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THE AUDITOR-GENERAL

ON

**KENYA ELECTRICITY GENERATING
COMPANY PLC**

**FOR THE YEAR ENDED
30 JUNE, 2021**



KENYA ELECTRICITY GENERATING COMPANY PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

Kenya Electricity Generating Company Plc
Annual Report and Financial Statements
For the year ended 30 June 2021

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Kenya Electricity Generating Company Plc
Key Corporate Information
For the year ended 30 June 2021

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, 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 1,818 Megawatts, spread across four generation modes namely, Geothermal (713MW), 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 Limited (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 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. 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 2021

Directors

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

Directors	<p>General (Rtd) Samson Mwathethe</p> <p>Joshua Choge Rebecca Miano Ukur Yatani</p> <p>Joseph Njoroge Joseph Sitati Maurice Nduranu Phyllis Wakiaga Peris Mwangi James Opindi Winnie Pertet Samuel Kimani Benard Ndungu</p> <p>William Mbaka Ziporah Ndegwa Musa Arusei Kairu Bachia Reginalda Wanyonyi Humphrey Muhu</p>	<p>Chairman (Appointed on 3rd November 2020) Retired on 3rd November 2020 Managing Director & CEO Cabinet Secretary, The National Treasury and Planning Principal Secretary, Ministry of Energy</p> <p>Appointed on 3rd November 2020 Appointed on 22nd April 2021 Appointed on 22nd April 2021 Appointed on 22nd April 2021 Alternate to Ukur Yatani (appointed on 30th June 2021) Alternate to Joseph Njoroge Retired on 3rd November 2020 Retired on 22nd April 2021 Retired on 22nd April 2021 Retired on 22nd April 2021 Alternate to Ukur Yatani (Retired on 30th June 2021)</p>
Secretary	David K. Mwangi	<p>Certified Public Secretary (Kenya) KenGen Pension Plaza 2 Kolobot Road P. O. Box 47936 - 00100 GPO Nairobi</p>
Registrars	<p>Image Registrars Limited Barclays Plaza, 5th Floor Loita Street P. O. Box 9287 - 00100 GPO Nairobi</p>	
Principal Auditor	<p>The Auditor General Anniversary Towers P. O. Box 30084 - 00100 GPO Nairobi</p>	
Delegated Auditor	<p>Deloitte & Touche LLP Certified Public Accountants (Kenya) Deloitte Place, Waiyaki Way, Muthangari, P.O. Box 40092 -00100 GPO Nairobi</p>	

Kenya Electricity Generating Company Plc
Key Corporate Information (Continued)
For the year ended 30 June 2021

Corporate Bankers

NCBA Bank Kenya Plc
Wabera Street
P. O. Box 30437- 00100 GPO
Nairobi

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

Co-operative Bank of Kenya
Stima Plaza
P.O Box 38764-00600
Nairobi

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

Citibank NA Kenya
Upper Hill
P.O. Box 30711 - 00100 GPO
Nairobi

Absa Bank Kenya Plc
Westend Building
Off Waiyaki Way
Corporate Banking Center
P.O. Box 30120 – 00100 GPO
Nairobi

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

Bank of Africa Kenya Limited
Sameer Business Park
Unit C. 1st Floor
P.O. Box 69562 - 00400
Nairobi

Equity Bank Limited,
Westlands Supreme Centre,
P.O. Box 14253 – 00800
Nairobi

Management Team

Management Team:

Rebecca Miano

Managing Director & CEO

Divisional Directors:

Solomon Kariuki
David K. Mwangi
Abraham Serem
John Mudany (FCPA)
Abel Rotich
David Muthike
Philip Yego
Mary Maalu
Elizabeth Njenga

Operations Director
Ag. Company Secretary & Legal Affairs Director
Human Resources & Administration Director
Finance & ICT Director
Geothermal Development Director
Strategy & Business Performance Director
Supply Chain Director
Regulatory & Corporate Affairs Director
Business Development Director

Kenya Electricity Generating Company Plc
Key Corporate Information (Continued)
For the year ended 30 June 2021

Board Committees:

Audit, Risk & Compliance Committee

Joseph Sitati - Chair
Humphrey Muhu
Phyllis Wakiaga
Peris Mwangi
Samuel Kimani

Human Resource & Nomination Committee

Winnie Pertet - Chair
Maurice Nduranu
James Opindi
William Mbaka
Rebecca Miano

Strategy Committee

Phyllis Wakiaga- Chair
Humphrey Muhu
James Opindi
William Mbaka
Rebecca Miano

Governance Advisory Committee

Peris Mwangi - Chair
Maurice Nduranu
Winne Pertet
Joseph Sitati
Rebecca Miano

Finance Committee

Maurice Nduranu - Chair
Samuel Kimani
Peris Mwangi
Humphrey Muhu
Rebecca Miano

The Board of Directors

General (Rtd) Samson Mwathethe, EGH, Chairman



General (Rtd) Samson Mwathethe, the Chairman of the Board of Directors, is the immediate former Chief of Defence Forces of the Republic of Kenya. He retired from the Kenya Defence Forces in May 2020 after serving as the Chief of the Kenya Defence Forces for years. He currently heads the Oceans and Blue Economy Office. He has held various command appointments, including Vice Chief of the Defence Forces, Commander, Kenya Navy, Deputy Commander Kenya Navy, Kenya Navy Logistics Commander, Base Commander Mtongwe and Fleet Commander. His other appointments included Chief of Systems & Procurement, Department of Defence, Command of individual Kenya Navy Ships, Staff Officer Operations at Navy Headquarters, 86 Squadron Commander and Staff Officer I Coordination at the Department of Defence. His other professional and military training includes International Sub-Lieutenants Course (UK), International Principal Warfare (IPWO) Course (UK), Missiles Course (Italy) and the Royal Naval Staff College, Greenwich, (UK) in 1989. He also attended the Defence Resource Management Course in Monterey, USA in 1998, and the National Defence College in Nairobi, Kenya in 2000.

He also served with the United Nations as a Military Observer in Kuwait/Iraq and Yugoslavia in 1991/92. His decorations include Elder of the Golden Heart of Kenya (EGH), Distinguished Conduct Order (DCO), Moran of the Burning Spear (MBS), among others.

General (Rtd) Samson Mwathethe born in 1958 and went to Sacred Heart High School in Mombasa, before joining the Kenya Navy in April 1978. He was commissioned in 1980 as a Seaman Officer after attending Britannia Royal Naval College, Dartmouth.

General (Rtd) Mwathethe brings to the KenGen Board immense wealth of experience in strategy and leadership which will steer KenGen on our noble mandate to generate reliable, safe and competitively priced electric energy for the nation and diversify the business to expand the revenue streams. Under General Mwathethe's leadership, KenGen is committed to strengthening its stakeholder relations as we continue to build a responsive and dynamic business that takes into account the emerging technological advancements and social trends.

Rebecca Miano, MBS, Managing Director & CEO



Mrs. Miano, the Managing Director & CEO, born in 1966, holds a Bachelor of Laws (LLB) degree with Honours, a diploma in Law and a Post-graduate studies in Comparative Law. In 2010, she completed the Advanced Management Programme from Strathmore Business School. She is a registered Certified Public Secretary of Kenya and is a member of the Institute of Certified Secretaries (ICS) and the Law Society of Kenya (LSK). She is a member of the Institute of Directors (Kenya). Mrs. Miano was awarded the Company Secretary of the Year award in 2010 under the auspices of the ICPSK Champions of Governance. Mrs. Miano has attended various executive trainings including Management of Power Utilities (Sweden) and Program on Negotiation (Harvard Business School). She was appointed as the Managing Director & Chief Executive Officer on 30th October 2017. She is a respected lawyer with a wide spanning career in the Energy Sector. She has been responsible for driving the corporate governance agenda in the Company, providing guidance and support to the Board and was the Secretary to the Board and all its Committees between 2008 and 2017.

Hon. Amb. Ukur Yattani, Cabinet Secretary, The National Treasury & Planning



Hon. Amb. Ukur Yattani Kanacho born in 1967, has over 27-year experience in public administration, politics, diplomacy and governance in public sector. Before his appointment as Cabinet Secretary for the National Treasury he served as the Cabinet Secretary for Labour and Social Protection since January 2018.

Between the years 2006 - 2007 while Member of Parliament for North Horr constituency, he also served as an Assistant minister for science and technology. At the height of his career (March 2013-August 2017), he served as a pioneer Governor of Marsabit County, the largest County in the Republic of Kenya.

Between June 2009 and October 2012, he served as Kenya's Ambassador to Austria with Accreditation to Hungary and Slovakia and Permanent Representative to the United Nations in Vienna. In this position, he aggressively pursued and advanced Kenya's foreign interests. He held senior leadership positions at various diplomatic and international agencies such as International Atomic Energy Agency (IAEA), United Nations Organization on Drugs and Crimes (UNODC), United Nations Industrial Development Organization (UNIDO), Vice Chairperson of United Nations Convention Against Transnational Organized Crime (UNTOC), Vice President of Convention on Crime Prevention and Criminal Justice (CCPJ), and chair of African Group of Ambassadors among others.

Between 1992 - 2015, he served in different positions in Kenya's Public Administration including a District Commissioner, where sharpened his management and administrative skills. He has Master of Arts in Public Administration and Public Policy, University of York, United Kingdom, 2005; and Bachelor of Arts in Economics, Egerton University, Kenya, 1991.

Kenya Electricity Generating Company Plc
Board of Directors
For the year ended 30 June 2021

Dr. Eng. Joseph Njoroge, CBS, Principal Secretary, State Department for Energy



Dr. Eng. Joseph Njoroge, the Principal Secretary, State Department for Energy born in 1958. He holds a First Class Honours degree in Electrical Engineering, Master of Business Administration with a major in strategic management and a Doctor of Philosophy (PhD). He is a Chartered Electrical Engineer, a member of the Institution of Engineering and Technology UK, a registered consulting engineer, and a fellow of the Institution of Engineers of Kenya.

Dr. Eng. Joseph Njoroge joined Kenya Power in 1980 and rose through the ranks to become the Managing Director from June 2007 until his current appointment to the position of Principal Secretary in the Ministry of Energy and Petroleum in May 2013 and Principal Secretary in the State Department for Energy following reorganisation of the government structure. He is a distinguished electrical engineer with a career spanning over three decades in power engineering and management.

Phyllis Wakiaga



Mrs. Phyllis Wakiaga born in 1981, she is a dynamic, results oriented legal professional with a strong track record of over 15 years in Organizational Strategy Development and Implementation, Corporate Governance, Public Policy Advocacy and Formulation, Legislative Reform, Stakeholder Relations, Human Capital Management, Trade Negotiations and Sustainability. She is a transformational leader who is keen to contribute to the sustainable development and economic growth of society.

Mrs. Wakiaga is the Chief Executive of the Kenya Association of Manufacturers (KAM) and is an Advocate of the High Court of Kenya who holds a masters in international Trade and Investment Law and a Master's in Business Management. She is an alumni of the Swedish Institute Management Program on Sustainable Business Leadership and Corporate Social Responsibility. She is currently pursuing a PHD in Leadership and Governance.

Mrs. Wakiaga is the UN Global Compact Network, Kenya Chapter Board Chair, Kenya Industrial Water Alliance Chair and a member of the Kenya COVID-19 Fund Board. She represents KAM in a number of institutions including COMESA Business Council, EAC Manufacturers Network, Anti-Counterfeit Agency, and Anti-Illicit Trade Multi-Agency Forum amongst others.

She was recognized as a Top Africa Economic Leader for Tomorrow by Choiseul 100 Africa list 2018 and one of the 2019 Most Influential People of African Descent, Global100 under 40. She is a member of the Law Society of Kenya, Institute of Human Resource Management, Institute of Directors and the institute of Economic Affairs.

Kenya Electricity Generating Company Plc
Board of Directors
For the year ended 30 June 2021

Joseph Sitati



Mr. Joseph Sitati, born in 1973, holds a Bachelor of Science (Mechanical Engineering) from the University of Nairobi. He is a Fellow of the Association of Chartered Certified Accountants and a platinum member of the Information System Audit and Control Association. He has attended various professional development training programs.

He has previously been Chief Finance and Administration Officer at Deacons East Africa PLC, Commercial Finance Manager – Central, East & West Africa Business Unit at the Coca-Cola Company, Nairobi, Group Finance Director at Old Mutual Group, Nairobi, and Finance Manager at Shell BP Kenya Limited amongst other positions. He is a member of the Institute of Directors (Kenya).

Maurice Nduranu



Mr. Maurice Nduranu born in 1974, has twenty plus years of work experience, over ten of which have been at senior management / leadership level in several world class organizations. He has worked for one of the top public infrastructure consulting firms in the U.S. west, DPFG, one of the largest African investment bank / asset management firms, African Alliance, and the pioneer impact investment fund, Acumen. He has led experienced multi-disciplinary, multi-cultural teams in various sectors & geographies from structuring public infrastructure financing to managing public pension & deposit protection assets. He has also overseen and managed investments into businesses in the region ranging from agri-business to financial services and from manufacturing to retail.

He graduated magna cum laude from the California State Polytechnic University at Pomona with a BSc in Business Administration - Finance, Real Estate, & Law. He also holds a Master of Financial Engineering degree from the Haas School of Business at the University of California, Berkeley. He is a member of the Institute of Directors (Kenya), Chairman of CPF financial Services in addition to serving on several other boards.

William Mbaka



Mr. William Mbaka born in 1962, holds a Bachelor of Education (Business Studies) from Kenyatta University and Master of Business Administration from Birmingham University, UK. He is a member of the Association of Chartered Certified Accountant (ACCA). He has attended several courses on leadership, public policy management, financial management and leadership at various institutions both locally and abroad.

He is the Alternate Director to the Principal Secretary, Ministry of Energy (MoE). Mr. Mbaka is also the Chairman of the Energy Taskforce on the Implementation of the Energy Act 2019 and is currently the Senior Chief Finance Officer at the MoE. Mr. Mbaka has over 30 years' experience in financial management in the Government of Kenya.

Peris Mwangi



Ms. Peris Mwangi, born in 1990, holds a Bachelor of Laws degree (LLB) from Kabarak University and a Postgraduate Diploma from the Kenya School of Law. She is currently pursuing a post graduate degree (LLM Intellectual Property Law) at the University of Leeds.

Ms. Mwangi has worked in several law firms and institutions.

She is currently a Partner at H. Kago & Co. Advocates.

James Opindi



James 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



Mr. Samuel Njuguna 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.

Winnie Pertet



Ms. Winnie Ninga Sentero Pertet born in 1965 holds MBA in Human Resource Management and a Bachelor of Education Degree, both from Kenyatta University, a Higher Diploma in Human Resource Management and a Diploma in Executive Coaching from the Academic of Executive Coaching (AEOC).

Ms. Pertet is a seasoned Human Resource Practitioner with a rich career spanning over 22 years at various management and leadership levels in leading local and global multinational organizations. Her career includes over 10 years in the Banking Industry and a further 7 years in the manufacturing sector, (FMCG) at East African Breweries and Coca-Cola SABCO (now Africa Beverages) as well as 3 years in financial services that includes Insurance, Asset Management, Banking and Property.

Ms. Pertet was the founding Chairperson of the National Employment Authority as well as a past Chairperson of the Association of Retirement Benefits Schemes. She is credited with the successful setup of National Employment Authority, a government corporation, a task which involved lobbying and developing relationships within government and related partners.

During her tenure as Chairperson of Association of Retirement Benefits Schemes(ARBS) , she facilitated the design and launch of Trustee accreditation training.

She currently serves as the Chief Executive Officer of Serian Consulting Limited, the Chairperson of Ngare Narok Holdings Limited and a Council Member of Kenya Institute of Management.

Ms. Pertet has been instrumental in designing and implementing Culture and People Change strategies and practices in most of the organizations she has worked for. She also has credible experience in restructuring, mergers and acquisition and related people practices.

She brings to the KenGen Board an immense wealth of experience in strategy, leadership and people skills.

Benard Ndungu



FCPA Bernard Ndungu, MBS 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.

Mr. Peter Nyutu

Board Representative, Inspectorate of State Corporations



Mr. Peter Nyutu sits on the KenGen Board representing the Inspectorate of State Corporations. He is currently the Deputy Inspector-General of State Corporations under the Executive Office of the President. Some his major responsibilities include Conducting value for money audits in the public sector, Investigating misappropriation of public resources, abuse of public office & other improprieties in the public sector, Ensuring compliance of law in State Corporations, Advising the State Corporations to make decisions within the stipulated laws of Kenya and Making recommendations on remedial measures.

Mr. Nyutu has over 32 years' experience in the public sector in various leadership positions. He holds an undergraduate degree of Bachelor of Education in Double Business (Accounting and Economics) from Kenyatta University and an MBA in Strategic Management from Jomo Kenyatta University of Agriculture and Technology. He has attended several programs including the Strategic Leadership Development Program and the Project Management & Planning Program.

Kenya Electricity Generating Company Plc
Management Team
For the year ended 30 June 2021

Who Leads Us

Management
Rebecca Miano (MBS)



Mrs. Miano has had a 30 year multi-faceted career in the energy sector and is a recognised continental business leader focused on running KenGen as a sustainable entity. She is an energy expert specialising in renewal energy, structuring international and regional multi-million business deals, international regulatory framework in sustainability development and climate change, policy development, corporate governance and business law. She founded the noble Pink Energy forum to address female and gender parity issues within KenGen. She has since advanced the Pink Energy agenda to a sectoral platform to enjoin the other state agencies within the Ministry of Energy. Mrs. Miano is focused on growing KenGen's footprint in geothermal development across the African continent and she has successfully implemented several large geothermal projects in the continent.

In November 2019, she was appointed to the Board of Global Compact Network, Kenya and she was named among the Top 100 Women CEOs in Africa by Reset Global People in partnership with Pulse and Avance Media. Mrs. Miano joined the World Bank Group's Advisory Council on Gender and Development in July 2020. Mrs. Miano was named as one of the top 25 movers and shakers in Africa in 2021 by the African Energy Chamber. In 2010, she won the Company Secretary of the Year award in the Champions of Governance Awards series. The same year, she was awarded the Order of the Grand Warrior of Kenya (OGW) and in 2019, the Moran of the Order of the Burning Spear (MBS) in recognition of her outstanding service to the nation.

Mrs. Miano has been a member of St. Paul's University Council since 2010 where she chaired the Finance and General Purposes Committee from 2013 to 2016. She has also served in the Finance Committee of the National Council of Churches of Kenya (NCCK).

Mrs. Miano holds a Bachelor of Laws (LLB) Degree, a Diploma in Law and Post-graduate studies in Comparative Law. In 2010, she completed the Advanced Management Program from Strathmore University. She is a registered Certified Public Secretary of Kenya and is a Member of the Institute of Certified Public Secretaries of Kenya (ICPSK) and the Law Society of Kenya (LSK). She attended various leadership and business programs over her career. She was born in 1966.

Responsibilities

Mrs. Rebecca Miano is the Managing Director & CEO of Kenya Electricity Generating Company PLC (KenGen), a position she has held since October 2017.

Management

David Mwangi



CS David K. Mwangi, holds a Bachelor of Laws (LLB) Hons. Degree from Moi University, a Post Graduate Diploma in Law from the Kenya School of Law and an Executive Master of Business Administration Degree. He is currently pursuing a Masters in Law – Construction Law & Arbitration, at Robert Gordon University UK.

Mr. Mwangi is an Advocate of the High Court of Kenya, Commissioner for Oaths, Notary Public as well as a registered Certified Public Secretary with the Institute of Certified Public Secretaries of Kenya. Further, he is a Member of the Chartered Institute of Arbitrators London & Kenya.

Mr. Mwangi has had an outstanding career spanning over fifteen in legal, company secretarial & corporate governance and alternative dispute resolution with an exceptional range of skills acquired over his career in both the private and public sectors.

He joined KenGen in 2012 as the Legal Manager and was appointed as the Acting Company Secretary & Legal Affairs Director on 27th January 2021.

Eng. Soloman Kariuki



Eng. Solomon Kariuki, holds a Bachelor of Science Degree in Electrical and Electronics Engineering and a Master's degree in Business Administration (Operations) both from the University of Nairobi. He boasts an illustrious career in the energy sector spanning over 31 years.

Prior to the appointment as operations Director on 1st August 2016, he was the Technical Services Manager. He joined Kenya Power and Lighting Company as a Trainee Engineer 31 years ago and served

Responsibilities

Ag. Company Secretary & Legal Affairs
Director

Mr. Mwangi 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.

Key responsibilities comprise overseeing Operations and maintenance of power plants and availability at optimized costs, rehabilitation and upgrade of plants to facilitate uptake of latest technology to improve operation and extend effective plant life, continuous improvement and automation of systems to align with best practice.

Kenya Electricity Generating Company Plc
Management Team
For the year ended 30 June 2021

Management

KenGen in various capacities, ultimately growing through the ranks to the current position of Operations Director.

Abraham Serem



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 HR 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.

Dr. FCPA John Mudany, CPA(K)



Dr. FCPA John Mudany is a zealous financial management expert with over 30 years' experience across Manufacturing, Aviation and Energy Sectors. He holds a Doctor of Philosophy in Management and Leadership from the Management University of Africa, a Master of Business Administration in Marketing and Master of International Business Administration (MIBA) from USIU, and a Bachelor of Commerce degree in Accounting from the University of Nairobi. He is a member of the Kenya Institute of Management (KIM) and a fellow of the Institute of Certified Public Accountants of Kenya FCPA(K).

Responsibilities

He is responsible for formulation and execution of Human Resource strategy that supports the attainment of KenGen's audacious goals that include business sustainability. He is also creation of acceptable human resource experience through facilitation and provision of excellent work environment and relevant tools.

His key responsibilities include: Capital raising, management of finances and banking relations, financial reporting, budgets process management and control, balance sheet restructuring and cost saving mechanisms. He is also responsible for development of Cutting-Edge Information Technology infrastructure.

