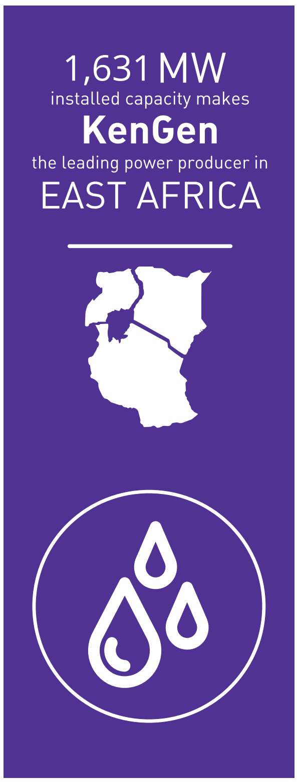
Powering a Sustainable Future

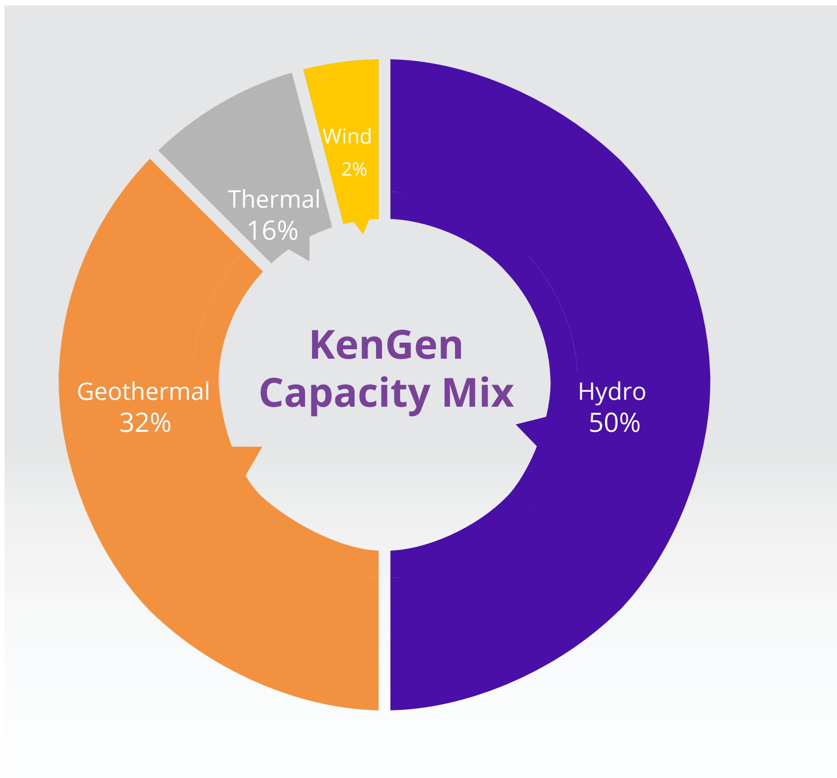
KenGen
Energy for the nation

INTEGRATED ANNUAL REPORT & FINANCIAL STATEMENTS
FOR THE YEAR ENDED **30 JUNE 2017**

Core Business

Kenya Electricity Generating Company Limited (KenGen) with an installed capacity of 1,631MW, is the leading power producer in the Eastern Africa Region. The Company commands market share of about 69% and generated 74% of national energy consumption for the current financial year ended 30 June 2017.





Our primary business is to provide affordable and dependable electric energy for the nation in an environmentally friendly and sustainable manner while creating value for our stakeholders.

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Our Value Statements

Our Vision

Where we want to be

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

Our Mission

How we want to get there

To efficiently generate competitively priced electric energy using state of the art technology, skilled and motivated human resource to ensure financial success. We shall achieve market leadership by undertaking least cost and environmentally friendly capacity expansion. Consistent with our corporate culture, core values will be adhered to in all our operations.

Ngong Wind Power Farm

Landmark Achievements

Generation

- The first Geothermal Producer in Africa and the 7th largest producer in the World
- Constructing the Largest Single Geothermal Power Plant in Africa (Olkaria V 158MW)
- Developed the Single Largest Geothermal Project in the World (Olkaria 280MW)
- Champion in the development of Geothermal Wellhead Condensing Technology
- Operationalized 83MW of Geothermal Wellhead Modular Plants, the largest in the world
- Drilled the largest Geothermal Well in Africa, 30MW
- First to inject Wind Power to the grid in East Africa

Sustainability

- First Kenyan company to earn Carbon Asset Funds under the Clean Development Mechanism (CDM)
- Commissioned the First and the Biggest Natural Geothermal Spa in Africa
- Institutionalized innovation through the Company's Annual G2G Innovation Seminar
- Implemented a remarkable community Resettlement Action Plan (RAP) for 1,181 project-affected persons in Olkaria
- Diversified Revenue Streams through geothermal consultancy works and commercial geothermal drilling contracts
- ISO QMS 9001:2008 and EMS 14001:2004 certified: transitioning to ISO QMS 9001:2015

Awards

- Financial Reporting (IFRS Public Sector Entities) by FiRe Awards 2016
- Financial Reporting (State Corporations & SAGAs Category) by FiRe Awards 2016
- Recognised for Integrated Reporting by FiRe Awards 2016
- First Lady's Environmental Conservation Award for the Green Initiative Challenge 2017

Kipevu Power Station

Our Milestones

1954

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

1955 - 1964

Completed the First post-independence Power Plant along the Tana River: Kindaruma 40MW Hydro Plant which was upgraded to 72MW
Nairobi South 13.5MW Thermal Plant commissioned

1965 - 1974

Completed the first three geothermal exploration wells in Africa within Olkaria Geothermal Field
Gogo 2MW Hydro Power Plant commissioned

1975 - 1984

First 15MW Geothermal Unit in Olkaria I installed and a total of 45MW completed in 1985 144MW Gitaru Units 2 & 3 installed; 80MW Unit 1 installed in 1999 making the plant the Largest Hydro Plant in Kenya at 225MW

1985 - 1994

First Ngong' Wind Farm 0.35MW commissioned
Turkwel 106MW Hydro Power Plant commissioned

1995 - 2004

Kenya Power Company rebranded as KenGen following a restructuring in the Power Sub-sector becomes the First Kenyan Parastatal to be ISO: 9001 Standard certified

2005 - 2014

Ground breaking ceremony of the largest Single Geothermal Power Project in the World: Olkaria 280MW

Largest Wind Farm in Kenya Completed: Ngong 25.5MW

Ambitious Resettlement Action Plan (RAP) for 150 households in Olkaria completed

Innovative Wellhead Technology Project of 75MW

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

Largest Public Infrastructure Bond in Kenya; successfully raised over Kshs. 26 billion

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

60MW Sondu Miriu Hydro Power a run-off the river plant with a 17km penstock tunnel commissioned

2015 - 2017

Ground breaking of the Largest Geothermal Power Plant in Africa, Olkaria V 140MW

Completed the largest single geothermal power plant in the world (280MW) project
Largest contributor to the +5000MW in 40 months GOK initiative: with 375MW already installed out of the allocated 844MW to KenGen

ISO QMS 9001:2008 and EMS 14001:2004 recertified

*Mesco and Ndula were part of generation assets of Kenya Power

Our Story

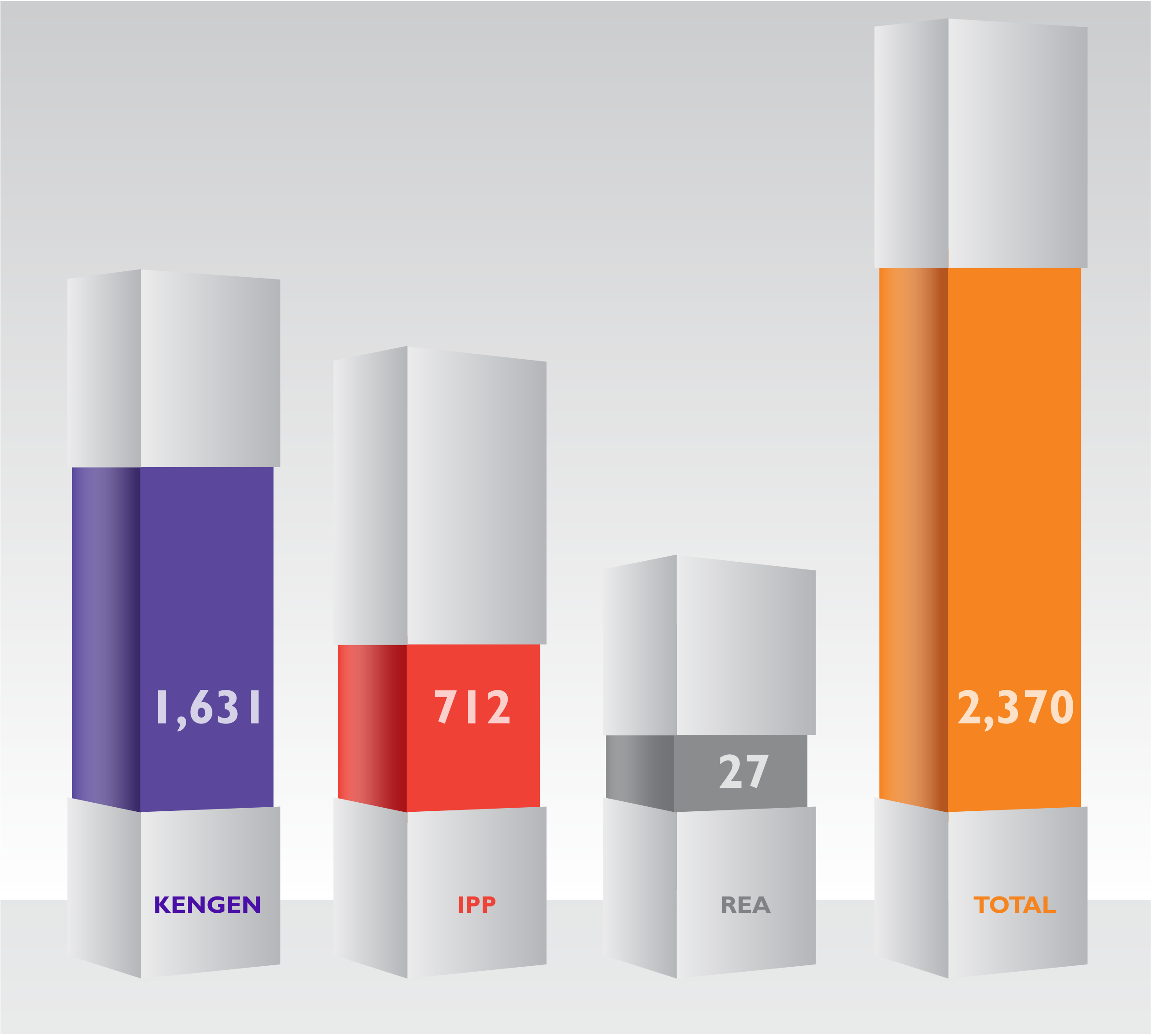
In 1954, Kenya Electricity Generating Company (KenGen) was incorporated under the Kenyan Companies Act as Kenya Power Company (KPC) with 100% government ownership and the mandate to generate electricity through the development, management and operation of power plants. The shareholders of the company later contracted East Africa Power & Lighting Company (EAP&L) to manage KPC. EAP&L changed to Kenya Power & Lighting Company (KPLC) in 1983.

In 1996, the government restructured the energy sector to ensure efficient use of resources dedicated to supply of electricity. This resulted in the vertical unbundling of the sector, separating the generation function from transmission and distribution. The management of KPC was officially separated from KPLC and renamed KenGen in January 1997. KenGen took control of all public owned generating assets while KPLC maintained the transmission and distribution function.

In 2006, the government sold 30% of its stake in the Company through a successful Initial Public Offer (IPO) and KenGen was listed on the Nairobi Securities Exchange (NSE). The company continues to maximise shareholder value through profitability and maintaining a sustainable growth path. In pursuit of our strategic objectives, shareholders were given another opportunity to exercise their rights in a successful rights issue in 2016.

KenGen is the leading power generator in the country with a market share of about 69%. In the year under review, the company generated about 74% of the electric energy consumed in the country.

National Installed Capacity (2,370MW) as at 30th June 2017



KenGen's Generation Mix

KenGen's Installed capacity Market Share (MW)

KenGen's Capacity

Energy Type	Installed Capacity (MW)	%
Hydro	818	50%
Geothermal	534	32%
Thermal	253.5	16%
Wind	25.5	2%
Total	**1,631**	**100%**

KenGen is a market leader with about 69% market share in Kenya

Our Role

Our business is to deliver affordable clean energy and create wealth for shareholders while building a resilient and sustainable business through investment in various energy sources and revenue streams. As the largest power producer in the country, we have strengths of scale and expertise, proven by an exceptional record of accomplishment and service. In pursuit of our vision, we are transforming the way we manage our operations to accelerate the achievement of targets.

Our Footprint

KenGen's footprint is in six operational areas:

Western region consists of five hydro stations and a thermal plant: Turkwel, Sondu Miriu, Sangoro, Gogo, Sosiani and Muhoroni. The area has a total installed capacity of 219.4 MW.

Kipevu area has two thermal plants located in Mombasa County. The Area has an installed capacity of 193.5 MW.

Geothermal area consists of power plants & wellheads in Olkaria and Eburru in the Rift Valley. The area has an installed capacity of 534 MW.

The Seven Forks has five power plants along the Tana River. The lower Tana River has been harnessed to provide 630.50 MW of electric power to Kenya. The plants comprise Masinga, Gitaru, Kindaruma, Kiambere and Kamburu power stations.

Hydro is the leading source, with an installed capacity of about 818MW, which is 50% of the company's total installed capacity. Geothermal comes second with 534MW out of which 83.6MW comes from the innovative wellheads technology raising geothermal capacity to about 32% of the total installed capacity.

The Central Office consists of Embakasi Gas turbine (GT) and Ngong wind plants with an installed capacity of 55.5MW. The Gas Turbine will be relocated to Muhoroni to provide voltage support to the western region.

KenGen's Installed Capacity

HYDRO

818MW Installed Capacity

Station	Installed Capacity (MW)
Masinga	40
Kamburu	94.2
Gitaru	225
Kindaruma	72
Kiambere	168
Turkwel	106
Sondu	60
Sangoro	21.2
Tana	20
Wanjii	7.4
Gogo	2
Sagana	1.5
Mesco	0.5
Sosiani	0.4
Hydro Total	**818**

GEOTHERMAL

534MW Installed Capacity

Station	Installed Capacity (MW)
Olkaria I	45
Olkaria II	105
Olkaria IV	149.8
Olkaria I AU	150.5
Eburru Wellhead	2.5
Other Wellheads	81.1
Geothermal Total	**534**

THERMAL

253.5MW Installed Capacity

Station	Installed Capacity (MW)
Kipevu I	73.5
Kipevu III	120
Gas Turbines	60
Thermal Total	**253.5**

WIND

25.5MW Installed Capacity

Ngong I Phase I	5.1
Ngong I Phase II	6.8
Ngong II	13.6
Wind Total	**25.5**

A diversified portfolio

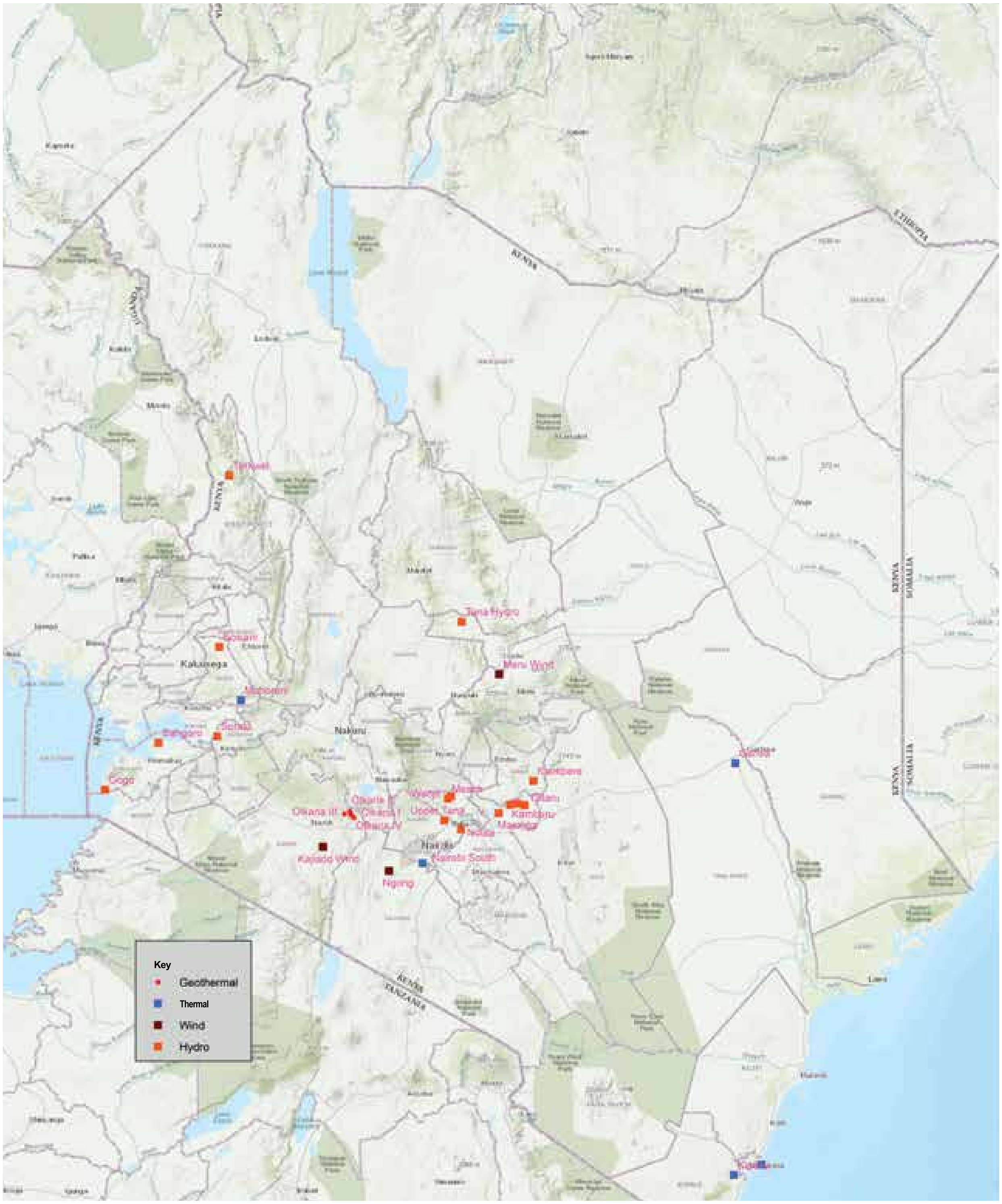
How We Do It

KenGen uses a skilled workforce, efficient business processes and information technology to deliver its mandate. The company promotes staff-driven innovation to address challenges and devise new ways of doing business.

We use a mix of condition and time based maintenance to optimize plant availability and return on investment. We have invested in SCADA systems to enable remote control and visibility of our plants.

At the same time, KenGen engages stakeholders with a view to ensuring an enabling environment for the business to thrive. It also improves community living standards through corporate social investment programes.

Our Presence (Key Generation Sites)



The Future

KenGen developed the Good 2 Great (G2G) transformation strategy in 2007 in order to achieve its vision and to transform into a high performing organization. The G2G strategy was to be implemented across three phases: Horizon 1 from 2008 to 2012 with the objective to stabilize the power situation in Kenya. The second horizon was launched in 2013 and as a response to the changes in the external operating environment, Horizon II has been revamped and extended, and aims at creating sustainable power growth in Kenya by 2025. The third horizon, past 2025, will explore expansion opportunities to drive growth beyond Kenya, establish a strong African footprint, and become a regional leader in technology and innovation.

Since its inception in 2008, the G2G strategy has led to significant achievements by delivering 700+MW of new generation capacity, drilling 150+ geothermal wells and advanced 1,900MW of projects past feasibility.

In the revamped G2G Horizon II strategy, KenGen's aspiration is to maintain market leadership by protecting our market share both in sales and capacity.

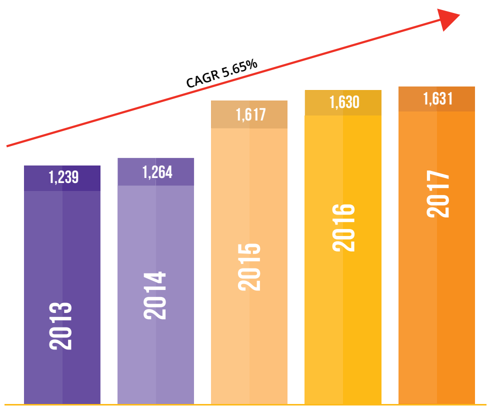
KenGen Projects Plan Upto 2020

Project	Capacity (MW)	Status	Commissioning Year
Ngong I Phase III	10	Optimization Study	2020
Olkaria I Unit 6	70	Procurement of Contractors	2019
Olkaria I AU Uprating	30	Financing	2020
Olkaria IV Uprating	30	Financing	2020
Wellheads	25	Project Completed	2017
Olkaria I Rehabilitation	6	Financing Committed	2020
Wellhead Plants	50	Procurement of a Developer	2019
Olkaria V	140	Construction Ongoing	2019
Meru Wind Phase I	80	Financing Committed and Land acquisition ongoing	2020
Olkaria VI	140	Project Development	2020
Olkaria VII	140	Project Development	2020
Total	**721**		

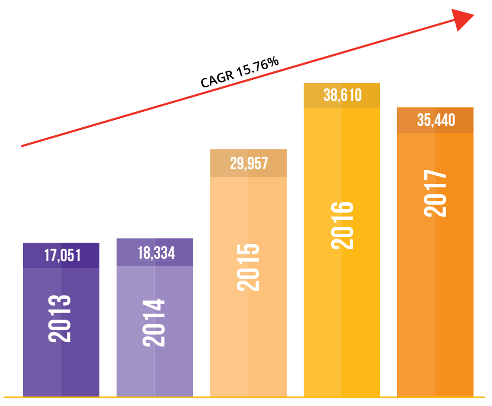
Olkaria Wellhead Plant

Financial Highlights

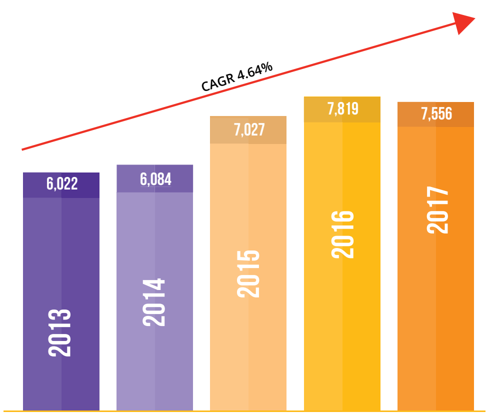
Financial Highlights



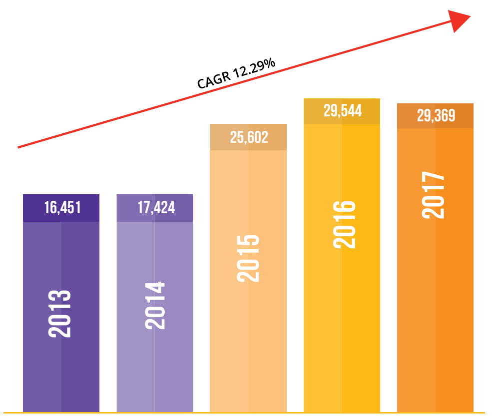
Installed Capacity (MW)



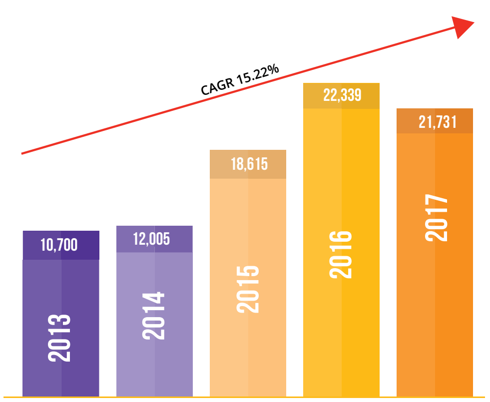
Total Revenue (Shs mil)



Units Sold (GWh)

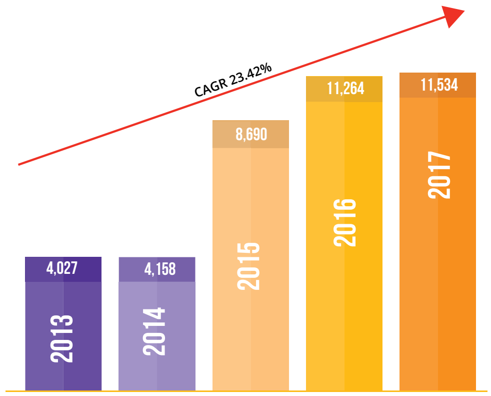


Electricity Revenue (Shs mil)

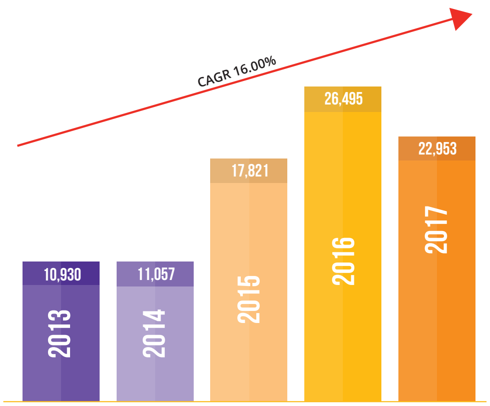


Operating Expenses (shs mil)

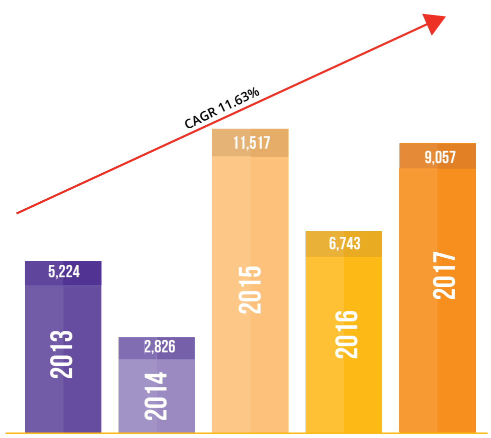
Financial Highlights



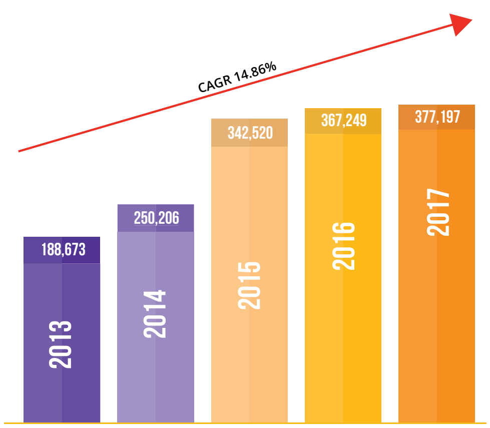
Proƀt before tax (Shs mil)



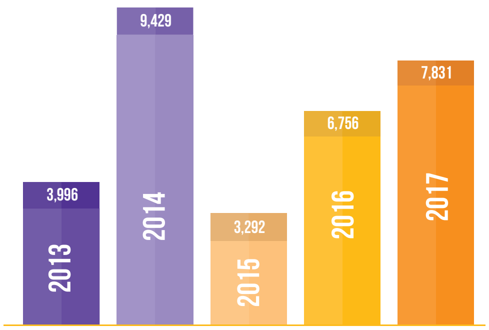
EBITDA (Shs mil)



Profit after tax (Shs mil)



Assets (Shs mil)



Cash balances (Shs mil)

Corporate Information

Directors:	**Joshua Choge**	- Chairman
	Rebecca Miano	- Managing Director & CEO (Appointed on 30 October 2017) (Appointed Acting MD & CEO on 26 August 2017)
	Albert Mugo	- Retired on 25 August 2017
	Henry Rotich	- Cabinet Secretary, The National Treasury
	Joseph Njoroge	- Principal Secretary, State Department for Energy
	Dorcas Kombo	
	Ziporah Ndegwa	
	Musa Arusei	
	Kairu Bachia	
	Joseph Sitati	
	Maurice Nduranu	
	Phyllis Wakiaga	- Appointed on 30 November 2016
	Millicent Omanga	- Retired on 30 November 2016
	Humphrey Muhu	- Alternate to Henry Rotich
	William Mbaka	- Alternate to Joseph Njoroge (Appointed on 04 October 2016)
	Momata Gichana	- Retired on 04 October 2016

Acting Company Secretary

David Mwangi - Appointed on 30 October 2017
Certified Public Secretary (Kenya)
KenGen Pension Plaza 2
Kolobot Road
P. O. Box 47936 - 00100 GPO
Nairobi

Registrars

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

Principal Auditor

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

Delegated Auditor

PricewaterhouseCoopers
Certified Public Accountants (Kenya)
Delta Towers, Waiyaki Way/Chiromo Road, Westlands
P. O. Box 43963 - 00100 GPO
Nairobi

Corporate Information

Principal Bankers

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

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

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

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

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

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

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

Management Team:

Rebecca Miano — Managing Director & CEO
(Appointed 30 October 2017)
(Appointed Acting MD &CEO on 26 August 2017)

Albert Mugo — Former Managing Director and CEO
(Retired on 25 August 2017)

Divisional Directors:

Solomon Kariuki	Operations Director
David Mwangi (CPS-K)	Ag. Company Secretary & Legal Affairs Director (Appointed on 30 October 2017)
Abraham Serem	Human Resources & Administration Director
John Mudany (FCPAK)	Finance & ICT Director
Simon Ngure	Regulatory & Corporate Affairs Director
Moses Wekesa	Business Development Director
Abel Rotich	Geothermal Development Director
David Muthike	Strategy & Business Performance Director
Philip Yego	Supply Chain Director

Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended 30 June 2017, which disclose the state of affairs of Kenya Electricity Generating Company Limited (the "Company").

BUSINESS REVIEW

Operational performance

We delivered on our commitment to grow our core generation business in 2017 by adding 10MW of Wellhead plants to the national grid bringing our total installed capacity to 1,631MW. These brought the total phased implementation of wellheads to 75MW, which were commissioned during the year. It also marked the completion of sustainable investments which include new-build generating units that represent 700+ MW of highly efficient generation capacity. Our accomplishments are the outcome of disciplined execution of the strategy for the past few years and have positioned us well to deliver on the promise of power supply for tomorrow.

During the year, the country experienced a severe drought which affected water levels within our reservoirs, leading to reduced dispatch from our hydro generation. The drought, coupled with other operational challenges, caused a decline of 3% in total units dispatched from 7,819 GWh in 2016 to 7,556 GWh in 2017 as shown in table 1.

Table 1: Electricity Unit Sales

Units Sold			
	30 June 2017	30 June 2016	Change
Source	GWh	GWh	%
Hydro	3,339	3,784	(12%
Geothermal	3,282	3,543	(7%)
Thermal	872	435	100%
Wind	63	57	11%
Total	**7,556**	**7,819**	**(3%)**

Some of the challenges encountered during the period include:

- A severe drought which affected water levels within the reservoirs leading to 12% reduced dispatch from our hydro plants;
- evacuation constraints contributed to a 7% decline in units dispatched from geothermal;
- expiry of the Embakasi GT 30MW PPA in November 2016;
- decommissioning of the Lamu and Garissa power plants (9MW) in April 2016 and May 2016 respectively.

Unit sales from thermals doubled during the year from 435GWh to 872GWh to mitigate against the hydro dispatch, while wind generation increased marginally by 11% due to improved windy conditions.

Financial Overview

The company continues to deliver positive results to shareholders and has maintained a good performance despite the challenging business environment experienced during the year which affected the revenue streams, mainly energy revenue.

Total revenue decreased by 8%, from Kshs 38,610 million to Kshs 35,440 million, attributable to declines in energy revenue, forex recovery adjustments, steam revenue and commercial drilling services.

Electricity revenue decreased marginally by 1% due to poor hydrology, expiry of Power Purchase Agreement(PPA) for Embakasi GT 30MW, decommissioning of Lamu and Garissa power stations, evacuation constraints and forex exchange movements.

Table 2: Electricity revenue

	2017	2016	Change
	Kshs 'mil	Kshs 'mil	%
Capacity revenue	21,714	21,262	2%
Energy revenue	7,293	7,672	(5%)
Forex recovery	362	610	(41%)
Total electricity revenue	**29,369**	**29,544**	**(1%)**

Other revenue lines were adversely affected by economic and operational challenges including:

- lower earnings from steam revenue which generated additional Kshs 1,613 million in the previous year in arrears and evacuation constraints;
- lack of earnings from commercial drilling services which brought in Kshs 1,502 million in the previous year;

Reported operating expenses which comprise of employee, plant operation and maintenance expenses increased by 8% from Kshs 8,948 million in 2016 to Kshs 9,691 million in 2017, mainly driven by continued investment in power capacity expansion to support future business increased operational scope and capacity building for staff in line with business growth. Steam costs declined by 12% attributable to low dispatch due to evacuation constraints. Depreciation and amortisation expenses reduced by 10% due to a decrease in depreciable asset balances as a result of assets revalued in 2015 becoming fully depreciated during the year.

The reduction in revenues led to a decline in EBITDA from Kshs 26,495 million to Kshs 22,953 million. Consequently, EBIT dropped by 16% from Kshs16,271 million in 2016 to Kshs 13,709 million in 2017.

There was no dividend declared in the previous financial year 2015/16, thus no compensating tax during the year. Compensating tax of Kshs 2,431 million in the previous year relates to a provision that arose from payment of dividends to the National Treasury in accordance with the Income Tax Act.

Interest income was one of the earnings growth drivers during the period. We recorded a growth in interest income from Kshs 556 million in 2016 to Kshs 1,242 million in 2017, an increase of 123% attributable to funds invested from the Rights Issue as we awaited the implementation of earmarked-projects.

Finance costs increased from Kshs 3,132 million to Kshs 3,417 million compared to the previous year, increase of 9% as a result of interest expense for wells connected to power plants.

Profit before tax increased marginally by 2% from Kshs 11,264 million in 2016 to Kshs 11,534 million in 2017 due to absence of the one-off compensating tax arrears expense in 2016.

The company benefited from reduced tax charge for the year compared with the previous year due to investment tax allowances recognised in the current year and compensating tax that was recognised in the prior year. Tax expense declined by 45% from Kshs 4,521 million in 2016 to Kshs 2,477 million in 2017. The profit after tax for the year increased by 34% from Kshs 6,743 million in 2016 to Kshs 9,057 million attributable to compesating tax of Kshs 2,431 million that was recognised in the prior year and investment tax deduction allowances of Kshs 1,320 million recgnised in the current year.

An assessment of impairment was carried out with respect to company assets and Olkaria I assets turned out with a loss of Kshs 709 million before tax which was recorded in other comprehensive income. The impairment is to recognize the portion of the assets associated with the plant that is no longer probable to recover as it has reached the end of its

Report of the Directors

useful life. The assets had been revalued in 2015 and the surplus recognised in revaluation reserves. The plant is due for rehabilitation in the coming years. An extension PPA has been secured for three years.

Financial Position

Total assets increased by 3% from Kshs 367,249 million in June 2016 to Kshs 377,197 million in June 2017 due to investments in 10MW of Wellheads and drilling of additional wells to secure steam for upcoming power plants.

Cash Flows

The cash and bank balances increased due to cash received from the Rights Issue awaiting kick-off of earmarked projects.

DIRECTORS

The present members of the Board of Directors are shown on page 1. Mrs Millicent Omanga retired on 30 November 2016 and on the same day Ms Phyllis Wakiaga was elected as Director.

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 to be aware of relevant audit information and to establish that the Company's auditor is aware of that information

TERMS OF APPOINTMENT OF THE AUDITOR

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, PricewaterhouseCoopers were appointed to carry out the audit for the year ended 30 June 2017.

APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 17 October 2017.

By order of the Board

SECRETARY

17 October 2017

The Chairman flagging off shareholders for the 2016 tour to Ngong Wind Farm

Our Board

SEATED - LEFT TO RIGHT

1 Dorcas Kombo
2 Rebecca Miano
3 Joshua Choge, Chairman of the KenGen Board of Directors
4 Zipporah Ndegwa
5 Musa Arusei

STANDING - LEFT TO RIGHT

6 Joseph Sitati
7 Henry Rotich
8 Humphrey Muhu
9 Phyllis Wakiaga
10 Kairu Bachia
11 Dr. Eng. Joseph Njoroge
12 Maurice Nduranu
13 William Mbaka

Who Governs Us

Joshua Choge, MBS

Mr. Joshua Choge, Chairman of the KenGen Board of Directors, born in 1958, holds a Bachelor of Science degree in Mathematics and Statistics. Mr Choge has a Master's degree in Management and Leadership from the Management University of Africa and is currently pursuing a PhD in Leadership and Management. He is a trained accountant from Strathmore College and has been trained by the Chartered Institute of Purchasing and Supply, UK, on Procurement Management. He is a member of Institute of Directors of Kenya. He has over twenty years' experience in the public sector in various positions including the Purchasing Manager and the Deputy Chief Internal Auditor at the East African Portland Cement.

He is fully conversant with corporate governance matters, having attended the critically acclaimed Corporate Governance Training for Directors organised by the Centre for Corporate Governance. He has also attended various training programs including the 'Leading the Board' and 'The Effective Director' programs organised by Strathmore Business School; and the Strategic Leadership Seminar for Board Chairmen organised by Institute of Directors of Kenya. Mr Choge has been a distinguished speaker and participant at various international energy forums where he has represented KenGen's interests. These forums include the Powering East Africa Conference, World Geothermal Congress, Annual Corporate Governance Conference, Geothermal Resource Council, Africa Energy Net, Africa Infrastructure & Power Forum and the Annual Wall Street Project Economic Summit.

Mr. Choge has served as a Director at the Agricultural Finance Corporation where he was the Deputy Chairman of the Board and the Chairman of the Finance and Business Committee of the Board. He is an experienced businessman and a board member of several schools. He is also the Chairman of the Board of the African Inland Church, Kapsabet Bible College in Nandi County. Currently, he is the CEO of Talent Foundation International (TFI), a non-governmental organisation that identifies and develops talent among needy children.

Henry Rotich, EGH

Mr Rotich is the Cabinet Secretary for the National Treasury. Born in 1969, he holds a Master's Degree in Economics and a Bachelor's Degree in Economics (First Class Honours), both from the University of Nairobi. He also holds a Master's degree in Public Administration (MPA) from the Harvard Kennedy School, Harvard University.

Prior to his appointment as Cabinet Secretary, he was the Head of Macroeconomics at the Treasury from March 2006. Under this capacity, he was involved in formulation of macroeconomic policies that ensured an efficient and sustainable public spending aimed at achieving the Government's development priorities. In addition, he was also involved in the preparation of key documents including Budget statements, as well as providing strategic coordination of structural reforms in fiscal and financial sectors. He is a member of the Institute of Directors (Kenya).

Prior to joining the Ministry of Finance, Mr Rotich worked in the Research Department of the Central Bank of Kenya from 1994. Between 2001 and 2004, he was attached to the International Monetary Fund (IMF) local office in Nairobi as an economist. He was also a director in several boards of State Corporations, including: Insurance Regulatory Board; Industrial Development Bank; Communication Commission of Kenya and the Kenya National Bureau of Statistics.

Joseph Njoroge, CBS

Dr. Eng. Joseph Njoroge, the Principal Secretary, State Department for Energy, was 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 is also a fellow of the Institution of Engineers of Kenya. He is a member of the Institute of Directors (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 became the Principal Secretary in the State Department for Energy following reorganisation of the government structure. He is a distinguished electrical engineer with a career spanning three decades and has wide experience in power engineering and management.

Dorcas Kombo

Mrs. Dorcas Kombo, born in 1954, is a Fellow of the Chartered Association of Certified Accountants, an Associate of the Institute of Certified Public Accountants of Kenya and a Member of the Institute of Certified Public Secretaries of Kenya. Dorcas has vast experience in auditing and human resources consulting. She previously worked at Deloitte and later at Coopers & Lybrand as Audit Manager before the merger to form PriceWaterhouseCoopers. She later trained in Human Resources and later became the Associate Director until 2004 when she retired from full-time employment. She has extensive experience in restructuring organisations for efficiency. She has also assisted African governments in developing appropriate labour policies for providing safety nets to staff retrenched from public service.

Currently, Mrs. Kombo is a Management Consultant and has led teams to deliver human resources and organisation development services to governments, public and private sector organisations across Africa under the business name of Metis Consulting. She is a member of the Institute of Directors (Kenya).

Rebecca Miano, OGW

Mrs. Rebecca Miano, 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 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 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. Rebecca Miano was appointed the Acting Managing Director & Chief Executive Officer of KenGen with effect from 26th August 2017. She has been the Company Secretary and Legal Affairs Director of the Company since 2008. She is a respectable lawyer with a wide spanning career in law and corporate governance. She has been responsible for driving the corporate governance agenda in the Company, providing guidance and support to

Ziporah Ndegwa

Mrs. Ndegwa, born in 1962, holds a Bachelor's degree in Law and a Diploma in Legal Practice from the Kenya School of Law. She is a member of the Law Society of Kenya and Christian Lawyers Fellowship. She has been a practising lawyer since 1988 when she was admitted to the bar.

Mrs. Ndegwa previously served as a State Counsel in the Law Reform Commission before entering private practice. She has been a principal partner in Maira & Ndegwa Advocates since 1996 during which she has engaged in civil, commercial and criminal litigation. She is a member of the Institute of Directors (Kenya).

Musa Arusei

Dr Arusei, born in 1957, holds a Bachelor of Science degree (Geochemistry) from the University of Nairobi, Master of Science (Geothermal) from the University of Leeds, UK and a Doctor of Philosophy (Geochemistry) from Moi University. He is a member of the Institute of Directors (Kenya).

He is formerly a senior lecturer, Department of Chemistry and Biochemistry at the University of Eldoret. Dr Arusei supervises and marks thesis for doctorate and master's students. He has attended various local and international conferences on research and geochemistry. He has also published several research publications and reports on geochemistry and geothermal studies.

Dr Arusei has previously worked as a lecturer and assistant lecturer at the Department of Chemistry and Biochemistry at the University of Eldoret. He has also worked as a geochemist in KenGen and the Ministry of Energy.

Kairu Bachia

Mr. Bachia, born in 1959, holds a Bachelor of Arts degree in Building Economics from the University of Nairobi and a Global Executive MBA (GeMBA) from United States International UniversityAfrica. As part of continuous professional education and personal development, he has attended, amongst many other courses, the Owner Manager Program (OMP) at Strathmore Business School, FIDIC Contracts Practical Use & Claims Management by FIDIC & ACEK, and Professional Mediation Training by Mediation Training Institute International (MTI). He is a Registered Quantity Surveyor with the Board of Registration of Architects and Quantity Surveyors (BORAQS), a corporate member of the Architectural Association of Kenya (AAK), Institute of Quantity Surveyors of Kenya (IQSK), a Member of the Chartered Institute of Arbitrators (MCIArb) and a Certified Professional Mediator (CPM (MTI)).

Mr. Bachia who has previously worked as a quantity surveyor in both the public and private sectors, is currently the Team Leader and Quality Control Director of Masterbill Integrated Projects and MIP Project Management Ltd. He is also a director in several real estate development companies. He is an active Arbitrator, Mediator and Dispute Resolution Consultant.

He is the Chairman of the Joint Building Council (JBC), a past Chairman of the Architectural Association of Kenya and Muthaiga Golf Club (MGC), and a past Secretary of the Kenya Professional Boxing Commission (KPBC). He has served as a member of the Ethics and Practice Committee of BORAQS. He is also a member of the Institute of Directors (Kenya).

Joseph Sitati

Mr. 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 is a platinum member of the Information System Audit and Control Association. He has attended various professional development training programs. He is a member of the Institute of Directors (Kenya).

He was the Chief Finance and Administration Officer at Deacons East Africa PLC. He has previously been the 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.

Maurice Nduranu

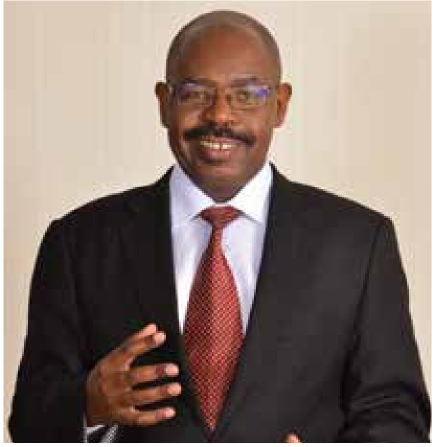
Mr. Nduranu was born in 1974 and holds a Bachelor of Science degree (Business Administration - concentration in Finance, Real Estate and Law, magna cum laude) from the California State Polytechnic University at Pomona and a Master of Financial Engineering degree from the Haas School of Business at the University of California, Berkeley. He is a member of the Institute of Directors (Kenya).

He is one of the principals at BlackGold Investments Ltd, a bespoke private equity transactions advisory and investments firm. He was previously a strategy and investments advisor to Msingi, a new $100m regional catalytic fund, and prior to that was a portfolio manager with Acumen Fund and Property and Fixed Income portfolio manager at African Alliance. He started off his career working in public infrastructure financing in the U.S. West.

Phyllis Wakiaga

Mrs Phyllis Kemunto Wakiaga, born in 1981, holds a Bachelor of Law from the University of Nairobi, Diploma in Law from Kenya School of Law, Masters in Business Administration from Jomo Kenyatta University of Agriculture and Technology and Masters in International Trade and Investment Law from University of Nairobi. She also holds a Higher Diploma in Human Resources Management from the Institute of Human Resource Management. She is an advocate and member of Law Society of Kenya. She is also an associate member of the Institute of Human Resource Management. She has also attended various professional legal, leadership and strategy training programs.

Mrs. Wakiaga is presently the Chief Executive Officer of Kenya Association of Manufacturers. She is a member of the Governing Council of the Management University of Africa and also the United Nations Global Compact Network Representative in Kenya.



Humphrey Muhu

Mr Muhu was born in 1964 and holds a BSc (Mathematics & Statistics) from Kenyatta University B.Phil (Economics) and an MA in Economics from the University of Nairobi. He also holds a Diploma in Financial Management from KCA University.

