

**ANNUAL
REPORT AND
FINANCIAL
STATEMENTS
FOR THE
YEAR ENDED
30TH JUNE 2018**



Kenya Power



Lodwar, Turkana County

7:24 PM





ABOUT THIS REPORT

This is our report to shareholders for the trading period ended 30th June 2018 to be adopted at the 97th Annual General Meeting scheduled for 21st December 2018. The report is prepared under the direction of the Board of Directors who are accountable for veracity and completeness of its content.

Report Guidelines

In preparation of this report, the Board seeks to provide an objective view of the business performance and disclosure of any material matters for consideration by shareholders. The content development process is guided by legal and regulatory requirements including the Companies Act 2015, International Financial Reporting Standards (IFRS), Public Audit Act 2015, the Code of Corporate Governance for State Corporations (Mwongozo Code), the Capital Markets Act 485A including the Capital Markets Authority's Code of Corporate Governance Practices for Issuers of Securities to the Public 2015, Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations and Disclosures, as well as global best practice.

Scope of the Report

This report reviews our financial, operational, environmental, social and governance performance for the year 1st July 2017 to 30th June 2018. In addition, the report articulates our corporate governance framework and details of corporate social investment initiatives undertaken in the period.

Material Issues

Material issues are those that are likely to impact on our ability to achieve our goals and objectives and sustainability of our business. This report contains potential key matters that were identified through a broad range of processes, from engagement with our stakeholders to our own internal processes such as risk assessments and considering international trends. Material events up-to the date of approval have been incorporated in the report which include change of management in the Company.

Feedback

We appreciate your feedback on this report for improvement in future reporting. Please forward suggestions to integratedreport@kplc.co.ke

KUHUSU HII RIPOTI

Hii ni ripoti yetu kwa wenyehisa kwa kipindi cha kibiashara kilichomalizika Juni 30, 2018 ya kuidhinishwa katika Mkutano Mkuu wa Kila Mwaka wa 97 utakaofanyika Desemba 21, 2018. Ripoti hii inatayarishwa chini ya mwongozo wa Bodi ya Wakurugenzi ambao wanawajibika kwa uhalali na ukamilifu wa yale yaliyomo.

Mwongozo kuhusu Ripoti

Katika kuandaa ripoti hii, Bodi inalenga kutoa maelezo halisi kuhusu matokeo ya kibiashara na ufichuzi wa maelezo mengine muhimu kwa ukaguzi wa wenyehisa. Uandalizi wa ripoti hii unaongozwa na mahitaji ya kisheria na kiusimamizi ikiwa ni pamoja na Sheria ya Kampuni 2015, viwango vya International Financial Reporting Standards (IFRS), Sheria ya Uhasibu wa Umma 2015, Mwongozo wa Usimamizi wa Mashirika ya Serikali (Mwongozo Code), Sheria ya Masoko ya Mtaji 485A, ikiwemo Mwongozo wa Soko la Mtaji na Maswala ya Usimamizi kwa Watoao Hisa kwa Umma 2015, Masoko ya Mtaji (Hisa) (Toleo kwa Umma na Maelezo) Kanuni na Maelezo pamoja na viwango bora vya Kimataifa.

Upana wa Ripoti hii

Ripoti inachunguza utendakazi wetu wa kibiashara, kimazingira, kijamii na usimamizi kati ya Julai 1, 2017 na Juni 30, 2018. Isitoshe, ripoti inaeleza mwongozo wetu wa kampuni na miradi ya uwekezaji wetu katika jamii iliyofanywa katika kipindi hicho.

Masuala muhimu

Masuala muhimu ni yale ambayo yanaweza kuathiri uwezo wetu wa kuafikia malengo na shabaha yetu na uendelevu wa biashara yetu. Ripoti hii inaangazia yale tunayoamini kuwa masuala muhimu ambayo yalitambuliwa kupitia taratibu pana, kuanzia mazungumzo na washikadau wetu hadi taratibu zetu za ndani kama vile tathmini ya hatari zilizopo na kuzingatia mikondo ya kimataifa. Matukio muhimu hadi wakati wa kuidhinisha ripoti yamejumuishwa kwenye ripoti yakiwemo mabadiliko katika usimamizi wa Kampuni.

Maoni

Tunathamini maoni yenu kuhusu ripoti hii kuiboresha zaidi katika siku za usoni. Tafadhali wasilisha mapendekezo kwa integratedreport@kplc.co.ke.

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OUR VISION

Energy solutions provider of choice.

By becoming the preferred energy solution for businesses and individuals, we empower our customers to achieve more and reach their full potential

OUR MISSION

**Powering people for better lives by innovatively
securing business sustainability.**

By striving to provide world-class products and services that delight our customers and transform lives as we ensure viability of our business.

CORE VALUES

We put our **customers first** as they matter most

We work together as **one team** to achieve our goals

We are **passionate** about powering the nation

We believe in **integrity** and delivering on our promises

We strive for **excellence** in all that we do

We are **accountable** to our customers and stakeholders

CORPORATE INFORMATION

DIRECTORS	Amb (Eng) Mahboub Maalim Mohamed	-	Chairman
	Eng. Jared Othieno	-	Acting Managing Director & CEO
	Mr. Adil Khawaja		
	Mr. Henry Rotich	-	Cabinet Secretary, National Treasury
	Dr. Eng. Joseph Njoroge	-	Principal Secretary, Ministry of Energy
	Mr. Wilson Kimutai Mugung'ei		
	Mr. Kairo Thuo		
	Mrs. Brenda Engomo Kokoi		
Hon. Zipporah Jesang Kering			
Mrs. Beatrice Gathirwa	-	Alternate Director to Cabinet Secretary, National Treasury	
Eng. Isaac Kiva	-	Alternate to Principal Secretary, Ministry of Energy	
SECRETARY	Imelda Bore Certified Public Secretary (Kenya) P.O. Box 30099 - 00100, Nairobi		
REGISTERED OFFICE	Stima Plaza Kolobot Road, Parklands P.O. Box 30099 - 00100, Nairobi		
BANKERS	Standard Chartered Bank Kenya Limited Harambee Avenue P.O. Box 20063- 00200, Nairobi	Citi NA Upper Hill Road P.O. Box 30711- 00100, Nairobi	
	Kenya Commercial Bank Limited Moi Avenue P.O. Box 30081 - 00100, Nairobi	Equity Bank Kenya Limited Hospital Road P.O. Box 75104 - 00100, Nairobi	
	The Co-operative Bank of Kenya Limited Stima Plaza P.O. Box 48231 - 00100, Nairobi	Commercial Bank of Africa Ragati Road P.O. Box 30437 - 00100, Nairobi	
	Stanbic Bank Limited Kenyatta Avenue P.O. Box 30550 - 00100, Nairobi	Barclays Bank of Kenya Plc Barclays West End P.O. Box 30120 - 00100, Nairobi	
PRINCIPAL AUDITOR	The Auditor-General Anniversary Towers P.O. Box 30084 - 00100, Nairobi		
DELEGATED AUDITOR	PricewaterhouseCoopers Certified Public Accountants (Kenya) PwC Tower Waiyaki Way/ Chiromo Road, Westlands P.O. Box 43963 - 00100, Nairobi		
PRINCIPAL LEGAL ADVISOR	Hamilton Harrison & Mathews Advocates Delta Office Suites, Waiyaki Way P.O. Box 30333 - 00100, Nairobi		



INCREASED CAPACITY 12.75 MW
 of new generation capacity installed during the year. Installed capacity **2,351 MW**



MORE CUSTOMERS CONNECTED
 Customers numbers grew by **578,808** from **6,182,282** to **6,761,090**



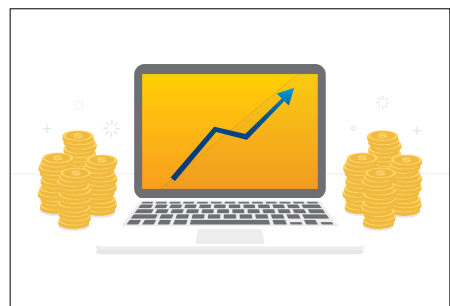
GROWING ELECTRICITY DEMAND
 Electricity peak demand grew by **8.8%** from **1,656 MW** to **1,802 MW**



GROWING ELECTRICITY SALES
 Electricity sales grew by **2.3%** from **8,272 GWh** to **8,459 GWh**



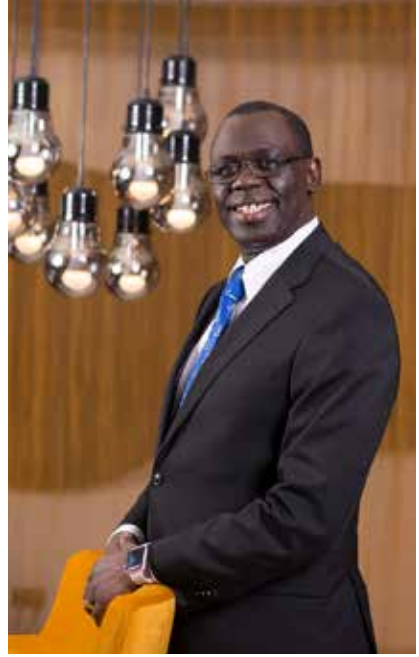
INCREASED REVENUE
 Basic electricity revenue grew from **Shs 92 billion** to **Shs 95.5 billion** a **3% Increase**



PROFIT BEFORE TAX
 Profit before tax reduced from **Shs 7,657 million** to **Shs 3,089 million**



Amb (Eng.) Mahboub Mohamed
BSc (Civ. Eng.), MSc (Civ. Eng.), R. Eng.
Chairman of the Board



Eng. Jared Othieno
BSc (Elec. Eng.), MBA (Strat. Mgmt.),
R. Eng., MIEK
Ag. Managing Director and CEO



Dr. Eng. Joseph Njoroge
CBS, PhD, MBA, BSc (Eng.), R. Cons.
Eng., C. Eng., MIET, FIEK
Principal Secretary, Ministry of Energy



Mr. Wilson Mugung'ei
BA (Math.), MBA



Mr. Kairo Thuo
LLB (Hons), CPA (K), CPA (T), ACII



Mrs. Brenda Kokoi
BA (Dev. Studies), Dip. Ed.



Hon. Zipporah Kering
B.Ed, Dip. Ed.



Mr. Adil Khawaja
LL.B (Hons), Dip. (Law)

BOARD OF DIRECTORS



Eng. Isaac Kiva, osw
BSc (Eng.), R. Eng., MIEK
Alternate Director, Ministry of Energy



Mrs. Beatrice Gathirwa
B.Com, MBA, CPA(K)
Alternate Director, the National Treasury



Imelda Bore
LL.B, LL.M, Dip(Law), H.Dip (HR),
CPS(K), AMCIArb
Ag. General Manager, Corporate Affairs
& Company Secretary

Not in picture:
Mr. Henry Rotich
B.A. (Econ.), MA (Econ.), MPA
Cabinet Secretary, The National Treasury

EXECUTIVE MANAGEMENT

Ag. Managing Director & CEO,
Eng. Jared Othieno
BSc (Elec. Eng.), MBA
(Strat. Mgnt.), R. Eng., MIEK



Ag. General Manager,
Business Strategy
Eng. Thagichu Kiiru
BSc (Elec. Eng.), MBA,
R. Eng., MIEK



Ag. General Manager,
Corporate Affairs &
Company Secretary
Imelda Bore
LL.B, LL.M, Dip(Law), H.Dip (HR),
CPS(K), AMCIArb



Ag. General Manager,
Infrastructure Development &
Network Management
Eng. David Mwaniki
BSc (Elec. Eng.), MBA, R. Eng.,
MIEK



Ag. General Manager,
Connectivity
Eng. Joseph Gathuru
BSc (Elec. Eng.), R. Eng., MIEK



Ag. General Manager,
Street Lighting
Eng. Peter Njenga
BSc (Elec. Eng.), MBA, R. Eng.



EXECUTIVE MANAGEMENT

Ag. General Manager,
Customer Service & Regional
Co-ordination
Eng. Aggrey Machasio
BSc. (Elec. Tech.), MIEK,
MIEEE



Ag. General Manager, ICT
Titus Kitavi
BSc., MSc (Info. Systems),
MSCE, OCP, CDCP, ITIL,
MitSMF, MCSK



Director, Kenya Power
International Ltd
Dr. Jeremiah Kiplagat,
BSc. (Appropriate Tech.),
MSc. (Tech.), Dip Eng., MET
PhD (Engineering)



General Manager,
Supply Chain
Bernard Ngugi
MCIPS, MKISM, CPA (K),
CPS (K), MBA (Finance),
B.Com (Accounting)



Ag. General Manager, Human
Resource & Administration
David Monandi
BA (Econ. & Sociology),
Higher Dip. (HRM), MIHRM



Ag. General Manager,
Finance
Ambrose Lamaon
B.Com(Accounting), MBA,
CPA(K)



General Manager,
Internal Audit
Charles Cheruiyot
B.Com (Accounting), MBA,
CIA (US), CPA (K)



REGIONAL MANAGERS

Regional Manager,
Nairobi North
Eng. Charles Mwaura



Ag. Regional Manager,
Nairobi South
Teresia Wanja



Regional Manager,
Nairobi West
Phineas Marete



Regional Manager,
Coast
Eng. Hezekiah Mwalwala



Regional Manager,
Central Rift
Eng. Geoffrey Muli



Regional Manager,
North Rift
Kimutai Bett



Ag. Regional Manager,
South Nyanza
John Guda



Regional Manager,
Western
Dan Obiero



Regional Manager,
North Eastern
Eng. Daniel Kamau



Regional Manager,
Mt. Kenya
Eng. Kenneth Chege





CHAIRMAN'S STATEMENT

Amb. (Eng.) Mahboub Mohamed
Chairman, Board of Directors

Dear Shareholders,

Kenya Power has over the years made progress towards providing safe, secure and reliable electricity for economic and social development. The Company strives to build on its heritage and wealth of experience to deliver quality service to our customers for business growth and improved shareholder value.



The year under review was however a challenging period for the Company. Various factors affected our operating environment adversely and overshadowed the positive developments in our business. Expressions of dissatisfied customers due to challenges in service delivery and subsequent negative media coverage were key among the factors that eroded the gains made in maintaining high stakeholder confidence. In addition, we faced an unprecedented event at the beginning of the current financial year, 2018-2019, when the entire top management team was arraigned in court and consequently suspended.

However, the Board of Directors acted promptly to mitigate these adversities and ensure business continuity despite the circumstances. Following the suspension of the top management team, the Board appointed a competent senior management team on 17th July 2018 to run the Company operations on interim basis. The newly appointed senior management team has the necessary skills, strengths, courage and enthusiasm to deliver on our mandate.

The Board approved a new organisational structure during the year for effective management and to drive strategy in the medium term. We will commence implementation of the new structure in the current financial year. Further, in accordance with the Leadership and Integrity Act, 2012, the Board has put in place policies and

MESSAGE FROM THE CHAIRMAN

programmes to enhance high standards of ethical behaviour across the Company.

We are committed to providing effective leadership in steering the Company towards achieving greater heights of prosperity. Every challenge presents an opportunity therefore, and this is the time to strengthen our foundations and purpose to meet the expectations of our stakeholders. Taking advantage of our market presence, knowledgeable workforce, strong brand and heritage, I am confident that we can transform Kenya Power into an energy solution provider of choice.

Business Environment

In 2017, the country's economy grew by 4.9 per cent compared to a revised growth of 5.9 per cent in 2016. The reduced economic performance was partly due to effects of prolonged electioneering period and adverse weather conditions.

During the year, the energy mix remained relatively stable despite a fairly reduced hydrology in the first half of the financial year. Contribution from geothermal sources increased to 47% of the total 10,702 GWh energy purchased compared to a contribution of 43.6% the previous year. This eased our overreliance on hydro power generation and mitigated increase in electricity costs by minimising dispatch of the expensive thermal power. System efficiency reduced from 81.1% to 79.5% largely due to leakages and pilferages in the expanded electricity network.

In view of prevailing circumstances during the period under review, our trading performance presented below was short of our expectations. Esteemed shareholders, allow me to present the Company's trading results for the year ended 30th June 2018, my first as the Chairman of the Board of Directors.

Business Performance

During the year electricity revenue grew by Shs 5,112 million from Shs 120,742 million reported in the previous year to Shs 125,854 million mainly due to rise in unit sales by 2.3% to 8,459 GWh from 8,272 GWh. This growth was attributed to increased consumption in the domestic consumer category as a result of increased number of customers.

The non -fuel power purchase costs excluding foreign exchange recovery increased to Shs 52,795 million from Shs 50,202 million the previous year, mainly attributable to an increase in units purchased from geothermal sources from 4,451 GWh to 5,053 GWh.

Fuel cost decreased from Shs 24,076 million the previous year to Shs 23,591 million due to improved energy mix following less utilisation of the more expensive thermal plants. The units generated from thermal plants increased marginally by 1.9 percent, from 2,165 GWh the previous year to 2,202 GWh.

Transmission and distribution costs increased by 14.1 percent from Shs 34,745 million incurred the previous year to Shs 39,628 million. The rise was attributed to higher debtors' provisions, depreciation expense due to increased capital investment and the rising cost of doing business.

Our capital asset base grew by 4.2 percent from Shs 262,348 million the previous year, to Shs 273,377 million. This growth was associated with new capital investments in the period aimed at improving quality of power supply, network expansion and accelerated connection of new customers.



Net Profit

The profit before tax reduced to Shs 3,089 million from a restated amount of Shs 7,657 reported in the previous period. This was mainly due to an increase in transmission and distribution cost, higher finance costs and effects of increased system losses.

Dividend

The Directors do not recommend payment of a dividend on ordinary shares for the year ended 30th June 2018.

Changes in the Board

Hon. Zipporah Kering and I, Amb. (Eng.) Mahboub Mohamed, were elected as directors of the Company on 1st December 2017, while Hon. Kenneth Marende ceased to be a director on the same day. I was elected Chairman of the Board of Directors on 9th January 2018.

Eng. Jared Othieno was appointed the Acting Managing Director and CEO of the Company on 17th July 2018 in place of Dr. Kenneth Tarus.

Alignment of Strategy

In the year under review, we revised our Five-Year Strategic Plan to align our Company to the changing business environment and meet the needs of customers and other stakeholders. The new strategy provides an adjusted roadmap in the medium term from 2018/19 to 2022/23.

OUR REVISED STRATEGY PROVIDES AN ADJUSTED ROADMAP IN THE MEDIUM TERM FROM 2018/19 TO 2022/23

The strategic plan was revised to strengthen the commercial aspects of our business, entrench a competitive mindset in our operations, develop a more customer centric culture and align our risk framework to the strategy. In addition, the revised strategic plan will safeguard our interests and support the Company's growth strategy and objectives in a competitive electricity distribution environment with the anticipated changes in the proposed Energy Bill.

Supporting the Big Four Agenda

Energy is an enabler to the realisation of the Government's Big Four Agenda, a development initiative mooted during the year which focuses on providing resources for projects that directly impact on the lives of Kenyans. The Company's role is to provide quality and reliable power to support manufacturing, healthcare, food security and housing sectors under the Big Four Agenda. Successful implementation of programmes under this development initiative will present prospects for business growth.

In Conclusion

The Board and Management will continue to work together to strengthen the Company's internal controls and enterprise risk management, promote a culture of integrity and strive for highest ethical business standards.

THE BOARD IS COMMITTED TO PROVIDING EFFECTIVE LEADERSHIP IN STEERING THE COMPANY TO GREATER HEIGHTS OF PROSPERITY

Our concerted efforts will certainly improve service delivery to our customers, grow shareholder value and be the energy solution provider of choice. As the Chairman of the Board, I am committed to providing leadership that espouses principles of good governance.

On behalf of the Board and Management, I wish to express our appreciation to shareholders, business partners and the Government for their support during the period. I also thank the Management and all employees who have continued to work diligently and exhibited resilience in challenging times. Lastly, I thank my fellow Board members and urge them to work zealously in the best interest of the Company.

Asanteni sana!



Amb. (Eng.) Mahboub Mohamed
Chairman, Board of Directors

UJUMBE KUTOKA KWA MWENYEKITI

Wenyehisa Wapendwa,

Kwa muda sasa, Kenya Power imepiga hatua katika kutoa umeme salama, thabiti nawa kutegemewa kwa ustawi wa kiuchumi na kijamii. Kampuni inajitolea kutumia urithi wake na uzoefu wa muda mrefu kutoa huduma za hali ya juu kwa wateja wetu kwa ustawi wa biashara na kuimarisha mapato ya wenyehisa.

Hata hivyo kipindi tunachoangazia kimekuwa kigumu kwa Kampuni. Mambo mbalimbali yaliathiri vibaya mazingira yetu ya kikazi na kufunika maendeleo muhimu katika biashara yetu. Malalamiko na kutofurahia kwa wateja wetu kutokana na changamoto katika utoaji huduma na taarifa zisizofaa kwenye vyombo vya habari ni kati ya mambo yaliyofifisha imani ya washikadau wetu. Isitoshe, tulikumbana na hali ya aina yake mwanzoni mwa kipindi cha sasa cha matumizi ya fedha cha 2018/2019, ambapo wasimamizi wote wakuu walishtakiwa na kusimamishwa kazi.

Hata hivyo, Bodi ya Wakurugenzi ilichukua hatua za haraka kupunguza madhara hayo na kuhakikisha biashara zetu zinaendelea licha ya hali hiyo. Kufuatia kusimamishwa kazi kwa maafisa wasimamizi, Bodi iliteua kundi la maafisa wakuu waliohitimu mnamo Julai 17, 2018 kuendesha shughuli za Kampuni kwa muda. Kundi jipya la wasimamizi lililoteuliwa lina ujuzi unaohitajika, tajiriba, ujasiri na msukumo wa kutimiza wajibu wetu.

Bodi iliidhinisha muundo mpya wa usimamizi katika mwaka uliomalizika kwa usimamizi bora na kutekeleza mkakati wetu kwa kipindi kifupi. Tutaanza kutekeleza muundo huo mpya katika kipindi cha sasa cha kifedha. Vile vile, kwa mujibu wa Sheria ya Usimamizi na Maadili 2012, Bodi imeratibu sera na mipango ya kuhakikisha uzingatiaji wa viwango vya juu vya maadili kote katika Kampuni.

Tunajitolea kutoa mwongozo ufao katika kuelekeza Kampuni kuafikia viwango vya juu vya ufanisi. Kila changamoto huambatana na fursa ya mafanikio, na hivyo, huu ndio wakati wa kuimarisha msingi wetu na kujiandaa kutimiza matarajio ya washikadau wetu. Kwa kutumia ipasavyo uwepo wetu kila mahali, wafanyakazi

walio na ujuzi, sifa na urithi wetu, nina imani kwamba tunaweza kubadilisha Kenya Power kuwa jawabu kwa mahitaji yote ya kawi nchini.

Mazingira ya Kibiashara

Mnamo 2017, uchumi wa nchi ulikua kwa asilimia 4.9 ikilinganishwa na asilimia 5.9 mnamo 2016. Kudidimia huko kulitokana, kwa kiwango fulani, na kampeni za muda mrefu za kisiasa na hali mbaya ya hewa.

Katika mwaka uliomalizika, mchanganyiko wa kawi ulikuwa sawa licha ya kupungua kwa viwango vya maji katika nusu ya kwanza ya kipindi cha matumizi ya fedha. Uzalishaji kutoka vyanzo vya umemejoto uliongezeka hadi asilimia 47 ya jumla ya GWh 10,702 ya umeme ulionunuliwa ikilinganishwa na asilimia 43.6 mwaka uliopita. Hii ilipunguza utegemeaji wa uzalishaji umeme kutokana na maji na kuzuia nyongeza ya gharama ya umeme na kupunguza matumizi ya umemejoto ghali. Ubora wa kimitambo ulipungua kutoka asilimia 81.1 hadi asilimia 79.5 kutokana na hasara na wizi wa stima katika mtandao mpana wa umeme.

Kutokana na hali iliyokuwepo katika kipindi cha kifedha kilichomalizika, matokeo ya kibiashara yanayoangaziwa hapa chini hayakuafikia matarajio yetu.

Wenyehisa wapendwa, niruhusu niwasilishe matokeo ya kibiashara ya Kampuni kwa mwaka uliomalizika Juni 30, 2018, yangu ya kwanza kama Mwenyekiti wa Bodi ya Wakurugenzi.

Matokeo ya Kibiashara

Katika mwaka uliomalizika, mapato kutokana na umeme yaliongezeka kwa Sh 5,112 milioni kutoka Sh 120,742 milioni zilizoripotiwa mwaka uliopita hadi Sh 125,854 milioni, hasa kutokana na kupanda kwa vipimo vya mauzo kwa asilimia 2.3 hadi GWh 8,459 kutoka GWh 8,272. Ukuaji huu ulitokana na matumizi zaidi katika kitengo cha watumiaji wa nyumbani kutokana na kuongezeka kwa idadi ya wateja.

Gharama za ununuzi zisizohusiana na mafuta bila kujumuisha mapato kutokana na ubadilishanaji fedha za kigeni iliongezeka hadi Sh 52,795 milioni kutoka Sh 50,202 milioni mwaka uliopita, hasa kutokana na kupanda kwa vipimo vilivyonunuliwa kutoka kwa vyanzo vya umememvuke kutoka GWh 4,451 hadi GWh 5,053.

Gharama ya mafuta ilipungua kutoka Sh 24,076 milioni mwaka uliotangulia hadi Sh 23,591 milioni kutokana na kuimarika kwa mchanganyiko wa vyanzo vya umeme na kupunguza matumizi ya viwanda ghali vya umemejoto. Vipimo vilivyotokana na viwanda vya umemejoto viliongezeka kwa kiasi kidogo kwa asilimia 1.9, kutoka GWh 2,165 mwaka uliopita hadi GWh 2,202.

Gharama za usafirishaji na usambazaji ziliongezeka kwa asilimia 14.1 kutoka Sh 34.745 milioni mwaka uliotangulia hadi Sh 39,628 milioni. Nyongeza hii ilitokana na madeni ambayo uwezekano wao wa kulipwa ulitiliwa shaka, gharama ya kudidimia kwa thamani ya vifaa kutokana na uwekezaji zaidi wa mtaji na kupanda kwa gharama ya kuendesha biashara.

Mtaji wa vifaa vyetu uliongezeka kwa asilimia 4.2 kutoka Sh 262,348 milioni. Ukuaji huu na uwekezaji mpya wa mtaji katika kipindi hicho unalenga kuimarisha viwango vya usambazaji umeme, upanuzi wa mtandao na uunganishaji umeme wa haraka kwa wateja wapya.

Faida baada ya Ushuru

Faida kabla ya ushuru ilipungua hadi Sh 3,089 milioni kutoka kiwango kilichoripotiwa upya cha Sh 7,657 milioni katika kipindi kilichomalizika. Hii ilitokana hasa na gharama ya usafirishaji na usambazaji, gharama za juu za kifedha na athari za nyongeza ya hasara za kimitambo.

Mgao wa Faida

Wakurugenzi hawapendekezi malipo ya mgao wa faida kwa hisa za kawaida kwa mwaka uliomalizika Juni 30, 2018.

Mabadiliko katika Bodi

Mhe. Zipporah Kering na I. Balozi. (Eng.) Mahboub Mohamed, walichaguliwa kama Wakurugenzi wa Kampuni mnamo Desemba 1, 2017, ilhali Mhe. Kenneth Marende alikoma kuwa mkurugenzi siku hiyo. Nilichaguliwa Mwenyekiti wa Bodi mnamo Januari 9, 2018.

Eng. Jared Othieno aliteuliwa Kaimu Mkurugenzi Mkuu na Afisa Mkuu Mtendaji wa Kampuni mnamo Julai 17, 2018 mahali pa Dkt Kenneth Tarus.

Mabadiliko ya Mkakati

Katika mwaka uliomalizika, tulibadilisha Mkakati wetu wa Miaka Mitano kuufunganisha na mabadiliko ya hali ya kibiashara na kutimiza mahitaji ya wateja na washikadau wengine. Mkakati mpya unatoa mwelekeo tofauti katika

kipindi cha miaka michache ijayo kuanzia 2018/19 hadi 2022/23. Mkakati huo ulirekebisha ili kuimarisha maswala ya mapato ya biashara yetu, kudumisha maono ya ushindani katika utendakazi wetu, kuanzisha utamaduni unaokumbatia zaidi mahitaji ya wateja na kuambatanisha mfumo wetu wa kukabiliana na hatari na mkakati wetu. Isitoshe, mkakati uliorekebisha utalinda maslahi yetu na kusaidia mkakati wetu wa ukuaji na malengo yetu katika mazingira ya usambazaji umeme yenye ushindani mkubwa kutokana na mabadiliko yanayotarajiwa katika Sheria ya Kawi.

Kusaidia Ajenda Nne Kuu

Kawi hufanikisha utekelezaji wa Ajenda Nne Kuu za Serikali, mpango ulioanzishwa mwaka uliopita ambao unalenga kuelekeza rasilmali kwa miradi ambayo inaathiri moja kwa moja maisha ya Wakenya. Wajibu wa Kampuni ni kutoa umeme wa hali ya juu na wa kutegemewa kusaidia viwanda, afya, uzalishaji chakula cha kutosha na ujenzi wa makazi chini ya Ajenda Nne Kuu. Ufanisi katika utekelezaji wa mpango huu wa maendeleo utatoa nafasi za ukuaji wa biashara.

Hitimisho

Bodi na wasimamizi wataendelea kushirikiana kuimarisha vidhibiti hatari za kibiashara na usimamizi wa ndani, kukuza utamaduni wa

uadilifu na kujikakamua kuendesha biashara kwa kuzingatia viwango vya juu vya maadili kibiashara. Juhudi zetu za pamoja bila shaka zitaendelea kuimarisha utoaji huduma kwa wateja wetu, kuimarisha thamani kwa wenyehisa na kuwa msambazaji umeme wa kutegemewa. Kama mwenyekiti wa Bodi, ninajitolea kutoa mwongozo unaojikita katika maongozi bora.

Kwa niaba ya Bodi na Wasimamizi, ningependa kuwashukuru wenyehisa, washirika wa kibiashara na Serikali kwa kutuunga mkono katika kipindi hiki. Pia, nawashukuru wasimamizi na wafanyakazi wote ambao wameendelea kufanya kazi na kujikakamua katika mazingira magumu. Mwisho, nawashukuru wanachama wenzangu wa Bodi na kuwahimiza kuchapa kazi kwa nguvu kwa manufaa ya Kampuni.

Asanteni sana!



Balazi. (Eng.) Mahboub Mohamed
Mwenyekiti, Bodi ya Wakurugenzi



STATEMENT BY THE MANAGING DIRECTOR & CEO

Eng. Jared Othieno
Ag. Managing Director & CEO

STATEMENT BY THE MANAGING DIRECTOR & CEO

I am pleased to present a review of Kenya Power's key operational performance for the year ended 30th June 2018. The review also highlights our strategic priorities in the short and medium-term focusing on improving service to customers and ensuring sustainable business growth.

Our role as a national power utility is critical considering that electricity is an enabler and a key driver for economic and social development. In this regard, the Company made remarkable progress in the quest to enhance our network coverage and improve reliability of power supply to customers. Projects prioritised during the year included system expansion and network upgrade projects as well as the Government funded national public lighting project.

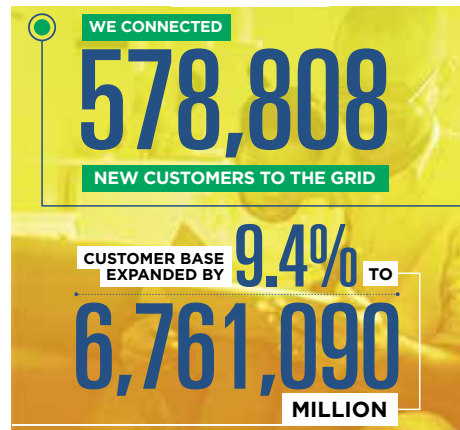
As a major step towards the entrenchment of a customer centric-culture, we rolled out the Feeder Based Business Units (FBBUs), a decentralised customer service model that channels resources to clustered electricity distribution feeder networks for effective service delivery. The FBBU network management approach is expected to entrench a preventive maintenance culture and thereby improving efficiency in our business operations. Towards this, the Company deployed technical and support staff to manage the currently established 148 feeder-based units.

