KenGen

Energy for the nation

Bringing the Promise of a Bright Future

ANNUAL REPORT & FINANCIAL STATEMENTS

Financial year ended 30 June 2010

VISION

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

MISSION

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

CORE VALUES

- Integrity
- Professionalism
- Team Spirit
- Safety Culture

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We are the leading electricity power generation company producing about 80% of electricity through hydro, geothermal, wind and thermal.

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Raslimali za Mwenyehisa

Company Information

Directors	Titus K Mbathi	- Chairman
	Edward Njoroge	- Managing Director & CEO
	Joseph Kinyua	
	Patrick Nyoike	
	Sarah W Wainaina	- Re-appointed on 10 December 2009
	Musa Ndeto	
	George M Njagi	
	Dorcas F Kombo	
	Hedrick Omanwa	- Re-appointed on 10 December 2009
	Henry N M'Narobi	- Re-appointed on 10 December 2009
	Mary G Michieka	- Appointed on 26 February 2010
	Peter Muriithi	- Resigned on 26 February 2010
	Humphrey Muhu	- Alternate to Joseph Kinyua
	John Omenge	- Alternate to Patrick Nyoike

Secretary

Rebecca Miano
Stima Plaza, Kolobot Road
P.O. Box 47936 - 00100 GPO
NAIROBI

Registrar

Image Registrars Limited

Registered Office and Principal Place of Business

Stima Plaza
Kolobot Road, Parklands
P.O. Box 47936 - 00100 GPO
NAIROBI

Bankers

Commercial Bank of Africa Limited

The Co-operative Bank of Kenya Limited

Standard Chartered Bank Kenya Limited

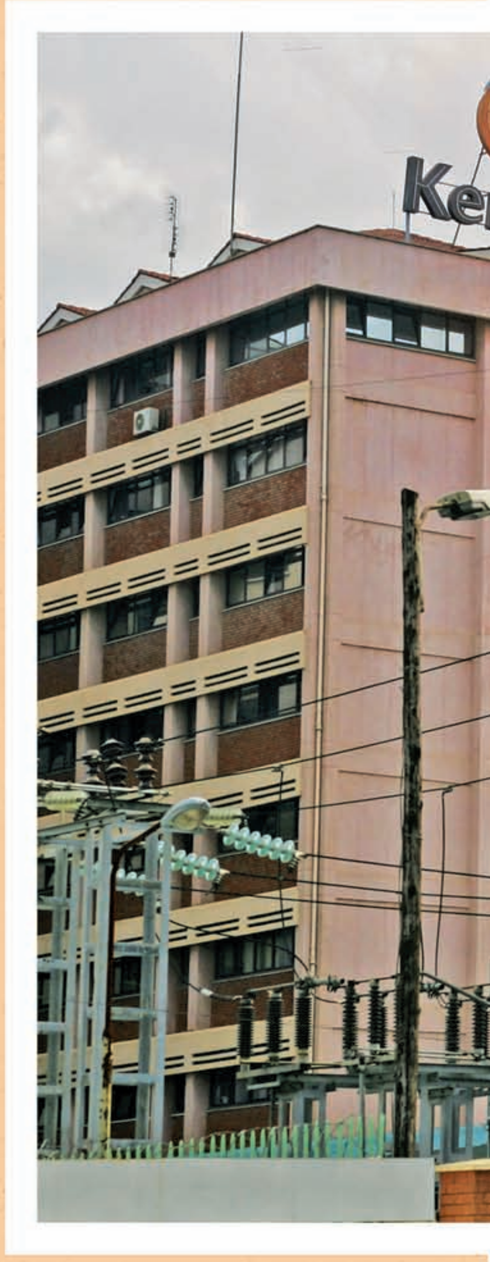
NIC Bank Limited

Kenya Commercial Bank Limited

Citibank NA

CFC Stanbic Bank Limited

Barclays Bank of Kenya Limited

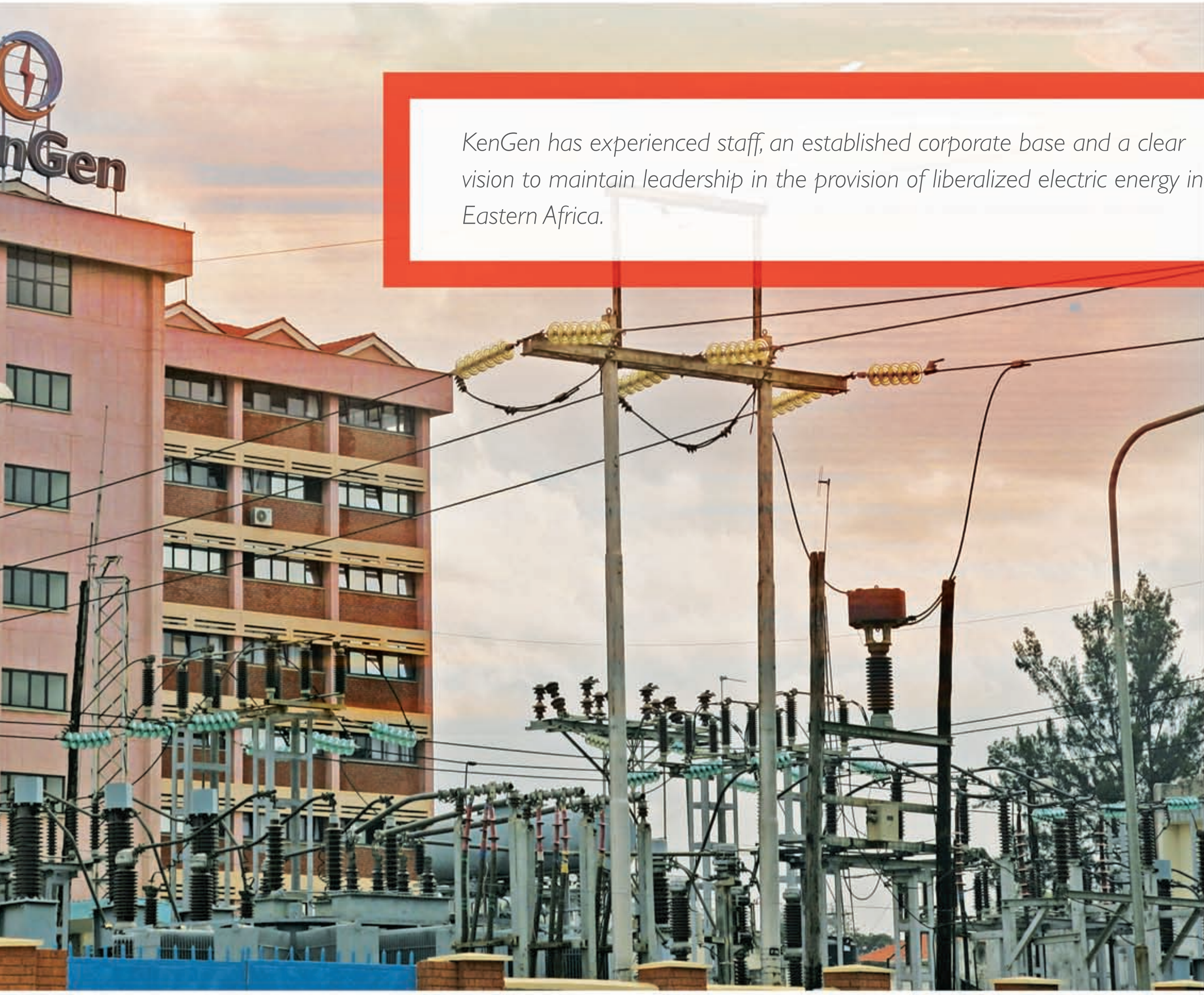


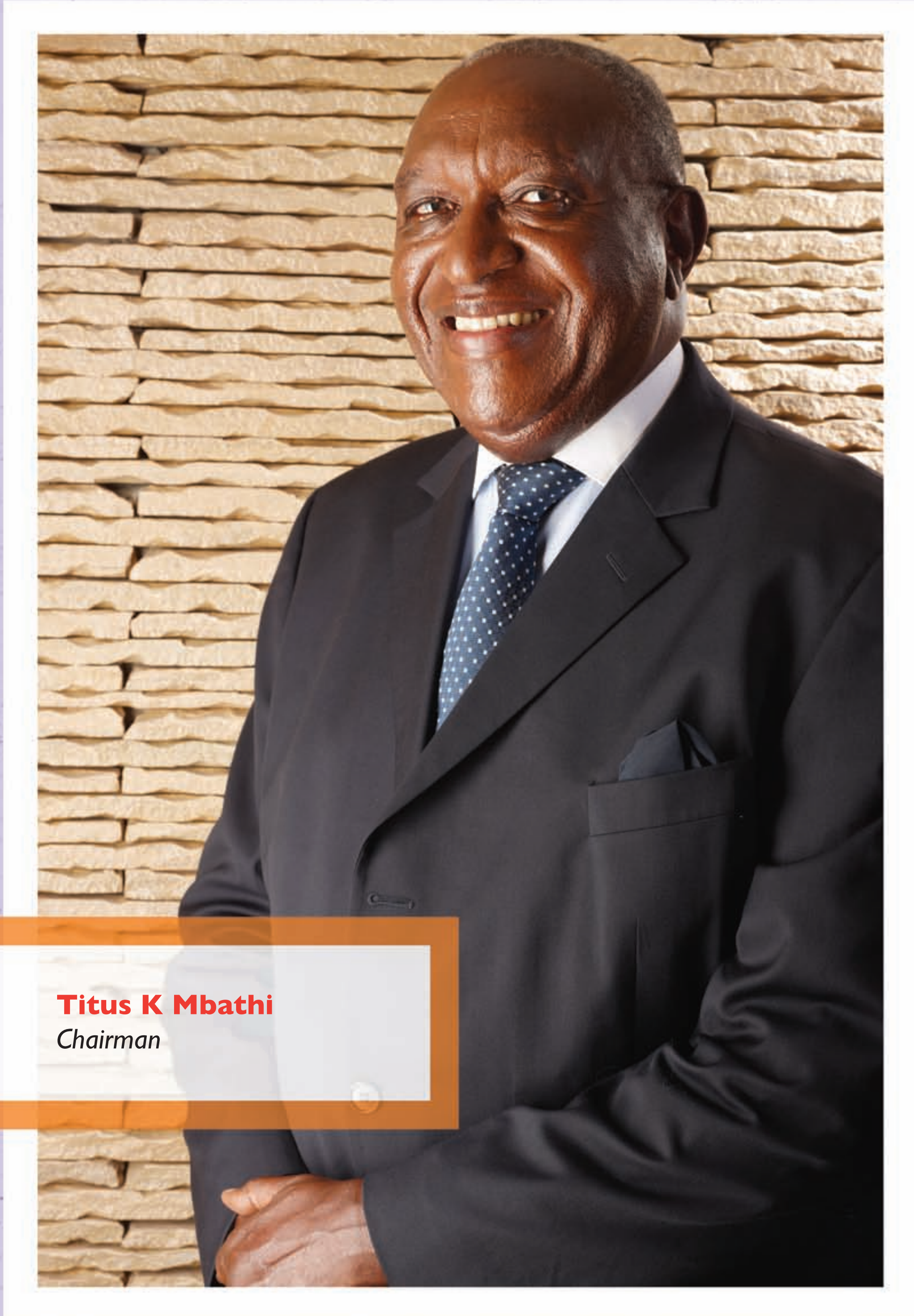
Auditors

Ernst & Young
Kenya-Re Towers, Upperhill
P.O. Box 44286 - 00100 GPO
NAIROBI

On behalf of:
Auditor-General
Anniversary Towers
P.O. Box 30084 - 00100 GPO
NAIROBI

KenGen has experienced staff, an established corporate base and a clear vision to maintain leadership in the provision of liberalized electric energy in Eastern Africa.





Titus K Mbathi
Chairman

Message from the Chairman

It is my pleasure to present to you the Annual Report and Financial Statements for the year ended 30 June 2010.

The global recovery is moving into a more mature phase led by growing domestic demand. Given that Kenya is fairly well integrated into the global economy, recent improvements in advanced economies will benefit Kenya in the short-term through exports, remittances and improved trade.

Kenya's GDP in 2009 grew by 2.6%, which was an improvement from 2008's low of 1.7%. In 2010, the growth is expected to accelerate to 4.5%, as evidenced in the improved performance recorded in the first half of 2010. An improved investment climate and renewed optimism have created gains in different sectors of the economy providing revamped momentum for investment.

Energy is one of the infrastructure enablers of Kenya Vision 2030. Our goal to power the economy continued in earnest with support from the Government in accessing funds for various projects through the Energy and Finance Ministries.

The effects of the drought experienced in 2009 reduced output from the hydro stations, calling for exceptional effort to stay on track and towards prudent management of water resources in the eastern hydros, which was hardest hit by the dry spell. Despite the challenges, we achieved good results and our revenue base remained relatively stable.

We made excellent progress in our quest to deliver 500MW within Horizon I of our G2G transformation strategy with the completion of three power projects yielding 79MW within this financial year. This input is significant for KenGen to increase its reserve margin of 4.5% to cater for possible surges in demand. It is noteworthy that the country's 2009 peak demand of 1,050MW was supported by a supply of 1,480MW. Our long standing strategy is to deliver sustainable and renewable sources of power to meet the ever growing national power demand.

During the year under review, the Company achieved its performance targets as set out in the Performance Contract with the Government in June 2009. We were ranked in the top ten tier of our business class having attained our operational, financial and strategic goals. This performance contracting process has enhanced transparency in the management of our resources, accountability for results and increased shareholder value. The Board is committed to continually demonstrate its capacity and competence to achieve the agreed and freely negotiated performance targets.

During visits to KenGen stations in various parts of the country, I continued to be impressed by the commitment and enthusiasm of employees at all levels. This is an assurance that all of us are focused towards moving KenGen from a Good to a Great Company. We have set for ourselves some challenging targets and given the commitment of our staff and the spirit of innovation that is evident throughout the Company, I am confident we will surely achieve the status of a World Class Great Company.

My appreciation goes out to our business partners and associates, dedicated management team and staff, as well as my fellow directors who have invested ample time and energy in the promotion of the interest of our shareholders. Today, we are hopeful of the positive outlook and prospects lighting up our next growth journey and we urge each and every one of you to continue walking hand-in-hand with us. I thank you all for supporting our Company over the past years and look forward to an exciting and prosperous journey ahead.

Finally, I am pleased to announce that the Board has recommended a dividend payout of KShs 0.50 per share totalling to KShs 1,099 million, which is similar to last year's payout.

Titus K Mbathi, *Chairman*

Ujumbe kutoka kwa Mwenyekiti

Ni fahari yangu kuwasilisha kwenu Taarifa na Hesabu za Kila Mwaka kwa mwaka uliomalizika Juni 30, 2010.

Ufufuaji wa uchumi unaendelea kuimarika kuelekea awamu komavu ikiongozwa na ukuaji wa uchumi nchini. Ikizingatiwa kwamba Kenya imeunganishwa kwa kiasi kikubwa na uchumi wa kimataifa, kuimarika kwa chumi za nchi zilizostawi kutanufaisha Kenya kwa muda mfupi kupitia uuzaji wa bidhaa katika nchi za nje, fedha zinazotumwa na Wakenya wanaoishi ugenini na kuimarika kwa biashara. Jumla ya mapato ya Kenya mnamo 2009 yaliongezeka kwa asilimia 2.6 ambayo iliimarika ikilinganishwa na ile ya chini ya asilimia 1.7 mnamo 2008. Mnamo 2010, ukuaji unatarajiwa kuimarika hadi asilimia 4.5, kama ilivyoshuhudiwa na matokeo bora ya nusu ya kwanza ya 2010. Kuimarika kwa mazingira ya uwekezaji na matumaini mapya yamezalisha matunda katika sekta tofauti za uchumi na kutoa mwelekeo mahususi kwa uwekezaji.

Athari ya kiangazi kilichotokea 2009 zilipunguza uzalishaji kutokana na umeme wa nguvu za maji, na hivyo kuhitaji jitihada za kipekee ili kuendelea na ufanisi na pia usimamizi ufaao wa raslimali za maji katika mabwawa ya mashariki, ambayo yaliathiriwa vibaya zaidi na kiangazi. Licha ya changamoto hizo, tulipata matokeo bora na mapato yetu yalisalia kuwa thabiti. Tulipiga hatua kubwa kwenye azima yetu ya kuzalisha MW500 kwenye Horizon I ya mkakati wetu wa mageuzi kutoka Bora hadi Bora Zaidi kufuatia kukamilishwa kwa miradi mitatu ya umeme iliyozalisha MW79 katika kipindi hiki cha matumizi ya fedha. Nyongeza hii ni muhimu kwa KenGen kuiwezesha kuongeza akiba zake za asilimia 4.5 kushughulikia nyongeza yoyote ya mahitaji. Ni muhimu kufahamu kuwa mahitaji ya juu ya umeme nchini yalifikia MW1,050 ikilinganishwa na kiwango kilichozalishwa cha MW1,480. Mkakati wetu ni kutoa vyanzo vya umeme wa muda mrefu na wa kutegemewa kutosheleza mahitaji ya kitaifa ya umeme yanayozidi kuongezeka.

Wakati wa kipindi tunachotathmini, Kampuni iliafikia malengo yake ya utenda kazi kama yalivyowekwa kwenye Mkataba wa Utenda Kazi na Serikali mnamo Juni 2009. Tulioorodheshwa miongoni mwa mashirika kumi bora kwenye biashara zetu baada ya kuafikia malengo yetu muhimu ya kibiashara, kifedha na mikakati. Mfumo wa kutayarisha Mkataba wa Utenda Kazi umeimarisha uwazi katika usimamizi wa raslimali zetu, uwajibikaji kwa matokeo na nyongeza ya thamani kwa mwenyehisa. Bodi inajitolea kuendelea kudhihirisha uwezo wake wa kufikia malengo ya utenda kazi yaliyojadiliwa na kukubaliwa kwa hiari.

Wakati wa ziara zangu katika vituo tofauti vya KenGen katika sehemu tofauti za nchi, ninaendelea kufurahishwa na bidii na kujitolea kwa wafanya kazi katika viwango vyote. Hili ni hakikisho kwamba sote tunalenga kusogeza KenGen kutoka Kampuni Bora hadi Bora Zaidi. Tumejiwekea malengo makuu na kutokana na kujitolea kwa wafanya kazi wetu na moyo wa ubunifu unaoshuhudiwa kote katika Kampuni, nina imani bila shaka tutafikia hadhi ya Kampuni kubwa ya Kimataifa.

Shukrani zangu zinawaendea wenzetu na washirika wa kibiashara, wasimamizi na wafanya kazi waliojitolea kazini, pamoja na wakurugenzi wenzangu ambao wametumia muda na nguvu zao kwa manufaa ya maslahi ya wenyehisa wetu. Leo hii, tuna matumaini kwa siku za baadaye na matarajio yatakayoangazia safari yetu ijayo ya ukuaji, na tunahimiza kila mmoja wetu kuendelea kutembea sako kwa bako nazi. Nawashukuru nyote kwa kuendelea kuunga mkono Kampuni yetu kwa miaka iliyopita na tunatazamia safari yenye ufanisi na ya kusisimua siku zijazo.

Mwisho, nina furaha kutangaza kuwa Bodi imependekeza malipo ya mgao wa faida wa Sh,0.50 kwa kila hisa ya jumla ya Sh. 1,099 milioni ambayo ni asilimia sawa ikilinganishwa na malipo ya mwaka uliopita.

Titus K Mbathi, *Mwenyekiti*

Edward Njoroge
Managing Director & CEO

Message from the Managing Director & Chief Executive Officer

Dear Shareholders,

Last year, the global economy was beset by a financial crisis to an extent that people almost lost faith in the principles of free market economy. Despite this setback, we remained resilient throughout the year making strategic investments to generate strong growth for the future.

We stayed focused on our Good-to-Great Transformation journey and managed to secure some US$920 million and US$ 330 million from the Development Financial Institutions (DFIs) and from Infrastructure Bond respectively to finance our ambitious Horizon I projects.

Navigating Uncharted Waters:

On 9 November 2009, and in the middle of the financial crisis, we successfully listed the Public Infrastructure Bond Offer (PIBO) on the Nairobi Stock Exchange (NSE). The aim was to acquire funds quickly and accelerate our generation growth. Raising over KShs 26 billion with an oversubscription of 106 percent, we became the leader in the corporate bond market.

At KenGen, we have made a choice, "make a life by what we give". We endeavour to balance out critical levers of providing adequate power supply to Kenyans at a competitive price, and at the same time create a sustainable value for our shareholders.

This revolution was important to us ensuring full disclosure and transparency in the trading of this landmark Bond but also invigorating and strengthening the bond market in Kenya that KenGen would tap into the future. With proceeds of Kshs.25 billion, we had the highest single bond issue in the history of the NSE and are proud to be a trendsetter.

We will continue to develop innovative financial solutions to expand our generation capacity within the capital markets and beyond to meet the power needs of our people.

Financial Results:

Pursuant to our expansion program, our capital expenditure increased from KShs 4,731million to KShs13,361 million an increase of KShs 8,629 million this year. More investment went to Olkaria II 3rd Unit, Redevelopment of Tana, Kiambere Upgrading, initial expenditures on Kipevu III 120MW thermal plant, 70MW Wellhead geothermal plants and Olkaria I&IV 280MW geothermal plants.

Non-current liabilities rose from KShs 39,423 million to KShs 73,327 million, an increase of KShs,33,904 million mainly due to receipts of new borrowings from Japan International Corporation Agency (JICA), French Development Agency (AfD), European Investment Bank (EIB) and PIBO funds. An amount of KShs 818 million was spent on repayment of our loans.

Total revenue from electricity sales (capacity and energy) decreased from KShs 12,652 million to KShs 11,143 million, a decrease of 12%. Poor hydrological conditions in the third and fourth quarter of last year reduced hydro output by 690Gwhrs. The consequence was also reduction in capacity availability revenues.

Profit after tax declined from KShs 2,071 million to KShs 1,957 million, a decrease of KShs 114 million or 6% due to a reduction in both capacity and energy sales. There was a marginal increase in operating expenses partly due to new staff engagement.

Stepping Forward in the Next Decade:

At KenGen, we have made a choice, "make a life by what we give". We endeavour to balance out critical levers of providing adequate power supply to Kenyans at a competitive price and at the same time create a sustainable value for our shareholders.

Our goal in the next decade is to increase generation capacity by 2,000MW. To achieve this, we must sustain financial stability. KenGen's successful Infrastructure Bond together with significant commitment of over KShs 74 billion from development partners are important milestones in financing the ambitious expansion program.

We are building a solid foundation for growth and our transformation strategy is well positioned to deliver the desired growth targets. Our focus is on four core strengths which will actualise our vision: deliver on capital planning and execution of new projects, regulatory management, achieve operational excellence and improve organizational effectiveness.

Since we began our Good-to-Great Transformation journey in 2007, we have made great strides. Sondu Miriu 60MW came on board in March 2008, Kiambere Optimization 24MW was completed in October 2009, Ngong Wind Phase I ~ 5.1MW was put into operation in August 2009 and plans are underway to boost wind generation at Ngong by a further 20.4MW by 2012.

Olkaria II 3rd Unit 35MW was commissioned on 12 May 2010 and Tana Redevelopment 20MW is undergoing trial tests. We plan to start commercial tests for Kipevu III 120MW thermal plant by January 2011.

We are on course to deliver the Horizon I target of 500MW by 2012. Sangoro 21MW, Eburru 2.5MW, Kindaruma 24MW and Wellhead Technology 70MW are all scheduled for commissioning by 2012. Our flagship base-load geothermal power plant - Olkaria I and Olkaria IV 280MW is slated for commissioning by 2013. Detailed wind feasibility studies are ongoing alongside studies on potential hydro sites, solar and municipal waste-to-electricity.

In Horizon II, our focus is to develop 1,260MW from geothermal, a 600MW coal joint venture and over 100MW of wind by 2018.

