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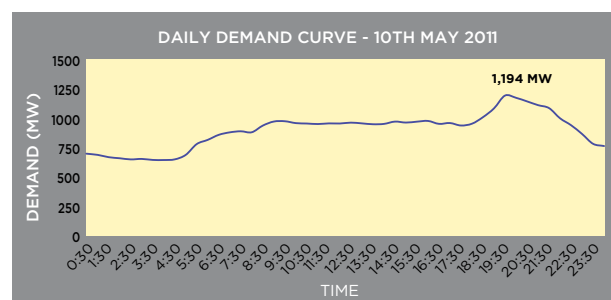
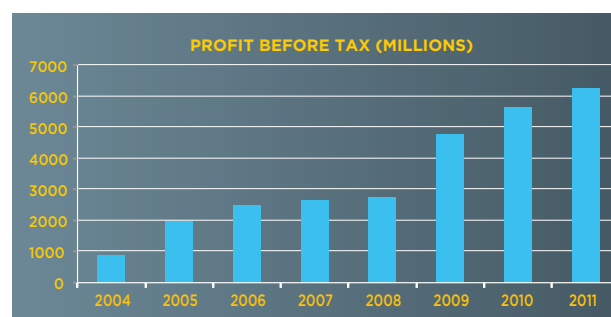
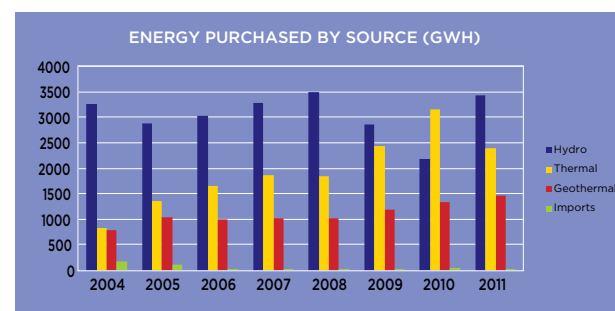
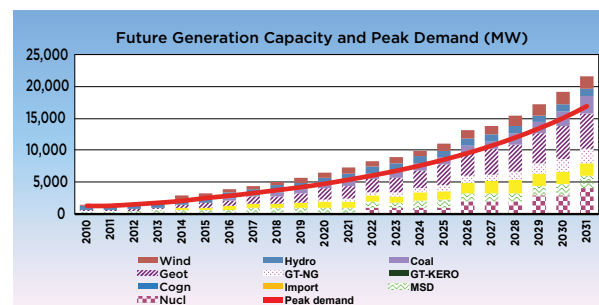
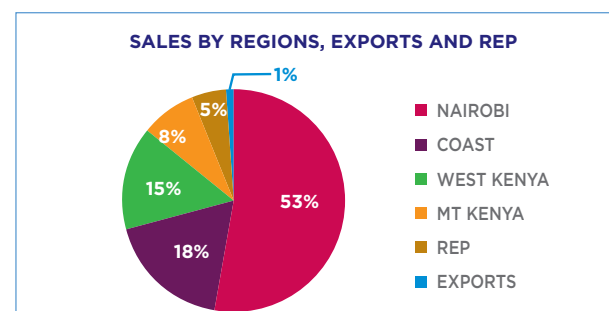
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Business and performance Highlights



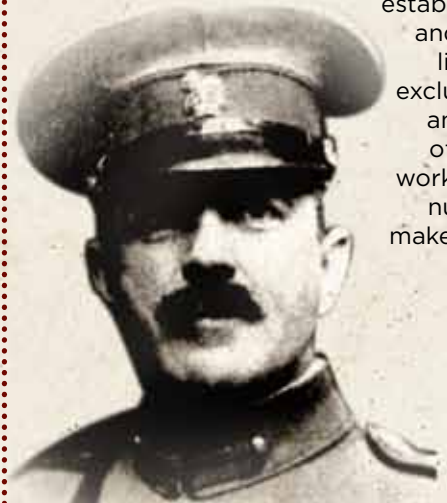
...how it all begun

A brief history of Kenya Power



1881

The first steps to use electricity to light up the night skies in the eastern parts of Africa were taken by Sultan Seyyid Bargash bin Said bin Sultan of Zanzibar in 1881. The Sultan, inspired by his travels to Europe, sought to replace the earlier elaborate illuminations of his palace and nearby streets by oil lamps with light of a different kind. He did this by installing a steam-driven electric generating plant on the Zanzibar waterfront. This plant was the first of its kind in Africa and, indeed, was quite advanced by the standards of the day.



1906

It was to be nearly thirty years before the Sultan's achievement was seriously reproduced in mainland Africa. Mr. Clement Hirtzel, an ambitious electrical engineer from Britain, after many false starts, in 1906 succeeded in establishing the Nairobi Electric Power and Lighting Syndicate. This limited liability company was granted the exclusive right to supply electric light and power to the town and district of Nairobi. Mr. Hirtzel and his team, working at cracking pace and against numerous challenges, were able to make the light glow in Nairobi in 1908.



1932

The East African Power and Lighting Company acquired a controlling interest in the Tanganyika Electricity Supply Company Limited (TANESCO) in 1932. In succession, it also obtained generating and distribution licenses for Uganda thereby entrenching its presence in the East African region. However, in 1948, the Ugandan Government established the Uganda Electricity Board which was charged with the distribution of electricity in the country.



The Kenya Power & Lighting Co. Ltd.

1983

EAP&L sold its majority stockholding in TANESCO to the Government of Tanzania in 1964. With its operations confined only to Kenya, EAP&L was in 1983 renamed the Kenya Power and Lighting Company Limited (KPLC).

2000

1908

A wealthy merchant in Mombasa, Hassanali Esmailjee Jivanjee bought the Sultan of Zanzibar's electric generating plant from the Electric Company of Zanzibar. The plant, still in good running order, would form the nucleus of the lighting and power industry in Mombasa when Hassanali Jivanjee in turn sold it to the newly formed Mombasa Electric Light and Power Company Limited.



1922

The beginning of a new era when the two utilities - Nairobi Electric Power and Lighting Syndicate, and Mombasa Electric Light and Power Company Limited - merged under a new company incorporated as the East African Power and Lighting Company (EAP&L). The amalgamation was necessitated by the need for a steady reservoir of power that would effectively serve the two towns and their environs.



1997

Owing to the complex nature of KPLC, it was decided to split the company's core functions into two in 1997. There would be power generation handled by the Kenya Electricity Generating Company (KenGen) on one hand, and transmission and distribution of power under KPLC's docket on the other.



Rural Electrification Authority (REA)
A public authority formed in July 2007 to develop and build the rural electricity delivery system with government budget and/or concessionary funding from development partners. Once the lines and/or substations are complete, they are handed over to Kenya Power for operations and maintenance.



Geothermal Development Company (GDC)
This is a public company formed in December 2008 to explore and produce geothermal steam through government budget and/or concessionary funding from development partners. The company will in turn sell the steam to companies, such as KenGen or independent power producers, who develop future geothermal power stations.



Kenya Electricity Transmission Company (KETRACO)
A public company formed in December 2008 to build new transmission lines and substations with government budget and/or concessionary funding from development partners. The transmission system developed by Kenya Power prior to formation of the company belongs to Kenya Power.

Corporate Information

Directors

Eliazar O Ochola	Chairman
Joseph Njoroge	Managing Director & CEO
Joseph Kinyua	
Patrick M Nyoike	
Fidesius M Nyaga	
Esau K Kioni	
Theodorah Malla-Kilukumi	
Patrick E O Obath	
Macharia Kariuki	
Jacob K Mwirigi	
Joseph Kariuki	(Alternate to Joseph Kinyua)
Isaac N Kiva	(Alternate to Patrick Nyoike)

Secretary

Laurencia K Njagi | Stima Plaza | P O Box 30099-00100, Nairobi

Registered Name

The Kenya Power & Lighting Company Limited

Nature of Business

Transmission, distribution & retail of electricity

Registered Office

Stima Plaza | Kolobot Road, Parklands | P O Box 30099-00100, Nairobi

Country of Incorporation

Kenya

Main Bankers

Standard Chartered Bank Kenya Limited, Harambee Avenue | P O Box 20063-00200, Nairobi

Kenya Commercial Bank Limited, Moi Avenue | P O Box 30081-00100, Nairobi

Co-operative Bank of Kenya Limited | P O Box 48231-00100, Nairobi

CFC Stanbic Bank Kenya Limited, Kenyatta Avenue | P O Box 30550-00100, Nairobi

Barclays Bank of Kenya Limited | P O Box 30120-00100, Nairobi

Commercial Bank of Africa, Mara/Ragati Road | P O Box 30437-00100, Nairobi

Equity Bank, Hospital Road | P O Box 75104-00200, Nairobi

Citi Bank NA, Upper Hill Road | P O Box 30711-00100, Nairobi

Auditors

Ernst & Young (For the Auditor-General)

Kenya-Re Towers | Upperrhill off Ragati Road | P O Box 44286-00100, Nairobi

Principal Legal Advisers

Hamilton Harrison & Mathews Advocates | ICEA Building | P O Box 30333-00100, Nairobi

Corporate Contacts

BRANCH	DIRECT LINE	EMERGENCY NO.	PHYSICAL ADDRESS	BOX NUMBERS
HEAD OFFICE				
Stima Plaza	3201000/3644000	0732111000/0711031000	Kolobot Road, Parklands	30099-00100, Nairobi
NATIONAL CONTACT CENTRE				
Stima Plaza	0711031680/0732111680	0732111000/0711031000	Stima Plaza, Kolobot	30099-00100, Nairobi
NAIROBI NORTH				
Githunguri	020-2089868	020-02493113	Kenya Power office adjacent to Equity Bank	30099-00100, Nairobi
NAIROBI SOUTH				
Electricity House	020-3211000	020-2221251	Aga Khan Walk	30177-00100, Nairobi
Kitengela	045-30061	020-8074515 020-8074514	Kentro Building, Opposite Eastmatt Stores, near Nairobi matatu terminus	330, Athi River
Machakos	044-20139	020-2429847	Red Cross Building	155-90100, Machakos
Emali	020-2426501	020-2426501	Kenya Power office near PostBank	290-90121, Emali
Garissa	046-2102043	046-2102239/2102043	Maendeleo Plaza - Above Equity Bank	9-70100, Garissa
Marsabit	069-2102276	069-2102029 020-8011014	Marsabit Power Station	68-60500, Marsabit
Moyale	046-52188	069-52470	Kenya Power office next to Liban Chemist	103, Moyale
Mandera	046-52188	046-2262	Mandera Power Station	76, Mandera
Wajir	046-421020	046-21020	Wajir Power Station	144-80300, Wajir
Habaswein	020-2367871	020-2367871	Fallah Haji Building, opposite Habaswein Police Station	86, Habaswein
NAIROBI WEST				
Kiserian (Rongai)	020-2060618	020-2060618/2115830	Isalu Centre, Ongata Rongai	30099-00100, Nairobi
Limuru/Maimahiu	020-2384031	020-2070006/7/8	Ushirika House, Limuru	103-00217, Limuru
CENTRAL RIFT				
Naivasha	050-2021507	050-2020169 020-8010407	Mama Ngina/Biashara Street	180-20117, Naivasha
Nyahururu	065-32059	065-2022205	Electricity House, Nyahururu	244, Nyahururu
Eldama Ravine	051-752175	05-8005728	Baringo Teachers Plaza	579, Eldama Ravine
Narok	050-22046	050-22046	Next to East African Portland Cement Depot, Narok Town	469-20500 Narok
Molo	051-721560	051-721551 020-2614321	Maziwa House, Molo	914, Molo
Gilgil	020-2312513	020-2312513	Hensolex Building, NYS Road	507-20600, Gilgil
Maralal	065-62048 020-8010413	020-8010413, 065-62048	Kenya Power Office, Jakawa House next to Star Wholesalers	196-20600, Maralal
NORTH RIFT				
Kitale	020-2322359	054-390097 053-8000671	Ambwere Plaza, Kitale	185-30200, Kitale
Kabarnet	053-22159	053-22089, 0717-154501	2nd Floor, KCB Building, Kabarnet	120-30400, Kabarnet
Kapsabet	053-52432	0735-105890 0717-009594	2nd Floor, KCB Building	762, Kapsabet
Lodwar	054-21038	053- 8000670	Kailong'koi Building, Kwalalafe Road	21-30500, Lodwar
WEST				
Kisumu	057-2020536/7 057-2021614	057-2025049 057-2020926	Electricity House, Kisumu	151, Kisumu
Eldoret	053-2033011/4	053-2061304	KVDA Plaza	6292, Eldoret
Busia	055-2249	055-30516 0724-908045	Kenya Power office, Kisumu-Busia Road	526-50400, Busia
Migori	020-442797	059-20053	Kenya Power office, near Post Office, Migori Town	530, Suna
Siaya	057-21406	020-24442793 057-321406	Kenya Power office, opposite Law Courts	541, Siaya
Nyamira	057-21406	020-8064672 0711-355086	Kenya Power office, near Nyabite Market	1242-40500, Nyamira

Corporate Contacts (continued)

BRANCH	DIRECT LINE	EMERGENCY NO.	PHYSICAL ADDRESS	BOX NUMBERS
Kakamega	020-2442789	056-31224 0725-666141	Electricity House, Kakamega	
Kisii	020-2442794	058-30828 058-30559	Kenya Power office opposite County Council Office	5, Kisii
Bungoma	055-30516	020-2442786	Kenya Power office opposite Victoria House	467, Bungoma
Homa Bay	057-22030	059 22030	Sonyaco Plaza	117, Homa Bay
Webuye	055-41220	0720-020106	Nice House, Moi Highway	329, Webuye
Sotik	051-8011574	052-532181 051-8011574	Kenya Power office next to KFA	328, Sotik
Bondo	020-2442787	020-3530050	Kenya Power office next to Shamrock Hotel	343-40601, Bondo
Muhoroni	020-2442534	020-2442788	Kenya Power office-Opposite Kobil	320, Muhoroni
Ugunja	020-212825	020-2442796	Kenya Power office along Kisumu-Busia Road	390-40606, Ugunja
Kericho	020-2442798	020-2442798	Kenya Power, Kericho Office	296-20200, Kericho
MT. KENYA SOUTH				
Murang'a	060-31497	060-2031479/8 060-2030197	AFC Building	45-10200, Muranga
Tala	020-25279058	020-2530051	Kenya Power office, Tala Town	202, Thika
Mwingi	044-822094	044-822094	Garissa Road, Opposite Catholic Parish, Mwingi	663, Mwingi
Gatundu	020-2027476	020-2027476	Kanyaja Building, Handege Road	202, Thika
Kitui	044-442051	020-2515009	Kitui Teachers Sacco Building	476-90200, Kitui
Thika	020-2406221/4	0733-245684	Thika Arcade, Kenyatta Road	202, Thika
MT. KENYA NORTH				
Nyeri	061-200646			Stima House
Embu	068-30210 Ext. 104	068-30210 Ext. 104	Sparko Building	197-60100, Embu
Meru	064-32588	064-32184	Mutindwa Enterprises Building	221-60200, Meru
Chuka	064-630418	064-630418	Embu Motors Plaza, Meru Highway	16, Chuka
Kerugoya	060-21359	060-21359	Kenya Power office opposite Kerugoya Bus Park	1079-010300, Kerugoya
Nanyuki	062-32558	062-32840	Kenya Power Kenyatta Drive Marshall Building	80-10400 Nanyuki
Isiolo	064-52345	064-52013	Trends Building opposite Post Bank	116-60300 Isiolo
Maua	064-21538	064-21358, 064-21431	Nyambene Lodge, Kanuni Road, Maua	265-60600, Maua
Othaya	070-2686571	0722-551466	Kenya Power office on Othaya-Nyeri-Kiria-ini Highway	106 Nyeri
Marimanti	064-31999	0722-666093	Kenya Power office, Marimanti	140, Marimanti
Merti	071-6626381/82	0722-619974	Adan Guyo Building	105-100100, Nyeri
Kamburu	022-51007	061-2300967	Kamburu Power Station along the Highway	205, Embu
COAST				
Mombasa	041-2225564/6 041-2224566/5	0710-332922 0735-331763 0725-513558	Electricity House, Mombasa	90104-80100, Mombasa
Malindi	042-30200	042-2120025 042-2130841	Malindi Complex along Lamu Road	294-80200, Malindi
Kilifi	041-7522426	0722-877287	Adjacent to Dr. Njiri's Clinic	1318-80108, Kilifi
Lamu	042-4632068	042-4632068	Casuarina Rest House, Kenyatta Rd, Lamu Town	72, Lamu
Hola	046-0208022347	046-0208022347	Generation Site, Hola Town	192-70101, Hola
Ukunda	020-2372256	040-3203021 040-3203521	Ukunda	598-80400, Ukunda
Voi	043-2031231	041-2011311	ACK Eklesia House, Voi	144-80300, Voi
Taveta	043-45026	043-45026	Kenya Power office on Border Road	132, Taveta
Wundanyi	043-42464	043-42464	Tatecoh House, Wundanyi Town	1250, Wundanyi
Loitoktok	045-622077	020-2624522 045-622077	Jomba Somba Building, Loitoktok	377-00209, Loitoktok
Mpeketoni	0714-009969	0722-231250	Kenya Power office, Mpeketoni	105, Mpeketoni

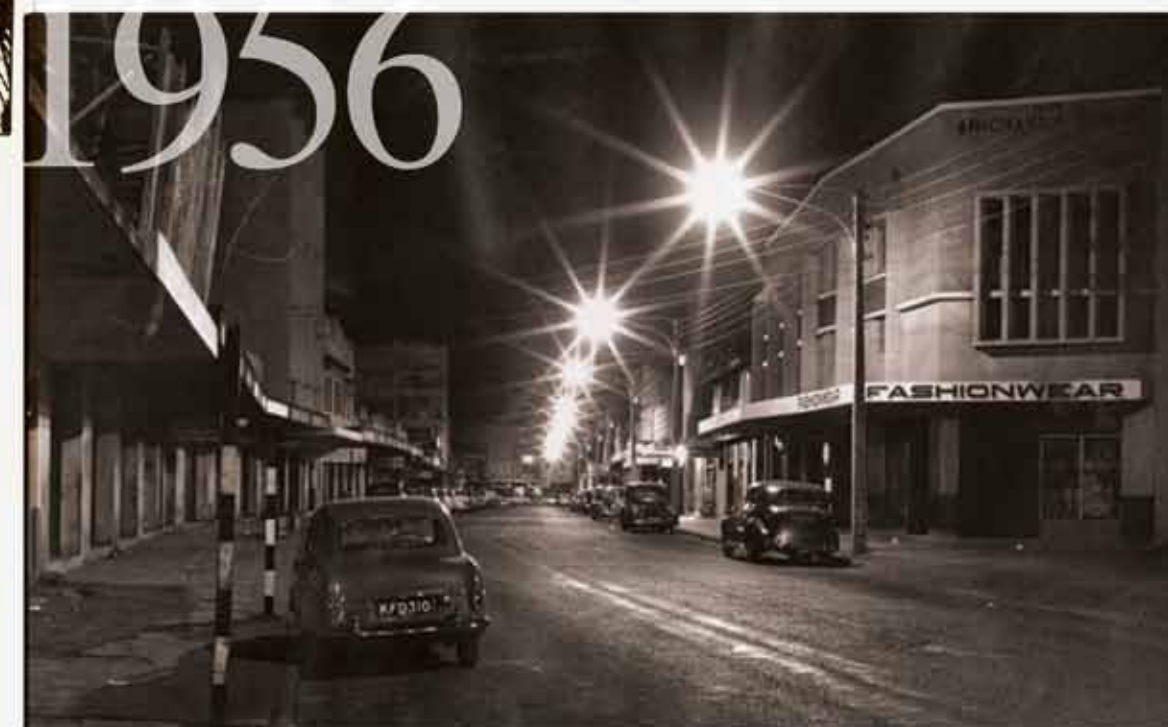


Power pioneer: In 1875, the Sultan of Zanzibar, Seyyid Bargash, acquired a generator in Europe for lighting his home and nearby streets.

1958



East African Power & Lighting Company, Thika branch office, 1958.



A night picture of River Road, Nairobi, illuminated by new street lights in 1956.

The Board of Directors

**FROM LEFT TO RIGHT:**

Mr. Jacob K. Mwirigi | Mrs. Laurencia K Njagi (Company Secretary) | Eng. Patrick E O Obath | Eng. Joseph K Njoroge | Mr. Joseph Kariuki | Mr. Fidesius M Nyaga | Mr. Eliazar Ochola | Mr Esau K Kioni | Mr. Macharia Kariuki | Dr. Theodorah Malla-Kilukumi | Eng. Isaac N Kiva

NOT IN THE PICTURE:

Mr. Patrick Nyoike | Mr. Joseph K Kinyua

Biographies of the Board of Directors

MR. ELIAZAR O OCHOLA B.Comm (Hons) | Chairman

Mr. Eliazar Ochola was born in 1948 and holds a Bachelor of Commerce degree (Accounting). He joined the Board of Directors of the Company in December 2006, and was appointed Chairman of the Board on 4th March 2010. Mr. Ochola has over 29 years experience in private sector management, having worked in a multinational corporation – Kenya Swiss Chemical Limited (Ciba Geigy Group). He also serves as a director of Wanyaka General Supplies Company Limited.

ENG. JOSEPH K NJOROGE (MBS), BSc (Eng.), MBA, R. Eng., C. Eng., MIET, FIEK, Managing Director & CEO

Eng. Joseph Njoroge has been the Managing Director of the Company since June 2007. He was born in 1958 and holds a Bachelor of Science degree in electrical engineering, and Master of Business Administration with a major in strategic management. He is a Chartered Electrical Engineer, a member of the Institution of Engineering and Technology, UK, a Registered Consulting Engineer, and is also a Fellow of the Institution of Engineers of Kenya. Eng. Njoroge has wide experience in power engineering and management, having joined the Company in 1980 and serving in various senior positions prior to his appointment as Managing Director & CEO.

MR. PATRICK M NYOIKE (CBS), BSc (Math. & Physics), B. Phil (Econ.) Permanent Secretary, Ministry of Energy

Mr. Patrick Nyoike was born in 1947 and is the Permanent Secretary, Ministry of Energy. He holds a Bachelor of Science Degree in Mathematics and Physics from the University of Ghana and BPhil. (Economics) from the University of Nairobi. He has over 30 years experience as an economist and public sector manager. As Permanent Secretary, Mr. Nyoike is a director of other state corporations within the Ministry of Energy namely: Kenya Pipeline Company Limited, Kenya Electricity Generating Company Limited, National Oil Corporation, Energy Regulatory Commission, Kenya Petroleum Refineries Limited, Ewaso Ny'iro Development Authority, Ewaso Ny'iro South Development Authority, Rural Electrification Authority, Geothermal Development Company Limited and Kenya Electricity Transmission Company Limited. He joined the Board of Directors of the Company on 28th March, 2003.

MR. JOSEPH K KINYUA (CBS), BSc (Econ.), MA (Econ.) Permanent Secretary to the Treasury

Mr. Joseph Kinyua was born in 1951 and is the Permanent Secretary to the Treasury. He holds Bachelors and Masters Degrees in Economics. Mr. Kinyua has wide experience in financial and public sector management, having worked in senior positions at the International Monetary Fund (IMF), the Central Bank of Kenya and in Government. As the Permanent Secretary, Treasury, Mr. Kinyua is a director of among others, the Central Bank of Kenya, National Social Security Fund Board of Trustees, Kenya Ports Authority, East African Development Bank, Kenya Commercial Bank Limited, Kenya Electricity Generating Company Limited, Deposit Protection Fund Board, Kenya Pipeline Company Limited, Geothermal Development Company Limited and Kenya Electricity Transmission Company Limited. He joined the Board of Directors of the Company on 22nd October, 2002.

MR. ESAU K KIONI MSc

Mr. Esau Kioni was born in 1942 and holds a Master of Science degree in Security and Crime Risk Management from the University of Leicester, United Kingdom, and is a fellow of the International Institute of Security, UK. Mr. Kioni has worked in senior positions in Government and in the private sector. Mr. Kioni is currently in private business. He is also a director of the Tea Board of Kenya, Kiru Tea Factory Limited and United Kenya Club. He joined the Board of Directors of the Company on 8th December, 2006.

MR. FIDESIUS M NYAGA BA (Econ. & Acc.), CPA (K), CPS (K), FCIS

Mr. Fidesius Nyaga, who was born in 1944, holds a Bachelor of Arts degree in Accounting and Economics and is a Certified Public Accountant and Secretary with over 30 years experience in financial management. He joined the Board of Directors of the Company on 20th November, 1997. He is also a director of Thiba Holdings Limited and Fide Registrars Limited.

Biographies of the Board of Directors *(continued)***DR. THEODORAH MALLA-KILUKUMI** MB., Ch.B

Dr. Theodorah Malla-Kilukumi was born in 1965 and holds a Bachelor's degree in Medicine and Surgery. She has wide experience in medical health practice and community leadership. She joined the Board of Directors of the Company on 15th October, 2007. Dr. Kilukumi is also a director of Elasticity Properties Limited and Dee Properties Limited.

ENG. PATRICK E O OBATH (OGW), BSc, (Eng.), R.Eng, MIE (UK), MIEK, MPIEA

Eng. Patrick E O Obath was born in 1955. He holds a Bachelor of Science degree in Mechanical Engineering. He has worked in the oil industry with the Kenya Petroleum Refineries Limited and with Shell and BP, where he also served as Managing Director at one time. He is chairman of the Kenya Private Sector Alliance (KEPSA), director of African Alliance Kenya Investment Bank, East African Business Council and Afren (EAX). He joined the Board of Directors of the Company on 18th December, 2009.

MR. JACOB K MWIRIGI BSc (Maths)

Mr. Jacob Mwirigi was born in 1945. He holds a Bachelor of Science Degree in Mathematics and works in private practice in the insurance and oil industries. Mr. Mwirigi also served as a director of Kabage & Mwirigi Insurance Brokers, prior to which he worked with the East African Community, The Kenya Power & Lighting Company Ltd., and American Life Insurance Company. He is also a director of Orix Oil (Kenya), Meru Ginnery (1994) Ltd., Apex Petroleum Ltd., and Remu DTM Limited. He joined the Board of Directors of the Company on 18th December, 2009.

MR. MACHARIA KARIUKI BA (Econ.)

Mr. Macharia Kariuki was born in 1956, and he joined the Board of the Company on 18th December, 2009. Mr. Macharia holds a Bachelor of Arts Degree in Economics and has wide experience in private sector management. He is currently in horticulture business, prior to which he worked as a sales manager with the United Distributing Company Ltd., and with the Nation Media Group.

MR. JOSEPH KARIUKI BA (Econ.), MA (Econ.) | Alternate Director to Mr. Joseph Kinyua (Permanent Secretary, Treasury)

Mr. Joseph Kariuki was born in 1963. He holds Bachelors and Masters degrees in economics. He has wide experience in public sector management, having worked for more than 25 years in various senior positions in Government. He joined the Board of the Company in June 2009 as an alternate director to Mr. Kinyua. He is also a director in the Geothermal Development Company Limited and Kenya Plant Health Inspectorate Services.

ENG. ISAAC N KIVA BSc (Eng.), R. Eng., MIEK | Alternate Director to Mr. Patrick Nyoike (Permanent Secretary, Energy)

Eng. Isaac Kiva was born in 1968. He holds a Bachelor of Science degree in Electrical Engineering and is currently the Senior Principal Superintendent Engineer at the Ministry of Energy. Mr. Kiva has wide experience in public sector management, having worked in senior Government positions for 20 years. He is a board member of the Electrical Technicians and Contractors' Licensing Board. He joined the Board of Directors of the Company on 16th December, 2009 as an alternate director to Mr. Nyoike.

The Management Team



Eng. Joseph K Njoroge



Laurencia K Njagi



Lawrence Yego

Managing Director & Chief Executive Officer

Eng. Joseph K Njoroge (MBS), BSc (Eng.), MBA, R. Eng., C. Eng., MIET, FIEK

Company Secretary

Laurencia K Njagi, LLB, Dip. in Law, CPS (K)

Chief Manager, Finance

Lawrence Yego, CPA (K)

Chief Manager, Supplies, Stores & Transport

Eng. John Ombui, BSc (Eng.), MBA, R. Eng., MIEK, MIET, MIEEE

Chief Manager, Commercial Services

Eng. Rosemary K Gitonga, BSc (Eng.), R. Eng.

Chief Manager, Energy Transmission

Eng. Sammy Muita, BSc (Eng.), R. Cons. Eng., MIEK, MIET, MIEEE

Chief Manager, Distribution

Eng. Benson Muriithi, BSc (Eng.), MBA, R. Eng.

Chief Manager, Information Technology and Telecommunications

Eng. Johnson Ole Nchoe, BSc (Eng.), MBA, R. Eng.

Chief Manager, Human Resources & Administration

Ben Chumo, BA, MBA

Chief Manager, Planning, Research and Performance Monitoring

Eng. Raphael Mwaura, BSc (Eng.), R. Eng., MIEK

Chief Manager, Nairobi

Eng. Joseph W Masibo, B.Eng., R. Eng.

Regional Manager, West

Eng. Jared Othieno, BSc (Eng.), MBA, R.Eng., MIEK

Regional Manager, Mount Kenya

Eng. David Mwaniki, BSc (Eng.), MBA, R. Eng., MIEK

Regional Manager, Coast

Joseph Mkomba, BSc (Eng.)



Eng. John Ombui



Eng. Rosemary K Gitonga



Eng. Sammy Muita



Eng. Benson Muriithi



Eng. Johnson Ole Nchoe



Ben Chumo



Eng. David Mwaniki



Eng. Joseph W Masibo



Eng. Jared Othieno

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT THE NINETIETH ANNUAL GENERAL MEETING of Members of the Company will be held at Bomas of Kenya, Lang'ata Road, Nairobi, on Friday 16th December, 2011 at 11.00 a.m. to transact the following business:

1. To read the Notice convening the Meeting and note the presence of a quorum.
2. To receive and consider the Company's audited financial statements for the year ended 30th June, 2011, together with the Chairman's, Directors' and Auditors' reports thereon.
3. To approve payment of a final dividend of Shs.0.10 per ordinary share, subject to withholding tax where applicable, in respect of the year ended 30th June, 2011 and to ratify the interim dividend of Shs.0.35 per ordinary share already paid for the period.
4. To elect Directors:
 - (i) Mr. Joseph K Kinyua retires by rotation in accordance with Article 120 of the Memorandum and Articles of Association of the Company and, being eligible, offers himself for re-election.
 - (ii) Mr. Patrick M Nyoike retires by rotation in accordance with Article 120 of the Memorandum and Articles of Association of the Company and, being eligible, offers himself for re-election.
 - (iii) Mr. Eliazar O Ochola retires by rotation in accordance with Article 120 of the Memorandum and Articles of Association of the Company and, being eligible, offers himself for re-election.
5. To approve payment of fees to non-executive Directors for the year ended 30th June, 2011 of Shs.600,000 per Director, totalling Shs 5,400,000.
6. 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 in accordance with Section 11 of the State Corporations Act (as amended by the Miscellaneous Law Amendment Act, 2002), and Sections 14 and 39 (i) of the Public Audit Act 2003.
7. To authorise the Directors to fix the Auditors' remuneration.

SPECIAL BUSINESS

To consider and, if thought fit, pass the following resolutions as ordinary resolutions:

8. Increase in Authorised Share Capital
"That the authorised share capital of the Company be and is hereby increased from Kenya Shillings four billion nine hundred million seven hundred and fifty thousand one hundred and eighty (Shs.4,900,750,180/=) divided into five million and thirty seven thousand five hundred and nine (5,037,509) 7.85% redeemable non-cumulative preference shares of Kenya Shillings twenty (Shs.20/=) each; three hundred and fifty thousand (350,000) 7% cumulative preference shares of Kenya Shillings twenty (Shs.20/=) each; one million eight hundred thousand (1,800,000) 4% cumulative preference shares of Kenya Shillings twenty (Shs.20/=) each; and one billion nine hundred and two million eight hundred thousand (1,902,800,000) ordinary shares of Kenya Shillings two and fifty cents (Shs.2.50) each; to

Kenya Shillings six billion six hundred and twenty five million seven hundred and eighty one thousand four hundred and eight (Shs.6,625,781,408/=), divided into five million and thirty seven thousand five hundred and nine (5,037,509) 7.85% redeemable non-cumulative preference shares of Kenya Shillings twenty (Shs.20/=) each; three hundred and fifty thousand (350,000) 7% cumulative preference shares of Kenya Shillings twenty (Shs.20/=) each; one million eight hundred thousand (1,800,000) 4% cumulative preference shares of Kenya

Notice of Annual General Meeting (continued)

Shillings twenty (Shs.20/=) each; and two billion five hundred ninety two million eight hundred and twelve thousand four hundred ninety one (2,592,812,491) ordinary shares of Kenya Shillings two and fifty cents (Shs.2.50) each; by:

the creation of six hundred ninety million twelve thousand four hundred and ninety one (690,012,491) new ordinary shares of Kenya Shillings two and fifty cents only (Shs.2.50) each to rank pari passu in all respects with the existing ordinary shares of the Company."

9. Bonus Issue

"That subject to the approval of the Capital Markets Authority (CMA) being obtained, the sum of Shs.542,074,180 be capitalised out of the Revenue Reserves of the Company and accordingly that such sum be set free for distribution among the holders of the ordinary shares on the footing that the same be applied in paying up 216,829,672 bonus shares of Shs.2.50 each in the capital of the Company which shares shall be allotted, distributed and credited as fully paid up among the holders of the ordinary shares whose names appear on the Register of Members at the close of business on 28th February, 2012, in the proportion of one new ordinary share of Shs.2.50 for every eight ordinary shares then held by them, respectively as at the said close of business on 28th February, 2012, (fractions of a new ordinary share being applied at the discretion of the Directors) and that the Directors be, and are hereby, authorised and directed to apply the said sum of Shs.542,074,180 and to issue the said bonus shares of Shs.2.50 each accordingly upon the terms that such ordinary shares when issued and converted into ordinary shares, shall not rank for the dividend in respect of the year ended 30th June, 2011 but shall rank, in all other respects, pari passu with the existing ordinary shares of the Company.

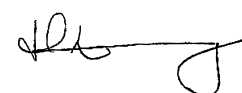
10. Change in Share Capital Structure

That after the above increase of share capital is approved the Articles of Association of the Company be and are hereby altered by substituting the following new article for Article 8:

"The share capital of the Company is Kenya Shillings six billion six hundred and twenty five million seven hundred and eighty one thousand four hundred and eight (Shs.6,625,781,408/=), divided into five million and thirty seven thousand five hundred and nine (5,037,509) 7.85% redeemable non-cumulative preference shares of Kenya Shillings twenty (Shs.20/=) each; three hundred and fifty thousand (350,000) 7% cumulative preference shares of Kenya Shillings twenty (Shs.20/=) each; one million eight hundred thousand (1,800,000) 4% cumulative preference shares of Kenya Shillings twenty (Shs.20/=) each; and two billion five hundred ninety two million eight hundred and twelve thousand four hundred ninety one (2,592,812,491) ordinary shares of Kenya Shillings two and fifty cents only (Shs.2.50) each".

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

By Order of the Board



Laurencia K Njagi
Company Secretary
P O Box 30099-00100
Nairobi, Kenya.

October 18, 2011

NOTES:

A member entitled to attend and vote at the above meeting may appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company. A Form of Proxy is enclosed with this report. To be valid, the Form of Proxy must be duly completed and lodged at the office of the Company Secretary, Stima Plaza, or posted in time to be received not later than 11.00 a.m. on 14th December, 2011.

Ilani ya Mkutano Mkuu wa Kila Mwaka

ILANI INATOLEWA HAPA KWAMBA, MKUTANO MKUU WA KILA MWAKA WA TISINI wa wanachama wa Kampuni utafanyika katika Bomas of Kenya, Barabara ya Lang'ata, Nairobi mnamo Ijumaa, Desemba 16, 2011 saa 5.00 asubuhi kuendesha shughuli zifuatazo:

1. Kusoma Ilani ya kuandaa Mkutano na kutambua kuwepo kwa idadi ya kutosha ya wanachama kuendesha shughuli za siku.
2. Kupokea na kuchunguza taarifa za kifedha za Kampuni zilizokaguliwa kwa mwaka uliomalizika Juni 30, 2011, pamoja na ripoti ya Mwenyekiti, Wakurugenzi na Wahasibu.
3. Kuidhinisha malipo ya mgao wa mwisho wa faida wa Sh.0.10 kwa kila hisa ya kawaida, baada ya kuondoa ushuru wa kushikilia, inakohitajika, kuhusiana na mwaka uliomalizika Juni 30, 2011 na kuidhinisha malipo ya muda ya mgao wa faida ya Sh.0.35 kwa kila hisa ya kawaida ambao tayari umekwisha lipwa.
4. Kuchagua Wakurugenzi:
 - (i) Bw. Joseph K Kinyua anastaafu kwa mzunguko kwa mujibu wa Kipengele 120 cha Katiba ya Kampuni, na kwa kuwa bado anahitimu, ajitokeza kuchaguliwa tena.
 - (ii) Bw. Patrick M Nyoike anastaafu kwa mzunguko kwa mujibu wa Kipengele 120 cha Katiba ya Kampuni na, kwa kuwa amehitimu, ajitokeza kuchaguliwa tena.
 - (iii) Bw. Eliazar O Ochola anastaafu kwa mzunguko, kwa mujibu wa Kipengele 120 cha Katiba ya Kampuni na, kwa kuwa amehitimu, ajitokeza kuchaguliwa tena.
5. Kuidhinisha malipo kwa Wakurugenzi wasio na mamlaka kwa mwaka uliomalizika Juni 30, 2011 ya Sh.600,000 kwa kila Mkurugenzi, ya jumla ya Sh.5,400,000.
6. Wahasibu: Kutambua kuwa shughuli ya ukaguzi wa vitabu vya hesabu itaendelea kutekelezwa na Mhasibu Mkuu wa Serikali au kampuni yoyote ya uhasibu inayoteuliwa kwa mujibu wa Sehemu ya 11 ya Kifungu cha Sheria ya Mashirika ya Umma (kama ilivyobadilishwa kwenye Mchanganyiko wa Marekebisha ya Sheria, 2002), na Sehemu 14 na 39 (i) ya Sheria ya Uhasibu wa Umma 2003.
7. Kuidhinisha Wakurugenzi kuamua malipo ya Wahasibu.

SHUGHULI MAALUMU

Kuchunguza na, ikiwa itaamuliwa kuwa inafaa, kupitisha maazimio yafuatayo, kama maazimio ya kawaida:

8. Kuongeza Mtaji wa Hisa Ulioidhinishwa
"Kwamba, mtaji wa hisa ulioidhinishwa wa Kampuni utaongezwa, na umeongezwa kutoka Shilingi za Kenya bilioni nne milioni mia tisa elfu mia saba na hamsini mia moja na themanini (Sh.4,900,750,180/=) zilizogawanywa hadi hisa milioni tano elfu thelathini na saba mia tano na tisa (5,037,509) za asilimia 7.85 za upendeleo za kukombolewa zisizoweza kulimbikizwa za Shilingi ishirini za Kenya (Sh.20/=) kwa kila hisa; hisa elfu mia tatu na hamsini (350,000) za asilimia 7 za upendeleo za kulimbikizwa za Shilingi ishirini za Kenya (Sh.20/=) kwa kila hisa; hisa milioni moja elfu mia nane (1,800,000) za asilimia 4 za upendeleo za kulimbikizwa za Shilingi ishirini za Kenya (Sh.20/=) kwa kila hisa; na hisa bilioni moja milioni mia tisa na mbili elfu mia nane (1,902,800,000) za kawaida za Shilingi mbili na senti hamsini za Kenya pekee (Sh.2.50) kwa kila hisa; hadi

Shilingi za Kenya bilioni sita milioni mia sita na ishirini na tano, elfu mia saba themanini na moja mia nne na nane (Sh.6,625,781,408/=), zilizogawanywa hadi hisa za upendeleo za kukombolewa zisizoweza kulimbikizwa milioni tano na elfu thelathini na saba mia tano na tisa

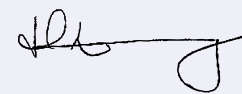
Ilani ya Mkutano Mkuu wa Kila Mwaka (*unaendelea*)

(5,037,509) za asilimia 7.85 za Shilingi ishirini za Kenya (Sh.20) kwa kila hisa, hisa za asilimia 7 za upendeleo za kulimbikizwa za Shilingi ishirini za Kenya (Sh.20) kwa kila hisa; hisa milioni moja elfu mia nane (1,800,000) za asilimia 4 za upendeleo zinazoweza kulimbikizwa za Shilingi ishirini za Kenya (Sh.20) kwa kila hisa; na hisa za kawaida bilioni mbili, milioni mia tano na tisini na mbili elfu mia nane na kumi na mbili mia nne na tisini na moja (2,592,812,491) za Shilingi mbili na senti hamsini za Kenya (Sh.2.50) kwa kila hisa; kwa kuunda hisa mpya za kawaida milioni mia sita na tisini, elfu kumi na mbili mia nne tisini na moja (690,012,491) za Shilingi za Kenya mbili na senti hamsini pekee (Sh.2.50) kwa kila hisa zenye hadhi sawa na hisa za kawaida zilizopo za Kampuni.”

