kenya Power relate to outstanding balances at year end for purchase of electricity.

	2023 Shs'000	2022 Shs'000
Trade payables (Note 33)	<u>164,685</u>	<u>4,366</u>

The sales to Kenya Power are made in accordance with the signed Power Purchase Agreements whereas the purchases from Kenya Power are made at normal market prices. Outstanding balances at end of year are unsecured and have credit period of 40 days.

(iii) Deferred debt due from Kenya Power (Note 18(a))

	2023 Shs'000	2022 Shs'000
Current portion	41,028	37,417
Non-current portion	800,064	767,057
	<u>841,092</u>	<u>804,474</u>

Through an agreement entered between Kenya Power and KETRACO, KETRACO is servicing the debt.

Kenya Electricity Generating Company Plc

Notes to the financial statements (continued)

37. Related party transactions (continued)

(a) The Kenya Power and Lighting Company Plc/KETRACO (continued)

(iv) Amounts due from Kenya Power

	2023 Shs'000	2022 Shs'000 Restated*
Amount due for electricity sales (Note 21)	22,314,971	21,832,383
Amount due for sale of assets	-	87,738
Emergency power receivable	245,560	218,699
	22,560,531	22,138,820
Financial asset due from KPLC-Olkaria V transmission line (Note 18(b))	1,372,280	1,439,551
	23,932,811	23,578,371
(v) Recoverable foreign exchange differences (Note 19)	20,053,353	3,993,732

(b) Geothermal Development Company Limited (GDC)

Geothermal Development Company Limited is wholly owned by the Government of Kenya and its principal activities are the development of geothermal resources in Kenya through surface exploration and drilling for steam, and to avail steam power to developers for electricity generation.

	2023 Shs'000	2022 Shs'000
(i) Amount due to GDC (included in trade payables)	2,184,280	655,478
Foreign currency translation difference	28,157	-
	2,212,437	655,478
(ii) Steam purchases (Note 10(c))	3,731,069	3,093,308

(c) Rural Electrification and Renewable Energy Corporation

At start of year	9,088	9,088
Receipts during the year	135,595	133,112
Payments during the year	(32,789)	(133,112)
	111,894	9,088

Amounts due from REREC at end of year

The balance relates to amounts received from REREC for the operation and maintenance of the 50MW Garissa Solar Plant.

Notes to the financial statements (continued)

37. Related party transactions (continued)

(d) Water Resource Management Authority (WARMA)

WARMA charges for water use at the rate of 0.05 Shs/kWh for power plants with capacity of over 1MW with approval from the Energy Regulatory and Petroleum Regulation.

	2023 Shs'000	2022 Shs'000
Amount due to WARMA (included in trade payables)	45,597	76,223

The Water Resource Regulations 2021 introduced an increase of water use charges from KShs 0.05 cents/kWh to KShs. 2/kWh for hydro power generation above 1MW and additional 5% conservation levy. The same has not been validated since there is court Order that suspended the implementation of the said Regulations. Additionally, the increase has not been gazetted by Energy & Petroleum Regulatory Authority (EPPRA) as a pass-through cost of energy. Following the commencement of the Regulations, WRA billed the Company KShs. 493,685,414.00 for the water use charges in February and March 2023. The court allowed a temporary injunction setting aside the implementation of the Regulations as proposed by WRA and as at the reporting period the matter was still pending before the High Court.

(e) Kenya Electricity Transmission Company Limited (KETRACO)

	2023 Shs'000	2022 Shs'000
Sondu Miriu Transmission Line (Note 18(a))	875,055	816,485
Olkaria I AU and IV Transmission Line (Note 18(d))	5,563,491	4,663,722
	6,438,546	5,480,207

(f) Directors' remuneration and key management compensation

Director's remuneration

Fees for services as a director	6,000	6,000
Other allowances	17,418	14,988
	23,418	20,988

Key management compensation

Salaries and other short-term employment benefits

Key management (Departmental Managers)	67,657	91,320
Managing Director and CEO	20,233	19,912
Leave accrual – Managing Director and CEO	1,048	1,072
	88,938	112,304

Total fees, salaries and other emoluments	112,356	133,292
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37. Related party transactions (continued)

(f) Directors’ remuneration and key management compensation (continued)

Key management are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including director (whether executive or otherwise) of the entity.

(g) Loans to directors of the Company

There were no loans from directors outstanding at 30 June 2023 (2022: Nil).

(h) Loans from Shareholders

Government of Kenya on lent loans amounted to Shs 100.3 million (2022: Shs 88.1 million).

(i) Donations to KenGen Foundation

Donations made during the year amounted to Shs 94 million (2022: Shs 86 million).

(j) Kerio Valley Development Authority (KVDA)

Payments made during the year amounted to Shs 45 million (2022: Shs 45 million) for Dam and environmental management. There is no outstanding amount.

(k) Tana and Athi River Development Authority (TARDA)

Payments made during the year amounted to Shs 62 million (2022: Shs 62 million) for Dam and environmental management. There is no outstanding amount.

(l) Subsidiaries

The following relationships exists within KenGen PLC:

Related parties	Held by	Percentage of interest held as at 30 June	
		2023	2022
KenGen Foundation	KenGen	100%	100%

KenGen Foundation was established by KenGen PLC as a public charitable trust by Declaration of trust deed dated 2009 and is domiciled in Kenya. The Foundation serves as the philanthropic arm of KenGen and is mandated to: Turn short term one-off CSR Projects into CSI-Corporate Social Investments; Upscale CSI activities for greater impact and increase and diversify resources available for CSI projects. The foundation is wholly controlled by Kengen Plc but its financial statements have not been consolidated as it is considered immaterial by directors.