Core Strengths for Growth:

Since 2008, the electricity regulations in Kenya allow for a Power Purchase Agreement (PPA) for each new power plant developed. The payment of bulk electricity supply is based on performance of the power plant – capacity availability and energy generated. This regime guarantees our revenues based on agreed levels of availability and presents a new way of managing our plants. All staff involved in plant operations are being trained on implementation of these Power Purchase Agreements (PPAs) to ensure that KenGen delivers on the PPA targets and gain maximum revenues through minimal capacity adjustments.

Negotiations to obtain PPAs with Kenya Power & Lighting Company (KPLC) on Kipevu III 120MW thermal, Well-Head 70MW geothermal, Ngong 20.4MW wind and Olkaria I & IV 280MW forward PPAs are ongoing. The contract for the 110 MW Emergency Power Plant expired on the 31 March 2010 and the same has now been retired. An additional 80 MW is to be retired soon and the final 60MW will expire in Nov 2010. We are also engaging with our stakeholders in a drive to improve the current power sector setup and deregulation process.

Optimal usage of resources, high availability of our plants and efficiency of our operations are core strengths that will propel KenGen to a world class utility. A utility that is a trusted partner by customers; a utility that has the best market insights; a utility that matches global best practice; a utility that is risk conscious and that delivers performance at all times.

We are enhancing the operational efficiency of the power plants by implementing Condition-Based Maintenance (CBM) and optimization principles which ensure reduction of costs. In tandem, we are pursuing best practices of fuel management which is our biggest spend.

Procurement accounts form a large proportion of our operational expenditure. To ensure that the Company gets the best return on investment in the procurement process, we have identified opportunities to reduce costs by focusing on three key initiatives - the annual procurement planning, purchasing and continuous monitoring. In our tendering process, we have deployed a supplier selection system based on total cost of ownership or lifecycle costs and adopted best practice in procurement documentation.

Moving forward, KenGen is actively pursuing cost reduction measures requiring all business units to implement direct cost-cutting and efficiency initiatives as part of annual deliverables. To anchor the operational effectiveness, we have remained ISO certified and continuously pursue the principles and objectives of the ISO Quality Management System.

Anchoring Performance:

KenGen employees are a key driver in achievement of our corporate goals. We have embarked on a Job Analysis exercise to re-assess the skill-sets required to transform KenGen into a Great Company. During the year, strong emphasis was placed on promoting a culture of accountability through a revamped performance appraisal process. We have defined governance structures to create a results-based organization. Performance boards continue to be in use as a platform for team weekly performance reviews and a mentoring opportunity.

By establishing an effective organisation and a company culture that is tightly linked to our vision, we hope to inspire and motivate staff to new levels of innovation, productivity, excellence in execution and business results. I believe the years ahead have the potential to be one of the strongest decades of growth in KenGen's history. The opportunities are there, we have the right strategies, capabilities and plans. We have the human capital and conducive work environment to inspire performance and bridge our strategy execution gap.

To leverage on Information and Communication Technology (ICT) and ensure efficiency of our business processes, we have invested in an Enterprise Resource Planning (ERP) System which will result in availability of crucial business data in real time. With the implementation of ERP, all business units will be working in an integrated manner and business decisions will be made faster. This implementation will also ensure continuous real-time monitoring and evaluation of our entire business performance. The Business Intelligence (BI) module will provide the top management with a dash board view of business performance to enhance timely and quick decision making.

This is in line with our transformation strategy to ensure that KenGen adopts best practice in ICT which is no doubt one of the key drivers of modern organizations. We have also rolled out a unified communication technology system that has greatly improved the efficiency of internal communication and has cut down on costs.

Towards a Green Economy:

KenGen is in full compliance with the Environmental Laws and promptly undertakes Environmental & Social Impact Assessments for new sites as required. We have instituted conservation projects and programs across the country. The review of KenGen's Catchment Rehabilitation Program has been completed and implementation is expected to commence in earnest. We continue to make significant progress in enhancing the environmental performance of our existing installations. The ISO 14001 certification is a key enabler in our environmental management efforts.

Climate change is the biggest global environmental challenge. KenGen's intention is to reduce its carbon dioxide (CO_2) footprint by investing in green sources of electricity. By 2018, we expect to have increased our geothermal power generation portfolio to 50% from the current 11% and play our role in the green economy that Kenya aspires to be by 2020.

We anticipate to start receiving the carbon proceeds by next year from the recent renewable projects that we have commissioned.

Outlook:

In driving KenGen forward, we will retain our disciplined approach to build a strong foundation for business sustainability. We shall continue to invest in research and development in technology as we venture into new sources of power such as solar, thermal and wind. Nuclear energy is also on our cards in line with the national Least Cost Power Development Plan (LCPDP) and Kenya's Vision 2030.

At this pivotal point, when the country is gearing up for social economic transformation, we remain committed to a competitive, profitable and sustainable future.

Edward Njoroge, *Managing Director & CEO*

Ujumbe kutoka kwa Mkurugenzi Mkuu na Afisa Mkuu Mtendaji

Wenyehisa Wapendwa,

Mwaka uliopita, uchumi wa kimataifa ulipigwa kumbo na msukosuko wa kifedha kiasi kwamba, wengi nusura wapoteze imani kwa mifumo ya soko huria. Licha ya kizingiti hicho, tulisalia imara mwaka huo wote huku tukiwekeza kwenye miradi muhimu itakayozalisha ukuaji madhubuti siku za usoni.

Tuliangazia safari yetu ya mageuzi kutoka Bora hadi Bora zaidi na kufanikiwa kupata Dola 920 milioni na Dola 330 milioni kutoka kwa Taasisi za Kifedha za Maendeleo na Hati ya Dhamana ya Miundomsingi mtawalia, kufadhili miradi yetu mikuu ya Horizon I.

Uvumbuzi:

Mnamo Novemba 9, 2009, na katikati ya msukosuko wa kifedha, tulifanikiwa kuorodhesha Toleo la Miundomsingi Kwa Umma (PIBO) kwenye Soko la Hisa la Nairobi (NSE). Lengo lilikuwa kupata fedha kwa haraka na kuharakisha uwezo wetu wa uzalishaji umeme. Baada ya kupata Sh26bilioni huku waliowasilisha maombi wakizidi kwa asilimia 106, tuliongoza kwenye soko la dhamana kwa makampuni.

Mabadiliko haya yalikuwa muhimu kwetu kuhakikisha maelezo kamili na uwazi katika uuzaji wa dhamana hii ya kihistoria, na pia kusisimua na kuimarisha Soko la Dhamana Kenya ambalo KenGen inaweza kutumia siku za usoni. Kutokana na mapato ya Sh 26bilioni, tulikuwa na toleo kubwa zaidi la dhamana katika historia ya NSE na tunajivunia kuwa viongozi. Tutaendelea kutafuta suluhisho kwa mahitaji yetu ya kifedha ili kupanua uwezo wetu wa uzalishaji katika masoko ya mtaji na hata zaidi kutosheleza mahitaji ya watu wetu.

Matokeo ya Kifedha:

Kwa kufuatilia mpango wetu wa upanuzi, matumizi yetu ya Mtaji yaliongezeka kutoka Sh4,731milioni hadi Sh13,361 milioni, nyongeza ya Sh8,629 milioni mwaka huu. Kulikuwa na uwekezaji zaidi katika Olkaria II, kitengo cha tatu, ustawi upya wa Tana, kuimarishwa kwa Kiambere, matumizi ya kwanza kwenye kituo cha kuzalisha MW120 za Umemejoto cha Kipevu III, viwanda vya kuzalisha MW70 za umememvuke cha Wellhead na viwanda vya umememvuke vya kuzalisha MW 280 vya Olkaria I na IV.

Madeni ya awali yaliongezeka kutoka Sh39,423 milioni hadi Sh73,327 milioni, nyongeza ya Sh33,904 milioni hasa kutokana na mikopo mipya kutoka kwa Japan International Corporation Agency (JICA), French Development Agency (AfD) , European Investment Bank (EIB) na hazina za PIBO. Kiasi cha Sh818 milioni kilitumika kwa malipo ya mikopo yetu.

Jumla ya mapato kutoka kwa mauzo ya stima (mitambo na kawi) yalipungua kutoka Sh12,652 milioni hadi Sh11,143 milioni, upungufu wa asilimia 12. Hali ya kiangazi katika miezi mitatu ya kwanza ya mwaka na ile mitatu ya mwisho mwaka uliopita ilipunguza uzalishaji wa umeme kwa nguvu za maji kwa Gwhrs690. Matokeo yake ni kupungua kwa mapato kutokana na uzalishaji duni.

Faida baada ya ushuru ilipungua kutoka Sh2,071 milioni hadi Sh1,957 milioni, upungufu wa Sh114 milioni au asilimia 6 kutokana na kupungua kwa kiwango cha uzalishaji na pia mauzo ya kawi. Kulikuwa na nyongeza ndogo ya gharama za utenda kazi hasa kutokana na kuajiriwa kwa wafanya kazi wapya.

Kuelekea Mwongo Mpya Ujao:

Shabaha yetu katika mwongo ujao ni kuongeza uzalishaji wetu kwa MW2,000. Kufanikisha hili, tunapasa kudumisha uthabiti wa kifedha.Toleo la Dhamana la Miundomsingi la KenGen lililofanikiwa pamoja na udhamini wa zaidi ya Sh74bilioni kutoka kwa washirika wetu wa kimaendeleo ni matukio muhimu ya kihistoria katika kufadhili mpango wetu mkubwa wa upanuzi. Tunajenga msingi thabiti kwa ustawi na mkakati wetu wa mageuzi umo kwenye nafasi bora ya kutoa malengo ya ukuaji yanayohitajika. Malengo yetu yamejikita kwenye nguzo nne kuu ambazo zitafanikisha maono yetu: kupanga na kuanzisha miradi mipya, usimamizi wa kisheria, kuafikia utenda kazi bora na kuimarisha ufanisi wa kampuni.

Tangu tuanzie safari yetu ya kutoka Kampuni Bora hadi Bora Zaidi mnamo 2007, tumepiga hatua kubwa. Sondu Miriu inayozalisha MW60 ilizinduliwa mnamo Machi 2008, ule mradi wa kuzalisha umeme zaidi wa MW24 wa Kiambere Optimization ulikamilika mnamo Oktoba 2009, ule wa kuzalisha umeme kupitia upepo wa MW1-5 Ngong ulianza kutekelezwa mnamo Agosti 2009 na mipango imo njiani kuimarisha uzalishaji wa MW20.4 zaidi za umeme kupitia upepo katika Ngong kufikia 2012. Kiwanda cha tatu cha Olkaria II cha kuzalisha MW 35 kilizinduliwa mnamo Mei 12, 2010 na mradi wa kustawisha Tana utakaozalisha MW20 unaendelea na majaribio. Tunapanga kuanzisha majaribio ya kibiashara katika kiwanda cha Umemejoto cha Kipevu III kitakachozalisha MW120 kufikia Januari 2011.

Tumo mbioni kuzalisha MW500 katika Horizon I kufikia 2012. Kiwanda cha kuzalisha MW21 cha Sangoro, kile cha MW2.5 cha Eburru, MW24 cha Kindaruma na MW70 cha Wellhead Technology zote zinapangiwa kuzinduliwa mnamo 2012. Kiwanda chetu kikuu cha umememvuke cha kuzalisha MW280 cha Olkaria I na Olkaria IV kinapangiwa kuzinduliwa kufikia 2013. Uchunguzi wa kina kuhusu uzalishaji wa umeme kupitia upepo sambamba na vituo vya uzalishaji kutokana na maji, jua na mabaki mitaani unaendelea. Katika Horizon II, lengo letu ni kustawisha MW1,260 kutoka umemejoto, MW600 za mradi wa pamoja wa makaa na zaidi ya MW100 kutoka upepo kufikia 2018.

Nguzo Zetu za Ustawi:

Tangu 2008, kanuni za umeme nchini zinaruhusu Mkataba wa Ununuzi wa Umeme kwa kila kiwanda kipya cha umeme kilichostawishwa. Malipo kwa ugawaji wa kiasi kikubwa cha umeme yanategemea utenda kazi wa kiwanda hicho- uwezo wa kuzalisha na umeme uliopatikana. Mpangilio huu unatuhakikishia mapato yetu kwa kutegemea viwango vilivyokubaliwa na hutoa fursa mpya ya kusimamia viwanda vyetu. Wafanya kazi wote wanaohusika kwenye huduma za viwanda wanaendelea kupokea mafunzo kuhusu utekelezaji wa Mikataba ya Ununuzi wa Umeme (PPA) kuhakikisha KenGen inatimiza viwango vya PPA na kupata mapato makubwa kupitia mabadiliko madogo ya kimitambo.

Mashauriano ya kupata PPA mpya na Kenya Power & Lighting Company (KPLC) kuhusu kiwanda cha Kipevu III cha umemejoto cha kuzalisha MW120, kile cha kuzalisha MW70 cha umememvuke cha Wellhead, kile cha kuzalisha MW20.4 cha upepo cha Ngong' na Olkaria I na IV kitakachozalisha MW280 yanaendelea. Kandarasi ya Kiwanda cha Umeme wa Dharura cha MW110 ilimalizika mnamo Machi 31, 2010 na sasa imesitishwa. MW80 zaidi zitasitishwa hivi karibuni na MW60 za mwisho zitasimamishwa mnamo Novemba 2010. Tunaendelea kushauriana na washikadau wetu katika jitihada za kuimarisha mpangilio wa sasa wa sekta ya kawi na utaratibu wa kukabiliana na ushindani.

Matumizi yafaayo ya raslimali, kuwepo kwa viwanda vyetu na ubora wa huduma zetu ni nguzo zetu kuu zitakazoelekeza KenGen kuwa kampuni ya kimataifa. Kampuni ambayo ni mshirika wa kutegemewa na wateja, kampuni yenye maono bora zaidi kibiashara; kampuni inayofahamu kuhusu hatari zilizopo na hufanikisha malengo yake nyakati zote. Tunaimarisha utenda kazi wa viwanda vya umeme kwa kutekeleza Ukarabati-wa Kutegemea Hali (CBM) na mbinu bora za huduma ambazo zitapunguza gharama. Kwa pamoja, tunazingatia mbinu zifaazo katika usimamizi wa mafuta ambayo ndio gharama yetu kubwa zaidi.

Ununuzi ni sehemu kubwa ya gharama za utenda kazi. Ili kuhakikisha Kampuni inapata faida kwa uwekezaji wake katika utaratibu wa ununuzi, tumetambua nafasi za kupunguza gharama kwa kuangazia nyanja tatu muhimu-mipango ya ununuzi wa kila mwaka, ununuzi na uchunguzi wa mara kwa mara. Katika utaratibu wetu wa kutoa tenda, tumezingatia mfumo wa kuchagua wauzaji unaotegemea gharama ya jumla ya umiliki au gharama anuwai za maisha na kuzingatia viwango bora vya kuhifadhi stakabadhi za ununuzi.

Kuendelea mbele, KenGen inafuatilia hatua za kupunguza gharama ambazo zinahitaji vitengo vyote vya kibiashara kutekeleza mikakati ya kupunguza gharama moja kwa moja na kuimarisha utenda kazi kama sehemu ya matokeo ya kila mwaka. Ili kudumisha utenda kazi bora, tumezingatia viwango bora vya utenda kazi vya ISO na hufuatilia mifumo na malengo ya Mfumo wa Usimamizi Bora wa ISO.

Kudumisha Matokeo Bora:

Wafanya kazi wa KenGen ni tegemeo kuu katika ufanisi wa malengo yetu kama shirika. Tumeanza shughuli ya kuchanganua Kazi ili kutathmini vipawa vinavyohitajika kugeuza KenGen kuwa Kampuni Bora Zaidi. Mwaka uliopita, tulitilia mkazo hali ya kuimarisha uwajibikaji kupitia kwa utaratibu uliofufuliwa upya wa kukadiria utenda kazi. Tumefafanua mifumo ya usimamizi kuunda shirika linalotegemea matokeo. Bodi za utenda kazi zitaendelea kutumika kama jukwaa kwa tathmini za utenda kazi wa kila wiki na nafasi ya unasihi.

Kwa kuanzisha shirika lililofaulu na desturi ya Kampuni ambayo inaambatana vyema na maono yetu, tunatarajia kutia shime na kuwapa moyo wafanya kazi wetu kufikia viwango vipya vya ubunifu, uzalishaji, ubinafsishaji na utekelezaji kwa matokeo bora ya kibiashara. Naamini miaka ijayo ina fursa ya kuwa kati ya miongo thabiti ya ukuaji katika historia ya KenGen. Nafasi zipo na tuna mikakati ifaayo, uwezo na mipango. Tuna wafanya kazi na mazingira yafaayo ya utenda kazi ya kuchochea utenda kazi na kuziba mwanya kwenye mkakati wetu wa utekelezaji.

Ili kunufaika na Teknolojia ya Mawasiliano (ICT) na kuhakikisha ufanisi wa taratibu zetu za kibiashara, tumewekeza katika Mfumo wa Mpango wa Kibiashara wa Raslimali (ERP) ambao utawezesha kupatikana kwa data muhimu ya kibiashara kwa wakati ufaao. Kutokana na utekelezaji wa ERP, vitengo vyote vya kibiashara vitakuwa vikihudumu kwa njia iliyofungamanishwa, na maamuzi ya kibiashara yatafanywa kwa njia ya haraka. Utekelezaji huu pia utahakikisha uchunguzi wa mara kwa mara na tathmini ya utenda kazi wa jumla wa biashara zetu. Kitengo cha Ujasusi wa Kibiashara (BI) kitawapa wasimamizi wakuu mtazamo wa jumla kibiashara ili kuiwezesha kufanya maamuzi yafaayo na kwa wakati unaofaa. Hii ni sambamba na mkakati wetu wa mageuzi kuhakikisha KenGen inatumia Teknolojia ya Kisasa ambayo bila shaka ni mojawapo ya nguzo muhimu katika mashirika ya kisasa. Tumezindua pia mfumo wa pamoja wa teknolojia ya mawasiliano ambao umeimarisha kwa kiwango kikubwa mawasiliano ya ndani na umepunguza gharama.

Kuelekea Uchumi wa Kimazingira:

KenGen inazingatia kwa dhati Sheria za Mazingira na hufanya Tathmini za Kimazingira na Kijamii kwa maeneo mapya kama inavyohitajika. Tumeanzisha miradi na mipango ya utunzaji wa mazingira kote nchini. Mpango wa kuhifadhi eneo la chemchemi la KenGen umekamilika na utekelezaji wake unatarajiwa kuanza wakati wowote. Tunaendelea kupiga hatua katika utunzaji mazingira katika vituo vyetu vyote. Viwango vya Usimamizi vya ISO 14001 ni kigezo muhimu katika jitihada zetu za utunzaji wa mazingira.

Mabadiliko ya hali ya anga ni changamoto kubwa zaidi ya kimazingira duniani. Lengo la KenGen ni kupunguza kiwango chake cha hewa ya kaboni (CO2) kwa kuwekeza katika vyanzo vya uzalishaji umeme ambavyo haviharibu mazingira. Kufikia 2018, tunatarajia kuongeza uwezo wetu wa uzalishaji umememvuke hadi asilimia 50 kutoka kiwango cha sasa cha asilimia 11 na kutekeleza wajibu muhimu kufanikisha uchumi unaotunza mazingira ambao Kenya inaazimia kufikia 2020. Tuna matumaini makuu ya kuanza kupokea malipo ya kaboni kwanzia mwaka ujao kutokana na miradi ya kuhifadhi mazingira ambayo tumeanzisha.

Matarajio:

Ili kuendesha KenGen mbele, tutaendelea kudumisha mbinu yetu ya kujenga msingi imara kwa biashara ya kutegemewa. Tutaendelea kuwekeza katika utafiti na maendeleo katika teknlojia huku tukijaribu vyanzo vipya vya umeme kama vile jua, umemejoto na upepo. Kawi ya nuklia pia imo kwenye mipango yetu sambamba na Mpango wa Kustawisha Uzalishaji Umeme kwa Gharama ya Chini (LCPDP) na Ruwaza ya 2030 ya Kenya.

Katika kipindi hiki muhimu, wakati nchi yetu inajiandaa kwa mabadiliko ya kijamii na kiuchumi, tunatarajia siku za usoni zenye ushindani, zenye faida na za kutegemewa.

Edward Njoroge, *Mkurugeni Mkuu na Afisa Mkuu Mtendaji*

Board of Directors




From L to R Titus K Mbathi, Edward Njoroge, Joseph Kinyua, Patrick Nyoike, Sarah W Wainaina, George M Njagi, Musa Ndeto

Hon. Titus K Mbathi, EGH

Hon. Mbathi, Chairman of the Board, aged 81 years, holds a BA (Hons) Economics degree, from Madras University, India and an MA degree in Economics from New York University, USA. He has previously been a Minister of Labour and Permanent Secretary in various ministries and served on several boards. Hon. Mbathi is currently a Director of Athi River Mining Ltd, Platinum Credit Ltd, Agripro Kenya Limited and several other companies.

Edward Njoroge, EBS

Mr Njoroge, 57 years, a holder of BSc (Hons) Chemistry from Makerere University, has been the Managing Director & CEO since 2003. He is the current Chairman of the Nairobi Stock Exchange as well as President of the Union of Producers, Distributors and Transporters of Electric Power in Africa (UPDEA). He is also the Chairman of the Kenyan chapter of the World Energy Council (WEC). He holds other directorships in CFC Stanbic Bank Kenya, Abcon Limited, REAL Insurance Company Limited, Proctor & Allan (EA) Limited and other leading enterprises in Eastern Africa.

Joseph Kinyua, CBS

Mr. Kinyua, aged 59 years, is the Permanent Secretary, Ministry of Finance and holds BA (Econ) & MA (Econ) from the University of Nairobi. He has previously held senior positions in the Central Bank of Kenya, International Monetary Fund and various government ministries. He has served as Permanent Secretary in the Ministries of Planning and National Development and Agriculture. He is a Director of several State Corporation Boards and is an Alternate Governor on the World Bank Board of Governors. He is currently the Chairman of the East African Development Bank. Mr. Kinyua is a member of the Board, Audit & Risk Management, Strategy and Public Infrastructure Bond Committees.




Patrick Nyoike, CBS

Mr. Nyoike, aged 62 years, is currently the Permanent Secretary, Ministry of Energy and holds a BSc(Hons) in Mathematics and Physics from the University of Ghana and a BPhil (Econ) from the University of Nairobi. He has previously held senior positions in various ministries including Finance and Energy. He is a Director of several State Corporation Boards. He has written several papers on energy some of which have been published in the course of his long civil service career. Mr. Nyoike is a member of the Board Strategy and Staff Committees.

Sarah W Wainaina, HSC

Ms. Wainaina, aged 68 years, holds a Bachelor of Arts degree from Morningside College, Iowa, USA and postgraduate studies in Anti-trust Law, Micro Economics and Development Policy from Harvard University. Ms. Wainaina has a wealth of experience in civil service and was previously the Price Controller and later the Commissioner of Monopolies & Prices. She is a member of the Board of Governors of Kirangari High School. Ms. Wainaina is a member of the Procurement Oversight, G2G Steering, Public Infrastructure Bond Committees and the Chairperson of the Board Strategy Committee.

George M Njagi

Mr. Njagi, aged 63 years, is a former Deputy Secretary, Ministry of Transport and Communications with a wealth of experience in civil aviation and air transport. He was the Secretary/CEO of the defunct Civil Aviation Board. He has also served as an alternate director of Kenya Airports Authority. His qualifications include certificates in basic and advanced training in air traffic control from the East African School of Aviation and Copenhagen, Denmark among other specialised training in Luxembourg, Canada and UK. Mr. Njagi is a member of the Board Audit & Risk Management, G2G Steering, Public Infrastructure Bond Committees and the Chairman of the Staff Committee of the Board.

From L to R Dorcas F Kombo, Hedrick Omanwa, Henry M'Narobi, Mary G Michieka, Humphrey Muhu, John Omenge




Musa Ndeto

Mr. Ndeto, aged 58 years, holds a BSc (Hons) in Electrical Engineering from the University of Nairobi and is a Member of Electrical Engineers of United Kingdom (MIEE). He also holds a Masters in Business Administration (Strategic Management) and Masters of Business Administration (Finance). He is also a Director of Kenya Commercial Bank and is currently in private practice. Mr. Ndeto is a member of the Board Strategy, Public Infrastructure Bond Committees and the Chairman of both the Board G2G Steering and Procurement Oversight Committees.