THE FBBU NETWORK MANAGEMENT APPROACH ENTRENCHES A PREVENTIVE MAINTENANCE CULTURE AND IMPROVE EFFICIENCY IN OUR BUSINESS OPERATIONS

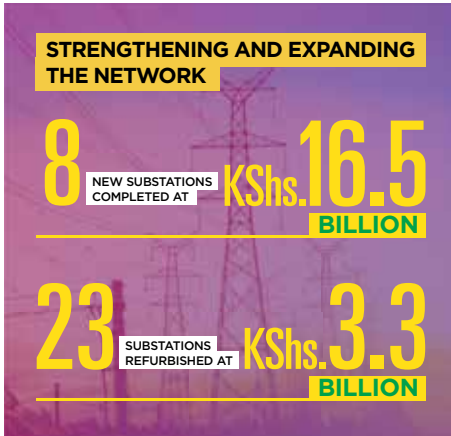
Despite our desire to sustain connectivity drive, improve system reliability and complete key projects, our operational performance during the year was affected by an unfavourable operating environment. Uncertainties associated with prolonged electioneering period affected economic activities and hence electricity consumption during the first half of the year. In the second half, we experienced dampened customer confidence due to challenges in service delivery.

Operational Performance

In the course of the year, we connected 578,808 new customers to the grid, growing the overall customer base by 9.4 percent to 6,761,090 million. This was largely achieved through the government funded Last Mile Connectivity Project. As a result, the national electricity access from both grid and off-grid solution as at end of June 2018 had risen to 73 percent compared to 29 percent five years ago. The connectivity drive is premised on our strategic goal to secure the power distribution and retail market and support the country's goal of providing electricity to all Kenyans which is an important ingredient for socio-economic transformation and development.



In the period, the Company completed 8 new substation projects worth Shs 16.5 billion and upgraded 23 others at a cost of Shs 3.3 billion to strengthen and expand the network for effective service delivery. The Company completed a 220/66/11kV, 400MVA Gas Insulated Substation (GIS) at Industrial area in Nairobi. This project was commissioned by the President in May 2018 and has provided more stability and enhanced network flexibility for improved electricity supply in the City. Another 132/33kV GIS substation at Kipevu in Mombasa was also commissioned during the period. The additional substations also provide much-needed capacity to meet growing demand in the two cities.



We take pride in the successful implementation of the National Public Lighting Programme that has visibly transformed our streets, marketplaces and neighbourhoods. The National Public Lighting Programme is funded by Government and implemented by the Company in partnership with county governments with the aim of creating an enabling environment for a 24-hour economy.

The benefits of street lighting pervade the functional use of lighting for security, safety and promotion of trade to encompass other gains such as environmental aesthetics, recreational activities and social interactions. Having installed 113,204 lanterns and floodlights spread across all counties in the last four years, we see great potential to further grow our revenue as we light up the unreached urban and rural townships.

Similarly, customers are central to our business sustainability. Customer satisfaction is a key driver in fostering brand loyalty which leads to business growth and long-term viability. Towards this end, we modernised the Stima Plaza and Electricity House banking halls in Nairobi and installed a Customer Journey Management System to enhance customer experience and efficient service delivery. In addition, we also renovated other service outlets in various parts of the country.

In today's diverse and highly dynamic business environment, it has become vital to tailor our communication and engagement programmes to effectively address the varied stakeholder needs. In this regard, we sustained mutually beneficial and strategic stakeholder interactions

throughout the year. These included participatory meetings and forums with investors, business partners, customer associations and the three arms of government. Some of the entities we engaged with during the period include the Kenya Association of Manufacturers, the Kenya Private Sector Alliance, the Kenya National Chamber of Commerce and Industry and several residents' associations.

In support of the Big Four Agenda initiative, we fast-tracked construction of several power lines serving major industrial and agricultural installations and connected 48 new high energy consuming customers requiring aggregate of 105MVA capacity in the year. We see more opportunities to grow our business with the rollout of the projects under this initiative. In particular, growth in manufacturing, food security and housing sectors would lead to increased business opportunities.

Our Commitment

As a matter of priority, the management team is focusing on provision of quality power supply by strengthening our electricity network and streamlining internal processes to improve customer experience and stakeholder confidence. We also aim to sustain our connectivity drive by fast tracking implementation of the ongoing Last Mile Connectivity Project to further entrench our market presence.

In addition, we have embarked on implementation of the Company's new corporate strategic plan which lays emphasis on improving employees' productivity; providing adequate, quality and reliable power supply; improving service delivery; and ensuring financial sustainability.



The strategy was formulated in cognisance of the dynamic business environment, technological advancements and the anticipated policy shift in the energy sector.

I am confident that we have the right initiatives and strategies in place to enable us realise our business goals.



Eng. Jared Othieno
Ag. Managing Director & CEO

TAARIFA YA MKURUGENZI MKUU NA AFISA MKUU MTENDAJI

Nina furaha kuwasilisha matokeo muhimu ya kibiashara ya Kenya Power kwa mwaka uliomalizika Juni 30, 2018. Uchunguzi huo pia unaangazia mipangilio yetu ya muda mfupi na ya siku za usoni katika kuboresha huduma kwa wateja na kuhakikisha ukuaji wa kutegemewa wa biashara.

Wajibu wetu kama shirika la kitaifa la umeme ni muhimu ikizingatiwa kuwa unawezesha ustawi wa kiuchumi na kijamii. Kutokana na hili, Kampuni ilipiga hatua kubwa katika harakati zake za kupanua mtandao wetu na kusambaza umeme kwa njia ya kutegemewa kwa wateja wetu. Miradi iliyopewa kipaumbele katika mwaka uliomalizika ni pamoja na upanuzi wa mitambo na ule wa kuinua mtandao wetu pamoja na mradi uliofadhiliwa na Serikali wa kusambaza umeme kwa umma.

Kama hatua kubwa ya kudumisha utamaduni wa kuweka wateja mbele kwanza, tulianzisha vitengo vidogo vya kibiashara maarufu kama Feeder Based Business Units (FBBUs), mfumo unaopeleka huduma karibu na mteja kwa kutumia raslimali katika maeneo ya watu wengi kuinua utoaji wa huduma.

Mbinu hii ya usimamizi ya FBBU inatarajiwa kudumisha utamaduni wa marekebisho ya mitambo kabla haijaharibika, na hivyo kuboresha utendakazi katika operesheni zetu. Kwa hilo, Kampuni ilipeleka wataalamu na wafanyakazi wasaidizi kusimamia vitengo vya sasa 148 vilivyopo.

Licha ya azimio letu kudumisha kampeni ya kusambazia raia umeme, kufanya mitambo kuwa ya kutegemewa na kumaliza miradi muhimu, utendakazi wetu katika mwaka uliomalizika uliathiriwa na mazingira yasiyofaa ya kibiashara.

Taharuki ya kisiasa ya muda mrefu iliathiri shughuli za kiuchumi na hivyo matumizi ya umeme katika nusu ya kwanza ya mwaka. Katika nusu ya pili ya mwaka, wateja wetu walitamauka kutokana na changamoto katika utoaji huduma zetu.

Matokeo ya kibiashara

Katika mwaka uliomalizika, tulisambazia umeme wateja wapya 578,808 na hivyo kuongeza jumla ya idadi ya wateja kwa asilimia 9.4 hadi milioni

6,761,090. Hii ilitokana hasa na mradi unaofadhiliwa na Serikali wa Last Mile Connectivity. Kutokana na hilo, idadi ya Wakenya kitaifa walio na umeme kufikia Juni 2018, iliongezeka hadi asilimia 73 ikilinganishwa na asilimia 29 miaka mitano iliyopita.

Kampeni yetu ya usambazaji umeme inajikita katika shabaha yetu kuu ya kuongoza katika usambazaji umeme na kudhibiti soko la uunganishaji raia na umeme na kufanikisha azima ya nchi kutoa umeme kwa Wakenya wote ambao ni kiungo muhimu kwa mabadiliko ya kiuchumi na kijamii na maendeleo.

Katika kipindi hicho, Kampuni ilikamilisha ujenzi wa vituo vidogo vipya 8 vya thamani ya Sh 16.5 bilioni na kukarabati vingine 23 kwa gharama ya Sh 3.3 bilioni kuimarisha na kupanua mtandao kwa utoaji huduma kwa njia ifaayo. Kampuni ilimalizia ujenzi wa kituo cha 220/66/11kV, 400MVA Gas Insulated Substation (GIS) katika eneo la Industrial Area, Nairobi.

Mradi huu ulizinduliwa na Rais mnamo Mei 2018 na umeleta utulivu zaidi na kutupa fursa ya marekebisho katika usambazaji umeme wa kutegemewa katika Jiji. Kituo kingine kidogo cha 132/33kV GIS katika Kipevu, Mombasa pia kilizinduliwa katika kipindi hicho. Vituo hivyo vipya pia vinaongeza uzalishaji, na hivyo kutosheleza mahitaji ya umeme katika miji hiyo miwili.

Tunajivunia utekelezaji uliofaulu wa Mpango wa Kitaifa wa Usambazaji Umeme ambao umebadilisha pakubwa sura ya mitaa yetu, masoko na makazi. Mpango huu wa Usambazaji Umeme Kitaifa unafadhiliwa na Serikali na kutekelezwa na Serikali kwa ushirikiano na serikali za kaunti kwa lengo la kutoa mazingira bora ya kuendesha uchumi kwa saa 24.

Manufaa ya kuweka taa barabarani yanahusisha usalama, kuendesha shughuli za kibiashara na kushirikisha manufaa mengine kama vile kurembesha mazingira, shughuli za burudani na utangamano wa kijamii.

Baada ya kuweka taa 113,204 na zile kubwa za barabarani katika kaunti zote katika miaka mine iliyopita, kuna matarajio makubwa ya kuongeza mapato yetu tunaposambaza umeme kwa wale wasio na umeme, na pia katika maeneo ya mashambani.

Vilevile, wateja ni muhimu katika uendelezaji wa biashara yetu. Utoshelezaji wa wateja ni nguzo muhimu katika kukuza Imani kwa Kampuni ambayo inachangia ukuaji wa biashara na hali ya baadaye ya Kampuni. Ili kuafikia hayo, tulifanya kumbi za malipo ya bili katika Stima Plaza na Electricity House kuwa za kisasa na kuweka mtambo wa kisasa maarufu kama Customer Journey Management System kutosheleza wateja na kutoa huduma kwa njia ifaayo. Pia, tulikarabati vituo vingine vya utoaji huduma katika sehemu tofauti za nchi.

Katika mazingira ya sasa ya kibiashara yanayobadilika, imekuwa muhimu kuunda mipango yetu ya mawasiliano na utangamano kwa namna ambayo itatuwezesha kushughulikia mahitaji mbalimbali ya washikadau. Hivyo basi, tulidumisha vikao vya kutangamana na washikadau katika mwaka uliomalizika. Hii ni pamoja na vikao vya majadiliano na majukwaa ya wenyehisa, washirika wa kibiashara, vyama vya wateja na nguzo tatu kuu za serikali.

Baadhi ya makundi tuliotangamana nayo ni pamoja na Kenya Association of Manufacturers, Kenya Private Sector Alliance, Kenya National Chamber of Commerce and Industry na vyama kadha vya mitaani.

Ili kuunga mkono mpango wa Ajenda Nne Kuu, tuliharakisha ujenzi wa laini kadha za umeme kuhudumia vifaa muhimu vya kiviwanda na kilimo na kuunganisha wateja 48 wapya wanaotumia jumla ya MVA105 katika mwaka uliomalizika. Tunaona nafasi zaidi za ukuaji wa biashara yetu tukianzisha miradi chini ya mpango huu. Hasa, ukuaji wa sekta za uzalishaji wa kiviwanda, ukuzaji chakula cha kutosha na nyumba utaongeza nafasi za kibiashara.

Kujitolea kwetu

Kama jambo la dharura, kundi la wasimamizi linalenga usambazaji umeme wa kiwango cha juu kwa kuimarisha mtandao wetu wa usambazaji umeme na kuboresha taratibu zetu za ndani kuimarisha huduma kwa wateja na imani ya washikadau. Tunalenga pia kudumisha kampeni ya usambazaji umeme kwa kuharakisha utekelezaji wa Mradi wa Last Mile Connectivity ili kupanua uwepo wetu sokoni.

Vile vile, tumeanza kutekeleza mkakati wetu mpya wa Kampuni ambao unatilia maanani zaidi utendakazi wa wafanyakazi, utoaji umeme wa kutosha, wa hali ya juu na kwa njia ya kutegemewa, kuimarisha utoaji huduma, na kuhakikisha tunajitegemea kifedha. Mkakati huo ulibuniwa kwa kuzingatia mazingira ya kibiashara yanayobadilika, maendeleo ya kiteknolojia na mabadiliko yanayotarajiwa katika sekta ya kawi.

Nina imani kwamba tuna mipango na mikakati bora itakayotuwezesha kuafikia malengo yetu ya kibiashara.



Mhandisi Jared Othieno
Kaimu Mkurugenzi Mkuu na
Afisa Mkuu Mtendaji



Nairobi City, Nairobi County

6:26 AM





OPERATIONAL PERFORMANCE

1. Strengthening and Expanding the Network

A strong and expansive electricity grid is crucial in providing quality service to our customers and the backbone in securing the power market for business sustainability. During the year, we completed projects worth Shs 20 billion in our quest to build a resilient, flexible and modern network. The projects included construction of 8 new substations, enhancement of capacities for 23 existing substations and building additional feed-out power lines from these substations.

The completed substations have expanded our installed capacity by 1,096 MVA bringing the total to 12,608 MVA as at end of the year. At the same time, capacity for secondary substations increased by 330 MVA to 7,606 MVA. As at end of June 2018, the grid was being served by 337 high and medium voltage substations; and 67,352 distribution transformers. Further, we extended our high and medium voltage power lines by additional 1,393 kilometres and 5,564 kilometres, bringing the total length to 6,252 kilometres and 74,644 kilometres respectively.

Commissioning of the Nairobi GIS substation

The ultra-modern Nairobi City Centre (220/66/11kV, 400 MVA) Gas Insulated Switchgear (GIS) substation funded by China Exim Bank was one of the new substations commissioned during the year. The Shs 13 billion project entailed construction of 31 kilometres of 66 kV underground power lines from the GIS substation to six substations located in Likoni Road, Muthurwa, City Square, Cathedral, Nairobi West and Parklands. It was implemented as part of the Kenya Electricity Modernisation Programme (KEMP) whose goals are to increase electricity access, improve reliability of electricity supply and, consequently, enhance our profitability. The GIS substation provides an alternative bulk supply point for Nairobi City, creating the much-needed flexibility for Nairobi and extra capacity to cater for the growing demand in Nairobi's downtown and the Upper Hill area.

New Substations for Network Resilience

The seven other new substations completed and commissioned during the period provide 333MVA additional transformation capacity. The substation projects were implemented under the network modernisation programme at a cost of Shs 3.5 billion as detailed in table below.

Summary of new substations completed:

No.	Project Name	Scope	Strategic/ Masterplan Objective	Capital Expenditure (Shs Million)	Capacity (MVA)
1.	Nairobi City Center GIS Substation	220/66/11kV Substation	Capacity enhancement, reliability and flexibility of Nairobi Region	13,000	400
2.	Likoni Road	66/11kV Substation	Load growth in Industrial Area and Eastleigh	521	90
3.	Awendo	132/33kV Substation	Capacity enhancement & reliability in Migori and Kisii counties	868	46

No.	Project Name	Scope	Strategic/ Masterplan Objective	Capital Expenditure (Shs Million)	Capacity (MVA)
4.	Mamlaka Road	66/11kV Substation	Capacity enhancement, reliability and flexibility of Nairobi West and CBD	674	46
5.	Kiu River (Kirigiti)	66/11kV Substation	Capacity enhancement, reliability and flexibility of Kiambu county	682	46
6.	Kibebetiet	33/11kV Substation	Capacity enhancement and reliability of supply to Nandi County	277	7.5
7.	Nyamira	33/11kV Substation	Capacity enhancement and reliability of supply to Nandi County	277	7.5
8.	Athi river	220/ 66kV substation	Capacity enhancement and reliability of supply to major industries - cement factories	217	90
Total				16,516	733

Enhancing Capacity for Existing Substations

The 23 upgraded substations provide additional transformation capacity of 362.5MVA and have enabled us increase capacity for growing demand and improve network flexibility. The upgrading works were carried out at a total cost of Shs 3.4 billion. These projects include modernisation of the Kipevu substation, the main power supply point for Mombasa, to a GIS substation.

Summary of upgraded substations:

No.	Projects/ Task Name	Scope	Strategic Objectives	Capital Expenditure (Shs Million)	Added Capacity (MVA/MVAr)
1.	Keroka 33/11kV substation	Uprate by 7.5 MVA and two feedouts.	Capacity enhancement in Kisii county	69	7.5
2.	Kieni 33/11kV substation	Uprate from 2.5 to 7.5 MVA	Capacity enhancement in Embu county	86	5
3.	Nyaga 33/11kV substation	Install a second 7.5 MVA and new control room	Capacity enhancement in Kiambu county	110	7.5

No.	Projects/ Task Name	Scope	Strategic Objectives	Capital Expenditure (Shs Million)	Added Capacity (MVA/MVAr)
4.	New Airport 66/11kV substation	Refurbish Control building and install new 11kV board	Improve reliability of supply to JKIA and KPC	23	0
5.	Thika 66/33/11kV substation	Install a second 23 MVA transformer	Capacity enhancement in Thika town	189	23
6.	Ikonge 33/11kV substation	Uprate from 5 MVA to 15 MVA and new control room	Capacity enhancement and improve quality of supply in Nyamira county	66	10
7.	Oloitoktok 33/11kV substation	Uprate from 2.5 to 5 MVA	Capacity enhancement in Kajiado county	75	2.5
8.	Narok 33/11kV substation	Uprate 5 to 7.5 MVA	Capacity enhancement in Narok and environs	113	2.5
9.	Njoro 33/11kV substation	Uprate from 7.5 to 15MVA and new control room	Capacity enhancement and improve quality of supply in Njoro and environs	94	7.5
10.	Malindi 33/11kV substation	New control room and install 11kv board.	Improve quality of supply in Kilifi county	102	0
11.	Migori 33/11kV substation	Uprate from 7.5 to 15 MVA and new control room	Capacity Enhancement & improve quality of supply in Migori town	33	7.5
12.	Olkaria I 132kV substation	Establish 132kv line bay	Flexibility and quality of supply	43	0
13.	Ruiru 66/33/11kV substation	Establish three 66kV incomer bays	Flexibility and quality of supply	32	0
14.	Nanyuki 132/33kV substation	Uprate from 23 to 46 MVA, install 21 MVAr capacitors and CBs	Capacity enhancement and improve quality of supply to Laikipia County	242	44

No.	Projects/ Task Name	Scope	Strategic Objectives	Capital Expenditure (Shs Million)	Added Capacity (MVA/MVAR)
15.	Kiganjo 132/33kV substation	Replace 23 MVA with correct vector group transformer, install 21 MVAR capacitors	Improve quality of supply to Nyeri and Kirinyaga counties	230	21
16.	Kisumu East 33/11kV substation	Uprate from 23 to 46 MVA transformer	Enhancing capacity in Kisumu city	41	23
17.	Meru 132/33kV substation	Install new reactor	Improve quality of supply to Meru and environs	153	7.5
18.	Musaga 132/33kV substation	Install new reactor	Improve quality of supply to Kakamega and environs	153	40
19.	Mtito Andei 132/33kV substation	Install new reactor	Improved quality of supply to Mtito Andei and environs	153	20
20.	Kabete 66/11kV Substation	Uprate from 23 to 46 MVA	Capacity enhancement to Kabete and environs	108	23
21.	New Bamburi 132/33kV substation	Install new capacitors	Improved quality of supply to Bamburi Cement	153	21
22.	Mangu 132/33kV substation	Uprate from 120 to 210 MVA	Capacity enhancement to Thika and Juja towns	314	90
23.	Kipevu 132/33/11kV substation	Install new 33kV and 11kV GIS	Reliability of supply to Mombasa island and environs	814	0
Total				3,396	362.5

2. Connecting More Customers

The cost of extending the power supply network remains a major challenge to electrification especially in the country's rural areas owing to effects of our land tenure system. This has led to dispersed settlement patterns in rural areas making it expensive to extend utility services such as electricity and water. In view of this, the Last Mile Connectivity Project (LMCP) was launched

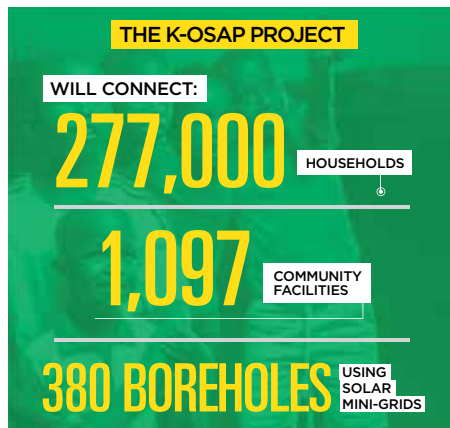
in 2015 to scale up connectivity in rural and peri-urban areas by providing subsidy for grid extension to enable customers get electricity supply at affordable cost. Besides stimulating economic growth at the micro-economic level and improving quality of lives, LMCP supports our strategy to grow our customer base and electricity sales for long term business viability. Implementation of LMCP is organised in four distinct phases.

Phase one of the project targets to connect 224,952 customers by maximising electricity connections around 4,856 existing distribution transformers identified across all the 47 counties. This phase of the project is financed by the African Development Bank (AfDB) with a budget of Shs 15 billion. By end of the financial year, a total 109,880 customers had been connected under phase one translating to 49% of the target. Approximately 83% of required distribution power line extensions have been constructed. The project is earmarked for completion in the current financial year.

The second phase of the AfDB funded LMCP has an additional budget of Shs 15 billion. Under this phase, we are aiming to connect 314,200 customers by maximising electricity connections around 5,320 existing distribution transformers straddled across the counties. Design works commenced in January 2018 and the project is expected to be completed in the next financial year.

The World Bank funded phase of the LMCP project targets to connect 200,000 customers by maximising power connections on 3,200 existing distribution transformers. In addition, this phase of the project to be implemented at a budget of Shs 15 billion, involves installation of 1,000 new transformers prioritising areas with high growth potential. Project contractors have commenced works in various sites while procurement of materials for the project is in progress. This project phase is also scheduled for completion in the next financial year.

The fourth phase of the project is jointly funded by the French Development Agency (AFD), European Union and European Investment Bank at a combined budget of Shs 22 billion. We are targeting to connect 296,649 customers using 4,591 existing distribution transformers and install 353 new transformers. Procurement process for contractors is ongoing. AFD is also financing the Transformer Densification project which entails installation of 1,000 transformers on existing medium voltage lines to further provide access to electricity.

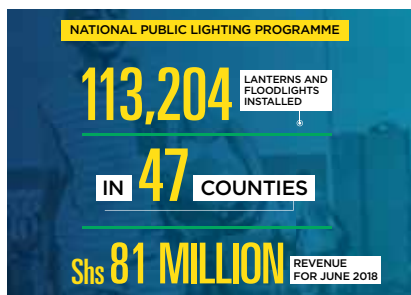


Under the Government funded LMCP, we connected 51,478 customers in the year while the Rural Electrification Authority (REA) added 56,596 new customers to the grid. Another ongoing project towards increasing electricity access is the Kenya Off-Grid Solar Access Project (K-OSAP) aimed at connecting 277,000 households, 1,097 community facilities and 380 boreholes using solar mini-grids. The K-OSAP project is at the development phase and will be implemented in 14 least electrified counties in the country.

3. Lighting the Country

We continued to implement the Government funded Public Lighting Programme during the year. Our role in the programme includes maintenance of the street lighting network on behalf of county governments.

By the end of the year under review, a total of 113,204 lanterns and floodlights had been installed across the 47 counties since the inception of the project in 2014. Similarly, the number of street lighting accounts rose from 4,520 to 10,401 over the same period with annual energy consumption growing by 171%, from 20 GWh to 55 GWh. Monthly billings from street lighting accounts rose from Shs 46 million in June 2017 to Shs 81 million in June 2018.

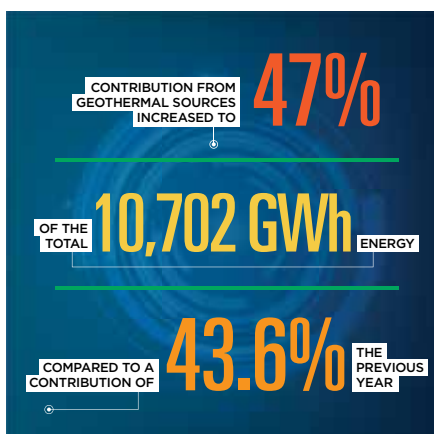


We are working closely and creating liaison between the Company security, national security apparatus and local citizens to monitor the street lighting network and address arising challenges that affect the programme. These challenges include damage of underground network by other utilities, vandalism and securing memoranda of understanding and Maintenance Agreements with county governments.

Other improvement initiatives for the medium and long term include; invoicing counties for maintenance work; automation of the street lights with a complete central monitoring system; and enhancement of street lighting working structures at county and regional levels.

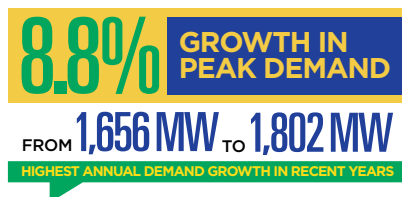
4. Energy to Meet Demand

The installed generation capacity increased to 2,351 MW up from 2,333 MW the previous financial year. The additional capacity includes 10MW of geothermal generation from OrPower 4 Inc., 2.5 MW from Chania and Gura hydro power plants developed by Kenya Tea Development Authority (KTDA) and 0.25 MW of solar generation from Strathmore University which is the first solar plant to be connected to the national grid under the Feed-in Tariffs policy.



During the year, the energy mix remained relatively stable with contribution from geothermal sources increasing to 47% up from 43.6 % the previous year. Hydro and thermal plants respectively contributed 30.1 % and 20.6% of the total energy purchased during the year. Total geothermal generation

rose significantly by 14% to 5,053 GWh up from 4,451 GWh the previous year. This eased our overreliance on hydro power generation and mitigated increase in electricity costs by minimising dispatch of the expensive thermal power. Hydro generation reduced minimally from 3,341 GWh the previous year to 3,224 GWh in the period. Similarly, energy purchased from thermal plants increased marginally by 2% to 2,202 GWh from 2,165 GWh the previous year.



Peak power demand registered on the national grid grew by 8.8% to 1,802 MW up from 1,656 MW the previous year. The increase in peak by 146MW is the highest annual increase which is twice more than the 70MW incremental demand registered the previous period. The rapid growth in power demand was largely driven by increased number of customers and growing consumption in the commercial and industrial sectors. The total energy purchased in the year increased by 4.9% to 10,702 GWh up from 10,205 GWh the previous year.

5. Time of Use Tariff

Implementation of the Time of Use (TOU) tariff targeting customers in the Industrial and Commercial segment commenced in December 2017. The overall objective of the TOU tariff is to spur growth in the manufacturing sector through increased hours of production. The tariff will help boost off-peak demand for electrical energy by industrial and commercial customers through shifting of demand from peak to off peak periods and thereby increasing consumption due to lower off-peak tariff.

Additionally, the tariff enables us to optimally utilise baseload capacity mainly from geothermal resources during off-peak periods while minimising use of thermal energy generation during peak time. Under the TOU tariff, customers are given a 50 percent discount on the applicable

energy charge rate after attaining defined consumption thresholds.

INDUSTRIAL AND COMMERCIAL CUSTOMER SEGMENT CONTRIBUTE SIGNIFICANTLY TO OUR REVENUE

A total of 818 customers of the 3,120 eligible customers under the Industrial and Commercial category benefited from the discounted TOU tariff in the seven months period ending June 2018. The additional electricity units sold from implementation of the pilot phase of the TOU tariff totaled 91 GWh which generated Shs 449 million in revenue for the Company. This revenue is equivalent to savings by the beneficiary customers.

6. Modernising our IT Systems

Information technology systems are widely applied in our business processes and are critical for efficiency of our operations and processes. Automation of processes and the availability and reliability of information systems are therefore paramount in delivery of services to our customers. The Company therefore regularly reviews and pursues adoption of such technology, with keen attention directed to aging applications, cyber security and big data analytics.

During the year, we rolled out the Integrated Customer Management System (InCMS) project to replace the 20-year-old Integrated Customer Service (ICS) system. The benefits to be derived upon full implementation of the InCMS project include its ability to invoke massive data uploads from various sources, providing new mobility tools for commercial and technical purposes, and social media adaptability. Other superior features of InCMS include its fully integrated security subsystem, advanced reporting capabilities and business analytics solutions.

We initiated upgrade of the Company's Supervisory Control and Data Acquisition system (SCADA) during the year. The advantages of the system upgrade include automation of system dispatch using the latest EMS models and modules, management and maintenance of the transmission and

distributions network for the Company and the generators. It would also make the system status visible to KETRACO and the Energy Regulatory Commission. In addition, 277 generation, transmission and distribution substations will be visible to the National Control and ERC after the upgrade.

7. Automation of the Distribution System

Distribution automation enables a utility to monitor, coordinate and operate distribution components in a real-time mode from remote locations, thus enhancing reliability and quality of supply which are important indicators of efficient management of a power system. The benefits associated with automation include reducing revenue loss and service restoration time; minimising equipment damage; enabling availability of system information; reducing operational costs; improving operational planning; and enabling remote load control and management.

The Company embarked on the distribution automation project in 2010 and has since implemented the project in two regions in phases. A pilot project carried out in Nairobi was completed in 2011. In the Coast region, the distribution automation was implemented in two phases. The first phase was implemented in the Mombasa island and completed in 2012.

The second phase was completed during the year and covered surrounding coastal counties of Malindi, Kilifi and Kwale. This phase of the project involved upgrading of both the mini Scada and the Telecommunication System as well as supply, installation testing and commissioning of eighty-seven 11kV load break switches, fifty-one 33kV load break switches and two RMUs.

Following gains realised so far from the distribution automation project, a total of USD 20million has been committed under the World Bank funded Kenya Electricity Management Project (KEMP) for further work covering the greater Nairobi Region which includes Thika, Limuru and Athi River.

8. Improving Billing Efficiency

We continually strive to enhance our operational and technical efficiency by adopting technological innovations aimed at improving business operations and customer

experience. Timeliness and accuracy in billing are critical factors in building customer confidence, winning their trust, meeting their expectations and key in enhancing their satisfaction.

In the recent past, the Company has undertaken several initiatives to improve business operations which include the billing process. Alignment of meters to the respective electricity distribution feeder lines to reduce energy losses and improve operational efficiency is one of these initiatives. Others include digitisation of our infrastructural assets in the Company's information technology system (Facilities Database/ FDB) and upgrading of our customer service management system (ICS to InCMS).

The FDB project entails digital mapping of our infrastructure such as power lines, transformers and meter boxes. Upon digitisation, certain business operations including designs for new electricity connections and meter readings will utilise FDB system to ease operations and improve service delivery. As at end of project in 2016, about 85% of post-paid meters had been captured in FDB.

