REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

KENYA ELECTRICITY GENERATING COMPANY PLC

FOR THE YEAR ENDED 30 JUNE, 2022

KENYA ELECTRICITY GENERATING COMPANY PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

Kenya Electricity Generating Company Plc
Annual Report and Financial Statements
For the year ended 30 June 2022

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Background Information

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

Principal Activities

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

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

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

The Vision

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

The Mission

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

Core Values

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

Directors

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

Directors	General (Rtd) Samson Mwathethe	Chairman
	Abraham Serem	Ag. Managing Director & CEO (Appointed on 28th October 2022)
	Rebecca Miano	Managing Director & CEO (Retired on 28th October 2022)
	Njuguna Ndungu	Cabinet Secretary, The National Treasury and Planning (Appointed on 27th October 2022)
	Ukur Yatani	Cabinet Secretary, The National Treasury and Planning (Retired on 27th October 2022)
	Gordon Kihalangwa	Principal Secretary, State Department of Energy (Appointed on 30th September 2021)
	Joseph Njoroge	Principal Secretary, State Department of Energy (Retired on 30th September 2021)
	Joseph Sitati	
	Maurice Nduranu	
	Phyllis Wakiaga	
	Peris Mwangi	
	James Opindi	
	Winnie Pertet	
	Samuel Kimani	
	Benard Ndungu	Alternate to Ukur Yatani
	Stephen Njue	Alternate to Gordon Kihalangwa(Appointed on 9th February 2022)
	William Mbaka	Alternate to Gordon Kihalangwa(Retired on 8th February 2022)
	Peter Nyutu	Representative, Inspectorate of State Corporations
Company Secretary	Austin Ouko	Certified Secretary of Kenya (Appointed on 6th September 2022) KenGen Pension Plaza 2 Kolobot Road P. O. Box 47936 - 00100 GPO Nairobi
Registrars	Image Registrars Limited Barclays Plaza, 5th Floor 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	Deloitte & Touche LLP Certified Public Accountants (Kenya) Deloitte Place, Waiyaki Way, Muthangari, P.O. Box 40092 –00100 GPO Nairobi	

Corporate Bankers	NCBA Bank Kenya Plc Wabera Street P. O. Box 30437- 00100 GPO Nairobi	KCB Bank Kenya Limited Moi Avenue Branch P. O. Box 24030 - 00100 GPO Nairobi
	Co-operative Bank of Kenya Limited Stima Plaza P.O Box 38764-00600 Nairobi	Standard Chartered Bank Kenya Limited Harambee Avenue P.O. Box 30003 - 00100 GPO Nairobi
	Citibank NA Kenya Upper Hill P.O. Box 30711 - 00100 GPO Nairobi	Absa Bank Kenya Plc Westend Building Off Waiyaki Way Corporate Banking Center P.O. Box 30120 – 00100 GPO Nairobi
	Stanbic Bank Kenya Limited Kenyatta Avenue Branch P.O Box 30552-00100 GPO Nairobi	Bank of Africa Kenya Limited Sameer Business Park Unit C. 1st Floor P.O. Box 69562 - 00400 Nairobi
	Equity Bank Kenya Limited, Westlands Supreme Centre, P.O. Box 14253 – 00800 Nairobi	

Management Team

Management Team:	Rebecca Miano	Managing Director & CEO
	Abraham Serem	Ag. Managing Director & CEO (Appointed on 28th October 2022)
	General Managers:	
	Solomon Kariuki	General Manager Operations (Retired on 1st July 2022)
	Julius Odumbe	General Manager Operations (Appointed on 1st July 2022)
	Jeniffer Oduor	Ag. Company Secretary & Legal Affairs General Manager from 23rd November 2021 to 5th September 2022)
	Austin Ouko	Company Secretary & Legal Affairs General Manager (Appointed on 6th September 2022)
	Abraham Serem	General Manager, Human Resources & Administration
	John Mudany (FCPA)	General Manager, Finance & ICT
	Abel Rotich	General Manager, Geothermal Development (Retired on 19th October 2021)
	Peketsa Mangi	General Manager, Geothermal Development (Appointed on 6th May 2022)
	David Muthike	General Manager, Strategy & Business Performance
	Philip Yego	General Manager, Supply Chain
	Mary Maalu	General Manager, Regulatory & Corporate Affairs
	Elizabeth Njenga	General Manager, Business Development

Board Committees:

Audit, Risk & Compliance Committee	Samuel Kimani – Chair Bernard Ndungu Phyllis Wakiaga Peris Mwangi Winnie Pertet
Human Resource & Nomination Committee	Winnie Pertet – Chair Maurice Nduranu James Opindi Samuel Kimani Rebecca Miano
Strategy Committee	Maurice Nduranu-Chair Phyllis Wakiaga James Opindi Stephen Njue Rebecca Miano
Governance Advisory Committee	Peris Mwangi – Chair Maurice Nduranu Winne Pertet Joseph Sitati Rebecca Miano
Finance Committee	Joseph Sitati – Chair James Opindi Bernard Ndungu Stephen Njue Rebecca Miano

The Board of Directors

General (Rtd) Samson Mwathethe, EGH, Chairman

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

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

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

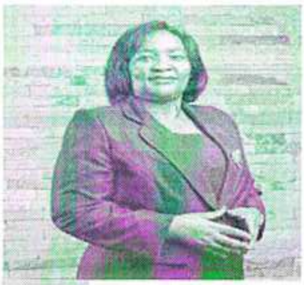
General (Rtd) Mwathethe brings to the KenGen Board immense wealth of experience in strategy and leadership which will steer KenGen on our noble mandate to generate reliable, safe and competitively priced electric energy for the nation and diversify the business to expand the revenue streams. Under General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

Abraham Serem, Ag. Managing Director &CEO

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

Prior work experience includes Heineken East Africa Ltd where he held the position of HR Director, East Africa Breweries Ltd, Nampak East Africa and Reckitt Benckiser East Africa, where he held various senior managerial positions. Mr. Serem joined KenGen management team on 1st March,2016 as the Human Resource and Administration Director.

Rebecca Miano, MBS, Managing Director &CEO (retired on 28th October 2022)



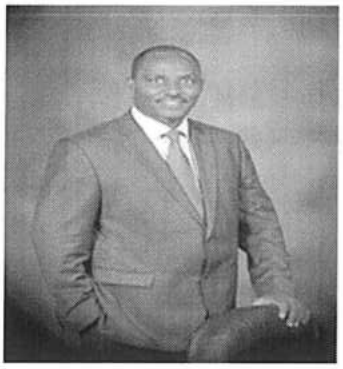
Mrs. Rebecca Miano is the Managing Director & CEO of Kenya Electricity Generating Company PLC, a position she has held since October 2017.

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

In November 2019, she was appointed to the Board of Global Compact Network, Kenya and she was named among the Top 100 Women CEOs in Africa by Reset Global People in partnership with Pulse and Avance Media. Mrs. Miano joined the World Bank Group's Advisory Council on Gender and Development in July 2020. Mrs. Miano was named as one of the top 25 movers and shakers in Africa in 2021 by the African Energy Chamber. In 2010, she won the Company Secretary of the Year award in the Champions of Governance Awards series. The same year, she was awarded the Order of the Grand Warrior of Kenya (OGW) and in 2019, the Moran of the Order of the Burning Spear (MBS) in recognition of her outstanding service to the nation. Mrs. Miano has been a member of St. Paul's University Council since 2010 where she chaired the Finance and General Purposes Committee from 2013 to 2016. She has also served in the Finance Committee of the National Council of Churches of Kenya (NCCK).

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

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



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

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

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

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

Maj Gen (Rtd) Dr. Gordon O. Kihalangwa - Principal Secretary, State Department for Energy

Maj. Gen (Rtd) Dr. Gordon .O. Kihalangwa born in 1956, joined the Ministry of Energy as the Principal Secretary from the State Department for Public Works in October 2021. Before his posting in the Ministry of Energy, he served as the Director for Immigration Services from 2014 until March 2018 when he was appointed as the Principal Secretary, State Department for Immigration and Citizen Services, in the Ministry of Interior and Coordination of National Government. He also had a short stint as Principal Secretary, Ministry of Defence in August 2019, he was reassigned in the same capacity to the State Department for Public Works in the Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works in 2019.

Prior to joining the Civil Service, he worked in the Military which he joined as a Cadet Officer close to 40 years ago. He diligently served and worked his way through the ranks in the military and rose to the rank of Major General and was appointed to the position of Assistant Chief of General Staff in-charge of Personnel and Logistics. He retired as a Major General in 2014 after close to 33 years of Service.

During his time in the Military, Maj. Gen (Rtd) Dr. Kihalangwa underwent various military courses and Strategic Leadership training, locally and internationally. He is an Alumni of the National Defence College (K), National Defence College 'ensp' (RSA) and Defence Staff College (K). He holds a PhD and a Master's degree in International Studies and Diplomacy from Washington International University (WIU) in the United States of America. He further holds a Strategic Studies and a Diploma in International Studies both from the University of Nairobi (UoN).

Phyillis Wakiaga

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

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

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

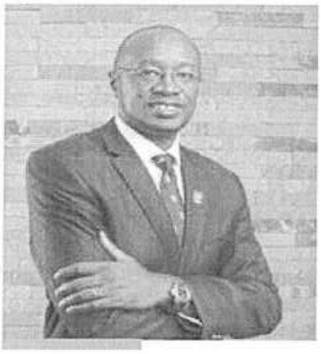
She was recognized as a Top Africa Economic Leader for Tomorrow by Choiseul 100 Africa list 2018 and one of the 2019 Most Influential People of African Descent, Global 100 under 40. She is a member of the Law Society of Kenya, Institute of Human Resource Management, Institute of Directors and the Institute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

Joseph Sitati

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

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

Maurice Nduranu



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

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

Stephen Njue

Mr. Stephen Njue born in 1970, holds a Bachelor of Arts in Economics and Master of Business Administration in Finance from Kenyatta University. He is also a Certified Public Accountant.
He is a member of the Institute of Directors (Kenya) and Institute of Human Resource Management.

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

Peris Mwangi

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

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

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

James Opindi

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

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

Mr. Opindi has vast knowledge and broad business experience in matrix and multifunctional organizations and is a widely acknowledged Expert and Consultant.

Born in 1951, he holds a Bachelor of Science Degree in Mechanical Engineering from the University of Nairobi.

Samuel Kimani

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

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

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

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

Winnie Pertet

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

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

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

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

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

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

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

Benard Ndungu

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

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

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

Peter Nyutu
Board Representative, Inspectorate of State Corporations

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

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

Who Leads Us

Management

Rebecca Miano (MBS)

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

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Responsibilities

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

Management

Austin Ouko

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

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

He holds a Bachelor of Laws (LL.B) and Master of Laws (LLM) in Public Finance & Financial Services Law from the University of Nairobi, Master of the Science of Law (JSM) from Stanford University Law School, California, USA. Mr. Ouko holds a Diploma in Law from the Kenya School of Law, Practice Diploma in International Commercial Law from the College of Law of England & Wales, Postgraduate Diploma in Domestic Arbitration from the Chartered Institute of Arbitrators, Advanced Diploma in Business Administration and a Diploma in Management of Information Systems.

FCS Ouko joined KenGen from the National Social Security Fund where he was the Ag. General Manager-Corporate Affairs/Corporation Secretary since December 2013. He was previously, the Legal Manager at National Social Security Fund and Senior Legal Officer at the Standard Group Limited.

Responsibilities

Company Secretary & Legal Affairs & General Manager legal Affairs

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

Management

Responsibilities

Eng. Julius Odumbe

Eng. Julius Odumbe is a licensed Consulting Engineer with an illustrious career in Operation and Maintenance (O&M) of equipment spanning over 30 years.

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

He holds several professional leadership certificates in Corporate Senior Leadership Management Program (SLMP) from Strathmore Business School & Nanyang Technological University – Singapore, Executive Leadership (Georgetown Engendering Executive Program) from George Town University, Self-Awareness and Effective Leader from Rice University and Balanced score card from Strathmore Business School among many others.

His eminence in engineering field propelled him to the highest Engineering category of a Fellow in the Institute of Engineers of Kenya (IEK) and licensed consulting Engineer by Engineers Board of Kenya (EBK).

Prior to his appointment as General Manager Operations, he was the Regional Manager, Eastern Region. His key responsibilities included: overseeing Operations and Maintenance of power plants to ensure high plant availability at optimized operational costs, rehabilitation, and upgrade of plants through uptake of latest technology to improve operation and extend effective plant life.

He was appointed as the General Manager Operations on 1st July 2022 where he is responsible for overseeing Operations and Maintenance (O&M) of all KenGen power plants, ensuring attainment of PPA target availability at optimized costs, Rehabilitation and upgrade of plants through uptake of latest technology to improve operation and extend effective plant life, Continuous improvement and automation of systems to align with best practice, optimum power dispatch and scheduling of major plant outages through effective collaboration with the off taker, facilitate design and implementation of optimum power evacuation arrangements, Involvement in power purchase agreement negotiations, Coordination of bulk energy billing and collaborating with key sector players to ensure a stable and secure national grid.

Management

Dr. FCPA John Mudany, CPA(K)

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

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

Responsibilities

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

Elizabeth Njenga

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

She holds a master's degree in Business Administration from the University of Nairobi; a Bachelor of Arts (Accounting & Economics) from Moi University and a Post graduate Diploma in Financial Management. She is also a Certified Public Accountant of Kenya CPA (K) and currently pursuing a Master's degree in Public Policy in Strathmore University.

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

Management	Responsibilities
Currently serving as the Acting Business Development Director, she has been working as the Capital Planning and PPP Manager since 2014, and previously as Capital Planning and Strategy Manager between 2009 and 2014.	

Abraham Serem

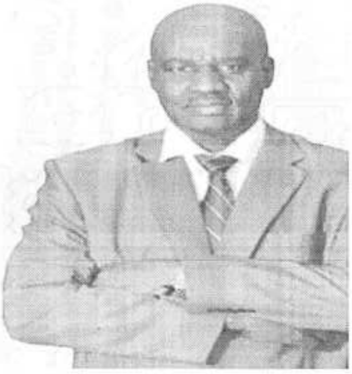
Mr. Abraham Serem is a seasoned human resource practitioner with vast experience both in Kenya and East Africa. He holds a Bachelor of Arts degree from the University of Nairobi. His professional qualifications include: a Higher National Diploma in Human Resource Management and a Diploma in Intermediate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

Prior work experience includes Heineken East Africa Ltd where he held the position of HR Director, East Africa Breweries Ltd, Nampak East Africa and Reckitt Benckiser East Africa, where he held various senior managerial positions. Mr. Serem joined KenGen management team on 1st March,2016 as the Human Resource and Administration Director.

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

Management | **Responsibilities**

Peketsa Mangi



Mr. Mangi is an astute Geothermal energy expert with vast experience spanning over 20 years both locally and regionally. He holds a Master of Science (Information Science) from Moi University and is currently pursuing PhD. in Information Science from the same University. He is a Certified Project Manager (IPMA Level C). Further, he holds various certifications including: Earth Sciences, Reservoir Management, Drilling technology, Master negotiation skills, Public procurement, Geothermal projects management and financing, among others. He is currently the Vice Chairman of the Geothermal Association of Kenya (GAK), a member of the Geological Society of Kenya (GSK) and International Geothermal Association (IGA).

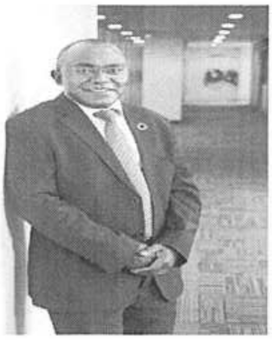
He has risen through the ranks to the position of Geothermal Development Director, having initially served as the Resource Development and Infrastructure Manager.

Key achievements include: successful negotiation of geothermal drilling contracts in Kenya, Djibouti and Ethiopia; project manager for geoscientific studies for consultancy services , capacity expansion at Olkaria through identification of geothermal potential areas; negotiated MoU between KenGen PLC and ITC, Netherlands; the Olkaria Geothermal Spa and Demonstration Centre, successful negotiation for the grant for upgrading of Geothermal Training Centre facilities.

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

Management	**Responsibilities**

Eng. David Muthike

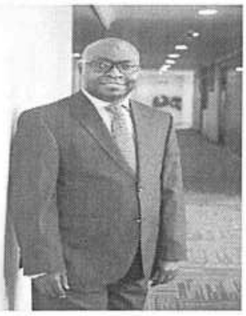


Mr. David Muthike is a distinguished business strategist with tested experience in power sector strategy-formulation and implementation. He holds a Bachelor of Science degree in Electrical and Electronic Engineering, Master of Business Administration in Strategy, Post-Graduate diploma in Project Appraisal and Management and a certificate in Advanced Management and Leadership Programme. He is a graduate Engineer with Institution of Engineers of Kenya (IEK) and a member of Kenya Institute of Management (KIM).

He joined KenGen in 1998. He was appointed to the Company's Strategy and Innovation Division in September 2014. His major role is to support the Company in maintaining "thought leadership" in power generation and related services.

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

Phillip Yego



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

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

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

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

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

Mary Maalu

Mrs. Mary Maalu is a Finance Expert with extensive experience in Audit, Financial Management and Corporate Finance. She holds Master of Business Administration (MBA) and Bachelor of Commerce (B.Com) Degrees from the University of Nairobi. She is a Certified Public Accountant and a member of the Institute of Certified Public Accountants of Kenya (ICPAK). She also holds a Certificate in Senior Leadership Management Programme (SLMP) from Strathmore University and a Certificate in Utility Regulation and Strategy from University of Florida.

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

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

Her key responsibilities included raising capital for power generation projects, securing working capital facilities, Project Finance and Accounting, Treasury Management- financial modelling, cash flow forecasting, funds management, investments and foreign currency dealing, Tax planning and compliance, Revenue Billing and Collection, Power Purchase Agreements (PPAs) development and Investor Relations management. She was appointed as the Corporate & Regulatory Services Director on 1st August 2020 where she is responsible for Regulatory Management, Stakeholder Management, Development and Negotiation of Power Purchase Agreements (PPAs), Quality & Safety Management programs, Communication, Community Engagement, Environment & Sustainable Development and Business Process Improvement.