Dorcas F Kombo

Mrs. Kombo, aged 56 years, is a Fellow, Chartered Association of Certified Accountants, an Associate of the Institute of Certified Public Accountants of Kenya and a Member of the Institute of Certified Public Secretaries of Kenya. She is currently a Management Consultant and has extensive experience in audit and restructuring both public and private organisations across Africa. She is a director of Metis Consulting, Eleven Ninety One Coffee Estates Limited, Namenge Brothers Limited and Menena Development. She is a Trustee of Kenya Medical Women's Association (KEMWA). Mrs. Kombo is a member of the Board Staff, Procurement Oversight, Public Infrastructure Bond Committees and the Chairperson of the Board Audit & Risk Management Committee.

Hedrick M Omanwa

Mr. Omanwa, aged 45 years, holds a. BCom degree and MBA from University of Nairobi. He is a member of both the Institute of Certified Public Accountants and the Institute of Certified Public Secretaries of Kenya. He is the Managing Partner of Omanwa & Associates, an audit and consultancy firm. Mr. Omanwa is a member of the Board Audit & Risk Management, Staff and Procurement Oversight Committees.

Henry N M'Narobi, MBS

Mr. M'Narobi, aged 64 years, holds a BA (Hons) degree from University of Nairobi. He has held senior positions in both the government and international organisations and served the African Development Bank in Abidjan for 14 years. He is the Chairman of the Presbyterian Foundation, chairman/member of the Boards of Governors for several schools & hospitals in Kenya and the Chairman of Rubate Teachers' Training College. He has also assisted in projects catering for the needs of the Liberian refugees in Cote D'Ivoire. Mr. M'Narobi is a member of the Strategy, Audit & Risk Management, G2G Steering Committees and is the Chairman of the Board Public Infrastructure Bond Committee.

Mary G Michieka

Mrs. Michieka, aged 63 years, holds an LLM in International Law from Kiev State University. She is a member of the Industrial Society of London and ACL Tutor and has previously worked in the civil service as Principal Personnel Officer and Senior Under Secretary and in the private sector with Kenya Commercial Bank where she was the Group Deputy Manager-HR/Training Manager for 14 years. She is the Chief Executive Officer and Consultant with Oland Investments. She is a Board Member of Lake Basin Development Authority and KCB's Pension Association. She is also a chairperson and board member to various women associations and board member in three government schools. Mrs. Michieka is a member of both the Board Staff and G2G Steering Committees.

Humphrey Muhu

Mr. Muhu, aged 45 years, holds a BSc (Mathematics & Statistics) from Kenyatta University, B Phil (Economics) degree from the University of Nairobi and MA in Economics from the University of Nairobi. He also holds a Diploma in Financial Management from KCA University. He is the alternate director to the Permanent Secretary, Treasury. Mr. Muhu is an Economist with 18 years experience in various government ministries and departments.

John Omenge

Mr. Omenge, aged 49 years, holds a BSc degree in Geology from the University of Poona, India and MSc Mineral Exploration and Mining Geology from Leicester University, UK. He is the alternate director to the Permanent Secretary, Ministry of Energy and is currently the Chief Geologist at the Ministry of Energy. He is a Professional Member of the Geological Society of Kenya and Registered Geologist by the Geologists Registration Board of Kenya. Mr. Omenge has worked for 26 years as a Geologist for the Government of Kenya.

Management Team

Managing Director & CEO
Edward Njoroge

Business Development & Strategy Director
Albert Mugo

Company Secretary, Legal &
Corporate Affairs Director
Rebecca Miano (Mrs)

Finance & Commercial Director
John Mudany

Human Resources & Administration Director
Beatrice Soy (Mrs)

Operations Director
Richard Nderitu

Regulatory Affairs Director
Simon Ngure

Statement of Corporate Governance

At KenGen, governance is an ongoing commitment shared by our Board of Directors, Management and all our staff.

Role of the Board

The Board actively shapes the Company's mission and strategic direction. It has set out a clear agenda to ensure its overall control of the Company's affairs.

The responsibilities and limitation of the Directors are primarily set out in Articles of Association of the Company and the Board Charter. The Board is accountable to the shareholders, has been assigned a clear mandate and retains ultimate responsibility of the Company's performance.

The Board retains full and effective control over the Company by monitoring the management in its implementation of Board plans and strategies, review of management accounts and major capital expenditure. It reviews processes for the identification and management of business risk as well as those concerning compliance with key regulatory and legal areas.

The Board also reviews the Company's succession plans for the management team and endorses senior executive appointments, organisational changes and remuneration matters. It is concerned with key elements of the governance processes which sustain the operations of the Company, performance reporting processes as well as other disclosure requirements.

On a quarterly basis, the Board considers an operational report from the Managing Director, Management Accounts, reports from each Board Committee; specific proposals for capital expenditure and acquisitions; as well as strategic opportunities for the Company. The Board meets at least once a quarter. The calendar of meetings is prepared annually in advance and detailed papers to be discussed are made available to Directors in good time before the meeting. The Board held 4 regular and 8 special meetings in the year.

Board Effectiveness

The independence of the Board from the Company's corporate management is ensured by the separation of the functions of the Chairman and Managing Director and a clear definition of their responsibilities. The Chairman who is a non-executive Director is primarily responsible for providing leadership of the Board while the Managing Director is responsible for the day-to-day management of the Company. This helps in achieving an appropriate balance of power, increased accountability and improved capacity for decision making.

Induction: On joining the Board, new Directors undergo an induction programme to deepen their understanding of the Company's business, operating environment and markets in which it operates. They are provided with corporate literature and meetings are arranged with the senior management team. In addition, visits are arranged to all the Company installations.

Continuous Professional Development: The training and development programs have been developed to ensure that the Directors update their skill and knowledge, as well as keep abreast with developments in corporate governance. The Board attended two training programs on Strategic Leadership Management and a program on The Effective Director at the Strathmore Business School during the year.

Evaluation: The performance of the Board is a fundamental component of the Company's success. A corporate governance audit/evaluation was undertaken by an independent consultant during the year, in order to have a formal and rigorous review of the entire Board as a collective unit and that of individual Directors in order to acknowledge strengths and achievements and to recognize areas that needed improvement to enhance effectiveness and efficiency. The evaluation inspired Directors to improve in the application of their roles and responsibilities and to ensure that they are on track. The results of the evaluation are useful in putting in place a plan of action to improve effectiveness of each Director and that of the Board as a collective unit.

Board Composition

The Board consists of ten non-executive Directors and an executive Managing Director.

The biographies of the Directors are given on pages 16 - 18. Collectively, the Directors bring a wide range of experience and expertise and as such each contributes greatly to the Board's decision.

Board Committees

The Board oversees the monitoring system and has set specific responsibilities for itself and its Committees. Board Committees have been established with formal written terms of reference and observe the same rules of conduct and procedures as the Board.

The Board has constituted six Committees. The membership of all the Committees is reviewed on a regular basis by the Board and was last reviewed in February 2010.

Strategy Committee

The Strategy Committee appraises and evaluates the overall strategic direction of the Company, operational performance, project implementation, budget planning and implementation, regulatory matters and information technology.

The members of the Committee are:

1. Ms. Sarah Wainaina - Chairperson
2. PS -Treasury
3. PS - Energy
4. Mr. Musa Ndeto
5. Mr. Henry M'Narobi
6. Mr. Edward Njoroge - Managing Director

The Committee held five (5) meetings in the year.

Audit & Risk Management Committee

The Committee has redefined its mandate and charter to focus on risk management at a more strategic level. The role of the Committee includes:

- examination of quarterly interim and annual financial statements
- discussion of an audit plan with the external auditor before commencement of the annual audit and review the issues identified by the external auditors
- oversight of effective internal controls
- risk management
- compliance with laws and regulations
- oversight on governance issues.

The Committee comprises five independent non-executive Directors and routinely invites the Managing Director, Finance & Commercial Director who is a member of the Institute of Certified Public Accountants of Kenya and Internal Audit & Risk Manager to its meetings. The Company Secretary who is a member of the Institute of Certified Public Secretaries of Kenya serves as the Secretary to the Committee. The external auditors are also invited whenever necessary.

The Audit & Risk Management Committee currently comprises the following members:

1. Mrs. Dorcas Kombo - Chairperson
2. PS -Treasury
3. Mr. Hedrick Omanwa
4. Mr. George Njagi
5. Mr. Henry M'Narobi

The Committee held four (4) regular and four (4) special meetings in the year.

Staff Committee

The Staff Committee's mandate is primarily to consider all matters associated with the policies and practices of the Company in relation to Human Resources, aimed at promoting operational excellence and capacity enhancement. The Committee considers the remuneration of non-executive Directors and vets the quality of persons who show interest in being appointed to the board. It recommends to the Board on organisational structure to support the Company's strategy and business.

The Committee's membership is as follows:

1. Mr. George Njagi - Chairman
2. PS - Energy
3. Mrs. Dorcas Kombo
4. Mr. Hedrick Omanwa
5. Mrs. Mary Michieka
6. Mr. Edward Njoroge - Managing Director

The Company Secretary serves as the Secretary to the Committee.

The Committee held seven (7) meetings in the year.

Procurement Oversight Committee

The Procurement Oversight Committee plays an oversight role in strategic procurements on behalf of the Board which is not represented in the Tender Committee. The Committee reviews the procurement plans and procurement quarterly reports before submission to the Board. The Committee also reviews procurements that have a strategic impact on the Committee.

Its members are:

1. Mr. Musa Ndeto - Chairman
2. Mr. Titus Mbathi
3. Ms. Sarah Wainaina
4. Mrs. Dorcas Kombo
5. Mr. Hedrick Omanwa
6. Mr. Edward Njoroge - Managing Director

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

G2G Steering Committee

The major role of the G2G Steering Committee is to provide the overall perspective and direction for the transformation effort, make major decisions on recommended actions/plans for major transformation initiatives (MTIs), break through major organisational road blocks that are impeding progress against defined milestones for MTIs and mobilise the necessary resources for implementation.

Its members are:

1. Mr. Musa Ndeto - Chairman
2. Ms. Sarah Wainaina
3. Mr. George Njagi
4. Mr. Henry M'Narobi
5. Mrs. Mary Michieka
6. Mr. Edward Njoroge - Managing Director

The Committee held three (3) meetings in the year.

Public Infrastructure Bond Committee

This Committee is an adhoc committee constituted with an oversight mandate on the utilisation of the funds of the Public Infrastructure Bond. It reviews on a monthly basis, the implementation of the overall investment plan for the funds.

Its members are:

1. Mr. Henry M'Narobi - Chairman
2. PS-Treasury
3. Ms. Sarah Wainaina
4. Mr. Musa Ndeto
5. Mr. George Njagi
6. Mrs. Dorcas Kombo
7. Mr. Edward Njoroge - Managing Director

The Committee held four (4) meetings in the year.

Board Meetings Attendance

The table below gives a record of the attendance of the Full Board and various Committees for the year ended 30 June 2010.

	Full Board	Staff	Audit	Strategy	Public Infrastructure Bond	G2G Steering	Procurement Oversight
No. of Meetings Held	**12***	**7**	**8**	**5**	**4**	**3**	**15**
Board Meetings Attended							
Titus K Mbathi	12						13
Edward Njoroge	12	7		5	4		15
PS -Treasury	12		6	5	3		
PS - Energy	12	3		5			
Sarah W Wainaina	11			5	4	3	13
Musa Ndeto	12			5	4	3	15
George M Njagi	12	7	8		4	3	
Dorcas Kombo	11	7	8		3		13
Hedrick M Omanwa	12	3	8				14
Henry M'Narobi	12		6	5	4	3	
Mary G Michieka (* appointed 26 Feb 2010)	3*	3*				1*	

**The Board held four regular and eight special meetings. The special meetings were necessitated by frequent Board approvals for the PIBO.*

Directors Remuneration

In accordance with guidelines provided in the State Corporations Act and the approval given by shareholders at the Annual General Meeting, the Directors are paid taxable sitting allowance for every meeting attended, as well as travel and accommodation allowance while on company duty. The Chairman is also paid a monthly honorarium. KenGen does not grant personal loans or guarantees to its Directors. It is proposed that each Director receives fees of Kshs.600,000 per annum for the financial year ended 30th June 2010.

Business Ethics

Our core values of integrity, professionalism, team spirit and emphasis on safety culture steer our Company's organizational health and decision-making processes. Our business is conducted in compliance with relevant legal principles and high ethical standards of business practice. We apply these standards in all dealings with employees, customers, suppliers and other stakeholders. The Company is in compliance with the guidelines on Corporate Governance issued by the Capital Market Authority and ascribes to the ethical standards prescribed by the Public Officer Ethics Act.

Engagement with Shareholders

We are committed to providing regular and timely information to our shareholders. The Company publishes its half-year and annual results in the local daily newspapers. In accordance with Article 137 of the Articles of Association of the Company, the Annual Report & Accounts is posted onto our website at www.kengen.co.ke at least twenty-one (21) days before the Annual General Meeting (AGM) to ensure that all the shareholders are well informed at the AGM. The Company's revamped website also gives shareholders quick access to the corporate information.

Shareholding

The Company files monthly investors' returns to meet our continuing obligations as prescribed by the Capital Markets Authority and Nairobi Stock Exchange.

List of Ten Largest Shareholders as at 30 June 2010

		Number of Shares	%
1.	Permanent Secretary, Treasury	1,538,853,019	70.00%
2.	National Social Security Fund	26,399,589	1.20%
3.	Barclays (K) Nominees Limited A/C 9230	10,175,300	0.46%
4.	Kenya Commercial Bank Nominees Limited A/C 769G	6,878,392	0.31%
5.	CFC Stanbic Nominees Limited A/C NR15103	5,706,900	0.26%
6.	Jennid Trading Limited	5,455,794	0.25%
7.	Barclays (K) Nominees Limited A/C 1853	5,046,204	0.23%
8.	Jubilee Insurance Company of Kenya Limited	4,571,600	0.21%
9.	Kensington Developers Limited	4,148,427	0.19%
10.	Barclays (K) Nominees Limited A/C 9187	4,052,002	0.18%
		1,611,287,227	**73.29%**
	211,755 other shareholders	587,074,229	26.71%
	Total	**2,198,361,456**	**100.00**

Distribution of Shareholders

Range	No. of Shareholders	Shares	% Shareholding
1 - 500	90,605	24,328,091	1.11
501 - 1,000	44,874	35,745,169	1.63
1,001 - 5,000	51,481	110,809,771	5.04
5,001 - 10,000	20,386	133,588,147	6.08
10,001 - 50,000	3,713	71,209,730	3.24
50,001 - 100,000	314	21,710,058	0.99
100,001 - 500,000	279	60,868,646	2.77
500,001 - 1,000,000	57	41,832,772	1.90
Above 1,000,000	56	1,698,269,072	77.25
Total	**211,765**	**2,198,361,456**	**100.00**

Corporate Social Responsibility

KenGen continued to enhance its corporate social responsibility during the year under review by utilizing a part of its profit to fund the programme.

The Company's CSR programme is aimed at improving the living standards of Kenyans through funding various projects in education, health, water, electricity, sports and environment.

Education

Education forms an integral part of the Company's corporate social responsibility programme. So far, the scholarship programme has continued to expand. During the year, an additional 36 students in both public universities and secondary schools benefited from KenGen scholarships. The Company also engaged in other educational initiatives including support to construction of classrooms and other school facilities.

The Scholarship programme provides bright, disadvantaged children with

Touching lives of Kenyans through Corporate Social Responsibility an opportunity to change their destiny, enabling them to access education by meeting all tuition and boarding fees.

Health

KenGen continued to offer treatment to host communities in its clinics at subsidized rates. Nationally, Company employees participated in major events championing health causes such as the Mater Heart Run, the Diabetes Run, among other initiatives.

KenGen also supported the reconstructive surgery for the survivors of the Kiambaa Church in Eldoret, The Nairobi Hospice, The Kenya Paraplegic Association and the Nairobi Hospital Children's Heart Fund.

Water Provision

The Company continued with its initiative of assisting local communities to access to clean water by extending pipelines, constructing storage tanks and sand dams.

During the year under review, the Machangaa water project in Mbeere District was completed and three (3) new sand dams were commissioned around the Seven Forks area. The Company also supported water pan projects in Yatta.

Environmental Conservation

The environment has over the years been affected by climate change and for its part; KenGen has actively participated in initiatives aimed at conserving catchment areas and other delicate ecosystems. In the year under review, the Company was the main sponsor of the Kenya Wildlife Service event: 'To Hell's Gate on a Wheelbarrow" which seeks to conserve the Hell's Gate National Park, in addition to providing support to other conservation activities including the Lewa Marathon and the Lamu Cultural World Environment Day. The Company continued to manage tree nurseries at Kiambere, Olkaria and Sondu Miriu and provided tree seedlings to communities living around its installations.

Sports

The Company remained active in support of sporting activities, sponsoring several events within the financial year. Among other events, the Company sponsored the CECAFA Challenge Cup Soccer tournament and the Mwea Classic Marathon.

The Company once again sponsored the annual Sigona/KenGen Corporate Golf event.

Support to Other Initiatives

The Company also provided support to cultural and tourism initiatives which included the Lamu Cultural Week, the Public Relations Society of Kenya Gala, The August 7th Nairobi Bombing Memorial, The Henry Wanyoike Foundation and the Kogelo Women's Self Help Group.

Way Forward

During the year, KenGen continued to learn lessons from its projects with a view to incorporating them in future programs as a means to maximizing their impact on communities.

The Company will also continue to engage communities in the proposal, implementation and monitoring of CSR projects.

World celebrates Wetlands Day

The world commemorated World Wetlands Day (WWD) on 2 February 2010. KenGen donated Kshs.250,000.00 towards organizing the Kenyan celebrations at Kihot grounds in Naivasha.

In a speech read on his behalf, the Environment Minister said that the Government would repossess all grabbed wetlands and create a database. He said the ministry was in the process of declaring a number of wetlands and rivers protected areas. He further said that climate change, coupled with increasing population, had had a negative impact on water resources.

Mau Tree Planting

A historical occasion that marked the start of the reforestation efforts in the country was officially launched by the Prime Minister with a tree planting event at Kiptunga Forest Station, East Mau Forest Reserve, in Elburgon, Molo District on 15 January 2010. He was joined by Cabinet ministers, MPs, envoys, environmentalists, Friends of the Mau and KenGen Managing Director & CEO, Eddy Njoroge.

In his speech, the Prime Minister noted that the Mau Forests Complex, covering over 400,000 hectares, forms the largest closed-canopy forest ecosystem of Kenya, as large as the forests of Mt. Kenya and the Aberdares combined. Its forests provide critical ecological services to the country in terms of water storage, river flow regulation, flood mitigation, recharge of groundwater, reduced soil erosion and siltation, water purification, conservation of biodiversity and micro-climate regulation.

Mau is the largest indigenous forest in East Africa and Kenya's most vital water tower, covering 270,000 hectares. Among the rivers originating from the forest are Ewaso Ng'iro, Sondu, Mara and Njoro which feed several lakes in the Rift Valley and Western Kenya, among them Lakes Victoria, Nakuru and even Natron in Tanzania.

KenGen had representatives from Olkaria and Sondu Miriu who planted more than 200 trees.

Mau Tree Planting – 2

The Prime Minister, once again led a delegation of dignitaries to Mau, this time to Songi – Kaboyet, in the part of the forest. A team of thirty KenGen staff braved the long trip and chilly weather to join others in saving the Mau. World Earth Day is celebrated on April 22 and this being its 40th Anniversary, it was an opportune time to mark the day in a special way.

The Prime Minister said the Mau restoration plan was on course as phases I was ongoing whereas preparations for phase II were being made. By 2017, Mau will be totally green, the PM added.

Mater Heart Run 2010

Saturday, 15 May 2010 marked yet another milestone to the Mater Heart Run when hundreds of people came to support this initiative. More than 40 KenGen employees braved the chilly, morning drizzle to participate in this year's event, which raises funds for children suffering from heart ailments.

The Master of Ceremony and famous comedian, Churchill, took the participants through a warm up session that was quite lively.

The Mater Hospital's Chief Executive Officer said the good turnout helped to raise more funds which would cater for more children in need of surgery.

To Hell's Gate on a Wheelbarrow

"To Hell's Gate on a Wheelbarrow" is an exciting, challenging and unique event whose aim is to raise funds to build a fully-equipped Conservation Education Centre, which will be used to mobilise and educate local communities whose land is vital for the survival of wildlife. KenGen was once again the Platinum sponsor at this year's event.

The Company doubled its contribution and gave Kshs.2 million to support this worthy cause.

The event kicked off on Friday, 11 June2010 with the opening match of the FIFA World Cup 2010 between Mexico and South Africa on the pay television channel DSTV big screen in the wild with a huge bonfire to keep the cold away.

At 9.00 am on Saturday, 12 June 2010 the race was flagged off at the Hell's Gate National Park, which is home to KenGen's geothermal power plants. Through the rough and dusty route, the participants in pairs struggled to push each other on colourful wheelbarrows over a distance of 5.5 km, each team hoping to cross the finish line first.

Jeff Okoth (8) and Tony Omondi (6), who are sons of a KenGen Olkaria employee, surprised many by emerging among the top finishers in the race overcoming extreme physical conditions and a competitive field of adults who on average were nearly three times their age.

This year saw participants go a notch higher in terms of innovation with 'pimped-up' wheelbarrows being entered in the race. Some even had shock absorbers, motorbike wheels and exceedingly comfortable seats.

Sketchers Design Ltd scooped the title of the "Most Pimped-up" wheelbarrow with their very attractive and comfortable wheelbarrow No. 108.

Participants were later hosted to a bush party at the park. It was a weekend well spent!

Lewa Marathon

The 11th Safaricom Marathon took place at the Lewa Wildlife Conservancy on Saturday 26 June 2010. Organized by Tusk and Safaricom, the fundraising event attracted more than 1,000 runners from 20 different countries. This year, KenGen sent a team of 22 participants from Kipevu, Turkwel, Lamu, Eastern Hydro, Olkaria and Central Office.

The Marathon is regarded as one of the toughest in the world. Runners from all walks of life took part in the race, which saw KenGen's 57-year-old Echakan Lotum finish in less than two hours.

Report of the Directors

On the Financial Statements For The Year Ended 30 June 2010

The Directors have pleasure in presenting their report and the audited financial statements for the year ended 30 June 2010 which show the state of affairs of the company.

1. Principal Activities

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

2. Results

	2010 KShs'000	2009 KShs'000
Profit before tax	2,413,753	4,556,281
Tax	**(456,391)**	**(2,485,368)**
Profit for the year	1,957,362	2,070,913
Other comprehensive income	1,363,450	(127,106)
Total comprehensive income	**3,320,812**	**1,943,807**

3. Dividends

Subject to the approval of the shareholders, the directors recommend the payment of a final and total dividend of KShs 1.099 billion (2009: KShs 1.099 billion) for the year representing KShs 0.5 (2009: KShs 0.5) per issued ordinary share.

4. Reserves

The reserves of the company are set out on pages 35 and 66, note 30.

5. Directors

The directors who served during the year and to the date of this report are as shown on page 2.

6. Auditor-General

The Auditor-General is responsible for the statutory audit of the company's books of account in accordance with Section 14 of the Public Audit Act, 2003. Section 39(1) of the Act empowers the Auditor-General to appoint other auditors to carry out the audit on his behalf.

Accordingly, Ernst & Young were appointed to carry out the audit for the year ended 30 June 2010.

By Order of the Board

Rebecca Miano
Company Secretary

12 October 2010

Statement of Directors' Responsibilities

On the Financial Statements For The Year Ended 30 June 2010

The Kenyan Companies Act requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the operating results of the company for that year. It also requires the directors to ensure the company keeps proper accounting records, which disclose with reasonable accuracy, the financial position of the company. They are also responsible for safeguarding the assets of the company.