Kenya Electricity Generating Company Plc
Management Team
For the year ended 30 June 2021

Management

Prior experience includes: Coca Cola (Finance and Performance Manager), Orbit Distributors (MD & CEO), Kenya Airways, World Vision International and PriceWaterhouse Coopers. Dr. Mudany joined KenGen in November 2008 as the Finance and ICT Director.

Elizabeth Njenga



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 Acting Business Development Director, 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.

Eng. Abel Rotich



Eng. Abel Rotich serves as the Geothermal Development Director since September 2014. Abel is a seasoned power sector professional with a wealth of experience based on strong performance across majority of the power generation modes ranging from Thermal, Gas, Wind, Hydro to Geothermal. He holds a Bachelor of Science degree in Mechanical Engineering, and a Master's in Business

Responsibilities

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.

He is responsible for geothermal resource development and geothermal plant operations. He oversees geothermal projects planning, scientific works, environmental and social impact management, infrastructure

Kenya Electricity Generating Company Plc
Management Team
For the year ended 30 June 2021

Management

Administration – Human Resource Management from the Kenyatta University. Coupled to this, he holds numerous project management certifications and is a graduate of Advanced Management Program from the prestigious Strathmore University.

He joined the Company over thirty years ago and rose through the ranks and refinements to the position of Geothermal Development Director in September 2014, having served as a manager in, Thermal, Gas, Wind and Hydro power plants. He is the current Chairman of the Geothermal Association of Kenya, a former Branch Chairman of The Institution of Engineers of Kenya and a member of the Geological Society of Kenya. He is a registered engineer in both the Institution of Engineers of Kenya (IEK) and the Engineers Board of Kenya (EBK).

Eng. David Muthike



Mr. David Muthike is a distinguished business strategist with tested experience in power sector strategy-formulation and implementation. He holds a Bachelor of Science degree in Electrical and Electronic Engineering, Master of Business Administration in Strategy, Post-Graduate diploma in Project Appraisal and Management and a certificate in Advanced Management and Leadership Programme. He is a graduate Engineer with Institution of Engineers of Kenya (IEK) and a member of Kenya Institute of Management (KIM). He joined KenGen in 1998. He was appointed to the Company's Strategy and Innovation Division in September 2014. His major role is to support the Company in maintaining "thought leadership" in power generation and related services.

Responsibilities

development, geothermal deep drilling, steam establishment for power generation and operation of electricity power plants with an installed capacity of 705.5MW within the geothermal area. Geothermal power is the baseload source of power to the national grid and thus demands critical management to ensure the high availabilities and best returns for the organization.

His responsibilities include: development and management of the Company's strategy by identifying and driving execution of strategic initiatives and growth opportunities; driving the innovation process that develops new ways of meeting the Company's goals; leading and managing the Company's result-based performance and accountability system and driving knowledge harvesting and transfer across the business. He previously worked in various divisions and departments within the Company, including: Managing Director's Office, Corporate Planning, Technical Audit and Institutional Strengthening.

Management
Phillip Yego



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 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.

Mary Maalu



Mrs. 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 (B.Com) Degrees from the University of Nairobi. She is a Certified Public Accountant and a member of the Institute of

Responsibilities

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.

Her key responsibilities included raising capital for power generation projects, securing working capital facilities, Project Finance and Accounting, Treasury Management- financial modelling, cash flow forecasting, funds management. investments

Kenya Electricity Generating Company Plc
Management Team
For the year ended 30 June 2021

Management

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.

Prior experience includes: Ernst & Young where she held the position of Assistant Manager Audit, Kenya Airways where she held several Management positions including: Manager Credit Control, Manager Outstations and Manager Treasury.

She joined KenGen in January 2011 as the Corporate Finance Manager.

Responsibilities

and foreign currency dealing, Tax planning and compliance, Revenue Billing and Collection, Power Purchase Agreements (PPAs) development and Investor Relations management. She was appointed as the Corporate & Regulatory Services Director on 1st August 2020 where she is responsible for Regulatory Management, Stakeholder Management, Development and Negotiation of Power Purchase Agreements (PPAs), Quality & Safety Management programs, Communication, Community Engagement, Environment & Sustainable Development and Business Process Improvement.

Kenya Electricity Generating Company Plc
Chairman's Statement
For the year ended 30 June 2021

Dear Shareholders,

Welcome to our 2021 Integrated Annual Report and Accounts.

This is our second year of business during these unprecedented times of the pandemic. The second, third and fourth waves of the Covid-19 variants have had devastating adverse effects both on human life and the business environment. In spite of this, your Company has remained resilient and prudent in running of the business both in managing costs, securing our human capital, and putting stringent business continuity measures. This has all paid off and I am happy to report that we have recorded another profitable year while continuing to provide safe, reliable, and competitively priced electric energy to the citizens of Kenya.

Business Operating Environment

The country's Gross Domestic Product decelerated by 0.3% in 2020 as compared to a revised growth of 5.0% in 2019. Despite most sectors recording negative growths due to the impact of the Covid-19 pandemic, the economy was supported by accelerated growth in agricultural production (4.8%), construction activities (11.8%), financial and insurance activities (5.6%) and health services activities (6.7%). The key macroeconomic indicators are expected to remain stable and supportive of growth in 2021 resulting in a significant rebound of the economy in 2021. KenGen remains steadfast in its commitment to grow and maximise shareholder value through a resilient business model. This is focused on diversification and growing generation capacity to meet local growing demand for electricity as evidenced by the 3.5% growth in pre-Covid peak demand of 1,926 MW in March 2020 to 1,994 MW in June 2021.

Business Performance

During the financial year ended 30th June 2021, the Company's performance continued on an upward trend with growth of the Profit before Tax and continued stability of the business fundamentals. However, during the year, the Government increased the corporation tax rate from 25% to 30% which was a reversal of the tax reliefs that had been extended to corporations to cushion them against the disruptions occasioned by the Covid-19. This increase in tax rate caused an increase of the deferred tax charge, thus considerably reducing the Profit after Tax for the financial year ended 30th June 2021.

Creating Value Through Sustainability

We have surged ahead in our Good-to-Great (G2G) strategy to grow our renewable energy portfolio to 86% as we protect this planet and secure it for the next generations. To complement our traditional electricity generation business, KenGen has adapted an aggressive diversification agenda encompassing growing our African geothermal footprint and developing other non-generation revenue streams.

Our corporate culture of continuous improvement embraces the Kaizen philosophy that applies to both short-term and long-term processes. The KenGen Annual G2G Innovation Seminars inculcate a workplace culture that advocates for active engagement in offering solutions and enhancing efficiency across the business.

Our geothermal prowess has cemented Kenya in the eighth position globally and the leader in Africa. All factors constant, the commissioning of Olkaria I Unit 6 will earn us position seven and inch us closer to the Geothermal Gigawatt Club. Leveraging on these strengths, KenGen has broken ground as the first state corporation to expand beyond the Kenyan borders by securing several geothermal drilling contracts in Ethiopia and Djibouti. Rwanda and the Democratic Republic of Congo have engaged KenGen in geo-scientific studies with an objective of undertaking drilling subject to the findings.

Climate change is a major global concern and KenGen prides itself on being a responsible corporate citizen with an active Carbon Development Mechanism. KenGen as a member of the UN Global Compact is committed to the Ten Principles anchored on environment, human rights, labour, and anti-corruption which will accelerate our attainment of the Sustainable Development Goals (SDGs).

Kenya Electricity Generating Company Plc
Chairman's Statement
For the year ended 30 June 2021

Stakeholder Engagement

Building strong relationships with our stakeholders gives us a social capital to deliver on our core mandate in line with our long-term values. Our Community Engagement Strategy continues to define the needs of our stakeholders and our day to day relations with the stakeholders and the communities neighbouring our operational ecosystem.

While we have endeavoured to focus on enabling manufacturing on the Big 4 agenda, we have gone a step further to foster the Universal Healthcare Initiative through construction of a mega Level 5 Hospital in Naivasha. We are presently at 86% overall progress with expected completion by November 2021. The hospital will be key in serving the greater Rift Valley Region and contributing towards attainment of SDG3 on good health and wellbeing for all. We continue to remain intentional about positively impacting the communities around us through our diverse Stakeholders Coordination Committees.

Changes in the Board

At the last Annual General Meeting held on 22nd April 2021, there were transitional changes in the Board with the election of three new Non-executive Directors who joined the KenGen Board. Directors Winnie Pertet, James Opindi and Samuel Kimani have refreshed the Board's mix of skills with their specific expertise and experience for effective oversight by the Board. We welcome them to the Board and the greater KenGen fraternity.

Dividends

The Board proposes a first and final dividend for the year of KShs. 0.30 per ordinary share. This compares to a total dividend of KShs. 0.30 per ordinary share paid in 2020. If approved at this annual general meeting by shareholders, the dividend will be paid less withholding tax where applicable on or about Thursday 10th February 2022.

Appreciation

I reassure you that your Board of Directors is alive to the uncertainties in the current business environment and continue to provide the requisite oversight to protect the shareholders' interests and maximise shareholder value to ensure KenGen has a sustainable business ethos.

I thank the Government of Kenya and our parent ministry, the Ministry of Energy for the unwavering support and confidence they have accorded the Board of Directors and KenGen as we support the nation building efforts with provision of the critical infrastructure enabler. KenGen has continued to grow from strength to strength due to the commitment and dedication of Management and staff. They have not lost sight of the strategic objectives of the Company, and I thank them for their continued diligence.

I also appreciate our development financial partners who have continued to support our strategy with favourable financing which has ensured that KenGen remains on course to deliver on the project pipeline.

In closing, I urge you all to continue to abide by the issued Covid-19 health protocols. Let's keep safe and protect our families.



*Gen (Rtd) Samson Mwathethe, EGH, MBS, DCO
Chairman of the Board*

Kenya Electricity Generating Company Plc
Managing Director & CEO Statement
For the year ended 30 June 2021

Dear Shareholders,

Last year was marked not only by its challenges but by our agility to adopting to the disruption. I am pleased to present the 2021 progress performance, delivered under uncertainties caused by the Covid-19 pandemic.

As an organization, we remained steadfast in ensuring business continuity and its alignment to our strategic aspirations, which enabled us to overcome the disruption of how we live, work and significantly manage the exact on human cost. Amid Covid-19, we have in place a well-defined Business Continuity Plan and a Disaster & Risk Management Framework, which have steered critical business operations while retaining the agility of the business. In addition, we have ensured that Enterprise Risk Management (ERM) processes address sustainability challenges such as resource availability, allocation and employee well-being.

Managing Amidst the Pandemic

The path forward was not a straight one; I often witnessed our employee commitment and grit over the past years but never was it more profound than in the face of this pandemic. My heart pours out with appreciation for their selfless devotion in ensuring our business remained afloat.

The three focus areas of our Business Continuity Plan to mitigate the effects of the covid pandemic are Staff Protection and Communication, Operations & Logistics and Business Sustainability.

I could not be more proud of our employees' efforts during these unprecedented times. The encouraging part is that we as a team have remained resilient, ensuring we continue providing electric energy to the nation, which is needed now, more than ever.

Putting our employees first drives our decision making. The health and well-being of our employees is our top priority. During the year, the Company took a holistic approach to employee wellbeing, one that is proactive, personal and inclusive. The Company was quickly able to adopt a number of initiatives to help support our employees through enabling Remote working from home while offering the requisite ICT infrastructure; Staggered working shift rotas to ensure social distancing; Provision of personal protective equipment for our healthcare staff working at our company clinics and Facilitation of voluntary covid -19 testing for employees and their immediate family members. We also provided face masks, hand sanitizers and hand washing facilities for our staff, observed social distancing in the offices as per the MOH guidelines; regular deep cleaning and disinfection of offices and other work spaces and Non-contact thermometers positioned in strategic positions throughout the organization. A special covid medical fund was also established to take care of treatment for the affected employees and their family members.

We have been providing information to our employees through various channels including internal memos, push sms', KenGen Weekly and even specialized medical talks from medical professionals. As company, we are determined to ensure that our employees are safe and also accord necessary support in whichever way possible to be able to navigate through this crisis safely. We are proud that presently the KenGen vaccination rate for first dose is at 75%. KenGen has therefore made tremendous effort in the vaccination campaign as compared to national first dose vaccination uptake of 7.5%. The challenge for us is to continue being vigilant, support the fight against COVID-19 and to play our respective roles in ensuring continuous energy supply for our nation.

Our Strategic Direction

KenGen has continued to implement the revamped Horizon II Good to Great (G2G) strategy. Our commitment has enabled us to make tremendous strides in achieving our projects; our ambition demands more agility to actualize our renewable energy agenda while offering competitively priced electric energy. Our key priority amid the Covid-19 pandemic is to deliver the 83.3 MW Olkaria I Unit 6 Geothermal Power Plant into the national grid by December 2021. We have made significant strides for a Public-Private Partnership (PPP) project to implement the Olkaria VI plant, which will add 140 MW into the national grid. This novel project will not only be the first of its kind, but the largest African project was undertaken under the PPP structure. Additionally, the rehabilitation of Olkaria I will not only increase the plant's installed capacity from the current 45 MW to over 60MW but will preserve our geothermal history for a further 30 years. Detailed scientific studies have been done on our Olkaria and Eburru fields to pave way for further development of geothermal power plants. Significant milestones have been achieved in other geothermal projects that are in various stages of development.

Kenya Electricity Generating Company Plc
Managing Director & CEO Statement
For the year ended 30 June 2021

Our affinity for renewable energy has paved the way for developing a 42.5 MW Seven Forks Solar project expected to be added to the grid by the end of 2024 and the redevelopment of a 10 MW Gogo Power Plant in Migori County.

In line with SDG 11 on sustainable cities and communities, which makes cities and human settlements inclusive and safe, we have partnered with Nairobi Metropolitan Services (NMS) to develop a 45 MW Waste to Energy Power Plant. This innovative project enhances a circular economy approach in managing voluminous waste in the Nairobi Metropolitan area while providing electricity and grid stability.

Securing Our Revenues

We have secured long-term revenue streams through Sustainable Power Purchase Agreements developed within the Energy Act 2019 to provide competitive tariffs with a view of attaining SDG 7 on affordable and clean energy by 2030. This ensures that our financial stability and ability to meet our obligations are maintained while attracting capital for future projects. These long-term arrangements allow us access to concessional funding for our projects.

Diversification remains a crucial strategy to our business sustainability. As part of its contribution to Kenya's social, economic development, KenGen is setting up a Green Energy Park and related infrastructures in the Olkaria area, Naivasha. The industries at the Park will benefit from reduced production costs guaranteed by stable power and access to affordable geothermal resources such as steam, brine, and condensate. In addition, it will create employment, spur economic development, and support the Government's Big 4 Agenda.

The Company continues to benefit from our revenue diversification projects. During the year, our ongoing drilling projects in Ethiopia and Djibouti have positively impacted our total revenue. The Company has also leveraged its geothermal expertise to offer geoscientific consultancy services both locally and internationally.

2021 Business Performance

During the year ended 30th June 2021, the strength and agility of our business, combined with our professionalism, enabled us to continue delivering robust operational performance. Overall, we delivered revenue growth of 4.1 %, from KShs 44,110 million in 2020 to KShs 45,901 million in the period. This reflects the full-year revenue impact from Olkaria V geothermal power plant and our drilling operations in Ethiopia.

Profit before tax grew by 7 % in 2021 to KShs 14.762 billion compared to KShs 13.79 billion in 2020. The corporate tax rate of 25%, which had been given in 2020 as part of Covid-19 mitigation measures, reverted to 30%. Consequently, our profit after tax declined to KShs 1.188 billion compared to KShs 18.377 billion in the previous year, principally reflecting the impact of the higher tax rate.

Regulatory Environment

KenGen actively shapes the regulatory environment to deliver value for all stakeholders as we efficiently generate competitively priced electric energy. During the year under review, KenGen worked with other energy sector agencies to shape the regulatory environment and formulate regulations to operationalize the Energy Act 2019. In addition to KenGen's enhanced collaboration with the relevant national and county government arms, we are active participants in discussions on emerging legislation and regulations and ensure a change in law clause is included in the Power Purchase Agreements.

In March 2021, H.E. the President appointed a task force to undertake a comprehensive review of all existing PPAs. KenGen as a critical stakeholder, has actively engaged the Taskforce on all existing PPAs. We remain optimistic that this will bring about an enhanced and efficient electricity supply system for affordable and competitively priced electricity for the economy.

The Public Procurement and Asset Disposal Regulations 2020, issued in July 2020, have been incorporated and operationalized in our supply chain processes to ensure legal compliance.

Kenya Electricity Generating Company Plc
Managing Director & CEO Statement
For the year ended 30 June 2021

Climate Action

KenGen remains committed to promoting sustainable environmental practices and mitigating current and potential climate change impacts to combat global warming. To this end, KenGen joined the UNGC Caring for Climate Working Group to refocus its business sustainability by taking further actions to continuously improve the efficiency of energy usage and reduce the carbon footprint of our activities and processes. KenGen is the first state corporation to be admitted to the Business Ambition for 1.5°C Campaign, an initiative of the companies demonstrating the highest level of ambition on climate, paving the way to a net-zero future.

To accelerate the achievement of SDG 13 on Climate action, we have developed and registered six Clean Development Mechanism (CDM) projects which contribute approximately 1.5 million tCO₂e on an annual basis. In 2020-2021, our verified projects resulted in the issuance of 4,617,309 tCO₂e Certified Emissions Reductions (CERs).

Our People

During the Covid-19 pandemic, KenGen employees, as part of the essential service providers, remained resilient, agile, and committed to ensuring the availability of reliable power to support the economy. KenGen, in its response; to ensure business continuity, safety and well-being of the employees, activated its corporate Crisis Management Team which, in conjunction with the Ministry of Health, provided vaccination of most of our employees.

In recognition of KenGen's efforts to promote gender mainstreaming and women empowerment through the Pink Energy initiative, the Company won the Trailblazers Award by the Ministry of Public Service and Gender.

The Company implemented blended learning by introducing E-learning to complement in-person classroom training to enhance the employees' skills and competencies. The Company introduced *Competencies E-Lab*, an online learning platform that offers training content and services with 100% cloud access, anytime, anywhere.

Operational Excellence

KenGen strongly relies on operational excellence to execute its strategy consistently and reliably, thereby achieving business growth and continued innovation leveraging on vast employee experience, ICT technologies, and KAIZEN philosophy of continuous improvement.

To remain flexible and competitive in a changing business landscape, digitization is imperative. Towards this end, we are implementing an automatic metering system infrastructure in all generating stations. This will enable the collection of metering data from a central point, providing a one-stop shop for efficient decision making.

Through continuous improvement of our generation assets, we undertook an overhaul and rehabilitation of Masinga Power Plant Unit One to restore its effective capacity to 20 MW, thereby maximizing the revenues. Further, we are rehabilitating our 69 years old Wanjii Power station to increase its capacity from 7.4 MW to 8.2 MW and improve its operational efficiency. These plant improvement processes are supported by effective management of spares, continued capacity building and optimization of employees.

Stakeholder Engagement

KenGen has a robust strategy that identifies and actively engages the various stakeholders to promote sustainable operations by adopting practices responsive to their needs. During the Covid-19 pandemic, KenGen engaged local communities through economic and social support to help alleviate the impacts of the disease.

KenGen has adopted e-Procurement to increase efficiency and shorten procurement turnaround time through the Supplier Relationship Management system. The Company has increased visibility and transparency of the procurement processes, improved reporting, and we were a step ahead in the paperless pandemic protocols.

As an organization, we aggressively engaged the special groups categorized as youth, women and persons with disabilities on Access to Government Procurement Opportunities (AGPO). The sensitization and awareness sessions were conducted to increase allocated procurement opportunities, empowerment, and inclusivity uptake.

Kenya Electricity Generating Company Plc
Managing Director & CEO Statement
For the year ended 30 June 2021

Innovation

In this ever-changing world, no organization can survive without innovation. This is the lifeline that drives business today, and KenGen is continually seeking ways to create and improve its business models and practices. Our workforce's innovative nature and resilience is showcased at the annual G2G innovation seminar, which successfully exploits new ideas that improve our business processes and embrace new solutions.

This innovative corporate culture has given us a distinct competitive edge driving our diversification agenda and has successfully won us several contracts in Ethiopia and Djibouti. We pride ourselves in solely running the Contracts as KenGen employees with skills and expertise grown within KenGen. We have secured our intellectual property against possible violations by partnering with the Kenya Industrial Property Institute and administer non-disclosure agreements.

The Internet of Things (IoT) revolution has undoubtedly arrived and has now permeated all sectors. At KenGen, IoT is one of the main drivers of our ongoing digital adaptations that radically changes how we do our business. We are resetting digitally to attain value proportions of efficient business processes, increased productivity, alternative revenue and cost savings, increased compliance and data protection, and customer satisfaction.

Future Outlook

I am profoundly thankful to the KenGen fraternity for its unwavering commitment to addressing climate change as an urgent global priority. KenGen, as a market leader, plays a central role in meeting the national power demand while lowering the carbon intensity and making energy more resilient.

Through its renewable penetration and expertise, the Company plays a fundamental role in decarbonizing the globe in line with the Paris Climate Agreement.

Our future outlook is governed by the energy trilemma filter that paves the way for developing Geothermal, Wind, Hydro and Solar sources.

In the interest of variability, Geothermal energy takes a dominant role to overcome weather vagaries and ensure reliable baseload power to the grid. This commitment provides an energy mix dominated by renewable sources, which not only actualizes our Climate Positive aspiration but significantly lowers the cost of power and greatly optimizes the shareholder value.

Innovation is our culture in approaching sustainability. Through this, our diversification agenda was hatched to grow our revenues, reduce our costs preserving our cash flow and meeting our obligations.

In recognition of our refined expertise, both Ethiopia & Djibouti have competitively contracted KenGen to undertake commercial drilling on their soil through their respective energy development functions. In addition, several local companies have directly contracted KenGen to undertake geothermal studies and drilling works within their concessions. This has in every way grown our brand, revenues and increased our revenue sources.