He is the alternate director to the Cabinet Secretary, National Treasury. Mr Muhu is an Economist with 20 years' experience in various government ministries and departments.

William Mbaka

Mr Mbaka who was 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 and Petroleum (MOEP) and is currently the Chief Finance Officer at MOEP. Mr Mbaka has over 20 years' experience in financial management in the Government of Kenya.

Ground breaking of Olkaria V by H.E the President Uhuru Kenyatta

Chairman's Message

Dear Shareholders,

I am delighted to report the Company's performance during the financial year and share the achievements we have made and initiatives we have put in place to firmly place KenGen on the path to success.

> In 2017, the Company success fully sold the 351,210,589 untaken Rights Issue shares to a South African Pension Fund resulting in 100% uptake of the largest rights issue on the Nairobi Securities Exchange.

Joshua Choge, MBS
Chairman of the Board

Chairman's Message

This year, we posted an impressive performance in our business as a result of continued focus on key areas of our strategy: improving operational excellence, optimising resources, enhancing employee skills and expertise, working closely with stakeholders and encouraging innovation with a view to building a resilient and sustainable business.

We have enhanced our business portfolio to grow our competitive edge in the industry through diversifying our business options and embracing innovation. Toward this end, the foundation has been laid for a robust business model to enhance our earning power and create more value for you, our shareholder.

Business Environment

The global economy expanded by an estimated 2.9% in 2016 compared to a revised growth of 3.1% in 2015 occasioned by constrained global trade and subdued investment. Closer home, The East Africa Community GDP is estimated to have grown by 6.1% compared to 5.8% in 2015. The growth was fuelled by public infrastructure investment, buoyant private consumption and low oil prices.

Back home, Kenya's economy experienced a relatively conducive environment for growth during the first three quarters of 2016. However, the last quarter's growth was undermined by a severe drought. Kenya's real GDP expanded at 5.8% in 2016 compared to a revised growth of 5.7% in 2015. Generally, the growth was spread in most sectors but subdued in a few, including the manufacturing sector which recorded a decelerated growth of 3.5% in 2016 from a revised growth of 3.6% in 2015.

Annual average inflation eased to 6.3% in 2016 compared to 6.6% in 2015 owing to price declines in transportation, housing and utilities and communication. During the year, the Shilling strengthened against the Sterling Pound and the East Africa regional currencies but weakened against the US Dollar, Euro and the Yen.

The national electricity consumption for the twelve months upto 30 June 2017 increased by 3.95% to 10,205GWh compared to 9,817GWh the same period last year. The growth was mainly attributed to accelerated customer connectivity and the completion of various infrastructure projects.

Revamping G2G Horizon II Transformation Strategy

The G2G transformation journey embodies moving from a "Good" to a "Great" company that creates value for all stakeholders while focusing on achieving sustainability from "One Generation to the Next Generation" This has been the bedrock of our business for the past ten years.

The Company has revamped its blueprint for the next decade with a primary focus on developing additional renewable energy. This will yield competitively priced electricity which will significantly grow the market share, translating into increased Shareholder Value. Our capacity addition programes continue to be aligned to the country's Vision 2030 Industrialisation goals and government Medium Term Plans.

Performance

We are proud to report that the Company posted an improved performance in the year. The Company recorded a 34% growth in profit after tax from Kshs 6,743 million in 2016 to Kshs 9,057 million for the year ended 30 June 2017.

During the year, the company successfully sold the 351,210,589 untaken rights to the Public Investment Corporation (PIC) of South Africa resulting in 100% uptake of the largest rights issue on the Nairobi Securities Exchange.

In the GoK performance contracting regime, KenGen scored 2.9835 (Very good).

Dividends

KenGen share price has continued to report decent capital gains and the Board is of the view that re-investment of the cash generated in projects reperesents better value for shareholders. The Board does not recommend payment of dividend.

Corporate Governance

There continues to be an enhancement in the pertinent skills mix on the Board. The Board welcomed Mrs. Phyllis Kemunto Wakiaga who was successfully elected by shareholders at the 2016 Annual General Meeting to replace Director Millicent Omanga who retired to pursue elective politics.

2017, NATIONAL ELECTRICITY CONSUMPTION
increased by
3.95%
to 10,205GWh

On 25th August 2017, the Managing Director & CEO, Eng. Albert Mugo retired from the Company having attained the age of 60.

We thank Eng. Mugo for his exemplary leadership and business acumen which helped the Company to grow its installed capacity to 1,631MW.

Effective 26 August 2017, the Board appointed Mrs. Rebecca Miano as the Acting Managing Director & CEO then appointed the Managing Director & CEO on 30th October 2017. We assure our shareholders that the Board has put in place a robust succession plan with the appointment of Mrs. Miano who has been the Company Secretary & Legal Affairs Director since 2008. This will ensure business continuity as the Company pursues its mandate to offer reliable and competitively priced electric energy to the nation and at the same time maximise shareholder value.

Stakeholder Management

KenGen is committed to stakeholder engagement and its role in attaining corporate objectives. During the year, the Company continued with its aggressive stakeholder management campaign with a view to addressing stakeholder concerns and galvanising their support for business sustainability. The company set up Stakeholder Coordination Committees in Olkaria and the Seven Forks to address issues of mutual concern. We continued to engage with investors, county governments, regulators, customers and suppliers. Through these efforts, we continue to benefit from heightened stakeholders confidence in our business.

Appreciation

On behalf of the Board of Directors, I extend my sincere gratitude to my fellow shareholders for the continued support and confidence in the company's leadership. I wish to thank the Government of Kenya and our financiers for their continued support of our capacity expansion efforts. Your confidence in our ability to deliver our mandate gives us the impetus we require to propel this company to greater heights.

Joshua Choge, MBS
Chairman of the Board

The Chairman welcomes H.E the President Uhuru Kenyatta to official commissioning of Olkaria IV

Wenyehisa Wapendwa,

Nina furaha sana kukufahamisheni kuhusu matokeo ya Kampuni ya mwaka wa kifedha na hali kadhalika kuwaelezea kuhusu mafanikio tuliyopata pamoja na miradi tuliyoshughulikia ili kuufikisha ufanisi wa Kampuni hii ya KenGen mahali Ilipo sasa.

> "Katika mwaka huo, kampuni iliuza hisa 351,210,589 mpya kwa Shirika la Uwekezaji wa Umma (PIC) la Afrika Kusini na kusababisha ongezeko la asilimia 100 na hisa nyingi zaidi katika Soko la Hisa la Nairobi."

Joshua Choge
Mwenyekiti

Ujumbe Kutoka Kwa Mwenyekiti

Mwaka huu, tumepata matokeo ya kufurahisha katika biashara yetu kutokana na jinsi tunavyoangazia mikakati yetu ambayo ni: kuimarisha utendakazi, utunzanji wa rasilmali, kukuza maarifa na tajriba ya wafanyakazi, kushirikiana zaidi na wanahisa na kuhimiza ubunifu tukiwa na lengo la kudumisha maendeleo ya biashara endelevu.

Tumeimarisha huduma za biashara yetu ili kuboresha ushindani katika sekta kupitia uenezaji wa mbinu za biashara na kuwezesha ubunifu. Kuambatana na hali hii, tumeweka msingi imara wa biashara ili kukuza uwezo wetu wa mapato na kuwapa wanahisa wetu thamani kubwa.

Mazingira ya Biashara

Uchumi wa kimataifa uliongezeka kwa takribani 2.9% mwaka mnamo wa 2016 ikilinganishwa na ukuaji wa 3.1% wa mwaka wa 2015 kutokana na matatizo katika uwekezaji na biashara za kimataifa. Katika ukanda huu, Thamani ya Jumla ya Mapato ya Nchi (GDP)ya Jumuiya ya Afrika Mashariki inakadiriwa kuongezeka kwa 6.1% ikilinganishwa na 5.8% katika mwaka wa 2015. Ongezeko hili lilitokana na uwekezaji katika miundo msingi, matumizi ya bidhaa nyingi za binafsi na bei ya chini ya mafuta.

Humu nchini, uchumi wa Kenya ulishuhudia mazingira mazuri ya kibiashara katika robo tatu za kwanza za 2016. Hata hivyo, kipindi cha robo ya nne ya mwaka jana kiliathiriwa na kiangazi kikubwa. GDP halisi ya Kenya iliongezeka kwa 5.8% mwaka wa2016 ikilinganishwa na 5.7% mwaka wa 2015. Kwa jumla, ongezeko hili lilishuhudiwa katika sekta nyingi lakini katika sekta nyingine lilipungua, ikijumuisha sekta ya utengenezaji ambapo ilishuhudia punguzo la 3.5% mwaka wa 2016 na 3.6% mwaka wa 2015.

Mfumuko wa wastani wa kila mwaka ulikuwa 6.3% katika mwaka wa 2016 ikilinganishwa na 6.6% mwaka wa 2015 kutokana na kupunguka kwa bei katika sekta za uchukuzi, nyumba, vifaa vya msingi na mawasiliano. Mwaka huo, thamani ya shilingi iliongezeka dhidi ya Pauni ya Uingereza na sarafu za kanda la Afrika Mashariki lakini thamani hiyo ilipunguka ikilinganishwa na Dola ya Marekani, Yuro na Yeni.

Matumizi ya kitaifa ya umeme kwa miezi kumi na miwili hadi tarehe 30 Juni 2017 yaliongezeka kwa 3.95% na kufikia 10,205GWh ikilinganishwa na 9,817GWh iliyouzwa katika kipindi sawa na hicho mnamo mwaka uliyopita. Ongezeko hili lilitokana na kupata wateja wengi na kumalizika kwa miradi iliyokuwa inaendelea ya miundo-mbinu.

Kuimarisha Mikakati ya Mabadiliko ya G2G Horizon II

Harakati ya mabadiliko ya G2G inahusisha mfumo wa kutoka kwenye hali “Nzuri” hadi katika hali “Bora” ambayo inathaminiwa na wadau wote inapolenga kupata uendlevu kutoka “Kizazi Kimoja Hadi Kingine” Hii imekuwa msingi wa biashara yetu kwa miaka kumi iliyopita.

Ili kuendelea, kampuni imezindua mikakati yake katika muongo ujao huku ikilenga kuendeleza nishati inayoweza kutumiwa upya. Hatua hii itazalisha umeme wenye bei nafuu ambapo mgao wetu wa soko utaongezeka na kufanya thamani ya wawekezaji kuongezeka pia. Mipango ya ziada ya uwezo wetu inaendelea kufuata Taswira ya Nchi ya 2030 ya malengo ya Viwanda na Mipango ya serikali ya Muda wa Wastani.

Utendakazi

Tunafurahi kuripoti kuwa kampuni ilipata matokeo bora mwaka huo. Kampuni ilipata faida ya asilimia 34 baada ya makato ya kodi kutoka shilingi milioni 6,743 mwaka wa 2016 hadi shilingi milioni 9,057 mwaka ulioisha wa tarehe 30 Juni 2017.

Katika mwaka huo, kampuni iliuza hisa 351,210,589 mpya kwa Shirika la Uwekezaji wa Umma (PIC) la Afrika Kusini na kusababisha ongezeko la asilimia 100 na hisa nyingi zaidi katika Soko la Hisa la Nairobi.

Katika utaratibu wa kandarasi za utendaji wa Serikali ya Kenya, KenGen ilipata alama ya 2.9835 (Nzuri sana).

Ujumbe Kutoka Kwa Mwenyekiti

Mgao

Bodi ya Wakurugenzi haipendekezi malipo ya mgao kutokana na uwekezaji katika mradi wa mabomba ulioonyeshwa hapo juu na mahitaji ya utaratibu wa fedha.

Usimamizi wa Shirika

Tunaendelea kukuza aina mbalimbali za ujuzi katika bodi. Bodi ilimkaribisha Bi. Phyllis Kemunto Wakiaga ambaye alichaguliwa na wanahisa mwaka wa 2016 katika Mkutano wa Mwisho wa Mwaka na kuchukua nafasi ya Mkurugenzi Millicent Omanga ambaye alistaafu ili aendeleze shughuli za binafsi.

Mnamo tarehe 25 Agosti 2017 Mkurugenzi MKuu na Mkurugenzi Mtendaji, Mhandisi Albert Mugo alistaafu baada ya kufikisha umri wa miaka 60 na kutafuta nafasi ya uchaguzi. Tunamshukuru Mhandisi Mugo kwa uongozi wake wa kufana na ushauri wa kibiashara ambao ulisaidia kampuni kukuza uwezo wake hadi megawati 1,631MW.

Kuanzia Agosti 26, 2017, Bodi ilimteua Bi. Rebecca Miano kuwa Mkurugenzi Mkuu na Kaimu Mkurugenzi Mtendaji, huku ikisubiri ukamilishaji wa kusajili Mkurugenzi Mkuu na Mkurugenzi Mtendaji wa kudumu. Tunawahakikishia wanahisa kuwa Bodi imebuni mpango wa urithi kutokana na kuteuliwa kwa Bi. Miano ambaye amekuwa katibu wa kampuni na Mkurugenzi wa Masuala ya Kisheria katika KenGen tangu mwaka wa 2008. Hali hii itahakikisha uendelevu wa biashara katika kipindi hiki cha mpito wakati Kampuni inaendeleza lengo lake la kutoa nishati ya umeme kwa bei nafuu na unaonufaisha taifa lote na kwa wakati huo huo kuongeza thamani ya hisa.

Usimamizi wa Wanahisa

KenGen imejitolea kushirikisha wanahisa katika jukumu lake la kutekeleza malengo ya shirika. Katika mwaka huo, Kampuni iliendelea na harakati zake za kusimamia wanahisa huku ikilenga kushughulikia masuala ya wanahisa na kujumuisha bidii zao katika kuendeleza biashara. Kampuni ilianzisha Kamati ya Wasimamizi wa Wanahisa katika Olkaria na Seven Forks ili kushughulikia na kupata suluhisho la masuala yanayowahusu. Tuliendelea kuwashirikisha wawekezaji, serikali za kaunti, waelekezaji, wateja na watoa huduma wengine. Kutokana na juhudi hizi, tunajivunia kuongezeka kwa uaminifu wa wanahisa katika biashara yetu.

Shukrani

Kwa niaba ya Bodi ya Wakurugenzi, ninatoa shukrani zangu za dhati kwa wanahisa wenzangu kwa mchango wao usiokuwa na kikomo pamoja na imani katika uongozi wa kampuni. Ningependa kuishukuru Serikali ya Kenya na wadhamini wetu kwa kuendelea kuchangia katika juhudi zetu za kuongeza huduma. Imani yenu katika uwezo wetu wa kutekeleza majukumu yetu hutupa nguvu tunazohitaji ili kuendeleza kampuni zaidi.

Joshua K. Choge,
Mwenyekiti wa Bodi

From Right: Chairman, Managing Director & CEO and Finance & ICT Director during the investor briefing

Who Leads Us

Rebecca Miano
Managing Director & Chief Executive Officer

Mrs. Rebecca Miano holds a Bachelor of Laws (LLB) degree with Honours, a diploma in Law and Post-graduate studies in Comparative Law. In 2010, she completed the Advanced Management Programme 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). Mrs. Miano was awarded the Company Secretary of the Year award in 2010 under the auspices of the ICPSK Champions of Governance.

Mrs. Rebecca Miano was appointed the Acting Managing Director & Chief Executive Officer of KenGen with effect from 26th August 2017. She has been the Company Secretary and Legal Affairs Director since 2008. She is a respectable lawyer with a career in law and corporate governance. She has been responsible for driving the corporate governance agenda in the Company, providing guidance and support to the Board and has been the Secretary to the Board and all its Committees.

Mrs. Miano is responsible for the operational running of the Company to ensure that the mission is achieved and efficacy of the business optimized. The CEO is accountable for the company's actions, security of resources as well as ensuring the execution of the corporate strategy for long-term competitiveness. In addition to representing the management position on the Board, The MD & CEO chairs and supervises the Executive Committee (ExCo) comprising nine divisional directors.

Departments (additional direct reports): Internal Audit & Risk, Security & Integrity.

Eng. Solomon Kariuki
Operations Director

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 28 years.

Prior to his 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 28 years ago and served in various capacities, ultimately growing through the ranks to the current position of Operations Director.

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

Departments: Eastern Hydros, Thermal, Upper Tana, Technical Services and Western Hydros.

Who Leads Us

CS David Mwangi
Acting Company Secretary & Legal Affairs Director

Mr. David Mwangi holds a Bachelor's of Laws (LLB) Hons. Degree from Moi University, a Post Graduate Diploma in Law and an Executive Masters of Business Administration degree. David is an advocate of the High Court of Kenya.

He is a Certified Public Secretary registered with the Institute of Certified Public Secretaries of Kenya. Further, he is a Member of the Chartered Institute of Arbitrators (UK). David has wide experience in Legal, company secretarial and corporate governance having served in both private and public sectors. He joined KenGen as the Legal Manager in 2012.

He is currently the Acting Company Secretary & Legal Affairs Director. He is responsible for driving the corporate governance agenda, providing guidance and support to the Board and is the Secretary to the Board and all its Committees. David is the Legal Counsel of the Company and ensures the Company is represented positively and credibly to the external environment.

Departments: Insurance, Legal, Shares & Board Services and Property

Abraham Serem
Human Resources & Administration Director

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 other professional qualifications include: 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.

Prior 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 on March 1st 2016 as the Human Resource and Administration Director. He is responsible for human capital planning, recruitment, development, performance management, reward and wellness. He is also in charge of employee relations, as well as management of all the Company's transport and logistics.

Departments: Human Resource, Performance & Change and Administration.

Who Leads Us

John Mudany
Finance & ICT Director

FCPA(K) Mr. John Mudany is a zealous financial management expert with extensive experience. He holds a Bachelor of Commerce degree in Accounting, Master of Business Administration in Marketing and Master of International Business Administration (MIBA). He is a member of the Kenya Institute of Management (KIM) and the Institute of Certified Public Accountants of Kenya (ICPAK).

Prior experience includes: Coca Cola (Finance and Performance Manager), Orbit Distributors (MD & CEO), Kenya Airways, World Vision International and PriceWaterhouseCoopers.

Mr Mudany joined KenGen in November 2008 as the Finance and ICT Director. 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 the development of cutting edge information technology infrastructure.

Departments: Corporate Finance, Finance and Information Communication & Technology.

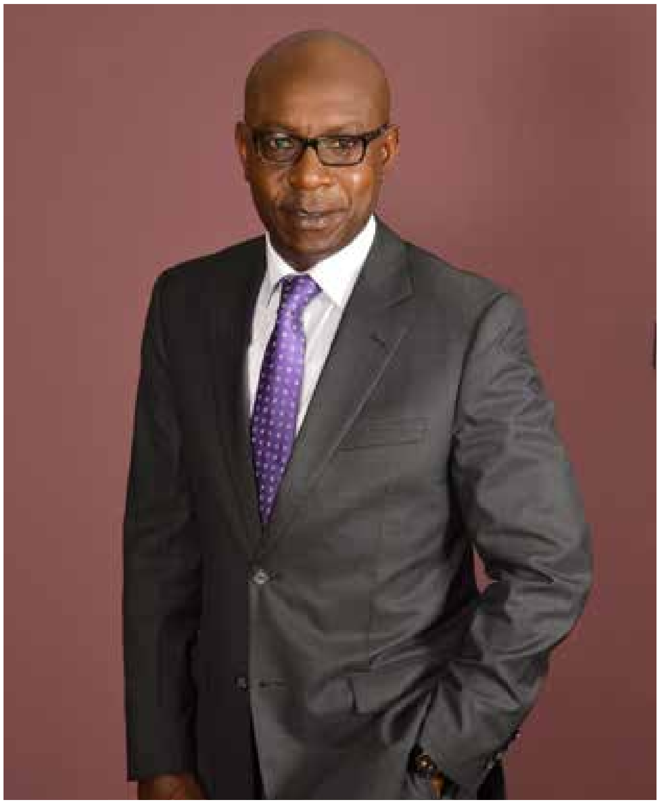
Eng. Simon Ngure
Regulatory & Corporate Affairs Director

Engineer Simon Ngure is a versatile engineer with vast experience in the energy sector, management and stakeholder relations. He holds a Bachelor of Science degree in Mechanical Engineering, a diploma in Geothermal Technology, a diploma in Project Management, a diploma in Executive Coaching from the Academy of Executive Coaching. He is a Certified Energy Manager and a Registered Engineer. He is a member of the Institute of Engineers of Kenya, the Association of Energy Engineers of Atlanta, USA, and is the Vice-President of the Association of Energy Professionals of Eastern Africa.

He has 34 years' experience in the power sector. He joined Kenya Power in September 1986. He was appointed as Regulatory and Corporate Affairs Director in 2008. He is responsible for drafting, negotiating and managing power purchase agreements (PPAs). He is also in charge of environmental and social licensing and management processes as well as maintenance of ISO Quality and Environmental System, Safety, Clean Development Mechanism and carbon credit sales and maximizing brand value through effective corporate affairs management.

Departments: Regulatory Affairs, Quality & Safety, Environment & CDM, Corporate & Community Affairs

Who Leads Us



Moses Wekesa
Business Development Director

Mr. Moses Wekesa is a registered Project Manager with 17 years of experience in managing projects across diverse economic sectors in Europe, Asia, the Pacific and Africa.

He holds a Bachelor of Science in Mechanical Engineering degree (Hons) from Jomo Kenyatta University of Agriculture and Technology (JKUAT), Master of Science degree in Mechanical Engineering (Applied Mechanics) from the University of Nairobi and a post-graduate certificate in project planning, appraisal and financing (Distinction) from The University of Bradford (UK). He has undergone various leadership developmebt programmes and is a graduate of Advance Management Programme from Strathmore Business School.

He was appointed a Business Development Director in 2014 and is responsible for driving the Companys core business of capacity expansion through planning and execution of projects and development of alternative revenue sources through new business. His previous experience includes management of projects in the wide infrastructure sector.

Departments: Project Execution, Capital Planning and New Business

Eng. Abel Rotich
Geothermal Development Director

Engineer Abel Rotich is a seasoned power sector engineer with a wealth of experience in energy generation and geothermal resources development. He holds a Bachelor of Science degree (Hons) in Mechanical Engineering, several project management courses and a graduate of Advanced Management Programme from Strathmore Univesity.

He joined Kenya Power and Lighting Company Limited more than thirty years ago and rose through the ranks to the position of Geothermal Development Director in KenGen in September 2014, having served as a manager in, Thermal and Wind 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 and a member of the Institution of Engineers of Kenya (IEK).

He was appointed KenGen's Geothermal Director in September 2014. He is responsible for geothermal resource assessment, drilling, steam establishment for power generation and operation of electricity power plants constructed within the geothermal area. Before his appointment to the current position, He was involved in the management of hydro, thermal and wind power plants.

Departments: Geothermal Operations and Geothermal Resource Development

Who Leads Us

David Muthike

Strategy & Business Performance Director

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 The Kenya Institute of Management (KIM).

He was appointed to the Company's Strategy and Business Performance Division in September 2014. A major role of this function is to support the Company in maintaining "thought leadership" in power generation and related services. His responsibilities include: development and management of the Company's strategy by identifying and driving execution of strategic initiatives and growth opportunities; driving innovation 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.

Departments: Strategy, Business Performance and Innovation & Knowledge Transfer.

Philip Yego

Supply Chain Director

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, diploma in Purchasing and Supplies from the Chartered Institute of Purchasing and The Supply (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 function of the company which includes the management of tenders & contract, Inventory and logistic and supplier relationship. He is responsible for tenders, contracts, compliance, fuel & general purchases, spares and commodities, planning and inventory. 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 in the same field.

Departments: Tenders and Contracts, Inventory and Logistics.

JICA Presidential Award for Olkaria I Unit IV and V Geothermal Power Project

"We commenced the development of Olkaria V 140MW marking the beginning of our Horizon II project pipeline."

Rebecca Miano (Mrs) OGW,
Managing Director & CEO

Managing Director & CEO's Letter to Shareholders

Dear Shareholders,

The global market forces, evolving stakeholder demands and rapidly changing regulatory requirements are challenging our industry to innovate, diversify and adapt to remain competitive. I am pleased to say KenGen, your Company is leading the way.

This letter outlines our achievements and strategy to grow the Company in the next decade.

This year, we officially commissioned 75MW of the innovative wellhead power plants thereby completing 83.6MW of implementation of early generation wellhead packages aimed at earning revenue from drilled wells as we await the development of conventional power plants. We also commenced the development of Olkaria V 158MW marking the beginning of our Horizon II projects pipeline.

We decommissioned thermal powered stations in Garissa 6.2MW and Lamu 2.7MW following the connection of grid power to the two towns in 2016. This capacity has been replaced with 10MW of additional geothermal wellheads. In addition, the Company applied for new geothermal licenses in fields outside Olkaria, began the procurement of an additional of geothermal power in Olkaria and responsibly managed costs while keeping growth plans on track to deliver solid financial results.

Delivering Results

We delivered earnings per share of Kshs 1.37 against Kshs 1.08 in the previous year, a positive outcome from operating our assets efficiently. These results were driven by our continued cost discipline and successful implementation of our Revamped Strategy.

KenGen is a solid, long-term investment for our shareholders and potential investors. We expect to maintain our annual growth at a consistent rate to ensure value creation for our shareholders.

Our profitability grew by 34% to Kshs 9,057 million in 2017, compared to Kshs 6,743 million in 2016, despite low hydrology in our main reservoirs and power evacuation constraints in Olkaria that affected Geothermal generation. Our ability to continue delivering reliable earnings has been reinforced by a transpose model that will allow us to enter new markets.

As a capital-intensive industry, our growth is supported by the strength of our balance sheet, which remains a continued focus of our company. In 2017, the company successfully sold the remaining rights to a South African Pension Fund, Public Investment Corporation (PIC). The Rights Issue was the first avenue of our diversified funding program and balance sheet restructuring for Horizon II project pipeline.

Strategy Execution

We have revamped our 2007 Good-to-Great Transformation Strategy to respond to changing market dynamics and increase our agility in responding to opportunities for growth. In the next 10 years the revamped plan envisages the creation of a sustainable growth by:

- Delivering 721MW of renewable energy by year 2020
- Creating value for shareholders, and
- Making available affordable and competitive power from renewable sources.

To operationalize the achievement of this vision, seven priority initiatives are being pursued:

i. Improving returns of current plants by optimizing and reducing operations and maintenance expenses
ii. Optimizing capital expenditure (CAPEX) for future projects through lowering cost and improving delivery
iii. Improving Power Purchase Agreement (PPAs) regulation to increase profitability
iv. Pursuing new financing approaches like equity partnerships in new projects, asset monetisation of existing plants, or asset backed securities

Managing Director & CEO's Letter to Shareholders

v. Establishing new legal structures to execute and finance projects such as special purpose vehicles and the consulting business,

vi. Delivering current pipeline and accessing new geothermal fields

vii. Improving organisational health factors such as leadership and motivation, and building the required skills/capabilities.

We see opportunities in diversifying our business to leverage on the vast resources of the Company to build a resilient business. A 100% owned subsidiary of KenGen, KenGen Energy Services Ltd, has been registered to focus on non-generation opportunities. We are seeking the regulatory approvals and pursuing a pipeline of initiatives valued at over Kshs 1 billion annually.

Generating Power

At the commencement of our strategy in 2007, Kenya was largely reliant on expensive thermal energy as well as hydro power which was susceptible to erratic weather patterns thereby affecting regular power supply. Today, geothermal contributes about 50% of our national power consumption. This diversification has benefitted the economy by enhancing reliability of power supply.

Investment in renewable, clean power generation has enabled us to move towards a low-carbon future. We have earned Kshs 404 million from the Clean Development Mechanism (CDM). KenGen's future growth is based on clean, naturally available renewable sources.

Our investments – of more than Kshs 221 billion over the past 10 years – has resulted in 700+MW of new capacity, bringing our total portfolio to 1,631MW.

Sustaining a Competitive Edge

Our people remain the driving force behind every success. The implementation of Horizon II builds upon the achievements of Horizon I, which helped to stabilise the country's power supply. The Company has invested in organizational learning, knowledge harvesting and transfer to enhance organizational flexibility and adaptability.

In addition, we have embraced new technologies through investment in information communication technology (ICT) to streamline and automate business processes.

The Company's funding activities are of utmost importance to our expansion strategy and we continue to explore innovative, off-balance sheet financing options.

Working with Stakeholders

Stakeholders play an important role in our ability to deliver on our strategy and meet our customer expectations. We continue to engage with them, and are committed to developing and maintaining healthy relationships. The formation of stakeholder coordination committees in our operational areas has been a key enabler in building solid relationships with communities and other stakeholders.

At KenGen, commitment to our stakeholders and communities extends beyond the services we provide. We are proud to be an economic engine for the communities we call home. In 2017, the Company invested more than Kshs 74 million in communities, focusing on education, health, water and sanitation, economic empowerment and environmental stewardship. Our efforts helped to address the needs of communities in our operational areas.

The staff volunteered hundreds of hours in community service and mentoring of students in schools as well as contributing to the Company's social initiatives through the Staff Giver Program, an integral part of our commitment to giving back to the community.

Managing Director & CEO's Letter to Shareholders

Powering the Future

The future holds great opportunity for our Company. Over our 63-year history, we have adapted to the numerous changes in the market. The power we generate is the lifeblood of the economy. In the medium term, we are on course to delivering 721MW of renewable energy by 2020 and going forward, we shall rely on our ability to innovate, adapt and meet power needs for industrialization as envisaged under the Vision 2030 strategy.

81.1 MW

staged implementation of well heads generation completed in

2017

Appreciation

In conclusion, I thank the Government of Kenya for its confidence in our ability to execute our strategy to power the Nation, the employees for their commitment and dedication in delivering on our mandate and our investors and development partners who have continued to support our expansion agenda.

Rebecca Miano (Mrs) OGW,
Managing Director & CEO

"Tulianzisha utengenezaji wa Olkaria V 140MW ambayo ilikuwa ni mwanzo wa mradi wa mabomba wa Horizon II."

Rebecca Miano (Mrs) OGW,
Mkurugenzi Mkuu na
Afisa Mkuu Mtendaji

Ujumbe kutoka kwa mkurugenzi mkuu na afisa mtendaji

Kwa Wanahisa,

Athari za soko la ulimwenguni, mabadiliko katika mahitaji ya washikadau na mahitaji ya kiudhibiti yanayobadilika mara kwa mara yanaipa changamoto sekta yetu kubuni, kusambaza na juhudi za kujiendeleza. Ninafurahi kusema kuwa kampuni yako ya KenGen iko katika mstari wa mbele.

Barua hii inabainisha mikakati na mafanikio yetu ya kukuza Kampuni katika mwongo ujao.

Mwaka huu, tulizindua rasmi mtambo wa uzalishaji wa umeme unaotoa kawi ya 75MW kwa hivyo kukamilisha utekelezaji wa awali wa kuzalisha mabwawa yanavyolenga kuchuma mapato kutoka kwa mabwawa yanayochimbwa tunaposubiri uundaji wa mitambo ya kawaida ya umeme. Tulianzisha utengenezaji wa Olkaria V 140MW ambayo ilikuwa ni mwanzo wa mradi wa mabomba wa Horizon II.

Mwaka wa 2016 ulikuwa muhimu, kwa sababu tulisitisha kituo cha uzalishaji wa umeme kutumia mvuke ambacho kilikuwa ni ghali zaidi mjini Garissa 6.2MW na Lamu 2.7MW kutokana na muunganisho wa kawi ya gridi katika miji hiyo miwili. Kiwango hiki kimechukuliwa na umeme wa mvuke unaotokana na mabwawa. Zaidi ya hayo, Kampuni ilitumia leseni mpya za kawi ya mvuke katika nyanja nje ya Olkaria, ilianzisha harakati ya kununua Kawi ya Mvuke katika Olkaria na kudhibiti gharama kwa makini huku ikiendeleza mikakati yetu ya kukuza huduma ili kuwezesha matokeo thabiti ya kifedha.

Upatikanaji wa Matokeo

Tulichuma mapato kwa kila hisa ya shilingi 1.37 dhidi ya shilingi 1.08 mwaka uliyopita, Matokeo mazuri yanayotokana na kutumia rasilimali zetu kwa njia bora. Matokeo haya yalitokana na juhudi zetu za kudumisha bei bora na Utekelezaji bora wa Mikakati Mipya.

KenGen ni Kampuni inayowekeza kwa muda mrefu kwa wanahisha na wawekezaji wanaotarajiwa. Tunatarajia kudumisha ongezeko letu la kila mwaka katika kiwango thabiti ili kuwapa faida wanahisa.

Faida yetu ilikuwa kwa asilimia 34%, shilingi milioni 9,057 mwaka wa 2017, ikilinganishwa na shilingi milioni 6,743 mwaka wa 2016, licha ya kuwa na upungufu wa maji katika maeneo yetu muhimu na matatizo ya uhamishaji wa kawi katika Olkaria ambayo yalipunguza Uzalishaji wa Kawi ya Mvuke. Uwezo wetu wa kuendelea kuchuma mapato bora umeendelezwa na usambazaji wa miundo ya biashara ambao utatuwezesha kufikia masoko mapya.

Kama tasnia yenye mtaji mkubwa, ukuaji wetu unachangiwa na uthabiti wa jedwali la usawazishaji ambao unazidi kuwa lengo kuu la shirika letu. Katika mwaka wa 2017, kampuni iliweza kuuza hisa 351,210,589 kwa Hazina ya Malipo ya Uzeeni ya Afrika Kusini, Shirika la Uwekezaji wa Umma (PIC) hali ambayo ilisababisha utoaji wa hisa mpya kwa asilimia 100 katika soko la Hisa la Nairobi.

Utoaji wa hisa mpya ulikuwa mbinu ya kwanza ya mpango wetu wa kudhamini na kuunda jedwali la usawazishaji katika mradi wa Horizon II.

Utekelezaji wa Mikakati

Tumeanzisha upya Mikakati yetu ya Mabadiliko ya mwaka wa 2007 ya 'Nzuri kuwa Bora' (G2G) ili kukithi mahitaji ya soko linalobadilika na ongezeko la shughuli zetu katika harakati za kutimiza mahitaji ya ukuaji. Katika miaka kumi ijayo, mpango ulioboreshwa unatazamia ongezeko endelevu la kampuni kwa:

- Kutoa 721MW ya nishati mbadala kwa mwaka 2020
- Kuongeza mapato ya wanahisa, na
- Kuendelea kutoa kawi bora na ya bei nafuu kutokana na vyanzo vinavyoweza kutumiwa upya.

Ili kutekeleza mafanikio ya taswira hii, tumebuni mbinu saba (7): Kuboresha mapato ya mitambo iliyopo na kukuza na kupunguza gharama za maboresho na utendaji.

Kuongeza Matumizi ya Mtaji (CAPEX) kwa miradi ya baadaye kupitia kupunguza gharama na kuboresha uwasilishaji wa miradi mipya.

Ujumbe kutoka kwa mkurugenzi mkuu na afisa mtendaji

i. Kuboresha Sheria za Makubaliano ya Ununuzi wa Kawi (PPA) ili kuongeza faida katika miradi ijayo
ii. Kutafuta mbinu mpya za kifedha kama vile washirika wa huduma katika miradi mipya, kuchuma mapato kutokana na bidhaa za mitambo iliyopo, au hisa zinazotokana na vifaa.
iii. Kubaini mikakati mipya ya kisheria ili kutekeleza na kufadhili miradi kama vile magari ya huduma maalum na kushauriana na biashara
iv. Kuwasilisha mabomba yaliyopo na kufikia nyanja mpya za kawi ya mvuke
v. Kuboresha vipengele vya hali bora ya shirika kama vile uongozi na uhimizaji na kukuza uwezo unaohitajika ili kushughulikia mbinu hizi zote.

Tunaona fursa ya kusambaza biashara yetu ili kutumia kikamilifu rasilimali zilizoko za Kampuni na kubuni biashara endelevu ya siku zijazo. Asilimia 100 ya Kampuni tanzu inayomilikiwa na KenGen kikamilifu inayoitwa KenGen Energy Service Ltd imesajiliwa ili kuangazia fursa ambazo hazitokani na uzalishaji. Tunatafuta idhini za udhibiti zinazohitajika na kufuatilia mifululizo ya mbinu zenye thamani ya zaidi ya bilioni moja kila mwaka.

Uundaji wa Kawi

Wakati tulipoanzisha mikakati yetu mwaka wa 2007, Kenya ilikuwa inategemea zaidi kawi ya Mvuke ambayo ni ghali pamoja na kawi inayotokana na maji ambayo iliathiriwa na mabadiliko ya hali ya hewa, hivyo basi kuathiri usambazaji wa kawi kwa njia ya kawaida. Kufikia sasa, Kawi ya Mvuke inachangia takribani asilimia 50 ya jumla ya kawi inayotumiwa nchini. Njia hizi zimefaidi uchumi kwa kuboresha hali ya kutegemewa katika utoaji wa kawi na kupunguza matumizi ya kawi ya mvuke ambayo ni ghali, na pia kuepuka athari za hali mbaya ya hewa.

Uwekezaji katika uzalishaji wa kawi inayoweza kutumiwa upya, umetuwezesha kuendelea kupunguza matumizi ya kawi ya kaboni. Tumepata shilingi milioni 404 kutokana na mbinu za Maendeleo ya Usafi (CDM). Mustakabali wa ukuaji wa KenGen unategemea rasilimali zinazoweza kutumika tena ambazo ni za asili na safi.

Uwekezaji wetu – wa zaidi ya shilingi bilioni 277 kwa miaka kumi iliyopita – umesababisha kuwepo kwa mtambo mpya wa kawi wa 700MW ili kuwezesha jumla ya kawi yetu kuwa 1,631MW.

Uendelevu wa Ushindani wa Kibiashara

Watu wetu ndo nguzo ya ufanisi wetu. Utekelezaji wa Horizon II unatokana na mafanikio ya Horizon I, muundo ambao ulisaidia usambazaji wa kawi nchini. Kampuni imewekeza katika elimu ya mashirika, matumizi ya ujuzi na uhamishaji ili kuwezesha shirikia kubadilika na kutumika katika mazingira yote.

Zaidi ya hayo, tumetumia teknolojia mpya kupitia uwekezaji kiasi katika miundo ya teknolojia ya Mawasiliano na Habari (TEHAMA) ili kulainisha na kufanya michakato ya biashara kuwa ya kiotomatiki.

Shughuli za udhamini wa kampuni ni za muhimu zaidi katika kupanua mikakati yetu na tunaendelea kutafuta njia bunifu kama vile ufadhili unaotoka nje ya jedwali la usawazishaji kwa kutumia Magari ya Majukumu Maalum (SPVs).

Kufanya kazi na Wanahisa

Wanahisa wana jukumu muhimu katika uwezo wetu wa kutekeleza mikakati yetu na kutimiza matarajio ya wateja wetu. Tunaendelea kushirikiana nao na tumejitolea kukuza na kudumisha uhusiano bora. Uanzishaji wa kamati ya Usimamizi wa Wanahisa katika sehemu zetu za utendaji imekuwa kipengee muhimu katika kuunda uhusiano thabiti na jamii na wanadau wengine.

Katika KenGen, tumejitolea kuwahudumia wanahisa na jumuiya kikamilifu. Tunajivunia kuwa katika mstari wa mbele kuhudumia jamii za nchini. Katika mwaka wa 2017, kupitia Wakfu wa KenGen, Kampuni iliwekeza zaidi ya shilingi milioni 74 katika jumuiya ikiangazia elimu, afya, maji, usafi, uwezeshaji

Ujumbe kutoka kwa mkurugenzi mkuu na afisa mtendaji

wa kiuchumi na ulinzi wa kimazingira. Juhudi zetu zilisaidia kuboresha mahitaji ya jamii katika maeneo tunayohudumia.

Wafanyikazi wetu walijitolea kwa mamia ya saa kufanya huduma za jamii na kuelekeza wanafunzi katika shule pamoja na kuchangia katika Mipango ya Jamii ya Kampuni kupitia Mpango wa Michango ya Wafanyikazi, sehemu muhimu ya harakati zetu za kujitolea katika jamii.

Kuimarisha Mipango ya Siku Zijazo

Siku za baadaye ni muhimu zaidi katika Kampuni yetu. Kwa zaidi ya miaka 63 iliyopita, tumefanya mabadiliko mengi kulingana na soko. Kawi tunayozalisha ni kiungo muhimu katika uchumi wa kitaifa. Katika malengo ya muda wa wastani, tunaendelea kuwasilisha 721MW za kawi inayoweza kutumiwa tena kufikia 2020 na baadaye tutategemea uwezo wetu wa kubuni, kubadilisha na kutimiza mahitaji ya kawi kwa minajili ya maendeleo ya viwanda kama ilivyoangaziwa katika mikakati ya Taswira ya 2030.

81.1 MW

Utekelezaji wa zamu wa kisima ulikamilika mnamo

2017

Shukrani

Kwa kumalizia, ninashukuru serikali ya Kenya kwa kuamini uwezo wetu wa kutekeleza mikakati ya kawi kwa taifa, wafanyakazi kwa kujitoloea katika kuwasilisha huduma zetu na washirika wa maendeleo ambao wameendelea kuchangia katika ukuzaji wa ajenda yetu.

Rebecca Miano (Bi.) OGW,
Mkurugenzi Mkuu na
Afisa Mkuu Mtendaji

Corporate Governance

KenGen is committed to the highest standards of corporate governance underpinned by the four core values of responsibility, accountability, fairness and transparency which are the founding blocks that ensure that the strategic objectives of the Company are set, attained and performance monitored. Corporate Governance is the process through which the Board directs, controls and is held to account by the shareholders.It offers the framework for engagement and interaction between the Company's Board, management, stakeholders and regulators for the sustainable benefit of the shareholders.

Corporate Governance Statement

KenGen's Board of Directors focuses on a corporate governance agenda that maximises shareholder value, increases profitability and guarantees a sustainable business. Four core values - responsibility, accountability, fairness and transparency - are the foundation of the company's governance framework and strategic objectives. Corporate Governance is a system of practices and procedures through which a board directs and controls a Company and by which it is held accountable by shareholders. The governance framework enables KenGen to balance the interests of shareholders and other stakeholders.

Statement of Compliance

KenGen ascribes to its continuing obligations as a listed company in compliance with the Capital Markets Authority (CMA) 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.

The Company is in compliance with the "Code of Governance for Government-Owned Entities (Mwongozo Code)" which offers guidance to all state corporations on issues of governance. The Mwongozo Code is aligned to the CMA Code of Corporate Governance Practices for Issuers of Securities to the Public 2015.

As a law abiding corporate citizen, the Company adheres to the tenets of the Constitution of Kenya and complies with the provisions of relevant statutes including the Energy Act 2006, Public Procurement & Asset Disposal Act 2015, Public Finance Management Act 2015, Employment Act 2007, Companies Act 2015, Geothermal Resources Act, State Corporations Act, Enviromental Management and Coordination Act and Occupational Safety & Health Act 2007.

Adherence to the highest ethical standards and embracing of global best practice in KenGen's decision-making structures has ensured compliance with applicable legal principles. The corporate vision, mission and core values underpin the Company's transformation philosophy of achieving sustainable value creation from generation to generation.

The Company is re-certified to ISO 9001:2008-Quality Management System and ISO 14001:2004-Environmental Management System. This is a recognition and demonstration of continual excellence of the organization's operations. KenGen is presently pursuing migration to the new ISO 2015 standards

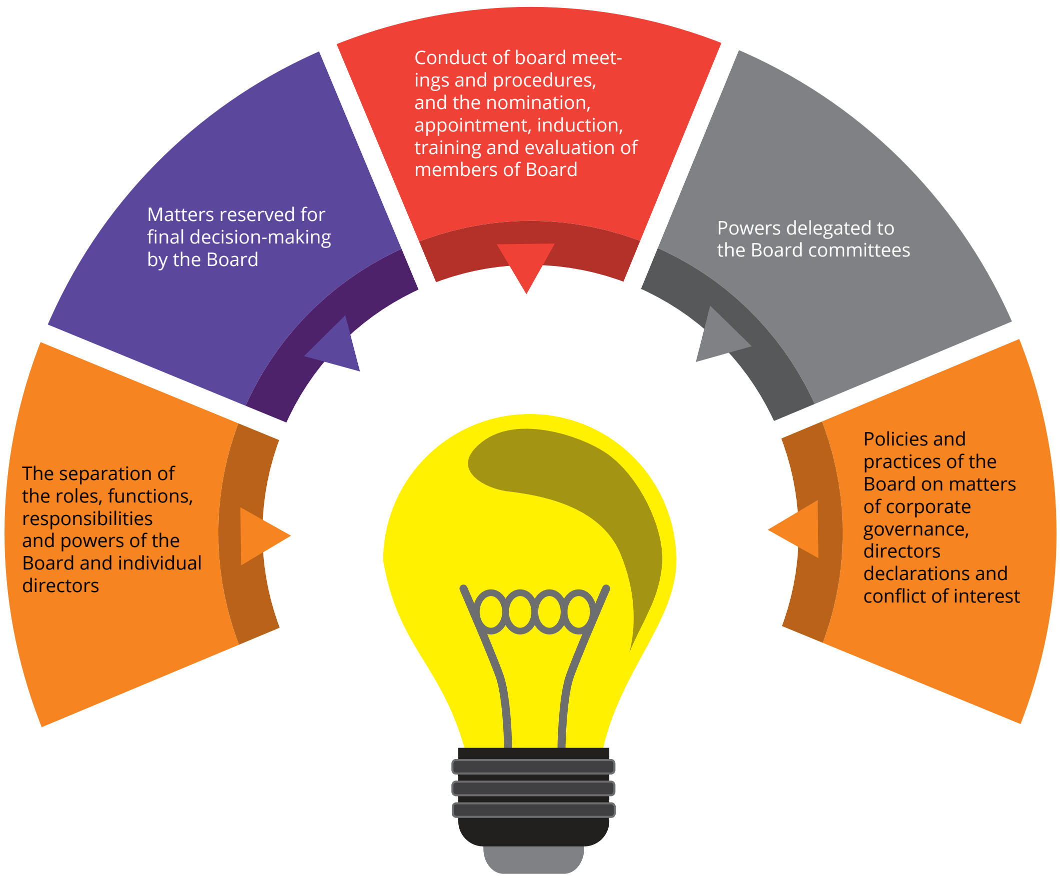
KenGen, in its prestigious position as a listed company, actively participated in policy review of investor-focused legislation conducted by CMA to influence and lobby the outcome in the interest of shareholders. KenGen is also represented in the Working Group Committee of the Capital Markets Master Plan (CMMP) officially launched in November 2014. The CMMP is a 10-year strategic blue print for the Kenyan capital markets. The Working Group provides the operational implementation path for the actualisation of long-term financial and economic goals set out in the national development plan.