In the year ended 30 June 2009, the directors approved a change in accounting policy on treatment of unrealised exchange gains and losses arising from translations of foreign currency denominated borrowings. Previously, all the exchange differences arising from translation of foreign currency denominated assets and liabilities were dealt with in the profit or loss in accordance with International Accounting Standard (IAS) No. 21 -The Effect of Changes in Foreign Exchange Rates. This change is based on the foreign exchange fluctuation compensation arrangements stipulated in the Power Purchase Agreements (PPAs) gazetted on 11 July 2008. This provides a cushion to the company against foreign currency fluctuations arising from translation of foreign currency denominated borrowings. In the opinion of the directors, therefore, the change in the accounting policy allows for fair presentation of the financial statements as relates to understandability, comparability and identifying of operational trends in the company's financial position and performance over time.

Foreign currency denominated borrowings are translated at rates ruling at the reporting date. The resulting exchange differences are recognised in Foreign Currency Translation Reserve in the Statement of Changes in Equity. This is not in accordance with International Accounting Standard (IAS) No. 21, which requires that exchange differences arising from translation of monetary liabilities be dealt with in the profit or loss. Additional disclosures relating to the change in accounting policy are included in Note 4 (a) and 4 (b).

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and the requirements of the Kenyan Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and of its operating results. The directors further accept responsibility for the maintenance of accounting records, which may be relied upon in the preparation of financial statements, as well as adequate systems of internal control.

Nothing has come to the attention of the directors to indicate that the company will not remain a going concern for at least the next twelve months from the date of this statement.

Director

Director

Director

12 October 2010

Report of the Auditor-General
On the Financial Statements

Report on the Financial Statements
The accompanying financial statements of Kenya Electricity Generating Company Limited set out at pages 34 to 76 which comprise the Statement of Financial Position as at 30 June 2010, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information have been audited on my behalf by Ernst & Young auditors appointed under Section 39 of the Public Audit Act, 2003. 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.

Management's Responsibility for the Financial Statements
The management is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the Auditor General
My responsibility is to express an independent opinion on the financial statements based on the audit. The audit was conducted in accordance with the International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed with a view to obtaining reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence obtained is sufficient and appropriate to provide a basis for my opinion.

Change in Accounting Policy – Foreign Currency Translation
As stated in note 4 of the financial statements, the directors approved a change in accounting policy in 2009 as affects the accounting treatment of unrealized exchange gains and losses relating to foreign currency denominated borrowings. Foreign currency denominated borrowing are translated at rates ruling at the reporting date. The resulting exchange differences are recognized in foreign Currency Revaluation Reserve in the Statement of Changes in Equity. This is not in accordance with International Accounting Standards (IAS) No. 21 – The Effect of Changes in Foreign Exchange Rates, which requires that exchange differences arising from translation of monetary liabilities be dealt with in the Statement of Comprehensive Income. Had the company complied with the requirements of IAS 21, the arising unrealized exchange losses would have resulted in a loss before tax of KShs 200,421,000. While not complying with IAS 21, the directors have at the same time taken into account the foreign exchange fluctuation compensation arrangements stipulated in the Power Purchase Agreements (PPAs).

The exchange rate benchmarks spelt out in the PPAs provide a compensation framework at the point of conversion of foreign currency. This provides a cushion to the company against foreign currency fluctuations arising from translation of foreign currency denominated borrowings.

In the opinion of the directors, the change in accounting policy allows for fair presentation of the financial statements as relates to understandability, comparability and identification of operational trends in the company's financial position and performance over time.

Opinion

In my opinion, except for the foregoing reservation, the financial statements present fairly, in all material respects, the financial position of the Company as at 30 June 2010, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards and comply with the Company's Act, cap 486 of the Laws of Kenya.

A.S.M Gatumbu
Auditor-General

Nairobi
12 October 2010

Our long standing strategy is to deliver sustainable and renewable sources of power to meet the ever growing national power demand.

Statement of Comprehensive Income

For The Year Ended 30 June 2010

	Note	2010 KShs'000	2009 KShs'000
Income			
Electricity revenue	5	11,142,729	12,652,388
Interest revenue	6	355,119	433,069
Other income	7	156,895	298,073
Foreign exchange gain	8	131,329	176,069
		11,786,072	13,559,599
Expenses			
Operating expenses	9	(8,630,828)	(8,246,999)
Finance costs	10	(741,491)	(756,319)
Profit Before Tax	**11**	**2,413,753**	**4,556,281**
Tax	**12**(a)	(456,391)	(2,485,368)
Profit For The Year		**1,957,362**	**2,070,913**
Other Comprehensive Income			
Gains and losses on revaluation of treasury bonds-available-for-sale		1,363,450	(127,106)
Income tax relating to the components of other comprehensive income		-	-
Other comprehensive income for the year, net of tax		1,363,450	(127,106)
Total Comprehensive Income For The Year		**3,320,812**	**1,943,807**
Earnings per share - **Basic and diluted (KShs)**	**13**	**0.89**	**0.94**

Statement of Financial Position

For The Year Ended 30 June 2010

	Note	2010 KShs'000	2009 KShs'000
Assets			
Non-Current Assets			
Property, plant and equipment	14	102,230,784	92,699,405
Prepaid leases on land	15	1,417	1,446
Intangible assets	16	695,284	543,893
Amount due from KPLC-deferred debt	17(b)	1,220,570	1,064,696
Treasury bonds-available-for-sale	18	6,864,340	1,545,680
		111,012,395	95,855,120
Current Assets			
Inventories	19	1,443,374	752,767
Other receivables	20	4,115,238	522,366
Amount due from KPLC	17(a)	3,590,525	5,195,179
Tax recoverable	12(b)	282,868	141,383
Treasury bonds-available-for- sale	18	519,201	1,631,485
Amount due from Ministry of Energy	21	1,316,384	283,589
Term deposits	22	15,066	32,499
Cash and cash equivalents	23(b)	21,316,380	4,189,491
		32,599,036	12,748,759
Current Liabilities			
Borrowings due within one year	24(a)	1,876,081	1,399,880
Trade and other payables	25	2,749,336	2,935,273
Leave pay provision	26	182,049	137,585
Amount due to KPLC	17(c)	5,955	8,037
Prepaid operating lease	27(b)	2,000	2,000
Dividends payable	28	2,154,394	1,384,968
		6,969,815	5,867,743
Net Current Assets		25,629,221	6,881,016
TOTAL ASSETS		136,641,616	102,736,136
EQUITY AND LIABILITIES			
EQUITY AND RESERVES			
Share capital		5,495,904	5,495,904
Reserves-Foreign currency translation reserve	30	(6,955,455)	(4,341,281)
-Other reserves	30	63,674,898	61,059,424
		56,719,443	56,718,143
Proposed dividends	28	1,099,181	1,099,181
		63,314,528	63,313,228
Non-Current Liabilities			
Borrowings	24(a)	59,636,829	25,793,197
Prepaid operating lease	27(b)	9,000	11,000
Retirement benefits liability	31	339,428	339,428
Deferred tax	32	13,341,831	13,279,283
		73,327,088	39,422,908
TOTAL EQUITY AND LIABILITIES		136,641,616	102,736,136

The Board of Directors approved the financial statements on 12 Octber 2010 and were signed on its behalf by:

Director Director Director

Statement of Changes In Equity

As at 30 June 2010

	Share Capital	Share Premium	Capital Reserve	Available-For- Sale Reserve	Retained Earnings	Property, Plant and Equipment Revaluation Reserve	Proposed Dividends (Note 28)	Foreign currency revaluation reserve (note 4(a)	Total
	KShs	KShs	KShs	KShs	KShs	KShs	KShs	KShs	KShs
At 1 July 2008	5,495,904	5,039,818	8,579,722	149,116	22,088,729	23,961,140	1,978,525	1,109,627	68,402,581
Profit for the year	-	-	-	-	2,070,913	-	-	-	2,070,913
Other comprehensive income for the year	-	-	-	(127,106)	-	-	-	-	(127,106)
Total comprehensive income	-	-	-	(127,106)	2,070,913	-	-	-	1,943,807
Transfer of excess depreciation	-	-	-	-	1,575,373	(1,575,373)	-	-	-
Deferred tax on revaluation surplus	-	-	-	-	-	393,033	-	-	393,033
Adjustment on revaluation						3,240			3,240
Dividend payable	-		-	-	-	-	(1,978,525)	-	(1,978,525)
Unrealised exchange difference on translation of borrowings	-	-	-	-	-	-	-	(5,450,908)	(5,450,908)
2009-Proposed dividend (Note 28)	-	-	-	-	(1,099,181)	-	1,099,181	-	
At 30 June 2009	**5,495,904**	**5,039,818**	**8,579,722**	**22,010**	**24,635,834**	**22,782,040**	**1,099,181**	**(4,341,281)**	**63,313,228**
At 1 July 2009	**5,495,904**	**5,039,818**	**8,579,722**	**22,010**	**24,635,834**	**22,782,040**	**1,099,181**	**(4,341,281)**	**63,313,228**
Profit for the year	-	-	-	-	1,957,362	-	-	-	1,957,362
Other comprehensive income for the year	-	-	-	1,363,450	-	-	-	-	1,363,450
Total comprehensive income	-	-	-	1,363,450	1,957,362	-	-	-	3,320,812
Transfer of excess depreciation	-	-	-	-	1,575,373	(1,575,373)	-	-	-
Deferred tax on revaluation surplus	-	-	-	-	-	393,843	-	-	393,843
Dividend payable	-	-	-	-	-	-	(1,099,181)	-	(1,099,181)
Unrealised exchange difference on translation of borrowings	-	-	-	-	-	-	-	(2,614,174)	(2,614,174)
2010-Proposed dividend (Note 28)	-	-	-	-	(1,099,181)	-	1,099,181	-	
At 30 June 2010	**5,495,904**	**5,039,818**	**8,579,722**	**1,385,460**	**27,069,388**	**21,600,510**	**1,099,181**	**(6,955,455)**	**63,314,528**

Statement of Cash Flows
For The Year Ended 30 June 2010

	Note	2010 KShs'000	2009 KShs'000
Cash Flows Generated From Operations	23(a)	2,408,942	5,463,131
Income tax paid	12(b)	(141,485)	(68,193)
Interest paid		(685,228)	(1,134,110)
NET CASH FLOWS GENERATED FROM OPERATING ACTIVITIES		1,582,229	4,260,828
Cash Flows From Investing Activities:			
Purchase of property, plant and equipment	14	(13,360,515)	(4,731,066)
Purchase of intangible assets	16	(151,391)	(240,172)
Proceeds from disposal of property, plant and equipment	-		18,641
Interest received		324,930	425,209
Purchase of treasury bonds-available-for-sale		(4,434,106)	-
Proceeds on sale/redemption of treasury bonds on maturity		1,590,000	815,886
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(16,031,082)	(3,711,502)
Cash Flows From Financing Activities			
Repayment of borrowings		(817,551)	(1,629,811)
Proceeds from borrowings		32,487,651	2,422,590
Dividends paid	28	(329,755)	(1,209,099)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES		31,340,345	(416,320)
INCREASE IN CASH AND CASH EQUIVALENTS		16,891,492	133,006
FOREIGN EXCHANGE ADJUSTMENT		217,964	358,704
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		4,221,990	3,730,280
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	23(b)	21,331,446	4,221,990

Notes to the Financial Statements
For The Year Ended 30 June 2010

1. General Information

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

2. Basis of Preparation

The financial statements are presented in the functional currency, Kenya Shillings, rounded to the nearest thousand (KShs' 000) and prepared under the historical cost basis of accounting except certain property, plant and equipment that have been carried at revaluation amounts and financial instruments that have been measured at fair value.

The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) requires the use of estimates and assumptions. It also requires directors to exercise judgement in the process of applying the company's accounting policies. Although these estimates are based on the directors' best knowledge of current events and actions, actual results may differ from those estimates. Accounting policies 4(d) and 4(e) below on 'critical accounting estimates and assumptions' and 'critical accounting judgements' highlight the areas that involve a higher level of judgement, or where the estimates or assumptions used are significant to the financial statements.

3. Statement of Compliance

The financial statements are prepared in compliance with IFRS and interpretations of those Standards.

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been applied consistently except as mentioned in paragraph 4 (a) and 4 (c) and unless otherwise stated.

4. Significant Accounting Policies

a) Change in accounting policy-Foreign Currency Translations

In the year ended 30 June 2009, the directors approved a change in the company's accounting policy on the treatment of the unrealised gains/ losses arising from translation of foreign denominated borrowings. At the reporting date, the assets and liabilities expressed in foreign currencies are translated into Kenya Shillings at rates ruling at that date. Previously, all the exchange differences arising from translation of foreign currency denominated assets and liabilities were dealt with in the profit or loss in accordance with International Accounting Standard (IAS) No. 21.

Unrealised exchange differences arising from translation of foreign currency denominated borrowings in the current year, have been dealt with in the Statement of Changes in Equity as Foreign Currency Translation Reserve. The new accounting policy on treatment of unrealised gains/losses departs from the requirements of IAS 21. In the opinion of the directors, applying IAS 21 would be misleading because of the nature of projects financed by foreign borrowings and the compensation mechanisms on foreign exchange fluctuations as provided for by the Power Purchase Agreement.

The Government of Kenya (GoK) through the Energy Regulatory Commission (ERC) in recognition of the fact that the investments in power projects are procured in foreign currency has designed a tariff policy that aims to protect the company against foreign exchange exposures. However, considering that the company bills its revenues in local currency, the company would be exposed to foreign exchange movements and therefore volatility of its earnings. In response to this risk, ERC has designed a tariff revenue calculation mechanism whose objective is to create a cushion to the company against movements on foreign currency translations.

4. Significant Accounting Policies (Continued)

a) *Change in accounting policy-Foreign Currency Translations (continued)*

The latest policy legislation which governs the foreign exchange adjustment mechanism was published on 11 July 2008 under Gazette Notice Number 1718. This prescribes the base currency exchange rates for various currencies used to procure borrowings and services. The table below compares the closing exchange rates of the major currencies at the end of the year and the gazetted base rates.

Currency	30 June 2010	Gazetted base rate
	KShs	KShs
US$	81.9167	64.9242
Yen	0.92466	0.6404
Euro	100.0542	100.793

This notice provides that any cost incurred as a result of foreign exchange rate fluctuations above the gazetted base rates shall be a recoverable cost by the producer from the consumer through KPLC and vice versa.

The financial statements as presented provide undestandability, comparability and also an avenue for identifying operational trends in the company's financial position and performance over time.

b) *Departure from the requirements of IAS 21 -The Effect of Changes in Foreign Exchange Rates (IAS 21)*

To achieve a fair presentation of the financial statements, the directors have concluded that a departure from IAS 21 is necessary. In view of this, the resulting foreign exchange loss arising from the translation of the foreign denominated borrowings was recognised in the Foreign Currency Translation Reserve in the Statement of Changes in Equity.

The impact of this departure on the profit or loss is as shown below.

	In compliance with IAS 21		Departure from IAS 21	
	2010	2009	2010	2009
	KShs' 000	KShs' 000	KShs' 000	KShs' 000
OPERATING PROFIT	3,023,915	5,136,531	3,023,915	5,136,531
Foreign exchange(loss)/gain	(2,482,845)	(5,274,839)	131,329	176,069
Finance Costs	(741,491)	(756,319)	(741,491)	(756,319)
	(3,224,336)	(6,031,158)	(610,162)	(580,250)
(LOSS)/PROFIT BEFORE TAX	(200,421)	(894,627)	2,413,753	4,556,281

c) *Adoption of new and revised International Financial Reporting Standards (IFRS)*

Standards, Amendments and Interpretations Effective in 2009

The company has adopted the following new and revised IFRSs which are mandatory for accounting periods beginning on or after 1 July 2009.

- ***IAS 1, (Revised) Presentation of Financial Statements***
  The Standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income, which presents income and expense items recognised in profit or loss, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The company has elected to present comprehensive income in one single statement and it has not provided a restated comparative set of financial position for the earliest comparative period, as it has not adopted any new accounting policies retrospectively, or has a retrospective restatement, or retrospectively reclassified items in the financial statements.

c) ***Adoption of new and revised International Financial Reporting Standards (IFRS) {Continued}***
Standards, Amendments and Interpretations Effective in 2009 (continued)

- ***Amendment to IFRS 7 Financial Instruments Disclosures***
  The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, reconciliation between the beginning and ending balance for level three fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The required disclosures are included in Note 36.

- ***IAS 23, Borrowing Costs***
  The revised IAS 23 requires capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset.

- ***IFRS 8 Operating Segments-(effective from 1 January 2009)***
  This standard requires disclosure of information about the company's operating segments and replaced the requirement to determine primary (business) and secondary (geographical) reporting segments of the company. IFRS 8 replaces IAS 14 Segment Reporting (IAS 14) upon effective date.

  The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 July 2009, but they are not relevant to the company's operations:

- ***IFRS 2, Amendments to IFRS 2 Share-based Payment***
  This amendment clarifies the definition of vesting conditions and prescribes the treatment for an award that is cancelled.

- ***IFRS 3, (Revised); Business combinations and IAS 27 (Amended): Consolidated and Separate Financial Statements.***
  These revised standards were issued in January 2008 and become effective for financial years beginning on or after 1 July 2009. IFRS 3R introduces a number of changes in the accounting for business combinations occurring after this date that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. IAS 27R requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by IFRS 3R and IAS 27R will affect future acquisitions or loss of control and transactions with minority interests.

- ***IFRS 1, First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate.***
  This amendment is applicable for reporting periods beginning on or after 1 January 2009. The amendment permits an entity in its separate financial statements, to determine the cost of investments in subsidiaries, jointly controlled entities or associates in their opening IFRS financial statements in accordance with the following: at cost determined in accordance with IAS 27; at the fair value of the investment at the date of transition to IFRS, determined in accordance with IAS 39 Financial Instruments: Recognition and Measurement; or at the previous GAAP carrying amount of the investment at the date of transition to IFRS. IAS 27 was amended and the cost method was removed and it was made clear that all dividends received from subsidiaries, joint ventures and associates are recognised as income when the right to receive the dividend is established and pre- and post-acquisition dividends need not be separately distinguished any more. Upon receipt of dividend, the investor is required to consider the related investment for impairment and a consequential amendment was made to IAS 36 to insert two new indicators of impairment for investments in subsidiaries when a dividend is received.

c) ***Adoption of new and revised International Financial Reporting Standards (IFRS) {Continued}***

Standards, Amendments and Interpretations Effective in 2009 (continued)

- ***IAS32, Amendments to IAS32 Financial Instruments - Presentation and IAS I Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation***

  These amendments to IAS 32 and IAS 1 were issued in February 2008 and became effective for financial years beginning on or after 1 January 2009. The revisions provide a limited scope exception for puttable instruments to be classified as equity if they fulfill a number of specified features. The adoption of these standards had no impact on the financial position or the performance of the Company, as the Company did not issue any such instruments.

- ***IAS39, Financial Instruments (effective I July 2009): Recognition and measurement – Eligible Hedged Items***

  The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations.

- ***IFRIC 15, – Agreements for the Construction of Real Estate***

  IFRIC 15 was issued in July 2008 and becomes effective for financial years beginning on or after 1 January 2009. The interpretation is to be applied retrospectively. It clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognised if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. Furthermore, the interpretation provides guidance on how to determine whether an agreement is within the scope of IAS 11 or IAS 18.

- ***IFRIC 16, Hedges of a Net Investment in a Foreign Operation***

  IFRIC 16 was issued in July 2008 and became effective for financial years beginning on or after 1 October 2008. The interpretation is to be applied prospectively. IFRIC 16 provides guidance on the accounting for a hedge of a net investment in a foreign operation. As such, it provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment, where within the company the hedging instruments can be held in the hedge of a net investment and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment.

- ***IFRIC 17, Distribution of Non-Cash Assets to Owners***

  This interpretation is effective for annual periods beginning on or after 1 July 2009 with early application permitted. It provides guidance on how to account for non-cash distributions to owners. The interpretation clarifies when to recognise a liability, how to measure it and the associated assets, and when to derecognise the asset and liability.

- ***IFRIC 18, Transfers of Assets from Customers (effective for transfers on or after I July 2009).*** This interpretation provides guidance on how to account for items of property, plant and equipment received from customers or cash that is received and used to acquire or construct specific assets. This interpretation only applies to such assets that are used to connect the customer to a network or to provide ongoing access to a supply of goods or services or both.

Improvements to IFRSs

In May 2008, the IASB issued omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments did not have material impact on the financial position or performance of the company.

IFRS 2 Share-based Payments

The amendment clarifies that the contribution of a business on formation of a joint venture and combinations under common control are not within the scope of IFRS 2, even though they are out of scope of IFRS 3(R). This amendment had no impact on the company, as the standards were already applied accordingly.

IAS I Presentation of Financial Statements

Assets and liabilities classified as held for trading are not automatically classified as current in the statement of financial position.

IAS 16, Property, Plant and Equipment:-

The amendment replaces the the term "net selling price" with "fair value less costs to sell". The amendment also

c) *Adoption of new and revised International Financial Reporting Standards (IFRS) {Continued}*
Improvements to IFRSs (continued)

clarified that items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental, are transferred to inventory when rental ceases and they are held for sale.

IAS 18, Revenue:-The Board has added guidance (which accompanies the standard) to determine whether an entity is acting as a principal or as an agent, effective immediately. The features to consider are whether the entity:
- Has primary responsibility for providing the goods or service
- Has inventory risk
- Has discretion in establishing prices
- Bears the credit risk

The company has assessed its revenue arrangements against these criteria and concluded that it is acting as principal in all arrangements.

IAS 19, Employee Benefits: Past service costs exclude reductions in benefits related to future services that arise from plan amendments. Amendments to plans that result in a reduction in benefits related to future services are accounted for as curtailment. The definition of "return on plan assets" excludes plan administration costs if they have already been included in the actuarial assumptions used to measure the defined benefit obligation. The definition of short term and other long term employee benefits were revised to focus on the point in time at which the liability is due to be settled. The amendment also deleted the reference to the recognition of contingent liabilities to ensure consistency with IAS 37. The amendment had no impact on accounting policy and financial position of the company.

IAS 20, Accounting for Government Grants and Disclosures of Government Assistance:-Loans granted with no or low interest will not be exempt from the requirement to impute interest. Interest is to be imputed on loans granted with below-market interest rates.

IAS 23, Borrowing Costs
Revises the definition of borrowing costs to consolidate the types of items that are considered components of 'borrowing costs'– that is components of the interest expense calculated using the effective interest rate method.

IAS 27, Consolidated and Separate Financial Statements:-When a parent entity accounts for a subsidiary at fair value in accordance with IAS 39 in its separate financial statements, this treatment continues when the subsidiary is subsequently classified as held for sale.

IAS 28, Investments in Associates:- If an associate is accounted for at fair value through profit or loss, only the requirement of IAS 28 to disclose the nature and extent of any significant restrictions on the ability of the associate to transfer funds to the entity in the form of cash or repayment of loans applies. An investment in an associate is a single asset for the purpose of conducting the impairment test – including any reversal of impairment. Therefore, any impairment is not separately allocated to the goodwill included in the investment balance.

IAS 29, Financial Reporting in Hyperinflationary Economies:-Revises the reference to the exception that assets and liabilities should be measured at historical cost, such that it notes property, plant and equipment as being an example, rather than implying that it is a definitive list.

IAS 31, Interest in Joint Ventures:-If a joint venture is accounted for at fair value, the only disclosure requirements of IAS 31 are those relating to the commitments of the venturer and the joint venture, as well as summary financial information about the assets, liabilities, income and expenses.

IAS 36, Impairment of Assets:-When discounted cash flows are used to estimate 'fair value less cost to sell, additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate 'value in use'.

IAS 38, Intangible Assets:-If an intangible asset acquired in a business combination is identifiable only with another intangible asset, the acquirer may recognise the group of intangibles as a single asset provided the individual assets

c) *Adoption of new and revised International Financial Reporting Standards (IFRS) {Continued}*
Improvements to IFRSs (continued)

have similar useful lives. The valuation techniques presented for determining the fair value of intangible assets acquired in a business combination are only examples and are not restrictive on the methods that can be used. Expenditure on advertising and promotional activities is recognised as an expense when the company either has the right to access the goods or has received the service. The reference to there being rarely, if ever, persuasive evidence to support an amortisation method of intangible assets other than a straight-line method has been removed.