Shareholding

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

List of top ten shareholders as at 30 June 2022

No.	Names	Shares	Percentage
1	Cabinet Secretary - The National Treasury	4,615,424,088	69.99%
2	Stanbic Nominees Limited	495,348,189	7.51%
3	Stanbic Nominees Limited	172,150,600	2.61%
4	Standard Chartered Nominees Ltd A/C Ke002339	120,000,000	1.82%
5	Standard Chartered Nominees Resd A/C Ke11450	64,702,437	0.98%
6	Stanbic Nominees Limited R6631578	60,000,000	0.91%
7	Standard Chartered Nominees Resd A/C Ke11443	40,163,194	0.61%
8	Standard Chartered Nominees Resd A/C Ke11401	33,300,380	0.50%
9	Mavji,Ramila Harji	31,410,100	0.48%
10	Shah,Mansukhlal Khetshi Dharamshi;Shah,Vijayaben Mansukhlal Khetshi	15,184,600	0.23%
11	Nic Custodial Services A/C 077	14,131,414	0.21%
12	Equity Nominees Limited A/C 00099	12,596,799	0.19%
13	Varsani,Suresh Naran Ratna	12,000,000	0.18%
14	Raikundalia,Sanjaikumar Kantilal;Raikundalia,Neha Sanjai	10,900,703	0.17%
15	Dhanji,Gudhka Ratilal;Gudhka, Chandrikaben Ratilal	10,719,300	0.16%
16	Standard Chartered Kenya Nominees Ltd A/C Ke003519	8,570,200	0.13%
17	Standard Chartered Kenya Nominees Ltd A/C Ke002749	8,356,863	0.13%
18	Kenya Commercial Bank Nominees Limited A/C 915b	8,086,825	0.12%
19	Raikundalia, Neha Sanjai	7,500,303	0.11%
20	Standard Chartered Kenya Nominees Ltd A/C Ke000954	7,100,000	0.11%
	Others – 190,491	846,876,344	12.84%
	Grand Totals	**6,594,522,339**	**100.00%**

Distribution of Shareholders

	Range Total	Records	Range	Percentage
1	1 to 500	82,435	19,672,587	0.30%
2	501 to 1000	34,361	27,388,623	0.42%
3	1001 to 5000	48,951	109,117,909	1.65%
4	5001 to 10000	16,402	110,408,599	1.67%
5	10001 to 50000	6,862	138,368,484	2.10%
6	50001 to 100000	744	52,759,509	0.80%
7	100001 to 500000	565	115,426,502	1.75%
8	500001 to 1000000	80	56,706,393	0.86%
9	1000001 to 2000000000	111	5,964,673,733	90.45%
		190,511	**6,594,522,339**	**100.00%**

Summary Returns

Investor Pool	Records	Shares	Percentage
Local Institutions	7,946	5,054,307,786	76.644%
Foreign Investors	938	877,912,290	13.313%
Local Individuals	181,627	662,302,263	10.043%
Grand Totals	**190,511**	**6,594,522,339**	**100.00%**

Business Review

The year ended 30 June 2022 was a progressive year and through strategic action, the company recovered from the reeling effects of the COVID-19 pandemic.

KenGen stepped into the year with renewed optimism to accelerate its operating performance. During the year, the Company completed the construction of 86MW Olkaria I Additional Unit 6 Geothermal Power Plant in June 2022, that will supply the nation with clean, affordable and reliable electricity. This now brings our Geothermal installed capacity to 799MW from 713MW in 2021 and total installed capacity to 1,904MW from 1,818MW in 2021.

The Company completed the upgrading of Wanjii Hydro Power Station to increase its capacity from 7.4MW to 8.2MW as well as completion of the two-year rehabilitation of the Masinga Hydro Power Plant that had derated to 24MW and restored it to its optimum capacity of 40MW.

However, the business experienced a number of technical challenges attributable to breakdowns in Olkaria II, Olkaria V Olkaria I Unit 4 & 5 and Wellheads resulting in 5% drop the Geothermal generation. Further, the hydrological conditions in the Eastern Cascade affected Hydro generation leading to a 19% decline. Faced with the above challenges, the company stepped up generation from the thermal power plants to mitigate the power shortfall in the country leading to an increase of 137% in Units. In total, there was decline of 8% in energy unit sales which decreased from 8,443GWh in 2021 to 7,918GWh in 2022.

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

Electricity Unit Sales (GWh)

	2022	2021	Change
Source			
Hydro	3,307	4,092	(19%)
Geothermal	3,977	4,052	(2%)
Thermal	580	245	137%
Wind	54	54	0%
Total	**7,918**	**8,443**	**(6%)**

Revenue

Revenue grew by 7.5% from Shs 45,791 million in the previous year to Shs 49,226 million in 2022, mainly driven by fuel revenue which increased by 163.2% as a result of higher dispatch from thermal power plants to mitigate impacts of breakdowns in geothermal and unfavourable hydrological conditions.

Other income and gains

Other income increased by 13.7% from Shs 677 million to Shs 769 million compared to previous year, attributable to income from clubs following the easement of the impact of Covid-19 pandemic, disposal of scrap items, Carbon Credits and management of Garissa Solar power plant.

Other gains relate to foreign exchange valuations and fair value measurements of financial assets. The amount decreased by 346.1% from a gain of Shs 1,540 million to a loss of Shs 3,789 million during the period, mainly attributable to fair value gain on a financial asset through profit or loss as a result of appreciation of the Shilling against other major currencies specifically JPY and Euro. An assessment of the financial asset recoverable from KPLC led to a fair valuation loss of Shs 3,275 million while unrecoverable amounted to Shs 1,580 million based on PPA base rate and loan base rate.

Expenses

Reimbursable expenses increased by 134.4% from Shs 4,160 million to Shs 9,753 million, attributable to increased dispatch from the thermal power plants because of breakdowns in geothermal power plants and poor hydrology.

Depreciation expense increased by 8.2% from Shs 11,520 million to Shs 12,462 million partly due to revaluation of assets, completion of Olkaria I Unit 6 and Wanji power station among other assets.

Employee expenses increased by 7.3% from Shs 7,686 million to Shs 8,247 million mainly attributable to costs for staff engaged in the drilling operations in Ethiopia, provision for Collective Bargaining agreement (CBA) and Cost of living adjustment. Steam costs are incurred in respect to supply of steam used in generation of power from third party owned wells. The costs increased from Shs 3,029 million to Shs 3,093 million due to higher dispatch from the wells connected to Olkaria I AU, Olkaria IV and Wellheads that are vested to GDC. The plant operation and maintenance (O&M) expenses increased from Shs 1,881 million to Shs 3,151 million because of higher costs for Kipevu plants which are attributable to increased operations and expenses related to drilling in Ethiopia.

Other expenses increased from Shs 2,822 million to Shs 4,344 million because of drilling in Ethiopia, the construction of Naivasha Hospital which is a corporate social investment (CSI), impairment of assets and insurance costs. Provisions arising from International Financial Reporting Standards (IFRS 9) rose by 22.1% from Shs, 493 million to Shs 602 million owing to lowering of credit ratings for companies and country.

Overall, the costs associated with drilling of wells in Tulu Moye and Aluto in Ethiopia amounting to Shs 2,544 million have been included under the expenses above.

Finance income/ expense

Finance income increased from Shs 1,939 million in 2021 to Shs 2,073 million in 2022 because of interest from bank deposits due to higher cash balances brought about by moratorium on repayment of borrowings and delayed project pipeline as well as interest on financial assets in relation to Olkaria V transmission line treatment under IFRIC 12.

Finance costs declined by 143% from aa net cost expense of Shs 3,053 million to a net credit of Shs 1,314 million, mainly attributable to the appreciation of the Shilling against other major currencies especially the EURO and JPY leading to unrealised foreign exchange gain on borrowings of Shs 3,275 million compared with a loss of Shs 701 million in the previous year

Results

During the financial year ended 30 June 2022, the business performance experienced a downward trend with a decline in profit before tax reflecting the impact of breakdowns and related expenses to bring the power plants back to normal operations. Therefore, profit before tax dropped by 48.1% from Shs 15,303 million to Shs 7,941 million.

The corporate tax rate increased from 25% to 30% resulting in a tax expense on deferred tax in the previous year. This effectively resulted in tax expense of Shs 3,222 million in the year compared with Shs 13,473 million tax recorded in the prior year. Profit after tax increased by 157.8% from Shs 1,831 million to Shs 4,719 million.

Financial position

Total assets grew by 19.3% from Shs 420,921 million to Shs 502,062 million, mainly attributable to revaluation of assets and drilling of additional wells to secure steam for the upcoming power plants among other projects.

Cash flows

The cash and bank balances increased from Shs 13,859 million to Shs 14,006 million mainly due to increased KPLC Debt repayment.

REPORT OF DIRECTORS

The Directors submit their report together with the audited financial statements of Kenya Electricity Generating Company Plc (the "Company" or "KenGen") for the year ended 30 June 2022.

Principal Activities

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

Results

The results of the entity for the year ended 30 June 2022 are set out on page 33-34 Below is summary of the profit or loss made during the year.

	2022 Shs'000	2021 Shs'000
Profit before income tax	7,941,222	15,303,111
Income tax expense	(3,222,062)	(13,472,564)
Profit for the year	4,719,160	1,830,547
Other comprehensive loss for the year, net of tax	65,358,273	(205,069)
Total comprehensive income for the year	70,077,433	1,625,478

Recommended dividend

Subject to the approval of the shareholders, the Directors propose payment of a first and final dividend of Shs 1,319 million (2021: Shs 1,978 million) for the year representing Shs 0.20 (2021: Shs 0.30) per issued ordinary share.

Directors

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

Disclosures to the auditor

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

(a) There was, as far as each Director is aware, no relevant audit information of which the Company's auditor is unaware; and

(b) Each Director had taken all steps that ought to have been taken as a Director so as to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Terms of appointment of auditors

The Auditor-General is responsible for the statutory audit of the Company's financial statements in accordance with Section 35 of the Public Audit Act, 2015. Section 23(1) of the Act empowers the Auditor-General to appoint other auditors to carry out the audit on his behalf. Accordingly, Deloitte & Touche LLP were appointed to carry out the audit for the year ended 30 June 2022.

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

By order of the Board

Company Secretary

29/11/2022

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

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

i. Designing, implementing and maintaining internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error;

ii. Selecting suitable accounting policies and then apply them consistently; and

iii. Making judgements and accounting estimates that are reasonable in the circumstances.

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

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

Approved by the Board of Directors on ...29/11/...2022 and signed on its behalf by:

....	....	....
General (Rtd) Samson Mwathethe	**Samuel Kimani**	**Abraham Serem**
Chairman	**Director**	**Ag. Managing Director & CEO**

INFORMATION NOT SUBJECT TO AUDIT

The Company's Directors Remuneration Policy and Strategy

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

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

In accordance with the guidelines provided in the State Corporations Act and issued by the Salaries & Remuneration Commission as well as shareholder approval granted at the Annual General Meeting; The Directors are paid a taxable sitting allowance of Shs 20,000 for every meeting attended. The Chairman is paid a monthly honorarium of Shs 80,000. The Board members are paid an annual Directors fee of Shs 600,000 subject to approval by the shareholders. It is proposed that each non-executive Director receives a fee of Shs 600,000 excluding sitting allowances and honorarium for the financial year ended 30 June 2022 subject to approval by shareholders during the Annual General Meeting.

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

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

Contract of service

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

The Managing Director and CEO has a three (3) year renewable contract of service with Kenya Electricity Generating Company Plc starting from 30th October 2017. Her contract was renewed for a further three (3) years on 31 August 2020.

Changes to Directors Remuneration

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

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

During the Annual General Meeting held on 16 December 2021, the shareholders approved the payments of Directors fees for the year ended 30 June 2021 through virtual voting.

Approval will be sought at the upcoming Annual Generating Meeting from shareholders to pay Directors fees for the financial year ended 30 June 2022.

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 2022 together with the comparative figures for 2021. The aggregate Directors' emoluments are shown in note **37(e).**

For the year ended 30 June 2022

Name	Category	Salary	Directors Fees	Sitting Allowances	Honorarium	Telephone	Total
		Shs'000	Shs'000	Shs'000	Shs '000	Shs '000	Shs '000
General (Rtd) Samson Mwathethe	Chairman	-	600	1,000	960	84	2,644
Rebecca Miano	Managing Director and CEO	19,912	-	-	-	-	19,912
Ukur Yattani (CS, The National Treasury and Planning)	Non-Executive	-	600	-	-	-	600
Gordon O. Kihalangwa (PS, Ministry of Energy)	Non-Executive	-	600	-	-	-	600
Joseph Sitati	Non-Executive	-	600	1,080	-	-	1,680
Maurice Nduranu	Non-Executive	-	600	1,740	-	-	2,340
Phyllis Wakiaga	Non-Executive	-	600	1,012	-	-	1,612
Peris Mwangi	Non-Executive	-	600	1,520	-	-	2,120
James Opindi	Non-Executive	-	600	1,560	-	-	2,160
Samuel Kimani	Non-Executive	-	600	1,366	-	-	1,966
Winnie Pertet	Non-Executive	-	600	1,660	-	-	2,260
Bernard Ndungu (Alternate to CS National Treasury & Planning)		-	-	520	-	-	520
Humphrey Muhu (Alternate to CS National Treasury & Planning)	Non-Executive	-	-	20	-	-	20
Stephen Njue (Alternate to PS Ministry of Energy)	Non-Executive	-	-	420	-	-	420
William Mbaka - (Alternate to PS Ministry of Energy)	Non-Executive	-	-	426	-	-	426
Peter Nyutu		-	-	1,620	-	-	1,620
Total		**19,912**	**6,000**	**13,944**	**960**	**84**	**40,900**

INFORMATION SUBJECT TO AUDIT (continued)

For the year ended 30 June 2021

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

On behalf of the Board

Secretary

Date: 29/11/**2022**

REPUBLIC OF KENYA

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

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON KENYA ELECTRICITY GENERATING COMPANY PLC FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.

B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.

C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

The accompanying financial statements of Kenya Electricity Generating Company PLC set out on pages 32 to 134, which comprise of the statement of financial position as at 30 June, 2022, statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows, and a summary of significant accounting policies and other explanatory information, have been audited on my behalf by Deloitte & Touché, auditors appointed under Section 23 of the Public Audit Act, 2015. The auditors have duly reported to me the results of their audit and on the basis of their report, I am satisfied that all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit were obtained.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kenya Electricity Generating Company PLC as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Public Finance Management Act, 2012 and the Companies Act, 2015.

Basis for Qualified Opinion

1.0 Land Without Ownership Documents

The statement of financial position reflects right of use of assets balance of Kshs.6,817,943,000 which, as disclosed in Note 17 to the financial statements, constitutes an amount of Kshs.5,893,085,000 in respect of leasehold land. The balance includes a parcel of land measuring 12.39 hectares and valued at Kshs.550,000,000 which did not have ownership documents or a title in the name of the Company. Management explained that the initial title deed was held under lien by a lawyer due to a dispute in legal fees with the original owners of the land. Further, information available indicate that the leasehold tenure of the land expired in 1991 but had not been renewed due to lack of the title deed.

In the circumstances, the ownership of land valued at Kshs.550,000,000 could not be confirmed.

2.0 Variances on Balance with Related Entities

As disclosed on Note 21 to the financial statements, the statement of financial position reflects gross amounts due from The Kenya Power and Lighting Company (KPLC) amounting to Kshs.23,582,383,000 as billed from the respective Power Purchase Agreements (PPAs) between the two companies. However, the financial statements for KPLC reflects a balance of Kshs.23,147,261,000 resulting to a variance of Kshs.435,122,000.

Further, the statement reflects an amount of Kshs.655,478,000 due to Geothermal Development Corporation (GDC) as disclosed on Note 37(b) to the financial statements. However, review of records held by GDC reflects an amount of Kshs.730,058,000 resulting in a variance of Kshs.74,580,000.

In the circumstances, the accuracy of related balances could not be confirmed.

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

Emphasis of Matter

Financial Assets held at Amortised Cost-Contract Asset

I draw attention to Note 18 to the financial statements which discloses financial assets held at amortised cost amounting to Kshs.9,174,567,000. Included in financial assets is a contract asset as detailed at Note 18(b) to the financial statements amounting to Kshs.4,595,112,000 relating to the Olkaria IV and I AU substation. The construction of the assets was done by the Company and completed in the year 2015. The asset has been utilized by Kenya Electricity Transmission Company Ltd (KETRACO) since completion in the year 2015 for evacuation of power from Olkaria to the National grid.

The asset construction and implementation agreement indicated that the Company was to sign a novation agreement with KETRACO that would govern the transfer of assets in fulfilment of obligations thereof. This was in line with the Kenya Electricity Transmission Company Ltd mandate as outlined in Sessional Paper No.4 of 2004, on Energy and Energy Act, 2016 to evacuate all power generated in the country to the national grid. However, by the time of conclusion of the audit, the novation agreement had not been signed even though the operation of the substation had already been transferred to KETRACO and therefore realisation of the asset is doubtful.

My opinion is not qualified with respect to this matter.

Key Audit Matters

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

Key Audit Matter	How Audit Addressed the Key Audit Matter
Valuation of Property, Plant and Equipment, Intangible Assets and Right of Use Assets	
The carrying value of the Company's property, plant and equipment, intangible assets and right of use assets amounted to Kshs.440,181,405,000, Kshs.2,259,146,000 and Kshs.6,817,943,000 respectively. These properties are disclosed in Notes 15, 16 and 17 to the financial statements. Significant judgment is required by the Directors in determining the fair value of these fixed assets and, for the purposes of our audit, I identified the valuation of property, plant and equipment, intangible assets and right of use assets as representing a key audit matter due to the significance of the balance to the financial statements as well as the estimate uncertainty associated with determining their fair value. The Company used independent valuers to determine the fair values for these assets on a depreciated replacement cost basis for property, plant and equipment, and intangible assets and open market basis for right of use assets and considering their highest and best use. The inputs with the most significant impact on the valuations for buildings include market-related cash flows and discount rates while the inputs with the most significant impact for land include	I performed the following procedures, among others, to address the key audit matter: I assessed the competence, capabilities and objectivity of the company's independent valuers and verified their qualifications. In addition, we discussed the scope of their work with management and reviewed their terms of engagement to determine that there were no matters that affected their objectivity or imposed scope limitations upon them. We confirmed that the approaches they used are consistent with International Financial Reporting Standards (IFRS) and industry norms. I evaluated directors' assessment and the valuers' judgements in relation to the models used and the significant assumptions made. The audit procedures also focused on reviewing the reasonableness of assumptions made and methodologies used to ensure that they are reasonable and appropriate given our understanding of similar valuations. I engaged our internal fair value specialists to assist with assessing the methodology used in the valuation models. I analysed the inputs with the most significant impact on the valuations for buildings which included market-related cash flows and discount rates. We audited the assumptions made in identifying properties that are similar to the company's land from recent sales of neighbouring properties.