Operational Excellence was our North Star in preserving our revenues. It permeates all facets of our business through optimum management of costs, reducing tariffs, and ultimately increased profitability. Operation and maintenance costs for our generation fleet is one of the significant cost drivers for our business. Therefore, plant operational strategies and arising practices are a crucial element of KenGen's overall Operational Excellence pillar. Our elaborate Operational and Maintenance strategy for our diverse Generation Fleet has evolved from time-based preventive mode through condition-based and predictive maintenance approach to the current nascent Reliability-Centred Maintenance (RCM) strategy. The dynamism of regulatory and business environment coupled with the heightened customer awareness and strive for lower power costs reinforces the need for constant scanning and review of maintenance strategies to ensure alignment with best practices, optimization of costs and sustainability of the business for the continued financial success of KenGen and our esteemed shareholders and humbly enhancing our corporate contribution to the larger overall good of our great country, Kenya.

Kenya Electricity Generating Company Plc
Managing Director & CEO Statement
For the year ended 30 June 2021

With a greater focus than ever before, the Company rolled out a digitalization plan. This plan, combined with our headway, enabled us to improve operational execution and strengthened our capacity to work through the uncertainties triggered by the pandemic.

The KenGen brand is one of our eminent pride and a source of competitive advantage. It continues to be a significant resource that deserves constant attention and deliberate nurturing. We shall continue to promote our brand through effective and intentional stakeholder management. As a good corporate citizen, the Company is keen on establishing "Karibu Centers" in all our operations to proactively serve our customers and provide necessary information with a smile. We remain committed to positively interacting and meeting all our stakeholders halfway, and building mutually beneficial relationships. We are already a positive presence and active participants in local and major international events such as Global Compact Climate Action Platforms. KenGen is a renowned force of good and a reference point in excellent stakeholder management. Tremendous effort in proactively deepening our international stakeholder engagements has been made. This initiative is timely because of the enormous potential brand equity to be gained coupled with the fact that it aligns and dovetails perfectly with our stated ambition of expanding our business footprints in Africa and beyond, particularly in the Geothermal field.

Appreciation

I sincerely thank the Board of Directors for their guidance and the entire KenGen family for their dedication to building, bringing out the best, and being present with excellence as we seek to deliver on our strategic aspirations simply.

I also extend my appreciation to the Government of Kenya for its immense support and guidance which has enabled KenGen to continue to deliver on its mandate of provision of reliable, safe and competitively priced electric energy to the nation.



*Rebecca Miano, MBS
Managing Director & CEO*

**Kenya Electricity Generating Company Plc
Corporate Governance Statement
For the year ended 30 June 2021**

Corporate Governance is the framework that defines how we are governed, providing transparency and accountability for decision making. It provides the basic principles that enable the Board to provide requisite oversight in the running of the Company. This ensures that our business has appropriate ethical decision-making processes and controls to balance the interests of all stakeholders.

The Company has instituted systems to ensure that high standards of corporate governance are maintained at all levels of the organization. This is in compliance with the requirements of all applicable laws and regulations including but not limited to the Capital Markets Act and Regulations, rules and guidelines thereunder on Corporate Governance and the Nairobi Securities Exchange (NSE) regulations, rules, policies and procedures.

Statement of Compliance

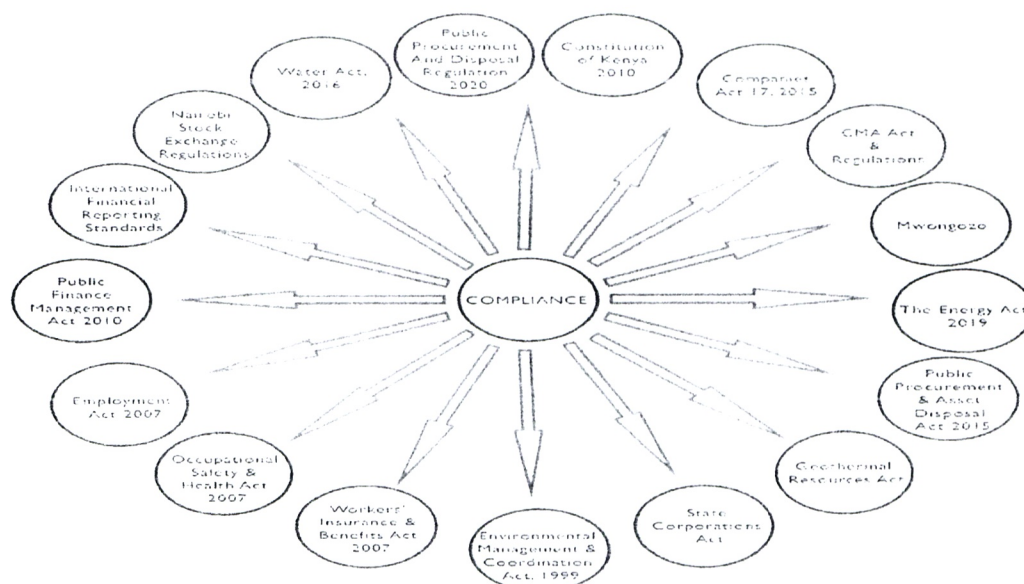
As a public listed company, KenGen strictly adheres to the continued obligations in compliance with the Capital Markets Authority (CMA) Corporate Governance Guidelines – *Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015* and the ethical standards prescribed in the Company’s Code of Conduct. KenGen also subscribes to the tenets of governance as provided in Chapter 6 - Leadership & Integrity in the Constitution of Kenya 2010.

The Board is also guided by the principles of good governance as stipulated in *Mwongozo: The Code of Governance for State Corporations*, which is aligned to the CMA code of corporate governance.

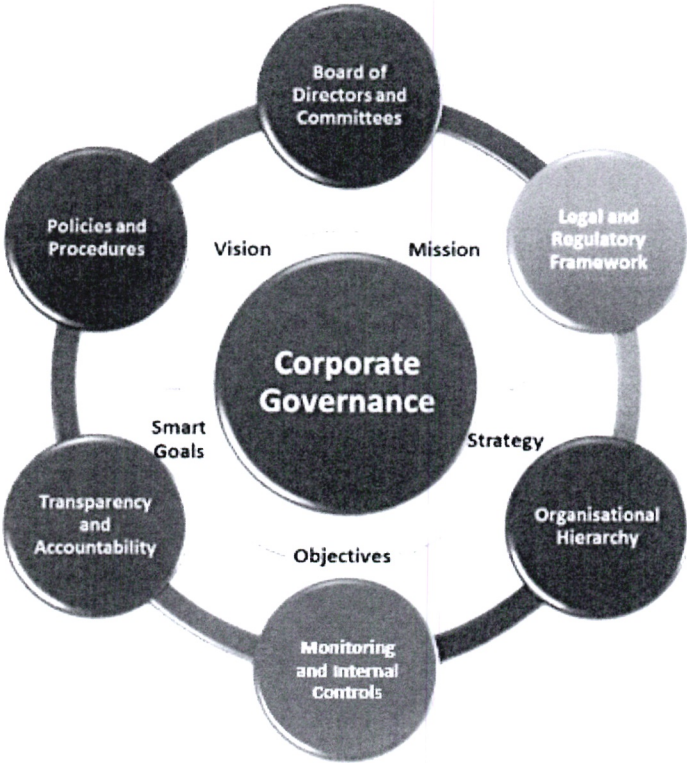
A Corporate Governance Audit is being conducted by an accredited external governance auditor in compliance with the applicable rules and regulations set out by the CMA for listed companies.

Adoption of ISO management systems is a strategic decision made by an organisation to improve its overall business performance and provide a sound basis for sustainable development. During the year, KenGen attained recertification in ISO 9001:2015 Quality Management System and ISO 14001:2015 Environmental Management System. This shows our determination for pursuit of excellence.

The following are some of the Acts and Regulations KenGen complies to:

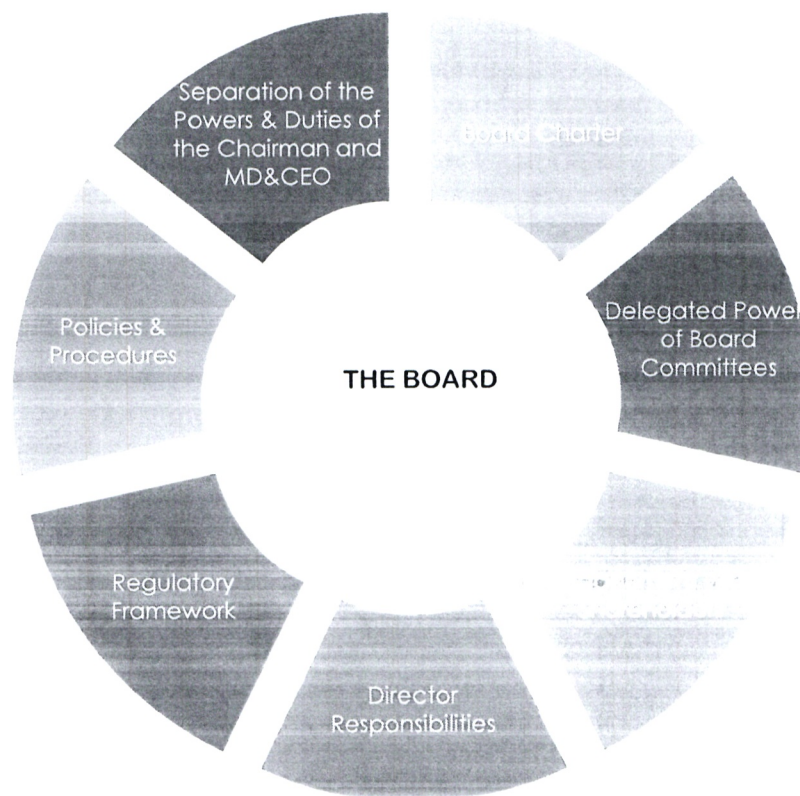


Principles of Corporate Governance



The Corporate Governance principles are entrenched in KenGen’s strategic and operational objectives to accelerate growth and increase stakeholder value.

The Board



The Board Charter

The Board Charter is the policy document that clearly defines the respective roles, responsibilities and authority of the Board of Directors in setting the direction, and control of the Company. It is commitment by the members of the Board to discharge their mandate in KenGen and outlines the rules that shall guide them. Each Director subscribe to the Charter and in doing so acknowledges the Company's values and commits to upholding them.

The Charter also sets out the powers of the Board Committees, the separation of roles between the Board and Management, as well as policies and practices of the Board in respect to corporate governance matters. The Charter compliments and does not change or interpret any statute, law or regulation.

Definition of an Independent Director

An independent director is a member of the Board who does not have a material relationship with the company that could interfere with the exercise of objective or independent judgement. He/she is not part of the company's executive team and is not involved with the day-to-day operations of the company. Their role broadly includes improving corporate credibility and objective oversight.

An independent director should not own more than five percent of the shares of the company and has not been a member of the Board for nine continuous years.

A continuing independent director ceases to be one and assumes the position of non-executive director if he/she fails to meet the requirements.

Kenya Electricity Generating Company Plc
Corporate Governance Statement
For the year ended 30 June 2021

Board Composition

The KenGen Board comprises of eleven (11) members; an independent and non-executive Chairman, one (1) Executive Managing Director & CEO, the Cabinet Secretary-The National Treasury, Principal Secretary-Ministry of Energy, plus seven (7) independent and non-executive directors. The Board composition is outlined in the Articles of Association of the Company.

Succession Management in the Board

In accordance with the Articles of Association of the Company, the CMA Corporate Guidelines and *Mwongozo*, a third of the Board of Directors retire at every Annual General Meeting. Further any casual vacancy on the Board is immediately filled and the Director appointed in such manner retires at the next AGM for election by shareholders. These mechanisms ensures continuity in business and a continuous refreshing of skills in the Board.

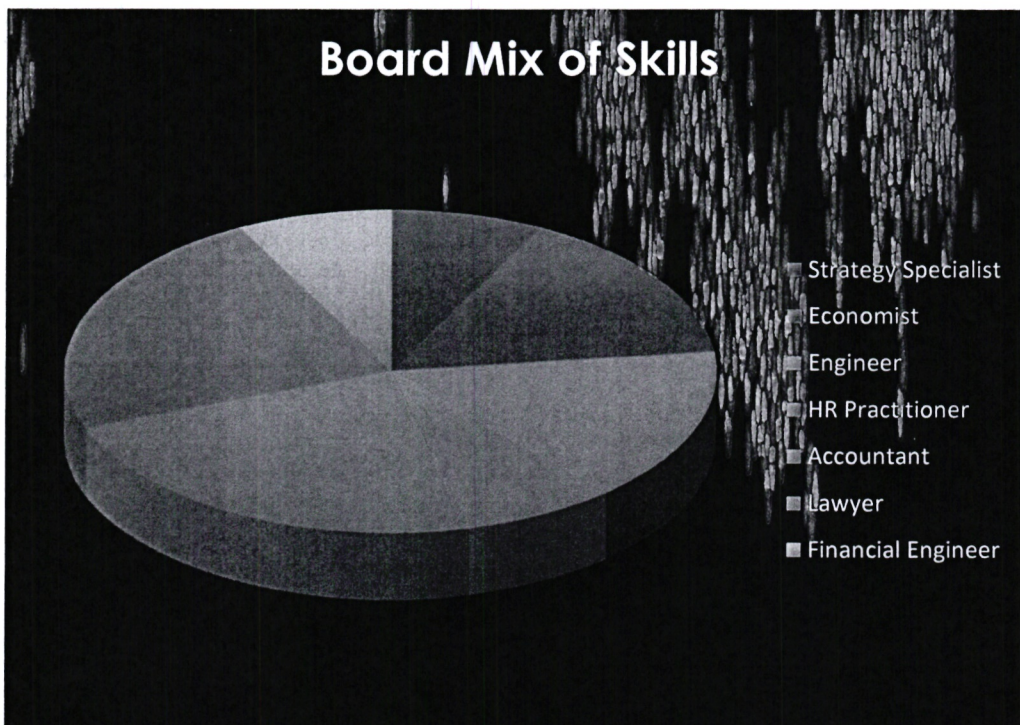
During the last Annual General Meeting and as per the Company’s Articles of Association on Rotation of Directors; three (3) Members retired from the Board and were replaced by three (3) new Members of the Board.

The Office of the Inspectorate of State Corporations

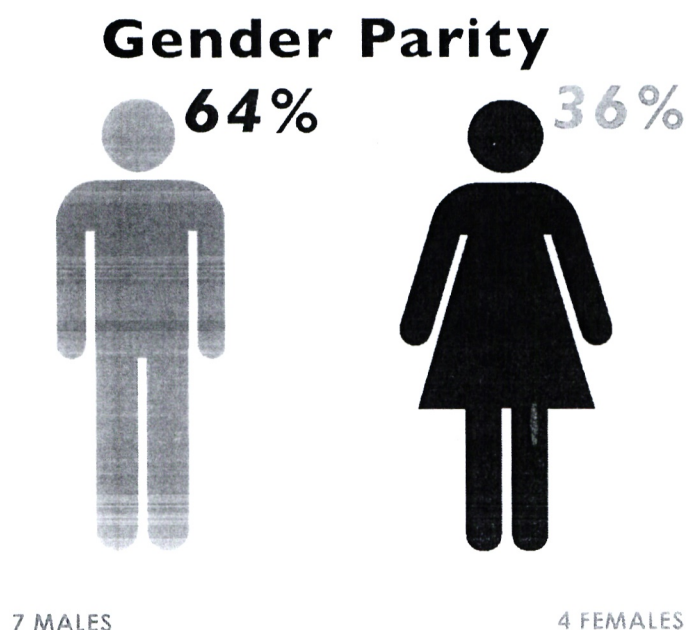
In accordance with Section 18 (2) (c) of the State Corporation Act. The Inspector General (Corporations) has the powers to attend meetings of any state corporations including the meetings of the Board and its Committees. During the year, Mr. Peter Nyutu, Deputy Inspector General was appointed to represent the Inspector General (Corporation) in all KenGen Board meetings.

Board Diversity

The Board has the following skills mix matrix:



KenGen continues to comply with the 1/3 gender parity as outlined:



The biographies of the Directors are published on pages 5-11

Board Effectiveness

Separation of Powers & Duties

The Chairman and the Managing Director & CEO have distinct and clearly defined duties and responsibilities.

The separation of the functions of the Chairman (a Non-Executive Director) and Managing Director & CEO (Executive Director) support and ensures the independence of the Board and Management. The role of the Chairman is to lead the Board, approve meeting agenda, promote a culture of open debate, ensure effective communication with the shareholders and uphold high standards of corporate governance. The Managing Director & CEO is responsible for the day-to-day management of the Company, lead Senior Management team, provide leadership and develop and implement Company's objectives.

Induction

New members of the Board are inducted to apprise with an overview of the company, installations, operating environment and any new developments as well as any regulatory changes. As part of the induction program, detailed presentations are made by management so that the Directors gain good sense of the Company operations. They visit KenGen installations to familiarise themselves with the different modes of power generation. During the year, three new members of the Board were inducted.

Board Development Programme

Every year, the KenGen members of the Board undergo regular capacity development programs to enhance their knowledge in areas such as corporate governance, leadership and specialised relevant professional courses. They also attend energy related forums and conferences on best industry practises and continuous professional development program. These measures are geared towards equipping them with knowledge that enables them to fulfil their

Kenya Electricity Generating Company Plc
 Corporate Governance Statement
 For the year ended 30 June 2021














responsibilities for effective decision making. During the year, the Board attended various courses and conferences and also attained the twelve hours on corporate governance programs. All the KenGen Directors are members of the Institute of Directors of Kenya (IOD).

Board Evaluation

Every year, the Board undergoes a rigorous performance evaluation conducted by the State Corporations Advisory Committee. This involves a 360 degree evaluation of the Chairman by the individual Directors, each Director by the Chairman, MD & CEO by all Directors and peer evaluation of each Director. The outcome of this evaluation is used to create remedial development and training programs for the Board.



Role of the KenGen Board

- 
 Monitoring business performance
- 
 Putting in place appropriate governance structures
- 
 Having the right team in place to execute the Company strategy
- 
 Maintaining an effective framework of controls to mitigate risks facing the business
- 
 Control, exercise oversight and administer the assets of KenGen in a manner that best promotes the purpose for which the Company was established
- 
 Enter into partnership with other bodies or organizations within or outside Kenya as it may deem appropriate
- 
 Authorise the opening of bank accounts for the Company's funds
- 
 Act responsibly towards the Company's stakeholders
- 
 Approve material transactions
- 
 Approve the company's budget as proposed by management
- 
 Review the effectiveness of risk management and internal control systems
- 
 Review periodic financial and governance statements
- 
 Approve Annual Reports, Company Financial Results and all public announcements.

Kenya Electricity Generating Company Plc
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Responsibilities of the Directors

In order for the Board to execute its mandate each Board member should observe the code of conduct and act within the limitations as defined in the Charter.

The Directors commit to:

- a) promote the success of the company by acting in its best interest;
- b) exercise their powers in good faith in the execution of their duties;
- c) act with care, skill, diligence and prudence;
- d) be fully aware that they are individually and collectively responsible for deciding the Company's vision, mission and values and its strategic objectives;
- e) act within powers as set out in the Kenyan Companies Act, 2015
- f) exercise independent judgement in all decisions;
- g) avoid conflict of interest; and
- h) not accept benefits from third parties that would influence their independent decision-making.

The Company Secretary

The Kenyan Companies Act No.17 of 2015 requires that every Company must have a Company Secretary to provide guidance and advise the Board on matters of corporate governance, regulatory compliance and procedures of the Board. The Secretary must be a member in good standing of the Institute of Certified Secretaries. The Company Secretary is responsible for facilitating provision of information between the Board and Management.

Individual Directors Shareholding

No member of the Board holds in his or her personal capacity more than 1% of the Company's total shareholding. The breakdown of the Directors personal shareholding in the Company as of 30th June 2021 is as follows:

NAME	NO. OF SHARES	% HOLDING
Gen. (Rtd) Samson Mwathethe	-	-
Mrs. Rebecca Miano	111,048	0.001684
Hon. Amb. Ukur Yatani	-	-
Eng. Joseph Njoroge	100,386	0.001522
Mr. Maurice Nduranu	-	-
Mr. Joseph Sitati	10,000	0.000152
Mrs. Phyllis Wakiaga	336	0.000005
Ms. Peris Mwangi	-	-
Ms. Winnie Pertet	9	0.0000004
Mr. James Opindi	-	-
Mr. Samuel Kimani	-	-
Mr. Humphrey Muhu	-	-
Mr. William Mbaka	-	-

Board Remuneration

In accordance with the issued Circulars from the Government of Kenya, the KenGen Non-Executive Directors are paid fees and allowances as remuneration for conducting official Company business. KenGen has a Remuneration Policy for the Board that is based on Mwongozo and applicable government directives which seeks to compensate the Directors fairly and transparently.

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The Directors' fees are paid upon shareholder approval at the Annual General Meeting. It is proposed that each Director receives a taxable fee of Kenya Shillings six hundred thousand (Kshs.600,000.00) per annum for the financial year ended 30 June 2021.

Directors' Remuneration Report is on page 49-51.

Conflict of Interest and Declaration of Interest

The Board is obligated to fully disclose any real and potential conflict of interest which comes to the Director's attention whether direct or indirect. All business transactions with all parties, directors or their related parties are carried out at arms' length.

At the start of all meetings of the Board, the Directors are required to declare any conflict issues or any interest they may have in the business under discussion. The Director is obligated to exclude himself/herself from the quorum, and the vote in respect of any matters in which they have an interest. No material conflicts were reported by Directors in the year under review.

Business transactions with the Directors or their related parties are disclosed on page 125.