Board Charter

The Charter does not replace or supersede any statutory laws and regulations that govern the Company.

Corporate Governance Statement

The Charter provides guidelines to the Board in the exercise of its mandate of:



Definition of an Independent Director

The Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015 was issued by the Capital Markets Authority for application by both listed and unlisted public companies. The Code defines an independent director as a member of a board who:

- does not have a material or pecuniary relationship with the Company or related persons;
- is compensated through sitting fees or allowances; hasn't been employed by the Company in executive capacity within the last three years; and
- owns not more than five percent of the Company shares
- has not been in nine years of continuous service.

Corporate Governance Statement

Board Composition

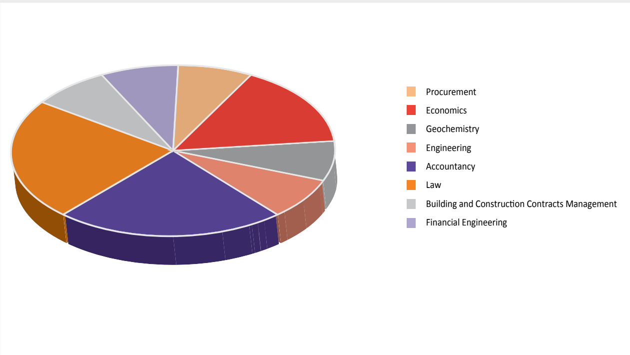
The KenGen Board comprises 11 members made up of a non-executive Chairman, one executive Managing Director & CEO, the Cabinet Secretary-National Treasury, Principal Secretary-State Department for Energy, plus seven non-executive directors. Further, six members are independent directors as per the guidelines stipulated in the Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015. The Board composition is outlined in the Articles of Association of the Company.

During the last Annual General Meeting and as per the Articles of Association of the Company on Rotation of Directors; three Board members retired and two were re-elected. Mrs. Phyllis Kemunto Wakiaga was elected to replace Millicent Omanga who retired from the Board to pursue elective politics.

On 25th August 2017, the Managing Director & CEO, Eng. Albert Mugo retired from the Company, having attained the retirement age of 60. Effective 26th August 2017, the Board appointed Mrs. Rebecca Miano as the Acting Managing Director & CEO in accordance with the Company's recruitment and succession policy. Mrs. Miano was confirmed as the Managing Director & CEO on 30th October 2017. Mrs. Miano has been the Company Secretary & Legal Affairs Director since 2008.

Board Diversity

The Board has the following diverse set of skills:



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

The biographies of the Directors are published on pages 26-28.

Corporate Governance Statement

Board Effectiveness

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

The separation of the functions of the Chairman and the Managing Director & CEO ensures the independence of the Board and Management. The balance of power, increased accountability, clear definition of responsibilities and improved decision making is attained through this distinction between the non-executive and executive roles.

Role of the BOARD

The Board offers strategic guidance, leadership and control of the Company by defining the strategic intent of the Company, its objectives and values; reviews this strategic direction and adopts business plans proposed by Management. With retention of full and effective control over the Company the Board , monitors Management's implementation of the plans and strategies, ensures ethical behaviour and compliance with relevant laws & regulations, audit and accounting principles, corporate policies & procedures and the Code of Ethics.

The Board evaluates performance of Management against targets and objectives and benchmarks performance of the Company against best international practices. The Board considers and approves the Company's overall budget and specific proposals for capital expenditure & acquisitions plus strategic opportunities for the Company. It reviews succession planning for the management team and approves senior executive appointments, organisational changes and remuneration.

The Board constitutes and reviews composition of Board Committees and approves reports and performance of each Board Committee. It further approves the quarterly, interim and preliminary financial statements, Annual Report & Accounts, quarterly Management Accounts and Operational Report from the Managing Director & CEO and public announcements of a material nature.

Corporate Governance Statement

Directors Responsibilities

The Company's Articles of Association and the Board Charter enumerate responsibilities of the Directors. Execution of the mandate of the Board requires each Director to observe a code of conduct aligned to his/her duties and responsibilities to the Company and shareholders, and act within limitations as defined in the Charter while observing principles of good corporate governance.

Each Director commits to uphold and promote effective and responsible use of resources and undertakes to act in good faith, with care and prudence in the best interest of the Company while exercising his/her power and executing his/her duties. The Directors are expected to familiarise themselves with the regulations and statutes, the Company's Memorandum and Articles of Association. the Board's operating norms and procedures, and other issues necessary for the discharge of their duties.

Further, the Directors commit that, while taking into account the financial impact of their decisions, they shall consider the consequences for sustainable development, effect on relations with stakeholders and interest of the society in general. The Directors are expected to be fully aware that they are individually and collectively responsible for the Company's vision, mission and values, its strategic objectives, ensuring the establishment of organisational structure, putting in place policies to achieve objectives as well as ensuring effective control over the Company and accounting to shareholders.

Board Effectiveness

The Board has an elaborate program based on good governance practices to ensure the development of the Board members in various business and governance areas to strengthen the oversight role and promote effectiveness.

Induction

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

Continuous Professional Development

During the year, the Directors undertook various training and development programmes in risk management and energy conferences to ensure they update their skills and knowledge, as well as keep abreast of the developments in corporate governance. Biennially, the members of the Board attend a specialised 5-day Corporate Governance Training for Director's offered by the Centre for Corporate Governance, Kenya.

Board Evaluation

The Board conducts an annual evaluation of its Committees and individual members to gauge performance. This was done by the State Corporations Advisory Committee (SCAC).

Corporate Governance Statement

The Company Secretary

The Company Secretary, a member of the Institute of Certified Secretaries of Kenya (ICPSK) is the Secretary to all the Committees of the Board and offers the critical role of supporting the Board on procedural and regulatory matters while ensuring the Company adheres to Board policies and procedures.

Board Meetings

The Board meets quarterly or more often, in accordance with the requirements of the business.

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

Following the election of one new member at the last AGM, the Board was reconstituted in January 2017.

The Board held twelve meetings attended as follows:

	Name	Attendance
1.	Joshua Choge	12
2.	Albert Mugo	12
3.	William Mbaka	10
4.	Dorcas Kombo	10
5.	Ziporah Ndegwa	10
6.	Musa Arusei	12
7.	Kairu Bachia	12
8.	Joseph Sitati	11
9.	Maurice Nduranu	12
10.	Phyllis Wakiaga	3 (Appointed on 30 November 2016)
11.	Humphrey Muhu	9

Individual Directors Shareholding

No Board member 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 at 30 June 2017 is as follows:

Name	No. of	% Holding
Joshua Choge	14,700	0.0002
Albert Mugo	2,203,593	0.03
Henry Rotich	-	-
Joseph Njoroge	-	-
Dorcas Kombo	150,000	0.002
Ziporah Ndegwa	1,400	0.00002
William Mbaka	-	-
Musa Arusei	-	-
Kairu Bachia	213,300	0.003
Joseph Sitati	-	-
Maurice Nduranu	10,900	0.0002
Humphrey Muhu	7,436	0.0001
Phyllis Kemunto Wakiaga	336	0.000005

Corporate Governance Statement

Directors' Remuneration

The Board establishes and approves formal and transparent remuneration policies in consultation with the government of Kenya. These policies clearly stipulate remuneration elements such as directors' fees, attendance allowances and bonuses that are competitive and in line with those of other agencies in the industry.

In accordance with the guidelines provided in the State Corporations Act and Salaries and Remuneration Commission as well as shareholder approval granted at the Annual General Meeting, the Directors are paid a taxable sitting allowance for every meeting attended, as well as travel and accommodation allowances while on Company duty. The Chairman is paid a monthly honorarium. KenGen does not grant personal loans or guarantees to its Directors. It is proposed that each Director receive a fee of Kshs. 600,000 per annum for the financial year ended 30 June 2017.

No loans were granted to any non-executive director.

Declaration of Interest and Conflict of Interest

The Directors are obligated to disclose to the Board real or potential conflict of interest, which comes to his/her attention, whether direct or indirect. The statutory duty to avoid situations in which they have or may have interests that conflict with those of the Company has been observed by the Board. All business transactions with all parties, directors or related parties are carried out at an arms' length.

An acknowledgement that should it come to the attention of a Director that a matter concerning the Company may result in a conflict of interest, obligates him/her to declare it and exclude himself/herself from any discussion or decision on the matter.

At every meeting of the Board, an agenda item exists which requires members to make a declaration of any interest they may have in the business under discussion.

We confirm there was no business transactions with the Directors or their related parties.

Company's policies on risk management, information technology, procurement, corporate social responsibility & investment and conflict of interest are viewed as important for strategic focus. Disclosure on environmental, social and governance policies and implementation including a whistle blowing policy is deemed vital in KenGen's corporate culture.

Whistle Blowing Policy - gives employees an opportunity to report corruption and unethical behaviour without fear of reprisal.

All the Board Committees, including the Audit, Risk & Compliance Committee, are established with written terms of reference detailing their mandates, authority and duties.

The Company Secretary, who is a member of the Institute of Certified Secretaries of Kenya (ICPSK), is the Secretary to all the committees.

Board Committees:

Audit, Risk & Compliance Committee	Human Resource Committee	Strategy Committee	Procurement Oversight Committee	Capita Raising Committee
Dorcas Kombo -Chair (CPAK)	Musa Arusei -Chair	Kairu Bachia- Chair	Ziporah Ndegwa- Chair	Maurice Nduranu - Chair
Humphrey Muhu	Albert Mugo	Albert Mugo	Albert Mugo	Albert Mugo
Kairu Bachia	Ziporah Ndegwa	Dorcas Kombo	Musa Arusei	Joseph Sitati
Joseph Sitati	Phyllis Wakiaga	Humphrey Muhu	Maurice Nduranu	William Mbaka
	William Mbaka	Musa Arusei		Humphrey Muhu

Corporate Governance Statement

Dorcas Kombo
Chairperson

Report from the Chairperson of the Audit, Risk & Compliance Committee

Mandate

The Audit, Risk & Compliance Committee's duties are based on six broad functions namely the Internal Control, Risk Management & Compliance, Financial Reporting, Internal Audit, External Audit, Compliance with laws and regulations; and Compliance with the Company's Code of Conduct and ethical guidelines functions.

The Committee assesses effectiveness of the Company's internal control and risk management & compliance framework. It reviews the impact of significant accounting and reporting issues such as professional and regulatory pronouncements; meets the management and both external & internal auditors to review the financial statements and results of the audit process; and assesses if generally accepted accounting principles have been consistently applied within preparation of preliminary announcements & interim financial statements.

The Committee is responsible for the internal audit & risk management function by ensuring the KenGen management acts on audit and risk management reports; reviews the performance and considers the independence of the external auditors; confirms that all regulatory compliance is considered in the preparation of financial statements; and invites a representative of the external auditors when reviewing the audited results.

Membership

Its membership comprises of four non-executive directors and two independent directors. Appointment to the Committee is for a period of three years which may be extended for two further three-year periods provided the Director remains independent.

The Committee routinely invites the Finance & ICT Director and Internal Audit & Risk Manager who are both members of the Institute of Certified Public Accountants of Kenya (ICPAK) to its meetings.

The Internal Audit & Risk Manager is the Secretary to the committee. This appointment is based on best practice and aims to increase the independence of the oversight and assurance function of the committee.

It also invites a representative of the external auditors to its meetings when reviewing the audited results.

Attendance

The Committee held eleven (11) meetings which were attended as follows:

	Name	Attendance
1.	Dorcas Kombo	11
2.	Humphrey Muhu (Alternate to Henry Rotich)	9
3.	Kairu Bachia	10
4.	Joseph Sitati	11

(Momata Gichana was a member of the Committee until his retirement in October 2016

Corporate Governance Statement

Kairu Bachia
Chairperson

Report from the Chairperson of the Strategy Committee

Mandate

The Strategy Committee assists the Board in discharging its oversight duties with respect to the overall strategic direction of the Company, operational performance and organizational health. It reviews the Company's Strategy and investment policies and makes recommendations to the Board on issues of strategy adjustment. It also assesses the progress of the Company's Strategy execution through identification of priority areas. The Committee monitors, evaluates and oversees the Company health including the review of financial and business plans and the overall Performance Management System.

Membership

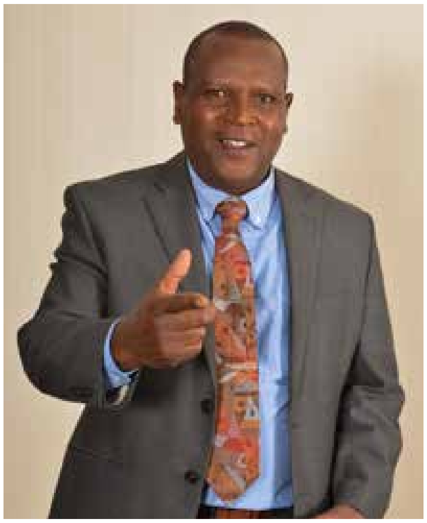
Its membership consists of four non-executive directors.

Attendance

The Committee held seven (7) meetings which were attended as follows:

	Name	Attendance
1.	Kairu Bachia	7
2.	Humphrey Muhu (Alternate to Henry Rotich)	7
3.	Dorcas Kombo	6
4.	Musa Arusei	7
5.	Albert Mugo	7

Corporate Governance Statement



Musa Arusei
Chairperson

Report from the Chairperson of the Human Resource Committee

Mandate

The Committee monitors the policies and practices of KenGen in relation to the Human Resources, offers advice and recommendations on the Company's human resource strategies, initiatives and policies; and the Nomination and Remuneration of Directors and Senior Management respectively.

The Committee's duties are based on three broad functions namely the Human Resources, Nominating and Remuneration functions.

Human Resource Function

The Committee continually reviews the organizational structure, core functions and optimum establishment; policies and procedures on staff recruitment and selection, staff training and development policy for operational efficiency, of 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 amendments to the Board for approval.

Nominating Function

The Committee supports and advises the Board on the appropriate size and composition to 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 salaries & the criteria for payment of bonuses to all staff and monitors its operation, considers any recommendations of the Chairman or Managing Director/CEO of the Company regarding payment of bonuses or performance related remuneration.

Membership

The Committee is authorised by the Board to secure the attendance of external advisers at its meetings if it considers it necessary and to obtain reliable, up-to-date information about its business.

Attendance

The Committee held nine (9) meetings which were attended as follows:

	Name	Attendance
1.	Musa Arusei	9
2.	William Mbaka	4 (Appointed in November 2016)
3.	Ziporah Ndegwa	9
4.	Phyllis Wakiaga	3 (Appointed in November 2016)
5.	Albert Mugo	9

(Momata Gichana and Millicent Omanga were members of the Committee until October and November 2016 respectively)

Corporate Governance Statement

Ziporah Ndegwa
Chairperson

Report from the Chairperson of the Procurement Oversight Committee

Mandate

The Committee is mandated to review and endorse procurement approvals of the Managing Director & CEO for contract awards for strategic procurements. It also approves annual procurement plans and discusses all the quarterly Procurement reports for submission to the Board. It has the oversight role to ensure compliance to The Public Procurement and Asset Disposal Act 2015.

Membership

Its membership consists of four non-executive directors.

Attendance

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

The Committee held eleven (11) meetings which were attended as follows:

	Name	Attendance
1.	Ziporah Ndegwa	11
2.	Musa Arusei	11
3.	Maurice Nduranu	11
4	Albert Mugo	11

(Millicent Omanga was a member of the Committee until November 2016)

Corporate Governance Statement

Maurice Nduranu
Chairperson

Report from the Chairperson of the Capital Raising Committee

Mandate

The Committee was established to oversee the activities of the Financial Arranger and Advisor in particular, adherence to the terms of reference of the contract signed with KenGen. The Committee in its mandate oversees capital raising activities of the Company including the recently concluded Rights Issue.

Further, the Committee oversees the implementation of the overall investment plan for the PIBO funds, as per the Information Memorandum, Ministerial approvals and asset allocations for cash and cash equivalents with respect to fixed-income securities, and equities. It reviews Management's short term investment recommendations, including permissible types of investments, with respect to uncommitted PIBO funds and advices as necessary.

Effective 1st July 2017 the Finance Committee took over the responsibility of the Capital Raising Committee.

The Committee on a quarterly basis or at such times as required by business volume, reviews the investment performance of the PIBO funds to ensure adequate and competitive returns. It reviews at least semi-annually the repayment of the PIBO funds to ensure the fulfilment of repayment obligation, adequacy of cash flow and factors that may be necessary to monitor. It also monitors on a quarterly basis the Company's key financial ratios and other issues relevant to the PIBO Fund.

Membership

Its membership consists of four non-executive directors.

Attendance

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

	Name	Attendance
1.	Millicent Omanga	2
2.	Joseph Sitati	3
3.	Humphrey Muhu (Alternate to Henry Rotich)	3
4.	Maurice Nduranu	3
5.	Albert Mugo	3

(Millicent Omanga was a member of the Committee until November 2016)

Corporate Governance Statement

Executive Committee (ExCo)

The Managing Director & CEO and all the Divisional Directors makeup the Executive Committee (EXCO). This Committee serves as a link between the Board and Management. ExCo's mandate and responsibility is ensuring compliance with the statutory and regulatory framework, and guidelines and adherence to Company policy and procedures. Its meetings are convened on a weekly basis to discuss strategy formulation and implementation, policy matters and financial performance.

Internal Controls & Risk Management

The Board affirms its responsibility for the Company's system of internal financial control, including taking reasonable steps to ensure that adequate systems are maintained. Effective internal control systems to assess and mitigate risks have been operationalised.

A comprehensive policy on the risk management framework to identify, measure and manage key risks has been put in place by the Board and integrated in the overall management reporting structure. These risks are further demarcated into the Strategic Corporate Risk Matrix which is closely monitored by the Board. The Audit & Risk Management Committee of the Board through its delegated mandate from the Board, regularly reviews the effectiveness of the internal control system. The Head of Internal Audit & Risk Management Department reports directly to the Audit & Risk Management Committee.

Ethics and Code of Conduct

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

The Company conducts its business in compliance with legal principles and high ethical standards of business practice. The Board, Management and employees are required to observe the code and high standards of integrity. Further, these standards are applied in all dealings with customers, suppliers and other stakeholders.

Core Values

Going Concern

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

Engagement with Shareholders

KenGen strives to provide regular and timely information to the shareholders. The interim and annual results are always published in the local daily newspapers. In accordance with Article 137 of the Articles of Association of the Company, the Annual Report & Accounts is posted onto the website: www.

Corporate Governance Statement

kengen.co.ke at least 21 days before the Annual General Meeting (AGM) to ensure that all the shareholders are informed. Further, the Company's website offers a platform for shareholders to access corporate information.

All Directors were able to attend the last AGM held on 30th November 2016 and were available to answer questions from shareholders.

Shareholders Tour

In 2011, the Company launched Shareholders Tours which promote awareness by educating the shareholders on company operations and enabling them to appreciate the value of their investments. To create awareness on the various modes of generation, the 2011 and 2012 Shareholder Tours were held at the Seven Folks and Olkaria Power Stations respectively. The 2016 Shareholder Tour was held on 22nd November 2016 at the Ngong Wind Farm.

Shareholding

In line with the Continuing Obligations for listed companies as prescribed by the Capital Markets Authority and The Nairobi Securities Exchange, KenGen files investor returns on a monthly basis.

TOP TEN SHAREHOLDERS AS AT 30 JUNE 2017

		Number of Shares	%
1	CS - The National Treasury	4,615,424,088	70.0
2	Stanbic Nominees Limited	449,007,889	6.8
3	Stanbic Nominees Limited	186,776,700	2.8
4	Standard Chartered Nominees RESD A/C KE11443	65,634,994	1.0
5	Standard Chartered Nominees RESD A/C KE 11450	64,702,437	1.0
6	Kenya Commercial Bank Nominees Limited A/C 915A	62,914,446	1.0
7	Standard Chartered Nominees RESD A/C 11401	59,767,480	0.9
8	Standard Chartered Nominees Limited A/C 9287P	51,441,300	0.8
9	Standard Chartered Nominees Limited A/C KE 002339	50,000,000	0.8
10	Standard Chartered Nominees Non Resident A/C 9626	26,000,000	0.4
	Sub -Total	**5,631,669,334**	**85.4**
	Other Shareholders	962,853,005	14.6
	Total	**6,594,522,339**	**100.00**

Corporate Governance Statement

DISTRIBUTION OF SHAREHOLDERS

Range	No. of Shareholders	No. of Shares	% Sharehold-ing
1 - 500	81,155	19,713,077	0.3%
501 - 1,000	35,096	27,950,119	0.4%
1,001 - 5,000	50,375	112,140,464	1.7%
5,001 - 10,000	17,092	114,752,977	1.7%
10,001 - 50,000	6,609	131,566,930	2.0%
50,001 - 100,000	693	48,421,146	0.7%
100,001 - 500,000	459	96,618,383	1.5%
500,001 - 1,000,000	70	48,840,459	0.7%
Above 1,000,000	106	5,994,518,784	90.9%
Total	**191,655**	**6,594,522,339**	**100.00**

INVESTOR POOLS

	No. of Shareholders	No. of Shares	% Sharehold-ing
Local Institutions	8,003	5,124,588,912	77.7%
Local Individuals	182,654	586,926,249	8.9%
Foreign Investors	998	883,007,178	13.4%
Total	**191,655**	**6,594,522,339**	**100.00%**

Drilling Rig

The MD & CEO Mrs. Miano, former Board Member Ms. Omanga with employees at a Pink Energy Forum held at the KenGen Head Office, Nairobi

Our Performance

Business Performance Report

3.2 Government of Kenya Performance Contract Report 2016/17

KenGen has signed a performance agreement with the Government of Kenya as a demonstration of its commitment to service delivery. This performance contract has been freely negotiated and agreed upon with the Government of Kenya and outlines deliverables and measures of success for the year 2017. This contract aims at enhancing transparency in the management of public resources and accountability for results in line with the Constitution.

FINANCE STEWARDSHIP AND FISCAL DISCIPLINE

1. Absorption of Allocated Funds

During the contract period, KenGen absorbed and utilised Kshs. 34.101 billion in the implementation of capacity projects.

2. Absorption of Externally Mobilised Resources

During the contract period, KenGen absorbed Kshs. 11.3 billion of the targeted Kshs. 14.6 billion, which represents 77% of the target pegged on project disbursement schedules in tandem with project timelines.

3. Appropriations-in-Aid (AIA)

During the contract period, KenGen realised a total of Kshs. 165.970 million from A-I-A against a target of Kshs. 92.897 million.

4. Pending Bills

As at 30 June 2017, KenGen had no pending bills as they had all been cleared.

5. Compliance with PFM Act and Treasury Circulars

KenGen adhered to the Public Finance Management Act (PFM) and related regulations as well as Treasury Circulars issued from time to time. Under the PFM Act, KenGen prepared and submitted the following reports as per time frames:

a) KenGen submitted all the quarterly Financial Programme Performance reports to the Ministry of Energy and Petroleum.

b) KenGen submitted its budget to the National Treasury through the Ministry of Energy and Petroleum by 31st October 2016;

c) KenGen submitted its Annual Procurement Plan by 31st July 2016; and

d) Annual work plan and Cash flow projections were prepared and submitted by 31st July 2016.

A. CORE MANDATE

6. Pre-Tax Profit

The pre-tax profit target was met.

7. Return on Investment (ROI)

Return on investment target was met.

8. Dividend to Treasury

KenGen share price has continued to report decent capital gains, and the board is of the view that re-investment of the cash generated in the project pipeline reperesents better value for shareholders. Consequently, the board does not recommend payment of dividend.

9. Capacity Addition

The Board delivered an additional capacity of 10MW from Wellheads within the reporting period, raising the total installed capacity to 1,631MW.

10. Access to New Geothermal Fields

KenGen sought through the Ministry of Energy and Petroleum the allocation of two new geothermal licences to increase the Company's sustainable energy footprint.

11. Vision 2030 Flagship Projects

KenGen is undertaking six (6) Vision 2030 Delivery Projects, with 10MW commissioned in the reporting period and a total additional capacity of 721MW, to be implemented by the year 2020.

12. Project Completion Rate

The Board has implemented generation capacity expansion

Business Performance Report

projects to meet the forecasted power demand. The 100% completion target is based on milestones to be achieved within the contract period.

13. Capacity Utilization / Plant Availability

KenGen's plant availabilities are based on threshold targets. The targets are in harmony with industry practice that provides for planned and unforeseen machine outage and are as per the signed Power Purchase Agreements (PPA) with the off-taker – Kenya Power. The average availabilities for the contarctingh period were achieved.

14. Ease of Doing Business

KenGen has contributed to the ease of doing business through participation in initiatives geared towards making electricity tariffs competitive. To this end, the company participated in the 6th power sector Cost of Service Study to evaluate the financial obligations and requirements that inform future cost reflective tarrifs.

15. Catchment Area Conservation

a) KenGen supported and participated in catchment conservation for Tana and Sondu Miriu through re-afforestation by:-

b) Sensitising catchment area communities on the importance of catchment area conservation and reforestation; In Eastern Hydros, community members were engaged by a contractor in planting trees at Kindaruma Dam Buffer zone. As a result, KenGen won the First Ladies Conservation Award (Government Agency Category). KenGen also contributed to the Green Initiative Campaign (GIC) phase III, in which distribution of tree seedling covered 100% of the participating schools in 17 days in March.

c) Unlimited giveaway of tree seedlings to the catchment communities for tree planting and reforestation. A total of 161,177 tree seedlings were issued to individuals and institutions. KenGen also participated in the World Environment day on 5th June where 700 tree seedlings were distributed to Egerton University-

B. IMPLEMENTATION OF PRESIDENTIAL DIRECTIVES

16. Implementation of Presidential Directives

During the contract period, KenGen implemented all Presidential directives, circulars and executive orders issued and relevant to its mandate issued by 31st May 2017.

C. MINIMUM 30% OF PROCUREMENT BUDGET DEDICATED TO YOUTH, WOMEN AND PEOPLE WITH DISABILITIES THROUGH ACCESS TO GOVERNMENT PROCUREMENT OPPORTUNITIES

17. Minimum 30% of all procurement budget dedicated to youth, women and people with disabilities through access to Government procurement opportunities (AGPO)

a) Total procurement taken up by the target group was Kshs. 730.59 million. To overcome challenges in absorption, KenGen rolled out sensitization forums in Mombasa, Kisumu, Nairobi, Nyeri, Embu, Nakuru and Naivasha in September and October. This increased the data base from an initial seven hundred (700) to two thousand five hundred and seventy two (2,572) firms. The forum touched on government procurement procedures, local purchase orders (LPO) financing, requirements for accessing government procurement opportunities in KenGen.

Business Performance Report

D. MINIMUM 40% OF PROCUREMENT BUDGET DEDICATED TO LOCALLY PRODUCED GOODS AND SERVICES (BUY KENYA, BUILD KENYA)

18. Minimum 40% of all Procurement Budget dedicated to locally produced goods and services (Buy Kenya Build Kenya)

KenGen promotes the Buy Kenya, Build Kenya policy in a bid to ensure 40% of the procurement budget, based on internally generated funds is on local products and services. The company is working towards incorporating the requirement into its tender documents.

E. CROSS-CUTTING INITIATIVES

19. Customer Satisfaction

During the Contract period, the Board carried out a baseline survey to identify satisfaction index levels using an independent consultant. The recommendations that were contained in the report will be implemented during the next Performance Contracting cycle. The survey sought a response from a variety of stakeholders including government representatives, local and international suppliers, money market stakeholders, internal publics and communities around KenGen installations.

20. Service Delivery Innovations Application / Implementation (100%)

KenGen has and is implementing the following innovations:

d) CAPEX optimization aimed at reducing the overall project costs
e) Replacing all non-energy saving electric lamps with Light Emitting Diodes (LED) lighting in the company. The Company has already started installing LED lighting.
f) Operational Expenditure (OpEx) priority initiatives work plan implemented with a focus on enhancing plants availability at reduced costs.

21. Resolution of Public Complaints

The Company ensured prompt resolution of public complaints referred directly or channelled through the Commission on Administrative Justice (CAJ). During the period, the company strengthened the resolution handling capacity in the organization; developed complaints-handling procedures, implemented the Citizens' Service Delivery Charter, conducted capacity building for complaints-handling officers and staff and created awareness on existence of complaints-handling mechanism in KenGen.

22. ISO Certification/Accreditation

In compliance with the standards stipulated for the mainatenance of certification status, KenGen undertook two internal and one external surveillance audits as well as two corporate management reviews for continuity and relevance of ISO. The company is migrating to a new ISO 2015 standards.

23. Automation

The Company continues to utilize ICT to enhance efficiency through increased automation. During the year, the Company embarked on the implementation of 'Mwangaza' project, an enhancement Enterprise Resource Programme (ERP) that will enable complete integration of corporate functions. Some of the features of the programmes include a supplier relationship module that allows suppliers to transparently transact with the business online. These automation tools will enhance governance.

The Company has kept pace with developments in Information and Communication Technology (ICT), which was aimed at increasing the accumulated automation from 62.5% to 65.0% .

24. Asset Management

KenGen has continued to make the best use of equipment, machinery, tools, and buildings to maximize value. This has been done through:

a) Inventory Management:
The Company has an automated system (SAP) for maintaining and controlling the company's inventory. As at 30 June 2017, our asset book value was Kshs. 377 billion.

b) Repairs

Activities geared towards restoring assets, equipment and tools to usable condition after damage or wear has been expedited. An automated system has been utilised to capture status of all work-orders.

c) Disposal of Idle Assets :

Disposal at KenGen is done in full conformity with the Environmental Management Act and Public Procurement and Asset Disposal Act 2015.

25. Youth Internship / Industrial Attachment / Apprenticeship

KenGen progressively involved youth in internship and industrial attachments. During the contract period, a total of 1,144 youths benefited from skills transfer.

26. Compliance with the Constitution and Other Statutory Obligations

The Board oversees the implementation to ensure compliance to the Constitution of Kenya.

	PARAMETER	IMPLEMENTATION INITIATIVES PROGRESS BY JUNE 2017
a.	Public Procurement and Asset Disposal Act 2015	➢ KenGen developed the procurement plan, presented it to Public Procurement Regulatory Authority (PPRA) and is adhering to it. ➢ KenGen has been enhancing e-procurement by implementing Supplier Relationship Module. ➢ KenGen has been submitting statutory procurement reports to PPRA.
b.	Remittance of statutory deductions	➢ KenGen remitted its statutory taxes such as PAYE, VAT as required. ➢ NSSF, NHIF and WCPS contributions were remitted in time. ➢ Repayment of Higher Education Loans Board dues was undertaken
c.	Environmental Sustainability	➢ KenGen complied with Environmental Management and Coordination Act (EMCA) and submitted 2015/16 Environmental Sustainability Audit Report in compliance with EMCA-1999 by 31st December 2016 ➢ KenGen established and trained the environmental sustainability committee. ➢ KenGen submitted its quarterly reports to NEMA on implementation of recommendations.
e.	Remit payments to National Industrial Training Authority (NITA)	Remittance of statutory payments to National Industrial Training Authority (NITA) was undertaken
f.	Disability Mainstreaming	➢ KenGen aims to ensure 5% of all employees are persons with disabilities (PWDs). KenGen has categorised data of PWDs by age, gender and form of disability. ➢ The Company has undertaken physical improvements of public facilities to ensure accessibility. An accessibility audit is to be conducted. ➢ Certificate from National Council for Persons with Disabilities will be collected once it is ready.
g.	Gender Mainstreaming	➢ KenGen implements the Government policy on gender mainstreaming. ➢ KenGen is implementing the one third rule on Company appointments, promotions and employment. The Pink Energy Women's Forum was formed across the company to promote gender mainstreaming.

Business Performance Report

	PARAMETER	IMPLEMENTATION INITIATIVES PROGRESS BY JUNE 2017
g.	Gender Mainstreaming	• KenGen implements the Government policy on gender mainstreaming. • KenGen is implementing the one third rule on Company appointments, promotions and employment. The Pink Energy Women's Forum was formed across the company to promote gender mainstreaming. • Certificate from National Gender and Equality Commission will be collected once it is ready.

27. Competency Development

KenGen implemented activities for systematic enhancement of skills and proficiencies to address employee career progression and improve institutional performance:

a) Skills and competence needs assessment and intervention programmes ensured 2,472 employees were trained.
b) Performance parameters were developed and appraisal done.

28. Knowledge Management

KenGen ensures organisational knowledge is captured, developed, shared and effectively used. Knowledge has been documented with appropriate communication channels for storage and transfer.

29. Work Environment

A work environment survey was carried out in all the stations in March to assess the progress made in. The dissemination and implementation of recommendations will be done in the next financial year.

30. Prevention of Alcohol and Drug Abuse (ADA)

Individual workers with ADA related problems were identified, assessed, counselled amd reffered for treatment and rehabilitation under the Employee Assistance Programme (EAP). The ADA work place policy was implemented using peer educators to address the issues of preventive education, referral for treatment and rehabilitation, psycho-social support, acquisition and dissemination of behaviour change materials to address denial and stigma associated with alcohol and drug dependence.

31. Prevention of HIV/AIDS Infections

The Company implemented HIV/AIDS programs based on the objectives of the Kenya AIDS Framework.

32. Safety and Security Measures

The Company enhanced safety and security by holding safety and awareness sessions as well as fire and terrorism drills in operational areas.

33. Pension Management

The Company continued to undertake the following:
a) Automation for the pension process has been done;
b) Pre-retirement training for 56 staff leaving in 2017;
c) KenGen, through the KenGen Retirement Benefit Scheme, has implemented post-retirement medical scheme

34. Corruption Eradication

The Company is committed to combating and prevent ing corruption, unethical practices and promoting best practices in governance in line with the Ethics and Anti-Corruption Commission Act No. 22 of 2011 and Leadership and Integrity Act 2012. The following corruption prevention measures were undertaken:

a) Quarterly reports on Commission on Revenue Allocation (CRA) & (CMP) implementation were submitted to EACC;
b) Promoted high standards of Ethical Culture by opening gift registers, conflict of interest forms and aligned code of ethics with the Leadership & Integrity Act;
c) Built capacities on corruption prevention, ethics and integrity by appointing 23 more Integrity Assurance Officers.

d) Implemented internal mechanisms to encourage and protect whistle blowing on corruption and unethical conduct by operationalising Anonymous Tip Off system in the company.

35. Mwongozo Code of Conduct

The Company complied with the Mwongozo Code of Governance through the provision of periodic reports to State Corporations Advisory Committee (SCAC) on critical governance issues including; governance audits, legal audits, board self-evaluation and corporate risks.

36. Promote Realization of National Cohesion and Values

KenGen continued to promote national values and principles of governance aimed at creating a peaceful and cohesive nation. This has been achieved through:

a) Identification and recognition of national values champions in all operational areas to act as focal persons;

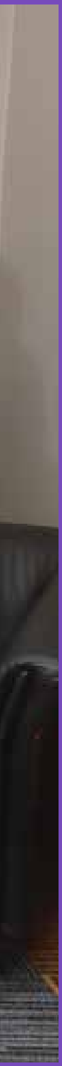
b) Implementation of actions to hold staff to account by following HR disciplinary procedures and leadership & integrity policy for violating national values and principles of governance;

c) Enhancing staff and stakeholder awareness of national values and principles of governance through the development of relevant Information, Education and Communication materials;

37. President's Annual Report on National Values and Principles of Governance

KenGen implemented commitments in the Presidential Annual Report on national values and principles of governance

Former MD & CEO signing a contract



Our Strategic Direction

SEATED - LEFT TO RIGHT

1 Moses Wekesa
2 Rebecca Miano
3 Abel Rotich
4 Abraham Serem

STANDING - LEFT TO RIGHT

1 David Muthike
2 Phillip Yego
3 Solomon Kariuki
4 David Mwangi
5 John Mudany
6 Simon Ngure

Our Plan

Start of the Transformation Journey

In 2007, KenGen developed a Transformation Strategy with a goal of tripling its power generation capacity by year 2018. The Strategy, christened Good-to-Great from Generation-to-Generation (G2G) is a twin-themed philosophical approach envisaged to propel the Company to achieve its ten-year plan.

To support the philosophy, a strategic temple with three core pillars: Capital Planning and Execution; Regulatory Management and Operational Excellence anchored on organizational health was developed. To execute the strategy, 15 focus areas were identified and broken down into major transformation initiatives and detailed activities. A decade later, major achievements have been made.

In the Capital Planning and Execution pillar, KenGen delivered more than 700MW of new capacity, drilled more than 150 geothermal wells against a target of 100, and advanced 1,900MW of projects past feasibility stage (against a target of 1,500MW by 2018).

With regards to regulatory management, KenGen raised regulated return on equity (ROE) from 10.5 to 12.5%, created a regulatory unit, and reduced dispatch risk through capacity power purchase agreements (PPAs).

In the operational Excellence pillar, KenGen improved return on invested capital from 4.7% in FY2011 to 6.5% in FY2017

Changes Requiring Attention

Our sector has undergone a number of significant changes over the last decade. The new constitution (including a shift to devolved county governments) introduced new institutions like the Energy Regulatory Commission and County governments.

The Government's ambitious Vision 2030 plan catalysed a string of investments and projected a significant increase in energy demand. At the same time – supported by the devolution process – community and other stakeholder demands have become more challenging.

Liberalization of the power sector as well as the partial privatisation of KenGen and other public utilities provided opportunity for independent power producers (IPPs) to participate in the power sector as strong competitors.

Apart from geothermal resources, deposits of oil and gas have been discovered in Northern Kenya and at the coast. While these deposits have not yet been commercially developed, there are projects at the planning stage, and the confirmations of the reserves could lead to a shortage in drilling resources.

Overall, these changes have led to a situation in whch KenGen has to continuously position itself as the market leader in power generation and the preferred power supplier in Kenya. To respond to the pressure from stakeholders and increase in competition, KenGen revamped its G2G Horizon II strategy.

Revamping Horizon II

The G2G transformation strategy was intended to be implemented across three horizons ending in 2030. Horizon I came to an end in 2012 with the stabilization of the power situation in the country and injection of more than 325MW into the national grid.

In response to the developments in the operating environment, the Company has revamped its strategy for the second Horizon running between 2016 and 2025. Beyond 2025, the third horizon will explore expansion opportunities beyond Kenya, establish a strong African presence and become a leader in technology and innovation.

The Company had to look back through the journey travelled over a decade of transformation and review the pitfalls and challenges encountered, build on the lessons learnt and re-energise for Horizon II to meet aspirations for the next decade.

Horizon II Aspirations

The Company's aspirations for the next 10 years are aligned to Government objectives. The three key aspirations are;

- Increase capacity – by 2,500MW by 2025 and remain a key player with more than 50% market share.
- Shareholder value creation – creating value for shareholders by providing adequate return through the delivery of a return on invested Capital [ROIC] as well as project internal rate of return [IRRs] above market expectations.
- Supplying affordable electricity from renewable sources.

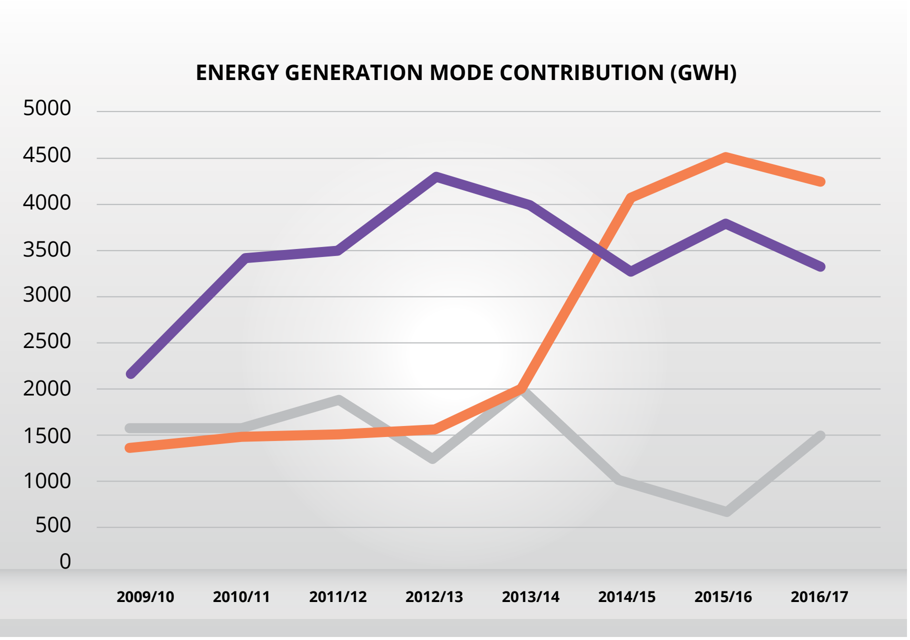
Key Priority initiatives were identified to fast track the achievement of Horizon II aspirations to enable the successful implementation of the strategy. These initiatives are:

(i) Improving return on current plants by optimising and reducing operational and maintenance costs
(ii) Optimising CAPEX for future projects and timely delivery of new projects
(iii) Improving PPAs/tariff regulation to increase profitability of future projects
(iv) Pursuing new financing approaches like equity partnerships in new projects, asset monetisation of existing plants or asset backed securities
(v) Establishing new legal structures to execute and finance projects such as KenGen B special purpose vehicles and the KenGen C consulting business,
(vi) Delivering current pipeline and accessing new geothermal fields.

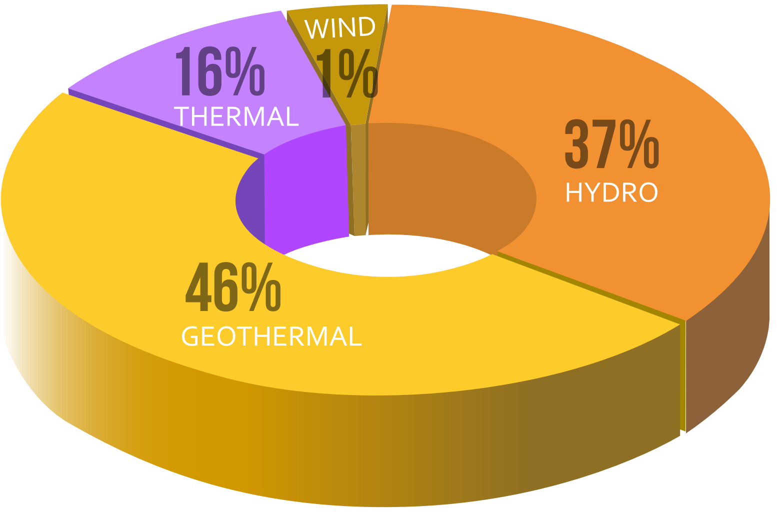
CAPEX OPTIMISATION PROCESS

Growing Our Business

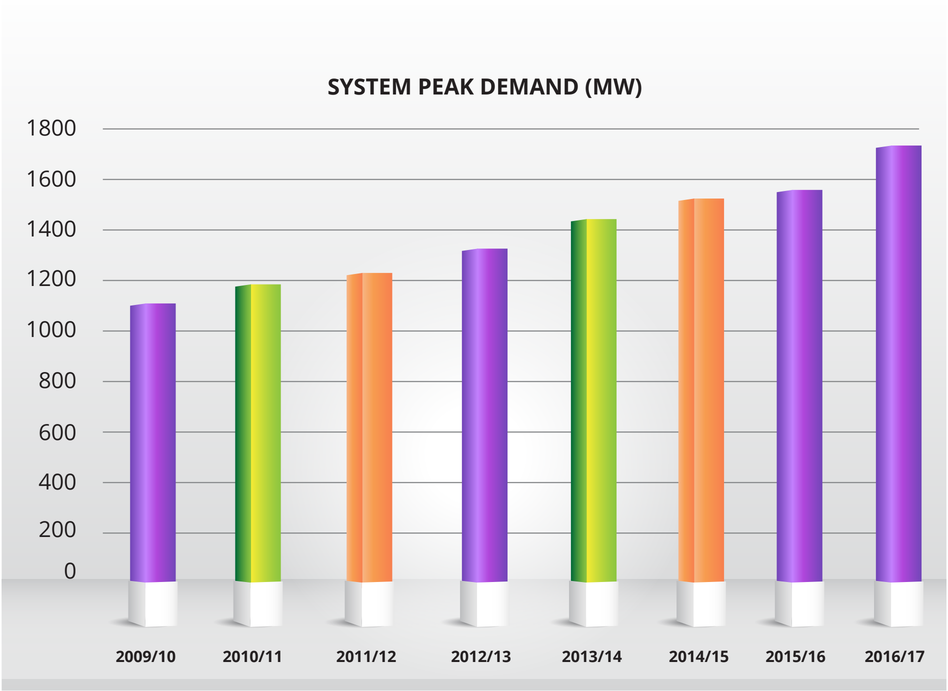
Geothermal Energy contributed the highest to the total electrical energy consumed in the year. The country experienced poor hydrology that led to the shutting down of Masinga power plant and opening of the low level outlet. This led to increased generation from thermal plants. Hydro acted as peaking plants and a good source of primary spinning reserve.



2016/2017 ENERGY GENERATION CONTRIBUTION BY MODE



Growing Our Business



Generation Capacity Expansion

The capacity expansion strategy aims at creating sustainable power growth in the Country. The priority areas are; to deliver optimal future projects on time and minimum budget, establish a sufficient reserve margin and optimize project portfolio.

The Company plans to introduce solar energy to enrich its energy mix. The previous high capital costs associated with solar Photovoltaic (PV) plants and limited experience in utility scale solar technology prevented KenGen from diversifying into this mode of generation. The cost of solar PV has reduced due to technological advancement and increased number of players in the market. Kenya lies on the equator with good solar irradiation, making investment in solar of generation viable.

KenGen has engaged a Consultant to undertake a feasibility study for a pilot 40MW Solar PV project at the Seven Forks, whose solar data is above the commercial threshold. Other new feasibility studies being considered are pumped-hydro storage and floating solar panels in hydro reservoirs.