38. Emergency Power Project

The Company managed an Emergency Power Supply project known as Aggreko International Projects as an implementing commissioning agent on behalf of the Ministry of Energy. These funds are held in an Escrow bank account at the NCBA Bank Kenya Plc. Movements in the Escrow account which is not included in the Company's cash and cash equivalents, are Summarized below;

	2023 Shs'000	2022 Shs'000
At start of year	495,936	448,338
Interest income	8,345	6,219
Gains on forex during the year*	94,194	41,379
At end of year	598,475	495,936

*The expenditure relates to foreign exchange fluctuations. An amount of Shs 245 million (2022: Shs 219 million) is due from Kenya Power.

39. Contingent liabilities

I. Letters of credit

Letters of credit signify commitment by the Company to make payments to third parties for contracts entered into, generally relating to foreign payments. Outstanding letters of credit as at 30 June 2023 amounted to Shs 544,264,000 (30 June 2022 Shs: 2,030,503,000).

II. Disputed withholding tax

In 2014, Kenya Revenue Authority (KRA) performed a tax audit for the financial years 2009-2013. Subsequently, KRA issued an assessment of Shs 975,848,686 in respect of withholding tax. The Company objected to the assessment and KRA issued a stand over notice pending resolution of matter in dispute. The Company appealed to the National Treasury and Planning for the abandonment of collection of the withholding tax from The National Treasury and Planning. The National Treasury referred the matter back to KRA and directed that the matter be resolved between KRA and KenGen. Various meetings and technical sessions have taken place between KenGen and KRA where a final agreement was reached. The Withholding Tax assessment was reduced from Shs 975,848,686 to Shs 143,662,033 (Principal Tax of Shs 69,478,227, with penalties of Shs 4,705,579 and interest of Shs 69,478,227). KenGen paid the Principal Tax and penalty of Shs 74,183,806 on 24th June 2022.

KenGen applied for the waiver of the interest of Shs 69,478,227 and this is currently under review by KRA who have undertaken to support KenGen's application. Further the Finance Act 2023 has provided an amnesty on the penalties and interest for taxes which were settled by 31st December 2022. Since KenGen settled the principal tax before 31st December 2022, it qualifies for the amnesty. This provision takes effect on 1st September 2023. On this basis no provision for the interest has been made.

III. Compensating tax

In 2016, the Company paid dividends of Shs 5,735,428,884 to the majority shareholder, The National Treasury and Planning, giving rise to a compensating tax obligation of Shs 2,431,000,000. The Company applied for abandonment of principal, penalty and interest from the National Treasury and Planning. The application for abandonment of collection of tax was declined by the National Treasury and Planning which directed Kenya Revenue Authority and KenGen to enter into a payment plan to settle the principal tax with the waiver of penalty and interest to be considered after full settlement of principal tax. KenGen then entered into a payment plan with KRA for the principal tax amount of Shs 2,431,000,000.

39. Contingent liabilities (continued)

As at 30th June 2023, the company had completed the settlement of the principal tax of KShs 2,431,000,000. Thereafter KenGen applied for waiver of penalties and interest of KShs 530,805,888 which is currently being processed by KRA. KRA has committed to supporting KenGen in this application process. Further the Finance Act 2023 has provided an amnesty on the penalties and interest for taxes which were settled by 31st

December 2022. Since KenGen settled the principal tax before 31st December 2022, it qualifies for amnesty. This provision takes effect on 1st September 2023. On this basis no provision for the interest has been made.

IV. Bank guarantee

Bank guarantees in the form of Performance Guarantees were issued to third parties on account of contracts signed with them. This amounted to Shs 231.6 million as at 30 June 2023. (2022: Shs 520 million).

V. Legal cases

The entity is a defendant in various legal actions. After seeking appropriate legal advice, the directors are of the opinion that the outcomes of such actions are not expected to give rise to any significant losses.

40. Capital commitments

The capital commitments relate to the ongoing capital projects and new projects which have been approved and are at various stages of implementation. They are financed by Development Financial Institutions (DFIs) and internal resources. The projects include rehabilitation of Olkaria I, Olkaria I & IV uprating, Seven Forks Solar, Gogo Hydro Project and 140MW Olkaria VI among other projects.

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

	2023 Shs'000	2022 Shs'000
Authorised but not contracted for	97,350,506	93,721,489
Authorised and contracted for	71,086,276	58,178,084
Less: Amounts included in Work in progress	(57,108,275)	(57,071,094)
	<u>111,328,507</u>	<u>94,828,479</u>

41. Operating segments

The Company's Key Management, which consists of the Managing Director & Chief Executive Officer and Divisional Directors is the Company's Chief Operating Decision Maker (CODM).

In accordance with IFRS 8 - Operating segments, information reported to the CODM for the purposes of resource allocation and assessment of segment performance is focused on the principal activities and the products offered by the company.

The Company has one main reportable segment, which is the electricity generation. The Company is pursuing revenue diversification and currently is engaged in Ethiopia and Djibouti for drilling services. KenGen Ethiopia Branch was established by KenGen PLC as a branch to facilitate the execution of a drilling contract which was signed with TM Geothermal Operations PLC (TMGO) of Ethiopia in 2019 and is domiciled in Ethiopia to coordinate operations in Ethiopia and Djibouti. In making this consideration, the CODM considers the following:

a) Reported revenue/ Products and Services

All the primary activities of the company resulted in the generation of revenue from electricity which is the sole product and revenue stream.

41. Operating segments (Continued)

b) Geographical areas

All the plants are based in Kenya and operate effectively within one geographical location (Kenya).

c) Major customers

The company operates in a regulated industry. All its revenue as outlined is derived from one single external customer, Kenya Power.