Executive Committee (ExCo)

The Executive Committee is the highest management leadership organ led by the Managing Director & CEO and comprises of all the Divisional Directors. This Committee serves as a link between the Board and Management. ExCo has a mandate and responsibility to ensure implement the strategic objectives of the Company, compliance with the statutory and regulatory framework, guidelines and adherence to company policies and procedures. It convenes its meetings on a weekly basis or as the business may dictate to discuss strategy formulation and implementation, policy matters and financial performance.

Legal and Compliance Audit

Enforcement of legal compliance is a key component of KenGen's risk management strategy which seeks to mitigate the Company's exposure to potential risks. The Company carries out a Legal & Compliance Audit every two years to establish with compliance with statutory, regulatory and policy requirements as well as providing updates on how the Company and the Board observe and uphold Good Corporate Governance practices in all its activities. Non-compliance with the law can be costly to the Company not only in terms of resources but also its right standing as a responsible corporate citizen. KenGen's last legal and compliance audit was carried out in 2020.

Board Meetings

The Board as per the Annual Workplan meets quarterly or additionally when necessary to consider matters relating to the overall control of the business.

The Board work plan and calendar are prepared at the beginning of year and adequate notice, agenda and board papers are circulated within the stipulated timelines.

This financial year was unique due to the fact that the company held the delayed 2019 & 2020 AGMs within a span of four months. The delay was occasioned by the pending appointment of a substantive Auditor-General who is mandated to approve the audited financial results for the years 2019 and 2020. As a result, in addition to the business of the current year, the Board held extra meetings to close the pending business for the two financial years. The Board held twenty three (23) meetings as follows:

Kenya Electricity Generating Company Plc
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	Name	Attendance
1	Gen. (Rtd) Samson Mwathethe	14 (appointed on 3 rd Nov 2020)
2	Mrs. Rebecca Miano	23
3	Mr. Joseph Sitati	23
4	Mr. Maurice Nduranu	21
5	Mrs. Phyllis Wakiaga	21
6	Ms. Peris Mwangi	14 (appointed on 3 rd Nov 2020)
7	Mr. James Opindi	4 (appointed on 22 nd April 2021)
8	Ms. Winnie Pertet	2 (appointed on 22 nd April 2021)
9	Mr. Samuel Kimani	3 (appointed on 22 nd April 2021)
10	Mr. Humphrey Muhu	17
11	Mr. William Mbaka	22

- *Mr. Joshua Choge and Mrs. Zipporah Ndegwa retired during the 2019 Annual General Meeting held on 3rd November 2020.*
- *Mr. Kairu Bachia, Dr. Reginalda Wanyonyi and Dr. Musa Arusei retired during the 2020 Annual General Meeting held on 22nd April 2021.*

Board Committees

To effectively execute its oversight role, the Board has established five (5) standing committees with specific delegated mandates. The Board Committees are run with clearly articulated terms of reference as approved by the Board of Directors.

Following the retirement of incumbent Directors at both the 2019 and 2020 AGMs, the Board Committees were reconstituted in November 2020 and April 2021.

The membership is summarised as follows:

Audit, Risk & Compliance Committee	Strategy Committee	Human Resource & Nomination Committee	Governance Advisory Committee	Finance Committee
Joseph Sitati-Chair	Phyllis Wakiaga-Chair	Winnie Pertet-Chair	Peris Mwangi-Chair	Maurice Nduranu-Chair
Humphrey Muhu	Humphrey Muhu	Maurice Nduranu	Maurice Nduranu	Samuel Kimani
Phyllis Wakiaga	William Mbaka	James Opindi	Winnie Pertet	Peris Mwangi
Peris Mwangi	James Opindi	William Mbaka	Joseph Sitati	Humphrey Muhu
Samuel Kimani	Rebecca Miano	Rebecca Miano	Rebecca Miano	Rebecca Miano

Kenya Electricity Generating Company Plc
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Report from the Chairperson of the Audit, Risk & Compliance Committee

Mandate

To assist the Board in areas of financial reporting and compliance with the applicable financial reporting standards, oversight of the internal & external audit function and the operating controls.

Its functions include:

- Review of financial reports and compliance with applicable financial reporting standards;
- Oversight of the Company's internal audit function;
- Review of financial and operational controls;
- Liaising with the External Auditors' receiving and reviewing their reports and letters;
- Monitoring compliance with legal and regulatory requirements and;
- Reviewing risk management issues within the Company.

Activities

During the year, the Committee considered and deliberated on the following main agenda items:

- Quarterly reports of the Internal Audit & Risk Department.
- Quarterly Compliance and Governance report.
- Reviewed and recommended to the Board for approval the audited financial statements for the year ended 30th June 2019.
- Reviewed and recommended to the Board for approval the audited financial statements for the year ended 30th June 2020.
- Introduction of the new External Auditors and presentation of their scope and work plan of the 2020 financial audit.
- In line with the Public Finance Management (PFM) Act 2012, approved the 2019 Integrated Annual Report and Accounts for publication.
- In line with the PFM Act 2012, approved the 2020 Integrated Annual Report and Accounts for publication.
- Reviewed the status report on the external auditor management letter.
- Reviewed the ICT Standards Compliance Audit Report and Implementation Action Plan.

Membership

This Committee consists of one independent & non-executive Chairman, three (3) independent & non-executive Directors and one (1) non-executive Director. Appointment to this Committee is for a period of three years which may be renewable for another term of three years in line with our current practices, provided that the Director remains independent. Currently the Kenyan Companies Act, 2015 requires that members of this Committee are approved by shareholders every year at the Annual General Meeting.

The Internal Audit Manager is the Secretary to this Committee.

Attendance

This financial year was unique due to the fact that the company held the delayed 2019 & 2020 AGMs within a span of four months. The delay was occasioned by the pending appointment of a substantive Auditor-General who is mandated to approve the audited financial results for the years 2019 and 2020. As a result, in addition to the business of the current year, the Committee held extra meetings to close the pending business for the two financial years.

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The Committee held twelve (12) meetings:

	Name	Attendance
1.	Joseph Sitati	12
2.	Humphrey Muhu (Alt. to Ukur Yatani)	11
3.	Phyllis Wakiaga	12
4.	Peris Mwangi	7 (appointed on 3 rd Nov 2020)
5.	Samuel Kimani	1 (appointed on 22 nd April 2021)

- *Ziporah N. Ndegwa who was a member of the Committee retired at the 2019 AGM on 3rd November 2020*
- *Kairu Bachia who was a member of the Committee retired at the 2020 AGM on 22nd April 2021*

STRATEGY COMMITTEE

Report from the Chairperson of the Strategy Committee

Mandate

The Committee reviews and recommends to the Board matters pertaining to business strategic plan, investment decisions, annual business and financial plans and budgets.

The functions include:

- Develop and review the Company's strategy and investment policies and make appropriate recommendations
- Develop and review the progress of the Company's strategy execution plans and;
- Evaluate and recommend for approval by the Board, business cases for all categories of investment projects and new ventures including strategic partnerships within its delegated authority.

Activities

During the year, the Committee considered and deliberated on the following main agenda items:

- Quarterly progress update on the G2G Strategy
- Reviewed the proposed 2021/2022 Annual Budget of the Company
- Quarterly status update on KenGen Projects
- Reviewed the quarterly status of the GoK Performance Contract
- Quarterly progress updates on Olkaria V and Olkaria IAU6 Geothermal power projects
- Quarterly progress updates on Innovation, Research & Development
- Reviewed the proposed contract between KenGen and ODDEG for drilling services for geothermal wells in Djibouti
- Reviewed the proposed establishment of a Waste-to-Energy plant in Nairobi City County
- Quarterly reports on the performance of Operations Division, Geothermal Development Division and Corporate & Regulatory Services Division
- Quarterly ICT Strategy report
- Reviewed the Memorandum to the Presidential Taskforce on review of Power Purchase Agreement

Membership

The Committee comprises of two (2) independent & non-executive Directors, two (2) non-executive Directors and one (1) executive Director.

Attendance

This financial year was unique due to the fact that the company held the delayed 2019 & 2020 AGMs within a span of four months. The delay was occasioned by the pending appointment of a substantive Auditor-General who is mandated to approve the audited financial results for the years 2019 and 2020. As a result, in addition to the business of the current year, the Committee held extra meetings to close the pending business for the two financial years.

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The Committee held ten (10) meetings:

	Name	Attendance
1.	Phyllis Wakiaga	4
2.	Humphrey Muhu (Alternate to Mr. Ukur Yatani)	10
3.	James Opindi	2 (appointed on 22 nd April 2021)
4.	William Mbaka	9
5.	Rebecca Miano	10

- *Kairu Bachia who was a member of the Committee retired at the 2020 AGM on 22nd April 2021*
- *Phyllis Wakiaga joined the Committee in April 2021*

HUMAN RESOURCE & NOMINATION COMMITTEE

Mandate

The Committee is responsible for appointment and reappointment to the Board and its committees, recruitment and performance review of senior management. It also reviews human resources policies and company staff welfare and reward system.

Its functions include:

- Continually examine the Company's structure;
- Engagement of senior management staff;
- Nomination and remuneration of Directors;
- Review employee establishment;
- Examine policy and procedures on employment and staff promotion;
- Review the Collective Bargaining Agreement proposals and make recommendations; and
- Propose innovative ideas for transforming the Company into a world-class enterprise and employer

Human Resources function

The Committee continually reviews the organization structure, core functions and optimum establishment; policies and procedures on staff recruitment and selection, staff training and development policy for operational efficiency, performance and reward system and capacity enhancement & reviews the terms and conditions of service in line with the organisation's strategy. Further it reviews the Company's Human Resource Policies and recommends any amendments to the Board for approval.

Nominating function

The Committee supports and advises the Board on the appropriate size and composition that will enable it to discharge its responsibilities, transparent procedure for selecting new directors for appointment and re-selection to the Board; evaluation of the performance of the Board, the various committees and individual Directors.

Remuneration function

The Committee reviews the Company's remuneration, recruitment, retention, incentive and termination policies and procedures for Executive Directors and Senior Managers; their basic salary & the criteria for payment of bonuses to all staff and monitor its operation, consider any recommendations of the Chairman or Managing Director/CEO of the Company regarding payment bonuses or performance related remuneration.

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Activities

During the year, the Committee considered and deliberated on the following main agenda items:

- Quarterly reports on the performance of the Human Resource & Administration Division
- Quarterly progress reports on Leave Management
- Quarterly progress reports on Overtime and Callouts
- Quarterly progress reports on Variable Allowances
- Conducted Interviews for vacant Level 2 Manager Positions
- Shortlisting of Candidates for vacant Level 1 Positions
- Reviewed and recommended the required optimum skill-set in the KenGen Board based on the expected retirement of incumbent members of the Board
- Reviewed some of the Human Resource Policies

Membership

The Committee comprises of three (3) independent & non-executive Directors, one (1) non-executive Directors and one (1) executive Director.

Attendance

This financial year was unique due to the fact that the company held the delayed 2019 & 2020 AGMs within a span of four months. The delay was occasioned by the pending appointment of a substantive Auditor-General who is mandated to approve the audited financial results for the years 2019 and 2020. As a result, in addition to the business of the current year, the Committee held extra meetings to close the pending business for the two financial years.

The Committee held twelve (12) meetings:

No.	Name	Attendance
1.	Winnie Pertet	2 (appointed on 22 nd April 2021)
2.	Maurice Nduranu	3
3.	James Opindi	3 (appointed on 22 nd April 2021)
4.	William Mbaka	3
6.	Rebecca Miano	12

- *Maurice Nduranu and William Mbaka joined the Committee in April 2021*
- *Musa Arusei who was a member of the Committee retired at the 2020 AGM on 22nd April 2021*
- *Reginalda Wanyonyi who was a member of the Committee retired at the 2020 AGM on 22nd April 2021*
- *Kairu Bachia who was a member of the Committee retired at the 2020 AGM on 22nd April 2021*

GOVERNANCE ADVISORY COMMITTEE

Report from the Chairperson of the Governance Advisory Committee

Mandate

The Committee deals with Governance matters of the Company.

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 Corporate Governance Statement
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The functions include:

- develop corporate governance principles in support of elective organizational roles and responsibilities;
- review the adherence to and amendments of the Articles of Association of the Company;
- review the procurement systems, procurement procedures, budget alignments and procurement structures to ensure compliance with all laws and regulations.
- approve and oversee the operationalisation of a procurement plan and institutionalisation of the procurement cycle.

Activities

During the year, the Committee considered and deliberated on the following main agenda items:

- Reviewed the 2020/2021 Procurement Plan of the Company
- Reviewed the Quarterly Procurement Awards reports
- Reviewed the proposed participation in Sourcing2Equal Program facilitated by IFC
- Reviewed of inclusion of the execution of ODDEG drilling project in the 2020/2021 Procurement Plan
- Considered the governance principles used in the material transactions of the Company

Membership

The Governance Advisory Committee comprise of four (4) independent & non-executive Directors and one (1) executive Director.

Attendance

This financial year was unique due to the fact that the company held the delayed 2019 & 2020 AGMs within a span of four months. The delay was occasioned by the pending appointment of a substantive Auditor-General who is mandated to approve the audited financial results for the years 2019 and 2020. As a result, in addition to the business of the current year, the Committee held extra meetings to close the pending business for the two financial years.

The Committee held fifteen (15) meetings

	Name	Attendance
1.	Peris Mwangi	11 (appointed on 3 rd November 2020)
2.	Maurice Nduranu	14
3.	Winnie Pertet	4 (appointed on 22 nd April 2021)
4.	Joseph Sitati	5
5.	Rebecca Miano	15

- *Joseph Sitati joined the Committee in April 2021*
- *Ziporah Ndegwa who was a member of the Committee retired at the 2019 AGM on 3rd November 2020*
- *Musa Arusei who was a member of the Committee retired at the 2020 AGM on 22nd April 2021*
- *Reginalda Wanyonyi who was a member of the Committee retired at the 2020 AGM on 22nd April 2021*

FINANCE COMMITTEE

Report from the Chairperson of the Finance Committee

Mandate

The Committee oversees capital raising activities of the Company and monitors expenses and investments of the Company.

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The functions include:

- receive the Financial Due Diligence Report and the Balance Sheet Restructuring, Debt Affordability and Sustainability Reports;
- oversee the implementation of the overall investment plan for the PIBO funds to ensure adequate and competitive returns;
- review at least semi-annually the repayment of the PIBO funds to ensure fulfilment of repayment obligation; and
- monitoring on a quarterly basis the Company's key financial ratios.

Activities

During the year, the Committee considered, reviewed and deliberated on the following main agenda items:

- quarterly Management Accounts & Business Performance Reports
- quarterly Treasury Management Reports
- quarterly reports on Company Secretary & Legal Affairs Division and the Corporate & Regulatory Services Division reports
- quarterly Rights Issue Funds Utilisation Reports
- quarterly Retirement Benefits DB & DC Scheme Reports
- quarterly update on financing of Revamped Horizon 11 projects
- Restructuring of financial arrangements due to Covid-19
- Opening and closing of various Bank Accounts,
- Changes to Bank Mandates and authorized bank signatories to KenGen bank accounts
- Status of the World Bank Guarantee Facility
- Material Contracts of the Company

Membership

The Finance Committee comprise of three (3) independent & non-executive Directors, one(1) non-executive Directors and one(1) executive Director.

Attendance

The Committee held four (4) meetings

	Name	Attendance
1.	Maurice Nduranu	3
2.	Samuel Kimani	1 (appointed on 22 nd April 2021)
3.	Peris Mwangi	2
4.	Humphrey Muhu (Alternate to Ukur Yatani)	4
5.	Rebecca Miano	4

- *Musa Arusei who was a member of the Committee retired at the 2020 AGM on 22nd April 2021*
- *William Mbaka was a member of the Committee until April 2021*

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Internal Controls & Risk Management

The internal control and risk management system is the set of procedures, organisational structures and related activities aimed at ensuring, through an adequate process of identification, measurement, management and monitoring of the main risks that a company adequately mitigates any identified risks. The purpose of internal control and risk management is to ensure that the company's operations are effective, that financial and other information is reliable, and that the company complies with the relevant regulations and operating principles

The Board is committed to managing risk and to control the company's business and financial activities in a manner which enables profitable business opportunities, manage and ensure compliance with applicable laws and regulations and enhance resilience to external forces.

The Company carries out an annual legal compliance audit to ensure compliance with all applicable laws and identify any gaps and advice the company on the impact.

KenGen has a risk management policy that helps Management identify, measure and manage threats to achieving of Company objectives and reviews the appropriateness of management's mitigation response to these risks.

The Audit, Risk & Compliance Committee of the Board through its delegated mandate from the Board regularly reviews the effectiveness of the internal control system. The Head of the Internal Audit, Risk & Compliance Department reports directly to the Board's Audit, Risk & Compliance Committee.

Code of Conduct and Ethics

A code of ethics is a guide of principles designed to help professionals conduct business honestly and with integrity. A code of ethics document outlines the mission and values of the business or organization, how the Board & staff are supposed to approach problems, the ethical principles based on the organization's core values, and the standards to which the Company upholds.

KenGen has a code of conduct relating to lawful and ethical conduct of business which is supported by the Company's core values of integrity, professionalism, team spirit and emphasis on safety culture to steer our Company's organizational health and decision-making processes. The code of conduct provides fundamental principles and guidelines that govern the ethical and legal obligations of all employees at all levels.

All employees are bound by the provisions of the Public Officers Ethics Act 2003, the Company Code of Conduct and any other statutory regulations issued from time to time.

The Board, Management and employees are required to observe the code and high standards of integrity. These standards are applied in all dealings with customers, suppliers, and other stakeholders.

Going Concern

Going concern is an accounting term for a company that has the resources needed to continue operating indefinitely until it provides evidence to the contrary

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

Insider Trading

Insider trading is defined as a malpractice wherein trade of a company's securities is undertaken by people who by virtue of their work have access to the otherwise non-public information which can be crucial for making investment decisions.

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The Company has adopted an insider trading policy with an objective of promoting transparency and accountability by Directors and Employees with access to material information and can use the same information for their advantage. The policy prohibits insiders from trading in the securities of the company at any time they are in possession of critical information. The CMA Act has prescribed regulations that expressly prohibit the use of unpublished insider information.

Any information that relates to Company and its security which has not been made public and if it were made public it is likely to have materials effect on the price of the security is deemed to be insider information.

Whistle Blowing Policy

Whistle blowing basically is done by an employee who finds that the ethical rules are broken knowingly or unknowingly posing an imminent danger for the company, consumers or the public.

KenGen has a whistle blowing policy that provides for ethics hotline managed by an independent external institution. Through the hotline anonymous reports on unethical behaviour can be made without fear of retaliation of the suspected individuals.

Engagement with Shareholders

The Board is committed to provision of regular and timely information to the shareholders. All shareholders are entitled to receive the annual report and financial statements and any distribution from the company as may be lawfully declared. Annual results are always published in the local daily newspapers and uploaded on the Company's website at least 21 days before the Annual General Meeting (AGM) to ensure that all the shareholders are well informed at the AGM.

All shareholders are entitled to attend speak and vote at the general meetings including appointment of proxies. On a poll shareholder are entitled to vote for each share held.

Kenya Electricity Generating Company Plc
Shareholding
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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 2021

		No. of Shares	% Shareholding
1	CS - The National Treasury and Planning	4,615,424,088	69.99
2	Stanbic Nominees Limited	495,348,189	7.51
3	Stanbic Nominees Limited	183,815,400	2.79
4	Standard Chartered Nominees A/C KE002339	115,000,000	1.74
5	Standard Chartered Nominees RESD A/C Ke 11450	64,702,437	0.98
6	Stanbic Nominees Limited R6631578	60,000,000	0.91
7	Standard chartered Nominees RESD A/C Ke11443	40,163,194	0.61
8	Standard Chartered Nominees RESD A/C Ke 11401	37,773,580	0.57
9	Mavji Ramila Harji	31,110,100	0.47
10	Vijayaben Mansukhlal Khetshi Shah	15,184,600	0.23

Sub-Total

190,331 Other Shareholders

5,658,521,588

85.81

936,000,751

14.19

Total

6,594,522,339

100.00

Distribution of Shareholders

Range	No. of Shareholders	No. of Shares	% Shareholding
1 – 500	82,141	19,661,374	0.30
501 - 1,000	34,391	27,401,238	0.42
1,001 - 5,000	49,015	109,263,347	1.66
5,001 - 10,000	16,580	111,699,622	1.69
10,001 - 50,000	6,732	135,501,063	2.05
50,001 - 100,000	751	53,439,644	0.81
100,001 - 500,000	536	110,428,961	1.68
500,001 - 1,000,000	83	58,268,978	0.88
Above 1,000,000	112	5,968,858,112	90.51

Total

190,341

6,594,522,339

100.00%

Investor Pools

Local Institutions	7,890	5,061,913,590	76.76
Local Individuals	181,499	661,388,232	10.03
Foreign Investors	952	871,220,517	13.21

Total

190,341

6,594,522,339

100.00%

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Business Review

The Company benefited from a full year of operation of 172.3 MW Olkaria V geothermal project which was completed in November 2019 thereby displacing production from the thermal plants leading to a reduction of 12%. The Unit sales for geothermal dropped by 5%, attributable to the outages in Olkaria II, Olkaria IV and Olkaria I Unit 4 & 5. Wind generation recorded an increase of 15% due to improved wind conditions and fewer breakdowns. Overall, there was growth of 3% in energy unit sales which increased from 8,237 GWh in 2020 to 8,443 GWh in 2021.

The power plant output performance in terms of generation mix is summarized below.

Electricity Unit Sales (GWh)

	2021	2020	Change
Source			
Hydro	4,092	3,636	13%
Geothermal	4,052	4,276	-5%
Thermal	245	278	-12%
Wind	54	47	15%
Total	8,443	8,237	3%

Revenue

Revenue grew by 4.1% from Shs 44,110 million in the previous year to Shs 45,901 million in 2021, mainly driven by Geothermal and Hydro generation leading increase in electricity revenue from Shs 33,783 million to Shs 35,011 million. The diversification venture on drilling services in Tulu Moye, Ethiopia contributed additional revenue of Shs 1,784 million compared to Shs 440 million in the previous year. However, Steam and fuel revenue declined by 5.8% and 11.6% respectively as a result of lower dispatch of Wellheads and Thermal plants.