Key Audit Matter	How Audit Addressed the Key Audit Matter
Valuation of Property, Plant and Equipment, Intangible Assets and Right of Use Assets	
assumptions made in identifying properties that are similar to the Company's land from recent sales of neighbouring properties.	I found the valuers to be competent, capable and objective. I also found that the models used for the various property valuations were appropriate and the significant assumptions made and methodologies used to be reasonable and appropriate. I concluded that the disclosures in the financial statements for property, plant and equipment, intangible assets and right of use assets were in line with applicable international accounting standards (IAS 16, Property, Plant and Equipment, IAS 38, Intangible Assets and IFRS 16, Leases).

I have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit section of the report, including in relation to these matters. Accordingly, the audit included the performance of procedures designed to respond to the assessment of the risk of material misstatement of the financial statements. The results of the audit procedures, including the procedures performed to address the matters below, provide the basis for my qualified opinion on the accompanying financial statements.

Other Information

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

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1.0 Non-Recognition of Power Tariff Reduction Contribution

During the year under review, a Presidential Directive was issued to the Energy Sector to implement a 15% tariff reduction for all customer categories, which was effected through Gazette Notice No. 64 dated 7 January, 2022. According to the framework agreed between the Ministry of Energy and Semi-Autonomous Agencies (SAGAs) in the electricity sub-sector, the SAGAs in the electricity supply chain comprising The Kenya Power and Lighting Company PLC (KPLC), Kenya Electricity Generation Company PLC (KenGen), Kenya Electricity Transmission Company Limited (KETRACO), and Geothermal Development Company Limited (GDC), were each to contribute through cost reduction initiatives to supplement Government support.

The Board of Directors agreed to contribute an amount of Kshs.3,500,000,000 through fair reduction of invoices to The Kenya Power and Lighting Company PLC (KPLC) who would in turn transfer the benefits to consumers. KPLC implemented the tariff reduction from January, 2022 in line with the directive. However, Management of the Company did not implement the cost reduction measures as per the commitments, which implies that the reported revenues are overstated by Kshs.1,750,000,000 which would have been the Company's contribution due to The Kenya Power and Lighting Company, PLC which has already implemented the full reduction on behalf of other Energy Sector players.

In the circumstances, Management is in breach of the agreement.

2.0 Work in Progress – Feasibility Studies

The statement of financial position reflects work in progress balance of Kshs.57,071,097,000 which, as disclosed in Note 15(a) to the financial statements includes an expenditure of Kshs.623,495,100 in respect of feasibility studies. However, eight (8) feasibility studies at a total cost of Kshs.377,999,568 were conducted between five (5) to ten (10) years ago and were yet to be implemented as capital projects. Management has not explained the reason for delay in implementation of the projects.

In the circumstances, the Company has not obtained value for money on expenditure of Kshs.377,999,568 incurred on feasibility studies.

3.0 Non-Compliance with Recruitment Policies and Procedures

Review of human resource records indicated that the Company had recruited a total of ten (10) employees during the financial year 2020/2021. Out of the ten newly recruited employees, four were graduate engineers, whose recruitment process commenced in the financial year 2020/2021. Review of the sourcing and selection process revealed that the shortlisted candidates were sourced from the human resource database instead of job advertisement as prescribed in the Human Resource Policies and Procedures. Further, a total of twenty-eight (28) graduate engineers were sourced in a similar manner in the financial year under review.

Failure to advertise for the positions not only contravenes the provisions of the Company's Human Resource Policies and Procedures, but also violates the values and principles of public service as outlined in Article 232(1) of the Constitution, which include affording adequate and equal opportunities for appointment at all levels of the public service.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Companies Act, 2015, except for the matters described in the Basis for Qualified Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, I report based on the audit that:

(i) In my opinion, the information given in the report of the directors on pages 21 to 22 is consistent with the financial statements.

(ii) In my opinion, the auditable part of the directors' remuneration report on pages 24 to 25 has been properly prepared in accordance with the Companies Act, 2015 and are in agreement with the accounting records.

Responsibilities of Management and Board of Directors

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution, and submit the audit report in compliance with Article 229(7) of the Constitution.

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

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

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

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

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

- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.

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

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

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

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

CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

29 November, 2022

Statement of profit or loss and other comprehensive income

	Note	2022 Shs'000	2021 Shs'000 Restated*
Revenues from contracts with customers			
Electricity revenue	6 (a)	32,723,503	34,901,252
Steam revenue	6 (a)	5,119,412	5,227,392
Fuel charge	6 (a)	9,672,038	3,674,626
Water charge	6 (a)	164,872	204,408
Revenue from operations in Ethiopia	6 (a)	1,546,647	1,783,694
Total revenue	6 (a)	49,226,472	45,791,372
Reimbursable expenses			
Fuel costs	7	(9,587,828)	(3,955,710)
Water costs	7	(164,872)	(204,408)
Total reimbursable expenses	7	(9,752,700)	(4,160,118)
Revenue less reimbursable expenses		39,473,772	41,631,254
Other income	8	769,403	676,853
Other gains – net forex and fair valuation of financial assets	9	(3,789,446)	1,539,746
Operating income		36,453,729	43,847,853
Expenses			
Depreciation and amortization	10 (a)	(12,461,630)	(11,520,128)
Employee expenses	10 (b)	(8,246,955)	(7,685,411)
Steam costs	10 (c)	(3,093,308)	(3,028,982)
Plant operation and maintenance	10 (d)	(3,151,087)	(1,880,704)
Other expenses	10 (e)	(4,344,188)	(2,821,651)
IFRS 9 allowance for expected credit losses	10 (f)	(601,984)	(493,196)
Operating profit		4,554,577	16,417,781
Finance income	11	2,072,597	1,938,538
Interest expense	12	(1,960,420)	(2,351,988)
Unrealised foreign exchange gains/(losses)	12	3,274,468	(701,220)
Profit before income tax		7,941,222	15,303,111
Income tax charge	13(a)	(3,222,062)	(13,472,564)
Profit for the year		4,719,160	1,830,547
Earnings per share:			
Basic (Shs per share)	14	0.72	0.28

*See note 44 for details regarding the restatement

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

	Note	2022 Shs'000	2021 Shs'000 Restated*
Profit for the year		4,719,160	1,830,547
Other comprehensive loss, net of income tax:			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of retirement benefit obligations	29(a(ii))	(675,499)	(288,732)
Deferred income tax thereon	26	202,650	86,620
		(472,849)	(202,112)
Items that may be reclassified subsequently to profit or loss when specific conditions are met:			
Net gain on revaluation assets	26	88,865,929	-
Deferred tax on remeasurement	26	(23,019,381)	-
Net loss on revaluation on financial instruments measured at FVOCI	26	(22,037)	(4,224)
Deferred income tax thereon	26	6,611	1,267
		65,831,122	(2,957)
Other comprehensive income/(loss) for the year, net of tax		65,358,273	(205,069)
Total comprehensive income for the year		70,077,433	1,625,478

Statement of financial position

ASSETS	Note	2022 Shs'000	2021 Shs'000 Restated*	2020 Shs'000 Restated*
Non-current assets				
Property, plant and equipment	15(a)	440,181,406	353,249,245	349,619,269
Intangible assets	16	2,259,146	1,523,213	1,528,948
Right of Use assets	17	6,817,943	4,733,193	4,936,545
Financial assets at amortized cost	18	9,038,521	9,138,667	9,116,806
Financial assets at fair value through profit or loss	19	2,888,923	8,526,063	8,334,673
Restricted cash	24(b)	1,344,220	1,117,241	924,965
		462,530,159	378,287,622	374,461,206
Current assets				
Inventories	20	1,447,124	2,051,828	1,371,280
Trade receivables	21	22,344,295	24,348,846	23,402,447
Corporate tax recoverable	13(c)	348,627	385,696	305,068
Financial assets at amortized cost	18	136,046	140,653	42,911
Financial assets at fair value through profit or loss	19	1,104,809	1,084,721	1,209,900
Other receivables and prepayments	22	1,428,312	1,755,119	2,099,011
Financial asset at fair value through other comprehensive income	23	338,920	360,957	365,181
Cash and bank balances	24	12,383,934	12,505,186	4,391,025
		39,532,067	42,633,006	33,186,823
TOTAL ASSETS		**502,062,226**	**420,920,628**	**407,648,029**
EQUITY AND LIABILITIES				
Equity attributable to owners				
Share capital	25	16,487,710	16,487,710	16,487,710
Share premium	25	22,151,131	22,151,131	22,151,131
Other reserves	26	128,419,108	65,051,484	67,235,860
Retained earnings	27	108,023,752	103,291,982	101,460,485
		275,081,701	206,982,307	207,335,186
Non- current liabilities				
Borrowings	28	122,216,146	134,777,599	137,349,668
Deferred income tax	30	81,481,803	55,786,804	42,678,447
Lease liabilities	31	828,574	656,192	744,568
Grants	32	331,949	200,000	200,000
Trade and other payables	33	-	1,030,082	857,431
		204,858,472	192,450,677	181,830,114
Current liabilities				
Borrowings	28	11,916,546	10,797,898	8,481,495
Trade and other payables	33	8,595,567	8,115,264	6,785,498
Provision for compensating tax	34	-	401,022	1,361,022
Lease liabilities due within one year	31	225,312	195,103	206,083
Dividends payable	35	1,384,628	1,978,357	1,648,631
		22,122,053	21,487,644	18,482,729
TOTAL EQUITY AND LIABILITIES		**502,062,226**	**420,920,628**	**407,648,029**

*See note 44 for details regarding the restatement

The financial statements on pages 33 to 134 were approved and authorised for issue by the Board of Directors on 29/11/2022 and were signed on its behalf by:

....	....	....
General (Rtd) Samson Mwathethe	**Samuel Kimani**	**Abraham Serem**
Chairman	**Director**	**Ag. Managing Director & CEO**

Statement of changes in equity

c	Share capital	Share premium	Other reserves	Retained earnings	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
As at 1 July 2021-Restated	16,487,710	22,151,131	65,051,484	103.291,982	206,982,307
Profit for the year	-	-	-	4,719,160	4,719,160
-Net loss on revaluation on investments in financial instruments measured at FVOCI	-	-	(22,037)	-	(22,037)
-Remeasurement of retirement benefit asset	-	-	(675,499)	-	(675,499)
-Net revaluation surplus on assets	-		88,865,929		88,865,929
-Deferred income tax thereon	-	-	6,611	-	6,611
-Deferred income tax relating to remeasurement of defined benefit asset	-	-	202,650	-	202,650
-Deferred income tax thereon	-		(23,019,381)		(23,019,381)
Total comprehensive income for the year	-	-	65,358,273	4,719,160	70,077,433
Transfer of excess depreciation	-	-	(2,843,784)	2,843,784	
Deferred tax on excess depreciation	-	-	853,135	(853,135)	-
Dividends declared to equity holders (Note 35)	-	-	-	(1,978,039)	(1,978,039)
As at 30 June 2022	16,487,710	22,151,131	128,419,108	108,023,752	275,081,701
Note	25	25	26	27	

*See note 44 for details regarding the restatement

Statement of changes in equity (continued)

c	Share capital	Share premium	Other reserves	Retained earnings	Total
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
			Restated	**Restated**	**Restated**
As at 1 July 2020	16,487,710	22,151,131	67,235,860	105,443,687	211,318,388
Prior year restated-2020	-	-	-	(5,278,902)	(5,278,902)
Deferred tax	-	-	-	1,295,700	1,295,700
As at July 2020-Restated	16,487,710	22,151,131	67,235,860	101,460,485	207,335,186
Profit for the year - Restated	-	-	-	1,830,547	1,830,547
-Net loss on revaluation on investments in financial instruments measured at FVOCI	-	-	(4,224)	-	(4,224)
- Deferred income tax thereon	-	-	1,267	-	1,267
-Remeasurement of retirement benefit asset	-	-	(288,732)	-	(288,732)
-Deferred income tax relating to remeasurement of defined benefit asset	-	-	86,620	-	86,620
	-	-	-	-	-
Total comprehensive income for the year	-	-	(205,069)	1,830,547	1,625,478
Transfer of excess depreciation	-	-	(2,827,581)	2,827,581	-
Deferred tax on excess depreciation	-	-	848,274	(848,274)	-
Dividends declared to equity holders (Note 35)	-	-	-	(1,978,357)	(1,978,357)
As at 30 June 2021-Restated	16,487,710	22,151,131	65,051,484	103,291,982	206,982,307
Note	25	25	26	27	

*See note 44 for details regarding the restatement

Statement of cash flows

	Note	2022 Shs '000	2021 Shs '000 Restated
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	36(a)	20,780,695	28,708,771
Income tax paid	13(c)	(300,113)	(356,948)
Finance income received	36(b)	1,176,203	910,963
Payment of compensating tax	34	(401,022)	(960,000)
Net cash generated from operating activities		21,255,763	28,302,786
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	15	(10,498,762)	(11,846,709)
Staff costs incurred in capital projects	15	(2,611,466)	(2,259,893)
Interest costs incurred in capital projects	15	(903,447)	(822,207)
Purchase of intangible assets	16	(741,376)	(94,078)
Net cash used in investing activities		(14,755,051)	(15,022,887)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	28(d)	1,688,919	10,525,729
Principal loan repayment	28(d)	(9,146,656)	(10,049,152)
Grants received	32	131,949	-
Finance costs paid	36(c)	(1,876,248)	(2,686,847)
Dividends paid	35	(2,571,768)	(1,648,631)
Payment of lease liabilities	31	(194,282)	(192,996)
Net foreign exchange differences on borrowings	36(d)	3,274,468	(701,220)
Unrealized forex not recoverable	19	1,547,812	(463,595)
Increase in financial asset through profit or loss	18	478,343	195,490
Payment from financial asset-Olkaria V transmission line	18	98,099	109,466
Net cash used in financing activities		(6,569,364)	(4,911,756)
Net (decrease)/ increase in cash and cash equivalents		(68,652)	8,368,143
Cash and cash equivalents at the beginning of the year	24	13,859,284	5,374,297
Effects of exchange rate changes on cash and bank balances	36(d)	215,279	116,844
CASH AND CASH EQUIVALENTS AT END OF YEAR	24	14,005,911	13,859,284

1 General information

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

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

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

2. Statement of Compliance and Basis of Preparation

(a) Basis of preparation

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

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

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

(i) Basis of Measurement

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

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

2 Statement of Compliance and Basis of Preparation (continued)

(a) Basis of preparation (continued)

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

(i) Basis of Measurement (continued)

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

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

(ii) Use of Estimates

The preparation of financial statements in conformity with IFRS allows the use of certain critical accounting estimates. It also requires the directors to exercise judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5.

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

(i) Impact of the initial application of COVID-19-Related Rent Concessions beyond 30 June 2021— Amendment to IFRS 16.

In the prior year, the Group early adopted Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provided practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. This practical expedient was available to rent concessions for which any reduction in lease payments affected payments originally due on or before 30 June 2021.

In March 2021, the Board issued Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16) that extends the practical expedient to apply to reduction in lease payments originally due on or before 30 June 2022 (IAS 8:28(a)-(c); IFRS 16:C1C).

In the current financial year, the Group has applied the amendment to IFRS 16 (as issued by the Board in May 2021) in advance of its effective date.

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

(i) Impact of the initial application of COVID-19-Related Rent Concessions beyond 30 June 2021—Amendment to IFRS 16 (continued)

The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession applying IFRS 16 as if the change were not a lease modification (IFRS 16:46A).

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met (IFRS 16:46B):

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change
- Any reduction in lease payments affects only payments originally due on or before 30 June 2022 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2022 and increased lease payments that extend beyond 30 June 2022)
- There is no substantive change to other terms and conditions of the lease

In the current financial year, the Company has not been impacted by the amendment to IFRS 16 (as issued by the IASB in May 2021) in advance of its effective date.

(ii) New and amended IFRS standards in issue but not yet effective in the year ended 30 June 2022

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

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment—Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts—Cost of Fulfilling a Contract
Annual Improvements to IFRS Standards 2018-2020 Cycle	First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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

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

(ii) New and amended IFRS standards in issue but not yet effective in the year ended 30 June 2022 (Continued).

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

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

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

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

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

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

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

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

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

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

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

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

(ii) New and amended IFRS standards in issue but not yet effective in the year ended 30 June 2022(continued)

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

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

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

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

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

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

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

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

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

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

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

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

(ii) New and amended IFRS standards in issue but not yet effective in the year ended 30 June 2022(continued)

Annual Improvements to IFRS Standards 2018-2020—Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture.

The Annual Improvements include amendments to four Standards:

IFRS 1 First-time Adoption of International Financial Reporting Standards

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

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

IFRS 9 Financial Instruments

The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

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

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

IFRS 16 Leases

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

IAS 41 Agriculture

The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in IAS 41 with the requirements of IFRS 13 Fair Value Measurement to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pretax or post-tax cash flows and discount rates for the most appropriate fair value measurement.

The amendment is applied prospectively, i.e. for fair value measurements on or after the date an entity initially applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022, with earlier application permitted.

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

(ii) New and amended IFRS standards in issue but not yet effective in the year ended 30 June 2022(continued).

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

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

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

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

The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted and are applied prospectively. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements.

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

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

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

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

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

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

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

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

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

(ii) New and amended IFRS standards in issue but not yet effective in the year ended 30 June 2022(continued)

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

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

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

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

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

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

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

4. Summary of Significant Accounting Policies

(a) Subsidiaries

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

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

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

4. Summary of Significant Accounting Policies (Continued)

(a) Subsidiaries

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

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

(b) Foreign currency translation

Functional and presentation currency

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

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuations where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except for differences arising on translation of non-monetary financial assets carried at fair value through other comprehensive income, which are recognized in other comprehensive income.

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

(c) Revenue Recognition

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

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

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

4. Summary of Significant Accounting Policies (continued)

(c) Revenue Recognition (continued)

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

(i) Revenue from the sale of goods and services

Electricity revenue

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

Electricity revenue

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

Steam Revenue

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

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

- KenGen steam revenue- This relates to steam revenue earned from Kenya Power for the use of steam obtained from KenGen's own wells.