9. Toleo la Bonasi
“Kwamba, ikitegemea kupatikana kwa idhini ya Halmashauri ya Masoko ya Mtaji (CMA), jumla ya Sh.542,074,180 zitolewe kwenye Akiba ya Mapato ya Kampuni na fedha hizo zigawanywe miongoni mwa wenyehisa wa kawaida kwa misingi kwamba, kiasi hicho pia kitumike kulipa hadi hisa za ziada 216,829,672 za Sh.2.50 kwa kila hisa katika mtaji wa Kampuni na hisa hizo zigawanywe, kusambazwa na kuonyeshwa kama zilizolipiwa miongoni mwa wenyehisa wa kawaida ambao majina yao yamo kwenye Rejista ya Wanachama kufikia mwisho wa shughuli za siku Februari 28, 2012, kwa kiwango cha hisa moja mpya ya Sh.2.50 kwa kila hisa nane za kawaida wanazomiliki, kufikia tarehe iliyotajwa ya Februari 28, 2010, (vipande vya hisa mpya vikigawanywa kama watakavyoamua Wakurugenzi) na kwamba, Wakurugenzi waidhinishwe, na wameidhinishwa na kuagizwa kuitisha kiasi hicho cha Sh.542,074,180 na kutoa hisa hizo za bonasi za Sh.2.50 kila moja lakini kwa sharti kwamba, hisa hizo zitakapotolewa na kugeuzwa kuwa hisa za kawaida hazitaorodheshwa kupokea mgao wa faida katika mwaka uliomalizika Juni 30, 2011, lakini katika hali zote zingine, zitafanana kwa hadhi na hisa zilizopo za kawaida za Kampuni.
10. Mabadiliko Katika Muundo wa Hisa za Mtaji
Kwamba, baada ya nyongeza ya hisa za mtaji zilizotajwa hapo juu kuidhinishwa, Katiba ya Kampuni igeuzwe, na inageuzwa, kwa kubadilishana kipengele kifuatacho kipya na kile cha zamani cha 8: “Mtaji wa hisa wa Kampuni ni Shilingi za Kenya bilioni sita milioni mia sita ishirini na tano elfu mia saba na themanini na moja na mia nne na nane (Sh.6,625,781,408/=), zilizogawanywa hadi hisa za asilimia 7.85 za upendeleo za kukombolewa zisizoweza kulimbikizwa milioni tano, elfu thelathini na saba, mia tano na tisa (5,037,509) za Shilingi ishirini za Kenya kwa kila hisa (Sh.20); asilimia 4 ya hisa za upendeleo zinazoweza kulimbikizwa milioni moja elfu mia nane (1,800,000) za Shilingi ishirini za Kenya kwa kila hisa; na hisa bilioni mbili milioni mia tano na tisini na mbili elfu mia nane na kumi na mbili na mia nne na tisini na moja (2,592,812,491) za kawaida za Shilingi mbili na senti hamsini (Sh.2.50) za Kenya kwa kila hisa.”

11. Kuangalia shughuli zingine zile ambazo ilani yake imepeanwa inavyohitajika.

Kwa Amri ya Bodi



Laurencia K Njagi
Katibu wa Kampuni
SLP 30099-00100
Nairobi, Kenya.

Oktoba 18, 2011

MAELEZO:

Mwanachama aliye na haki ya kuhudhuria na kupiga kura katika mkutano uliotajwa hapo juu anaweza kuteua mmoja au wawakilishi zaidi kuhudhuria na, iwapo kutakuwa na shughuli ya kupiga kura, kufanya hivyo kwa niaba yake. Si lazima mwakilishi awe mwanachama wa Kampuni. Fomu ya Mwakilishi imeambatanishwa kwenye ripoti hii. Ili kuwa halali, Fomu ya Uwakilishi ni lazima ijazwe kikamilifu na kuwasilishwa katika afisi za Katibu wa Kampuni, Stima Plaza, au kutumwa kwa njia ya posta mapema ili ifike kabla ya saa 5.00 asubuhi Desemba 14, 2011.

Sustainability Reporting Reference Guide

In our financial report for 2010/2011, we have endeavoured to provide a balanced and reasonable representation of our sustainability performance by taking cognisance of the economic, environmental and social aspects of our business. The sustainability reporting aspect is loosely based on the Global Reporting Initiative (GRI) guidelines, and on the following fundamental principles that guide our business:

1. That we have a responsibility to the society to provide adequate and reliable power supply throughout the country.
2. That our business activities have varying direct and indirect impact on the environment and societies in which we operate.
3. That our social, economic and environmental responsibilities are integral to our business.
4. That we must integrate our business values and operations to meet the expectations of our stakeholders.
5. That our stakeholders include customers, employees, regulators, investors, suppliers, the general public and various communities.

The following index indicates the various aspects with regard to sustainability reporting throughout this report.

ORGANISATIONAL PROFILE

NAME	NAME OF THE ORGANISATION	CROSS-REF. PAGE(S)
Location	Location of the Company's headquarters	4
Structure	Operational structure of the company	49
Ownership	Shareholders and ownership structure	50-51
Business	Nature of business	4
Operational areas	The Company's main offices	5-6
Installed capacity	The installed capacity, broken down by primary energy source	114-115
Customers	Number of residential, industrial, institutional and commercial customer accounts	116, 121
Sales	Sale of electricity in for various categories and regions	117, 122
Power delivery system	Length of transmission and distribution lines and substations	123
Transformers	Number of transformers in service and total installed capacity in MVA	123

GOVERNANCE

ASPECT	DISCLOSURE	CROSS-REF. PAGE(S)
Board of Directors	Members of the Board and their biographies	8-11
Management team	Members of the management team and their qualifications	12
Shareholder engagement	Communication with shareholders	49
Corporate Governance	Corporate governance statement outlining its policies and structures	44-49
Corporate Social Responsibility	Corporate Social Responsibility statement outlining its policies, activities and structures	32-33

SUSTAINABILITY - ECONOMIC DIMENSION

The economic dimension of sustainability is in regard to the Company's impacts on the economic conditions of its shareholders as well as on economic systems at national level. Although the financial information forms a large part of the report, it is important to capture the Company's contribution to the sustainability of the national economy, particularly with regard to Vision 2030.

ASPECT	DISCLOSURE	CROSS-REF. PAGE(S)
Availability and reliability	Management approach to ensure short and long term electricity availability and reliability	25-29
Demand-side management	This term refers to the modification of consumer demand for electricity through various methods including financial and education.	30, 32

Sustainability Reporting Reference Guide *(continued)*

Planned capacity	The planned capacity against projected electricity demand over the longer term, broken by energy source.	29
System efficiency	Transmission and distribution losses as a percentage of total energy	115
Diversification	Activities to leverage assets through diversification	32
Innovation	Initiatives taken to improve service delivery through innovative products and systems	32
Plans and strategy	Statements by Chairman and the Managing Director & CEO on Company's strategies and implementation of plans	20-21, 24-33
Financial	Strategies to ensure sustainable financial viability	67-112
Risk	Strategies to identify and manage business and operational risk	48, 79-85

SUSTAINABILITY - ENVIRONMENTAL DIMENSION

This aspect of sustainability reporting concerns the Company's impact on the living and non-living environment.

ASPECT	DISCLOSURE	CROSS-REF. PAGE(S)
Green energy	Efforts being made to encourage green energy sources	29
Tree planting and environmental conservation	Programmes to plant trees and conserve the environment in communities	32
Carbon trading	Demand side management, CO2 savings and carbon trading	33

SUSTAINABILITY - SOCIAL DIMENSION

The social dimension concerns the Company's impacts on the social system within which we operate.

ASPECT	DISCLOSURE	CROSS-REF. PAGE(S)
STAFF		
Employment	Programmes and processes to ensure the availability of a skilled workforce	31
	Policies and requirements regarding health and safety of employees	31
	Total workforce broken down by gender; and ratio male:female	122
Training and education	Number of employees trained during the year	31
Health	Staff medical scheme; HIV/Aids and drug & substance abuse policy and assistance to staff	31
Welfare	Welfare programmes for staff	31, 33
COMMUNITY		
Stakeholder participation	Stakeholder participation in the decision making process related to energy planning and infrastructure development	30
Community participation	Community engagement on issues relating to power supply, safety, conservation, information dissemination	30
Access to electricity	Special efforts to increase Kenyans' access to electricity, including special financing and rural electrification	30-31
Support to communities	Financial assistance for health and education for underprivileged	32-33
Customer satisfaction	Customer satisfaction survey and initiatives to improve service	30-31



1972

← The late President Jomo Kenyatta officially opens Electricity House, Nairobi, in 1972.



1994

↑ The then KPLC Senior Engineer in charge of Operations and Maintenance, Joseph Njoroge, tests a newly installed car radio in 1995. Eng. Njoroge is now the MD & CEO of the Company.

Chairman's Statement



Mr. E. Ochola, Chairman

GENERAL OVERVIEW

I am delighted to report that in line with our corporate strategic plan and performance targets, 2010/2011 was a very successful trading year for the Company, during which profit before tax increased by 11% from Shs.5,633 million the previous year, to Shs.6,255 million. Electricity sales grew by 9% from 5,345 million units the previous year to 5,816 million units, due to increase in the number of customers.

FINANCIAL PERFORMANCE

Electricity revenue increased by 8.6% from Shs.39,107 million the previous year, to Shs.42,486 million; while foreign exchange recoveries rose by Shs.461 million from Shs.869 million the previous year, to Shs.1,330 million due to depreciation of the Kenya shilling against major hard currencies. The fuel cost recovered from customers declined by 22% to Shs.25,913 million from Shs.33,190 million the previous year. The decrease in fuel cost recoveries was attributable to reduction in generation of electricity from thermal plants by 24% or 765 GWh, from 3,139 GWh the previous year to 2,374 GWh. This followed the decommissioning from the system of most of the thermal power plants which had been contracted from Aggreko Power on diverse dates starting in 2006, after the expiration of the supply contracts during the year under review.

The power purchase costs (excluding fuel costs) reduced by a net of Shs.302 million from Shs.20,516 million the previous year, to Shs.20,214 million. The non-fuel power purchase costs for the year under review have factored a credit write-back of Shs.1,688 million provided for in previous years in respect of two power plants (Iberafrika 52MW and KenGen Kipevu 120MW), which were then under implementation.

Transmission and distribution expenditure increased by Shs.2,784 million to Shs.17,695 million compared to Shs.14,911 million incurred the previous period. The increase is attributable to higher maintenance costs of the Company's expanded electricity network and facilities, depreciation due to increased capital investment, and staff expenses in line with the growth of the business in general.

The capital asset base grew by 29% from Shs.64,442 million the previous year, to Shs.83,430 million, owing to the continuing capital investment in projects aimed at improving the quality of power supply and increasing connection of new customers.

Balance Sheet Restructuring

In late 2010, the Company undertook a comprehensive capital base restructuring programme that involved: (i) redemption of all the 7.85% redeemable non-cumulative preference shares held by the Government of Kenya (GoK) totalling 794,962,491 by issuance of some new 76,622,891 ordinary shares to GoK; (ii) a share split; and (iii) a rights issue. This resulted in the creation of 1,735 million shares from the initial 79 million shares. The

Chairman's Statement (continued)

restructuring realised a share premium reserve of Shs.22,042 million and removed the Company's obligation of paying a fixed preference share dividend of Shs.1,248 million annually. In addition, the rights issue offer realised an additional Shs.9.1 billion, which is being utilised to meet part of the costs of identified capital projects aimed at improving the quality of power supply as well as enhancing sales through reduction of system losses and system expansion.

Following the successful completion of the rights issue, the ordinary shareholding of Government increased to 50.1% of the total issued ordinary shares, from 40.4%. The increased Government shareholding is important because with only about 29% of Kenyans having access to electricity currently, the Government will continue to play a crucial role in the Company in mobilising concessionary funding for electricity system expansion and electrification, in line with the country's social and economic development plans. More than 70% of all the Company's current loans are on-lent by the Government on concessionary terms.

Profit After Tax

The Company recorded a net profit after tax of Shs.4,220 million compared to Shs.3,716 million the previous year, an increase of 13%, after taking into account a tax charge of Shs.2,035 million.

Dividend

The Directors recommend to members that in addition to the interim dividend of Shs.0.35 paid earlier, a final dividend of Shs.0.10 per ordinary share be paid for the year ended 30th June, 2011, subject to withholding tax where applicable, to shareholders registered in the books of the Company at close of business on 16th December, 2011. This amounts to a total dividend of Shs.0.45 per share (previous year - Shs.8.00; diluted - Shs.0.36). If approved, the dividend will be paid on or about 28th February, 2012.

Notice is hereby given that the Registers of Members and of Transfers will be closed for one day on 19th December, 2011 to facilitate dividend processing.

Bonus Issue

In order to achieve a robust electricity infrastructure, improve the quality of power supply and expand our customer base, the Company plans to implement a capital investment programme for the next five years at an estimated amount of Shs.12 billion annually. It is therefore necessary that the Company gives a level of cash dividend that leaves sufficient revenues to meet debt repayments.

In this regard, the Directors recommend the following measures to shareholders, in order to augment the cash dividend:

1. Increase of authorised share capital of the Company from 1,909,987,509 to 2,600,000,000 by creation of 690,012,491 ordinary shares of Shs.2.50 each.
2. Capitalisation of Shs.542,074,180 out of the revenue reserves of the Company, and that such sum be distributed as 216,829,672 bonus shares among the holders of ordinary shares registered in the books of the Company at the close of business on 28th February, 2012, in the proportion of one new ordinary share of Shs.2.50 each for every eight ordinary shares then held. The new shares will not be entitled to dividends for the year ended 30th June, 2011. The Bonus Issue will be subject to the Company receiving all requisite approvals including approvals from the Capital Markets Authority and the shareholders of the Company.

FUTURE PROSPECTS

The performance of the Company is directly affected by the macro-economic environment. During the 2011/2012 financial year, the country has experienced a series of domestic and external shocks, including a weakening shilling, rising inflation, and higher food and fuel prices, which may reduce the GDP growth, and thereby affect our business.

In order to mitigate the effects of the reduced economic performance on the Company, we shall remain focused on timely implementation of our strategies and plans to improve operational efficiency, provide adequate and high quality electricity, and expansion of the customer base.

Further, in conjunction with our partners in the sector, we shall continue to invest and facilitate investment in projects aimed at securing adequate generation, transmission and distribution capacity. As we look into the future, we are optimistic that with the strategies in place, and with the continued support of shareholders, the Government, customers, development partners and other stakeholders, the Company's good performance will be sustained.

Appreciation

I wish to express my appreciation to my fellow Directors, Company staff, the Government, our customers and our development and business partners, for their support and contribution to our success.

Mr. Eliazar O Ochola
Chairman

October 18, 2011

Tathmini ya Mwenyekiti

KWA UJUMLA

Nina furaha kutaja kwamba, sambamba na mpango wa mkakati wetu kama kampuni na malengo ya utendakazi, 2010/2011 ulikuwa mwaka wenye ufanisi mkubwa kibiashara kwa Kampuni ambapo faida iliongezeka kwa asilimia 11 kutoka Sh.5,633 milioni mwaka uliotangulia, hadi Sh.6,255 milioni. Mauzo ya umeme yalipanda kwa asilimia 9 kutoka kizio 5,345 milioni hadi kizio 5,816 milioni, kutokana na kuongezeka kwa idadi ya wateja wapya.

MATOKEO YA KIFEDHA

Mapato kutokana na stima yaliongezeka kwa asilimia 8.6, kutoka Sh.39,107 milioni mwaka uliongatulia, hadi Sh.42,486 milioni; ilhali mapato kutokana na fedha za kigeni yalipanda kwa Sh.461 milioni kutoka Sh.869 milioni mwaka uliotangulia hadi Sh.1,330 milioni kutokana na kushuka kwa thamani ya Shilingi ya Kenya dhidi ya Sarafu zingine muhimu duniani. Gharama ya mafuta inayopatikana kutoka kwa wateja ilipungua kwa asilimia 22 hadi Sh.25,913 milioni kutoka Sh.33,190 milioni mwaka uliotangulia. Kudidimia kwa mapato ya gharama ya mafuta kunatokana na kupungua kwa uzalishaji wa umeme kutokana na viwanda vya umemejoto kwa asilimia 24 au 765GWh, kutoka 3,139GWh mwaka uliotangulia hadi 2,374GWh. Hii inatokana na kumalizika kwa kandarasi ya kampuni ya kuzalisha umemejoto ya Aggreko Power ambayo imekuwepo tangu 2006.

Gharama za kununua umeme (bila kujumuisha gharama za mafuta) zilipungua kwa kiasi cha Sh.302milioni kutoka Sh.20,516 milioni mwaka uliopita, hadi Sh.20,214 milioni. Gharama ambazo si za mafuta kwa mwaka uliomalizika zimejumuisha malipo ya madeni ya Sh.1,688 milioni ambayo yamekuwepo miaka iliyopita kwa viwanda vya umeme (Iberafrica 52MW na KenGen Kipevu 120MW) ambazo zilikuwa wakati huo zinatekelezwa. Gharama ya usambazaji na ugawaji iliongezeka kwa Sh.2,784 milioni hadi Sh.17,695 milioni ikilinganishwa na Sh.14,911 milioni za kipindi kilichotangulia. Nyongeza hiyo inatokana na gharama za juu za utunzaji wa mtandao wa Kampuni ulioimarika wa umeme na vifaa vyake, kupungua kwa thamani ya vifaa kutokana na uwezekaji wa mtaji, na gharama za wafanyakazi sambamba na ukuaji wa biashara kwa jumla.

Mtaji wa vifaa vya Kampuni uliimarika kwa asilimia 29 kutoka Sh.64,442 milioni mwaka uliopita, hadi Sh.83,420 milioni, kutokana na miradi mikubwa inayotekelezwa kwa lengo la kuboresha kiwango cha usambazaji wa umeme na kuongezeka kwa idadi ya wateja wapya.

Mabadiliko Mizania ya Kampuni

Mwishoni mwa 2010, Kampuni ilianzisha mpango wa marekebisho makubwa kwenye mtaji wake yaliyohusisha: (i) Kufidia hisa zote za asilimia 7.85 za upendeleo zisizoweza kulimbikizwa zilizomilikiwa na Serikali ya Kenya (GoK) 794,962,491 kwa kutoa hisa mpya za kawaida 76,622,891 kwa GoK; (ii) kugawa hisa; na (iii) toleo la hisa kwa wanachama. Hii iliwezesha kubuniwa kwa hisa 1,735 milioni kutoka kwa hisa za awali milioni 79. Mabadiliko hayo yaliwezesha Kampuni kupata akiba muhimu ya hisa ya Sh.22,042 milioni na kuiondolea wajibu wa kulipa mgao wa faida usiobadilika wa Sh.1,248 milioni kila mwaka. Isitoshe, toleo la hisa kwa wanachama liliipatia Kampuni Sh.9.1 bilioni zaidi, ambazo zinatumiwa kugharimia baadhi ya miradi iliyoanzishwa kwa lengo la kuboresha usambazaji wa umeme pamoja na kuimarisha mauzo kupitia kupungua kwa hasara kwenye mitambo na upanuzi wa mitambo. Kufuatia kumalizika kwa toleo hilo la hisa, hisa za kawaida za Serikali ziliongezeka hadi asilimia 50.1 ya jumla ya hisa za kawaida, kutoka kiwango cha awali cha asilimia 40.4. Nyongeza hiyo ya hisa za Serikali ni muhimu kwa kuwa, ikizingatiwa kuwa ni asilimia 29 ya Wakenya walio na umeme kwa sasa, Serikali itaendelea kutekeleza wajibu muhimu katika Kampuni kutafuta ufadhili wa masharti nafuu kwa upanuzi wa mitambo ya umeme na usambazaji wa umeme nchini, sambamba na mipango ya nchi ya maendeleo ya kiuchumi na kijamii. Zaidi ya asilimia 70 ya mikopo yote ya Kampuni ni kutoka kwa Serikali kwa masharti nafuu.

Faida Baada ya Ushuru

Kampuni ilipata faida baada ya ushuru ya Sh.4,220 milioni ikilinganishwa na Sh.3,716 milioni mwaka uliotangulia, nyongeza ya asilimia 13, huku ikizingatiwa kuwa kulitowazwa ushuru wa Sh.2,035 milioni.

Mgao wa Faida

Wakurugenzi wanapendekeza kwa wanachama kuwa, mbali na mgao wa faida wa muda wa Sh.0.35 uliolipwa mapema, mgao wa mwisho wa faida wa Sh.0.10 kwa kila hisa ya kawaida ulipwe kwa mwaka uliomalizika Juni 30, 2011, baada ya kuondoa ushuru wa kushikilia inakohitajika, kwa wenyehisa waliosajiliwa kwenye hati za Kampuni kufikia mwisho wa Desemba 16, 2011. Hivyo, jumla ya mgao wa faida ni Sh.0.45 kwa kila hisa (mwaka uliotangulia Sh.0.38). Iwapo utaidhinishwa, mgao huo wa faida utalipwa mnamo au kabla ya Februari 28, 2012.

Tathmini ya Mwenyekiti *(unaendelea)*

Ilani inatolewa hapa kwamba, Rejista ya Wanachama na Uhamisho zitafungwa kwa siku moja Desemba 19, 2011 kuwezesha utayarishaji wa mgao huo wa faida.

Toleo la Bonasi

Ili kufanikisha kuwepo kwa muundomsingi imara wa umeme, kuimarisha kiwango cha ubora wa usambazaji umeme na kupanua idadi ya wateja wetu, Kampuni inanua kutekeleza mpango wa ununuzi wa vifaa kwa muda wa miaka mitano ijayo kwa gharama ya Sh.12 bilioni kila mwaka. Ni muhimu basi kwamba, Kampuni itoe mgao wa faida ambao utabakisha mapato ya kutosha ya kulipia madeni.

Hivyo basi, Wakurugenzi wanapendekeza hatua zifuatazo kwa wenyehisa, ili kuongeza mgao wa pesa taslimu:

Kuongeza hisa za mtaji wa Kampuni kutoka 1,909,987,509 hadi 2,600,000,000 kwa kuunda hisa za kawaida 690,012,491 za thamani ya Sh.2.50 kwa kila hisa.

Kutoa Sh.542,074,180 kutoka kwa akiba ya Kampuni, na kwamba, kiasi hicho kigawanywe kama hisa za ziada 216,829,672 miongoni mwa wenyehisa wa kawaida walio kwenye rejista ya Kampuni kufikia mwisho wa shughuli za siku mnamo Februari 28, 2012, kwa kiwango cha hisa moja mpya ya Sh.2.50 kwa kila hisa nane za kawaida zinazomilikiwa. Hisa hizo mpya hazitapokea mgao wa faida kwa mwaka uliomalizika Juni 30, 2011.

Toleo la Bonasi litategemea iwapo Kampuni itapokea idhini zinazohitajika kutoka kwa Halmashauri ya Masoko ya Mtaji (CMA) na wenyehisa wa Kampuni.

MATARAJIO YA SIKU SIJAZO

Matokeo ya Kampuni yanaathiriwa moja kwa moja na mazingira ya hali ya kiuchumi. Katika kipindi cha matumizi ya fedha cha 2011/2012, nchi imekumbwa na msururu wa mishindo kutoka ndani na nje ya nchi, ikiwemo kupungua kwa thamani ya shilingi, kupanda kwa gharama ya maisha na mfumko wa bei ya chakula na mafuta, hali inayoweza kudidimiza ukuaji wa jumla ya mapato ya nchi, na hivyo kuathiri biashara yetu.

Ili kupunguza athari ya kuzorota kwa hali ya uchumi kwa Kampuni, tutaendelea kutekeleza mikakati na mipango yetu ili kuimarisha utenda kazi, kutoa umeme wa kutosha na wa hali ya juu, na kuongeza idadi ya wateja wetu. Vile vile, kwa ushirikiano na wadau wetu katika sekta hii, tutaendelea kuwekeza na kufadhili miradi yenye lengo la kuhakikisha kuzalishwa kwa umeme wa kutosha, usambazaji na ugawaji wa kutegemewa. Huku tunapoangazia siku za baadaye, tuna matumaini kuwa kutokana na mikakati tulioweka, na ushirikiano wa wenyehisa, Serikali, wateja na washirika wa maendeleo na wadau wengine, matokeo bora ya Kampuni yatadumishwa.

Shukrani

Ningependa kutoa shukrani zangu kwa Wakurugenzi wenzangu, wafanyakazi, Serikali, wateja wetu na washirika wetu wa kibiashara na maendeleo, kwa kutuunga mkono na mchango wao kwa ufanisi wetu.



Bw. Eliazar O Ochola
Mwenyekiti

Oktoba 18, 2011

Report of the Managing Director & Chief Executive Officer

OVERVIEW

During the year under review, we remained firmly focussed on our strategies aimed at achieving our corporate Vision of providing world class electric power that delights our customers, with notable success. These strategies, which are contained in our revised Five Year Corporate Strategic Plan 2011-2016, seek to secure the Company's business growth and sustainability, and to contribute to the country's attainment of Vision 2030 through provision of adequate and high quality electricity, as well as increased access to electricity.

KEY STRATEGIC OBJECTIVES AND PLANS

The realisation of our Mission and Vision is anchored on eight key strategic pillars namely: (i) robust electricity infrastructure; (ii) adequate and secure sources of power; (iii) provision of efficient customer service and strategic marketing; (iv) development and maximisation of the human capital; (v) financial sustainability; (vi) innovation, (vii) diversification; and (viii) corporate social responsibility and governance.

With a view to transforming our service delivery in line with our Vision, the Company is implementing an organisation culture change and corporate rebranding exercise that entails creation of a new organisation culture and corporate identity. As part of this exercise, during the year under review, the Company unveiled a new logo and brand name, to signal that we have embarked on the change process.

The logo, which was selected out of several that were widely tested among stakeholders including staff, customers, suppliers and shareholders, among others, depicts the filaments of a bulb, or the outstretched arms of welcome. The blue and yellow colours were maintained but enriched to reflect the new spirit that the logo brings; while the colour green was added to demonstrate our environmental consciousness.



Kenya Power

The brand name Kenya Power was formally adopted because it is how most of our stakeholders refer to the Company; while at the same time taking care to clarify that the legal and trading name of the Company remains The Kenya Power & Lighting Company Limited.

Eng. J Njoroge (MBS), Managing Director & CEO

Report of the Managing Director & Chief Executive Officer *(continued)*

Following are our key strategic pillars, including plans and activities undertaken during the year under review.

PILLAR 1: ELECTRICITY INFRASTRUCTURE

A robust electricity infrastructure is the backbone of our business as it is critical for growth, sustainability and provision of high quality electricity supply to our customers. Our strategy, therefore, is to create a strong smart grid that is flexible and with adequate redundancy in order to minimise power interruptions. In this regard, we are implementing identified projects aimed at expanding, reinforcing, securing and automating the electricity transmission and distribution network. Some of the projects undertaken during the year are:

Distribution***Distribution System Upgrade Under the Energy Sector Recovery Project (ESRP)***

A total of 35 distribution system reinforcement and upgrade projects valued at Shs.9.6 billion, which are financed under the US\$225.8 million ESRP programme, were in progress during the year under review. Projects worth Shs.1.2 billion were completed during the review period under the programme. These include refurbishment and upgrading of Utange, Tononoka, Likoni, Voi, Kenya Petroleum Refineries Ltd., and Miritini substations at the Coast, and Limuru substation in Nairobi. Others are the installation of the Nairobi-Lessos-Tororo, Lessos-Eldoret, Lessos-Kisumu, Lessos-Chemosit and Nairobi-Kiganjo-Nanyuki fibre optic links, as part of the System Control and Energy Management System (SCADA) project.

To enhance operational efficiency in the regions, new state-of-the-art equipment was installed at control centres at Rabai, Kiganjo, Lessos and Nairobi. Work also commenced on Kabete, Makutano and Lessos 33kV substations; and Kileleshwa, Lanet, Naivasha, Lessos and Kamburu 132kV substations under a contract with AEE of Spain.

Kenya Electricity Expansion Programme (KEEP)

Procurement of contractors to implement the distribution system upgrade projects component of the Kenya Electricity Expansion Programme aimed at accelerating electricity access, and which are financed by a US\$102 million loan from the World Bank, commenced during the year. All the projects are expected to be completed by 2014.

The projects entail upgrade of the distribution system in areas not covered by the Energy Sector Recovery Project funding. Towards this end, work on the following sub-station projects was in progress during the year: Ndenderu, Kiambu Town, Syokimau, Rironi, Lower Kabete, Githunguri, Villa Franca, Uplands, Jomvu, Mishomoroni, Ahero, Magumu, Chepseon, Elgon View, Kaplamai, Kibos, Majengo, Maseno, Kericho, Kapsowar, Kabarak University, Keroka, Gatundu, Ndarugu, Kangema, Tala

and Mwea. A portion of the loan, amounting to US\$15 million, is being used to finance electrification of some informal settlement (slum) areas under the Global Partnership for Output Based Assistance (GPOBA).

KPLC Funded Projects

During the year under review, the Company continued to implement other projects worth Shs.1.2 billion using internally generated funds. Some of these projects are outlined below.

New substations and associated lines - Malakisi 33/11kV substation and Muhoroni-Katito 33kV interconnector, were completed at a cost of Shs.154 million; and the Mfangano Island electricity network comprising a 19 km 33kV distribution line, 14 distribution transformers and associated facilities, was completed at a cost of Shs.57 million.

Rights Issue Funded Projects - The Company will use the Shs.9.1 billion proceeds from the rights issue to finance major electricity system reinforcement projects including construction of Thika Industrial, City Square, Eastleigh, Embu East, Kasarani, Dagoretti, Bahati and Kainuk substations. Others are reinforcement of Kikuyu substation; and construction of the third Nairobi West-Embakasi, Steel Billets-Jevanjee 66kV lines in Nairobi; Msambweni-Lunga Lungu 33kV line at the Coast; and Bayete-Lessos, Muhoroni-Ahero-Kisumu, Kisian-Nyamninia 33kV lines; and reconductoring of Obote 1 & 2 and Breweries lines in West Kenya, all at an estimated cost of Shs.3.9 billion. In addition, Shs.2.8 billion will be used to develop the Thika Road Control Centre, and complete the Sagana-Kutus 132kV line and substation.

These projects are at various stages of implementation.

Distribution Automation Project - The Company began implementing a Shs.600 million project to automate the power distribution network in Nairobi and Mombasa under a contract awarded to Messrs El-Mor Electricity Limited of Israel and Lucy Electric Limited of the United Kingdom, respectively. The project entails installation of versatile equipment with the capacity to automatically identify faults occurring in the distribution system, isolate the faulty sections and restore power supply to customers in the healthy network. Upon completion in 2012, the project will greatly reduce the time taken to restore power supply after an interruption.

Digital Mapping Project - Installation of a facilities database digital mapping project that will enhance service and improve efficiency in providing quotations for new connections, commenced during the year at a cost of Shs.259 million. The project, which is nearing completion, involves use of a geographical information system to gather and manage digitally stored data of the Company's electricity infrastructure and customers.

Report of the Managing Director & Chief Executive Officer (continued)

Transformer Intrusion Alarm System – The Company continues to implement measures aimed at protecting the electricity infrastructure from vandalism, which has a serious negative effect on the Company and the national economy. In addition to continuous public education and community engagement to deter vandals, during the year under review the Company installed 950 intruder alarm systems in vandalism prone areas at a cost of Shs.86 million. The Company is also lobbying relevant authorities for stiffer penalties for electricity system vandals with a view to ending the vice.

Distribution Master Plan – We have initiated preparation of a master plan that will guide the road map for implementing the Company's power distribution projects with the aim of accelerating access to quality electricity to more than 50 percent of Kenyans by 2030. In line with this, the Company is currently seeking consultancy services to assess power distribution requirement in the country and to develop a power distribution master plan. The consultant is expected to develop strategies to implement a least cost power distribution system, ensure adequate power distribution capacity in each of the 47 counties in the country, and maintain a reliable power supply at required standards, among other objectives. In addition, the master plan will provide recommendations on optimising operational efficiency of the distribution system, minimising of losses, acceleration of customer connections and rural electrification plans. Some of the key activities to be undertaken by the consultant include determining power needs of counties with respect to existing and potential commercial centres, and recommendation of alternative supply lines to major commercial and load centres for ease of distribution system maintenance.

The following distribution projects will be implemented by 2015.

PLANNED DISTRIBUTION EXPANSION PLAN 2012-2015

REGION	SCOPE OF WORK	EST. COST US\$ MILL.	COMPLETION DATE
NAIROBI REGION			
Githunguri 33/11kV substation	New 7.5MVA substation	1.5	2013
Ndenderu Road substation	New 2x10MVA 66/11kV substation	4.4	2013
New Athi substation	New 1x23MVA 66/11kV substation	2.4	2013
Kiambu Town 66/11kV substation	New 2x23MVA 66/11kV substation	4.4	2013
Rironi 66/11kV substation	New 2x10MVA 66/11kV substation	4.08	2013
Lower Kabete substation	New 2x10MVA 66/11kV substation	3.92	2013
Githunguri substation	New 1x23MVA 66/11kV substation	4.67	2013
Athi River EPZ reinforcement 66/11kV substation	New 1x23MVA 66/11kV substation	2.32	2013
Villa Franca substation	New 2x23MVA 66/11kV substation	3.76	2013
Uplands substation	New 1x23MVA 66/11kV substation	3.16	2013
Ngong – Matasia 66kV line	20km 66kV line	0.79	2013
Reconductoring 66kV lines	200km 66kV line	6.93	2015
COAST REGION			
Jomvu substation	New 2x7.5MVA substation & 10 km 33kV line	2.6	2012
Mishomoroi substation	New 7.5MVA substation & 16km 33kV line	2.6	2013
Kwale 33kV line	90km 33kV line	1.97	2015
Shimoni	76km 66kV line	1.76	2015
Coast 33kV line	Various	2.57	2015
Kwale 33kV line	Various	0.71	2015

Report of the Managing Director & Chief Executive Officer (continued)

WEST KENYA REGION			
Ahero substation	New 2.5MVA substation & 20km 33kV line	1.5	2013
Chepseon substation	New 2.5MVA substation, 5km 33kV line, 10km 11kV line	1.0	2013
Elgon View	New 7.5MVA substation, 2km 33kV line, 2km 11kV line	2.2	2013
Kaplamai	New 2.5MVA substation, 2km 33kV line, 2km 11kV line	2.4	2013
Kibos substation	New 7.5MVA substation, 4km 33kV line, 2km 11kV line	2.4	2013
Majengo substation	New 2.5MVA substation, 2km 33kV line, 2km 11kV line	1.0	2013
Maseno substation	New 7.5MVA substation	1.7	2013
Maseno substation	New 1x7.5MVA substation & 40km 33kV line	2.32	2013
Kericho substation	New 1x7.5MVA substation	1.12	2013
Kapswar 33kV lines	70km 33kV line	1.76	2015
Kabarak University substation	New 1x7.5MVA substation	1.12	2013
Kaplamai	New 2.5MVA substation, 2km 33kV line, 2km 11kV line	2.07	2013
Kapsarman 33kV lines	87km 33kV line	1.76	2015
Matutu substation	New 2.5MVA substation	2.07	2010/11
Kibos substation	New 7.5MVA substation, 4km 33kV line, 2km 11kV line	0.88	2013
West Kenya 33kV lines	412km 33kV lines	11.30	2015
MT. KENYA REGION			
Gatundu 33/11kV substation	New 7.5MVA 33/11kV, 10km 33kV line	2.5	2013
Juja (Ndarugu) 33/11kV substation	New 7.5MVA 33/11kV, 5km 33kV line, 4km 11kV line	1.2	2013
Mwea 33/11kV substation	New 1x7.5 MVA Txs, 22km 33kV line, 5km 11kV line	1.9	2016
Tala 33/11kV substation	New 7.5MVA 33/11kV 33kV 33kV line, 5km 11kV line	2.0	2013
Kangema (Murang'a) 33/11kV substation	New 2x7.5MVA txs, 13km 33kV line and 10km 11kV line	2.7	2016
Tala 33/11kV substation	New 2x7.5MVA txs, 20km 33kV line and 5km 11kV line	1.3	2016
Kianjai 33/11kV substation	Uprate to 2x2.5MVA, an additional feeder	0.88	2014

Transmission

In order to provide adequate transmission capacity in line with increased generation and projected demand, transmission projects totalling 4,066 kms and 2,421 MVA of substation capacity will be implemented at a cost of US\$1.241 billion by 2016. The Company has an agreement with the Kenya Electricity Generating Company (Ketraco) for the provision of technical and engineering services. Under this arrangement, the Company will implement 132kV transmission line projects to connect Kindaruma-Mwingi-Garissa, Eldoret-Kitale and Kisii-Awendo to the national transmission grid, at a cost of US\$72.5 million. The planned transmission projects up to 2014 are shown below.

PLANNED TRANSMISSION PROJECTS

TRANSMISSION LINE	LENGTH (Km)	COMMISSIONING DATE
Kilimambogo-Thika-Githambo-Kiganjo 132kV single circuit	87	2012
Mumias-Rangala 132kV single circuit	34	2011
Sangoro-Sondu 132kV	5	2011
Mombasa-Nairobi 220/400kV double circuit	475	2013

Report of the Managing Director & Chief Executive Officer (continued)

Rabai-Malindi-Garsen-Lamu 220kV single circuit	320	2012
Uprate Embakasi from 180MVA to 270, MVA	-	2011
Nanyuki-Isiolo-Meru 132kV	96	2013
Kindaruma, Mwingi-Garissa 132kV	250	2013
Eldoret-Kitale	60	2013
Kisii-Awendo	44	2013
Olkaria-Lessos-Kisumu 220kV double circuit	300	2014
Olkaria-Narok	68	2013
Sotik-Bomet	33	2013
Lessos-Kabarnet	65	2013
Kyeni-Ishiara	33	2013
Mwingi-Kitui-Wote-Sultan Hamud	153	2013
Nanyuki-Nyahururu 132kV	79	2013
Nairobi ring 400kV double circuit	100	2013
Loiyangalani-Suswa 400kV double circuit	430	2013
Kenya (Lessos)-Uganda (Tororo) 220kV double circuit	250	2013
Ethiopia-Kenya interconnector 500 kV HDVC bipole	686	2014

PILLAR 2: SECURE AND ADEQUATE POWER SOURCES/GENERATION CAPACITY

Availability of adequate and reliable power supply is critical for the success of our business and achievement of the country's Vision 2030. Indeed, the nine Vision 2030 flagship projects with a projected estimated demand of 876MW, have been factored in the national Least Cost Power Development Plan 2011-2031. These projects include the proposed ICT Park at Konza near Machakos by 2015 (440MW); a second container terminal and a free port at the Mombasa port by 2014 (2MW); Juba-Lamu standard gauge railway by 2014 (9MW); Lamu port including resort cities by 2014 (4MW); special economic zones by 2015 (50MW); iron and steel smelting industry in Meru area between 2015-2021 (315MW); Mombasa-Nairobi-Malaba-Kisumu standard gauge railway by 2017 (18MW); light rail for Nairobi and suburbs by 2017 (8MW); and resort cities in Isiolo, Kilifi and Ukunda by 2017 (30MW).

During the review period, the total installed capacity rose from 1,473MW in the previous year, to 1,589MW, while the effective capacity under average hydrology increased from 1,416MW to 1,477MW. This compares with the maximum system peak demand of 1,194MW which was recorded during the year, compared to 1,107MW the previous year. This demand is however suppressed, and the actual system peak demand is estimated at 100MW more than the recorded peak. The Company, the Government, Energy Regulatory Commission (ERC) and the Kenya Electricity Generating Company Ltd. (KenGen), have continued to pursue measures for development of additional power capacity to meet the country's electricity demand and security of power supply. Our initiatives under this pillar seek to ensure: (i) procurement of cost efficient sources of power; (ii) timely procurement of generation capacity to guard against shortfalls; diversification of power sources (as indicated in the table below); mitigation against risks such as poor hydrology and high fuel prices; (iii) development of green energy sources; and (iv) regional interconnection and power trading with the neighbouring countries.

PLANNED DIVERSIFIED POWER GENERATION SOURCES

Year	Hydro	Medium speed diesel	Import	Cogeneration	Gas turbine-kerosene	Gas turbine/natural gas	Geothermal	Coal	Wind
2011	50.6%	30.1%		1.7%	4.0%		13.2%		0.3%
2015	26.5%	22.3%	6.3%	0.8%			26.6%	0.6%	16.9%
2020	16.1%	15.0%	15.5%			5.6%	26.8%	9.6%	11.4%

Report of the Managing Director & Chief Executive Officer (continued)

Several power generation projects are at various stages of implementation by KenGen and independent power producers (IPPs) contracted by the Company, which will increase the power capacity by 1,843MW by 2015. In this regard, KenGen and IPPs are expected to develop an additional capacity of 805MW and over 786MW, respectively, in that period.

During the year, the Company completed negotiations of five power purchase agreements for development of power generating capacity totalling 740MW with Thika Power Limited Melec PowerGen (87MW), Triumph Power Generating Company (83MW), Gulf Power Limited/Gulf Energy Limited (80.3MW), Lake Turkana Wind Power Limited (300MW), Aelous Energy Limited (60MW), KenGen Geothermal Wellhead (75MW), and OrPower4 (52MW). In addition, generation capacity increased by 135MW under long term contracts following commissioning of the 115MW Kipevu III power plant and the redeveloped 20MW Tana power plant. In order to address power shortage and system reliability concerns in Nairobi, two gas turbine power plants, which were previously in Kipevu at the Coast, have been relocated to Embakasi, Nairobi.

Below are the planned generation capacity expansion projects to 2015.

PLANNED GENERATION CAPACITY EXPANSION 2011-2015

Developer	Project	Type	Capacity (MW)	Estimated commissioning date
KENGEN	Geothermal wellhead units ^G	Geothermal	70	June 2012
	Sangoro ^G	Hydro	21	October 2011
	Eburu ^G	Geothermal	2	December 2011
	Ngong 3 wind ^G	Wind	20	November 2012
	Muhoroni MSD	Diesel	80	December 2012
	Kindaruma 3rd unit ^G	Hydro	32	June 2013
	Olkaria IV ^G	Geothermal	140	September 2013
	Olkaria 1 Units IV and V ^G	Geothermal	140	September 2013
	Mombasa Coal	Coal	300	July 2015
	KenGen Total			805
Independent Power Producers (IPPs)				
	Thika MSD Plant (Melec)	Diesel	87	December 2012
	Athi River MSD Plant (Triumph)	Diesel	83	December 2012
	Athi River MSD Plant (Gulf)	Diesel	80	December 2012
	Aeolus - Kinangop ^G	Wind	60	November 2013
	Garissa MSD	Diesel	10	December 2012
	Lake Turkana ^G	Wind	300	December 2014
	OrPower4 (Olkaria III) ^G	Geothermal	52	January 2014
	AGIL ^G	Geothermal	140	July 2015
	Gura ^G	Hydro	3	July 2015
	Genpro ^G	Hydro	3	July 2015
	ARM Coal (Mombasa)	Coal	20	July 2014
Total IPPs			786	
Import	Ethiopia ^G	Hydro	200	July 2015
Grand Total			1791	

G: Denotes green energy.