IAS 39, Financial Instruments: Recognition and Measurement:- Changes in circumstances relating to derivatives – specifically derivatives designated or de-designated as hedging instruments after initial recognition – are not reclassifications. When financial assets are reclassified as a result of an insurance company changing its accounting policy in accordance with paragraph 45 of IFRS 4 Insurance Contracts, this is a change in circumstance, not a reclassification. The amendment removes the reference to a "segment" when determining whether an instrument qualifies as a hedge. The standard also requires use of the revised effective interest rate (rather than the original effective interest rate) when remeasuring a debt instrument on the cessation of fair value hedge accounting.

IAS 40, Investment Properties:- Revises the scope to include property that is being constructed or developed for future use as an investment property. Where an entity is unable to determine the fair value of an investment property under construction, but expects to be able to determine its fair value on completion, the investment under construction will be measured at cost until fair value can be determined or construction is complete.

IAS 41, Agriculture:- removes the reference to the use of a pretax discount rate to determine fair value, thereby allowing use of either a pre-tax or a post-tax discount rate depending on the valuation methodology used. The amendment removes the prohibition to take into account cash flows resulting from any additional transformations when estimating fair value. Instead, cash flows that are expected to be generated in the most relevant market are taken into account.

IFRIC 9, Reassessment of embedded derivatives:- The amendment to this interpretation clarifies that it does not apply to possible reassessment, at the date of acquisition, of embedded derivatives in contracts acquired in a business combination between entities or businesses under common control or the formation of a joint venture. The adoption of this standard has had no material effect on the company's financial statements, as the amendment is applied prospectively and the company did not have any business combinations during the year.

IFRIC 16, Hedges of a net investment in a foreign operation:- The amendment to this interpretation states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of IAS 39 that relate to a net investment hedge are satisfied. The adoption of this amendment had no effect on the company's financial statements, as the Company does not apply hedge accounting.

Standards, interpretations and amendments issued but not yet effective

The company has chosen not to early adopt the following standards, amendments and interpretations to existing standards that were issued, but not yet effective, for accounting periods beginning on or after 1 July 2009. The adoption of these standards, amendments and interpretations is expected not to have any significant impact on the company's financial statements in the period of initial application with the exception of IFRS 9 which will impact classification and recognition of certain financial assets and additional disclosures will be required.

- ***IFRS 1, First-time adoption of International Financial Reporting Standards (effective 1 January 2010) – Limited Exemption from comparative IFRS 7 disclosures for first-time adopters***
  IFRS 1 has been amended to allow first-time adopters to utilise the transitional provisions in IFRS 7 as they relate to the March 2009 amendments. The adoption of this amendment will have no effect on the company's financial statements as the company already reports in terms of IFRS.

- ***IFRS 1, First-time adoption of International Financial Reporting Standards (effective 1 January 2011) – Limited Exemption from comparative IFRS 7 disclosures for first-time adopters***
  The amendment clarifies that, if a first-time adopter changes its accounting policies or its use of the exemptions in IFRS 1 after it has published interim financial statements, it needs to explain those changes and update the reconciliations between previous GAAP and IFRS. The adoption of this amendment will have no effect on the company's financial statements as the company already adopted IFRS.

c) *Adoption of new and revised International Financial Reporting Standards (IFRS) {Continued}*
Standards, interpretations and amendments issued but not yet effective {Continued}

The amendment allows first-time adopters to use an event-driven fair value as deemed cost, even if the event occurs after the date of transition, but before the first IFRS financial statements are issued. The adoption of this amendment will have no effect on the company's financial statements as the company already adopted IFRS.The amendment expands the scope of 'deemed cost' for property, plant and equipment or intangible assets to include items used subject to rate regulated activities.The exemption will be applied on an item-by-item basis. All such assets will also need to be tested for impairment at the date of transition. The adoption of this amendment will have no effect on the company's financial statements as the company already adopted IFRS.

- ***IFRS 3, Business Combinations (effective 1 July 2010)***
The amendment clarifies that the amendments to IFRS 7, IAS 32 and IAS 39, that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008). The amendment will have no impact on the company, as the company did not have any business combinations.
The amendment limits the scope of the measurement choices that only the components of NCI that are present ownership interests that entitle their holders to a proportionate share of the entity's net assets, in the event of liquidation, shall be measured either:

    * *At fair value or*
    * At the present ownership instruments' proportionate share of the acquiree's identifiable net assets.

  Other components of NCI are measured at their acquisition date fair value, unless another measurement basis is required by another IFRS, e.g., IFRS 2. As the amendment will be applied prospectively, it will only impact future business combinations.

  The amendment requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily), i.e., split between consideration and post combination expenses. However, if the entity replaces the acquiree's awards that expire as a consequence of the business combination, these are recognised as post-combination expenses. As the amendment will be applied prospectively, it will only impact future business combinations.

- ***IFRS 7, Financial Instruments: Disclosures (effective 1 January 2011)***
The amendment emphasises the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments. The amendment will impact the extent of IFRS 7 disclosures provided in the financial statements.

- ***IFRS 9, Financial Instruments (effective 1 January 2013): Recognition and Measurement***
The revised standard comprises the first stage of a project to replace IAS 39. This phase applies to financial assets and simplifies the classification of financial assets whilst retaining the measurement principles, being at fair value or amortised cost. The IAS 39 exemption which allows equity instruments to be measured at cost will be limited further and reclassifications between categories will only be allowed in exceptional circumstances. IFRS 9 could impact the classification and measurement of the company's financial assets, including available-for-sale financial assets – the impact has not yet been determined, and the classification of and accounting for government bonds are likely to change.

- ***IAS 1: Presentation of Financial Statements (effective 1 January 2011)***
The amendment clarifies that an entity should present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The adoption of this amendment will have no material effect on the company's financial statements, as such an analysis is already provided in the statement of changes in equity.

- ***IAS 24, (Revised) Related Party Disclosure:-*** The revised Standard shall be applied retrospectively for annual periods beginning on or after 1 January 2011.

c) *Adoption of new and revised International Financial Reporting Standards (IFRS) {Continued}*
Standards, interpretations and amendments issued but not yet effective {Continued}

This revision simplifies the disclosure requirements for government related entities and clarifies the definition of related parties. This amendment will reduce the extent of required related party disclosures, especially with regards to parastatals.

- ***IAS 27 Consolidated and Separate Financial Statements (effective 1 July 2010)***
  The amendment clarifies that the consequential amendments from IAS 27 made to IAS 21, IAS 28 and IAS 31 apply prospectively for annual periods beginning on or after 1 July 2009 or earlier when IAS 27 is applied earlier. The amendment should not have an impact on the company, as the consequential amendments noted did not impact the company.

- ***IAS 34 Interim Financial Reporting (effective 1 January 2011)***
  The amendment provides guidance to illustrate how to apply disclosure principles in IAS 34 and add certain new disclosure requirements. The amendment may impact disclosures provided in the company's interim reports and press releases prepared in accordance with IAS 34.

- ***IFRS 2, Share based payment (effective 1 January 2010):*** Group Cash-settled Share-based Payment Transactions.
  The IASB issued an amendment to IFRS 2 that clarified the scope and the accounting for group cash-settled share-based payment transactions.

- ***IAS 32, Financial Instruments: Presentation (effective 1 February 2010)*** – Classification of Rights Issues
  This amendment states that if rights are issued pro rata to an entity's existing shareholders in the same class for a fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is determined. The adoption of this amendment will have no effect on the company's financial statements, as the company has not made such rights issues.

- ***IFRIC 13 Customer Loyalty Programmes (effective 1 January 2011)***
  The amendment clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account. The amendment should have no impact on the company, as the company does not have any customer loyalty programmes.

- ***IFRIC 14, Prepayments of a Minimum Funding Requirements (Amendments)(effective 1 January 2011)***
  IFRIC 14 was amended to remove an unintended consequence arising from the treatment of prepayments of future contributions in some circumstances when there is a minimum funding requirement

- ***IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments (effective 1 July 2010)***
  The Interpretation was issued in November 2009 and shall be applied retrospectively for annual periods beginning on or after 1 July 2010 The Interpretation clarifies that equity instruments issued to a creditor to extinguish the liability are "consideration paid" in accordance with IAS 39. As a result, the financial liability is derecognised and the equity instruments issued are treated as consideration paid to extinguish that financial liability. The Interpretation states that equity instruments issued in a debt for equity swap should be measured at the fair value of the equity instruments issued, if this can be determined reliably. If the fair value of the equity instruments issued is not reliably determinable, the equity instruments should be measured by reference to the fair value of the financial liability extinguished as of the date of extinguishment. Any difference between the carrying amount of the financial liability that is extinguished and the fair value of the equity instruments issued is recognised immediately in profit or loss. The resulting gain or loss is disclosed separately on the statement of comprehensive income, or the separate statement of comprehensive income (if presented), or in the notes.

- ***IFRS 5, Non-current Assets Held for Sale and Discontinued Operations (effective 1 January 2010):***-Clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in IFRS 5. The disclosure requirements of other IFRSs only apply if specifically required for such non-current assets or discontinued operations.

- ***IFRS 8, Operating Segment Information (effective 1 January 2010):***-Clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. IAS 1, Presentation of Financial Statements:-Assets and liabilities classified as held for trading in accordance with IAS 39 Financial Instruments: Recognition and Measurement are not automatically classified as current in the statement of financial position.

- ***IAS 1, Presentation of Financial Statements (effective 1 January 2010):-*** This amendment deals with the classification of convertible instruments between current and non-current. The adoption of this amendment will have no material effect on the company's financial statements as the company has not issued any convertible instruments.

- ***IAS 7, Statement of Cash Flows (effective 1 January 2010):-*** Explicitly states that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities.

- ***IAS 17 Leases (effective 1 January 2010):-*** This amendment deals with the classification of leases of land and buildings so that only the general guidance remains. The adoption of this amendment will have no material effect on the company's financial statements as the company does not have any leases of land and buildings classified as finance leases.

- ***IAS 36, Impairment of Assets (effective 1 January 2010):-*** The amendment clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes.

- ***IAS 39, Financial Instruments: Recognition and Measurement (effective 1 January 2010):-*** This amendment clarifies that a repayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest on the remaining term of the host contract. The adoption of this amendment will have no material effect on the company's financial statements as the company does not have such instruments. This amendment clarifies that the scope exemption of contracts between an acquirer and a vendor in a business combination to buy or sell an acquiree at a future date applies only to binding forward contracts and not derivative contracts where further actions by either party are still to be taken. The adoption of this amendment will have no material effect on the company's financial statements as the company does not have such instruments. This amendment clarifies that gains or losses on cash flow hedges of a forecast transaction that subsequently results in the recognition of a financial instrument or on cash flow hedges of recognised financial instruments should be reclassified in the period that the hedged forecast cash flows affect profit or loss. The adoption of this amendment will have no material effect on the company's financial statements as the company does not apply hedge accounting.

d) *Critical accounting estimates and assumptions*

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the assets, liabilities, revenues, expenses and the disclosure of contingent liabilities at end of reporting period. Estimates and judgments are continuously evaluated and are based on managements' experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. Such estimates and assumptions, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

Property, Plant and equipment
Annually, directors make estimates in determining the depreciation rates for property, plant and equipment using internal technical expertise. The rates used are set out in the accounting policy for property, plant and equipment.

These estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the prevailing circumstances.

Impairment of non-financial assets
The company assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

e) *Critical accounting judgements*

In the process of applying the company's accounting policies, directors have made the following judgments, apart from those involving estimates which have the most significant effect on the amounts recognised in the financial statements:

Going concern
Management has made an assessment of the company's ability to continue as a going concern and is satisfied that the company has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the company's ability to continue as a going concern. Therefore the financial statements continue to be prepared on the going concern basis.

Allowance for obsolete inventories
The company holds most of its spare parts for strategic reasons, so that power generation is not interrupted by breakdowns. Most of the inventory items of this nature are generally slow-moving but not obsolete. Allowance made on inventories excludes the slow-moving inventories that the directors consider to be held as strategic spares.

Impairment of available-for-sale financial assets
The company classifies certain assets as available-for-sale and recognises movements in their fair value in equity. The company treats available-for-sale investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires judgement. When the fair value declines, management makes assumptions about the decline in value to determine whether it is an impairment that should be recognised in statement of profit or loss.

Allowance for doubtful receivables
The company reviews its receivables' portfolio regularly to assess the likelihood of impairment. This requires an estimation of the amounts that are irrecoverable especially debts incurred by staff in relation to medical expenses. The amount of impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the effective interest rate.

f) *Revenue recognition*

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

(i) Electricity sales

Electricity sales is recognised on the basis of available capacity and energy sold to the authorised distributor's transmission systems. Revenue also includes realised foreign exchange adjustments as stipulated in the Power Purchase Agreements (PPAs).

The billing system regime has shifted from energy charging to capacity charging. The PPAs stipulates that electricity sales will be agreed upfront on capacity the company is going to produce and transmit. The capacity availability is to measure how much energy the company can transmit to KPLC as per the PPAs and any capacity shortage is penalized within the period. Capacity charge is meant to accelerate the company recoup the investments and focus on future expansion programs in building capacity to meet demand.

(ii) Interest

Interest income is recognised on a time proportion basis using the effective interest rate method (that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

(iii) Rental income

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

(iv) Fuel pass-through revenue

Fuel pass-through revenue is accounted for in line with the provisions of the Power Purchase Agreements where the company nets off the fuel pass through revenue against the related fuel costs and recognises the fuel usage efficiency in the profit or loss.

g) *Taxes*

(i) Current income tax

Current income tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

(ii) Deferred tax

Deferred tax is provided using the liability method on all temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes.

Deferred tax assets are recognised for all deductible temporary differences, carry forward unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and the unused tax credits can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the rates that are expected to apply in the year when the asset is realised or the liability is settled based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Un-recognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

h) Impairment on non-financial assets

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using the pre tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the company makes an estimate of recoverable amount. A previous impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

i) Property, plant, equipment and depreciation

Property, plant and equipment are stated at cost or valuation, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment in value. Plant and machinery class of property, plant and equipment are stated at valuation whereas the other classes of property, plant and equipment are stated at cost. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the decommissioning obligation and for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Residual value, useful life and depreciation methods are reviewed at least annually at the reporting date. Changes in the residual value and expected useful life are accounted for by changing the depreciation charge for the year, and treated as changes in accounting estimates.

On revaluation, surplus is credited to the property, plant and equipment revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the statement of comprehensive income, in which case the increase is recognised in the statement of comprehensive income. A revaluation deficit is recognised in the statement of comprehensive income, except to the extent that it offsets an existing surplus on the same asset recognised in the property, plant and equipment revaluation reserve.

An annual transfer from the asset revaluation reserve to retained earnings is made.

Freehold land is not depreciated. Depreciation is calculated on the straight-line basis, at annual rates estimated to write off carrying values of the assets over their expected useful lives to their estimated residual values.

The annual depreciation rates in use are:

Buildings	2.85%
Transmission lines	2.5-5%
Plant and machinery	
- Geothermal wells	6.66%
- Intake and tunnels	1%
Motor vehicles	25%
Furniture, equipment and fittings	12½%

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of comprehensive income in the year the item is de-recognised. On disposal of revalued assets, amounts in the revaluation surplus relating to that asset are transferred to retained earnings.
The carrying values of the property, plant and equipment are assessed annually and adjusted for impairment where it is considered necessary.

j) *Capitalisation of geothermal assets*

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 fifteen years from the date of commencement of commercial operation. The cost of unproductive wells is transferred to the profit or loss in the year in which they are certified complete but unproductive. Where a well ceases to be productive before the end of its expected useful life, the net book value of the well is charged to the statement of comprehensive income in the year it ceases to be productive.

k) *Intangible assets*

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income in the expense category consistent with the function of the intangible asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in statement of comprehensive income when the asset is derecognised.

l) *Work–in-progress*

Work-in-progress represents costs incurred in acquisition/installation of an item of property, plant and equipment which is not in use. Work-in-progress is not depreciated until the assets are completed and brought into use.

m) *Borrowing costs*

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying capital project under construction are capitalised and added to the project cost during construction until such time the assets are substantially ready for their intended use of commercial production. Where funds are borrowed specifically to finance a project, the amounts capitalised represents the actual borrowing costs incurred.

Capitalised costs include interest charges and foreign currency exchange differences on borrowings for projects under construction to the extent that they are regarded as adjustments to interest rates. All other borrowing costs are recognised in the statement of comprehensive income in the period in which they are incurred.

n) Inventories

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

o) Financial instruments

Financial assets within the scope of IAS 39 are classified as either, loans and receivables, held to maturity investments, fair value through profit or loss or available for sale as appropriate. Financial liabilities within the scope of IAS 39 are classified as either loans and borrowings or fair value through profit or loss. Financial assets and liabilities are recognised on the company's statement of financial position when the company has become a party to the contractual provisions of the instrument. The company determines the classification of financial instruments at initial recognition. All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs.

Available-for-sale investments

Available-for-sale financial assets include debt securities. Debt securities intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity, or changes in interest rates, exchange rates are classified as available-for-sale. Available for sale investments are subsequently measured at fair value, based on quoted bid prices.

After initial measurement, available-for-sale investments are subsequently measured at fair value with unrealised gains and losses recognised directly in other comprehensive income in the available-for-sale reserve until the asset is derecognised, at which time the cumulative gains or losses previously recognised in equity are recognised in profit or loss. Interest earned whilst holding available–for-sale financial investments is reported as interest income using the effective interest rate. The losses arising from impairment of such investments are recognised in profit or loss and removed from the reserves.

Cash and cash equivalents

Cash and short term deposits comprise cash at banks and at hand and short term deposits which are readily convertible to known amounts of cash with an original maturity of three months or less. Cash and cash equivalents are classified as loans and receivables and measured at amortised cost.

For the purpose of the cash flow statement, cash and cash equivalents include short term deposits, net of advances from banks repayable within three months from date of disbursement or date of confirmation of the advance.

Borrowings

Interest-bearing loans and overdrafts are initially recorded at fair value net of issue costs associated with the borrowing. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue cost, and any discount or premium on settlement.

Trade payables

Trade payables are initially recorded at fair value and are subsequently measured at amortised cost using the effective interest rate method that approximates the invoiced amounts due to the short term nature thereof.

Impairment of financial assets
The company assesses at each reporting date whether a financial asset or group of financial assets is impaired.

Assets carried at amortised cost
If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in profit or loss.

In relation to trade receivables, allowance for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in profit or loss.

Available-for-sale financial investments
For available-for-sale financial investments, the company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement.

Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

Derecognition of financial assets

i) Financial assets
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either;
  (a) the company has transferred substantially all the risks and rewards of the asset, or
  (b) the company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the company's continuing involvement in the asset. In that case, the company also recognises an associated liability. The transferred asset and associated liability are measured on a basis that reflects the rights and obligations that the company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset, is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the company could be required to repay.

ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

p) Provisions

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

q) Employees' benefits

i) Retirement benefits obligations

The company operates a defined benefits pension scheme for its employees. The assets of the scheme are held in a separate trustee administered fund, which is funded by contributions from both the company and employees. Benefits are paid to retiring staff in accordance with the scheme's rules. The cost of providing benefits under the defined benefit plans is determined using the attained age method.

Actuarial gains and losses are recognised as income or expense when the net cumulative unrecognised actuarial gains and losses at the end of the previous reporting period exceed 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognised over the expected average remaining working lives of the employees participating in the scheme.

The past service costs are recognised as an expense on a straight line basis over the average period until the benefits become vested. If the benefits have already vested, immediately following the introduction of, or changes to, a pension scheme, past service costs are recognised immediately.

The company and all its employees also contribute to the National Social Security Fund, a statutory defined contribution pension scheme. The company's obligation under the scheme is limited to specific contributions legislated from time to time and are currently limited to a maximum of KShs. 200 per month per employee. The company's contributions in respect of retirement benefit costs are charged to the profit and loss in the year to which they relate.

ii) Other entitlements

The monetary benefits for employees' accrued annual leave entitlement at the reporting date are recognised as a provision.

r) Accounting for leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is based on the use of a specific asset or assets and the arrangement conveys a right to use the asset. For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of IFRIC 4.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases. The cost incurred to acquire the right of use of the land are included in the financial statements as long term prepayment and are amortised on a straight line basis over the remaining lease period.

The company as lessor

Leases where the company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The company as lessee

Assets acquired under finance leases are capitalised at the inception of the lease at the lower of their fair value and the estimated present value of the underlying lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of lease obligation so as to achieve a constant rate on the remaining balance of the liability. The corresponding rental obligations, net of finance charges, are included in non-current liabilities. The interest element of the finance charge is charged to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the accounting policy on borrowing costs. Property, plant and equipment acquired under finance leases are depreciated over their estimated useful lives. However, if there is no reasonable certainty that the company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the period of the lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term. Contingent rents are recognised as revenue in the period in which they are earned.

s) Dividends on ordinary shares

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

t) Grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

Revenue grant

Grants received to compensate expenses or for the purpose of giving immediate support to the company with no future related costs are recognised in profit or loss in the year of receipt and/or commencement of the project for which they were intended.

Capital grant

Where a grant is related to an asset, the asset amount is presented in the statement of financial position by deducting the related grant in arriving at the carrying amount of the asset.

u) Foreign currency transactions

The financial statements are presented in Kenya Shillings, which is the company's functional and reporting currency. Transactions during the year are converted into Kenya Shillings at rates ruling at the transaction dates. Assets and liabilities at the reporting date, which are expressed in foreign currencies, are translated into Kenya Shillings at rates ruling at that date. The resulting differences from conversion and translation of foreign currencies are dealt with in the profit and loss with the exception of those differences relating to the foreign currency borrowings; these are dealt with in the Statement of Changes in Equity as Foreign Currency Translation Reserve.

KenGen does not have any foreign operations.

5. Revenue

	2010 KShs'000	2009 KShs'000
Electricity sales:-		
• Energy revenue	869,440	11,800,000
• Capacity charges revenue	9,219,329	-
Power Purchase Agreements' adjustments		
- Capacity shortfall (Note 41)	(269,880)	(281,844)
- Realised foreign exchange gain	1,112,495	973,471
	10,931,384	12,491,627
Revenue from Emergency Power Project (EPP)	211,345	160,761
	11,142,729	12,652,388

6. Interest Revenue

	2010 KShs'000	2009 KShs'000
Treasury bonds	234,220	294,742
Banks and other financial institutions	120,899	138,327
	355,119	433,069

7. Other Income

		2010 KShs'000	2009 KShs'000
(a)	Gain on derecognition of bonds	-	175,877
	Consultancy services	27,953	36,321
	Miscellaneous income	67,902	50,381
	Insurance compensation	-	21,407
	Sale of fuel	49,925	-
	Net fuel pass-through [Note 7 (b)]	11,115	5,642
	Gain on disposal of property, plant and equipment	-	8,445
		156,895	298,073
(b)	Net fuel pass-through		
	Fuel pass-through revenue	5,835,258	7,866,080
	Fuel pass-through costs	(5,824,143)	(7,860,438)
		11,115	5,642

In line with the provisions of the Power Purchase Agreements, the company is reimbursed by KPLC for fuel costs incurred in the production of thermal electricity. The net fuel pass-through represents the fuel usage efficiency which varies with working condition of the thermal power generating plants.