KenGen's aspiration is to remain the main player in the market, and retain at least a 50% share. In the next ten years, we will strengthen our market position by investing Kshs. 1 trillion on new generation capacity to power industrialization in the country. The source of this new capacity will be:

- 2,029MW- Geothermal
- 410MW-Wind
- 90MW-Hydro
- 40MW-Solar Photovoltaic

Growing Our Business

New Financing Approaches

KenGen is exploring new financing approaches to meet the growing power demand in the country. The Company is assessing various options including Public Private Partnerships (PPP), asset monetization, asset backed securities and refinancing of costly facilities.

The proposed Olkaria VI, 140MW has been identified as the pilot PPP project and the Company is undertaking a feasibility study to determine its viability. The project has been approved by the National Treasury PPP Unit and the feasibility study is financed by the World Bank.

New Business

To grow revenue and maximize shareholders value, the Company is diversifying its business portfolio by introducing non-generation projects. A new business function has been established to:

- Harness investment opportunities;
- Evaluate the opportunities with a focus on strategic priorities;
- Develop business proposals and marketing to potential investors;
- Ensure the alignment of new business investments with Company strategic goals.

Several innovative concepts have been considered for implementation:

KenGen Industrial Park

The industrial park concept has been identified as one of the target areas to steer economic growth in Kenya's vision 2030 economic pillar. The proposed Industrial park will be the centre of growth and innovation that will support local growth and contribute to the development of the national economy. The Industrial park shall boost electricity demand growth in the Country and provide new revenue streams for KenGen through the sale of electricity, brine, and steam.

The feasibility study and the master plan for the Industrial park was successfully completed during the year and the Company has already started to engaget potential investors.

Gitaru Drinking Water Plant

During the year, we commissioned a drinking water bottling plant in Gitaru Power Station in the Seven Forks. The water is supplied to KenGen offices and has significantly reduced costs associated with supply of drinking water by commercial vendors. KenGen plans to replicate it in other areas and commercialize the water business.

Other innovative non generation projects being pursued include:

- Olkaria housing project
- Consultancy services
- Drilling services
- Civil engineering materials testing laboratory

Powering from the Earth

Geothermal Energy is arguably the greatest gift from God to the energy industry. KenGen has therefore embarked on a strategic plan to develop geothermal energy a resource available to few countries in the world.

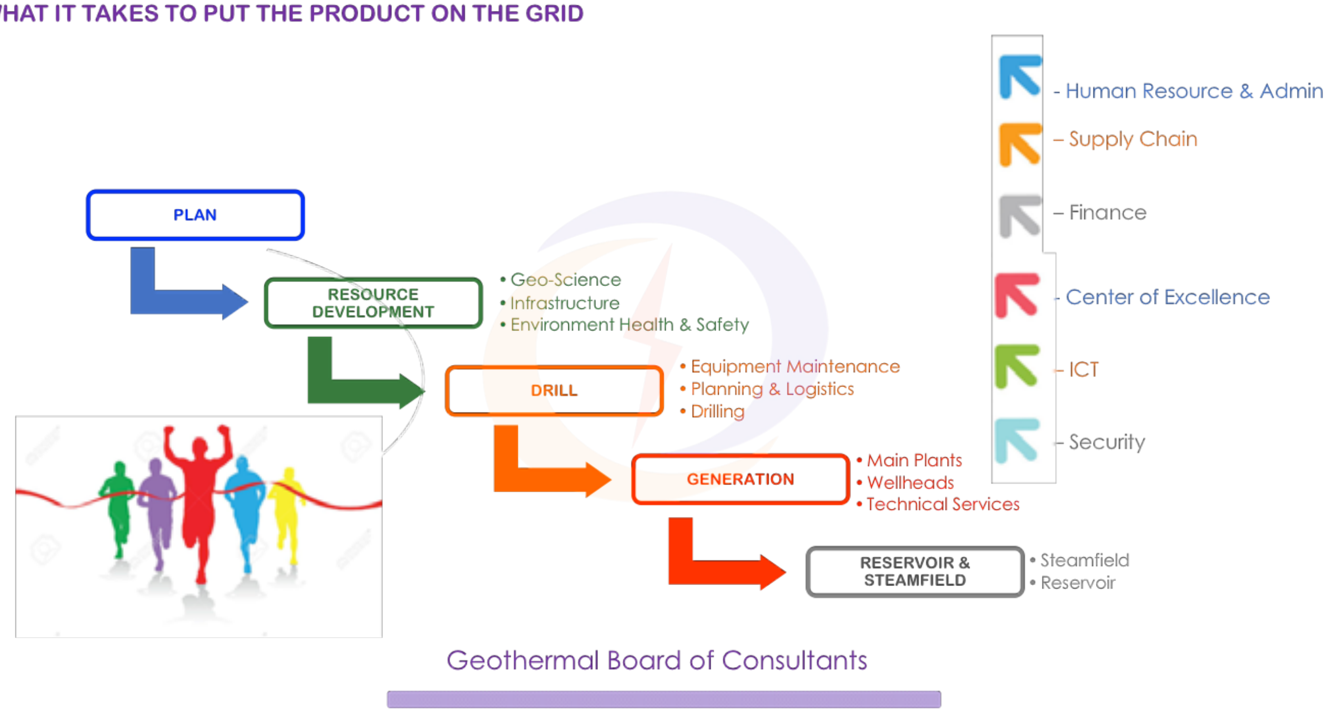
Geothermal energy development is all about tapping the hot fluid from the deep reservoir at a depth of 3,000M to 3,500M and channelling it to geothermal power houses to turn steam turbines and generate electricity, which gets to the Kenyan people via the grid network.

To achieve this, a specialized team with a diverse skillset meticulously executes the process to ensure positive results at the lowest cost and shortest time. The team, is comprised of Project Planning experts, geoscientists, infrastructure engineers, environment, health & safety specialists, drilling engineers, logistic experts, equipment maintenance engineers, plant operation engineers and reservoir & steamfield engineers.

To guide its elaborate and ambitious plan, KenGen has appointed a group of world renowned experts on the various fields of geothermal energy development to give advice on our processes based on their wealth of experience. This group of experts is referred to as the Geothermal board of consultants who constantly review geothermal information and guide in quality decision making to ensure effort is made towards powering a sustainable future in the most affordable way possible.

This knowledge transfer has built our capacities and positioned KenGen as the leading geothermal developer and consultant in Africa.

WHAT IT TAKES TO PUT THE PRODUCT ON THE GRID



Powering from the Earth

Among our greatest achievements is the delivery of a 30MW well which significantly drives efficiency targeting improvement in margins through savings from the cost of drilling more wells for steam as well as the steamfield connection costs.

This year, we are pleased to report a strong set of geothermal electricity dispatch results inline with our strategic objectives set out in 2016.

Through our significant investment in human capital, technology and process redesign, we not only delivered on greater cost efficiency in running our operations but also on record plant availabilities through enhanced ability to detect and prevent forced outages while resolving them within the shortest time possible.

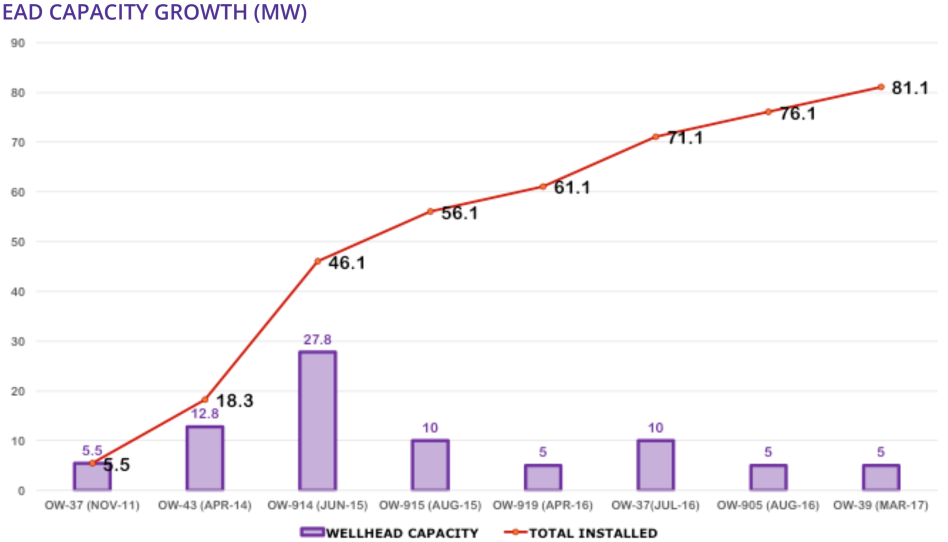
During the year, we additionally delivered on yet another strategic objectives that we set out to diversify revenue streams which translates to enhanced shareholder value

Powering from the Earth

The ground breaking of Olkaria V power plant and the commissioning of the 75MW wellhead plants this year was graced by the Head of State in a hallmark event for the company and the geothermal fraternity at KenGen is renowned champion of the wellhead innovation technology.

The wellhead journey commenced in November 2011 and has steadfastly improved to become efficient to delivering the desired objective.

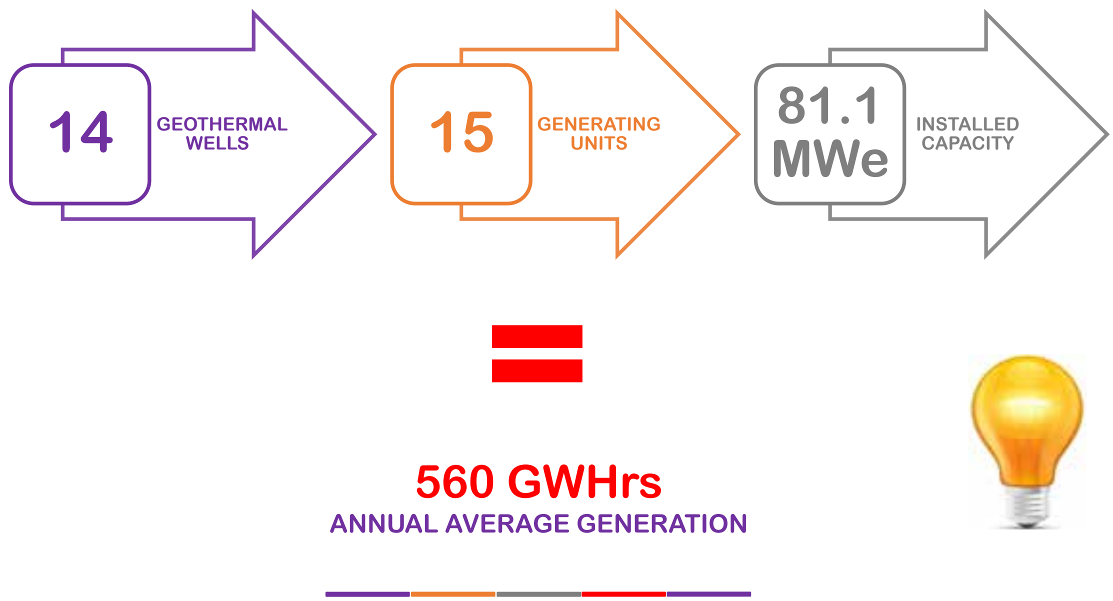
WELLHEAD CAPACITY GROWTH (MW)



Powering from the Earth

The wellheads, through its early generation benefit cuts down lead times in converting geothermal energy from the well to the conventional power plants; a major benefit in reducing working capital.

OLKARIA WELLHEADS



The momentum is expected to get better with the traction we have employed to foster the geothermal development agenda.

Regulatory Focus

KenGen operates in a competitive, yet highly regulated environment which calls for a prudent and deliberate approach to structuring long term agreements to guarantee stability of revenue. Commercial agreements are negotiated with our single largest customer Kenya Power, and approved by the Energy Regulatory Commission (ERC). The Government, through the Ministry of Energy & Petroleum (MOEP) performs an oversight role in the implementation of agreement which run between 15-25 years.

The objective of the long-term agreements is to guarantee a pre-determined revenue flow. This assures investors of a return on their investment over the life of the plant.

Securing Earnings

The Company is investing resources to ensure all Power Purchase Agreements PPAs are structured to secure earnings over the long-term.

KenGen continuously monitors and evaluates the agreements to ensure that they are aligned to the international best practices. Reviews are done periodically to:

i. Identify gaps and opportunities;
ii. Evaluate the structural and capacity needs in the management of PPA's
iii. Identify emerging trends in PPA's for geothermal, wind, solar and hydro resources for future power plants.
iv. Sensitise key stakeholders on emerging requirements with the aim of improving the regulatory environment.

Forward PPAs

Management of Current PPAs

KenGen is an agile customer-centric power generating company. Our customer, expressed the need for grid stability in the western region which had been experiencing intermittent power volatility due to inadequate reactive power. Towards this end, we plan to relocate our 30MW gas turbine from Embakasi to Muhoroni to stabilize energy supply in the region.

We have obtained approval for an extension of the PPA for Olkaria I 45MW, guaranteeing revenues for the next three years.

Other PPAs lined up for negotiation are: Olkaria I Unit 6, Olkaria I Rehabilitation and Meru Wind (Phase I)

Evolving Issues Relating to PPAs

The Company is lobbying power sector players to set up a hydro risk mitigation fund (HRMF) to cushion the sector against hydrology risk associated with frequent droughts due to Climate Change.

KenGen is also working with other stakeholders to address issues of mutual interest including tariff rationalization, demand growth, power transmission line constraints and entrance of new power suppliers in the market.

Community Engagement and Change in Law

Aware of the changing socio economic demands, the Company continues to explore ways of providing a competitive value for shareholders while taking into account requirements of other stakeholders. This is also taken into consideration during the development structuring of the power tariffs to ensure business sustainability.

Sustaining the Business

Operational Excellence

At KenGen, we pride ourselves in excellence in every aspect of our work. Operational excellence is recognized and appreciated as one of the cornerstones and key pillars of the company's exemplary and enviable success story. Excellence permeates every facet of operations. It is undeniably and irresistibly part of our culture. The high standards of operations and system maintenance enable the company to not only meet but exceed customer expectations and preserve its assets without compromising safety.

We set high performance standards in every area ranging from power plants to all functions within the company for accountability purposes. The company continues to achieve operational excellence through a commitment to continual improvement and best practice as exemplified by key performance measures such as high plant availability, optimized operating and maintenance costs, investment in capacity building and commitment to a culture of innovation

Competitive Environment

KenGen is currently operating in an environment that is competitive and demanding. We are cognizant of the fact that the entry of independent power producers is impacting our market share. KenGen recognizes that today's stakeholders expect quality power generated using sustainable and environmental friendly sources, processes and systems. We are proud to report that we continue to meet stringent conditions due to the integration of operational excellence into our business strategy. The fact that we remain market leaders and energy providers of choice is a testament to the continuing fulfilment of the demanding requirements of our stakeholders. The realization of these benefits is continually made possible by highly motivated, skilled, innovative and competent workforce ready to contribute positively and work as a team while sharing best practices to grow and drive the company to higher heights of achievement.

The Company's quest for improved performance and continual improvement coupled with the demands of the increasingly competitive business environment necessitated the review of the operational strategy that had served the company brilliantly and so well for the last decade.

Revitalising the Operational Strategy (2015-2025)

KenGen recognises that the adoption of excellence in all its operations differentiates it from other players and makes it attractive to investors. This practice ensures high plant availability while optimising operational and maintenance costs thereby enhancing profitability.

Continued appreciation of the value of operational excellence to the business triggered the revitalisation of the strategy to address emerging business challenges and embrace best practice. Some of the challenges that informed the revitalisation were increasing regionalisation, new competing modes of generation and continuously evolving regulatory regime, a revised grid code and changing stakeholder demands.

Our strategy focuses on optimising operating and maintenance costs and increasing availability for all power plants. Plant availability is a key source of revenue since most of the major plants run on capacity-based power purchase agreements. High availability for energy-based power plants equally translating to high revenues from increased sales. For sustained profitability we therefore require both high plant availability and lower operational costs.

Summary of key strategic initiatives of the revamped strategy:

- Improve Plant Operational and Maintenance Efficiency (Cost Optimization)
- Improve Wrench Time
- Acquire Modern Tools
- Optimize Work Order Process
- Review Maintenance Strategy

- Reduce lead time on acquisition of critical spares
- Identify main causes of forced outages
- Enhance Condition Based Monitoring (CBM)
- Improve Plant Operations
- Autonomous Maintenance
- Capacity Building
- Timely Management Decision Making

- Optimise Capital Expenditure (CAPEX) planning and execution for rehabilitation and upgrade projects

- Prioritize Projects by Order of Value Creation
- Enhance Tender Preparation Process
- Enhance Project Implementation Team

- Update Spare Inventory with Uniform Coding System
- Harmonize Spare Coding in Various Stores
- Develop a system of storing uncoded and non-stock items
- Stock of current uncoded spares
- Review Organizational Structure and Establishment
- Improve Work Culture
- Succession Planning
- Well-Defined and optimized organization structure

Uptake and Implementation of the Revitalised Operational Strategy

There has been an enthusiastic and seamless uptake of the strategy by employees due to their involvement and ownership in its development. For structured implementation and accountability, a team comprising representatives from all operational areas was formed to lead and spearhead the strategy. This team was dubbed "MOST"- Maintenance and Operations Strategy Team.

Implementation is phased to ensure maximum focus is accorded to each strategic element for optimal impact and limit budget overruns. Key activities already conducted towards implementation include:

- Staff sensitization and formation of the Maintenance and Operations Strategy Team - "MOST"
- Tana Power Station identified as the pilot station for Condition Based Maintenance Monitoring (CBM)
- Identification of a the best practice company to assist with the implementation of CBM on a pilot basis
- Implementation of SMED involving identification of areas in the stations to maximize plant availability
- Constitution of area teams to identify modern tools required
- Identification and recording modern tools required
- Planning and staggering the acquisition in phases
- Prepare tender documents for the modern tools to be acquired in phase 1
- Review constitution of teams and distinguish between protection/instrumentation and electrical plant teams
- Implementation of performance dialogue during maintenance work
- Reviewing Jobs undertaken during each planned outage to reduce time taken
- Reviewing preparation strategy for planned outages including manpower, tools, spares and logistics
- Formation of a central repository for maintenance work reports.

System Optimisation

In the past, the country has faced frequent power blackout as a result of systemic challenges. As a result a multi-agency State-of-the-Power-System Committee was formed to address the challenge and other issues affecting the provision of power to Kenyans. The multi-agency committee representation is drawn from the Ministry of Energy and Petroleum, Energy Regulatory Commission (ERC), KenGen, Kenya Power and Kenya Electricity Transmission Company (KETRACO). KenGen was at the forefront in the establishment of the committee to facilitate coordinated resolution of industry challenges and the sharing of best practice for the greater good of the nation.

Sustaining the Business

One of the key resolutions of the committee was to review all system control and protection systems to ensure a co-ordinated response and confirm adequacy of parameter settings.

KenGen achieved its assigned role in the stabilization of the system through the optimization of the settings of the control governors and excitation systems of generating plant plans and with the associated protection systems. Kenya Power and KETRACO were equally able to adjust transmission and distribution system parameters to facilitate correct coordinated response and guard against for nationwide blackouts. System restoration plans were reviewed to facilitate faster enactment following unavoidable blackouts.

System optimization continues to be implemented collectively to ensure a stable grid and facilitate the provision of quality, reliable and affordable electricity and services stakeholders. We continue to embrace and cultivate this spirit of cooperation which is not only beneficial to all the sector players but the nation as a whole.

Grid Code Review and Compliance Evaluation

During the year, the company participated in the launching of the new grid code. The official launch was a culmination of a sector-wide review of the old grid code. The new grid code clearly defines roles and responsibilities of the sector players. At a minimum, the new grid code captures the following:

- Connection requirements for generator owners
- Minimum technical requirements for control and protection systems for generators, transmission and distribution systems
- Compensation for the provision of ancillary services such as spinning reserve and black-start capability
- Minimum technical capability of the renewable technology to ensure system stability

As the major player in the generation portfolio, KenGen meets the bulk of spinning reserve requirements and reactive power support to stabilise system voltages and ensure integrity. The company also provides black-start capability for system restoration at no extra compensation. However, KenGen will be compensated for the provision of the services under the new grid code.

The company's interests have been addressed and catered for under the new grid code with all the services hitherto rendered free now categorised and recognised as ancillary services. We continue to lobby and shape the regulatory environment to ensure system integrity is maintained and company's interests well served.

Organisational Health

The capabilities and commitment of KenGen staff remains the bedrock of the Company's success. The Company therefore focuses on providing an enabling environment and maintaining a workforce that is well equipped with the knowledge, skills and competencies to propel the business forward. We continue to creatively devise and implement programs and initiatives aimed at grounding the right practices and values while empowering and motivating our employees to deploy their best efforts at work. In so doing, we pursue and promote a culture of excellence in service.

Growing our Human Capital

Performance Management

An assessment of employee contributions to the strategy has continued through an ICT-based performance management system. During the year, the Company introduced an accountability framework to link corporate business performance to individual employee output and ensure objectivity in the assessment. Through a bi-annual evaluation process, the performance management system enables the setting of targets, monitoring and evaluation of deliverables. Employee behaviour is continually monitored to ensure it is supportive of the corporate strategy.

Capacity Building

Our workforce development initiatives are aligned to not only growing our business but providing for sustainability. During the year, the Company adopted a new cost effective strategy of using employees as internal trainers. This provides an opportunity for employees to give back to the company and contribute to its sustainability. The program has been a huge success with 341 employees trained on critical skills to date which is not only cost–effective but gives them an added sense of pride in their abilities and knowledge.

To further promote cost-optimisation, the company prioritised the use of block training programs over open programs as the former provided an opportunity for more employees to benefit from capacity building programmes.

In addition, we continue to empower our people through timely and purposeful training and development programmes delivered through local and international providers. Some 257 training programmes were delivered during the year, is a 51% increase from 170 last year.

The Company's Geothermal Training Centre was designated as one of the Centres of Excellence under the auspices of the Association of Power Utilities in Africa (APUA) to offer training in power and geothermal from member countries.

Internship and Industrial Attachment

The Company offers a six-month Internship and a three-month Industrial attachment programmes to beneficiaries from various institutions of higher learning. During the year, the Company revised its policy on industrial attachment and internship to align it with best practice, thereby offering 49 internships and 1,095 industrial attachments to beneficiaries in various disciplines.

Employee Welfare and Wellness

The Company has continued in its commitment to the health and welfare of its employees through the provision of medical cover, peer support groups and sporting facilities.

Employee health was sustained through an in-house medical scheme that provides medical services to employees and their beneficiaries. This was combined with a vibrant peer education program that promotes better health through group talks and individual intervention. The provision of sporting facilities and participation in intra-company and national tournaments also served to enhance the company's commitment to employee wellness.

In addition, KenGen has negotiated with local financial institutions for the provision of various financial products at affordable interest rates. These include a Company – funded mortgage and car scheme from which 179 employees benefitted during the year.

Fleet & Facilities Management

The Company maintains a fleet of 313 motor vehicles and plant machinery to meet the diverse demands of its operations. Transport requirements are supplemented by other services such as taxis, car hire, rail and air travel. The need for effective coordination of the huge fleet has necessitated the use of information technology and other management systems.

The provision of a conducive work environment continued to be a top priority during the year with the occupation of new offices in KenGen Pensions Plaza 2. Similarly, the completion of the Hydro Plaza is expected in December 2017 will guarantee a healthy and safe workspace for our people.

Growing our Human Capital

Diversity & Inclusivity

The Company seeks to enhance awareness among employees on gender matters with the aim of creating understanding and tolerance for diversity at the workplace. A gender committee was appointed during the year to progress this commitment in line with the provisions of the Government performance contract for the year.

"Pink Energy" Women's Forum

Cognizant of its obligation to support the Government commitment to promote gender parity at the workplace, the Company launched the Pink Energy Women's' forum to promote the welfare of female employees. The forums focuses on three pillars:

- Personal Development – to encourage and assist women to achieve their career aspirations within the organization.
- Work Environment - to promote women-friendly workspaces.
- Gender Awareness – to provide for awareness of gender diversity and promote understanding and inclusivity.

Disability Mainstreaming

The Company's commitment to providing an enabling environment for Persons Living with Disability (PWD) was upheld through the provision of workspaces that are conducive for their use. Towards this end, the company provided access ramps in all operational areas, trained volunteer employees as sign language interpreters to facilitate communication, and established a Disability committee. 22 employees were registered as Persons living with disability during the period.

Governance

The company continued to support and monitor employee compliance with the requirements of professional bodies such as EBK, IEK, ICPAK, IHRM, ICPSK, LSK, KISM, CIPS, PRSK, ISK and ACCA. This is to ensure that our people are professionally licensed to undertake their duties and regularly upskilled.

Industrial Relations

During the year, the company embarked on the negotiation of a collective bargaining agreement with workers representatives. This agreement provided for improved terms and conditions of service for unionisable employees in line with applicable laws and emerging global trends. Industrial harmony was maintained through regular consultations and timely resolution of concerns.

Pension

The Company has remained conscious of its obligation towards the welfare of its employees beyond their active working life. The Company runs both a Defined Benefits Scheme and a Defined Contribution Scheme with a membership that cuts across all cadres of employees.

Career Planning & Succession Management

To guarantee sustainability in the future, the Company embarked on reviewing career frameworks for all job families. This exercise is to ensure that skill and competency requirements for every job in the organization is identified and mapped to ensure strategy delivery.

Growing our Human Capital

KenGen continues to optimize the return on investment through the deployment of capabilities of the current workforce in line with the business plans and requirements. As at 30th June 2017, the company had a workforce of 2,476, distributed as follows:

Employee Statistics	30 June 2017	30 June 2016
Operational	1,494	1,638
Non Operational	982	768
Total	**2,476**	**2,406**
Non Unionisable	1,413	1,397
Union	1,063	1,009
Total	**2,476**	**2,406**
Male	1941	1,947
Female	535	459
Total	**2,476**	**2,406**

G2G workshop presentation

Growing our Human Capital

Leveraging on Technology

The Company, in 2010, upgraded the System Application Product (SAP) with a view of integrate to enhance efficiency and facilitate transition into a world class organization.

Since then, KenGen has consistently walked the system automation journey and is now moving to the latest SAP version with added risk and security management systems. It covers more business domains including project management to improve the project implementation and e-Procurement for tendering, invoicing, payment and supplier management.

This will enhance business warehousing and intelligence while taking the services online to be accessed through internet and mobile apps. The Company has invested on the latest in-memory SAP HANA server infrastructure and disaster recovery solutions. The project is to be completed early 2018.

The Company currently is deploying an integrated state-of-the-art WiFi solution to increase network coverage accessibility to IT systems enhance seamless systems access, ensure system security and improve employee productivity. This mobility strategy is designed to increase employee productivity using office flexibility and promote work-life balance.

We increased wireless reach in the expansive geothermal area through a collaboration venture with a leading mobile provider using GSM and 4G network.

With the additional investment in ICT systems, the Company has deployed mobile devices ICT monitoring and management systems to manage ICT processes and infrastructure as well as ensure that the IT staff are constantly equipped with the necessary education and skills.

Getting Value for Our Money

SUPPLY CHAIN MANAGEMENT

Supply Chain facilitates the acquisition of goods and services required to meet the needs of achieving corporate and strategic objectives through the procurement process, management and development of Suppliers. The procurement (BUYING) process is a distinct role in securing products and materials as a critical integrated component of the supply chain. This integration makes supply chain management a significant cost and value driver in the delivery of the best prices, highest quality, and the best availability of requirements through the development of an agile supply base.

The supply chain management targets have been attained using a legal framework and industry best practices. The basic aim is to improve performance within the chain and increase cash flow as the main driver of Shareholder value is a crucial engine of economic growth. The strategic focus is on procurement planning, procurement processing, inventory and asset management, logistics management, disposal, contract management and supplier relationship development.

Our Procurement Process

Getting Value for Our Money

We have adopted best practices in the fulfilment of our user requirements which is elaborated as follows:

- **Procurement Planning**
  All procurement requests are processed on the basis of a realistic plan prepared, monitored and implemented through out the year. This planning aspect enables constructive market surveys which provide feedback that determines the approach to the tendering and review of the processes with realistic cost management targets in the budgeting cycle.

- **Centralized System of Tendering Process**
  As part of managing the process and our customers, we manage a centralized system of tendering in which all purchase needs for business units are consolidated. Through the centralized tendering approach, we have been able to avoid order duplications, benefitted from bulk discounts, lower transportation and inventory management costs, organized transactions and improved relationships with vendors.

- **Framework Agreement**
  As a Company, we have carried out spend analysis on our needs and considered the frequencies in fulfilling them. We have consolidated our common user items categories into framework contracts. We enter into long term agreements (a maximum of 3 years) with suppliers which sets out terms and conditions under which specific procurements (call-off) can be made throughout the term of the agreement.

  This strategy has reduced the cost and time spent in procurement and significantly reduced lead times meeting procurement needs.

- **Relationship Management**
  We have invested in improving relationship with stakeholders in the management of the supply chain. The closer relationship with the users and consumers within the organization has improved efficiency in the requisition and requirement specifications in the development of business case.

  We organize periodic meetings with our internal stakeholders to get feedback on issues related to supply chain management. We monitor suppliers' performance and work closely to improve the delivery process. At the end of every contract, we review and provide feedback to both parties for consideration in future contracts. We have organized sensitization forums for Special groups across the country. We held over five workshops in the country to sensitize the disadvantaged groups on how to do business with the company, and provisions on the preference and reservation scheme in the procurement Act.

- **The Value Analysis /Value Engineering**
  To sustain our achievement in the supply chain management, we have embraced a systematic approach in analysing our processes and requirement with a wholistic approach in value addition initiatives with use of "The Supply Chain Value Framework model". This has enabled us to engage with our stakeholders towards a common goal: shareholder value. We examine opportunities for profitable growth, margin improvement and capital efficiency process. This framework has enabled the company to keep process leaders focused on the end game and enabled a procurement priority approach strategy and benchmarking to ensure that the right actions are initiated and sustained.

Getting Value for Our Money

Process Improvement

The company is keen on value addition and continuous improvement in the processes. In doing so, we have identified tools that have been used to maintain the objectives in the supply chain management. Some of the tools are as follows:

- **Service Level Agreements**
  The company has cascaded the implementation of strategic goals to various operation units. Supply chain has internal targets and monitored for implementation. Contactors brought on board, especially outsourced service do sign service level agreements which guarantee performance and the delivery of the services.

- **Sensitization on Legal Framework**
  The Public Procurement and Asset Disposal Act 2015, legal framework came along with significant changes compared with the 2005 Act and Regulations. Some of the new provision as per the Act includes:
    - The professional opinion by the Head of Procurement
    - Provision of delegated responsibility by the Accounting officer and The Head of Procurement
    - Provision on Preference and Reservation scheme set as percentage of our budget.
    - Statutory reporting on the achievement of the preference schemes
    - Transformation Oversight Authority to Regulatory Authorities with added powers
    - Threshold reporting of contracts i.e. contract above Kshs. 5 Billion must be cleared by the Attorney General

  We have held seminars and workshops as sensitization forums and continue to do so across the country to create and improve awareness on the regulations and processes.

- **Systems and Processes**
  We have invested in an automated and integrative information system that will allow procure-to-pay process through a broad procurement platform for efficient and effective management of the supply value chains. The Supplier Relationship Module (SRM) that will help us to improve the efficiency. This platform will provide a self-service procurement and Supplier sourcing with broader perspective of relationship management as follows:

Getting Value for Our Money

The specific anticipated delivery of the model will include the following:

- Lower Inventory and carrying cost by having less on-hand inventory
- Free up staff to focus on strategic matters such as Negotiation
- Employee level compliance and standardized procurement Processes Company-wide
- Reduce the complexity and time of the procure-to-pay cycle by integrating all related activities
- Increased effectiveness in centralized sourcing
- Increase transaction effectiveness with supplier connectivity and collaboration

Procurement Opportunities

As a Company, we play a critical role in promoting economic growth and improving the livelihoods of the citizens. In so doing, we have created growth opportunities in the business. Our business requirements range from procurement categories which have been fulfilled using various suppliers, contractors and consultants.

a. Publication of Open Tenders

Over 60% of our tenders are advertised in the print media and on our website for the eligible bidders to participate. For such tenders, a bidder does not need to be prequalified or be part of our supplier data base to participate. As long as the potential bidder meets the requirement and determined to be the lowest evaluated and substantially responsive bidder, he/she will be awarded the contract.

Getting Value for Our Money

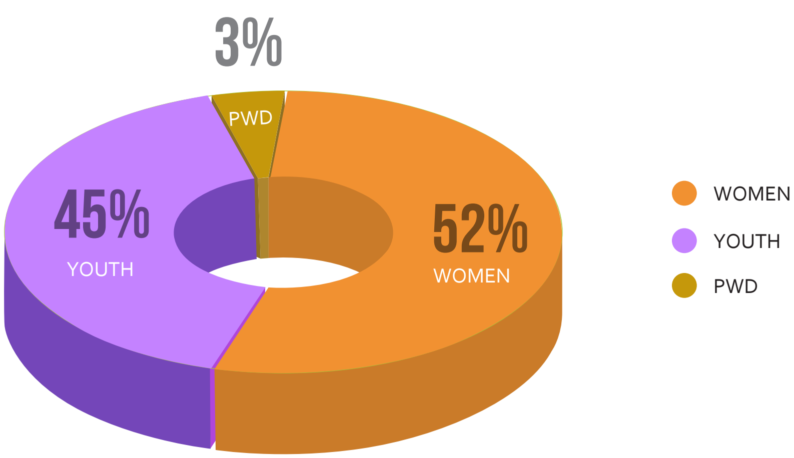
b. Alternative Procurement Methods

We have maintained and managed our supplier data base to be used in the alternative procurement methods. The prospective suppliers are identified through a portal, website and submission of hard copies of their intention to supply, which is a continuous registration process, through market knowledge and survey. This database is maintained for the purpose of inviting them on rotational basis for subsequent tendering proceedings such as request for quotation, restricted procurement amongst other procedures in the framework of Alternative Procurement Method.

Improving the Livelihoods of Disadvantaged Groups

KenGen endeavours to meet the national requirement of enabling disadvantaged groups in the society defined as Special Group or entities owned by Youth, Women and Persons Living with Disabilities (PWD) and registered by either the National Treasury or the respective County governments to access procurement opportunities in the Company. This allocation is set at thirty percent of our procurement plan. In the year under consideration, this is how we performed in Kenya Shillings:

Allocation to Special Groups



We achieved a total of Kshs. 730.59 million against the negotiated target of Kshs. 957.64 million translating to 76.29% uptake. This figure also showed an increase of 58% compared to the year ending 30th June 2016.

To improve the uptake of the target, the Company will sustain capacity building through the following initiatives;

a. Effective monitoring of their performance and provision of quarterly reports for strategic decision making and interventions

b. Organizing and conducting awareness sessions on the Public Procurement and Asset Disposal Act, 2015 on special group participation, tendering processes and the procurement cycle

c. Embracing best practice on the implementation and maximization of the scheme.

Statutory Compliance

As a guiding principle, we use the Public Procurement and Asset Disposal Act, 2015 to promote national values and principles. We are committed to promoting the philosophy of Buy Kenya, Build Kenya increasing opportunities for local content. In specific terms, preference and reservation schemes for small and micro enterprises and other disadvantaged groups, citizen contractors, women, youth, persons with disabilities, minorities and marginalized groups are given more consideration in our procurement decision-making.

Getting Value for Our Money

We give preference to manufactured articles, materials and supplies partially mined or produced in or assembled in Kenya; or Firms in which Kenyans are shareholders. For international tenders, the successful bidder transfer technology or create employment opportunities as prescribed by the law to the local content.

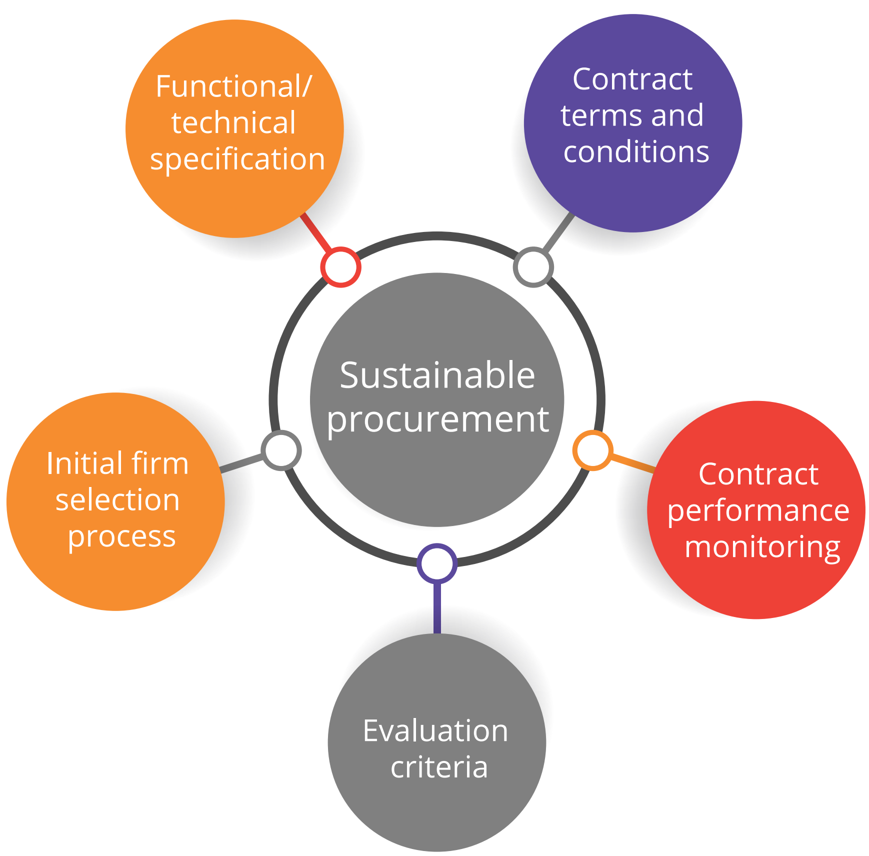
We submit statutory reports to the Public Procurement Regulatory Authority as a statutory requirement and also to show our commitment to the provisions of the Act. Some of the statutory reports are as summarized below:

- Quarterly reports of contracts awarded of value above Kenya Shillings five million
- Quarterly reports on contracts awarded to the disadvantaged groups (Special Groups)
- Direct Procurement contracts awarded of value above Kenya shillings five hundred thousand
- Termination reports on procurement processes before awards

Sustainable Procurement

We promote the company sustainable initiatives through supply chain management through acquisition of goods, services and utilities in a way that achieves value for money. In so doing, Total Cost of ownership is a critical consideration in our evaluation criterial which ensures that all costs are optimal (acquisition, maintenance and disposal cost).

In the development of the tender document, we consider local community inclusion and specifications are developed to include environmental, safety and health issues for consideration and implementation in the contracts.



Getting Value for Our Money

Our tools to implement the sustainable procurement are as shown:

Our procurement is anchored on ethical and integrity standards. We have managed this by giving our suppliers a chance to report fraud or corrupt practices. A tip off anonymous reporting system , toll free number, free fax and website for tip-offs is embedded in the invitation to tenderers, instruction to tenderers and in the contracts as binding obligation to fair, equitable and competitive processes.

Our sustainable procurement principles are as shown

Sustainability
"from Generation to Generation"

Sustainability-Joint Statement

Joint Sustainability Statement by the Chairman and the Managing Director & CEO

At KenGen, we are focused on building a resilient business through effective capital management, business diversification, investment in renewable energy sources, effective stakeholder relations and employee-driven innovation.

As we pursue our vision to be the market leader in the provision of electric energy in the East African Region, we are cognizant of the fact that our product not only powers industrial development but also transforms lives by expanding livelihood opportunities for rural communities.

The Company is therefore keen to operate in a responsible and ethical manner not only to create value for our stakeholders but to also improve the lives of the communities around us.

Our sustainability focus

- Regulatory issues
- Community issues
- Environment and climate
- Macro-economic factors
- Financing
- Competition
- Human capital
- Revenue growth
- Innovation and diversification
- Customer satisfaction/ demand
- Cost
- Technology
- Safety and security

To build a sustainable business, the Company has revamped its strategy to take into account the evolving market dynamics and broaden our revenue streams, thereby ensuring the creation of value that endures from generation to generation. Our successes in the development of green energy give us the impetus to move forward with determination to build a world-class business that delivers value to all stakeholders in a cost-effective and environment-friendly manner.

Indeed, the Company made great strides in its journey to greatness as it began the development of the Olkaria V 140 MW power project, which upon completion in 2019, will further cement its leadership in geothermal power development in Africa and put Kenya on the path to energy security.

Sustainability-Joint Statement

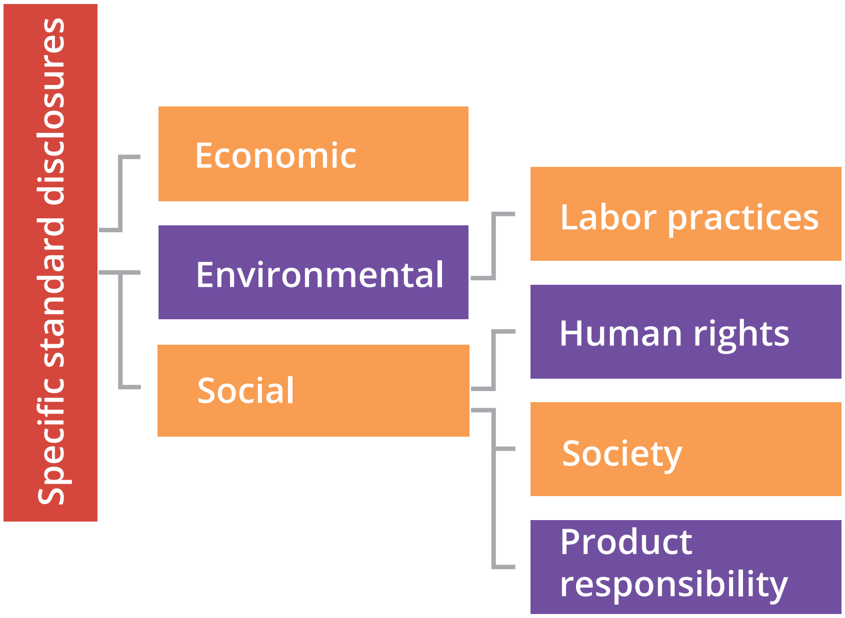
In conclusion, we would like to take this opportunity to thank you, our shareholder, for your unwavering support and confidence in KenGen. We would also like to thank the Board of Directors and employees for their dedication and commitment to the attainment of our corporate goals.

We are proud to welcome you to this report that showcases our response to the sustainability material matters as derived from our stakeholder engagement.

Thank you.

Chairman on a tour of Kipevu Plant.

Sustainability-Map/ Outline



Olkaria Geothermal Spa

Sustainability-Economic

Economic Perspective

1. Macro-economic Factors

KenGen provides Kenyans with clean, renewable and competitively priced energy for national development. During the year, we created 90 unskilled and semi-skilled jobs like masonry, plumbing, security personnel, electrical technicians and other livelihood opportunities.

The Company has continued to use local suppliers with a focus on disadvantaged groups including women, youth and persons living with disabilities with a view to improving the standards of living. Value of business opportunity to local content (Buy Kenya, Build Kenya): Kshs.6.4 billion

We have contributed to the overall economy through the payment of taxes which contribute to the running the economy.

2. Financing

KenGen continues to build relationships with international financial partners for concessionary lending with attractive interest rates and longer tenors for loans, enabling the company to implement least-cost energy projects thereby attaining the strategic objective of providing reliable and competitively priced electric energy to the nation.

Our development partners include JICA, KFW, AFD, ADB, EIB, USTDA, EXIM Bank of China and World Bank Group.
We also partner with local commercial banks to facilitate our business operations.

Additionally, we continue to explore various financing mechanisms with a view to accessing competitive loans to fund our ambitious expansion projects. Public private partnership is one of the options we are pursuing for the development of the proposed Olkaria VI 140MW and other projects.

3. Competition

KenGen believes in a free, fair and transparent operating environment. Our diverse generation mix provides the Company with a competitive advantage in the pricing of electric power. This advantage is further enhanced through the sourcing of competitively priced financing for our projects.

The open tendering policy enables the Company to get competitive prices for equipment and services, enabling it to optimize costs and offer a competitive tariff.

4. Revenue Growth

To grow revenue and maximize shareholder value, the Company is accelerating capacity expansion, improving yield from the current power purchase agreements (PPA's) and diversifying its business portfolio by introducing non-generation projects.

Capacity expansion

The revamped strategy aims to create a sustainable power growth in the country through the delivery of projects on time and budget, establish a sufficient reserve margin and optimize project portfolio to grow revenue.

New Business

A new business function has been established to carry out the following:

- Harness investment opportunities;
- Evaluate the opportunities with a focus on strategic priorities;
- Develop business proposals and market to potential investors;
- Ensure the alignment of new business investments with the Company strategic goal.

Sustainability-Economic

Several innovative concepts have been considered for implementation:

- The KenGen Industrial Park
- Gitaru Drinking Water
- Olkaria housing project
- Consultancy services
- Drilling services
- Civil engineering materials testing laboratory

5. Innovation and Diversification

The company has prioritized employee-driven innovation through the institutionalization of the Annual G2G Innovation Seminar. The seminar, which is currently in its 5th year, provides a platform for employees and partners to showcase innovative solutions geared towards creating sustainable value for the company and its stakeholders in a fast-evolving energy market The seminar also encourages employees to embrace and embed innovation in the company's operations by coming up with innovative ideas relating to new business models, new revenue generation and cost reduction.

Since 2012, over 500 ideas have been submitted through the seminar with 98 undergoing implementation. Among the ideas submitted and being implemented include; generating power through utilization of brine, the extraction of commercial minerals from the brine such as silica, lithium and other rare minerals that are used commercially in skincare products, batteries and industrial chemicals, water bottling project, geothermal drilling detergent project, establishment of a Research and Development facility and the industrial park. So far the Company has realized increased revenue generation and cost savings amounting to over Kshs.1 billion in the last financial year.

At the same time, the Company has embarked on protecting its Intellectual property through application of relevant patents, trademarks and copyrights.

6. Industry Debates

The company believes in helping to find solutions to world's challenges. The company recently sponsored "The Great Energy Debate" at Strathmore University which was convened to discuss opportunities and challenges facing the energy sector in Kenya and how best they could be mitigated. The debate, dubbed "Electricity Demand in Kenya: Throwing the box away" involved various panelists from the private and public sector. It covered issues including strategies to drive up electricity demand, opportunities for Kenya's energy sector and the impact of renewable energy generation.