Fuel charge

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

Water charge

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

4. Summary of Significant Accounting Policies (continued)

(c) Revenue Recognition (continued)

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

Revenue from operations in Ethiopia

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

(ii) Finance income

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

(iii) Grants

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

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

(iv) Other income

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

(d) Taxation

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

(i) Current tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. The Directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

4. Summary of Significant Accounting Policies (continued)

(d) Taxation (Continued)

(ii) Deferred tax

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

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

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

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

(e) Post-employment benefit obligations

Defined contribution

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

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

Defined benefit

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

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

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

4. **Summary of Significant Accounting Policies (continued)**

(e) Post-employment benefit obligations (Continued)

Defined benefit (Continued)

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

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

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

(i) Employee benefits

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

(ii) Service gratuity

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

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

(f) Property, plant and equipment

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

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

Increases in the carrying amount arising on revaluation are recognized in other comprehensive income and accumulated in equity under the heading 'property revaluation reserve'. Decreases that offset previous increases of the same asset are recognized in other comprehensive income. All other decreases are charged to profit or loss. Annually, the difference between the depreciation charge based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost (excess depreciation) is transferred from the revaluation surplus reserve to retained earnings.

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

4. Summary of Significant Accounting Policies (continued)

(f) Property, plant and equipment (Continued)

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

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

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

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

Capitalisation of employee costs

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

Capitalisation of depreciation and Amortization

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

(g) Intangible assets

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

4. Summary of Significant Accounting Policies (continued)

(g) Intangible assets (Continued)

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

(h) Impairment

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

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

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

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

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

(i) Right of Use Asset

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

4. Summary of Significant Accounting Policies (continued)

(i) Right of Use Asset (Continued)

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

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

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. IFRS 16.33.

(j) Borrowing costs

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

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

(k) Inventories

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

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

(l) Financial instruments

Effective 1 July 2018, the Company applies IFRS 9 which replaces the old standard, IAS 39. IFRS 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Company does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements.

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

4. Summary of Significant Accounting Policies (continued)

(l) Financial instruments (Continued)

Financial assets

a) Classification and measurement

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

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

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

Subsequent measurement

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

Amortized cost

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

Fair value through other comprehensive income (FVOCI)

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

Fair value through profit or loss (FVPL)

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

4. Summary of Significant Accounting Policies (continued)

(l) Financial assets (continued)

Impairment

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

De-recognition

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

Fixed interest investments (bonds)

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

Trade and other receivables

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

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

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

Financial liabilities

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

De-recognition

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

4. Summary of Significant Accounting Policies (Continued)

(m) Accounting for leases

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

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

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

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

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

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

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

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

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

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

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

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

4. Summary of Significant Accounting Policies (Continued)

(n) Dividends on ordinary shares

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

(o) Provisions

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

(p) Cash and cash equivalents

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

(q) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

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

(ii) Diluted earnings per share

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

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

(r) Segmental reporting

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

(s) Comparatives

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

5. Significant Accounting Estimates and Judgments

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

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

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

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

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

Detailed information about each of these estimates and judgements is included in the related notes together with information about the basis of calculation for each affected line item in the financial statements.
The estimates and underlying assumptions are reviewed on an ongoing basis.

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

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

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

Impairment of financial assets

Measurement of the expected credit loss allowance (ECL)

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

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

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

5. Significant Accounting Estimates and Judgments (Continued)

Impairment financial assets (Continued)

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

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

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

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

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

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

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

Assessment of significant increase in credit risk

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

Stage 3 - Financial instruments are classified as stage 3 when there is objective evidence of impairment because of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a financial asset. The ECL model requires that lifetime ECL be recognized for impaired financial instruments, which is like the current requirements under IAS 39 for impaired financial instruments.

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

Cash held in financial institutions

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

5. Significant Accounting Estimates and Judgments (continued)

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

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

Cash held in financial institutions (Continued)

a) The counterparty's global rating was used if available and the mapping table below was used to look up the S&P Global equivalent. External credit ratings from reputable global credit rating agencies for the financial institutions were obtained. These agencies include Moody's, Standard and Poors (S&P), Global Credit Rating (GCR), Fitch and the respective bank's websites where applicable.

b) If no credible external rating existed as at reporting date, then the rating for a bank of a similar tier was used.

Treasury bonds

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

Trade and other receivables

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

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

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

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

Impairment of inventories

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

Compensating tax provisions

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

5. Significant Accounting Estimates and Judgments (continued)

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

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

Financial assets at fair value through profit or loss

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

Lease liabilities

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

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

Calculation of tax allowances

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

1. The nature of the arrangements (PPAs) entered into by KenGen and KPLC are purely sale of electricity arrangements and not concession arrangements. Therefore, the investment deduction is claimed on commissioning of a power plant.

2. The determination of which investment allowance (e.g. investment deduction, extraction allowance, etc) is applicable to its capital investments.

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

Capitalisation of staff and other costs

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

(i) Capitalization rates

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

(ii) Departmental Manager's costs

Prudent judgement to be applied on capitalization of the executive directors' costs except Geothermal Development Director and Business Development Director whose costs are directly attributable specific projects.

5. Significant Accounting Estimates and Judgments (continued)

Capitalisation of depreciation costs

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

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

Capitalisation of Borrowing costs

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

Revaluation of property plant and equipment

Certain categories of property plant and equipment are stated at fair value. Revaluations are performed by professional valuers at sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the reporting date. At the reporting date, the Directors assess the carrying amount of revalued property, plant and equipment and apply judgement to determine that these do not differ materially from that which would be determined using independent valuers at 30 June 2022.

Useful lives and residual value

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

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

Actuarial valuation of defined benefits plan

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

5. Significant Accounting Estimates and Judgments (continued)

Impairment of property, plant and equipment and intangible assets

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 Right of Use Assets

At the reporting date, the Company reviews the carrying amounts of its Right of Use Assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the depreciable amount of the asset is estimated by checking the remaining period of leases or status of the assets in order to determine the extent of the impairment loss.

Consolidation of subsidiary

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

The foundation is wholly owned by the Company. However, it has not been consolidated as the Foundation is considered immaterial.

6. Revenue

a) Disaggregation of revenue from contracts with customers

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

	Geothermal Shs 000	Hydro Shs 000	Thermal Shs 000	Wind Shs 000	Total Shs 000
30 June 2022					
Electricity revenue					
• Capacity	13,803,875	8,082,173	3,079,630	-	24,965,678
• Energy	5,715,984	1,151,925	451,066	438,850	7,757,825
	19,519,859	9,234,098	3,530,696	438,850	32,723,503
Steam revenue (note 6(c))	5,119,412	-	-	-	5,119,412
Fuel charge	-	-	9,672,038	-	9,672,038
Water charge	-	164,872	-	-	164,872
Revenue from operations in Ethiopia	1,546,647	-	-	-	1,546,647
Total revenue	26,185,918	9,398,970	13,202,734	438,850	49,226,472
Revenue recognised	26,185,918	9,398,970	13,202,734	438,850	49,226,472
30 June 2021					
Electricity revenue					
• Capacity	15,840,391	8,008,570	3,236,641	-	27,085,602
• Energy	5,957,307	1,240,130	178,071	440,142	7,815,650
	21,797,698	9,248,700	3,414,712	440,142	34,901,252
Steam revenue (note 6(c))	5,227,392	-	-	-	5,227,392
Fuel charge	-	-	3,674,626	-	3,674,626
Water charge	-	204,408	-	-	204,408
Revenue from operations in Ethiopia	1,783,694	-	-	-	1,783,694
Total revenue	28,808,784	9,453,108	7,089,338	440,142	45,791,372
Revenue recognised	28,808,784	9,453,108	7,089,338	440,142	45,791,372

6. Revenue (Continued)

b) Deferred income-Contract assets and liabilities

The Company has been contracted for consultancy services in Ethiopia and Djibouti and has received advance payments. Further, reimbursable costs and interest accrued from debt due from KETRACO for Olkaria I AU and IV transmission lines have been deferred pending conclusion of the novation agreement. These has resulted in deferred income from contracts of Shs 206,411,000 (2021-Shs. 134,344,000) as part of trade and other payables disclosed under Note 33.

i. Advance received in advance, revenue is recognised when control of the goods or services has transferred to the customer, being at the point the goods or services are delivered to the customer. When the customer initially pays advance payment, the transaction price received at that point by the Company is recognised as contract liability until the goods or services have been delivered to the customer.

ii. Revenue relating to maintenance services is recognised over time although the customer pays up-front in full for these services. A contract liability is recognised for revenue relating to the maintenance services at the time of the initial transaction and is released over the service period.

iii. Contract liabilities relating to reimbursement, construction contracts are balances from customers under construction contracts whose performance obligations have not been fulfilled.

c) Steam revenue

	2022 **Shs'000**	**2021** **Shs'000**
Third party revenue*	4,356,212	4,295,648
KenGen steam revenue**	763,200	931,744
	5,119,412	5,227,392

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

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

7. Reimbursable expenses

Fuel costs[1]	9,587,828	3,955,710
Water costs[2]	164,872	204,408
	9,752,700	4,160,118

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

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

8. Other income

	2022 Shs'000	2021 Shs'000
Club income	236,228	142,033
Consultancy fees	13,078	17,723
Insurance compensation	115,960	169,480
Rent receivable	65,362	70,465
Geothermal SPA	17,489	-
Miscellaneous income	201,916	97,495
Carbon Credits*	12,657	-
Contract revenue from financial asset	106,713	179,657
	769,403	676,853

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

9. Other gains – net forex and fair valuation of financial assets

	2022 Shs'000	2021 Shs'000 Restated
Realized foreign exchange loss recovered through billing- others (Note 37(a) (i))	325,886	348,457
Realized foreign exchange loss not billed- borrowings (Note 19)	(188,612)	(144,315)
Foreign exchange gains from other monetary items	938,833	228,811
Bond premium expensed (Note 18(d))*	(10,262)	(9,352)
Unrealized revaluation of the financial assets held at fair value through profit or loss (Note 19)	(3,274,468)	701,220
Unrealized fair value loss on financial asset not recoverable	(1,580,823)	414,925
	(3,789,446)	1,539,746

*The treasury bond is being held for sale and the premium is being amortised over the term of the bond.
**Restatement from receivable asset to assets revaluation reserves to recognise the element of forex differences between the Loan base rate and PPA base rate for those loans attached to power plants which have PPA's since it relates to timing difference between the completion of project and signing of PPA.

10. Expenses

(a) Depreciation and Amortization

	2022 Shs'000	2021 Shs'000
Depreciation (Note 15)	12,661,753	11,689,054
Less: Amount capitalized (Note 15)	(481,449)	(469,728)
	12,180,304	11,219,326
- Intangible assets- software (Note 15)	112,279	99,813
- Less: Amount capitalized	(790)	(790)
	111,489	99,023
Amortization - Prepaid leases on leasehold land (Note 17)	55,449	58,967
Less: amount capitalized to property, plant and equipment (Note 15)	(9,229)	(3,522)
Other Right of Use Assets (Note 17)	123,617	146,334
	169,837	201,779
Total depreciation and amortization charge for the year	12,461,630	11,520,128

(b) Employee expenses

	2022 Shs'000	2021 Shs'000
Salaries, wages and other staff costs	9,579,333	8,604,840
Welfare and benefits	553,173	410,114
Training expenses	127,321	66,493
Retirement benefit cost:		
- Defined contribution scheme	542,342	775,589
- Defined benefit scheme (Note 29 (a))	50,089	82,386
- National Social Security Fund	6,163	5,882
	10,858,421	9,945,304
Less: Capitalized costs*	(2,611,466)	(2,259,893)
	8,246,955	7,685,411

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

10. Expenses

b) Employee expenses (Continued)

Number of employees	2022 Numbers	2021 Numbers
The number of persons employed by the Company at the year-end was;		
- Operational staff	1,821	1,900
- Geothermal resource assessment and other projects staff	655	672
	2,476	2,572
Management staff	1,581	1,621
Union Staff	895	951
Total	2,476	2,572
Permanent employees – management	1,523	1,542
Permanent employees – unionizable	810	856
Contract employees-management and Union	143	174
Total	2,476	2,572

c) Steam costs

	2022 Shs'000	2021 Shs'000
Steam expenses (Note 37(b)(ii))	3,093,308	3,028,982

Steam costs represent amounts payable for steam from their wells utilized in generation of power from Olkaria I AU 4 & 5, Olkaria IV and some Wellhead plants. The related income is disclosed under Note 6(c).

(d) Plant operation and maintenance expenses

	2022 Shs'000	2021 Shs'000
Operation and maintenance costs	1,261,927	1,061,421
Machinery spares and consumables (Note 20)	1,889,160	819,283
	3,151,087	1,880,704

10. Expenses (continued)

(e) Other expenses

	2022 Shs'000	2021 Shs'000
Insurance	1,115,453	894,047
Transport and travelling costs	1,240,927	713,093
Office expenses	134,352	139,372
Catchment preservation and dam maintenance	107,000	107,000
Consultants' fees	113,370	139,027
Legal and statutory expenses	139,478	180,792
Corporate Social Responsibility	139,665	286,760
Director's expenses	44,515	26,678
Advertising	53,677	53,630
Audit fees	9,800	9,800
Club expenses	81,135	123,442
Provisions and impairment of assets (Note 10(g))	788,716	40,082
Loss on disposal of assets	2,626	2,447
Ethiopian Operation Corporate Tax Expense	181,198	-
Other costs*	192,276	105,481
	4,344,188	2,821,651

*Other costs include expenses for drilling in Ethiopia and Djibouti, the construction of Naivasha Hospital which is a corporate social investment (CSI), impairment of assets and insurance costs among others.

**The costs associated with drilling of wells in Tulu Moye, Ethiopia amounting to Shs 2,675 million have been included under the expenses above.

(f) Expected credit loss as per IFRS 9

	2022 Shs'000	2021 Shs'000
Ketraco-Sondu Miriu line (Note 18(a))	(3,716)	(983)
Ketraco- Olkaria I AU & IV transmission lines (Note 18(b))	(5,897)	3,367
KPLC- Olkaria V transmission lines (Note 18(c))	(2,955)	(826)
Treasury bonds (Note 18 (d))	10,484	(33,785)
KPLC debt (Note 21)	445,617	181,155
Other receivables (Note 22)	117,551	165,716
Cash and cash equivalent (Note 24)	40,900	178,552
	601,984	493,196

(g) Impairment and Provisions of assets

	2022 Shs'000	2021 Shs'000
Provision for inventory obsolescence	(231,992)	40,082
Impairment of wells and feasibility studies (Note 15(a))	968,000	-
Other impairments	52,708	-
	788,716	40,082

11. Finance income

	2022 Shs'000	2021 Shs'000
Interest income from Kenya Power and Lighting Company (Note 37(a)(i))*	847,924	936,277
Interest from operations in Ethiopia **	-	3,168
Interest income from treasury bonds	282,795	282,795
Interest income from banks and other financial institutions	881,738	653,479
Interest as per IFRIC 12 on KPLC Olkaria V financial asset***	57,155	58,791
Interest income from staff advances	2,985	4,028
	2,072,597	1,938,538

*Interest income from The Kenya Power and Lighting Company Plc relates to interest penalties charged to Kenya Power due to late payments of invoices. Interest on late payments accrues after 40 days.
**Interest from delayed payments from TMGO
*** Interest on Financial asset for Olkaria V transmission line as per IFRIC 12

12. Finance costs

	2022 Shs'000	2021 Shs'000
Interest on borrowings	2,774,290	3,082,505
Interest on leases as per IFRS 16 (Note 31)	89,577	91,691
Less: capitalized interest*(Note 15)	(903,447)	(822,208)
Interest expensed	1,960,420	2,351,988
Unrealized foreign exchange gain/() on borrowings (Note 28)	(3,274,468)	701,220
	(1,314,048)	3,053,208

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

13. Income tax expense

(a) Taxation charge

	2022 Shs'000	2021 Shs'000
Current income tax*	337,183	276,321
Deferred tax charge (Note 30)	2,663,608	4,661,526
Change in tax rate-deferred tax (Note 30)	-	8,530,884
Prior year under provision – deferred tax (Note 30)	221,271	3,833
	3,222,062	13,472,564

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

13. Income tax expense

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

	2022 Shs'000	2021 Shs'000 Restated
Profit before taxation	7,941,222	15,303,111
		-
Tax applicable rate of 30%	2,382,366	4,590,933
Tax effect of expenses not deductible for tax purposes	618,425	346,914
Prior year deferred tax adjustment		
Deferred tax prior year under-provision	221,271	3,833
Increase in tax rate-deferred tax	-	8,530,884
Total income tax charge	3,222,062	13,472,564

(c) Corporate tax recoverable

	2022 Shs'000	2021 Shs'000 Restated
Balance brought forward	(385,696)	(305,068)
Current income tax payable (Note 13(a))	337,183	276,321
Paid during the year	(300,113)	(356,949)
At end of year	(348,626)	(385,696)

14. Earnings per share

Basic earnings per share have been calculated by dividing the net profit for the year by the weighted average number of ordinary shares in issue during the year. There were no potentially dilutive shares as at 30 June 2022.