Other income and gains

Other income increased from Shs 473 million to Shs 495 million compared to previous year, attributable to insurance compensation while income from clubs and consultancy recorded declines due to the impact of Covid-19 pandemic.

Other gains relate to foreign exchange valuations and fair value measurements of financial assets. The amount decreased by 82.4% from Shs 6,383 million to Shs 1,125 million during the period, mainly attributable to fair value gain on a financial asset through profit or loss as a result of stability of the Shilling against other major currencies.

Expenses

Reimbursable expenses decreased by 3.0% from Shs 4,288 million to Shs 4,160 million, attributable to reduced dispatch from the thermal power plants because of enhanced Geothermal and Hydro generation.

Olkaria I assets have been fully depreciation leading to lower depreciation expense, a decrease of 4.2% from Shs 12,030 million to Shs 11,520 million.

Employee expenses increased by 8.5% from Shs 7,082 million to Shs 7,686 million due cost for staff engaged in the drilling operations in Ethiopia and implementation of Collective Bargaining agreement (CBA), and gratuity for personnel on contract terms.

Steam costs are incurred in respect to supply of steam used in generation of power from third party owned wells. The costs declined from Shs 3,161 million to Shs 3,029 million due to lower dispatch from the wells connected to Olkaria I AU, Olkaria IV and Wellheads that experienced breakdowns during the period.

The plant operation and maintenance expenses increased from Shs 1,503 million to Shs 1,881 million because of expenses related to drilling in Ethiopia. Other expenses increased from Shs 2,299 million to Shs 3,310 million, attributable to

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Management Analysis
For the year ended 30 June 2021

Expenses (Continued)

expenses for drilling in Ethiopia, provisions arising from International Financial Reporting Standards (IFRS 9), two AGMs were held to conclude the 2019 and 2020 business occasioned by the delay in appointment of substantive Auditor-General and the construction of Naivasha Hospital which is a corporate social investment (CSI).

The costs associated with drilling of wells in Tulu Moyo, Ethiopia amounting to Shs 1,336 million have been included under the expenses above.

Finance income/ expense

Finance income increased from Shs 1,431 million in 2020 to Shs 1,880 million in 2021 because interest on delayed payments of receivables and bank deposits arising from higher balances brought about by moratorium on repayment of borrowings.

The shilling appreciated against other major currencies especially the USD and JPY as compared to previous year when there was impact of COVID-19 pandemic resulting in a foreign exchange loss of Shs 5,965 million compared with a loss of Shs 701 million in the current year on borrowings. Therefore, finance expenses decreased by 63% from Shs 8,244 million to Shs, 3,053 million.

Results

During the financial year ended 30 June 2021, the business performance continued on the upward trend with a growth of the Profit before tax and continued stability of the business fundamentals. Profit before tax grew by 7% from Shs 13,790 million to Shs 14,762 million.

The corporate tax rate increased from 25% to 30% resulting in a tax expense of Shs 8,795 million on deferred tax compared with a credit of Shs 8,145 million in the previous year. This effectively resulted in tax expense of Shs 13,574 million in the year compared with Shs 4,587 million tax credit recorded in the previous year. Profit after tax reduced by 93.5% from Shs 18,377 million to Shs 1,188 million, owing to the reversal of tax measure put in place by the government in the last financial year to mitigate the impacts of Covid-19 pandemic. In 2020, the Company further enjoyed the benefit of capital allowances following the completion of 172.3 MW Olkaria V power station which reduced the tax expense for that year. These allowances are not available in the current year.

Financial position

Total assets grew by 3.1% from Shs 412,927 million to Shs 425,658 million, mainly attributable to Olkaria I Unit 6 and drilling of additional wells to secure steam for the upcoming power plants.

Cash flows

The cash and bank balances increased from Shs 5,374 million to Shs 13,859 million, attributable cash generated from operations attributable to working capital movements because of improved cash collections, reduced payment to contractors and fuel suppliers.

Ongoing projects

KenGen continued implementing its Good to Great strategy to ensure sustainable power growth in the country, while leveraging on innovations and partnerships for continued business diversification. We focus on implementing measures that will ensure employees are well protected against the Covid-19 Pandemic and business continuity.

Olkaria I Unit 6 geothermal power plant which will add 83.3MW to the national grid is on course. We continued with diversification for other revenue sources from consultancies, and Geothermal Training Centre.

Kenya Electricity Generating Company Plc
Report of Directors
For the year ended 30 June 2021

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 2021.

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 2021 are set out on page 56-57. Below is summary of the profit or loss made during the year.

	2021 Shs'000	2020 Shs'000
Profit before income tax	14,761,745	13,789,787
Income tax (expense)/credit	(13,573,338)	4,587,306
Profit for the year	1,188,407	18,377,093
Other comprehensive loss for the year, net of tax	(205,069)	(374,610)
Total comprehensive income for the year	983,338	18,002,483

Recommended dividend

Subject to the approval of the shareholders, the Directors propose payment of a first and final dividend of Shs 1,978 million (2020: Shs 1,978 million) for the year representing Shs 0.30 (2020: Shs 0.30) 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
For the year ended 30 June 2021

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 were appointed to carry out the audit for the year ended 30 June 2021.

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



Secretary

30th October 2021

Kenya Electricity Generating Company Plc
Statement of Directors' Responsibilities
For the year ended 30 June 2021

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 of 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 control 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.

Approved by the Board of Directors on 30th October 2021 and signed on its behalf by:


.....
General (Rtd) Samson Mwathethe
Chairman


.....
Samuel Kimani
Director


.....
Rebecca Miano
Managing Director & CEO

Kenya Electricity Generating Company Plc
Directors' Remuneration report
For the year ended 30 June 2021

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 2021 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 8(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 starting from 30th October 2017. Her contract was renewed for a further three (3) years on 31 August 2020.

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 22 April 2021, the shareholders approved the payments of Directors fees for the year ended 30 June 2020 through virtual voting.

Approval will be sought at the upcoming Annual Generating Meeting from shareholders to pay Directors fees for the financial year ended 30 June 2021.

Kenya Electricity Generating Company Plc
 Directors' Remuneration report
 For the year ended 30 June 2021

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 2021 together with the comparative figures for 2020. The aggregate Directors' emoluments are shown in note 35(e).

For the year ended 30 June 2021

Name	Category	Salary	Directors Fees	Sitting Allowances	Honorarium	Telephone	Total
		Shs'000	Shs'000	Shs'000	Shs '000	Shs '000	Shs '000
Joshua Choge	Chairman, Non-Executive	-	207	420	320	28	975
General (Rtd) Samson Mwathethe		-	393	720	640	56	1,809
Rebecca Miano	Managing Director and CEO	19,938	-	-	-	-	19,938
Ukur Yattani (CS, The National Treasury and Planning)	Non-Executive	-	600	-	-	-	600
Joseph Njoroge (PS, Ministry of Energy)	Non-Executive	-	600	60	-	-	660
Zipporah Ndegwa	Non-Executive	-	207	460	-	-	667
Musa Arusei	Non-Executive	-	488	1,280	-	-	1,768
Kairu Bachia	Non-Executive	-	488	1,220	-	-	1,708
Joseph Sitati	Non-Executive	-	600	1,100	-	-	1,700
Maurice Nduranu	Non-Executive	-	600	1,240	-	-	1,840
Phyllis Wakiaga	Non-Executive	-	600	1,020	-	-	1,620
Reginalda Wanyonyi	Non-Executive	-	488	1,140	-	-	1,628
Peris Mwangi	Non-Executive	-	393	1,020	-	-	1,413
James Opindi	Non-Executive	-	112	320	-	-	432
Samuel Kimani	Non-Executive	-	112	360	-	-	472
Winnie Pertet	Non-Executive	-	112	280	-	-	392
Humphrey Muhu (Alternate to Ukur Yatani)	Non-Executive	-	-	1,180	-	-	1,180
William Mbaka - Alternate to Joseph Njoroge	Non-Executive	-	-	1,120	-	-	1,120
Total		19,938	6,000	12,940	960	84	39,922

Kenya Electricity Generating Company Plc
 Directors' Remuneration report
 For the year ended 30 June 2021

INFORMATION SUBJECT TO AUDIT (continued)

For the year ended 30 June 2020

Name	Category	Salary	Directors Fees	Sitting Allowances	Honorarium	Telephone	Total
		Shs'000	Shs'000	Shs'000	Shs '000	Shs '000	Shs '000
Joshua Choge	Chairman, Non-Executive	-	600	1,140	960	84	2,784
Rebecca Miano	Managing Director and CEO	19,801	-	-	-	-	19,801
Ukur Yattani (CS, The National Treasury and Planning)	Non-Executive	-	600	-	-	-	600
Joseph Njoroge (PS, Ministry of Energy)	Non-Executive	-	600	-	-	-	600
Zipporah Ndegwa	Non-Executive	-	600	1,160	-	-	1,760
Musa Arusei	Non-Executive	-	600	1,260	-	-	1,860
Kairu Bachia	Non-Executive	-	600	1,180	-	-	1,780
Joseph Sitati	Non-Executive	-	600	440	-	-	1,040
Maurice Nduranu	Non-Executive	-	600	1,140	-	-	1,740
Phyllis Wakiaga	Non-Executive	-	600	500	-	-	1,100
Reginalda Wanyonyi	Non-Executive	-	600	1,180	-	-	1,780
Humphrey Muhi (Alternate to Ukur Yatani)	Non-Executive	-	-	840	-	-	840
William Mbaka - Alternate to Joseph Njoroge	Non-Executive	-	-	620	-	-	620
Total		19,801	6,000	9,460	960	84	36,305

On behalf of the Board

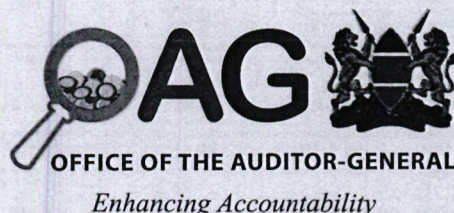


Secretary

30th October 2021

REPUBLIC OF KENYA

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REPORT OF THE AUDITOR-GENERAL ON KENYA ELECTRICITY GENERATING COMPANY PLC FOR THE YEAR ENDED 30 JUNE, 2021

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, gazetted notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

The accompanying financial statements of Kenya Electricity Generating Company PLC set out on pages 56 to 141, which comprise of the statement of financial position as at 30 June, 2021, statement of profit or loss and other comprehensive income, statement of 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, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kenya Electricity Generating Company PLC as at 30 June, 2021, 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 Qualified Opinion

1. Non-Valuation of Property, Plant and Equipment

The statement of financial position as at 30 June, 2021 reflects property, plant and equipment amounting to Kshs.356,135,476,000 as disclosed under Note 13 to the financial statements. The Company carries its fixed assets on the revaluation model based on its accounting policy. As a result, the assets are carried at revalued amounts less accumulated depreciation and accumulated impairment losses in accordance with International Accounting Standard (IAS 16): property, plant and equipment. The revalued amounts are determined based on market valuations carried out by independent expert valuers on a regular basis. According to the Company's Assets Management Policy, the recommended frequency of revaluation is after every 3-5 years. However, no revaluation has been conducted since the year 2015.

Management indicated that the Company was unable to secure services of an appropriate expert to carry out its assets' valuation during the year since the exercise is highly technical and requiring experts who meets international standards. The delay has been mainly attributed to the implications of Covid-19 pandemic since the qualified experts are domiciled outside the country, and the complex procurement process of such a service. However, a tender has been awarded to a foreign consultant after re-tendering and the valuation exercise is expected to be completed by 31 December, 2021.

Consequently, it has not been possible to determine the accuracy of the values of property, plant and equipment of Kshs.356,135,476,000 included in the financial statement as at 30 June, 2021 and disclosed under Note 13 to the financial statements.

2. Capital Work in Progress

Note 13 to the financial statements reflects capital work in progress balance of Kshs.99,343,863,000. Included in this balance are projects totaling Kshs.94,805,804,977 in respect of capital projects initiated several years back but had no movement over the last 2-10 years and which may have stalled. Management did not provide explanations on why the projects have not been completed and capitalized.

A further review of the work in progress schedules and records revealed the following anomalies:

- i. The work in progress balance includes Kshs.4,481,056,467 in respect of transmission lines that were done in financial year 2008/2009 or earlier and which are not used in the furtherance of Company's business but are essentially used by another company for revenue generation. Although the Management indicate that there has been negotiation for transfer of the assets to the other company, Kenya Electricity Generating Company PLC continues to service a loan and accruing interest in respect of these assets, thereby increasing the operations costs of the Company and cash outflows without corresponding revenue being realized.
- ii. In addition, the work in progress balance includes an amount of Kshs.79,324,783,562 incurred on drilling of wells for geothermal power, financed by a loan from Export-Import Bank of China (EXIM). The wells were drilled between the year 2011 and 2015 and have never been connected to any plant for generation of power. The Company has in the meantime continued to pay the principal sum and interest while no corresponding revenue has been realized to date. Further, the Management has not given the details of when the wells are likely to be utilized in generation of power. As a result, there is no value for money obtained on the investment of Kshs.79,324,783,562 on drilling wells.
- iii. Included in the work in progress balance of Kshs.99,343,958,491 is an amount of Kshs.645,975,453 incurred on feasibility studies for wind power projects. Out of this balance, Kshs.592,918,565 and Kshs.82,023,761 was incurred in respect of Meru Wind power project in financial year 2011/2012 and Karura Hydro Power Plant project in financial year 2013/2014 respectively. Although expenditures are said to relate to the feasibility studies on the two projects no contract documents and feasibility studies reports were provided for audit verification in support of the projects. The Management has not provided reasons for the delay in conclusion of the feasibility studies for over eight years.
- iv. The work in progress balance further includes Kshs.78,647,502 in respect of a building referred to as Hydro Plaza whose construction work commenced in 2010. The building was indicated to be under the defects liability period, implying that it had been handed over by the contractor. Management partially capitalised the building with a sum of Kshs.293,529,602. However, certificates of completion for the capitalised were not provided for audit review. Further, a review of procurement records revealed the works were initially awarded at a cost of Kshs.150,005,216 but the contract was terminated on non-performance and subsequently awarded to another contractor at a contract sum of Kshs.261,264,205, an increase of

Kshs.111,258,989 or 74% of the earlier contract sum. The Management did explain the cause of the significant increase in the cost of the building.

In view of the foregoing, the accuracy, completeness and valuation of work in progress balance of Kshs.99,343,863,000 as at 30 June, 2021 could not be confirmed.

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

Amounts Due from The Kenya Power and Lighting Company PLC

The financial statements reflect gross amounts due from the Company's main customer, The Kenya Power and Lighting Company PLC amounting to Kshs.25,141,317,000 as disclosed in Note 19 to the financial statements. This outstanding balance is billed as per respective Power Purchase Agreements (PPAs) between the two companies. However, KPLC confirmed Kshs.24,899,964,656 as the amount owing resulting in unreconciled variance of Kshs.241,352,344.

Further, the Management in an attempt to explain the variance above, indicated that there are disputed charges with The Kenya Power and Lighting PLC over the years denominated in Kenya shillings amounting to Kshs.506,183,865 and denominated in United States dollars amounting to USD 178,092. Therefore, reconciliation of the differences with the customer and collection of the disputed amount is in doubt.

My opinion is not qualified with respect to these 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.

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 qualified opinion on the accompanying financial statements.

Key Audit Matter	How My Audit Addressed the Key Audit Matter
<p>Capitalisation of Costs</p> <p>The Company undertook different capital projects during the year under audit, mainly Olkaria V power plant project, Olkaria 1 Unit 6 and drilling of wells.</p> <p>The Company capitalised part of the costs it incurred during the year which it considered to be directly related to the construction of these projects.</p> <p>Capitalisation of costs (payroll costs, borrowing costs and depreciation) identified as a key audit matter due to the significance of the amount capitalised in the financial statements as well as the significant judgements and assumptions in determining the amounts to be capitalised.</p> <p>Significant judgment is required by the directors in determining the following:</p> <ul style="list-style-type: none"> • Assets that qualify for depreciation capitalisation and the quantum of depreciation to charge. Significant judgement is also required in determining capitalisation rates to be applied on shared service centers. • Element of staff costs directly attributable to the ongoing projects. Additionally, the key assumption applied in capitalising the employee costs is the time spent by qualifying employees on the capital projects. • Borrowing costs to capitalise in line with the requirements of IAS 23. 	<p>The following procedures were performed, among others, to address the key audit matter:</p> <p>Capitalised Payroll Costs</p> <ul style="list-style-type: none"> • The accuracy of total payroll amounts was tested and the reasonableness of management's assessment of the payroll costs directly attributable to the ongoing projects assessed. • An assessment of the capitalised payroll costs was performed including testing the classification, measurement and disclosure requirements of the relevant accounting standards – IAS 16. <p>Capitalised Borrowing Costs</p> <ul style="list-style-type: none"> • Accuracy of the interest charges was tested and the reasonableness of the amount capitalised assessed in line with the requirements of IAS 23. <p>Capitalised Depreciation</p> <ul style="list-style-type: none"> • Existence of the underlying assets was tested and their valuation and accuracy of the cost of the assets assessed including the reasonableness of the assets' useful lives and depreciation rates used. The assets were also verified to confirm they were being used in the manner intended by Management. <p>It was concluded that the assumptions and judgements made by the Management in capitalisation of costs were appropriate.</p>

Other Information

The other information comprises the corporate information, shareholding, report of the Directors, statement of Directors' responsibilities and the Directors' remuneration report, which I obtained prior to the date of this audit report, and the rest of the other information

in the annual report which is expected to be availed to me after that date, but does not include the financial statements and my auditor's report thereon. The Directors are responsible for the other information. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above and, in so doing, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be misstated. If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

When I read the rest of the other information in the annual report and I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance.

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, except for the matter described in the Basis for Qualified Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Non-Compliance with Capital Markets Authority Regulations

A review of the statement of profit or loss and other comprehensive income as at 30 June, 2021 revealed that the profits declined from Kshs.18,377,093,000 in the previous year to Kshs.1,188,407,000 in the year under review, a decline of Kshs.17,188,686,000 representing 93.5%. However, the Management of the Company has not issued a notice to the shareholders in line with paragraph G.05(1)(f) of the fifth schedule of the Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations, 2002.

Further, the First Schedule of the Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations, 2002 (Amended 2016) sets out the minimum requirements for a company at the time of listing, as well as continuing obligations of the listed entity. The First Schedule provides that the listed company must have prepared financial statements for the latest accounting period on a going concern basis and that the related audit report must not contain a qualified opinion or emphasis of matter in this regard. However, the audit opinion on the Company's financial statements for the year under review is qualified and includes an emphasis of matter.

In the circumstances, the Management of the Company was in breach of the regulations.