8. Foreign Exchange Gain

	2010 KShs'000	2009 KShs'000
Foreign exchange gain on other monetary items excluding borrowings	131,329	176,069

Notes to the Financial Statements (cont'd)

For The Year Ended 30 June 2010

9. Operating Expenses

	2010 KShs'000	2009 KShs'000
Staff costs	2,748,710	2,366,390
Depreciation	3,829,136	3,847,095
Amortisation of prepaid leases on leasehold land	29	29
Plant operation and maintenance	914,112	859,901
Insurance	210,006	212,656
Catchment preservation and dam maintenance	107,000	107,000
Welfare and training	337,619	374,730
Loss on derecognition of treasury bond	1,180	-
Other costs	483,036	479,198
	8,630,828	8,246,999

10. Finance Cost

	2010 KShs'000	2009 KShs'000
Interest on borrowings	720,787	718,921
Interest on bank overdraft	20,704	37,398
	741,491	756,319

11. Profit Before Tax

	2010 KShs'000	2009 KShs'000
a) Profit before tax is arrived at after charging		
Depreciation	3,829,136	3,847,095
Amortisation of prepaid lease	29	29
Staff costs	2,748,710	2,366,390
Directors' emoluments- Fees	6,000	3,600
- Others	16,413	14,879
Auditor's remuneration	5,000	3,520
Operating lease rentals	57,209	58,319
Interest on non current borrowings	720,787	718,921
And after crediting		
Interest income	355,119	433,069
Exchange gain	131,329	176,069
(b) Staff costs		
Salaries and wages	2,377,852	1,999,630
Leave pay allowance	110,866	110,436
Pension cost- Defined benefit scheme	254,153	250,519
- National Social Security Fund	5,839	5,805
	2,748,710	2,366,390

12. Tax

	2010 KShs'000	2009 KShs'000
(a) STATEMENT OF COMPREHENSIVE INCOME		
Current tax at 25% on the taxable profit for the year	-	-
Deferred tax charge/(credit)	561,696	2,485,368
Prior year over charge	(105,305)	-
	456,391	2,485,368
Accounting profit before tax	2,413,753	4,556,281
Tax applicable rate of 25%	603,438	1,139,070
Income not subject to tax	(295)	(167,807)
Non-deductible expenses	14,428	20,162
Originating and reversing temporary differences	(3,016,664)	713,778
Tax losses carried forward	2,960,789	780,165
Prior year over charge	(105,305)	-
	456,391	2,485,368
(b) STATEMENT OF FINANCIAL POSITION		
Balance brought forward	141,383	73,190
Paid during the year	141,485	68,193
	282,868	141,383

13. Earnings Per Share

Basic earnings per share is calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares.

The following reflects the earnings and the share data used in the basic and diluted earnings per share computations:

	2010	2009
Profit attributable to ordinary shareholders for basic earnings (in KShs'000)	1,957,362	2,070,913
Number of ordinary shares in issue during the year used in the calculation	2,198,361,456	2,198,361,456
Basic and diluted earnings per share (in KShs)	0.89	0.94

Notes to the Financial Statements (cont'd)

For The Year Ended 30 June 2010

14. Property, Plant And Equipment

30 June 2010

	Freehold land and buildings KShs'000	Transmission lines KShs'000	Plant and machinery KShs'000	Motor vehicles KShs'000	Furniture, Equipment and fittings KShs'000	Work- in-progress KShs'000	Total KShs'000
COST /VALUATION							
At 1July 2009	15,826,045	81,061	84,911,431	439,290	2,064,096	13,820,806	117,142,729
Additions	-	-	-	-		13,360,160	13,360,160
Transfers from work- in-progress	2,471,420	-	8,993,019	156,385	152,888	(11,773,712)	-
Adjustments	1,770	-	(20)	-	-	(1,395)	355
At 30 June 2010	18,299,235	81,061	93,904,430	595,675	2,216,984	15,405,859	130,503,244
DEPRECIATION							
At 1 July 2009	3,924,270	5,264	18,762,099	268,013	1,483,678	-	24,443,324
Charge for Year	412,003	3,093	3,237,442	78,016	98,615	-	3,829,169
Adjustments	345	-	(10,714)	-	10,336	-	(33)
At 30 June 2010	4,336,618	8,357	21,988,827	346,029	1,592,629	-	28,272,460
NET BOOK VALUE							
AT 30 June 2010	13,962,617	72,704	71,915,603	249,646	624,355	15,405,859	102,230,784

The revaluation of plant and machinery was carried out by CB Richard Ellis International valuers, whose report was issued on 21 May 2007.

14. Property, Plant And Equipment

30 June 2010

	Freehold land and buildings KShs'000	Transmission lines KShs'000	Plant and machinery KShs'000	Motor vehicles KShs'000	Furniture, Equipment and fittings KShs'000	Work- in-progress KShs'000	Total KShs'000
COST /VALUATION							
At 1 July 2008	15,854,230	81,061	84,900,279	394,415	2,030,005	9,167,772	112,427,762
Additions	-	-	-	-	-	4,744,243	4,744,243
Transfers from Work-in-progress	21,578	-	8,203	63,413	34,091	(127,285)	-
Disposal	(9,180)	-	-	(10,159)	-		(19,339)
Adjustments	(40,583)	-	2,949	(8,379)	-	36,076	(9,937)
At 30 June 2009	15,826,045	81,061	84,911,431	439,290	2,064,096	13,820,806	117,142,729
DEPRECIATION							
At 1 July 2008	3,419,620	3,161	15,574,143	218,764	1,389,684	-	20,605,372
Charge for the year	504,650	2,939	3,222,831	58,702	93,994	-	3,883,116
Disposal	-	-	-	(9,143)	-	-	(9,143)
Adjustment	-	(836)	(34,875)	(310)	-	-	(36,021)
At 30 June 2009	3,924,270	5,264	18,762,099	268,013	1,483,678	-	24,443,324
NET BOOK VALUE							
At 30 June 2009	11,901,775	75,797	66,149,332	171,277	580,418	13,820,806	92,699,405

15. Prepaid Leases On Leasehold Land

	2010 KShs'000	2009 KShs'000
COST		
At start of the year	1,768	1,768
PREPAID LEASE EXPENSES		
At start of the year	322	293
Prepaid Lease Expenses	29	29
At close of the year	351	322
NET BOOK VALUE		
At close of the year	1,417	1,446

16. Intangible Asset

	2010 KShs'000	2009 KShs'000
COST		
At start of the year	543,893	303,721
Additions in the year	151,391	240,142
At close of the year	695,284	543,893

Intangible asset relates to costs incurred towards the installation of the Scada software at the power stations. No amortisation has been charged on these assets since they are not yet available for use.

17. Related Party Transactions

The company is 70% owned by the Government of Kenya. The remaining 30% of the shares are widely held. The company main related parties are the Government of Kenya and Kenya Power and Lighting Company Limited (KPLC). KPLC is the authorised electricity distributor in Kenya with its majority shareholder being the Government of Kenya.

	2010 KShs'000	2009 KShs'000
a) Amount due from KPLC		
Energy sales	3,590,525	5,195,179
b) Amount due from KPLC-deferred debt	1,220,570	1,064,696

The deferred debt from KPLC relates to project costs for land, other costs, transmission lines and substations on the Sondu Miriu project implemented by the company on behalf of KPLC under a management agreement. The debt is payable over a duration of 30 years commencing on 15 August 2014 to 15 August 2043

	2010 KShs'000	2009 KShs'000
c) Amount due to KPLC	5,955	8,037

d) Related party transactions

Parties are considered to be related if one party has the ability to control the other or exercise significant influence over the other party in making financial or operational decisions.

During the year the following transactions were carried out with related parties:

	2010 KShs'000	2009 KShs'000
(i) Energy sales to KPLC	9,818,889	11,518,156
Realised foreign exchange adjustments	1,112,495	973,471
	10,931,384	12,491,627
Fuel pass-through	5,835,258	7,866,080
(ii) Electricity purchases from KPLC	128,440	129,484

Terms and conditions of transactions with related parties

The deferred debt from KPLC is payable in 60 equal semi annual instalments at an interest rate of 0.75% per annum.

The sales to KPLC are made in accordance with the signed Power Purchase Agreements whereas the purchases from KPLC are made at normal market prices. Outstanding balances at the year-end are unsecured and settlement occurs in cash.

(iii) Government of Kenya:	2010 KShs'000	2009 KShs'000
Funds received for Geothermal Resource Assessment	22,300	4,472,700
Interest expense on project borrowings	-	437,100
Geothermal Resource Assessment assets	1,130,252	4,730,738

Other details relating to balances with the Government of Kenya are disclosed in notes 21, 24 and 34.

	2010 KShs'000	2009 KShs'000
(iv) Staff advances		
Key management	-	453
Other staff	88,663	109,650
	88,663	110,103

The company, through the welfare and benefits scheme, provides staff with financial support.

	2010 KShs'000	2009 KShs'000
(v) Key management compensation		
Salaries and wages	63,933	66,374
Pension scheme contributions	17	188
Other allowances	21,922	36,000
	85,872	102,562
Directors' emoluments		
Fees	6,000	3,600
Others	16,413	14,879
	22,413	18,479

18. Treasury Bonds- Available-For Sale

Treasury bonds are debt securities issued by the Government of Kenya and are classified as available-for-sale. The fair value of treasury bonds is determined by reference to published price quotations in an active market. The maturity profile for the Government treasury bonds are as follows:

	2010 KShs'000	2009 KShs'000
Within one year	519,201	1,631,485
After one year but within two years	995,014	79,292
After two years but within five years	174,392	1,466,388
After five years	5,694,934	-
	7,383,541	3,177,165
Current	(519,201)	(1,631,485)
Non-current	6,864,340	1,545,680
Weighted average interest rate	11.22%	8.49%

At 30 June 2010 no impairment losses have been recognised for available-for-sale assets (30 June 2009: Nil). The carrying amount of available for sale assets was KShs 7.383 billion (30 June 2009: KShs 3.177 billion). Out of the total treasury bonds of KShs 7.383 billion, KShs 834 million are held under lien by Kenya Commercial Bank.

19. Inventories

	2010 KShs'000	2009 KShs'000
Fuel	928,723	243,252
General stores	49,125	55,103
Machinery spares	371,459	376,218
Goods-in-transit	94,067	78,194
	1,443,374	752,767

20. Other Receivables

	2010 KShs'000	2009 KShs'000
Receivable from staff	48,988	67,430
Other receivables and prepayments	1,399,031	255,607
Advance payments – contractors	2,667,219	199,329
	4,115,238	522,366

Advance payments to contractors mainly relate to Olkaria IV, Kindaruma and Kipevu III.

Terms and conditions

Other receivables are non-interest bearing, unsecured and are generally on 30-365 days terms.

21. Amount Due From Ministry Of Energy

	2010 KShs'000	2009 KShs'000
As at July 1	(283,589)	(25,551)
Received during the year	22,300	4,472,700
Interest receivable	75,155	-
Expenditure during the year	(1,130,250)	(4,730,738)
As at 30 June	(1,316,384)	(283,589)

These amounts relate to application of Geothermal Resource Assessment funds which the Ministry of Energy disburses to the company for the purpose of exploration, exploitation and development of geothermal resources in the country. The company acts on behalf of the Ministry of Energy in undertaking the activities pertaining to this project.

The balance as at 30 June represents amounts expended by the company on the project in excess of the amounts received from the Ministry of Energy. These amounts are receivable from the Ministry of Energy.

22. Term Deposit

	2010 KShs'000	2009 KShs'000
Term deposit	15,066	32,499

The deposits are held by Housing Finance Company Limited as security against current house loans by members of staff under the discontinued staff housing scheme.

23. Notes To The Cash Flows Statements

a) Reconciliation of operating profit to cash generated from operations

	2010 KShs'000	2009 KShs'000
Profit before tax	2,413,753	4,556,281
Adjustments for:		
Depreciation	3,829,136	3,847,095
Prepaid lease expense	29	29
Gain on disposal of property, plant and equipment	-	(8,445)
Interest income	(355,119)	(433,069)
Interest expense	720,787	718,921
Unrealised foreign exchange gain	(217,964)	(358,704)
Unrealised foreign exchange gain related to amount due from KPLC-deferred debt	(155,874)	182,635
Decrease in prepaid lease	(2,000)	(2,000)
Increase in leave pay provision	44,464	18,333
Net loss/ (gains) on derecognition of treasury bond	1,180	(175,877)
Operating profit before working capital changes	6,278,392	8,345,199
(Increase)/decrease in inventories	(690,607)	232,246
Decrease /(increase) in amounts due from KPLC	1,604,654	(695,526)
(Increase)/decrease in trade and other receivables	(3,562,683)	213,546
Decrease in trade and other payables	(185,937)	(2,374,862)
(Decrease)/increase in amount due to KPLC	(2,082)	566
Increase in amount due from Ministry of Energy	(1,032,795)	(258,038)
Cash generated from operations	2,408,942	5,463,131

b) Balances of Cash And Cash Equivalents

	2010 KShs'000	2009 KShs'000
Bank and cash balances	21,316,380	4,189,491
Term deposits	15,066	32,499
Year end balance	21,331,446	4,221,990

Cash at bank earns interest at floating rate based on daily bank deposit rates. Short term deposits are made for varying periods between one day and three months depending on the immediate cash requirement of the company and earn interest at the respective short term deposit rates.

24. (a) Borrowings

	Maturity Year	2010 KShs'000	2009 KShs'000
Government of Kenya Guaranteed			
2.6% Japan Bank for International Cooperation KE P20 2005/2025 (JPY 6,379,740,000)	2025	5,899,122	5,535,494
2.3% Japan Bank for International Cooperation KE P21 2007/2027 (JPY 5,749,298,000)	2027	5,316,175	4,947,161
0.75% Japan Bank for International Cooperation KE P23 2014/2044 (JPY 10,553,999,999)	2044	9,758,914	8,509,772
0.75% Japan Bank for International Cooperation KE P24 (approved JPY 5,620,000,000), Disbursed JPY 1,758,779,266)	2047	1,626,282	891,999
On lent			
7.7% International Development Association 2003/2018 (USD 58,377,292)	2018	4,782,075	5,165,248
7.7% Kreditanstalt Fur Wiederaufbau 2004/2019 (Euro 901,342.65)	2038	90,183	110,766
4.5% International Development Association Credit IDA 3958, 2009/2027(USD 25,068,170)	2025	2,053,502	850,042
4.5% KBC Bank loan (Belgium) Ngong Wind Power (Euro 11,314,681)	2023	1,132,081	1,029,814
Direct borrowings			
European Investment Bank (Euro 20,000,000)		2,001,089	-
Agence Francaise de Development (AFD)(EURO 47,500,000)		3,891,034	-

24. Borrowings (Continued)

		2010 KShs'000	2009 KShs'000
12.5% Public Infrastructure Bond KShs. 25,000,000,000)	2019	24,774,113	-
		61,324,570	27,040,296
Accrued interest		188,340	152,781
Total borrowings		61,512,910	27,193,077
Less: Amounts due within 12 months		(1,876,081)	(1,399,880)
Non-current borrowings		59,636,829	25,793,197

(b) Borrowings maturity analysis

	2010 KShs'000	2009 KShs'000
Due within 1 year	1,876,081	1,399,880
Due between 1 and 2 years	1,687,740	1,247,099
Due between 2 and 5 years	5,063,221	3,741,297
Due after 5 years	52,885,868	20,804,801
	61,512,910	27,193,077

(c) Analysis of loans by currency

	Borrowings in US$ KShs'000	Borrowings in JPY KShs'000	Borrowings in EUR KShs'000	Borrowings in KShs KShs'000
Loans (KShs) 30 June 2010	7,444,362	22,175,455	7,118,980	24,774,113
Loans (KShs) 30 June 2009	6,015,290	19,884,425	1,140,581	-

Securities

The Government of Kenya guaranteed and the on-lent borrowings have no securities held as the Government of Kenya is the guarantor. The Public Infrastructure Bond is unsecured.

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

25. Trade And Other Payables

	2010 KShs'000	2009 KShs'000
Trade payables	1,506,327	1,804,872
Contract payables and retention money	1,055,379	793,902
Sundry payables	187,630	118,994
VAT payable	-	217,505
	2,749,336	2,935,273

Terms and conditions

Trade payables are non-interest bearing and are normally settled on a 60 day terms.
Other payables are also non-interest bearing and have an average term of six months.

26. Leave Pay Provision

	2010 KShs'000	2009 KShs'000
At beginning of the year	137,585	119,252
Charge to income statement	44,464	18,333
At close of the year	182,049	137,585

27. Operating Lease Commitments

(a) As Lessee

The future rental payments under operating leases are as shown below:

	2010 KShs'000	2009 KShs'000
Within 1 year	23,845	11,378
After 1 year but not later than 5 years	34,854	42,044
	58,699	53,422

The company has entered into commercial leases on premises. These leases have an average life of between three and five years. There are no restrictions placed upon the lessee by entering into the leases.

(b) As Lessor

The company leased out geothermal wells OW 101 and OW 306 to Oserian Development Company for a period of 15 years at a cost of KShs 15,000,000 per well receivable in advance.

The advance receipts have been accounted for as operating leases as shown below:

	2010 KShs'000	2009 KShs'000
Within 1 year	2,000	2,000
After 1 year but not later than 5 years	8,000	8,000
After 5 years	1,000	3,000
	9,000	11,000

This amount is amortised annually on a straight-line basis over the remaining life of the lease.

28. Dividends Payable And Proposed

	2010 KShs'000	2009 KShs'000
a) Dividend payable		
As at 1 July	1,384,968	615,542
Proposed and approved in the year	1,099,181	1,978,525
Paid during the year	(329,755)	(1,209,099)
	2,154,394	1,384,968
b) Dividend proposed		
Proposed for approval at annual general meeting (not recognised as a liability)		
Dividends on ordinary shares:		
Final dividend for 30 June:	1,099,181	1,099,181
Dividend per share in KShs	0.50	0.50

Dividend per share is calculated based on the amount of the dividend for the year and on the number of ordinary shares in issue at the respective reporting dates.

29. Share Capital

	2010 KShs'000	2009 KShs'000
Authorised:		
2,215,927,528 ordinary shares of KShs 2.50 each	5,539,819	5,539,819
Issued and fully paid:		
2,198,361,456 ordinary shares of KShs 2.50 each	5,495,904	5,495,904

30. Reserves

	KShs' 000	KShs' 000
Share premium	5,039,818	5,039,818
Capital reserve	8,579,722	8,579,722
Available-for- sale reserve	1,385,460	22,010
Retained earnings	27,069,388	24,635,834
Revaluation reserve-property, plant and equipment	21,600,510	22,782,040
	63,674,898	61,059,424
Foreign currency translation reserve	(6,955,455)	(4,341,281)
	56,719,443	56,718,143

i) The share premium arose as a result of the company taking over more assets than liabilities from the government during the Power Sector Reform Program in 2000. The capitalisation of the related excess was in the form of share capital issued at a premium.

ii) The capital reserve relates to development surcharge received from KPLC for financing the development of certain power projects for the period 1997 and prior years.

iii) Available-for- sale reserve arises from fair value changes on treasury bonds.These bonds are classified as available-for-sale. On derecognition, the cumulative changes in fair value are recognised through the profit or loss.

i) The revaluation reserve on property, plant and equipment arose on the revaluation of plant and machinery adopted in 2007. The revaluation reserve is used to record movements in the fair value of plant and machinery as measured against the carrying amount of the related assets.

ii) The foreign currency translation reserve arises from translation of foreign currency denominated borrowings outstanding as at end of the year.

31. Retirement Benefits

Up to 31 December 2000, the company operated a joint defined benefit scheme with KPLC, which was funded by contributions from both the company and employees.

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 2001. The scheme is administered independently by Alexander Forbes Financial Services (E.A) Limited. AIG Global Investment Company (EA) Limited and Stanbic Investment Management Services (EA) Limited jointly manage the funds.

The scheme's actuaries, Alexander Forbes Financial Services (E.A) Limited, carried out an actuarial valuation as at 31 December 2006. The actuarial valuation method adopted entailed the comparison of the value of the scheme's assets at the valuation date with its liabilities and an assessment of the ability of the scheme to meet its obligations to members.

The professional actuarial valuation by a qualified actuary is undertaken after every three years, regarded as regular enough given the general economic conditions in which the company operates and the next one is due in 2011.

For the preparation of the annual financial statements, the directors have reviewed the present value of the company's defined benefit obligations and the related current service cost and past service cost. In addition, they have reviewed the actuarial assumptions about demographic variables of the future characteristics of current and former employees who are eligible for benefits which include the employee turnover and mortality rate and the financial variables such as future salary and benefit levels, the expected rate of return on scheme's assets and the discount rate as used in actuarial valuation as at 31 December 2006 and compared these to the current situation.

In this regard therefore, as at 30 June 2010, the present value of the retirement benefits' obligations under the scheme approximates the fair value of the schemes assets.

The results of the valuation show that there is a past service actuarial deficit of KShs 1,155 million. The level of funding (the ratio of the value of the assets to the past service liability) is 68.9%.

The principal actuarial assumptions were:

	%p.a.
Investments return	10
Rate of salary escalation	8
Rate of pension increases	3

The company continues to contribute 20% and employees 5% towards the scheme, as recommended by the Actuaries.

A provision of KShs 339 million was made against the deficit of KShs 1,155 million identified by the Actuaries. Part of the deficit, amounting to KShs 826 million, is a claim from KPLC which is a subject of ongoing discussions with the company on a platform of arbitration, provided for by an agreement for transfer of schemes assets and liabilities executed by all the parties in 2004. Clause 7.1 of the agreement provides for arbitration as the first option in dispute resolution. Kengen and KPLC signed an agreement on 24 August 2009 for submission of the dispute relating to the actuarial deficit to Arbitration. The agreement provides that parties shall appoint Arbitrators within thirty days of the signing of the agreement.

In an effort to overcome the delay an arbitration process would pose, the two parties have agreed to have direct negotiations and settle the matter in the second quarter of 2010/2011. The directors believe that the company will be successful in obtaining payment of the claim from KPLC.

32. Deferred Tax

Deferred tax is calculated on all temporary differences under the liability method using the applicable rate, currently at 25%. The net deferred tax liability at year-end is computed on the basis of the following:

	2010 KShs'000	2009 KShs'000
Deferred tax assets:		
Tax losses	(3,686,571)	(780,165)
Tax effects on items not deductible for tax	(162,626)	(151,510)
	(3,849,197)	(931,675)
Deferred tax liabilities:		
Unrealised exchange gains on other items	32,833	89,745
Revaluation surplus	7,298,616	7,594,013
Accelerated capital allowances	9,859,579	6,527,200
	17,191,028	14,210,958
Net deferred tax liability	13,341,831	13,279,283

Movement on the deferred tax account is as follows:

	2010 KShs'000	2009 KShs'000
At the beginning of the year	13,279,283	11,186,948
Prior year over charge	(105,305)	-
Deferred tax charge		
- profit/loss	561,696	2,485,368
- Equity	(393,843)	(393,033)
At 30 June	13,341,831	13,279,283

33. World Bank Financing Credit Line Ida 3958 Ke

(a) The company received financial support from the World Bank Credit No. 3958- KE 3958 dated 4 August 2004 to support implementation of the Energy Sector Recovery Project. KShs 2,053,502,123 (US$ 25,068,170) has been disbursed under this credit line to date as disclosed in note 24. A portion of this is disbursed directly into a Special Account B operated by the company and summary information on transactions during the year is as follows:

	2010 KShs'000	2009 KShs'000
Balance at the beginning of the year	45,351	39,727
Amounts received during the year	136,585	69,573
Interest income	1,591	4,870
Expenditure during the year	(147,434)	(68,819)
Balance at the end of the year .	36,093	45,351

The closing balance shown above is included in cash and cash equivalents and is held in Account No. 0154003517 at Commercial Bank of Africa Limited.

(b) The disbursements to the Special Account have been expended in accordance with the intended purpose as specified in the Loan Agreement.

(c) Direct payments were disbursed through the letter of credit from Special Commitment as below:

	2010 KShs'000	2009 KShs'000
Direct payments from letter of credit	1,038,291	415,436

34. Emergency Power Project

	2010 KShs'000	2009 KShs'000
At the beginning of the year	3,335,035	(343,836)
Disbursements from the Ministry of Energy	5,727,689	6,253,492
Receipts from sale of electricity	15,793,518	18,349,396
Interest income	11,674	56,729
Expenditure during the year	(24,336,188)	(20,980,746)
As at the end of the year	531,728	3,335,035

Funds from the Ministry of Energy were disbursed to the company for the purpose of procuring 180Mw of emergency power supply capacity through an Emergency Power Project in 2008. According to the relationship agreement, in which the company is an implementing commission agent, the Ministry of Energy may extend the agreement period for another one year or more through a written notice to the company. These funds are held in an escrow bank account at the Commercial Bank of Africa. The company earned KShs 211.345 million in the year (2009: 160.761 million) in relation to managing these projects.