42. Financial risk management

Introduction and overview

The Company's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the Company's business and the operational risks are an inevitable consequence of being in business. The Company's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on its financial performance. The key types of risks include:

- Market risk – includes currency, interest rate and other price risk
- Credit risk
- Liquidity risk

The Company's overall risk management programme focuses on the unpredictability of changes in the business environment and seeks to minimise potential adverse effects of such risks on its financial performance within the options available by setting acceptable levels of risks.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's Finance & ICT department identifies, evaluates and hedges financial risks in close cooperation with operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas such as credit risk, liquidity risk, foreign exchange risk, interest rate risk and price risk. The Company does not enter into or trade in financial instruments, including derivative financial instruments, for speculative purposes.

(a) Market risks

The Board has assigned the Internal Audit, Risk & Compliance function to assist in monitoring the risks faced by the Company on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

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

The Company's Internal Audit, Risk and Compliance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit, Risk & Compliance Management Committee) and for the day-to-day implementation of those policies.

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

42. Financial risk management (Continued)**Introduction and overview (Continued)****(a) Market risks (Continued)***Foreign currency risk*

Foreign currency exposures on borrowings and also through purchases of goods and services that are done in currencies other than the local currency. The Company has loans from multilateral donors, which are denominated in currencies other than the functional local currency. Loan payments are made by using the prevailing exchange rate as there is no forward currency contracts to eliminate the currency exposures. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

Exposure to foreign currency risk is mitigated by the terms of the Power Purchase Agreement that allow the Company to recover certain foreign currency losses/gains from Kenya Power.

The carrying amount of the Company's foreign currency denominated monetary assets and monetary liabilities is;

	2023 Shs '000	2022 Shs '000
Financial assets		
Financial asset at amortised cost (Note 18(a))	875,055	816,485
Contract asset (Note 18(d))	5,563,491	4,663,722
Trade receivables (Note 21)	5,049,737	3,117,490
Cash and cash equivalents (Note 24(a))	647,772	2,753,455
	12,136,055	11,351,152
Liabilities		
Trade and other payables (Note 33)	(197,222)	(1,322,078)
Borrowings (Note 28(c))	(148,866,024)	(133,002,263)
	(149,063,246)	(134,324,341)
Net currency liability	(136,927,191)	(122,973,189)

Foreign currency sensitivity analysis

The following table demonstrates the effect on the Company's profit or loss on applying the sensitivity for a reasonable possible change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse is also true.

42. Financial risk management (Continued)

Introduction and overview (Continued)

(a) Market risks (Continued)

Foreign currency sensitivity analysis

	Change in currency rate	Effect on Profit before tax Shs' 000
2023		
United States Dollars (US\$)	19.3%	3,347,955
Japanese Yen (Yen)	12.4%	2,320,657
Euro (Euro)	23.4%	1,728,544
Total		7,397,156
2022		
United States Dollars (US\$)	4.0%	1,416,256
Japanese Yen (Yen)	4.4%	(1,917,723)
Euro (Euro)	3.2%	(204,908)
Total		(706,375)

Interest rate risk

The Company exposure to interest rate risk is with regards to fluctuation in banks' interest rates in the market which affects the borrowings by the Company. The Company's non-current borrowings are at fixed rates thus minimising the exposure to the interest rate risk. The effect of fluctuation of overdraft floating interest rate would not be significant. The interest earning financial assets that the Company holds include investments in government securities and short-term deposits whose rates of return are predetermined.

Other price risk

This is the risk that the rate of the tariff will decline in the future. It is the risk of losing energy revenues due to a fall in the tariff or due to expired PPAs not being renewed. The Company's exposure to this kind of risk is highly regulated by the Power Purchase Agreement, which is a product of discussion by Kenya Power and the Company, with Energy Regulatory Commission as a moderator. The Company's main input for thermal energy generation is fuel which is a significant cost component. The Company is in an arrangement to pass this cost to the customer, Kenya Power.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk mainly arises from financial assets and is managed on a company-wide basis. The Company has adopted a policy of only dealing with credit worthy counterparties.

The Company only sells generated electricity to Kenya Power and this minimizes the credit risk exposure on amount due from Kenya Power. Both companies have a contract that stipulates a 40-day credit period. Receivable balances from Company staff are recovered on payment of salaries.

42. Financial risk management (continued)**(a) Credit risks (continued)**

Credit risk from balances with banks and financial institutions is managed by Company's treasury department in accordance with the Company's policies. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Company's Directors on an annual basis and may be updated throughout the year subject to approval of the Company's audit and risk management committee. The Company has one main customer Kenya Power; however, limits are set to minimise the concentration of risk around Kenya Power and therefore mitigate financial loss through potential counterparty failure.

Credit risk from other receivables are managed by the Company's credit management policy.

In assessing whether the credit risk on a financial asset has increased significantly, the Company compares the risk of default occurring on the financial asset as at the reporting date with the risk of default occurring on that financial asset as at the date of initial recognition. In doing so, the Group and Company considers reasonable and supportable information that is indicative of significant increases in credit risk since initial recognition and that is available without undue cost or effort. There is a rebuttable assumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due.

For this purpose, default is defined as having occurred if the debtor is in breach of contractual obligations, or if information is available internally or externally that suggests that the debtor is unlikely to be able to meet its obligations.

If the Company does not have reasonable and supportable information to identify significant increases in credit risk and/or to measure lifetime credit losses when there has been a significant increase in credit risk on an individual instrument basis, lifetime expected credit losses are recognized on a collective basis. For such purposes, the Company group's financial assets on the basis of shared credit risk characteristics, such as:

- type of instrument
- industry in which the debtor operates
- nature of collateral

The carrying amount of financial assets represents the maximum exposure to credit risk:

	2023 Shs '000	2022 Shs '000
Trade receivables-Kenya Power	21,448,878	20,594,295
Treasury bonds at amortized cost	2,336,075	2,356,609
Treasury bonds at FVOCI	320,422	338,920
Financial assets at amortised cost-Debt	841,092	804,474
Contract asset	5,347,560	4,595,112
Financial assets at amortised cost-IFRIC 12	1,319,019	1,418,374
Other receivables (excluding prepayments)	4,441,699	1,428,312
Cash and cash equivalents held at bank	14,995,131	12,380,584
Restricted cash	1,861,356	1,344,220
Exposure to credit risk	52,911,232	45,260,900

42. Financial risk management (continued)

(b) Credit risk (Continued)

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit impaired include observable data about the following events:

- significant financial difficulty of the debtor
- a breach of contract
- it is probable that the debtor will enter bankruptcy
- the disappearance of an active market for the financial asset because of financial difficulties.