To reduce commercial losses and improve system efficiency, we changed our meter reading itinerary structure from geographical-based structure to feeder-based structure. Traditionally, meter reading itineraries (group of meters that can be read by one reader per day) were marked by geographical features such as roads, building and rivers among other features. The newly adopted feeder-based itinerary structure enables clustering of meters around electricity distribution feeders to optimise the number of meters read in a day. In addition, the new structure enables the Company monitor electricity sales to the smallest business unit (FBBU) and effectively manage commercial losses. However, implementation of the new itinerary structure was hampered by data inconsistencies in FDB system as well as complexity in the spread of our distribution network. These challenges are being addressed in the ongoing FDB data clean-up and distribution network realignment.

The new Integrated Customer Management System (InCMS) replaced the Integrated Customer Service (ICS) that had served the Company for more than 20 years. InCMS enables efficient integration of various customer service applications and supports remote user operations using various IT platforms. Migration to the new system, however, led to operational challenges leading to billing challenges and attendant customer complaints. Other teething problems occurred during the implementation of InCMS which contributed to lapses in service delivery. We are taking a multipronged approach to address the challenges which includes training user groups and, data cleanup and reconciliation.

We are committed to improve meter reading coverage to over 90% every month to minimise complaints related to estimated bills. To complement the meter reading efforts, we launched a meter self-reading module in InCMS and a mobile self-reading application during the year. In addition, we upgraded our prepaid systems, a move that has seen faster generation of electricity tokens thus improving customer satisfaction.

9. Enhancing Customer Experience

In the period under review, we undertook several renovations and improvements of service delivery outlets to enhance customer experience in these touch points. We opened additional network operations and maintenance centres for efficient service to customers. To increase reach and create convenience for our customers, we relocated our commercial offices in Eldoret and Ukunda.

In the year, we also commissioned a Queue Management System at Electricity House and Stima Plaza banking halls in Nairobi to manage customer traffic, speed up service and enrich customer experience.

Industrial and Commercial customer segment contribute significantly to our revenue. Improving our relationship with them is therefore of paramount importance to foster loyalty and ensure business sustainability. In the period, we worked tirelessly to address some of their concerns on issues of power supply reliability and cost of electricity

as well as our responsiveness to service related matters and general communication. Consequently, we instituted several interventions for this premium customer category which include the following:

1. Enhanced the presence of the Company's industrial liaison officers in all regions devoted to handle all customer complaints for timely and effective resolution;
2. Organised Industrial visits by our Managing Director and CEO and senior management to better understand their service needs and provide customised solutions;
3. Created WhatsApp groups for all Industrial and Commercial customers in every region for real-time and two-way communication on service related issues;
4. Conducted regular network improvement programmes mainly focusing on feeders prone to interruptions;
5. Held regional forums for industrial customers in North Rift, West Kenya, Coast, Central Rift and Nairobi West regions;
6. Strengthened partnerships with organised business associations such as Kenya Private Sector Alliance (KEPSA), Kenya Association of Manufacturers (KAM), Kenya National Chamber of Commerce and Industry (KNCCI), Kenya Flower Council (KFC) and Export Promotion Council (EPC).

10. Managing System Losses

Over the last five years, the power distribution network has expanded considerably in tandem with the rapid pace of new electricity connections. In the same period, the circuit length for high and medium voltage power lines increased by 10 percent while the customer base grew by an average of 24 percent annually. The extended network and growth in customer numbers has led to a consequent increase in system losses.

Power system losses comprise both technical and commercial components. Technical losses occur when electrical energy is dissipated in the process of transmission and

distribution. Commercial losses are mainly attributed to pilferages, faulty meters and meter tampering. During the year, system losses increased to 20.5 percent, up from 18.9 percent the previous financial year.

To manage system losses, the Company has developed a three-year Loss Reduction Initiative Programme. We are working closely with the International Finance Corporation (IFC Advisory Services) as the co-sponsor to implement the programme. The programme hinges on successful implementation of an ongoing project to identify and segregate losses using Energy Balance Module, a software that detects areas with high energy losses within our network. The recommended measures will be implemented to effectively bring down system losses within the target period.

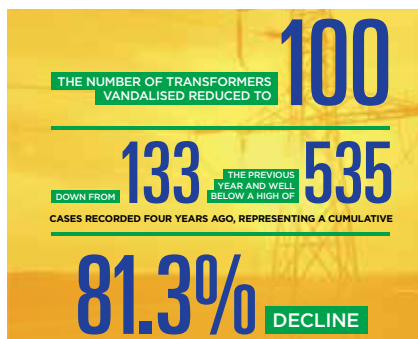
The Company is also pursuing conclusion of an ongoing court case relating to procurement of 50,000 smart meters. The meters will be installed for those customers consuming more than 500 units as a measure to contain commercial losses. At the same time, the focused approach to manage the network through the Feeder Based Business Units will go a long way in reducing energy losses and thereby enhancing system efficiency.

11. Safeguarding Our Assets

The Company's anti-vandalism programmes continued to bear fruit as demonstrated by the sustained downward trend in vandalism incidences on transformers, conductors and other powerline accessories over the years. The number of transformers vandalised reduced to 100, down from 133 the previous year and well below a high of 535 cases recorded four years ago, representing a cumulative 81.3 % decline.

Decline in vandalism is attributed to sustained anti-vandalism measures carried out across the country. The measures include heightened surveillance of the network in liaison with other security stakeholders, in-depth investigations of vandalism cases, speedy prosecution of vandals and fraudsters, imposition of high penalties and enhancing community awareness and involvement in the fight against vandalism. We have also

incorporated use of technology in detection and deterrence of crime by installation of CCTV cameras in some of our critical installations, and consequently enabled further reduction in the number of incidences by 29 percent compared to the previous year.



Similarly, we focused on responsiveness to issues raised by both internal and external customers by setting up a security helpdesk, email address and a toll-free telephone line through which staff and customers can report incidents of security concern. The helpdesk is manned at the security command and control centre which operates on a 24 hours basis all year round.

In addition, the Company placed emphasis on protecting revenue at the level of the newly established feeder-based units. We carried out specific security programmes aimed at reducing energy losses. Such losses are occasioned by the mushrooming of illegal lines and theft of power. A total of 497 security operations were conducted across the country during the year, leading to 88 arrests.

12. Revenue Diversification

Formation of the Kenya Power International (KPI) as a wholly owned subsidiary of the Company begun three years ago as a business diversification strategy to create alternative revenue streams. KPI is responsible for managing our Fibre Optic broadband business and expanding its market footprint. The firm is also responsible for sourcing consultancy opportunities in utility management as well as transforming the Institute of Energy Studies and Research (IESR), formerly Kenya Power Training School, as a regional centre of excellence for energy training and research.

The institute, with external support from RES4Africa, is establishing a facility to offer training and research in renewable energy technologies named the Micro-Grid Academy (MGA). The Micro-Grid Academy is an Eastern-African Regional vocational capacity building platform that aims to enhance access to energy and green jobs market through technical and entrepreneurial training programs on decentralized renewable energy solutions. The support includes installation of a 20-40kW micro-grid for hands-on training, the Academy will train East-African young technicians, Managers and Engineers on how to plan, design, build and operate grid connected and hybrid mini-grids in rural and remote areas.

Since the launch of our fibre optic business in early 2010, the Company has signed 5-20 years lease agreements with several telecommunications operators at competitive market driven prices. In the year under review, we installed 1,300 km of fibre optic cable bringing the total of ADSS Fibre cable anchored on the distribution network to 2,500 km. Through KPI, we aim to grow the Fibre Network and provide inter-connection from Kenya to the entire Common Market of Eastern and Southern Africa (COMESA) region and beyond. In addition, we have an ongoing pilot project with Safaricom dubbed Fibre to the Home that targets provision of their service to 12,000 homes in the residential estates Ruaka, Ridgeways and Muthithi Gardens in Kiambu County. The pilot is generating about Shs 24 million annually.

We have developed a strategy to guide the subsidiary in the long term for increased revenue streams growth and business sustainability. Part of its initiatives include improving quality of service, developing partnerships, and building its reputation as a centre of excellence and innovation.

13. FBBU for Business Transformation

During the year, the Company adopted the Feeder Based Business Unit (FBBU) programme. The purpose of the programme is to place emphasis and pay close attention to the feeder, the power line from a substation that directly serves customers, by strategically reallocating resources. This is a more efficient approach in the management

of network assets, with relevantly-skilled staff being focused to a business unit within a close geographical locality that is based on a feeder line.

The programme was created with an aim to improve productivity and to facilitate optimal utilisation of resources with clear accountability. The reorganisation of the working processes was aimed at enhancing synergy through joint work planning, execution and reviews. The programme's objective is not only to enhance productivity and efficiency but also to help us grow our revenue and reduce our costs while improving our customer experience through provision of quality and reliable power supply.

The new FBBU structure will be supported through the newly adopted Balanced Score Card performance management system, a holistic approach that also incorporates a culture change and business process reengineering. The achievements will be realised by leveraging on ICT systems for business process improvement, enhanced record keeping and data analysis. In addition, the Company will fast track skills enhancement through both formal training and peer training at FBBU level. Through the programme, it is envisaged we shall transform our way of doing business by embracing a preventive maintenance culture.

During the financial year, the Company reorganised the County offices to create one overall in-charge for each of the FBBUs who reports directly to the County Business Manager. Employees who were previously in charge of operations and maintenance and customer service sections at county level were redeployed to the FBBUs.

14. Building an Effective Workforce

Employees are the most critical contributors to the organisational performance of the Company and key in growing shareholder value. Their attitudes, skills and competencies have a direct impact on service delivery to our customers. The Company is committed to developing and retaining an engaged and talented workforce necessary to deliver on our mandate and to achieve our strategic objectives.

Our customer to staff ratio, derived from total workforce of 10,993 serving 6,761,090 customers, stands at 1:615. This is an improvement in efficiency from the previous year of 1:547 and a low of 1:261 five years ago with a workforce 10,590 of serving 2,767,983 at the time. Staff to customer ratio is an important productivity indicator that measures the level of engagement of staff in serving the customers for optimal utilisation.

During the year, we conducted an Employee Satisfaction Survey necessary for obtaining feedback from employees on their perception about the Company, their work environment and overall employee engagement. The survey also helps the Company to gauge employee productivity levels that informs management on decisions that improve performance. The overall satisfaction index was 64.9% up from 63.3% in the previous survey. Productivity index stood at 75% while engagement index was at 70.5%.

The Company effected numerous initiatives in the year to enhance efficiency and productivity of our employees. These include performance contracting, staff training and resource alignment to support Feeder Based Business Unit management approach.

The performance contracting process was on its 15th cycle since commencement in 2004. The process provides a more integrated and continuous approach to assess and rate employee performance. Performance contracting is based on the principle of management by agreement or contract rather than management by command. This ensures continuous improvement in employee performance.

The number of management employees on performance contracting regime during the year totalled 4,832. The performance contracting process has helped us make improvements in our business operations and achieve corporate targets. In the medium term, the Company will adopt a Workforce Management System to effectively manage staff productivity and costs.

We carried out focused employee capacity building programmes in the period to enhance skills and competencies. One of the major trainings undertaken included an intensive one-year induction training programme for 120 newly recruited engineers who were later deployed to reinforce our FBBU teams. In addition, we carried out sign language training for some of our employees working in banking halls across the country to improve customer experience for the hearing impaired.

Successful implementation of the FBBU strategy is dependent on allocation of adequate resources towards supporting critical functions for effective service delivery at the customer level. Towards this, the Company deployed technical and support staff to manage business operations in the 148-devolved feeder-based units. Each feeder-based unit is headed by an overall officer in-charge who reports to a County Business Manager. Individual feeders within the FBBU are assigned to team supervisors.

To improve work environment for employees, the Company enhanced the security and capacity of our facilities through renovation and construction carried out in Nairobi South, Ruiru, Eldoret, Kisumu, Nakuru, Mandera, Wajir, Muhoroni and Chemelil depots and offices.

On the industrial relations front, we held several consultative meetings across business regions to enhance cordial relationship between Management and unionisable staff.

15. Entrenching a Safety Culture

Our ability to provide a safe and healthy working environment is fundamental to any responsible Company. Safety is a major concern as it affects our employees, contractors and the public leading to fatalities and injuries.

We are taking a more holistic approach to Safety Health and Environment policy that guides our employees, contractors, customers and the public. In the year, we continued to implement safety programmes to address risks and injuries both to our employees and the public. Some of the safety initiatives we undertook during the year included niche training programmes for technical staff, safety compliance training in accordance to the Occupational Safety and Health Act, 2007, public awareness campaigns and removing illegal structures encroaching our wayleave traces (Ondokea Laini multi sectoral campaign).

There has been a general decline in employee occupational fatalities in recent years because of sustained safety measures and awareness programmes. We will continue to focus on improving our safety culture to address key risks and hazards as a mitigation strategy towards elimination of injuries and fatalities.



Eng. Jared Othieno
Ag. Managing Director & CEO

MATOKEO YA OPERESHENI

1. Kuimarisha na Kupanua Mtandao

Mtandao thabiti na pana wa nyaya za umeme ni muhimu katika utoaji wa umeme wa kiwango cha juu kwa wateja wetu na nguzo kuu katika kudhibiti sekta ya umeme kwa uendelezaji wa biashara yetu. Katika mwaka uliomalizika, tulikamilisha miradi ya thamani ya Sh 20 bilioni katika azma yetu ya kuunda mtandao thabiti, imara na wa kisasa. Miradi hiyo ni pamoja na ujenzi wa vituo vidogo vipya 8, kukarabati vingine 23 na ujenzi wa laini mpya za kusafirisha umeme kutoka kwa vituo hivyo vidogo.

Vituo hivyo vilivyokamilika vimeongeza umeme wetu kwa MVA 1,096 na hivyo kufikisha jumla ya umeme kuwa MVA 12,608 kufikia mwisho wa mwaka. Vile vile, umeme katika vituo vingine vidogo uliongezeka kwa MVA 330 hadi MVA 7,606. Kufikia mwisho wa Juni 2018, mtandao wetu ulikuwa unahudumiwa na vituo vidogo vya uwezo wa wastani na mkubwa 337, na transfoma 67,352. Isitoshe, tulipanua mtandao wetu wa laini za umeme wa wastani na wa kiwango cha juu kwa kilomita 1,393 na kilomita 5,564 mtawalia, na hivyo kufikisha jumla ya urefu kuwa kilomita 6,252 na kilomita 74,644 mtawalia.

Uzinduzi wa kituo kidogo cha GIS Nairobi

Kituo cha kisasa katikati mwa jiji la Nairobi cha (220/66/11kV, 400 MVA) Gas Insulated Switchgear (GIS) kilichofadhiliwa na China Exim Bank ni moja ya vituo vidogo vipya ambavyo vilizinduliwa mwaka uliomalizika. Mradi huo wa Sh13 bilioni ulishirikisha ujenzi wa kilomita 31 za laini za kubeba kV 66 chini ya ardhi kutoka kituo kidogo cha GIS hadi vituo vingine vidogo sita katika maeneo ya Likoni Road, Muthurwa, City Square, Cathedral, Nairobi West na Parklands. Ulitekelezwa kama sehemu ya mpango maarufu wa Kenya Electricity Modernisation Programme (KEMP) ambao unalenga kuwezesha wateja kupata umeme kwa urahisi, kuboresha viwango vya usambazaji na hivyo kuongeza mapato yetu. Kituo kidogo cha GIS ni kituo mbadala cha kusambaza umeme wa kiwango kikubwa katika jiji la Nairobi, na hivyo kutosheleza mahitaji zaidi ya umeme katikati mwa jiji na eneo la Upper Hill.

Vituo vipya vidogo kwa Uthabiti wa Mtandao

Vituo vingine vipya saba vilivyojengwa na kuzinduliwa katika kipindi hicho hutoa MVA 333 zaidi. Miradi ya ujenzi wa vituo vipya ulitekelezwa chini ya mpango wa kuufanya mtandao wetu mpya kwa gharama ya Sh 3.5 bilioni kama inavyoonyeshwa kwenye jedwali ifuatayo.

Mukhtasari wa vituo vidogo vipya vilivyokamilika:

No.	Jina la Mradi	Kiwango	Malengo ya Mkakati	Matumizi ya mtaji (Sh Milioni)	Uwezo (MVA)
1.	Kituo kidogo cha Nairobi City Center GIS	Kituo kidogo cha 220/66/11kV	Kuimarisha uwezo na kuufanya wa kutegemewa katika eneo la Nairobi	13,000	400
2.	Likoni Road	Kituo kidogo cha 66/11kV	Kuongeza umeme katika maeneo ya Industrial Area na Eastleigh	521	90
3.	Awendo	Kituo kidogo cha 132/33kV	Kuimarisha uwezo na kuufanya wa kutegemewa katika kaunti za Migori na Kisii	868	46

No.	Jina la Mradi	Kiwango	Malengo ya Mkakati	Matumizi ya mtaji (Sh Milioni)	Uwezo (MVA)
4.	Mamlaka Road	Kituo kidogo cha 66/11kV	Kuimarisha uwezo na kuufanya wa kutegemewa katika Nairobi West na katikati mwa jiji	674	46
5.	Kiu River (Kirigiti)	Kituo kidogo cha 66/11kV	Kuimarisha uwezo na kuufanya wa kutegemewa katika kaunti ya Kiambu	682	46
6.	Kibebetiet	Kituo kidogo cha 33/11kV	Kuongeza usambazaji wa umeme katika kaunti ya Nandi	277	7.5
7.	Nyamira	Kituo kidogo cha 33/11kV	Kuongeza usambazaji wa umeme katika kaunti ya Nyamira	277	7.5
8.	Athi river	Kituo kidogo cha 220/ 66kV	Kuboresha uzambaji umeme kwa viwanda vikubwa-vya saruji	217	90
Jumla				16,516	733

Kuongeza Uwezo wa Vituo vidogo Vilivyopo

Vituo vidogo 23 vilivyoimarishwa vinatoa umeme zaidi wa MVA 362.5MVA na vimetuwezesha kuongeza umeme kutosheleza mahitaji yanayozidi na kuboresha mtandao wetu. Shughuli zote za ukarabati ziligharimu Sh 3.4 bilioni. Miradi hiyo ni pamoja na ujenzi upya wa kituo kidogo cha Kipevu, kituo kikuu cha usambazaji umeme Mombasa hadi kwa kituo kidogo cha GIS.

Mukhtasari wa vituo vilivyoimarishwa:

No.	Miradi/ Jina la kituo	Uwezo	Malengo muhimu	Mtaji uliotumika (Sh Milioni)	(MVA/ MVA) zili-zoongezwa
1.	Kituo kidogo cha Keroka 33/11kV	Kukiimarisha kwa MVA 7.5.	Kuongeza kiwango cha umeme katika kaunti ya Kisii	69	7.5
2.	Kituo kidogo cha Kyeni 33/11kV	Kukiimarisha kutoka MVA 2.5 hadi 7.5	Kuongeza kiwango cha umeme katika kaunti ya Embu	86	5
3.	Kituo kidogo cha Nyaga 33/11kV	Kuweka MVA 7.5 za pili na chumba kipya cha mawasiliano	Kuongeza kiwango cha umeme katika kaunti ya Kiambu	110	7.5
4.	Kituo kidogo cha New Airport 66/11kV	Kukarabati jingo la mawasiliano na kuweka bodi ya 11kV	Kuboresha usambazaji umeme hadi JKIA na KPC	23	0

No.	Miradi/ Jina la kituo	Uwezo	Malengo muhimu	Mtaji uliotumika (Sh Milioni)	(MVA/ MVAr) zili-zoongezwa
5.	Kituo kidogo cha Thika 66/33/11kV	Kuweka transfoma ya pili ya MVA 23	Kuongeza kiwango cha umeme Thika mjini	189	23
6.	Kituo kidogo cha Ikonge 33/11kV	Kukiimarisha kutoka MVA 5 hadi MVA 15 na chumba kipya cha mawasiliano	Kuongeza kiwango cha umeme katika kaunti ya Nyamira	66	10
7.	Kituo kidogo cha Oloitoktok 33/11kV	Kukiimarisha kutoka MVA 2.5 hadi MVA 5	Kuongeza kiwango cha umeme katika kaunti ya Kajiado	75	2.5
8.	Kituo kidogo cha Narok 33/11kV	Kukiimarisha kutoka MVA 5 hadi 7.5	Kuongeza kiwango cha umeme katika Narok na viunga vyake	113	2.5
9.	Kituo kidogo cha Njoro 33/11kV	Kukiimarisha kutoka MVA 7.5 hadi 15 na ujenzi wa chumba kipya cha mawasiliano	Kuongeza kiwango cha umeme katika Njoro na viunga vyake	94	7.5
10.	Kituo kidogo cha Malindi 33/11kV	Chumba kipya cha mawasiliano na bodi ya kV 11.	Kuboresha usambazaji umeme kaunti ya Kilifi	102	0
11.	Kituo kidogo cha Migori 33/11kV	Kukiimarisha kutoka MVA 7.5 hadi 15 na chumba kipya cha mawasiliano	Kuongeza kiwango na kuboresha usambazaji Migori mjini	33	7.5
12.	Kituo kidogo cha Olkaria I 132kV	Ujenzi wa laini ya kV 132	Kuboresha usambazaji	43	0
13.	Kituo kidogo cha Ruiru 66/33/11kV	Ujenzi wa mitambo ya kudhibiti kV 66	Kuboresha usambazaji	32	0
14.	Kituo kidogo cha Nanyuki 132/33kV	Kukiimarisha kutoka MVA 23 hadi 46 MVA, ujenzi wa mitambo ya kuhimili MVA 21 na CBs	Kuboresha usambazaji umeme katika kaunti ya Laikipia	242	44
15.	Kituo kidogo cha Kiganjo 132/33kV	Kubadilisha MVA 23 na transfoma inayofaa, kuweka mitambo ya kuhimili MVA 21.	Imarisha viwango vya usambazaji katika kaunti za Nyeri na Kirinyaga	230	21
16.	Kituo kidogo cha Kisumu East 33/11kV	Kuimarisha transfoma kutoka MVA 23 hadi 46	Kuimarisha usambazaji umeme katika jiji la Kisumu	41	23

No.	Miradi/ Jina la kituo	Uwezo	Malengo muhimu	Mtaji uliotumika (Sh Milioni)	(MVA/ MVAr) zili-zoongezwa
17.	Kituo kidogo cha Meru 132/33kV	Kuweka tanuri mpya	Kuimarisha usambazaji umeme Meru na viunga vyake	153	7.5
18.	Kituo kidogo cha Musaga 132/33kV	Kuweka tanuri mpya	Kuboresha viwango vya usambazaji umeme Kakamega na viunga vyake	153	40
19.	Kituo kidogo cha Mtito Andei 132/33kV	Kuweka tanuri mpya	Kuimarisha viwango vya Mtito Andei na viunga vyake	153	20
20.	Kituo kidogo cha Kabete 66/11kV	Kuimarisha kiwango cha umeme kutoka MVA 23 hadi 46	Kuimarisha viwango vya umeme Kabete na viunga vyake	108	23
21.	Kituo kidogo cha New Bamburi 132/33kV	Kuweka vifaa vipya vya kugawa umeme	Kuboresha usambazaji umeme kwa Bamburi Cement	153	21
22.	Kituo kidogo cha Mangu 132/33kV	Kuimarisha kiwango cha umeme kutoka 120 hadi MVA 210	Kuimarisha usambazaji katika miji ya Thika na Juja	314	90
23.	Kituo kidogo cha Kipevu 132/33/11kV	Kuweka mitambo mipya ya kV 33 na kV 11 kwa GIS	Kuboresha usambazaji umeme kisiwani Mombasa na viunga vyake	814	0
Jumla				3,396	362.5

2. Kuunganisha Wateja Zaidi

Gharama ya kupanua mtandao bado imesalia kuwa changamoto kuu katika kusambaza umeme hasa maeneo ya mashambani kwa sababu ya mfumo wa umiliki ardhi. Maboma yametapakaa na kuwa vigumu kusambaza umeme na maji. Kutokana na hilo, Mradi wa Kueneza Umeme Mashinani, Last Mile Connectivity Project (LMCP), ulizinduliwa 2015 kuimarisha juhudi hizo mashambani na viungani mwa miji, kwa kutoa ruzuku kwa wateja wanaoweza kujiwekea umeme nyumbani kwa gharama nafuu. Kando na kuchochea ustawi wa kiuchumi, mashinani na kuimarisha maisha ya wananchi, mradi wa LMCP unaambatana na mkakati wetu wa kuongeza idadi ya wateja na kiwango cha

mauzo ili kudumisha biashara. Utekelezaji wa LMCP unafanywa katika awamu nne.

Awamu ya kwanza inalenga miradi ya kuunganisha wateja 224,952 kwa kutumia hadi upeo takriban transfoma 4,856 za kusambaza umeme zilizopatikana katika kaunti zote 47. Awamu hii ya mradi imefadhiwa na Benki ya African Development (AfDB) kwa gharama ya Sh 15 bilioni. Kufikia mwisho wa mwaka wa fedha, jumla ya wateja 109,880 walikuwa wameunganishwa, na kutimiza asilimia 49 ya shabaha yetu. Takriban asilimia 83 ya nyaya za kusambaza umeme zinazohitajika zimeundwa. Mradi huo unatazamiwa kukamilika katika mwaka wa sasa wa kifedha.

Awamu ya pili ya mradi wa LMCP na ambayo inafadhiliwa na AfDB iko na bajeti ya ziada ya Sh 15 bilioni. Katika awamu hii, tunanuia kuunganisha wateja 314,200 kwa kutumia hadi upeo takriban transfoma 5,320 zilizo katika kaunti. Uchoraji ramani ya mradi ulianza Januari 2018 na mradi wenyewe unatarajiwa kukamilika katika mwaka ujao wa kifedha.

Awamu ya mradi wa LMCP inayofadhiliwa na Benki ya Dunia inalenga kuunganisha wateja 200,000 kwa kutumia hadi upeo transfoma 3,200 zilizopo. Vile vile, awamu hii ambayo itafadhiliwa kwa Sh 15 bilioni inajumuisha mradi wa kuweka transfoma 1,000 mpya kwa kuzingatia kwanza maeneo yanayoonyesha uwezo mkubwa wa ukuaji. Wanakandarasi watarajiwa wameanza kazi katika maeneo mbalimbali, nao ununuzi wa vifaa ukiendelea. Awamu hii ya tatu ya mradi pia inatarajiwa kukamilika katika mwaka ujao wa fedha.

Awamu ya nne ya LMCP inafadhiliwa kwa pamoja na Benki ya French Development Agency (AFD), Muungano wa Ulaya na Benki ya European Investment kwa kitita cha Sh 22 bilioni. Tunalenga kuunganisha wateja 296,649 kwa kutumia transfoma 4,591 zilizopo na kuweka transfoma 353 mpya. Shughuli ya kuteua wanakandarasi inaendelea. Benki ya AFD pia inafadhili mradi wa Kuongeza Idadi ya Transfoma ambapo transfoma 1,000 za kusambaza umeme wa kiwango cha kadri zitawekwa ili kuimarisha upatikanaji wa umeme.

Katika mradi wa LMCP unaofadhiliwa na Serikali, tuliunganisha wateja 51,478 mwaka huu huku Mamlaka ya Kusambaza Umeme Mashambani (REA) ikiunganisha wateja wapya 56,596 katika mtandao. Mradi mwingine unaoendelea ni ule wa kusambaza umeme uliozalishwa kutokana na miyale ya jua katika maeneo yasiyo na umeme, Kenya Off-Grid Solar Access Project (K-OSAP). Unalenga kuunganisha nyumba 277,000, taasisi 1,097 za kijamii na visima 380 kwa kutumia mitandao midogo inayosambaza umeme uliozalishwa kutokana na miyale ya jua. Mradi wa K-OSAP uko katika awamu ya matayarisho na utatekelezwa katika kaunti 14 ambazo ziko na maeneo machache mno yenye umeme.

3. Kuangaza Taifa

Tuliendelea kutekeleza mradi wa serikali wa kuweka taa za umma (National Public Lighting Programme). Jukumu letu katika mradi huu ni pamoja na kutunza taa za barabarani kwa niaba ya serikali za kaunti.

Kufikia mwisho wa mwaka huu, jumla ya taa 113,204 ziliwekwa katika kaunti zote 47 tangu mradi huo kuanzishwa 2014. Vile vile, idadi ya taa za barabarani iliongezeka kutoka 4,520 hadi 10,401 katika kipindi hicho huku kiwango cha umeme uliotumika kikipanda kwa asilimia 171, kutoka GWh 20 hadi GWh 55. Bili za kila mwezi za umeme unaotumiwa na taa za barabarani zilipanda kutoka Sh 46 milioni mwezi wa Juni mwaka uliopita hadi Sh 81 milioni Juni mwaka wa makadirio.

Tunafanya kazi kwa karibu na kukuza ushirikiano kati ya walinzi wa Kampuni, maafisa wa usalama wa kitaifa na wananchi kulinda taa hizo na kukabiliana na changamoto ibuka katika mradi huo. Changamoto hizi ni pamoja na kuharibika kwa kebo za ardhini, wizi wa vifaa, na kudumisha Mwafaka wa Makubaliano na Mikataba ya Utunzi baina yetu na serikali za kaunti.

Miradi mingine tunayohusika ni pamoja na kutuma bili za huduma za utunzi kwa serikali za kaunti; kuweka mfumo mmoja mkuu otomati wa kuendesha taa za barabarani; na kuimarisha mifumo ya taa za barabarani katika kaunti na kanda.

4. Kawi ya Kutimiza Mahitaji

Kawi tuliyonunua iliongezeka hadi MW 2,351 kutoka MW 2,333 mwaka wa fedha uliopita. Kawi hiyo ya ziada inajumuisha MW 10 zilizozalishwa kutokana na mvuke katika kiwanda cha OrPower 4 Inc.; MW 2.5 kutoka viwanda vya Chania na Gura vya kawi inayotokana na maji, vinavyomilikiwa na Mamlaka ya Ustawi wa Majani Chai Kenya (KTDA); na MW 0.25 zilizozalishwa kutokana na miyale ya jua katika kiwanda cha Chuo Kikuu cha Strathmore, cha kwanza kabisa cha miyale ya jua kuunganishwa kwenye mtandao wa kitaifa wa kusambaza umeme kupitia sera ya Feed-in Tariffs. Sera hii inatoa fursa kwa wawekezaji wa kibinafsi kuuza umeme wanaozalisha kutokana na nishati mbadala (renewable energy).

Katika mwaka huu, mseto wa kawi ulisalia imara huku kiwango cha nishati ya mvuke kikiongezeka hadi asilimia 47 kutoka asilimia 43 mwaka awali. Viwanda vya nishati ya maji na joto vilichangia asilimia 30.1 na 20.6 mtawalia ya kawi yote iliyonunuliwa mwaka huu. Kiwango cha jumla cha nishati ya mvuke kiliongezeka pakubwa kwa asilimia 14, hadi GWh 5,053 kutoka GWh 4,451 mwaka awali. Hii ilisaidia kupunguza mzigo wa kutegemea umeme unaozalishwa na nishati ya maji. Aidha, ilizuia ongezeko la gharama ya umeme kwa kupunguza matumizi ya umeme unaotokana na joto ambao ni ghalii mno. Umeme wa nishati ya mvuke ulipungua kiasi kutoka GWh 3,341 mwaka awali hadi GWh 3,224 katika kipindi kinachotathminiwa. Vile vile, umeme uliotoka kwa viwanda vya nishati ya joto uliongezeka kiasi kwa asilimia 2, hadi GWh 2,202 kutoka GWh 2,165 mwaka awali.

Kilele cha matumizi ya umeme kutoka kwa mtandao wa kitaifa kilipanda kwa asilimia 8.8, hadi MW 1,802 kutoka MW 1,656 mwaka awali. Kupanda kwa kilele hicho kwa MW 146 ndilo ongezeko la juu zaidi la mwaka kutokea, mara mbili zaidi ya ongezeko la MW 70 mwaka awali. Ongezeko hilo kubwa la hitaji la umeme lilichangia pakubwa na ongezeko la wateja pamoja na matumizi katika sekta za biashara na viwanda. Jumla ya kawi iliyonunuliwa iliongezeka kwa asilimia 4.9, hadi GWh 10,702 kutoka GWh 10,205 mwaka awali.