35. Contingent Liabilities

I. *Mowlem Construction Company (EA) Ltd-Kamburu tailrace terminal claims.*

The contractor was engaged by the company to carry out tailrace tunnel remedial works during an outage of the power station between 10 January and 12 April 2000. Following commencement, detailed inspection revealed that the extent of the remedial works were substantially greater than had previously been assessed during phase 1, in January 1999. For operational reasons it was not possible to extend the completion date, however by utilizing additional resources Mowlem succeeded in completing the works on 17 April 2000, four days ahead of program.

The contractor is claiming KShs 132.9 million for this period and interest of KShs 94.4 million. This claim is disputed and, in the opinion of the directors, will not materialize.

II. *Disputed tax penalties*

On 12 August 2002, the Customs and Excise Department issued an assessment of KShs 22.2 million excise duty arising from electricity imported from Uganda between 1998 and 2001. The principal tax has since been settled in full except for penalties amounting to KShs 31 million. The company has petitioned the Ministry of Finance for a waiver of the penalties and, in the opinion of the directors, no provision is required in the financial statements as the liability will not crystallise.

III. *Disputed withholding tax on contractual fees- Olkaria Geothermal Station*

On 05 February 2009, the Commissioner of Domestic Taxes issued an assessment of KShs 290 million inclusive of penalties and interest. The assessment was as a result of withholding tax on contractual fees paid to the contractors of Olkaria Geothermal Station between 2001 and 2004. The company appealed to the Local Committee but lost the same to Kenya Revenue Authority (KRA). The company has appealed the Local Committee decision to the High Court. The principal tax of KShs 131.8 million has since been settled in full except for penalties and interest whose application for waiver has been filed with KRA. The directors believe that the company will be successful in defending this case.

IV. *Disputed withholding tax on contractual fees – Sondu Miriu*

On 9 July 2009, the Commissioner of Domestic Taxes issued an assessment of KShs 591 million inclusive of penalties and interest. The assessment was as a result of withholding tax on contractual fees paid to Konoike–Veidekke–Murray and Roberts JV in relation to Sondu Miriu Power Project. The company has already objected the assessment and a response from KRA is yet to be received. The directors believe that the company will be successful in defending this case.

V. Letters of credit

Letters of credit signifies 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 2010 amounted to KShs 10.129 billion (30 June 2009 KShs 8.603 billion).

36. Financial Risk Management Objectives And Policies

The company's principal financial assets are treasury bonds-available-for-sale, other receivables, cash and cash equivalents and short term deposits which arise directly from its operations. The company has various financial liabilities comprising borrowings, overdraft and trade and other payables.

The company has exposure to the following risks:

- Market risk
- Interest rate risk
- Foreign currency risk
- Credit risk
- Liquidity risk

The Board of Directors has overall responsibility for the establishment and oversight of the company's risk management framework. The company's risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in economic conditions and the company's activities. The company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The Managing Director oversees how management monitors compliance with the company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the company.

a) Market risk

Market risk is the risk that changes in market prices such as interest rate and foreign exchange rates will affect company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(i) Interest rate risk

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

(ii) Foreign currency risk

The company has transactional currency exposures. Such exposure arises when borrowings are revalued at the end of the year and also through purchases of goods and services that are done in currencies other than the local currency. The company has nine types of 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 due to foreign currency risk is mitigated by the terms of the Power Purchase Agreement that allows the company to compute and recover a foreign exchange adjustment charge each month from KPLC.

The balances in foreign currencies at year end were as follows:

Notes to the Financial Statements (cont'd)

For The Year Ended 30 June 2010

	2010 Kshs '000	2009 Kshs '000
Assets in foreign currencies		
Other receivables	-	196,966
Amounts due from related companies	1,220,570	1,064,696
Cash and bank balances	6,183,067	2,283,910
	7,403,637	3,545,572
Liabilities in foreign currencies		
Trade and other payables	280,431	742,639
Borrowings	36,738,800	27,193,077
	37,019,231	27,935,716
Net foreign currency liability	(29,615,594)	(24,390,144)

The following are the gazetted base rate and the exchange rates that existed at the various dates for the following significant currencies:

	Gazetted base rate KShs	2010 KShs	2009 KShs
US$	64.9242	81.90	77.10
Yen	0.6404	0.92	0.81
Euro	100.793	100.05	109.06

The following table demonstrates the effect on the company's statement of comprehensive income 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.

Change in currency rate		Effect on Profit Before Tax KShs' 000	Effect on Equity KShs' 000
US$			
2010	-6.00%	(234,205)	212,457
	6.00%	234,205	(212,457)
2009	-19.00%	(22,331)	1,120,574
	19.00%	22,331	(1,120,574)
YEN			
2010	-14.00%	(79,121)	(3,354,565)
	14.00%	79,121	3,354,565
2009	-32.00%	-	6,022,313
	32.00%	-	6,022,313
EURO			
2010	-8.00%	(160,498)	409,020
	8.00%	160,498	
2009	-7.00%	(78,797)	62,832
	7.00%	78,797	(62,832

(iii) 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 KPLC 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, KPLC.

b) *Credit risk*

The company has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Amount due from KPLC

The company only sells generated electricity to KPLC and this minimizes the credit risk exposure. Both companies have a contract that stipulates a two-month credit period. In addition, receivable balances from company staff are recovered on payment of salaries.

The maximum exposure is the carrying amount due from KPLC as disclosed in Note 37.

As at 30 June, the ageing analysis of amount due from KPLC is as follows:

	Neither past due nor impaired	Past due but not impaired		Totals
		Over 60 days	Over 365 days	
	KShs '000	KShs '000	KShs '000	KShs '000
2010	3,590,525	-	-	3,590,525
2009	4,644,460	-	550,719	5,195,179

Available-for-sale and cash deposits

Credit risk from balances with banks and financial institutions is managed by company's treasury department in accordance with the company's policies. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the company's directors on an annual basis, and may be updated throughout the year subject to approval of the company's audit and risk management committee. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty failure. The company's maximum exposure to credit risk for the components of the statement of financial position as at 30 June 2010 and 2009 is the carrying amounts as indicated in Notes 37.

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 KPLC and the Ministry of Energy 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.

The table below analyses maturity profiles of the financial liabilities of the company based on the remaining period using 30 June 2010 as a base period to the contractual maturity date:

	Less than 3 Months	3 to 12 Months	1 to 5 Years	> 5 years	Total
	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
Trade and other payables	1,716,140	1,033,196	-	-	2,749,336
Amount due to KPLC	5,955	-	-	-	5,955
Borrowings	622,257	1,253,824	6,750,961	53,111,755	61,738,797
	2,344,352	2,287,020	6,750,961	53,111,755	64,494,088

d) *Operational risk*

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management.

This responsibility is supported by the development of overall company standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards

Compliance with company's standards is supported by a programme of periodic reviews undertaken by Internal Audit and Risk Management Department. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate. The reports are tabled to the Audit and Risk Committee of the Board for further review.

37. Fair Values of Financial Assets and Liabilities

a) Comparison by class of the carrying amounts and fair values of the financial instruments

Set out below is a comparison by class of the carrying amounts and fair values of the companies financial instruments that are carried in the financial statements.

	Carrying amount		Fair value	
	2010 KShs'000	2009 KShs'000	2010 KShs'000	2009 KShs'000
Financial Assets				
Treasury bonds-available for sale	7,383,541	3,177,165	7,383,541	3,177,165
0ther receivables	48,988	67,340	48,988	67,340
Amount due from KPLC-deferred debt	1,220,570	1,064,696	1,220,570	1,064,696
Amount due from KPLC	3,590,525	5,195,179	3,590,525	5,195,179
Amount due from Ministry of Energy	1,391,539	283,589	1,391,539	283,589
Term deposits	15,466	32,499	15,466	32,499
Bank and cash balances	21,316,380	4,189,491	21,316,380	4,189,491
Financial Liabilities				
Fixed interest borrowings	36,738,800	34,661,062	23,638,675	15,621,807
Public Infrastructure Bond	24,774,113	-	27,480,075	-
Trade and other payables	2,749,336	2,935,273	2,749,336	2,935,273
Amount due to KPLC	5,955	8,037	5,955	8,037

Fair values of treasury bonds –available for sale financial assets and Public Infrastructure Bond are based on price quotations at the reporting date.

Other receivables and amounts due from KPLC are evaluated regularly to assess the likelihood of impairment. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. As at 30 June 2010, the carrying amounts of such receivables, net of allowances, approximates their fair value.

The fair values of term deposits, bank and cash balances, tax recoverable, geothermal development funds, dividends payable, trade and other payables and amount due to KPLC approximates their carrying amounts largely due to the short term maturities of these instruments.

The fair value of fixed interest borrowings has been calculated by discounting the expected future cash flows at current rates applicable for items with similar terms and risk characteristics. This valuation requires the company to make estimates about expected future cash flows and discount rates, and hence they are subject to uncertainty.

b) Fair value hierarchy
The company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at 30 June 2010, the company held the following financial instruments measured at fair value:

Assets measured at fair value:

	Level 1 KShs'000	Level 2 KShs'000	Level 3 KShs'000
30 June 2010			
Treasury bonds-available-for-sale	7,383,541	-	-
30 June 2009			
Treasury bonds-available-for-sale	3,177,165	-	-

Liabilities measured at fair value:
As at 30 June 2010, there were no liabilities measured at fair value.

38. Capital Management

The primary objective of the company's capital management is to ensure that it maintains a strong credit rating 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 self- financing ratios greater than 25%. The company includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash equivalents. Capital includes 30% ordinary shares attributable to the public and 70% ordinary shares attributable to the Government of Kenya and distributable reserves.

	30 June 2010 KShs'000	30 June 2009 KShs'000
Borrowings	61,512,910	27,193,077
Trade and other payables	2,749,336	2,935,273
Less cash and short-term deposits	(21,331,446)	(4,221,990)
Net debt	42,930,800	25,906,360
Equity	63,314,528	63,313,228
Gearing ratio	40%	29%

39. Capital Commitments

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

	30 June 2010 KShs'000	30 June 2009 KShs'000
Authorised but not contracted for	133,299,073	76,012,995
Contracted but not provided for	31,126,591	21,656,123
	164,425,664	97,669,118

40. Operating Segment Information

The company's only activity is generation of electricity. The business is organised on a regional platform – Western and Eastern Hydros, Mombasa, Olkaria, Head Office and Ngong' Hill which only serves the necessary functional and administrative roles in these areas and not allocation of resources and financial performance assessment. The operations and management reporting are all done under the head office.

41. Power Purchase Agreements

On 4 June 2009, KenGen and KPLC entered into five long term Power Purchase Agreements (PPAs) for the supply of capacity (take or pay) and energy from KenGen's Power Stations applicable retrospectively from 1 July 2008. In the PPAs, KPLC is required to purchase and pay for the electrical energy delivered to KPLC as well as the available capacity in respect of the Power Plants. The final payments for capacity and energy are computed as per the various formulae provided in the individual PPAs. In the event that KenGen is not able to have the pre agreed capacity levels in line with the stipulation of the PPAs, an adjustment to cater for the shortfall is levied by KPLC in line with the set formulae. It is noted that the PPAs for the isolated power stations and mini-hydros is based on an energy regime meaning that KPLC only pays for the energy supplied from these Power Stations.

42. Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year. Where changes are made and affect the statement of financial position, a third statement of financial position as at the beginning of the earliest period presented is presented together with the corresponding notes.

Our Good to Great "G2G" transformation strategy focuses on achieving sustainability from one generation to the next and targets to inject over 3,000MW by 2018 into the national grid.

Statistics

5 Year Financial and Statistical Records

	2006	2007	2008	2009	2010
Units Sold(Gwh'Millions)	4,538	4,599	4,818	4,339	3594
Average tariff(Kshs/Kwh)	1.76	2.36	2.36	2.42	2.42
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Electricity sales	7,986,968	10,852,766	11,371,532	11,518,156	9,818,889
Other revenue related to electricity sales	235,740	288,453	176,644	1,134,232	1,323,840
	8,222,708	**11,141,219**	**11,548,176**	**12,652,388**	**11,142,729**
Operating expenses	(5,609,681)	(8,071,329)	(8,011,600)	(8,246,999)	(8,630,828)
	2,613,027	**3,069,890**	**3,536,576**	**4,405,389**	**2,511,901**
Other income	1,752,415	2,203,096	340,264	907,211	643,343
	4,365,442	**5,272,986**	**3,876,840**	**5,312,600**	**3,155,244**
Finance costs	(644,904)	(553,707)	(798,073)	(756,319)	(741,491)
Profit before tax	**3,720,538**	**4,719,279**	**3,078,767**	**4,556,281**	**2,413,753**
Taxation	48,395	(2,273,613)	2,818,113	(2,485,368)	(456,391)
	3,768,933	**2,445,666**	**5,896,880**	**2,070,913**	**1,957,362**
Funds Generated from Operations					
Net income for the year	3,768,933	2,445,666	5,896,880	2,070,913	1,957,362
Depreciation	2,000,212	3,446,354	3,404,308	3,847,095	3,829,136
Amortization of operating lease	29	29	29	29	29
Currency realignment	(589,070)	(1,419,974)	(8,763)	(176,069)	(131,329)
	5,180,104	**4,472,076**	**9,292,454**	**5,738,099**	**5,655,198**
Capital employed					
Property, Plant & Equipment	50,662,366	87,357,083	91,822,390	92,699,405	102,230,784
Operating lease payment	1,533	1,503	1,474	1,446	1,417
Treasury Bonds	2,447,488	3,941,294	3,509,123	1,545,680	6,864,340
Intangible assets	-	215,664	303,721	543,893	695,284
KPLC deferred debt	-	627,072	701,704	1,064,696	1,220,570
The Kenya power & lighting Co. Ltd	3,290,167	4,129,246	4,677,895	5,195,179	3,590,525
Net current assets	3,670,566	(1,199,200)	(1,608,273)	1,685,835	22,038,696
	60,072,120	**95,072,662**	**99,408,034**	**102,736,136**	**136,641,616**
Financed by					
Share capital	10,535,722	5,495,904	5,495,904	5,495,904	5,495,904
Reserves	25,962,940	58,142,286	62,629,270	57,817,324	57,818,624
Deferred tax	5,850,228	15,038,788	11,464,355	13,279,283	13,341,831
Prepaid lease	17,000	15,000	13,000	11,000	9,000
Retirement Benefits Scheme	339,428	339,428	339,428	339,428	339,428
Loan capital	17,366,772	16,040,696	19,466,078	25,793,197	59,636,829
	60,072,120	**95,072,662**	**99,408,034**	**102,736,136**	**136,641,616**
Capital expenditure	2,057,076	5,356,989	7,896,512	4,731,066	13,360,515

Total Number of employees as at 30 June 2010 was 1,658

Units Sent Out in Gwh (Begins July and ends in June)

	Installed (MW)	Effective (MW)	2005/06	2006/07	2007/08	2008/09	2009/10
Hydro							
Tana	14.4	10.4	56	68	64	44	29
Wanjii	7.4	7.4	22	36	37	28	27
Kamburu	94.2	94.2	399	464	489	348	251
Gitaru	225	216.0	795	945	977	655	458
Kindaruma	40	40.0	190	215	239	157	109
Gogo	2	1.8	5	5	5	6	5
Sosiani	0.4	0.4	2	3	2	2	1
Mesco	0.38	0.35	3	2	3	3	0.2
Ndula	2	1.8	3	4	5	2	3
Sagana	1.5	1.5	8	8	8	6	8
Masinga	40	40.0	170	183	230	128	61
Kiambere*	168	164.0	852	973	937	614	549
Turkwel	106	106.0	520	372	341	524	335
Sondu Miriu	60	60.0	0	0	150	333	321
Total Hydros	**761.28**	**743.85**	**3025**	**3277**	**3488**	**2849**	**2160**
Diesel							
Kipevu Diesel	73.5	66	399	326	295	376	316
Total Diesel	**73.5**	**66**	**399**	**326**	**295**	**376**	**316**
Geothermal							
Olkaria I	45	45	324	360	359	368	366
Olkaria II*	105	105	562	540	564	535	573
Total Geothermal	**150.00**	**150.00**	**886**	**900**	**922**	**903**	**939**
Gas Turbine							
Fiat - Nairobi South	0	0	18	4	7	9	0
JBE - Kipevu	60	60	194	75	88	184	145
Total Gas Turbine	**60.00**	**60.00**	**212**	**79**	**95**	**193**	**145**
Isolated Diesels							
Garissa	3.438	3.290	9	10	12	11	12.40
Lamu	2.889	2.139	6	6	6	6	6.51
Total Isolated	**6.33**	**5.429**	**15**	**16**	**18**	**17**	**19**
Wind Turbine							
Old Ngong Wind	0.35	0.35	0.38	0.17	0.17	0.29	0.02
New Ngong' Wind*	5.1	5.1	0	0	0	0	16.29
Total Wind	**5.45**	**5.45**	**0.38**	**0.17**	**0.17**	**0.29**	**16.30**
Total Capacity	**1056.56**	**1030.73**	**4538**	**4599**	**4818**	**4339**	**3596**
Emergency Power*	290	290.0		561.2	556.4	914.2	1096

*wef 2009/10

Financial Ratios

	2006	2007	2008	2009	2010
Income for the year as % of Av. Capital employed	5.70%	3.23%	3.63%	4.60%	2.10%
Profit before tax, dividend & exeptional items/Net fixed assets in service	7.00%	7.00%	3.35%	4.92%	2.36%
Return on total assets	6.00%	3.00%	3.52%	4.89%	2.20%
Profit before tax, dividend(less exeptional items)/capital employed	4.00%	1.00%	1.11%	3.37%	1.77%
Current Ratio	2.30	2.00	1.40	2.17	4.68
Debt Service Coverage Ratio	3.30	5.40	4.99	3.90	4.50
Self Financing Ratio	55%	40%	74%	71%	60%

Generated Units (Millions) (Begins July and Ends in June)

	2005/06	2006/07	2007/08	2008/09	2009/10
Hydro					
Tana	56	68	65	44	29
Wanjii	23	37	38	29	28
Kamburu	399	467	489	348	251
Gitaru	795	945	977	655	458
Kindaruma	190	216	241	157	109
Gogo	5.1	5.3	5.0	5.8	5.3
Sosiani	1.9	2.9	1.8	1.6	1.4
Mesco	2.6	1.6	2.8	2.6	0.3
Ndula	3.1	3.7	5.5	2.0	3.4
Sagana	7.8	8.0	7.8	5.9	8.4
Masinga	170	184	232	129	62
Kiambere	852	983	946	621	550
Turkwel	520	378	346	527	335
Sondu Miriu	-	-	151	333	321
Total Hydros	**3026**	**3299**	**3508**	**2861**	**2161**
Diesel					
Kipevu Diesel	399	334	303	386	325
Total Diesel	**399**	**334**	**303**	**386**	**325**
Geothermal					
Olkaria I	324	376	372	384	366
Olkaria II	562	569	594	564	584
Total Geothermal	**886**	**945**	**966**	**948**	**951**
Gas Turbine					
Fiat - Nairobi South	18	4	8	9	0
JBE - Kipevu	194	77	90	187	146
Total Gas Turbine	**212**	**81**	**98**	**197**	**146**
Isolated Diesels					
Garissa	10	11	12	11	13
Lamu	6	6	6	6	7
Total Isolated	**16**	**17**	**19**	**18**	**20**
Wind Turbine					
Old Ngong Wind	0.4	0.2	0.2	0.3	0.02
New Ngong' Wind	0	0	0	0	16.29
Total Wind	**0.4**	**0.2**	**0.2**	**0.3**	**16.3**
Emergency Power	-	*561.2*	*556.4*	*914.2*	*1096.2*

Total Units Generated (Gwh)

	2005/06	2006/07	2007/08	2008/09	2009/10
Hydro	3026	3299	3508	2861	2161
Geothermal	886	945	966	948	951
Isolated	16	17	19	18	20
Gas Turbines	212	81	98	197	146
Diesel	399	334	303	386	325
Wind	0.4	0.2	0.2	0.3	16.3
	4539	**4677**	**4893**	**4411**	**3619**

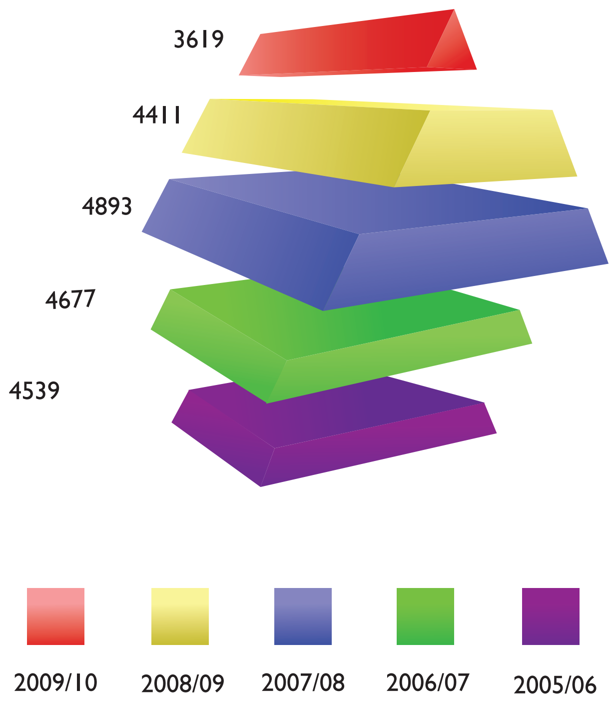
Weighted Factors (%)

Power Station	Effective Capacity	2005/2006 Availability	2006/2007 Load Factor	2006/2007 Availability	2007 / 2008 Load Factor	2007 / 2008 Availability	2008 / 2009 Load Factor	2008 / 2009 Availability
Hydro								
Tana	10.4	77.46	61.73	90.82	74.83	96.39	51.33	99.28
Wanjii	7.4	40.83	35.03	61.29	56.71	70.31	58.35	99.63
Kamburu	94.2	89.87	48.71	96.40	56.59	86.69	59.32	99.63
Gitaru	216.0	96.50	40.36	85.69	49.95	94.39	49.58	99.11
Kindaruma	40.0	87.43	54.77	78.98	61.73	96.63	68.85	99.38
Gogo	1.8	50.14	31.30	70.18	33.80	63.43	28.56	95.25
Selby	0.4	95.32	53.94	96.44	82.32	96.60	51.74	72.42
Mesco	0.35	94.80	79.00	53.91	53.06	91.78	84.06	93.16
Ndula	1.8	43.86	17.70	49.67	42.72	76.54	31.21	97.49
Sagana	1.5	90.07	59.55	79.09	61.09	82.67	59.02	96.20
Masinga	40.0	97.15	49.07	97.03	52.58	98.80	66.14	98.23
Kiambere*	164.0	96.20	68.25	95.51	77.90	86.57	75.01	90.21
Turkwel	106.0	97.01	55.03	96.38	40.66	91.21	37.22	93.81
Sondu Miriu	60.0	-	-	-	-	95.60	28.67	97.49
Total Effective Capacity	**743.85**							
Weighted Factors - Hydros		**93.89**	**51.88**	**91.04**	**57.16**	**91.39**	**54.73**	**96.33**
Diesel								
Kipevu Diesel	66.00	90.34	74.74	79.69	57.85	88.16	11.74	91.90
Weighted Factors - Diesel		**90.34**	**74.74**	**79.69**	**57.85**	**88.16**	**11.74**	**91.90**
Geothermal								
Olkaria I	45.0	83.93	85.80	94.47	95.47	96.41	94.45	95.24
Olkaria II*	105.0	97.73	97.12	97.72	93.21	99.68	96.81	97.13
Total Effective Capacity	**150.0**							
Weighted Factors - Geothermal			**92.33**	**92.69**	**96.45**	**94.09**	**98.40**	**95.88**
Gas Turbines								
Fiat-Nairobi South	0.0	53.00	15.64	73.14	3.73	88.10	6.46	48.21
JBE-Kipevu	60.0	77.03	37.59	79.76	14.57	95.35	16.33	95.44
Total Effective Capacity	**60.0**							
Weighted Factors - GT's		**72.62**	**33.56**	**78.54**	**12.58**	**94.02**	**14.52**	**86.76**
Isolated Diesels								
Garissa	3.29	75.32	32.65	85.89	36.46	93.51	32.09	86.72
Lamu	2.139	94.78	37.60	82.70	36.31	61.88	38.96	70.48
Total Effective Capacity	**5.429**							
Weighted Factors - Isolated		**82.99**	**34.60**	**84.63**	**36.40**	**81.05**	**34.79**	**80.32**
Wind Turbine								
Old Ngong Wind	0.35	43.00	20.60	50.00	13.45	42.91	11.64	53.69
New Ngong' Wind*	5.1	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Effective Capacity	**5.45**							
Weighted Factors - Wind		**2.76**	**1.32**	**3.21**	**0.86**	**2.76**	**0.75**	**3.45**