PILLAR 3: CUSTOMER SERVICE

The customer service pillar seeks to ensure delivery of high quality and reliable electricity supply, acceleration of electricity access in line with the country's Vision 2030; as well as enhancement of sales. During the year, the Company connected 250,185 new customers, the highest number ever in any year. This brought the number of customers as at 30th June, 2011, to 1,753,348. The growth in customer base over the last three consecutive

Report of the Managing Director & Chief Executive Officer *(continued)*

years by over 200,000 per annum, is one of the main reasons for the increased sales and revenue during the year under review by 8.8% and 9.6%, respectively.

In our continued effort to improve the quality of power supply and enhance customer satisfaction, we undertook various initiatives during the year under review, some of which are outlined below.

Consultation With Stakeholders

Maintaining a close relationship with our customers and stakeholders is important to our business. In this regard, in April 2011 we held a stakeholders' conference during which we shared our draft corporate strategic plan and listened to their views and expectations. The stakeholders' representatives included all major customer categories, the Government, ERC, parastatals in the energy sector, independent power producers, contractors and our suppliers, civil associations such as Kenya Association of Manufacturers (KAM), and Kenya Alliance of Residents' Associations (KARA), financiers and investors, among others.

In addition, during the year under review, we sustained customer education and information dissemination through regular media campaigns, Agricultural Society of Kenya shows, exhibitions, public meetings and road shows. The Company has also invested heavily in public education aimed at creating awareness about our business and other issues including safety, conservation and vandalism. The campaigns include the Mulika Mwizi anti-vandalism campaign. Customer relations officers maintained regular contact with customers and communities regarding new connections, vandalism, safety and conservation.

Customer Satisfaction Survey

Customer satisfaction surveys continue to be important for monitoring and evaluating the quality of our service delivery and help us in determining the measures to apply so as to meet our customers' expectations. Towards this, a customer satisfaction survey was carried out during the year under review, which showed an improvement in customer satisfaction of 5 points from 65 the previous year, to 70 points as at 30th June, 2011.

Electricity Connection Financing

In order to avail credit to potential customers who require financing for new electricity connections, the Company, in partnership with Agence Francaise de Developpement (AFD), set up a revolving fund of €4.5 million the previous year. The money, which is part of the Energy Sector Recovery Project funding, is internally managed by the Company under the Stima Loan flagship. The facility has been very popular with customers and the entire fund was disbursed by the end of the review period. In the meantime, the Company has entered into a separate funding arrangement for the facility with Equity Bank Limited, and is also negotiating for additional funds with other financiers in order to meet the demand. This type of financing of customer connections has helped to increase electricity access, thereby transforming Kenyans' social-economic lives, while at the same time expanding our business.

Prepaid Metering

Rollout of prepaid metering commenced during the year following the successful implementation of the pilot project in 2009. A total of 118,698 prepaid meters had been installed by the end of the year under review, and the Company targets to connect about 500,000 customers with prepaid meters by 2015. This technology enables customers to manage their electricity consumption costs; and the Company to reduce commercial losses and congestion in the banking halls. The Company is carrying out extensive customer education on the payment method.

Enhanced Bill Payment Service

The Company is continually seeking to improve efficiency and customer convenience in bill payment. Some of the initiatives aimed at achieving this objective include partnering with other service providers such as M-Pesa and Airtel money transfer services, Uchumi Supermarkets and Postal Corporation of Kenya. In addition, customers can settle their bills over the counter at Post Bank and Equity, National and Cooperative banks. Customers can also pay through direct debit or over the counter at Barclays Bank.

Customer Relationship Management System

During the year under review, the Company installed a Customer Relationship Management System (CRM) to capture, manage and measure all

Report of the Managing Director & Chief Executive Officer *(continued)*

customer complaints throughout the country. The system also flags complaints/queries that are not resolved within specified timelines. Recognising that social media has become an indispensable tool for corporate communication and customer relations management, the Company has also embraced this medium of communication, and plans are at an advanced stage to embed it in the CRM.

Rural Electrification

The objective of the rural electrification programme, which is financed by the Government, is to provide electricity in areas that are far from the national electricity grid, and where electricity supply projects are not commercially viable, with a view to improving the social and economic lives of Kenyans in those areas. Rural electrification projects are mainly undertaken by the Rural Electrification Authority (REA), while the Company connects customers. The Company has also continued to undertake some rural electrification projects on behalf of the Government. During the year under review, the Company completed 197 rural electrification projects valued at Shs.1,375 million, which had commenced before REA was established; while 54,251 new customers were connected with electricity under the programme. The Company is implementing an additional 232 schemes at an estimated cost of Shs.1,346 million.

Work on the third phase of the Shs.1.5 billion Spanish funded rural electrification project continued during the year under review. The project, which was implemented by Messrs ABB Spain, comprises 17 schemes and involves extension of the distribution network in Eastern, Central, Western, Rift Valley and Nyanza provinces. This project was completed during the year.

Six diesel generators (two each at Mandera and Lodwar and one each at Wajir and Marsabit) were replaced at a total cost of Shs.61 million during the year. In Marsabit, the 200kW wind turbine which went out of service in 2006, was replaced with two wind turbines of 250kW each at a total cost of Shs.198 million. The projects will reduce operational costs and increase reliability of the generators at these off-grid stations.

PILLAR 4: PEOPLE/HUMAN RESOURCE

Our human capital is key to achieving our corporate goals and sustainability. We therefore apply strategies aimed at attracting and developing highly skilled and motivated staff, rewarding good performance; as well as embedding professionalism, meritocracy and equity. As at 30th June, 2011, the Company had 8,543 staff serving 1,753,348 customers, which translates into a staff-customer ratio of 1:205. This compares with 7,279 staff serving 1,463,639 customers and a staff-customer ratio of 1:201 as at 30th June, 2010.

Training

Our training policy is based on the corporate plans and objectives, and also takes cognisance of existing skills gaps and succession planning. The Company has an annual training budget to support training and development programmes locally and overseas in the following key areas:

- Technical skills – to meet the technical requirements of the core business, safety and occupational health.
- Interpersonal skills – to ensure organisational coherence, team synergy, effective communication and people management.
- Problem solving skills – to effectively manage diversity within the business environment.

During the year under review, more than 4,000 staff were trained locally and overseas.

Staff Welfare

In order to enhance staff motivation and wellbeing, the Company has in place several welfare programmes including comprehensive medical care, insurance, housing, mortgage, car loans, and pension schemes. An annual employee satisfaction survey is carried out and the findings used to improve various aspects of staff welfare. Further, there are several policies including disability; gender; alcohol, drug and substance abuse, among others, that serve as guides to improving employee wellbeing and equity in the workplace.

The Company has a comprehensive HIV/Aids policy and supports HIV/Aids patients and their families with free anti-retroviral drugs and counselling. Further, the Company supports the prevention of mother to child transmission of HIV/Aids through its appointed medical care givers. More than 1,150 staff underwent HIV/Aids awareness training during the year under review, and more than 450 were trained on drug and substance abuse.

The Company's workplace safety and health policy, which is monitored by the Safety and Health Environment department, is based on the following:

- The need for a safe and healthy working environment.
- Compliance with the relevant regulations.
- Identification and elimination/control of hazards and pollution that can cause accidents, illness or environmental harm.
- Provision of relevant training and resources for implementation of the policy.
- Integration of policy procedures into the Company's operations.

The Company carries out annual safety and workplace environment studies with a view to improving the working conditions for workers.

Report of the Managing Director & Chief Executive Officer *(continued)***PILLAR 5: FINANCIAL**

The strategies for our financial pillar are aimed at achieving financial stability and sustainability and to giving reasonable return to shareholders for their investment. In order to achieve these objectives, the Company focuses on ensuring cost-reflective electricity tariffs to meet revenue requirements; enhancing operational efficiency and reducing system losses; cost management; and improving sales and revenue collection.

One of our major achievements in this area during the year was the successful capital base restructuring through which the 7.85% redeemable non-cumulative preference shares owned by the Government were redeemed and a rights issue floated. The capital base restructuring programme resulted in a more robust balance sheet, and also raised Shs.9.52 billion, which is being applied in funding capital projects.

PILLAR 6: DIVERSIFICATION

The business diversification pillar seeks to maximise return on investment through leveraging of assets. In this regard, the Company has been installing fibre optic cables on the electricity network, and leasing surplus capacity to telecommunications operators. Currently, about 1,200 km of fibre network covering the Coastal, Western and Mt. Kenya transmission systems has been completed, and the excess capacity leased to Safaricom, Jamii Telecoms, Wananchi and Kenya Data Networks (KDN).

PILLAR 7: INNOVATION

Innovation enhances various aspects of our business including customer satisfaction, billing, and general system and operational efficiency. Apart from the roll-out of prepaid metering which commenced during the year under review, the Company also began automating the electricity supply system, with a pilot programme in Mombasa which is expected to be completed in early 2012.

Other significant innovations implemented during the year were in the ambit of processes re-engineering, including installation of a new customer relationship management system, and a new national call centre; all aimed at greatly enhancing resolution of customer queries and complaints. Innovation will therefore continue to be an important strategy for the Company due to the enhanced service levels and increased efficiency it brings to the business.

PILLAR 8 : CORPORATE SOCIAL RESPONSIBILITY & CORPORATE GOVERNANCE

As we carry out our mandate of providing quality and reliable power, we remain steadfast in ensuring that we do this in a responsible, ethical and socially responsible manner. Further to this, we are guided by existing legal frameworks, various policies and principles of good

corporate governance to ensure that our stakeholders benefit from our business, while ensuring environmental sustainability. We recognise that our stakeholders are diverse and include shareholders, employees, customers and communities in which we operate. A comprehensive corporate governance report; and the sustainability cross-references are found on pages 17-18 and 44-51 of this report, respectively.

Apart from embedding sustainability in all our operations, the company also sets aside 1% after tax profit to support worthy causes in education, environment, health and energy. In so doing, the Company has taken cognisance of being mindful of the communities within which it operates and their social welfare. Towards this, during the year under review, the Company set aside Shs.37 million towards various activities, some of which are outlined below.

Education

The Company relies on the country's education system for its human resource development and therefore supports various education programmes in communities. During the year under review, we spent Shs.5.1 million to enhance education and to support needy pupils in various schools. In Hara Primary School in Isiolo, 600 pupils benefited from a feeding programme at a cost of Shs.3 million, and we also partnered with ActionAid to support a Shs.4.2 million water harvesting programme in 15 primary schools in Eastern, Central and Coast provinces.

During the last year, we also donated 100 high quality portable solar lamps worth Shs.1.2 million to pupils of Lagbogol village in Wajir County. The units were donated to 100 families in the village who had pupils in Standard 7 and 8. The lamps have transformed the lives of the pupils in a significant way, as they can now study after dark. Each unit comes with a solar panel, a battery, two energy efficient bulbs – one to be used by pupils for studies, and the other to light up the family house.

Environment

The environment is vital for generation and distribution of electricity. Over the years, we have partnered with the Government and Kenyan communities in environmental conservation, particularly tree planting. As part of our tree planting initiative, the Company partnered with ActionAid in a programme to plant and supply tree seedlings in Kenya Forest Service conservancies, during the review period.

The programme is aimed at encouraging replacement of felled trees with seedlings from these nurseries. Through the programme, the Company set up 10 indigenous tree nurseries near water catchment areas at a cost of Shs.2.5 million in 2009 in Narok, Mt. Elgon and Kiini forests, during the year under review. Through the partnership, more than 60,000 indigenous tree seedlings were planted and maintained at a

Report of the Managing Director & Chief Executive Officer *(continued)*

cost of Shs.6 million in the conservatories and in North Eastern Province. In Nairobi, the Company entered into an agreement with the City Council to plant trees in various earmarked zones; and more than 5,000 trees were planted at Nairobi City Park and Kabete Vet Labs Primary School.

Other environmental activities carried out during the year include cleaning up of Uhanya Beach on Lake Victoria in partnership with Global Development for Peaceful Environments (GDPE) at a cost of Shs.400,000, and planting a mangrove forest in Malindi at a cost of Shs.500,000.

Health

We believe that healthy communities are important to the social and economic development of the country. We therefore have a policy of partnering with health care-givers and other like-minded organisations to support health initiatives that target the less fortunate in society. During the year under review, the Company spent Shs.4.4 million on medical camps in Limuru, Homa Bay, Kibwezi and Lamu, during which thousands of patients were treated. The Company also supported the Standard Chartered Marathon, which raises money for the blind, with Shs.250,000; and the Mater Heart Run, which raises money for heart surgery in children, with Shs.250,000. An additional Shs.206,000 was donated to the Heart to Heart Foundation, which is also involved in the treatment of heart diseases.

Welfare and Staff Involvement

Staff are encouraged to volunteer their time by giving back to society through participation in worthy causes. In this regard, the 11 regions and sub-regions of the Company each received Shs.400,000 for CSR activities. Staff participated in activities in homes for the needy, environmental and educational activities, among others.

Sports

Recognising the importance of sports for leisure and health, the Company supplemented the budgets of its premier football clubs – Western Stima and Nairobi Stima – with Shs.1 million for their activities. We also donated Shs.300,000 towards the sponsorship of international games under the auspices of the Kenya Society for the Disabled, which we previously supported with wheelchairs for needy members.

Energy Conservation

As a responsible electricity provider, support for energy conservation is important to us. Apart from ongoing public education, we also support other energy conservation programmes and for the fifth year running, the Company sponsored the Energy Management Awards (EMA), managed

by the Kenya Association of Manufacturers, at a cost of Shs.1.5 million. In 2010, the company implemented an efficient lighting project which involved retrofitting 1.25 million incandescent bulbs with energy saving ones in homes, with the aim of reducing the overall energy use and the environmental impact of lighting. The project led to a reduction of about 55,096 tonnes of CO₂ per annum. The second phase of the project is in design, and will be rolled out in 2012. This will involve replacing 3.3 million incandescent bulbs with energy saving ones, with an expected reduction of 145,000 tonnes of CO₂ per annum.

CONCLUSION

Our business has immense opportunity for growth and expansion, in view of the economic projects envisaged in Vision 2030 and the Government's plans to increase electricity access of Kenyans to 50% by that year. In order to take advantage of these opportunities, we are implementing strategic and business plans focussed on ensuring adequate generation capacity, robust electricity infrastructure, expansion of our customer base, transformation of the quality of power supply, financial sustainability and attainment of world class service standards. It is in line with these strategies that we have realigned our business structures and created a comprehensive branch network throughout the 47 counties, in order to be more responsive to customer needs and to expand our business.

We recognise that we operate in a dynamic world that is constantly changing and that our customers and stakeholders demand world class service and performance from us; while our shareholders require an adequate return on their investment. We shall therefore continually review our performance regarding the implementation of our strategies, in order to achieve our objectives as outlined in our Mission: 'Powering people for better lives'; and our Vision: 'To provide world class power that delights our customers'.



Eng. Joseph Njoroge, MBS
Managing Director & CEO

October 18, 2011

Ripoti ya Mkurugenzi Mkuu na Afisa Mkuu Mtendaji

UTANGULIZI

Katika mwaka unaoangaziwa, tulinisita kwenye mikakati yetu yenye lengo la kufanikisha kuafikia Maono ya Kampuni ya kutoa umeme wa kiwango cha kimataifa unaoridhisha wateja wetu, kwa ufanisi wa kutambulika. Mikakati hii, ambayo imo kwenye Mpango wa Mkakati wa Miaka Mitano uliorekebisha wa 2011-2016, unalenga kudumisha ukuaji wa kibiashara wa Kampuni kwa njia ya kutegemewa, na kuchangia kufanikisha Ruwaza ya nchi ya 2030 kupitia utoaji wa umeme wa viwango vya juu na wa kutosha, pamoja na kuongeza idadi ya wanaotumia umeme.

MALENGO NA MIPANGO MUHIMU

Ufanisi wa Malengo na Maono yetu umejikita kwenye nguzo nane muhimu nazo ni:

(i) Miundomsingi ya kisasa ya umeme; (ii) Vyanzo thabiti vya umeme na vya kutegemewa; (iii) utoaji wa huduma bora kwa wateja na uvumishaji ufaao wa huduma zetu; (iv) ustawi na mafunzo ya wafanyakazi; (v) matumizi bora ya fedha; (vi) ubunifu; (vii) upanuzi wa huduma zetu; na (viii) wajibu wa kampuni kwa jamii na usimamizi.

Kwa lengo la kugeuza utoaji huduma wetu sambamba na Maono yetu, Kampuni inatekeleza mabadiliko ya desturi zake na shughuli za kupata umbo jipya. Kama sehemu ya shughuli hii, katika kipindi tunachotathmini, Kampuni ilizindua nembo na chapa mpya, kama ishara kuwa tumeanzisha utaratibu wa kufanya mageuzi.

Nembo hiyo, ambayo ilichaguliwa miongoni mwa nyingi zilizofanyiwa majaribio kwa washikadau wakiwemo wafanyakazi, wateja, wauzaji na wenyehisa, miongoni mwa wengine, inaonyesha waya ya ndani ya balbu, au mikono iliyonyooshwa kukumbatia. Rangi za samawati na manjano zilidumishwa lakini zikarembeshwa ili kuashiria ari ya nembo mpya, ilhali rangi ya kijani kibichi iliongezwa kuashiria utambuzi wa uhifadhi wa mazingira.

Chapa ya Kenya Power ilikumbatiwa rasmi kwa kuwa hivyo ndivyo wengi wa washikadau wanarejelea Kampuni; huku wakati huo huo, tukichukua fursa hiyo kufafanua kuwa jina la Kampuni, kisheria na kibiashara, bado linasalia kuwa The Kenya Power & Lighting Company Limited.

Zifuatazo ni nguzo zetu kuu, ikiwemo mipango na shughuli tulizotekeleza mwaka uliomalizika.

NGUZO 1: MUUNDO MSINGI WA UMEME

Muundo msingi imara wa umeme ni uti wa mgongo wa biashara zetu kwa kuwa ni muhimu kwa ukuaji, utoaji wa umeme wa hali ya juu na wa kutegemewa kwa wateja wetu. Mkakati wetu, hivyo basi, ni kuunda fito

umeme imara ambazo zinaweza kubadilishwa ili kupunguza kukatika kwa umeme. Hivyo basi, tunaendelea kutekeleza miradi iliyotambuliwa yenye lengo la kupanua, kuimarisha, kuhakikisha usalama na pia kutumia mitambo inayojendesha katika mtandao wetu na usambazaji na ugawaji wa stima na laini milioni moja za huduma kufikia 2015.

Katika mwaka wa matumizi ya fedha unaoangaziwa, baadhi ya miradi ya usambazaji na ugawaji iliyotekelezwa ni:

Usambazaji

Mradi wa kuimarisha mitambo ya usambazaji chini ya Mradi wa Ufufuzi wa Sekta ya Kawi (ESRP).

Jumla ya miradi 35 ya kuimarisha mitambo ya usambazaji umeme ya thamani ya Sh.9.6 bilioni, iliyofadhiliwa chini ya mpango wa ESRP wa US\$225.8 milioni, ilikuwa inaendelea katika mwaka unaoangaziwa. Miradi ya thamani ya Sh.1.2 bilioni ilikamilika mwaka uliopita chini ya mpango huo. Hii ni pamoja na ukarabati na uimarishaji wa vituo vidogo vya Utange, Tononokoka, Likoni, Voi, Kenya Petroleum Refineries Ltd. na Miritini katika eneo la Pwani; na kituo kidogo cha Limuru, Nairobi; uwekaji wa kebo ya nyuzi kutoka Nairobi-Lessos-Tororo, Lessos-Eldoret, Lessos-Kisumu, Lessos-Chemosit na Nairobi-Kiganjo-Nanyuki kama sehemu ya mradi wa Mfumo wa Kudhibiti na Kusimamia Kawi (SCADA).

Ili kuimarisha utendakazi katika maeneo hayo, mitambo ya kisasa iliweka katika vituo vya kudhibiti kawi katika Rabai, Kiganjo, Lessos na Nairobi. Ujenzi pia ulianza katika vituo vidogo vya kusambaza kV33 vya Kabete, Makutano na Lessos; na vile vya kusambaza kV132 vya Kileleshwa, Lanet, Naivasha, Lessos na Kamburu chini ya mkataba na AEE ya Uhispania.

Mpango wa Upanuzi wa Umeme Kenya (KEEP)

Uteuzi wa wanakandarasi wa kutekeleza miradi ya uimarishaji wa mfumo wa usambazaji umeme chini ya mpango wa upanuzi wa umeme Kenya wenye lengo la kuharakisha ugawaji umeme, na ambao ulifadhiliwa kwa mkopo wa US\$102 milioni kutoka kwa Benki ya Dunia, ulianza mwaka uliokamilika.

Miradi hiyo yote inatarajiwa kumalizika kufikia 2014. Miradi hiyo inahusisha mfumo wa usambazaji katika maeneo ambayo hayashughulikiwi na ufadhili wa Mradi wa Ufufuzi wa Sekta ya Kawi (ESRP).

Na hivyo basi, katika kipindi hicho, shughuli za ujenzi zilikuwa zikiendelea katika vituo vidogo vya Ndenderu, Kiambu Mjini, Syokimau, Rironi, Lower Kabete, Githunguri, Villa Franca, Uplands, Jomvu, Mishimoroni, Ahero,

Ripoti ya Mkurugenzi Mkuu na Afisa Mkuu Mtendaji *(unaendelea)*

Magumu, Chepseon, Elgon View, Kaplamai, Kibos, Majengo, Maseno, Kericho, Kapsowar, Kabarak University, Keroka, Gatundu, Ndarugu, Kangema, Tala na Mwea.

Sehemu ya mkopo huo, ya jumla ya US\$15 milioni, inatumika kufadhili usambazaji wa umeme katika mitaa ya mabanda chini ya mpango wa Global Partnership for Output Based Assistance (GPOBA).

Miradi Iliyofadhiliwa na KPLC

Katika mwaka tunaoangazia, Kampuni iliendelea kutekeleza miradi ya thamani ya Sh.1.2 bilioni kwa kutumia fedha zilizotoka humu humu kwenye Kampuni. Baadhi ya miradi hii imeangaziwa hapa chini.

Vituo vidogo vipya na laini zao - Mitambo ya kuunganisha kituo kidogo cha kV33/11 cha Malakisi na kile cha kV33 cha Muhoroni-Katito, ilikamilika kwa gharama ya Sh.154 milioni; ujenzi wa mtandao wa usambazaji umeme katika Mfangano Island unaojumuisha laini ya kilomita 19 ya kusambaza kV33, transfoma za usambazaji umeme 14 na vifaa vingine, ulikamilika kwa gharama ya Sh.57 milioni.

Miradi iliyofadhiliwa na mapato ya Toleo la Hisa kwa Wanachama - Kampuni itatumia Sh.9.1 bilioni ambazo ni mapato ya toleo la hisa kufadhili miradi mikubwa ya kuimarisha mitambo ya umeme ikiwa ni pamoja na vituo vidogo vya Thika Industrial, City Square, Eastleigh, Embu Mashariki, Kasarani, Dagoretti, Bahati na Kainuk.

Mingine ni uimarishaji wa kituo kidogo cha Kikuyu na ujenzi wa kituo cha tatu cha Nairobi West-Embakasi, laini za kV66 za Steel Billets-Jevanjee jijini Nairobi; laini za kV33 ya Msambweni-LungaLunga mkoani Pwani; na laini za kV33 za Bayete-Lessos, Muhoroni-Ahero-Kisumu, Kisian-Nyamania na kukarabati laini za Obote 1 na 2, na zile za Breweries Mashariki mwa Kenya, zote kwa gharama inayokisiwa kuwa Sh.3.899 bilioni. Mbali na hayo, Sh.2.8 bilioni zitatumika kustawisha kituo kipya cha kudhibiti umeme katika eneo la Thika Road, na kukamilisha ujenzi wa kituo kidogo cha Sagana-Kutus na laini za kusambaza kV132. Miradi hii imo kwenye awamu tofauti za utekelezaji.

Mradi wa kuweka mitambo ya kujiendesha ya usambazaji - Kampuni ilianza kutekeleza mradi wa Sh.600 milioni wa kuweka mitambo ya umeme ya kujiendesha yenyewe kwenye mtandao wa usambazaji Nairobi na Mombasa chini ya kandarasi iliyotolewa kwa Messrs El-Mor Electricity Limited ya Israel na Lucy Electric Limited ya Uingereza mtawalia.

Mradi huo unahusisha kuweka kwa mitambo elekevu sana ambayo ina uwezo wa kutambua moja kwa moja kuliko na shida kwenye mfumo wa usambazaji, kutenga maeneo yaliyo na shida huku ikiendelea

kusambaza umeme kwa wateja walio katika sehemu haijaathiriwa. Pindi utakapokamilika 2012, mradi huo utapunguza kwa kiasi kikubwa, muda unaohitajika kurejesha umeme pindi unapokatika.

Mradi wa kuchora ramani kwa tarakimu - Ujenzi wa mradi wa kuweka vifaa vya kuchora ramani kwa tarakimu utaimarisha utoaji huduma na utendakazi katika kutaja gharama inayohitajika kwa wateja wapya, ulianza mwaka uliomalizika kwa gharama ya Sh.259 milioni. Mradi huo, ambao unakaribia kukamilika, unahusisha matumizi ya mfumo wa kukusanya maelezo kuhusu maeneo (GIS) ili kusimamia kwa njia ya tarakimu data ya muundo msingi wa Kampuni na pia wateja wake.

Mtambo wa king'ora transfoma inapovurugwa - Kampuni inaendelea kutekeleza hatua zenye lengo la kulinda muundo msingi wa umeme kutoka kwa uharibifu, ambao umeathiri vibaya Kampuni na pia uchumi wa kitaifa. Mbali na uhamasisho wa umma wa mara kwa mara, na kushirikiana na jamii kuzuia wahalifu hao, katika kipindi tunachoangazia, Kampuni iliweka ving'ora 950 kwenye maeneo yanayoathiriwa na uharibifu huo kwa gharama ya Sh.86 milioni. Kampuni pia inaendelea kushawishi mamlaka husika kuwapa adhabu kali waharibifu hao kwa lengo la kukomesha uovu huo.

Mpango Mkuu wa Usambazaji - Tumeanzisha maandalizi ya mpango mkuu utakaotoa mwelekeo kwa utekelezaji wa miradi ya Kampuni ya usambazaji wa umeme kwa lengo la kuharakisha ugawaji wa umeme wa hali ya juu kwa zaidi ya asilimia 50 ya Wakenya kufikia 2030. Kufuatia hali hiyo, Kampuni kwa sasa inatafuta wataalamu kutathmini mahitaji ya usambazaji umeme nchini na kuunda mpango mkuu wa usambazaji.

Mtaalamu huyo anatarajiwa kuunda mikakati ya kupata mitambo ya gharama ya chini ya kusambaza umeme, kuhakikisha kuna usambazaji wa kutosha wa umeme katika kaunti zote 47, na kudumisha ugavi wa kutegemewa wa umeme kwa viwango vinavyohitajika, miongoni mwa malengo mengine.

Mbali na hayo, mpango huo mkuu utatoa mapendekezo kuhusu kuboresha zaidi mfumo wa usambazaji umeme, kupunguza hasara, kuharakisha uunganishaji wa wateja wapya na mipango ya usambazaji umeme katika sehemu za mashambani.

Miongoni mwa shughuli muhimu zitakazotekelezwa na mtaalamu huyo ni pamoja na kutathmini mahitaji ya kaunti ya umeme kuhusiana na vituo vya kibiashara vilivyopo na vinavyokuja, na mapendekezo ya laini badala za usambazaji kwa vituo vikuu vya kibiashara kurahisisha utunzaji wa mitambo ya usambazaji. Miradi ifuatayo ya usambazaji itatekelezwa kufikia 2015.

Ripoti ya Mkurugenzi Mkuu na Afisa Mkuu Mtendaji (*unaendelea*)

MPANGO WA UPANUZI WA USAMBAZAJI 2012-2015

ENEO	MAWANDA YA KAZI	GHARAMA INAYOKISIWA DOLA ZA US MILIONI	TAREHE YA KUKAMILIKA
ENEO LA NAIROBI			
Githunguri 33/11kV substation	New 7.5MVA substation	1.5	2013
Ndenderu Road substation	New 2x10MVA 66/11kV substation	4.4	2013
New Athi substation	New 1x23MVA 66/11kV substation	2.4	2013
Kiambu Town 66/11kV substation	New 2x23MVA 66/11kV substation	4.4	2013
Rironi 66/11kV substation	New 2x10MVA 66/11kV substation	4.08	2013
Lower Kabete substation	New 2x10MVA 66/11kV substation	3.92	2013
Githunguri substation	New 1x23MVA 66/11kV substation	4.67	2013
Athi River EPZ reinforcement 66/11kV substation	New 1x23MVA 66/11kV substation	2.32	2013
Villa Franca substation	New 2x23MVA 66/11kV substation	3.76	2013
Uplands substation	New 1x23MVA 66/11kV substation	3.16	2013
Ngong – Matasia 66kV line	20km 66kV line	0.79	2013
Reconductoring 66kV lines	200km 66kV line	6.93	2015
ENEO LA PWANI			
Jomvu substation	New 2x7.5MVA substation & 10 km 33kV line	2.6	2012
Mishomoroi substation	New 7.5MVA substation & 16km 33kV line	2.6	2013
Kwale 33kV line	90km 33kV line	1.97	2015
Shimoni	76km 66kV line	1.76	2015
Coast 33kV line	Various	2.57	2015
Kwale 33kV line	Various	0.71	2015
ENEO LA MAGHARIBI MWA KENYA			
Ahero substation	New 2.5MVA substation & 20km 33kV line	1.5	2013
Chepseon substation	New 2.5MVA substation, 5km 33kV line, 10km 11kV line	1.0	2013
Elgon View	New 7.5MVA substation, 2km 33kV line, 2km 11kV line	2.2	2013
Kaplamai	New 2.5MVA substation, 2km 33kV line, 2km 11kV line	2.4	2013
Kibos substation	New 7.5MVA substation, 4km 33kV line, 2km 11kV line	2.4	2013
Majengo substation	New 2.5MVA substation, 2km 33kV line, 2km 11kV line	1.0	2013
Maseno substation	New 7.5MVA substation	1.7	2013
Maseno substation	New 1x7.5MVA substation & 40km 33kV line	2.32	2013
Kericho substation	New 1x7.5MVA substation	1.12	2013
Kapswar 33kV lines	70km 33kV line	1.76	2015
Kabarak University substation	New 1x7.5MVA substation	1.12	2013
Kaplamai	New 2.5MVA substation, 2km 33kV line, 2km 11kV line	2.07	2013

Ripoti ya Mkurugenzi Mkuu na Afisa Mkuu Mtendaji (*unaendelea*)

Kapsarman 33kV lines	87km 33kV line	1.76	2015
Matutu substation	New 2.5MVA substation	2.07	2010/11
Kibos substation	New 7.5MVA substation, 4km 33kV line, 2km 11kV line	0.88	2013
West Kenya 33kV lines	412km 33kV lines	11.30	2015
ENEO LA MLIMA KENYA			
Gatundu 33/11kV substation	New 7.5MVA 33/11kV, 10km 33kV line	2.5	2013
Juja (Ndarugu) 33/11kV substation	New 7.5MVA 33/11kV, 5km 33kV line, 4km 11kV line	1.2	2013
Mwea 33/11kV substation	New 1x7.5 MVA Txs, 22km 33kV line, 5km 11kV line	1.9	2016
Tala 33/11kV substation	New 7.5MVA 33/11kV, 33km 33kV line, 5km 11kV line	2.0	2013
Kangema (Murang'a) 33/11kV substation	New 2x7.5MVA txs, 13km 33kV line and 10km 11kV line	2.7	2016
Tala 33/11kV substation	New 2x7.5MVA txs, 20km 33kV line and 5km 11kV line	1.3	2016
Kianjai 33/11kV substation	Uprate to 2x2.5MVA an additional feeder	0.88	2014

Usambazaji

Ili kutoa nafasi zaidi ya usambazaji sambamba na nyongeza ya uzalishaji na mahitaji yanayokadiriwa kuongezeka, miradi ya usambazaji ya jumla ya kilomita 4,066 na kituo kidogo cha kuhifadhi MVA 2,421 itatekelezwa kwa gharama ya Dola za Marekani 1.241 bilioni kufikia 2016. Kampuni imefanya mkataba na Kampuni ya Usafirishaji Umeme ya Kenya (Ketraco) kutoa huduma za kiufundi na uhandisi. Chini ya mpango huu, Kampuni itatekeleza miradi ya ujenzi wa laini za kusafirisha za kV132 kuunganisha Kindaruma-Mwingi-Garissa, Eldoret-Kitale na Kisii-Awendo kwa mfumo wa waya wa kitaifa wa kusafirisha umeme kwa gharama ya Dola za Marekani 72.5 milioni. Miradi inayopangwa ya usambazaji hadi 2014 imeonyeshwa hapa chini.

MIRADI YA USAMBAZAJI INAYOPANGWA

LAINI YA USAFIRISHAJI	UREFU (km)	TAREHE YA UFUNGUZI
Kilimambogo-Thika-Githambo-Kiganjo 132kV single circuit	87	2012
Mumias-Rangala 132kV single circuit	34	2011
Sangoro-Sondu 132kV	5	2011
Mombasa-Nairobi 220/400kV double circuit	475	2013
Rabai-Malindi-Garsen-Lamu 220kV single circuit	320	2012
Uprate Embakasi from 180MVA to 270, MVA		2011
Nanyuki-Isiolo-Meru 132kV	96	2013
Kindaruma, Mwingi-Garissa 132kV	250	2013
Eldoret-Kitale	60	2013
Kisii-Awendo	44	2013
Olkaria-Lessos-Kisumu 220kV double circuit	300	2014
Olkaria-Narok	68	2013
Sotik-Bomet	33	2013
Lessos-Kabarnet	65	2013
Kyeni-Ishara	33	2013
Mwingi-Kitui-Wote-Sultan Hamud	153	2013
Nanyuki-Nyahuru 132kV	79	2013
Nairobi ring 400kV double circuit	100	2013
Loiyangalani-Suswa 400kV double circuit	430	2013
Kenya (Lessos)-Uganda (Tororo) 220kV double circuit	250	2013
Ethiopia-Kenya interconnector 500 kV HDVC bipole	686	2014

Ripoti ya Mkurugenzi Mkuu na Afisa Mkuu Mtendaji (*unaendelea*)**NGUZO 2: VYANZO SALAMA VYA UMEME WA KUTOSHA/UWEZO WA UZALISHAJI**

Kuwepo kwa umeme wa kutosha na wa kutegemewa ni muhimu kwa ufanisi wa biashara yetu na kuafikia Ruwaza ya nchi ya 2030. Ama kweli, miradi mikuu tisa chini ya Vision 2030 ambayo inakisiwa kusambaza MW 876, imejumuishwa kwenye mpango wa kitaifa wa Uzalishaji wa Kawi Nafuu wa 2011-2031. Miradi hii ni pamoja na kituo kinachopendekezwa cha Teknolojia ya Mawasiliano (ICT Park) katika Konza, karibu na Machakos kufikia 2012 (MW 440); kituo cha kupokea makasha makubwa na bandari huru katika bandari ya Mombasa kufikia 2014 (MW 4); njia ya reli kutoka Juba-Lamu kufikia 2014 (MW 9); bandari ya Lamu ikiwemo miji ya mapumziko kufikia 2014 (MW 4); maeneo maalumu ya kiuchumi kufikia 2015 (MW 50); kiwanda cha kuyeyusha chuma katika eneo la Meru kati ya 2015-2021 (MW 315); njia ya reli ya Mombasa-Nairobi-Malaba-Kisumu kufikia 2017 (MW 18); gari moshi Nairobi na vyunga vyake kufikia 2017 (MW 8); na miji ya kitalii ya mjini Isiolo, Kilifi na Ukunda kufikia 2017 (MW 30).

Katika kipindi kinachoangaziwa, jumla ya kawi iliongezeka kutoka MW1,473 mwaka uliotangulia, hadi MW 1,589, huku kiwango cha wastani cha umeme wakati wa mvua ya kadri kikiongezeka kutoka MW 1,416 hadi MW 1,477. Hii ni zaidi ya kiwango cha juu zaidi cha mahitaji kilichofikia MW 1,194 kilichofikiwa kipindi hicho, ikilinganishwa na MW 1,107 mwaka uliopita. Kiwango hicho cha mahitaji ni cha chini, na mahitaji ya juu ya umeme yanakadiriwa kuwa MW 100 zaidi kuliko inavyorekodiwa.

Kampuni, Serikali, Tume ya Usimamizi wa Kawi (ERC) na Kampuni ya Uzalishaji wa Umeme nchini (KenGen), zimeendelea kuchukua hatua za kuzalisha umeme zaidi ili kutosheleza mahitaji ya nchi ya umeme pia wa kutegemewa. Jitihada zetu chini ya nguzo hii zinanuia kuhakikisha: (i) ununuzi wa vyanzo nafuu vya umeme; (ii) uimarishaji wa vifaa vya uzalishaji umeme kwa wakati ufaao ili kujikinga dhidi ya upungufu; upanuzi wa vyanzo vya umeme (kama inavyoonyeshwa kwenye jedwali iliyopo chini) kupunguza hatari zitokanazo na kupungua kwa maji na bei za juu za mafuta; (iii) kushinikiza ustawi wa kawi isiyo haribu mazingira; na (iv) uunganishaji wa umeme katika eneo hili na uuzaji wa kawi na mataifa jirani.

Mpango wa upanuzi wa vyanzo vya uzalishaji umeme

Mwaka	Maji	Dizeli za kasi ya kadiri	Uagizaji kutoka nje	Uzalishaji wa pamoja	Injini za gesi/ mafuta taa	Injini za gesi	Umememvuke	Makaa	Upepo
2011	50.6%	30.1%		1.7%	4.0%		13.2%		0.3%
2015	26.5%	22.3%	6.3%	0.8%			26.6%	0.6%	16.9%
2020	16.1%	15.0%	15.5%			5.6%	26.8%	9.6%	11.4%

Miradi kadha ya uzalishaji wa umeme imo kwenye awamu tofauti za utekelezaji na KenGen na kampuni huru za uzalishaji umeme (IPPs) zilizopewa kandarasi na Kampuni, hali ambayo itaongeza jumla ya umeme unaozalishwa kwa MW 1,843 kufikia 2015. Kufuatia hali hii, KenGen na mashirika hayo zinatarajiwa kuzalisha MW 805 na zaidi ya MW 786, mtawalia, katika kipindi hicho.

Katika mwaka uliomalizika, Kampuni ilikamilisha mazungumzo kuhusu mikataba mitano ya ununuzi wa umeme ya jumla ya MW 740 na Thika Power Limited/MelecPowerGen (MW 87), Triumph Power Generating Company (MW 83), Gulf Power Limited/Gulf Energy Limited (MW 80.3), Lake Turkana Wind Power Limited (MW 300), Aelous Energy Limited (MW 60), KenGen (MW 75) Geothermal Wellhead, na OrpOwer4 (MW 52).

Zaidi ya hayo, uzalishaji uliimarika zaidi kwa MW 135 chini ya kandarasi za muda mrefu kufuatia uzinduzi wa kiwanda cha kuzalisha MW 115 cha Kipevu III na ukarabati wa kiwanda cha kuzalisha MW 20 cha Tana River. Ili kushughulikia tatizo la upungufu wa umeme na mitambo inayoharibika mara kwa mara jijini Nairobi, viwanda viwili vya kutumia injini za gesi, ambavyo awali vilikuwa vikitumika Kipevu, Pwani, sasa vimehamishwa hadi Embakasi, Nairobi.

Chini hapa ni miradi inayopangwa kutekelezwa kupanua uzalishaji hadi 2015.

Mstawishaji	Mradi	Aina	Uwezo (MW)	Tarehe inayokisiwa ya uzinduzi
KenGen	Geothermal wellhead units	Geothermal	70	June 2012
	Sangoro	Hydro	21	October 2011
	Eburu	Geothermal	2	December 2011
	Ngong 3 wind	Wind	20	November 2012
	Muhoroni MSD	Diesel	80	December 2012

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	Kindaruma 3rd unit	Hydro	32	June 2013
	Olkaria IV	Geothermal	140	September 2013
	Olkaria 1 Units IV and V	Geothermal	140	September 2013
	Mombasa Coal	Coal	300	July 2015
Jumla kutoka KenGen			805	
Kampuni huru za uzalishaji (IPPs)				
	Thika MSD Plant (Melec)	Diesel	87	December 2012
	Athi River MSD Plant (Triumph)	Diesel	83	December 2012
	Athi River MSD Plant (Gulf)	Diesel	80	December 2012
	Aeolus -Kinangop	Wind	60	November 2013
	Garissa MSD	Diesel	10	December 2012
	Lake Turkana	Wind	300	December 2014
	OrPower4 (Olkaria III)	Geothermal	52	January 2014
	AGIL	Geothermal	140	July 2015
	Gura	Hydro	3	July 2015
	Genpro	Hydro	3	July 2015
	ARM Coal (Mombasa)	Coal	20	July 2014
JUMLA KUTOKA IPPS			786	
UAGIZAJI	Ethiopia	hydro	200	July 2015
JUMLA			1791	

NGUZO 3: HUDUMA KWA WATEJA

Nguzo ya huduma kwa wateja inalenga kuhakikisha usambazaji umeme wa hali ya juu na wa kutegemewa, kuharakisha ugavi wa umeme sambamba na ruwaza ya nchi ya 2030; pamoja na kuongeza mauzo. Mwaka uliomalizika, Kampuni iliunganisha wateja wapya 250,185, idadi kubwa zaidi kuwahi kuunganishwa katika mwaka mmoja. Hii ilifikisha idadi ya wateja kufikia Juni 30, 2011 kuwa 1,753,348. Ukuaji wa idadi ya wateja wetu katika mwaka wa tatu mfululizo kwa zaidi ya 200,000 kwa mwaka, ni mojawapo ya sababu kuu ya kuongezeka kwa mauzo na mapato katika kipindi kinachoangaziwa kwa asilimia 8.8 na 9.6, mtawalia.

Katika jitihada zetu zinazoendelea za kuimarisha ubora wa ugavi wa umeme na kutosheleza mahitaji ya wateja, tulichukua hatua zifuatazo katika kipindi kinachoangaziwa, baadhi yao zilizopo hapa chini.