In order to minimise credit risk, the Company has to develop and maintained the Company’s credit risk grading to categorise exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, the Company uses other publicly available financial information and the Company’s own trading records to rate its major customers and other debtors. The Company’s exposure and the credit ratings of its counterparties are continuously monitored, and the aggregate value of transactions concluded is spread amongst approved counterparties.

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

Category	Description	Basis for recognizing expected credit losses
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	12 months Expected Credit Loss (ECL)
Doubtful	Amount is past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit impaired
In default	Amount is >360 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

Notes to the financial statements (continued)

42. Financial risk management (continued)

(b) Credit risk (continued)

The gross carrying amount of financial assets with exposure to credit risk at the balance sheet date was as follows:

Basis for measurement of loss allowance	Note	External credit rating	Internal credit rating	12 month or Life time ECL	Gross carrying value Shs '000	Credit loss allowance Shs '000	Net carrying amount Shs '000
30 June 2023							
Trade receivables-Kenya Power	21	N/A	Performing	Lifetime ECL	22,314,971	(867,094)	21,447,877
Treasury bonds at amortized cost	18(d)	N/A	Performing	Lifetime ECL	2,359,882	(23,807)	2,336,075
Treasury bonds at FVOCI	23	N/A	Performing	Lifetime ECL	320,422	-	320,422
Deferred debt receivable	18(a,c)	N/A	Performing	Lifetime ECL	875,055	(33,963)	841,092
Contract asset	18	N/A	Performing	Lifetime ECL	5,563,491	(215,931)	5,347,560
Financial asset-IFRIC 12	18	N/A	Performing	Lifetime ECL	1,372,280	(53,261)	1,319,019
Other receivables (excluding prepayments)	22	N/A	Performing	Lifetime ECL	4,959,104	(517,405)	4,441,699
Cash and cash equivalents held at bank	24 (a,b,c)	A, BBB, B+, B-	Performing	12 Month ECL	15,470,703	(475,572)	14,995,131
Restricted cash	24 (a,b,c)	A, BBB, B+, B-	Performing	12 Month ECL	1,875,204	(13,848)	1,861,356
Exposure to credit risk					55,111,112	(2,199,881)	52,910,231

Notes to the financial statements (continued)

42. Financial risk management (continued)

(b) Credit risk (continued)

Basis for measurement of loss allowance	Note	External credit rating	Internal credit rating	12 month or Life time ECL	Gross carrying value Shs '000	Credit loss allowance Shs '000	Net carrying amount Shs '000
30 June 2022							
Trade receivables-Kenya Power	21	N/A	Performing	Lifetime ECL	21,832,383	(1,238,088)	20,594,295
Treasury bonds at amortized cost	18(d)	N/A	Performing	Lifetime ECL	2,371,142	(14,533)	2,356,609
Treasury bonds at FVOCI	23	N/A	Performing	Lifetime ECL	338,920	-	338,920
Deferred debt receivable	18(a,c)	N/A	Performing	Lifetime ECL	816,485	(12,011)	804,474
Contract asset	18	N/A	Performing	Lifetime ECL	4,663,722	(68,610)	4,595,112
Financial asset-IFRIC 12	18	N/A	Performing	Lifetime ECL	1,439,551	(21,177)	1,418,374
Other receivables (excluding prepayments)	22	N/A	Performing	Lifetime ECL	1,993,561	(565,249)	1,428,312
Cash and cash equivalents held at bank	24 (a,b,c)	A, BBB, B+, B-	Performing	12 Month ECL	12,651,853	(271,269)	12,380,584
Restricted Cash	24 (a,b,c)	A, BBB, B+, B-	Performing	12 Month ECL	1,350,709	(6,489)	1,344,220
Exposure to credit risk					47,458,326	(2,197,426)	45,260,900

(i) For financial contracts, the gross carrying amount represents the maximum amount the Company has guaranteed under the respective contracts, and the net carrying amount represents the loss allowance recognised for the contracts.

(ii) For trade receivables, financial assets and contract assets, the Company has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Company determines the expected credit losses on these items by using a provision matrix, estimated based customer rating based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on customer rating status in terms of the provision matrix.

The loss allowance on corporate bonds measured at FVTOCI is recognised against other comprehensive income and accumulated in the investment revaluation reserve.

The carrying amount of the Company's financial assets at FVTPL best represents their respective maximum exposure to credit risk. The Company holds no collateral over any of these balances.