7. Cost Optimization

The Company continues to explore ways of doing more through less by:

- Competitive sourcing goods and services
- Outsourcing certain services
- Use of internal capacity to undertake specialized activities
- Use of block training as opposed to open programmes
- Use of framework contracting
- Centralized procurement system
- Condition based maintenance (CBM)
- Single minute exchange of die (SMED)
- Automation
- Replacement of aging fleet
- Disposal of aging fleet and equipment
- Modernisation of aging equipment

Environmental Perspective

1. Growing of Trees

As the country's leading power generator, KenGen is committed to environmental conservation and sustainably safeguarding the environment it shares with communities which live near its areas of operations. The Company invests in long-term programs dedicated to sustainable environmental conservation and promoting a tree growing culture within communities and learning institutions.

The flagship environment project is the Schools' Green Initiative Challenge (GIC), now in its third phase and implemented in partnership with Better Globe Forestry and Bamburi Cement Ltd.

Leveraging on the presence of schools around the company's power stations, the GIC is an afforestation competition with the institution recording the highest number of tree survivals, being awarded prizes including an educational trips, infrastructure development, and scholarships.

The ten-year project currently has 219 schools participating from the semi-arid counties of Embu, Kitui and Machakos in planting more than 460 acres with wood fuel and fruit trees, with additional institutions set to join in subsequent years.

The GIC involves planting and nurturing of multi-purpose Sennasiamea (Muveshi) and Meliavolkensii (Mukau) tree seedlings in 0.5-acre school plots. All schools receive an initial 300 tree seedlings.

Since inception in 2014, the GIC has so far distributed over 80,000 seedlings.

Consequently, KenGen was this year recognized under the Best Corporate Category (State Agency) during the inaugural Tree Growing and Forest Conservation Awards presented by H.E. The First Lady Margaret Kenyatta.

Additionally, the Company, through KenGen Foundation, has signed a MoU with Better Globe Forestry to set up an in-vitro laboratory at Kamburu for the propagation of Mukau Tree for distribution to farmers at the Seven Forks and other semi-arid areas as part of the effort to address climate change and empower communities living around its installations.

The GIC is set to expand to Nakuru, Kisumu and Mombasa Counties where KenGen has a significant presence.

2. Clean Development Mechanism (CDM)

Environmental Sustainability

Clean Development Mechanism (CDM)

- Three new projects - Olkaria V, Olkaria I AU 6, Olkaria I Rehabilitation, and Ngong wind Phase, are under development for additional carbon revenue.
- New carbon markets were explored including the Nairobi Securities Exchange (NSE) derivatives trading platform. The MoEP has approved a learning visit by the KenGen-NSE initiative team to South Korea Emissions Trading Scheme and UNFCCC office in Bonn, Germany during the second quarter of the financial year 2017/2018.

Environmental and Social Impact Assessment (ESIA)

No. of EIAs done in FY 2016/2017 – 1

- 61 MWe Modular Power Plant at Olkaria Geothermal Power Plants.
- Environmental and social scoping reports were also completed for the proposed 50-400MW Meru wind, Olkaria VII 140MW and KenGen Industrial Park development at Olkaria geothermal field.

Environmental Management

At KenGen, environmental management covered;

- Integrated ESIA (and RAP) studies for all major projects.
- Strategic Assessment (SA) for geothermal expansion programs at Olkaria and Eburru.
- Consultation of key stakeholders.
- Meets the local and international (The World Bank, JICA, EIB, AfD, kfW) procedures, standards and guidelines.
- Environment Impact Assessment (EIA) Licenses obtained from NEMA) and 'No Objections' from development partners (or financiers).
- Environment and Social Management Plan (ESMPs) enforced.
- Resident Environmental and Social Safeguard Officers appointed for each project.

Sustainability-Environmental

- Monthly environmental performance monitoring reports with key recommendations are prepared and disclosed to all stakeholders.

Environmental Audits and Environment Management Plan Implementation (no. of audits)

To ensure compliance with regulations and statutes the company undertook the following activities during the financial year;

- Annual statutory environmental audits for all installations and reports submitted to NEMA for review.
- Participated in Environment, Health and Safety Audits by Energy Regulatory Commission (ERC).
- Corrective Action Plans (CAPs) were prepared and implemented in areas audited by ERC for continuous improvement.

Environmental Performance Monitoring Programs

As part of ESMPs implementation, the following activities were undertaken;

- Regular quarterly audits for the all operating power plants.
- Monthly, quarterly, bi-annual and annual performance reports prepared for each site with key recommendations on gaps.
- Performance monitoring broadly cover the following aspects:
    - Air quality monitoring and confirmation of simulations/modeling predictions for power plants
    - Noise and excessive vibrations including spread modeling.
    - Weather parameters.
    - Surface and ground water resources.
    - Water (for consumptive and non-consumptive) and energy resource use.
    - Waste management (based on 3R principle-Reduce, Recycle, Re-use) and pollution control.
    - Environmental flows.
    - Ecological monitoring.

The GoK Performance Contract Activities

- Seven environmental sustainability committee members were appointed and trained.
- Awareness creation and audits were carried out throughout the company installations and reports prepared and submitted to NEMA.
- KenGen has implemented the 3R principal for waste management in its business processes.
- Resource use is minimized through consumption management programs.
- KenGen environmental conservation initiatives are based on the payment for ecosystem service models and partnerships. The activities included the following;
    - Clean-up campaigns done in Olkaria, Kipevu and Eastern Hydros business areas. The local communities were involved.
    - Rehabilitation of water catchment areas (which feed various hydro dams) leading to regular flows in the rivers that serve the hydro power dams.
    - Buffer zone establishment to protect KenGen land from encroachment and minimize siltation of dams. Ten (10) acres of land were planted.
    - Social afforestation programme under CSR and the Green Initiative Challenge (GIC) to increase national tree cover target of 10% by 2030.
    - Watershed conservation effort for the main water towers through partnerships with The Nature Conservancy (TNC) and the Sustainable Trade Initiatives (IDH) of Netherlands.
- KenGen participated in the World Environment Day on 5th June, 2017 during which 2,770 and 1,000 tree seedlings were planted in Nakuru County and Sondu respectively.
- KenGen won the First Lady Conservation award (Corporate Agency category) for excellent conservation work in the Seven Forks area.
- A total of 240,191 seedlings were issued to individuals and institutions during the financial year.

3. Environmental and Social Impact Assessment (ESIA)

Environmental and impact assesment studies were carried out for the following initiatives:

- Modular power plant
- Rehabilitation of Kaewa-Masinga road
- Gitaru Water treatment and bottling plant

Sustainability-Environmental

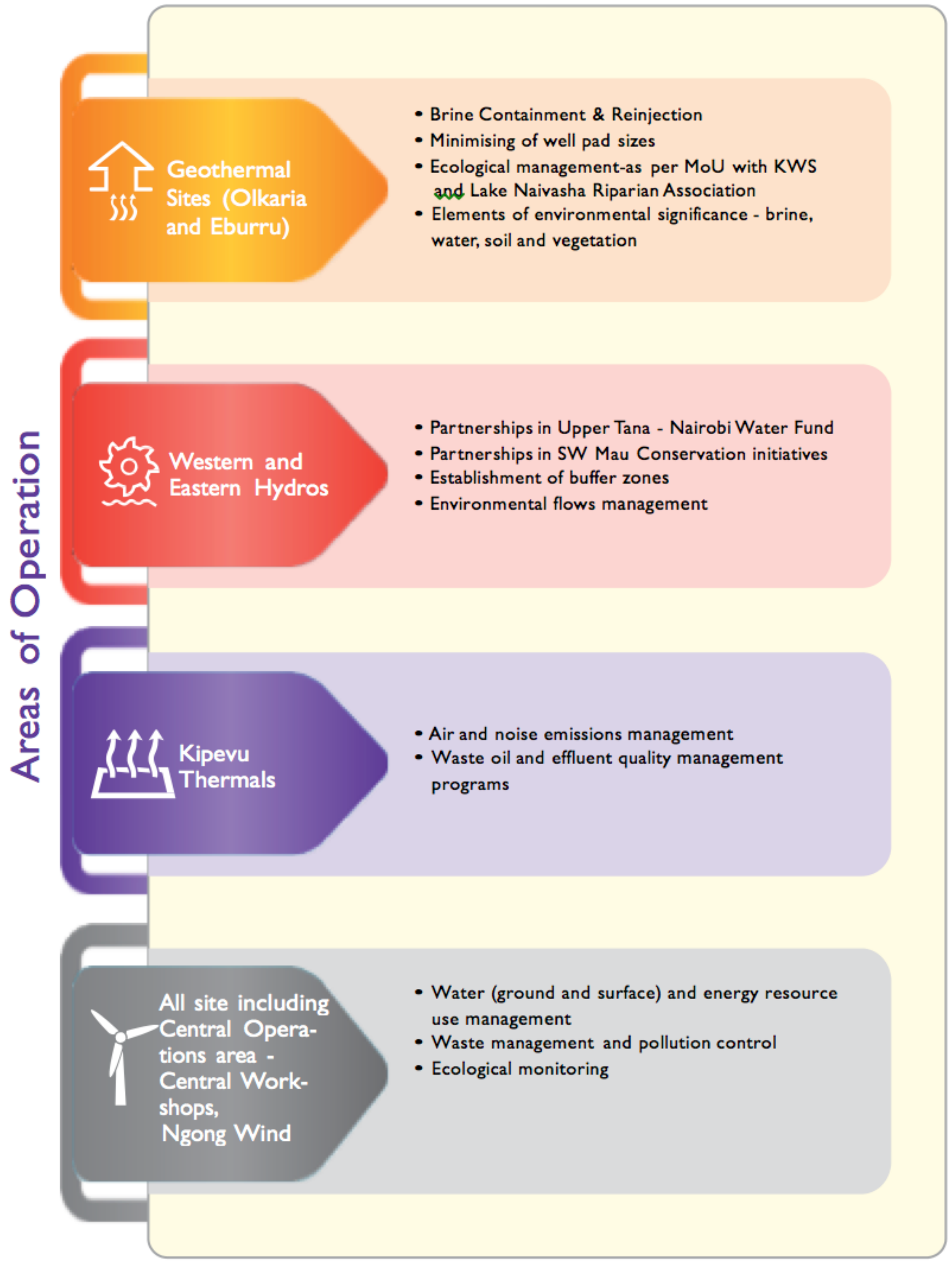
Tree planting at Kaewa Secondary school - Masinga

Sustainability-Environmental

Commissioning of KIVAA Water Project

Sustainability-Environmental

4. Programme Activities



Sustainability-Environmental

Program Activities

Rehabilitated land
Olkaria -17.34 acres
Eastern Hydros – 32 acres
Carbon Footprints Reduction
CDM projects - 6
Certified Emission Reduction
(CERs) earnings to date – Kshs.404 M
Earnings in 2016-2017 – Kshs. 57 M

Environmental Sustainability

- Seven Environmental Sustainability Committee members were appointed and trained.
- Awareness creation and audits were carried out throughout the company installations.

A plaque Commemorating the commissioning of Ngurunga Community Dam

Social Perspective

1. Labour Practices/ Human Capital

Capacity Building

The sustainability of our business is guaranteed by the capacity of our people to meet the diverse and dynamic requirements of our operating environment. The company therefore believes in continuous upskilling to prepare staff to meet the challenges. Capacity building in the following areas were undertaken as follows:

Activities	2017	2016
Training Programs	257	170
Employees Trained	2,543	1,816
Employees in Leadership Program	19	6
Number of Interns	49	50
Industrial Attachments	1,095	1,200

The Geothermal Training Centre was established as a Centre of Excellence under the auspices of the Association of Power Utilities Africa (APUA), to build capacities in electricity generation and geothermal resource development. This is expected to reduce the cost of training and establish an internal pool of trainers.

This institution is the first of its kind in Africa and its establishment will leverage the Company's share up in the long term.

Succession Plan

The Company has initiated the review of the career frameworks to align them with the strategic direction of the company. This has been kicked off in the Operations Division and will be rolled out to the rest of the company in the course of the year

Wellness Programs

The company has put in place the programmes to address the health and wellness concerns of employees:

Sustainability-Social

Activities	2016/ 17	2015/ 16
No. of employees sensitized on HIV/AIDS companywide	1,982	669
No. of employees who attended company –sponsored VCT testing.	1,742	1,185
No of employees on medical assistance through the Employee Assistance Programmes	18	21
No. of employees who attended awareness on ADA companywide	1,678	328
No. of employees who went for rehabilitation last financial year.	9	3
No. of Peer educators per business area	Seven Forks-17	Seven Forks-17
	Olkaria-23 Kipevu-13 Central Office-10 Sondu-11 Turkwel-8 Upper Tana-	Olkaria-12 Kipevu-13 Central office-16 Sondu-11 Turkwel-8 Upper Tana-15
No. of activities of Peer educators companywide	18	13
No. of health articles undertaken last financial year, and examples of thematic areas covered	80 - Different articles dealing with medication and its correct utilization - Cancer; different types and their effects - Self-awareness - Joint health - Headaches	5 - Health Benefits of different foods and fruits - Effects of smoking Shisha - Anxiety and its warning signs

Sustainability-Social

Diversity

Diversity in the workplace has remained a key driver for strengthening the business.

Bridging the Gender Gap

- Pink Energy Women's Forum established with a membership of 535
- Gender Committee comprising both men and women employees was established with the mandate of creating gender awareness within the Company.
- Eight women in senior management positions
- Recruitment of employees – Men – 80, women – 62

Our commitment to embracing Disability

- Registered persons living with disability – 22
- Volunteer employee sign language interpreters- 22

Staff Retention

Through the company funded mortgage and car loan schemes, as well as other personal loans negotiated on preferential terms with local financial institutions, the KenGen has impacted the lives of employees and their families by enabling them to own property and providing for other financial needs. Some 179 employees benefitted from the schemes during the year.

Other loan facilities were made available to unionisable employees which included loans for the purchase of fridge, cookers, bicycles, laptops and furniture.

The Company continued to recognise individual performance and efforts of staff through promotions, letters of appreciation, and sessions with the CEO, team building, retreats, and celebration of team achievements.

Labour Relations

Our continued productivity depends largely on our ability to address and effectively manage matters of mutual concern regarding the terms and conditions of employment of our employees. Through a periodically-reviewed Collective Bargaining Agreement and quarterly consultative meetings with workers and their representatives, industrial harmony was safeguarded.

We successfully implemented the 2015-2016 Collective Bargaining Agreement (CBA) and the Company is negotiating the 2017-2020 CBA.

Performance Management

The achievement of our strategy is guaranteed by the actions of our people. The company continued to align the contribution of our employees to the achievement of our strategy through a Bi-annual online performance evaluation system.

During the year, the Company introduced a performance measurement matrix that aligns employee contributions to corporate targets. This matrix measures achievement of targets under the four categories of plant availability, project execution, return on invested capital and the Government of Kenya performance contract.

Work Environment

The safety and security of our people remains our primary responsibility and we have continued to provide adequate workspace in line with strategic requirements and best practice. The occupation of offices in the Geothermal Plaza and Pensions Plaza 2 continued alongside the construction of the Hydro Plaza which is scheduled for completion later in the year.

We procured 29 new vehicles to support the delivery of our strategy. A vehicle tracking and an online fuel card system were installed for efficient fleet management.

Security of our people and our installation is of utmost importance to us as it ensures uninterrupted generation of electricity for the country. The Company has instituted the following security measures to mitigate against emerging security breaches:

- Integrated Security Management System that helps us to identify and address gaps and vulnerabilities across the company;
- Enhancement of security surveillance in KenGen installations based on level of risk;
- The Company conducted a Cyber Security Survey to identify cyber threats and secure corporate information;

Sustainability-Social

- The Company conducted internal sensitization to enlighten employees on emerging security issues;
- KenGen entered into service level agreements with security service providers to ensure that the firms observed high performance and ethical standards throughout their contract period.

2. Integrity and Ethics

KenGen is committed to integrity in its business processes to protect shareholder value by preventing loss through misuse of Company assets and fraud. The following measures have been put in place:

- Integrity Assurance Officers – who strengthen the in-house integrity and ethics framework across the Company;
- Anonymous reporting system - provides a 24-hour platform for employees and other stakeholders to give information on corruption and unethical practices.

3. Human Rights

KenGen is committed to upholding the freedoms enshrined in the Kenyan constitution by providing a workplace that is safe and free from discrimination. We are an equal opportunity employer promoting the principle of equal pay for work of equal value.

The Company respects all human rights as enshrined in the Constitution of Kenya.

- Right to work
- Fair wages and equal remuneration for work of equal value
- Just and favourable conditions of work

  To achieve this, the Company has developed policies such as:
  - Gender mainstreaming
  - Sexual Harassment
  - Disability mainstreaming
  - Workplace HIV policy

4. Society

Transforming Lives

As a responsible corporate citizen, KenGen continues with its commitment to upscale its Corporate Social Investments (CSI) countrywide by focusing on the communities living around its power stations. This is under the Company's CSI strategy bunging value to the communities by establishing long-term relationships and implementing sustainable projects.

The company's CSI efforts have expanded significantly over the years with a focus on three key pillars: education, environment and water & sanitation which complement the Sustainable Development Goals (SDGs).

Through the implementation of viable and sustainable programmes, KenGen continues to position itself as a leader in sustainable development through community based programme.

Staff Giving: KenGen Employee Giver Initiative

The KenGen Employee Giver in early 2015 was established as a platform for staff to participate in the company's CSI activities.

The Initiative currently has 1,150 members with the Central Office having the highest number of subscribers.

The "Givers" have an option of either contributing monthly, or giving as a 'one-off' contribution, to any project(s). They can also choose to offer their skills, expertise and time when subscribing to the initiative.

The Givers have nominated "area champions" charged with the mobilization and coordination of the area's CSI activities.

Sustainability-Social

AREA	GIVER TOTALS PER AREA	% GIVERS PER AREA VERSUS ALL GIVERS	PERMANENT STAFF TOTALS PER AREA	% GIVERS VERSUS AREA PERMANENT STAFF
Eastern Hydros	113	10%	475	24%
Central Office	436	37%	442	99%
Upper Tana	111	10%	153	73%
Western Hydros	106	9%	211	50%
Kipevu	96	8%	123	78%
Olkaria	309	26%	1,002	31%
Total	**1,171**	**100%**	**2,406**	**49%**

Project Affected Persons (PAPs)

Resettlement Action Plan

- RAPLAND Water pipeline system was done at a cost of Kshs.11.9 M.

- Road Repairs-of drift and RAPLAND access road done at a cost of Kshs.157.9 M.

Education

KenGen strives to contribute to the pool of trained, competent and patriotic human capital necessary to build a vibrant economy and transform Kenya into a middle-income economy by 2030. Through the educational scholarships, the company offers learning opportunities for bright, needy secondary school and university students from communities living around the its power stations.

The core objective of the KenGen Scholarship Programme is to enable beneficiaries realise their dreams and life goals through the achievement of a holistic education, while at the same time enable them become exemplary citizens and major players in the realization of the country's social and economic goals.

From sponsoring the initial 14 students in 2005, the KenGen Education Scholarship program today has benefited over 650 secondary and university students.
The secondary school scholarships target top KCPE performing pupils, while the university ones target top KCSE performers, all from needy backgrounds. The university students are offered internship and employment opportunities at KenGen upon graduation with honours in the relevant disciplines. The Company recently absorbed four beneficiaries who graduated with honours in 2016, including one under industrial attachment at Olkaria power station.

Currently, KenGen is supporting 90 university and 93 secondary students, with 8 beneficiaries being sponsored through the KenGen Employee Giver Initiative, and two by our project partner, Bamburi Cement Ltd. In addition, KenGen offers stipends for university students under the programme.

The Company executed its fourth Annual Mentorship in April this year for 156 Education Scholarships beneficiaries who were counselled on their academic performance and career guidance through practical and motivational exercises within an environment that encourages peer relationships, networking, and exchange of ideas and experiences.

At the same time, the company continued to support schools and colleges with a view to creating a conducive learning environment and improving learning through the provision of equipment. The company supported the construction of a perimeter wall at Dr. Ribeiro Parklands School to ensure security for pupils. It also supported the Central Bank of Kenya's Kilimanjaro Fundraising Expedition to support St. Kizito Litein School, which was in dire need of basic necessities such as sanitary facilities.

Sustainability-Social

KenGen also supported school mentorship programmes through the sponsorship of the Mwea Classic Marathon, other initiatives that benefit hundreds of students in various parts of the country. Having successfully refurbished Kiambaa Primary School through funds from the World Bank's CDCF, the company, with its project partner Bamburi Cement, has secured funds for the renovation of Voondeni Primary School in Machakos County as part of the CSI mandate. Over ten schools are currently undergoing renovation

Disaster Response

During the period, the country experienced a severe drought which was declared a national disaster on 10th February 2017. This led to widespread starvation with north-west Kenya bearing the heaviest brunt of drought, which has left hundreds of thousands of people facing starvation. KenGen, as a responsible corporate citizen, distributed maize in north-western Kenya, mainly Turkwel, and Embu, Kitui and Machakos in the Eastern part of the country. The company also supported relief efforts in Turkana and Baringo through the Africa Inland Church and the Christian Impact Mission.

Health

The company supported various health initiatives aimed at alleviating human suffering. Once again, KenGen supported the annual Nyeri Hospice Charity Golf for the 8th year running. The tournament raises funds to provide palliative care to terminally ill patients in Mt. Kenya and its environments.

Water

KenGen has been addressing water and sanitation challenges faced by communities neighbouring its power stations through the provision of clean water as a major corporate social investment activity for more than twenty years.

It continues to contribute to the general health and welfare of targeted communities through the provision of water tanks to various schools under the GIC afforestation project. The schools include Mwea Primary, Makutano DEB primary, and St. Martin Kaewa Secondary school.

It is also upscaling community water projects in all areas of operations.

Commissioning of Ngurunga earth water project dam.

Infrastructure Development

In carrying out our business, we allocate a substantial portion of our project funds to the development of infrastructure. These developments entail opening up remote and rural areas by constructing tarmac & all-weather access roads, social amenities-dispensaries, social halls, swimming pools, water kiosks, soil erosion prevention barrier/sand dams and playing grounds and the provision of piped water.

Further, KenGen continues to maintain the infrastructure by re-carpeting the roads, running and rehabilitating the social amenities, which are accessible to all members of the public.

The road network has accelerated development in the regions as demonstrated in:

- Turkwel-Kainuk road (28 KM Standard Bitumen road) in West Pokot/Turkana Counties, whereby the project's extensive civil works are being undertaken by the local community thereby promoting job creation.
- Roads in Sondu/Sang'oro in Kisumu County were constructed for the dual purpose of KenGen use and opening up of Koguta Forest and Kasae area for economic development.
- RAP access roads - 20 kms- Nakuru County
- Moi South Lake Road- 40 kms – Nakuru County
- Tana Cascade Road- 80 kms- Embu, Machakos, Kirinyaga, Muranga and Kitui Counties

6. Sports

Sports Development

The company believes in developing sporting talent especially among the youth and supported a variety of sporting activities during the year. Key among them is the Embu 7s rugby, the only one of its kind in Mt. Kenya Region. The objective of the tournament was to promote the sport at the grassroots level and increase exposure among the youth. The objective of the tournament is to establish a training camp, carry out mentorship programs and identify talent. The company also sponsored various golf tournaments for talent development including the KenGen Corporate Golf Day at the Muthaiga Golf Club and the Royal Nairobi Golf club.

KenGen also sponsored the Deaf Athletics Association of Kenya grassroots talent search to identify, nurture and develop talent among deaf athletes.

Culture

As part of its continued stakeholder relations efforts, particularly in the areas surrounding the Kipevu Power Station, the company sponsored the Annual Lamu Maulid Festival 2016 & the Lamu cultural festival.

7. Special Groups Engagement

We have reached out to the disadvantaged groups in the society by providing a level playing ground for them to access procurement opportunities in the company. We have set aside about 30% of our procurement budget and have gone a step further to monitor their uptake. We have tenders exclusive to them. The contract cumulative value in the year was about Kshs.730.59 million.

8. Poverty Eradication

Partnerships

The Company, through the Foundation, works with strategic and like-minded partners to complement resources for bigger and far-reaching programmes. These partnerships draw on the complementary strengths of different organisations in addressing pressing community and development needs through pooled resources.

It has partnered with Bamburi Cement Ltd. and Better Globe Forestry ltd in the expansion of the Schools' Green Initiative Challenge. The ten-year project currently has 219 schools participating and will be taking in 100 to 120 additional schools per year for the next six years.

It recently completed the refurbishment of Kiambaa Primary School and the construction of a footpath at Mirira, Upper Tana area, through a grant of US $ 50,000 from the World Bank's Community Development Carbon Fund.

Kiambaa Primary School benefitted through the renovation of nine classrooms, the headmaster's office and staff room. The school was also fitted with water harvesting gutters, received desks, and is in the process of preparing a woodlot for fruit, wood-fuel and commercial trees.

The construction of the footpath inlet at Mirira has boosted the area's economy and income generation opportunities through the ease of movement between six villages (Kairo, Gakindu, Matithi, Kayuyu, Kambiti and Kaingojo) and the local market at Makutano Town.

The Company, through the Foundation, also signed an MoU with the National Museums of Kenya to convert the 92 year-old Ndula power station into the first electricity generation museum in East Africa. The conversion of the station, decommissioned in 2010, will see the incorporation of a visitor centre, an interpretation centre with an exhibition hall, a resource centre /personnel offices, a picnic site, and a nature trail including a botanical gardens and a waterfall.

The Ndula community will benefit from employment opportunities and the sale and provision of goods and services. The museum will offer a learning platform for those seeking to know the history of Kenya's power generation.

Sustainability-Social

Other Charities

The company supported other charities that spearhead worthy causes. During the year, the company supported the Nairobi Hospital Children's Heart Fund. It also supported the Karen Country Club 24th Annual Charity Golf Day which raised funds to support disadvantaged people in less affluent communities.

9. Skills Transfer

Professional Development

The Company sponsored the annual Energy Journalism Excellence Awards aimed at raising energy reporting in the country.

The company also supported the law society of Kenya's annual conference in Mombasa which brought together legal practitioners from all over the country to debate issues affecting the practice and profession, exchange views and experiences and get up-to-date with commercial products and services. At the same time KenGen sponsored the Institute of Human Resource management's 4th annual congress and the Institute of Engineers of Kenya's 24th international conference which brought together engineers, scientists, and other professionals from African Continent and other parts of the world to discuss engineering matters and exchange ideas.

10. County Engagement

Annual Devolution Conference

The country has adopted devolution as a way of taking services and development close to the people. KenGen continued to support efforts to strengthen devolution by supporting the 4th Annual Devolution Conference in Naivasha. The conference focused on various development issues including agriculture, health, energy, roads, natural resource management, education, gender, youth, sports, culture and social services and brought together governors and representatives from the 47 counties.

11. Product Responsibility

Working Conditions

Through the delivery of comprehensive and dynamic employee assistance, recognition and reward programmes, we aim to create a safe, conducive and enabling workplace for all our employees. We regularly review our human resource policies to ensure that they are aligned to relevant laws and best practice.

The Company also operates in a culturally – appropriate manner, respecting traditions and ways of life of all communities that host its installations.

Our power generation is undertaken in line with international standards and dispatched in conformity with the grid code requirements relating to system protection, frequency and voltages to guarantee safety, reliability and minimise system losses.

Personal Protective Equipment (PPE)

Every KenGen employee takes great pride in going home safely after a long day's work. Personal protective equipment (PPE) are provided to protect the workers against the hazards. These include helmets, breathing apparatus, ear protection gadgets, eye shields, hand gloves, safety boots, and coveralls. PPEs are matched with specific hazards e.g. self-contained underwater breathing apparatus (scuba) is provided for underwater operations (diving) and chemical exposure operations. Proper usage of PPE has been observed across the organisation and strong advocacy from the top management has provided leadership (VFL) in this issue. KenGen has committed over Kshs. 50million to the PPE programme. While this is important, we use PPE as the mitigation of last resort as the most effective mitigation is elimination of the hazard by design, engineering controls to cage the hazard and administrative measure to reduce exposure.

12. Safety Week

Occupational Safety and Health

KenGen continued to demonstrate its commitment to safety culture throughout the year by monitoring safety and health performance and making safety an agenda of organizational functions.

Safety Week workshop at Head office

Sustainability-Social

Data

	Activity	No conducted	Remarks
1.	Safety week	4	In all areas
2.	Work place inspections.(by OHS Committee of safety officer)	Every quarter	Reports prepared. Action plans prepared most items actioned.
3.	Work place audits (by DOSHS Adviser)	All 42 registered workplaces	Action plans shared with stake-holders for implementation
4.	Statutory Audits by ERC	Sampled stations	
5.	Statutory inspection of Equipment-Annual	Done	
	Slings chains (6months)	Done	
	Air receivers etc. (Annual)	Done	
6.	Fire drill/ Emergency drills	95% conducted	Includes flood simulation, Terror drills
7.	First Aid demonstration.	Done in all areas	During the safety weeks programs
8.	Incident with property damage but no injury	Monitored	
9.	OHS Committee meetings.	Every quarter	

First Aiders	No of Persons
Kipevu	23
WH	42
Central Office	60
Geothermal	193
EH - Seven Forks	78
EH -Upper Tana	25
Total	**421**

Fire Marshalls	No of Persons
Kipevu	22
WH	40
Central Office	53
Geothermal	120
EH - Seven Forks	70
EH -Upper Tana	20
Total	**325**

OHS Committee members	No of Persons
Kipevu	13
WH	40
Central Office	36
Geothermal	150
EH - Seven Forks	79
EH -Upper Tana	25
Total	**343**

Sustainability-Social

Chairman Presenting a Scholarship to a beneficiary of the KenGen Foundation

Sustainability-Social

Preparedness

Safety training and awareness was implemented during the period, including statutory trainings as follows;

a) Divers from the hydro stations were trained during the year.
b) Safety training and awareness continued, including statutory trainings for the OHS committee members.
c) Internal auditors were taken through safety and health management systems auditing combined with QMS/EMS audits.
d) Training for all pool attendants was conducted in the year.
e) Rigging and crane operations training was conducted for two classes.
f) Fire marshal training for Central Office staff was conducted.
g) First aid and fire marshall training was conducted for Western hydro and Stima plaza during the period.
h) Contractor safety awareness training was carried out during the year.
i) Electrical safety was given to operations employees.

13. Business Continuity Plan

Business risk and continuity issues were to be addressed during the year with a number of activities comprising the following;

a) Business risk and continuity issues continued to be addressed during the quarter with a number of activities comprising of development of an Expression of Interest for DRM/BCP training and consultancy and RFP to those who are prequalified is ready awaiting release
b) Tender for the supplier.

Human Resource & Admin Director presenting a cheque to the Albinism Society of Kenya.

Sustainability-Value Addition

Value Added Statement

During the year under review, the company continued to make a significant contribution to the economy and society as it carried out its business responsibly and engaged in corporate social investment activities. Our value addition is a demonstration of our achievements.

Wealth created, Distributed and Reinvested

	2017 Kshs'000'	2016 Kshs'000'
Wealth created		
Electricity Revenue	29,368,825	29,543,488
Steam revenue	5,189,072	6,856,018
Other income	882,170	2,210,050
Interest income	1,242,157	556,108
	36,682,224	**39,165,664**
Wealth Distribution		
To employees salaries & wages	4,912,764	4,389,290
To Welfare of our employees	574,686	469,267
To Train our people	194,562	187,006
To providers of Lenders as interest	3,417,442	3,132,187
To Shareholders as dividends	-	-
Paid to suppliers of goods and services	6,000,324	6,559,602
Paid to youth, women and persons with disabilities (Government empowerment program)	730,590	304,740
To Community and Environmental conservation	73,510	205,136
To Revenue Authority	-	2,431,022
	15,903,878	**17,678,250**
Wealth Reinvested		
Retained profit in the company	9,057,131	6,743,492
Depreciation	9,244,422	10,223,370
Taxation	2,476,793	4,520,552
	20,778,346	**21,487,414**
	36,682,224	**39,165,664**

Risk Management

Enterprise Risk Management

Risk Management is an integral part of corporate governance and ensures long term viability and sustainability of the Company. The Company continues to implement its Enterprise Risk Management (ERM) policy with the objective of managing business and operational risks in a structured and systematic manner.

The ERM policy is designed to: (i) identify threats that affect the achievement of the Company's Vision, Mission and Values; (ii) take advantage of opportunities to create value for all stakeholders; and (iii) establish appropriate mitigation measures to counter the negative effects of the risks. The Board through its Audit, Risk & Compliance Committee exercises the oversight role on the ERM processes implemented by the Management. During the year under review, the Company continued to embed a risk management culture aimed at supporting strategic and operational objectives. Key corporate and emerging risks related to specific business objectives were assessed, evaluated and closely monitored by the Board and Management. The risks fall under three categories: macro-economic; strategic and operational.

These risks affect the Company's operating environment, business growth strategies and operations. Risk identification is a continuous process and focuses on the following; identifying risks facing the Company, assessing their probability of occurrence and estimating the potential impact and thereafter, evaluating the adequacy of controls in place to mitigate them. The implementation of risk mitigation measures is tracked and progress reported to the Board's Audit, Risk & Compliance Committee. KenGen has developed an integrated risk management system which assists the management in managing risks and building resilience to provide greater assurance to employees, customers and other stakeholders that objectives will be achieved.

Strategic Risk Management in the Company

The objective of strategic risk management is to ensure that management identifies, assesses and continuously monitors events that drive deliberation and action regarding uncertainties and untapped opportunities that affect an organization's strategy and strategic execution. It enables an integrated approach of strategic planning, risk management and strategy execution in managing risks and seizing opportunities, not only for protection against losses, but for reducing uncertainties and seizing opportunities, threby improving performance and building greater resilience in an uncertain environment. Strategic risks are one or a combination of the following:

a) Risks emanating from external factors and/or enterprise events that are strategic in nature which may affect KenGen's ability to achieve its objectives; and
b) Risk associated with our ability to develop, execute, and achieve our strategic objectives, build and protect shareholder value;

The key components of the corporate risk matrix and the associated mitigation measures are as follows:

Hydrology Conditions

Unfavourable hydrological conditions could adversely affect the generating capacity of the company and its revenues.
Mitigation: KenGen continues to engage with stakeholders on the establishment of hydro-risk mitigation fund to cushion the Company during periods of poor hydrological conditions. The Company is also investing from hydro-dependent generation to other generation modes such as geothermal, wind and coal amongst others.

Changes in the Regulatory Environment

KenGen operates in a regulated business environment. Thus as an entity, it is subject to numerous laws and regulations,

Risk Management

including conditions relating to tariffs, expansion activities, environmental compliance as well as regulatory and license conditions. Changes in laws and regulations could expose the company to risks that could result in increased operating costs, ultimately compromising profitability.

Mitigation: The Company continues to mitigate the risks associated with the regulatory environment through negotiation for effective power purchase agreements that ensures full cost recovery and sustainability of its operations. We also pro-actively seek to build constructive relationships with all the regulators and opportunities to contribute to discussions on emerging legislation and regulation.

Geothermal Steam Supply

Changes in geological formation underneath the earth's surface could adversely affect steam supply from generation wells and impact the Company's revenues.

Mitigation: The Company is putting in place an effective steam reservoir management system that ensures close monitoring and supervision of pressures in the geothermal reservoir.

Competition

Competition is inevitable with the growing energy demand and supply factors driven by national economic growth needs and a dynamic global market.

Mitigation: The Company is abundantly endowed with comparatively cheap geothermal resource and the strategy is to focus on harnessing of geothermal resources which provides both comparative and competitive edge over other players. The Company intends to build on its expertise and experience in exploiting geothermal resources within Olkaria and other potential sites. In addition to the geothermal resource, the Company will leverage on capacity expansion programmes for renewable energy resources such as wind and solar. KenGen is also seeking public-private partnerships to create new business models and growth opportunities.

Political Landscape

The National Policy Agenda, through legislative change may adversely affect investments and Company operations which could result in increased cost of doing business. The transition into a new Government could also see a slowdown in growth through two channels; first is the risk that investors could defer investment decisions until full transition is achieved; second, that transition-related expenditures could lead in a cut back in infrastructure spending, thereby affecting the Company's expansion plans.

Mitigation: Through effective stakeholder management programmes, KenGen is able to manage the effects of legislation on its operations. KenGen is also an active participant in the Committee that is reviewing the National Energy Policy & Energy Bill which has taken into consideration sectoral changes in the Constitution.

Single Buyer Model

The Company currently sells all its electricity energy to a sole customer namely, Kenya Power. This comes with the risk of late or delayed payments for electricity sales which could lead to cash flow constraints. It could could also have an adverse effect on revenues should Kenya Power's financial health be affected by the macro-economic factors.

Mitigation: The Company deploys a robust debt management program to ensure increased collection of outstanding payments from Kenya Power. The Company also continues to collaborate with other stakeholders to ensure the enactment of the Energy Bill into law whose provisions would allow for the entry of more players into the electricity wholesale and retail, thereby giving the Company an option to sell bulk energy to multiple customers. The Energy Bill, if enacted into Law will also provide for the establishment of an independent system operator to ensure the economic merit of power plant dispatch is followed. Further, the Company is divesting into other revenue generation modes such as the setting up of an industrial park at Naivasha.

Risk Management

Project Implementation Practices

Energy generation projects bear significant construction risks arising from delayed completion and commissioning. This is further compounded by other factors related to the third parties contracted to undertake various projects who may be affected by macro economic variables.

Mitigation: The Company continuous to manage factors in project implementation which could result in cost overruns and project delays. We continue to improve on the procurement management to ensure only skilled and experienced Engineering, Procurement & Construction (EPC) contractors and consultants are engaged. The Company also executes agreements that require contractors to pay sufficient liquidated damages in the event of default. This is in addition to regular monitoring and evaluation of projects to ensure the costs, schedule quality and associated risks are within the allowed tolerance levels.

Power Evacuation from Generation Sites

Timely completion of transmission lines is critical for ensuring that we maintain the generation capacity to meet Kenya's electricity needs. However, KETRACO, the State Corporation with the mandate of constructing transmission lines, faces the challenge of unjustified land compensation demands from stakeholders affected by its projects. This in essence leads to stoppage/delay in completion of transmission lines, thereby affecting KenGen's ability to evacuate electricity from generation sites on a timely basis.

Mitigation: KenGen, in liaison with other stakeholders who are affected by wayleave challenges, are collaborating on the review of the National Land Act to provide for an legislation for partial (wayleave) and permanent land acquisition to facilitate the construction of transmission lines. In addition, the Energy Bill if enacted into law, will provide mechanisms and avenues for addressing agitation by the stakeholders.

Plant Availability

The Company has continued to enhance generation capacity through increased power production, enhanced plant availability and reduced machine down-time. This has led to increased generation revenues and subsequent increase in shareholder value.

Mitigation: The Company is in the process of finalising procurement contracting framework to ensure continuous supply of critical plant components thus ensuring timely delivery of required spare parts. In addition, the Company undertakes planning and ensures adherence to plant and equipment maintenance programmes. This is in addition to internal capacity building to ensure staff are able to undertake repairs as and when required without seeking the support of the original plant manufacturer.

Access to Capital Funds for Expansion Programme

The Company needs substantial capital to finance its business plan, in particular the capacity expansion projects. The planned medium-term capacity addition under the various expansion programmes between 2016-2020 is 721MW is estimated to cost over US$ 1.3 billion.

Mitigation: In addition to scaling up internally generated revenues to finance some of the projects, the Company continues to explore ways of securing additional sources of funding through Public Private Partnerships (PPP). KenGen also intends to apply the proceeds raised from the successful rights issue to project expansion.

Security Risks

With the changing local and international dynamics, security is a key concern to the country and more so to KenGen due to its power generation facilities which are strategic national assets.

Mitigation: KenGen has taken pro-active measures to secure all its areas of operation. The Company also expects through the Integrated Security Management System whose implementation is underway to boost the security of its key installations and staff. We also work closely with law enforcement agencies and stakeholders to ensure our customers' interests are protected.

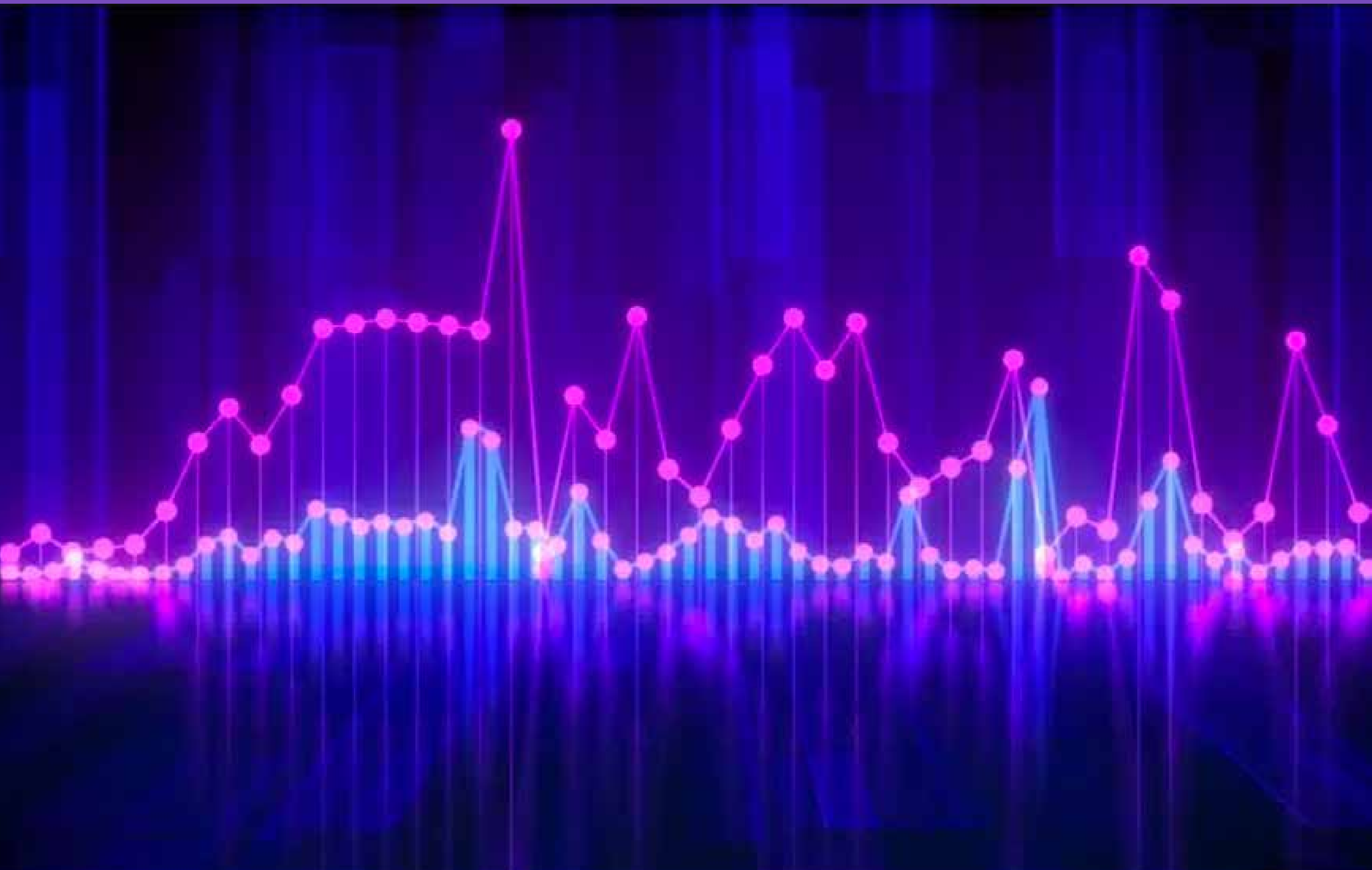
Risk Management

Business Continuity Management & Disaster Mitigation

Due to increased threats of disaster in the country, there is a need to ensure that the Company has in place an effective system of business continuity and disaster recovery management.

Mitigation: The Regulatory & Corporate Affairs Division is facilitating the implementation of a business continuity management framework and disaster management system in the Company. This will ensure that the Company has in place adequate measures that address risks that may adversely impact business operation and disaster recovery.

Commissioning of Olkaria Geothermal Project



Financial Statements

Statement Of Director's Responsibilities

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; disclose with reasonable accuracy at any time the financial position of the company; and that enables them to prepare financial statements of the company that comply with prescribed financial reporting standards and the requirements of the Kenyan Companies Act, 2015. They are also responsible for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 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

In preparing the financial statements, the Directors have assessed the Company's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern for at least the next twelve months from the date of this statement.

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

Approved by the Board of Directors on 17 October 2017 and signed on its behalf by:

Joshua Choge
Chairman

Dorcas Kombo
Director

Kairu Bachia
Director

Nairobi, 17 October 2017

STATEMENT BY COMPANY SECRETARY

In accordance with Section 125 of the Companies Act, I certify that the Company has lodged with the Registrar-General all such returns as are required of a public company in terms of the Act, and that all such returns are true, correct and up to date.

Rebbeca Miano
Company Secretary
Nairobi, 17 October 2017

Directors' Remuneration Report

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.

In accordance with the guidelines provided in the State Corporations Act and Salaries & Remuneration Commission as well as shareholder approval granted at the Annual General Meeting; the Directors are paid a taxable sitting allowance of Kshs.20,000 for every meeting attended. The Chairman is paid a monthly honorarium of Kshs.80,000.

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

It is proposed that each Director receives a fee of Kshs.600,000 per annum for the financial year ended 30 June 2017 subject to approval by shareholders during the Annual General Meeting.

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 & CEO had a three year renewable contract of service with Kenya Electricity Generating Company Limited starting 15 January 2014 which was extended from 15 January 2017 for a period of a one year term that ended on 25 August 2017 when he retired.

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 30th November 2016, the shareholders approved the payments of Directors fees for the year ended 30th June 2016 by show of hands.

At the Annual General Meeting to be held on 22nd November 2017, approval will be sought from shareholders to pay Director Fees for the financial year ended 30 June 2017.

Directors' Remuneration Report

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 2017 together with the comparative figures for 2016. The aggregate Directors' emoluments are shown in note 17 (e).