Kushauriana na washikadau

Kudumisha uhusiano wa karibu na wateja wetu na washikadau wengine ni muhimu kwa biashara yetu. Hivyo basi, mnamo Aprili 2011, tuliandaa kongamano la washikadau ambapo tuliwasilisha kielelezo cha mpango wetu wa mkakati na kupokea maoni na matarajio yao. Wawakilishi wa washikadau walihusisha viwango vyote vya wateja wetu wakuu - Serikali, ERC, mashirika ya serikali katika sekta ya kawi, wazalishaji huru wa kawi (IPPs), wanakandarasi na wauzaji wetu, mashirika ya kijamii kama vile Kenya Association of Manufacturers (KAM) na Kenya Alliance of Residents' Associations (KARA), wafadhili na wawekezaji, miongoni mwa wengine.

Mbali na hayo, katika mwaka uliomalizika, tulidumisha uhamasishaji na usambazaji wa habari kwa wateja kupitia kampeni za mara kwa mara kwenye vyombo vya habari, maonyesho ya kilimo, vikao vya hadhara, na maonyesho barabarani, miongoni mwa mbinu zingine. Kampuni pia ilitumia pesa nyingi katika mafunzo ya umma yenye lengo la kutoa uhamasisho kuhusu shughuli zetu na masuala mengine kama usalama, utunzaji na uharibifu. Kampeni hizo ni pamoja na ile ya Mulika Mwizi ya kukabiliana na wanaoharibu mitambo yetu. Maafisa wa kushughulikia masuala ya wateja pia walikuwa na mawasiliano ya mara kwa mara na jamii kuhusiana na ugavi mpya, uharibifu, usalama na utunzaji mazingira.

Ripoti ya Mkurugenzi Mkuu na Afisa Mkuu Mtendaji *(unaendelea)***Uchunguzi kuhusu kuridhika kwa wateja**

Uchunguzi wa kuridhika kwa wateja ni mojawapo ya njia kuu za kufuatilia na kutathmini ubora wa huduma zetu na kutusaidia kuamua hatua za kuchukua ili kutosheleza matarajio ya wateja wetu. Kufikia lengo hili, uchunguzi kuhusu kuridhika kwa wateja ulifanywa ulioonyesha kuimarika kwa kiwango cha kuridhika kwa wateja kwa alama 5 hadi alama 70 kufikia Juni 30, 2011, ikilinganishwa na alama 65 mwaka uliotangulia.

Ufadhili kwa wateja wapya wanaohitaji umeme

Ili kutoa mkopo kwa wateja wanaohitaji ufadhili kusambaziwa umeme, Kampuni, kwa ushirikiano na Agence Francaise de Developpement (AFD), ilianzisha hazina ya kudumu ya €4.5 milioni mwaka uliotangulia. Fedha hizo, ambazo ni sehemu ya Mradi wa Ufufuzi wa Sekta ya Kawi, unasimamiwa na Kampuni chini ya mpango wa Stima Loan. Mkopo huo ni maarufu kwa wateja, na hazina yote ilisambazwa kufikia mwisho wa kipindi kilichomalizika. Kwa sasa, Kampuni imefanya mkataba tofauti wa ufadhili na Equity Bank Limited na inafanya mazungumzo kwa ufadhili zaidi kutoka kwa wahisani wengine ili kutosheleza mahitaji. Mpango huu wa kufadhili wateja wanaohitaji umeme umesaidia kuongeza idadi ya wale waliosambaziwa umeme, na hivyo kuinua hali ya kiuchumi na kijamii ya Wakenya, na wakati huo huo, ikipanua biashara yetu.

Mita za kulipia kabla ya matumizi

Utekelezaji wa mpango wa kuweka mita kabla ya matumizi ulianza mwaka uliomalizika, kufuatia kufaulu kwa mpango wa majaribio mnamo 2009. Jumla za mita 118,698 za kulipia kabla ya matumizi zimewekwa kufikia mwisho wa mwaka unaoangaziwa, na Kampuni inalenga kuwaunganisha wateja 500,000 kwenye mita hizo kufikia 2015. Teknolojia hii inawezesha wateja kudhibiti gharama za matumizi ya umeme. Vile vile, mfumo huo unalenga kupunguza hasara na pia misongamano kwenye vyumba vya kulipia stima. Kampuni inaendesha kampeni ya uhamasisho kuhusu utaratibu huo wa malipo, ambao ni mpya nchini, kupitia vijitabu vya matangazo, kuwatembelea wateja na pia kupitia vyombo vya habari.

Huduma za kisasa za kulipia bili

Kampuni inaendelea kuimarisha utendakazi na kurahisishia mteja namna anavyolipia bili zake. Baadhi ya harakati zenye lengo la kuafikia azima hii ni kushirikiana na watoaji huduma wengine kama vile mbinu za kutuma pesa kupitia M-Pesa na Airtel, Uchumi Supermarkets, na Shirika la Posta. Mbali na hayo, wateja wanaweza kulipia bili zao kwa kuweka fedha moja kwa moja kwenye akaunti za Kampuni katika benki tofauti. Hizi ni pamoja na Barclays Bank, Equity Bank, National Bank of Kenya, Cooperative Bank, na Post Bank.

Mitambo ya kuimarisha uhusiano na wateja

Katika mwaka uliomalizika, Kampuni ilizindua mitambo ya kuimarisha

uhusiano na wateja (Customer Relations Management-CRM) ya kupokea, kuchunguza na kutathmini malalamishi yote ya wateja kote nchini. Mitambo hiyo pia inaonyesha malalamishi, maswali ambayo hayajashughulikiwa kwa wakati ufaao. Na huku tukitambua kuwa nyenzo za mawasiliano za kisiasa zimekuwa chombo muhimu cha mawasiliano kwenye kampuni na pia namna ya kushughulikia mahitaji ya wateja, Kampuni pia imekumbatia mbinu hizo za mawasiliano, na mipango imekamilika ya kuijumuisha kwenye CRM.

Usambazaji umeme sehemu za mashambani

Lengo kuu la mpango wa kusambaza umeme katika maeneo ya mashambani, ambao unafadhiliwa na Serikali, ni kutoa umeme katika maeneo ambayo yamo mbali na mfumo wa kitaifa wa nyaya za stima, na ambapo miradi ya kusambaza umeme haitaleti faida, kwa lengo la kuimarisha hali ya maisha ya kijamii na kiuchumi ya Wakenya katika maeneo hayo.

Miradi ya usambazaji umeme maeneo ya mashambani hasa inatekelezwa na Rural Electrification Authority (REA), ilhali Kampuni inawasambazia umeme wateja. Kampuni imeendelea kutekeleza baadhi ya miradi ya kusambaza umeme katika sehemu za mashambani kwa niaba ya Serikali. Katika mwaka uliomalizika, Kampuni ilikamilisha miradi 197 ya kusambaza umeme maeneo ya mashambani yenye thamani ya Sh.1,375 milioni, iliyoanzishwa kabla ya REA kubuniwa, ilhali wateja wapya 54,251 walisambaziwa umeme chini ya mpango huu. Kampuni inatekeleza miradi 232 zaidi kwa gharama ya Sh.1.346 milioni.

Shughuli kwenye awamu ya tatu ya mradi wa usambazaji umeme sehemu za mashambani uliofadhiliwa na Uhispania kwa kima cha Sh.1.5 bilioni uliendelea mwaka uliomalizika. Mradi huo, ambao unatekelezwa na Kampuni ya ABB Spain, unahusisha mipango 17 na inahusisha upanuzi wa mtandao wa usambazaji katika mikoa ya Mashariki, Kati, Magharibi, Rift Valley na Nyanza. Mradi huu ulikamilika mwaka uliopita.

Jenereta sita za dizeli (mbili kila moja katika Mandera na Lodwar na moja katika Wajir na Marsabit) zilibadilishwa kwa gharama ya Sh.61 milioni mwaka uliomalizika. Katika Marsabit, injini ya kuzalisha kV200 kutoka kwa upepo ambayo iliharibika mnamo 2006, ilibadilishwa na injini mbili za kV250 kwa gharama ya Sh.198 milioni. Miradi hii itapunguza gharama za utendakazi na kuongeza utendakazi wa jenereta hizo katika maeneo hayo ambayo hayajauunganishwa kwenye mtandao wa kitaifa.

NGUZO 4: WATU/MASUALA YA WAFANYAKAZI

Wafanya kazi wetu ni muhimu katika kuafikia malengo yetu kama shirika na pia udumishaji wa biashara yetu. Hivyo basi, huwa tunatumia mikakati yenye lengo la kuvutia na kustawisha wafanyakazi wenye vipawa vya hali ya juu ambao wana msukumo kazini, na kutuza utendakazi bora,

Ripoti ya Mkurugenzi Mkuu na Afisa Mkuu Mtendaji *(unaendelea)*

pamoja na kudumisha utaalumu, kutambua weledi na usawa. Kufikia Juni 30, 2011, Kampuni ilikuwa na wafanyakazi 8,543, wateja 1,753,348, ambao ni idadi ya mfanyakazi mmoja kwa wateja 205. Hii ni tofauti na wafanyakazi 7,279 waliohudumia wateja 1,463,639 na hivyo, mfanyakazi mmoja kuhudumia wateja 201 kufikia Juni 30, 2010.

Mafunzo – Sera yetu ya mafunzo imejikita kwenye mipango na malengo ya shirika letu, na pia inazingatia mianya kwenye vipawa vinayohitajika na pia mipango ya urithi. Kampuni pia ina bajeti ya kila mwaka ya mafunzo kufadhili mipango ya ustawi na mafunzo ya wafanyakazi nchini na ugenini. Mafunzo hutolewa katika nyanja hizi muhimu:

Mafunzo ya kiufundi – kutosheleza mahitaji ya kitaalamu kwa shughuli zetu muhimu, usalama na afya kazini.

Mawasiliano – kuhakikisha uwiano kwenye shirika, ushirikiano, mawasiliano yafaayo na usimamizi wa wafanyakazi.

Vipawa vya kutatua shida – Ili kusimamia vyema aina tofauti ya watu katika mahali pa kazi.

Katika mwaka uliomalizika, zaidi ya wafanyakazi 4,000 walipokea mafunzo nchini na ng'ambo; huku lengo likiwa kukuza vipawa vya kushughulikia masuala ya kiufundi, utangamano na pia kutatua matatizo.

Maslahi ya wafanyakazi – Ili kuendelea kuwatia moyo wafanyakazi na kujali maslahi yao, Kampuni ina mipango kadha ya kushughulikia maslahi ya wafanyakazi ikiwemo mpango wa kutoa matibabu, bima, makazi, mkopo wa kununua nyumba, mikopo ya gari na mpango wa malipo ya uzeeni. Uchunguzi kuhusu kuridhika kwa wafanyakazi hufanywa kila mwaka na matokeo hutumika kuinua hali ya maisha ya wafanyakazi. Vile vile, kuna sera kadha, ikiwemo kuhusu ulemavu, jinsia, uelevi, matumizi ya dawa za kulevya na vileo hatari miongoni mwa zingine, ambazo zinatoa mwongozo wa kuimarisha maslahi ya wafanyakazi na kuhakikisha usawa kazini.

Kampuni ina sera mahususi kuhusu HIV/AIDS na inawasaidia wagonjwa wa Ukimwi na familia zao kupokea ushauri na dawa za kupunguza makali ya ugonjwa huo bila malipo. Vile vile, Kampuni inasaidia kupunguza uambukizaji wa HIV kutoka kwa mama hadi mtoto kupitia kwa taasisi za matibabu zilizoteuliwa. Zaidi ya wafanyakazi 1,150 walihamasishwa kuhusu HIV/AIDS katika mwaka uliomalizika, na zaidi ya 450 walipewa mafunzo kuhusu dawa za kulevya na matumizi ya vileo hatari.

Usalama na mazingira ya kazi – Sera kuhusu afya na usalama kazini, ambayo inachunguzwa na Idara ya Usalama wa Mazingira na Afya

inajikita kwenye malengo yafuatayo:

- Haja ya kuwa na mazingira salama na yenye afya ya kuhudumu.
- Uzingatiaji wa kanuni husika.
- Utambuzi na kudhibiti hatari na uchafuzi ambao unaweza kusababisha ajali, maradhi au kudhuru mazingira.
- Utoaji wa mafunzo yafaayo na rasimali kwa utekelezaji wa sera hiyo.
- Ushirikishaji wa taratibu za sera hiyo kwenye operesheni za Kampuni.

Kampuni huwa inafanya uchunguzi wa kila mwaka kuhusu usalama na mazingira kazini kwa lengo la kuimarisha hali ya mazingira ya wafanyakazi.

NGUZO 5: FEDHA

Mikakati ya nguzo yetu ya kifedha inalenga kuafikia uthabiti wa kifedha unaoweza kuendelezwa na kuwapa wenyehisa thamani ya fedha zao. Ili kuafikia malengo haya, Kampuni hulenga kutoza ada zifaazo kutosheleza mahitaji yetu ya mapato; kuimarisha utendakazi na kupunguza hasara kwenye mitambo, kudhibiti gharama na kuimarisha mauzo na ukusanyaji wa mapato. Mojawapo ya ufanisi wetu katika nyanja hii mwaka uliomalizika ni mpango wa kuongeza mtaji wa Kampuni ambapo hisa za asilimia 7.85 za upendeleo za kukombolewa zisizoweza kulimbikizwa zilizomilikiwa na Serikali zilinunuliwa na toleo la hisa kutolewa. Mpango huo wa kufanya mabadiliko kwenye mtaji wa kampuni uliimarisha mizani ya Kampuni, na kuzalisha Sh.9.52 bilioni ambazo zinatumiwa kufadhili miradi mikubwa ya Kampuni.

NGUZO 6: UPANUZI

Nguzo ya kupanua biashara inania kuongeza mapato kutoka kwa biashara zetu kwa kutumia vyema vifaa vyetu. Kwa mintaarafu hii, Kampuni imekuwa ikiweka mtandao wa kebo za nyuzi kwenye mtandao wetu wa umeme, na kukodisha nyuzi za ziada kwa wahudumu wa kampuni za mawasiliano. Kwa sasa, takribani kilomita 1,200 za mtandao wa kebo za nyuzi za usambazaji katika eneo la Pwani, Magharibi na Mlima Kenya umekamilika na kukodishwa kwa Safaricom, Jamii Telecoms, Wananchi na Kenya Data Networks (KDN).

NGUZO 7: UBUNIFU

Ukunififu unaboresha sehemu tofauti za biashara zetu ikiwemo kuwaridhisha wateja, utoaji wa bili na kuimarisha utendakazi na utoaji huduma kwa jumla. Mbali na kuzinduliwa kwa mpango wa bili za kulipia kabla ya matumizi ambao ulianzishwa katika mwaka uliomalizika, Kampuni pia ilianzisha mitambo ya ugawaji umeme inayojiendesha huku mradi wa majaribio Mombasa ukitarajiwa kumalizika kufikia mapema 2012. Ukunififu mwingine wa kutajika uliotekelezwa kwa upande wa mabadiliko katika namna tunavyohudumu katika kipindi kinachoangaziwa ni uzinduzi wa

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mitambo mipya ya kushughulikia masuala ya wateja, na kituo kipya cha kitaifa cha mawasiliano; zote zenye lengo la kuboresha namna tunavyoshughulikia malalamishi na maswali ya wateja. Hivyo basi, ubunifu utaendelea kuwa mkakati muhimu kwa Kampuni kutokana na huduma za hali ya juu na utendakazi bora unaoleta kwa biashara zetu.

NGUZO 8: WAJIBU WA KAMPUNI KWA JAMII NA MAONGOZI YA KAMPUNI

Huku tunapotekeleza wajibu wetu wa kutoa umeme wa hali ya juu na wa kutegemewa, tunadumisha uadilifu kuhakikisha tunafikia hayo kwa njia ya kuwajibika, kimaadili na kwa namna inayokubalika katika jamii. Mbali na hayo, tunaongozwa na mifumo ya kisheria iliyopo, sera tofauti na kanuni za maongozi bora ya shirika kuhakikisha washikadau wetu wananufaika kutokana na biashara yetu, huku tukidumisha usafi wa mazingira.

Tunatambua kuwa washikadau wetu ni wa aina tofauti na hujumuisha wenyehisa, wafanyakazi, wateja na jamii ambapo tunahudumu. Ripoti kamili kuhusu maongozi ya kampuni, na uendelezaji wa biashara zimo kwenye kurasa 17-18 na 44-51 za ripoti hii, mtawalia.

Mbali na kutia ndani uendelezaji katika operesheni zetu, Kampuni pia imetenga asilimia 1 ya faida yake baada ya ushuru kusaidia miradi muhimu katika elimu, mazingira, afya na kawi. Kwa kufanya hivyo, Kampuni imetambua umuhimu wa kujali jamii ambapo inahudumu na maslahi yao. Kufikia hilo, mwaka uliomalizika, Kampuni ilitenga Sh.37 milioni kwa shughuli tofauti, baadhi yao zilizoangaziwa hapa chini.

Elimu

Kampuni inategemea mfumo wa elimu wa nchi kwa ustawi wa wafanyakazi wake na husaidia miradi tofauti ya elimu. Katika mwaka uliomalizika, tulitumia Sh.5.1 milioni kuboresha elimu na kusaidia wanafunzi wenye mahitaji katika shule tofauti. Katika shule ya msingi ya Hala, Isiolo, wanafunzi 600 walinufaika kutoka kwa mpango wa kutoa lishe shuleni kwa gharama ya Sh.3 milioni, na tulishirikiana na ActionAid kufadhili mpango wa kuteka maji kwa gharama ya Sh.4.2 milioni katika shule za msingi 15 katika mikoa ya Mashariki, Kati na Pwani.

Mazingira

Mazingira ni muhimu kwa uzalishaji na usambazaji wa umeme. Kwa miaka mingi, tumeshirikiana na Serikali na jamii za Kenya kuhifadhi mazingira, hasa upanzi wa miti. Kama sehemu ya shughuli zetu za kupanda miti, Kampuni ilishirikiana na ActionAid kwenye mpango wa kupanda na kugawa miche katika hifadhi za mali asili za Kenya Forest Service. Mpango huo unalenga kuinua hali ya kupanda miche kutoka kwa nasari hizo mahali pa miti inayokatwa. Kupitia mpango huo, Kampuni ilianzisha nasari 10 za miche ya miti asili karibu na maeneo ya chemchemi

za maji kwa gharama ya Sh.2.5 milioni mnamo 2009 katika misitu ya Narok, Mlima Elgon na Kieni katika mwaka unaoangaziwa. Kupitia kwa ushirikiano huo, zaidi ya miche ya kiasili 60,000 ilipandwa na kutunzwa kwa gharama ya Sh.6 milioni katika hifadhi za misitu na katika Mkoa wa Kaskazini Mashariki.

Jijini Nairobi, Kampuni ilifanya mkataba na Baraza la Jiji kupanda miti katika maeneo yaliyotengwa. Kupitia kwa mpango huu, zaidi ya miche 5,000 ilipandwa katika Nairobi City Park na Kabete Vet Labs Primary School.

Shughuli zingine za kimazingira zilizotekelezwa katika mwaka uliomalizika ni pamoja na usafishaji wa ufuo wa Uhanya, katika Ziwa Victoria kwa ushirikiano na Global Development for Peaceful Environments (GDPE) kwa gharama ya Sh.400,000, na upanzi wa msitu wa mikoko katika Malindi kwa gharama ya Sh.500,000.

Mnamo 2010, Kampuni ilitekeleza mradi wa kuhifadhi umeme uliohusisha kubadilisha balbu 1.25 milioni zenye joto na zile za kuhifadhi umeme kwenye makazi, kwa lengo la kupunguza matumizi ya kawi na athari ya umeme kwenye mazingira. Mradi huo uliwezesha kupunguzwa kwa takribani tani 55,096 za hewa ya CO₂ kila mwaka. Awamu ya pili ya mradi huo ingali inatayarishwa, na itatekelezwa 2012. Hii itahusisha kuondoa balbu 3.3 milioni za kutoa joto na mahali pake kuweka zile za kuhifadhi umeme na zinatarajiwa kupunguza tani 145,000 za hewa ya CO₂ kwa mwaka.

Afya

Tunaamini kuwa jamii zenye afya ni muhimu kwa ustawi wa kijamii na kiuchumi wa nchi. Hivyo, tuna sera ya kushirikiana na hospitali na mashirika mengine yenye malengo sawa kusaidia mipango ya afya inayonufaisha wale wasiobahatika katika jamii. Katika mwaka uliomalizika, Kampuni ilitumia Sh.4.4 milioni kwa kambi za matibabu zilizoandaliwa Limuru, Homa Bay, Kibwezi na Lamu, ambapo maelfu ya wagonjwa walishughulikiwa. Kampuni pia ilichangia Standard Chartered Marathon, ambayo huchangisha pesa kuwasaidia wasioona kwa Sh.250,000; na Mater Heart Run ambayo inachangisha fedha kugharimia upasuaji wa moyo wa watoto, Sh.250,000. Kiasi kingine zaidi cha Sh.206,000 kilitolewa kwa Heart to Heart Foundation, ambayo inajihusisha pia na matibabu ya maradhi ya moyo.

Maslahi na kuwashirikisha wafanyakazi

Wafanyakazi wanahimizwa kujitolea na kusaidia jamii kwa kushiriki katika shughuli muhimu. Hivyo basi, kila moja ya maeneo na maeneo madogo yalipokea Sh.400,000 kutumia katika shughuli za uwajibikaji wa kampuni kwa jamii. Wafanyakazi walishiriki katika shughuli mbalimbali katika makazi ya walio na mahitaji, shughuli za elimu na uhifadhi mazingira, miongoni mwa zingine.

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Kwa kutambua umuhimu wa michezo kwa afya na burudani, Kampuni ilichangia kwenye bajeti za vilabu vinavyoshiriki kwenye mchezo wa soka Western Stima na Nairobi Stima - kwa mchango wa Sh.1 milioni kwa shughuli zao. Pia tulitoa mchango wa Sh.300,000 kwa udamini wa mashindano ya kimataifa chini ya himaya ya Kenya Society for the Disabled, ambayo awali ilisaidiwa na viti vya magurudumu kwa wanachama wake wenye mahitaji.

Uhifadhi wa kawi

Kama Kampuni ya kutoa umeme inayowajibika, kuunga mkono uhifadhi wa kawi ni muhimu kwetu. Mbali na mafunzo ya umma yanayoendelea, huwa tunasaidia mipango mingine ya kuhifadhi umeme, na kwa mwaka wa tano mfululizo, Kampuni ilidhamini tuzo za Energy Management Awards (EMA), zinazosimamiwa na Kenya Association of Manufacturers, kwa gharama ya Sh.1.5 milioni.

HITIMISHO

Biashara yetu ina nafasi kubwa ya ukuaji na upanuzi ikizingatiwa miradi ya kiuchumi inayopangiwa kutekelezwa chini ya Ruwaza ya 2030, na mipango ya Serikali ya kuongeza idadi ya Wakenya waliosambaziwa umeme hadi asilimia 50 kufikia mwaka huo.

Ili kutumia vyema nafasi hizi, tunaendelea kutekeleza mikakati na mipango ya kibiashara yenye lengo la kuongeza uzalishaji wa umeme, muundomsingi imara, kuongeza idadi ya wateja wetu, kuimarisha viwango vya usambazaji umeme, usimamizi endelevu wa fedha na kutoa huduma ya kiwango cha kimataifa. Ni kutokana na mikakati hii tumepiga msasa miundo yetu ya biashara na kuanzisha mtandao wa matawi katika kaunti zote 47 ili kutosheleza mahitaji ya wateja na kupanua biashara yetu.

Tunatambua kuwa tunahudumu katika ulimwengu wenye mabadiliko na wateja wetu na washikadau wengine huhitaji huduma ya kiwango cha kimataifa na utendakazi; ilhali wenyehisa wetu wanahitaji mapato ya kutosha kutoka kwa uwekezaji wao.

Hivyo basi, tutaendelea kutathmini utendakazi wetu kuhusiana na utekelezaji wa mikakati yetu, ili kuafikia malengo yetu kama yalivyofafanuliwa kwenye Azima yetu: "Kusambazia watu umeme kwa maisha bora; na Maono yetu: 'Kutoa umeme wa kiwango cha kimataifa unaoridhisha wateja wetu.'



Mha. Joseph Njoroge, MBS
Mkurugenzi Mkuu na Afisa
Mkuu Mtendaji

Oktoba 18, 2011

Corporate Governance Statement

Corporate governance entails the processes and structures used to direct and manage the business affairs of companies, the respective roles of the Board of Directors and management, and the framework for internal controls.

Businesses operate in an increasingly fragile socio-political and economic environment, and adoption of good corporate governance practice is core to ensuring the creation, protection and enhancement of shareholder value while taking into account the interest of other stakeholders. Corporate governance involves maximising shareholder value in a lawful, ethical and sustainable basis, while ensuring fairness to every stakeholder.

Directors and the management of the Company regard corporate governance as pivotal to the success of the business and are unreservedly committed to ensuring that good corporate governance is practiced so that the Company remains a sustainable and viable business of global stature. In this regard, corporate governance is part of our corporate strategy and forms one of the eight pillars against which our corporate Vision of providing world class power that delights our customers is anchored.

This statement sets out the main corporate governance practices and structures in the Company.

CORPORATE GOVERNANCE GUIDELINES, BOARD MANUAL, CHARTER & CODE OF CONDUCT

The Board applies the Capital Markets Authority Guidelines on Corporate Governance in the Company, augmented by best corporate governance practices as contained in the published Board Manual, Charter and Code of Conduct. Additionally, as a state corporation, directors and management are bound by the Public Officer Ethics Act, 2003.

The Board adheres to the governance requirements set out in the Board Charter and Manual that seek to ensure the effectiveness of each director's contribution in the governance of the Company by facilitating full and free exercise of independent judgement and professional competencies. In particular, the Board Manual spells out important governance arrangements including the following areas: (i) appointment of directors and requirements for skills/gender mix and balance of independent and other directors; (ii) articulation of, and commitment to, respect of the rights of shareholders; (iii) respective roles and functions of the Board, the Chairman, Managing Director and Company Secretary; (iv) conduct of Board meetings; (v) Directors' induction and development; (vi) Directors' duties, liabilities and code of conduct; (vii) terms of reference for all Board Committees; and (viii)

disclosure of material information to the public. Directors are also bound by a Directors' Code of Conduct that sets out rules that govern the conduct of individual directors in order to enable the Board to operate effectively in the single minded pursuit of the best interests of the Company. These include, requirement for directors to act honestly, in good faith and in the best interest of the Company; exercise of duty of care and diligence; avoidance and disclosure of conflict of interest; maintenance of confidentiality of information about the Company; commitment to and attendance to the Company's business; and respect of fellow Directors. The Company also has a Code of Conduct and Ethics for the Management Staff.

CONSTITUTION OF THE BOARD OF DIRECTORS

The Board consists of ten Directors, including the Managing Director & Chief Executive Officer. Nine of the Directors are non-executive, including the Chairman. Directors possess a broad mix of skills, age, qualifications, and experience required to direct the Company. Their biographies are shown on pages 8-11.

At least one third of the Board members retire by rotation and offer themselves for re-election each year during the Annual General Meeting. Any director appointed by the Board during the year to fill a casual vacancy is required to retire and seek election at the next Annual General Meeting.

Business transactions with all parties, directors or their related parties are carried out at arms' length. Directors disclose any transaction in which they have interest and which would constitute a conflict of interest, and abstain from voting when such matters are being considered.

RESPONSIBILITIES

Respective Roles of the Chairman and the Managing Director

The Chairman is primarily responsible for providing leadership of the Board and ensuring that it is supplied in a timely manner with sufficient information to enable it to discharge its duties. The Managing Director is responsible for the day to day management of the Company.

Roles of the Board

The primary responsibilities of the Board include: (i) establishment of short and long-term goals of the Company and strategic plans to achieve those goals; (ii) ensuring preparation of the annual and half-year financial statements; (iii) approval and review of the annual budgets; (iv) setting and periodically reviewing key performance indicators and management performance; (v) risk management by ensuring that the Company has adequate systems of internal controls and appropriate

Corporate Governance Statement (continued)

monitoring systems to ensure business continuity; and (vi) working with management to realise shareholders' value.

Directors have full access to the advice and services of the Company Secretary. They are also entitled to obtain independent professional advice on any matter at Company expense, should they deem this necessary.

To function effectively, the Board is given full and timely access to relevant information.

DIRECTOR INDUCTION, TRAINING AND DEVELOPMENT

Training and development of directors and staff is an important part of our corporate strategy. The details of staff training is contained elsewhere in this Report. Directors attend training tailored to equip them with skills and knowledge that they require in discharging their responsibilities. This includes gaining knowledge on best practice on matters relevant to the Company's business.

All Board members attended training programmes, seminars or conferences both locally and outside the country during the year. In this regard, members of the Audit Committee attended risk and governance training in South Africa, while some Board members attended the wind power conference in the United States of America, and others the Africa Energy Forum in Germany and France.

A programme for induction of new directors forms part of the Board Manual so as to enhance their understanding of the nature of the business and operations of the Company. New directors are trained on the applicable legislative and regulatory framework; the governance processes in place; and the strategic plan and committed performance indicators. Part of the induction programme also includes presentation of the corporate strategic plan, organisation charts, performance contracts, meetings with Management and visits to the Company regional offices and key installations.

BOARD WORKPLAN AND MEETINGS

The Board meets at least once a month or more often in accordance with requirements of the business. The Board work plan and calendar of meetings is prepared annually in advance. Adequate notice is given for each Board meeting, and directors receive detailed papers on issues to be discussed in good time before the meeting. The Board held a total of 15 meetings during the year, which were very well attended as shown below:

No	NAME	ATTENDANCE
1	Mr. E Ochola - Chairman	14
2	Eng. J Njoroge - MD & CEO	15
3	Mr. P Nyoike	9
4	Mr. F Nyaga	15
5	Dr. T Kilukumi	15
6	Mr. E Kioni	14
7	Mr. M Kariuki	14
8	Mr. J Mwirigi	15
9	Eng. P Obath	10
10	Mr. J Kariuki	14
11	Eng. I Kiva	14

BOARD COMMITTEES

A number of standing committees exist in order to assist the Board and management fulfill their responsibilities. Ad hoc committees are constituted to deal with pertinent issues as they arise. Each committee operates within the ambit of defined terms of reference assigned to it by the Board. The Committees submit reports of their activities to the Board. During the year, the Board had the following committees:

Audit Committee

The Audit Committee was constituted in 1999 and its mandate redefined in April 2003 and 2009, in line with emerging best practices for audit committees. The Committee comprises four non-executive directors. The Chairman of the Committee is a Certified Public Accountant and is a long serving director with wide knowledge and experience in the Company's business. All members have a broad knowledge of the Company's business, including risks facing the Company, internal controls, and are familiar with the accounting principles. The Committee has all the resources required to function properly. The Committee routinely invites the Managing Director, Chief Manager in charge of Finance, and the Internal Audit Manager to its meetings. The external auditors are invited to attend the meetings whenever necessary.

The Committee's mandate is to ensure that the Company's assets are safeguarded, and that there exist adequate operating and control processes. The committee is accountable to the Board for its activities and makes recommendations to the Board in relation to corporate governance. The responsibilities include: (i) examination of quarterly, half-year and annual financial statements; (ii) discussion of audit plan with the external auditor before commencement of the annual audit; (iii) consideration of audit findings identified by the external auditors,

Corporate Governance Statement (continued)

including the management letter; (iv) consideration of engagement of external auditors and their fees for recommendation to the Board; (v) review of the function, independence, operations and findings of the Internal Audit Department; and (vi) review of risks affecting the Company and management strategies in addressing risk. Additionally, the Committee exercises oversight over strategies to ensure adherence to code of conduct and ethics, including approval of the anti-corruption policies and plans, and considers reports on their implementation.

The Committee held a total of 7 meetings during the year and the attendance is shown below:

No	NAME	ATTENDANCE
1	Mr. F Nyaga - Chairman	7
2	Mr. M Kariuki	7
3	Mr. J Mwirigi	7
4	Eng. P Obath	3
5	Mr. E Ochola	4 (by invitation)
6	Mr. J Kariuki	1 (by invitation)
7	Eng. J Njoroge - MD & CEO	7 (In attendance)

Strategy & Customer Service Committee

The Board Strategy & Customer Service Committee was constituted in February 2005 to devise strategies that would facilitate the Board to give guidance and strategic direction to management. The mandate of the Committee includes the review of the 5 year and annual corporate strategic plans, annual corporate budget, monitoring of major projects under implementation, and strategies for business and customer service improvement.

The members who served in the Committee held 4 meetings during the year and the attendance is shown below:

No.	NAME	ATTENDANCE
1	Eng. P Obath - Chairman	4
3	Mr. M Kariuki	4
4	Mr. P Nyoike	1
7	Eng. J Njoroge - MD & CEO	4

Staff and Remuneration Committee

The Staff & Remuneration Committee's mandate includes considering and making recommendations to the Board on the following: (i) appointment and terms and conditions of service of the Managing

Director; (ii) remuneration structure for staff; (iii) the appointment, promotion and disciplinary issues of senior staff; (iv) performance bonus for the Managing Director and staff; (v) human resources policies and corporate organisational structure to support the Company's business; and (vi) the succession plan for senior staff. The Committee also reviews the performance of the staff pension scheme.

The members who served in the Committee during the year are shown in the table below. The Committee held 5 meetings during the year and the attendance is also shown below:

No	NAME	ATTENDANCE
1	Dr. T Kilukumi - Chairperson	5
2	Mr. E Kioni	5
3	Mr. J Kariuki	5
4	Mr. P Nyoike	3
6	Mr. J Mwirigi	4
7	Eng. J Njoroge - MD & CEO	5

Procurement Oversight Committee

The Procurement Oversight Committee was constituted in January 2007 and plays an oversight role on procurement on behalf of the Board. The functions of the Committee include: considering the annual procurement plan for recommendation to the Board; monitoring the procurement process to ensure compliance with the approved annual procurement plan; and approving procurement of goods and services with a value of Shs.50 million and above, and other strategic procurement.

The members who served during the year under review are shown in the table below. The Committee held 13 meetings during the year and the attendance is also shown below:

No	NAME	ATTENDANCE
1	Mr. M Kariuki- Chairman	13
2	Dr. T Kilukumi	12
3	Mr. F Nyaga	13
4	Mr. E Kioni	13
5	Eng. J Njoroge - MD&CEO	13

IPP Committee

Power purchase costs account for the largest cost for the Company and the IPP Committee was constituted in May 2003 with a mandate of negotiating the power purchase proposals with the bulk power

Corporate Governance Statement (continued)

producers. The negotiations also aim to achieve lower power costs to customers.

The Committee invites management staff with relevant expertise to its meetings. During the year, the Committee held a total of 3 meetings in line with business requirements. The list of attendance is shown below:

No	NAME	ATTENDANCE
1	Mr. E Kioni - Chairman	3
2	Mr. F Nyaga	3
3	Mr. J Kariuki	3
4	Eng. E Obath	2
5	Mr. P Nyoike	1
6	Eng. J Njoroge - MD & CEO	3
7	Mr. E Ochola	2 (by invitation)

Information Technology Committee

This Committee was constituted in January 2007, taking cognisance of the critical role of information and telecommunication technology in the modern business enterprise. It is charged with the responsibility of reviewing the Company's IT Policy, addressing issues of IT security; ensuring that the system supports the business objectives of the Company, and that the Company derives maximum benefits from the investments it has made on information and telecommunication technology equipment, software and human resource; and evaluating relevant available business opportunities.

The Committee held one meeting during the year with attendance as shown below:

No	NAME	ATTENDANCE
1	Mr. J Mwirigi - Chairman	1
2	Dr. T Kilukumi	1
3	Mr. J Kariuki	1
4	Eng. J Njoroge - MD& CEO	1

The Company Secretary is the secretary to all Board Committees other than the Staff & Remuneration Committee, where the Managing Director is the Secretary.

DIRECTORS' REMUNERATION

Details of directors' remuneration are set out in the report on page 90. For the financial year under review, Directors were not paid monthly fees in accordance with the guidelines by the Government to all state

corporations that directors' fees would be paid annually after approval by shareholders. The Directors' fees payable each year should also be within the limits approved by the Government.

It is proposed that directors are each paid fees of Shs.600,000 for the financial year ended 30th June, 2011 or pro rata for any part thereof. The total directors' fees amounts to Shs.5,400,000. Directors are also paid sitting allowance for every meeting attended, lunch allowance (in lieu of lunch being provided), accommodation allowance and mileage reimbursement where applicable, all in line with the ceilings approved for state corporations by the Government. Additionally, the Chairman is paid a monthly honorarium.

There were no directors' loans during the year.

INTERNAL CONTROLS

The directors acknowledge their responsibility as set out on page 61 for the Company's system of internal financial control, including taking reasonable steps to ensure that the systems are being maintained. Internal control systems are designed to meet the particular needs of the Company, and the risks to which it is exposed with procedures intended to provide effective internal financial control. However, such a system can only provide reasonable, but not absolute, assurance against material misstatement.

DIRECTORS' SHAREHOLDING

No director holds shares in his individual capacity that is more than one percent of the Company's total equity.

ETHICAL STANDARDS

The Company has a Code of Conduct for the Board and management staff and a Corruption Prevention Policy. The Company also ascribes to the ethical standards prescribed by the Public Officer Ethics Act.

These require all employees to conduct business with integrity. To support the ethical standards initiatives, the Company has an Ethics and Integrity Office that carries out integrity awareness training, ensures the enforcement of the corruption prevention plans, conducts risk assessment and ensures that an integrity survey is carried out annually by an independent firm.

The Company considers integrity and ethical issues critical in providing services to customers and meeting its business objectives. Accordingly, implementation of corruption prevention plans form part of the performance targets for the Board and Management.

Corporate Governance Statement *(continued)***ACCOUNTABILITY AND AUDIT****Directors' Responsibilities in Relation to Financial Statements**

In addition to the fiduciary duties and the duty to exercise care, skill and diligence, the company law 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 profit or loss of the Company for that period. The directors are responsible for ensuring that suitable accounting policies are consistently applied, supported by reasonable and prudent judgments and estimates.

The directors are responsible for ensuring that the Company keeps proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company, and that the financial statements comply with the Companies Act. They also have general responsibility for the systems of internal control for safeguarding the assets of the Company and to prevent and detect fraud and other irregularities.

ENTERPRISE RISK MANAGEMENT

Enterprise Risk Management (ERM) in the Company was instituted in 2008 and has since grown to a structure of holistic risk reporting. The objective of ERM is to manage identified business and operational risks through a structured, systematic, proactive and integrated process designed to: (i) identify threats that affect the achievement of the Company's Vision, Mission and Values; (ii) take advantage of opportunities in order to create value to all stakeholders; and (iii) establish appropriate mitigation measures to counter negative effects of the risks.

The Approach

The Company's approach to risk is founded on prudent corporate governance practices and a risk management culture that guides employees' approach towards work, behaviour and decision making. The Board of Directors takes the lead by setting the 'tone at the top' and approving the ERM policy and procedures for application in the Company.

The ERM framework is used in the identification, assessment, measurement and management of risks with a view to maximising shareholder value by aligning risk management with the corporate strategy, assessing the impact of emerging risks from legislation, new technologies or the market, and developing risk tolerances and mitigating strategies.

During the year under review, the Company continued to build risk management capacity within the business with the main focus largely

on laying a good foundation through robust risk identification and assessment, and relating these to the stipulated business objectives. Corporate risks are then identified for close management and monitoring by senior management and the Board. ERM has been intrinsically linked to the Corporate Strategic Plan and all risks were assessed and directly related to specific business objectives.

Risk Governance

The risk governance structure is intended to strengthen risk evaluation and management, while also positioning the Company to manage the changing regulatory environment in an efficient and effective manner. The Audit Committee exercises the oversight function over the ERM programme on behalf of the Board. The other risk management structures include the following:

Central ERM Steering Committee - chaired by the Managing Director with membership comprising top management, whose role includes identification and review of corporate risks and monitoring the implementation of the mitigation measures.

Divisional Risk Committees - are responsible for identifying and evaluating divisional risks and options for mitigating them.

Regional Steering Committees - carry out similar functions as the Divisional Risk Committees in the Regions.

Business Continuity and Crisis Management Committee - develops and implements a crisis management and business continuity plan and reports to the Central ERM Steering Committee.

Safety, Security and Assurance Committee - develops and monitors implementation of assurance related roles in the Company, including review of reportable accidents and incidents.

Project Risk Management Committee - is responsible for evaluation of risks of projects and identification of mitigation measures before projects are implemented.

Line managers are directly accountable for the management of risks in their individual functions. All regions and divisions conduct self risk assessment annually, including effectiveness of internal controls.

SUCCESSION PLANNING

The Board considers succession planning to be crucial for continuity and sustainability of the business. In this regard, the Company has a corporate succession planning process and documentation of potential candidates for leadership and key strategic level management positions

Corporate Governance Statement *(continued)*

in the Company. This includes integration of management competency model in the performance appraisals, identification of successor talent pools and development of the talent pool members.

COMMUNICATION WITH SHAREHOLDERS

The Company places great importance on communication with its shareholders and publishes its financial statements in the local dailies on half year and annual basis. The results are also available on the Company website at: www.kplc.co.ke. All shareholders are entitled to attend the Annual General Meeting for which notice is posted at least 21 clear days before the meeting. The shareholders are given the opportunity to ask questions on any matter relating to the business of the Company.

EXECUTIVE MANAGEMENT

The Company's business is divided into four business regions, namely: Nairobi, Coast, West Kenya and Mt. Kenya. The company has an organisation structure that is appropriate for business processes. There are ten functional divisions, namely: Energy Transmission; Distribution; Customer Service; Planning, Research and Performance Monitoring; Supplies, Stores and Transport; Information Technology and Telecommunications; Company Secretarial; Human Resources and Administration; Finance; and Managing Director's Division. The executive management is shown on page 12.

Executive Management Committee

The Executive Management Committee is chaired by the Managing Director and the membership includes, in addition to the Managing Director, heads of divisions and departments reporting directly to the Managing Director. The Committee meets at least twice a month to review performance, and to consider policy and business issues, including strategic measures, while also reviewing papers before they are tabled for Board consideration and approval.