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, except for the matters described in the Basis for Qualified Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, I report based on the audit that:

- (i) In my opinion, the information given in the report of the directors on pages 21 to 22 is consistent with the financial statements.
- (ii) In my opinion, the auditable part of the directors' remuneration report on pages 24 to 25 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 financial reporting process, reviewing the effectiveness of how the Company 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 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 skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal 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

30 October, 2021

Kenya Electricity Generating Company Plc
Financial Statements
For the year ended 30 June 2021

Statement of profit or loss and other comprehensive income

	Note	2021 Shs'000	2020 Shs'000
Revenues from contracts with customers			
Electricity revenue	4 (a)	35,010,719	33,783,190
Steam revenue	4 (a)	5,227,392	5,549,684
Fuel charge	4 (a)	3,674,626	4,155,499
Water charge	4 (a)	204,408	181,774
Revenue from Branch	4 (a)	1,783,694	440,344
Total revenue	4 (a)	45,900,839	44,110,491
Reimbursable expenses			
Fuel costs	5	(3,955,710)	(4,106,504)
Water costs	5	(204,408)	(181,786)
Total reimbursable expenses	5	(4,160,118)	(4,288,290)
Revenue less reimbursable expenses		41,740,721	39,822,201
Other income	6	494,748	472,526
Other gains – net forex and fair valuation of financial assets	7	1,124,821	6,382,970
Operating income		43,360,290	46,677,697
Expenses			
Depreciation and amortization	8 (a)	(11,520,128)	(12,029,561)
Employee expenses	8 (b)	(7,685,411)	(7,082,496)
Steam costs	8 (c)	(3,028,982)	(3,160,582)
Plant operation and maintenance	8 (d)	(1,880,704)	(1,503,237)
Other expenses	8 (e)	(3,309,859)	(2,298,971)
Operating profit		15,935,206	20,602,850
Finance income	9	1,879,747	1,431,118
Finance costs	10	(3,053,208)	(8,244,181)
Profit before income tax		14,761,745	13,789,787
Income tax (charge)/credit	11(a)	(13,573,338)	4,587,306
Profit for the year		1,188,407	18,377,093
Earnings per share:			
Basic (Shs per share)	12	0.18	2.79
Dividends per share - (Shs)	33	0.30	0.30

Kenya Electricity Generating Company Plc
 Financial Statements
 For the year ended 30 June 2021

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

	Note	2021 Shs'000	2020 Shs'000
Profit for the year		1,188,407	18,377,093
Other comprehensive loss, net of income tax:			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of retirement benefit asset	27(a(ii))	(288,732)	(496,824)
Deferred income tax thereon	24	86,620	124,206
		(202,112)	(372,618)
Items that may be reclassified subsequently to profit or loss when specific conditions are met:			
Net loss on revaluation on investments in financial instruments measured at FVOCI	21	(4,224)	(2,656)
Deferred income tax thereon	24	1,267	664
		(2,957)	(1,992)
Other comprehensive loss for the year, net of tax		(205,069)	(374,610)
Total comprehensive income for the year		983,338	18,002,483

Kenya Electricity Generating Company Plc
 Financial Statements
 As at 30 June 2021

Statement of financial position

		2021	2020
		Shs'000	Shs'000
ASSETS			
Non-current assets			
Property, plant and equipment	13(a)	356,135,475	352,429,914
Intangible assets	14	1,523,213	1,528,948
Right of Use assets	15	4,733,194	4,936,545
Financial assets at amortized cost	16	3,284,272	3,317,298
Financial assets at fair value through profit or loss	17	16,162,813	16,676,152
		<u>381,838,967</u>	<u>378,888,857</u>
Current assets			
Inventories	18	2,051,828	1,371,280
Trade receivables	19	24,348,846	23,402,447
Corporate tax recoverable	11(c)	385,696	305,068
Financial assets at amortized cost	16	42,184	42,911
Financial assets at fair value through profit or loss	17	1,252,139	1,136,184
Other receivables and prepayments	20	1,755,120	2,099,011
Financial asset at fair value through other comprehensive income	21	360,956	365,181
Cash and bank balances	22	13,622,427	5,315,991
		<u>43,819,196</u>	<u>34,038,073</u>
TOTAL ASSETS		<u>425,658,163</u>	<u>412,926,930</u>
EQUITY AND LIABILITIES			
Equity attributable to owners			
Share capital	23	16,487,710	16,487,710
Share premium	23	22,151,131	22,151,131
Other reserves	24	65,051,484	67,235,860
Retained earnings	25	106,633,044	105,443,687
		<u>210,323,369</u>	<u>211,318,388</u>
Non-current liabilities			
Borrowings	26	134,777,599	137,349,668
Deferred income tax	28	57,183,276	43,974,146
Lease liabilities	29	656,192	744,568
Grants	30	200,000	200,000
Trade and other payables	31	2,122,081	2,284,107
		<u>194,939,148</u>	<u>184,552,489</u>
Current liabilities			
Borrowings	26	10,797,898	8,481,495
Trade and other payables	31	7,023,266	5,358,822
Provision for compensating tax	32	401,022	1,361,022
Lease liabilities due within one year	29	195,103	206,083
Dividends payable	33	1,978,357	1,648,631
		<u>20,395,646</u>	<u>17,056,053</u>
TOTAL EQUITY AND LIABILITIES		<u>425,658,163</u>	<u>412,926,930</u>

The financial statements on pages 56 to 141 were approved and authorised for issue by the Board of Directors on 30th October 2021 and were signed on its behalf by:

General (Rtd) Samson Mwathethe
 Chairman

Samuel Kimani
 Director

Rebecca Miano
 Managing Director & CEO

Kenya Electricity Generating Company Plc
 Financial Statements
 For the year ended 30 June 2021

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 2020	16,487,710	22,151,131	67,235,860	105,443,687	211,318,388
Profit for the year	-	-	-	1,188,407	1,188,407
-Net loss on revaluation on investments in financial instruments measured at FVOCI	-	-	(4,224)	-	(4,224)
- Deferred income tax thereon	-	-	1,267	-	1,267
-Remeasurement of retirement benefit asset	-	-	(288,732)	-	(288,732)
-Deferred income tax relating to remeasurement of defined benefit asset	-	-	86,620	-	86,620
Total comprehensive income for the year	-	-	(205,069)	1,188,407	983,338
Transfer of excess depreciation	-	-	(2,827,581)	2,827,581	-
Deferred tax on excess depreciation	-	-	848,274	(848,274)	-
Dividends declared to equity holders (Note 33)	-	-	-	(1,978,357)	(1,978,357)
As at 30 June 2021	16,487,710	22,151,131	65,051,484	106,633,044	210,323,369
Note	23	23	24	25	

Kenya Electricity Generating Company Plc
 Financial Statements
 For the year ended 30 June 2021

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 2019	16,487,710	22,151,131	69,696,451	86,629,244	194,964,536
Profit for the year	-	-	-	18,377,093	18,377,093
-Net loss on revaluation on investments in financial instruments measured at FVOCI	-	-	(2,656)	-	(2,656)
- Deferred income tax thereon	-	-	664	-	664
-Remeasurement of retirement benefit asset	-	-	(496,824)	-	(496,824)
-Deferred income tax relating to remeasurement of defined benefit asset	-	-	124,206	-	124,206
Total comprehensive income for the year	-	-	(374,610)	18,377,093	18,002,483
Transfer of excess depreciation	-	-	(2,781,308)	2,781,308	-
Deferred tax on excess depreciation	-	-	695,327	(695,327)	-
Dividends declared to equity holders (Note 33)	-	-	-	(1,648,631)	(1,648,631)
As at 30 June 2020	16,487,710	22,151,131	67,235,860	105,443,687	211,318,388
Note	23	23	24	25	

Kenya Electricity Generating Company Plc
 Financial Statements
 For the year ended 30 June 2021

Statement of cash flows

		2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES	Note	Shs '000	Shs '000
Cash generated from operations	34(a)	27,848,914	18,365,388
Income tax paid	11(c)	(356,949)	(336,603)
Finance income received	34(b)	910,963	628,550
Payment of compensating tax	32	(960,000)	(800,000)
		<hr/>	<hr/>
Net cash generated from operating activities		27,442,928	17,857,335
		<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	13	(11,846,709)	(13,662,408)
Staff costs paid for capital projects	13	(2,259,893)	(2,599,713)
Interest costs paid for capital projects	13	(822,207)	(1,169,930)
Purchase of intangible assets	14	(94,078)	(96,350)
		<hr/>	<hr/>
Net cash used in investing activities		(15,022,887)	(17,528,401)
		<hr/>	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings	26(d)	(10,049,152)	(7,634,806)
Proceeds from borrowings	26(d)	10,525,729	6,945,856
Grants received	30	-	200,000
Finance costs paid	34(c)	(2,686,847)	(1,854,322)
Dividends paid	33	(1,648,631)	(1,846,170)
Payment of lease liabilities	29	(192,997)	(183,564)
		<hr/>	<hr/>
Net cash used in financing activities		(4,051,898)	(4,373,006)
		<hr/>	<hr/>
Net increase/(decrease)in cash and cash equivalents		8,368,143	(4,044,072)
Cash and cash equivalents at the beginning of the year		5,374,297	9,324,190
Effects of exchange rate changes on cash held	34(d)	116,844	94,179
		<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	22	13,859,284	5,374,297
		<hr/>	<hr/>

Kenya Electricity Generating Company Plc

Notes to the financial statements (Continued)

1. General information

The Company is incorporated and domiciled 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.

2. Significant accounting policies

(a) Basis of preparation

The financial statements are prepared on a going concern basis and, except as disclosed in Note 13(b), 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 (see (c) below), 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, 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.

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.

2. Significant accounting policies(continued)

(a) Basis of preparation and compliance(continued)

(i) Basis of Measurement (continued)

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 3.

(b) Changes in accounting policies

(i) Adoption of new and revised International Financial Reporting Standards

Impact of the initial application of Interest Rate Benchmark Reform amendments to IFRS 9 and IFRS 7

In September 2019, the IASB issued *Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)*. These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms.

The amendments are not relevant to the Company in the current financial (annual) period given that it did not hold benchmark interest rate exposures with respect to hedges on financial contracts.

The amendments also introduce new disclosure requirements to IFRS 7 for hedging relationships that are subject to the exceptions introduced by the amendments to IFRS 9. The new disclosure requirements are not applicable to the Company for the financial year just ended.

Impact of the initial application of Covid-19-Related Rent Concessions Amendment to IFRS 16

In May 2020, the IASB issued *Covid-19-Related Rent Concessions (Amendment to IFRS 16)* that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

Kenya Electricity Generating Company Plc

Notes to the financial statements (Continued)

2. Significant accounting policies (continued)

(b) Changes in accounting policies (continued)

(i) *Adoption of new and revised International Financial Reporting Standards (continued)*

Impact of the initial application of Covid-19-Related Rent Concessions Amendment to IFRS 16

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

- a. The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- b. Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
- c. There is no substantive change to other terms and conditions of the lease.

In the current financial year, the Company did not apply the amendment to IFRS 16; Covid-19 related rent concessions as they did not receive any rent concessions from their lessors.

Amendments to IFRS 3 *Definition of a business*

The Company has adopted the amendments to IFRS 3 for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to IAS 1 and IAS 8 *Definition of material*

The Company has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.

The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the *Conceptual Framework* that contain a definition of material or refer to the term 'material' to ensure consistency.

Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Kenya Electricity Generating Company Plc

Notes to the financial statements (Continued)

2. Significant accounting policies (continued)

(b) Changes in accounting policies (continued)

(i) Adoption of new and revised International Financial Reporting Standards (continued)

Amendments to References to the Conceptual Framework in IFRS Standards

The Company has adopted the amendments included in Amendments to References Conceptual Framework in IFRS to the Conceptual Framework in IFRS Standards for the first time in the current year. Together with the revised *Conceptual Framework*, which became effective upon publication on 29 March 2018, the IASB has also issued *Amendments to References to the Conceptual Framework in IFRS Standards*. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised *Conceptual Framework*. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASB Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised *Conceptual Framework*.

Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

(ii) New and revised standards that have been issued but are not yet effective

At the date of authorisation of these financial statements, The Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective.

<i>New and Amendments to standards</i>	<i>Effective for annual periods beginning on or after</i>
Amendments to IFRS 10 and IAS 28 <i>Sale or Contribution of Assets between an investor and its Associate or Joint Venture</i>	1 January 2023, with early application permitted.
IFRS 17: <i>Insurance Contracts</i>	1 January 2023
Amendments to IAS 1- <i>Classification of liabilities as current or non-current</i>	1 January 2023, with earlier application permitted
Amendments to IFRS 3: <i>Reference to the Conceptual Framework</i>	1 January 2022, with earlier application permitted
Amendments to IAS 16- <i>Property, plant and equipment-Proceeds before intended use</i>	1 January 2022, with earlier application permitted
Amendments to IAS 37: <i>Onerous Contracts – Cost of Fulfilling a Contract</i>	1 January 2022, with earlier application permitted
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: <i>Interest rate benchmark reform-Phase 2</i>	1 January 2021, with earlier application permitted
Amendments to IAS 1 and IFRS practice statement 2: <i>Disclosure of accounting policies</i>	1 January 2023, with earlier application permitted

Kenya Electricity Generating Company Plc

Notes to the financial statements (Continued)

2. Significant accounting policies (continued)

(b) Changes in accounting policies (continued)

(ii) *New and revised standards that have been issued but are not yet effective (Continued)*

<i>New and Amendments to standards</i>	<i>Effective for annual periods beginning on or after</i>
Amendments to IAS 8: <i>Definition of accounting estimates</i>	1 January 2023, with earlier application permitted
Amendments to IFRS 16: <i>Covid-19 related rent Concessions beyond 30 June 2021</i>	1 April 2021, with earlier application permitted
Amendments to IAS 12: <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2021, with earlier application permitted
Annual improvements to IFRS standards 2018-2020 Cycle: <i>Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture</i>	1 January 2022, with earlier application permitted

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

IFRS 17 Insurance Contracts

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 *Insurance Contracts*.

IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

In June 2020, the IASB issued *Amendments to IFRS 17* to address concerns and implementation challenges that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023.

IFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

The directors do not expect that the adoption of the Standard will have a material impact on the financial statements of the Company.

2. Significant accounting policies (continued)

(b) Changes in accounting policies (continued)

(ii) *New and revised standards that have been issued but are not yet effective (Continued)*

IFRS 10 and IAS 28 (amendments) *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 is 1 January 2023 with earlier application permitted. The directors of the Company anticipate that the application of these amendments may have an impact on the Company's financial statements in future periods should such transactions arise.

Amendments to IAS 1-*Classification of Liabilities as Current or Non-current*

The amendments aim at providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date.

The amendments in Classification of Liabilities as Current or Non-current (Amendments to IAS 1) affect only the presentation of liabilities in the statement of financial position- not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items.

They clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability; clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and are to be applied retrospectively. Earlier application is permitted.

The directors do not expect that the adoption of the amendment will have any material impact on the financial statements of the Company.

Amendments to IAS 16- *Property, Plant and Equipment-Proceeds Before intended use*

These are amendments regarding proceeds from selling items produced while bringing an asset into the location and condition necessary for it to be capable of operating in the manner intended by management.

This amends the standard to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

2. Significant accounting policies (continued)

(b) Changes in accounting policies (continued)

(ii) New and revised standards that have been issued but are not yet effective (Continued)

Amendments to IAS 16- Property, Plant and Equipment-Proceeds Before intended use (Continued)

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. Early application is permitted.

An entity applies the amendments retrospectively 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 directors do not expect that the adoption of the amendment will have a material impact on the financial statements of the Company.

Amendments to IFRS 3: Reference to the Conceptual Framework

The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard.

The changes in Reference to the Conceptual Framework are as follows:

- a) Update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework;
- b) add to IFRS 3 a requirement that, for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination; and
- c) add to IFRS 3 an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references at the same time or earlier.

The directors do not expect that the adoption of the amendment will have a material impact on the financial statements of the Company.

Amendments to IAS 37: 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 can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or 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 are effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

Entities apply the amendments 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.

The directors do not expect that the adoption of the amendment will have a material impact on the financial statements of the Company.

2. Significant accounting policies (continued)

(b) Changes in accounting policies (continued)

(ii) *New and revised standards that have been issued but are not yet effective (Continued)*

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest rate benchmark reform-Phase 2

The changes in Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements, and disclosure requirements applying IFRS 7 to accompany the amendments regarding modifications and hedge accounting.

The amendments introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the interbank offered rates (IBOR) reform, and introduce disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition.

The amendments are as follows;

Modification of financial assets, financial liabilities and lease liabilities: The IASB introduces a practical expedient for modifications required by the reform (modifications required as a direct consequence of the IBOR reform and made on an economically equivalent basis). These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current IFRS requirements. A similar practical expedient is proposed for lessee accounting applying IFRS 16.

Hedge accounting requirements: Under the amendments, hedge accounting is not discontinued solely because of the IBOR reform. Hedging relationships (and related documentation) must be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements.

Disclosures: In order to allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition, the amendments require that an entity discloses information about how the transition from interest rate benchmarks to alternative benchmark rates is managed, the progress made at the reporting date, and the risks arising from the transition; quantitative information about non-derivative financial assets, non-derivative financial liabilities and derivatives that continue to reference interest rate benchmarks subject to the reform, disaggregated by significant interest rate benchmark; to the extent that the IBOR reform has resulted in changes to an entity's risk management strategy, a description of these changes and how is the entity managing those risks.

The IASB also amended IFRS 4 to require insurers that apply the temporary exemption from IFRS 9 to apply the amendments in accounting for modifications directly required by IBOR reform.

The application of all proposed amendments is mandatory. The nature of the proposed amendments is such that they can only be applied to modifications of financial instruments and changes to hedging relationships that satisfy the relevant criteria and, as such, no specific end of application requirements needed to be specified.

The amendments are effective for annual periods beginning on or after 1 January 2021 and are to be applied retrospectively. Early application is permitted. Restatement of prior periods is not required, however, an entity may restate prior periods if, and only if, it is possible without the use of hindsight.

The directors do not expect that the adoption of the amendment will have a material impact on the financial statements of the Company.

2. Significant accounting policies (continued)

(b) Changes in accounting policies (continued)

(ii) *New and revised standards that have been issued but are not yet effective (Continued)*

Amendments to IAS 1 and IFRS practice statement 2: Disclosure of accounting policies

The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, 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.

Amendments to IAS 1 and IFRS practice statement 2: Disclosure of accounting policies (Continued)

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) amends IAS 1 in the following ways:

- a) An entity is now required to disclose its material accounting policy information instead of its significant accounting policies;
- b) several paragraphs are added to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material;
- c) the amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial; the amendments clarify that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements; and
- d) the amendments clarify that if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

In addition, IFRS Practice Statement 2 has been amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information in order to support the amendments to IAS 1.

The amendments are applied prospectively. The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023. Earlier application is permitted. Once the entity applies the amendments to IAS 1, it is also permitted to apply the amendments to IFRS Practice Statement 2.

The directors do not expect that the adoption of the amendment will have a material impact on the financial statements of the Company.

Amendments to IAS 8: 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".

Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.

2. Significant accounting policies (continued)

(b) Changes in accounting policies (continued)

(ii) *New and revised standards that have been issued but are not yet effective (Continued)*

Amendments to IAS 8: Definition of accounting estimates (Continued)

The changes to IAS 8 focus entirely on accounting estimates and clarify the following:

- a) The definition of a change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”.
- b) Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty.
- c) 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.
- d) A change in an accounting estimate may affect only the current period’s profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods.

The amendments are effective for annual periods beginning on or after 1 January 2023 and changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted.

The directors do not expect that the adoption of the amendment will have a material impact on the financial statements of the Company.

Amendments to IFRS 16: Covid-19 related rent Concessions beyond 30 June 2021

The amendment extends, by one year, the May 2020 amendment that provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.

The Changes in Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16) amend IFRS 16 to:

- a) permit a lessee to apply the practical expedient regarding COVID-19-related rent concessions to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022 (rather than only payments originally due on or before 30 June 2021);
- b) require a lessee applying the amendment to do so for annual reporting periods beginning on or after 1 April 2021;
- c) require a lessee applying the amendment to do so retrospectively, recognising the cumulative effect of initially applying the amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the lessee first applies the amendment; and
- d) specify that, in the reporting period in which a lessee first applies the amendment, a lessee is not required to disclose the information required by paragraph 28(f) of IAS 8.

The amendment is effective for annual reporting periods beginning on or after 1 April 2021 with earlier application permitted, including in financial statements not yet authorised for issue at the date the amendment is issued.

The directors do not expect that the adoption of the amendment will have a material impact on the financial statements of the Company.

2. Significant accounting policies (continued)

(b) Changes in accounting policies (continued)

(ii) *New and revised standards that have been issued but are not yet effective (Continued)*

Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

The main change in Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) is an exemption from the initial recognition exemption provided in IAS 12.15(b) and IAS 12.24.

Accordingly, the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Early adoption is permitted.

The directors do not expect that the adoption of the amendment will have a material impact on the financial statements of the Company.

Annual improvements to IFRS Standards 2018-2020

Annual Improvements to IFRS Standards 2018–2020 makes amendments to the following standards:

- **IFRS 1-Subsidiary as a first-time adopter;** The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.
- **IFRS 9- Fees in the '10 per cent' test for derecognition of financial liabilities;** The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing 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.
- **IFRS 16- Lease incentives;** The amendment removes the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise.
- **IAS 41- Taxation in fair value measurements;** The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in IFRS 13.

The amendments to IFRS 1, IFRS 9, and IAS 41 published today are all effective for annual periods beginning on or after 1 January 2022. Early application is permitted. The amendment to IFRS 16 does not have an effective date stated yet

The directors are in the process of assessing the impact that these improvements will have on these financial statements.

Kenya Electricity Generating Company Plc

Notes to the financial statements (Continued)

2. Significant accounting policies (continued)

(c) 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'.

(d) Revenue Recognition

The Company recognizes revenue from the sale of electricity. The Company recognizes revenue as and when it satisfies a performance obligation by transferring control of a goods or service to its sole customer, Kenya Power. 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 the new revenue standard. IFRS 15 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.

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:

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:

Kenya Electricity Generating Company Plc

Notes to the financial statements (Continued)

2. Significant accounting policies (continued)

(d) Revenue Recognition (Continued)

- 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

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.

Revenue from branch

Revenue from branch is recognized when consultancy services are provided to customers based on fulfilment of performance obligations as per contract.

(e) Other income

Other income comprises mainly of rental income, club revenues, insurance compensation and consultancy fees. Rental income arise 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.

(f) Interest 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.

(g) Income tax

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.

Kenya Electricity Generating Company Plc

Notes to the financial statements (Continued)

2. Significant accounting policies (continued)

(g) Income tax (Continued)

(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.

(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.

(h) 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 27.

2. Significant accounting policies (continued)

(h) Post-employment benefit obligations (Continued)

Defined benefit (Continued)

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.

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.

(j) 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 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 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.

Kenya Electricity Generating Company Plc

Notes to the financial statements (Continued)

2. Significant accounting policies (continued)

(j) Property, plant and equipment (Continued)

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.

(k) Intangible assets

Intangible assets comprise of computer software acquired for business process and operations. Intangible assets acquired separately are measured on initial recognition at cost and are subsequently carried at fair value less subsequent Amortization and any accumulated impairment losses. 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.

Kenya Electricity Generating Company Plc

Notes to the financial statements (Continued)

2. Significant accounting policies (continued)

(k) Intangible assets (Continued)

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 de-recognition 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.

(l) 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.

(m) 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.

(n) 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.

2. Significant accounting policies (continued)

(o) Financial instruments

Effective 1 July 2018, the Company applies IFRS 9 which replaces the old standard, IAS 39. IFRS 9 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.

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.

Kenya Electricity Generating Company Plc

Notes to the financial statements (Continued)

2. Significant accounting policies (continued)

(o) Financial instruments (Continued)

Financial assets (Continued)

a) Classification and measurement (Continued)

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.

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 3.

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.

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).

(p) 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.

Kenya Electricity Generating Company Plc

Notes to the financial statements (Continued)

2. Significant accounting policies (continued)

(p) Accounting for leases (Continued)

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.

(q) 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.

(r) 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.

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

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

Kenya Electricity Generating Company Plc

Notes to the financial statements (Continued)

2. Significant accounting policies (continued)

(s) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

(t) Cash and cash equivalents

In the statement of cash flows, cash and cash equivalent includes cash in hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less, net of bank overdrafts.

(u) 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.

(v) 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 Divisional Directors is the Company's key decision maker.

(w) Comparatives

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

Kenya Electricity Generating Company Plc

Notes to the financial statements (Continued)

3. Critical accounting estimates and judgements

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 year.

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.

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

Measurement of the expected credit loss allowance (ECL)

IFRS 9 introduced 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 a loss event occurred, the Company is now required to recognize losses earlier.

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 general approach for bank balances and treasury bonds and the simplified approach to the trade and other receivables.