	2022	2021 Restated
Profit attributable to ordinary shareholders (in Shs'000)	4,719,160	1,830,547
Number of ordinary shares in issue at end of year (Note 25)	6,594,522,339	6,594,522,339
Basic and diluted earnings per share (Shs)	0.72	0.28
Dividend per share (Shs)	-	0.30

15(a). Property, plant and equipment

Year ended 30 June 2022	Freehold land Shs'000	Buildings Shs'000	Transmission lines Shs'000	Plant and machinery Shs'000	Motor vehicles Shs'000	Furniture, equipment and fittings Shs'000	Work- in-progress Shs'000	Total Shs'000
Cost or Valuation								
At 1 July 2021 as restated	2,017,133	52,675,132	4,809,804	258,803,433	2,341,771	5,911,261	96,457,632	423,016,166
Additions	-	-	-	-	-	-	10,498,762	10,498,762
Staff cost capitalized (Note 10(b))	-	-	-	-	-	-	2,611,466	2,611,466
›st cost capitalized (Note 12)	-	-	-	-	-	-	903,447	903,447
Depreciation capitalized (Note 10 (a))	-	-	-	-	-	-	491,468	491,468
Foreign exchange capitalized							(33,011)	(33,011)
Reclassification to intangible assets (Note 16)	-	-	-	-	-	-	(671,458)	(671,458)
Reclassification to contract asset	-	-	-	-	-	-	14,000	14,000
Impairment of assets*(Note 10(g))	-	-	-	-	-	-	(968,000)	(968,000)
Transfers from WIP	-	7,283,070	165,204	43,012,695	251,677	1,520,565	(52,233,214)	-
Revaluation surplus/(deficit)	2,917,067	8,330,041	395,955	9,044,488	-	(132,144)	-	20,555,407
Adjustment**	-	-	192	-	8,034	-	-	8,226
Reclassification from leasehold land	18,800	-	-	-	-	-	-	18,800
Disposal***	-	-	-	-	(27,946)	-	-	(27,946)
At 30 June 2022	**4,953,000**	**68,288,243**	**5,371,155**	**310,860,616**	**2,573,536**	**7,299,682**	**57,071,098**	**456,417,330**
Depreciation								
At 1 July 2021	-	9,165,030	1,224,488	52,588,863	1,985,503	4,803,039	-	69,766,923
328Charge for year	-	1,498,476	73,399	10,503,277	45,747	540,854	-	12,661,753
Depreciation writeback****	-	(8,418,064)	(530,152)	(57,157,818)	-	(61,397)	-	(66,167,431)
Eliminated on disposal	-	-	-	-	(25,321)	-	-	(25,321)
At 30 June 2022	-	**2,245,442**	**767,735**	**5,934,322**	**2,005,929**	**5,282,496**	-	**16,235,924**
Net book value at 30 June 2022	**4,953,000**	**66,042,801**	**4,603,420**	**304,926,294**	**567,607**	**2,017,186**	**57,071,098**	**440,181,406**
Net book value at 30 June 2022 (cost basis)	**600,101**	**39,740,689**	**1,161,982**	**173,518,576**	**567,607**	**2,017,186**	**57,071,098**	**274,677,239**

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

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

*** Vehicles disposed during the period.

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

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

Year ended 30 June 2021	Freehold land Shs'000	Buildings Shs'000	Transmission lines Shs'000	Plant and machinery Shs'000	Motor vehicles Shs'000	Furniture, equipment and fittings Shs'000	Work- in- progress Shs'000 Restated	Total Shs'000
Cost or Valuation								
At 1 July 2020	2,017,133	51,670,919	4,802,433	256,269,409	2,376,793	5,725,467	87,683,788	410,545,942
Reclassification to contract asset							(3,592,849)	(3,592,849)
Reclassification to Financial Asset							(1,556,770)	(1,556,770)
Foreign exchange capitalized							2,338,974	2,338,974
At 1 July 2020 as restated	2,017,133	51,670,919	4,802,433	256,269,409	2,376,793	5,725,467	84,873,143	407,735,297
Prior Year Adjustment								
From Contract Asset	-	-	-	-	-	-	-26,916	-26,916
From Forex	-	-	-	-	-	-	-48,670	-48,670
Additions	-	-	-	-	-	-	11,846,709	11,846,709
Staff cost capitalized (Note 10(b))	-	-	-	-	-	-	2,259,893	2,259,893
Interest cost capitalized (Note 12)	-	-	-	-	-	-	822,207	822,207
Depreciation capitalized (Note 10 (a))	-	-	-	-	-	-	469,728	469,728
Transfers from WIP	-	1,004,213	7,371	2,534,024	7,061	185,794	(3,738,463)	-
Disposal	-	-	-	-	(42,083)	-	-	(42,083)
At 30 June 2021	**2,017,133**	**52,675,132**	**4,809,804**	**258,803,433**	**2,341,771**	**5,911,261**	**96,457,632**	**423,016,166**
Depreciation								
At 1 July 2020	-	7,719,394	1,016,195	43,093,274	1,862,267	4,424,898	-	58,116,028
Charge for year	-	1,445,636	208,293	9,495,588	161,397	378,140	-	11,689,054
Eliminated on disposal	-	-	-	-	(38,161)	-	-	(38,161)
At 30 June 2021	-	**9,165,030**	**1,224,488**	**52,588,862**	**1,985,503**	**4,803,038**	-	**69,766,921**
Net book value at 30 June 2021	**2,017,133**	**43,510,102**	**3,585,316**	**206,214,571**	**356,268**	**1,108,223**	**96,457,632**	**353,249,245**

Net book value at 30 June 2021 (cost basis)	600,101	33,838,407	1,119,276	139,403,016	356,268	1,108,223	96,457,632	272,882,923

15(b) Revaluation of property plant and equipment

Plant, machinery and transmission lines were last revalued as at 30 June 2022, on a depreciated replacement cost basis which represents the plant and machinery's highest and best use value. The valuation was undertaken as at 30 June 2022 by Aon Risk Services Australia Limited.

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

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

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

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

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

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

	Freehold land Shs'000	Buildings Shs'000	Transmission lines Shs'000	Plant and machinery Shs'000	Total Shs'000
At 30 June 2022					
At cost	600,101	57,935,443	3,741,987	249,472,444	311,749,975
Accumulated depreciation	-	(18,194,754)	(2,580,004)	(75,953,868)	(96,728,626)
	600,101	39,740,689	1,161,983	173,518,576	215,021,349
At 30 June 2021					
At cost	600,101	50,652,372	3,576,783	206,459,749	261,289,005
Accumulated depreciation	-	(16,813,965)	(2,457,507)	(67,056,733)	(86,328,205)
	600,101	33,838,407	1,119,276	139,403,016	174,960,800

Impairment

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

16. Intangible assets

Year ended 30 June 2022	Computer software and licences Shs'000	Plant monitoring software Shs'000	Work-in-progress Shs'000	Total Amount Shs'000
Cost				
At 1 July 2021	973,790	763,877	424,371	2,162,038
Additions	-	-	69,918	69,918
Transfer from WIP	-	-	671,458	671,458
Capitalised	953,048	85,158	(1,038,207)	-
Revaluation Surplus	-	4,685	-	4,685
At 30 June 2022	**1,926,838**	**853,720**	**127,540**	**2,908,099**
Amortisation				
At 1 July 2022	356,795	282,029	-	638,825
Charge for the year	75,187	37,092	-	112,279
Depreciation writeback*	-	(102,151)	-	(102,151)
At 30 June 2022	**431,982**	**216,970**	**-**	**648,953**
Net book value				
At 30 June 2022	**1,494,856**	**636,750**	**127,540**	**2,259,146**
Net book value				
At 30 June 2021	**616,994**	**481,848**	**424,371**	**1,523,213**

Intangible assets comprise of Supervisory Control and Data Acquisition (SCADA), computer software and licences that are acquired for business process and operations and have a useful life of over one year. The are acquired separately and measured on initial recognition at cost less subsequent amortisation and any accumulated impairment losses. The SCADA is part of the operation of the power plants and was revalued as at 30 June 2022 by Aon Risk Services Australia Limited.

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

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

16. Intangible assets (continued)

Year ended 30 June 2021	Computer software and licences Shs'000	Plant monitoring softwares Shs'000	Work-in-progress Shs'000	Total Amount Shs'000
Cost				
At 1 July 2020	957,105	763,877	346,978	2,067,960
Additions	-	-	94,078	94,078
Transfer from WIP	16,685	-	(16,685)	-
At 30 June 2021	**973,790**	**763,877**	**424,371**	**2,162,038**
Amortisation				
At 1 July 2020	296,000	243,012	-	539,012
Charge for the year	60,796	39,017	-	99,813
At 30 June 2021	**356,796**	**282,029**	**-**	**638,825**
Net book value				
At 30 June 2021	**616,994**	**481,848**	**424,371**	**1,523,213**
Net book value				
At 30 June 2020	**661,105**	**520,865**	**346,978**	**1,528,948**

17. Right of Use assets

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

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

17. Right of Use assets (Continued)

Year ended 30 June 2022

	Leasehold	IFRS 16 Right of Use Assets		Total
	Land	Land	Buildings	
	Shs'000	Shs'000	Shs'000	Shs'000
Cost or valuation				
At 1 July 2021	4,338,677	312,707	720,582	5,371,966
Additions renewed leases (note 31)	-	-	307,296	307,296
Revaluation Surplus*	1,580,987	-	-	1,580,987
Reclassification to freehold land**	(18,800)	-		(18,800)
At 30 June 2022	5,900,864	312,707	1,027,878	7,241,450
Depreciation				
At 1 July 2021	346,661	23,200	268,911	638,772
Charge for the year (Note 10(a))	55,449	11,878	111,739	179,066
Depreciation writeback*	(394,331)	-	-	(394,331)
At 30 June 2022	7,779	35,078	380,650	423,507
Net carrying value				
At 30 June 2022	5,893,085	277,629	647,228	6,817,943

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

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

17. Right of Use assets(continued)

Year ended 30 June 2021

	Leasehold	IFRS 16 Right of Use Assets		Total
	Land	Land	Buildings	
	Shs'000	Shs'000	Shs'000	Shs'000
Cost or valuation				
At 1 July 2020	4,338,677	310,757	720,581	5,370,015
Addition under IFRS 16 (note 31)	-	1,950	-	1,950
At 30 June 2021	4,338,677	312,707	720,581	5,371,965
Depreciation				
At 1 July 2020	287,694	11,600	134,177	433,471
Charge for the year (Note 10(a))	58,967	11,600	134,734	205,301
At 30 June 2021	346,661	23,200	268,911	638,772
Net Carrying value				
At 30 June 2021	3,992,016	289,507	451,670	4,733,193

18. Financial assets held at amortized cost

	2022 Shs'000	2021 Shs'000
Current portion	136,046	140,653
Non-Current portion	9,038,521	9,138,667
	9,174,567	9,279,320
Broken down as follows:		
Deferred debt at amortized cost – Note (18(a and c))		
- Current portion	136,046	140,653
- Non-Current portion	6,681,913	6,761,312
	6,817,959	6,901,965
Treasury bonds at amortized cost – Note (18(d)) (non-current)	2,356,608	2,377,355
	9,174,567	9,279,320

18. Financial assets held at amortized cost

a) Deferred debt due from Kenya Power

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

The effective interest rate in Japanese Yen on the deferred debt during the year was 0.75% (2021: 0.75%). Through an agreement entered between Kenya Power and Kenya Electricity Transmission Company Limited (KETRACO), KETRACO are servicing the debt.

The deferred debt and corresponding loan from Japan Bank for International Corporation are both denominated in Japanese Yen (JPY). The amount outstanding as at year end was JPY 946,009,512 (2021: JPY 990,009,972).

	2022 Shs'000	2021 Shs'000
At start of year	964,827	1,025,131
Interest charge	8,849	9,568
Repayment during the year	(51,949)	(54,424)
Foreign exchange loss	(105,243)	(15,448)
	816,484	964,827
Less: Allowance for impairment	(12,010)	(15,726)
At end of year	804,474	949,101

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

	2022	2021
At start of year	(15,726)	(16,709)
Write back to profit or loss	3,716	983
Allowance for impairment	(12,010)	(15,726)

Maturity analysis of deferred debt is as follows:

	2022	2021
Within one year	37,976	42,184
After one year	778,508	906,917
Net book amount	816,484	949,101

18. Financial assets held at amortized cost (continued)

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

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

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

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

Negotiations have been ongoing between KenGen, KETRACO and KPLC to novate the transfer of Olkaria I AU & IV 280MW and summary of balances are as follows:

	2022 Shs'000	2021 Shs'000 Restated
At start of year	4,571,009	4,364,436
Addition	92,713	206,573
	4,663,722	4,571,009
Less: Allowance for impairment	(68,610)	(74,506)
At end of year	4,595,112	4,496,503

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

	2022 Shs'000	2021 Shs'000
At start of year	(74,507)	(71,140)
Charge to profit or loss	5,897	(3,366)
Allowance for expected credit loss	(68,610)	(74,506)
Maturity analysis of deferred debt is as follows:		
Within one year	-	-
After one year	4,595,112	4,496,503
Net book amount	4,595,112	4,496,503

18. Financial assets held at amortized cost(continued)

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

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

	2022 Shs'000	2021 Shs'000
At start of year	1,480,495	1,531,170
Interest as per IFRIC 12	57,155	58,791
Deferred income (Note 33)	(98,099)	(109,466)
	1,439,551	1,480,495
Less: Allowance for impairment	(21,177)	(24,132)
At end of year	1,418,374	1,456,363

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

	2022 Shs'000	2021 Shs'000
At start of year	(24,132)	(24,958)
Less: Write back	2,955	826
Allowance for expected credit loss	(21,177)	(24,132)
Maturity analysis of deferred debt is as follows:		
Within one year	98,628	98,469
After one year	1,319,746	1,357,894
Net book amount	1,418,374	1,456,363

18. Financial assets held at amortized cost(continued)

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

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

	2022 Shs'000	2021 Shs'000
At start of year	2,381,404	2,390,756
Bond premium expensed	(10,262)	(9,352)
	2,371,142	2,381,404
Less: allowance for expected credit loss	(14,533)	(4,049)
At end of year	2,356,609	2,377,355

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

	2022 Shs'000	2021 Shs'000
At start of year	(4,049)	(38,969)
Charge to profit or loss	(10,484)	34,920
Allowance for impairment	(14,533)	(4,049)

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

The financial assets at fair value through profit or loss relates to unrealized exchange differences on foreign denominated borrowings recoverable from The Kenya Power & Lighting Company Plc under the respective Power Purchase Agreements ("PPAs") with Kenya Power. The derivative financial instrument is entered into to manage foreign exchange borrowings exposures.

The PPA provides that the amounts should be billed to Kenya Power as the related borrowings are repaid. This allows the Company to bill and recover all realized foreign currency fluctuations relative to the base rates allowed by the PPA. The amount in the statement of financial position relates to fair value of this financial asset.

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

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

	2022 Shs'000	2021 Shs'000 Restated
At start of year	-	17,812,336
Prior year adjustment- Unrecoverable amount-2020*	-	(8,267,764)
Restated as at start of the year	9,610,784	9,544,572
Realized amount recovered through billing	(606,160)	(954,288)
Realized amount at not recovered through billing	(188,612)	(144,315)
Unrealized (loss)/gain on revaluation of the financial asset at fair value through profit or loss recoverable	(3,274,468)	701,220
Unrecoverable forex expensed*	(1,580,823)	414,925
Unrecoverable forex capitalised*	33,011	48,670
At end of year	3,993,732	9,610,784
Less: current portion recoverable within one year	(1,104,809)	(1,084,721)
At end of year (long term portion)	2,888,923	8,526,063

*Restatement from receivable asset to assets revaluation reserves to recognise the element of forex differences between the Loan base rate and PPA base rate for those loans attached to power plants which have PPA's since it relates to timing difference between the completion of project and signing of PPA.

20. Inventories

	2022 Shs'000	2021 Shs'000
Machinery consumable spares	1,237,000	1,190,460
Fuel and lubricants	231,022	1,274,591
General stores	373,082	225,394
	1,841,104	2,690,445
Allowance for impairment and provisions	(393,980)	(638,617)
	1,447,124	2,051,828

The cost of inventories recognized as an expense and included in operating costs and reimbursable expenses are machinery consumable spares amounting to Shs 1,889,160,000 (2021: Shs 819,283,000) and fuel consumed amounting to Shs 9,587,829,000 (2021: Shs 3,955,710,000) respectively. Impairment allowance for inventory is recognized on items that are slow moving and/or obsolete.

21. Trade receivables

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

	2022 Shs'000	2021 Shs'000
Due from The Kenya Power & Lighting Company Plc	23,582,383	25,141,317
Less: Allowance for impairment	(1,238,088)	(792,471)
Balance at end of the year	22,344,295	24,348,846

The amounts include Shs 3,117,490,000 (2021: Shs 3,877,218,000) which is denominated in foreign currency.

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

	2022 Shs'000	2021 Shs'000
At start of year	(792,471)	(581,947)
Net charge to profit or loss	(445,617)	(210,524)
Allowance for expected credit loss	(1,238,088)	(792,471)

22. Other receivables and prepayments

	2022 Shs'000	2021 Shs'000
Receivables from operations in Ethiopia	654,420	647,612
Prepayments*	467,565	481,988
Sundry debtors	252,437	58,272
Staff receivables	116,084	120,765
Other receivables	503,055	894,180
	1,993,561	2,202,817
Less: Allowance for Expected credit loss	(565,249)	(447,698)
	1,428,312	1,755,119

*Included in prepayments is an amount of Shs 189,255,000 (2021: Shs 131,747,000) relating to advances to Contractors for ongoing projects.

22. Other receivables and prepayments (Continued)

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

	2022 Shs'000	2021 Shs'000
At start of year	(447,698)	(469,338)
Net charge to profit or loss	(117,551)	21,640
Allowance for impairment	(565,249)	(447,698)

23. Financial asset at fair value through other comprehensive income

	2022 Shs'000	2021 Shs'000
At start of year	360,957	365,181
Fair value loss through other comprehensive income	(22,037)	(4,224)
At end of year	338,920	360,957

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

24. (a) Cash and bank balances

	2022 Shs'000	2021 Shs'000
Cash at bank	14,002,561	13,855,958
Less: Allowance for expected credit loss	(277,757)	(236,857)
	13,724,804	13,619,101
Cash at hand	3,350	3,326
	13,728,154	13,622,427

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

	2022 Shs'000	2021 Shs'000
At start of year	(236,857)	(58,306)
Net charge to profit or loss	(40,900)	(178,551)
Allowance for expected credit loss	(277,757)	(236,857)

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

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

	2022 Shs'000	2021 Shs'000
Cash at bank*	14,002,561	13,855,958
Cash at hand	3,350	3,326
	14,005,911	13,859,284

*Included in the cash at bank is local currency of Shs 9,901,747,000 (2021: Shs 11,386,000,000) and foreign currency of Shs 2,753,455,000 (2020: Shs 2,473,907,000).

(b) Restricted cash

	2022 Shs'000	2021 Shs'000
Restricted cash	1,350,709	1,117,241
Allowance for expected credit loss	(6,489)	-
	1,344,220	1,117,241

The restricted cash relates to funds deposited with institutions enable lending of car and mortgage facilities at affordable interest rate. The funds earn nominal interest.

25. Ordinary share capital and share premium

Ordinary share capital and share premium	Number of shares (Thousands)	Ordinary shares Shs'000	Share premium Shs'000
Authorised			
At 30 June 2021 and 30 June 2022	10,000,000	25,000,000	-
Issued and fully paid			
At 30 June 2021 and 30 June 2022	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.