Corporate Governance Statement (continued)

SHAREHOLDING PROFILES

The Company files returns with monthly reports prescribed by the Capital Markets Authority and Nairobi Stock Exchange under the listing regulations on transactions related to shareholders.

The top 20 major shareholders as at 31st August, 2011 were as follows:

NO.	NAME OF SHAREHOLDER	ORDINARY (Shs. 2.50 each)	4% PREF. (Shs. 20/= each)	7% PREF. (Shs. 20/= each)	TOTAL	% -AGE
1	Permanent Secretary to the Treasury	869,006,560	656,808	193,531	869,856,899	50.084
2	Standard Chartered Nominees Ltd.	222,684,975	416	-	222,685,391	12.822
3	CFC Stanbic Nominees Ltd.	79,269,321	48,308	-	79,317,629	4.567
4	Board of Trustees, NSSF	71,432,136	3,550	750	71,436,436	4.113
5	Co-op Bank Custody	37,307,475	-	-	37,307,475	2.148
6	NIC Custodial Services Ltd.	27,044,951	-	-	27,044,951	1.557
7	Equity Nominees Ltd.	26,510,168	-	-	26,510,168	1.526
8	KCB Nominees Ltd.	24,378,788	69,584	800	24,449,172	1.408
9	Jubilee Insurance Co. Ltd.	17,969,235	59,828	17,160	18,046,223	1.039
10	Christopher John Kirubi	13,868,405	-	-	13,868,405	0.799
11	Kenindia Assurance Co. Ltd.	13,616,931	-	-	13,616,931	0.784
12	Goodwill (Nairobi) Ltd.	12,472,651	-	-	12,472,651	0.718
13	Chase Bank Nominees Ltd.	7,449,523	-	-	7,449,523	0.429
14	CFC Life Assurance Ltd.	6,383,866	-	-	6,383,866	0.368
15	Insurance Company of East Africa Ltd.	5,645,298	221,386	19,272	5,885,956	0.339
16	KPLC Ltd. Staff Retirement Benefit Scheme Trustees	5,011,764	-	-	5,011,764	0.289
17	The Heritage All Insurance Co. Ltd.	4,671,051	-	-	4,671,051	0.269
18	Alimohamed Adam	4,233,352	277,264	57,617	4,568,233	0.263
19	Kanaksingh Karsandas Babla & Sandip Kanaksingh	4,426,363	-	-	4,426,363	0.255
20	Kenya Reinsurance Corporation Ltd.	4,406,565	16,156	-	4,422,721	0.255
Sub-Totals		1,457,789,378	1,353,300	289,130	1,459,431,808	84.031
Other Shareholders		276,847,995	446,700	60,870	277,355,565	15.969
Total Issued Shares		1,734,637,373	1,800,000	350,000	1,736,787,373	100.00

Corporate Governance Statement (continued)

Shares Distribution of Ordinary Shareholders as at 31st August, 2011

RANGE	NO. OF MEMBERS	SHARES
≤1,000	12,410	6,523,772
1001-10,000	10,395	36,582,329
10,001-50,000	2,652	56,614,942
50,001-100,000	459	32,554,113
Over 100,000	748	1,602,362,217
Totals	26,664	1,734,637,373

Shares Distribution of 4% Preference Shareholders as at 31st August, 2011

RANGE	NO. OF MEMBERS	SHARES
≤1,000	364	67,932
1001-10,000	58	159,655
10,001-50,000	14	316,598
50,001-100,000	2	133,564
Over 100,000	3	122,251
Totals	441	1,800,000

Shares Distribution of 7% Preference Shareholders as at 31st August, 2011

RANGE	NO. OF MEMBERS	SHARES
≤1,000	84	22,113
1001-10,000	15	43,890
10,001-50,000	3	86,432
50,001-100,000	1	57,617
Over 100,000	1	139,948
Totals	104	350,000

Mr. Eliazar Ochola
Chairman

October 18, 2011

Taarifa ya Maongozi ya Kampuni

Maongozi ya Kampuni yanahusisha taratibu na miundo inayotumika kuelekeza na kusimamia masuala ya biashara za kampuni, majukumu tofauti ya Wakurugenzi wa Bodi na wasimamizi na mfumo wa usimamizi wa masuala ya ndani. Biashara huendeshwa katika mazingira magumu ya kiuchumi, kijamii na kisiasa na uzingatiaji wa maongozi bora ni muhimu kuhakikisha uundaji, uhifadhi na uimarishaji wa thamani ya fedha za wenyehisa huku maslahi ya washikadau wengine yakitiliwa maanani. Maongozi bora ya Kampuni yanahusisha kuwaongezea wenyehisa faida kwa njia ya haki, uadilifi na endelevu huku tukihakikisha haki kwa kila mshikadau.

Wakurugenzi na wasimamizi wa Kampuni huchukulia maongozi ya kampuni kama nguzo muhimu kwa ufanisi wa biashara na hujitolea kikamilifu kuhakikisha maongozi bora yanakumbatiwa ili Kampuni iimarike kwa njia ya kutegemewa na pia biashara idumu na kufikia kiwango cha kimataifa. Hivyo basi, maongozi bora ni sehemu ya mkakati wetu kama kampuni na ni mojawapo ya nguzo nane ambapo Maono ya Shirika letu ya kutoa umeme wa kiwango cha kimataifa unaoridhisha wateja wetu yamejikita.

Taarifa hii inafanua majukumu muhimu ya uongozi na miundo katika Kampuni.

MAONGOZI YA KAMPUNI, MWONGOZO WA BODI, MKATABA NA KANUNI ZA UTENDAKAZI

Bodi inatumia mwongozo wa Halmashauri ya Masoko ya Mtaji kuhusu Maongozi ya Kampuni pamoja na taratibu zifaazo za usimamizi kama zilizvofafanuliwa kwenye Mwongozo wa Bodi, Maktaba na Kanuni za Utenda Kazi. Isitoshe, kama shirika la Serikali, wakurugenzi na wasimamizi wanaongozwa na Sheria ya Maadili ya Afisa wa Umma, 2003, kuhusu maadili ya utendakazi.

Bodi inazingatia mahitaji ya usimamizi yaliyofafanuliwa kwenye Mkataba wa Bodi na Mwongozo wake ambao unalenga kufanikisha mchango wa kila mkurugenzi katika maongozi ya Kampuni kwa kuwezesha kila mmoja kufanya maamuzi huru na kutumia ujuzi wake kitaaluma. Hasa, Mwongozo wa Bodi unafanua moja kwa moja mipangilio ya usimamizi ikiwemo katika nyanja zifuatazo: (i) uteuzi wa wakurugenzi na mahitaji ya kuhakikisha mchanganyiko ufaao wa vipawa na jinsia na usawa wa wakurugenzi huru na wengine; (ii) kushughulikia na kujitolea kuhusiana na haki za wenyehisa; (iii) Majukumu ya Bodi, Mwenyekiti, Mkurugenzi Mkuu na Katibu wa Kampuni; (iv) Shughuli kwenye vikao vya Bodi; (v) mapokezi ya wakurugenzi na maendeleo yao; (vi) majukumu ya wakurugenzi, wajibu wao na masharti ya utendakazi; (vii) Majukumu ya Kamati zote za Bodi; na (viii) ufanuzi wa habari zote muhimu kwa umma.

Wakurugenzi pia wanawajibika kwa Kanuni za Utendakazi za Wakurugenzi ambazo zinafanua masharti yanayoongoza utendakazi wa kila mkurugenzi ili kuwezesha Bodi kufanya kazi yake vyema kwa azima moja kuifaidi Kampuni. Hii ni pamoja na hitaji la Wakurugenzi kuwa waadilifu, kufanya kazi kwa roho safi na kwa manufaa ya Kampuni; uzingatiaji wa uangalifu na bidii; kujiepusha na shughuli zinazokinzana na majukumu yake katika Kampuni; kuhifadhi siri muhimu kuhusu Kampuni, kujitolea na kuhudhuria shughuli za Kampuni na kuheshimu wakurugenzi wenzake. Kampuni pia ina mwongozo wa maadili na utendakazi kwa maafisa wasimamizi ulioidhinishwa na Bodi.

MUUNDO WA BODI YA WAKURUGENZI

Bodi hujumuisha Wakurugenzi kumi, akiwemo Mkurugenzi Mkuu na Afisa Mkuu Mtendaji. Tisa kati yao hawana mamlaka, akiwemo Mwenyekiti. Wakurugenzi huwa na mkusanyiko pana wa vipawa, mafunzo na tajiriba zinazohitajika kuongoza Kampuni. Wasifu zao zimo kwenye ukurasa 8-11.

Angalau theluthi moja ya wanachama wa Bodi hujitokeza kuchaguliwa tena kila mwaka wakati wa Mkutano Mkuu wa kila Mwaka. Mkurugenzi yeyote aliyeteuliwa na Bodi katikati ya mwaka kujaza nafasi anahitajika kustaafu na kuwania wadhifa huo katika Mkutano Mkuu wa Kila Mwaka ujao.

Wakurugenzi wanahitajika kuelezea shughuli yoyote ambayo wanahusika nayo ambayo inaweza kuzua mgongano na majukumu yao, na kujizuia kupiga kura wakati masuala kama hayo yanazungumziwa.

MAJUKUMU

Majukumu tofauti ya Mwenyekiti na Mkurugenzi Mkuu

Mwenyekiti, kimsingi, anawajibika kutoa mwongozo kwa Bodi kwa kuhakikisha inapokea taarifa za kutosha kwa wakati ufaao kuiwezesha kutekeleza majukumu yake. Mkurugenzi Mkuu ndiye anasimamia shughuli za usimamizi za kila siku za Kampuni.

Majukumu ya Bodi

Majukumu muhimu ya Bodi ni pamoja na: (i) kuweka malengo ya muda mfupi na ya muda mrefu ya Kampuni na mikakati ya kufanikisha malengo hayo; (ii) kuhakikisha utayarishaji wa taarifa za kifedha za kila mwaka na za nusu mwaka; (iii) kuidhinisha na kuchunguza bajeti za kila mwaka; (iv) kuweka na kutathmini mara kwa mara vigezo vya utendakazi na utendakazi wa wasimamizi; (v) kudhibiti hatari zozote kwa kuhakikisha Kampuni ina mifumo ya kutosha ya usimamizi wa ndani na uchunguzi wa kutosha wa uzingatiaji kuhakikisha shughuli za kibiashara zinaendelea; (vi) kushirikiana na wasimamizi kuhakikisha wenye hisa wanapata thamani ya fedha zao.

Taarifa ya Maongozi ya Kampuni *(unaendelea)*

Wakurugenzi wanapokea huduma na ushauri wa Katibu wa Kampuni. Pia wana haki kupokea ushauri huru wa kitaalamu kuhusu swala lolote kwa gharama ya Kampuni, endapo wataonelea haja ya kufanya hivyo. Ili kuhudumu kikamilifu, Bodi inapewa habari zifaazo na kwa wakati unaofaa.

KUWALAKI WAKURUGENZI WAPYA KATIKA KAMPUNI, MAFUNZO NA USTAWI

Mafunzo na maendeleo ya wakurugenzi na wafanyakazi ni sehemu muhimu ya mkakati wetu kama shirika. Maelezo kamili kuhusu mafunzo ya wafanyakazi yamo kwingineko kwenye Ripoti hii. Wakurugenzi wanahudhuria mafunzo yenye lengo la kuwapa vipaji na ufahamu wanaohitaji kutekeleza majukumu yao. Hii ni pamoja na kupata ufahamu kuhusu mbinu bora zaidi za utenda kazi kuhusu masuala yaliyo muhimu kwa biashara za Kampuni. Wanachama wote wa Bodi walihudhuria mipango ya kutoa mafunzo, semina au makongamano ndani na nje ya nchi mwaka uliomalizika. Kuhusiana na hayo, wanachama wa Kamati ya Uhasibu walihudhuria mafunzo kuhusu uongozi na udhibiti wa hatari Afrika Kusini, ilhali baadhi ya wanachama wa Bodi walihudhuria kongamano kuhusu kawi ya upepo Amerika. Wengine walihudhuria mkutano wa kawi Afrika nchini Ujerumani na Ufaransa. Mpango wa kuwalaki wakurugenzi wapya ni sehemu ya Mwongozo wa Bodi ili kuwawezesha kufahamu shughuli zetu na operesheni za Kampuni. Wakurugenzi wapya wanapokea mafunzo kuhusu mfumo wa kanuni na sheria husika; tararibu za maongozi zilizopo; mpango wa mkakati na vigezo vya utendakazi. Sehemu ya mpango wa kuwalaki wakurugenzi wapya ni kuwaonyesha mpango wa mkakati wa shirika na vigezo vilivyowekwa vya utendakazi, chati ya kuonyesha mpangilio wa usimamizi, kandarasi za utendakazi, mikutano na Wasimamizi na ziara katika afisi za mashinani za Kampuni, na vifaa vingine muhimu.

UTARATIBU WA KUFANYA KAZI WA BODI NA MIKUTANO

Bodi huwa inakutana angalau mara moja kwa mwezi au zaidi sambamba na mahitaji ya kibiashara. Mpangilio wa utendakazi wa Bodi na kalenda ya mikutano yao inatayarishwa mapema kila mwaka. Ilani ya kutosha inatolewa kwa kila mkutano wa Bodi na wakurugenzi hupokea stakabadhi za kutosha kuhusu masuala yanayohitajika kujadiliwa kwa wakati ufaao kabla ya mkutano. Bodi iliandaa jumla ya vikao 15 mwaka uliomalizika, ambavyo vilihudhuriwa vyema kama inavyoonyeshwa hapa chini:

	JINA	MAHUDHURIO
1	Bw. E Ochola - Chairman	14
2	Mha. J Njoroge - MD & CEO	15
3	Bw. P Nyoike	9
4	Bw. F Nyaga	15

5	Dkt. T Kilukumi	15
6	Bw. E Kioni	14
7	Bw. M Kariuki	14
8	Bw. J Mwirigi	15
9	Mha. P Obath	10
10	Bw. J Kariuki	14
11	Mha. I Kiva	14

KAMATI ZA BODI

Kuna kamati za kudumu kusaidia Bodi na wasimamizi kutimiza majukumu yao. Kamati za muda zinaundwa kushughulikia masuala nyeti jinsi yanavyoibuka. Kila kamati inahudumu chini ya masharti ya utendaji kazi iliyopewa na Bodi. Kamati hizo huwasilisha ripoti ya shughuli zao kwa Bodi. Mwaka uliomalizika, Bodi ilikuwa na kamati zifuatazo za kudumu na za muda.

Kamati ya Uhasibu

Kamati ya Uhasibu ilibuniwa 1999 na majukumu yake kufafanuliwa upya Aprili 2003 na 2009, sambamba na taratibu bora zinazoibuka kwa kamati za uhasibu. Kamati inashirikisha wakurugenzi wanne wasio na mamlaka. Mwenyekiti wa Kamati ni mhasibu aliyehitimu na inasimamiwa na mkurugenzi aliyehudumu kwa muda mrefu mwenye ufahamu na tajiriba kubwa kuhusu shughuli za Kampuni. Wanachama wote wana ufahamu mpana kuhusu shughuli za Kampuni, ikiwemo hasara zinazokabili Kampuni, vidhibiti vya ndani, na wanaelewa kanuni za uhasibu. Kamati ina rasimali zote zinazohitajika kufanya kazi vyema. Kamati hualika mara kwa mara Mkurugenzi Mkuu, Meneja Mkuu wa Fedha, na Meneja wa Uhasibu wa Ndani kwa vikao vyake. Wahasibu kutoka nje hualikwa kwenye mikutano inapohitajika.

Mamlaka ya Kamati ni kuhakikisha kuwa mali za Kampuni zinalindwa, na kuna taratibu zifaazo za usimamizi, miundo ya udhibiti na kuwajibika kwa Bodi kwa shughuli zake na kutoa mapendekezo kwa Bodi katika uzingatiaji na uimarishaji wa maongozi bora ya usimamizi. Majukumu yake ni (i) kuchunguza taarifa za kifedha za miezi mitatu, nusu mwaka na mwaka mzima, (ii) kujadili mpango wa uhasibu na mhasibu kutoka nje kabla ya kuanza kwa ukaguzi wa vitabu vya hesabu wa kila mwaka; (iii) kushughulikia masuala yaliyoangaziwa na wahasibu kutoka nje, ikiwemo mapendekezo ya mhasibu; (iv) kuamua uteuzi wa wahasibu kutoka nje na kupendekeza kwa Bodi; (v) kutathmini majukumu, uhuru, huduma na matokeo ya Idara ya Uhasibu wa Ndani; na (vi) kutathmini hatari zinazokabili Kampuni na mikakati ya kuzishughulikia. Fauka ya hayo, kamati inasimamia mikakati yote kuhakikisha uzingatiaji wa mwongozo wa utendakazi na maadili, ikiwemo idhini ya sera na mipango ya kukabiliana na ufisadi na kuchunguza ripoti kuhusu utekelezaji wao.

Taarifa ya Maongozi ya Kampuni (*unaendelea*)

Wanachama wa Kamati walihudumu katika mwaka uliomalizika, waliandaa jumla ya vikao saba na mahudhurio ni kama ifuatavyo:

	JINA	MAHUDHURIO
1	Bw. F Nyaga - Chairman	7
2	Bw. M Kariuki	7
3	Bw. J Mwirigi	7
4	Mha. P Obath	3
5	Bw. E Ochola	4 (kwa mwaliko)
6	Bw. J Kariuki	1 (kwa mwaliko)
7	Mha. J Njoroge - MD & CEO	7 (Alihudhuria)

Kamati ya Mkakati na Huduma kwa Wateja

Kamati ya Bodi ya Mkakati na Huduma kwa Wateja iliundwa Februari 2005 kubuni mikakati itakayoweza Bodi kutoa mwongozo na mwelekeo ufaao kwa wasimamizi. Jukumu la Kamati ni pamoja na kuchunguza upya mipango ya mkakati ya miaka mitano na ile ya kila mwaka, kuandaa bajeti ya kila mwaka ya kampuni, kuchunguza miradi muhimu inayotekelezwa na mikakati ya kuimarisha biashara na huduma kwa wateja.

Wanachama waliohudumu kwenye Kamati hii waliandaa vikao vinne mwaka uliomalizika na mahudhurio ni kama ifuatavyo:

	JINA	MAHUDHURIO
1	Mha. P Obath - Mwenyekitui	4
3	Bw. M Kariuki	4
4	Bw. P Nyoike	1
7	Mha. J Njoroge - MD & CEO	4

Kamati ya Wafanyakazi na Ujira

Mamlaka ya Kamati ya Wafanyakazi na Ujira ni pamoja na kupendekeza kwa Bodi kuhusu yafuatayo: (i) uteuzi, kanuni na masharti ya utenda kazi wa Mkurugenzi Mkuu; (ii) mpangilio wa mishahara kwa wafanyakazi; (iii) uteuzi, kupandishwa cheo na masuala ya adhabu kwa wafanyakazi wa ngazi za juu; (iv) bonasi ya Mkurugenzi Mkuu na wafanyakazi kufuatia matokeo bora; (v) sera kuhusu masuala ya wafanyakazi na mpangilio wa usimamizi wa kampuni kufanikisha shughuli za Kampuni; (vi) mpangilio wa urithi kwa wafanyakazi wa ngazi za juu. Kamati pia inachunguza matokeo ya mpango wa malipo ya uzeeni wa wafanyakazi.

Wanachama waliohudumu kwenye Kamati hiyo mwaka uliomalizika wanaonyeshwa kwenye jedwali iliyopo hapa chini:

	JINA	MAHUDHURIO
1	Dkt. T Kilukumi - Chairperson	5
2	Bw. E Kioni	5
3	Bw. J Kariuki	5
4	Bw. P Nyoike	3
6	Bw. J Mwirigi	4
7	Mha. J Njoroge - MD & CEO	5

Kamati ya Uangalizi wa Ununuzi

Kamati ya uangalizi wa ununuzi ilibuniwa Januari 2007 na inatekeleza wajibu wa usimamizi katika ununuzi kwa niaba ya Bodi. Majukumu ya Kamati ni pamoja na: kuchunguza mpango wa ununuzi wa mwaka mzima ili kuratibiwa na Bodi; kuchunguza utaratibu wa ununuzi kuhakikisha uzingatiaji wa mpango wa kila mwaka ulioidhinishwa wa ununuzi; na kuidhinisha ununuzi wa huduma na vifaa vya thamani ya Sh.50 milioni na zaidi na ununuzi mwingine muhimu. Wanachama waliohudumu mwaka unaorangaziwa wanaonyeshwa kwenye jedwali iliyopo chini. Kamati iliandaa vikao 13 mwaka uliopita na mahudhurio yanaonyeshwa hapa chini:

	JINA	MAHUDHURIO
1	Bw. M Kariuki - Chairman	13
2	Dkt. T Kilukumi	12
3	Bw. F Nyaga	13
4	Bw. E Kioni	13
5	Mha. J Njoroge - MD & CEO	13

Kamati ya IPP

Gharama ya ununuzi wa umeme ni sehemu kubwa ya gharama za Kampuni na kamati ya IPP ilibuniwa Mei 2003 na kupewa mamlaka ya kujadiliana kuhusu masharti ya kununua umeme. Mashauriano hayo pia yanalenga kupunguza gharama za umeme kwa wateja. Kamati hiyo hualika wasimamizi walio na ujuzi mwafaka kwa vikao vyake. Mwaka uliomalizika, Kamati iliandaa jumla ya vikao 3 sambamba na mahitaji ya kibiashara. Orodha ya mahudhurio ni kama inavyoonyeshwa hapa chini:

	JINA	MAHUDHURIO
1	Bw. E Kioni - Chairman	3
2	Bw. F Nyaga	3
3	Bw. J Kariuki	3
4	Mha. E Obath	2
5	Bw. P Nyoike	1
6	Mha. J Njoroge - MD & CEO	3
7	Bw. E Ochola	2 (kwa mwaliko)

Taarifa ya Maongozi ya Kampuni (*unaendelea*)**Kamati ya Teknolojia ya Mawasiliano na Habari**

Kamati hii ilibuniwa Januari 2007, kwa kutambua wajibu muhimu wa teknolojia na mawasiliano katika biashara za kisasa. Ina jukumu la kutathmini sera ya Teknolojia ya Mawasiliano ya Kampuni, kushughulikia masuala ya usalama wa Teknolojia ya Mawasiliano, kuhakikisha mtandao huo unafanikisha malengo ya kibiashara ya Kampuni, na Kampuni inanufaika vilivyo kutokana na uwekezaji wake katika mitambo na vifaa pamoja na mafunzo ya wafanyakazi, na kutafuta nafasi zilizopo za kibiashara.

Kamati iliandaa kikao kimoja katika mwaka uliomalizika na mahudhurio ni kama ifuatavyo:

	JINA	MAHUDHURIO
1	Bw. J Mwirigi - Chairman	1
3	Dkt. T Kilukumi	1
4	Bw. J Kariuki	1
5	Mha. J Njoroge - MD & CEO	1

Katibu wa Kampuni ndiye karani wa Kamati zote za Bodi isipokuwa Kamati ya Mishahara ya Wafanyakazi ambapo Mkurugenzi Mkuu ndiye karani.

Maelezo kuhusu ujira wa Wakurugenzi yamefafanuliwa kwenye ripoti iliyopo katika ukurasa 60. Katika kipindi cha matumizi ya fedha tunachoangazia, Wakurugenzi hawakulipwa mshahara wa kila mwezi sambamba na mwongozo wa Serikali kwa mashirika yote ya umma kuwa mshahara wa Wakurugenzi ulipwe kila mwaka baada ya idhini ya wenyehisa. Ujira wa Wakurugenzi kila mwaka unapasa kuwa katika kiwango kilichoidhinishwa na Serikali. Inapendekezwa kuwa Wakurugenzi walipwe Sh.600,000 kwa kipindi cha matumizi ya fedha kilichomalizika Juni 30, 2011 au kwa uwiano. Jumla ya ujira wa Wakurugenzi ni Sh.5,400,000.

Wakurugenzi pia wanalipwa marupurupu ya vikao kwa kila mkutano wanaohudhuria, marupurupu ya chakula cha mchana (badala ya kupewa chakula chenye), marupurupu ya malazi na kurudishiwa fedha za usafiri inavyostahili, zote sambamba na viwango vilivyoidhinishwa kwa mashirika ya umma na Serikali. Isitoshe, Mwenyekiti analipwa honoraria kila mwezi. Wakurugenzi hawakuchukua mikopo yoyote katika mwaka uliopita.

VIDHIBITI VYA NDANI

Wakurugenzi wanakubali majukumu yao kama yalivyoielezwa kwenye ukurasa 61 wa mfumo wa Kampuni wa udhibiti wa ndani wa kifedha,

ikiwa ni pamoja na kuchukua hatua za maana za kuhakikisha mifumo ya kampuni inadumishwa. Mifumo ya udhibiti wa ndani imetengenezwa kukidhi mahitaji maalum ya Kampuni, na hatari ambazo zinaikabili ikiwa na taratibu za kutoa udhibiti wa kufana wa kindani wa kifedha. Hata hivyo, mfumo kama huo unaweza tu kutoa kinga kwa kiasi fulani tu, wala si hakikisho kamili dhidi ya uorodheshaji mbaya wa mali.

UENYEHISA WA WAKURUGENZI

Hakuna mkurugenzi yeyote kibinafsi anayemiliki hisa zinazozidi asilimia moja ya jumla ya mtaji wa Kampuni.

VIWANGO VYA MAADILI

Kampuni ina Kanuni za Maadili Mema za Bodi na wafanyakazi wasimamizi na Sera ya Kuzuia Ufisadi. Kampuni pia hufuata viwango vya maadili mema vilivyoielezwa kwenye Sheria ya Maadili Mema ya Maafisa wa Umma. Hizi huwahitaji wafanyakazi wote kuendesha shughuli za kampuni kwa maadili ya hali ya juu. Ili kusaidia mpango huu wa viwango vya maadili, Kampuni ina Afisi ya Maadili Mema ambayo hufanya uhamasishaji kuhusu maadili, kuhakikisha utekelezaji wa mpango wa kuzuia ufisadi, hufanya utathmini wa hatari na kuhakikisha utafiti wa maadili unafanywa kila mwaka na kampuni huru. Kampuni huchukulia kwa uzito masuala ya maadili mema katika kutoa huduma kwa wateja na katika kutimiza malengo yake ya kibiashara. Kuambatana na haya, utekelezaji wa mpango wa kuzuia ufisadi huchukua sehemu kuu katika malengo ya utendakazi ya Bodi na Wasimamizi.

HESABU NA UKAGUZI WA HESABU**Majukumu ya wakurugenzi kuhusiana na ripoti za kifedha**

Kando na majukumu ya kuaminika kama kigezo na majukumu ya umakini, ujuzi na jitihada, sheria za kampuni huwataka wakurugenzi watayarishie ripoti za matokeo ya kifedha kila mwisho wa mwaka wa kifedha ambazo huonyesha hali halisi ya biashara ya Kampuni katika mwisho wa mwaka, na faida au hasara ya Kampuni katika kipindi hicho. Wakurugenzi huwajibika katika kuhakikisha kuwa sera zinazofaa za kufanya hesabu zinafuata, zikiungwa mkono na uamuzi wa busara na makadirio na kwamba, viwango vinavyofaa vya kufanya hesabu vinafuata.

Wakurugenzi wana jukumu la kuhakikisha Kampuni inaweka rekodi njema za hesabu, ambazo zinaonyesha kwa ufasaha usio wa kutiliwa shaka katika wakati wowote ule, hali ya kifedha ya Kampuni na kuwawezesha kuhakikisha kuwa ripoti za kifedha za kampuni zinafuata Sheria ya Kampuni.

Pia, wana wajibu wa kusimamia mifumo ya vidhibiti vya ndani kulinda mali ya Kampuni na kuzuia au kugundua ulaghai au uhalifu wowote ule.

Taarifa ya Maongozi ya Kampuni (*unaendelea*)**USIMAMIZI WA HATARI ZA KIBIASHARA**

Usimamizi wa Hatari za Kibiashara (Enterprise Risk Management - ERM) katika Kampuni ulianzishwa mwaka 2008 na umekua na kuwa mfumo mzima wa kutoa ripoti kuhusu hatari. Lengo la ERM ni kudhibiti hatari za kibiashara na uendeshaji shughuli zinazotambuliwa kupitia mfumo uliofungamana na wa haraka ulioundwa hususan: (i) kutambua hatari ambazo zinatishia kutimizwa kwa Maono, Lengo na Maadili ya Kampuni; (ii) kutumia nafasi zilizoko ili kuongeza thamani kwa wadau; na (iii) kuweka mikakati mahsusi ya kukabiliana na athari mbaya za hatari.

Mtazamo

Mtazamo wa Kampuni kuhusu hatari una msingi wake katika mipango madhubuti ya utawala wa kampuni na tamaduni ya usimamizi wa hatari ambayo huongoza mtazamo wa wafanyakazi kuhusu kazi, tabia na ufanyaji wa maamuzi. Bodi ya Wakurugenzi imechukua uongozi katika kutoa mfano bora na kuidhinisha sera ya ERM na taratibu za kutekelezwa katika Kampuni. Mfumo wa ERM hutumiwa katika kutambua, kutathmini na kusimamia hatari kwa lengo la kuongeza thamani kwa wenye hisa siku zinavyosonga kwa kulainisha usimamizi wa hatari na mkakati wa kampuni, kutathmini athari za hatari zinazochipuka kutokana na sheria, teknolojia mpya au soko, na kutayarisha njia za kukabili hatari hizo au athari zake.

Wakati wa mwaka unaoangaziwa, kampuni imeendelea kuimarisha uwezo wake wa kusimamia hatari katika biashara ikiwa na lengo la kuweka msingi bora kupitia kutambua hatari na kutathmini na kuchunguza uhusiano wa hatari hizi na malengo ya kibiashara yaliyoelezwa. Hatari kwa kampuni baadaye hutambuliwa ili kudhibitiwa vyema na kufuatiliwa na wasimamizi wakuu na Bodi. ERM imehusishwa kwa karibu sana na Mpango wa Mkakati wa Kampuni. Hatari zote zilitathminiwa na kuhusishwa moja kwa moja na malengo ya kibiashara.

Usimamizi wa Hatari

Mfumo wa usimamizi wa hatari umelengwa kuimarisha udadisi wa hatari na usimamizi, huku pia ukiweka Kampuni katika nafasi bora ya kukabiliana na mabadiliko ya mazingira ya kisheria katika njia ifaayo. Kamati ya Ukaguzi wa Hesabu huwa na jukumu la uangalizi juu ya mpango wa ERM kwa niaba ya Bodi. Vitengo vingine vya kudhibiti hatari ni pamoja na vifuatavyo:

Kamati Kuu Simamizi ya ERM - ambayo husimamiwa na Mkurugenzi Mkuu na yenye wanachama kutoka wasimamizi wakuu ambayo ina jukumu la kutambua na kuchunguza hatari na kufuatilia utekelezaji wa mikakati ya kupunguza madhara.

Kamati za Hatari za Vitengo - ambazo huwajibika katika kutambua na kuchunguza hatari zinazokabili vitengo na njia za kuzuia hatari hizo katika vitengo husika.

Kamati Simamizi za Maeneo - ambazo huwa na majukumu yanayofanana na ya Kamati za Hatari za Vitengo katika Maeneo.

Kamati ya Uendeleu wa Kibiashara na Mizozo - ambayo hutayarisha na kutekeleza mpango wa kusimamia mizozo na kuhakikisha uendeleu wa kibiashara na huwajibika kwa Kamati Kuu Simamizi ya ERM.

Kamati ya Usalama na Hakikisho - ambayo hutayarisha na kutekeleza majukumu yanayohusiana na utoaji wa hakikisho katika Kampuni, ikiwa ni pamoja na uchunguzi wa ajali au visa vinavyotokea.

Kamati ya Usimamizi wa Hatari Katika Miradi - inayowajibika katika uchunguzi wa hatari zinazokabili miradi na kutambua mikakati za kuzikabili kabla ya miradi kutekelezwa.

Mameneja wasimamizi wa shughuli au vitengo wanawajibika moja kwa moja kutokana na hatari zinazochipuka katika utekelezaji wa majukumu yao. Majimbo na vitengo vyote hufanya utathmini wa ndani wa hatari kila mwaka ikiwa ni pamoja na utendakazi wa vidhibiti vya ndani.

MPANGO WA URITHI

Bodi huchukulia mpango wa urithi kuwa wenye umuhimu mkubwa katika uendeleu wa udumishaji wa biashara. Kuhusiana na hili, Kampuni ina shughuli za mipango ya urithi na uwekaji rekodi wa watu wanaoweza kufaa katika nyadhifa kuu za uongozi na katika nyadhifa za usimamizi katika Kampuni. Hii huhusisha kufungamanishwa kwa muundo wa usimamizi wa ujuzi na tajriba katika uchunguzi wa utendakazi, kutambuliwa kwa mkusanyiko wa vipawa vya warithi na kuandaliwa kwa mkusanyiko wa warithi.

MAWASILIANO NA WENYE HISA

Kampuni inachukulia kwa umuhimu sana mawasiliano na wenye hisa wake na huchapisha matokeo yake ya kifedha katika magazeti ya humu nchini kila nusu mwaka na kila mwaka. Matokeo hayo pia huwekwa katika tovuti ya Kampuni katika: www.kplc.co.ke. Ripoti kamili ya hesabu hutumwa kwa wenye hisa kila mwaka. Wenye hisa wote huwa huru kuhudhuria Mkutano wa Kila Mwaka ambao ilani yake hutolewa siku 21 zilizo wazi kabla ya mkutano kufanyika. Wenye hisa hupewa fursa ya kuuliza maswali kuhusu suala lolote lile linalohusu shughuli na biashara za Kampuni.

USIMAMIZI MKUU

Biashara za Kampuni zimegawanywa katika maeneo manne makuu ya kibiashara, ambayo ni, Eneo la Nairobi, Eneo la Pwani, Eneo la Magharibi mwa Kenya na Eneo la Mlima Kenya. Kampuni ina muundo wa usimamizi ambao hufaa shughuli zake za kibiashara. Kuna shughuli kumi kuu za kibiashara ambazo ni: Usafirishaji wa Kawi; Usambazaji; Huduma kwa

Taarifa ya Maongozi ya Kampuni (*unaendelea*)

Wateja; Mipango, Utafiti na Ufuatiliwa wa Utendakazi; Ununuzi wa Bidhaa na Huduma na Uchukuzi; Teknolojia ya Mawasiliano na Habari; Afisi ya Katibu wa Kampuni; Kitengo cha Wafanyakazi na Usimamizi; Fedha; na Kitengo cha Mkurugenzi Mkuu. (Muundo wa usimamizi mkuu umeonyeshwa kwenye ukurasa 12).

Kamati Kuu Simamizi

Kamati Kuu Simamizi huongozwa na Mkurugenzi Mkuu na wanachama wake wengi ni wakuu wa vitengo na idara ambao huwajibika moja kwa moja kwa Mkurugenzi Mkuu. Kamati hii hukutana angalau mara mbili kila mwezi kuchunguza utendakazi, na kujadili sera na masuala ya kibiashara yanayohusu mikakati ya utendakazi, huku ikichunguza nyaraka na ripoti kabla yazo kuwasilishwa kwa Bodi kwa ujadili na uidhinishaji kama inavyohitajika.

MAELEZO KUHUSU UENYEHISA

Kampuni huwasilisha ripoti kila mwezi kama inavyotakiwa na Halmashauri ya Masoko ya Mtaji na Soko la Hisa la Nairobi kuambatana na sheria za uorodheshaji na shughuli za kibiashara zinazohusu wenye hisa.

Wenyehisa 20 wakuu kufikia Agosti 31, 2011 walikuwa kama ifuatavyo:

	JINA LA MWENYEHISA	KAWAIDA (Sh. 2.50 kila moja)	4% Upendeleo (Sh. 20/= kila moja)	7% Upendeleo (Sh. 20/= kila moja)	JUMLA	ASILIMIA
1	Permanent Secretary to the Treasury	869,006,560	656,808	193,531	869,856,899	50.084
2	Standard Chartered Nominees Ltd.	222,684,975	416	-	222,685,391	12.822
3	CFC Stanbic Nominees Ltd.	79,269,321	48,308	-	79,317,629	4.567
4	Board of Trustees, NSSF	71,432,136	3,550	750	71,436,436	4.113
5	Co-op Bank Custody	37,307,475	-	-	37,307,475	2.148
6	NIC Custodial Services Ltd.	27,044,951	-	-	27,044,951	1.557
7	Equity Nominees Ltd.	26,510,168	-	-	26,510,168	1.526
8	KCB Nominees Ltd.	24,378,788	69,584	800	24,449,172	1.408
9	Jubilee Insurance Co. Ltd.	17,969,235	59,828	17,160	18,046,223	1.039
10	Christopher John Kirubi	13,868,405	-	-	13,868,405	0.799
11	Kenindia Assurance Co. Ltd.	13,616,931	-	-	13,616,931	0.784
12	Goodwill (Nairobi) Ltd.	12,472,651	-	-	12,472,651	0.718
13	Chase Bank Nominees Ltd.	7,449,523	-	-	7,449,523	0.429
14	CFC Life Assurance Ltd.	6,383,866	-	-	6,383,866	0.368
15	Insurance Company of East Africa Ltd.	5,645,298	221,386	19,272	5,885,956	0.339
16	KPLC Ltd. Staff Retirement Benefit Scheme Trustees	5,011,764	-	-	5,011,764	0.289
17	The Heritage All Insurance Co. Ltd.	4,671,051	-	-	4,671,051	0.269
18	Alimohamed Adam	4,233,352	277,264	57,617	4,568,233	0.263
19	Kanaksingh Karsandas Babla & Sandip Kanaksingh	4,426,363	-	-	4,426,363	0.255
20	Kenya Reinsurance Corporation Ltd.	4,406,565	16,156	-	4,422,721	0.255
Jumla		1,457,789,378	1,353,300	289,130	1,459,431,808	84.031
Wenyehisa Wengine		276,847,995	446,700	60,870	277,355,565	15.969
Jumla la Hisa Zilizotolewa		1,734,637,373	1,800,000	350,000	1,736,787,373	100.00

Taarifa ya Maongozi ya Kampuni (*unaendelea*)

Umiliki wa Hisa za Kawaida kufikia Agosti 31, 2011

RANGE	NO. OF MEMBERS	SHARES
≤1,000	12,410	6,523,772
1001-10,000	10,395	36,582,329
10,001-50,000	2,652	56,614,942
50,001-100,000	459	32,554,113
Over 100,000	748	1,602,362,217
TOTALS	26,664	1,734,637,373

Umiliki wa asilimia 4 ya Hisa za Upendeleo kufikia Agosti 31, 2011

RANGE	NO. OF MEMBERS	SHARES
≤1,000	364	67,932
1001-10,000	58	159,655
10,001-50,000	14	316,598
50,001-100,000	2	133,564
Over 100,000	3	122,251
TOTALS	441	1,800,000

Umiliki wa asilimia 7 ya hisa za Upendeleo kufikia Agosti 31, 2011

RANGE	NO. OF MEMBERS	SHARES
≤1,000	84	22,113
1001-10,000	15	43,890
10,001-50,000	3	86,432
50,001-100,000	1	57,617
Over 100,000	1	139,948
TOTALS	104	350,000

Bw. Eliazar Ochola
Mwenyekiti

Oktoba 18, 2011



East Africa Power & Lighting Company
technicians tensioning a line in 1970.

132kV line structure and 33kV line across
Ruiru at the start of long rains - 1963.

Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended 30 June 2011 which show the state of the Company's affairs.

1. ACTIVITIES

The core business of the Company continues to be the transmission, distribution and retail of electricity purchased in bulk from Kenya Electricity Generating Company Limited (KenGen), Independent Power Producers (IPPs), Uganda Electricity Transmission Company Limited (UETCL), and Tanzania Electric Supply Company Limited (TANESCO).

2. RESULTS

The results of the Company for the year are set out on page 63.

3. DIVIDENDS

A dividend of KShs.1.93million payable on the cumulative preference shares has been recognised in the statement of comprehensive income under finance costs.

Subject to the approval of the shareholders, the directors recommend to members that in addition to the interim dividend of KShs.0.35 paid earlier, a final dividend of KShs.0.10 per ordinary share be paid for the year ended 30 June 2011, subject to withholding tax where applicable, to shareholders registered in the books of the Company at close of business on 16th December 2011. This amounts to a total dividend of KShs.0.45 per share (previous year – KShs.8.00, diluted – KShs.0.36). If approved, the dividend will be paid on or about 28th February, 2012.

4. CAPITAL EXPENDITURE

During the year, a total of KShs.20,839 million (2010 – KShs.17,527 million) was spent on property and equipment. Net capital work-in-progress as at 30th June, 2011 amounted to KShs.17,525 million compared to KShs.10,755 million in 2010.

5. DIRECTORS

The members of the Board of Directors who served during the year are shown on pages 8-11.

In accordance with Article 120 of the Articles and Memorandum of Association of the Company, Mr. Patrick Nyoike, Mr. Joseph Kinyua and Mr. Eliazar Ochola retire by rotation and, being eligible, offer themselves for re-election.

6. AUDITORS

The Auditor-General is responsible for the statutory audit of the Company's books of account. Sections 14 and 39(i) of the Public Audit Act, 2003, empower the Auditor-General to nominate other auditors to carry out the audit on his behalf.

Ernst & Young were nominated by the Auditor-General to carry out the audit for the year ended 30th June, 2011.

By Order of the Board

Laurencia Njagi (Mrs)
Secretary
Nairobi

18 October, 2011

Statement of Directors' Responsibilities for the Year Ended 30 June 2011

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.

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 in the manner required by 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 financial 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

October 18, 2011

Report of the Auditor-General

The accompanying financial statements of The Kenya Power and Lighting Company Limited set out at pages 63 to 112 which comprise the Statement of Financial Position as at 30 June 2011, 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 International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free of 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 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 about whether the financial statements are free of 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 judgment, 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 control 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 audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 30 June 2011, and of the Company's financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act, Cap 486 of the Laws of Kenya.