5. Ada ya Muda wa Matumizi

Utekelezaji wa ada ya muda wa matumizi, yaani Time of Use (TOU), inayolenga wateja katika sekta ya viwanda na biashara ilianza Desemba 2017. Lengo kuu la ada hii ni kuchochea ukuaji wa sekta ya utengenezaji bidhaa kwa kuongeza saa za uzalishaji. Ada hiyo itasaidia kupiga jeki hitaji la umeme kwa wateja na viwanda na biashara wakati ambao si kilele cha matumizi, kwa kuhamisha mahitaji kutoka wakati wa kilele hadi wakati usio kilele na hivyo kuongeza matumizi, kwa sababu wateja watalipa ada ya chini wakati usio kilele.

Vile vile, ada hiyo inatuwezesha kutumia kikamilifu umeme wakati mahitaji yako chini kabisa, hususan umeme kutoka kwa nishati ya mvuke wakati usio kilele huku tukipunguza matumizi ya nishati ya joto wakati wa

kilele. Kuambatana na sera ya TOU, wateja hupunguziwa ada ya umeme kwa asilimia 50 baada ya kuhitimisha kiwango kilichowekwa ili kupokea ofa hiyo.

Jumla ya wateja 818 kati ya 3,120 wa viwanda na biashara walioteuliwa kunufaika na ofa hiyo ya TOU walifaidika katika kipindi cha miezi saba kufikia mwisho wa Juni 2018. Umeme wa ziada uliouzwa tangu kuanza kutekelezwa kwa awamu ya majaribio ya TOU ni jumla ya GWh 91, na umeletea Kampuni mapato ya Shs449 milioni. Mapato hayo ni sawa na akiba ya wateja walionufaika na ofa.

6. Kuimarisha Mifumo ya Teknolojia za Habari (IT) kuwa ya Kisasa

Mifumo ya teknolojia za habari inatumika pakubwa katika shughuli zetu za biashara na ni muhimu kwa utendakazi bora wa operesheni na taratibu zetu. Kufanya operesheni hizo kuwa otomati zenye kujiendesha, kuwezesha upatikanaji rahisi wa teknolojia, na kuhakikisha mifumo yetu ya habari ni thabiti ni masuala muhimu sana katika utoaji huduma bora kwa wateja wetu. Hivyo, Kampuni hufanya tathmini za mara kwa mara na kufuatilia teknolojia za kisasa ikizingatia usalama wa intaneti, programu kuu, na sayansi ya uchanganuzi wa data.

Katika mwaka huu tulizindua Mfumo Unganishi wa Kusimamia Wateja, Integrated Customer Management System (InCMS), kuchukua pahala pa mfumo wa Huduma Unganishi za Wateja, Integrated Customer Service (ICS), uliotumika kwa miaka ishirini. Faida zitakazotokana na utekelezaji wa InCMS ni pamoja na uwezo wa kupakia data ya kiwango kikubwa kutoka sehemu mbalimbali, kutoa vifaa vipya vya kutumika kibiashara na kiufundi, na uwezo wa kutumia mitandao ya kijamii kwa urahisi. Manufaa mengine ya mfumo mpya wa InCMS ni kwamba unakuja na mfumo mdogo unganishi wa usalama, uwezo wa hali ya juu wa kunakili, na mbinu za uchanganuzi wa biashara.

Tulianza kuimarisha mfumo uliokuwa ukitumiwa na Kampuni wa kudhibiti na kukusanya data, Supervisory Control and Data Acquisition (SCADA), mwaka huu. Manufaa ya uimarishaji huo ni kugeuza mfumo wa mawasiliano kuwa otomati kwa

kutumia miundo na mitindo ya kisasa ya EMS; usimamizi na utunzi wa mitambo ya ya Kampuni ya usambazaji na jenereta. Pia itawezesha KETRACO na tume ya kudhibiti kawi (ERC) kufuatilia hali ya mfumo yetu. Vile vile, vituo vidogo 277 vya kutengeneza, kupitisha na kusambaza umeme vitaweza kufuatiliwa na Kituo cha Kitaifa cha Udhibiti na tume ya ERC uimarishaji ukishakamilika.

7. Kugeza Mfumo wa Usambazaji kuwa wa kujendesha

Kugeza mfumo wa usambazaji kuwa otomati kunatoa fursa kwa kampuni kufuatilia, kusimamia na kuendesha mitambo katika wakati halisi kutoka maeneo ya mbali, na hivyo kuimarisha utegemezi na ubora wa huduma, vigezo ambavyo ni muhimu katika usimamizi bora wa mfumo wa utoaji umeme. Manufaa ya kufanya mambo kiotomati ni pamoja na kupunguza hasara; kupunguza muda wa kurejea kwa umeme ukipoteya; kupunguza uharibifu wa mitambo; kuwezesha upatikanaji wa habari kuhusu mfumo; kupunguza gharama za matumizi; kuimarisha mipangilio ya kazi; na kuwezesha mafundi kuendesha na kudhibiti umeme kutoka mbali.

Kampuni ilianza mradi huo wa kugeza mfumo wa usambazaji kuwa otomati mnamo 2010 na imeutekeleze katika maeneo mawili kwa awamu. Mradi wa majaribio uliofanywa Nairobi ulikamilika 2011. Katika eneo la Pwani, mradi ulitekelezwa kwa awamu mbili. Awamu ya kwanza katika kisiwa cha Mombasa na ilikamilika 2012.

Awamu ya pili ilikamilika katika mwaka huu na ilijumuisha kaunti zingine za Pwani ikiwemo Malindi, Kilifi na Kwale. Awamu hii ya mradi ilihusu kuimarishwa kwa mfumo mdogo wa SCADA, Mfumo wa Mawasiliano ya Mbali na vile vile ununuzi, uwekaji, upimaji na uzinduzi wa swichi 78 za 11kV za kupitisha ama kukata umeme, swichi 51 za 33kV za kupitisha ama kukata umeme na mitambo miwili ya RMU.

Kutokana na manufaa ambayo yameshuhudiwa kufikia sasa kutokana na mradi huo wa kugeza mfumo wa usambazaji umeme kuwa otomati, jumla ya dola 20 milioni zimetengwa katika mradi wa KEMP unaofadhiliwa na Benki ya Dunia ili kuendeleza mradi huo katika kanda pana ya Nairobi inayojumuisha miji ya Thika, Limuru na Athi River.

8. Kuimarisha Utayarishaji Bili za Umeme

Tunajizatiti kuimarisha utendakazi wetu wa kikazi na kiufundi kwa kutumia teknolojia bunifu zinazoimarisha operesheni za biashara na huduma kwa wateja. Utayarishaji bili sahihi za umeme kwa wakati unaofaa ni muhimu sana kukuza imani ya wateja, kutimiza matakwa yao na kuwapa huduma zinazowatosheleza.

Katika siku za hivi karibuni, Kampuni ilichukua hatua kadha kuimarisha operesheni za biashara ikiwemo utaratibu wa kutoa bili. Moja ya hatua hizo ni kuunganisha mita za umeme moja kwa moja kwa nyaya ndogo za usambazaji ili kupunguza uwezekano wa kupotea kwa umeme, na vile vile kuimarisha utendakazi wa mitambo hiyo. Hatua zingine ni kuhifadhi rekodi ya miundomsingi yetu katika hali ya kidijitali (Facilities Database/FDB). Pia kuimarisha mfumo wetu wa usimamizi wa huduma za wateja (ICS hadi InCMS). Hata hivyo, tulikumbana na changamoto za kikazi na kiufundi wakati wa kutekeleza mipango hiyo na kusababisha ongezeko la malalamishi ya wateja.

Mradi wa FDB unahusu kuweka ramani ya kidijitali ya miundomsingi yetu ikiwemo nyaya za umeme, transfoma na mita za umeme. Baada ya zoezi hilo, shughuli kadha ikiwemo michoro ya maeneo mapya ya kuweka umeme, na usomaji mita zitatumia mfumo wa FDB ili kurahisisha kazi na kuimarisha utoaji huduma. Kufikia mwisho wa mradi huo 2016 takriban asilimia 85 ya mita za wateja wanaolipa bili zao baadaye (post-paid) zilikuwa zimenakiliwa katika FDB.

Kupunguza hasara za kibiashara na kuimarisha utendakazi wa mfumo tulibadilisha mtindo wa kusoma mita kutoka ule unaozingatia jioografia hadi ule wa kutumia nyaya ndogo za usambazaji umeme hadi kwa mita, Feeder-Based Business Unit (FBBU). Zamani, mtindo wa kusoma mita (ambapo afisa alikuwa akisoma mita kadha kwa siku) ulizingatia sura ya nchi kama vile barabara, majengo na mito. Mtindo mpya unatoa fursa ya kusoma mita zilizounganishwa kwa nyaya ndogo za kusambaza umeme ili kusoma mita nyingi kwa siku moja. Vile vile, mtindo huo mpya unawezesha Kampuni kufuatilia mauzo ya umeme hadi katika kiwango hicho cha chini kabisa cha usambazaji na hivyo kudhibiti vilivyo hasara zozote za kibiashara. Hata hivyo, utekelezaji wake ulikumbwa na changamoto

za data zisizowiana katika mfumo wa FDB, na mtandao wetu wa usambazaji umeme usioeleweka kwa urahisi. Changamoto hizi zinashughulikiwa katika zoezi linaloendelea la kusafisha data ya FDB na kupanga upya mtandao wetu wa usambazaji.

Mfumo mpya wa kusimamia huduma za wateja wa Integrated Customer Management System (InCMS) ulichukua pahala pa ule wa zamani wa Integrated Customer Service (ICS) ambao ulikuwa umetumika kwa miaka zaidi ya 20. InCMS inatoa fursa ya kuunganisha huduma mbalimbali za wateja kwa ubora zaidi na pia kuendesha programu kutoka mbali kwa kutumia majukwaa mbalimbali ya teknolojia za habari (IT). Uhamisho hadi kwa mfumo mpya, hata hivyo, ulikumbwa na changamoto katika utayarishaji bili na hivyo kushuhudia ongezeko la malalamishi ya wateja. Changamoto zingine zilitokea wakati wa kutekelezwa kwa InCMS na kusababisha matatizo katika utoaji huduma. Tunatumia mbinu mbalimbali kukabiliana na changamoto hizo.

Tumejitolea kuimarisha kiwango cha usomaji mita hadi asilimia 90 kila mwezi ili kupunguza malalamishi ya wateja kupokea bili zilizokadiriwa badala ya bili halisi. Kusaidia katika usomaji huo, tuliunda kiunzi huru katika InCMS na vile vile programu ya simu kuwezesha wateja kujisomea mita zao. Aidha, tuliimarisha mfumo wetu wa malipo kwa wateja wanaolipa bili zao awali (pre-paid). Hii imechangia kuimarisha mno ununuzi wa vocha za umeme (tokens) na hivyo kufanya wateja kuridhika hata zaidi.

9. Kuimarisha Huduma za Wateja

Katika kipindi kinachoangaziwa, tulikarabati na kuimarisha vituo mbalimbali vya utoaji huduma ili kuimarisha huduma tunazowapa wateja. Tulifungua vituo zaidi vya kuendesha na kukarabati mitambo. Kuimarisha upatikanaji wa huduma, tuliamisha ofisi zetu za kibiashara za Eldoret na Ukunda.

Mwaka huu, pia tulizindua mfumo wa Queue Management System (QMS) katika kumbi za Electricity House na Stima Plaza mjini Nairobi ili kuwa na mpangilio mzuri wa foleni za wateja, kuharakisha na kuimarisha utoaji huduma.

Wateja wetu wa viwanda na biashara huchangia pakubwa mapato yetu. Kwa hivyo,

ni muhimu sana kuimarisha uhusiano wetu ili kukuza uaminifu na kuhakikisha biashara inadumu. Katika kipindi husika, tulifanya hima kushughulikia malalamishi ya wateja hawa wakubwa ikiwemo visa vya umeme kupotea, bili za umeme, muda tunaochukua kushughulikia masuala ibuka, na mawasiliano kwa jumla. Hivyo, tulianzisha mikakati kadha kuwafaa wateja hao ambayo ni pamoja na:

1. Kuzidisha idadi ya maafisa wa uhusiano mwema katika maeneo yote jukumu lao likiwa kushughulikia malalamishi yote ya wateja ili kupata suluhu katika muda na njia inayofaa;
2. Kuandaa ziara za Meneja Mkurugenzi, Afisa Mkuu Mtendaji (CEO) na maafisa wa ngazi za juu za usimamizi ili kupata ufahamu mwema zaidi wa mahitaji ya wateja hao na kutoa suluhu mwafaka;
3. Kuunda makundi ya WhatsApp kwa wateja wote wa viwanda na biashara katika kila eneo ili kuwezesha mawasiliano ya moja kwa moja wakati halisi kuhusu masuala mbalimbali ya utoaji huduma;
4. Kufanya ukarabati wa mara kwa mara wa kuimarisha mtandao wetu wa usambazaji umeme hususan nyaya ndogo zilizo katika hatari ya kukatika kiholela.
5. Kuandaa vikao vya kanda kwa wateja wa viwanda North Rift, Magharibi, Pwani, Kati na Nairobi Magharibi;
6. Kuimarisha uhusiano na vyama vya wafanyabiashara kama vile Muungano wa Sekta ya Kibinafsi Kenya (KEPSA), Chama cha Watengenezaji Bidhaa Kenya (KAM), Chama cha Kitaifa cha Wafanyabiashara na Viwanda (KNCCI), Baraza la Wauzaji Maua Kenya (KFC), na Baraza la Wauzaji Bidhaa Nje (EPC).

10. Kudhibiti Hasara za Kimifumo

Katika kipindi cha miaka mitano iliyopita, mtandao wa kusambaza umeme umepanuka pakubwa kuambatana na ongezeko la idadi ya wateja wanya. Katika kipindi hicho, mzunguko wa umeme kwa nyaya za kiwango cha juu na kadri uliongezeka kwa asilimia 10 huku idadi ya wateja ikiongezeka kwa asilimia 24 wastani kila mwaka. Kupanuka kwa mtandao na ongezeko la wateja kumesababisha kuongezeka kwa hasara za kimifumo.

Hasara za kimifumo zinajumuisha vitengo vyote viwili vya kiufundi na kibiashara. Hasara za kiufundi hutokea umeme unapotawanyika wakati wa usambazaji. Hasara za kibiashara hutokea hususan kwa sababu ya wizi wa umeme, mita zilizo na hitilafu, na mita zilizoharibiwa. Katika mwaka huu wa fedha, hasara za kimifumo ziliongezeka hadi asilimia 20.5 kutoka asilimia 18.9 mwaka awali.

Kudhibiti hasara hizo, Kampuni iliunda Mpango wa Kupunguza Hasara (LRIP) wa miaka mitatu. Tunashirikiana kwa karibu na Shirika la Kimataifa la Fedha (IFC) kama mfadhili mwenza katika kutekeleza mpango huo. Mpango huo unaegemea mafanikio yaliyoshuhudiwa katika utekelezaji wa mradi mwingine uliopo unaotumia programu ya kompyuta kusawazisha kawi, Energy Balance Module, ambayo hutambua sehemu zilizo na hasara kubwa ya kawi katika mtandao wetu wa usambazaji umeme. Mapendekezo yatakayotolewa yatatekelezwa ili kudhibiti kabisa hasara za kimifumo katika kipindi kitakachowekwa.

Kampuni pia inafuatilia kesi inayoendelea mahakamani, kwa lengo la kuihitimisha, inayohusu ununuzi wa mita 50,000 za kisasa. Mita hizo zitapewa wateja wanaotumia zaidi ya vocha 500 za umeme kama njia ya kudhibiti hasara za kibiashara. Wakati huo huo, uamuzi wa kutumia mbinu ya kugawanya mtandao katika vitengo kulingana na kiwango cha chini kabisa cha usambazaji umeme (FBBU), kutachangia pakubwa kupunguza hasara za kawi na hivyo kuimarisha utendakazi wa mtandao.

11. Kulinda Mali Zetu

Mipango ya Kampuni ya kuzuia wizi wa vifaa iliendelea kuzaa matunda katika miaka ya hivi karibuni kwani visa vya wizi wa transfoma, vipitishi umeme na vifaa vingine vimeendelea kupungua. Idadi ya transfoma zilizoibwa imepungua hadi 100 kutoka 133 mwaka awali na 535 miaka minne iliyopita – hii ikiwa ni asilimia 81.3 ya kupungua kwa visa hivyo.

Kupungua kwa visa hivyo kumetokana na mikakati thabiti iliyotekelezwa kote nchini kukabiliana na visa vya wizi. Mikakati hiyo ni pamoja na kuimarishwa kwa ulinzi wa mitambo kupitia ushirikiano na wadau wengine wa usalama; uchunguzi wa kina wa

visa vya wizi; kufunguliwa mashtaka haraka dhidi ya wezi na walaghai; adhabu kali dhidi ya wakosaji; na kuimarisha hamasisho na ushirikishi wa jamii katika vita dhidi ya wezi wa mitambo. Pia tumejumuisha matumizi ya teknolojia kubaini na kuzuia uhalifu kwa kuweka kamera za CCTV katika vituo muhimu, na hii imechangia kupunguza hata zaidi visa vya wizi kwa asilimia 29 ikilinganishwa na mwaka awali.

Vile vile, tuliangazia masuala yaliyowasilishwa na wateja wa ndani na nje kwa kuunda meza ya usalama, anwani ya barua pepe na laini ya simu bila malipo mbinu ambazo wafanyakazi na wateja wanaweza kutumia kupiga ripoti kuhusu visa vya ukiukaji usalama. Meza hiyo huendeshwa na kitengo cha usalama wakati wote saa 24 kila siku.

Isitoshe, Kampuni ilielekeza juhudi zaidi kulinda mapato yanayokusanywa katika vituo vipya vya kiwango cha chini kabisa cha usambazaji umeme (FBBU). Tulichukua hatua mbalimbali za kiusalama zinazolenga kupunguza hasara ya kawi. Hasara hizi huchangiwa na nyaya zisizo halali za usambazaji na wizi wa umeme. Jumla ya operesheni 497 zilifanywa kote nchini katika mwaka huu wa fedha na washukiwa 88 kukamatwa.

12. Mbinu Tofauti za Kuzalisha Mapato

Shughuli ya kuunda Kenya Power International (KPI) kama shirika tanzu la Kampuni ilianza miaka mitatu iliyopita, kama njia ya kutanua uwanda wa kibiashara ili kuunda mbinu zingine za kuzalisha mapato. KPI ilipewa jukumu la kuendesha kitengo chetu cha kutoa huduma za kusambaza data kupitia kebo za Fibre Optic, na kuimarisha soko lake. Shirika hilo pia liko na jukumu la kusaka kandarasi za kutoa umeme, kufanyia mageuzi Taasisi ya Utafiti wa Kawi (IESR), zamani ikijulikana kama Chuo cha Mafunzo cha Kenya Power, ili kuwa taasisi kuu na bora ya mafunzo na utafiti kuhusu kawi katika kanda hii ya Afrika.

Taasisi hiyo kwa ufadhili wa RES4Africa inajenga kituo cha kutoa mafunzo na kufanya utafiti kuhusu teknolojia za nishati mbadala, kwa jina Micro-Grid Academy (MGA). Kituo hicho cha kanda ya Afrika Mashariki kinakuza wataalamu watakaovutia sekta ya kawi na uhifadhi mazingira, kupitia mafunzo ya

kiufundi na ujasiriamali kuhusu miradi ya nishati mbadala inayoweza kutekelezwa mashinani. Ufadhili huo unajumuisha ujenzi wa mitandao midogo ya mitambo ya kusambaza umeme ya kiwango cha 20-40kW, itakayotumika kwa mafunzo ya hali halisia. Kituo hicho kitatoa mafunzo kwa mafundi, mameneja na wahandisi wachanga wa Afrika Mashariki jinsi ya kuandaa, kuchora, kujenga na kuendesha mitandao na mitandao midogo mahuluti katika maeneo ya mashambani na mbali.

Tangu kuzinduliwa kwa biashara yetu ya Fibre Optic mapema 2010, Kampuni imetia saine kandarasi za kukodisha za miaka 5-20 na kampuni kadha zinazotoa huduma za mawasiliano ya mbali, na kupewa malipo mazuri kuwiana na bei ya sokoni. Katika mwaka huu, tulijenga kebo ya umbali wa kilomita 1,300 na kufikisha jumla ya kilomita 2,500 za kebo za ADSS Fibre zinazotumia mtandao wetu wa usambazaji. Kupitia KPI tunanua kuimarisha mtandao wa kebo za Fibre na kuunganisha Kenya kwa mataifa yote ya Soko la Pamoja na Afrika Mashariki na Kusini (COMESA) na zaidi. Vile vile, tunaendelea na mradi wa majaribio baina yetu na kampuni ya mawasiliano ya Safaricom, kwa jina Fibre to the Home, unaolenga kueneza huduma za kampuni hiyo kwa nyumba 12,000 katika mitaa ya Ruaka, Ridgways na Muthithi Gardens kwenye Kaunti ya Kiambu. Mradi huo wa majaribio utazalisha takriban Sh24 milioni kila mwaka.

Tumeunda mwongozo kwa KPI jinsi ya kuimarisha mbinu zake za kuzalisha mapato na kudumisha biashara katika kipindi kirefu kijicho. Baadhi ya mikakati ni pamoja na kuimarisha huduma, kukuza mahusiano, na kujenga sifa kama kituo cha ubora na ubunifu.

13. FBBU yaleta Mageuzi katika Usimamizi wa Biashara

Katika mwaka huu, Kampuni ilianza kutumia mbinu ya Feeder-Based Business Unit (FBBU). Lengo la mbinu hii ni kutilia maanani na kufuatilia kwa karibu nyaya ndogo za usambazaji umeme, ambazo hutoa umeme kutoka kituo kidogo na kupeleka moja kwa moja hadi kwa wateja, kwa kuweka mpangilio mpya wa utoaji rasilimali. Hii ni mbinu mwafaka zaidi ya usimamizi wa mtandao kwani maafisa wa kiufundi hushughulikia

sehemu mahususi katika eneo la kijiografia lililogwanywa kulingana na nyaya zake ndogo za usambazaji umeme.

Mpangilio huo uliundwa kwa lengo la kuimarisha uzalishaji na kuwezesha matumizi kamili ya rasilimali kuambatana na majukumu mahususi. Unanua kuimarisha utendakazi kupitia ushirikiano katika kupanga, kutekeleza na kutathmini kazi. Lengo lake sio tu kuimarisha uzalishaji na utendakazi bora lakini pia kutasaidia kukua kimapato na kupunguza gharama za matumizi huku tukiimarisha huduma kwa wateja wetu kupitia utoaji huduma bora za kutegemewa za umeme.

Utekelezaji wa mpangilio mpya wa FBBU utapigwa jeki na mfumo mpya wa kutathmini utendakazi, Balanced Score Card, ambao pia unajumuisha mageuzi katika utamaduni na utaratibu wa kazi. Mafanikio yatatikana kupitia matumizi ya mifumo ya Teknolojia za Habari na Mawasiliano (ICT) kuimarisha operesheni za kibiashara, kuimarisha uhifadhi wa rekodi na uchanganuzi wa data. Vile vile, Kampuni itaharakisha zoezi la kukuza ujuzi kupitia utoaji mafunzo rasmi, nay a uanagenzi ambapo wafanyakazi hujifunza kutoka kwa wengine katika vitengo vyao vya FBBU. Kupitia mpango huo, inatazamiwa kwamba tutaleta mageuzi katika operesheni zetu kwa kuchangamkia utamaduni wa kutunza rasilimali na kuzuia uharibifu.

Katika mwaka huu wa fedha, Kampuni iliweka mpangilio mpya wa ofisi za Kaunti ili kuunda ofisi moja kuu inayosimamia kila kitengo cha FBBU na ambayo inaripoti kwa Meneja wa Biashara wa Kaunti. Wafanyakazi ambao zamani walikuwa wakisimamia idara za operesheni, utunzi na huduma za wateja katika kaunti walihamishwa hadi vitengo vya FBBU.

14. Kukuza Wafanyakazi Bora

Wafanyakazi ndio huchangia pakubwa kufanikisha usimamizi wa Kampuni na ni muhimu sana katika kukuza thamani za wanahisa. Mienendo, ujuzi na uwezo wao huchangia moja kwa moja katika huduma tunazowapa wateja wetu. Kampuni imejitolea kukuza na kudumisha wafanyakazi wenye haiba na talanta inayohitajika kufanikisha jukumu letu na kuafikia malengo yetu makuu.

Mgawo wa kulinganisha idadi ya wateja wetu na wafanyakazi wanaowahudumia, uliopatikana kwa kugawanya jumla ya wafanyakazi 10,993 na wateja 6,761,090, ni 1:615. Hili ni ongezeko ikilinganishwa na mgawo wa 1:547 mwaka awali na 1:261 miaka mitano iliyopita ambapo wafanyakazi 10,590 walikuwa wakihudumia wateja 2,767,983. Mgawo huu ni kigezo muhimu cha kubaini utendakazi kwani unapima kiwango cha huduma anachotoa mfanyakazi kwa wateja ili kufikia upeo wa utendakazi.

Katika mwaka huu, tulifanya Utafiti wa Kubaini Kiwango cha Kuridhika cha Wafanyakazi ili kupata mtazamo wao kuhusu Kampuni, mazingira ya kazi na haiba yao kwa jumla. Utafiti huo pia husaidia Kampuni kutathmini kiwango cha utendakazi cha mfanyakazi na ambacho husaidia wasimamizi kufanya maamuzi ya kuimarisha utendakazi huo. Kiwango cha jumla cha kuridhika kwa wafanyakazi kilikuwa asilimia 64.9% kutoka asilimia 63.3 % katika utafiti wa awali. Kiwango cha utendakazi kilikuwa asilimia 75 huku kiwango cha haiba kikiwa asilimia 70.5.

Kampuni ilianzisha mikakati mbalimbali mwaka huu kuimarisha utendakazi wa wafanyakazi wetu. Hii ni pamoja na kandarasi za utendakazi, mafunzo kwa wafanyakazi na kugawa rasilimali kulingana na majukumu ili kutekeleza kikamilifu mfumo wa Feeder-Based Business Unit (FBBU).

Zoezi la kutoa kandarasi za utendakazi lilikuwa likifanywa kwa mara ya 15 tangu kuanzishwa 2004. Zoezi hilo linatoa fursa kamilifu na endelevu ya kutathmini utendakazi wa wafanyakazi. Mfumo huo unatokana na kanuni ya usimamizi kupitia makubaliano ama kandarasi badala ya usimamizi kupitia maagizo. Hii inahakikisha kuwa utendakazi wa mfanyakazi unaimarika kwa mfululizo.

Idadi ya jumla ya wafanyakazi walioajiriwa kwa kandarasi za utendakazi mwaka huu ilikuwa 4,832. Zoezi hilo limetusaidia kufanya mabadiliko katika utaratibu wa kazi na kutimiza shabaha ya Kampuni. Kwa kipindi cha kadri, Kampuni itaanza kutumia mfumo mpya wa wafanyakazi, Workforce Management System, kusimamia vyema utendakazi wa wafanyakazi na gharama zao.

Katika mwaka huu tuliendesha miradi ya mafunzo kukuza uwezo wa wafanyakazi ili kuimarisha ujuzi na ustadi wao. Moja ya miradi mkuu ilijumuisha mafunzo shadidi ya mwaka mmoja ya kusimika wahandisi wapya 120, ambao baadaye walitumwa kutia shime utendakazi wa wafanyakazi wanaohudumu katika vitengo vyetu vya FBBU. Vile vile, tulitoa mafunzo ya lugha ya ishara kwa baadhi ya wafanyakazi wanaohudumu katika kumbi za kutoa huduma za wateja kote nchini ili kuwafaa wateja viziwi.

Ufanisi wa mpango wa FBBU unategemea rasilimali za kutosha ili kufadhili shughuli muhimu za kufanikisha utoaji huduma bora kwa wateja. Kutimiza hilo, Kampuni ilituma wafanyakazi wa kiufundi na wale wasaidizi ili kusimamia shughuli za biashara katika vitengo 148 vya FBBU mashinani. Kila kitengo kinaendesha na afisa mkuu msimamizi ambaye huripoti kwa Meneja wa Biashara wa Kaunti. Kila kitengo kidogo cha FBBU kinasimamiwa na mwangalizi wa kundi.

Kuimarisha mazingira ya kazi, Kampuni iliimarisha usalama wa vituo vyetu vya kazi kupitia ukarabati na ujenzi uliofanyika katika stesheni na ofisi za Nairobi South, Ruiru, Eldoret, Kisumu, Nakuru, Mandera, Wajir, Muhoroni na Chemelil.

Kuhusu suala la haki za wafanyakazi, tulifanya mikutano kadha katika maeneo yote ili kuimarisha uhusiano mwema baina ya wasimamizi na wafanyakazi ambao wamejiunga na vyama vya kutetea haki zao.

15. Kudumisha Mazingira Salama ya Kazi

Uwezo wa kutoa mazingira salama na mazuri ya kazi ni muhimu kwa Kampuni yoyote. Usalama ni hitaji kuu kwani huathiri wafanyakazi, wanakandarasi na wananchi, na kusababisha maafa na majeraha.

Tunachukua mwelekeo wa jumla katika kutekeleza Sera ya Usalama, Afya na Mazingira inayotoa mwongozo kwa wafanyakazi wetu, wanakandarasi, wateja na wafanyakazi. Mwaka huu, tuliendelea kutekeleza miradi ya usalama kukabiliana na hatari na majeraha kwa wafanyakazi wetu na vile vile wananchi. Baadhi ya miradi hiyo ni mafunzo mahususi kwa wafanyakazi wa

kiufundi, mafunzo ya kuambatana na Sheria ya Kudumisha Usalama na Afya Kazini, 2007, kampeni za kuhamasisha umma, na kuondoa majengo katika maeneo kunakopitia nyaya za kusambaza umeme kupitia kampeni ya pamoja ya sekta mbalimbali kwa jina *Ondokea Laini*.

Katika miaka ya hivi karibuni kumekuwa na visa vichache vya wahudumu wetu kuhusika katika ajali za kazini, kwa sababu ya mikakati kabambe ya usalama na miradi ya kukuza hamasisho. Tutaendelea

kuelekeza juhudi zaidi katika kudumisha usalama kazini kwa kutambua hatari kuu zinazoweza kutokea kama njia ya kuzuia hatari hizo ili kukomesha majeraha na maafa.



Eng. Jared Othieno
Ag. Managing Director & CEO



Mombasa, Mombasa County

7:34 PM





REVIEW OF OUR FIVE-YEAR STRATEGIC PLAN

During the year, we reviewed our 5-Year Corporate Strategic Plan covering the period 2018-2023. The review was initiated taking into consideration the changes in our operating environment and the need to strategically position the Company for the future. Among the salient features of the revised corporate strategy include adoption of a new vision statement, enhanced mission statement, introduction of a customer value proposition and inclusion of accountability principle as one of our core values.

New Business Model

In view of the current trends in the evolving electricity market and the changing sector regulations, we have adopted a new business model dubbed “Partner of Partners” to extend our presence in the value chain. The model provides opportunities for partnership with both private and public business entities and setting up of separate legal entities as a diversification strategy and in line with world market trends. We believe that the business model will safeguard our interests and support the Company’s growth strategy and objectives in a competitive electricity distribution environment. Notably, the model will enable us benefit from opportunities in renewable energy in response to the changing needs of our customers.