Kenya Electricity Generating Company Plc

Notes to the financial statements (Continued)

3. Critical accounting estimates and judgements (continued)

Impairment of financial assets (measurements of expectations)

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 contains 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, which is like the current requirements under IAS 39 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 and will remain in stage 3 irrespective of the credit risk associated with that asset. 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:

- 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.

Kenya Electricity Generating Company Plc

Notes to the financial statements (Continued)

3 Critical accounting estimates and judgements (continued)

Measurement of the expected credit Loss allowance (ECL) (continued)

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

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.

Impairment of inventory

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 18

Compensating tax provisions

The Company has made provisions against compensating tax on dividends. The estimated provisions were made by the Directors following the payments of dividends in 2016.

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 40(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.

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.

3 Critical accounting estimates and judgements (continued)

Calculation of tax allowances

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

1. 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.
2. 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.

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.

Revaluation of property plant and equipment

Certain categories of property plant and equipment are stated 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 that which would be determined using independent valuers at 30 June 2021.

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

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 27.

Kenya Electricity Generating Company Plc

Notes to the financial statements (Continued)

4. 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.

	Geothermal Shs 000	Hydro Shs 000	Thermal Shs 000	Wind Shs 000	Total Shs 000
30 June 2021					
Electricity revenue					
• Capacity	15,949,858	8,008,570	3,236,641	-	27,195,069
• Energy	5,957,307	1,240,130	178,071	440,142	7,815,650
	<u>21,907,165</u>	<u>9,248,700</u>	<u>3,414,712</u>	<u>440,142</u>	<u>35,010,719</u>
Steam revenue (note 4(c))	5,227,392	-	-	-	5,227,392
Fuel charge	-	-	3,674,626	-	3,674,626
Water charge	-	204,408	-	-	204,408
Revenue from Branch	<u>1,783,694</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,783,694</u>
Total revenue	<u>28,918,251</u>	<u>9,453,108</u>	<u>7,089,338</u>	<u>440,142</u>	<u>45,900,839</u>
Revenue recognised	<u>28,918,251</u>	<u>9,453,108</u>	<u>7,089,338</u>	<u>440,142</u>	<u>45,900,839</u>
30 June 2020					
Electricity revenue					
• Capacity	13,818,875	7,690,607	3,648,389	-	25,157,871
• Energy	6,664,535	1,387,746	192,027	381,011	8,625,319
	<u>20,483,410</u>	<u>9,078,353</u>	<u>3,840,416</u>	<u>381,011</u>	<u>33,783,190</u>
Steam revenue (note 4(c))	5,549,684	-	-	-	5,549,684
Fuel charge	-	-	4,155,499	-	4,155,499
Water charge	-	181,774	-	-	181,774
Revenue from Branch	<u>440,344</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>440,344</u>
Total revenue	<u>26,473,438</u>	<u>9,260,127</u>	<u>7,995,915</u>	<u>381,011</u>	<u>44,110,491</u>
Revenue recognised	<u>26,473,438</u>	<u>9,260,127</u>	<u>7,995,915</u>	<u>381,011</u>	<u>44,110,491</u>

b) Contract assets and liabilities

The Company has been contracted for consultancy services in Ethiopia and Djibouti and has received advance payments. This has resulted in deferred income from contracts of Shs 134,344,000 (2020-Shs. 317,389,000) as part of trade and other payables disclosed under Note 31.

Kenya Electricity Generating Company Plc

Notes to the financial statements (Continued)

4. Revenue (Continued)

c) Steam revenue

	2021 Shs'000	2020 Shs'000
Third party revenue	4,295,648	4,502,889
KenGen steam revenue	931,744	1,046,795
	5,227,392	5,549,684
	5,227,392	5,549,684

5. Reimbursable expenses

Fuel costs ¹	3,955,710	4,106,504
Water costs ²	204,408	181,786
	4,160,118	4,288,290
	4,160,118	4,288,290

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

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 Kenya Power and Lighting Company Plc for the cost of water charges.

6. Other income

	2021 Shs'000	2020 Shs'000
Club income	142,033	178,961
Consultancy fees	17,723	116,340
Insurance compensation	169,480	69,782
Rent receivable	70,465	53,245
Geothermal SPA	-	12,813
Miscellaneous income	97,494	7,055
Carbon Credits	-	34,330
Loss on disposal of assets	(2,447)	-
	494,748	472,526
	494,748	472,526

Kenya Electricity Generating Company Plc

Notes to the financial statements (Continued)

	2021 Shs'000	2020 Shs'000
7. Other gains – net forex and fair valuation of financial assets		
Gain on revaluation of the financial assets held at fair value through profit or loss (Note 17)	556,905	5,430,747
Realized foreign exchange loss billed- others (Note 35(a) (i))	348,457	418,801
Foreign exchange gains from other monetary items	228,811	541,945
Bond premium expensed (Note 16(b))	(9,352)	(8,523)
	1,124,821	6,382,970
8. Expenses		
(a) Depreciation and Amortization		
Depreciation (Note 13)	11,689,054	12,368,224
Less: WIP amount capitalized**(Note 13)	(469,728)	(628,777)
	11,219,326	11,739,447
- Intangible assets- software (Note 14)	99,813	92,095
- Adjustment	(790)	(311)
	99,023	91,784
Amortization - Prepaid leases on leasehold land (Note 15)	58,967	59,600
Less: amount capitalized to property, plant and equipment	(3,522)	(7,047)
Other Right of Use Assets (Note 15)	146,334	145,777
	201,779	198,330
Total depreciation and amortization charge for the year	11,520,128	12,029,561

Kenya Electricity Generating Company Plc

Notes to the financial statements (Continued)

8. Expenses (continued)

(b) Employee expenses	2021 Shs'000	2020 Shs'000
Salaries, wages and other staff costs	8,604,840	8,348,877
Welfare and benefits	410,114	438,578
Training expenses	66,493	108,465
Retirement benefit cost:		
- Defined contribution scheme	775,589	724,220
- Defined benefit scheme	82,386	56,040
- National Social Security Fund	5,882	6,029
	<u>9,945,304</u>	<u>9,682,209</u>
Less: Capitalized costs**	(2,259,893)	(2,599,713)
	<u>7,685,411</u>	<u>7,082,496</u>

**The employee expenses incurred and attributable to implementation of capital projects are capitalized in line with the Company accounting policy disclosed under Note 2.

Number of employees	2021 Numbers	2020 Numbers
The number of persons employed by the Company at the year-end was		
- Operational staff	1,900	1,817
- Geothermal resource assessment and other projects staff	672	702
	<u>2,572</u>	<u>2,519</u>
Management staff	1,621	1,565
Union Staff	951	954
	<u>2,572</u>	<u>2,519</u>
Total	<u>2,572</u>	<u>2,519</u>
Permanent employees – management	1,542	1,499
Permanent employees – unionizable	856	863
Contract employees-management and Union	174	157
	<u>2,572</u>	<u>2,519</u>
Total	<u>2,572</u>	<u>2,519</u>

Kenya Electricity Generating Company Plc

Notes to the financial statements (Continued)

8. Expenses (continued)

	2021 Shs'000	2020 Shs'000
c) Steam costs		
Steam expenses (Note 35 (b)(ii))	3,028,982	3,160,582

On 3 September 2015, the Company entered into a contract with Geothermal Development Company Limited (GDC) for operation and maintenance of geothermal wells owned by GDC. Steam costs represent amounts payable for steam from their wells utilized in generation of power from Olkaria I AU 4& 5, Olkaria IV and some Wellhead plants.

	2021 Shs'000	2020 Shs'000
(d) Plant operation and maintenance expenses		
Operation and maintenance costs	1,061,421	883,342
Machinery spares and consumables (Note 18)	819,283	415,606
Drilling Rig Move costs	-	204,289
	1,880,704	1,503,237

(e) Other expenses

Insurance	894,047	866,492
Transport and travelling costs	713,093	563,034
Office expenses	139,372	81,075
Catchment preservation and dam maintenance	107,000	107,000
Consultants' fees	139,027	59,808
Legal and statutory expenses	180,792	87,863
Corporate Social Responsibility	286,760	207,251
Director's expenses	26,678	56,453
Advertising	53,630	46,353
Audit fees	9,800	10,750
Club expenses	123,442	94,572
Provision for bad debts	530,737	96,585
Other costs	105,481	21,735
	3,309,859	2,298,971

The costs associated with drilling of wells in Tulu Moye, Ethiopia amounting to Shs 1,336 million have been included under the expenses above.

9. Finance income

Interest income from Kenya Power and Lighting Company (Note 35(a)(i))	936,277	800,250
Interest from Ethiopia branch	3,168	-
Interest income from treasury bonds	282,795	282,795
Interest income from banks and other financial institutions	653,479	344,003
Interest income from staff advances	4,028	4,070
	1,879,747	1,431,118

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.

Kenya Electricity Generating Company Plc

Notes to the financial statements (Continued)

10. Finance costs	2021	2020
	Shs'000	Shs'000
Interest on borrowings	3,082,505	3,345,760
Interest on leases as per IFRS 16 (Note 29)	91,691	102,876
Less: capitalized interest*(Note 13)	(822,208)	(1,169,930)
	<hr/>	<hr/>
Interest expensed	2,351,988	2,278,706
Foreign exchange losses on borrowings (Note 26)	701,220	5,965,475
	<hr/>	<hr/>
	3,053,208	8,244,181

*The interest relating to implementation of projects are capitalized as part of the cost of the projects in accordance with the Company accounting policy disclosed under Note 2.

11. Income tax expense	2021	2020
	Shs'000	Shs'000
(a) Taxation charge / (credit)		
Current income tax	276,321	182,477
Deferred tax charge (Note 28)	4,499,117	3,500,955
Change in tax rate-deferred tax (Note 28)	8,794,829	(8,144,800)
Prior year under/(over) provision – deferred tax (Note 28)	3,071	(125,938)
	<hr/>	<hr/>
	13,573,338	(4,587,306)

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

(b) Reconciliation of expected tax based on profit before taxation to taxation charge/ (credit)	2021	2020
	Shs'000	Shs'000
Profit before taxation	14,761,745	13,789,787
	<hr/>	<hr/>
Tax applicable rate of 30% (2020:25%)	4,428,524	3,447,447
Tax effect of expenses not deductible for tax purposes	346,914	235,985
Deferred tax prior year under/(over)-provision	3,071	(125,938)
Increase/(reduction) in tax rate-deferred tax	8,794,829	(8,144,800)
	<hr/>	<hr/>
Total income tax charge/ (credit)	13,573,338	(4,587,306)

(c) Corporate tax recoverable		
Balance brought forward	(305,068)	(150,942)
Current income tax payable (Note 11(a))	276,321	182,477
Paid during the year	(356,949)	(336,603)
	<hr/>	<hr/>
At end of year	(385,696)	(305,068)

Kenya Electricity Generating Company Plc

Notes to the financial statements (Continued)

12. 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 2021.

	2021	2020
Profit attributable to ordinary shareholders (in Shs'000)	1,188,407	18,377,093
Number of ordinary shares in issue at end of year (Note 23)	6,594,522,339	6,594,522,339
Basic and diluted earnings per share (Shs)	0.18	2.79

Kenya Electricity Generating Company Plc
Notes to the financial statements (Continued)
For the year ended 30 June 2021

13(a). Property, plant and equipment

Year ended 30 June 2021	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 2020	2,017,133	51,670,919	4,802,433	256,269,409	2,376,793	5,725,467	87,683,788	410,545,942
Additions	-	-	-	-	-	-	11,846,709	11,846,709
Staff cost capitalized (Note 8(b))	-	-	-	-	-	-	2,259,893	2,259,893
Interest cost capitalized (Note 10)	-	-	-	-	-	-	822,208	822,208
Depreciation capitalized	-	-	-	-	-	-	469,728	469,728
Transfers from WIP	-	1,004,213	7,371	2,534,024	7,061	185,794	(3,738,463)	-
Disposal	-	-	-	-	(42,083)	-	-	(42,083)
At 30 June 2021	2,017,133	52,675,132	4,809,804	258,803,433	2,341,771	5,911,261	99,343,862	425,902,397
Depreciation								
At 1 July 2020	-	7,719,394	1,016,195	43,093,274	1,862,267	4,424,898	-	58,116,028
Charge for year	-	1,445,636	208,293	9,495,588	161,397	378,140	-	11,689,054
Disposal	-	-	-	-	(38,161)	-	-	(38,161)
At 30 June 2021	-	9,165,030	1,224,488	52,588,862	1,985,503	4,803,038	-	69,766,921
Net book value at 30 June 2021	2,017,133	43,510,102	3,585,316	206,214,571	356,268	1,108,223	99,343,862	356,135,476
Net book value at 30 June 2021(cost basis)	600,101	33,838,407	1,119,276	139,403,016	356,268	1,108,223	99,343,862	275,769,153

***The work in progress relates to ongoing projects, with the main project being the Olkaria V power plant project, Olkaria 1 Unit 6 and drilling of wells. Property, plant and equipment with a net book value of Kshs. 10.4 billion have been charged to secure borrowings as disclosed in Note 26(c).

Kenya Electricity Generating Company Plc
Notes to the financial statements (Continued)
For the year ended 30 June 2021

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

Year ended 30 June 2020	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 2019	2,017,133	45,515,326	4,361,664	222,025,109	2,319,130	5,443,330	110,803,422	392,485,114
Additions	-	-	-	-	-	-	13,662,408	13,662,408
Staff cost capitalized (Note 8(b))	-	-	-	-	-	-	2,599,713	2,599,713
Interest cost capitalized (Note 10)	-	-	-	-	-	-	1,169,930	1,169,930
Depreciation capitalized	-	-	-	-	-	-	628,777	628,777
Transfers from WIP	-	6,155,593	440,769	34,244,300	57,663	282,137	(41,180,462)	-
At 30 June 2020	2,017,133	51,670,919	4,802,433	256,269,409	2,376,793	5,725,467	87,683,788	410,545,942
Depreciation								
At 1 July 2019	-	6,241,765	810,914	33,021,113	1,649,690	4,024,322	-	45,747,804
Charge for year	-	1,477,629	205,281	10,072,161	212,577	400,576	-	12,368,224
At 30 June 2020	-	7,719,394	1,016,195	43,093,274	1,862,267	4,424,898	-	58,116,028
Net book value at 30 June 2020	2,017,133	43,951,525	3,786,238	213,176,135	514,526	1,300,569	87,683,788	352,429,914
Net book value at 30 June 2020 (cost basis)	600,101	34,222,513	1,320,198	143,624,014	514,526	1,300,569	87,683,788	269,265,709

Kenya Electricity Generating Company Plc
Notes to the financial statements (continued)
For the year ended 30 June 2021

13(b). Revaluation of property plant and equipment

Plant, machinery and transmission lines were last revalued by independent valuers Aon Risk Services Australia Limited, as at 30 June 2015, on a depreciated replacement cost basis which represents the plant and machinery's highest and best use. The land and buildings were valued, and report adopted on 30 June 2015 based on prevailing market values.

Another valuation process was meant to be undertaken as at 30 June 2021 and, following the technical procurement process, a contract was awarded to the same firm that carried out the revaluation in 2015, Aon Risk Services Australia Limited. However, the valuers have been unable to carry out the services due to the restrictions imposed by the COVID-19 on international travel since the valuers are domiciled in Australia. The revaluation requires use of international valuers due to the technical and specialist nature of the assets. The delay is mainly attributable to the travel restrictions.

However, the directors believe the revaluation exercise and process will be completed in time to allow for adoption of the revalued amounts by 30 June 2022.

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

Plant and machinery and transmission lines were last revalued by independent valuer Aon Global Risk, as at 30 June 2015, on a depreciated replacement cost basis which represents the plant and machinery's highest and best use. The land and buildings were valued, and report adopted on 30 June 2015 based on prevailing market values. Another valuation process is being undertaken.

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:

At 30 June 2021	Freehold land Shs'000	Buildings Shs'000	Transmission lines Shs'000	Plant and machinery Shs'000	Total Shs'000
At cost	600,101	50,652,372	3,576,783	206,459,749	261,289,005
Accumulated depreciation	-	(16,813,965)	(2,457,507)	(67,056,733)	(86,328,205)
	600,101	33,838,407	1,119,276	139,403,016	174,960,800
At 30 June 2020					
At cost	600,101	49,648,160	3,569,412	203,925,726	257,743,399
Accumulated depreciation	-	(15,425,647)	(2,249,214)	(60,301,712)	(77,976,573)
	600,101	34,222,513	1,320,198	143,624,014	179,766,826

13(c). Property plant and equipment – other disclosures (continued)

Impairment

At each reporting date, the Directors review the carrying amount of property, plant and equipment to determine whether there are any indicators of impairment. If any such indication exists, an impairment assessment is performed. Cash generating units (CGUs) are determined as per the power plants based on the power purchase agreements. The recoverable amount of the (CGU) is determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management and power purchase agreements.

For the year ended 30 June 2021 there has been no plants with impairment indicators hence no impairment has been recognized in the period.

Kenya Electricity Generating Company Plc
Notes to the financial statements (continued)
For the year ended 30 June 2021

14. Intangible assets

Year ended 30 June 2021	Intangible assets Shs'000	Work-in-progress Shs'000	Total Amount Shs'000
Cost			
At 1 July 2020	1,720,982	346,978	2,067,960
Additions	-	94,078	94,078
Transfer from WIP	16,685	(16,685)	-
At 30 June 2021	1,737,667	424,371	2,162,038
Amortisation			
At 1 July 2020	539,012	-	539,012
Charge for the year	99,813	-	99,813
At 30 June 2021	638,825	-	638,825
Net book value At 30 June 2021	1,098,842	424,371	1,523,213
Net book value At 30 June 2020	1,181,970	346,978	1,528,948
Year ended 30 June 2020	Intangible assets Shs'000	Work-in-progress Shs'000	Total Amount Shs'000
Cost or Valuation			
At 1 July 2019	1,708,511	263,099	1,971,610
Additions	-	96,350	96,350
Transfer from WIP	12,471	(12,471)	-
At 30 June 2020	1,720,982	346,978	2,067,960
Amortisation			
At 1 July 2019	446,917	-	446,917
Charge for the year	92,095	-	92,095
At 30 June 2020	539,012	-	539,012
Net book value At 30 June 2020	1,181,970	346,978	1,528,948
Net book value At 30 June 2019	1,261,594	263,099	1,524,693

Kenya Electricity Generating Company Plc
Notes to the financial statements (continued)
For the year ended 30 June 2021

15. Right of Use assets

Year ended 30 June 2021

	Leasehold Land	Land	Buildings	Total Shs'000
Cost				
At start of year	4,338,677	310,757	720,582	5,370,016
Adjustment on adoption of IFRS 16 (note 29)	-	1,950	-	1,950
At 30 June	4,338,677	312,707	720,582	5,371,966
Depreciation				
At start of year	287,694	134,177	11,600	433,471
Charge for the year (Note 8(a))	58,967	134,734	11,600	205,301
At end of year	346,661	268,911	23,200	638,772
Net carrying value				
At 30 June	3,992,016	43,796	697,382	4,733,194

Year ended 30 June 2020

	Leasehold land	Land	Buildings	Shs'000
Cost				
At start of year as previously reported	-	-	-	-
Reclassified from leasehold land	4,338,677	-	-	4,338,677
Adjustment on adoption of IFRS 16 (note 29)	-	310,757	720,582	1,031,339
At 30 June	4,338,677	310,757	720,582	5,370,016
Depreciation				
At start of year	-	-	-	-
Reclassified from leasehold land	287,694	-	-	287,694
Charge for the year (Note 8(a))	-	134,177	11,600	145,777
At end of year	287,694	134,177	11,600	433,471
Net Carrying value				
At 30 June	4,050,983	176,580	708,982	4,936,545

Kenya Electricity Generating Company Plc
Notes to the financial statements (continued)
For the year ended 30 June 2021

16. Financial assets held at amortized cost

	2021	2020
	Shs'000	Shs'000
Current portion	42,184	42,911
Non-Current portion	3,284,272	3,317,298
	<u>3,326,456</u>	<u>3,360,209</u>
Broken down as follows:		
Deferred debt – Note (16(a))		
- Current portion	42,184	42,911
- Non-Current portion	906,917	965,511
	<u>949,101</u>	<u>1,008,422</u>
Treasury bonds at amortized cost – Note (16(b)) (non-current)	2,377,355	2,351,787
	<u>3,326,456</u>	<u>3,360,209</u>

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 substation 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% (2020: 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 990,009,972 (2020: JPY 1,034,010,414).

	2021	2020
	Shs'000	Shs'000
At start of year	1,025,131	1,022,661
Repayment during the year	(44,856)	(41,039)
Foreign exchange (loss)/gain	(15,448)	43,509
	<u>964,827</u>	<u>1,025,131</u>
Less: Allowance for impairment	(15,726)	(16,709)
	<u>949,101</u>	<u>1,008,422</u>

Kenya Electricity Generating Company Plc
Notes to the financial statements (continued)
For the year ended 30 June 2021

16. Financial assets held at amortized cost (continued)

a) Deferred debt due from Kenya Power (continued)

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

	2021	2020
	Shs'000	Shs'000
At start of year	16,709	16,669
Write back to profit or loss	(983)	40
	<hr/>	<hr/>
Allowance for impairment	15,726	16,709
	<hr/> <hr/>	<hr/> <hr/>
Maturity analysis of deferred debt is as follows:		
Within one year	42,184	42,911
After one year	906,917	965,511
	<hr/>	<hr/>
Net book amount	949,101	1,008,422
	<hr/> <hr/>	<hr/> <hr/>

Kenya Electricity Generating Company Plc
Notes to the financial statements (continued)
For the year ended 30 June 2021

16. Financial assets held at amortized cost (continued)

b) Treasury Bonds

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.