Report on Other Legal and Regulatory Requirements

As required by the Kenyan Companies Act, I report based on the audit, that:

- (i) In my opinion, proper books have been kept by the Company, so far as appears from the examination of those books; and,
- (ii) The Company's Statement of Financial Position and Statement of Comprehensive Income are in agreement with the books of account.



Edward R O Ouko
Auditor-General

18 October, 2011

Statement of Comprehensive Income for the Year Ended 30 June 2011

	Note	2011 KShs'000	2010 Restated KShs'000
REVENUE			
Electricity sales	5(a)	42,485,593	39,107,277
Foreign exchange recovered	5(b)	1,330,378	869,028
		43,815,971	39,976,305
POWER PURCHASE COSTS			
Non- fuel costs	6 (a)	20,213,817	20,515,686
Fuel costs	6 (b)	26,150,566	33,331,119
Fuel costs recovered	6 (b)	(25,912,856)	(33,190,489)
		20,451,527	20,656,316
Gross profit		23,364,444	19,319,989
OPERATING EXPENSES			
Distribution	7 (a)	5,657,475	4,995,256
Commercial services	7 (b)	2,256,749	1,874,648
Energy transmission	7 (c)	2,016,247	1,643,331
Administration	7 (d)	7,764,480	6,397,959
	7(e)	17,694,951	14,911,194
Operating income		5,669,493	4,408,795
OTHER INCOME			
	5 (c)	1,412,954	1,540,667
OPERATING PROFIT			
Finance revenue	9	171,477	177,380
Finance costs	9	(999,173)	(493,885)
PROFIT BEFORE TAX			
Income tax expense	10	6,254,751	5,632,957
	11 (b)	(2,035,185)	(1,916,587)
PROFIT FOR THE YEAR		4,219,566	3,716,370
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME			
Earnings per share (KShs)	12	3.41	3.00
Diluted Earnings per Ordinary Share	12	2.16	1.90
Dividend per share (KShs)	13	0.45	8.00

Statement of Financial Position as at 30 June 2011

	Note	2011 KShs'000	2010 Restated* KShs'000
ASSETS			
NON - CURRENT ASSETS			
Property and equipment	14	83,298,047	64,310,486
Prepaid leases on land	15	131,764	131,819
Fixed interest investment	16 (a)	1,298,506	-
		84,728,317	64,442,305
CURRENT ASSETS			
Inventories	17	8,960,830	8,387,030
Trade and other receivables	18 (a)	14,426,575	9,390,396
Tax recoverable	11 (a)	194,059	196,968
Short term deposits	19 (a)	1,539,999	347,730
Bank and cash balances	19 (b)	10,029,213	2,261,461
		35,150,676	20,583,585
TOTAL ASSETS		119,878,993	85,025,890
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Ordinary share capital	20 (a)	4,336,593	1,582,560
Redeemable preference share capital	20 (b)	-	15,899,250
Share premium	21	22,042,004	-
Reserves	22	13,191,002	9,615,336
Proposed dividends		173,464	1,643,731
TOTAL EQUITY		39,743,063	28,740,877
NON - CURRENT LIABILITIES			
Deferred tax	23	6,363,762	4,481,865
Trade and other payables	24(a)	16,394,340	16,092,484
Borrowings	26 (a)	19,757,132	13,113,434
Preference shares	27	43,000	43,000
Deferred income	25	7,207,089	3,707,000
		49,765,323	37,437,783
CURRENT LIABILITIES			
Trade and other payables	24 (b)	24,156,111	14,656,197
Deferred income	25	265,823	131,984
Retirement benefits obligation	28	-	21,618
Provision for leave pay	29	830,734	675,369
Borrowings	26 (a)	4,764,171	1,744,289
Dividends payable on ordinary shares	30	353,768	369,682
Dividends payable on 7.85% preference shares	30	-	1,248,091
		30,370,607	18,847,230
TOTAL EQUITY AND LIABILITIES		119,878,993	85,025,890

*Certain figures shown here do not correspond to the 2010 financial statements and reflect adjustments made as detailed in note 39. The financial statements on pages 63 to 112 were approved for release by the Board of Directors on 18 October, 2011 and were signed on its behalf by:

Eliazar O Ochola _____ (Chairman)

Fidesius M Nyaga _____ (Director)

Eng. Joseph K Njoroge _____ (Managing Director & CEO)

Statement of Changes in Equity for the Year Ended 30 June 2011

	Ordinary share capital KShs'000 Note 20 (a)	Redeemable 7.85% non-cumulative preference share capital KShs'000 Note 20 (b)	Share premium KShs'000 Note 21	Revaluation reserves KShs'000 Note 22	Retained earnings KShs'000 Note 22	Proposed dividends KShs'000 Note 13	Total KShs'000
At 1 July 2009	1,582,560	15,899,250	-	2,077,362	5,566,032	1,722,859	26,848,063
Transfer of excess depreciation	-	-	-	(455,626)	455,626	-	-
Deferred tax on excess depreciation	-	-	-	136,687	-	-	136,687
Total comprehensive income	-	-	-	-	3,716,370	-	3,716,370
Dividends paid - 2009	-	-	-	-	-	(1,722,859)	(1,722,859)
Interim dividends paid - 2010	-	-	-	-	(237,384)	-	(237,384)
Proposed final dividends:							
Ordinary shares (note 13)	-	-	-	-	(395,640)	395,640	-
Redeemable 7.85% non-cumulative preference shares	-	-	-	-	(1,248,091)	1,248,091	-
At 30 June 2010	1,582,560	15,899,250	-	1,758,423	7,856,913	1,643,731	28,740,877
At 1 July 2010	1,582,560	15,899,250	-	1,758,423	7,856,913	1,643,731	28,740,877
Preference share conversion	1,532,458	(15,899,250)	14,366,792	-	-	-	-
Rights issue	1,221,575	-	7,675,212	-	-	-	8,896,787
Transfer of excess depreciation	-	-	-	(455,626)	455,626	-	-
Deferred tax on excess depreciation	-	-	-	136,687	-	-	136,687
Total comprehensive income	-	-	-	-	4,219,566	-	4,219,566
Dividends paid - 2010	-	-	-	-	-	(1,643,731)	(1,643,731)
Interim dividends paid -2011	-	-	-	-	(607,123)	-	(607,123)
Proposed final dividends:							
Ordinary shares (note 13)	-	-	-	-	(173,464)	173,464	-
At 30 June 2011	4,336,593	-	22,042,004	1,439,484	11,751,518	173,464	39,743,063

Statement of Cash Flows for the Year Ended 30 June 2011

	Note	2011 KShs'000	2010 KShs'000
Cash generated from operations	31(a)	15,606,495	16,738,306
Interest received	31(e)	90,134	177,380
Interest paid	31(d)	(495,365)	(687,845)
Dividends paid	31(d)	(1,020,607)	(455,460)
Tax paid	11	(13,692)	(25,867)
Cash generated from operating activities		14,166,965	15,746,514
INVESTING ACTIVITIES			
Purchase of property and equipment		(20,839,330)	(17,526,909)
Proceeds from disposal of property and equipment		155,946	47,940
Net cash used in investing activities		(20,683,384)	(17,478,969)
FINANCING ACTIVITIES			
Proceeds from issue of new shares		8,896,787	-
Loan proceeds received	31(b)	8,421,280	2,728,630
Repayment of amounts borrowed	31(b)	(1,844,777)	(3,191,954)
Net cash from / (used in) financing activities		15,473,290	(463,324)
Increase / (decrease) in cash and cash equivalents		8,956,871	(2,195,779)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR			
Effects of foreign exchange rate fluctuations		3,150	6,089
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	31(c)	11,569,212	2,609,191

Notes to the Financial Statements for the Year Ended 30 June 2011

1. Corporate information

The Kenya Power and Lighting Company Limited, a public company was incorporated on 6 January 1922, as East Africa Power & Lighting Limited. The Company changed the name on 11 October 1983 and is domiciled in the Republic of Kenya. The core business of the Company continues to be the transmission, distribution and retail of electricity purchased in bulk from Kenya Electricity Generating Company Limited (KenGen), Independent Power Producers (IPPs), Uganda Electricity Transmission Company Limited (UETCL) and Tanzania Electric Supply Company Limited (TANESCO).

2. Basis of preparation of financial statements**2.1 Basis of preparation**

The financial statements have been prepared on a historical cost basis, except for the measurement at revaluation amounts of certain property and equipment, marketable securities and financial instruments at fair value, impaired assets at their recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) requires the use of estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

Statement of compliance

The financial statements have been prepared in accordance with the Kenya Companies Act 486 of the Laws of Kenya, and International Financial Reporting Standards (IFRSs) and comply in all material respects.

2.2 Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows:

Amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Company:

IFRS 2, Group Cash-settled Share-based Payment Arrangements - Effective for annual periods beginning on or after 1 January 2010. IFRS 2 has been amended to clarify the accounting for group cash-settled share-based payment transactions, where a subsidiary receives goods or services from employees or suppliers, but the parent or another entity

in the group pays for those goods or services. The amendments clarify that the scope of IFRS 2 includes such transactions. The amendment incorporates the guidance from IFRIC 8 Scope of IFRS 2 and IFRIC 11 Group and Treasury Share Transactions and hence both IFRIC 8 and IFRIC 11 have been withdrawn. The standard is not relevant to the company and did not impact on the financial position or performance of the company.

IFRS 3, Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended).

IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after becoming effective. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. 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 3 (Revised) and IAS 27 (Amended) affect acquisitions or loss of control of subsidiaries and transactions with non-controlling interests after 1 January 2010.

IAS 39, Financial Instruments: 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. The Company has concluded that the amendment will have no impact on the financial position or performance of the Company, as the Company has not entered into any such hedges.

IFRIC 17, Distribution of Non-cash Assets to Owners.

This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The interpretation has no effect on either the financial position or performance of the Company.

Notes to the Financial Statements for the Year Ended 30 June 2011 *(continued)***2.2 Changes in accounting policies and disclosures (continued)****Improvements to IFRSs**

In May 2008, April 2009 and May 2010, 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 where relevant resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Company.

Issued in May 2008

IFRS 5, Non-current Assets Held for Sale and Discontinued Operations: clarifies that when a subsidiary is classified as held for sale, all its assets and liabilities are classified as held for sale, even when the entity remains a non-controlling interest after the sale transaction. The amendment is applied prospectively and has no impact on the financial position or financial performance of the Company.

Issued in April 2009

IFRS 5, Non-current Assets Held for Sale and Discontinued Operations: 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. The standard is not relevant to the Company and had no impact on the financial position or performance of the Company.

IFRS 8, Operating Segments: 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. The amendment had no impact on the financial position or the performance of the Company.

IAS 7, Statement of Cash Flows: States that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities. This amendment had no impact on the financial statements of the Company.

IAS 36, Impairment of Assets: 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. The amendment has no impact on the Company as the annual impairment test is performed before aggregation.

Other amendments resulting from Improvements to IFRSs to the

following standards did not have any impact on the accounting policies, financial position or performance of the Company:

- IFRS 2, Share-based Payment
- IAS 1, Presentation of Financial Statements
- IAS 17, Leases
- IAS 34, Interim Financial Reporting
- IAS 38, Intangible Assets
- IAS 39, Financial Instruments: Recognition and Measurement
- IFRIC 9, Reassessment of Embedded Derivatives
- IFRIC 16, Hedge of a Net Investment in a Foreign Operation
- IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments

Issued in 2010

The amendments were effective for annual periods on or after either 1 July 2010 or 1 January 2011. The amendments are listed below:

- IFRS 3, Business Combinations
- IFRS 7, Financial Instruments: Disclosures
- IAS 1, Presentation of Financial Statements
- IAS 27, Consolidated and Separate Financial Statements
- IFRIC 13, Customer Loyalty Programmes

Standards, interpretations and amendments to published standards, that were not early adopted

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective.

IAS 24, Related Party Disclosures (Amendment)

The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarified and simplifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government related entities. The Company is currently assessing the impact of adopting the amendment.

IAS 32, Financial Instruments: Presentation – Classification of Rights Issues (Amendment)

The amendment to IAS 32 is effective for annual periods beginning on or after 1 February 2010 and amended the definition of a financial liability. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer.

Notes to the Financial Statements for the Year Ended 30 June 2011 *(continued)***2.2 Changes in accounting policies and disclosures (continued)**

Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment applies retrospectively in accordance with IAS 8, Accounting policies, changes in accounting estimates and errors. This amendment will have no impact on the Company after initial application.

IFRS 9, Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In subsequent phases, the Board will address impairment and hedge accounting. The completion of this project is expected in mid 2011.

The adoption of the first phase of IFRS 9 will primarily have an effect on the classification and measurement of the Company's financial assets. The Company is currently assessing the impact of adopting IFRS 9, however, the impact of adoption depends on the assets held by the Company at the date of adoption, and it is not practical to quantify the effect.

IFRIC 14, Prepayments of a minimum funding requirement (Amendment)

The amendment to IFRIC 14 is effective for annual periods beginning on or after 1 January 2011 with retrospective application. The amendment corrects an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The amendment is deemed to have no impact on the financial statements of the Company.

IAS 12, Income Taxes

The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. Effective 1 January 2012.

IFRS 10, Consolidated Financial Statements

This new standard includes a new definition of control which is used to

determine which entities are consolidated. This will apply to all entities, including special purpose entities (now known as 'structured entities'). The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore consolidated, and may result in a change to the entities which are within a group. Effective 1 January 2013.

IFRS 11, Joint Arrangements

This new standard describes the accounting for joint arrangements with joint control; proportionate consolidation will no longer be permitted for joint ventures. Effective 1 January 2013.

IFRS 12, Disclosures of Interests in Other Entities

This new standard describes includes all the disclosures that are required relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. An entity is now required to disclose the judgements made to determine whether it controls another entity. Effective 1 January 2013.

IFRS 13, Fair Value Measurement

This new standard provides guidance on how to measure fair value of financial and non-financial assets and liabilities when fair value measurement is required or permitted by IFRS. Effective 1 January 2013. The Company, however, expects no impact from the adoption of the amendments on its financial position or performance.

2.3 Significant accounting judgments, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates. The estimates are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised.

Judgments

In the process of applying the Company's accounting policies, management has made the following judgment, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments – Company as lessor

The Company has entered into commercial property leases on its investment property portfolio. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and so accounts for the contracts as operating leases.

Notes to the Financial Statements for the Year Ended 30 June 2011 *(continued)***Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of recognised tax losses at 30 June 2011 was KShs 19 billion (2010: KShs 12 billion). Further details are contained in Note 23.

Pension and other post employment benefits

The cost of defined benefit pension plans and other post employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. The net employee liability at 30 June 2011 was nil (2010: KShs 21,618,000). Further details are given in Note 28.

Fair value of unquoted equity instruments

The unquoted equity instruments have been valued based on the expected cash flows discounted 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. The fair value of the unquoted equity instruments at 30 June 2011 was Nil. (2010: Nil). Further details are given in Note 16.

Use of estimates in the preparation of the financial statements and assumptions made

In preparing the financial statements, Directors are required to make estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and the application of judgment is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements.

(i) Property and equipment

Property and equipment is depreciated over its useful life taking into account residual values, where appropriate. The actual lives of the assets

and residual values are assessed at the reporting date and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

(ii) Impairment of assets

Property and equipment are considered for impairment if there is a reason to believe that impairment may be necessary. Factors taken into consideration in reaching such a decision include the economic viability of the asset itself and where it is a component of a larger economic unit, the viability of that unit itself.

Future cash flows expected to be generated by the assets are projected, taking into account market conditions and the expected useful lives of the assets. The present value of these cash flows, determined using an appropriate discount rate, is compared to the current net asset value and, if lower, the assets are impaired to the present value.

(iii) Pensions

Actuarial assumptions are made in valuing future defined benefit obligation and are updated periodically. The principal assumptions relates to the discount rate. The discount rate is equal to 5%.

(iv) Provision for doubtful debts

The estimated provision for doubtful debts is based on the period for which the debt was outstanding combined with some knowledge of the financial position of the debtor and/or the circumstances surrounding the underlying transaction.

This policy is to ensure that the Company regularly evaluate debts and their recoverability, maintain timely and appropriate provisions account in order to accurately reflect the condition of the statement of financial position. It is also intended to promote well-reasoned, effective work plans for problem debts and effective internal controls to manage the level of such debts. Provisions for impairment are maintained at an amount adequate to cover anticipated credit related losses.

Specific provisions are established where full recovery of principal is considered doubtful. Specific provisions are made against finalised customer accounts net of deposits. Provisions are determined primarily by reference to historical ratios of write offs to balances in default.

General (portfolio) provisions for bad and doubtful debts are maintained to cover non identified probable losses and latent risks inherent in the overall debt portfolio. The provisions are determined having regard to

Notes to the Financial Statements for the Year Ended 30 June 2011 *(continued)*

the general risk profile of the credit portfolio, historical loss experience, economic conditions and a range of other criteria including status of the pending court cases.

The amounts required to bring the provisions for impairment to new assessed levels are charged to statement of comprehensive income.

2.4 Summary of significant accounting policies**(a) Revenue**

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 recognised at the fair value of consideration received or receivable taking into account contractually defined terms of payment and excluding taxes or duty. The following specific recognition criteria must be met before revenue is recognised:-

(i) Electricity sales

Income is recognised upon billing of electricity supplied and represents amounts billed excluding Value Added Tax and other Government levies.

(ii) Fuel cost recoveries

Fuel costs are recognized at the actual amounts charged to the Company by the suppliers of power. Correspondingly, fuel costs recoveries are recognized as the actual amounts passed to the customers to recover the fuel cost.

(iii) Foreign exchange recoveries

Foreign exchange payments, arising from exchange rate differences not factored in the retail tariffs, are recognized and charged to the consumers of power to recover the fluctuations in the foreign exchange rates.

(iv) Finance revenue

Finance revenue comprises interest receivable from bank deposits and investment in securities. Finance revenue is recognised as it accrues in profit or loss, using the effective interest rate method.

(v) Dividends

Dividend income is recognised when the shareholders' right to receive the payment is established.

(vi) Rental income

Rental income is recognised as it accrues in the statement of comprehensive income, using the effective lease agreements.

(vii) Deferred income

Capital contributions received from customers Contributions paid by

electricity customers relating to the construction of regular distribution assets and funding for electrification are credited to income statement as part of other income on a straight-line basis over the expected useful lives of the related assets.

(b) Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories comprises purchase price, import duties, transport and handling charges and is determined on a weighted average price.

(c) Tangible assets**(i) Property and equipment**

Transmission assets in existence as at 30 June 2002 are stated at revalued amount, while subsequent additions are carried at cost less accumulated depreciation and amortisation impairment losses. Other property and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of the property and equipment when that cost is incurred, if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statement of comprehensive income as incurred.

Revaluations are performed to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any revaluation surplus is credited to the assets revaluation reserve included in the equity section of the statement of financial position, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in the statement of comprehensive income. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Due to the system reinforcement being carried out on the distribution lines and upgrading of associated substations, there was no need for

Notes to the Financial Statements for the Year Ended 30 June 2011 *(continued)***2.4 Summary of significant accounting policies (continued)****(c) Tangible assets (continued)****(i) Property and equipment (continued)**

a revaluation as the impaired lines and substations will be reinforced, replaced or upgraded. No depreciation is provided on freehold land. Depreciation on other assets is calculated to write down their cost or valuation to their residual values, on a straight-line basis, over their expected useful lives. The depreciation rates used are as follows:

Buildings:	The greater of 2% and the unexpired period of the lease
Transmission and distribution lines:	2.5 - 20%
Machinery:	2.85 - 6.66%
Motor vehicles:	25%
Furniture, equipment and fittings:	6.66 - 20%
Computers and photocopiers:	30%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, during and at each financial year end.

(ii) Capital work-in-progress

Capital work-in-progress is included under property and equipment and comprises of costs incurred on ongoing capital works relating to both customer and internal works. These costs include material, transport and labour cost incurred.

(d) Taxation**Current income tax**

Current income tax assets and liabilities for the current and prior periods 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. Current income tax relating to items recognised directly in equity is recognised in equity and not in profit or loss.

Deferred income tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and

liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred income 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 are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses 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; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income 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.
- The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised 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 assets and liabilities are measured at the tax rates that are expected to apply to 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. Deferred tax relating to items recognised directly in equity is recognised in equity and not in

Notes to the Financial Statements for the Year Ended 30 June 2011 *(continued)*

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

(e) Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or 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.

Company as a lessee

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term. Operating lease payments are recognised as an expense in profit or loss on a straight line basis over the lease term.

Company as a lessor

Leases where the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

(f) Foreign currencies

The financial statements are presented in Kenya shillings, which is the Company's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to profit or loss. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non monetary items measured at

fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

(g) Financial Instruments**Initial recognition and measurement**

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, as appropriate. The Company determines the classification of its financial assets 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. 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.

Subsequent measurement**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade and other receivables are recognized at amortised cost, taking into account allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. This policy is to ensure that the Company regularly evaluate debts and their recoverability, maintain timely and appropriate provisions account in order to accurately reflect the condition of the statement of financial position. It is also intended to promote well-reasoned, effective work plans for problem debts and effective internal controls to manage the level of such debts.

An estimate is made of doubtful receivables based on review of all outstanding amounts at year end. Bad debts are written off after all efforts of recovery have been exhausted.

Borrowings

Interest bearing loans and overdrafts are initially recorded at fair value being the received, 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. Finance charges, including premiums payable on settlement or redemption, are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Loan interest accruing during the construction of a project is capitalised as part of the cost of the project.

Notes to the Financial Statements for the Year Ended 30 June 2011 *(continued)***2.4 Summary of significant accounting policies (continued)****(g) Financial Instruments (continued)****Trade and other payables**

Trade and other payables are non interest bearing liabilities and are carried at amortised cost, which is measured at the fair value of the consideration to be paid in future in respect of goods and services supplied by the suppliers, whether billed to the Company or not, less any payments made to the suppliers.

Investments

Investments are recognised on a trade-date basis and are initially measured at fair value, including transaction costs.

At subsequent reporting dates, debt securities that the Company has expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investments other than held-to-maturity debt securities are classified as either held-for-trading or available-for-sale, and are measured at subsequent reporting dates at fair value in cases where the fair value can be reliably established. Gains and losses arising from changes in fair value are included in equity for available for sale investments and in profit or loss for held for trading investments.

Redeemable preference shares

The component of redeemable preference shares that exhibits the characteristics of a liability is recognised as a liability in the statement of financial position, net of issue costs. The corresponding dividends on those shares are charged as interest expenses in the statement of comprehensive income.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a Company 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. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(h) Leave accrual

Employees' entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave at the reporting date.

(i) Impairment of tangible assets

The Company reviews the carrying amounts of its tangible assets, to determine whether there is any indication that those assets have suffered an impairment loss at reporting date, or when there are indications of impairment. If any such indication exists, the recoverable amount of the asset is estimated and an impairment loss is recognised in profit or loss whenever the carrying amount of the asset exceeds its recoverable amount. An asset's recoverable amount is the higher of the asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Where it is not possible to estimate the recoverable amount of an individual asset, the Directors estimate the recoverable amount of the cash-generated unit to which the asset belongs.

Impairment of transmission and distribution lines

A decline in the value of the transmission and distribution lines could have a significant effect on the amounts recognised in the financial statements. Management assesses the impairment of the lines whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors that are considered important which could make an impairment review necessary include the following:

- (i) Significant decline in the market value beyond that which would be expected from the passage of time and normal use.
- (ii) Evidence from internal reporting which indicates that the performance of the asset is, or will be, worse than expected.
- (iii) Significant changes with adverse effect on the Company have taken place during the period, or will take place in the near future,

Notes to the Financial Statements for the Year Ended 30 June 2011 *(continued)*

in the technology or market environment in which the Company operates, or in the market to which an asset is dedicated.

- (iv) The carrying amount of the net assets of the Company is more than its market capitalisation.
- (v) Evidence is available of the obsolescence or physical damage of an asset.
- (vi) Significant changes with an adverse effect on the Company have taken place during the period, or are expected to take place in the near future, which impact the manner or the extent to which an asset is used. These changes include plans to discontinue or restructure the operation to which an asset belongs or to dispose of an asset before the previously expected date.

In management's judgment, the impaired carrying values of the lines and substations are being reinforced, replaced or upgraded, under the Energy Sector Recovery Project, after considering the above key indicators of impairment.

(j) Retirement benefits obligations

The Company employees are eligible for retirement benefits under a defined contribution scheme from 1 July 2006. Payments to the defined contribution scheme are charged to profit or loss as incurred.

Pensioners and deferred pensioners (those who have left the employment of the Company but have not attained retirement age to qualify as pensioners) existing at 30 June 2006 are eligible for retirement benefits under a defined benefit scheme. For the defined benefit scheme, the pension costs are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to profit or loss so as to spread the regular cost over the lives of pensioners in accordance with the advice of the actuaries who carry out a full valuation of the scheme every three years. The next valuation will be carried out in December 2011. The pension obligation is measured as the present value of the estimated future cash outflows using interest rate of 5%.

Actuarial gains and losses are recognised as income or expense when cumulative unrecognised actuarial gains or losses exceed 10 per cent of the higher of the defined benefits obligations 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 participating employees. The employees and the Company also contribute to the National Social Security Fund, a national defined contributions retirement benefits scheme. Contributions are determined by the country's statutes and the Company's contributions are charged to the statement of comprehensive income.

(k) Segment reporting

The Company business is organised by regions (reporting segments), comprising Nairobi, Mount Kenya, Coast and West Kenya. Business administration is by region as the Company deals in only supply of electricity. There are no inter-region sales.

Region results include revenue and expenses directly attributable to each region. Region assets and liabilities comprise those operating assets and liabilities that are directly attributable to the region or can be allocated to the region on a reasonable basis. Capital expenditure represents the total cost incurred during the year to acquire assets for the regions that are expected to be used during more than one period (property and equipment).

(l) Earnings per share

Basic and diluted earnings per share (EPS) data for ordinary shares are presented in the financial statements. Basic EPS is calculated by dividing the profit for the year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares if any.

(m) Dividends

Dividends on ordinary shares are charged to reserves in the period in which they are declared. Proposed dividends are shown as a separate component of equity until declared.

(n) Government grants

Government grants are recognized where there is a reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Where the grant relates to an asset the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

(o) Cash and cash equivalents

Cash and cash equivalents comprises of bank and cash balances and short term deposits maturing within 3 months from the date of issue.

Notes to the Financial Statements for the Year Ended 30 June 2011 (continued)

3(a) OPERATING SEGMENTS

For management purposes, the Company is currently organised into four administrative regions (reporting segments). These regions are the basis on which the Company reports its primary information. The four regions comprise Nairobi, Coast, West Kenya and Mount Kenya.

The table below shows the Company's revenue, expenses, assets and liabilities per region. The table also shows capital expenditure and depreciation by region for the year. There is no inter-segment sale and all revenue is from external customers. Energy purchase and head office expenses are apportioned to various regions based on percentage units sales.

2011	Nairobi	West	Coast	Mount	2011 Total KShs'000
	Region KShs'000	Kenya Region KShs'000	Region KShs'000	Kenya Region KShs'000	
Electricity revenue	24,146,998	8,166,565	7,751,236	3,751,172	43,815,971
Other income	779,112	338,315	146,101	149,425	1,412,953
Energy purchases	(11,248,340)	(3,681,275)	(3,681,275)	(1,840,637)	(20,451,527)
Other expenses	(6,075,429)	(2,240,151)	(1,721,875)	(2,090,720)	(12,128,175)
Head office expenses	(3,061,727)	(1,002,019)	(1,002,019)	(501,010)	(5,566,775)
Segment results	4,540,614	1,581,435	1,492,168	(531,770)	7,082,447
Finance revenue					171,477
Finance cost					(999,173)
Income tax expense					(2,035,185)
Profit for the year					4,219,566
Other information					
Assets	57,005,518	30,259,572	16,109,985	16,503,918	119,878,993
Liabilities	42,666,449	15,963,159	12,937,614	8,568,708	80,135,930
Capital expenditure	7,273,660	8,061,798	2,154,190	3,349,330	20,838,978
Depreciation/amortisation	2,037,742	753,698	448,328	607,241	3,847,009

Notes to the Financial Statements for the Year Ended 30 June 2011 (continued)

3 (a) OPERATING SEGMENTS (continued)

2010	Nairobi	West	Coast	Mount	2010 Total KShs'000
	Region KShs'000	Kenya Region KShs'000	Region KShs'000	Kenya Region KShs'000	
Electricity revenue	22,556,568	6,710,393	7,295,621	3,413,723	39,976,305
Other income	802,304	292,252	164,543	281,568	1,540,667
Energy purchases	(11,360,974)	(3,718,137)	(3,718,137)	(1,859,068)	(20,656,316)
Other expenses	(6,665,859)	(3,097,998)	(1,505,225)	(2,079,454)	(13,348,536)
Head office expenses	(859,462)	(281,278)	(281,278)	(140,640)	(1,562,658)
Segment results	4,472,577	(94,768)	1,955,524	(383,871)	5,949,462
Finance revenue					177,380
Finance cost					(493,885)
Income tax expense					(1,916,587)
Profit for the year					3,716,370
Other information					
Assets	42,075,889	19,952,773	10,972,551	12,024,676	85,025,890
Liabilities	30,764,830	10,781,845	9,007,378	5,730,960	56,285,013
Capital expenditure	5,996,711	5,845,986	1,908,552	3,775,660	17,526,909
Depreciation/amortisation	1,620,069	476,806	310,461	399,775	2,807,111

Notes to the Financial Statements for the Year Ended 30 June 2011 (continued)

3 (b) OPERATING SEGMENTS

The Company's core business in the four regions (reporting segments) continues to be the transmission, distribution and retail of electricity. There is no distinguishable component of the Company that is engaged in providing an individual service that is subject to risks and returns that are different from those of other business segments.

The information on property and equipment details at net book values is shown below:

2011	Freehold land and buildings KShs'000	Lines KShs'000	Machinery KShs'000	Motor vehicles KShs'000	Furniture equipment and other KShs'000	Total KShs'000
Transmission	576,138	9,556,021	54,911	-	688,122	10,875,192
Distribution	1,204,717	49,168,684	50,602	1,355,402	3,249,995	55,029,400
Total	1,780,855	58,724,705	105,513	1,355,402	3,938,117	65,904,592

2010	Freehold land and buildings KShs'000	Lines KShs'000	Machinery KShs'000	Motor vehicles KShs'000	Furniture equipment and other KShs'000	Total KShs'000
Transmission	482,231	10,021,565	24,514	-	20,174	10,548,484
Distribution	1,181,054	36,919,150	72,785	1,675,263	3,290,613	43,138,865
Total	1,663,285	46,940,715	97,299	1,675,263	3,310,787	53,687,349

Notes to the Financial Statements for the Year Ended 30 June 2011 (continued)

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Information about the Company's exposure to risks, its objectives, policies and processes for measuring and managing such risks, as well as quantitative disclosure, is discussed in this note. The management of capital is also discussed. The Company has an integrated risk management framework. The Company's approach to risk management is based on risk governance structures, risk management policies, risk identification, measurement and reporting. Three types of risks are reported as part of the risk profile, namely operational, strategic and business continuity risks.

Operational risks are events, hazards, variances or opportunities which could influence the achievement of the Company's compliance and operational objectives.

For the Kenya Power and Lighting Company, a strategic risk is a significant unexpected or unpredictable change or outcome beyond what was factored into the organisation's strategy and business model which could have an impact on the Company's performance. Business continuity risks are those events, hazards, variances and opportunities which could influence the continuity of the Company. One of the key risks for the Kenya Power and Lighting Company, identified both under the operational and strategic risk categories, is financial sustainability of the Company. The financial risk, as defined by IFRS 7, and the management thereof, form part of this key risk area.

The Board of Directors has delegated the management of the Companywide risk to the Audit Committee. One of the committee's responsibilities is to review risk management strategies in order to ensure business continuity and survival. Most of the financial risks arising from financial instruments are managed in the centralised finance function of the Company.

The Company's exposure to risk, its objectives, policies and processes for managing the risk and the methods used to measure it have been consistently applied in the years presented, unless otherwise stated. The Company has exposure to the following risks as a result of its financial instruments:

- (a) Credit risk
- (b) Liquidity risk
- (c) Market risk

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or other counterparty (including government and financial institutions) to

a financial instrument fails to meet its contractual obligations. Credit risk arises primarily from the sale of goods and services in the ordinary course of business and the centralised treasury activities. Credit risk includes counterparty risk and delivery or settlement risk.

Counterparty risk is the risk that a counterparty is unable to meet its financial and/or contractual obligations during the period of a transaction. Delivery or settlement risk is the risk that counterparty does not deliver on its contractual commitment on maturity date (including the settlement of money and delivery of securities).

Management of credit risk

Financial instruments managed by the finance and commercial services functions.

(i) Electricity receivables

The Company supplies electricity to customers in its licensed areas of supply. A large proportion is small commercial and domestic customers who settle their accounts within twenty one days on receipt of the bill. The Company's exposure to credit risk is influenced by the individual characteristics of each customer.

In monitoring credit risk, customers are grouped according to their credit characteristics, including whether they are large, small or domestic electricity users, profile, security (deposits and guarantees) held and payment history.

The main classes of electricity receivables are industrial, government ministries, local authorities, parastatals commercial and domestic customers. Electricity supply agreements are entered into with all customers. All customers are required to deposit an amount equivalent to two times their monthly consumption being security in form of deposit depending on the load supplied, subject to a minimum of two thousand five hundred shillings. Industrial and large commercial customers have the option of providing a bank guarantee in lieu of cash deposit. Payment is enforced by way of disconnection of the supply if bills are not paid within twenty one days after billing. No interest is charged on balances in arrears.

The Company has well-established credit control procedures that monitor activity on customer accounts and allow for remedial action should the customer not comply with payment terms. These procedures include the issue of a notice for disconnection of supply, an internal collection process; follow up of the customer by telephone or in person, negotiations of mutually acceptable payment arrangements and letters of demand. Non payment will result in disconnection of supply and the account's closure if the disconnection is done and there is no payment

Notes to the Financial Statements for the Year Ended 30 June 2011 (continued)

within three months. The legal collection process is pursued thereafter. The decision to impair overdue amounts is assessed on the probability of recovery based on the customer's credit risk profile.

Progress on the collection process is reviewed on a regular basis and if it is evident that the amount will not be recovered, it is recommended for write-off in terms of the Company's policy. The process of recovery continues unless it is confirmed that there is no prospect of recovery or the costs of such action will exceed the benefits to be derived. Amounts written off are determined after taking into account the value of the security held.

The Company evaluates the concentration of risk with respect to electricity receivables as low, as its customers are located in all regions in Kenya and electricity is supplied to different classes of customers including individual households, private industries, companies and Government institutions

The total cumulative provision for impairment for electricity receivables at 30 June 2011 was KShs 4,227 million (2010: KShs. 4,749 million). Refer to note 18(c).

The Company is currently installing prepaid and automatic meters as strategies to minimize the risk of non- collection. In addition, the following strategies are currently in operation and are largely successful in other high risk areas of non-paying customers. These include:

- disconnections
- increased internal debt management capacity
- use of debt collectors.
- focus on early identification and letters of demand.
- Increased securities

Credit exposure

The carrying amount of financial assets represents the maximum credit exposure at the reporting date. The following table represents the maximum exposure to credit risk for trade and other receivables:

	2011 KShs'000	2010 KShs'000
Electricity receivables		
Large power users	4,371,750	3,093,513
Ministries	102,757	109,434
Local authorities	47,796	69,350
Parastatals	1,146,603	805,019
Ordinary customers	1,585,316	1,025,735
Exports	183,821	100,942
Total electricity receivables	7,438,043	5,203,993

The credit quality of each class of financial Instruments that is neither past due nor impaired, has been assessed as acceptable within the parameters used to measure and monitor credit risk, as described above. Note 4 (a) (i) talks of credit control procedures.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient financial resources to meet its obligations when they fall due, or will have to do so at excessive cost. This risk can arise from mismatches in the timing of cash flows from revenue and capital and operational outflows. Funding risk arises when the necessary liquidity to fund illiquid asset positions, such as building new electricity capacity, cannot be obtained at the expected terms and when required.

Notes to the Financial Statements for the Year Ended 30 June 2011 (continued)

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

The objective of the Company's liquidity and funding management is to ensure that all foreseeable operational, capital expansion and loan commitment expenditure can be met under both normal and stressed conditions. The Company has adopted an overall balance sheet approach, which consolidates all sources and uses of liquidity, while aiming to maintain a balance between liquidity, profitability and interest rate considerations. The Company's liquidity and funding management process includes:

- projecting cash flows and considering the cash required by the Company and optimising the short-term requirements as well as the long-term funding.
- monitoring statement of financial position liquidity ratios.
- maintaining a diverse range of funding sources with adequate back-up facilities.
- managing the concentration and profile of debt maturities.
- maintaining liquidity and funding contingency plans.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

	On demand months KShs' 000	Less than 3 months KShs' 000	3 to 12 months KShs' 000	1 to 5 years KShs' 000	> 5 years KShs' 000	Total KShs' 000
Year ended 30 June 2011						
Interest bearing loans and borrowings	-	-	4,764,171	7,673,810	12,083,322	24,521,303
Deferred income	-	66,456	199,367	1,063,292	6,143,797	7,472,912
Trade and other payables	2,453,423	20,355,496	2,593,458	8,849,222	7,483,354	41,734,953
	2,453,423	20,421,952	7,556,996	17,586,324	25,710,473	73,729,168

	On demand months KShs' 000	Less than 3 months KShs' 000	3 to 12 months KShs' 000	1 to 5 years KShs' 000	> 5 years KShs' 000	Total KShs' 000
Year ended 30 June 2010						
Interest bearing loans and borrowings	-	-	1,744,289	5,833,586	7,279,848	14,857,723
Convertible preference shares	-	-	15,899,250	-	-	15,899,250
Deferred income	-	32,996	98,988	527,936	3,179,065	3,838,985
Trade and other payables	1,617,773	14,337,320	1,015,864	4,271,000	5,276,055	26,518,012
	1,617,773	14,370,316	18,758,391	10,632,522	15,734,968	61,113,970

The Company has an established corporate governance structure and process for managing the risks regarding guarantees and contingent liabilities. All significant guarantees issued by the Company are approved by the board and are administratively managed by the treasury department. Updated guarantee schedules are compiled every month.

Notes to the Financial Statements for the Year Ended 30 June 2011 (continued)

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**(b) Liquidity risk (continued)****Primary source of funding and unused facilities**

The primary sources to meet the Company's liquidity requirements are revenue and financing facilities. To supplement these liquidity sources under stress conditions, overdraft facilities and undrawn loan are in place.

Key indicators used for liquidity management.**Tenure**

Management will have negotiated terms to help optimise returns for the Company on its debt portfolio.

Liquid assets

Liquid assets are investments identified as having the potential to be quickly converted into cash. These investments include government bonds, negotiable certificates of deposit and floating rate notes as disclosed in investment in securities.

Capital expenditure ratio

The capital expenditure ratio measures whether there are liquid funds available to invest in capital expenditure. The capital expenditure ratio for the period was as follows:

	2011	2010
	%	%
Continuing activities	54	95

The ratio is calculated as net cash from trading operations divided by capital expenditure (excluding effects of foreign exchange rate fluctuations and borrowing costs capitalised) on property, plant and equipment.

(c) Market risk

Market risk is the risk that the fair value or future cash flow of financial instruments will fluctuate because of changes in foreign exchange rates, commodity prices and interest rates. The objective of market risk management policy is to protect and enhance the statement of financial position and statement of comprehensive income by managing and controlling market risk exposures within acceptable parameters and to optimise the funding of business operations and facilitate capital expansion. The Company is exposed to the following risks:

(i) Currency risk

Currency risk arises primarily from purchasing imported goods and services directly from overseas or indirectly via local suppliers and foreign borrowings. The Company is exposed to foreign exchange risk arising from future commercial transactions and recognised assets and liabilities that are denominated in a currency other than the functional currency of the Company.

The following table demonstrates the sensitivity to a reasonably possible change in the respective foreign currency/KShs exchange rate, with all other variables held constant, on the Company's profit before tax (due to changes in the fair value of monetary assets and liabilities).

Currency type	Appreciation/ (depreciation) of Exchange rate	Effect on profit before tax KShs million
Year 2011		
US\$	5 %/(5%)	+/-182
Euro	5 %/(5%)	+/-494
CHF	5 %/(5%)	+/-13
Year 2010		
US\$	5 %/(5%)	+/-266
Euro	5 %/(5%)	+/-386
CHF	5 %/(5%)	+/-9

Management of currency risk

Exposure due to foreign currency risk is managed by recovering from customers the realised fluctuations in the exchange rates not factored in the retail tariffs.

(ii) Commodity risk

The Company is exposed to price risk on the fuel that is used for the generation of electricity to the extent that the customers are not able to pay for the additional costs passed on to them or if efficiency declines below the rate factored in the tariff.

Management of commodity risk

Exposure due to commodity risk is managed by passing the cost of fuel used in generation to customers. In addition the Company has well-established credit control procedures that monitor activity on customer accounts and allow for remedial action should the customer not comply

Notes to the Financial Statements for the Year Ended 30 June 2011 (continued)

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**(c) Market risk (continued)**

with payment terms. These procedures include the issue of a notice of disconnection of supply, an internal collection process; follow up of the customer telephonically or in person, negotiations of mutually acceptable payment arrangements and letters of demand. Non payment will result in disconnection of supply and the customer's account being closed. The legal collection process is pursued thereafter. The decision to impair overdue amounts is assessed on the probability of recovery based on the customer's credit risk profile.

(iii) Interest rate risk

Interest rate risk is the risk that the Company's financial condition may be adversely affected as a result of changes in interest rate levels. The Company's interest rate risk arises from short-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Long-term borrowings issued at fixed rates expose the Company to fair value interest rate risk.

The interest rate risk exposure arises mainly from interest rate movements on the Company's borrowings.

Management of interest rate risk

To manage the interest rate risk, management has endeavoured to only sign and obtain borrowings from institutions that offer contracts with fixed interest rates. Based on the various scenarios, the Company also manages its fair value interest rate risk by using floating - to- fixed interest rate swaps.

(iv) Sensitivity analysis

The Company analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The calculation excludes borrowing costs capitalised in terms of the Company's accounting policy. The analysis has been performed on the same basis as the prior year.