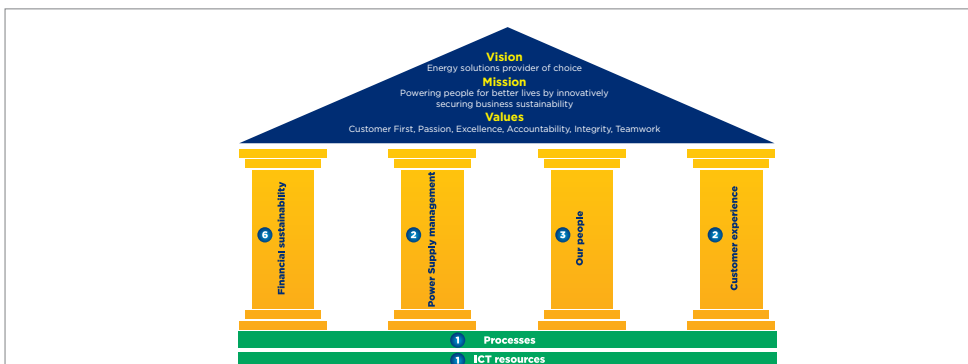
Strategic Pillars

In support of the Company’s Vision of being the “energy solution provider of choice,” we have revised our focus and identified the following four areas as strategic in our operations:

1. **Our people** - our people are our first assets. We endeavour to develop productive and engaged workforce and inculcate a positive culture based on shared values;
2. **Power supply management** - provide quality and reliability power supply that is competitively priced and adequate, while maintaining our assets and advancing the grid;
3. **Customer experience** - we commit to provide the best service to our customers and exceed their expectations as they are the reason for our business existence;
4. **Financial sustainability** - create an optimal balance between public sector role and private role as a listed company by covering current and future expenses and generate sustainable profit.

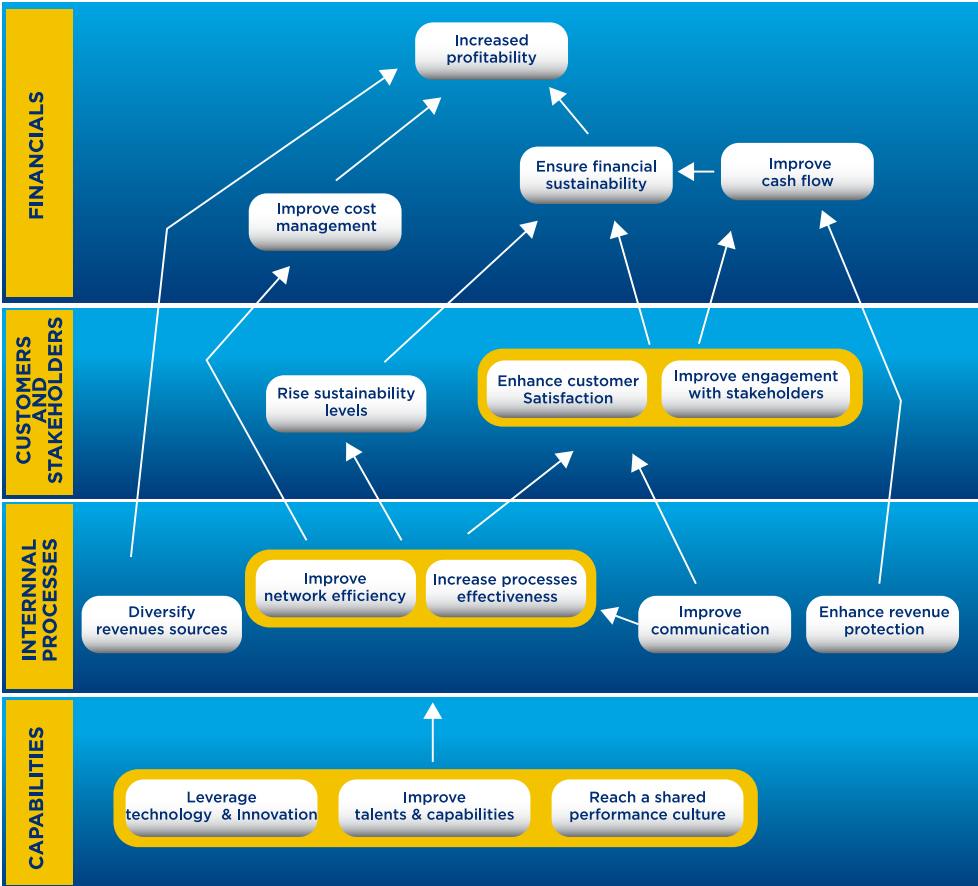
Strategy Implementation and Monitoring

We have adopted the Balance Scorecard, a performance management system, as a tool for effective operationalisation and monitoring of the strategy. Our focus in the strategy will be on 15 identified objectives which are organised around the scorecard perspectives for balanced growth: financial, customers and stakeholders, internal processes, and capabilities. To successfully implement the strategy, we have developed an effective framework prioritising on the objectives, key performance indicators and initiatives to help us deliver value to our customers.



Corporate Strategy in Summary

Vision	Energy solution provider of choice			
Mission	Powering people for better lives by inovatively securing business sustainability			
Strategic Themes	Financial Sustainability	Customer satisfaction	Our people	Power Supply Management
Strategic Results	A business that generates sustainable profits while balancing its social role	To be the energy supplier of choice and to have satisfied customers	To be employer of choice	Achieve universal access to power that is reliable, robust, cost effective and safe
Values	Customer First • One Team • Passion • Accountability • Excellence • Integrity			



Amb. (Eng.) Mahboub Mohamed
Chairman, Board of Directors

UCHAMBUZI WA MKAKATI WETU MKUU WA MIAKA MITANO

Katika mwaka huu, tulichambua Mkakati Mkuu wa Kampuni wa Miaka Mitano unaohusu miaka kati ya 2018-2023. Uchambuzi huo ulianzishwa kwa kuzingatia mabadiliko katika uendeshaji operesheni zetu na kuwepo haja ya kuweka Kampuni pahala pa sawa kuendelea na biashara siku zijazo. Miongoni mwa masuala muhimu yaliyojumuishwa katika mkakati huo uliosahihishwa ni pamoja na taarifa mpya ya maono, taarifa iliyoimarishwa ya wito, kuanzisha taarifa ya kueleza thamani ya bidhaa na huduma zetu kwa wateja, na kujumuishwa kwa kanuni ya uwajibikaji kama moja ya maadili yetu makuu.

Mfumo Mpya wa Kufanya Biashara

Kutokana na mitindo inayoshuhudiwa kwa sasa katika sekta ya umeme na vile vile mabadiliko katika kanuni za sekta, tumeanza kutumia mfumo mpya wa kufanya biashara ili kuzidisha uwepo wetu katika shughuli za uzalishaji. Mfumo huo unatoa fursa ya kukuza ushirikiano na taasisi za kibinafsi na pia za umma, kuunda vitengo tofauti vya kisheria kama njia ya kutanua uwanda wetu wa kibashara, na kuzingatia mitindo ya masoko ulimwenguni. Tunaamini kuwa mfumo huo mpya wa biashara utalinda maslahi yetu na kusaidia kutekeleza mkakati wa ukuaji na malengo ya Kampuni katika mazingira shindani ya usambazaji umeme. Muhimu zaidi, mfumo huo mpya utatuwezesha kunufaika na fursa zitakazojitokeza katika sekta ndogo ya nishati mbadala kuambatana na mahitaji yanayobadilika ya wateja wetu.

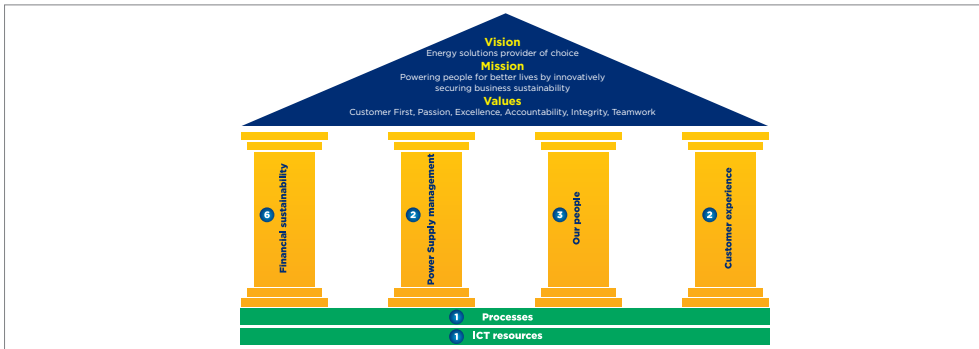
Nguzo Kuu

Kuambatana na maono ya Kampuni kuwa “chaguo lako kukutumizia mahitaji yote ya kawi”, tumefanya marekebisho na kutambua mambo haya manne kama yaliyo muhimu kwa operesheni zetu:

1. **Wafanyakazi** - Wafanyakazi wetu ndio nguzo yetu ya kwanza. Tunajizatiti kukuza wafanyakazi wenye haiba na utendakazi bora, na kukuza utamaduni wa maendeleo unaotokana na maadili tunayoshiriki pamoja;
2. **Utoaji huduma za umeme** - kutoa huduma bora za umeme za kutegemewa, kutosha na za bei nafuu, tukitunza rasilimali zetu na kuimarisha mtandao wa mitambo;
3. **Huduma kwa wateja** - tunaahidi kutoa huduma bora kwa wateja wetu na kufanya zaidi ya matarajio yao kwani ni wao ndio sababu ya kuwepo kwetu;
4. **Uthabiti wa kifedha** - kudumisha usawa katika utekelezaji wa majukumu ya umma na yale ya kibinafsi kama kampuni iliyoorodheshwa katika soko la hisa, kwa kutenga fedha za kugharamia mahitaji ya sasa na ya siku zijazo na bado kuendelea kuleta faida ya kudumu.

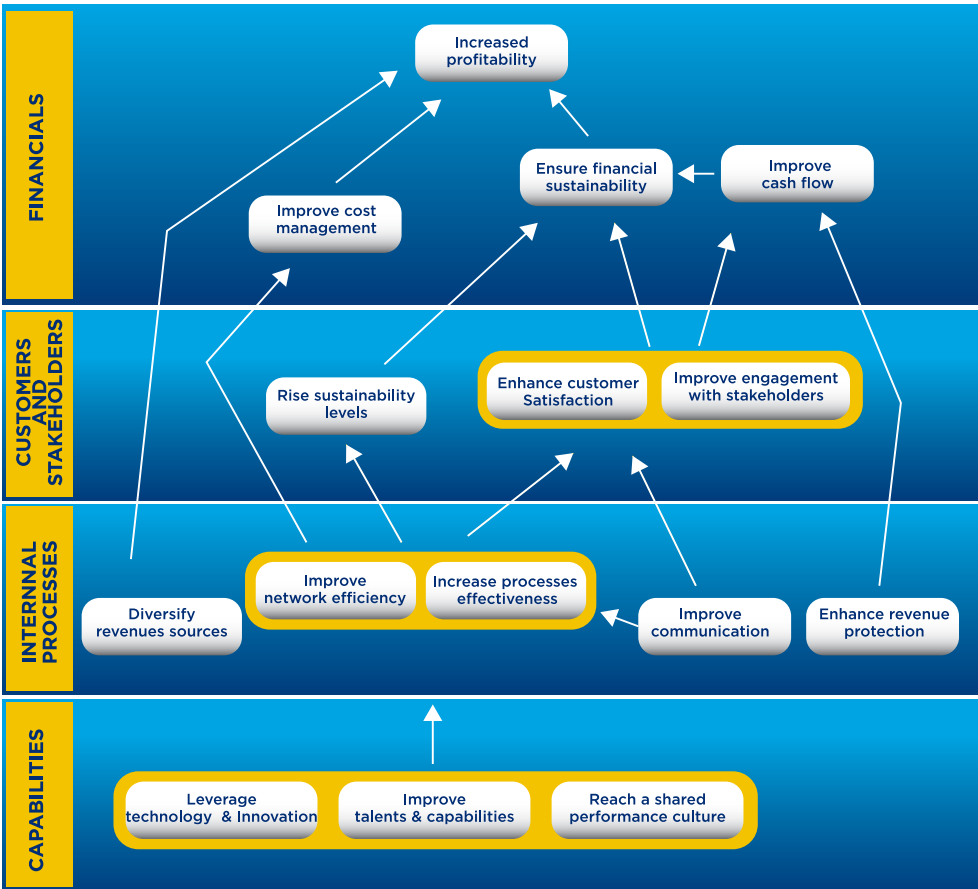
Utekelezaji na Usimamizi wa Mkakati

Tunatumia mbinu mpya ya kutathmini utendakazi ya Balance Scorecard kama kifaa mwafaka cha utekelezaji na usimamizi wa mkakati wetu. Juhudi zetu zitaelekezwa kwa malengo 15 ambayo yameorodheshwa kuambatana na vigezo vya mbinu hiyo ili kuleta ukuaji sawa: fedha, wateja na wadau, operesheni za ndani, na uwezo. Kutekeleza kikamilifu mkakati, tumeweka mfumo kabambe unaoweka kipaumbele malengo, vigezo muhimu vya kutathmini utendakazi na mbinu za kutusaidia kutoa huduma bora kwa wateja wetu.



Muhtasari wa Mkakati wa Kampuni

Vision	Energy solution provider of choice			
Mission	Powering people for better lives by inovatively securing business sustainability			
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Values	Customer First • One Team • Passion • Accountability • Excellence • Integrity			



Muhtasari
 Balozi. (Mhandisi) Mahboub Mohamed
 Mwenyekiti, Bodi ya Wakurugenzi



Kisumu City, Kisumu County

7:20 PM







Chairman's Comments

Kenya Power's core business is to transmit, distribute and retail electricity which is purchased in bulk from various generating companies. We are also responsible for the country's power system dispatch and grid operation functions. Building and maintaining a robust national grid and off-grid system for the country is key for effective service delivery to customers.

The Board of Directors embraces principles of good corporate governance in steering the Company to effectively achieve its mandate for sustainable growth in shareholder value and to meet stakeholder expectations. As the Chairman of the Board, I am committed to provide leadership that espouses transparency, accountability, ethics and integrity as pillars of good corporate governance.

As a public limited company listed in the Nairobi Securities Exchange, we remain steadfast in complying with statutory and regulatory requirements as outlined in the Companies Act 2015, the Capital Markets Authority's Code of Corporate Governance Practices for Issuers of Securities to the Public 2015, Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations, 2002 and the Code of Governance for State Corporations among others. Our operations are defined in the Board Charter and Manual which clearly outlines the roles, responsibilities and functions for the Board and its committees.

Among the key achievements by the Board during the year include review of the Company's Five Year Strategic Plan and the organisational structure to support it. The strategy will help transform our business operations to be more responsive to customer needs and ensure financial sustainability. The strategy will be launched in the current financial year.

Other major board accomplishments include review of Company's operations and projects, risk management, implementation of Time of Use tariff, approval of budget and banking facilities, issues relating to restoring stakeholder confidence, harmonisation of retail tariff, as well as preparation of the Company's annual financial statements.

The Board remains resolute in securing sustainable long-term prosperity of our Company to realise value for our shareholders. We will continue to strengthen our internal controls and enterprise risk management; strive for highest ethical business standards; and promote a culture of integrity to support the Company in achieving our strategic and financial objectives.

Amb. (Eng.) Mahboub Mohamed
Chairman, Board of Directors

Directors' Profiles



Amb (Eng.) Mahboub Mohamed
BSc (Civ. Eng.), MSc (Civ. Eng.), R. Eng.
Chairman of the Board

Amb (Eng) Mahboub Mohamed (61 years) joined the Board of Directors of the Company on 1st December 2017 and was appointed the Chairman of the Board on 9th January 2018. He is a registered Engineer with the Kenya Engineers' Registration Board and a member of the Institute of Engineers of Kenya. Amb (Eng) Maalim Mohamed holds M.Sc. and B.Sc degrees in Civil Engineering from Texas A&I University in USA. Before going to study in USA he trained on water technology for three years in the Kenya Water Institute and served as an inspector of water responsible for water supplies, planning, construction, and operation and maintenance in Kenya, where he rose to the position of District Water Engineer serving in various areas in Kenya.

Amb (Eng) Mahboub Mohamed has served in various senior positions including District Project Coordinator for World Bank financed Drought Recovery Project in the Arid Areas of Kenya, Deputy National Project Coordinator and National Coordinator of Arid Lands Resource Management Project. He also served as Permanent Secretary in Ministries of State for Special Programs in Office of the President and Permanent Secretary in the Ministry of Water and Irrigation and executive director at Intergovernmental Authority on Development (IGAD) and the Ambassador at IGAD.



Eng. Jared Othieno
BSc (Elec. Eng.), MBA (Strat. Mgnt.), R. Eng., MIEK
Ag. Managing Director and CEO

Eng. Jared Othieno (54 years) has over 30 years' corporate leadership and management experience in the energy sector and joined the Company in 1987 as a graduate trainee rising through the ranks. He holds a Bachelor of Science in Electrical Engineering Degree from University of Nairobi and Master's Degree in Business Administration (Strategic Management) from the same institution. He is currently pursuing a Doctor of Philosophy degree (PhD) in Business Administration (Strategic Management) at Jomo Kenyatta University of Agriculture and Technology.

Eng. Othieno is a registered professional engineer with the Engineers Board of Kenya and is a member of the Institute of Engineers of Kenya. He has attended various leadership and management programmes including Leadership Best Practices at Harvard Business School, Strategic Management from the Swedish Institute for Public Administration (SIPU) and project management. He is a Certified Balanced Scorecard Master Professional by the Balanced Scorecard Institute - George Washington University, a Certified Trainer on Corporate Governance and also a Certified ISO Lead Auditor.

Eng. Jared Othieno was appointed Acting Managing Director & CEO on 17th July 2018. Prior to his appointment, he was the Company's Ag. General Manager in charge of the Street Lighting Project and a member of the executive management team. Previously, Eng. Othieno worked as the Manager, Streetlighting prior to which he was the Regional Manager in charge of Coast Region. He has held various leadership roles in Regional Management in the Company's administrative regions including Nairobi West, West Kenya Region and Nairobi South.



Mr. Henry Rotich
B.A. (Econ.), MA (Econ.), MPA - Cabinet Secretary,
The National Treasury

Mr. Henry Rotich (49 years) is the Cabinet Secretary for the National Treasury. He holds a Master's Degree in Economics and a Bachelor's Degree in Economics (First Class Honours), both from University of Nairobi. He also holds a Master's Degree in Public Administration (MPA) from Harvard University. Prior to this appointment, Mr. Rotich was the head of Macroeconomics at the Treasury, Ministry of Finance, since March 2006. Under this capacity, he was involved in formulation of macroeconomic policies that ensured an affordable and sustainable path of public spending aimed at achieving the Government's development priorities. Prior to joining the Ministry of Finance, Mr. Rotich worked at the Research Department of the Central Bank of Kenya since 1994. Between 2001 and 2004, he was attached to the International Monetary Fund (IMF) local office in Nairobi to work as an economist.



Dr. Eng. Joseph Njoroge
CBS, PhD, MBA, BSc (Eng.), R. Cons. Eng., C. Eng., MIET,
FIEK - Principal Secretary, Ministry of Energy

Dr. Eng. Joseph Njoroge (60 years) is the Principal Secretary, Ministry of Energy. He was the Managing Director of the Company since June 2007 until he was appointed to his current position in May 2013. He holds a Doctor of Philosophy Degree, MBA in Strategic Management and First Class Honours Degree in Electrical Engineering all from University of Nairobi. He is a Registered Consulting Engineer, a Chartered Engineer, a Member of the Institution of Engineering & Technology (UK) and a Fellow of the Institution of Engineers of Kenya. He is also a member of the Institute of Directors of Kenya and a trainer in Corporate Governance. He has wide experience in power engineering and management of the power sector, having joined the Company in 1980 and serving in various senior positions prior to his appointment as Principal Secretary, Ministry of Energy.



Mr. Wilson Mugung'ei
BA (Math.), MBA

Mr. Wilson Mugung'ei (52 years) has over 20 years' experience in investment banking and fund management. Mr. Mugung'ei has progressive experience in investment environments and in various capacities notably in operations management and dealership in stockbrokerage. He holds a Bachelor of Arts degree in Mathematics from Kenyatta University and Global Executive Master of Business Administration from United States International University. He is also a director of Quadrix Capital Management Limited and Seriani Asset Managers Limited. He joined the Board on 19th December 2014.



Mr. Adil Khawaja
LL.B (Hons), Dip. (Law)

Mr. Adil Khawaja (47 years) joined the Board on 19th December 2014. He specializes in commercial law, corporate law, real estate law, energy, oil and gas, commercial litigation and arbitration. He has over 23 years of dispute resolution experience and vast experience in real estate and finance work. He has undertaken many complex company restructurings, mergers and acquisitions, bank security work and bank regulatory work, schemes of arrangement for banks and other companies. Mr. Khawaja holds a Bachelor of Law Degree from University of Sheffield and is an advocate of High Court of Kenya. Mr. Khawaja served as the Chairman of KCB Bank Kenya Limited and serves as a director on several other private companies.



Mr. Kairo Thuo
LLB (Hons), CPA (K), CPA (T), ACII

Kairo Thuo (43 years) is a consultant and a founder partner of Viva Africa Consulting LLP and Viva Africa Consulting Limited. Kairo is both a lawyer and accountant by profession. He attended Strathmore and the University of Nairobi where he graduated with LLB (Hons) and is a CPA-K and CPA-T holder. He was previously responsible for establishing and running the Tax Transaction Advisory Group at Deloitte and Touche and was the Director of the unit. This group was responsible for merger, acquisition, transaction arrangements, wealth structuring and funds management, corporate and legal structuring.

Kairo has developed extensive experience in all areas of taxation in Kenya, Uganda, Rwanda and Tanzania and has also been involved in tax matters involving other countries in Africa. His experience involved all areas of legal, finance and taxation and was also involved in establishment of specialized tax service lines in direct and indirect taxation including customs, international tax and transfer pricing.

He has conducted numerous tax and legal training seminars in Kenya and Tanzania and specific tax and legal workshops for various clients in Kenya. He has also assisted numerous clients in resolving various disputes with the revenue authority and other regulatory authorities in Kenya, Rwanda and Tanzania as well as lobbied for specific tax legal positions in Kenya. He was recently recognised by KRA in the annual taxpayers' awards for contribution towards tax education and by the IFC for outstanding tax advice contribution in the Kenya and Uganda Railways concession process.

Kairo is also a director of NIC Bank Limited, ICEA-Lion Asset Management, Special Economic Zones Authority, ICEA Lion General Insurance Limited and ICEA Lion Life. He joined the Board on 23rd December 2016.



Mrs. Brenda Kokoi
BA (Dev. Studies), Dip. Ed.

Mrs. Brenda Eng'omo (33 years) holds a Bachelor's degree in Developmental Studies from Mt. Kenya University and a Diploma in Education from Kenya Science Teachers College. She has experience in Project Management and currently works as Programme Project Officer for Hunger Safety Net in Turkana North and Kibish Sub County in Turkana County. She previously worked for Oxfam GB as field supervisor and as a high school teacher. She was the chairperson of Kataboi Girls Secondary School in Turkana County and is currently the Board member of Lokitaung Girls Secondary School. She joined the Board on 23rd December 2016.



Hon. Zipporah Kering
B.Ed, Dip. Ed.

Hon. Zipporah Kering (52 years) holds a Bachelor of Education Degree from Kenyatta University and a Certificate in Education from Highridge Teachers Training College. She is the immediate Nandi County Women Representative and served as member of committee in health, KEWOPA and National Cohesion and Integration Committee. She previously worked as a school teacher for over 20 years and served as Executive KNUT secretary in Nandi County. Hon. Kering is a trained athletic coach and has taken world junior athletic teams in world championships. She joined the Board on 1st December 2017.



Mrs. Beatrice Gathirwa
B.Com, MBA, CPA(K)
Alternate Director, the National Treasury

Mrs. Beatrice Gathirwa (62 years) is a Senior Deputy Accountant General/Director of National Assets and Liabilities Management Investment in the Directorate of Public Investment and Portfolio Management in the National Treasury. She Holds a Masters of Business Administration, Moi University, Bachelors of Commerce (Accounting Option), University of Nairobi and a Certified Public Accountant (K). She has over 30 years' experience in the Public Sector. Mrs. Beatrice Gathirwa joined the Board on 5th May 2017 as Alternate Director to The National Treasury.



Eng. Isaac Kiva, osw
BSc (Eng.), R. Eng., MIEK
Alternate Director, Ministry of Energy

Eng. Isaac Kiva (50 years) is currently the Secretary for Renewable Energy at the Ministry of Energy. Eng. Kiva has wide experience in public sector management, having held senior Government positions for over 20 years. He is a registered Professional Engineer with the Engineers Board of Kenya and a member of the Institution of Engineers of Kenya. He is also a gold member of the Association of Energy Professionals (East Africa). Eng. Kiva joined the Board on 16th December 2009 as an Alternate Director to the Principal Secretary Ministry of Energy.



Imelda Bore
LL.B, LL.M, Dip(Law), H.Dip (HR), CPS(K), AMCIArb
Ag. General Manager, Corporate Affairs & Company Secretary

Imelda was appointed Acting General Manager, Corporate Affairs and Company Secretary on 17th July 2018 and is the Secretary to the Board of Directors. She is an Advocate of the High Court of Kenya with over 15 years post admission experience, a Commissioner for Oaths and a Notary Public. She is a law graduate from Moi University and the holder of a Masters Degree in Law (LLM) (Public Finance) from the University of Nairobi. Additionally, she holds a Diploma in Law from the Kenya School of Law and a Higher Diploma in Human Resource Management. Imelda worked for six years as a Litigation Counsel in the State Law Office. She joined the Kenya Power & Lighting Company Limited in November 2008 as a Legal Officer and has gained a lot of experience in contract negotiations including those relating to power purchase agreements, procurement and financing for company projects. She is an active member of the Law Society of Kenya, a Certified Public Secretary (ICPS (K)) and an associate member of the Chartered Institute of Arbitrators.

1. The Board

A. Board Composition

In line with the guidelines of the Code of Governance for State Corporations, the Board is composed of nine members. Out of this, six are Independent Non- Executive Directors including the Chairman; two are Non-Independent Directors representing The National Treasury and the Ministry of Energy; and one Executive Director who is also the Managing Director and Chief Executive Officer. The constitution of this Board takes into consideration diversity in gender, age, ethnicity and culture.

At every Annual General Meeting (AGM), at most one third of the Board members retire by rotation and are eligible for re-election based on first in first out basis. If for any reason a vacancy occurs in the Board, the Directors may appoint a person to fill in the vacancy temporarily until the next AGM when he or she is expected to stand down but is eligible for election.

B. Responsibilities of the Board

The Board is responsible for ensuring that the business is financially viable and properly managed so as to protect and enhance interests of the Company over time. To achieve continued prosperity for the Company, the Board exercises leadership, enterprise, integrity and good judgment and shall always act in the best interest of the Company.

Roles and responsibilities of the Board

- (i) Establishing the Company's strategic direction and priorities and adopting business plans proposed by management for the achievement of the strategic objectives.
- (ii) Monitoring and evaluating the implementation of strategies, policies, management performance criteria and business plans.

- (iii) Providing oversight in financial reporting to shareholders and communication to stakeholders.
- (iv) Ensuring availability of adequate resources for the achievement of the Company's objectives.
- (v) Safeguarding our Company assets by instituting appropriate internal control systems.
- (vi) Reviewing succession planning for the management and making senior executive appointments, organizational changes and remuneration issues.
- (vii) Overseeing business affairs of the Company considering emerging risks and opportunities.
- (viii) Ensuring the Company complies with all relevant laws, regulations and codes of best business practices

Governance Framework



C. Board almanac and meetings

The Board almanac contains a schedule of meetings of the Board and its committees for the year. The agenda for each Board meeting is prepared and circulated to members at least ten days in advance. During the year, the Board held a total 15 meetings to consider key issues relating to strategy, business performance and sustainability of the Company.

Board and committee membership

Name of the Director	Board Position	Board Committees				
		Strategy	Human Resource	Procurement Oversight	ICT & PPA	Audit & Risk
Amb.(Eng.) Mahboub Mohamed	Chairman	-	-	-	-	-
Mr. Henry Rotich	CS, The National Treasury	-	-	-	-	-
Dr. Eng. Joseph Njoroge	PS, Ministry of Energy	-	-	-	-	-
Eng. Jared Othieno	Ag. Managing Director & CEO	√	√	√	√	-
Mr. Wilson Mugung'ei	Member	√	-	√ (Chair)	-	√
Mr. Adil Khawaja	Member	√ (Chair)	-	-	√	-
Mr. Kairo Thuo	Member	-	√	√	-	√ (Chair)
Mrs. Brenda Eng'omo	Member	√	√ (Chair)	-	-	√
Hon. Zipporah Kering	Member	-	-	√	√ (Chair)	-
Eng. Isaac Kiva	Alternate to Dr. Eng. Joseph Njoroge	√	√	-	√	-
Mrs. Beatrice Gathirwa	Alternate to Mr. Henry Rotich	-	√	√	-	√

Notes:

There are no inter-se relationships between our Board Members.

Board and Committee Meeting Attendance:

Total No. of meetings	Board Committee Meetings					
	Board Meetings	Strategy	Human Resource	Procurement Oversight	ICT & PPA	Audit & Risk
	15	5	4	15	4	11
Amb.(Eng.) Mahboub Mohamed	7/7	-	-	-	-	-
* Eng. Jared Othieno	-	-	-	-	-	-
Mr. Wilson Mugung'ei	12/15	5/5	2/2 (By invitation)	15/15	2/3	11/11
Mr. Adil Khawaja	9/15	5/5	-	-	3/4	-
Mr. Kairo Thuo	15/15	-	3/4	14/15		11/11
Mrs. Brenda Eng'omo	12/15	5/5	4/4	-	1/1 (By Invitation)	9/11
Eng. Isaac Kiva	12/15	3/5	4/4	-	4/4	-
Mrs. Beatrice Gathirwa	10/15	-	2/4	8/15	2/3	5/9
Hon. Zipporah Kering	6/7	-	-	7/7	1/1	-
*Dr.Ken Tarus	15/15	5/5	4/4	15/15	4/4	10/11 (By invitation)
*Hon. Kenneth Marende	7/8	-	-	-	2/2 (By invitation)	-

Notes:

Amb.(Eng.) Mahboub Mohamed and Hon. Zipporah Kering were elected as Directors during the Annual General Meeting held on 1st December 2017 and Hon. Kenneth Marende ceased to be a director of the Company on the same day.

Eng. Jared Othieno replaced Dr. Ken Tarus as Acting Managing Director & CEO on 17th July 2018.

D. Board Evaluation

We undertook an internal Board performance evaluation by where the board performed remarkably well with a score of 93.67% and an action plan was developed focusing on areas that require improvement. The process was supported by the State Corporations Advisory Committee (SCAC). The annual self-assessment is aimed at improving members' individual and collective performance for continuous growth and sustainability of the Company.

E. Governance Audit

During the year the Board commissioned a Governance Audit with the aim of ensuring that the Company complied with relevant areas of corporate governance. The action points have been development and will be implemented in the current financial year.

F. Insider trading policy

The Board is in the process of reviewing our insider trading policy and the same will be communicated to all employees of the Company. The Board wish to report that there were no insider dealings for the year ended 30th June 2018.

G. Other Policies

The Company has in place the following policies for effective management of the Company:

- Code of Conduct and Ethics
- Whistle Blowing policy
- Conflict of interest Policy
- Zero Gift Policies
- Suppliers Code of Ethics
- Distinction of Board Roles
- Corporate Social Responsibility Policy
- Dispute Resolution Mechanism
- Dividend Policy
- ICT Policy
- Enterprise Risk Management Policy Framework
- The Corporate Communications Strategy

H. Board capacity development

The newly engaged Directors underwent a comprehensive induction programme tailored to their individual needs to acquaint them with their responsibilities as well as keep them abreast of the Company's strategy and operations. The Company operates in a dynamic business environment and, as such, we regularly facilitate learning and development courses for Directors. In the period, various capacity building programmes focusing on leadership, corporate governance, finance and other relevant areas were conducted for the Board.