Notes to the financial statements (continued)

42. Financial risk management (continued)

(b) Credit risk (continued)

Basis for measurement of loss allowance	Gross carrying value	Stage 1 12 month -ECL Shs '000	Stage 2 Lifetime ECL Shs '000	Stage 3 Lifetime ECL Shs '000	Net amount Shs '000
30 June 2023					
Trade receivables-Kenya Power	22,314,971	6,555	(873,649)	-	21,448,877
Treasury bonds at amortized cost	2,359,882	(23,807)	-	-	2,336,075
Treasury bonds at FVOCI	320,422	-	-	-	320,422
Deferred debt receivable	875,055	(33,963)	-	-	841,092
Contract asset	5,563,491	(215,931)	-	-	5,347,560
Financial asset-IFRIC 12	1,372,280	(53,261)	-	-	1,319,019
Other receivables (excluding prepayments)	4,959,104	(15,017)	-	(502,388)	4,441,699
Cash and cash equivalents held at bank	15,470,703	(475,572)	-	-	14,995,131
Restricted cash	1,875,204	(13,848)	-	-	1,861,356
Exposure to credit risk	55,111,112	(824,844)	(873,649)	(502,388)	52,911,231
Basis for measurement of loss allowance 30 June 2022					
Trade receivables-Kenya Power	21,832,383	(279,697)	(128,608)	(829,784)	20,594,295
Treasury bonds at amortized cost	2,371,142	(14,533)	-	-	2,356,609
Treasury bonds at FVOCI	338,920	-	-	-	338,920
Deferred debt receivable	816,485	(12,011)	-	-	804,474
Contract asset	4,663,722	(68,610)	-	-	4,595,112
Financial asset-IFRIC 12	1,439,551	(21,177)	-	-	1,418,374
Other receivables (excluding prepayments)	1,993,561	(186,287)	-	(378,962)	1,428,312
Cash and cash equivalents held at bank	12,651,852	(271,268)	-	-	12,380,584
Restricted cash	1,350,709	(6,489)	-	-	1,344,220
Exposure to credit risk	47,458,325	(860,072)	(128,608)	(1,208,746)	45,260,900

Notes to the financial statements (continued)

42. Financial risk management (continued)

(b) Credit risk (continued)

Financial assets for which the loss allowances have been measured at an amount equal to lifetime expected credit losses have been analysed based on their credit risk as follows:

- a) Financial assets for which credit risk has increased significantly since initial recognition but that are not credit impaired
- b) Financial assets that are credit impaired at the balance sheet date
- c) Trade receivables for which loss allowance is always measured at an equal amount to lifetime expected credit losses.

	Neither past Due nor impaired	Life time ECL not over 60 days	Credit impaired over 365 days	Expected credit loss	Total
	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000
At 30 June 2023					
Trade receivables-Kenya Power	14,410,436	7,038,442	-	866,093	22,314,971
Financial asset at amortized cost-Treasury bonds	2,336,075	-	-	23,807	2,359,882
Financial asset at FVOCI-Treasury bonds	320,422	-	-	-	320,422
Financial asset at amortized cost-Deferred debt	841,092	-	-	33,963	875,055
Contract assets	5,347,560	-	-	215,931	5,563,491
Financial asset-IFRIC 12	1,319,019	-	-	53,261	1,372,280
Other receivables (excluding prepayments)	4,441,699	-	-	517,405	4,959,104
Cash and cash equivalents	14,995,131	-	-	475,572	15,470,703
Restricted cash	1,861,356	-	-	13,848	1,875,204
At 30 June 2023	45,872,790	7,038,442	-	2,199,880	55,111,112
At 30 June 2022					
Trade receivables-Kenya Power	6,607,146	10,419,684	2,329,379	1,238,088	20,594,295
Financial asset at amortized cost-Treasury bonds	2,356,609	-	-	14,533	2,371,142
Financial asset at FVOCI-Treasury bonds	338,920	-	-	-	338,920
Financial asset at amortized cost-Deferred debt	804,475	-	-	12,011	816,484
Contract Asset	4,595,112	-	-	68,610	4,663,722
Financial asset -IFRIC 12	1,418,374	-	-	21,177	1,439,551
Other receivables (excluding prepayments)	1,428,312	-	-	565,249	1,993,561
Cash and cash equivalents	12,380,584	-	-	271,267	12,651,853
Restricted cash	1,350,710	-	-	6,489	1,357,197
At 30 June 2022	31,280,242	10,419,684	2,329,379	2,197,424	46,226,725

Kenya Electricity Generating Company Plc

Notes to the financial statements (continued)

42. Financial risk management (continued)

(b) Credit risk (continued)

The changes in the loss allowance during the year were as follows

Basis for measurement of loss allowance	12-month expected credit losses Shs '000	Lifetime expected credit losses Shs '000	Total Shs '000
Year ended 30 June 2023			
At start of year	(860,072)	(1,337,353)	(2,197,425)
ECL movement in the year	35,228	(37,683)	(2,455)
At end of year	(824,844)	(1,375,036)	(2,199,880)
Year ended 30 June 2022			
At start of year	(363,393)	(801,876)	(1,165,269)
ECL movement in the year	(496,679)	(535,477)	(1,032,157)
At end of year	(860,072)	(1,337,353)	(2,197,426)

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 30 days, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters and political violence.

The Company monitors its risk to shortage of funds using a recurring liquidity planning tool. This tool considers the account receivables from Kenya Power and maturity of financial instruments, together with projected cash flows from operations. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and other borrowings.

Notes to the financial statements (continued)

42. Financial risk management (continued)

(c) Liquidity risk (continued)

The table below analyses the undiscounted maturity profiles of the financial liabilities of the Company based on the remaining period using 30 June 2023 as a base period to the contractual maturity date. These amounts have not been discounted.