For the year ended 30 June 2017	Category	Gross payments Shs'000	Directors Fees Shs'000	Allowances Shs'000	Honorarium Shs '000	Total Shs '000
Joshua Choge	Chairman, Non-Executive	-	600	1,620	960	3,180
Albert Mugo (Retired on 25 August 2017)	Managing Director and CEO	23,703	-	-	-	23,703
Henry Rotich (CS, The National Treasury)	Non-Executive	-	600	-	-	600
Joseph Njoroge (PS, State Department for Energy)	Non-Executive	-	600	-	-	600
Dorcas Kombo	Non-Executive	-	600	1,640	-	2,240
Ziporah Ndegwa	Non-Executive	-	600	1,560	-	2,160
Musa Arusei	Non-Executive	-	600	1,840	-	2,440
Kairu Bachia	Non-Executive	-	600	1,440	-	2,040
Joseph Sitati	Non-Executive	-	600	1,220	-	1,820
Maurice Nduranu	Non-Executive	-	600	1,020	-	1,620
Phyllis Wakiaga (Elected on 30 November 2016)	Non-Executive	-	300	380	-	680
Millicent Omanga (Retired on 30 November 2016)	Non-Executive	-	300	860	-	1,160
Humphrey Muhu (Alternate to Henry Rotich)	Non-Executive	-	-	1,340	-	1,340
William Mbaka - Alternate to Joseph Njoroge (Appointed on 4 October 2016)	Non-Executive	-	-	1,000	-	1,000
Momata Gichana (Retired on 4 October 2016)	Non-Executive	-	-	80	-	80
Total		**23,703**	**6,000**	**14,000**	**960**	**44,663**

Directors' Remuneration Report

INFORMATION SUBJECT TO AUDIT (CONTINUED)

For the year ended 30 June 2016	Category	Gross payments Shs'000	Directors Fees Shs'000	Allowances Shs'000	Honorarium Shs '000	Total Shs '000
Joshua Choge	Chairman, Non-Executive	-	600	2,180	960	3,740
Albert Mugo	Managing Director and CEO	18,704	-	-	-	18,704
Henry Rotich (CS, The National Treasury)	Non-Executive	-	600	-	-	600
Joseph Njoroge (PS, State Department for Energy)	Non-Executive	-	600	60	-	660
Dorcas Kombo	Non-Executive	-	600	1,320	-	1,920
Ziporah Ndegwa	Non-Executive	-	600	1,280	-	1,880
Millicent Omanga	Non-Executive		600	1,620		2,220
Musa Arusei	Non-Executive	-	600	1,460	-	2,060
Kairu Bachia	Non-Executive	-	600	1,360	-	1,960
Joseph Sitati (Elected on 16 December 2015)	Non-Executive	-	324	660	-	984
Maurice Nduranu (Elected on 16 December 2015)	Non-Executive	-	324	660	-	984
Humphrey Muhu (Alternate to Henry Rotich)	Non-Executive	-	-	1,280	-	1,280
William Mbaka - Alternate to Joseph Njoroge (Appointed on 4 October 2016)	Non-Executive	-	-	-	-	-
Hedrick Omanwa (Retired 16 December 2015)	Non-Executive	-	276	620	-	896
Henry M'Narobi (Retired 16 December 2015)	Non-Executive	-	276	820	-	1,096
Momata Gichana (Retired on 4 October 2016)	Non-Executive	-	-	1,220	-	1,220
Total		**18,704**	**6,000**	**14,540**	**960**	**40,204**

Included in the director's emoluments expense is an amount of Shs 2,940,000 (2016: 3,373,000) relating to a provision for the Managing Director & CEO's gratuity and leave pay.

On behalf of the Board

SECRETARY

DATE 17 October 2017

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OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYA ELECTRICITY GENERATING COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

The accompanying financial statements of Kenya Electricity Generating Company Limited (" the Company") set out on pages 146 to 209, which comprise the statement of financial position as at 30 June 2017, statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, have been audited on my behalf by PricewaterhouseCoopers, auditors appointed under Section 23 of the Public Audit Act, 2015. The auditors have duly reported to me the results of their audit and on the basis of their report, I am satisfied that all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit were obtained.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Kenya Electricity Generating Company Limited as at 30 June 2017, and its financial performance and its cash flows for the year then ended, in accordance to International Financial Reporting Standards and comply with the requirements of the Kenyan Companies Act, 2015.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). I have fulfilled my other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audit of the financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters were those matters that, in my professional judgement, were of most significance in the audit of the financial statements of the current year. 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 these matters. For each matter below, a description of how the audit addressed the matter is provided in that context.

I have fulfilled the responsibilities described in auditor's responsibilities for the audit of the financial statements 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 risks 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 audit opinion on the accompanying financial statements.

No.	Key Audit Matter	How the audit addressed the key audit matter
1	**Compensating Tax Liability**	
	Compensating tax arises as a result of the income tax requirement to make payments to cover for insufficient credits in the dividend tax account. Dividend tax credits are considered in light of the current tax account balances. It is a final tax and therefore an expense. It arises mostly where the company has significant tax losses and therefore does not pay current tax. As discussed under Note 35 of the financial statements, the Company paid dividends of Kshs.6,164,107,000 in the year ended 30 June 2016 giving rise to a compensating tax impact of Kshs.2,431,022,000. This principal amount was duly provided for in the financial statements for the year then ended, in accordance with IAS 37. However, the principal tax is yet to be settled and therefore the Kenya Revenue Authority (KRA), subsequently issued a demand letter for payment of principal, interest and penalties.	I have performed the following audit procedures: • Reviewed the accuracy of the computation of compensating tax principal, interest and penalties. • Reviewed correspondence between the Company and the KRA, the National Treasury and the Ministry of Energy & Petroleum. • Held discussions with management to understand their efforts in obtaining a waiver from the KRA, in regard to the compensating tax principal, penalties and interest. The Company has not received a waiver in respect of interest and penalties. I understand from management that KRA has indicated their willingness to waive the interest and penalties, if the principal tax is paid. Accordingly, a contingent liability disclosure with regard to interest and penalties has

No.	Key Audit Matter	How the audit addressed the key audit matter
		been made in the financial statements under Note 35.
2.	**Impairment of Power Generation Assets**	
	As described in Notes; 2 and 13 to the financial statements, at each reporting date, the Company reviews the carrying amount of its assets to determine whether there are any indicators of impairment. If any such indication exists, an impairment assessment is performed. If the recoverable amount of the asset or Cash Generating Unit (CGU) is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount by recognizing either: • An impairment loss in profit or loss; or • A revaluation loss where the relevant asset is carried at a revalued amount. Management applies a value in use model in determining the recoverable amount. In assessing the 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, based on the Power Purchase Agreements (PPAs). The directors make subjective judgments over the estimation of future cash flows, based on their assessment of future profitability of the CGUs or assets.	I have evaluated and challenged the composition of future cash flow forecasts and underlying assumption based on the historical performance and approved financial budgets of the Company, review of the contracted Power Purchase Agreements (PPAs), the macro-economic outlook and industry specific reports. I have also challenged management's assumptions in regard to the pre-tax discount rate by assessing the weighted average cost of capital for the Company and considering specific country factors. I have assessed the appropriateness and completeness of the related disclosures under Note 13 to the financial statements, including the adequacy of the sensitivity analysis.

Other Information

The directors are responsible for the other information. The other information comprises the Report of Directors as required by the Companies Act, 2015, and the statement of Directors' responsibilities which I obtained prior to the date of this report, and the annual report which is expected to be made available to me after that date. The other information does not include the financial statements and the auditor's report thereon.

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

In connection with the audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or the knowledge obtained in the audit, or otherwise appears to be materially misstated, 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.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are 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 the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

The Directors are 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.

Auditor-General's Responsibilities for the Audit of the Financial Statements

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 which 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 of Kenya. 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 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 decision of users taken on the basis of these financial statements.

As part of an audit in accordance with ISSAIs, I exercise professional judgment and maintain professional skepticism through 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 which 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.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Company's internal control.

- Evaluate the appropriateness of the accounting policies used and the reasonableness of the accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the director'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 which may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, 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 of the entities or business activities within the Company to express an opinion on the financial statements.

I communicate with the directors regarding, among others, the planned scope and timing of the audit and significant audit findings, including any significant deficiency in internal control that are identified during the audit.

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

From the matters communicated to the directors, I determine those matters which 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 the 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 of the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Kenyan Companies Act, 2015 I report to you based on the audit, that;

i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of my audit;

ii. In my opinion, proper books of account have been kept by the Company, so far as appears from the examination of those books;

iii. The Company's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account;

iv. In my opinion the information given in the report of the directors on page 20 to 22, is consistent with the financial statements; and

v. In my opinion the auditable part of the directors' remuneration report on page 137 to 139 has been prepared in accordance with the Kenyan Companies Act, 2015.

FCPA Edward R.O. Ouko, CBS
AUDITOR- GENERAL

Nairobi

17 October 2017

Statement of Profit or Loss and other Comprehensive Income

	Note	2017 Shs'000	2016 Shs'000
Electricity revenue	4	29,368,825	29,543,488
Steam revenue	5	5,189,072	6,856,018
		34,557,897	**36,399,506**
Other income	6	882,170	2,210,050
		35,440,067	**38,609,556**
Employee expenses	8 (a)	(4,912,764)	(4,389,290)
Operating expenses	8 (b)	(4,777,874)	(4,558,578)
Depreciation and amortisation	8 (c)	(9,244,422)	(10,223,370)
Steam costs	5	(2,795,798)	(3,167,173)
Operating profit		**13,709,209**	**16,271,145**
Compensating tax		-	(2,431,022)
Finance income	7	1,242,157	556,108
Finance costs	9	(3,417,442)	(3,132,187)
Profit before income tax	10	**11,533,924**	**11,264,044**
Income tax expense	11(a)	(2,476,793)	(4,520,552)
Profit for the year		**9,057,131**	**6,743,492**
Other Comprehensive Income/(loss):			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit	28 (a)	(194,828)	(394,996)
Deferred tax on remeasurement of defined benefit	29	58,448	118,499
Impairment	13	(708,623)	-
Deferred tax on impairment	29	212,587	-
		(632,416)	**(276,497)**
Items that may be reclassified subsequently to profit or loss:			
Net gain/(loss) on revaluation of available-for-sale treasury bonds	19(c)	22,572	(19,772)
Other comprehensive income for the year, net of income tax		**(609,844)**	**(296,269)**
Total comprehensive income for the year		**8,447,287**	**6,447,223**
Earnings per share			
Basic (Shs)	12	4.12	3.07
Diluted(Shs)	12	1.37	1.08

Statement of Financial Position

	Note	2017 Shs'000	2016 Shs'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	323,843,363	320,932,980
Prepaid leases on land	14	4,229,783	4,150,673
Intangible assets	15	1,317,066	1,181,241
Non-current receivables	18	14,149,390	15,037,721
Treasury bonds	19	2,414,108	2,420,560
Retirement benefit asset	28	1,603,464	1,609,201
		347,557,174	**345,332,376**
Current assets			
Inventories	20	1,082,044	866,698
Trade receivables	16	16,640,394	10,045,640
Other receivables and prepayments	21	3,741,225	3,925,727
Treasury bonds	19	344,603	322,031
Cash and bank balances	23	7,831,103	6,756,324
		29,639,369	**21,916,420**
TOTAL ASSETS		**377,196,543**	**367,248,796**
EQUITY AND LIABILITIES			
Equity attributable to owners			
Share capital	24	16,487,710	15,609,684
Share premium	24	22,151,131	21,056,341
Other reserves	25	74,799,177	77,540,603
Retained earnings		69,724,767	58,536,054
		183,162,785	**172,742,682**
Non- current liabilities			
Borrowings	6(a)	127,884,286	126,149,009
Deferred income tax	29	42,196,671	40,226,857
Trade and other payables	30	3,859,604	9,940,189
		173,940,561	**176,316,055**
Current liabilities			
Borrowings	26(a)	10,829,802	10,757,003
Trade and other payables	30	6,771,915	4,943,371
Compensating tax	31	2,431,022	2,431,022
Current income tax	11(c)	60,458	58,663
		20,093,197	**18,190,059**
TOTAL EQUITY AND LIABILITIES		**377,196,543**	**367,248,796**

The financial statements on pages 146 to 209 were approved and authorised for issue by the Board of Directors on 17 October 2017 and were signed on its behalf by:

Joshua Choge **Chairman**	**Dorcas Kombo** **Director**	**Kairu Bachia** **Director**

Statement of changes in equity

	Share capital Shs'000	Share premium Shs'000	Other reserves Shs'000	Retained earnings Shs'000	Total Shs'000
At 1 July 2015	5,495,904	5,039,818	79,912,755	51,145,614	141,594,091
Profit for the year	-	-	-	6,743,492	6,743,492
Other comprehensive income;					
-revaluation of bonds available for sale	-	-	(19,772)	-	(19,772)
-remeasurement of defined benefit	-	-	(394,996)	-	(394,996)
-deferred income tax on remeasurment	-	-	118,499	-	118,499
Total comprehensive income for the year	**-**	**-**	**(296,269)**	**6,743,492**	**6,447,223**
Transfer of excess depreciation	-	-	(3,045,117)	3,045,117	-
Deferred tax on revaluation surplus – current year	-	-	969,234	(969,234)	-
Transaction with owners:					
-rights issue (Note 24)	10,113,780	16,016,523	-	-	26,130,303
Dividend declared – 2015	-	-	-	(1,428,935)	(1,428,935)
At 30 June 2016	**15,609,684**	**21,056,341**	**77,540,603**	**58,536,054**	**172,742,682**
As at 1 July 2016	15,609,684	21,056,341	77,540,603	58,536,054	172,742,682
Profit for the year	-	-	-	9,057,131	9,057,131
Other comprehensive income;	-	-	-	-	-
- revaluation of bonds available for sale	-	-	22,572	-	22,572
- PPE impairment (Note 13)			(708,623)		(708,623)
- Deferred income tax on impairment			212,587		212,587
-remeasurement of defined benefit	-	-	(194,828)	-	(194,828)
-deferred income tax on remeasurment	-	-	58,448	-	58,448
Total comprehensive income for the year	**-**	**-**	**(609,844)**	**9,057,131**	**8,447,287**
Transfer of excess depreciation	-	-	(3,045,117)	3,045,117	-
Deferred tax on revaluation surplus – current year	-	-	913,535	(913,535)	-
Transaction with owners	-	-	-	-	-
-rights issue (Note 24)	878,026	1,094,790	-	-	1,972,816
At 30 June 2017	**16,487,710**	**22,151,131**	**74,799,177**	**69,724,767**	**183,162,785**

Statement of Cash Flows

	Note	2017 Shs'000	2016 Shs'000
Cash flows from operating activities			
Cash generated from operations	33(a)	12,181,229	32,365,267
Income tax paid	11(c)	(234,149)	(182,276)
Interest received	33(b)	1,255,843	540,431
Interest paid	33(c)	(3,903,443)	(3,467,409)
Net cash generated by operating activities		**9,299,480**	**29,256,013**
Cash flows from investing activities			
Purchase of property, plant and equipment	13	(12,819,941)	(26,946,907)
Purchase of prepaid leasehold land	14	(137,730)	-
Purchase of intangible assets	15	(207,466)	(10,444)
Proceeds from disposal of assets		90,793	171,462
Cash proceeds from rights issue		1,972,816	4,096,240
Net cash used in investing activities		**(11,101,528)**	**(22,689,649)**
Cash flows from financing activities			
Repayment of borrowings	26(d)	(8,972,147)	(6,360,398)
Proceeds from borrowings	26(d)	11,848,974	9,422,158
Dividends paid to owners of the company	32	-	(6,164,107)
Net cash generated from financing activities		**2,876,827**	**(3,102,347)**
Net increase in cash and cash equivalents		**1,074,779**	**3,464,017**
Cash and cash equivalents at the beginning of the year		6,756,324	3,292,307
Cash and cash equivalents at the end of the year	**23**	**7,831,103**	**6,756,324**

Notes to the Financial Statements

1. General information

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

2. Accounting policies

(a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The measurement basis applied is the historical cost basis, except for land and buildings, which have been measured at fair value. The preparation of financial statements in conformity with IFRS requires 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.

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

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

(i) New standards and amendments to published standards effective for the year ended 30 June 2017

The following new and revised IFRSs were effective in the current year and had no material impact on the amounts reported in these financial statements.

Amendments to IAS 1, 'Presentation of Financial Statements'	The amendments are made in the context of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. The amendments, effective 1 January 2017, provide clarifications on a number of issues, including: • Materiality – an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance. • Disaggregation and subtotals – line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals.

Notes to the Financial Statements (continued)

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

(i) New standards and amendments to published standards effective for the year ended 30 June 2017

Amendments to IAS 1, 'Presentation of Financial Statements' (Continued)	• Notes – confirmation that the notes do not need to be presented in a particular order. • OCI arising from investments accounted for under the equity method – the share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of other comprehensive income.
Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities	The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'. As the Company does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the Company's financial statements.
IFRIC 21 Levies	IFRIC 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period. The application of this Interpretation has had no material impact on the disclosures or on the amounts recognised in the Company's financial statements.
Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets	The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 Fair Value Measurements. As the Company does not have any cash-generating units (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the Company's financial statements.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

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

(i) New standards and amendments to published standards effective for the year ended 30 June 2017 (Continued)

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation	The IASB has amended IAS 16 Property, Plant and Equipment to clarify that a revenue-based method should not be used to calculate the depreciation of items of property, plant and equipment. IAS 38 Intangible Assets now includes a rebuttable presumption that the amortisation of intangible assets based on revenue is inappropriate. This presumption can be overcome if either: • The intangible asset is expressed as a measure of revenue (i.e. where a measure of revenue is the limiting factor on the value that can be derived from the asset), or • It can be shown that revenue and the consumption of economic benefits generated by the asset are highly correlated. As these amendments merely clarify the existing requirements, they do not affect the company's accounting policies or any of the disclosures.

(ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2017

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2017, and have not been applied in preparing these financial statement. None of these is expected to have a significant effect on the financial statements of the Company, except the following set out below.

IFRS 9	Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through Profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

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

(ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2017

IFRS 9	Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The company is yet to assess IFRS 9's full impact.
IFRS 15 Revenue from Contracts with Customers	Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The company is assessing the impact of IFRS 15.
	IFRS 15, 'IFRS 16, Leases, Effective date - 1 January 2019 After ten years of joint drafting by the IASB and FASB they decided that lessees should be required to recognise assets and liabilities arising from all leases (with limited exceptions) on the balance sheet. Lessor accounting has not substantially changed in the new standard. The model reflects that, at the start of a lease, the lessee obtains the right to use an asset for a period of time and has an obligation to pay for that right. In response to concerns expressed about the cost and complexity to apply the requirements to large volumes of small assets, the IASB decided not to require a lessee to recognise assets and liabilities for short-term leases (less than 12 months), and leases for which the underlying asset is of low value (such as laptops and office furniture). A lessee measures lease liabilities at the present value of future lease payments. A lessee measures lease assets, initially at the same amount as lease liabilities, and also includes costs directly related to entering into the lease. Lease assets are amortised in a similar way to other assets such as property, plant and equipment. This approach will result in a more faithful representation of a lessee's assets and liabilities and, together with enhanced disclosures, will provide greater transparency of a lessee's financial leverage and capital employed. One of the implications of the new standard is that there will be a change to key financial ratios derived from a lessee's assets and liabilities (for example, leverage and performance ratios).
	IFRS 16 supersedes IAS 17, 'Leases', IFRIC 4, 'Determining whether an Arrangement contains a Lease', SIC 15, 'Operating Leases – Incentives' and SIC 27, 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

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

(ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2017 (continued)

Annual Improvements 2010-2012 Cycle	The Annual Improvements to IFRSs 2011-2013 Cycle include a number of amendments to various IFRSs, which are summarised below: The amendments to IFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself. The amendments to IFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

(iii) Relevant new and revised IFRSs in issue but not yet effective for the year ended 30 June 2017

The amendments to IAS 40 clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of IAS 40; and
(b) the transaction meets the definition of a business combination under IFRS 3

The Directors of the Company do not anticipate that the application of these amendments will have a significant impact on the Company's financial statements.

(iv) Early adoption of standards

The company did not early-adopt any new or amended standards in 2017.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

Revenue recognition

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

(i) Electricity sales

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

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

(ii) Interest

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

(iii) Rental income

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

Foreign currency translation

(a) 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) which is the Company's functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuations where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

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

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

Taxation

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

(i) Current tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

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

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

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

Employees' benefits

i) Retirement benefits obligations

The company operates a defined benefits scheme and a defined contributions scheme.

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

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

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

Employees' benefits (continued)

i) Retirement benefits obligations (continued)

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

The retirement benefit obligation recognised in the statement of financial position represents the actual deficit or surplus in the company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.
A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

ii) Other entitlements

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

Property, plant and equipment

All categories of property, plant and equipment are initially recorded at cost. Land and buildings, transmission lines and plant and equipment are subsequently shown at fair value on periodic basis, but at least every five years, valuations by external independent valuers less subsequent depreciation for buildings, plant and machinery. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is attributable to the acquisition of the items.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the decommissioning obligation and for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised on qualifying assets. Such items of property, plant and equipment are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

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

All productive wells are capitalised in property, plant and equipment when connected and are depreciated over their useful lives. The useful life is currently estimated to be twenty five years from the date of commencement of commercial operation. The cost of unproductive wells is transferred to the profit or loss in the year in which they are certified complete but unproductive. Where a well ceases to be productive before the end of its expected useful life, the net book value of the well is charged to the profit or loss in the year it ceases to be productive.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

Depreciation

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

The annual depreciation rates in use are:

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

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

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

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

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

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

Depreciation attributable to the drilling equipment is capitalized and forms part of the cost of direct wells.

Intangible assets

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

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

Intangible assets (continued)

An intangible asset is derecognised 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 recognised in profit or loss when the asset is derecognised.

Impairment of tangible and intangible assets excluding goodwill

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

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

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

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

Borrowing costs

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

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

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

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

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

Inventories

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

Financial instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the company has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

Effective interest method

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

Available-for-sale financial assets

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

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

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

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

Loans and receivables

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

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

Impairment of financial assets

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

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

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as a default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- The disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 40 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an Available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

Financial instruments (continued)

Impairment of financial assets (Continued)

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of Available-for-sale debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

De-recognition of financial assets

The company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On de-recognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Notes to the Financial Statements (continued)

Financial liabilities

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

Other financial liabilities

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

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

Derecognition of financial liabilities

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

Accounting for leases

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

The company as lessor

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

The company as lessee

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

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

Dividends on ordinary shares

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

Grants

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

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

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

Grants (continued)

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

Provisions

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

Capitalisation of employee costs

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

Cash and cash equivalents

In the statement of cash flows, cash and cash an 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.

3. Critical accounting estimates and judgements

In the application of the company's accounting policies, which are described in note 2, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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 recognised in the financial statements.

Held-to-maturity financial assets

The Directors have reviewed the company's held-to-maturity financial assets in the light of its capital maintenance and liquidity requirements and have confirmed the company's positive intention and ability to hold those assets to maturity. The carrying amount of the held-to-maturity financial assets is Sh 2,414 million (30 June 2016: Sh 2,420 million). Details of these assets are set out in note 19.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Disclosure on recoverability is set out in note 29.

Capitalisation of staff and other costs

Project related costs including employee costs are capitalised. The rates applied in capitalising the employee costs are based on estimated time spent on the capital projects. Significant judgement is required in determining capitalisation rates to be applied on indirect staff costs. Disclosure of capitalised costs is set out on note 8.

Notes to the Financial Statements (continued)

3. Critical accounting estimates and judgements (continued)

Classification of leases of land as finance or operating leases

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

- The lease transfers ownership of the asset to the lessee by the end of the lease term; The lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised;
- the lease term is for the major part of the economic life of the asset even if title is not transferred;
- At the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and
- the leased assets are of such a specialised nature that only the lessee can use them without major modifications.
- The Company also considers indicators of situations that individually or in combination could also lead to a lease being classified as a finance lease. Examples of such indicators include:
- If the lessee can cancel the lease, the lessor's losses associated with the cancellation are borne by the lessee;
- Gains or losses from the fluctuation in the fair value of the residual accrue to the lessee (for example, in the form of a rent rebate equalling most of the sales proceeds at the end of the lease); and
- The lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent.

Useful lives of property, plant and equipment

The company reviews the estimated useful lives of property, plant and equipment at the reporting date. The useful lives of the plants are then used in establishing the contracts that the company enters into under the Power Purchase Agreements.

Impairment losses

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

Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash generating unit to which the asset belongs. Any impairment losses are recognised as an expense immediately. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount. A reversal of an impairment loss, other than that arising from goodwill, is recognised as income immediately.

Impairment of available-for-sale financial assets

The company classifies certain assets as available-for-sale and recognises movements in their fair value through other comprehensive income. The company treats available-for-sale investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists.

Notes to the Financial Statements (continued)

3. Critical accounting estimates and judgements (continued)

Impairment of available-for-sale financial assets

The determination of what is 'significant' or 'prolonged' requires judgement. When the fair value declines, management makes assumptions about the decline in value to determine whether it is an impairment that should be recognised in the profit and loss account.

Actuarial valuation of defined benefits plan

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

4. Revenue

		2017 Shs'000	2016 Shs'000
Revenue by Tariff			
Electricity sales:-			
- Capacity charges revenue(note 4(a))		21,713,926	21,262,250
- Energy revenue(Note (4b))		7,292,696	7,671,318
- Foreign currency adjustment		362,203	609,920
		29,368,825	**29,543,488**
a)	**Capacity Revenue**		
	Hydro	7,582,945	7,674,181
	Geothermal	10,931,047	10,303,438
	Thermal	3,199,934	3,284,631
		21,713,926	**21,262,250**
b)	**Energy Revenue**		
	Hydro	1,037,952	1,513,752
	Geothermal	5,171,007	5,182,762
	Thermal	563,673	514,632
	Wind	520,064	460,172
		7,292,696	**7,671,318**

Notes to the Financial Statements (continued)

5. Steam revenue

The Company entered into a long term steam resources and maintenance contract with Geothermal Development Company Limited (GDC) thereby enabling the recovery of steam field maintenance and operating costs based on agreed method of determination. The Company also generates steam revenue from own wells.

Steam revenue – pass through*		2017 Shs'000	2016 Shs'000
Third party steam revenue current year (a) – pass through		4,200,944	4,614,059
Third party steam cost recovery arrears (2012-2015)**		-	1,332,986
KenGen Steam (b)		988,128	908,973
		5,189,072	**6,856,018**
(a)	**Current year third party steam net income - pass through**		
	Steam revenue - pass through	4,200,944	4,614,059
	Steam costs – pass through	(2,795,798)	(3,167,173)
	Net steam field maintenance revenue	**1,405,146**	**1,446,886**
(b)	**KenGen Steam**		
	Steam revenue for current year	988,128	628,621
	Steam revenue arrears (2012-2015)**	-	280,352
		988,128	**908,973**

* Steam field maintenance revenue represents tariff charged by the Company to cover investment, operation and maintenance of geothermal wells connected to the power plants. The tariff is charged as part of electrical energy sold to Kenya Power pursuant to provisions of signed Power Purchase Agreements (PPAs) relating to Olkaria Power Plants and Wellheads. On 3 September 2015, the Company entered into a contract with Geothermal Development Company (GDC) for operation and maintenance of geothermal wells owned by GDC. The Company recovers geothermal steam field maintenance costs. The steam charge accrued to GDC was Shs 2,796 million (2016: Shs 3,167 million) which has been recognized under expenses in profit or loss

The agreement between KenGen and GDC was signed on 3 September 2015 but it is effective June 2012 and therefore the deferred income to June 2015 was recognised in the profit or loss in the prior year.

Steam field costs attributed to the steam revenue are included as part of the depreciation and employee expenses for the year.

Notes to the Financial Statements (continued)

6. Other income

	2017 Shs'000	2016 Shs'000
Contracts/consultancy services[1]	-	1,501,991
Gain on disposal of property, plant and equipment	15,814	7,217
Insurance compensation	286,321	331,800
Miscellaneous income	191,341	76,929
Net fuel pass-through (Note 6 (a))	256,789	(78,837)
Management fees from Emergency power project[2] (Note 34)	2,281	27,587
Other gains and losses (6c)	72,233	343,363
Carbon credits	57,391	-
	882,170	**2,210,050**

[1]The Company entered into a contract to drill two commercial wells for Akiira Company Limited in Olkaria and earned income of Shs 1,502 million in 2016.

[2]The management fees represent the income earned of United States cents 0.75 per Kwh for managing Emergency Power Project in Muhoroni and Garissa on behalf of the Government which are operated by Aggreko International.

	2017 Shs'000	2016 Shs'000
(a) Net fuel pass-through[3]		
Fuel pass-through revenue	9,069,403	3,182,623
Fuel pass-through costs	(8,812,614)	(3,261,460)
	256,789	**(78,837)**
(b) Net water charges pass-through[4]		
Water charges pass-through revenue	166,822	329,079
Water charges pass-through costs	(166,822)	(329,079)
	-	**-**
(c) Other gains and losses		
Foreign exchange gains on other monetary items	78,685	349,243
Amortization of held to maturity investments (Note 19(c))	(6,452)	(5,880)
Unrealized foreign exchange losses on revaluation of borrowings	(91,168)	(8,337,737)
Recoverable foreign exchange differences (Note 26)	91,168	8,337,737
	72,233	**343,363**

Notes to the Financial Statements (continued)

6. Other income (continued)

[3] In line with the provisions of the Power Purchase Agreements, the company is reimbursed by Kenya Power for fuel costs incurred in the production of thermal electricity based on pre-agreed plant fuel usage. The net fuel pass-through income therefore represents the fuel usage efficiency which varies with working condition of the thermal power generating plants, because the machines are presently new. As the plants get old, the net fuel pass through is expected to be a charge to the income statement. During the year the load factor declined by 10% leading to lower efficiencies. Inaddition, there were some fuel pricing alterations which occurred in the prior year that were confirmed in the current year.

[4] The Water Resource Management Rules 2007 (Water Regulations) was Gazetted by the Government through legal noticeNo. 171 of September 2007. The regulation provided for water use charge at the rate of 0.05 Shs/kWh for power plants with capacity of over 1MW. With approval from the Energy Regulatory Commission, the company is reimbursed by Kenya Power for the cost of water charges as a pass-through.

7. Finance income

	2017 Shs'000	2016 Shs'000
Treasury bonds	282,242	282,795
Other receivables	4,822	7,599
Banks and other financial institutions	642,332	189,451
Kenya Power	312,761	76,263
	1,242,157	**556,108**

8. Expenses

		2017 Shs'000	2016 Shs'000
(a)	**Employee Expenses**		
	The following items are included in the employee benefit expense		
	Salaries, wages and other staff costs	6,936,068	6,153,744
	Retirement benefit cost:	-	
	- Post-employment benefit (Note 28a)	(147,771)	(170,216)
	- Defined benefit scheme	522,789	440,035
	- National security	5,063	5,835
		7,316,149	6,429,398
	Less: Capitalized costs*	(2,403,385)	(2,040,108)
		4,912,764	**4,389,290**

Notes to the Financial Statements (continued)

8. Expenses (Continued)

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

	2017 Shs'000	2016 Shs'000
The number of persons employed by the Company at the year-end was		
- Operational staff	1,494	1,638
- Geothermal resource assessment and other projects staff	982	768
	2,476	**2,406**
Management staff	1,413	1,403
Union Staff	1,063	1,003
Total	**2,476**	**2,406**
Permanent employees – management	1,191	1,190
Permanent employees - unionisable	712	745
Contract employees	573	471
Total	**2,476**	**2,406**

(b) Operating Expenses

	2017 Shs'000	2016 Shs'000
Plant operation and maintenance	1,554,480	1,624,005
Welfare and benefits	574,686	469,267
Training expenses	194,562	187,006
Insurance	684,293	669,049
Catchment preservation and dam maintenance	107,000	107,000
Transport and travelling costs	475,638	425,439
Consultants fees	49,873	44,048
Office expenses	277,182	321,201
Provision for bad debts	428,610	245,707
Legal and statutory expenses	122,974	117,078
Corporate social responsibility	73,510	205,136
Director's expenses	75,709	58,727
Advertising	67,570	42,080
Other costs	91,787	42,835
	4,777,874	**4,558,578**

Notes to the Financial Statements (continued)

8. Expenses (continued)

	2017 Shs'000	2016 Shs'000
(c) Depreciation and amortisation		
Depreciation (Note 13)	9,809,464	10,706,396
Less: amount capitalised*	(689,766)	(598,368)
	9,119,698	**10,108,028**
Amortisation - Prepaid leases on leasehold land* (Note 14)	58,620	41,639
Less: amount capitalised*	(5,537)	(3,537)
	53,083	**38,102**
- Intangible assets- software (Note 15)	**71,641**	**77,240**
Total depreciation and amortisation charge for the year	**9,244,422**	**10,223,370**

* The depreciation relating to drilling rigs and other equipment are capitalised as part of the cost of the wells in accordance with the Company accounting policy disclosed under Note 2.

9 Finance costs

	2017 Shs'000	2016 Shs'000
Interest on borrowings	5,167,725	5,159,212
Less: capitalised interest	(1,750,283)	(2,027,025)
	3,417,442	**3,132,187**

Notes to the Financial Statements (continued)

10 Profit before tax

	2017 Shs'000	2016 Shs'000
Profit before tax is arrived at after charging:		
Depreciation on property, plant and equipment (Note 8(c))	9,119,698	10,108,028
Compensating tax	-	2,431,022
Amortization of intangible assets (Note 8(c))	71,641	77,240
Amortization of prepaid lease (Note 8(c))	53,083	38,102
Directors' emoluments: fees – Managing Director & CEO	-	-
- fees – non-executive (Note 17(e))	6,000	6,000
- other emoluments non-executive Note17(e))	14,960	15,500
- emoluments Managing Director & CEO	23,703	18,704
- gratuity and leave provision Managing Director & CEO	2,940	3,373
Auditor's remuneration	8,000	7,200
Operating lease rentals	190,145	248,763
Interest on borrowings (Note 9)	3,417,442	3,132,187
And after crediting:	-	
Interest income (Note 7)	(1,242,157)	(556,108)

11 Current income tax expense

(a) Taxation charge

	2017 Shs'000	2016 Shs'000
Interest taxed as a separate source of income	235,944	100,096
Deferred tax charge (Note 29)	2,240,849	4,420,456
	2,476,793	**4,520,552**

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

	2017 Shs'000	2016 Shs'000
Profit before taxation	11,533,924	11,264,044
Tax applicable rate of 30%	3,460,177	3,379,212
Tax effect of income not subject to tax	-	(2,082)
Tax effect of capital allowances exceeding 100% of cost	(1,320,005)	-
Tax effect of expenses not deductible for tax purposes	336,621	1,143,422
Total taxation charge	**2,476,793**	**4,520,552**

(c) Corporate tax movement

	2017 Shs'000	2016 Shs'000
Balance brought forward	58,663	140,843
Interest taxed as a separate source of income (Note 11(a))	235,944	100,096
Paid during the year	(234,149)	(182,276)
At end of year	**60,458**	**58,663**

Notes to the Financial Statements (continued)

12 Earnings per share

Current year basic and diluted earnings per share are computed based on number of shares held at the beginning of the year and end of year respectively.

In prior year basic earnings per share is calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year prior to the rights issue.

In prior year, diluted earnings per share for the year is calculated by dividing the net profit attributable to ordinary shareholders by the number of ordinary shares outstanding at end of the year subsequent to the rights issue.

The following reflects the earnings and the share data used in the basic and diluted earnings per share computations:

	2017	2016
Profit attributable to ordinary shareholders for basic earnings (in Shs'000)	9,057,131	6,743,492
Number of ordinary shares in issue during the year used in the calculation of the basic earnings per share	2,198,361,456	2,198,361,456
Number of ordinary shares in issue at end of year used in the calculation of diluted earnings per share	6,594,522,339	6,243,873,779
Basic earnings per share (Shs)	4.12	3.07
Diluted earnings per share (Shs)	1.37	1.08

Notes to the Financial Statements (continued)

13. Property plant and equipment

Cost or Valuation	Freehold land and buildings Shs'000	Transmission lines Shs'000	Plant and machinery Shs'000	Motor vehicles Shs'000	Furniture, and fittings Shs'000	Work-in-progress Shs'000	Total Shs'000
At 1 July 2015	34,167,814	2,463,236	199,046,017	1,475,193	4,224,226	67,839,349	309,215,835
Additions	-	-	-	-	-	24,919,882	24,919,882
Capitalised interest	-	-	-	-	-	2,027,025	2,027,025
Depreciation capitalised	-	-	-	-	-	598,368	598,368
Transfers from WIP	130,179	-	1,333,969	247,134	28,318	(1,739,600)	-
Reclassification of revaluation surplus	8,790,893	1,233,020	(10,814,093)	-	(374,322)	-	(1,164,502)
Disposals	(164,985)	-	-	(31,403)	-	-	(196,388)
At 30 June 2016	**42,923,901**	**3,696,256**	**189,565,893**	**1,690,924**	**3,878,222**	**93,645,024**	**335,400,220**
Comprising							
At cost	38,540,009	2,463,235	136,487,499	1,690,924	3,878,222	93,645,024	276,704,913
At valuation 2015	4,383,892	1,233,021	53,078,394	-	-	-	58,695,307
	42,923,901	**3,696,256**	**189,565,893**	**1,690,924**	**3,878,222**	**93,645,024**	**335,400,220**
At 1 July 2016	42,923,901	3,696,256	189,565,893	1,690,924	3,878,222	93,645,024	335,400,220
Additions	-	-	-	-	-	12,819,938	12,819,938
Depreciation capitalised	-	-	-	-	-	689,766	689,766
Transfers from WIP	2,706,525	539,599	31,630,049	231,029	439,738	(35,546,940)	-
Impairment	-	-	(708,623)	-	-	-	(708,623)
Disposals	-	-	(89,365)	(25,524)	-	-	(114,889)
At 30 June 2017	**45,630,426**	**4,235,855**	**220,397,954**	**1,896,429**	**4,317,960**	**71,607,788**	**348,086,412**
Comprising							
At cost	41,246,534	3,002,834	168,028,183	1,896,429	4,317,960	71,607,788	290,099,728
At valuation 2015	4,383,892	1,233,021	53,078,394	-	-	-	58,695,307
Impairment	-	-	(708,623)	-	-	-	(708,623)
	45,630,426	**4,235,855**	**220,397,954**	**1,896,429**	**4,317,960**	**71,607,788**	**348,086,412**

Notes to the Financial Statements (continued)

13. Property plant and equipment (continued)

Cost or Valuation	Freehold land and buildings Shs'000	Transmission lines Shs'000	Plant and machinery Shs'000	Motor vehicles Shs'000	Furniture, and fittings Shs'000	Work-in-progress Shs'000	Total Shs'000
At 1 July 2015	-	169,732	-	922,870	2,744,469	-	3,837,071
Charge for year	1,313,692	163,021	8,664,659	242,989	322,035	-	10,706,396
Reclassification	931,636	(84,520)	(733,944)	384	(157,912)	-	(44,356)
Disposals	(2,941)	-	-	(28,930)	-	-	(31,871)
At 30 June 2016	**2,242,387**	**248,233**	**7,930,715**	**1,137,313**	**2,908,592**	**-**	**14,467,240**
At 1 July 2016	2,242,387	248,233	7,930,715	1,137,313	2,908,592	-	14,467,240
Charge for year	1,320,037	185,615	7,789,321	165,042	349,449	-	9,809,464
Reclassification	-	-	-	-	-	-	-
Disposals	-	-	(10,337)	(23,318)	-	-	(33,655)
At 30 June 2017	**3,562,424**	**433,848**	**15,709,699**	**1,279,037**	**3,258,041**	**-**	**24,243,049**
Net book value							
At 30 June 2017	**42,068,002**	**3,802,007**	**204,688,255**	**617,392**	**1,059,919**	**71,607,788**	**323,843,363**
At 30 June 2016	**40,681,514**	**3,448,023**	**181,635,179**	**553,611**	**969,630**	**93,645,024**	**320,932,980**
Net book value (Cost basis)							
At 30 June 2017	**37,602,647**	**2,568,987**	**111,170,588**	**617,390**	**1,059,920**	**71,607,788**	**224,627,320**
At 30 June 2016	**29,578,310**	**2,130,483**	**84,919,570**	**305,911**	**794,926**	**93,876,754**	**211,605,974**

Notes to the Financial Statements (continued)

13. Property plant and equipment (continued)

Plant and machinery was revalued by independent valuer Aon Global Risk valuer, as at 30 June 2015, on a depreciated replacement cost basis and represents the plant and machinery's highest and best use. The land and buildings was valued by Gimco Limited as at 31 December 2013. The valuation reports were adopted by the company in the financial statements for the year ended 30 June 2015.

The company land is located in the following locations:

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

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

	2017 Shs'000	2016 Shs'000
Cost	212,277,551	177,490,743
Accumulated depreciation	(45,936,014)	(39,686,158)
Net book amount	**166,341,537**	**137,804,585**

At each reporting date, the Directors review the carrying amount of its assets 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 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.

Management has determined the values assigned to each of the key assumptions used as follows:

Assumption	**Approach Approach used to determine values**
Pre-tax discount rate	Based on specific risks relating to the industry and country. Factors considered for the industry include majorly the regulatory environment.
Long term escalable rate	This is the rate used to extrapolate cash flows beyond the budget period. The rate is based on the long term increase in inflation rate as per the power purchase agreements.
Annual capital expenditure	Expected cash costs in the CGUs. This is based on the historical experience of management, the planned maintenance of the power plants, or sustaining expenditure. No incremental revenue or cost savings are assumed in the value-in-use model as a result of this expenditure.

Notes to the Financial Statements (continued)

13. Property plant and equipment (continued)

Assumption	Approach Approach used to determine values
Earnings before interest, tax, depreciation and amortisation (EBITDA)margin	This is based on past performance and management expectations of future performance.

Based on the above assumptions, the recoverable value was lower than the carrying amount for Olkaria I power plant at 30 June 2017 by Shs 709 million. At 30 June 2017, the Olkaria I power plant had a revaluation surplus amounting to Shs 3.47 billion included in other reserves net of deferred tax of Shs 1.07 billion. The impairment loss has been charged to other comprehensive income to reduce this reserve.

Significant estimate: Impact of possible changes in key assumptions

If the pre-tax discount rate applied to the cash flow projection of Olkaria I power plant had been 5% higher or lower than management's estimates and all other assumptions in the table above unchanged, the Company would recognise an increase or decrease in impairment of Shs 12 million respectively.

14. Long term leases on leasehold land

	2017 Shs'000	2016 Shs'000
Cost		
At start of year	4,200,947	3,223,658
Additions	137,730	-
Reclassification of revaluation surplus	-	977,289
At end year	4,338,677	4,200,947
Amortisation		
At start of year	50,274	-
Prepaid lease amortisation for the year	58,620	41,639
Write back on revaluation	-	8,635
At end of year	108,894	50,274
Net book value		
At end of year	**4,229,783**	**4,150,673**

Notes to the Financial Statements (continued)

14. Long term leases on leasehold land (continued)

This relates to leases on land that is under use by the Company countrywide mainly hosting power plants. The leases carry different lease periods and lease amounts, depending on when the land was leased.

The land is leased from the Government of Kenya and other Government Agencies under renewable leases. The lease periods range from between 50 years to 99 years. Leases are renewed as they expire. Where leases have expired in the past, all have been renewed without any complications and no renewal complications are expected in the foreseeable future.

The Company's leasehold land was revalued on 30 June 2015 by Gimco Limited, a firm of an independent valuer, on the existing market value basis.

If the long term leasehold land was stated on the historical cost basis, the amounts would be as follows:

	2017 Shs'000	2016 Shs'000
Cost	1,971,205	1,833,475
Accumulated depreciation	(99,933)	(41,313)
Net book amount	**1,871,272**	**1,792,162**

15. Intangible assets

	2017 Shs'000	2016 Shs'000
Cost		
At start of year	1,388,108	1,376,189
Additions	207,466	10,444
Reclassification of revaluation	-	125,584
Depreciation write back on revaluation	-	(124,109)
At end of year	**1,595,574**	**1,388,108**
Amortisation		
At start of year	206,867	253,737
Charge for the year	71,641	77,240
Depreciation write back on revaluation	-	(124,110)
	278,508	206,867
At end of year	**1,317,066**	**1,181,241**

Intangible assets relate to costs incurred towards the installation of software and related operating systems mainly SCADA. Amortisation has been charged on these assets from the time they became available for use. The SCADA was valued on the basis of depreciated replacement costs taking into account its expected useful life.

Notes to the Financial Statements (continued)

15. Intangible assets (continued)

If the intangible assets were stated on the historical cost basis, the amounts would be as follows:

	2017 Shs'000	2016 Shs'000
Cost	1,594,099	1,386,633
Accumulated depreciation	(402,618)	(330,977)
Net book amount	**1,191,481**	**1,055,656**

16. Trade receivables

	2017 Shs'000	2016 Shs'000
Due from Kenya Power (Note 17 (a))	15,711,633	9,304,113
Due from Kenya Power – deferred debt (Note 17 (a))	40,480	43,298
Recoverable foreign exchange adjustment (Note 18)	888,281	698,229
	16,640,394	**10,045,640**

17. Related parties

The company is 70% owned by the Government of Kenya. The remaining 30% of the shares are widely held by the public. The Company's main related parties are the Government of Kenya - Ministry of Energy & Petroleum, Kenya Power and Lighting Company Limited (Kenya Power) and Geothermal Development Company Limited (GDC).

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

(a) Kenya Power

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

(i) The amounts due from Kenya Power relate to outstanding balances at year end for sale of electricity

	2017 Shs'000	2016 Shs'000
Amount due from Kenya Power	**15,711,633**	**9,304,113**

Notes to the Financial Statements (continued)

17. Related parties (continued)

(ii) Deferred debt due from Kenya Power

Deferred debt relates to the amounts recoverable from Kenya Power in respect of the debt incurred in the construction of the Sondu Miriu project implemented by the Company on behalf of Kenya Power under a management agreement. Japan Bank for International Corporation funded the foreign component of the Sondu Miriu project under the loan agreement between the Japan Bank for International Corporation and the Company. The debt 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% (2016: 0.75%).