26. Other reserves

	Capital reserve Shs'000	Investment's revaluation reserve Shs'000	Property revaluation reserve Shs'000	Actuarial gains/ (losses) Shs'000	Total Shs'000
At 1 July 2021 -	8,579,722	(65,847)	57,102,238	(564,629)	65,051,484
Other comprehensive loss for the year;					
-Net loss on revaluation on investments in financial instruments measured at FVOCI	-	(22,037)	-	-	(22,037)
-re-measurement of defined benefit	-			(675,499)	(675,499)
"-Net revaluation surplus on assets	-	-	88,865,929	-	88,865,929
Deferred income tax thereon		6,611	-	-	6,611
-deferred tax relating to components of other comprehensive income (Note 30)	-	-	-	202,650	202,650
- Deferred income tax thereon	-	-	(23,019,381)	-	(23,019,381)
Total other comprehensive loss for the year	-	(15,426)	65,846,548	(472,849)	65,358,273
Transfer of excess depreciation	-	-	(2,843,784)	-	(2,843,784)
Deferred tax on excess depreciation	-	-	853,135	-	853,135
At 30 June 2022	8,579,722	(81,273)	120,958,137	(1,037,478)	128,419,108

26. Other reserves (Continued)

	Capital reserve Shs'000	Investment's revaluation reserve Shs'000	Property revaluation reserve Shs'000	Actuarial gains/ (losses) Shs'000	Total Shs'000
At 1 July 2020	8,579,722	(62,890)	59,081,544	(362,516)	67,235,860
Other comprehensive loss for the year;					
- Net loss on revaluation on investments in financial instruments measured at FVOCI	-	(4,224)	-	-	(4,224)
- re-measurement of defined benefit	-	-	-	(288,732)	(288,732)
- deferred tax relating to components of other comprehensive income (Note 30)	-	1,267	-	86,620	87,887
Total other comprehensive loss for the year	-	(2,957)	-	(202,112)	(205,069)
Transfer of excess depreciation	-	-	(2,827,581)	-	(2,827,581)
Deferred tax on excess depreciation	-	-	848,274	-	848,274
At 30 June 2021-Restated	8,579,722	(65,847)	57,102,237	(564,628)	65,051,484

(a) The capital reserve relates to development surcharge received from Kenya Power for financing the development of certain power projects for the period on or before 1997. The reserve is not distributable to shareholders.

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

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

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

27. Retained earnings

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

28. Borrowings

The movement in borrowings is as follows:

	2022 Shs'000	2021 Shs'000
At start of year	144,529,241	144,450,048
External borrowings received in the year	1,688,919	10,525,729
External borrowings repayments in the year	(7,584,911)	(9,079,888)
Domestic borrowings repayments in the year	(2,356,518)	(2,067,868)
Exchange (gain)/loss on revaluation of borrowings	(3,274,468)	701,220
At end of year	133,002,263	144,529,241
Add: Accrued interest	1,130,429	1,046,256
At end of year	134,132,692	145,575,497
Less: Amounts due within one year (Current portion)	(11,916,546)	(10,797,898)
Amounts due after one year (Non-current portion)	122,216,146	134,777,599

(a) Analysis of interest-bearing borrowings:

	Maturity Year	2022 Shs'000	2021 Shs'000
Government of Kenya Guaranteed loans			
2.6% Japan Bank for International Cooperation KE P20-Kipevu 1 (JPY 1,275,948,000)	2025	1,101,249	1,865,238
2.3% Japan Bank for International Cooperation KE P21 – Sondu Miriu (JPY 1,690,970,000)	2027	1,459,447	2,142,344
0.75% Japan Bank for International Cooperation KE P23-Sondu Miriu (JPY 7,612,660,001)	2044	6,570,357	7,924,859
0.75% Japan Bank for International Cooperation KE P24-Sangoro (JPY 3,539,300,000)	2047	3,054,710	3,662,173
0.20% Japan International Cooperation Agency KE P26-Olkaria I & IV JPY 20,418,422,339)	2040	17,622,793	21,833,432
2.09% Kreditanstalt Fur Wiederaufbau (KfW)-Kindaruma (Euro 7,820,000)	2024	969,839	1,504,097
2.2% Kreditanstalt Fur Wiederaufbau (KfW)-Olkaria I & IV (Euro 20,872,000)	2026	2,588,552	3,345,429
0.98% DSSI I (JICA KP20, KP21, KP23, KP24 & KP26)(JPY 1,463,916,113)	2027	1,263,481	-
0.68% DSSI II (JICA KP20, KP21, KP23, KP24 & KP26)(JPY 1,457,362,501)	2027	1,257,825	-
		35,888,253	42,277,572

28. Borrowings (Continued)

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

	Maturity Year	2022 Shs'000	2021 Shs'000
Government of Kenya on lent loans			
3.5% International Development Association IDA 4743 KE-Olkaria I & IV (USD 24,154,735.58)	2035	2,846,210	2,805,480
2.003% Agence Francaise de Development (AFD) - Olkaria I & IV (EURO 55,083,112.47)	2031	6,831,424	7,806,600
2.645% European Investment Bank-Olkaria I & IV (Euro 4,212,688.49)	2037	522,459	577,432
2.50% Export-Import Bank of China (EXIM) – 89 wells (USD 308,942,307.68)	2033	36,403,413	36,492,706
1.50% Spanish loan-Ngong Phase II - 13.6MW (Euro 14,162,145.37)	2030	1,756,394	2,029,605
0.50% National Bank of Belgium (NBB) Ngong 1 Phase 11 - 6.8 MW (Euro 6,078,000)	2043	753,795	779,361
3.5% International Development Association IDA 5844-KE Olkaria I& IV (USD 52,703,852.24)	2041	6,210,221	5,684,110
0.20% Japan International Cooperation Agency Loan (KE-P31) Olkaria V (JPY 29,799,140,700)	2046	25,719,132	27,574,470
3.5% EIB Olkaria 1 Unit 6 (Euro 57,193,595.12)	2042	7,093,167	7,333,735
		88,136,215	91,083,499
Direct borrowings			
Cooperative Bank Term Loan (Shs)	2022	-	1,166,667
2.68% Agence Francaise de Developpement (AFD)- Olkaria II Unit 3 (Euro 3,333,333.2)	2024	413,401	641,132
5.1% HSBC Bank Loan-Rigs (USD 6,758,172.9)	2024	796,332	1,093,304
CBA Term loan - Wellheads 75MW (USD 65,924,666.7)	2027	7,768,062	8,267,067
		8,977,795	11,168,170
		133,002,263	144,529,241
Accrued interest		1,130,429	1,046,256
		134,132,692	145,575,497

28. Borrowings (Continued)

	2022 Shs'000	2021 Shs'000
(b) Borrowings maturity analysis:		
Due within 1 year	11,916,546	10,797,898
Due between 1 and 2 years	11,342,373	10,566,054
Due between 2 and 5 years	32,501,382	30,339,981
Due after 5 years	78,372,391	93,871,564
	134,132,692	145,575,497
(c) Analysis of loans by currency:		
Borrowings in US$	54,024,239	54,342,667
Borrowings in JPY	58,048,994	65,002,516
Borrowings in EUR	20,929,030	24,017,391
Sub - total Borrowings in foreign currencies	133,002,263	143,362,574
Borrowings in Shs	1,130,429	2,212,923
Total	134,132,692	145,575,497

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

Securities:

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

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

28. Borrowings (continued)

(d) The movement in borrowings is as follows:

	2022 Shs'000	2021 Shs'000
At start of year	144,529,241	144,450,048
Received in the year	1,688,919	10,525,729
Repayments in the year	(9,146,656)	(10,049,152)
Realized exchange loss on repayment of borrowings	(606,160)	(954,288)
Realized exchange loss/(gain) on repayment of borrowings	(188,613)	(144,316)
Unrealized exchange (gain)/loss on revaluation of borrowings	(3,274,468)	701,220
At end of year	133,002,263	144,529,241
Add: Accrued interest	1,130,429	1,046,256
At end of year	134,132,692	145,575,497
Less: Amounts due within one year (Current portion)	(11,916,546)	(10,797,898)
Amounts due after one year (non-current portion)	122,216,146	134,777,599

29. Retirement benefits asset

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

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

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

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

29. Retirement benefits asset (Continued)

An actuarial valuation to fulfill the financial reporting and disclosure requirements of IAS19 was carried out as at 30 June 2021 by Zamara Actuaries, Administrators and Consultants Limited. On this basis, the present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2022	2021
Discount rate(s) [1]	13.90%	13.30%
Future salary increases	8%	8%
Future pension increases	0%	0%
Mortality (pre-retirement)	A(55) males/Female Ultimate	A(55) males/Female Ultimate
Mortality (post-retirement)	N/A	N/A
Withdrawals	At rates consistent with similar arrangements	At rates consistent with similar arrangements
Ill health	At rates consistent with similar arrangements	At rates consistent with similar arrangements
Retirement age	60 years	60 years

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

Recognition

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

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

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

	2022 Shs'000	2021 Shs'000
(i) Statement of profit or loss		
Service cost:		
Current service cost (employer)	(86,797)	(94,376)
	(86,797)	(94,376)
Interest income/(cost):		
Interest cost on defined benefit obligation	(951,456)	(935,515)
Interest income on plan assets	1,069,063	994,967
Interest income on the effect of the asset ceiling	(80,899)	(47,462)
	36,708	11,990
Net expense included in profit or loss in respect of scheme (Note 10(b))	(50,089)	(82,386)

29. Retirement benefits asset (Continued)

Recognition (Continued)

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

(ii) Other comprehensive income (OCI)

Actuarial loss due to change in financial assumptions	285,835	172,120
Return on plan assets	(1,049,887)	(260,978)
Change in effect of asset ceiling (excluding amount in interest cost)	88,553	(199,874)
Amount recognized in OCI	(675,499)	(288,732)

(iii) Movement in retirement benefit asset

Net asset at start of the period	-	-
Net expense recognized in the income statement	(50,089)	(82,386)
Employer contributions	725,588	371,118
Amount recognized in OCI	(675,499)	(288,732)
Net asset at end of the year	-	-

(b) Amounts recognized in the statement of financial position

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

	2022 Shs'000	2021 Shs'000
Present value of funded defined benefit obligation	(7,353,265)	(7,533,173)
Fair value of plan assets	7,953,871	8,141,433
	600,606	608,260
Effect of asset ceiling	(600,606)	(608,260)
	-	-

29. Retirement benefits asset (Continued)

Recognition (Continued)

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

Reconciliation of the effect of asset ceiling is as follows:

	2022 Shs'000	2021 Shs'000
Effect of asset ceiling	(608,260)	(360,924)
Interest effect of the asset ceiling	(80,899)	(47,462)
Change in the effect of the asset ceiling excluding interest	88,553	(199,874)
Effect of asset ceiling at end of the period	(600,606)	(608,260)

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

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

	2022 Shs'000	2021 Shs'000
Opening benefit obligation	(7,533,173)	(7,364,213)
Current service cost	(86,797)	(94,376)
Interest cost	(951,456)	(935,515)
Employee contributions	(12,994)	(16,209)
Actuarial loss due to change in financial assumptions	265,851	72,313
Actuarial loss on Experience	19,984	99,807
Past service costs	-	-
Benefits paid	945,320	705,020
Closing defined benefit obligation	(7,353,265)	(7,533,173)

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

	2022 Shs'000	2021 Shs'000
Opening market value of assets	8,141,433	7,725,137
Interest income on plan assets	1,069,063	994,967
Employer contributions	725,588	371,118
Employee contributions	12,994	16,209
Return on plan assets	(1,049,887)	(260,978)
Benefits paid	(945,320)	(705,020)
Closing fair value of plan assets	7,953,871	8,141,433

29. Retirement benefits asset (Continued)

Recognition (Continued)

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

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

	2022 Shs'000	2022 Shs'000
Property investments	4,713,889	4,796,600
Quoted equity instruments	664,354	866,182
Offshore investments	84,483	111,077
Government securities	2,354,108	2,168,994
Commercial paper and corporate bonds	34,371	-
Cash & short-term deposits	218,580	198,580
Net current assets	(115,914)	-
Total scheme assets	7,953,871	8,141,433

(c) Sensitivity analysis

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

	Sensitivity	2022	Change in assumption	Impact on defined benefit obligation
Discount rate	12.90%	13.90%	Decrease 1%	Increase in the present value of obligation by Shs 485,200,000
Salary	7%	8%	Decrease 1%	Decrease in the present value of obligation by Shs 99,800,000
Retirement age	55	60	Decrease by 5yrs	Increase in the present value of obligation by Shs742,200,000

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

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

30. Deferred income tax

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

	2022 Shs'000	2021 Shs'000 (Restated)
Movement on the deferred tax account is as follows:		
At start of year	55,786,804	42,678,446
Prior year adjustment-	-	-
	55,786,804	42,678,446
Restated		
Deferred tax charge note (a)	2,663,608	4,661,526
Tax impact through increase of corporate tax rate from 25% to 30%	-	8,530,884
Tax reduction impact on revaluation of assets through equity	23,019,381	-
Credit to other comprehensive income (Note 26)	(209,261)	(87,887)
Under/(over) provision of deferred income tax in prior years	221,271	3,833
Restated at the end of the year	81,481,803	55,786,804

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

*Restatement from receivable asset to assets revaluation reserves to recognise the element of forex differences between the Loan base rate and PPA base rate for those loans attached to power plants which have PPA's since it relates to timing difference between the completion of project and signing of PPA.

30. Deferred income tax (continued)

Year ended 30 June 2022	At start of year Shs'000 Restated	Prior year adjustment*	Charged / (Credited) to P/L Shs'000	Charged / (Credited) to OCI Shs'000	At end of year Shs'000
Deferred tax assets:					
Tax losses	(7,269,618)		(2,636,674)	-	(9,906,292)
Provisions and other temporary differences	(637,938)		(172,765)	(209,261)	(1,019,964)
	(7,907,556)	-	(2,809,439)	(209,261)	(10,926,256)
Deferred tax liabilities:					
Unrealized exchange gains	(100,554)		248,271	-	147,717
Unrealized revaluation gains	1,757,965		(559,843)		1,198,122
Defined benefits and financial assets at FVOCI	-		-	-	-
Revaluation surplus	24,514,515		22,166,245	-	46,680,760
Accelerated capital allowances	37,522,433		6,859,027	-	44,381,460
	63,694,358	-	28,713,700	-	92,408,060
Net deferred tax liability	55,786,804	-	25,904,261	(209,261)	81,481,803

*Restatement from receivable asset to assets revaluation reserves to recognise the element of forex differences between the Loan base rate and PPA base rate for those loans attached to power plants which have PPA's since it relates to timing difference between the completion of project and signing of PPA.

30. Deferred income tax(continued)

	At start of year Shs'000	Prior adjustment* Shs'000	Charged / (Credited) to P/L Shs'000	Charged / (Credited) to OCI Shs'000	At end of year Shs'000 Restated
Year ended 30 June 2021					
Deferred tax assets:					
Tax losses	(9,895,187)	-	2,625,569	-	(7,269,618)
Provisions and other temporary differences	(747,956)	-	22,131	(87,887)	(637,938)
	(10,643,143)	-	2,647,700	(87,887)	(7,907,556)
Deferred tax liabilities:					
Unrealized exchange gains	26,029	-	(126,582)	-	(100,553)
Unrealized revaluation gains	1,464,970		292,995		1,757,955
Defined benefits and financial assets at FVOCI	-	-	-	-	-
Revaluation surplus	21,149,757		3,364,758	-	24,514,515
Accelerated capital allowances	30,680,833	-	6,881,248	-	37,522,433
	53,321,590		10,412,420	-	63,694,360
Net deferred tax liability	42,678,446	-	13,060,120	(87,887)	55,786,804

*Restatement from receivable asset to assets revaluation reserves to recognise the element of forex differences between the Loan base rate and PPA base rate for those loans attached to power plants which have PPA's since it relates to timing difference between the completion of project and signing of PPA.

31. Lease Liabilities

	2022 Shs'000	2021 Shs'000
At start of year	851,295	950,651
Additional (note 17)	307,296	1,950
Discount Interest on lease liability	89,577	91,690
Paid during the year	(194,282)	(192,996)
At end of year	1,053,886	851,295
Comprising:		
Current Portion	225,312	195,103
Non- current portion	828,574	656,192
	1,053,886	851,295

Maturity Analysis of undiscounted cash flows

	2022 Shs'000	2021 Shs'000
Year 1	225,312	195,103
Year 2	228,406	160,612
Year 3	237,577	168,279
Year 4	106,832	134,484
Year 5 and beyond	1,154,280	1,129,362
	1,952,407	1,787,840

32. Grants

	2022 Shs'000	2021 Shs'000
At start of year	200,000	200,000
Received during the year	131,949	-
At end of year	331,949	200,000

This relates to funds received from the World Bank as a grant towards the construction of Geothermal Centre of Excellence and is expected to be complete by financial year ending June 2023.

33. Trade and other payables

	2022 Shs'000	2021 Shs'000
Contractors and retention money	1,322,078	2,122,081
Trade payables	4,465,703	4,494,459
Due to Kenya Power (note 37(a)(ii))	4,366	35,522
Sundry creditors accruals	2,278,624	1,818,592
Deferred income from contracts (Note 6(b))	206,411	134,344
Gratuity provision	84,577	296,643
Leave provision	233,808	243,706
Total trade and other payables	8,595,567	9,145,347
Non-current trade and other payables	-	(1,030,082)
Current trade and other payables	8,595,567	8,115,265

* Contractors and retention money relate to payments due to contractors for the ongoing construction of long-term assets which are financed by the Development Finance Institutions (DFIs). The invoices that were under verification at the reporting dates was classified to non-current portion in previous year.

34. Provision for compensating tax

	2022 Shs'000	2021 Shs'000
At start of year	401,022	1,361,022
Paid during the year	(401,022)	(960,000)
At end of year	-	401,022

The amount relates to compensating tax arising on dividends paid in 2016. The Company has significant tax losses arising from investment deductions granted on its projects and therefore insufficient current tax credits to cover for the dividend tax account. The law has since changed to exempt power generation companies from paying compensating tax on dividends.