	Weighted average effective interest rate	Less than 1 Months	1-3 Months	3 Months to 1 year	1 to 2 years	2 to 5 years	> 5 years	Total	Carrying Amount
	%	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000
At 30 June 2023									
Trade and other payables	0	-	6,002,144	-	-	-	-	6,002,144	6,002,144
Amount due to Kenya Power	0	164,685	-	-	-	-	-	164,685	164,685
Lease liabilities	11	-	227,262	-	237,130	192,559	1,034,891	1,691,842	1,691,842
Borrowings	4	-	-	12,809,721	45,301,084	-	91,741,001	149,851,806	149,851,806
Off balance sheet items	-	-	-	-	-	-	-	-	-
Letters of credit	0	-	-	544,264	-	-	-	544,264	544,264
Capital commitments	0	-	-	-	111,328,507	-	-	111,328,507	111,328,507
		164,685	6,229,406	13,353,985	156,866,721	192,559	92,775,892	269,583,248	269,583,248

At 30 June 2022									
Trade and other payables	0	-	5,787,018	-	-	-	-	5,787,018	5,787,018
Amount due to Kenya Power	0	4,366	-	-	-	-	-	4,366	4,366
Lease liabilities	11	-	225,313	-	228,406	344,408	1,154,280	1,952,406	1,952,406
Borrowings	4	-	-	11,916,546	43,843,756	-	78,372,390	134,132,692	134,132,692
Off balance sheet items	-	-	-	-	-	-	-	-	-
Letters of credit	0	-	-	2,030,503	-	-	-	2,030,503	2,030,503
Capital commitments	0	-	-	-	83,794,564	-	-	83,794,564	83,794,564
		4,366	6,012,331	13,947,049	127,866,726	344,408	79,526,670	227,701,549	227,701,549

42. Financial risk management (continued)**(d) Fair value measurement****Fair value measurement**

Financial instruments

Fair Value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

IFRS 7 specifies a hierarchy of valuation techniques based on whether inputs used in the valuation techniques of financial instruments are observable or unobservable. Financial instruments are grouped into 3 levels based on the degree to which fair value data / input is observable.

- i. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active trading markets for identical assets or liabilities. This level includes corporate bonds traded on the Nairobi Securities Exchange ("NSE").
- ii. Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as a price) or indirectly (i.e. derived from prices).
- iii. Level 3 fair value measurements are those derived from valuation techniques that include inputs that are not based on observable market data (unobservable inputs).

Assets	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total Shs'000
Year ended 30 June 2023				
Financial asset at fair value OCI (Note 23)	-	320,422	-	320,422
Financial asset at fair value through P&L (Note 19)	-	20,053,353	-	20,053,353
	-	20,373,775	-	20,373,775
Total assets				
Assets				
Year ended 30 June 2022				
Financial asset at fair value OCI (Note 23)	-	338,920	-	338,920
Financial asset at fair value through P&L (Note 19)*	-	3,993,732	-	3,993,732
	-	4,332,652	-	4,332,652

There are no financial liabilities measured at fair value for the year ended 30 June 2023 (2022: Nil)

There were no transfers between levels 1, 2 and 3 in the period (2022: Nil).

42. Financial risk management (continued)

d) Fair value measurement (continued)

Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- (i) the use of quoted market prices – This was used to value the treasury bonds

Sensitivity of fair value of level 2 financial instruments

The fair value of level 2 financial instruments is determined using valuation techniques which incorporate assumptions that are indirectly supported by prices from observable current market transactions in the same instruments and are based on available observable market data. Such assumptions include risk premiums, liquidity discount rates, credit risk, volatilities and correlations. Changes in these assumptions could affect the reported fair values of these financial instruments.

Financial instruments not measured at fair value.

The fair value hierarchy for financial assets not measured at fair value is as shown in the table below:

These amounts have not been discounted.

	Level 1 KShs'000	Level 2 KShs'000	Level 3 KShs'000	Fair value KShs'000	Carrying value KShs'000
At 30 June 2023					
Assets					
Cash and balances with banks	14,998,431	-	-	14,998,431	14,998,431
Restricted cash	1,861,356	-	-	1,861,356	1,861,356
Financial assets at amortized cost	-	-	7,507,671	7,507,671	7,507,671
Trade receivables	-	-	21,448,878	21,448,878	21,448,878
Financial assets at amortized cost-Treasury bond	2,336,075	-	-	2,336,075	2,336,075
Other receivables	-	-	4,441,699	4,441,699	4,441,699
Total	19,195,862	-	33,398,248	52,594,110	52,594,110
Liabilities					
Trade and other payables	-	-	6,166,829	6,166,829	6,166,829
Borrowings	-	-	149,851,806	149,851,806	149,851,806
Total	-	-	156,018,635	156,018,635	156,018,635

42. Financial risk management (continued)

d) Fair value measurement (continued)

Financial instruments not measured at fair value (continued)

	Level 1 KShs'000	Level 2 KShs'000	Level 3 KShs'000	Fair value KShs'000	Carrying value KShs'000
At 30 June 2022					
Assets					
Cash and balances with banks	12,383,934	-	-	12,383,934	12,383,934
Restricted cash	1,344,220	-	-	1,344,220	1,344,220
Financial assets at amortized cost	-	-	6,817,959	6,817,959	6,817,959
Trade receivables	-	-	20,594,295	20,594,295	20,594,295
Financial assets at amortized cost-Treasury bond	2,356,609	-	-	2,356,609	2,356,609
Other receivables	-	-	1,428,312	1,428,312	1,428,312
Total	16,084,763	-	28,840,566	44,925,329	44,925,329
Liabilities					
Trade and other payables	-	-	5,791,384	5,791,384	5,791,384
Borrowings	-	-	134,132,692	134,132,692	134,132,692
Total	-	-	139,924,076	139,924,076	139,924,076

The valuation techniques used in determining the fair value of financial assets and liabilities classified within level 2 and level 3.

The table below indicates the valuation techniques and main assumptions used in the determination of the fair value of the level 2 and level 3 assets and liabilities not measured at fair value but for which fair value is disclosed:

2023	Valuation basis/technique	Main assumptions
Deferred Debt – Kenya Power	Discounted cash flow model	Discount rate
Trade receivables	Discounted cash flow model	Discount rate
Financial assets	Discounted cash flow model	Market yield of the bond
Other receivables	Discounted cash flow model	Discount rate
Trade and other payables	Discounted cash flow model	Discount rate
Borrowings	Discounted cash flow model	Discount rate

Non-financial assets held at fair value

This note explains the judgements and estimates made in determining the fair values of the non-financial assets that are recognized and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its non-financial assets into the three levels prescribed under the accounting standards. Had the Company's freehold land, buildings, plant and equipment been measured on a historical cost basis, their carrying amount would have been as in Note 15.