I. Board Committees

The Board's efficacy is enhanced by established Board Committees to which it delegates authority without diluting its own accountability. Currently there are 5 committees constituted by the Board: Audit and Risk; Strategy; Human Resource; Procurement Oversight and Information Communications & Technology and Power Purchase Agreement. Membership to these committees is based on the relevant skills, expertise and experience required to handle respective functions. The committees execute their functions in accordance with terms of reference which defines its mandate, roles and responsibilities.

The Board may constitute an ad hoc committee to consider specific issues which are not under the mandate of existing committees. The Company Secretary is the secretary to the unitary Board and to all the Board committees except the Audit and Risk Committee where the General Manager, Internal Audit performs this function.

The roles of the various Board committees are as below:

Audit & Risk Committee	11 meetings held during the year
Composition	<i>The Committee comprises 4 non-executive Directors and regularly invites the Managing Director and CEO, and General Manager Finance to its meetings. External auditors are also invited to attend the meetings when necessary.</i>
Terms of reference	<ul style="list-style-type: none"> ✓ Reviewing quarterly, half-year and annual financial statements before submission to the Board; ✓ Assessing the qualifications and recommending engagement of external auditors and their audit fees; ✓ Reviewing the performance, objectivity, and independence of external auditors; ✓ Consideration of audit findings by the external auditors, ✓ Monitor and review the effectiveness of the Company's internal audit function; ✓ Reviewing the Company's internal control and risk management systems and ✓ Ensuring adherence to the code of ethics and integrity in financial transactions of the Company.
Achievements	<p>Considerations:</p> <ul style="list-style-type: none"> ✓ Full Year Audited Results for 2016/17; ✓ Half Year Audited Results for 2017/18; ✓ Quarterly status of key corporate risks; ✓ Appointment and fees for external auditors; ✓ Review of pertinent issues affecting the Company including customer service perceptions, ICT challenges, reputational issues, integrity and ethical concerns.
Strategy Committee	5 meetings held during the year
Composition	<i>The Committee comprise 5 members and regularly invites General Managers in charge of Finance, Business Strategy and Customer Service to their meetings.</i>
Terms of reference	<ul style="list-style-type: none"> ✓ Advising the Board on strategies to enhance performance of the Company; ✓ Reviews the Five Year Corporate Strategic Plan, corporate budget and oversees the annual implementation of the Company's strategy; ✓ Monitoring major projects under implementation, directing strategies for improving customer service; ✓ Overseeing the Company's financial management.
Achievements	<p>Considerations:</p> <ul style="list-style-type: none"> ✓ Time of Use tariff proposal; ✓ Retail tariff harmonisation proposal; ✓ Quarterly performance contract reports for the Managing Director & CEO; ✓ Financing requirements, and banking facilities and signatories; ✓ Review and update of the Five Year Corporate Strategic Plan for 2018-2023; ✓ Corporate budget for 2018/19.
Human Resource	4 meetings held during the year
Composition	<i>The Committee comprise 4 members and regularly invites the General Manager in charge of Human Resource and Administration to the Committee's meetings.</i>

Terms of reference	<ul style="list-style-type: none"> ✓ Appointment of and terms and conditions of service for the Managing Director; ✓ Human resource policies and corporate organisational structure; ✓ Appointment, promotion and disciplinary issues of senior staff; ✓ Remuneration structure for the staff; ✓ Succession plan for senior staff; ✓ Reviewing performance of the staff pension scheme and ✓ Nomination of new board members
	<p>Considerations:</p> <ul style="list-style-type: none"> ✓ Review of the organisational structure ✓ Transitioning of contract employees to permanent terms ✓ Payment of performance bonuses 2015/16 ✓ Aligning of Human Resource initiatives and actions to support business ✓ Recruitment of the senior management team ✓ Disciplinary issues involving senior management staff
Procurement Oversight	15 meetings held during the year
Composition	<i>The Committee comprise 4 members and regularly invites the General Manager, Supply Chain to the Committee meetings.</i>
Terms of reference	<ul style="list-style-type: none"> ✓ Overseeing the Company's procurement processes on behalf of the Board to ensure compliance with the law and the Company's annual procurement plan; ✓ Reviews and recommends the annual procurement plan to the Board; ✓ Oversight procurement of goods and services with a value of Shs 50 million and above.
Achievements	<p>Considerations:</p> <ul style="list-style-type: none"> ✓ Review of the annual procurement and disposal plan for 2018/19; ✓ Review of tenders above Shs 50 million and other strategic procurements; ✓ Monitoring stock holding levels for optimal utilisation; ✓ Monitor to ensure that the Company's procurements for the year is aligned with the approved budget; ✓ Ensure that all procurements are aligned to the Procurement and Disposal Act; ✓ Status of quarterly procurement reports.
ICT & Power Purchase Agreements (PPA)	4 meetings held during the year
Composition	<i>The Committee comprise 4 members and regularly invites the Management to Committee meetings to provide information and make clarifications.</i>
Terms of reference	<ul style="list-style-type: none"> ✓ Providing oversight in the negotiation of power purchase agreements between the Company and bulk power producers; ✓ Ensuring PPAs safeguard the interest of shareholders and customers and achieve cost-effective power purchase costs; ✓ Reviewing the Company's Information Communication and Technology (ICT) policy; ✓ Evaluating ICT security issues and internal controls; ✓ Ensuring adoption of ICT systems that support Company business, minimise risks and achieve maximum benefits from the investments.
Achievements	<p>Considerations:</p> <ul style="list-style-type: none"> ✓ Review of 6 new power purchase agreements with total capacity of 75MW mainly from renewable sources; ✓ Status reports on power generation and demand to ensure adequacy levels; ✓ Status reports on ongoing ICT projects to monitor progress and mitigate emerging risks.

J. Accountability and audit

Each trading year, Directors are required to prepare annual financial statements which reflect a true and fair view of the financial position of the Company as per the regulations of Companies Act 2015. The Board ensure that suitable accounting policies are consistently applied, supported by reasonable and prudent judgments, and estimates. Directors also ensure financial statements are audited each trading year.

The Statement of Directors Responsibility is set out on page 111 and the Independent Auditors report is on page 112.

K. Directors' Remuneration

In every Board meeting, Directors are entitled to a sitting allowance, lunch allowance (in lieu of lunch being provided), accommodation allowance and mileage reimbursement where applicable within government set limits for state corporations. The Chairman receives a monthly honorarium. Directors' fees are paid annually in accordance with Government's guidelines for all state corporations upon approval by shareholders during the Annual General Meeting.

It is proposed that in the financial year ended 30th June 2018, each non-executive Director be paid a total of Shs 600,000 or on pro rata basis for period served. During the year, there were no Directors' loans.

Details of Directors' emoluments during the year are shown on pages 108 to 110 in the financial statements.

L. Directors' Shareholding

During the year, none of the Directors owned more than 1 percent of the shareholding as shown in the table below.

Director	Shares
Dr. Eng. J. Njoroge	68,333
Eng. Jared O. Othieno	16,875
Mr. W. Mugung'ei	1,537
Total	86,745

2. Enterprise Risk Management and Internal Controls

The Company took relevant steps in identifying, analyzing, evaluating and mitigating risks that arise in day to day operations. This is in tandem with its legal and regulatory obligations as well as ensuring that Enterprise Risk Management (ERM) practice is embedded in the Company. The goal is to foster a mature risk management culture to improve decision-making, reduce uncertainties and give reasonable assurance to shareholders and stakeholders on business sustainability.

During the year, there was a significant increase in risk rating for legal and regulatory issues. The high ranking was attributed to the persistent public scrutiny relating to complaints on reliability of power supply and billing. These issues also contributed to an increase in reputational risk rating. Similarly, integrity risk rating increased owing to perceptions and allegations touching on ethical issues. Most of the risks identified maintained a standard rating across the year, an indication of delayed implementation of a mitigation strategy leading to residual risk.

There was a reduction of stakeholders' risk due to the strategic engagement programmes involving key stakeholders undertaken during the year. Some of the issues deliberated in these engagements touched on general customer service, cost of power, deterring vandalism and electricity pilferages and increase awareness on our products and business operations.

The Internal Audit function is tasked in providing assurance to the Board of Directors through the Audit and Risk Committee and Management that Governance, Risk and Internal Control processes are in place and are effective to mitigate against current and evolving risks. The function also provides consulting services designed to assist management on areas of improvement and perform investigative services on areas of weakness and inadequate controls which may result to loss of Company's assets.

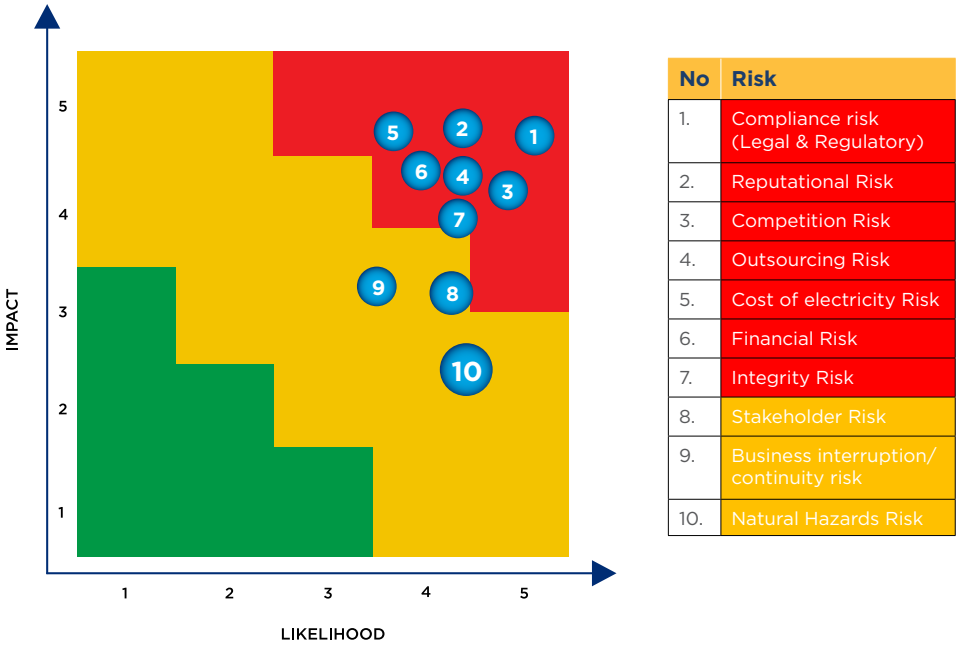
A summary of key corporate risks and their mitigations are highlighted below:

	Risk Category	Description	Mitigations
1.	Compliance risk (Legal and Regulatory)	Contingent liability may rise following lost court cases involving public safety, county government wayleaves, encroachment of Company property and the various class suits. Enactment of laws and regulations in the energy sector that are deemed unfavourable to the Company business also increases legal and regulatory risks.	Prepare the Company for the effects of the Energy Bill. Adherence to the various acts and developing proper compliance policies in place. Constant communication with regulatory bodies. Adopt alternative dispute resolution mechanism. Ensure procedural wayleave acquisition and disconnections prior to 'new' operations.
2.	Competition Risk	Competition from other entities licensed to distribute power may materialise at some point in time which poses a risk to the Company. Influx of alternative energy sources (mostly solar) offered to business customers may also reduce sales.	Improve service delivery for customer retention. Position the Company as the energy distributor of choice. Seek and pursue alternative revenue sources. Focus on a specific customer base to maximize revenue.
3.	Reputational Risk	The risk that the Company loses customers, key employees, or its ability to compete due to perceptions impacting our reputation in the marketplace. This has been established by the stakeholders due to frequent outages, poor customer service among others.	<ul style="list-style-type: none"> i) Speedy and regular upgrading of the network and expansion infrastructure to avoid outages ii) Training and monitor those in frontline on efficient customer service. iii) Improving service delivery to enhance customer satisfaction. iv) Instituting preventive and corrective measures on staff misconduct, upholding ethical standards. v) Managing both internal and external information to safeguard Company image. vi) Consider engaging Ministry of Education and similar stakeholders to include electrical safety in education curriculum.
4.	Outsourcing Risk	Outsourcing can help to reduce operational costs; and allows leveraging on outside experience and skill-sets not available internally and it also allows organizations to focus on core business. However, it has also been a source of vandalism; safety concerns, energy losses, poor quality of service delivery and fraud.	<ul style="list-style-type: none"> i) Increase supervision of outsourced parties and contractors ii) Ensuring contracts prescribe punitive measures for unlawful activities and that occurrences are followed upon, to discourage repeat incidences iii) Increase customer awareness on issues relating to contractors' conduct.

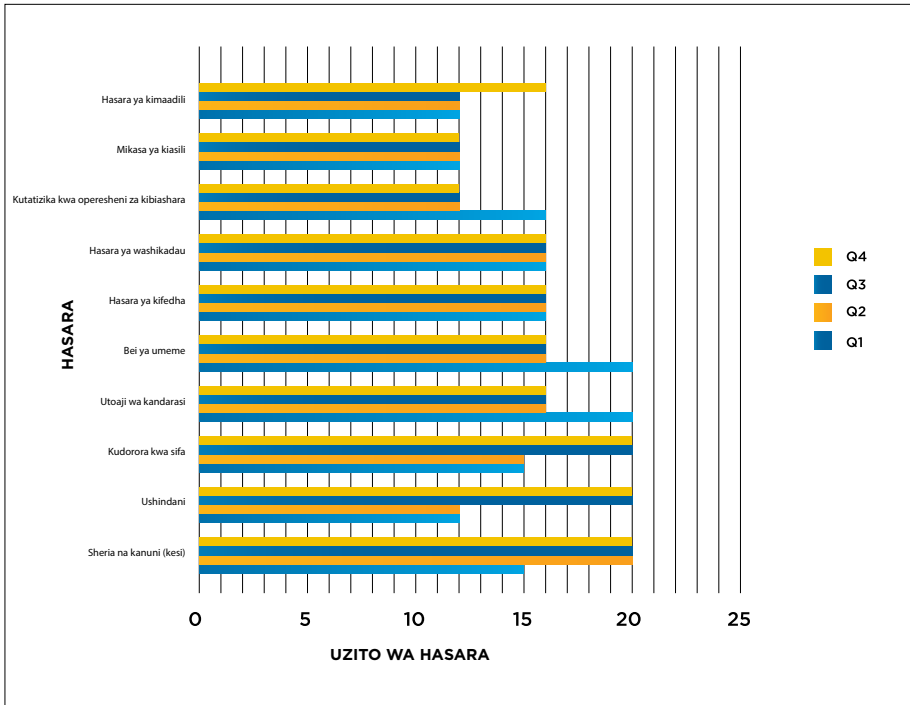
	Risk Category	Description	Mitigations
5.	Cost of electricity Risk	Macro-economic shocks such as fluctuation in international fuel prices and changes in foreign exchange rates have domino effect on the setting of electricity tariffs. Government policy and the regulator control the setting electricity tariffs.	<ul style="list-style-type: none"> i) Improve generation mix for more reliable and cost-effective power i.e. geothermal, wind, and solar power ii) Propose review of retail tariffs to ensure they are cost reflective. iii) Implementation of an optimised generation, transmission and distribution expansion.
6.	Financial Risk	Failure to collect debts creates necessity to borrow due to shortfalls in cash or expected cash flows. Risk of failure to meet your financial obligations as and when they fall due.	<ul style="list-style-type: none"> i) Establish minimum cash balance that must be maintained at all times. ii) Endeavour to obtain financing at lowest possible cost. iii) Enhance revenue collection and protection initiatives.
7.	Stakeholder Risk	<p>Failure to effectively manage customer expectations could result in reputation damage and public backlash.</p> <p>When customer expectations are well-managed, it ensures smooth operation of the organisation, minimises conflicts and makes it easier to leverage on public support to drive and achieve organisational objectives</p>	<ul style="list-style-type: none"> i) Stakeholder mapping for structured and effective engagements involving customers and key stakeholders ii) Maintain a stakeholder' obligations register to monitor progress on stakeholder issues
8.	Integrity Risk	Fraudulent acts within the Company committed by either employees, contractors or customers create vulnerabilities in our controls and have negative impacts on our business.	<ul style="list-style-type: none"> i) Monitoring and ensuring adherence to code of ethics. ii) Facilitating use of incident reporting and whistleblowing mechanisms iii) Sustained sensitisation and training on ethics and integrity
9.	Business interruption/ continuity risk	Business interruptions due to unavailability of infrastructure major breakdowns may affect our capacity to continue providing power to customers. Vandalism, terrorism, major violence, industrial actions and other acts of sabotage may also hamper service delivery.	<ul style="list-style-type: none"> i) Preventive maintenance and continuous improvements on the network infrastructure ii) Full implementation of the Business Crisis and Continuity Management Policy

	Risk Category	Description	Mitigations
10.	Natural Hazards Risk	Occurrence of natural hazards like drought, floods, among others in the country may jeopardize Company operations.	<ul style="list-style-type: none"> i) Diversifying the generation mix to include other renewable sources such as wind and solar. ii) Promoting environmental conservation programmes such as tree planting to safeguard water catchment areas iii) Creation of alternative transmission lines to enhance supply security

Corporate Risk Profile (Heat Map)



Top 10 Risk Movement 2017/2018



3. Managing Litigations

The growing number of customers connected to the national grid has resulted in an increase in the litigations against the Company. Disputes raised in court mainly relate to electricity disconnections, issues of trespasses, breach of contracts, malicious prosecutions and dismissals from employment. We have taken measures to reduce the contingent liability by adopting some alternative dispute resolution (ADR) mechanisms. These include negotiation, mediation and arbitration which take generally shorter durations than the litigation process. Where necessary, the Company institutes lawsuits to protect its interests.

4. Ethics and Code of Conduct.

The Company continues to promote an ethical culture among staff and key stakeholders to inculcate a value-based approach in business operations and decision making. In accordance with the Leadership and Integrity Act, 2012, the Company has put in place policies, programmes, systems and structures that enhance high standards of ethical behaviour across the Company. The Code of

Conduct and Ethics enables us to consolidate and strengthen a culture of integrity and openness.

During the year, every employee signed a declaration and committed to comply with the revised Company's Code of Conduct and Ethics developed in line with our values. The Code guides our behaviour, actions and decisions internally as well as our interactions with stakeholders and the public. The Company has instituted mechanisms to empower employees through effective training and sensitisation programmes to entrench ethical culture. Whistle blowing is encouraged through our hotline number 0718999000 or through online corruption reporting platform on our website www.kplc.co.ke

5. Shareholder Relations

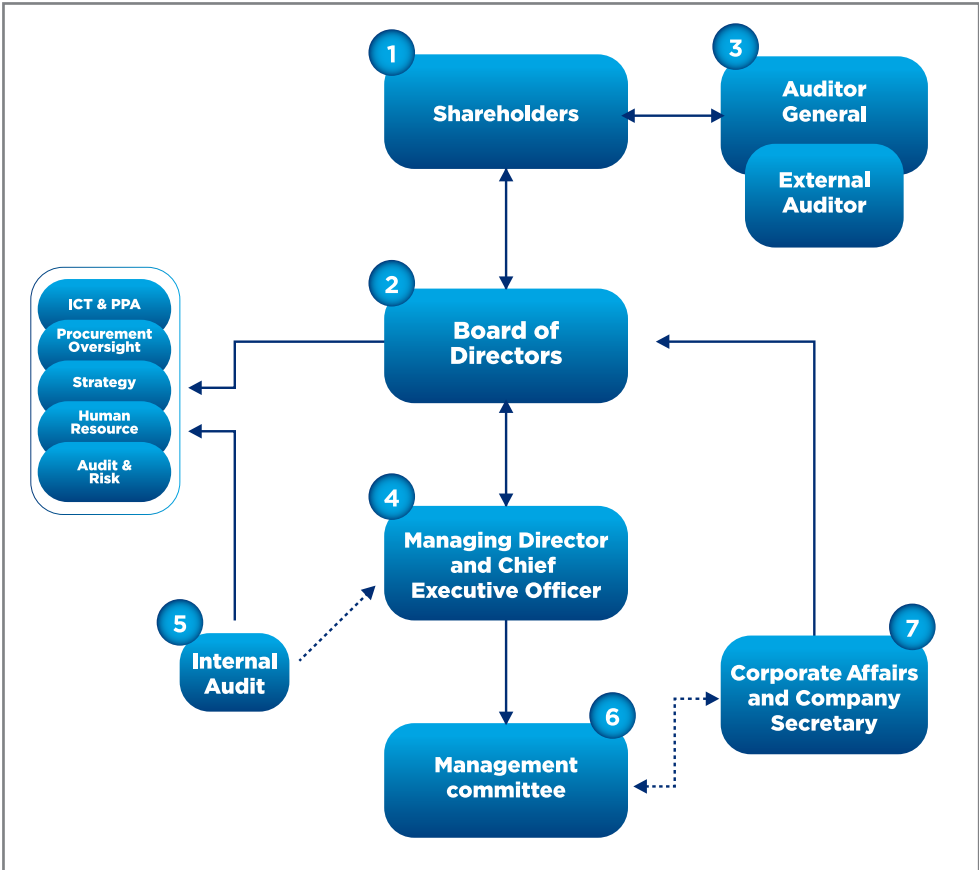
To ensure transparency and fairness in line with corporate governance best practice and enhance investor relations, the Board maintains active communication and

engagements with shareholders and the public by providing timely information regarding Company strategy, operations and performance. We broadcast our half-year and full year trading results through the media, publish annual reports and financial statements as well as hold regular investor briefings.

the Company Directors and Management on matters relating to our business. Shareholders are notified at least 21 days before the AGM to enable them review the proposed agenda and prepare to attend. A shareholder may appoint a proxy to attend and vote on his or her behalf during the AGM if unable to attend in person. Business information is provided on our website www.kplc.co.ke

Each year, we hold an Annual General Meeting (AGM) where shareholders engage

6. Governance Structure



7. Management Committee

The Company's Management Committee is the executive team headed by the Managing Director and Chief Executive Officer, responsible for guiding the day to day operations of the Company. The Committee considers policies and strategic measures for optimal business performance, monitors performance and makes recommendations to the Board. The Committee is made up of all divisional heads who report directly to the Managing Director and Chief Executive Officer. The Managing Director and CEO acts as the link between the Management Committee and the Board of Directors.

8. Ownership Structure

The Company complies with the rules and regulations of the Capital Market Authority and the principles of disclosure and transparency as provided under Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations, Nairobi Securities Exchange Listing Rules and the Companies Act 2015.

The top 20 major shareholders as at 30th June 2018 were as follows:

No.	Name of Shareholder	Ordinary (Shs 2.50 Each)	4% Pref. (Shs 20 Each)	7% Pref. (Shs 20 Each)	Total	%
1	Permanent Secretary to the Treasury	977,641,695	656,808	193,531	978,492,034	50.086
2	Standard Chartered Nominees RESD A/C Ke11450	32,518,589	-	-	32,518,589	1.665
3	Standard Chartered Kenya Nominees Ltd A/C Ke20510	27,985,993	-	-	27,985,993	1.433
4	Standard Chartered Nominees Non- RESD A/C Ke11794	24,076,800	-	-	24,076,800	1.232
5	Standard Chartered Nominees Non- RESD. A/C Ke9053	23,974,875	-	-	23,974,875	1.227
6	Standard Chartered Kenya Nominees Ltd A/C Ke002012	23,483,610	-	-	23,483,610	1.202
7	Kenya Commercial Bank Nominees Limited A/C 915B	22,887,288	-	-	22,887,288	1.172
8	Standard Chartered Nominees RESD A/C Ke11401	21,296,581	-	-	21,296,581	1.090
9	Kenya Commercial Bank Nominees Limited A/C 915A	20,370,288	3,550	750	20,374,588	1.043
10	The Jubilee Insurance Company of Kenya Limited	20,255,753	59,828	17,160	20,332,741	1.041
11	Co-Op Custody A/C 4003	12,400,226	-	-	12,400,226	0.635
12	Stanbic Nominees Ltd A/C NR 1030682	10,954,012	-	-	10,954,012	0.561
13	Old Mutual Life Assurance Company LTD	10,261,291	-	-	10,261,291	0.525
14	Equity Nominees Limited A/C 00078	8,951,061	-	-	8,951,061	0.458
15	Standard Chartered Kenya Nominees Limited KE 18492	8,750,000	-	-	8,750,000	0.448
16	Stanbic Nominees Ltd A/C R57601	8,591,782	-	-	8,591,782	0.440
17	Kenya Commercial Bank Nominees Limited A/C 816B	8,551,279	-	-	8,551,279	0.438
18	Standard Chartered Kenya Nominees Ltd A/C KE 002333	8,420,415	-	-	8,420,415	0.431
19	Naran Khimji & Virji Khimji Hirani	8,294,964	-	-	8,294,964	0.425
20	NIC Custodial Services A/C 077	8,273,199	-	-	8,273,199	0.423
Sub-Totals		1,287,939,701	720,186	211,441	1,288,871,328	65.974
Other Shareholders		663,527,344	1,079,814	138,559	664,745,717	34.026
Total Issued Shares		1,951,467,045	1,800,000	350,000	1,953,617,045	100.00

Shares distribution of Ordinary Shareholders as at 30th June 2018

Range	No. of Shareholders	Shares
<1,000	13,447	4,211,996
1001-10,000	10,910	34,857,949
10,001-50,000	2,625	56,027,760
50,001-100,000	500	35,627,419
Over 100,000	819	1,820,741,921
Totals	28,301	1,951,467,045

Shares distribution of 4 percent Preference Shareholders as at 30th June 2018

Range	No. of Shareholders	Shares
<1,000	362	65,475
1001-10,000	57	152,792
10,001-50,000	13	325,918
50,001-100,000	2	133,564
Over 100,000	3	1,122,251
Totals	437	1,800,000

Shares distribution of 7 percent Preference Shareholders as at 30th June 2018

Range	No. of Shareholders	Shares
<1,000	82	21,927
1001-10,000	15	44,076
10,001-50,000	3	86,432
50,001-100,000	1	57,617
Over 100,000	1	139,948
Totals	102	350,000



Amb. (Eng.) Mahboub Mohamed
Chairman, Board of Directors

RIPOTI YA MAONGOZI YA KAMPUNI



Maoni ya Mwenyekiti

Jukumu kuu la Kenya Power ni kusafirisha, kusambaza na kuuza umeme unaonunuliwa kwa kiwango kikubwa kutoka kwa kampuni tofauti za uzalishaji.

Pia tunasimamia mfumo mzima wa usambazaji umeme na operesheni zote za mtandao wa umeme. Kujenga na kusimamia mtandao wa kitaifa wa umeme ni muhimu kwa utoaji huduma kwa wateja.

Bodi ya Wakurugenzi inakumbatia taratibu za maongozi bora kuendesha Kampuni ili iafikie malengo yake ya kupata ukuaji endelevu na kutosheleza matarajio ya washikadau. Kama mwenyekiti wa Bodi, ninajitolea kutoa mwongozo unaoshirikisha uwazi, uwajibikazi, maadili na uadilifu kama nguzo za usimamizi bora.

Kama Kampuni ya umma iliyoorodheshwa kwenye Shirika la Hisa la Nairobi, tuko chonjo saa zote katika kutimiza mahitaji yote ya kisheria na kiusimamizi kama inavyohitajika na Sheria ya Kampuni 2015, Mwongozo wa Mamlaka ya Soko la Mtaji kuhusu Usimamizi wa Mashirika ya kutoa Hisa kwa Umma 2015, Masoko ya Mtaji na Mwongozo wa Usimamizi kwa Mashirika ya Umma miongoni mwa mengine. Operesheni zetu zinafafanuliwa wazi kwenye mkataba na mwongozo wa Bodi ambao unafanua wazi wajibu, majukumu na kazi ya wanachama wa Bodi na kamati zake.

Miongoni mwa ufanisi wa Bodi katika kipindi kilichomalizika ni pamoja na marekebisho ya Mkakati wa Kampuni wa Miaka Mitano na mpangilio mpya wa Kampuni wa kuufanikisha. Mkakati huo utasaidia kubadili operesheni za biashara zetu na kuhakikisha tunajitegemea kifedha. Mkakati huo utazinduliwa katika kipindi cha sasa cha matumizi ya fedha.

Ufanisi mwingine wa Bodi ni pamoja na kufuatilia operesheni za Kampuni na miradi, udhibiti wa hatari, utekelezaji wa Ada ya Muda wa Matumizi, kuidhinisha bajeti, pamoja na maandalizi ya taarifa za kifedha za kila mwaka za Kampuni.

Bodi inajitolea kuhakikisha Kampuni inapiga hatua kwa njia endelevu ili kutoa thamani kwa wenyehisa wetu. Tunatendelea kuimarisha vidhibiti vyetu vya ndani na kushughulikia hatari zozote za kibiashara, kuzingatia viwango vya juu vya maadili kibiashara; na kukuza utamaduni wa uadilifu kuwezesha Kampuni kuafilia malengo yake muhimu na ya kifedha.

Balozi. (Mhandisi.) Mahboub Mohamed,
Mwenyekiti wa Halmashauri ya Bodi

1. Bodi

A. Muundo wa Bodi

Kwa mujibu wa kanuni na mwongozo wa Usimamizi wa Mashirika ya Umma, Bodi inajumuisha wajumbe tisa. Kati ya hawa, sita ni Wakurugenzi wa kujitegemea ambao hawahusiki na uendeshaji wa shughuli za kila siku za Kampuni akiwemo Mwenyekiti; wawili ni Wakurugenzi wanaowakilisha Hazina Kuu ya Taifa na Wizara ya Kawi, mmoja ni Msimamizi wa Shughuli za kila siku za kampuni ambaye ni Mkurugenzi Mtendaji na Mkurugenzi Mkuu. Katiba ya Bodi hii inazingatia vigezo vya jinsia, usawa wa maeneo, jamii, umri na utamaduni.

Katika kila Mkutano Mkuu wa Mwaka (AGM), angalau theluthi moja ya wajumbe wa Bodi hustaafu na wanaweza kuchaguliwa tena. Endapo nafasi itatokea katika bodi, wakurugenzi huteua mtu kushikilia nafasi hiyo hadi mkutano mwingine wa AGM utakapofanyika ambapo mtu husika anaweza kuchaguliwa au la.

B. Majukumu ya Bodi

Jukumu la Bodi ni kuhakikisha kuwa fedha za kampuni zinasimamiwa vyema na kulinda masilahi ya Kampuni. Kuwezesha Kampuni kuendelea kustawi, Bodi hujihusisha na usimamizi wa biashara, maadili, na kufanya maamuzi ya busara kwa ajili ya manufaa ya Kampuni.

Wajibu na Mamlaka ya Bodi

- (i) Kutoa mwongozo kuhusu mipango ya kibiashara inayofaa kupewa kipaumbele na kuidhinisha mpango wa kibiashara uliopendekezwa na usimamizi wa Kampuni.
- (ii) Kuchunguza na kutathmini utekelezwaji wa mikakati, sera, utendakazi wa wasimamizi na mipango ya kibiashara.
- (iii) Kusimamia utoaji wa ripoti kwa wenyehisa na mawasiliano kwa washikadau.

(iv) Kuhakikisha kuwa kuna rasilimali za kutosha kuwezesha kampuni kuafikia malengo yake.

(v) Kulinda rasilimali za Kampuni kwa kuweka mifumo mwafaka ya usimamizi.

(vi) Kutathmini utaratibu wa upokezanaji wa mamlaka na kuteua maafisa wakuu wasimamizi, kufanya mageuzi ya mfumo wa usimamizi na kushughulikia masuala ya mishahara.

(vii) Kusimamia masuala yote ya Kampuni kwa kuzingatia nafasi mpya zinazotokea za kibiashara na hasara ibuka zinazoweza kuathiri shughuli za Kampuni.

(viii) Kuhakikisha kwamba Kampuni inatimiza matakwa yote ya sheria, kanuni na utaratibu ufaao wa kufanya biashara.