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs 128 million (2010: KShs 66 million). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs 644 million (2010 - KShs 332 million)

(d) Capital management

Capital managed by the company includes redeemable preference shares and equity attributable to the equity holders. The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

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 or issue new shares.

No changes were made in the objectives, policies or processes during the years ended 30 June 2011 and 30 June 2010.

Notes to the Financial Statements for the Year Ended 30 June 2011 (continued)

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Capital management (continued)

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company's policy is to keep the gearing ratio within manageable levels. The Company includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and cash equivalents.

	2011 KShs 'million'	2010 KShs 'million'
Interest-bearing loans and borrowings (Note 25)	24,521	14,858
Trade and other payables (Note 24)	40,550	30,749
Less cash and short-term deposits (Note 30(c))	(11,569)	(2,609)
Net debt	53,502	42,998
Redeemable preference shares (Note 20(b))	-	15,899
Equity	39,743	12,842
Total capital	39,743	28,741
Capital and net debt	93,245	71,739
Gearing ratio	57%	60%

The major factors that impact on the equity of the Company include the following:

- revenue received from electricity sales (which is a function of price and sales volume)
- power purchase cost
- cost of funding the business
- cost of operating the electricity business
- cost of expanding the business to ensure that capacity growth is in line with electricity sales demand (funding and additional depreciation)
- taxation
- dividends

The Company uses Power System Development Planning process, which forecasts long-term growth in electricity demand; evaluates the alternative means to meet and manage that demand and comes up with a Least Cost Power Development Plan. The planning process determines a forward electricity cost curve (the Long Run Marginal Cost), which will give an indication of the size of the price increases that the Company requires in order to be sustainable over the medium and long term. Adjustment of the tariffs for the electricity business is regulated and is subject to the process laid down by the Energy Regulatory Commission.

The electricity business is currently in a major expansion phase driven by a rise in demand and Government policy. The funding of additional transmitting and other distribution capacity is to be obtained from cash generated by the business, Government support and funds borrowed from local and international lending institutions. The adequacy of electricity tariffs allowed by the regulator and the level of Government support are key factors in the sustainability of the Company. The debt to equity ratio plays an important role in the credit ratings given to the Company which in turn influence the cost of funding. The Company's policy is to fund capital expansion programme jointly through its own resources and long-term borrowings.

Notes to the Financial Statements for the Year Ended 30 June 2011 (continued)

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

(i) Comparison by class of the carrying amounts and fair values of the financial instruments is as set out below.

	Carrying amount		Fair value	
	2011 KShs'000	2010 KShs'000	2011 KShs'000	2010 KShs'000
Financial Assets				
Fixed interest investment	1,298,506	-	1,298,506	-
Trade and other receivables	14,426,575	9,390,396	14,426,575	9,390,396
Short term deposits	1,539,999	347,730	1,539,999	347,730
Bank and cash balances	10,029,213	2,261,605	10,029,213	2,261,605
Financial Liabilities				
Borrowings	24,521,303	14,857,723	24,521,303	14,857,723
Deferred income	7,472,912	3,838,984	7,472,912	3,838,984
Trade and other payables	40,550,451	30,748,681	40,550,451	30,748,681
Dividends payable	353,768	1,617,773	353,768	1,617,773

The Central Bank of Kenya bond -held to maturity financial assets are measured at amortised cost.

Trade receivables 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 2011, 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, dividends payable and trade and other payables approximates their carrying amounts largely due to the short term maturities of these instruments.

(ii) 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 2011, the company held the following financial instruments measured at fair value:

Assets measured at fair value:

As at 30 June 2011, there were no assets measured at fair value.

Liabilities measured at fair value:

As at 30 June 2011, there were no liabilities measured at fair value.

Notes to the Financial Statements for the Year Ended 30 June 2011 (continued)

5.(a) ELECTRICITY SALES

	2011 KShs'000	2010 KShs'000
Large commercial and industrial customers	24,652,916	23,148,367
Small commercial customers	8,555,842	7,919,066
Domestic customers	8,686,521	7,821,864
Export and others	590,314	217,980
	<u>42,485,593</u>	<u>39,107,277</u>

5.(b) FOREIGN EXCHANGE COSTS RECOVERED

Total foreign exchange costs on-charged to customers	4,755,572	3,611,140
Less amount charged to power purchases	(3,425,194)	(2,742,112)
Amount attributable to Company's operations	<u>1,330,378</u>	<u>869,028</u>

Company operations here refer to payments to suppliers for purchase of materials, loan repayments and other activities requiring payment in foreign currencies.

(c) OTHER INCOME

Other income is recognised when significant risks and rewards of ownership are transferred to the buyer and the amount of revenue can be measured reliably.

	2011 KShs'000	2010 KShs'000
Connection and reconnection charges	342,406	533,797
Stock excess adjustment	408,057	573,650
Miscellaneous sales	248,125	167,288
Fibre optic lease charges	101,751	46,796
Gain from sale of Central Bank bond	-	39,287
Deferred income	183,900	46,120
Others	128,715	133,729
	<u>1,412,954</u>	<u>1,540,667</u>

Notes to the Financial Statements for the Year Ended 30 June 2011 (continued)

6. POWER PURCHASE COSTS**(a) Basic power purchase costs**

	2011 KShs'000	2010 KShs'000
The basic power purchase costs according to source were as follows: -		
KenGen	14,276,249	11,721,783
Aggreko	1,043,188	2,250,591
Uganda Electricity Transmission Company Limited	169,636	183,807
Tsavo Power Company Limited	1,960,235	1,884,955
Iberafira Power (E.A.) Company Limited	3,034,808	2,265,901
OrPower 4 Inc	2,924,481	2,736,918
Mumias Sugar Company Limited	366,220	331,552
Tanzania Electric Supply Company Limited	5,866	6,691
Rabai Power Limited	2,611,767	1,279,594
Imenti Tea Factory	1,751	1,700
Deferred power purchase costs	(1,687,886)	1,664,000
	<u>24,706,315</u>	<u>24,327,492</u>
Less foreign exchange surcharge	(3,425,194)	(2,742,112)
Less recharged to Rural Electrification Scheme	(1,067,304)	(1,069,694)
	<u>20,213,817</u>	<u>20,515,686</u>

Deferred power purchase costs are capacity charges (fixed power purchase costs) allowed in the retail tariff with effect from July 2008, attributable to future generation projects.

(b) Fuel costs

	2011 KShs'000	2010 KShs'000
KenGen	5,218,825	6,283,742
Aggreko	4,397,167	14,522,218
Uganda Electricity Transmission Company Limited	378,864	489,606
Tsavo Power Company Limited	3,813,220	4,441,803
Iberafira Power (E.A.) Company Limited	9,188,807	6,260,950
Mumias Sugar Company Limited	16,226	3,276
Rabai Power Limited	4,518,226	3,067,419
Off grid power stations	599,030	452,195
	<u>28,130,365</u>	<u>35,521,209</u>
Less recharged to Rural Electrification Scheme	(1,979,799)	(2,190,090)
	<u>26,150,566</u>	<u>33,331,119</u>

The Company incurred KShs 26,151 million (2010: 33,331 million) as fuel cost during the year, which was passed to the customers and a recovery of KShs 25,913 million (2010: 33,190 million) was made.

Notes to the Financial Statements for the Year Ended 30 June 2011 (continued)

6. POWER PURCHASE COSTS (Continued)**(c) Units purchased**

Analysis of interconnected power purchases by utility source in gigawatt - hours (GWh) is as follows:

	2011 GWh	2010 GWh
KenGen	5,040	3,606
Aggreko (Net of exports to Uganda & Tanesco)	237	1,070
Uganda Electricity Transmission Company Limited	30	37
Tsavo Power Company Limited	368	495
Iberafrica Power (E.A.) Company Limited	722	621
OrPower 4 Inc	373	400
Mumias Sugar Company Limited	87	99
Tanzania Electric Supply Company Limited	1	1
Rabai Power Limited	394	318
Off grid power stations	21	18
	7,273	6,665
Less recharged to Rural Electrification Scheme	(378)	(350)
	6,895	6,315

(d) Type of interconnected power sources

Analysis of interconnected power purchases by utility source in gigawatt-hours (GWh) is as follows:

	2011 GWh	2010 GWh
Hydro	3,427	2,170
Geothermal	1,454	1,339
Thermal (Net of exports to Uganda)	2,374	3,139
Others	18	17
	7,273	6,665
Less recharged to Rural Electrification Scheme	(378)	(350)
	6,895	6,315

The Company transmits excess units generated by Aggreko Limited to Uganda Electricity Transmission Company Limited (UETCL), whereas UETCL transmits back its own excess power to the Company at the same charge rate as that billed to them. The two transactions have been effected in the accounts to give net quantity.

Notes to the Financial Statements for the Year Ended 30 June 2011 (continued)

7. OTHER OPERATING COSTS**(a) Distribution**

	2011 KShs'000	2010 KShs'000
Salaries and wages	2,671,760	2,359,924
Staff welfare	191,173	179,992
Other consumable goods	490,880	485,167
Depreciation	1,654,064	1,189,374
Transport and travelling	668,237	755,899
Office expenses	12,160	10,427
Advertising and public relations	37,392	43,578
Loss on disposal of fixed assets	464,154	344,760
Other costs	56,788	43,675
Net recharge of distribution and customer service costs to RES	(589,133)	(417,540)
	5,657,475	4,995,256

Loss on disposal of fixed assets mainly relate to vandalised transformers sold as scrap.

(b) Commercial services

Salaries and wages	1,832,967	1,587,484
Staff welfare	107,798	92,322
Electrical materials	390,460	246,030
Other consumable goods	39,030	28,558
Depreciation	319,775	258,978
Transport and travelling	371,277	301,995
Provision for debtors impairment	305,938	107,777
Office expenses	401,311	366,305
Advertising and public relations	306,173	220,722
Repairs and maintenance	54,634	121,810
Other costs	92,915	133,426
Energy saving bulbs	(284,456)	(112,071)
Recharge of recurrent expenditure to capital jobs	(822,430)	(818,768)
Net recharge of distribution and customer service costs to RES	(858,643)	(659,920)
	2,256,749	1,874,648

(c) Energy transmission

Salaries and wages	1,091,608	874,123
Depreciation	650,046	576,122
Transport and travelling	164,307	253,423
Wheeling Charges-Ketraco (net)	118,196	-
Other costs	204,672	169,898
Recharge of recurrent expenditure to capital jobs	(212,582)	(230,235)
	2,016,247	1,643,331

Notes to the Financial Statements for the Year Ended 30 June 2011 (continued)

7. OTHER OPERATING COSTS (Continued)

(d) Administration	2011 KShs'000	2010 KShs'000
Salaries and wages	3,155,864	2,972,704
Staff welfare	538,127	508,083
Insurance	253,965	234,188
Other consumable goods	279,236	307,784
Training expenses and consumer services	363,492	215,688
Depreciation	1,223,067	782,636
Electricity expenses	137,088	165,522
Other office expenses	337,863	314,718
Licenses	101,686	50,792
Security and surveillance	304,110	256,395
Repairs and maintenance	397,152	458,266
Consultancy fees	42,153	25,622
Auditors' remuneration	11,800	10,727
Public relations	338,462	161,307
Directors' emoluments	33,022	29,038
Amortisation	55	55
Pension deficit provisions	585,582	166,800
Leave pay obligation provision	155,366	22,340
Bank charges	252,631	163,545
RES off grid actual costs	99,145	72,648
Other costs	143,331	275,757
Recharge of administration costs to RES	(352,756)	(285,992)
Recharge of recurrent expenditure to capital jobs	(635,961)	(510,664)
	<u>7,764,480</u>	<u>6,397,959</u>

Notes to the Financial Statements for the Year Ended 30 June 2011 (continued)

7. OTHER OPERATING COSTS (Continued)

(e) Operating expenses	2011 KShs'000	2010 KShs'000
Salaries and wages	8,740,971	7,783,007
Staff welfare	837,098	780,397
Insurance	253,965	234,188
Other consumable goods	809,146	821,509
Training expenses and consumer services	363,492	215,688
Depreciation	3,846,952	2,807,056
Electricity expenses	137,088	165,522
Other office expenses	751,334	691,450
Repairs and maintenance	451,786	580,076
Licenses	101,686	50,792
Consultancy fees	42,153	25,622
Security and surveillance	304,110	256,395
Auditors' remuneration	11,800	10,727
Directors' emoluments	44,250	40,266
Amortisation	55	55
Pension deficit provisions	585,582	166,800
Leave pay obligation provision	155,366	22,340
Bank charges	252,631	163,545
RES actual costs	99,145	72,648
Transport and travelling	1,203,821	1,311,317
Advertising and public relations	682,027	425,607
Electrical materials	390,460	246,030
Provision for debtors impairment	305,938	107,777
Wheeling charges-Ketraco (net)	118,196	-
Loss on disposal of fixed assets	464,154	344,760
Other costs	497,706	622,810
Energy saving bulbs	(284,456)	(112,071)
Recharge to RES	(1,800,532)	(1,363,452)
Recharge of recurrent expenditure to capital jobs	(1,670,973)	(1,559,667)
	<u>17,694,951</u>	<u>14,911,194</u>

8. STAFF COSTS

Salaries and wages excluding retirement benefit costs	8,312,876	7,378,585
NSSF employer contributions	19,403	17,835
Pension costs – Company contribution	408,692	386,589
Leave provision	155,366	22,340
Defined benefit plan expense (note 27)	130,182	166,800
	<u>9,026,519</u>	<u>7,972,149</u>

The average number of employees during the year was:-

Permanent employees	5,648	5,562
Contract employees	2,895	1,717
	<u>8,543</u>	<u>7,279</u>

Notes to the Financial Statements for the Year Ended 30 June 2011 (continued)

9. FINANCE REVENUE/ (COSTS)**FINANCE REVENUE**

	2011 KShs'000	2010 KShs'000
Interest income on bank and other deposits	171,477	177,380

FINANCE COSTS

Exchange (loss) /gain on loans	(2,759,262)	519,116
Exchange loss/ (gain) on loans for ongoing projects capitalised	2,171,774	(370,258)
Exchange (losses) / gain on loans for completed projects	(587,488)	148,858
Exchange gains on deposits	3,150	6,089
Net foreign exchange (loss)/ gains	(584,338)	154,947
Interest expense:		
Loans	(384,291)	(635,120)
Bank overdrafts	(28,614)	(11,782)
Dividends on cumulative preference shares	(1,930)	(1,930)
	(414,835)	(648,832)
Total finance costs	(999,173)	(493,885)

10. PROFIT BEFORE TAX

The profit before tax is arrived at after charging/ (crediting): -

Staff costs (note 8)	9,026,519	7,972,149
Depreciation	3,846,952	2,807,056
Amortisation	55	55
Debtors Impairment	305,938	107,777
Directors' emoluments:		
- Fees	5,440	7,100
- Other	38,810	33,166
Auditors' remuneration	11,800	10,727
Loss on disposal of property and equipment	464,154	344,760
Rent payable	197,767	178,888
Net foreign exchange loss	584,338	154,947
Interest payable	412,905	646,902
Interest receivable	(171,477)	(177,380)
Rent receivable	(55,552)	(52,419)

11. TAXATION

(a) Statement of Financial Position – Tax recoverable

At the beginning of the year	196,968	171,101
Paid during the year	13,692	25,867
Corporation tax 2009/10 under-provision	(16,601)	-
Current year tax payable	-	-
	194,059	196,968

The tax recoverable relates to withholding tax on interest earned over the years, which has not been utilised as the Company has not been in a tax paying position.

Notes to the Financial Statements for the Year Ended 30 June 2011 (continued)

11. TAXATION (Continued)

(b) Statement of comprehensive income - Income tax expense

	2011 KShs'000	2010 KShs'000
Current taxation based on the adjusted profit for the year at 30%	-	-
Deferred tax charge current year	2,035,185	1,916,587
	2,035,185	1,916,587

(c) Reconciliation of tax expense to the expected tax based on accounting profit:-

Profit before tax	6,254,751	5,632,957
Tax at the applicable tax rate of 30%	1,876,425	1,689,887
Tax effect of expenses not deductible for tax purposes	133,938	133,242
Tax effect on excess allowances over depreciation	24,822	93,458
Tax charge	2,035,185	1,916,587

12. EARNINGS PER SHARE

The earnings per share is calculated on the profit for the year of KShs 4,219,566,000 (2010-KShs 3,716,370,000) and on the weighted average number of shares outstanding during the year. The weighted average number of shares during the year was 1,238,157,439. The total number of ordinary shares as at 30th June 2011 was 1,734,637,373.

Diluted earnings per share is calculated on the profit for the year and on the weighted average number of ordinary shares outstanding during the year plus the weighted number of shares that would be issued on conversion of all potential dilutive ordinary shares.

The Company is proposing to existing shareholders a bonus share in the proportion of one new Ordinary Share of Shs.2.50 each for every eight Ordinary Shares then held. This will result in the capitalization of Shs.542,074,180 out of the Revenue Reserves of the Company, to create 216,829,672 bonus shares to be distributed among the ordinary shareholders. The Bonus issue will be subject to the Company receiving all requisite approvals including approvals from the Capital Markets Authority and the Shareholders of the Company.

13. DIVIDEND PER SHARE

Proposed dividends are accounted for as a separate component of equity until they have been ratified at an Annual General Meeting. At the Annual General Meeting to be held before the end of 2011, a final dividend in respect of the year ended 30 June 2011 of KShs 0.10 (2010 - KShs 5.00) for every ordinary share of KShs 2.50 is to be proposed. An interim dividend of KShs.0.35 (2010 - KShs 3.00) for every ordinary share of KShs 2.50 was declared and paid during the year. This will bring the total dividend for the year to KShs. 0.45 (2010 - KShs 8.00, diluted - KShs. 0.36).

Notes to the Financial Statements for the Year Ended 30 June 2011 (continued)

14. PROPERTY AND EQUIPMENT

2011	Freehold land and buildings	Transmission lines	Distribution lines	Machinery	Motor vehicles	Furniture equipment and other	Total
COST OR VALUATION	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
At 1 July 2010	2,150,933	15,524,743	40,709,227	125,988	3,518,303	9,654,091	71,683,285
Reclassification	-	-	-	-	264,512	(264,512)	-
Additions	169,240	8,583	14,603,470	15,515	238,186	1,616,119	16,651,113
Transfers	-	-	(4,057)	-	-	4,057	-
Disposals	-	-	(755,789)	-	(229,291)	-	(985,080)
At 30 June 2011	2,320,173	15,533,326	54,552,851	141,503	3,791,710	11,009,755	87,349,318
Comprising							
Cost	2,320,173	5,305,570	54,552,851	141,503	3,791,710	11,009,755	77,121,562
Valuation – 2002	-	10,227,756	-	-	-	-	10,227,756
	2,320,173	15,533,326	54,552,851	141,503	3,791,710	11,009,755	87,349,318
DEPRECIATION							
At 1 July 2010	619,467	5,503,178	3,790,077	28,689	2,107,552	6,078,792	18,127,755
Charge for the year	51,615	474,127	1,786,184	7,301	535,118	992,607	3,846,952
Transfers	-	-	(239)	-	-	239	-
Disposals	-	-	(191,855)	-	(206,362)	-	(398,217)
At 30 June 2011	671,082	5,977,305	5,384,167	35,990	2,436,308	7,071,638	21,576,490
NET BOOK VALUE							
At 30 June 2011	1,649,091	9,556,021	49,168,684	105,513	1,355,402	3,938,117	65,772,828
Capital work-in-progress	231,116	11,721	14,728,944	21,187	325,268	2,206,983	17,525,219
	1,880,207	9,567,742	63,897,628	126,700	1,680,670	6,145,100	83,298,047

Capital work-in-progress relates mainly to construction works of electricity distribution lines and installations spread across the country. The transmission lines were revalued by Mott MacDonald, Registered Valuers (London) as at 30 June 2002 on a depreciated replacement cost basis. The book values of the lines were adjusted to the revaluations, and the resulting surplus, net of deferred tax, was credited to the revaluation reserve.

Notes to the Financial Statements for the Year Ended 30 June 2011 (continued)

14. PROPERTY AND EQUIPMENT (Continued)

2010	Freehold land and buildings	Transmission lines	Distribution lines	Machinery	Motor vehicles	Furniture Equipment and other	Total
COST OR VALUATION	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
At 1 July 2009	1,816,254	15,538,869	23,661,126	93,848	2,960,324	7,726,547	51,796,968
Additions	618,004	6,498	17,262,917	32,140	822,491	1,927,544	20,669,594
Transfers	(283,325)	(20,624)	568,461	-	(264,512)	-	-
Disposals	-	-	(783,277)	-	-	-	(783,277)
At 30 June 2010	2,150,933	15,524,743	40,709,227	125,988	3,518,303	9,654,091	71,683,285
Comprising							
Cost	2,150,933	5,296,987	40,709,227	125,988	3,518,303	9,654,091	61,455,529
Valuation – 2002	-	10,227,756	-	-	-	-	10,227,756
	2,150,933	15,524,743	40,709,227	125,988	3,518,303	9,654,091	71,683,285
DEPRECIATION							
At 1 July 2009	579,828	5,029,433	3,021,587	22,943	1,649,005	5,416,955	15,719,751
Charge for the year	43,012	474,153	1,141,718	5,746	480,590	661,837	2,807,056
Transfers	(3,373)	(408)	25,824	-	(22,043)	-	-
Disposals	-	-	(399,052)	-	-	-	(399,052)
At 30 June 2010	619,467	5,503,178	3,790,077	28,689	2,107,552	6,078,792	18,127,755
NET BOOK VALUE							
At 30 June 2010	1,531,466	10,021,565	36,919,150	97,299	1,410,751	3,575,299	53,555,530
Capital work-in-progress	395,996	4,164	8,572,068	20,594	527,026	1,235,108	10,754,956
	1,927,462	10,025,729	45,491,218	117,893	1,937,777	4,810,407	64,310,486

Capital work-in-progress relates mainly to construction works of electricity distribution lines and installations spread across the country.

The transmission lines were revalued by Mott MacDonald, Registered Valuers (London) as at 30 June 2002 on a depreciated replacement cost basis. The book values of the lines were adjusted to the revaluations, and the resulting surplus, net of deferred tax, was credited to the revaluation reserve.

Notes to the Financial Statements for the Year Ended 30 June 2011 (continued)

14. PROPERTY AND EQUIPMENT (Continued)

NET BOOK VALUE (COST BASIS)

	Freehold land and Buildings KShs'000	Transmission lines KShs'000	Distribution lines KShs'000	Machinery KShs'000	Motor vehicles KShs'000	Furniture equipment and other KShs'000	Total KShs'000
At 30 June 2011	1,649,091	7,518,881	49,168,684	105,513	1,355,402	3,938,117	63,735,688
Capital work-in-progress	231,116	11,721	14,728,944	21,187	325,268	2,206,983	17,525,219
	1,880,207	7,530,602	63,897,628	126,700	1,680,670	6,145,100	81,260,907
At 30 June 2010	1,531,466	7,528,799	36,919,150	97,299	1,410,751	3,575,299	51,062,764
Capital work-in-progress	395,996	4,164	8,572,068	20,594	527,026	1,235,108	10,754,956
	1,927,462	7,532,963	45,491,218	117,893	1,937,777	4,810,407	61,817,720

15. PREPAID LEASES ON LAND

COST

	2011 KShs'000	2010 KShs'000
At 30 June	133,693	133,693

AMORTISATION

	2011 KShs'000	2010 KShs'000
At 1 July	1,874	1,819
Amortisation for the year	55	55
At 30 June	1,929	1,874

NET BOOK VALUE

	2011 KShs'000	2010 KShs'000
At 30 June	131,764	131,819

This relates to leases on land that is under use by the Company countrywide mainly hosting substations. The leased land is spread all over the country and carries different lease periods and lease amounts, depending on when it was leased.

Notes to the Financial Statements for the Year Ended 30 June 2011 (continued)

15. PREPAID LEASES ON LAND (Continued)

There were 160 leases during the year (2010- 160). All the land is leased from the Government of Kenya under renewable leases. The lease periods range from between 50 years to 99 years in the provinces and up to 999 years for some plots at the Coastal City of Mombasa. Leases are renewed as they expire. Where leases have expired in the past, all have been renewed without any complications and no renewal complications are expected in the foreseeable future.

16. INVESTMENTS

(a) Fixed Interest investment (bond)

	2011 KShs'000	2010 KShs'000
Central Bank of Kenya Bond	1,298,506	-

This refers to Treasury bonds, issue number Fxd1/2011/5 of KShs 999,755,850 million and Fxd2/2011/2 of KShs 300 million issued by the Central Bank of Kenya dated 28 March 2011 and 28 April 2011 respectively. The Company has the intention of holding this to maturity. Interest is payable semi annually.

(b) Unquoted investment

	2011 KShs'000	2010 KShs'000
Cost	4,300	4,300
Impairment	(4,300)	(4,300)
	-	-

The investment represents equity shares held in Consolidated Bank of Kenya Limited. The shares were acquired in return for deposits previously held with Jimba Credit Finance Limited, one of the finance houses under rehabilitation from insolvency. The institution is under statutory management and the investment was fully impaired and fully provided in 2007/2008.

17. INVENTORIES

	2011 KShs'000	2010 KShs'000
General stores	2,818,464	2,507,936
Conductors and cables	2,420,310	1,944,376
Poles	490,389	1,087,494
Meters and accessories	121,164	109,419
Engineering spares	17,625	15,825
Fuel and oil	326,014	244,267
Transformers	2,120,924	1,780,229
Motor vehicle spares	181,237	151,633
Goods in transit	464,703	545,851
	8,960,830	8,387,030

General stores, engineering spares, fuel and oil, transformers and motor vehicle spares are stated at weighted average cost and adjusted with provision for obsolete and slow moving stocks of KShs 1,010,593,445 (2010 - KShs 952,372,265) while goods in transit are at cost. A total of KShs 58,221,180 (2010 - KShs 5,272,880) has been expensed as an increase in the provision for obsolete and slow moving stocks.

Notes to the Financial Statements for the Year Ended 30 June 2011 (continued)

18 (a) TRADE AND OTHER RECEIVABLES

	2011 KShs'000	2010 KShs'000
Electricity receivables (note 18 (c))	11,665,388	9,953,099
Prepayments	175,448	151,944
Recoverable fuel costs	3,596,213	1,371,911
VAT recoverable	659,852	456,197
Government of Kenya – Power purchase subsidy	-	250,728
Rural Electrification Schemes- Recurrent	1,152,465	1,152,465
Staff receivables (note 18 (d) i)	499,834	543,164
Deferred payment customers	462,358	-
Other receivables (note 18 (d) ii)	809,936	627,568
Gross trade and other receivables	19,021,494	14,507,076
Provision for credit losses (Note 18(b))	(4,594,919)	(5,116,680)
Net trade and other receivables	14,426,575	9,390,396

The trade and other receivables are non - interest bearing and are generally on 30 days term.

18 (b) PROVISIONS FOR CREDIT LOSSES

As at 30 June 2011, trade receivables amounting to KShs 4,594,919,000 [2010- KShs 5,116,680,322] were fully impaired and provided for. Movements in the provisions for credit losses were as follows:

	2011 KShs'000	2010 KShs'000
At 1 July	(5,116,680)	(5,110,394)
Amount transferred from Rural Electrification Schemes	-	101,491
Bad debts Write off	827,699	-
Additional provision (Note 7 (b))	(305,938)	(107,777)
At 30 June (Note 18 (a))	(4,594,919)	(5,116,680)

18 (c) ELECTRICITY RECEIVABLES

As at 30 June the ageing analysis of electricity receivables was as follows:

	Total KShs'000	<30 days KShs'000	30-60 days KShs'000	60-90days KShs'000	90-120days KShs'000	>120days KShs'000
2011						
Gross	11,665,388	7,512,498	1,097,096	435,243	303,782	2,316,769
Impairment	(4,227,345)	(74,455)	(1,097,096)	(435,243)	(303,782)	(2,316,769)
Carrying amount	7,438,043	7,438,043	-	-	-	-
2010						
Gross	9,953,099	5,281,819	657,175	474,254	305,192	3,234,659
Impairment	(4,749,106)	(77,826)	(657,175)	(474,254)	(305,192)	(3,234,659)
Carrying amount	5,203,993	5,203,993	-	-	-	-

Notes to the Financial Statements for the Year Ended 30 June 2011 (continued)

18 (d) OTHER RECEIVABLE ANALYSIS

Other receivables comprise debtors which have been impaired as follows.

		2011 KShs'000	2010 KShs'000
i. Staff receivables	(note 18(a))	499,834	543,164
Impairment		(86,677)	(86,677)
		413,157	456,487
ii. Other receivables	(note 18(a))	809,936	627,568
Impairment		(280,897)	(280,897)
		529,039	346,671

All provisions for credit losses are specific.

19. SHORT TERM DEPOSITS, BANK AND CASH BALANCES

(a) Short term deposits - maturing within 3 months

Housing Finance Company of Kenya Limited	289,284	274,956
Standard Chartered Bank Kenya Limited	654	54,923
CFC Stanbic Bank Limited	132,893	-
The Co-operative Bank of Kenya Limited	1,117,168	17,851
	1,539,999	347,730

The average effective interest rate on the short-term deposits as at 30 June 2011 was 3.04% (2010 - 5.5%).

(b) Bank and cash balances

Bank and cash balances comprise: -

	2011 KShs'000	2010 KShs'000
Cash at bank	10,009,233	2,242,050
Cash on hand	19,980	19,411
	10,029,213	2,261,461

20. SHARE CAPITAL

(a) Ordinary share capital

Authorised:

1,902,800,000 ordinary shares of KShs 2.50 each	4,757,000	1,957,000
(2010-97,850,000 ordinary shares of KShs 20 each)		

Issued and fully paid:

1,734,637,373 ordinary shares of KShs 2.50 each	4,336,593	1,582,560
(2010-79,128,000 ordinary shares of KShs 20 each)		

Notes to the Financial Statements for the Year Ended 30 June 2011 (continued)

20. SHARE CAPITAL (Continued)**(b) Redeemable non-cumulative preference share capital**

	2011 KShs'000	2010 KShs'000
Authorised:		
5,037,509 - 7.85% preference shares of KShs 20 each	100,750	16,000,000
<u>(2010-800,000,000 7.85% preference shares of KShs 20 each)</u>		
Issued and fully paid:		
Nil (2010 -794,962,491 - 7.85% preference shares of KShs 20 each)	-	15,899,250

76,622,891 ordinary shares were created through the redemption of the 794,962,491 7.85% Redeemable Non-cumulative preference shares by an exchange at the volume weighted average price of KShs. 207.50 for the six months prior to redemption.

The Company restructured its balance sheet as follows:-

- (i) Redemption of 794,962,491 (7.85%) redeemable non-cumulative preference shares ("RPS") held by the Government of Kenya by the issue of 76,622,891 new ordinary shares to the Government.
- (ii) A share split after the above increase of share capital and redemption of Non Cumulative Redeemable Preference Shares. Each of the ordinary shares of KShs 20 was subdivided into 8 shares of KShs 2.50 each.
- (iii) A rights issue after the above split. 488,630,245 ordinary shares of KShs 2.50 each in the capital of the Company were offered to the members of the Company by way of rights to holders of ordinary shares of the Company in proportion of 20 new ordinary shares for every 51 existing ordinary shares held by them at a price of KShs 19.50 per share.

This exercise was completed in January 2011 and the financial statements have been adjusted accordingly

A reconciliation of the number of shares outstanding at the beginning and end of the period is as shown below:-

Ordinary shares	2011	2010
At 1 July	79,128,000	79,128,000
Issued on 18 November 2010 on redemption of 7.85% Non-cumulative preference shares	76,622,891	-
Issued on 19 November 2010 on split of shares	1,090,256,237	-
Issued on 20 January 2011 for cash on exercise of rights issue	488,630,245	-
<u>At 30 June</u>	<u>1,734,637,373</u>	<u>79,128,000</u>
7.85% preference shares		
At 1 July	794,962,491	794,962,491
Redeemed on 18 November 2010 by issue of ordinary shares	(794,962,491)	-
<u>At 30 June</u>	<u>-</u>	<u>794,962,491</u>

Notes to the Financial Statements for the Year Ended 30 June 2011 (continued)

21. SHARE PREMIUM

The share premium arose from the redemption of the 7.85% Redeemable Non-cumulative shares at a price of KShs. 207.50 giving rise to a share premium of KShs. 14,366.79 million.

A further premium was received from the Rights Issue of 488,630,245 ordinary shares of KShs. 2.50 each at a price of KShs. 19.50, hence resulting to a share premium of KShs. 17.00 per share or a total share premium of KShs. 8,306.71 million.

The transaction costs amounting to KShs. 631.50 million were netted off against the share premium.

22. RESERVES

	2011 KShs'000	2010 KShs'000
Retained earnings	11,751,518	7,856,913
Revaluation reserve	1,439,484	1,758,423
	<u>13,191,002</u>	<u>9,615,336</u>

Retained earnings

The retained earnings balance represents the amount available for distribution to the shareholders of the Company.

Revaluation reserve

The revaluation reserve was as result of revaluation of transmission lines. This is stated after transfer of excess depreciation net of related deferred tax to retained earnings. Revaluation surpluses are not distributable.

23. DEFERRED TAX

Deferred tax is calculated on all temporary differences under the liability method using the enacted rate, currently at 30%. The net deferred tax liability at year-end is attributable to the following items:

	2011 KShs'000	2010 KShs'000
Deferred tax liabilities:		
Accelerated capital allowances	12,908,611	7,510,503
Unrealised exchange (losses)/gains	(137,971)	15,973
Revaluation surplus	616,926	753,614
	<u>13,387,566</u>	<u>8,280,090</u>

Deferred tax assets:

Tax losses	(5,901,269)	(2,556,774)
Provisions	(1,122,535)	(1,241,451)
	<u>(7,023,804)</u>	<u>(3,798,225)</u>

Net deferred tax liability

Movement on the deferred tax account is as follows:

At 1 July	4,481,865	2,701,965
Credit to revaluation reserve	(136,687)	(136,687)
Corporation tax 2009/10 under-provision	(16,601)	-
Statement of comprehensive income charge (note 11(b))	2,035,185	1,916,587
<u>At 30 June</u>	<u>6,363,762</u>	<u>4,481,865</u>

Notes to the Financial Statements for the Year Ended 30 June 2011 (continued)

24. TRADE AND OTHER PAYABLES

	2011 KShs'000	2010 KShs'000
(a) Non current liabilities		
Customers' deposits	5,570,084	4,566,707
Capital contributions	1,913,271	1,978,722
Deferred power purchase costs	2,644,879	4,271,000
Non current suppliers' accounts	597,987	915,383
Rural Electrification Schemes- Capital	984,687	787,848
Rural Electrification Levy	1,212,422	1,521,611
Donor Funded Revolving Fund	734,818	734,818
Rural Electrification Schemes	2,736,192	1,316,395
	<u>16,394,340</u>	<u>16,092,484</u>
(b) Current liabilities		
KenGen	8,537,401	4,841,565
Other electricity suppliers	6,119,040	4,762,967
Other suppliers' accounts	2,743,714	1,847,860
Rural Electrification Scheme Levy	291,112	294,914
Nuclear Electricity Project	130,000	-
Energy Regulatory Commission Levy	35,147	23,963
Deferred creditor (Fibre Optic)	807,197	243,679
Ministry of Finance	2,099,655	-
KenGen actuarial deficit provision	380,000	-
Other payables and accruals	3,012,845	2,641,249
	<u>24,156,111</u>	<u>14,656,197</u>

The Rural Electrification Scheme Levy under current liabilities relates to levy charge for May and June 2011 to be remitted to Rural Electrification Authority on collection. The amount due to the Ministry of Finance (KShs 2,099 million) is in respect of dividend payable to the Government of Kenya but designated for utilisation for RES projects. Trade payables under current liabilities are non-interest bearing and are normally settled within 60 days

25. DEFERRED INCOME

	2011 KShs'000	2010 KShs'000
Balance at beginning of the year	3,838,984	-
Additions	3,817,828	3,885,104
Recognised as income	(183,900)	(46,120)
Balance at end of the year	<u>7,472,912</u>	<u>3,838,984</u>
Maturity analysis		
Non-current	7,207,089	3,707,000
Current	265,823	131,984
Balance at end of the year	<u>7,472,912</u>	<u>3,838,984</u>

Deferred income relates to capital contributions received from electricity customers for the construction of electricity assets. The amount is amortised through statement of comprehensive income on a straight line basis over the expected useful life of the related asset.

Notes to the Financial Statements for the Year Ended 30 June 2011 (continued)

26. BORROWINGS

	2011 KShs'000	2010 KShs'000
(a) Balances		
6.125% Kenya Government/Swiss mixed credit (CHF 2,331,110) 1996-2007	252,232	176,746
4% Kenya Government/European Investment Bank - Olkaria loan (Euro 16,010,319) 2005 - 2020	2,088,176	1,792,966
7.7% Kenya Government/IDA 2966 KE loan 1997-2017	188,349	188,349
4.5% GOK/IDA 3958 KE ESRP (USD 40,749,314) 2004-2024	3,644,639	1,698,541
4.5 %GOK/ Nordic Development Fund 435 ESRP (Euro 9,688,581) 2006 - 2024	1,263,201	777,667
4.5% GOK/Agence Francaise de Developpement 3008 ESRP (Euro 18,833,240) 2006 - 2024	2,456,361	1,748,168
3.97% GOK/EIB 23324 KE ESRP (Euro 31,827,516) 2006 - 2025	4,151,164	3,189,114
Standard Chartered Bank Loan - 2008 - 2012	3,111,111	4,666,667
Standard Chartered Medium Term Loan	5,618,750	-
Standard Chartered Bank Short term funding	800,000	-
Accrued interest	947,320	619,505
	<u>24,521,303</u>	<u>14,857,723</u>
Less: amounts repayable within 12 months	(4,764,171)	(1,744,289)
Non current	<u>19,757,132</u>	<u>13,113,434</u>

Standard Chartered Bank loan is secured by letter of negative pledge. All other loans are guaranteed by the Government of Kenya.

Under the terms of the Kenya Government/Swiss mixed credit, the balance of this loan upon full payment of 50% of the amount lent, was to become a grant to the GoK. The last instalment on this loan was paid in December 2007. Modalities of how the grant will be remitted to the GoK have not been worked out as at the end of the year.

(b) Analysis of borrowings by currency	Borrowings	Borrowings	Borrowings	Borrowings	Total Borrowings KShs' 000
	in KShs. KShs' 000	in US\$ KShs' 000	in CHF KShs' 000	in Euros KShs' 000	
2011					
Loans	10,404,955	3,832,987	252,232	10,031,129	24,521,303
2010					
Loans	4,907,474	1,832,910	176,746	7,940,593	14,857,723

	2011 KShs'000	2010 KShs'000
(c) Maturity of borrowings		
Due within 1 year	4,764,171	1,744,289
Due between 1 and 2 years	3,861,414	1,964,450
Due between 2 and 5 years	3,812,396	3,869,136
Due after 5 years	12,083,322	7,279,848
	<u>24,521,303</u>	<u>14,857,723</u>

Notes to the Financial Statements for the Year Ended 30 June 2011 (continued)

27. PREFERENCE SHARES

Authorised, issued and fully paid:

350,000 - 7% cumulative preference shares of KShs 20 each	7,000	7,000
1,800,000 - 4% cumulative preference shares of KShs 20 each	36,000	36,000
	<u>43,000</u>	<u>43,000</u>

The preference shares are treated as financial liabilities because the Company has a contractual obligation to pay preference dividends on the shares.

28. RETIREMENT BENEFITS OBLIGATION

The Company operates a defined contributions scheme for all full time permanent employees from 1 July 2006. It also operates a defined benefit scheme for pensioners and deferred pensioners (those who have left the employment of the Company or are still serving but have not attained retirement age to qualify as pensioners), who existed as at 30 June 2006. The scheme is administered by an in-house team and is funded by contributions from the Company and its employees.

The defined benefit scheme is closed and the members ceased contributing to the scheme with effect from 1 July 2006. The benefits provided by defined benefit scheme are based on a formula taking into account years and complete months of service with the employer since joining the scheme to the closing date. The benefits provided by the defined contribution scheme are determined by accumulated contributions and returns on investments.

CFC Stanbic Financial Services Limited and Co-optrust Investment Services Limited jointly manage the defined benefit scheme's funds. Under the defined benefit scheme, the employees are entitled to retirement benefits varying between 3 and 5 percent of final pensionable emoluments on attainment of the retirement age.

Both schemes are governed by the Retirement Benefits Act, 1997. This requires that an actuarial valuation be carried out at least every three years for the defined benefit scheme. However, valuation is done yearly to ensure compliance with the International Financial Reporting Standards. The most recent actuarial valuation of the defined benefit scheme was carried out as at 31 December 2010, using Projected Credit Method, by an independent qualified actuary, Alexander Forbes Financial Services (East Africa) Limited. The actuary carried out a high level actuarial estimate of the scheme financial position as at 31 December 2010. Management has updated the results of the 31 December 2010 valuation to reflect the changes as at 30 June 2011.

The updated position arising from the Company's obligation in respect of its defined benefits plan is as follows:

	2011	2010
	KShs'000	KShs'000
Present value of funded obligations	11,304,000	11,428,594
Fair value of plan assets	(11,324,387)	(11,307,677)
	<u>(20,387)</u>	<u>120,917</u>

Movement in the net liability in the current year were as follows:

At beginning of the year	21,618	471,218
Amounts paid	(151,800)	(616,400)
Defined benefit plan expense (Note 8)	130,182	166,800
At 30 June	<u>-</u>	<u>21,618</u>

Notes to the Financial Statements for the Year Ended 30 June 2011 (continued)

28. RETIREMENT BENEFITS OBLIGATION (Continued)

Key assumptions used:

Rate of interest	10%	10%
Expected return on plan assets	10%	10%
Expected rate of salary increases	5%	5%
Future pension increases:		
- Post 31/12/99 service	0%	0%
- Pre 31/12/99 service	3%	3%

The Company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The Company's obligations under the scheme are limited to specific contributions legislated from time to time and are currently at KShs 200 per employee per month.