35. Dividends payable

Proposed dividends are accounted for as part of equity until they have been ratified and declared at the relevant Annual General Meeting (AGM). At the AGM, a final dividend in respect of the year ended 30 June 2022 of Shs.0.20 (2021: Shs. 0.30) for every ordinary share of par value of Shs.2.50 is to be proposed. No interim dividend was declared during the year. The dividend account is as follows:

35. Dividends payable (Continued)

	2022 Shs'000	2021 Shs'000
At start of year	1,978,357	1,648,631
Approved Dividends -2021	1,978,039	1,978,357
Amount paid during the year	(2,571,768)	(1,648,631)
At end of year	1,384,628	1,978,357

36. Notes to the statement of cash flows

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

	2022 Shs'000	2021 Shs'000 Restated
Profit before taxation	7,941,222	15,303,111
Adjustments for:		
Depreciation (Note 10(a))	12,180,305	11,219,327
Amortization of intangible assets (Note 10(a))	111,489	99,023
Depreciation of Right of use assets (Note 10(a))	169,836	201,779
Finance income (Note 11)	(2,072,598)	(1,938,538)
Finance cost (Note 12)	(1,314,048)	3,053,208
Interest from contract asset-Olkaria I & IV transmission line	951,245	-
Loss on disposal of non-current assets (Note 10(e))	2,626	2,447
Net gain/(loss) on deferred debt (Note 10 (e))	(76,096)	(67,718)
Net gain on Amortization of treasury bonds (Note 23)	(22,036)	(4,224)
Amortization of held-to-maturity treasury bonds (Note 18(d))	10,261	9,352
(Gain)/loss in impairment of deferred debt (Note 18(a))	(3,716)	(983)
(Gain)/loss on impairment of held-to-maturity treasury bonds (Note 18(d))	(10,485)	(34,920)
Impairment of assets and feasibility studies (Note 10(g))	968,000	-
Asset revaluation deficit and other adjustments (Note 10(g))	52,708	-
Changes in the retirement benefit asset (Note 29)	(675,499)	(288,732)
Corporate tax paid for operations in Ethiopia	181,198	
Operating profit before working capital changes	18,394,412	27,553,132
Changes in working capital:		
Decrease/(increase) in inventories (Note 20)	604,704	(680,548)
Decrease/(increase) in trade receivables (Note 21 and 36(b))	2,004,551	(10,122)
Decrease in other receivables (Note 22)	326,808	343,891
Increase/(decrease) in trade and other payables (Note 33)	(549,780)	1,502,418
Cash generated from operations	20,780,694	28,708,771

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

	2022 Shs'000	2021 Shs'000
(b) Movement in finance income		
At start of year	44,870	12,363
Interest income (Note 11)	2,072,598	1,879,747
Finance income received	(1,176,203)	(910,963)
Accrued interest from Kenya Power (Note 11)	(847,924)	(936,277)
At end of year	93,341	44,870
(c) Movement in interest payable		
At start of year	1,046,256	1,381,115
Interest expense (Note 12)	1,960,420	2,351,988
Interest paid	(1,876,247)	(2,686,847)
At end of year (Note 28)	1,130,429	1,046,256

(d) Net debt reconciliation

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

	2022 Shs'000	2021 Shs'000
Cash and bank balances (Note 24)	13,728,154	13,622,427
Borrowings repayable within one year (Note 28)	(11,916,546)	(10,797,898)
Borrowings repayable after one year (Note 28)	(122,216,146)	(134,777,599)
Net Debt	(120,404.538)	(131,953,070)

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

(d) Net debt reconciliation (Continued)

	Cash and bank balances Shs'000	Borrowings Shs'000	Net Debt Shs'000
Net debt as 1 July 2021	13,859,284	(144,529,241)	(130,669,957)
Cashflows	(68,652)	-	(68,652)
Received in the year	-	(1,688,919)	(1,688,919)
Repaid in the year (including realised forex)	-	9,941,429	9,941,429
Unrealised exchange loss in the year	-	3,274,468	3,274,468
Accrued interest	-	(1,130,429)	(1,130,429)
Expected credit loss on cash and bank balances	(277,757)	-	(277,757)
Expected effect of forex on cash balances	215,279	-	215,279
Net debt as at 30 June 2022	13,728,154	(134,132,692)	(120,404,538)
Net debt as 1 July 2020	5,374,297	(144,450,048)	(139,075,751)
Cashflows	8,368,143	-	8,368,143
Received in the year	-	(10,525,729)	(10,525,729)
Repaid in the year (including realised forex)	-	11,147,756	11,147,756
Unrealised exchange loss in the year	-	(701,220)	(701,220)
Accrued interest	-	(1,046,256)	(1,046,256)
Expected credit loss on cash and bank balances	(236,857)	-	(236,857)
Expected effect of forex on cash balances	116,844	-	116,844
Net debt as at 30 June 2021	13,622,427	(145,575,497)	(131,953,070)

37. Related party transactions

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

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

37. Related party transactions (Continued)

(a) The Kenya Power and Lighting Company Plc

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

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

	2022 Shs'000	2021 Shs'000
Electricity sales (Note 6(a))	32,723,502	34,901,252
Steam revenue (Note 6 (a))	5,119,412	5,227,392
Fuel charges billed (Note 6(a))	9,672,038	3,674,626
Water charges billed (Note 6(a))	164,872	204,408
Interest income on amounts due (Note 11)	847,924	936,277
Realized foreign exchange loss billed to Kenya Power-borrowings (Note 19)	606,160	954,288
Realized foreign exchange loss billed to Kenya Power-other transactions (Note 9)	325,886	348,457
	49,459,794	46,246,700
Electricity purchases from Kenya Power	811,434	435,989

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

	2022 Shs'000	2021 Shs'000
Trade payables (Note 33)	4,366	35,522

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

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

	2022 Shs'000	2021 Shs'000
Current portion	37,417	42,184
Non-current portion	767,057	906,917
	804,474	949,101

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

37. Related party transactions (continued)

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

(iv) Amounts due from Kenya Power

	2022 Shs'000	2021 Shs'000
Amount due for electricity sales (Note 21)	23,582,383	25,141,317
Amount due for sale of assets	87,738	91,811
	23,670,121	25,233,128

(v) Recoverable foreign exchange differences	3,993,731	9,610,784
(vi) Contract asset	1,418,374	1,456,363

(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.

	2022 Shs'000	2021 Shs'000
(i) Amount due to GDC (included in trade payables)	655,478	1,059,884
(ii) Steam purchases (Note 10(c))	3,093,308	3,028,982

(c) Rural Electrification and Renewable Energy Corporation

At start of year	9,088	62,324
Additions	133,112	24,317
Payments during the year	(133,112)	(74,020)
Amounts due from REREC at end of year	9,088	12,621

The amount due relates to operation and maintenance fee for the 50MW Garissa solar plant.

37. Related party transactions (continued)

(d) Water Resource Management Authority (WARMA)

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

	2022 Shs'000	2021 Shs'000
Amount due to WARMA (included in trade payables)	76,223	79,445

(e) Directors' remuneration and key management compensation

Director's remuneration

	2022 Shs'000	2021 Shs'000
Fees for services as a director	6,000	6,000
Other allowances	14,988	14,154
	20,988	20,154
Key management compensation		
Salaries and other short-term employment benefits		
Key management (Departmental Managers)	91,320	96,476
Managing Director and CEO	19,912	19,938
Leave accrual – Managing Director and CEO	1,072	1,930
	112,304	118,344
Total fees, salaries and other emoluments	133,292	138,498

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

(f) Loans to directors of the Company

There were no loans from directors outstanding at 30 June 2022 (2021: Nil).

(g) Loans from Shareholders

There were no loans from shareholders outstanding at 30 June 2022 (2021: Nil).

(h) Donations to KenGen Foundation

Donations made during the year amounted to Shs 86 million (2021: Shs 46 million).

(i) Kerio Valley Development Authority (KVDA)

Payments made during the year amounted to Shs 45 million (2021: Shs 45 million) for Dam and environmental management. There is no outstanding amount.

37. Related party transactions (continued)

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

Payments made during the year amounted to Shs 62 million (2021: Shs 62 million) for Dam and environmental management. There is no outstanding amount.

(k) Subsidiaries

The following relationships exists within KenGen PLC:

Related parties	Held by	Percentage of interest held as at 30 June 2022	2021
KeGen Energy Services Limited (KeSel)[1]	KenGen	100%	100%
KenGen Foundation[2]	KenGen	-	-

[1]KeGen Energy Services Limited (KeSel) was formally incorporated on 13 October 2016 and is domiciled in Kenya. The objective of the Company is to pursue diversified business opportunities by leveraging on the resources and capacity of KenGen. The Company is in the process of being wound up.

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

38. Emergency Power Project

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

	2022 Shs'000	2021 Shs'000
At start of year	448,338	451,088
Interest income	6,219	7,205
Gains/(losses) *on forex during the year*	41,379	(9,955)
At end of year	495,936	448,338

*The expenditure relates to foreign exchange fluctuations. An amount of Shs 218 million is due from Kenya Power.

39. Contingent liabilities

I. Letters of credit

Letters of credit signify commitment by the Company to make payments to third parties for contracts entered into, generally relating to foreign payments. Outstanding letters of credit as at 30 June 2022 amounted to Shs 2,030,503,000 (30 June 2021 Shs: 1,511,161,000).

II. Disputed withholding tax

In 2014, Kenya Revenue Authority (KRA) performed a tax audit for the financial years 2009-2013. Subsequently, KRA issued an assessment of Shs 975,848,686. The Company objected to the assessment and KRA issued a stand over notice pending resolution of matter in dispute. The Company appealed to the National Treasury and Planning for the abandonment of collection of the withholding tax from The National Treasury and Planning. The National Treasury referred the matter back to KRA and directed that the matter be resolved between KRA and KenGen. Various meetings and technical sessions have taken place between KenGen and KRA where a final agreement was reached. The Withholding Tax assessment was reduced from Shs 975,848,686 to Shs 143,662,033 (Principal Tax of Shs 69,478,227, with penalties of Shs 4,705,579 and interest of Shs 69,478,227). KenGen paid the Principal Tax and penalty of Shs 74,183,806 on 24th June 2021.

KenGen applied for the waiver of the interest of Shs 69,478,227 and this is currently under review by KRA who have undertaken to support KenGen's application. On this basis no provision for the interest has been made.

III. Compensating tax

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

As at 30th June 2022, the company had completed the settlement of the principal tax of Shs 2,431,000,000. Thereafter, KenGen applied for waiver of the penalty and interest of Shs 1,220,453,798 which is under review by KRA. KRA have committed to support KenGen in this application process. No provision has been made with regards to penalty and interest estimated to be Shs 1,220,453,798.

IV. Bank guarantee

Bank guarantees in the form of Performance Guarantees were issued to third parties on account of contracts signed with them. This amounted to Shs 520 million as at 30 June 2022. (2021:Shs 2 million.

40. Capital commitments

The capital commitments relate to the ongoing capital projects and new projects which have been approved and are at various stages of implementation. They are financed by Development Financial Institutions (DFIs) and internal resources. The projects include Rehabilitation of Olkaria I, drilling of wells, Ngong Wind phase III and 140MW Olkaria VI to be implemented under Public Private Partnership arrangement among other projects.

40. Capital commitments (Continued)

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

	2022 Shs'000	2020 Shs'000
Authorised but not contracted for	93,721,489	68,946,526
Authorised and contracted for	58,178,084	114,191,902
Less: Amounts included in Work in progress	(57,071,093)	(99,343,863)
	94,828,480	83,794,565

41. Operating segments

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

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

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

a) Reported revenue/ Products and Services

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

b) Geographical areas

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

c) Major customers

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

42. Financial risk management

Introduction and overview

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

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

42. Financial risk management (Continued)

Introduction and overview (Continued)

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

Risk management framework

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

(a) Market risks

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

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

The Company's Internal Audit, Risk and Compliance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit, Risk & Compliance Management Committee) and for the day-to-day implementation of those policies.
There has been no change to the Company's exposure to market risks or the manner in which it manages and measures the risk.

Foreign currency risk

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

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

42. 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 is;

	2022 Shs '000	2021 Shs '000
Financial assets		
Financial assets at amortised cost	5,480,206	4,157,792
Trade receivables (Note 21)	3,117,490	3,877,218
Cash and cash equivalents (Note 24)	2,753,455	2,473,049
	11,351,151	10,508,059
Liabilities		
Trade and other payables (Note 33)	(1,322,078)	(2,122,081)
Borrowings (Note 28(c))	(133,002,263)	(142,561,210)
	(134,324,341)	(144,683,291)
Net currency liability	(122,973,190)	(134,175,232)

Foreign currency sensitivity analysis

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

	Change in currency rate	Effect on Profit before tax Shs' 000
2022		
United States Dollars (US$)	4.03%	1,416,256
Japanese Yen (Yen)	4.39%	(1,917,723)
Euro (Euro)	3.19%	(204,908)
Total		(706,375)
2021		
United States Dollars (US$)	1.25%	192,683
Japanese Yen (Yen)	-1.70%	(326,987)
Euro (Euro)	6.73%	482,749
Total		348,445

42. Financial risk management (continued)

(a) Market risks (continued)

Interest rate risk

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

Other price risk

This is the risk that the rate of the tariff will decline in the future. It is the risk of losing energy revenues due to a fall in the tariff. The Company's exposure to this kind of risk is highly regulated by the Power Purchase Agreement, which is a product of discussion by Kenya Power and the Company, with Energy Regulatory Commission as a moderator. The Company's main input for thermal energy generation is fuel which is a significant cost component. The Company is in an arrangement to pass this cost to the customer, Kenya Power.

(b) Credit risk

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

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

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

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

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

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

42. Financial risk management (continued)

(b) Credit risk (Continued)

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

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

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

	2022 Shs '000	2021 Shs '000
Trade receivables-Kenya Power	22,344,295	24,348,846
Treasury bonds at amortized cost	2,356,609	2,377,355
Treasury bonds at FVOCI	338,920	360,957
Financial assets at amortised cost	6,817,959	6,901,965
Other receivables (excluding prepayments)	1,428,312	1,755,119
Cash and cash equivalents held at bank	13,724,804	13,619,101
Exposure to credit risk	47,010,899	49,363,343

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

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

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

42. Financial risk management (continued)

(b) Credit risk (Continued)

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

Category	Description	Basis for recognizing expected credit losses
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	12 months Expected Credit Loss (ECL)
Doubtful	Amount is past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit impaired
In default	Amount is >360 days past due or there is evidence indicating the asset is credit impaired.	Lifetime ECL – credit impaired
Write off	There is evidence indicating that the debtor is in severe financial difficulty and the Company has no realistic prospect of recovery.	Amount is written off

42. Financial risk management (continued)

(b) Credit risk (continued)

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

Basis for measurement of loss allowance	Note	External credit rating	Internal credit rating	12 month or Life time ECL	Gross carrying value Shs '000	Credit loss allowance Shs '000	Net carrying amount Shs '000
30 June 2022							
Trade receivables-Kenya Power	21	N/A	Performing	Lifetime ECL	23,582,383	(1,238,088)	22,344,295
Treasury bonds at amortized cost	18(d)	N/A	Performing	Lifetime ECL	2,371,142	(14,534)	2,356,609
Treasury bonds at FVOCI	23	N/A	Performing	Lifetime ECL	338,920	-	338,920
Deferred debt receivable	18(a,c)	N/A	Performing	Lifetime ECL	6,919,757	(101,798)	6,817,959
Other receivables (excluding prepayments)	22	N/A	Performing	Lifetime ECL	1,993,561	(565,249)	1,428,312
Cash and cash equivalents held at bank	24 (a,b,c)	**A, BBB, B+, B-**	Performing	12 Month ECL	14,002,561	(277,757)	13,724,804
Exposure to credit risk					49,208,324	(2,197,426)	47,010,899

42. Financial risk management (continued)

(b) Credit risk (continued)

Basis for measurement of loss allowance	Note	External credit rating	Internal credit rating	12 month or Life time ECL	Gross carrying value Shs '000	Loss allowance Shs '000	Net carrying amount Shs '000
30 June 2021							
Trade receivables-Kenya Power	21	N/A	Performing	Lifetime ECL	25,141,317	(792,471)	24,348,846
Treasury bonds at amortized cost	18(d)	N/A	Performing	Lifetime ECL	2,381,404	(4,049)	2,377,355
Treasury bonds at FVOCI	23	N/A	Performing	Lifetime ECL	360,956	-	360,937
Financial assets at amortised cost	18	N/A	Performing	Lifetime ECL	7,016,331	(114,366)	6,901,965
Other receivables (excluding prepayments)	22	N/A	Performing	Lifetime ECL	2,202,818	(447,698)	1,755,119
Cash and cash equivalents held at bank	24	A, BBB, B+, B-	Performing	12 Month ECL	13,855,958	(236,858)	13,619,101
Exposure to credit risk					50,958,784	(1,595,442)	49,363,323

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

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

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

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

42. Financial risk management (continued)

(b) Credit risk (continued)

Basis for measurement of loss allowance	**Gross carrying value**	**Stage 1**	**Stage 2**	**Stage 3**	**Net amount**
		12 month - ECL	**Lifetime ECL**	**Lifetime ECL**	
	Shs '000	**Shs '000**	**Shs '000**	**Shs '000**	**Shs '000**
30 June 2022					
Trade receivables-Kenya Power	23,582,383	(279,696)	(128,608)	(829,784)	22,344,295
Trds at amortized cost	2,371,142	(14,533)	-	-	2,356,609
Treasury bonds at FVOCI	338,920	-	-	-	338,920
Financial assets at amortised costs	6,919,757	(101,798)	-	-	6,817,959
Other receivables (excluding prepayments)	1,993,561	(186,287)	-	(378,962)	1,428,312
Cash and cash equivalents held at bank	14,002,561	(277,757)	-	-	13,724,804
Exposure to credit risk	49,208,324	(860,071)	(128,608)	(1,208,746)	40,192,940

Basis for measurement of loss allowance

30 June 2021					
Trade receivables-Kenya Power	25,141,317	(351,680)	(89,562)	(351,230)	24,348,845
Treasury bonds at amortized cost	2,381,404	(4,049)	-	-	2,377,355
Treasury bonds at FVOCI	360,957	-	-	-	360,957
Deferred debt receivable	7,016,331	(114,366)	-	-	6,901,965
Other receivables (excluding prepayments)	2,202,818	(68,736)	-	(378,962)	1,755,120
Cash and cash equivalents held at bank	13,855,958	(236,857)	-	-	13,619,101
Exposure to credit risk	50,958,785	(775,688)	(89,562)	(730,192)	49,363,343

Basis for measurement of loss allowance

42. Financial risk management (continued)

(b) Credit risk (continued)

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

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

	Neither past Due nor impaired	Past due but not impaired		Expected credit loss	Total
		over 60 days	over 365 days		
	Shs '000	Shs '000	Shs '000		Shs '000
At 30 June 2022					
Trade receivables-Kenya Power	8,357,145	10,419,684	3,567,467	1,238,088	23,582,384
Financial asset at amortized cost-Treasury bonds	2,356,609	-	-	14,533	2,371,142
Financial asset at FVOCI-Treasury bonds	338,920	-	-	-	338,920
Financial asset at amortized cost-Deferred debt	6,817,959	-	-	101,798	6,919,757
Other receivables (excluding prepayments)	1,428,312			565,249	1,993,561
Cash and cash equivalents	13,724,804	-	-	277,757	14,002,561
At 30 June 2022	33,023,749	10,419,684	3,567,467	2,197,425	49,208,325
At 30 June 2021					
Trade receivables-Kenya Power	15,789,910	6,585,403	1,973,533	792,471	25,141,317
Financial asset at amortized cost-Treasury bonds	2,377,355	-	-	4,049	2,381,404
Financial asset at FVOCI-Treasury bonds	360,957	-	-	-	360,957
Financial asset at amortized cost-Deferred debt	6,901,965			114,366	7,016,331
Other receivables (excluding prepayments)	1,755,120	-	-	447,698	2,202,818
Cash and cash equivalents	13,619,101	-	-	236,857	13,855,958
At 30 June 2021	40,804,408	6,585,403	2,297,462	1,595,441	50,958,785

42. Financial risk management (continued)

(b) Credit risk (continued)

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

Basis for measurement of loss allowance	**12-month expected credit losses**	**Lifetime expected credit losses**	**Total**
	Shs '000	**Shs '000**	**Shs '000**
Year ended 30 June 2022			
At start of year	(363,393)	(801,877)	(1,165,270)
Changes relating to assets	(496,680)	(535,477)	(1,032,157)
At end of year	(860,073)	(1,337,354)	(2,197,427)
Year ended 30 June 2021			
At start of year	(519,727)	(801,877)	(1,321,604)
Changes relating to assets	156,334		156,334
At end of year	(363,392)	(801,877)	(1,165,269)

(c) Liquidity risk

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

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

42. Financial risk management (continued)

(c) Liquidity risk (continued)

The table below analyses the undiscounted maturity profiles of the financial liabilities of the Company based on the remaining period using 30 June 2022 as a base period to the contractual maturity date. These amounts have not been discounted.