The deferred debt and corresponding loan from Japan Bank for International Corporation are both denominated in Japanese Yen (JPY). The amount outstanding as at year end was JPY 1,166,011,722 (2016: JPY 1,254,061,339). The deferred debt due from Kenya Power at end of year is as follows:

	2017 Shs'000	2016 Shs'000
Current portion (Note 16)	40,480	43,297
Non-current portion (Note 18)	1,032,014	1,147,368
	1,072,494	1,190,665

(iii) During the year the following transactions were carried out with related parties:

	2017 Shs'000	2016 Shs'000
Electricity sales to Kenya Power	29,006,622	28,933,568
Foreign exchange recovery	362,203	609,920
Interest income on amounts due from Kenya Power	312,761	75,521
Fuel pass-through	9,069,403	3,182,622
Water charges pass-through	166,822	329,079
Steam charges pass-through	5,189,072	5,242,679
	44,106,883	38,373,389
Electricity purchases from Kenya Power	215,314	337,258

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

Notes to the Financial Statements (continued)

17. Related party (continued)

(b) Geothermal Development Company Limited (GDC)

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

		2017 Shs'000	2016 Shs'000
(i)	Amount due from GDC	-	279,637
(ii)	Amount due to GDC	847,687	487,098
(iii)	Steam field maintenance pass through revenue (Note 5)	2,795,798	3,167,173
(c)	**National Treasury**		
	Amount due from National Treasury (Note 22)	-	21,807
(d)	**Staff advances**		
	Amounts due from staff	94,432	54,169
(e)	**Director and key management compensation**		
	Fees for services as a Director		
	Non-Executive Directors	6,000	6,000
	Other emoluments:		
	Salaries and other short-term employment benefits:		
	Key Management (Divisional Directors)	108,504	90,390
	Managing Director & CEO	23,703	18,704
	Other allowances:		
	Non-Executive Directors	14,960	15,500
	Leave and gratuity provision – Managing Director & CEO	2,940	3,373
	Total other emoluments	**150,107**	**127,967**
	Total fees and other emoluments	**156,107**	**133,967**

Notes to the Financial Statements (continued)

18. Non-current receivables

Recoverable foreign exchange adjustment relates to unrealised exchange differences on foreign denominated borrowings recoverable from Kenya Power when realised. The Power Purchase Agreement ("PPA") with Kenya Power, allows the company to bill and recover all realised foreign currency fluctuations relative to the base rates allowed by the PPA. The amount in the statement of financial position relates to unrealised exchange differences arising on retranslation of borrowings at the reporting date which are recoverable from Kenya Power.

The movement in recoverable foreign exchange adjustment is as follows:

	2017 Shs'000	2016 Shs'000
At start of the year	14,588,582	6,876,101
Unrealised exchange gains in the year (Note 26(d))	(91,168)	8,337,737
Realised exchange gains on loan repayment (Note 26(d))	(491,581)	(625,256)
At end of the year	14,005,833	14,588,582
Less: current portion	(888,457)	(698,229)
	13,117,376	**13,890,353**
Amount due from Kenya Power deferred debt (Sondu Miriu project) (Note 17)	1,032,014	1,147,368
	14,149,390	**15,037,721**

19. Treasury bonds

	2017 Shs'000	2016 Shs'000
(a) Analysis of treasury bonds		
Available-for-sale treasury bonds carried at fair value	344,603	322,031
Held-to-maturity treasury bonds carried at amortised cost	2,414,108	2,420,560
	2,758,711	**2,742,591**
Maturity analysis of treasury bonds		
- Within one year	344,603	322,031
- After five years	2,414,108	2,420,560
	2,758,711	**2,742,591**
Less: current portion	(344,603)	(322,031)
Non-current	**2,414,108**	**2,420,560**
(b) Analysis of treasury bonds (continued)		
Weighted average interest rate	11.25%	11.25%

Notes to the Financial Statements (continued)

19. Treasury bonds (continued)

(c) Movement in treasury bonds)

	Available-for-sale Shs'000	Held-to-maturity Shs'000	Total Shs'000
30 June 2017			
At start of year	322,031	2,420,560	2,742,591
Fair value gain	22,572	-	22,572
Amortization	-	(6,452)	(6,452)
At end of year	**344,603**	**2,414,108**	**2,758,711**
30 June 2016			
At start of year	341,803	2,426,440	2,768,243
Fair value gain	(19,772)	-	(19,772)
Amortization	-	(5,880)	(5,880)
At end of year	**322,031**	**2,420,560**	**2,742,591**

20. Inventory

	2017 Shs'000	2016 Shs'000
Inventory	1,614,256	1,389,827
Provision for impairment	(532,212)	(523,129)
	1,082,044	**866,698**
Inventory items consist of the following;		
Fuel and lubricants	456,274	224,879
General stores	152,400	150,855
Machinery spares	473,370	490,964
	1,082,044	**866,698**

21. Other receivables and prepayments

	2017 Shs'000	2016 Shs'000
Prepayments*	2,662,749	645,035
Due from related parties	984,044	1,321,940
Receivable from rights issue**	-	1,882,522
Other receivables	94,432	54,423
Due from the Ministry of Energy & petroleum	-	21,807
	3,741,225	**3,925,727**

Notes to the Financial Statements (continued)

21. Other receivables and prepayments (continued)

*Included in prepayments is an amount of Shs 2,254 million relating to advances to Contractors for Olkaria V project.

**Relates to the rights allotted but not paid for as at 30 June 2016. This was subsequently received on 5 July 2016 as per the rights issue timetable.

22. Due from The National Treasury

	2017 Shs'000	2016 Shs'000
Geothermal resource assessment funds	-	5,821,272
Spent on preparation of secondary offer	21,807	21,807
At start of year	21,807	5,843,079
Received in the year	(21,807)	(5,401,936)
Transferred to Geothermal Development Company Limited	-	(419,336)
At end of year	**-**	**21,807**

These Geothermal resource assessment funds relates to the costs incurred by the Company on behalf GDC through the Ministry of Energy & Petroleum in undertaking exploration activities and development of Geothermal resources subsequently transferred to GDC.

The Shs 21 million prior year balance relates to amount spent by the Company on behalf of the Ministry of Energy & Petroleum in preparation of offloading of 19% of shares which did not materialise. These are have been settled in the current financial year.

23. Cash and bank balances

	2017 Shs'000	2016 Shs'000
Cash at Bank	4,826,763	6,751,984
Cash at hand	4,340	4,340
Short term deposits	3,000,000	-
	7,831,103	**6,756,324**

Included in the cash and bank balances is Shs 2,884 held with Chase bank Kenya Limited which was placed under receivership by the Central Bank of Kenya in April 2016.

Notes to the Financial Statements (continued)

24. 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 1 July 2014, 30 June 2015, and 30 June 2016	10,000,000	25,000,000	-
Share capital			
At 1 July 2015	2,198,361	5,495,904	5,039,818
Rights issue at 30 June 2016			
Proceeds from public participation	968,941	2,422,353	3,924,212
Conversion of Government debt to equity	3,076,571	7,691,427	12,460,113
At 30 June 2016	4,045,512	10,113,780	16,384,325
Less: Rights issue expenses incurred	-	-	(367,802)
	4,045,512	10,113,780	16,016,523
Total	**6,243,873**	**15,609,684**	**21,056,341**

Notes to the Financial Statements (continued)

24. 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 1 July 2014, 30 June 2015, and 30 June 2016	10,000,000	25,000,000	-
Share capital			
At 1 July 2016	6,243,874	15,609,684	21,056,341
Rights issue at 30 June 2017			
Proceeds from public participation	350,648	878,026	1,422,403
Conversion of Government debt to equity	-	-	-
At 30 June 2017	350,648	878,026	1,422,403
Less: Rights issue expenses incurred	-	-	(327,613)
	350,648	878,026	1,094,790
Total	**6,594,522**	**16,487,710**	**22,151,131**

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.

On 27 June 2016 a rights issue of one share for every 2 held was made, by public participation and conversion of Government debt to equity. A total of 4,045,512,323 shares were issued at Shs 6.55 per ordinary share.

On 28 March 2017 additional shares were issued at Shs 6.55 per ordinary share.

Notes to the Financial Statements (continued)

25. Other reserves

	Capital reserve Shs'000	Investments revaluation reserve Shs'000	Property revaluation reserve Shs'000	Acturial gains/ (Losses) Shs'000	Total Shs'000
At 1 July 2015	8,579,722	(81,488)	70,077,899	1,336,622	79,912,755
Other comprehensive income for the year;					
-revaluation of bonds held for sale	-	(19,772)	-	-	(19,772)
-Re-measurement of defined benefit	-	-	-	(394,996)	(394,996)
-deferred tax on re-measurement	-	-	-	118,499	118,499
Total comprehensive income for the year	**-**	**(19,772)**	**-**	**(276,497)**	**(296,269)**
Transfer of excess depreciation	-	-	(3,045,117)	-	(3,045,117)
Deferred tax on revaluation surplus – current year	-	-	969,234	-	969,234
At 30 June 2016	**8,579,722**	**(101,260)**	**68,002,016**	**1,060,125**	**77,540,603**
As at 1 July 2016	8,579,722	(101,260)	68,002,016	1,060,125	77,540,603
Other comprehensive income for the year					
-revaluation of bonds held for sale	-	22,572	-	-	22,572
-re-measurement of defined benefit	-	-	-	(194,828)	(194,828)
-deferred tax on re-measurement	-	-	-	58,448	58,448
Total comprehensive income for the year	**-**	**22,572**	**-**	**(136,380)**	**(113,808)**
Transfer of excess depreciation	-	-	(3,045,117)	-	(3,045,117)
Impairment			(708,623)		(708,623)
Deferred tax on impairment			212,587		212,587
Deferred tax on revaluation surplus – current year	-	-	913,535	-	913,535
At 30 June 2017	**8,579,722**	**(78,688)**	**65,374,398**	**923,745**	**74,799,177**

Notes to the Financial Statements (continued)

25. Other reserves (continued)

(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 available-for-sale financial assets that have been recognised in other comprehensive income, net of amounts reclassified to profit or loss when those assets have been disposed of. The reserve is not distributable to shareholders.

(c) The property, plant and equipment revaluation reserve arises on the revaluation of plant and machinery. When revalued property, plant and equipment are disposed, the portion of the plant and machinery revaluation reserve that relates to that asset is transferred directly to retained earnings. The reserve is not distributable to shareholders.

(d) Actuarial reserves represents the accumulated gains or losses arising from the retirement benefit scheme recognised through other comprehensive income as disclosed under Note 27. The reserve is not distributable to shareholders.

26. Borrowings

(a) Analysis of interest bearing borrowings:

	Maturity Year	2017 Shs'000	2016 Shs'000
Government of Kenya Guaranteed			
2.6% Japan Bank for International Cooperation KE P20-Kipevu 1 (JPY 3,402,528,000)	2025	3,129,635	3,766,641
2.3% Japan Bank for International Cooperation KE P21 –Sondu Miriu (JPY 3,381,940,000)	2027	3,110,698	3,660,653
0.75% Japan Bank for International Cooperation KE P23-Sondu Miriu (JPY 9,342,810,001)	2044	8,593,489	9,533,925
0.75% Japan Bank for International Cooperation KE P24-Sangoro (JPY 4,247,160,000)	2047	3,906,525	4,247,617
0.20% Japan International Cooperation Agency KE P26-Olkaria I & IV (approved JPY 29,516,000,000), (Disbursed JPY19,492,057,145)	2040	17,928,735	18,367,278
2.09% Kreditanstalt Fur Wiederaufbau (KfW)-Kindaruma (Euro 26,193,373.94)	2024	3,238,167	3,323,976
2.2% Kreditanstalt Fur Wiederaufbau (KfW)-Olkaria I & IV (Euro 41,204,674.69)	2026	4,874,958	4,818,953

Notes to the Financial Statements (continued)

26. Borrowings (continued)

(a) Analysis of interest bearing borrowings (continued)	Maturity Year	2017 Shs'000	2016 Shs'000
On lent			
3.5% International Development Association IDA 4743 KE-Olkaria I & IV (USD 36,787,172.69)	2035	3,815,260	3,719,264
2.003% Agence Francaise de Developpement (AFD) - Olkaria I & IV(EURO 84,074,223.97)	2031	9,946,889	9,767,158
3.884% European Investment Bank-Olkaria I & IV (Euro 5,665,339.15)	2037	670,271	652,534
2.50% Export-Import Bank of China (EXIM) – 89 wells(USD362,252,324.84)	2033	37,569,803	33,299,530
1.50% Spanish loan-Ngong Phase II - 13.6MW (Euro 19,993,617)	2030	2,365,461	2,245,295
3.20% KBC Ngong I Phase 11 - 6.8 MW (Euro 617,412.57)	2020	73,047	104,004
0.50% National Bank of Belgium (NBB) Ngong 1 Phase 11 - 6.8 MW (Euro 6,078,000)	2043	719,093	682,563
3.5% International Development Association IDA 5844-KE Olkaria I& IV (USD 53,020,016.20)	2041	5,498,796	-
Japan International Cooperation Agency Loan (KE-P31) Olkaria V(JPY 1,759,083,525)	2046	1,618,000	-

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

	Maturity Year	2017 Shs'000	2016 Shs'000
Direct borrowings			
2.68% Agence Francaise de Developement (AFD)- Olkaria II Unit 3 (Euro 11,666,666.60)	2024	1,380,293	1,497,341
5.1% HSBC Bank loan-Rigs (USD 23,653,606.35)	2024	2,453,156	2,733,065
12.5% Public Infrastructure Bond –Various projects(Shs)	2019	7,658,089	10,783,089
Standard Chartered Bank loan-EIB -Olkaria II Unit 3 (USD 25,945,927.25)	2021	2,690,896	3,278,988
CBA Term loan - Wellheads 75MW (USD 100,000,000)	2027	10,371,170	10,110,220
Cooperative Bank Term Loan (Shs)	2022	5,833,333	7,000,000
Citibank NA short-term Loan(Shs)	2016	-	1,559,593
		137,445,764	**135,151,687**
Accrued interest (note 33(c))		1,268,324	1,754,325
		138,714,088	**136,906,012**
Total borrowings		138,714,088	136,906,012
Less: Amounts due within 12 months		(10,829,802)	(10,757,003)
Non-current borrowings		**127,884,286**	**126,149,009**

Notes to the Financial Statements (continued)

26. Borrowings (continued)

		2017 Shs'000	2016 Shs'000
(b)	**Borrowings maturity analysis:**		
	Due within 1 year	10,829,802	10,757,003
	Due between 1 and 2 years	22,547,687	20,686,163
	Due between 2 and 5 years	28,045,493	31,774,812
	Due after 5 years	77,291,106	73,688,034
		138,714,088	**136,906,012**
(c)	**Analysis of loans by currency:**		
	Borrowings in US$	62,399,083	55,353,194
	Borrowings in JPY	38,287,082	39,576,113
	Borrowings in EUR	23,268,177	22,439,291
	Borrowings in Shs	14,759,746	19,537,414
	Total	**138,714,088**	**136,906,012**
(d)	**The movement in borrowings is as follows:**		
	At start of year	135,151,686	124,377,446
	Received in the year	11,848,974	9,422,158
	Repaid in the year	(8,972,147)	(6,360,398)
	Realised exchange losses on repayment	(491,581)	(625,256)
	Unrealised exchange (loss)/gain in the year	(91,168)	8,337,737
		137,445,764	135,151,687
	Add: accrued interest (note 33(c))	1,268,324	1,754,325
	At end of year	**138,714,088**	**136,906,012**

Securities:

The Government of Kenya guaranteed and the on-lent borrowings have no securities held as the Government of Kenya is the guarantor. The Public Infrastructure Bond is unsecured.

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

Notes to the Financial Statements (continued)

26. Borrowings (continued)

(e) World Bank financing credit line

(a) Designated Account B

The Company re ceived financial support from the World Bank Credit No. 4743-dated 1October 2010 and additional credit No. 5844 KE dated 20 September 2016 to support implementation of the Kenya Electricity Expansion Project (KEEP) under Part A, namely Geothermal Generation. A portion of this is disbursed directly into a US Dollar denominated Designated Account B operated by the company and summary information on transactions during the year is as follows:

	2017 Shs'000	2016 Shs'000
Balance at the beginning of the year	302,215	567,737
Amounts received during the year	2,679,810	302,215
Net interest expense	(230)	-
Transfers to project account	(2,981,795)	(567,737)
Balance at the end of the year	**-**	**302,215**

The closing balance shown above is included in loan balances and represents the balances outstanding on the World Bank funded designated Account No. 0810296571876 held at Equity Bank Limited.

(b) Project account

	2017 Shs'000	2016 Shs'000
Balance at the beginning of the year	507,815	584,282
Amounts received during the year	2,981,795	567,737
Net interest income	27,580	54,274
Payments to contractors	(2,361,702)	(698,478)
Balance at the end of the year	**1,155,488**	**507,815**

The closing balances shown above are included in cash and cash equivalents and represent balances outstanding on the World Bank funded project Account No. 6563380114 held at the Commercial Bank of Africa.

Notes to the Financial Statements (continued)

27. Lease commitments

As lessee

The future rental payments under operating leases are as shown below:

	2017 Shs'000	2016 Shs'000
Within 1 year	114,967	114,967
After 1 year but not later than 5 years	441,986	420,177
	556,953	**535,144**

The company has entered into commercial leases on premises. These leases have an average life of between three and five years. There are no restrictions placed upon the lessee by entering into the leases.

28. Retirement benefits

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 Alexander Forbes Financial Services (E.A) Limited while British-American Asset Managers and Co-op trust Investment Services Ltd act as Investment Managers for the DB Scheme.

Under the plan, the employees are entitled to retirement benefits of 3% of Final Pensionable Emoluments for Pensionable Service 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 have opted to join the new DC scheme for future benefit accrual while others opted to remain in the DB scheme. The DC scheme is administered by Alexander Forbes Financial Services (EA) Ltd while Stanlib Ltd and Old Mutual act as Investment Managers for the Scheme. The company therefore only makes contributions to the DB scheme in respect of those members who opted to remain in the DB scheme. DB scheme member contributions are a fixed percentage of pay with the company responsible for the balance.

A valuation of plan assets and the present value of the defined benefit obligation were carried out at 31 December 2014 by M/S Alexander Forbes Financial Services EA Limited for statutory purposes. An actuarial valuation to fulfill the financial reporting and disclosure requirements of IAS19 was also carried out as at 30 June 2017. 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.

Notes to the Financial Statements (continued)

28. Retirement benefits (continued)

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2017	2016
Discount rate(s)	13.90%	14.25%
Future salary increases	8%	8%
Future pension increases1	0%	0%
Mortality (pre-retirement)	A 1949-1952	A 1949-1952
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

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

Recognition

The amount recognized in the statement of 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 these defined benefit plan are as follows:

	2017 Shs'000	2016 Shs'000
(i) Statement of profit or loss		
Service Cost:		
Current service cost (employer)	78,865	65,669
Employer contributions	(41,320)	(41,767)
Interest cost:		
Interest cost on defined benefit obligation	749,483	685,294
Interest income on plan assets	(976,119)	(921,179)
Net Interest cost on balance sheet liability	(226,636)	(235,885)
Total included in profit and loss in respect of scheme	**(189,091)**	**(211,983)**

Notes to the Financial Statements (continued)

28. Retirement benefits (continued)

		2017 Shs'000	2016 Shs'000
	(ii) Other Comprehensive Income (OCI)		
	Actuarial gain/(loss) obligation	186,815	(287,859)
	Return on plan assets (excluding amount in interest cost)	8,013	682,855
	Amount recognized in OCI statement for the fiscal year	**194,828**	**394,996**
(b)	**Amount recognised 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:		
	Present value of funded defined benefit obligation	6,016,713	5,438,642
	Fair value of plan assets	(7,620,177)	(7,047,843)
	Present value of unfunded defined benefit asset	**(1,603,464)**	**(1,609,201)**
	The reconciliation of the amount included in the statement of financial position is as follows:		
	Net liability at the start of the period	(1,609,201)	(1,792,214)
	Net expense recognized in the income statement	(147,771)	(170,216)
	Employer contributions	(41,320)	(41,767)
	Amount recognized in other comprehensive income	194,828	394,996
	Present value of unfunded defined benefit (asset)/obligation	**(1,603,464)**	**(1,609,201)**
	Movements in the present value of the defined benefit obligation in the current year were as follows:		
	Opening benefit obligation	5,438,642	5,302,855
	Current service cost (employer)	78,865	65,669
	Interest cost	749,483	685,294
	Employee contributions (incl AVC and transfers in)	20,674	20,869
	Actuarial loss/(gain) due to change in assumptions	126,180	(287,859)
	Actuarial loss on Experience	60,635	-
	Benefits paid (includes admin expenses)	(457,766)	(348,186)
	Closing defined benefit obligation	**6,016,713**	**5,438,642**

Notes to the Financial Statements (continued)

28. Retirement benefits (continued)

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

	2017 Shs'000	2016 Shs'000
Opening market value of assets	(7,047,843)	(7,095,069)
Interest income on plan assets	(976,119)	(921,179)
Employer contributions	(41,320)	(41,767)
Employee contributions	(20,674)	(20,869)
Return on plan assets, excluding amount in interest income	8,013	682,855
Benefits paid (includes admin expenses)	457,766	348,186
Closing fair value of plan assets	**(7,620,177)**	**(7,047,843)**

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

	2017 Shs'000	2016 Shs'000
Property investments	5,166,255	4,853,029
Quoted equity instruments	536,562	369,241
Offshore investments	52,968	33,816
Government securities	1,371,675	1,420,823
Commercial paper and corporate bonds	292,494	286,129
Cash & short term deposits	200,223	84,805
Total scheme assets	**7,620,177**	**7,047,843**

In line with Retirement Benefit Scheme Act 2015, in the event of winding up of the defined benefit scheme, the Company (Sponsor) is entitled to only 50% of the surplus totaling to Shs 802 million.

Notes to the Financial Statements (continued)

29. 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:

	2017 Shs'000	2016 Shs'000
Deferred tax assets:		
Tax losses	(20,686,723)	(21,152,645)
Provisions and other temporary differences	(238,968)	(156,471)
Unrealised exchange loss	(28,011)	-
	(20,953,702)	(21,309,116)
Deferred tax liabilities:		
Unrealised exchange gain	-	76,555
Defined benefit	481,039	482,760
Revaluation surplus	28,017,599	29,143,721
Accelerated capital allowances	34,651,735	31,832,938
	63,150,373	61,535,974
Net deferred tax liability	**42,196,671**	**40,226,857**
Movement on the deferred tax account is as follows:		
At the beginning of the year	40,226,857	35,924,900
Deferred tax charge (Note 11(a))	2,240,849	4,420,456
Deferred tax through other comprehensive income	(271,035)	(118,499)
Deferred tax passing through revaluation surplus	-	-
At the end of the year	**42,196,671**	**40,226,857**

Notes to the Financial Statements (continued)

30. Trade and other payables

	2017 Shs'000	2016 Shs'000
Trade payables	3,767,546	2,352,241
Due to Kenya power (Note 17)	1,290	2,286
Contract and Retention money	4,197,999	10,350,237
Payables and other accrued expenses	2,664,684	2,178,796
Total trade and other payables	10,631,519	14,883,560
Non-current trade and other payables*	(3,859,604)	(9,940,189)
Current trade and other payables	**6,771,915**	**4,943,371**

* Contract and retention money relate to payments due to contractors for the ongoing construction of long-term assets. They are financed by the Development Finance Institutions (DFIs) and represent invoices that were under verification at the reporting dates. After the verification is complete, the amounts are settled by the DFI's directly to the contractors and the company assumes the liability as long term borrowing.

31. Compensating tax

	2017 Shs'000	2016 Shs'000
Compensating tax	**2,431,022**	**2,431,022**

The compensating tax is in respect of dividend arrears of Shs 5,735,428,884 paid out to National Treasury on 30 June 2016. The Company has significant tax assets from accumulated tax losses arising from significant investment deductions and therefore insufficient current tax credits to cover for the dividend tax account.

At year end, the compensating tax payable had not been settled giving rise to potential liabilities with regard to accrued penalty and interest. These contingent liabilities have been disclosed under note 35.

Notes to the Financial Statements (continued)

32. Dividends

		2017 Shs'000	2016 Shs'000
(a)	**Dividend payable**		
	At start of the year	-	4,735,174
	Declared	-	1,428,935
	Paid during the year	-	(6,164,109)
	At end of the year	**-**	**-**

33. Notes to the statement of cash flows

(a) Reconciliation of operating profit to cash generated from operations

	2017 Shs'000	2016 Shs'000
Profit before taxation	11,533,924	11,264,044
Adjustments for:		
Depreciation (Note 8 (c))	9,119,698	10,108,028
Prepaid lease expense (Note 8 (c))	53,083	38,102
Amortisation of intangible assets (Note 8 (c))	71,641	77,240
Interest income (Note 7)	(1,242,157)	(556,108)
Interest expense (Note 9)	3,417,442	3,132,187
Gain on disposal of assets (Note 6)	(15,814)	(7,217)
Unrealised foreign exchange loss/repayment related to amount due from Kenya Power-deferred debt	281,119	(190,301)
Net loss on de-recognition of treasury bonds	22,572	(19,772)
Amortisation of held-to-maturity treasury bonds	6,452	5,880
Reduction in actuarial deficit arising from valuation of retirement benefit liability	(147,771)	(170,215)
Reduction in actuarial deficit arising from payments of retirement benefit liability	(41,320)	(41,767)
Operating profit before working capital changes	**23,058,869**	**23,640,101**
Changes in working capital:		
(Increase)/decrease in inventories	(215,346)	32,378
Increase in trade receivables	(6,594,754)	(1,256,408)
Increase in other receivables	184,501	6,141,067
(Decrease)/increase in trade and other payables	(4,252,041)	3,808,129
Cash generated from operations	**12,181,229**	**32,365,267**

Notes to the Financial Statements (continued)

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

		2017 Shs'000	2016 Shs'000
(b)	**Movement in interest receivable**		
	At start of year	40,775	25,098
	Interest income	1,242,157	556,108
	Interest received	(1,255,843)	(540,431)
	At end of year	**27,089**	**40,775**
(c)	**Movement in interest payable**		
	At start of year	1,754,325	2,089,548
	Interest expense	3,417,442	3,132,187
	Interest paid	(3,903,443)	(3,467,409)
	At end of year	**1,268,324**	**1,754,325**

34. Emergency Power Project

The Company manages an Emergency Power Supply project known as Aggreko International Projects as an implementing commissioning agent on behalf of the Ministry of Energy & Petroleum. These funds are held in an escrow bank account at the Commercial Bank of Africa and are represented below as disbursements from the Ministry of Energy & Petroleum. Electricity generated from this Project is sold to the Kenya Power and Lighting Company and relating revenue is represented below as receipts from sale of electricity. Expenditure incurred relating to the project is represented below as expenditure during the year. None of these transactions and balances are presented in these financial statements.

	2017 Shs'000	2016 Shs'000
At start of year	508,083	546,277
Receipts from sale of electricity	25,002	1,399,391
Interest income	4,385	5,781
Expenditure during the year	(11,870)	(1,443,363)
At end of year	**525,600**	**508,086**

In managing these projects, the company earned revenue of Shs 2.28 million in the year (2016: Shs 27.59 million) which is disclosed under Note 6 of these financial statements.

Notes to the Financial Statements (continued)

35. Contingent liabilities

I. Letters of credit

Letters of credit signify commitment by the company to make payments to third parties for contracts entered into, generally relating to foreign payments. Outstanding letters of credit as at 30 June 2017 amounted to Shs 280,727,257.29 (30 June 2016: Shs 172.3 million).

II. Disputed withholding tax

In 2014, Kenya Revenue Authority (KRA) performed a tax audit for the financial years 2009-2013. Subsequently, KRA issued an assessment of Shs 975,848,686. The company objected to the assessment and KRA issued a stand over notice pending resolution of matter in dispute. The company applied for the abandonment of collection of the withholding tax from The National Treasury. The company is likely to get the waiver from The National Treasury as the process of granting the waiver is in final stages. In the opinion of the directors, no provision is required in the financial statements as the liability is not expected to crystallize.

III. Compensating tax

In 2016, the Company paid outstanding dividends of Shs 6,164 million to the major shareholder, The National Treasury, giving rise to a compensating tax impact of Shs 2,431 million. On 5 January 2017, KRA issued a demand letter for payment of the principal, interest and penalties. The provision made of Shs 2,431 million in prior year with regards to principal, continues to be maintained (Note 31). However, no provision has been made with regards to penalty and interest estimated to be Shs 661 million at 30 June 2017. The Company has applied for abandonment of principal, interest and penalty from the National Treasury. The Directors are confident of a favorable outcome and therefore are of the opinion no provision is required with regards to interest and penalty.

36. Capital commitments

The capital commitments relates to the ongoing capital projects and new projects which have been approved for implementation but are at various stages of procurement. They are financed by Development Financial Institutions (DFI's) and internal resources. The projects include 140MW Olkaria V, 70MW Olkaria I Unit 6, Rehabilitation of Olkaria I, Meru Wind 80MW and 140MW Olkaria VI to be implemented under Public Private Partnership arrangement.

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

	2017 Shs'000	2016 Shs'000
Authorised but not contracted for	116,996,116	137,644,789
Authorised and contracted for	27,662,647	15,937,051
	144,658,763	**153,581,840**

Notes to the Financial Statements (continued)

37. Operating segment information

In accordance with IFRS 8, Operating segments, information reported to the company's chief operating decision makers (the Board of Directors) for the purposes of resource allocation and assessment of segment performance is focused on the principal activities and the products offered by the company.

The company has one reportable segment; which is the generation of electricity.

(a) Reported revenue

All the company revenues were generated from an external customer.

(b) Geographical areas

All the company operations, revenues and assets are based in Kenya.

(c) Major customers

The company operates in a regulated industry; all its revenue is derived from one single external customer, Kenya Power

38. Financial risk management

Introduction and overview

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

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

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

Notes to the Financial Statements (continued)

38. Financial Risk Management (continued)

Risk management framework

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

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

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

(a) Market risks

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

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

The company's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies. There has been no change to the company's exposure to market risks or the manner in which it manages and measures the risk.

Foreign currency risk

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

Notes to the Financial Statements (continued)

38. Financial Risk Management (continued)

(a) Market risks (continued)

Foreign currency risk (continued)

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

At 30 June 2017	Shs Shs '000	Others Shs '000	Total Shs '000
Financial assets			
Amount due from Kenya Power – Deferred debt	-	1,072,494	1,072,494
Recoverable foreign exchange adjustment	-	14,005,657	14,005,657
Cash and cash equivalents*	7,123,946	707,157	7,831,103
	7,123,946	15,785,308	22,909,254
Liabilities			
Trade and other payables	(6,771,915)	(4,197,999)	(10,969,914)
Borrowings	(14,759,746)	(123,954,342)	(138,714,088)
	(21,531,661)	(128,152,341)	(149,684,002)
Net currency liability	**(14,407,715)**	**(112,367,033)**	**(126,774,748)**
At 30 June 2016			
Financial assets			
Amount due from Kenya Power – Deferred debt	-	1,190,665	1,190,665
Recoverable foreign exchange adjustment	-	14,588,582	14,588,582
Cash and cash equivalents	5,825,375	930,949	6,756,324
	5,825,375	16,710,196	22,535,571
Liabilities			
Trade and other payables	(4,943,371)	(10,350,237)	(15,293,608)
Compensating tax	(2,431,022)	-	(2,431,022)
Borrowings	(21,097,007)	(115,809,004)	(136,906,011)
	(28,471,400)	(126,159,241)	(154,630,641)
Net foreign currency liability	**(22,646,025)**	**(109,449,045)**	**(132,095,070)**

Exposure to foreign currency risk is mitigated by the terms of the Power Purchase Agreement that allows the company to recover in full a foreign exchange movement from Kenya Power.

Notes to the Financial Statements (continued)

38. Financial risk management (Continued)

(a) Market risks (Continued)

Foreign currency risk (Continued)

The following are the gazetted base rates and the exchange rates that existed at the various dates for the following significant currencies:

	Gazetted base rate Shs	2017 Shs	2016 Shs
US$	64.92	103.71	101.10
Yen	0.64	0.92	0.98
Euro	100.79	118.31	112.30

Foreign currency sensitivity analysis

The following table demonstrates the effect on the company's profit or loss on applying the sensitivity for a reasonable possible change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

	Change in currency rate	Effect on Profit before tax Shs' 000
2017		
US$	3%	475,977
Yen	-7%	(744,656)
Euro	5%	369,725
Total		**101,046**
2016		
US$	2%	315,019
Yen	23%	2,724,587
Euro	2%	132,555
Total		**3,172,161**

Interest rate risk

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

Notes to the Financial Statements (continued)

38. Financial risk management (continued)

(a) Market risks (Continued)

Interest rate risk (Continued)

Other price risk

This is the risk that the rate of the tariff will decline in the future. It is the risk of losing energy revenues due to a fall in the tariff. The company's exposure to this kind of risk is highly regulated by the Power Purchase Agreement, which is a product of discussion by Kenya Power and the company, with Energy Regulatory Commission as a moderator. The company's main input for thermal energy generation is fuel which is a significant cost component. The company is in an arrangement to pass this cost to the customer, Kenya Power.

(b) Credit risk

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

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

	Neitherpast Due nor impaired Shs '000	Past due but not impaired over 60 days Shs '000	over 365 days Shs '000	Total Shs '000
At 30 June 2017				
Amount due from Kenya Power	9,141,098	6,096,990	473,545	15,711,633
Treasury bonds –available-for-sale	344,603	-	-	344,603
Foreign exchange adjustment receivables	14,005,657	-	-	14,005,657
Other receivables (excluding prepayments)	1,078,476	-	-	1,078,476
Cash and cash equivalents*	7,831,103	-	-	7,831,103
	32,400,937	**6,096,990**	**473,545**	**38,971,472**

Notes to the Financial Statements (continued)

38. Financial risk management (Continued)

b) Credit risk (Continued)

	Neither past due nor impaired Shs '000	Past due but not impaired over 60 days Shs '000	over 365 days Shs '000	Total Shs '000
At 30 June 2016				
Amount due from Kenya Power	8,554,589	749,524	-	9,304,113
Treasury bonds –available-for-sale	322,031	-	-	322,031
Foreign exchange adjustment receivables	14,588,582	-	-	14,588,582
Other receivables (excluding prepayments)	1,523,989	-	-	1,523,989
Amount due from Ministry of Energy	-	-	21,807	21,807
Cash and cash equivalents	6,756,324	-	-	6,756,324
	31,745,515	**749,524**	**21,807**	**32,516,846**

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

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

c) Liquidity risk

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

This tool considers the account receivables from Kenya Power and the Ministry of Energy & Petroleum and maturity of financial instruments, together with projected cash flows from operations. The company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and other borrowings.

Notes to the Financial Statements (continued)

38. Financial risk management (continued)

c) Liquidity risk (Continued)

The table below analyses maturity profiles of the financial liabilities of the company based on the remaining period using 30 June 2017 as a base period to the contractual maturity date:

At 30 June 2017	Less than 3 months Shs '000	3 to 12 months Shs '000	1 to 5 years Shs '000	> 5 years Shs '000	Total Shs '000
Trade and other payables	6,771,915	-	3,859,604	-	10,631,519
Less: non-financial liabilities	(2,552,816)	-	-	-	(2,552,816)
	4,219,099	-	3,859,604	-	8,078,703
Amount due to Kenya Power	1,290	-	-	-	1,290
Borrowings	-	10,829,802	50,593,180	77,291,106	138,714,088
	4,220,389	**10,829,802**	**54,452,784**	**77,291,106**	**146,794,081**
At 30 June 2016					
Trade and other payables	7,374,393	-	9,940,189	-	17,314,582
Less non-financial liabilities	(2,043,083)	-	-	-	(2,043,083)
	5,331,310	-	9,940,189	-	15,271,499
Amount due to Kenya Power	2,286	-	-	-	2,286
Borrowings	3,895,184	6,870,525	52,459,722	73,680,581	136,906,012
	9,228,780	**6,870,525**	**62,399,911**	**73,680,581**	**152,179,797**

d) Fair value hierarchy

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

Notes to the Financial Statements (continued)

38. Financial risk management (continued)

d) Fair value hierarchy (Continued)

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

i) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active trading markets for identical assets or liabilities. This level includes corporate bonds traded on the Nairobi Securities Exchange ("NSE").

ii) Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as a price) or indirectly (i.e. derived from prices). Input data for this category is sourced mainly from the Nairobi Securities Exchange. The external valuation of buildings and investment property has been performed using a sales comparison approach.

iii) Level 3 fair value measurements are those derived from valuation techniques that include inputs that are not based on observable market data (unobservable inputs).

Level 1

	2017 Shs 000	2016 Shs 000
Financial assets		
Treasury bonds available for sale	**344,603**	**322,031**

There were no transfers between levels 1, 2 and 3 in the period (2016: none).

39. Capital risk management

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

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

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

Notes to the Financial Statements (continued)

39. Capital risk management (continued)

The company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The company's target is to keep the self- financing ratios greater than 25%. The company includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash equivalents. Capital includes 27% ordinary shares attributable to the public and 73% ordinary shares attributable to the Government of Kenya and distributable reserves.

	2017 Shs'000	2016 Shs'000
Equity	183,162,785	172,742,682
Borrowings	138,714,088	136,906,011
Less cash and bank balances (note 23)	(7,831,103)	(6,756,324)
Net debt	130,882,985	130,149,687
Gearing ratio	**42%**	**43%**


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371
344

Statistics

Historical Financial Performance

COMPANY 10 YEAR FINANCIAL REVIEW

Plant Performance

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Units Sold(GWh)	7,556	7,819	7,027	6,084	6,022	5,404	4,933	3,596	4,339	4,818
Average weighted tariff (Shs/KWh)	3.89	3.78	3.64	2.86	2.73	2.96	2.92	3.06	2.88	2.38

Statement of Comprehensive Income (Shs '000)

		2016	2015	2014	2013	2012	2011	2010	2009	2008
Electricity revenue	29,368,825	29,543,488	25,602,038	17,423,771	16,451,195	15,999,078	14,389,027	10,998,429	12,491,627	11,452,566
Steam revenue	5,189,072	6,856,018	3,689,361	192,693	58,365	-	-	-	-	-
	34,557,897	**36,399,506**	**29,291,399**	**17,616,464**	**16,509,560**	**15,999,078**	**14,389,027**	**10,998,429**	**12,491,627**	**11,452,566**
Other income	882,170	2,210,050	665,902	718,015	541,781	331,821	723,763	388,132	634,903	160,101
Operating income	**35,440,067**	**38,609,556**	**29,957,301**	**18,334,479**	**17,051,341**	**16,330,899**	**15,112,790**	**11,386,561**	**13,126,530**	**11,612,667**
Employee expenses	(4,912,764)	(4,389,290)	(4,162,284)	(3,491,942)	(3,248,141)	(2,169,802)	(2,890,984)	(2,677,510)	(2,366,390)	(2,222,280)
Operating expenses	(4,777,874)	(4,558,578)	(4,285,122)	(3,592,594)	(2,814,490)	(3,212,983)	(2,541,184)	(2,051,740)	(2,033,485)	(2,384,985)
Depreciation	(9,244,422)	(10,223,370)	(6,478,945)	(4,727,937)	(4,578,728)	(4,883,237)	(4,581,339)	(3,829,198)	(3,847,124)	(3,404,337)
Steam costs	(2,795,798)	(3,167,173)	(3,689,361)	(192,693)	(58,365)	-	-	-	-	-
Operating Profit	**13,709,209**	**16,271,145**	**11,341,589**	**6,329,313**	**6,351,617**	**6,064,877**	**5,099,283**	**2,828,113**	**4,879,531**	**3,601,065**
Compensating tax	-	(2,431,022)	-	-	-	-	-	-	-	-
Interest income	1,242,157	556,108	359,082	416,154	676,109	952,621	548,975	398,331	433,069	275,773
Finance costs	(3,417,442)	(3,132,187)	(3,010,659)	(2,587,519)	(3,000,802)	(2,972,308)	(1,996,951)	(741,491)	(756,319)	(798,073)
Profit Before Tax	**11,533,924**	**11,264,044**	**8,690,012**	**4,157,948**	**4,026,924**	**4,045,190**	**3,651,307**	**2,484,953**	**4,556,281**	**3,078,765**
Taxation (charge)/credit	(2,476,793)	(4,520,552)	2,827,315	(1,331,625)	1,197,780	(1,222,590)	(1,571,186)	801,534	(2,485,368)	2,818,114
Profit After Tax	**9,057,131**	**6,743,492**	**11,517,327**	**2,826,323**	**5,224,704**	**2,822,600**	**2,080,121**	**3,286,487**	**2,070,913**	**5,896,879**
Other Comprehensive Income/(Loss)	(609,844)	(296,269)	54,246,436	1,243,851	(16,722)	(1,736,685)	(633,498)	1,363,450	(127,106)	-
Total Comprehensive Income	**8,447,287**	**6,447,223**	**65,763,763**	**4,070,174**	**5,207,982**	**1,085,915**	**1,446,623**	**4,649,937**	**1,943,807**	**5,896,879**
Number of Shares Issued	6,594,522,339	6,243,098,469	2,198,361,456	2,198,361,456	2,198,361,456	2,198,361,456	2,198,361,456	2,198,361,456	2,198,361,456	2,198,361,456
Earnings per share -										
Basic (Shs)	**4.12**	**3.07**	**5.24**	**1.29**	**2.38**	**1.28**	**0.94**	**1.49**	**0.94**	**2.68**
Diluted (Shs)	**1.37**	**1.08**	**1.75***	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Dividends per share(Shs)	**-**	**-**	**0.65**	**0.40**	**0.60**	**0.60**	**0.50**	**0.50**	**0.50**	**0.90**
Number of Employees	**2,476**	**2,406**	**2,407**	**2,209**	**2,063**	**1,829**	**1,663**	**1,658**	**1,581**	**1,532**

Historical Financial Performance

Statement of Financial Position (Shs '000)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
ASSETS										
Non-current assets										
Property, plant and equipment	323,843,363	320,932,980	305,378,764	209,235,821	153,201,471	120,664,699	116,786,429	102,230,784	92,699,405	91,822,390
Prepaid leases on land	4,229,783	4,150,673	3,223,658	1,048,372	439,957	35,426	1,373	1,417	1,446	1,475
Intangible assets	1,317,066	1,181,241	1,122,452	1,066,049	1,079,686	896,335	663,553	695,284	543,893	303,721
Non-current receivables	14,149,390	15,037,721	7,207,494	7,385,429	6,387,675	11,209,428	14,392,240	7,925,647	5,285,055	701,704
Treasury bonds	2,414,108	2,420,560	2,426,440	2,431,799	2,436,683	8,050,919	9,610,661	6,864,340	1,545,680	3,509,123
Retirement benefit asset	1,603,464	1,609,201	1,792,214	1,407,411	-	-	-	-	-	-
	347,557,174	**345,332,376**	**321,151,022**	**222,574,881**	**163,545,472**	**140,856,807**	**141,454,256**	**117,717,472**	**100,075,479**	**96,338,413**
Current assets										
Inventories	1,082,044	866,698	899,076	788,333	836,259	1,955,564	1,168,240	1,443,374	752,767	985,013
Trade receivables	16,640,394	10,045,640	8,716,677	8,271,290	6,525,035	7,627,254	8,309,950	3,840,903	5,717,545	5,413,807
Other receivables and prepayments	3,741,225	3,925,727	8,119,110	8,546,893	11,219,743	11,395,172	6,168,262	5,714,490	545,894	129,667
Treasury bonds	344,603	322,031	341,803	594,769	2,550,345	643,203	391,127	519,201	1,631,485	427,297
Cash and cash balances	7,831,103	6,756,324	3,292,307	9,429,358	3,996,427	435,719	3,115,598	21,331,446	4,221,990	3,699,354
	29,639,369	**21,916,420**	**21,368,973**	**27,630,643**	**25,127,810**	**22,056,912**	**19,153,177**	**32,849,414**	**12,869,681**	**10,655,138**
TOTAL ASSETS	**377,196,543**	**367,248,796**	**342,519,995**	**250,205,524**	**188,673,282**	**162,913,719**	**160,607,433**	**150,566,886**	**112,945,160**	**106,993,551**

Historical Financial Performance

Statement of Financial Position (Shs '000) (continued)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
EQUITY AND LIABILITIES										
Capital and reserves										
Share capital	16,487,710	15,609,684	5,495,904	5,495,904	5,495,904	5,495,904	5,495,904	5,495,904	5,495,904	5,495,904
Share premium	22,151,131	21,056,341	5,039,818	5,039,818	5,039,819	5,039,818	5,039,818	5,039,818	5,039,818	5,039,818
Other reserves	74,799,177	77,540,603	79,912,755	26,289,211	25,694,067	26,324,186	28,369,692	31,565,692	31,383,772	35,778,130
Retained earnings	69,724,767	58,536,054	51,145,614	39,884,740	37,728,726	33,209,643	30,513,173	28,429,454	25,060,618	22,088,729
	183,162,785	**172,742,682**	**141,594,091**	**76,709,673**	**73,958,516**	**70,069,551**	**69,418,587**	**70,530,868**	**66,980,112**	**68,402,581**
Non-current liabilities										
Borrowings	127,884,286	126,149,009	137,191,309	122,324,111	73,934,313	61,850,220	64,166,527	59,636,829	25,793,197	19,466,078
Non-current liabilities	-	-	-	1,000	293,876	255,647	1,119,400	1,428,100	1,501,300	352,428
Deferred income tax	42,196,671	40,226,857	35,924,900	15,604,657	14,222,916	15,968,498	15,032,183	12,001,274	12,802,808	11,186,948
Long term Contract payables	3,859,604	9,940,189	5,329,722	10,369,854	8,591,032	-	-	-	-	-
	173,940,561	**176,316,055**	**178,445,931**	**148,299,622**	**97,042,137**	**78,074,365**	**80,318,110**	**73,066,203**	**40,097,305**	**31,005,454**
Current liabilities										
Borrowings due within one year	10,829,802	10,757,003	9,427,225	13,790,779	7,000,387	7,265,504	4,480,481	1,876,081	1,399,880	1,531,116
Trade and other payables	6,771,915	4,943,371	8,176,731	6,616,958	7,197,467	4,539,132	3,852,291	2,939,340	3,082,895	5,438,858
Compensating Tax	2,431,022	2,431,022	-	-	-	-	-	-	-	-
Tax Payable	60,458	58,663	140,843	668,859	278,453	-	-	-	-	-
Dividends payable	-	-	4,735,174	4,119,633	3,196,321	3,196,321	2,923,821	2,154,394	1,384,968	615,542
	20,093,197	**18,190,059**	**22,479,973**	**25,196,229**	**17,672,629**	**15,000,957**	**11,256,593**	**6,969,815**	**5,867,743**	**7,585,516**
TOTAL EQUITY AND LIABILITIES	**377,196,543**	**367,248,796**	**342,519,995**	**250,205,524**	**188,673,282**	**163,144,873**	**160,993,290**	**150,566,886**	**112,945,160**	**106,993,551**
Capex	**13,509,704**	**27,545,275**	**27,686,471**	**61,084,354**	**37,396,364**	**9,020,497**	**19,169,926**	**13,360,515**	**4,731,000**	**7,897,000**

Historical Financial Performance

Financial Ratios

	2017	2016	2015	2014	2013
Profit Margin	39.27%	38.13%	33.94%	23.86%	24.48%
Return on total assets	4.38%	4.41%	3.45%	3.39%	3.21%
Current Ratio	1.48	1.20	0.95	1.10	1.42
Debt Service Coverage Ratio	2.57	2.59	1.16	0.99	1.24
Self Financing Ratio	70%	61%	41%	17%	27%
Debt/(Debt+Equity)	42%	43%	47%	61%	51%
Return on Equity	5%	4%	8%	4%	7%

Kiambere Dam

Historical Financial Performance

EBITDA and EBIT Review for the last Ten Years (Shs '000)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenue	**35,440,067**	**38,609,556**	**29,957,301**	**18,334,479**	**17,051,341**	**16,330,899**	**15,112,790**	**11,386,561**	**13,126,530**	**11,612,667**
Expenses	(12,486,436)	(12,115,041)	(12,136,767)	(7,277,229)	(6,120,996)	(5,382,785)	(5,432,168)	(4,729,250)	(4,399,875)	(4,607,265)
EBITDA	**22,953,631**	**26,494,515**	**17,820,534**	**11,057,250**	**10,930,345**	**10,948,114**	**9,680,622**	**6,657,311**	**8,726,655**	**7,005,402**
Depreciation & Amortisation	(9,244,422)	(10,223,370)	(6,478,945)	(4,727,937)	(4,578,728)	(4,883,237)	(4,581,339)	(3,829,198)	(3,847,124)	(3,404,337)
EBIT	**13,709,209**	**16,271,145**	**11,341,589**	**6,329,313**	**6,351,617**	**6,064,877**	**5,099,283**	**2,828,113**	**4,879,531**	**3,601,065**
Compensating tax	-	(2,431,022)	-	-	-	-	-	-	-	-
Impairment of assets		-	-	-	-	-	-	-	-	-
Interest income	1,242,157	556,108	359,082	416,154	676,109	952,621	548,975	398,331	433,069	275,773
Finance costs	(3,417,442)	(3,132,187)	(3,010,659)	(2,587,519)	(3,000,802)	(2,972,308)	(1,996,951)	(741,491)	(756,319)	(798,073)
Profit Before Tax	**11,533,924**	**11,264,044**	**8,690,012**	**4,157,948**	**4,026,924**	**4,045,190**	**3,651,307**	**2,484,953**	**4,556,281**	**3,078,765**
Taxation (charge)/credit	(2,476,793)	(4,520,552)	2,827,315	(1,331,625)	1,197,780	(1,222,590)	(1,571,186)	801,534	(2,485,368)	2,818,114
Profit After Tax	**9,057,131**	**6,743,492**	**11,517,327**	**2,826,323**	**5,224,704**	**2,822,600**	**2,080,121**	**3,286,487**	**2,070,913**	**5,896,879**

Installed and Effective Capacity (MW)

Installed and Effective Capacity in MW as at June ….