42. Financial risk management (continued)

d) Fair value measurement (continued)

Non-financial assets held at fair value (Continued))

Assets	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total Shs'000
Year ended 30 June 2023				
Property plant and equipment	-	-	375,375,042	375,375,042
Total assets	-	-	375,375,042	375,375,042
Assets				
Year ended 30 June 2022				
Property plant and equipment	-	-	383,110,311	383,110,311
Total assets	-	-	383,110,311	383,110,311

There were no transfers between levels 1, 2 and 3 in the period (2022: Nil).

Valuation techniques used to determine level 3 fair values

The Company obtains independent valuations for its property plant and equipment at least every five years. The valuation method used is the depreciated replacement cost approach. The property plant and equipment classes subject to fair valuation are land and buildings, transmission lines and plant and equipment.

Fair value measurements using significant unobservable inputs (level 3)

We have disclosed under Note 15, the changes in level 3 items for the periods ended 30 June 2023 and 30 June 2022 for recurring fair value measurements

The following table summarizes the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements. See above for the valuation techniques adopted.

Description	Fair value as at 30 June 2023 Shs'000	Fair value as at 30 June 2022 Shs'000	Unobservable inputs	Relationship of unobservable inputs to fair value
Property plant and equipment	<u>373,171,484</u>	<u>383,110,311</u>	Estimated useful life	The higher the estimated useful life, the higher the fair value

The Company's land, buildings, transmission lines, intangible assets and plant and machinery are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value measurements as at 30 June 2022 were performed by AON valuation services of Australia, Zenith Associates, Syagga and associates and Ebony Limited, independent valuers not related to the Company. These firms have appropriate qualifications in fair value measurement. The valuation conforms to International Valuation Standards.

Notes to the financial statements (continued)

43. Capital risk management

The primary objective of the Company’s capital management is to ensure that it maintains some strong and healthy capital ratios in order to support its business and maximize shareholder value.

The Capital Management policy as approved by the Board of Directors (the Board) is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board monitors the return on capital, which the Company defines as net operating income divided by total shareholders’ equity. The Board also monitors the level of dividends to ordinary shareholders.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares as circumstances would dictate. There were no changes in the Company’s approach to capital management as regards the objectives, policies or processes during the year.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company’s target is to keep the gearing ratios below 70%.

	2023 Shs’000	2022 Shs’000
Ordinary shares and distributable reserves	152,684,660	146,178,316
Borrowings	149,851,806	134,132,692
Less: cash and bank balances (Note 24)	(14,998,431)	(12,383,934)
Net debt	134,853,375	121,748,758
Gearing ratio	48%	45%

44. Prior year adjustments

Prior period adjustments and reclassifications have been made in the statement of financial position, statement of profit or loss and other comprehensive income and statement of cash flows for the years ending 30 June 2022 and 30 June 2021 in relation to certain account balances and transactions as set out in the tables below together with the related explanations.

Notes to the financial statements (continued)

44. Prior year adjustments (continued)

Restatement of audited statement of profit or loss and other comprehensive income for the year ended 30 June 2022:

	As previously reported	Prior year	Restated
	30 June 2022	adjustment	30 June 2022
	Shs 000	Shs 000	Shs 000
Statement of profit or loss			
Electricity revenue - note (a)*	32,723,503	(1,750,000)	30,973,503
Other expenses – minor adjustment	(4,344,189)	763	(4,343,426)
Profit before taxation	7,941,222	(1,749,237)	6,191,985
Income tax expense – note (b)*	(3,222,062)	411,825	(2,810,237)
Profit for the year	4,719,160	(1,337,412)	3,381,748
Other gains – net forex and fair valuation of financial assets – note (c)**	(3,789,446)	3,274,468	(514,978)
Unrealised foreign exchange gains – note (c)**	3,274,468	(3,274,468)	-
Earnings per share	0.72	(0.21)	0.51
	=====	=====	=====
Other comprehensive income			
Deferred tax on revaluation surplus – note (b)*	(23,019,381)	853,135	(22,166,246)
Other comprehensive income – note (b)*	65,358,273	853,135	66,211,408
Items that will not be reclassified subsequently to profit or loss – note (d)**	(472,849)	66,699,683	66,226,834
Items that may be reclassified subsequently to profit or loss – note (d)**	65,831,122	(65,846,548)	(15,426)
	=====	=====	=====

Restatement of audited statement of financial position as at 30 June 2022:

	As previously reported	Prior year	Restated
	30 June 2022	adjustment	30 June 2022
	Shs 000	Shs 000	Shs 000
Trade receivables - note (a)*	22,344,295	(1,750,000)	20,594,295
Retained earnings	(108,023,752)	1,337,412	(106,686,340)
Other reserves	(128,419,108)	(853,135)	(129,272,243)
Deferred tax liability – note (b)*	(81,481,804)	1,264,961	(80,216,843)
Contract asset – note (e)**	-	4,595,112	4,595,112
Financial assets at amortized cost – note (e)**	9,038,521	(4,595,112)	4,443,409
	=====	=====	=====

Notes to the financial statements (continued)

44. Prior year adjustments (continued)

Restatement of audited statement of financial position as at 30 June 2021

	As previously reported	Prior year	Restated
	30 June 2021	adjustment	30 June 2021
	Shs 000	Shs 000	Shs 000
Contract asset – note (e)**	-	4,496,503	4,496,503
Financial assets at amortized cost – note (e)**	9,138,667	(4,496,503)	4,642,164
	=====	=====	=====

Restatement of audited statement of cash flows the year ended 30 June 2022.