	2021 Shs'000	2020 Shs'000
At start of year	2,390,756	2,399,279
Bond premium expensed	(9,352)	(8,523)
	2,381,404	2,390,756
Less: allowance for impairment	(4,049)	(38,969)
	2,377,355	2,351,787
	2,377,355	2,351,787

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

	2021 Shs'000	2020 Shs'000
At start of year	38,969	45,104
Write back to profit or loss	(34,920)	(6,135)
	4,049	38,969
	4,049	38,969

17. 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)
For the year ended 30 June 2021

17. Financial assets held at fair value through profit or loss (continued)

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

	2021 Shs'000	2020 Shs'000
At start of the year	17,812,336	13,074,633
Amounts recovered	(954,289)	(693,044)
Gain on revaluation of the financial asset at fair value through profit or loss	556,905	5,430,747
	<hr/>	<hr/>
At end of the year	17,414,952	17,812,336
Less: current portion recoverable within one year	(1,252,139)	(1,136,184)
	<hr/>	<hr/>
At end of the year (long term portion)	16,162,813	16,676,152

18. Inventories

Machinery consumable spares	1,190,460	1,206,669
Fuel and lubricants	1,274,591	557,995
General stores	225,394	191,194
	<hr/>	<hr/>
	2,690,445	1,955,858
	<hr/>	<hr/>
Allowance for impairment	(638,617)	(584,578)
	<hr/>	<hr/>
	2,051,828	1,371,280

The cost of inventories recognized as an expense and included in operating costs and reimbursable expenses are machinery consumable spares amounting to Shs 819,283,000 (2020: Shs 415,606,000) and fuel consumed amounting to Shs 3,995,710,000 (2020: Shs 4,106,504,000) respectively. Impairment allowance for inventory is recognized on items that are slow moving and/or obsolete.

19. Trade receivables

The following amounts due from The Kenya Power & Lighting Company Plc relate to outstanding balances at year end billed as per the respective PPA's.

	2021 Shs'000	2020 Shs'000
Due from The Kenya Power & Lighting Company Plc	25,141,317	23,984,394
Less: Allowance for impairment	(792,471)	(581,947)
	<hr/>	<hr/>
Balance at end of the year	24,348,846	23,402,447

Kenya Electricity Generating Company Plc
Notes to the financial statements (continued)
For the year ended 30 June 2021

19. Trade receivables (Continued)

The Amounts include Shs 3,877,218,000 (2020: Shs 4,092,320,000) in foreign currency.

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

	2021 Shs'000	2020 Shs'000
At start of year	(581,947)	(501,499)
Net charge to profit or loss	(210,524)	(80,448)
	<u>(792,471)</u>	<u>(581,947)</u>

20. Other receivables and prepayments

Prepayments*	481,988	1,338,694
Sundry debtors	58,272	45,425
Staff receivables	120,765	110,875
Other receivables	1,541,793	1,073,356
	<u>2,202,818</u>	<u>2,568,350</u>
Less: Allowance for impairment	(447,698)	(469,338)
	<u>1,755,120</u>	<u>2,099,012</u>

*Included in prepayments is an amount of Shs 131,747,000 (2020: Shs 555,629,000) relating to advances to Contractors for Olkaria I Unit 6 project and other ongoing projects.

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

	2021 Shs'000	2020 Shs'000
At start of year	(469,338)	(609,472)
Adjustment of credit note-Akiira	-	193,057
Net credit/ (charge) to profit or loss	21,640	(52,923)
	<u>(447,698)</u>	<u>(469,338)</u>

21. Financial asset at fair value through other comprehensive income

At start of year	365,180	367,837
Fair value loss through other comprehensive income	(4,224)	(2,656)
	<u>360,956</u>	<u>365,181</u>

The FVOCI asset relates to the treasury bonds held by the Company.

Kenya Electricity Generating Company Plc
Notes to the financial statements (continued)
For the year ended 30 June 2021

22. Cash and bank balances

	2021 Shs'000	2020 Shs'000
Cash at bank	13,855,958	5,370,300
Less: Allowance for impairment	(236,857)	(58,306)
	<u>13,619,101</u>	<u>5,311,994</u>
Cash at hand	3,326	3,997
	<u>13,622,427</u>	<u>5,315,991</u>
The movement in the allowance for impairment in the year is as follows		
At start of year	(58,306)	(148,860)
Net (charge)/ credit to profit or loss	(178,551)	90,554
	<u>(236,857)</u>	<u>(58,306)</u>

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

	2021 Shs'000	2020 Shs'000
Cash at Bank*	13,855,958	5,370,300
Cash at hand	3,326	3,997
	<u>13,859,284</u>	<u>5,374,297</u>

*Included in the cash at bank is local currency of Shs 11,386,000,000 (2020: Shs 4,697,645,000) and foreign currency of Shs 2,473,907,000 (2020: Shs 679,748,000). The average effective interest rate on the current accounts as at 30 June 2021 was 10.75% (2020: 10.75 %).

23. 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 2020 and 30 June 2021	<u>10,000,000</u>	<u>25,000,000</u>	<u>-</u>
Issued and fully paid			
At 30 June 2020 and 30 June 2021	<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.

Kenya Electricity Generating Company Plc
Notes to the financial statements (continued)
For the year ended 30 June 2021

24. 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 2020	8,579,721	(62,891)	59,081,547	(362,517)	67,235,860
Other comprehensive loss for the year;	-	-	-	-	-
-Net loss on revaluation on investments in financial instruments measured at FVOCI	-	(4,224)	-	-	(4,224)
-re-measurement of defined benefit -deferred tax relating to components of other comprehensive income (Note 28)	-	-	-	(288,732)	(288,732)
	-	1,267	-	86,620	87,887
Total other comprehensive loss for the year	-	(2,957)	-	(202,112)	(205,069)
Transfer of excess depreciation	-	-	(2,827,581)	-	(2,827,581)
Deferred tax on excess depreciation	-	-	848,274	-	848,274
At 30 June 2021	8,579,721	(65,848)	57,102,240	(564,629)	65,051,484
At 1 July 2019	8,579,721	(60,899)	61,167,528	10,101	69,696,451
Other comprehensive income for the year;	-	-	-	-	-
-Net gains on revaluation on investments in financial instruments measured at FVOCI	-	(2,656)	-	-	(2,656)
-re-measurement of defined benefit -deferred tax relating to components of other comprehensive income (Note 28)	-	664	-	(496,824)	(496,824)
	-	-	-	124,206	124,870
Total comprehensive income for the year	-	(1,992)	-	(372,618)	(374,610)
Transfer of excess depreciation	-	-	(2,781,308)	-	(2,781,308)
Deferred tax on excess depreciation	-	-	695,327	-	695,327
At 30 June 2020	8,579,721	(62,891)	59,081,547	(362,517)	67,235,860

Kenya Electricity Generating Company Plc
Notes to the financial statements (continued)
For the year ended 30 June 2021

24. Other reserves

- (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 1997. 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 arise on the revaluation of property, plant and machinery. When revalued property, plant and equipment are disposed, the portion of the plant and machinery revaluation reserve that relates to that asset is transferred directly to retained earnings. The reserve is not distributable to shareholders.
- (d) Actuarial reserves represent the accumulated remeasurements arising from the retirement benefit scheme recognized through other comprehensive income as disclosed under Note 27. The reserve is not distributable to shareholders.

25. 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.

26. Borrowings

The movement in borrowings is as follows:

	2021 Shs'000	2020 Shs'000
At start of year	144,450,048	140,278,170
External borrowings received in the year	10,525,729	6,945,856
External borrowings repayments in the year	(9,079,888)	(4,565,004)
Domestic borrowings repayments in the year	(2,067,868)	(4,174,449)
Exchange loss on revaluation of borrowings	701,220	5,965,475
	<hr/>	<hr/>
Balance at the end of the year	144,529,241	144,450,048
Add: Accrued interest	1,046,256	1,381,115
	<hr/>	<hr/>
Balance at the end of the year	145,575,497	145,831,163
Less: Amounts due within one year (Current portion)	(10,797,898)	(8,481,495)
	<hr/>	<hr/>
Amounts due after one year (Non-current portion)	134,777,599	137,349,668
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Kenya Electricity Generating Company Plc
Notes to the financial statements (continued)
For the year ended 30 June 2021

26. Borrowings

(a) Analysis of interest-bearing borrowings:

	Maturity Year	2021 Shs'000	2020 Shs'000
Government of Kenya Guaranteed loans			
2.6% Japan Bank for International Cooperation KE P20-Kipevu 1 (JPY 1,913,922,000)	2025	1,865,238	2,108,319
2.3% Japan Bank for International Cooperation KE P21 – Sondu Miriu (JPY 2,198,261,000)	2027	2,142,344	2,347,029
0.75% Japan Bank for International Cooperation KE P23-Sondu Miriu (JPY 8,131,705,001)	2044	7,924,859	8,233,407
0.75% Japan Bank for International Cooperation KE P24-Sangoro (JPY 3,751,658,000)	2047	3,662,173	3,789,621
0.20% Japan International Cooperation Agency KE P26-Olkaria I & IV JPY 22,377,713,895)	2040	21,833,432	20,806,098
2.09% Kreditanstalt Fur Wiederaufbau (KfW)-Kindaruma (Euro 11,729,999.9)	2024	1,504,097	1,878,990
2.2% Kreditanstalt Fur Wiederaufbau (KfW)-Olkaria I & IV (Euro 26,090,000)	2026	3,345,429	3,761,343
		42,277,572	42,924,807
Government of Kenya on lent loans			
3.5% International Development Association IDA 4743 KE-Olkaria I & IV (USD 26,012,791.58)	2035	2,805,480	2,968,870
2.003% Agence Francaise de Development (AFD) - Olkaria I & IV (EURO 60,881,334.52)	2031	7,806,600	8,010,882
3.884% European Investment Bank-Olkaria I & IV (Euro 4,503,218.28)	2037	577,432	575,921
2.50% Export-Import Bank of China (EXIM) – 89 wells (USD 338,365,384.6)	2033	36,492,706	40,744,818
1.50% Spanish loan-Ngong Phase II - 13.6MW (Euro 15,828,280.12)	2030	2,029,605	2,101,779
0.50% National Bank of Belgium (NBB) Ngong 1 Phase 11 - 6.8 MW (Euro 6,078,000)	2043	779,361	730,211
3.5% International Development Association IDA 5844-KE Olkaria I& IV (USD 52,703,852.24)	2041	5,684,110	5,614,141
0.20% Japan International Cooperation Agency Loan (KE-P31) Olkaria V (JPY 27,392,594,007)	2046	27,574,470	27,157,374
EIB Olkaria 1 Unit 6 (Euro 57,193,595.12)	2042	7,333,735	-
		91,083,499	87,903,996

Kenya Electricity Generating Company Plc
Notes to the financial statements (continued)
For the year ended 30 June 2021

26. Borrowings

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

	Maturity Year	2021 Shs'000	2020 Shs'000
Direct borrowings			
Cooperative Bank Term Loan (Shs)	2022	1,166,667	2,333,333
2.68% Agence Francaise de Developpement (AFD)- Olkaria II Unit 3 (Euro 4,999,999.88)	2024	641,132	800,933
5.1% HSBC Bank Loan-Rigs (USD 10,137,259.85)	2024	1,093,304	1,439,794
Standard Chartered Bank loan-Olkaria II Unit 3 (USD Nil)	2021	-	690,956
CBA Term loan - Wellheads 75MW (USD 76,653,381.12)	2027	8,267,067	8,356,229
		11,168,170	13,621,245
		144,529,241	144,450,048
Accrued interest		1,046,256	1,381,115
		145,575,497	145,831,163
		2021 Shs'000	2020 Shs'000
(b) Borrowings maturity analysis:			
Due within 1 year		10,797,898	8,481,495
Due between 1 and 2 years		10,566,054	16,504,161
Due between 2 and 5 years		30,339,981	28,644,540
Due after 5 years		93,871,564	92,200,967
		145,575,497	145,831,163
(c) Analysis of loans by currency:			
Borrowings in US\$		54,342,667	59,814,807
Borrowings in JPY		65,002,516	64,441,849
Borrowings in EUR		24,017,391	17,860,059
Borrowings in Shs		2,212,923	3,714,448
		145,575,497	145,831,163
Total		145,575,497	145,831,163

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.

Kenya Electricity Generating Company Plc
Notes to the financial statements (continued)
For the year ended 30 June 2021

26. Borrowings (continued)

(c) Analysis of loans by currency: (Continued)

Securities:

The Government of Kenya has issued guarantees to the lenders in relation to the guaranteed and the on-lent borrowings.

The securities held for the Agence Francaise de Developpement 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.

The Public Infrastructure Bond is unsecured. Other direct borrowings are secured by a letter of negative pledge from the Company.

(d) The movement in borrowings is as follows:

	2021 Shs'000	2020 Shs'000
At start of year	144,450,048	140,278,170
Received in the year	10,525,729	6,945,856
Repayments in the year	(10,049,152)	(7,634,806)
Realized exchange loss on repayment of borrowings	(1,098,604)	(1,104,647)
Unrealized exchange loss on revaluation of borrowings	701,220	5,965,475
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Balance at the end of the year	144,529,241	144,450,048
Add: Accrued interest	1,046,256	1,381,115
	<hr/>	<hr/>
Balance at the end of the year	145,575,497	145,831,163
Less: Amounts due within one year (Current portion)	(10,797,898)	(8,481,495)
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Amounts due after one year (Non-current portion)	134,777,599	137,349,668
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27. 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.

Kenya Electricity Generating Company Plc
Notes to the financial statements (continued)
For the year ended 30 June 2021

27. Retirement benefits asset (Continued)

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.

An actuarial valuation to fulfill the financial reporting and disclosure requirements of IAS19 was carried out as at 30 June 2021 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:

	2021	2020
Discount rate(s) ¹	13.15%	13.15%
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) Amount 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:

Kenya Electricity Generating Company Plc
Notes to the financial statements (continued)
For the year ended 30 June 2021

27. Retirement benefits asset (Continued)

Recognition (Continued)

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

	2021 Shs'000	2020 Shs'000
(i) Statement of profit or loss		
Service cost:		
Current service cost (employer)	(94,376)	(89,393)
Past service costs	-	-
	(94,376)	(89,393)
Interest income/(cost):		
Interest cost on defined benefit obligation	(935,515)	(897,309)
Interest income on plan assets	994,967	949,112
Interest income on the effect of the asset ceiling	(47,462)	(18,450)
	11,990	33,353
Net expense included in profit or loss in respect of scheme (Note 8(b))	(82,386)	(56,040)
(ii) Other comprehensive income (OCI)		
Actuarial loss due to change in financial assumptions	172,120	117,416
Return on plan assets	(260,978)	(414,789)
Change in effect of asset ceiling (excluding amount in interest cost)	(199,874)	(199,451)
Amount recognized in OCI	(288,732)	(496,824)
(iii) Movement in retirement benefit asset		
Net asset at start of the period	-	143,025
Net expense recognized in the income statement	(82,386)	(56,040)
Employer contributions	371,118	409,839
Amount recognized in OCI	(288,732)	(496,824)
Net asset at end of the period	-	-

Kenya Electricity Generating Company Plc
Notes to the financial statements (continued)
For the year ended 30 June 2021

27. Retirement benefits asset (Continued)

Recognition (Continued)

(b) Amount 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:

	2021 Shs'000	2020 Shs'000
Present value of funded defined benefit obligation	(7,533,173)	(7,364,213)
Fair value of plan assets	8,141,433	7,725,137
	<hr/>	<hr/>
Effect of asset ceiling	608,260 (608,260)	360,924 (360,924)
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>
Reconciliation of the effect of asset ceiling is as follows:		
Effect of asset ceiling	(360,924)	(143,023)
Interest effect of the asset ceiling	(47,462)	(18,450)
Change in the effect of the asset ceiling excluding interest	(199,874)	(199,451)
	<hr/>	<hr/>
Effect of asset ceiling at end of the period	(608,260)	(360,924)
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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:

	2021 Shs'000	2020 Shs'000
Opening benefit obligation	(7,364,213)	(7,238,053)
Current service cost	(94,376)	(89,393)
Interest cost	(935,515)	(897,309)
Employee contributions	(16,209)	(18,469)
Actuarial loss due to change in financial assumptions	72,313	100,245
Actuarial loss on Experience	99,807	17,171
Past service costs	-	-
Benefits paid	705,020	761,595
	<hr/>	<hr/>
Closing defined benefit obligation	(7,533,173)	(7,364,213)
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Kenya Electricity Generating Company Plc
Notes to the financial statements (continued)
For the year ended 30 June 2021

27. Retirement benefits asset (continued)

Recognition (continued)

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

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

	2021 Shs'000	2020 Shs'000
Opening market value of assets	7,725,137	7,524,101
Interest income on plan assets	994,967	949,112
Employer contributions	371,118	409,839
Employee contributions	16,209	18,469
Return on plan assets	(260,978)	(414,789)
Benefits paid	(705,020)	(761,595)
	<hr/>	<hr/>
Closing fair value of plan assets	8,141,433	7,725,137
	<hr/>	<hr/>

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

	2021 Shs'000	2020 Shs'000
Property investments	4,796,600	5,020,501
Quoted equity instruments	866,182	591,073
Offshore investments	111,077	-
Government securities	2,168,994	1,832,552
Commercial paper and corporate bonds	-	43,078
Cash & short-term deposits	198,580	237,933
	<hr/>	<hr/>
Total scheme assets	8,141,433	7,725,137
	<hr/>	<hr/>

(c) Sensitivity analysis

The sensitivity of the defined benefit obligation to changes in the principal assumptions is:

	Sensitivity	2021	Change in assumption	Impact on defined benefit obligation
Discount rate	12.30%	13.30%	Decrease 1%	Increase in the present value of obligation by Shs 531,100,000
Salary	7%	8%	Decrease 1%	Decrease in the present value of obligation by Shs 111,700,000
Retirement age	55	60	Decrease by 5yrs	Increase in the present value of obligation by Shs 750,800,000

Kenya Electricity Generating Company Plc
Notes to the financial statements (continued)
For the year ended 30 June 2021

27. Retirement benefits (continued)

Recognition (continued)

(c) Sensitivity analysis (Continued)

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.

28. 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:

	2021 Shs'000	2020 Shs'000
Movement on the deferred tax account is as follows:		
At start of the year	43,974,146	48,868,799
Tax impact through increase/(reduction) of corporate tax rate	8,794,829	(8,144,800)
	52,768,975	40,723,999
Charge to profit or loss (Note 11)	4,499,117	3,500,955
Credit to other comprehensive income (Note 24)	(87,887)	(124,870)
Under/(over) provision of deferred income tax in prior years	3,071	(125,938)
	57,183,276	43,974,146

The increase in deferred tax liability arises from change in the corporate income tax rate from the previous 25% to 30% with effect from 2021. The Tax Laws (Amendment) (No.2) Bill, 2020 proposed change in corporate tax rate to 30% from 25% effectively 1st January 2021. The amendment was enacted effective 1st January 2021.

Kenya Electricity Generating Company Plc
Notes to the financial statements (continued)
For the year ended 30 June 2021

28. Deferred income tax (continued)

	At start of year Shs'000	Transition adjustment on initial application of IFRS 9 Shs'000	Charged / (Credited) to P/L Shs'000	Charged / (Credited) to OCI Shs'000	At end of year Shs'000
Year ended 30 June 2021					
Deferred tax assets:					
Tax losses	(8,535,815)	-	2,703,080	-	(5,832,735)
Provisions and other temporary differences	(771,981)	-	181,519	(87,887)	(678,349)
	(9,307,796)	-	2,884,599	(87,887)	(6,511,084)
Deferred tax liabilities:					
Unrealized exchange gains	1,491,000	-	166,412	-	1,657,412
Defined benefits and financial assets at FVOCI	-	-	-	-	-
Revaluation surplus	21,149,757	-	3,364,758	-	24,514,515
Accelerated capital allowances	30,641,185	-	6,881,248	-	37,522,433
	53,281,942	-	10,412,418	-	63,694,360
Net deferred tax liability	43,974,146	-	13,297,017	(87,887)	57,183,276

28. Deferred income tax(continued)

	At start of year Shs'000	Transition adjustment on initial application of IFRS 9 Shs'000	Charged / (Credited) to P/L Shs'000	Charged / (Credited) to OCI Shs'000	At end of year Shs'000
Year ended 30 June 2020					
Deferred tax assets:					
Tax losses	(11,248,414)	-	2,712,599	-	(8,535,815)
Provisions and other temporary differences	(735,625)	-	88,514	(124,870)	(771,981)
	(11,984,039)	-	2,801,113	(124,870)	(9,307,796)
Deferred tax liabilities:					
Unrealized exchange gains	754,476	-	736,524	-	1,491,000
Defined benefits and financial assets at FVOCI	47,801	-	(47,801)	-	-
Revaluation surplus	26,214,653	-	(5,064,896)	-	21,149,757
Accelerated capital allowances	33,835,908	-	(3,194,723)	-	30,641,185
	60,852,838	-	(7,570,896)	-	53,281,942
Net deferred tax liability	48,868,799	-	(4,769,783)	(124,870)	43,974,146

Kenya Electricity Generating Company Plc
Notes to the financial statements (continued)
For the year ended 30 June 2021

29. Lease Liabilities

	2021 Shs'000	2020 Shs'000
Undiscounted future minimum lease payment under operating lease at start of year	-	952,351
Impact of discounting	-	78,988
	<hr/>	<hr/>
As at start of year	950,651	1,031,339
Additional amount (note 15)	1,950	-
Discount Interest on lease liability	91,691	102,876
Paid during the year	(192,997)	(183,564)
	<hr/>	<hr/>
At end of year	851,295	950,651
	<hr/>	<hr/>
Comprising:		
Current Portion	195,103	206,083
Non- current portion	656,192	744,568
	<hr/>	<hr/>
	851,295	950,651
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Maturity Analysis of undiscounted cash flows		
Year 1	195,103	184,062
Year 2	160,612	206,083
Year 3	168,279	195,103
Year 4	134,484	160,612
Year 5 and beyond	1,129,362	1,506,849
	<hr/>	<hr/>
	1,787,840	2,252,709
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