	Weighted average effective interest rate	Less than 1 Months	1-3 Months	3 Months to 1 year	1 to 2 years	2 to 5 years	> 5 years	Total	Carrying Amount
	%	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000
At 30 June 2022									
Trade and other payables	0	-	5,787,781	-	-	-	-	5,787,781	5,787,781
Amount due to Kenya Power	0	4,366	-	-	-	-	-	4,366	4,366
Lease liabilities	11	48,511	-	176,802	228,406	1,391,856	1,154,280	2,999,854	1,053,886
Borrowings	4	-	-	11,916,546	43,843,756	-	78,372,390	134,132,692	134,132,692
Off balance sheet items		-	-	-	-	-	-	-	-
Letters of credit	0	-	-	2,030,503	-	-	-	2,030,503	2,030,503
Capital commitments	0	-	-	-	94,828,479	-	-	94,828,479	94,828,479
		52,877	5,787,781	14,123,851	138,900,641	1,391,856	79,526,670	239,783,675	237,837,707
At 30 June 2021									
Trade and other payables	0	-	5,586,457	-	1.030,082	-	-	6,616,540	7,646,622
Amount due to Kenya Power	0	35,522	-	-	-	-	-	35,522	35,522
Lease liabilities	11	48,511	-	146,593	160,612	302,764	1,129,362	1,787,841	851,295
Borrowings	4	-	-	10,797,898	40,906,035	-	93,871,564	145,575,497	145,575,497
Off balance sheet items		-	-	-	-	-	-		
Letters of credit	0	-	-	1,511,161	-	-	-	1,511,161	1,511,161
Capital commitments	0	-	-	-	83,794,564	-	-	83,794,564	83,794,564
		84,033	5,586,457	12,455,652	125,891,293	302,764	95,000,926	239,321,125	239,414,661

42. Financial risk management (continued)

(d) Fair value measurement

Fair value measurement

Financial instruments

Fair Value hierarchy

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

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

i. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active trading markets for identical assets or liabilities. This level includes corporate bonds traded on the Nairobi Securities Exchange ("NSE").

ii. Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as a price) or indirectly (i.e. derived from prices).

iii. Level 3 fair value measurements are those derived from valuation techniques that include inputs that are not based on observable market data (unobservable inputs).

Assets	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total Shs'000
Year ended 30 June 2022				
Financial asset at fair value OCI (Note 23)	-	338,920	-	338,920
Financial asset at fair value through P&L (Note19)	-	3,993,731	-	3,993,731
Total assets	-	4,332,651	-	4,332,651
Assets		**Restated**		**Restated**
Year ended 30 June 2021				
Financial asset at fair value OCI (Note 21)	-	360,956	-	360,956
Financial asset at fair value through P&L (Note 19)*	-	9,610,784	-	9,610,784
	-	9,971,740	-	9,971,740

There are no financial liabilities measured at fair value for the year ended 30 June 2022 (2021: Nil)

There were no transfers between levels 1, 2 and 3 in the period (2021: Nil).

42. Financial risk management (continued)

d) Fair value measurement (continued)

Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

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

(ii) the fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date- This was used to value the financial asset at fair value

Sensitivity of fair value of level 2 financial instruments

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

Financial instruments not measured at fair value.

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

These amounts have not been discounted.

	Level 1 KShs'000	Level 2 KShs'000	Level 3 KShs'000	Fair value KShs'000	Carrying value KShs'000
At 30 June 2022					
Assets					
Cash and balances with banks	13,728,154	-	-	13,728,154	13,728,154
Financial assets at amortized cost	-	-	6,817,959	6,817,959	,13,635,918
Trade receivables	-	-	22,344,295	22,344,295	22,344,295
Financial assets at amortized cost-Treasury bond	-	2,356,609	-	2,356,608	2,356,608
Other receivables	-	-	1,428,312	1,428,312	1,428,312
Total	13,728,154	2,356,609	30,590,566	46,675,328	53,493,287
Liabilities					
Trade and other payables	-	-	5,792,147	5,792,147	5,792,147
Borrowings	-	-	134,132,692	134,132,692	134,132,692
Total	-	-	139,924,839	139,924,839	139,924,839

42. Financial risk management (continued)

d) Fair value measurement (continued)

Financial instruments not measured at fair value (continued)

	Level 1 KShs'000	Level 2 KShs'000	Level 3 KShs'000	Fair value KShs'000	Carrying value KShs'000
At 30 June 2021-Restated					
Assets					
Cash and balances with banks	13,622,427	-	-	13,622,427	13,622,427
Financial assets at amortized cost	-	-	5,445,602	5,445,602	5,445,602
Trade receivables	-	-	·24,348,846	24,348,846	24,348,846
Financial assets at amortized cost- Treasury bond	-	2,377,355	-	2,377,355	2,377,355
Other receivables	-	-	567,248	567,248	567,248
Total	13,622,427	2,377,355	30,361,696	46,361,478	46,364,478
Liabilities					
Trade and other payables	-	-	6,652,062	6,652,062	6,652,062
Borrowings	-	-	145,575,497	145,575,497	145,575,497
Total	-	-	152,227,558	152,227,558	152,227,558

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

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

2022	Valuation basis/technique	Main assumptions
Deferred Debt – Kenya Power	Discounted cash flow model	Discount rate
Trade receivables	Discounted cash flow model	Discount rate
Financial assets – held-to-maturity	Discounted cash flow model	Market yield of the bond
Other receivables	Discounted cash flow model	Discount rate
Trade and other payables	Discounted cash flow model	Discount rate
Borrowings	Discounted cash flow model	Discount rate

Non-financial assets held at fair value

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

42. Financial risk management (continued)

d) Fair value measurement (continued)

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

Assets	**Level 1 Shs'000**	**Level 2 Shs'000**	**Level 3 Shs'000**	**Total Shs'000**
Year ended 30 June 2022				
Property plant and equipment	-	-	383,110,311	383,110,311
Total assets	-	-	383,110,311	383,110,311
Assets				
Year ended 30 June 2021				
Property plant and equipment	-	-	256,791,614	256,791,614
Total assets	-	-	256,791,614	256,791,614

There were no transfers between levels 1, 2 and 3 in the period (2021: Nil).

Valuation techniques used to determine level 3 fair values

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

Fair value measurements using significant unobservable inputs (level 3)

We have disclosed under Note 15, the changes in level 3 items for the periods ended 30 June 2022 and 30 June 2021 for recurring fair value measurements

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

Description	**Fair value as at 30 June 2022 Shs'000**	**Fair value as at 30 June 2021 Shs'000**	**Unobservable inputs**	**Relationship of unobservable inputs to fair value**
Property plant and equipment	383,110,311	256,791,614	Estimated useful life	The higher the estimated useful life, the higher the fair value

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

43. Capital risk management

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

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

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

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

	2022 Shs'000	**2021 Shs'000 Restated**
Ordinary shares and distributable reserves	146,662,594	141,930,825
Borrowings	134,132,692	145,575,497
Less: cash and bank balances (Note 24)	(13,728,154)	(13,622,427)
Net debt	120,404,538	131,953,070
Gearing ratio	45%	48%

44. Prior year adjustment

Prior period adjustments have been made in relation to various account balances in the statement of financial position and statement of profit and loss and other comprehensive income for the years ending 30 June 2021 and 30 June 2020.

The financial statements for these years have been restated accordingly.

A. **Prior year adjustments**

Prior period adjustments have been made in the statement of financial position and statement of profit or loss for the years ended 30 June 2021 and 30 June 2020 in relation to certain transactions and assets as set out in the table below:

44. Prior year adjustment (Continued)

A. (Continued)

Restatement of audited statement of profit or loss and other comprehensive income for the year ended 30 June 2021.

		Prior year adjustments					
	As previously reported '1 July 2021	*Financial assets held at fair value through profit or loss **	*KPLC-Olkaria V transmission line ***	*KETRACO-Olkaria I & IV transmission lines****	*Loss on disposal of assets *****	*Impairment losses (including reversals of impairment losses/ gains) on financial assets ******	**Restated '1 July 2021**
Other gains – net forex and fair valuation of financial assets	(1,124,821)	(414,925)	-	-	-	-	(1,539,746)
Other Income	(494,748)	-	(58,791)	(179,657)	(2,447)	-	(735,643)
Income tax (charge)/credit	13,573,338	-	(15,450)	52,887	-	-	13,610,775
IFRS 9 allowance for expected credit losses	-	-	(826)	3,367	-	490,655	493,196
Electricity revenue	(35,010,719)	-	109,467	-	-	-	(34,901,252)
Other expenses	3,309,859	-	-	-	2,447	(490,655)	2,821,651

Restatement of audited statement of financial position as at 30 June 2021.

		Prior year adjustment			
	As previously reported '1 July 2021	*Financial assets held at fair value through profit or loss **	*KPLC-Olkaria V transmission line ***	*KETRACO-Olkaria I & IV transmission lines****	**Restated '1 July 2021**
Property, plant and equipment	356,135,475	2,290,305	(1,556,770)	(3,592,849)	353,276,161
Financial assets held at fair value through profit or loss	17,414,952	(7,804,168)	-	-	9,610,784
Financial assets at amortized cost – Non-current asset	3,284,272	-	1,456,363	4,469,586	9,210,221
Retained earnings	(106,633,044)	3,859,745	77,469	(648,738)	(103,344,568)
Deferred income tax	(57,183,276)	1,654,176	7,735	18,795	(55,502,570)
Corporate tax recoverable	385,696	-	15,202	(246,794)	154,104

44. Prior year adjustment (Continued)

A. (Continued)

Restatement of audited statement of financial position as at 30 June 2020.

	As previously reported '1 July 2020	**Prior year adjustment** *Financial assets held at fair value through profit or loss **	*KPLC-Olkaria V transmission line ***	*KETRACO-Olkaria I & IV transmission lines****	**Restated '1 July 2020**
Property, plant and equipment	352,429,914	2,338,974	(1,556,770)	(3,592,849)	349,619,269
Financial assets held at fair value through profit or loss	17,812,336	(8,267,763)	-	-	9,544,573
Financial assets at amortized cost – Non-current asset	3,317,298	-	1,506,212	4,293,296	9,116,806
Retained earnings	(105,443,687)	4,164,994	43,071	(525,335)	(101,760,957)
Deferred income tax	(43,974,146)	1,763,795	7,487	17,785	(42,185,079)
Corporate tax recoverable	305,068	-	-	(192,897)	112,171

Financial assets at fair value through profit or loss
* As at 30 June 2020 and 30 June 2021, unrealized foreign exchange losses arising from foreign currency denominated borrowings of Shs 8,267,763,000 and Shs 7,804,226,001, respectively, were incorrectly recognised as a recoverable asset in the statement of financial position. These amounts have been deemed unrecoverable under the terms of the Power Purchase Agreement (PPA) and therefore the amounts have been adjusted for retrospectively.

Transmission lines - Olkaria V
** As at 30 June 2021 and 30 June 2020, an amount of Shs. 1,556,770,058 relating to the substation and transmission lines for Olkaria V Geothermal Power Plant implemented by the company on behalf of the Kenya Power and Lighting Company Plc (KPLC), were still held under capital work in progress as part of the property, plant and equipment. These have now been transferred from capital work in progress and recognised as contract assets and classified as financial assets held at amortized cost as disclosed in note 18(c) of these financial statements.

Transmission lines - Olkaria 1&IV
*** As at 30 June 2021 and 30 June 2020, transmission lines and power substations for Olkaria 1 & IV constructed by the Company and transferrable to the Kenya Electricity Transmission Company Limited (KETRACO) of Shs. 3,592,849,000 were still held under capital work in progress as part of the property, plant and equipment. These assets have now been transferred from capital work in progress and recognised as contract assets and classified as financial assets held at amortized cost as disclosed in note 18(b) of these financial statements. In line with this accounting treatment, the company has also recognised income related to reimbursable costs retrospectively to match the period when those costs were incurred. This income amounts to Shs 179,656,691 for financial year ended 30 June 2021 and Shs 771,587,031 for the prior periods.

Statement of profit or loss and other comprehensive income

**** For the year ending 30 June 2021, loss on disposal of assets amounting to Shs 2,447,000 was classified under other income in the statement of profit and loss and other comprehensive income. This has now been reclassified and disclosed under other expenses in note 10(e) to reflect a more relevant classification.

***** In addition, for the year ending 30 June 2021, impairment credit losses determined in accordance with IFRS 9 were presented as part of other expenses in the statement of profit or loss and other comprehensive income. These have now been disclosed separately within the statement of profit or loss and other comprehensive income as required by International Accounting Standards No.1, Presentation of Financial Statements. The expected credit losses amount to Shs 601,984,00C (2021 – Shs 493,196,000) as further disclosed in note 10(f).

B. During the year, the following reclassification adjustments have been made to the reported amounts in the financial statements of the prior year.

	As previously reported 1 July 2021 Shs 000	Prior year adjustment Shs 000	Restated 1 July 2021 Shs 000
Statement of financial position			
As at 30 June 2021			
Trade and other payables – Current liabilities	7,023,266	1,091,999	8,115,265
Trade and other payables – Non-current liabilities	2,122,081	(1,091,999)	1,030,082
Restricted cash	-	1,117,241	1,117,241
Cash and bank balances	13,622,427	(1,117,241)	12,505,186

As at 1 July 2020

	As previously reported 1 July 2021 Shs 000	Prior year adjustment Shs 000	Restated 1 July 2021 Shs 000
Trade and other payables – Current liabilities	5,358,822	1,426,676	6,785,498
Trade and other payables – Non-current liabilities	2,284,107	(1,426,676)	857,431
Restricted cash	-	924,965	924,965
Cash and bank balances	5,315,991	(924,966)	4,391,025

The above reclassifications relate to

(i) Trade and other payables – being amounts related to contractors and retention money that were inaccurately classified as non-current liabilities instead of current liabilities in the statement of financial position.

(ii) Restricted cash – being cash held with financial institutions as collateral for car and mortgage facilities offered to the company's staff by these institutions. These were incorrectly presented in the statement of financial position as part of cash and cash equivalents under current assets.

Statement of cash flows

For the year ended 30 June 2021, increase in financial assets at fair value through profit or loss amounting to Shs 115,955,000 (2020 – decrease of Shs 19,910) was classified as part of cash flows related to operating activities instead of financing activities. These assets relate to the financing of exchange differences related to borrowings and therefore the classification has been corrected in the amounts presented in the cash flows for the year ended 30 June 2021.

44. Prior year adjustment (Continued)

C. For the year ending 30 June 2021, dividend per share was incorrectly included on the face of the statement of profit or loss and other comprehensive income. This has now been disclosed in note 14 of the financial statements but not on the face of the statement.

As previously presented;

Earnings per share:	
Basic (Shs per share)	0.18
Dividends per share - (Shs)	0.30

As re-presented;

Earnings per share:	
Basic (Shs per share)	0.18

D. For the year ending 30 June 2021, cash flow generated from financial asset through profit or loss was incorrectly disclosed as a cash flow from operating activities.
This has now been disclosed as a cash flow from financing activities.

Restatement of audited statement of cash flows for the year ended 30 June 2021.

	As previously reported 30 June 2021 Shs 000	**Prior year adjustment Shs 000**	**Restated 30 June 2021 Shs 000**
Net cash generated from operating activities	27,442,928	(115,955)	27,326,973
Net cash used in financing activities	(4,051,898)	115,955	(3,935,943)

Restatement of audited statement of cash flows for the year ended 30 June 2020.

	As previously reported 30 June 2020 Shs 000	**Prior year adjustment Shs 000**	**Restated 30 June 2020 Shs 000**
Net cash generated from operating activities	17,857,335	19,910	17,877,245
Net cash used in financing activities	(4,373,006)	(19,910)	(4,392,916)

44. Prior year adjustment (Continued)

E. As at 30 June 2021 and 30 June 2020, cash held with financial institutions as collateral for car and mortgage facilities offered to the Company's staff by these institutions, was incorrectly presented in the statement of financial position as a current asset.

This has now been correctly disclosed as a non-current asset.

Restatement of audited statement of cash flows for the year ended 30 June 2021.

	As previously reported 30 June 2020 Shs 000	Prior year t adjustmen Shs 000	Restated 30 June 2020 Shs 000
Restricted cash	-	1,117,241	1,117,241
Cash and bank balances	13,622,427	(1,117,241)	12,505,186

Restatement of audited statement of cash flows for the year ended 30 June 2020.

	As previously reported 30 June 2020 Shs 000	Prior year adjustment Shs 000	Restated 30 June 2020 Shs 000
Restricted cash	-	924,965	924,965
Cash and bank balances	5,315,991	(924,966)	4,391,025

45. Subsequent events

There have been some events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30 June 2022. The Managing Director & CEO has been appointed the Cabinet Secretary. New Cabinet Secretaries for the National Treasury and State Department of Energy were also appointed. Mr. Abraham Serem has been appointed Acting Managing Director & CEO on 28th October 2022.

45. Currency

These financial statements are presented in Kenya shillings (Shs' 000).