	As previously reported	Prior year	Restated
	30 June 2022	adjustment	30 June 2022
	Shs 000	Shs 000	Shs 000
Statement of profit or loss			
Decrease/(increase) in trade receivables - note (a)*	2,004,551	1,750,000	3,754,551
Net cash from operating activities – note (f)**	21,255,763	5,300,623	26,556,386
Net cash used in Financing activities – note (f)**	(6,569,364)		
Foreign exchange differences		(5,300,623)	
Grants received		(131,949)	
			(11,869,987)
Net cash used in investing activities – note (g)**	(14,755,051)		
Restricted cash		(1,350,709)	
Grants received		131,949	
			(16,105,760)
Cash and cash equivalents at year end – note (g)**	14,005,911	1,350,709	12,655,202
	=====	=====	=====

Restatement of audited deferred tax note (Note 30) as at 30 June 2022.

	As previously reported	Prior year	Prior year	Restated
	30 June 2021	reclassification	adjustment	30 June 2021
	Shs 000	Shs 000	Shs 000	Shs 000
		Note (b)*	Note (h)*	
Deferred income tax (Note 30)				
Charged / (Credited) to P/L	25,904,261	(22,166,245)	67,810	3,805,826
Charged / (Credited) to OCI	(209,261)	22,166,246	-	21,956,985
	=====	=====	=====	=====

44. Prior year adjustments (continued)

A third balance sheet was presented for items impacting the statement of financial position. However, this was not warranted for restatements that were impacting the statement of profit and other comprehensive income and statement of cash flows.

Restatements - prior period adjustments*

Note (a) - In January 2022, the Government, through gazette Notice No. 64, issued a directive for 15% electricity tariff reduction which was effective from 7 January 2022. KENGEN's contribution towards the tariff reduction amounted to Kshs 3,500,000,000, which was mainly implemented through credit notes issued to The Kenya Power and Lighting Company PLC (KPLC) between October 2022 and June 2023. This contribution covered the period 1 January 2022 to 31 December 2022 and therefore the directors have retrospectively accounted for the portion related to the period 1 January 2022 to 30 June 2022 amounting to Shs 1,750,000,000. This is because the amount related to this period was not accounted for in the financial statements for the year ended 30 June 2022 hence the directors have made an adjustment to correct the omission.

Note (b) - As at 30 June 2022, the company's deferred tax liability was inaccurately reported at Sh 81,481,803,000 in the statement of financial position, together with its related tax charge of Sh 2,663,608,000 which was included in the income tax charge of Sh 3,222,062,000 as reported in the statement of profit or loss and other comprehensive income. The inaccuracy in the determination of deferred tax arose from incorrect inputs and assumptions used in management's calculations. Adjustments have been made to correct the errors and to include the impact arising from the tariff reduction as explained in note (a) above.

As a result of the adjustments under Notes (a) and (b) above, the earnings per share has been restated from 0.72 to 0.51.

Restatements - prior period reclassifications and presentation changes**

The comparative figures of some account balances and transactions have been restated to conform with the presentation adopted in the current year or to incorporate reclassification adjustments necessary to properly present the financial statements. These restatements affect the presentation of the financial statements but do not impact the profit, net assets or overall cash flows of the company. In this respect, the following lines have been restated.

Note (c) - In the statement of profit or loss and other comprehensive income for the year ending 30 June 2022, an amount of Sh 3,274,468,000 relating to unrealised foreign exchange gain had been presented below the line relating to operating profit. Since foreign exchange transactions relate to operations, this item should have been included in the determination of operating profit and therefore the amount disclosed as operating profit was misstated by this amount. However, this presentation did not affect the profit before taxation as reported in the statement.

Note (d) - In the statement of profit or loss and other comprehensive income for the year ending 30 June 2022, and specifically under other comprehensive income, the net gain on revaluation of assets amounting to Shs 65,846,548,000 had been incorrectly presented under "items that may be reclassified subsequently to profit or loss". Since it is not an item that can be subsequently reclassified to profit or loss, it has been reclassified to be part of " items that will not be reclassified subsequently to profit or loss".

Note (e) - In the statement of financial position as at 30 June 2022 and 30 June 2021, the contract asset amounting to Sh 4,595,112,000 and Sh. 4,496,503,000, respectively, had not been presented on the face of the statement of financial position but was rather disclosed as part of the financial assets at amortized cost. The directors have now made a reclassification adjustment to present this asset on the face of the statement of financial position in order to separately and fairly reflect the nature of the asset.

Note (f) - In the statement of cash flows for the year ending 30 June 2022, non-cash items totalling Shs 5,300,623,000 relating to foreign exchange differences on borrowings and associated movements in financial assets held through profit or loss were incorrectly disclosed as cash flows from financing activities instead of being incorporated as a reconciliation to determine the cash flows from operating activities.

44. Prior year adjustments (continued)

Restatements - prior period reclassifications and presentation changes (Continued)**

Note (g) - In the statement of cash flows for the year ending 30 June 2022, the restricted cash balance described in note 24(b) had been incorrectly dealt with in the statement of cash flows as part of cash and cash reserves. Since this is a restricted cash balance, the amount has now been excluded and adjustments made to reclassify the balance to investing activities.

In addition, the grants received had been incorrectly disclosed as cash flows from financing activities instead of as cash flows from investing activities.

Note (h) – As at 30 June 2022, under the deferred tax note (Note 30), the revaluation surplus had been incorrectly disclosed as being charged to Profit or loss instead of Other Comprehensive Income. However, this presentation did not affect the statement of profit or loss and other comprehensive income nor the statement of financial position as previously reported.

45. Subsequent events

Subsequent to the financial year end, the company appointed a new managing director Eng. Peter Njenga was appointed Managing Director & CEO on 17th August 2023.

The Power Purchase Agreement (PPA) for Muhoroni and Kipevu 1 power plants expired in April and June 2023 respectively. Negotiations for extensions are at advanced stage but not concluded.