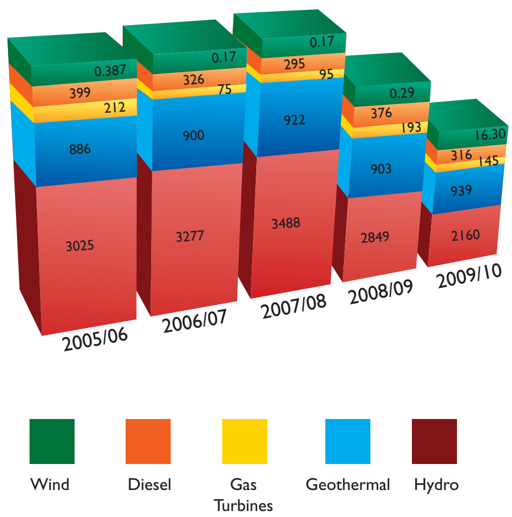
*wef 2009/10

Load Factor	2009 / 2010 Availability	Load Factor
48.11	90.68	32.65
44.61	73.35	42.86
45.13	97.04	27.99
34.64	92.52	23.93
44.87	96.43	31.15
33.02	66.58	32.53
46.28	100.00	40.80
78.37	11.72	7.86
15.58	70.59	18.37
44.71	94.72	56.52
36.88	65.90	17.48
49.22	77.56	37.98
56.73	95.98	37.18
63.38	95.35	64.78
45.56	**88.93**	**33.15**
73.51	76.95	59.49
73.51	**76.95**	**59.49**
97.53	94.27	95.87
91.95	97.94	89.30
96.39	**94.13**	**96.849127**
10.61	0.00	0.00
35.67	77.92	28.33
31.07	**77.92**	**28.33**
37.46	83.25	49.76
55.87	80.95	35.65
44.72	**82.34**	**44.20**
9.42	7.66	0.50
0.00	87.52	44.05
0.60	**82.39**	**41.25**

Generated Units (Gwh)



Total Units Sent Out (Gwh)



Total Units Sent Out (Gwh)

	2005/06	2006/07	2007/08	2008/09	2009/10
Hydro	3025	3277	3488	2849	2160
Geothermal	886	900	922	903	939
Isolated	15	16	18	17	19
Gas Turbines	212	79	95	193	145
Diesel	399	326	295	376	316
Wind	0.38	0.17	0.17	0.29	16.30
	4538	**4599**	**4818**	**4339**	**3596**

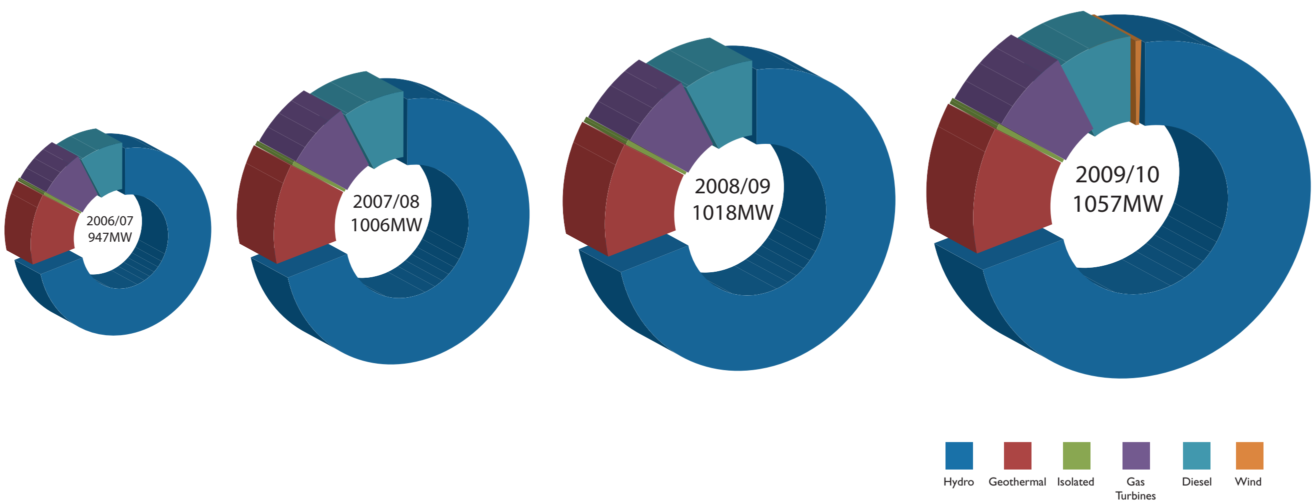
Installed Capacity (MW)

	2006/07	2007/08	2008/09	2009/10
Hydro	677.30	737.00	749.28	761.28
Geothermal	115.00	115.00	115.00	150.00
Isolated	4.20	5.20	6.33	6.33
Gas Turbines	76.50	73.50	73.50	60.00
Diesel	73.50	75.00	73.50	73.50
Wind	0.35	0.35	0.35	5.45
	946.85	1006.05	1017.96	1056.56

Effective Capacity (MW)

	2006/07	2007/08	2008/09	2009/10
Hydro	632.90	719.00	736.05	743.85
Geothermal	115.00	115.00	115.00	150.00
Isolated	3.50	4.60	5.43	5.43
Gas Turbines	70.00	70.50	70.00	60.00
Diesel	70.00	60.00	66.00	66.00
Wind	0.35	0.35	0.35	5.45
	891.75	969.45	992.83	1030.73

Installed Capacity (MW)



Notice of the Annual General Meeting

NOTICE IS HEREBY GIVEN THAT THE FIFTY-EIGHTH ANNUAL GENERAL MEETING of the Company will be held at the Bomas of Kenya, Langata Road, Nairobi on Thursday, 9 December 2010 at 11.00 a.m. to conduct the following business:

1. To table the proxies and note the presence of a quorum.

2. To read the Notice convening the meeting.

3. To consider and if approved, adopt the Company's audited financial statements for the year ended 30th June 2010, together with the Chairman's, Directors' and Auditors' Reports thereon.

4. To approve the payment of a final dividend of 20% or Kshs 0.50 per ordinary share of Kshs 2.50, subject to withholding tax where applicable, in respect of the financial year ended 30th June 2010.

5. To elect Directors:
   (i) Mr. Patrick Nyoike, Permanent Secretary in the Ministry of Energy, who retires on rotation in accordance with Article 104 of the Articles of Association of the Company and being eligible offers himself for re-election as a Director of the Company.

   (ii) Mr. Musa Ndeto retires on rotation in accordance with Article 104 of the Articles of Association of the Company and being eligible offers himself for re-election as a Director of the Company.

   (iii) Mrs. Mary Michieka who was appointed by the Board on 26 February 2010 retires in accordance with Article 105 of the Articles of Association of the Company and being eligible offers herself for re-election as a Director of the Company.

6. To pass the following Ordinary Resolution:
   Special Notice pursuant to Section 142 and 186 (5) of the Companies Act Cap 486 of the Laws of Kenya having been received by the Company of the intention to move a resolution that Mr. Titus K. Mbathi who has attained the age of 70 years be re elected as a Director of the Company notwithstanding his having attained such age, to consider, and if thought fit, pass the following resolution as an Ordinary resolution:

   "That Mr. Titus K. Mbathi who has attained the age of 70 years, and who retires by rotation be, and is hereby re-elected as a Director of the Company until he comes up for retirement by rotation under the Memorandum and Articles of Association of the Company.

6. To approve payment of Directors' fees for the year ended 30 June 2010.

7. Auditors:
   To note that the audit of the company's books of accounts will continue to be undertaken by the Auditor-General or an audit firm appointed by him in accordance with Section II of the State Corporations Act (as amended by the miscellaneous Law Amendment Act 2002) and Sections 14 and 39 (i) of the Audit Act 2003.

8. To authorise the Directors to fix the remuneration of the Auditors.

9. Special Business:
To consider and if approved, pass the following Special Resolution:

"That the Articles of Association of the Company be amended as follows:

Article 130
By deleting in its entirety and substituting the following new Article:

"(a) Any dividend or other money payable in cash on or in respect of shares may be paid by electronic funds transfer or other automated system of bank transfer, electronic or mobile money transfer system, transmitted to such bank or electronic or mobile telephone address as shown in the Register of Members or by cheque or warrant payable at such place of business as the Company shall specify in writing, sent through the post to the address of the member or person entitled to it as shown in the Register of Members or if two or more persons are registered as joint holders of the shares to the registered address of the joint holders of the shares, to the registered address of the joint holder who is first named in the Register of Members or in the case of two or more persons being entitled thereto in consequence of the death or bankruptcy of the holder, to any one of such persons at such address as the persons being entitled to receive payment may in writing direct.

(b) Every such cheque or warrant or funds transfer shall be made payable to or to the order of the person to whom it is sent or to such person who may be entitled to the same (as described in Article 130 (a) aforesaid). Payment of the cheque or warrant, if purporting to be endorsed or enfaced, by the addressee or as the case may be, confirmation of payment having been made by the transmitting entity to the addressee of a direct debit, bank transfer or other automated system of bank transfer or via a mobile money transfer system, shall in each case be a good discharge to the Company. Every such payment whether by cheque or warrant or electronic funds transfer or mobile money payments system shall be sent at the risk of the person entitled to the money represented by it."

10. To consider any other business for which due notice has been given.

By Order of the Board

Rebecca Miano
Company Secretary

12 October 2010

NOTES:

1. A member entitled to attend and vote at the meeting and who is unable to attend is entitled to appoint a proxy to attend and vote on his or her behalf. A proxy need not be a member of the Company.

   To be valid, the proxy form, must be duly completed by a member and must either be lodged at the registered offices of the Company's shares registrar, Image Registrars Limited, Transnational Plaza 8th Floor, Mama Ngina Street, P.O Box 9287, 00100 GPO, Nairobi or be posted, so as to reach Image Registrars not later than Tuesday, 7 December 2010 at 11.00 a.m.

2. In accordance with Article 137 of the Articles of Association of the Company, a copy of the entire Annual Report & Financial Statements may be viewed on the Company's website at www.kengen.co.ke or a printed copy may be obtained from the Registered Office of the Company, Stima Plaza, Kolobot Road, Parklands, Nairobi, P.O. Box 47936 - 00100 GPO, Nairobi.

Ilani ya Mkutano Mkuu wa Kila Mwaka

ILANI INATOLEWA KWAMBA MKUTANO MKUU WA KILA MWAKA WA HAMSINI NA NANE wa Kampuni utaandaliwa katika Bomas of Kenya, Langata Road, Nairobi mnamo Alhamisi, Desemba 9, 2010 saa tano asubuhi kuendesha shughuli zifuatazo:

1. Kuwasilisha majina ya wawakilishi na kutambua kuwepo kwa idadi ya kutosha ya wanachama kuendesha shughuli.

2. Kusoma Ilani ya kuandaa mkutano

3. Kuchunguza na iwapo itaidhinishwa, kupitisha taarifa za kifedha za Kampuni zilizokaguliwa kwa mwaka uliomalizika Juni 30, 2010, pamoja na Ripoti za Mwenyekiti, Wakurugenzi na Wahasibu zilizoambatanishwa.

4. Kupitisha malipo ya mgao wa mwisho wa asilimia 20 au Sh 0.50 kwa kila hisa ya kawaida ya Sh2.50 ikitegemea ushuru wa kushikilia inavyohitajika, kuhusiana na kipindi cha matumizi ya fedha kilichomalizika Juni 30, 2010.

5. Kuchagua Wakurugenzi
   (i) Bw. Patrick Nyoike, Katibu katika Wizara ya Kawi ambaye anastaafu kwa mzunguko kwa mujibu wa Kifungu 104 cha Kanuni ya Kampuni na kwa kuwa anahitimu, anajitokeza kuchaguliwa tena kama Mkurugenzi wa Kampuni.

   (ii) Bw. Musa Ndeto anastaafu kwa zamu kwa mujibu wa Kifungu 104 cha Kanuni ya Kampuni na kwa kuwa amehitimu, ajitokeza kuchaguliwa tena kama Mkurugenzi Mkuu wa Kampuni.

   (iii) Bi. Mary Michieka ambaye aliteuliwa na Bodi mnamo Februari 26, 2010 anastaafu kwa mujibu wa Kifungu 105 cha Kanuni ya Kampuni na kwa kuwa anahitimu, ajitokeza tena kuchaguliwa kama Mkurugenzi wa Kampuni.

6. Kupitisha Azimio lifuatalo la Kawaida:
   Ilani maalumu kwa mujibu wa Sehemu ya 142 na 186 (5) ya Sheria ya Kampuni Sura 486 ya Sheria za Kenya baada ya kupokelewa na Kampuni kuhusu nia ya kuwasilisha azimio kwamba Bw. Titus K. Mbathi ambaye amefikisha umri wa miaka 70 achaguliwe tena kama Mkurugenzi wa Kampuni licha ya kufikisha umri huo, na kutathmini, na ikiwa itaonekana sawa, kupitisha azimio lifuatalo kama Azimio la Kawaida:

   "Kwamba Bw. Titus K. Mbathi ambaye amefikisha umri wa miaka 70 na ambaye anastaafu kwa zamu, achaguliwe, na amechaguliwa kama Mkurugenzi wa Kampuni hadi wakati atafikia wakati wa kustaafu kwa zamu kwa mujibu wa Katiba ya Kampuni.

6. Kuidhinisha malipo ya ujira wa Wakurugenzi kwa mwaka uliomalizika Juni 30, 2010.

7. Wahasibu:
   Kutambua kuwa ukaguzi wa vitabu vya hesabu vya Kampuni utaendeela kutekelezwa na Mhasibu Mkuu au kampuni ya uhasibu atakayoteua kwa mujibu wa Sehemu ya II ya Sheria ya Mashirika ya Umma (kama ilivyorekebishwa na Mkusanyiko wa Sheria wa 2002) na sehemu 14 na 39 (i) ya Sheria ya Uhasibu ya 2003.

8. Kuidhinisha Wakurugenzi kuamua mshahara wa Wahasibu.

9. Shughuli Maalumu:
Kuthibitisha na ikikubaliwa, kupitisha pendekezo ifuatayo:

Kifungu 130
"Kwamba Kanuni za Kampuni zirekebishwe kwa kuondoa kipengele chote cha sasa cha 130 ili kisome hivi:

a) Malipo ya mgao au pesa zozote taslimu zinazolipwa kuhusiana na hisa sinaweza kulipwa kupitia mfumo wa kutuma pesa moja kwa moja kwa akaunti (electronic money transfer) au utaratibu wowote wa kimitambo wa kuhamisha pesa kwenye benki, au kupitia kwa simu ya rununu iliyomo kwenye sajili ya hisa ya Kampuni au kupitia kwa hundi au afisi zetu kama vile Kampuni itafafanua kwa maandishi , na kutumwa kupitia anwani ya mwanachama au yeyote anayestahili kuipokea kama ilivyo kwenye sajili ya hisa ya Kampuni au iwapo watu wawili au zaidi wanajiandikisha kama wamiliki wa pamoja wa hisa, kwa anwani iliyoandikishwa ya mmiliki wa pamoja ambaye ametajwa mara ya kwanza kwenye sajili ya hisa ya Kampuni au katika hali ambapo watu wawili au zaidi wanaostahili kulipwa kufuatia kifo au kufilisika kwa mmiliki, au kwa mmoja wa watu kama hao wanaostahili kupokea malipo wanaweza kuelezea kwa maandishi.

b) Kila hundi au kuhamishwa kwa fedha kutafanywa kwa amri ya mtu anayeipokea au kwa yeyote anayestahili (kama inavyoelezwa kwenye kipengele kilichotajwa cha 130a). Malipo ya hundi, kama yatadaiwa kuidhinishwa na nayetumiwa kama hali itakavyokuwa, thibitisho kwamba malipo yalifanywa kwa anayetumiwa iwe ni moja kwa moja, au kupitia kwa akaunti ya benki au kupitia mfumo wa kutuma pesa za simu, itaondolea lawama Kampuni. Kila malipo kama hayo iwe ni kupitia hundi au kutumwa kwa fedha kwa njia ya elektroniki au simu zitatumwa na hatari zozote zitagharamiwa na mwenye kutumiwa fedha hizo."

10. Kuangalia shughuli zingine zile ambazo ilani imepeanwa.

Amri ya Bodi

Rebecca Miano
Katibu wa Kampuni

Oktoba 12, 2010

MAELEZO:

1. Mwanachama ana haki kuhudhuria na kupiga kura kwenye mkutano na yule hawezi kuhudhuria ana haki ya kuteua mwakilishi ambaye atahudhuria na kupiga kura kwa niaba yake. Mwakilishi si lazima awe mwanachama wa Kampuni.

   Ili kuwa halali, fomu ya uwakilishi, ni lazima ijazwe na mwanachama na ni lazima iwasilishwe katika afisi rasmi za msajili wa hisa wa Kampuni, Image Registrars Limited, Transnational Plaza ghorofa ya nane 8, Mama Ngina Street, S.L.P 9287, 00100 GPO, Nairobi au kutumwa ili ifikie Image Registrars kabla ya Jumanne, Desemba 7, 2010 saa 5.00 asubuhi.

2. Kwa mujibu wa Kifungu 137 cha Kanuni ya Kampuni, nakala ya Ripoti yote ya Hesabu ya Kila Mwaka inaweza kuangaliwa kwenye mtandao wa Kampuni katika www.kengen.co.ke au nakala iliyochapishwa inaweza kupatikana kwenye afisi rasmi za Kampuni, Stima Plaza, Kolobot Road, Parklands, Nairobi, SLP 47936 - 00100 GPO, Nairobi.

Proxy Form

The Company Secretary
Kenya Electricity Generating Company Limited
Stima Plaza, Kolobot Road
P O Box 47936 - 00100 Nairobi

I/WE ....of ....being a member

of the above Company, hereby appoint: ....of ....or

failing him/her...of ....as

my/our proxy, to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held

on Thursday, 9 December 2010 and at any adjournment thereof.

As witness my/our hand this .... day of ....2010.

Signed...

Notes:

1. A member entitled to attend and vote is entitled to appoint one or more proxies to attend and vote in his stead and a proxy need not be a member of the Company.
2. In the case of a member being a limited Company this form must be completed under its Common Seal or under the hand of an officer or attorney duly authorised in writing.
3. The Proxy Form must be delivered to Image Registrars not later than Tuesday, 7 December 2010 at 11.00 a.m. Proxy Forms should be sent by post to Image Registrars of P O Box 9287, 00100 Nairobi. Alternatively, duly signed proxies can be scanned and emailed to info@image.co.ke in PDF format.

Fomu ya Uwakilishi

Katibu wa Kampuni
Kenya Electricity Generating Company Limited
Stima Plaza, Kolobot Road
SLP 47936 - 00100 Nairobi

MIMI/SISI...wa ....kama mwanachama

wa Kampuni iliyotajwa hapa juu, hii hapa namteua:...wa............................au

akikosa...wa...kama

mwakilishi wangu/wetu, kupiga kula kwa niaba yangu/yetu katika Mkutano Mkuu wa Kila Mwaka wa Kampuni

utakaoandaliwa mnamo Alhamisi 9, Desemba 2010 au wakati wowote ule endapo utaahirishwa. Kama mashahidi

sahihi yangu/yetu................ siku ya ....2010.

Sahihi ....

Maelezo:

1. Mwanachama aliye na haki ya kuhudhuria na kupiga kura ana haki ya kuteua mwakilishi mmoja au zaidi kuhudhuria na kupiga kura kwa niaba yake na sio lazima mwakilishi awe mwanachama wa Kampuni.
2. Iwapo ni mwanachama wa kampuni ya dhima yenye kikomo, hii fomu ni lazima ijazwe chini ya nembo yake au mbele ya afisa au wakili ambaye ataidhinishwa kwa maandishi.
3. Fomu ya Uwakilishi ni lazima iwasilishwe kwa Image Registrars kabla ya Jumanne Desemba 7, 2010 saa 5 asubuhi. Fomu za Uwakilishi zinapasa kutumwa kwa posta kwa Image Registrars wa SLP 9287, 00100 Nairobi. Badala yake, fomu za uwakilishi zilizojazwa na kutiwa sahihi zinaweza kutolewa nakala na kutumwa kwa baruapepe info@image.co.ke kwa umbo la PDF.

Shareholder Resources

Final Dividend for the financial year ended 30 June 2010

Closure of Register and Date of Payment
The Register of Members will be closed from Monday, 15 November 2010 to Tuesday, 16 November 2010, both dates inclusive.

If approved, the dividend will be paid, less withholding tax where applicable on or about Tuesday, 18 January 2011 to the shareholders whose names appear in the Register of Members at the close of business on Friday, 12 November 2010.

Update of Particulars

- **For all CDS accountholders,** please update your postal address, email address and bank account details at the CDSC through your Stockbroker or Custodian Bank.

- **For all Share Certificate holders,** please update your postal address, email address and bank account details at the offices of Image Registrars, Transnational Plaza 8th Floor, Mama Ngina Street, P.O. BOX 9287-00100 GPO Nairobi.

Raslimali za Mwenyehisa

Mgao wa Mwisho kwa Kipindi cha Matumizi ya Fedha kilichomalizika Juni 30, 2010

Kufungwa kwa Sajili na Tarehe ya Malipo
Sajili ya Wenyehisa itafungwa kuanzia Jumanne, Novemba 15, 2010 hadi Jumanne 16, Novemba 2010 siku zote zikiwemo.

Ikiwa itaidhinishwa, mgao wa faida utalipwa baada ya kuondoa ushuru wa kushikilia mnamo au karibu Jumanne Januari 18, 2011, kwa wenyehisa ambao majina yao yamo kwenye Sajili ya Wenyehisa kufikia mwisho wa shughuli za siku mnamo Ijumaa, Novemba 12, 2010.

Kutengeneza Upya/Kurekebisha Maelezo

- **Kwa wote walio na akaunti za CDS**, tafadhali toa maelezo mapya kuhusu anwani yako, barua pepe na akaunti ya benki katika CDSC kupitia wakala wako wa hisa au Benki Angalizi.

- **Kwa wote walio na vyeti vya kumili hisa,** tafadhali toa malezo upya kuhusu anwani yako ya posta, barua pepe na maelezo kuhusu akaunti yako ya benki katika afisi za Image Registrars, Transnational Plaza ghorofa ya nane, Mama Ngina Street, SLP 9287-00100 GPO Nairobi.

Addresses of Stations

Olkaria I & II Geothermal Power Station
P O BOX 785 - 20117, Naivasha
Tel: 050 - 20233/4, 050 - 50916/7
Fax: 050 - 2021223
Mobile: 0722202894, 0722202895

Western Hydro Power Stations
P O Box 875 - 40100, Kisumu
Tel: 057 - 2023800
Fax: 057- 2023855
Mobile: 0728608203, 07386000078

Eastern Hydro Power Stations
P O Box 205 - 60100, Embu
Tel: 020 - 2310323
Fax: 020 - 2310324
Mobile: 0722509400, 0735826344

Thermal Power Stations
P O Box 80801 - 80100, Mombasa
Tel: 041 - 3435000/1, 3434876
Fax: 041 - 3435431
Mobile: 0722653900/0734600377

KenGen

Energy for the nation

Kenya Electricity Generating Company Limited
Stima Plaza, Phase III Kolobot Road, Parklands
P O Box 47936 - 00100 GPO, Nairobi, Kenya
www.kengen.co.ke