29. PROVISION FOR LEAVE PAY

	2011	2010
	KShs'000	KShs'000
At 1 July	675,369	653,029
Additional provisions	155,365	22,340
At 30 June	<u>830,734</u>	<u>675,369</u>

Provision for annual leave is based on services rendered by employees up to the end of the year.

30. DIVIDENDS PAYABLE

	2011	2010
	KShs'000	KShs'000
Dividends payable on ordinary shares	353,768	369,682
Dividends payable on 7.85% preference shares	-	1,248,091

These relate to unclaimed dividends payable to different ordinary shareholders.

31. NOTES TO THE STATEMENT OF CASH FLOWS**(a) RECONCILIATION OF OPERATING PROFIT TO CASH GENERATED FROM OPERATIONS**

	2011	2010
	KShs'000	KShs'000
Operating profit	7,082,447	5,949,462
Depreciation	3,846,952	2,807,056
Amortisation	55	55
Loss on disposal of property and equipment	464,154	344,760
Gain from sale of Central Bank bond	-	(39,287)
Increase in deferred income	3,633,928	3,838,984
Decrease in staff retirement benefits scheme	(21,618)	(449,600)
Increase in provision for leave pay obligation	155,365	22,340
Movement in non-current deposit	(1,298,506)	200,000
Working capital adjustments		
Increase in inventories	(573,800)	(816,176)
(Increase)/ decrease in trade and other receivables	(4,954,836)	299,279
Increase in trade and other payables	7,272,354	4,581,433
Cash generated from operations	<u>15,606,495</u>	<u>16,738,306</u>

Notes to the Financial Statements for the Year Ended 30 June 2011 (continued)

31. NOTES TO THE STATEMENT OF CASH FLOWS (Continued)

(b) ANALYSIS OF CHANGES IN LOANS

	2011 KShs'000	2010 KShs'000
At the beginning of the year	14,857,723	15,541,658
Receipts	8,421,280	2,728,630
Repayments	(1,844,777)	(3,191,954)
Repayment of previous year's accrued interest	(619,505)	(321,000)
Exchange Loss / (gain)	2,759,262	(519,116)
Accrued interest	947,320	619,505
At the end of the year	24,521,303	14,857,723

(c) ANALYSIS OF CASH AND CASH EQUIVALENTS

Short term deposits	1,539,999	347,730
Bank and cash balances	10,029,213	2,261,461
	11,569,212	2,609,191

For the purpose of the cash flow statement, cash and cash equivalents include short term liquid investments which are readily convertible to known amounts of cash and which were within three months to maturity when acquired; less advances from banks repayable within three months from date of disbursement or date of confirmation of the advance.

(d) ANALYSIS OF INTEREST AND DIVIDEND PAID

	Note	2011 KShs'000	2010 KShs'000
INTEREST PAID			
Interest on loans	10	384,291	635,120
Overdraft interest	10	28,614	11,782
		412,905	646,902
Interest on loans capitalised		410,274	339,449
Balance brought forward	25(a)	619,506	321,000
Balance carried forward	25(a)	(947,320)	(619,506)
Interest paid		(495,365)	(687,845)
DIVIDENDS PAID			
Opening balance		369,682	111,060
Preference dividends -4% and 7% cumulative preference shares		1,930	1,930
2010 dividends		395,640	474,768
2011 Interim dividends		607,123	237,384
Closing balance		(353,768)	(369,682)
Dividend paid		1,020,607	455,460

Notes to the Financial Statements for the Year Ended 30 June 2011 (continued)

31. NOTES TO THE STATEMENT OF CASH FLOWS (Continued)

(e) ANALYSIS OF INTEREST RECEIVED

	Note	2011 KShs'000	2010 KShs'000
INTEREST RECEIVED			
Interest on loans	10	171,477	177,380
Balance brought forward		539	539
Balance carried forward		(81,882)	(539)
Interest received		90,134	177,380

32. RELATED PARTY DISCLOSURES

The Government of Kenya is the principal shareholder in The Kenya Power and Lighting Company Limited (KPLC) holding a 50.1% equity interest. The Government also holds 70% of the equity interest in Kenya Electricity Generating Company Limited (KenGen). The Company is related to KenGen through common control. During the year, the following transactions were carried out with related parties:

(a) Government of Kenya

	2011 KShs'000	2010 KShs'000
<i>(i) Ministries</i>		
Electricity sales to Government Ministries	2,178,627	2,352,066
<i>(ii) Outstanding balances</i>		
Included in trade and other receivables:		
Ministries	378,914	482,505
Strategic parastatals	1,317,227	1,284,254
VAT recoverable	659,852	456,197
GoK power purchase subsidy	-	250,728
Rural Electrification Schemes - Recurrent	1,152,465	1,152,465
GoK (Energy Saving Bulbs)	-	112,071
	3,508,458	3,738,220
Included in trade and other payables:		
Rural Electrification Schemes levy	1,503,534	1,816,641
Electricity Regulatory Commission levy	35,147	23,963
Rural Electrification Schemes - Capital	984,687	787,848
Ministry of Finance	2,099,655	-
Rural Electrification Schemes	2,736,192	1,316,278
	7,359,215	3,944,730
Net amount (owed to) / due from Government of Kenya	(3,850,757)	(206,510)

The tariffs applicable to Government institutions are the same as those charged to other ordinary customers.

Notes to the Financial Statements for the Year Ended 30 June 2011 (continued)

32. RELATED PARTY DISCLOSURES (Continued)

	2011 KShs'000	2010 KShs'000
(b) Staff		
<i>(i) Sales</i>		
Electricity sales to staff	119,123	102,542
Outstanding balances included in electricity customers	9,584	4,082

The tariff applicable to staff is the same as that charged to other ordinary customers with effect from 1 July 2008. Previously staff tariff was KShs 2.26 per kWh.

<i>(ii) Advances to staff included in trade and other receivables</i>	413,157	456,487
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(iii) Key management compensation

Short-term employee benefits	113,072	112,456
Termination benefits	269,218	253,979

Short-term employee benefits include those relating to the Managing Director and Chief Executive, who is also a director, which are disclosed in note 10.

(c) Rural Electrification Schemes

During the year, the Company continued to manage the Rural Electrification Schemes (RES) under the Rural Electrification Programme (REP), on behalf of the Government of Kenya.

The Rural Electrification Programme (REP) was established in 1973 by the Government of Kenya following an agreement between it and East African Power & Lighting Company Limited, the predecessor to The Kenya Power & Lighting Company Limited. The programme was established with the specific objective to extend electricity to the sub economic rural areas. In order to intensify the expansion of these sub-economic regions, the Government has established the Rural Electrification Authority (REA). However, KPLC continues to operate and maintain the whole network, in addition to implementing projects for the authority on contract basis.

The Company has entered into a Mutual Co-operation and Provision of Services Agreement with Rural Electrification Authority (REA) to operate and maintain lines owned by REA. In return, the Company will retain revenues generated from Rural Electrification Schemes (RES) customers to cover maintenance costs incurred by the Company. However, the Company continues to invoice the Government for the expenditure incurred to complete ongoing projects.

The REP is funded by the Government of Kenya. Any property acquired by REP remains the property of the Government of Kenya. KPLC only acts as a management agent on behalf of the Government.

	2011 KShs'000	2010 KShs'000
(d) KenGen		
Electricity purchases	24,231,542	34,778,334
Amounts due to KenGen on account of electricity purchases	8,537,401	4,841,565
Amounts due to KenGen on account of GOK subsidy	-	250,728
Electricity sales	133,152	128,391
Amounts due from KenGen on account of electricity sales	13,659	5,955

Notes to the Financial Statements for the Year Ended 30 June 2011 (continued)

32. RELATED PARTY DISCLOSURES (Continued)**(e) KPLC Staff Retirement Benefits Scheme**

The Company rents property owned by the staff retirement benefits scheme for office accommodation. Rent paid to the scheme in the year amounted to KShs.85,586,636 (2010-KShs.65,763,911).

Terms and conditions of transactions with related parties' outstanding balances at the year-end are interest free and settlement occurs in cash.

33. CAPITAL COMMITMENTS

	2011 KShs'000	2010 KShs'000
Authorised and contracted for	64,259,701	41,115,286
Less: Amount incurred and included in work-in-progress	(20,917,877)	(13,432,866)
	43,341,824	27,682,420

34. CONTINGENT LIABILITIES

Bank guarantees	1,296,779	1,166,385
Claims on the Company	7,630,210	8,009,660
	8,926,989	9,176,045

Included in the claims on the Company are:-

- (i) KShs.1.3 billion in 2004 relating to a claim by Tana & Athi River Development Authority (TARDA) for Masinga and Kiambere power stations lease hire charges for the period prior to 1998. In 2005, the parties, together with the parent ministries, Treasury and Office of the President agreed to settle the matter administratively. This dispute arose as a result of compliance by the Company of a Government directive in 1988. Resolution of this matter is being discussed with the GoK.
- (ii) Christopher Lebo & 331 Others vs KPLC - This case relates to termination of services by KPLC amounting to KShs. 5 billion, the case is yet to be scheduled for hearing.
- (iii) Matic General Contractors Ltd. vs KPLC - This is a claim by the plaintiff for work done, services rendered but not paid for by the company. The plaintiff claims damages amounting to KShs.100 million.
- (iv) David Miraa Gathii & Other vs KPLC - This is a claim by the plaintiffs for wayleaves amounting to KShs.175 million.
- (v) Grand Holiday vs KPLC - This is a claim by the plaintiff relating to the disconnection damages amounting to KShs.300 million.
- (vi) Other claims on the Company relate to civil suits lodged against the Company by various parties in the normal course of business. The estimated amount of these cases is KShs.755 million.

The likely outcome of these suits cannot be determined as at the date of signing these financial statements.

Notes to the Financial Statements for the Year Ended 30 June 2011 (continued)

Based on the information currently available, the Directors believe that the ultimate resolution of these legal proceedings would most likely not have a material effect on the results of the Company's operations, financial position or liquidity.

35. FUTURE RENTAL COMMITMENTS UNDER OPERATING LEASES**As Lessee:**

The total future minimum lease payments due to third parties under non-cancellable operating leases are as follows:

	2011 KShs'000	2010 KShs'000
Not later than 1 year	186,679	143,744
Later than 1 year and not later than 5 years	209,915	220,101
More than 5 years	355,237	3,083
	<u>751,831</u>	<u>366,928</u>

As Lessor:

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	2011 KShs'000	2010 KShs'000
Not later than 1 year	60,863	55,686
Later than 1 year but not later than 5 years	61,902	75,540
More than 5 years	625	-
	<u>123,390</u>	<u>131,226</u>

Operating leases relate to premises with lease terms of up to 10 years and are subject to rent escalations. The Company does not have an option to purchase the leased asset at the expiry of the lease period. Similarly, as a lessor, the Company has entered into commercial property leases on its property and it retains all the significant risks and rewards of ownership of these properties, and therefore accounts for the contracts as operating leases.

Notes to the Financial Statements for the Year Ended 30 June 2011 (continued)

36. WORLD BANK FINANCING

(a) The Company received financial support from the World Bank through Credit No. 3958-KE dated 4 August 2004 to support implementation of the Energy Sector Recovery Project. Summary information on transactions during the year are as follows:

	2011 KShs'000	2010 KShs'000
Balance at the beginning of the year	56,514	75,287
Amounts received during the year	302,122	35,302
Net interest income	72	111
Expenditure during the year	(355,681)	(54,186)
Balance at the end of the year	<u>3,027</u>	<u>56,514</u>

(b) The closing balances shown above are included in cash and cash equivalents and represent balances on the World Bank funded Special Account No. 024/00/800521/01 held at CFC Stanbic Bank of Kenya Limited. Included in the long term liabilities is also an amount of KShs.3,644,638,036 (US\$ 40,749,314) in respect of the amounts disbursed under the loan to date.

(c) The proceeds of the World Bank loan have been expended in accordance with the intended purpose as specified in the loan agreement.

37. EUROPEAN INVESTMENT BANK (EIB) FINANCING

The Company received financial support from EIB for Grid development. The Company has set aside KShs.72,945,894 Revolving Credit Fund (RCF) as per clause 6.14 of the finance contract. The proceeds of this fund will be used to facilitate new connections to the electricity network for low income customers.

Summary information on special account transactions during the year are as follows:

	2011 KShs'000	2010 KShs'000
Balance at the beginning of the year	1,094,348	385,612
Amounts received during the year	-	1,601,885
Net interest income	7,417	27,146
Expenditure during the year	(344,478)	(920,295)
Balance at the end of the year	<u>757,287</u>	<u>1,094,348</u>

(a) The closing balances shown above are included in cash and cash equivalents and represent balances on the European Investment Bank funded Special Account No.0100000443683 held at Cfc Stanbic Bank of Kenya Limited. Included in the long term liabilities is also an amount of KShs.4,151,164,231 (Euro 31,827,516) in respect of the amounts disbursed under the loan to date.

(b) The proceeds of the European Investment Bank loan have been expended in accordance with the intended purpose as specified in the loan agreement.

Notes to the Financial Statements for the Year Ended 30 June 2011 (continued)

38. BALANCE SHEET RESTRUCTURING

The company restructured its balance sheet as follows (i) Conversion of all 7.85% redeemable non-cumulative preference shares in the Company into a new issue of Ordinary Shares to the Government of Kenya; (ii) a share split; and (iii) a rights issue. This exercise was completed in January 2011 and the financial statements have been adjusted accordingly. See note 20 for further details.

39. COMPARATIVES

During the year ended 30 June 2010, property and equipment were netted off by an amount of KShs 3,839 million being the capital contributions received from customers.

IFRIC 18-Transfers of Assets from Customers effective for periods beginning on or after 1 July 2009 provides guidance on how to account for cash that is received and used to acquire or construct specific assets. It states that such cash received should be recognised as revenue over the period no longer than the useful life of the transferred asset used to provide the ongoing service.

The financial statements for the year ended 30 June 2010 have been restated to comply with IFRIC 18. The effect of the restatement in those financial statements is summarised below. There is no effect on the balances at 1 July 2009.

	Effect in 2010 KShs '000
Increase in depreciation expense	46,120
Increase in other income	46,120
Increase in property and equipment	3,838,984
Increase in deferred revenue	3,838,984

40. INCORPORATION

The Company is incorporated in Kenya under the Kenyan Companies Act and is domiciled in Kenya.

41. FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are prepared in Kenya shillings thousands (KShs'000).

42. EVENTS AFTER THE REPORTING PERIOD

There are no significant events after the reporting period which have been reported in these financial statements.

Notes to the Financial Statements for the Year Ended 30 June 2011 (continued)

FOR YEAR ENDED	30th JUNE 2002	30th JUNE 2003	30th JUNE 2004	30th JUNE 2005	30th JUNE 2006	30th JUNE 2007	30th JUNE 2008	30th JUNE 2009	30th JUNE 2010	30th JUNE 2011
UNITS SOLD (GWh)	3,498	3,654	3,940	4,215	4,444	4,818	5,082	5,182	5,345	5,816
Average yield of units sold(cents)	709.20	633.03	591.96	672.39	764.33	787.55	802.85	1,258.37	1,368.88	1,198.91
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Revenue from sale of electricity	24,807,649	23,130,782	23,323,083	28,341,356	33,966,730	37,944,286	40,801,040	65,208,529	73,166,794	69,728,827
PROFIT/(LOSS) for the Year										
Before exceptional item	(1,868,760)	(4,110,263)	857,957	1,843,233	2,207,674	2,384,264	3,523,970	5,676,542	5,951,392	7,084,377
Exceptional item	(978,426)	-	-	-	-	-	-	-	-	-
PROFIT/(LOSS) for the Year before tax	(2,847,186)	(4,110,263)	857,957	1,843,233	2,207,674	2,384,264	3,523,970	5,676,542	5,951,392	7,084,377
TAX (CHARGE)/CREDIT	969,563	1,060,838	(415,877)	(709,003)	(853,752)	(930,214)	(973,439)	(1,557,339)	(1,916,587)	(2,035,185)
NET PROFIT/(LOSS) AFTER TAX BEFORE FINANCE INCOME/COSTS	(1,877,623)	(3,049,425)	442,080	1,134,230	1,353,922	1,454,050	2,550,531	4,119,203	4,034,805	5,049,192
Finance Income	38,372	132,502	49,270	190,778	485,238	390,291	88,929	153,343	177,380	171,477
Finance Costs	(76,744)	(36,975)	(31,613)	(52,805)	(192,999)	(123,934)	(872,660)	(1,045,522)	(493,885)	(999,173)
Preference dividends (gross)	(1,930)	(1,930)	(1,930)	(1,930)	(1,930)	(1,930)	(1,930)	(1,930)	(1,930)	(1,930)
NET PROFIT/(LOSS) ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	(1,917,925)	(2,955,828)	457,807	1,270,273	1,644,231	1,718,477	1,764,870	3,225,094	3,716,370	4,219,566
ORDINARY DIVIDENDS (gross)	-	-	-	(118,692)	(118,692)	(237,384)	(316,512)	(633,024)	(633,024)	(780,587)
RETAINED PROFIT/(LOSS) FOR THE YEAR FUNDS GENERATED FROM OPERATIONS	(1,917,925)	(2,955,828)	457,807	1,151,581	1,525,539	1,481,093	1,448,358	2,592,070	3,083,346	3,438,979
Profit/(Loss) for the year after dividends	(1,917,925)	(2,955,828)	457,807	1,151,581	1,525,539	1,481,093	1,448,358	2,592,070	3,083,346	3,438,979
Depreciation	1,101,236	1,569,572	1,518,396	1,436,716	1,382,910	1,513,506	1,749,764	2,154,357	2,807,111	3,847,007
	(778,317)	(1,386,256)	1,976,203	2,588,297	2,908,449	2,994,599	3,198,122	4,746,427	5,890,457	7,285,986
CAPITAL EMPLOYED										
Fixed Assets less depreciation	19,357,165	19,011,871	20,599,403	20,856,199	22,416,459	28,147,019	38,925,317	49,974,859	64,310,486	83,298,047
Prepaid leases on land	132,257	132,202	132,147	132,092	132,037	131,981	131,926	131,874	131,819	131,764
Investment	4,300	4,300	4,300	4,300	4,300	4,300	-	-	-	-
Other non current assets	187,500	325,262	351,886	340,684	-	-	-	200,000	-	1,298,506
Net current assets/(Liabilities)	1,319,233	(1,972,253)	1,139,351	2,969,063	3,816,718	1,192,560	2,237,136	2,702,009	1,736,355	4,780,069
	21,000,455	17,501,382	22,227,087	24,302,338	26,369,514	29,475,860	41,294,379	53,008,742	66,178,660	89,508,386
FINANCED BY										
Ordinary shareholders' equity	3,516,168	997,475	1,591,969	2,998,929	4,661,155	6,350,150	7,982,672	9,700,722	11,593,536	39,743,063
Non cumulative preference shares	-	-	15,899,250	15,899,250	15,899,250	15,899,250	15,899,250	17,147,341	17,147,341	-
Cumulative preference shares	43,000	43,000	43,000	43,000	43,000	43,000	43,000	43,000	43,000	43,000
borrowings	5,049,326	5,494,863	3,769,347	3,248,936	2,701,722	2,683,117	11,368,208	11,545,014	13,113,434	19,757,132
Deferred tax	(110,389)	(1,803,024)	(1,523,834)	(951,518)	(234,442)	559,085	1,395,837	2,701,965	4,481,865	6,363,762
Non current liability	12,502,350	12,769,068	2,447,355	3,063,741	3,298,829	3,941,258	4,605,412	11,870,700	19,799,484	23,601,429
	21,000,455	17,501,382	22,227,087	24,302,338	26,369,514	29,475,860	41,294,379	53,008,742	66,178,660	89,508,386
CAPITAL EXPENDITURE	1,959,535	1,231,937	3,111,203	1,846,965	2,979,564	7,463,425	12,642,311	12,734,937	17,526,909	20,839,330
Average cost of units sold (cents)	856	736	584	644.64	736.95	748.50	754.88	1,171.13	1,287.63	1,096.24
Profit/(Loss) for the year before taxation as a percentage of average capital employed	-13.56%	-23.49%	3.86%	7.58%	8.37%	8.09%	8.53%	10.71%	8.99%	7.91%
ORDINARY DIVIDENDS RATES	0%	0%	0%	7.50%	7.50%	10%	20%	40%	40%	18%
Earnings per share	(23.75)	(38.56)	5.79	16.05	20.78	21.72	22.30	40.76	3.00	3.41
Customers / employees ratio	98.25	107.98	110.62	119.93	129.00	144.00	159.03	180.64	201.08	205.24
Sales (KWh) per employee	537,444	582,868	633,848	687,602	716,543	752,930	762,148	738,703	734,304	680,774

Ten Year Financial and Statistical Records

TABLE 1 : POWER SYSTEM OPERATION STATISTICS FOR 6 YEARS

COMPANY	Capacity (MW) as at 30.06.2011		Energy Purchased in GWh					
	Installed	Effective ¹	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
KenGen								
<i>Hydro</i>								
Tana	20.0	8.8	56	68	64	44	29	50
Kamburu	94.2	90.0	399	464	489	348	244	408
Gitaru	225.0	216.0	795	945	977	655	457	802
Kindaruma	40.0	40.0	190	215	239	157	111	191
Masinga	40.0	40.0	170	183	230	128	61	201
Kiambere	164.0	164.0	852	973	937	614	546	899
Turkwel	106.0	105.0	520	372	341	524	335	455
Sondu Miriu	60.0	60.0	0	0	150	333	340	364
Small Hydros	13.7	10.9	43	57	60	46	46	57
Hydro Total	763	735	3,025	3,277	3,488	2,849	2,170	3,427
<i>Thermal</i>								
Kipevu I Diesel	75.0	60.0	399	326	295	376	316	223
Kipevu III Diesel	115.0	115.0	0	0	0	0	0	268
Fiat - Nairobi South	0.0	0.0	18	4	7	9	0	0
Embakasi Gas Turbines	60.0	0.0	194	75	88	184	145	1
Garissa & Lamu - off grid	8.9	7.1	15	16	18	17	19	23
Thermal Total	259	182	626	421	408	587	481	514
<i>Geothermal</i>								
Olkaria I	45.0	43.3	324	360	359	368	366	235
Olkaria II	105.0	99.3	562	540	564	535	573	846
Geothermal Total	150	143	886	900	922	903	939	1,081
Wind Ngong	5.3	5.1	0.4	0.2	0.2	0.3	16.3	17.7
KenGen Total	1,177	1,064	4,538	4,599	4,818	4,339	3,606	5,040
<i>Government of Kenya (Rural Electrification Programme)</i>								
Off-grid Thermal Stations	9.1	7.8	11	12	14	16	19	21
<i>Independent Power Producers (IPP) - Thermal, Geothermal & Hydro</i>								
Iberafrica Power	108.5	108.5	408	321	306	344	621	722
Tsavo Power	74.0	74.0	570	547	556	566	495	368
Mumias - Cogeneration	26.0	26.0	9	4	9	4	99	87
OrPower 4 - Geothermal	48.0	48.0	117	112	98	276	400	372
Rabai Power	90.0	90.0	-	-	-	-	318	394
Imenti Tea Factory (Hydro Feed-in-Plant)	0.3	0.3	-	-	-	-	0.3	0.4
IPP Total	347	347	1,103	948	970	1,189	1,933	1,945

Statistical Information

TABLE 1 : POWER SYSTEM OPERATION STATISTICS FOR 6 YEARS (continued)

COMPANY	Capacity (MW) as at 30.06.2011		Energy Purchased in GWh						
	Installed	Effective ¹	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	
Emergency Power Producers(EPP)²									
EPP Total	60	60	30	561	556	914	1,096	267	
<i>Imports</i>									
UETCL			15	13	25	29	37	30	
TANESCO			0.4	0.5	1.0	1.2	1.1	0.9	
Total Imports			15	13	26	30	38	31	
SYSTEM TOTAL	1,593	1,479	5,697	6,169	6,385	6,489	6,692	7,303	
SUMMARY OF KEY STATISTICS									
SALES⁴	- KPLC System (GWh)		4,391	4,771	5,036	5,155	5,318	5,785	
	- REP System (GWh)		165	221	240	250	279	307	
	- Export to Uganda (GWh)		24	73	46	27	26	30	
	- Export to Tanesco (GWh)						1	1	
TOTAL SALES (GWh)			4,580	5,065	5,322	5,432	5,624	6,123	
System Losses (GWh) ³			1,117	1,104	1,062	1,057	1,068	1,180	
System Peak Demand (MW) ⁴			920	987	1,044	1,072	1,107	1,194	
System Load Factor			70.9%	71.5%	69.5%	69.1%	68.8%	69.4%	
Sales % of Energy Purchased			80.4%	82.1%	83.4%	83.7%	84.0%	69.6%	
Losses as % of Energy Purchased			19.6%	17.9%	16.6%	16.3%	16.0%	16.2%	
Annual Growth: - Energy Purchased			6.6%	8.3%	3.5%	1.6%	3.1%	9.1%	
			- KPLC Sales	4.5%	8.7%	5.6%	2.4%	3.2%	8.8%
			- REP Sales	0.6%	33.9%	8.6%	4.2%	11.6%	10.1%

Notes:

- 1) Contracted output from the station under normal operating conditions.
- 2) Aggreko's capacity had been reduced to 60MW due to improved hydrology.
- 3) System losses comprise of technical and non-technical losses.
- 4) The Demand shown includes export demand.

Statistical Information

TABLE 2: REGIONAL MAXIMUM DEMAND (MW)

REGION	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Nairobi	481	522	548	568	588	623
Coast	164	179	180	199	195	220
West	178	195	212	217	246	233
Mt. Kenya	90	100	113	118	113	114
TOTAL SYSTEM (SIMULTANEOUS)	920	987	1,044	1,072	1,107	1,194
% INCREASE P.A.	2.3%	7.3%	5.7%	2.7%	3.2%	7.9%

TABLE 3: KPLC SALES IN GWh BY CUSTOMER CATEGORY*

TARIFF	TYPES OF CUSTOMERS COVERED BY THIS TARIFF	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
DC	Domestic	1,028	1,113	1,255	1,254	1,290	1,424
SC	Small Commercial	522	558	590	823	823	904
B	Commercial (Medium) and Industrial (Medium)	901	985	996	n/a	n/a	n/a
C	Commercial (Large) and Industrial (Large)	1,877	2,054	2,108	n/a	n/a	n/a
CI	Commercial and Industrial				3,020	3,153	3,401
IT	Off-peak	54	50	74	43	36	38
SL	Street lighting	9	11	13	15	16	18
	TOTAL	4,391	4,771	5,036	5,155	5,318	5,785
	% INCREASE P.A.	4.5%	8.7%	5.6%	2.4%	3.2%	8.8%

*Due to the tariff categories review with effect from July 2008, the sales have been reviewed accordingly to reflect the changes.

TABLE 4: TOTAL UNIT SALES BY REGION IN GWh

REGION	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Nairobi	2,371	2,595	2,782	2,898	3,014	3,268
Coast	844	908	929	979	1,027	1,118
West	805	872	902	867	853	932
Mt. Kenya	371	396	423	411	424	467
KPLC Sales	4,391	4,771	5,036	5,155	5,318	5,785
R.E.P. Schemes	165	221	240	250	279	307
Export Sales**	24	73	46	27	27	31
TOTAL	4,580	5,065	5,322	5,432	5,624	6,123
%INCREASE P.A.	4.6%	10.6%	5.1%	2.1%	3.5%	8.9%

** Exports from 2007/08 were to Uganda from Aggreko via KPLC.

Statistical Information

TABLE 5: REGIONAL SALE OF ELECTRICITY IN GWh FOR CATEGORY "DC" DOMESTIC LOAD

REGION	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Nairobi	666	719	808	800	804	888
Coast	178	194	214	214	227	246
West	122	132	152	156	167	184
Mt. Kenya	62	68	81	84	92	105
TOTAL	1,028	1,113	1,255	1,254	1,290	1,424
% INCREASE P.A.	7.6%	8.3%	12.8%	-0.1%	2.9%	10.4%

TABLE 6: REGIONAL SALE OF ELECTRICITY IN GWh FOR CATEGORY "SC" SMALL COMMERCIAL LOAD

REGION	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Nairobi	244	263	271	400	402	435
Coast	79	85	91	127	132	139
West	126	134	143	187	183	209
Mt. Kenya	73	76	85	109	106	122
TOTAL	522	558	590	823	823	904
% INCREASE P.A.	-0.1%	6.9%	5.7%	39.5%	-0.1%	9.9%

TABLE 7: REGIONAL SALE OF ELECTRICITY IN GWh FOR CATEGORY "B0" IRRIGATION LOAD

REGION	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Nairobi	7.0	6.8	5.5	0	0	0
Coast	0.4	0.3	0.3	0	0	0
West	18.0	17.7	15.7	0	0	0
Mt. Kenya	22.0	17.5	15.9	0	0	0
TOTAL	47	42	37	0	0	0
% INCREASE P.A.	24.5%	-10.8%	-11.6%	0	0	0

TABLE 8: REGIONAL SALE OF ELECTRICITY IN GWh FOR CATEGORY "B1" MEDIUM COMMERCIAL AND INDUSTRIAL LOAD(240V/415V)

REGION	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Nairobi	472	524	536	0	0	0
Coast	129	139	139	0	0	0
West	159	173	175	0	0	0
Mt. Kenya	69	74	78	0	0	0
TOTAL	829	910	928	0.0	0.0	0.0
% INCREASE P.A.	2.2%	9.8%	2.0%	0.0	0.0	0.0

Statistical Information

TABLE 9: REGIONAL SALE OF ELECTRICITY IN GWh FOR CATEGORY "B2" MEDIUM COMMERCIAL AND INDUSTRIAL LOAD (11kV/33kV)

REGION	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Nairobi	13	20.8	12.5	0	0	0
Coast	5	5.5	12.8	0	0	0
West	3	3.8	3.0	0	0	0
Mt. Kenya	3	2.6	2.2	0	0	0
TOTAL	24	32.7	30.5	0.0	0.0	0.0
% INCREASE P.A.	-12.1%	36.3%	-6.7%	0.0	0.0	0.0

TABLE 10: REGIONAL SALE OF ELECTRICITY IN GWh FOR CATEGORY "B3" MEDIUM COMMERCIAL AND INDUSTRIAL LOAD (66kV/132kV)

REGION	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Nairobi	1	0.03	0.00	0	0	0
Coast	0	0.02	0.20	0	0	0
West	0	0	0	0	0	0
Mt. Kenya	0	0	0	0	0	0
TOTAL	1.0	0.05	0.20	0.0	0.0	0.0
% INCREASE P.A.	-48.8%	-95.0%	300.0%	0.0	0.0	0.0

TABLE 11: REGIONAL SALE OF ELECTRICITY IN GWh FOR CATEGORY "C1" LARGE COMMERCIAL AND INDUSTRIAL LOAD (415V)

REGION	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Nairobi	271	283	293	757	752	760
Coast	106	109	105	214	218	223
West	123	147	143	312	333	334
Mt. Kenya	94	104	102	160	166	174
TOTAL	594	643	643	1,443	1,469	1,492
% INCREASE P.A.	3.9%	8.2%	0.0%	124.5%	1.8%	1.6%

TABLE 12: REGIONAL SALE OF ELECTRICITY IN GWh CATEGORY "C2" LARGE COMMERCIAL AND INDUSTRIAL LOAD (11kV)

REGION	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Nairobi	0	0	0	598	652	736
Coast	0	0	0	182	192	197
West	0	0	0	99	102	108
Mt. Kenya	0	0	0	52	58	63
TOTAL	0.0	0.0	0.0	931	1,003	1,104
% INCREASE P.A.	0.0%	0.0%	0.0%	100.0%	7.8%	10.0%

Statistical Information

TABLE 13: REGIONAL SALE OF ELECTRICITY IN GWh CATEGORY "C3" LARGE COMMERCIAL AND INDUSTRIAL LOAD (33kV)

REGION	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Nairobi	0	0	0	0	3	4
Coast	0	0	0	149	147	170
West	0	0	0	64	65	84
Mt. Kenya	0	0	0	3	1	0
TOTAL	0.0	0.0	0.0	216	215	258
% INCREASE P.A.	0.0%	0.0%	0.0%	100.0%	-0.4%	19.9%

TABLE 14: REGIONAL SALE OF ELECTRICITY IN GWh CATEGORY "C4" LARGE COMMERCIAL AND INDUSTRIAL LOAD (66kV)

REGION	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Nairobi	0	0	0	272	326	368
Coast	0	0	0	0	0	0
West	0	0	0	0	0	0
Mt. Kenya	0	0	0	0	0	0
TOTAL	0.0	0.0	0.0	272	326	368
% INCREASE P.A.	0.0%	0.0%	0.0%	100.0%	19.7%	12.9%

TABLE 15: REGIONAL SALE OF ELECTRICITY IN GWh CATEGORY "C5" LARGE COMMERCIAL AND INDUSTRIAL LOAD (132kV)

REGION	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Nairobi	0	0	0	20	31	30
Coast	0	0	0	90	106	139
West	0	0	0	48	2	10
Mt. Kenya	0	0	0	0	0	0
TOTAL	0.0	0.0	0.0	158	140	179
% INCREASE P.A.	0.0%	0.0%	0.0%	100.0%	-11.5%	28.1%

TABLE 16: REGIONAL SALE OF ELECTRICITY IN GWh FOR CATEGORY "IT" OFF- PEAK LOAD

REGION	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Nairobi	51.0	47	60	40	34	36
Coast	1	1	5	0	1	1
West	1	1	5	1	1	1
Mt. Kenya	1	1	4	1	1	1
TOTAL	54	50	74	42	37	38
% Increase P.A.	1.0%	-7.8%	48.7%	-43.2%	-14.5%	6.2%

Statistical Information

TABLE 17: REGIONAL SALE OF ELECTRICITY IN GWh FOR CATEGORY "SL" STREET LIGHTING

REGION	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Nairobi	7.0	8.5	10.0	11.2	11.4	12.2
Coast	0.6	0.9	1.3	2.2	2.8	3.1
West	0.9	1.0	0.8	1.0	1.3	1.3
Mt. Kenya	0.7	0.7	0.9	1.0	1.1	1.2
TOTAL	9.2	11.1	13.0	15.4	16.6	17.7
% Increase P.A.	18.9%	20.7%	17.1%	18.5%	7.8%	6.6%

TABLE 18: REGIONAL SALES OF ELECTRICITY IN GWh FOR R.E.P. SCHEMES

REGION	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Nairobi	32	42	47.7	52.0	55.3	62.6
Coast	9	14	14.5	16.0	18.3	20.9
West	85	113	120.7	125.0	134.8	153.1
Mt. Kenya	39	52	57.1	57.1	70.5	70.4
TOTAL	165	221	240.0	250.1	278.9	307.1
% Increase P.A.	0.8%	33.9%	8.6%	4.2%	11.5%	10.1%

TABLE 19: NUMBER OF CUSTOMERS BY REGION

REGION	AS AT 30th JUNE					
	2006	2007	2008	2009	2010	2011
Nairobi	388,202	445,595	505,414	595,010	669,128	814,251
Coast	98,790	109,645	121,864	139,245	157,731	178,095
West	130,044	149,606	168,608	200,266	235,291	275,033
Mt. Kenya	74,489	86,436	103,143	127,390	150,433	176,682
KPLC Customers	691,525	791,282	899,029	1,061,911	1,212,583	1,444,061
R.E.P. Customers	110,724	133,047	161,354	205,287	251,056	309,287
TOTAL	802,249	924,329	1,060,383	1,267,198	1,463,639	1,753,348
% Increase P.A.	9.1%	15.2%	14.7%	19.5%	15.5%	19.8%

Statistical Information

TABLE 20: NUMBER OF CUSTOMERS BY TARIFF CATEGORY

TARIFF	MAIN TYPE OF CUSTOMERS COVERED BY THIS TARIFF	AS AT 30TH JUNE					
		2006	2007	2008	2009	2010	2011
DC only	Domestic KPLC REP	534,743 72,794	626,099 91,672	724,283 114,820	873,764 150,964	1,017,266 189,850	1,239,873 237,602
DC & IT	Domestic KPLC REP	52,338 338	54,284 358	55,573 367	57,678 1,002	54,076 949	46,437 872
SC only	Small Commercial KPLC REP	97,236 37,412	103,617 40,752	111,446 46,010	124,251 53,185	134,601 60,008	150,687 70,552
SC & IT	Small Commercial KPLC REP	1,146 75	1,150 185	1,149 71	1,167 72	1,248 178	1,266 171
B0	Irrigation Load KPLC REP	225 2	213 3	196 3	0 0	0 0	0 0
B1	Medium Commercial and Industrial KPLC REP	3,291 78	3,208 53	3,412 55	0 0	0 0	0 0
B2	Medium Commercial and Industrial KPLC	68	65	68	0	0	0
B3	Medium Commercial and Industrial KPLC	2	2	4	0	0	0
CI1	Large Commercial KPLC REP	305 1	317 2	321 2	2,250 37	2,373 43	2,457 41
CI2	Large Commercial and Industrial KPLC	155	168	177	233	255	277
CI3	Large Commercial and Industrial KPLC	18	18	16	23	26	29
CI4	Large Commercial and Industrial KPLC	1	1	1	14	16	19
CI5	Large Commercial and Industrial KPLC	1	1	1	13	15	21
IT only	Off-peak KPLC REP	705 10	677 8	659 9	631 9	622 8	566 8
SL	Street lighting KPLC REP	1,291 14	1,462 14	1,723 17	1,887 18	2,085 20	2,429 41
	TOTAL (KPLC)	691,525	791,282	899,029	1,061,911	1,212,583	1,444,061
	TOTAL (R.E.P.)	110,724	133,047	161,354	205,287	251,056	309,287
	GROSS TOTAL	802,249	924,329	1,060,383	1,267,198	1,463,639	1,753,348
	% INCREASE P.A.	9.1%	15.2%	14.7%	19.5%	15.5%	19.8%

Statistical Information

TABLE 21: REVENUE (KSHS 'MLLION) BY CUSTOMER CATEGORY

TARIFF	MAIN TYPE OF CUSTOMERS COVERED BY THIS TARIFF	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
DC SC	Domestic Small commercial and small industrial	8,092 4,650	9,718 5,858	10,867 6,481	16,493 12,078	17,696 17,974	19,012 15,228
B (Old Tariff)	Commercial and industrial (medium)	7,338	7,607	8,054	0	0	0
C (Old Tariff)	Commercial (large) Industrial (large)	13,294	14,225	14,810	0	0	0
CI	Commercial Industrial	0	0	0	36,014	36,603	34,573
IT	Off-peak	320	298	442	314	263	9
SL	Street Lighting	95	132	198	271	415	576
	TOTAL	33,789	37,838	40,852	65,170	72,951	69,398
	Export*	178	106	-51	38	216	331
	TOTAL KPLC	33,967	37,944	40,801	65,208	73,167	69,729
	R.E.P.	1,538	1,721	2,064	4,337	4,277	4,324
	TOTAL REVENUE**	35,505	39,665	42,865	69,545	77,444	74,053
	%INCREASE P.A.	19.8%	11.7%	8.1%	62.2%	16.3%	-8.4%

* In 2007/08, KPLC had no export revenues from UETCL. Exports to UETCL were from Aggreko plants through the KPLC System.

** Revenue reduction in 2010/2011 compared to 2009/2010 is attributed to reduced revenue from Fuel Cost Charge.

TABLE 22: STAFF ANALYSIS

	AS AT 30th JUNE					
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Number of Staff in Each Region	698	736	894	1,131	1,205	1,203
Central Office	2,405	2,438	2,387	2,329	2,378	2,742
Nairobi	743	755	776	808	839	996
Coast	1,543	1,613	1,728	1,803	1,871	2,303
West	813	857	883	944	986	1,299
Mt Kenya						
Total Number of Staff***	6,202	6,399	6,668	7,015	7,279	8,543
% INCREASE P.A.	1.2%	3.2%	4.2%	5.2%	3.8%	17.4%
Gender:						
Male	5,056	5,158	5,351	5,565	5,774	6,856
Female	1,146	1,241	1,317	1,450	1,505	1,687
Ratio- Male/Female	4.0	4.0	4.1	3.8	3.8	4.1

*** All staff employed in the organization are Kenyan Citizens.

Statistical Information

TABLE 23: TRANSMISSION AND DISTRIBUTION LINES, CIRCUIT LENGTH IN KILOMETERS

VOLTAGE	AS AT 30th JUNE					
	2006	2007	2008	2009	2010	2011
220 kV	1,323	1,323	1,323	1,331	1,331	1,331
132 kV	2,035	2,085	2,085	2,112	2,211	2,343
66 kV	630	632	632	649	655	655
40 kV	58	29	29	29	0	0
33 kV	7,826	11,163	12,633	13,031	13,812	15,271
11 kV	18,532	21,918	23,573	24,334	25,485	26,250
TOTAL	30,404	37,149	40,274	41,486	43,494	45,850
% INCREASE P.A.	11.0%	22.2%	8.4%	3.0%	4.8%	5.4%

TABLE 24: TRANSFORMERS IN SERVICE, TOTAL INSTALLED CAPACITY IN MVA

	AS AT 30th JUNE					
	2006	2007	2008	2009	2010	2011
Generation Substations						
11/220kV	472	472	472	544	544	544
11/132kV	675	675	675	694	694	889
11/66kV	146	146	183	121	121	171
11/33kV	279	280	280	238	238	238
11/40kV	5	5	5	0	0	0
3.3/11/40kV	8	10	10	0	0	0
3.3/40kV	4	4	4	0	0	0
3.3/33kV	4	4	4	4	4	4
TOTAL	1,593	1,596	1,633	1,601	1,601	1,846
Transmission Substations						
132/220kV	620	620	620	620	620	620
220/132kV	730	730	730	730	730	730
220/66kV	360	360	360	360	360	450
132/66kV	375	375	375	375	375	375
132/33kV	621	629	652	687	756	779
TOTAL	2,706	2,714	2,737	2,772	2,841	2,954
Distribution Substations						
66/11kV	966	1,058	1,114	1,206	1,206	1,206
66/33kV	77	77	77	77	90	90
40/11kV	11	11	11	11	11	11
33/11kV	666	729	750	823	934	937
TOTAL	1,720	1,874	1,951	2,117	2,241	2,244
Distribution Transformers						
11/0.415kV and 33/0.415kV	3,271	3,515	4,138	4,307	4,688	5,069