Mfumo wa Utawala



C. Utaratibu wa Bodi na Kamati

Utaratibu wa Bodi unajumuisha ratiba ya mikutano ya Bodi na Kamati zake mwaka huo. Ajenda ya kila mkutano wa Bodi inaandaliwa na kusambazwa kwa wajumbe angalau siku 10 kabla ya mkutano. Mwaka huo, Bodi iliandaa jumla ya vikao 15 ambapo masuala nyeti kuhusiana na mikakati, maendeleo ya biashara na hali ya usoni ya Kampuni yalijadiliwa.

Wajumbe wa Bodi na Wanakamati

Jina la Mkurugenzi	Wadhifa katika Bodi	Kamati ya Bodi				
		Mipango ya mikakati	Masuala ya Wafanya-kazi	Ununuzi	ICT & PPA	Ukaguzi wa Hesabu & Hasara
Balozi. (Mhandisi.) Mahboub Mohamed	Mwenyekiti	-	-	-	-	-
Bw. Henry Rotich	Waziri wa Fedha	-	-	-	-	-
Dkt. Mhandisi. Joseph Njoroge	Katibu wa Wizara ya Kawi	-	-	-	-	-
Mhandisi. Jared Othieno	Kaimu. Mkurugenzi Mtendaji & CEO	√	√	√	√	-
Bw. Wilson Mugung'ei	Mjumbe	√	-	√ (Mwenyekiti)	-	√
Bw. Adil Khawaja	Mjumbe	√ (Mwenyekiti)	-	-	√	-
Bw. Kairo Thuo	Mjumbe	-	√	√	-	√ (Mwenyekiti)
Bi. Brenda Eng'omo	Mjumbe	√	√ (Mwenyekiti)	-	-	√
Mhe. Zipporah Kering	Mjumbe	-	-	√	√ (Mwenyekiti)	-
Mhandisi. Isaac Kiva	Mwakilishi wa Dkt. Mhandisi. Joseph Njoroge	√	√	-	√	-
Bi. Beatrice Gathirwa	Mwakilishi wa Bw. Henry Rotich	-	√	√	-	√

Mahudhurio ya Bodi na Kamati

Jina	Vikao vya Bodi	Vikao ya Kamati ya Bodi				
		Mipango ya Mikakati	Masuala ya Wafanyakazi	Ununuzi	ICT & PPA	Ukaguzi & Hasara
Jumla ya Mikutano	15	5	4	15	4	11
Bal. (Mhandisi) Mahboub Mohamed	7/7	-	-	-	-	-
* Mhandisi. Jared Othieno	-	-	-	-	-	-
Bw Wilson Mugung'ei	12/15	5/5	2/2 (Kwa Mwaliko)	15/15	2/4	11/11
Bw. Adil Khawaja	9/15	5/5	-	-	3/4	-
Bw. Kairo Thuo	15/15	-	3/4	14/15		11/11
Bi. Brenda Eng'omo	12/15	5/5	4/4	-	1/4	9/11
Mhandisi Isaac Kiva	12/15	3/5	4/4	-	4/4	-
Bi. Beatrice Gathirwa	10/15	-	2/4	8/15	2/4	5/11
Mhe. Zipporah Kering	6/15	-	-	7/15	1/4	-
*Dkt. Ken Tarus	15/15	5/5	4/4	15/15	4/4	10/11 (Kwa Mwaliko)
*Mhe. Kenneth Marende	7/8	-	-	-	2/2 (Kwa Mwaliko)	-

Ufafanuzi:

Balozi (Mhandisi) Mahboub Mohamed na Mhe. Zipporah Kering walichaguliwa kuwa Wakurugenzi katika Mkutano Mkuu wa Kila Mwaka (AGM) mnamo Desemba 1, 2017 na Mhe. Kenneth Marende aliacha kuwa mkurugenzi wa Kampuni siku hiyo.

Mhandisi Jared Othieno alichukua nafasi ya Dkt Ken Tarus kama Kaimu Mkurugenzi Mkuu & CEO mnamo Julai 17, 2018.

D. Tathmini ya Utendakazi wa Bodi

Tulifanya utathmini wa utendakazi wa Bodi na ikabainika kwamba ilifanya vyema kwa asilimia 93.67% na mpango wa utendakazi ulitekelezwa kwa kuangazia maeneo yanayohitaji kuboreshwa. Shughuli hiyo iliungwa mkono na Kamati ya Ushauri kwa Mashirika ya Serikali (SCAC). Utathmini wa ndani unalenga kuboresha utendakazi wa wajumbe kibinafsi na kwa pamoja ili kudumisha ustawi wa Kampuni.

E. Ukaguzi wa Usimamizi

Mwaka huu, Bodi iliagiza kufanywa kwa Ukaguzi wa Usimamizi kwa lengo la kubaini ikiwa Kampuni ilizingatia na kutimiza vigezo kuhusu Usimamizi wa Mashirika. Masuala yanayohitaji kuboreshwa yametambuliwa na yatatekelezwa katika mwaka huu wa matumizi ya fedha.

F. Sera za Biashara ya Ndani

Bodi inaendelea kutathmini sera kuhusiana na biashara za ndani na wafanyakazi watafahamishwa. Bodi ingependa kuripoti kwamba hakukuwa na biashara za ndani katika kipindi cha mwaka wa matumizi ya fedha uliokamilika Juni 30, 2018.

G. Sera Nyinginezo

Kampuni imebuni sera zifuatazo kwa ajili ya usimamizi murua wa Kampuni:

- Kanuni kuhusu Maadili na Uadilifu
- Sera ya Upashaji wa Habari kuhusu Ufisadi na Utovu wa Maadili
- Sera kuhusu Mgongano wa Utendakazi na Masilahi ya Kibinafsi
- Sera ya Marufuku ya Zawadi
- Sera ya Usambazaji
- Ufafanuzi kuhusu Majukumu ya Bodi
- Sera ya Uwajibikaji kwa Jamii
- Mbinu ya Utatuaji Mizozo
- Sera kuhusu Ugavi wa Faida
- Sera kuhusu Matumizi ya Teknolojia ya Mawasiliano (ICT)
- Sera ya Mwongozo wa Kukabiliana na Hasara
- Mwongozo wa Mawasiliano katika Kampuni

H. Uwezeshaji wa Wajumbe wa Bodi

Wakurugenzi wapya walipewa mafunzo yaliyolenga kuwawezesha kujifahamisha

na majukumu yao na mikakati ya utendakazi ya Kampuni. Kampuni inaendesha biashara zake katika mazingira yanayobadilika hivyo kuna haja ya kuwapa Wakurugenzi mafunzo ya mara kwa mara. Katika kipindi hicho, Wakurugenzi walipitia mafunzo mbalimbali kama vile uongozi bora, usimamizi wa kampuni, fedha kati ya kozi nyinginezo.

I. Kamati za Bodi

Bodi imeboresha utendakazi wake kwa kubuni Kamati zinazotekeleza majukumu husika. Kwa sasa kuna kamati 5 zilizoundwa na Bodi. Kamati hizo ni: Uchunguzi wa Hesabu na Hasara; Mikakati; Masuala ya Wafanyakazi; Usimamizi wa Uagizaji wa Bidhaa na Huduma na Habari, Mawasiliano na Teknolojia na Mikataba ya Ununuzi. Wajumbe hujiunga na kamati hizo kwa kuzingatia taaluma, tajriba na ujuzi walio nao kuendesha majukumu hayo. Kamati hizo hutekeleza shughuli kwa kuzingatia majukumu ambazo zimetengewa.

Bodi inaweza kuunda kamati ya muda kushughulikia suala fulani ambalo halishughulikiwi na moja ya kamati zilizopo. Katibu wa Kampuni ndiye Katibu wa Bodi pamoja na kamati za Bodi isipokuwa kamati ya Ukaguzi na Hasara ambayo katibu wake ni Meneja Mkuu wa Idara ya Ukaguzi wa Hesabu za Kampuni.

Majukumu mbalimbali ya Bodi

Kamati ya Ukaguzi wa Hesabu na Utathmini wa Hasara	Iliandaa mikutano 11 mwaka huo
Wanakamati	<i>Kamati hii inajumuisha Wakurugenzi wanne na hualika mara kwa mara Mkurugenzi Mtendaji na CEO, na Meneja Mkuu wa Fedha katika mikutano yake. Wakaguzi wa Hesabu kutoka nje ya kampuni pia hualikwa inapobidi.</i>
Majukumu	<ul style="list-style-type: none"> ✓ Kutathmini taarifa za kifedha robo ya mwaka, nusu mwaka na taarifa za kifedha za mwaka kabla ya kuziwasilisha kwa Bodi; ✓ Kutathmini malipo, kuhitimu na tajriba ya wakaguzi wa hesabu kutoka nje kabla ya kutoa mapendekezo ya kutaka wapewe kandarasi. ✓ Kutathmini utendakazi, ubora na kujitegemea kwa wakaguzi wa hesabu kutoka nje; ✓ Kuzingatia mapendekezo yaliyotokana na ukaguzi wa wakaguzi kutoka nje, ✓ Kuchunguza na kutathmini ufaafu wa idara ya ndani kuhusu ukaguzi wa hesabu; ✓ Kutathmini mfumo wa kukabiliana na hasara wa Kampuni ✓ Kuhakikisha uzingatiaji wa mwongozo wa maadili na uadilifu katika masuala ya kifedha ya Kampuni
Mafanikio	<p>Vigezo vya Kuzingatiwa:</p> <ul style="list-style-type: none"> ✓ Taarifa ya Kifedha Iliyokaguliwa ya Mwaka wa 2016/17; ✓ Taarifa ya Nusu Mwaka iliyokaguliwa ya 2017/18; ✓ Taarifa ya hali halisi kuhusu uwezekano wa kutokea kwa hasara; ✓ Uteuzi na malipo kwa wakaguzi wa hesabu wa nje; ✓ Kutathmini masuala muhimu yanayoathiri Kampuni kama vile huduma kwa wateja, changamoto za ICT, sifa ya kampuni, maadili na uadilifu.
Kamati ya Mikakati	Ilifanya vikao 5 mwaka huo
Wanakamati	<i>Kamati hii ina wajumbe 5 na hualika mara kwa mara Mameneja wanaosimamia idara za Fedha, Mikakati ya Kibiashara na Huduma kwa Wateja katika mikutano yake.</i>
Majukumu	<ul style="list-style-type: none"> ✓ Kushauri Bodi kuhusu Mikakati ya kuwezesha Kampuni kuboresha biashara na mapato; ✓ Kutathmini Mipango ya Miaka Mitano ya Kampuni, bajeti na kusimamia utekelezwaji wa mipango ya utendakazi ya mwaka; ✓ Kusimamia miradi mkuu inayotekelezwa na Kampuni, kuagiza kuboreshwa kwa huduma kwa wateja; ✓ Kusimamia usimamizi wa fedha za Kampuni
Mafanikio	<p>Vigezo vya Kuzingatiwa:</p> <ul style="list-style-type: none"> ✓ Pendekezo la tariff ya muda wa matumizi; ✓ Pendekezo la tariff ya mauzo; ✓ Ripoti ya Robo Mwaka kuhusu utendakazi wa Mkurugenzi Mtendaji na CEO; ✓ Mahitaji ya kifedha, kuweka katika benki na kuthibitisha walio na mamlaka ya kutoa fedha benki; ✓ Kutathmini na kurekebisha Mipango ya Miaka Mitano ya Utendakazi wa Kampuni ya kati ya 2018-2023; ✓ Maandalizi ya bajeti ya 2018/19.

Msuala ya Wafanyakazi		Mikutano 4 iliandaliwa mwaka huo	
Wanakamati		<i>Kamati hii inajumuisha wajumbe 4 na hualika mara kwa mara Meneja wa Usimamizi wa Wafanyakazi katika vikao vyake.</i>	
Majukumu		<ul style="list-style-type: none"> √ Uteuzi na kutoa kanuni na matakwa ya kazi kwa Mtendaji Mkuu; √ Kuandaa sera kuhusu wafanyakazi; √ Uteuzi, kupandisha vyeo na kushughulikia masuala ya kinidhamu kwa maafisa wakuu katika Kampuni; √ Mipango ya upokezaji wa mamlaka miongoni mwa maafisa wakuu na Kutathimi utendakazi wa mpango wa kiinua mgongo kwa wafanyakazi. √ Uteuzi wa wakurugenzi 	
Mafanikio		<p>Vigezo vya Kuzingatiwa:</p> <ul style="list-style-type: none"> √ Utathmini wa muundo wa usimamizi wa Kampuni √ Kuwapa ajira ya kudumu wafanyakazi wa kandarasi √ Malipo ya bonasi 2015/16 √ Kuoanisha miradi kuhusu Wafanyakazi ili kuboresha biashara; √ Kuajiri maafisa wasimamizi; √ Kukabiliana na masuala ya kinidhamu miongoni mwa maafisa wa ngazi ya juu 	
Ununuzi		Kulikuwa na vikao 15 mwaka huo	
Wanakamati		<i>Kamati ina wajumbe 4 na hualika mara kwa mara Meneja wa Uagiza wa Bidhaa na Huduma na Usambazaji katika vikao vyake.</i>	
Majukumu		<ul style="list-style-type: none"> √ Kusimamia shughuli ya uagizaji na usambazaji wa huduma na bidhaa kwa niaba ya Bodi kuhakikisha kwamba inafuata sheria na kanuni za Kampuni kuhusu utoaji wa kandarasi; √ Kutathimini na kupendekeza mpango wa mwaka kuhusu uagizaji na usambazaji wa bidhaa kwa Bodi; √ Kusimamia uagizaji wa bidhaa na huduma za thamani ya zaidi ya Sh50 milioni. 	
Mafanikio		<p>Vigezo vya Kuzingatiwa:</p> <ul style="list-style-type: none"> √ Kutathmini Mpango wa Uagizaji wa Bidhaa na Huduma wa 2018/19; √ Kutathmini tenda za zaidi ya Shs 50 milioni; √ Kuhakikisha kuwa bidhaa na huduma zilizoko zinatumiwa vyema; √ Kuhakikisha kuwa huduma na bidhaa zinazoagizwa zinaambatana na bajeti iliyoidhinishwa; √ Kuhakikisha kuwa tenda zinatolewa kwa kuzingatia Sheria ya Uagizaji na Usambazaji wa Bidhaa na Huduma; √ Ripoti ya robo mwaka kuhusiana na uagizaji na usambazaji wa bidhaa na huduma. 	
ICT & Mikataba ya Ununuzi wa Kawi (PPA)		Kulikuwa na vikao 4 mwaka huo	
Wanakamati		<i>Kamati hii ina wajumbe 4 na hualika katika vikao vyake Usimamizi kutoa maelezo na ufafanuzi wa kina.</i>	
Majukumu		<ul style="list-style-type: none"> √ Kusimamia mazungumzo kuhusu mikataba ya ununuzi wa umeme (PPA) kati ya Kampuni na wazalishaji wa kawi; √ Kuhakikisha kuwa PPA zinazingatia masilahi ya wenyehisa na wateja; √ Kutathmini mfumo wa Habari, Mawasiliano na Teknolojia (ICT) wa Kampuni na kuhakikisha kwamba ni salama; √ Kuhakikisha kuwa mfumo wa ICT unaotumika unaimarisha biashara, unapunguza hasara na kuboresha mapato. 	
Mafanikio		<p>Vigezo vya Kuzingatiwa:</p> <ul style="list-style-type: none"> √ Kutathmini mikataba 6 mipya ya ununuzi wa kawi ambapo umeme wa 75MW uliongezwa; √ Ripoti kuhusu uzalishaji wa kawi na mahitaji yaliyopo ili kuhakikisha kwamba kuna umeme wa kutosha ; √ Ripoti kuhusu maendeleo ya miradi ya ICT na kuzuia hasara. 	

J. Uwajibikaji na Ukaguzi wa Hesabu

Katika kila mwaka wa kibiashara, Wakurugenzi wanatakiwa kuandaa taarifa za kifedha za kila mwaka zinazoonyesha hali halisi ya kifedha ya Kampuni kwa mujibu wa Sheria ya Kampuni ya 2015. Bodi inahakikisha kuwa sera mwafaka za uhasibu zinatumiwa. Wakurugenzi pia wanahakikisha kuwa taarifa za kifedha zinakaguliwa kila mwaka.

Maelezo kuhusu Majukumu ya Wakurugenzi yanapatikana katika ukurasa wa 111 na ripoti ya wakaguzi wa kujitegemea iko ukurasa wa 112.

K. Mishahara ya Wakurugenzi

Katika kila kikao, Wakurugenzi hulipwa marupurupu ya chakula, malazi na usafiri kwa mujibu wa viwango na utaratibu uliowekwa na serikali kwa mashirika ya umma. Mwenyekiti hupokea malipo ya kila mwezi. Wakurugenzi hulipwa ada ya baada ya mwaka mmoja malipo yao yanapoidhinishwa na wenyehisa katika Mkutano Mkuu wa Mwaka (AGM).

Imependekezwa kwamba kila mkurugenzi aliyehudumu katika mwaka uliokamilika Juni 30, 2018, alipwe Sh600,000 kwa muda aliohudumu. Katika mwaka huo, hakukuwa na mkopo kwa Wakurugenzi.

Maelezo ya kina kuhusu malipo kwa Wakurugenzi mwaka huo yametolewa katika ukurasa wa 108 hadi 110 katika taarifa ya kifedha.

L. Hisa za Wakurugenzi

Katika mwaka huo, hakuna mkurugenzi aliyekuwa na zaidi ya asilimia 1 ya hisa kama ifuatavyo:

Mkurugenzi	Hisa
Dkt. Mhandisi. J. Njoroge	68,333
Mhandisi. Jared O. Othieno	16,875
Bw. W. Mugung'ei	1,537
Jumla	86,745

2. Udhibiti na Mikakati ya Kukabiliana na Hasara

Kampuni ilichukua hatua mwafaka kutambua, kutathmini na kuweka mikakati ya kudhibiti hasara zinazotokana na operesheni za kila siku. Mikakati hiyo inaambatana na sheria na kanuni zilizopo na kuhakikisha kuwa Mikakati ya Kudhibiti Hasara (ERM) imejumuishwa katika operesheni za Kampuni. Lengo kuu ni kudumisha utamaduni wa kukabiliana na hasara kwa kuimarisha kufanywa kwa maamuzi, kupunguza mambo yanayotishia biashara na kuwahakikishia wenyehisa na washikadau kuwa biashara iko imara.

Mwaka huo, kulikuwa na ongezeko la hatari kwa Kampuni zilizotokana na masuala ya kisheria na usimamizi. Ongezeko hilo lilisababishwa na hatua ya umma kufuatilia kwa karibu shughuli za Kampuni kufuatia kuwepo kwa malalamishi kuhusu bei ya stima. Malalamishi hayo pia yalitia doa sifa ya Kampuni. Uadilifu katika kampuni pia ulitiliwa shaka kutokana na kuchipuka kwa madai ya kimaadili. Masuala yaliathiri Kampuni kwa muda; kumaanisha kwamba kulikuwa na ucheleweshaji wa kutekeleza mikakati ya kukabiliana nayo.

Hasara katika upande wa washikadau ilipungua kwa kiasi kikubwa kutokana na hatua ya kampuni kuweka mikakati ifaayo ya mashauriano na washikadau. Baadhi ya masuala yaliyoangaziwa katika vikao vya mashauriano hayo ni huduma kwa wateja, kuzuia uporaji wa nyaya na vifaa vinginevyo vya Kampuni, kurekebisha bei ya stima na kutoa hamasisho kuhusu bidhaa na operesheni za kibiashara.

Idara ya Ukaguzi wa Ndani imetwika jukumu la kutoa hakikisho kwa Bodi ya Wakurugenzi, kupitia Kamati ya Ukaguzi na Kukabiliana na Hasara, kwamba mikakati mwafaka na miundomsingi imewekwa kwa ajili ya kukabiliana na hasara.

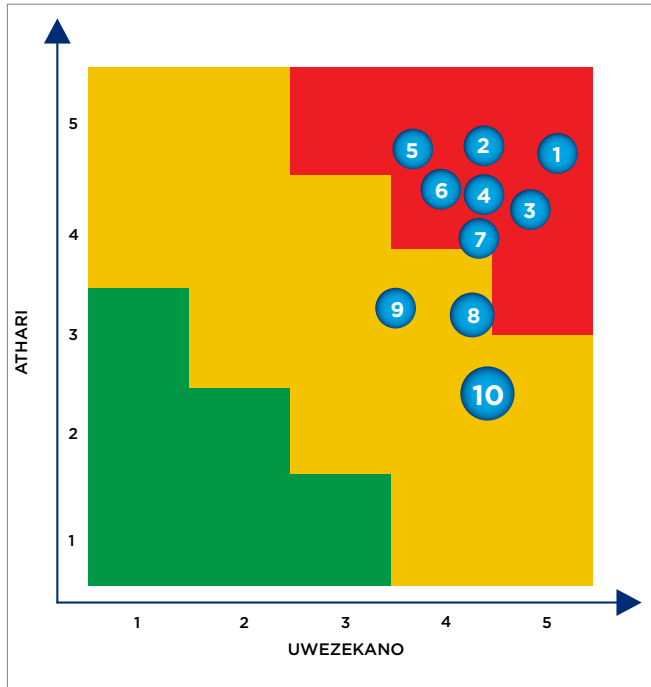
Idara hiyo pia hutoa ushauri kwa usimamizi kuhusu maeneo yanayostahili kuboreshwa na kutoa huduma za ukaguzi ili kubaini sehemu ambazo huenda zikasababisha Kampuni kupoteza rasilimali zake.

Muhtasari kuhusu mikakati iliyowekwa kudhibiti hasara:

	Aina ya Hasara	Maelezo	Hatua zilizochukuliwa kudhibiti
1.	Kufuata Sheria na Kanuni	Hasara inaweza kutokea baada ya kupoteza kesi mahakamani haswa kuhusiana na usalama wa wananchi, mizozo ya ardhi na serikali za kaunti, kunyakuliwa kwa mali ya Kampuni miongoni mwa kesi nyinginezo. Kubuniwa kwa sheria za kudhibiti sekta ya kawi ambazo hugandamiza biashara ya Kampuni pia hutishia biashara.	Kuandaa Kampuni kwa ajili ya Mswada wa Kawi. Kufuata sheria kikamilifu na kubuni sera za kuhakikisha kuwa sheria inazingatiwa. Mawasiliano ya mara kwa mara na idara zinazodhibiti kawi nchini. Kuwa na njia mbadala za kutataua mizozo mbali na mahakama. Kuhakikisha kuwa utaratibu unafuatwa kujipatia maeneo ya kuweka vifaa vya stima kabla ya kuanzisha opereheni mpya ili kuepuka mizozo ya ardhi.
2.	Ushindani	Ushindani kutoka kwa kampuni nyingine zilizopewa kibali cha kusambaza umeme unaweza kusababisha Kampuni hasara. Ongezeko la teknolojia mpya za kusambaza kawi (kama vile mitambo ya sola) pia huchangia pakubwa katika kupungua kwa mauzo.	Kuboresha huduma ili kuwavutia wateja Kuweka Kampuni kuonekana kwamba ndiyo bora zaidi katika usambazaji wa kawi. Kutafuta njia mbadala ya kujipatia mapato. Kuangazia tabaka fulani la wateja ili kuongeza kipato.
3.	Kudorora kwa Sifa	Kampuni inaweza kupoteza wateja wake na hata wafanyakazi muhimu au uwezo wake wa kushindana kutokana na madai yanayotia doa sifa ya Kampuni. Sifa hudorora kutokana na kukatika kwa umeme mara kwa mara na huduma duni kwa wateja, kati ya masuala mengineyo.	Kuboresha miundomsingi mara kwa mara ili kuepuka kukatika kwa stima kiholela. Kutoa mafunzo kwa wafanyakazi wanaotoa huduma kwa wateja. Kuboresha huduma ili kuwaridhisha wateja. Kuweka mikakati ya kurekebisha na kuadhibu wafanyakazi wanaokiuka maadili na kanuni za Kampuni. Kudhibiti taarifa zinazotolewa ndani na nje ya Kampuni kwa lengo la kulinda sifa ya Kampuni. Kuna pendekezo la kutaka kufanya mashauriano na Wizara ya Elimu na washikadau wengineo ili elimu kuhusu usalama wa vifaa na nyaya za umeme ijumuishwe katika mtaala.
4.	Hasara Inayotokana na Utoaji wa Kandarasi	Kutoa kandarasi kwa watu kampuni za nje kutekeleza baadhi ya miradi kunapunguza gharama ya kuendesha shughuli. Hatua hiyo pia inasaidia kupata watu wenye tajriba na uzoefu zaidi ikilinganishwa na wafanyakazi wa Kampuni. Hata hivyo, hatua hiyo imebainishwa kuwa kiini cha uporaji, kudorora kwa usalama, kukatika kwa kawi, huduma mbovu na wizi.	Kuimarisha usimamiaji wa wanakandarasi kutoka nje. Kuhakikisha kuwa mikataba ya kandarasi ina vigezo vinavyotoa adhabu kali kwa wanaokiuka sheria na kanuni za Kampuni. Kuhamasisha umma kuhusu nidhamu inayofaa kuzingatiwa na wakandarasi.

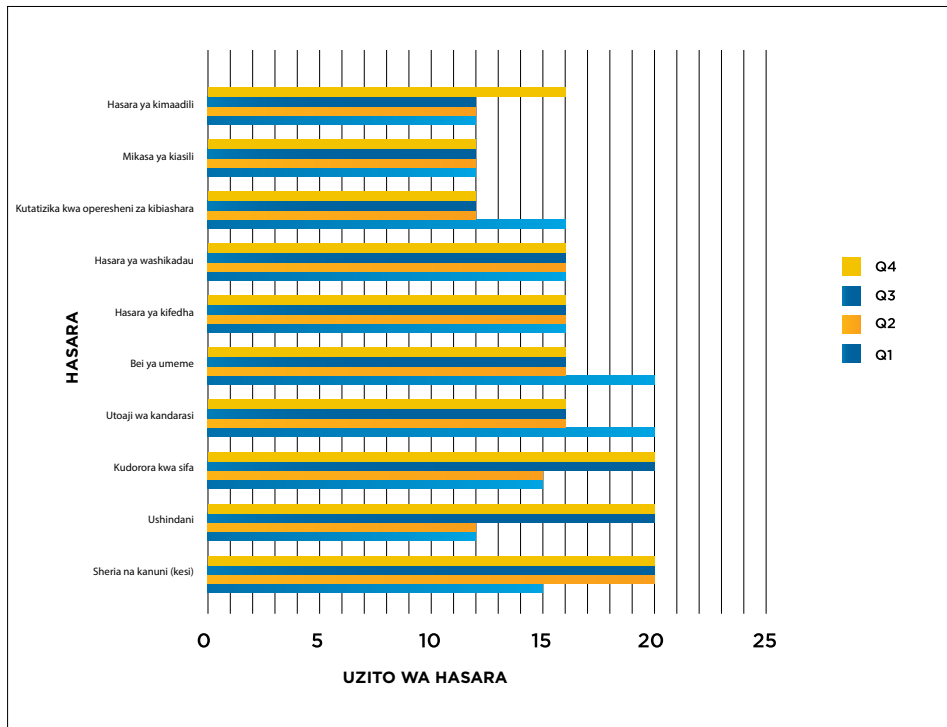
	Aina ya Hasara	Maelezo	Hatua zilizochukuliwa kudhibiti
5.	Bei ya Stima	Mabadiliko ya bei ya mafuta katika soko la kimataifa huathiri bei ya stima. Sera ya serikali na mamlaka ya kudhibiti kawi huweka bei ya stima.	(i) Kuboresha uzalishaji wa kawi kwa kutumia njia mbadala na kupunguza matumizi ya mafuta kama vile mvuke, upepo na miale ya jua. (ii) Kutoa mapendekezo kuhusu gharama ya stima kuhakikisha kwamba ni nafuu. (iii) Kuhakikisha kuwa kawi ya kutosha inazalishwa na kusambazwa ifaavyo.
6.	Hasara za Kifedha	Kukosa kukusanya fedha za madeni husababisha Kampuni kuanza kukopa kutokana na uhaba wa hela. Ukosefu wa hela husababisha kukwama kwa shughuli hivyo kuleta hasara.	(i) Kuhakikisha kuwa Kampuni ina kiasi fulani cha fedha wakati wowote. (ii) Kubana matumizi kwa kuepuka wakandarasi wanaotoza ada ya juu. (iii) Kuimarisha mfumo wa ukusanyaji mapato
7.	Hasara ya Washikadau	Wateja wanapokosa huduma kulingana na matarajio yao kunaweza kusababisha kudorora kwa sifa ya Kampuni. Kuna haja ya kuhakikisha kwamba matarajio ya wateja hayapiti mpaka ili kuepuka malalamishi yasiyo ya lazima. Hali hiyo itawezesha kampuni kuendesha shughuli zake kwa urahisi na kutimiza malengo yake.	(i) Kuweka mikakati mwafaka ya kuwasiliana na wateja na washikadau muhimu. (ii) Kuweka daftari la kuorodhesha malalamishi yao na kufuatilia namna yanavyoshughulikiwa.
8.	Hasara za Kimaadili	Shughuli za udanganyifu zinazotekelezwa na wafanyakazi, wakandarasi au wateja huathiri pakubwa biashara.	(i) Kuboresha usimamizi na kuhakikisha kuwa kanuni za Kampuni zinafuatwa kikamilifu. (ii) Kuhamaisha utoaji wa taarifa kuhusiana na shughuli zinazokiuka maadili. (iii) Utoaji wa mafunzo ya mara kwa mara kuhusu umuhimu wa kuzingatia maadili.
9.	Hasara inayotokana na kutatizwa kwa operesheni za kibiashara	Kutatizwa kwa biashara kutokana na kuharibika kwa miundomsingi kunaathiri utoaji wa huduma kwa wateja. Uporaji, ugaidi, ghasia, maandamano huathiri huduma.	(i) Ukarabati na uboreshaji wa miundomsingi mara kwa mara. (ii) Kutekeleza kikamilifu Sera ya Usimamizi na Uendelezaji wa Biashara hata wakati wa Mzozo.
10.	Majanga ya Kiasili	Kutokea kwa mikasa ya kiasili kama vile ukame, mafuriko, nakadhalika, nchini hutatiza operesheni za Kampuni.	(i) Kuongeza mbinu za uzalishaji kawi kama vile upepo na miale ya jua. (ii) Kuendeleza miradi ya utunzaji wa mazingira kama vile upanzi wa miti ili kulinda vyanzo vya maji. (iii) Kuweka nyaya za ziada za kusambaza kawi kupunguza visa wateja kukosa umeme kwa muda mrefu.

Jedwali Uwezekano wa Kutokea kwa Hasara



Na	Hasara
1.	Sheria na Kanuni (kesi)
2.	Kudorora kwa Sifa
3.	Ushindani
4.	Utoaji wa Kandarasi
5.	Bei ya Umeme
6.	Hasara ya Kifedha
7.	Hasara ya Kimaadili
8.	Hasara ya washikadau
9.	Kutatizika kwa operesheni za kibishara
10.	Mikasa ya Kiasili

Visababishi vya hasara 2017/2018



3. Kukabiliana na kesi

Ongezeko la wateja ambao wananufaika na huduma za umeme limesababisha kuongezeka kwa kesi mahakamani dhidi ya kampuni. Nyingi ya kesi zilizo mahakamani zinatokana na mizozo ya kukatishwa kwa huduma za umeme, ukiukaji wa mikataba, uhasama wa kibinafsi na kutimuliwa kazi. Tumechukua hatua madhubuti za kupunguza kesi hizo kwa kutumia mbinu mbadala za kutatua mizozo (ADR). Hii inajumuisha mazungumzo, mapatanisho na kusuluhisha mizozo nje ya mahakama. Hili huchukua muda mfupi ikilinganishwa na kesi za mahakamani. Inapobidi, kampuni huelekea mahakamani kulinda masilahi yake.