	2017		2016		2015		2014		2013	
Plant	**Installed**	**Effective**	**Installed**	**Effective**	**Installed**	**Effective**	**Installed**	**Effective**	**Installed**	**Effective**
Hydro										
Tana	20	20	20	20	20.0	20.0	20.0	20.0	20.0	20.0
Masinga	40	40	40	40	40.0	40.0	40.0	40.0	40.0	40.0
Kamburu	94.2	90	94.2	90	94.2	90.0	94.2	90.0	94.2	90.0
Gitaru	225	216	225	216	225.0	216.0	225.0	216.0	225.0	216.0
Kindaruma	72	70.5	72	70.5	72.0	70.5	72.0	70.5	72.0	48.0
Kiambere	168	164	168	164	168.0	164.0	168.0	164.0	168.0	164.0
Turkwel	106	105	106	105	106.0	105.0	106.0	105.0	106.0	105.0
Sondu Miriu	60	60	60	60	60.0	60.0	60.0	60.0	60.0	60.0
Sang'oro	21.2	20	21.2	20	21.2	20.0	212	20.0	21.2	20.0
Small Hydros	11.75	11.3	11.75	11.3	11.75	11.3	11.75	11.1	13.7	11.1
Hydro Total	**818.15**	**796.8**	**818.15**	**796.8**	**818.15**	**796.8**	**1008.95**	**796.6**	**820.1**	**774.1**
Thermal										
Kipevu 1 Diesel	73.5	60	73.5	60	73.5	60.0	73.5	60.0	73.5	60.0
Kipevu III Diesel	120	115	120	115	120.0	115.0	120.0	115.0	120.0	115.0
Embakasi/Muhoroni Gas Turbine*	60	55	60	55	60.0	54.0	60.0	54.0	60.0	27.0
Garissa & Lamu			8.98	8.2	8.98	8.2	8.7	7.7	8.7	7.7
Thermal Total	**253.5**	**231.0**	**262.5**	**238.2**	**262.2**	**237.2**	**262.2**	**236.7**	**262.2**	**209.7**
Geothermal										
Olkaria I	45	44	45	44	45.0	44.0	45.0	44.0	45.0	44.0
Olkaria I AU	150.5	140	150.5	140	150.5	140.0	0.0	0.0	0.0	0.0
Olkaria II	105	101	105	101	105.0	99.3	105.0	101.0	105.0	88.2
Olkaria IV	149.8	140	149.8	140	149.8	140.0	73.0	70.0	0.0	0.0
Eburru	2.5	2.3	2.5	2.3	2.5	2.3	2.5	2.3	2.5	2.3
Wellhead 37	10.5	9.4	10.5	9.4	5.5	4.4	5.0	4.4	5.0	4.4
Wellhead 43	12.8	12.40	12.8	12.40	12.8	12.8	12.8	12.8	0.0	0.0
Wellhead 914	27.8	25.78	27.8	25.78	27.8	27.8	12.8	12.8	0.0	0.0
Wellhead 915	20.0	18.90	20.0	18.90	10.0	10.0	0.0	0.0	0.0	0.0
Wellhead 905	5.0	4.70								
Wellhead 39	5.0	4.70								
Total Wellheads	81.1	75.9	71.1	66.5	56.1	55.0	30.6	30.0	5.0	4.4
Geothermal Total	**533.9**	**503.2**	**523.9**	**493.78**	**509.0**	**480.6**	**256.1**	**247.3**	**157.5**	**138.9**
Wind										
Ngong I Phase I&II	11.9	11.9	11.9	11.9	11.9	11.9	5.1	5.1	5.1	5.1
Ngong II	13.6	13.6	13.6	13.6	13.6	13.6	0.0	0.0	0.0	0.0
Wind Total	**25.5**	**25.5**	**25.5**	**25.5**	**25.5**	**25.5**	**5.1**	**5.1**	**5.1**	**5.1**
KenGen TOTAL	**1,631.1**	**1,556.5**	**1,630.05**	**1,554.28**	**1,615.15**	**1,540.1**	**1,532.35**	**1,285.7**	**1,532.35**	**1,285.7**

* Active/Reactive power

Installed capacity corrected to reflect the actual Machine rating

Units Sent Out (Gwh)

Units Generated and Sold as at 30th June ...

	2017		2016		2015		2014		2013	
Plant	**Generated**	**Sales**	**Generated**	**Sales**	**Generated**	**Sales**	**Generated**	**Sales**	**Generated**	**Sales**
Hydro										
Sagana	4.18	4.18	7.62	7.62	8.20	7.55	9.05	9.05	9.71	9.71
Mesco	1.98	1.96	2.79	2.78	2.48	2.47	1.90	1.90	-	-
Wanjii	32.10	31.97	45.23	44.92	44.07	43.73	42.21	42.12	42.30	41.11
Tana	72.81	70.97	112.02	109.27	111.08	108.23	71.11	68.92	109.66	107.56
Masinga	169.63	169.44	126.70	126.69	137.86	137.72	206.81	206.42	148.41	148.41
Kamburu	384.54	383.79	434.78	434.03	358.62	357.98	421.91	420.87	521.16	520.10
Gitaru	776.80	775.27	863.43	862.02	711.41	709.88	831.72	829.95	1,037.38	1,035.55
Kindaruma	184.05	183.20	209.47	208.27	165.97	165.30	201.89	201.23	252.62	251.99
Kiambere	939.38	938.47	997.93	996.29	718.40	717.64	980.35	978.67	1,180.42	1,178.47
Turkwel	404.29	402.10	428.37	426.23	554.10	551.22	721.05	718.59	545.04	550.26
Sondu Miriu	282.08	281.55	419.52	418.59	376.45	375.54	351.74	351.86	393.81	392.87
Sangoro	90.46	90.31	140.59	140.31	124.89	124.54	109.54	109.32	110.08	110.04
Gogo	5.27	5.21	6.12	6.05	5.63	5.56	5.83	5.83	5.13	5.07
Sosiani	0.63	0.63	1.17	1.15	0.87	0.86	0.99	0.98	1.56	1.55
Total Hydros	**3,348.20**	**3,339.05**	**3,795.75**	**3,784.24**	**3,320.03**	**3,308.22**	**3,956.10**	**3,945.71**	**4,357.28**	**4,352.68**
Thermal										
Kipevu I	217.96	211.28	132.86	128.56	161.17	156.51	228.41	219.93	191.37	185.16
Kipevu III	521.04	512.13	186.01	181.39	304.47	299.03	533.67	524.22	328.00	320.73
Total Diesel	**739.00**	**723.41**	**318.87**	**309.95**	**465.64**	**455.54**	**762.08**	**744.15**	**519.37**	**505.89**
Geothermal										
Olkaria I	200.59	194.69	345.52	331.06	348.68	332.69	367.74	352.49	385.17	368.69
Olkaria I AU	1,008.65	968.35	1,088.21	1054.56	774.36	743.63	-	-	-	-
Olkaria II	833.92	790.69	857.18	814.38	798.29	756.40	754.25	712.38	738.18	695.64
Olkaria IV	895.61	852.33	1,021.03	975.51	1107.69	1064.09	172.20	172.20	-	-
Eburru	-	-	10.65	9.85	12.48	10.99	9.38	6.72	9.92	9.20
Wellhead 37	-	-	17.08	15.51	10.49	9.50	16.75	16.75	25.13	22.78
Wellhead 43	78.93	74.39	79.02	74.91	82.69	78.42	29.28	29.28	-	-
Wellhead 914 & 915	331.12	311.81	272.85	266.38	114.98	108.49	7.24	7.24	-	-
WellHeads 37 & 39	99.49	89.78								
Total Geothermal	**3,448.30**	**3,282.04**	**3,691.54**	**3,542.18**	**3,249.66**	**3,104.21**	**1,356.84**	**1,297.06**	**1,158.40**	**1,096.31**

Units Sent Out (Gwh)

Units Generated and Sold as at 30th June ... (Continued)

	2017		2016		2015		2014	
Plant	**Generated**	**Sales**	**Generated**	**Sales**	**Generated**	**Sales**	**Generated**	**Sales**
Thermal								
Embakasi/Muhoroni Gas Turbine (Active)*	111.17	108.21	0.62	0.62	4.20	4.10	27.46	26.94
Embakasi/Muhoroni Gas Turbine (Re - Active)	37.86	39.91	97.36	97.36	84.97	84.97	25.39	25.39
Total Gas Turbine	**149.03**	**148.12**	**97.98**	**97.98**	**89.17**	**89.07**	**52.85**	**52.33**
Isolated Diesels								
Garissa	-	-	25.51	24.75	25.82	25.77	20.67	20.29
Lamu	-	-	6.46	6.33	7.07	6.95	7.30	7.24
Total Isolated	-	-	**31.97**	**31.09**	**32.89**	**32.72**	**27.97**	**27.53**
Wind Turbine								
Ngong' I Phase I &2	28.92	28.50	25.47	25.04	16.68	16.66	17.59	17.59
Ngong' II	34.75	34.68	31.88	31.62	20.48	20.45	-	-
Total Wind	**63.67**	**63.18**	**57.35**	**56.66**	**37.16**	**37.11**	**17.59**	**17.59**
TOTAL KenGen	**7,684.53**	**7,555.80**	**7,993.46**	**7,819.09**	**7,194.55**	**7,026.87**	**6,173.43**	**6,084.37**

Notes:
1) The difference between the units generated and sold out is due to system losses and auxilliary consumption
2) System losses comprise of technical and non-technical losses
3) *Embakasi Gas Turbines Relocated to Muhoroni

Weighted Factors (%)

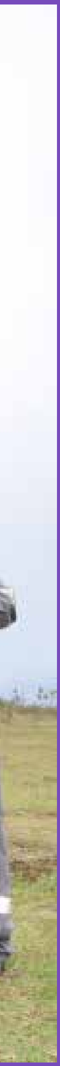
	2016/2017	2016/2017		2015/2016		2014/2015		2013/2014		2012/2013	
Plant	Effective Capacity	Availability	Load factor	Availability	Load factor	Availability	Load factor	Availability	Load Factor	Availability	Load Factor
Hydro											
Sagana	1.5	58.20	31.82	85.26	52.79	87.70	57.45	99.42	68.88	82.59	73.87
Mesco	0.43	97.68	52.04	96.06	66.03	96.25	67.08	69.70	72.61	8.04	0.00
Wanjii	7.4	79.24	49.32	85.21	69.59	75.60	67.47	91.39	64.98	75.60	63.42
Tana	20	97.53	40.51	97.15	63.76	89.83	61.78	40.95	39.34	77.85	61.39
Masinga	40	83.14	48.36	99.83	36.06	96.42	39.25	96.83	58.93	76.44	42.27
Kamburu	90	93.91	48.68	98.31	52.54	91.06	45.41	90.59	53.38	94.71	65.97
Gitaru	216	94.84	40.97	95.85	42.68	97.94	37.52	97.15	43.86	97.69	54.73
Kindaruma	70.5	90.29	29.66	99.58	35.07	96.15	26.77	90.81	32.58	71.98	65.38
Kiambere	164	97.29	65.32	99.26	67.62	96.74	49.95	93.06	68.12	99.13	78.58
Turkwel	105	96.29	43.72	98.90	46.01	82.62	59.36	98.08	78.12	87.62	59.26
Sondu Miriu	60	97.05	53.57	99.59	79.60	97.58	71.45	97.95	66.78	81.29	74.75
Sangor'o	20	81.72	51.54	99.72	75.50	95.49	67.70	94.01	62.40	80.20	59.86
Gogo	1.8	68.08	34.96	95.86	38.70	63.71	39.66	66.25	37.00	64.52	32.12
Sosiani	0.2	49.97	23.81	48.86	33.25	45.65	57.82	93.44	55.82	84.20	44.30
Total Effective Capacity	**796.83**										
Weighted Factors - Hydros		**94.06**	**47.84**	**98.04**	**52.76**	**85.75**	**45.00**	**93.55**	**56.53**	**91.03**	**63.64**
Thermal											
Kipevu I	73.50	69.43	40.20	75.39	24.21	70.56	34.36	68.52	41.84	89.18	35.23
Kipevu III	115.00	93.05	50.84	97.84	17.66	95.57	29.68	96.38	52.04	93.85	31.56
Total Effective Capacity	**188.50**										
Weighted Factors - Diesel		**84.95**	**47.19**	**89.09**	**20.21**	**87.00**	**31.28**	**86.83**	**48.54**	**92.25**	**32.82**
Geothermal											
Olkaria I	44.00	55.75	74.08	93.21	87.65	91.05	86.32	97.15	99.23	88.31	95.65
Olkaria I AU	140.00	93.37	78.96	88.37	88.49	89.52	73.77	-	-	-	-
Olkaria II	101.00	94.33	89.37	96.93	93.19	90.71	85.49	79.70	92.20	78.79	78.62
Olkaria IV	140.00	95.38	69.50	94.78	83.04	91.05	86.77	-	-	-	-
Eburru	2.40	-	-	73.89	50.63	78.64	54.54	43.73	67.27	-	45.66
Wellhead 37	3.80	-	-	13.46	23.23	29.74	31.89	65.37	43.45	-	56.54
Wellhead 43	12.40	90.63	68.48	91.75	70.47	85.77	75.23	30.48	52.22	-	-

Weighted Factors (%)

	2016/2017	2016/2017		2015/2016		2014/2015		2013/2014		2012/2013	
Plant	Effective Capacity	Availability	Load factor	Availability	Load factor	Availability	Load factor	Availability	Load Factor	Availability	Load Factor
Wellhead 914(914,919,905 & 915)	25.10	84.16	82.01	90.53	78.12	91.86	67.47	-	-	-	-
Wellhead 37 & 39	17.00	84.62	60.28	-	-	-	-	-	-	-	-
Total Effective Capacity	**485.70**										
Weighted Factors - Geothermal		**90.17**	**74.95**	**92.11**	**86.04**	**89.48**	**80.64**	**79.65**	**88.38**	**78.01**	**82.77**
Thermal											
Gas Turbine	54.00	87.04	22.66	80.51	20.66	73.09	0.87	87.14	17.18	36.94	11.24
Total Effective Capacity	54.00	87.04	22.66	80.51	20.66						
Weighted Factors - GT's	**54.00**	**87.04**	**22.66**	**80.51**	**20.66**	**73.09**	**0.87**	**87.14**	**17.18**	**36.94**	**11.24**
Isolated Diesels											
Garissa (KenGen)	-	-	-	92.69	45.45	94.31	19.29	90.17	37.35	72.76	38.08
Garissa (Aggreko)	-	-	-	93.73	65.37	99.10	70.63				
Lamu	-	-	-	86.40	47.58	87.30	44.04	87.27	48.04	90.98	35.84
Total Effective Capacity	**-**	**-**	**-**	**-**	**-**	-	-	-	--	-	-
Weighted Factors - Isolated	**-**	**-**	**-**	**92.15**	**51.83**	**94.47**	**45.36**	**89.52**	**39.74**	**76.83**	**37.58**
Wind Turbine											
Ngong I Phase I	5.10	71.83	29.01	82.03	29.70	74.90	19.36	91.63	39.38	70.00	31.15
Ngong I Phase II	6.80	89.16	26.80	84.58	19.64	84.34	27.74	-	-	-	-
Ngong II	13.60	76.11	29.11	81.23	26.47	89.50	32.97		-	-	-
Total Effective Capacity	**25.50**	**-**	**-**	**-**	**-**	-	-	-	-	-	-
Weighted Factors - Ngong'	**-**	**79.03**	**28.47**	**82.28**	**25.29**	**85.20**	**28.85**	**91.63**	**39.38**	**70.00**	**31.15**

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

2016 Shareholders Tour of Ngong Wind Farm



Shareholders Calendar

Notice of the Annual General Meeting

NOTICE IS HEREBY GIVEN THAT THE SIXTY-FIFTH ANNUAL GENERAL MEETING of the Company will be held at the Safaricom Indoor Arena, Kasarani, Thika Road, Nairobi on Wednesday, 22nd November 2017 at 11.00 a.m. to conduct the following business:

Ordinary Business

1. To table the proxies and note the presence of a quorum.
2. To read the Notice convening the meeting.
3. To consider and if approved, adopt the Company's audited financial statements for the year ended 30th June 2017, together with the Chairman's, Directors' and Auditors' Reports thereon.
4. To approve payment of Directors' fees for the year ended 30th June 2017.
5. Auditors:

   To note that the audit of the Company's books of accounts will continue to be undertaken by the Auditor-General or an audit firm appointed by him in accordance with Section 23 of the Public Audit Act 2015.
6. To authorise the Directors to fix the remuneration of the Auditors.
7. In accordance with the provisions of Section 769 of the Companies Act 2015, the following directors, being members of the Audit, Risk & Compliance Committee of the Board be elected to continue to serve as members of the said Committee:
   - (i) Mr. Joseph Sitati
   - (ii) Mrs. Ziporah Ndegwa
   - (iii) Mrs. Phylis Wakiaga
   - (iv) Mr. Humphrey Muhu, Alternate to Henry Rotich
8. To elect Directors:
   - (i) Dr. Musa Arusei, who retires on rotation in accordance with Article 104 of the Articles of Association of the Company and being eligible, offers himself for re-election as a Director of the Company.
   - (ii) Mr. Kairu Bachia, who retires on rotation in accordance with Article 104 of the Articles of Association of the Company and being eligible, offers himself for re-election as a Director of the Company.
   - (iii) Mrs. Dorcas Kombo, who retires on rotation in accordance with Article 104 of the Articles of Association of the Company and does not offer herself for re-election as a Director of the Company.

Notice of the Annual General Meeting

Special Business:

9. To consider and if thought fit, to pass the following resolutions as a Special Resolution:

Change of Name

"THAT the name of the Company be and is hereby changed from " Kenya Electricity Generating Company Limited" to "Kenya Electricity Generating Company plc" with effect from the date set out in the Certificate of Change of Name issued in that regard by the Registrar of Companies."

10. To consider any other business for which due notice has been given.

By Order of the Board

David Mwangi, CPS (K)
Acting Company Secretary
17 October 2017

NOTES:

1. A member entitled to attend and vote at the meeting and who is unable to attend is entitled to appoint a proxy to attend and vote on his or her behalf. A proxy need not be a member of the Company.
   A Proxy Form may be obtained from the Company's website at www.kengen.co.ke, registered office of the Company, Stima Plaza, Kolobot Road, Parklands, Nairobi or offices of the Company's shares registrar firm, Image Registrars Limited, Barclays Plaza 5th Floor, Loita Street, Nairobi.
2. To be valid, the Proxy Form, must be duly completed by a member and must either be lodged at the registered offices of the Company's shares registrar firm, Image Registrars Limited, Barclays Plaza 5th Floor, Loita Street, P.O. Box 9287, 00100 GPO, Nairobi or be posted, or scanned and emailed to info@image.co.ke in PDF format; so as to reach Image Registrars not later than Monday, 20th November 2017 at 11.00 a.m.
3. In the case of a member being a limited Company, the Proxy Form must be completed under its Common Seal or under the hand of an officer or attorney duly authorised in writing.
4. In accordance with Article 137 of the Articles of Association of the Company, a copy of the entire Annual Report & Accounts may be viewed on the Company's website at www.kengen.co.ke or a printed copy may be obtained from the Registered Office of the Company, Stima Plaza, Kolobot Road, Parklands, Nairobi, P.O. Box 47936 - 00100 GPO, Nairobi.

Ilani Ya Mkutano Mkuu Wa Kila Mwaka

TUNATANGAZA KUWA MKUTANO MKUU WA SITINI NA TANO WA MWAKA wa Kampuni utafanyika katika Safaricom Indoor Arena, Kasarani, Thika Road, Nairobi, Jumatano, tarehe 22 Novemba 2017 saa 5 asubuhi, ili kujadili masuala yafuatayo:

Shughuli za Kawaida

1. Kutambulisha wawakilishi na kubaini idadi ya waliohudhuria.
2. Kusoma Tangazo la kuwepo kwa mkutano.
3. Kuangalia taarifa za fedha za Kampuni zilizokaguliwa za mwaka uliomalizika tarehe 30 Juni 2017, na ikiwa zitaidhinishwa, zitatumika pamoja na ripoti ya Mwenyekiti, Wakurugenzi, na Wakaguzi wa Hesabu.
4. Kuidhinisha ada za malipo ya Wakurugenzi za mwaka uliomalizika tarehe 30 Juni 2017.
5. Wakaguzi wa Hesabu:
   Kuripoti kuwa vitabu vya hesabu vya Kampuni vitaendelea kuchunguzwa na Mkaguzi Mkuu au shirika la ukaguzi lililoteuliwa naye kwa mujibu wa kifungu cha 23 cha sheria ya Ukaguzi wa Hesabu ya Vitabu vya Umma ya 2015.
6. Kuidhinisha Wakurugenzi wabadilishe malipo ya Wakaguzi wa Hesabu.
7. Kwa mujibu wa Kifungu cha 769 cha Sheria za Kampuni za 2015, wakurugenzi wafuatao, ambao ni wanachama wa Kamati ya Bodi ya Ukaguzi, Madhara na Maafikiano, wachaguliwe ili kuendelea kuhudumia wanachama wa Kamati hiyo:
   (i) Bw. Joseph Sitati
   (Ii) Bi. Ziporah Ndegwa
   (iii) Bi. Phylis Wakiaga
   (iv) Bw. Humphrey Muhu, Mwakilishi wa Henry Rotich
8. Kuchagua Wakurugenzi:
   (i) Dkt. Musa Arusei, ambaye muhula wake unaisha kwa mujibu wa Kifungu cha 104 cha Sheria za Muungano wa Kampuni, ametimiza masharti yanayohitajika na amejitolea kuwania nafasi ya Mkurugenzi wa Kampuni kwa muhula mwingine.
   (ii) Bw. Kairu Bachia, ambaye muhula wake unaisha kwa mujibu wa Kifungu cha 104 cha Sheria za Muungano wa Kampuni, ametimiza masharti yanayohitajika na amejitolea kuwania nafasi ya Mkurugenzi wa Kampuni kwa muhula mwingine.
   (iii) Bi. Dorcas Kombo, ambaye muhula wake unaisha kwa mujibu wa Kifungu cha 104 cha Sheria za Muungano wa Kampuni, hatawania nafasi ya Mkurugenzi wa Kampuni kwa muhula mwingine.

Ilani Ya Mkutano Mkuu Wa Kila Mwaka

Shughili Maalum:

9. Kuzingatia na panapohitajika, kupitisha maazimio yafuatayo kuwa Maazimio Maalum:

Kubadilisha Jina

“KUWA jina la Kampuni liwe na libadilishwe kutoka “Kenya Electricity Generating Company Limited” kuwa “Kenya Electricity Generating Company plc” kuanzia tarehe iliyowekwa katika Cheti cha Mabadiliko ya Jina kilichotolewa na Msajili wa Kampuni.”

10. Kuzingatia shughuli nyinginezo ambazo zimetangazwa

Kulingana na Mpangilio wa Bodi

David Mwangi, CPS (K)
Kaimu Katibu wa Kampuni

17 Oktoba 2017

MAELEZO:

1. Mwanachama aliye na haki ya kuhudhuria na kupiga kura katika mkutano lakini hawezi kuhudhuria anaweza kuchagua mwakilishi ahudhurie na apige kura kwa niaba yake. Si lazima mwakilishi awe mwanachama wa Kampuni.
   Fomu ya Mwakilishi inaweza kupatikana katika tovuti ya Kampuni ya www.kengen.co.ke, ofisi rasmi ya Kampuni, Stima Plaza, Kolobot Road, Parklands, Nairobi au ofisi za shirika la msajili wa hisa za Kampuni, Image Registrars Limited, Barclays Plaza 5th Floor, Loita Street, Nairobi.
2. Ili iruhusiwe, ni lazima Fomu ya Mwakilishi ijazwe kikamilifu na mwanachama na ni lazima itolewe kwenye ofisi rasmi ya shirika la msajili wa hisa za Kampuni, Image Registrars Limited, Barclays Plaza 5th Floor, Loita Street, P.O. Box 9287, 00100 GPO, Nairobi au itumwe kwa njia ya posta, au iskaniwe na kutumwa kupitia barua pepe kwa info@image.co.ke katika muundo wa PDF; ili ifikie Image Registrars kabla ya Jumatatu, tarehe 20 Novemba 2017 saa 5 asubuhi.
3. Ikiwa mwanachama ni Kampuni Iliyodhibitiwa, ni lazima Fomu ya Mwakilishi ijazwe na kuwekwa Muhuri wake Rasmi au iwekwe saini na ofisa au wakili aliyeidhinishwa kwa njia ya maandishi.
4. Kwa mujibu wa Kifungu cha 137 cha Vifungu vya Muungano wa Kampuni, nakala ya Akaunti na Ripoti Yote ya Mwaka inaweza kutazamwa kwenye tovuti ya Kampuni katika www.kengen.co.ke au nakala iliyochapishwa ambayo inaweza kupatikana katika Ofisi Rasmi ya Kampuni, Stima Plaza, Kolobot Road, Parklands, Nairobi, P.O. Box 47936 - 00100 GPO, Nairobi.

Proxy Form

P.O. Box 47936 – 00100 GPO

NAIROBI

I/WE...of .... being a member of the above Company, hereby appoint: ....of... or failing him/her .... of .... failing whom, the Chairman of the Meeting, as my/our proxy, to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on Wednesday, 22nd November 2017 and at any adjournment thereof.

As witness my/our hand this .... day of ya .... 2017.

Signed ....

Notes:

1. A member entitled to attend and vote is entitled to appoint one or more proxies to attend and vote in his stead and a proxy need not be a member of the Company.

2. In the case of a member being a limited Company this form must be completed under its Common Seal or under the hand of an officer or attorney duly authorised in writing.

3. The Proxy Form must be delivered to Image Registrars Limited not later than Monday, 20th November 2017 at 11.00 a.m. Proxy Forms should be sent by Post to Image Registrars of P O Box 9287, 00100 Nairobi. Alternatively, duly signed proxies can be scanned and emailed to info@image.co.ke in PDF format.

Fomu ya Uwakilishi

S.L.P. 47936 – 00100 GPO

NAIROBI

MIMI/ SISI .... wa .... kama mwanachama wa Kampuni iliyotajwa hapa juu, namteua: .... wa .... au akikosa .... wa .... na iwapo hataweza kuhudhuria, mwenyekiti wa Mkutano, kama mwakilishi wangu/wetu, kupiga kura kwa niaba yangu/yetu katika Mkutano Mkuu wa Kila Mwaka wa Kampuni utakaoandaliwa mnamo 22 Novemba 2017 au wakati wowote ule endapo utaahirishwa.

Kama mashahidi sahihi yangu/yetu .... siku ya .... 2017.

Sahihi ....

Maelezo:

1. Mwanachama aliye na haki ya kuhudhuria na kupiga kura ana haki ya kuteua mwakilishi mmoja au zaidi kuhudhuria na kupiga kura kwa niaba yake na sio lazima mwakilishi awe mwanachama wa Kampuni.

2. Iwapo ni mwanachama wa kampuni ya dhima yenye kikomo, hii fomu ni lazima ijazwe chini ya nembo yake au mbele ya afisa au wakili ambaye ataidhinishwa kwa maandishi.

3. Fomu ya Uwakilishi ni lazima iwasilishwe kwa Image Registrars kabla ya Jumatatu, 20 Novemba 2017 saa 5 asubuhi. Fomu za Uwakilishi zinapasa kutumwa kwa Posta kwa Image Registrars wa SLP 9287, 00100 Nairobi. Badala yake, fomu za uwakilishi zilizojazwa na kutiwa sahihi zinaweza kutolewa nakala na kutumwa kwa baruapepe info@image.co.ke kwa umbo la PDF.

Dematerialisation of Shares

The Central Depository and Settlement Corporation (CDSC) commenced operations in 2004 with the intention of facilitating the holding of shares in electronic accounts instead of paper/physical share certificates to enable electronic trading & settlement of shares. This migration would shorten the settlement period, and enhance the safety & security of dealing with shares listed on the securities. The first step towards achieving electronic trading of shares was immobilization of share certificates which commenced in 2004. The number of Central Depository System (CDS) accounts has grown significantly and CDSC is now targeting to have all the shares owned by Kenyans to be transferred into electronic accounts by 1st November 2013 through a process called Dematerialization.

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

1) What is Dematerialization?
Dematerialization is the next step after immobilization. On the dematerialization date, the underlying physical certificates will cease to be evidence of ownership under the Company listed at the Nairobi Securities Exchange (NSE). Evidence of ownership will be in the electronic holdings maintained in the Central Depository System (CDS) operated by CDSC.

2) What is a Dematerialized Security?
It is a book entry security which has been prescribed by CDSC under section 24 of the Central Depositories Act, whereby the underlying physical certificate is no longer recognized as evidence of ownership under the Companies Act Cap 486 on or after the dematerialization date.

3) What is the impact of dematerialization?
Currently, shares can be withdrawn from a CDS account and held in a certificated form. With effect from the dematerialization date, shares will not be withdrawn from the CDS account because the law does not permit the issuing of share certificates with respect to a dematerialized security. Share Certificates will no longer be recognized as prima facie evidence of ownership and will be replaced with and electronic record at CDSC.

4) What do I need to do as a shareholder if I have already deposited all my shares in the CDS account?
You shall not be required to take any further action as a result of dematerialization.

5) What happens if I do not immobilize my share certificates by the dematerialization date?
After the Dematerialization date, all shares that have not been immobilized will be reflected as a record in the CDS in the shareholder's name.

6) What if I want to access my shares which are held in CDS?
If you wish to access your shares for purposes of trading, you will be required to open a CDS account and follow a verification process through KenGen's shares registrar firm, Image Registrars Limited, after which your shares will be transferred to your personal CDS account.

7) When is the dematerialization date?
CDSC will dematerialize securities of listed companies in three groups/tranches on 1st September 2013, 1st October 2013 and 1st November 2013 respectively.

KenGen's dematerialization date is 1st November 2013. Additionally, KenGen will place a notice in the newspapers informing the public about the dematerialization date for KenGen shares.

In the meantime, we urge shareholders who still hold physical certificates to immediately contact any Stockbroker for assistance to immobilize their shares.

8) How do I keep track of my shares?
CDSC shall send you monthly statements if your account is active otherwise; you will receive your statement only once a year. However, if you would like to view/download/print your statements, you can visit the CDSC website at www.cdsckenya.com. You can also subscribe to the CDSC mobile services where you will receive an alert every time there is an activity in your accounts such as sale or purchase of shares for a minimum fee of Kshs.10.00 per alert. To subscribe, send the word 'register' to 22372 and follow the instructions.

Kubadilishwa kwa Mfumo wa Kuhifadhi Hisa

Shirika la Central Depository and Settlement Corporation (CDSC) lilianza kutoa huduma zake 2004 kwa lengo la kufanikisha utoaji wa akaunti za elektroniki badala ya hati kamili za umiliki wa hisa kuwezesha uuzaji wa hisa kwa njia ya kieletroniki. Mpango huu utapunguza muda wa kununua na kuuza hisa zilizoorodheshwa kwenye soko la hisa la Nairobi. Hatua ya kwanza kufanikisha uuzaji wa hisa kwa njia ya kielektroniki ilikuwa kusalimisha hati zenyewe za hisa, hatua ambayo ilianza 2004. Idadi ya akaunti za. Central Depository System (CDS) imepanda maradufu na CDSC sasa inalenga kuhakikisha hisa zote zinazomilikuwa na Wakenya zinahamishwa kwa akaunti za kielektroniki kufikia Novemba 1, 2013 kupitia utaratibu unaohusisha kusalimisha vyeti vyenyewe vya hisa.

Tunaamini kuwa maswali na majibu yafuatayo yatafafanua ipasavyo utaratibu huo.

1) Kuhamisha hisa kutoka karatasi hadi mfumo wa kielektroniki ni nini?
Hii ndio hatua inayofuata baada ya kusitisha kutumia hati za umiliki wa hisa. Katika siku ya kuanza kutumia mfumo wa elektroniki, hati halisi zitakoma kuwa ithibati ya umiliki wa kampuni iliyoorodheshwa chini ya Soko la Hisa la Nairobi. Ithibati ya umiliki itakuwa kupitia kwa akaunti ya kielektroniki (CDS) ambayo inasimamiwa na CDSC.

2) Thibitisho la usalimishaji wa hati za umiliki wa hisa ni lipi?
Ni kujazwa kwa maelezo yaliyo kwenye hati ya umiliki ambayo yamependekezwa na CDSC chini ya sehemu 24 ya Sheria ya Central Depositories, ambapo cheti chenyewe cha karatasi hakitatambuliwa tena kama ushahidi wa umiliki chini ya Sheria ya Kampuni Sura 486 katika siku yenyewe ya mwisho au baada ya kuhamia mfumo wa kielektroniki.

3) Athari ya kuhamisha hisa kutoka karatasi hadi mfumo wa kielektroniki ni ipi?
Kwa sasa, hisa zinaweza kuondolewa kutoka kwa akaunti ya CDS na kuhifadhiwa kwa njia ya cheti. Lakini kwanzia tarehe ya kuhamishwa kwa hisa kutoka karatasi hadi mfumo wa kielekroniki, hisa haziwezi kuondolewa kwenye akaunti ya CDS kwa kuwa sheria hairuhusu kutolewa kwa vyeti vya hisa kama ushahidi. Vyeti vya hisa havitatambuliwa tena kama ushahidi wa umiliki na badala yake kutakuwa na rekodi katika akaunti ya kielektroniki katika CDSC.

4) Ninahitajika kufanya nini kama mwenyehisa ikiwa tayari nimeweka hisa zangu zote kwenye akaunti ya CDS?
Hautahitajika kufanya chochote zaidi kutokana na utaratibu huu mpya wa kusitisha matumizi ya vyeti kama ushahidi wa umiliki.

5) Nini itafanyika iwapo sitasalimisha hati zangu za umiliki kufikia tarehe ya kuhamishwa kwa hisa kutoka karatasi hadi mfumo wa kielekroniki?
Baada ya tarehe hiyo, hisa zote ambazo hati zake za umiliki hazitakuwa zimesalimishwa zitaonekana kama rekodi katika akaunti ya CDS katika jina la mwenyehisa.

6) Na iwapo ningependa kuchukua hisa zangu zilizoko katika akaunti ya CDS?
Ikiwa utahitaji kufikia hisa zako kwa lengo la kuziuza, utahitajika kufungua akaunti ya CDS na kufuata utaratibu wa uthibitishaji kupitia kwa kampuni ya hisa za KenGen, Image Registrars Limited, na baada ya hapo hisa zako zitahamishwa hadi akaunti yako ya CDS.

7) Ni lini hisa zitahamishwa kutoka karatasi hadi mfumo wa kielekroniki?
CDSC itahamisha hisa za kampuni zilizoorodheshwa kwenye soko la hisa katika makundi/awamu tatu mnamo Septemba 1, 2013, Oktoba 1, 2013 na Novemba 1, 2013 zikifuatana.

Tarehe ya kuhamishwa kwa hisa za KenGen ni Novemba 1, 2013. Isitoshe, KenGen itaweka tangazo kwenye magazeti kufahamisha umma kuhusu tarehe ya kuhamishwa kwa hisa za KenGen.

Lakini kwa sasa, tunahimiza wenyehisa ambao bado wana vyeti vya umiliki kuwasiliana mara moja na mawakala wa hisa kwa usaidizi kuhamisha hisa zao.

8) Nitafuatiliaje hisa zangu?
CDSC itakuwa inakutumia taarifa za kila mwezi ikiwa akaunti yako ina shughuli nyingi; la sivyo utakuwa unapokea taarifa yako mara moja kwa mwaka. Hata hivyo, ikiwa ungependa kuchapisha taarifa zako, unaweza kutembelea tovuti ya CDSC katika www.cdsckenya.com. Pia unaweza kujiandikisha kupokea huduma za CDSC mobile ambapo utakuwa unapokea ujumbe kila kunapokuwa na shughuli kwenye akaunti zako kama vile uuzaji na ununuzi wa hisa kwa ada ndogo ya Sh10.00 kwa kila ujumbe. Ili kujiandikisha, tuma neon “Register” kwa 22372 na kufuata maagizo.

Bank Details

We encourage all shareholders who hold certificates and whose dividends are paid via cheques to provide their bank details to our Company's shares registrar firm, Image Registrars Limited, Barclays Plaza 5th Floor, Loita Street, Nairobi P.O. Box 9287, 00100 GPO, Nairobi Tel: 020-2212065/2230330, 0770052116, 0735565666,0724699667, email: info@image.co.ke to enable us post the future dividends directly to their bank accounts.

Also, we encourage all shareholders who hold CDSC accounts and whose dividends are paid via cheques to provide their bank details through their stockbrokers to enable us post the future dividends directly to their bank accounts.

Unclaimed Dividends

Further to the Unclaimed Financial Assets Act 2011, we are appealing to Shareholders who have unclaimed dividends to do so with immediate effect to avoid the dividends being surrendered to the Unclaimed Assets Authority.

Dividend enquiries can be made at the Shares & Securities Office, KenGen Pension Plaza 2, Kolobot Road, Parklands, Nairobi P.O. Box 47936-00100 Nairobi, Tel: 020-3666961/5, 0711036961/5, email: shares@kengen.co.ke or offices of the Company's shares registrar firm, Image Registrars Limited, Barclays Plaza 5th Floor, Loita Street, Nairobi P.O. Box 9287, 00100 GPO, Nairobi Tel: 020-2212065/2230330, 0770052116,0735565666,0724699667, email: info@image.co.ke

Kamburu Dam

HEAD OFFICE

KenGen Pension Plaza 2
Kolobot Road, Parklands
P. O. Box 47936, 00100 GPO
Nairobi, Kenya
Tel: +254-20-3666000
Mobile: +254-711-036000 | +254-732-116000
Fax: +254-20-2248848
E-mail: pr@kengen.co.ke

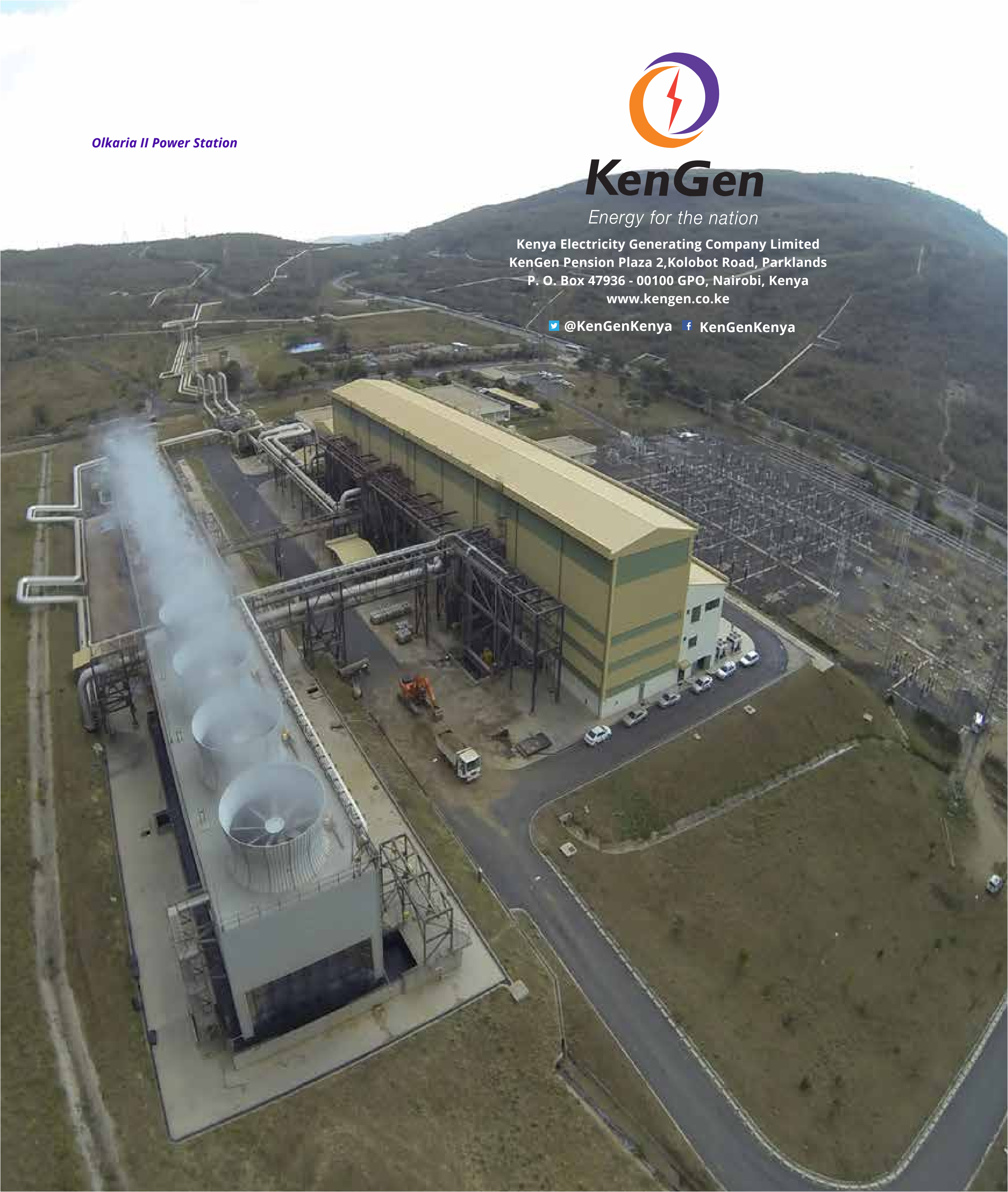
ADDRESSES OF STATIONS

Olkaria Geothermal Power Stations
P.O. Box 785 - 20117, Naivasha
Tel: 050 - 20233/4 | 050 - 2021223
Fax: 050 - 2021223
Mobile: 0722 202894
0722 202895

Western Hydro Power Stations
P.O. Box 874 - 40100, Kisumu
Tel: 057 - 2023800
Fax: 057 - 2023855
Mobile: 0728 608203
0738 600078

Eastern Hydro Power Stations
P.O. Box 205 - 60100, Embu
Tel: 020 - 2310323
Fax: 020 - 2310324
Mobile: 0722 509500
0735 826344

Thermal Power Stations
P.O. Box 80801 - 80100, Mombasa
Tel: 041 - 3435000/1
041 - 3434876
Fax: 041 - 3435431
Mobile: 0722 2653900
0734 600377



Olkaria II Power Station

KenGen

Energy for the nation

Kenya Electricity Generating Company Limited
KenGen Pension Plaza 2,Kolobot Road, Parklands
P. O. Box 47936 - 00100 GPO, Nairobi, Kenya
www.kengen.co.ke

@KenGenKenya **KenGenKenya**