4. Maadili na Kanuni za Uadilifu

Kampuni imeweka mikakati ya kudumisha uadilifu miongoni wafanyakazi na washikadau mbalimbali. Kulingana na Sheria ya Uongozi na Maadili ya 2012, kampuni imebuni sera, mipango na miundomsingi ya kuhakikisha kuwa maadili yanazingatiwa katika idara zote za kampuni. Kanuni za uadilifu zinatwezesha kuendeleza utamaduni wa kuzingatia maadili na uwazi.

Mwaka huu, kila mfanyakazi alitia saina mkataba wa kuzingatia kanuni za maadili zilizowekwa na kampuni. Kanuni hizo zinatoa mwongozo kuhusu tabia zetu, mienendo na maamuzi tunayofanya ndani ya kampuni na mahusiano baina yetu na washikadau pamoja na umma. Kampuni imeweka mikakati ya kuwezesha

wafanyakazi kustawi kimaadili kupitia mafunzo na mipango ya kuwahamasisha kuzingatia maadili. Tunahimiza utoaji wa taarifa za kufichua maovu kupitia nambari 0718999000 au kupitia ukurasa wa kuripoti ufisadi katika tovuti: www.kplc.co.ke.

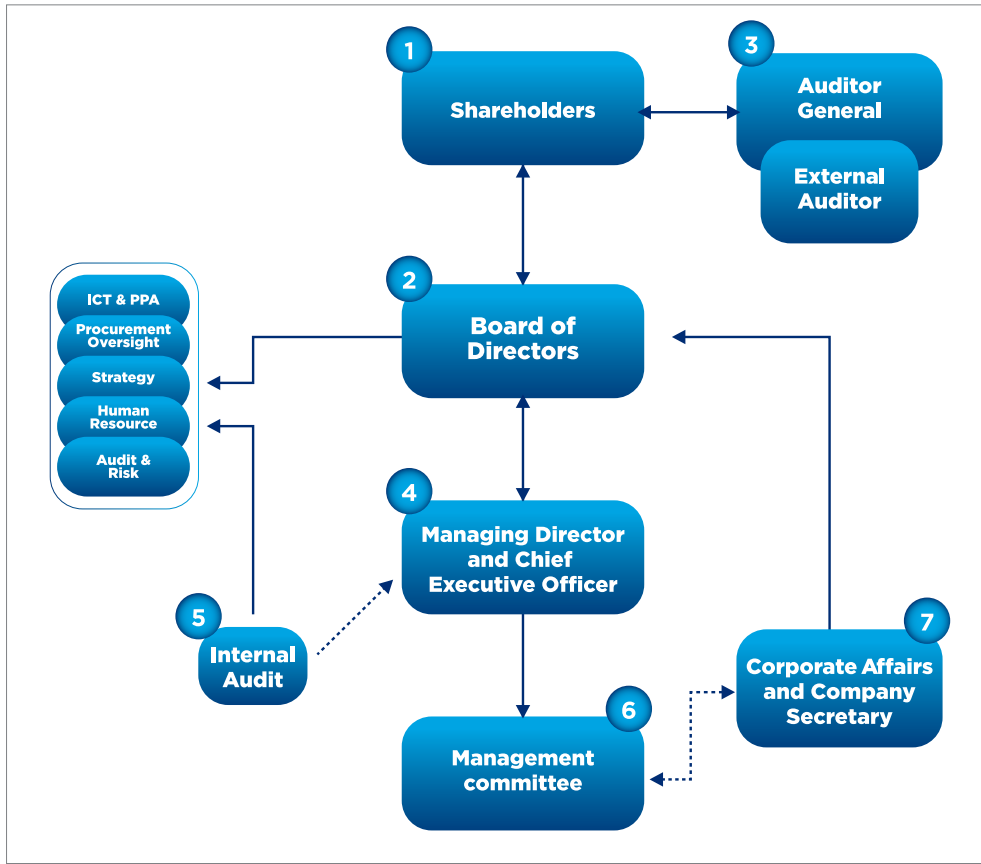
5. Uhusiano na Wenye-hisa

Kuhakikisha kwamba kuna uwazi na haki, bodi imeboresha mfumo wa mawasiliano na mashauriano na wenye-hisa na umma kwa kutoa taarifa za haraka kuhusiana na mikakati, operesheni na maendeleo ya biashara. Tunatangaza mapato ya nusu ya mwaka na mwaka mzima kupitia vyombo vya habari. Tunachapisha taarifa kuhusu mapato ya kampuni kila mwaka na kuandaa vikao na wawekezaji.

Kila mwaka, tunaandaa Mkutano Mkuu wa Kila Mwaka (AGM) ambapo wenye-hisa wanatangamana na kupata majibu kutoka kwa Wakurugenzi wa Kampuni na Usimamizi kuhusiana na masuala yanayohusiana na biashara.

Wenye-hisa hupewa taarifa kuhusu mkutano wa AGM siku 21 kabla ili kuwawezesha kuchunguza na kutathmini kwa kina ajenda na kufanya maandalizi ya kuhudhuria. Mwenye-hisa anaweza kutuma mwakilishi atakayehudhuria mkutano huo ambaye pia atapiga kura kwa niaba yake. Taarifa ya biashara huchapishwa katika tovuti: www.kplc.co.ke.

6. Muundo wa usimamizi



7. Kamati ya Usimamizi

Kamati ya Usimamizi wa Kampuni inaoongozwa na Mkurugenzi Mkuu na Mkurugenzi Mtendaji (CEO) ambao wanasimamia shughuli za kila siku za kampuni. Kamati hutathmini sera na mikakati ya kampuni kwa lengo la kuboresha mapato ya biashara, huchunguza maendeleo ya biashara na kutoa mapendekezo kwa bodi. Kamati inajumuisha wakuu wa idara mbalimbali ambao huripoti moja kwa moja kwa CEO na Mkurugenzi Mkuu. Mkurugenzi MKuu na CEO ni kiunganishi baina ya Kamati ya Usimamizi na Bodi ya Wakurugenzi.

8. Muundo wa Umiliki

Kampuni huzingatia sheria na kanuni za Mamlaka ya Kusimamia Soko la Hisa na sera ya uwazi kwa mujibu wa Sheria ya Soko la Hisa, kanuni za Kushiriki katika Soko la Ubadilishanaji Hisa la Nairobi na Sheria ya Kudhibiti Kampuni ya 2015.

Wenyehisa 20 wanaoongoza kwa wingi wa hisa kufikia Juni 30 2018:

Na.	Jina la Mwenyehisa	Hisa za Kawaida (Sh 2.50 kwa kila hisa)	Asilimia 4 ya hisa za ziada. (Sh 20 kwa kila hisa)	Asilimia 7 kwa hisa za upendeleo (Sh 20 kwa kila hisa)	Jumla	Asilimia (%)
1.	Katibu wa Hazina Kuu	977,641,695	656,808	193,531	978,492,034	50.086
2.	Standard Chartered Nominees RESD A/C Ke11450	32,518,589	-	-	32,518,589	1.665
3.	Standard Chartered Kenya Nominees Ltd A/C Ke20510	27,985,993	-	-	27,985,993	1.433
4.	Standard Chartered Nominees Non- RESD A/C Ke11794	24,076,800	-	-	24,076,800	1.232
5.	Standard Chartered Nominees Non- RESD. A/C Ke9053	23,974,875	-	-	23,974,875	1.227
6.	Standard Chartered Kenya Nominees Ltd A/C Ke002012	23,483,610	-	-	23,483,610	1.202
7.	Kenya Commercial Bank Nominees Limited A/C 915B	22,887,288	-	-	22,887,288	1.172
8.	Standard Chartered Nominees RESD A/C Ke11401	21,296,581	-	-	21,296,581	1.090
9.	Kenya Commercial Bank Nominees Limited A/C 915A	20,370,288	3,550	750	20,374,588	1.043
10.	The Jubilee Insurance Company of Kenya Limited	20,255,753	59,828	17,160	20,332,741	1.041
11.	Co-Op Custody A/C 4003	12,400,226	-	-	12,400,226	0.635
12.	Stanbic Nominees Ltd A/C NR 1030682	10,954,012	-	-	10,954,012	0.561
13.	Old Mutual Life Assurance Company LTD	10,261,291	-	-	10,261,291	0.525

Na.	Jina la Mwenyehisa	Hisa za Kawaida (Shs. 2.50 kwa kila hisa)	Asilimia 4 ya hisa za ziada. (Shs. 20 kwa kila hisa)	Asilimia 7 kwa hisa za upendeleo (Shs. 20 kwa kila hisa)	Jumla	Asilimia (%)
14.	Equity Nominees Limited A/C 00078	8,951,061	-	-	8,951,061	0.458
15.	Standard Chartered Kenya Nominees Limited KE 18492	8,750,000	-	-	8,750,000	0.448
16.	Stanbic Nominees Ltd A/C R57601	8,591,782	-	-	8,591,782	0.440
17.	Kenya Commercial Bank Nominees Limited A/C 816B	8,551,279	-	-	8,551,279	0.438
18.	Standard Chartered Kenya Nominees Ltd A/C KE 002333	8,420,415	-	-	8,420,415	0.431
19.	Naran Khimji & Virji Khimji Hirani	8,294,964	-	-	8,294,964	0.425
20.	NIC Custodial Services A/C 077	8,273,199	-	-	8,273,199	0.423
Jumla		1,287,939,701	720,186	211,441	1,288,871,328	65.974
Wenyehisa Wengineo		663,527,344	1,079,814	138,559	664,745,717	34.026
Jumla ya Hisa Zilizotolewa		1,951,467,045	1,800,000	350,000	1,953,617,045	100.00

Mgawo wa Hisa kwa Wenye-hisa wa Kawaida Kufikia Juni 30, 2018

Kiwango	Idadi ya Wenye-hisa	Hisa
<1,000	13,447	4,211,996
1001-10,000	10,910	34,857,949
10,001-50,000	2,625	56,027,760
50,001-100,000	500	35,627,419
Over 100,000	819	1,820,741,921
Jumla	28,301	1,951,467,045

Mgawo wa asilimia 4 ya Wenye-hisa kufikia Juni 30, 2018

Kiwango	Idadi ya Wenye-hisa	Hisa
<1,000	362	65,475
1001-10,000	57	152,792
10,001-50,000	13	325,918
50,001-100,000	2	133,564
Over 100,000	3	1,122,251
Jumla	437	1,800,000

Mgawo wa asilimia 7 ya Wenye-hisa kufikia Juni 30, 2018

Kiwango	Idadi ya Wenye-hisa	Hisa
<1,000	82	21,927
1001-10,000	15	44,076
10,001-50,000	3	86,432
50,001-100,000	1	57,617
Over 100,000	1	139,948
Jumla	102	350,000



Balozi. (Mhandisi.) Mahboub Mohamed
Mwenyekiti, Bodi ya Wakurugenzi



Malindi, Kilifi County

8:08 PM





Nakuru, Nakuru County

6:44 AM





Socially Responsible Company

Corporate Social Investment (CSI) is increasingly becoming an integral part of business today as it influences the long-term success of any organisation. In the process of carrying out our business, we are keen to work closely with communities and other stakeholders around us, to empower, create value and better their lives. Through our CSI programmes, we carried out various CSI activities in the year focusing on supporting education, providing water to communities, participating in environmental conservation efforts, developing sports talents and providing mentorship programmes to the young.

Wezesha Jamii Programme

In the period under review, the Company launched an employee-driven CSI programme dubbed 'Wezesha Jamii' (empower communities) as part of initiatives to build good relationship with diverse communities across all our business regions. Through the Wezesha Jamii programme, employees identify and propose potential initiatives to be supported by the Company in line with our CSI strategy. The programme has helped endear the Company to various beneficiary communities while enhancing employee motivation, their sense of pride and belonging.



Jubilant parents of Mwakinyugu Primary School in Voi, Taita Taveta County, receive a cheque from Kenya Power towards construction of classrooms under the Wezesha Jamii programme.

Under the programme, the Company invested Shs 13 million in the period on various projects spread across the country, with education and social welfare taking the lion's share of the kitty. Most of the funds were directed to building facilities such as classrooms, laboratories, dormitories and ablution blocks for needy schools. The beneficiaries include Mwakinyungu Primary School in Taita Taveta; Obalwanda Special School in Kisii; Nairobi's City Primary School Autism Unit and Mwioko Primary School in Nairobi; Ahmed

Liban Secondary School in Wajir; Obambo Primary School in Siaya; Olgurmaek Primary School in Kajiado and St. Maurice Ring Ring Secondary School in West Pokot among others.

Enlightening People Through Education

We acknowledge the important role of education as a catalyst for change and transformation of a society because of its positive effects on peoples' values, attitudes and behaviours. It enhances

people's productivity, promotes creativity and entrepreneurship and technological advances for economic and social progress. Education is therefore, one of the focus areas in our CSI policy.

We have maintained endowment funds for Starehe Boys Centre and Starehe Girls in the last twenty and ten years respectively which has helped educate eighteen students from

underprivileged family backgrounds. In addition, twelve academically gifted students are currently enjoying full sponsorship in the two schools under the programme. The endowment fund is a sustainable approach to CSI in that the investment earnings from the fund are used to meet requisite fees for the students. During the last financial year, we donated Shs 2 million to each of these funds.

Other notable education projects supported by the Company to the tune of Shs 1 million each in the period include provision of computers to the Queen of Peace Primary School in Turkana County; advocacy training for programme to assist people with special needs through the Kenya Institute of Special Education and a donation to assist Moi Nairobi Girls High School after a fire tragedy.

Water for life

In the period, we funded a project to connect electricity to two boreholes that will provide water to approximately three thousand people living in Emasatsi in Khwisero, Kakamega County and Nyarongi in Kanyadoto, Homabay County. The project is being implemented jointly with ActionAid, a non-governmental organisation at a cost of Shs 8 million. It will assist the communities access clean water for domestic use as well as encourage sustainable small-scale farming.

The Environment

Environmental conservation remains a priority support area for the Company. Some of the

initiative that the Company supported in the year include organising a clean-up exercise on the shores of Lake Victoria near Kisumu. We also participated in the Rhino Charge, an annual event organised by Rhino Ark Kenya Charitable Trust to raise funds for the conservation and protection of Kenya's mountain range ecosystems.

Sports

Sporting activities benefit a society in many ways. They not only provide physical strength but also increase mental power as well. Boosting participation in sports can generate a variety of socio-economic benefits. Sports can, and does, make profound and positive impact on individuals, communities and the wider society.

Kenya Power has three football clubs which are currently performing well in the Nationwide League. The clubs are sponsored by the Company as a strategy to provide recreation activities for our employees and develop talents from communities as well as promote our corporate brand.

Additionally, the Company supported the Annual Sports Personality of the Year Awards Gala, which was held to inspire upcoming sports talents, recognise personalities as well as promote excellence in sports. We contributed Shs 6 million towards this initiative. We also contributed sponsorship for the 4th Chemususu Dam Half Marathon was also another sporting activity that the Company funded to the tune of Shs 0.5 million and participated in, with the main area of support going towards the conservation of the dam located in Eldama Ravine, Baringo County.



Eng. Jared Othieno
Ag. Managing Director and CEO

RIPOTI YA UWEKEZAJI WA KAMPUNI KATIKA JAMII

Kampuni Inayowajibika kwa Jamii

Uwekezaji wa Kampuni katika Jamii (CSI) unaendelea kuwa sehemu muhimu ya biashara siku hizi kwa kuwa inashawishi ufanisi wa siku zijazo wa shirika lolote lile. Katika jitihada za kuendesha shughuli zetu, tunaazimia kufanya kazi kwa ushirikiano na jamii pamoja na washikadau wengine karibu nasi, kuwawezesha, kuongeza thamani na kuboresha maisha yao. Kupitia kwa mipango ya CSI, tulianzisha shughuli tofauti za CSI katika mwaka uliopita kupitia kwa mchango katika sekta ya elimu, kusambaza maji kwa jamii, kushiriki katika jitihada za kuhifadhi mazingira, kukuza vipawa vya michezo na kuwatia motisha vijana.



Wazazi wa shule ya msingi ya Mwakinyungu iliyomo eneo la Voi, Taita Taveta, washarekea msaada kutoka kampuni ya Kenya Power kufadhiria ujenzi wa madarasa chini ya mpango wa Wezesha Jamii.

Chini ya mpango huo, Kampuni imewezeza Sh 13milioni katika kipindi hicho kwenye miradi tofauti kote nchini, huku elimu na maslahi ya kijamii zikipokea mgao mkubwa zaidi. Nyingi ya fedha hizo zilitumika katika ujenzi wa madarasa, maabara, vyumba vya malazi na vyoo katika shule maskini. Miongoni mwa zile zilizonufaika ni Mwakinyungu Primary School, Taita Taveta; Obalwanda Special School, Kisii; City Primary School Autism Unit na Mwioko Primary School Nairobi; Ahmed Liban Secondary School, Wajir;

Mpango wa Wezesha Jamii

Katika kipindi kilichomalizika, Kampuni ilianzisha mpango wa CSI unaosimamiwa na wafanyakazi maarufu kama 'Wezesha Jamii' kama njia ya kupalilia uhusiano mwema na jamii mbalimbali katika maeneo tunakoendesha biashara zetu. Kupitia kwa mpango wa Wezesha Jamii, wafanyakazi hutambua na kupendekeza miradi ambayo inaweza kufadhiliwa na Kampuni kwa mujibu wa mkakati wetu wa CSI. Mpango huo umewezesha jamii nyingi kukumbatia Kampuni huku ukiwatia shime wafanyakazi na kuwatosheleza.

Obambo Primary School, Siaya; Olgurmaek Primary School, Kajiado na St. Maurice Ring Ring Secondary School, West Pokot miongoni mwa nyingine.

Kuangaza Watu Kupitia Elimu

Tunatambua wajibu muhimu unaotekelezwa na elimu kama kichocheo cha mabadiliko na mageuzi ya jamii kutokana na athari yake nzuri kwa hisia, maadili, matendo na mtazamo wa watu. Inainua utendakazi wa watu, kukuza ubunifu na

ujasiriamali pamoja na kupiga hatua kiteknolojia, kiuchumi na kijamii. Hivyo basi, elimu ni mojawapo ya nyanja muhimu katika sera yetu ya CSI.

Tumechangia katika mfuko wa akiba kusaaidia Starehe Boys Centre na Starehe Girls kwa muda wa miaka ishirini na kumi iliyoipita mtawalia ambayo imesaidia kuelimisha wanafunzi kumi na wanane kutoka familia maskini. Isitoshe, wanafunzi kumi na wawili werevu kwa sasa wanafadhiliwa kikamilifu katika shule hizo chini ya mpango huu. Mfuko huu wa akiba ni mbinu nzuri ya kudumisha mpango wa CSI kwa kuwa mapato kutoka uwekezaji yanatumika kulipia karo ya wanafunzi. Katika mwaka uliomalizika, tulitoa mchango wa Sh 2milioni kwa kila moja ya hazina hizo.

Miradi mingine ya elimu muhimu iliyodhaminiwa na Kampuni kwa kima cha Sh 1milioni kila moja katika kipindi hicho ni ununuzi wa Kompyuta kusaaidia shule ya Queen of Peace Primary School, kaunti ya Turkana; mpango wa kutoa mafunzo ya uhamasisho kusaaidia watu wenye mahitaji maalumu kupitia kwa Kenya Institute of Special Education na mchango wa kusaaidia Moi Nairobi Girls High School baada ya mkasa wa moto.

Maji kwa Uhai

Katika kipindi hicho, tulifadhili mradi wa kuunganisha umeme kwa visima viwili ambavyo vitatoa maji kwa takribani wakazi elfu tatu wanaoishi maeneo ya Emasatsi, Khwisero, kaunti ya Kakamega na Nyarongi, Kanyadoto, kaunti ya Homabay. Mradi huo unatekelezwa kwa pamoja na ActionAid, shirika lisilo la kiserikali kwa gharama ya Sh8milioni. Utaaidia jamii kupokea maji safi kwa matumizi ya nyumbani pamoja na kuwashawishi kushiriki katika kilimo kwenye mashamba madogo.

Mazingira

Uhifadhi wa Mazingira unasalia sehemu muhimu inayosaidiwa na Kampuni. Baadhi ya miradi

ambayo Kampuni ilisaidia katika mwaka uliopita ni pamoja na maandalizi ya shughuli ya kusafisha fuo za Ziwa Victoria karibu na Kisumu. Pia tulishiriki katika shindano la Rhino Charge, tukio la kila mwaka linaloandaliwa na RhinoArk Kenya Charitable Trust kuchangisha pesa za kuhifadhi na kutunza maeneo ya milimani Kenya.

Michezo

Shughuli za michezo husaidia jamii kwa njia tofauti. Mbali na kumpatia mhusika nguvu, huongeza uwezo wa kiakili pia. Kusaaidia katika michezo kunaweza kuwa na manufaa kadha ya kiuchumi na kijamii. Michezo inaweza kuwa na athari kubwa na nzuri kwa watu binafsi, vijijini na jamii kwa jumla.

Kenya Power kwa sasa ina vilabu vitatu vya soka ambavyo vinafanya vyema katika ligi ya Nationwide. Vilabu hivyo vinadhaminiwa na Kampuni kama mkakati wa kuwawezesha wafanyakazi wetu kunyoosha viungo na kukuza talanta kutoka kwa jamii pamoja na kuongeza sifa ya Kampuni yetu.

Isitoshe, Kampuni ilifadhili tuzo za kila mwaka, Annual Sports Personality of the Year Awards Gala, zilizoandaliwa ili kuwatia moyo vijana, kutambua waliofanya vyema na kukuza ufanisi katika michezo. Tulichangia Sh 6 milioni kwa shughuli hii. Pia, tulichangia kwa udhamini wa awamu ya Nne ya Mbio za Nusu Marathoni za Chemususu Dam kwa kima cha Sh 0.5 milioni ambazo pia tulishiriki, huku mchango mkubwa ukitumika katika uhifadhi wa bwawa lililopo Eldama Ravine, kaunti ya Baringo.



Mhandisi. Jared Othieno
Mkurugenzi Mkuu na Afisa Mkuu Mtendaji



Eldoret, Uasin Gishu County

6:52 PM





DIRECTORS' REPORT

The directors submit their report together with the audited financial statements of the Kenya Power and Lighting Company Limited (the "Company") for the year ended 30 June 2018, which disclose the state of affairs of the Company.

BUSINESS REVIEW

The core business of the Company continues to be the transmission, distribution and retail of electricity purchased in bulk from Kenya Electricity Generating Company Plc (KenGen), Independent Power Producers (IPPs), Uganda Electricity

Transmission Company Limited (UETCL), Ethiopia Electricity Power Company and Tanzania Electric Supply Company Limited (TANESCO).

RESTATEMENT OF PRIOR YEAR RESULTS

The Company's financial statements include a restatement of the opening balances at 1 July 2016 and the statement of profit or loss and other comprehensive income figures for the year ended 30 June 2017 to correct prior period errors. These are covered in note 39 of the financial statements.

RESULTS FOR THE YEAR

	2018 Shs'000	2017 Restated Shs'000
Profit before income tax	3,089,209	7,656,639
Income tax expense	(1,171,217)	(2,376,214)
Profit for the year	1,917,992	5,280,425

DIVIDEND

A dividend of Shs 1.93 million (2017: Shs 1.93 million) is payable on the cumulative preference shares and has been recognised in the statement of profit or loss and other comprehensive income under finance costs (Note 10(b)).

No interim dividend was paid in 2018 (2017: nil). Subject to the approval of the shareholders, the directors do not recommend payment of final dividend (2017: Shs 976 million) for the year (2017: Shs 0.50).

COURT CASES AGAINST SENIOR MANAGEMENT OF THE COMPANY

A number of senior management and retired staff of the Company are currently facing charges at the High Court of Kenya relating to alleged procurement malpractices. The Board of Directors has suspended current officials who have been charged in line with the Anti-Corruption and Economic Crimes Act and appointed an interim management team comprised of managers who are well experienced in their respective fields. Alongside various initiatives aimed at enhancing accountability, senior management

of the Company have been re-trained on the requirements of the Public Procurement and Assets Disposal Act (PPAD Act 2015) and measures put in place to streamline the Company's business process including procurement, quality assurance and customer service.

Investigations and court cases were ongoing at the date when these financial statements were approved.

DIRECTORS

The current Board of Directors is as shown on page 6.

Amb (Eng) Mahboub Maalim Mohamed and Hon. Zipporah Jesang Kering were elected as directors of the Company on 1st December 2017 while Hon. Kenneth Marende ceased to be a director on the same day.

Eng. Jared Othieno was appointed as the Acting Managing Director & CEO and Executive Director of the Company on 17th July 2018 replacing Dr. Kenneth Tarus who is suspended.

DIRECTORS' REPORT (Continued)

AUDITORS

The Auditor General is responsible for the statutory audit of the Company's financial statements in accordance with Section 35 of the Public Audit Act, 2015 (the "Act"). Section 23(1) of the Act empowers the Auditor General to appoint other auditors to carry out the audit on his behalf. Accordingly, PricewaterhouseCoopers were appointed to carry out the audit for the year ended 30 June 2018 and report to the Auditor-General.

BY ORDER OF THE BOARD



Imelda Bore
Company Secretary
22 November 2018

DIRECTORS' REMUNERATION REPORT

INFORMATION NOT SUBJECT TO AUDIT

Remuneration of the Company's Board is set within the Government limits for state corporations.

Statement of Company's policy on directors' remuneration

During the year, there was no change to Board remuneration. The current policy as guided by the Government through the State Corporations Advisory Committee (SCAC) will apply in subsequent years until the same is revised. The Company does not have any share options or long term incentives plans. There was no compensation for past directors or any sum paid to third parties in respect of a director's services.

The only executive director is the Managing Director and Chief Executive Officer. He has performance targets for the year which apply to the Board. Non-executive directors' remuneration is fixed by SCAC.

Contract of service

The non-executive directors are not under contract but are subject to retirement by rotation at the Annual General Meeting (AGM). The Managing Director and Chief Executive Officer is on a three years renewable contract from 1st August 2017 to 1st August 2020. Dr Kenneth Tarus was suspended in July 2018.

Statement of voting at general meeting

During the last AGM held on 1 December 2017, the shareholders unanimously approved the directors' remuneration of Shs 600,000 per year per director on a pro-rata basis.

Summary of the remuneration policy

The following are highlights of the Board remuneration policy for the Company:

1. During every Board or Committee meeting, Directors are entitled to a sitting allowance, lunch allowance (in lieu of lunch being provided), accommodation allowance and mileage reimbursement at Automobile Association of Kenya rates.
2. The Chairman receives a monthly honorarium.
3. Directors' fees are paid annually upon approval by shareholders during the AGM in accordance with Government's guidelines for all state corporations.
4. Non-executive directors are paid a total of Shs 600,000 or on pro rata basis for period served.
5. The remuneration for executive directors is as per the negotiated employment contracts.
6. The Company will not propose to make any changes in the remuneration level during the current financial year.
7. There are no directors' loans in the Company's loans.
8. There are no directors' shares schemes.
9. A sitting allowance is paid to each non-executive Director for attending a duly convened and constituted meeting of the Board or of any of the committees.
10. An allowance is paid to non-executive directors for any day of travel away from his regular station in order to attend to duties of the Company.
11. Medical insurance cover is provided to all non-executive directors for their individual medical requirements covering both out-patient and in-patient services.

DIRECTORS' REMUNERATION

Below is a summary of entitlement per Board Member:

DIRECTORS' REPORT (Continued)

	Type of payment	Chairman	Member
Honoraria (per month)		Shs 80,000	N/A
Sitting allowance (per sitting)		Shs 20,000	Shs 20,000
Telephone - airtime for mobile phone (per month)		Shs 20,000	N/A
Transport allowance/mileage		N/A*	AA rates
Lunch allowance		Shs 2,000	Shs 2,000
Director's fees per annum on prorata basis		Shs 600,000	Shs 600,000
Director's bonus		N/A	N/A
Accommodation allowance outside Nairobi		Shs 18,200	Shs 18,200

* Chairman was provided with a Company car during the year.

INFORMATION SUBJECT TO AUDIT

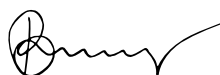
For the financial years ended 30 June 2018 and 30 June 2017, the directors' fees and remuneration are as below:

	Salary/ honoraria Shs'000	Fees Shs'000	Expense allowances Shs'000	Total Shs'000
Year ended 30 June 2018				
Executive Director				
Kenneth Tarus	7,469	-	3,651	11,120
Non-executive directors				
Kenneth Marende - Former Chairman	400	543	475	1,418
Mahboub Maalim Mohamed - Chairman	560	-	560	1,120
Adil Khawaja	-	543	712	1,255
CS, National Treasury - Henry Rotich	-	600	-	600
PS, Energy - Eng. Dr. Joseph Njoroge	-	600	186	786
Wilson Kimutai Mungung'ei	-	543	1,784	2,327
Kairo Thuo	-	312	1,496	1,808
Brenda Engomo Kokoi	-	312	2,535	2,847
Zipporah Jesang Kering	-	-	3,475	3,475
Beatrice Gathirwa	-	-	1,074	1,074
Isaac Kiva	-	-	928	928
	8,429	3,453	16,876	28,758

Directors' remuneration Report (continued)

	Salary/ honoraria Shs'000	Fees Shs'000	Expense allowances Shs'000	Total Shs'000
Year ended 30 June 2017				
Executive Director				
Ben Chumo	4,857	-	2,020	6,877
Kenneth Tarus	4,536	-	1,485	6,021
Non-executive directors				
Kenneth Marende – Chairman	960	600	1,514	3,074
Adil Khawaja	-	600	355	955
Beatrice Gathirwa	-	-	98	98
Brenda Kokoi	-	-	934	934
CS, National Treasury – Henry Rotich	-	600	-	600
Isaac Kiva	-	-	1,448	1,448
Joseph Kariuki	-	-	1,716	1,716
Jane Nashida	-	889	1,767	2,656
Kairo Thuo	-	-	931	931
Macharia Kariuki	-	889	1,437	2,326
PS, Energy Eng. Dr. Joseph Njoroge	-	600	130	730
Susan Chesiyana	-	316	4,542	4,858
Wilson Kimutai	-	600	1,390	1,990
	10,353	5,094	19,767	35,214

BY ORDER OF THE BOARD



Imelda Bore
Company Secretary

22 November 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Kenyan Companies Act, 2015 requires the directors to prepare financial statements for each financial year that give a true and fair view of the financial position of the Company as at the end of the financial year and of its profit or loss for that year. The directors are responsible for ensuring that the Company keeps proper accounting records that are sufficient to show and explain the transactions of the Company; disclose with reasonable accuracy at any time the financial position of the Company; and that enables them to prepare financial statements of the Company that comply with prescribed financial reporting standards and the requirements of the Kenyan Companies Act, 2015. They are also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

VIII. Selecting suitable accounting policies and then applying them consistently; and

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

In preparing the financial statements, the directors have assessed the Company's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation in note 2 (a (i)) of the financial statements.

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

Approved by the board of directors on 22 November 2018 and signed on its behalf by:



Amb (Eng) Mahboub Maalim
Chairman, Board



Mr. Kairo Thuo
Chairman, Audit and Risk Committee



Eng. Jared Othieno
Ag. Managing
Director and CEO

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NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON THE KENYA POWER AND LIGHTING COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

The accompanying financial statements of Kenya Power and Lighting Company Limited set out on pages 120 to 198 which comprise the statement of financial position as at 30 June 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, have been audited on my behalf by PricewaterhouseCoopers auditors appointed under Section 23 of the Public Audit Act, 2015. The auditors have duly reported to me the results of their audit and on the basis of their report, I am satisfied that all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit were obtained.

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of Kenya Power and Lighting Company Limited as at 30 June, 2018, and of its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Companies Act, 2015.

Basis for Qualified Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Kenya Power and Lighting Company Limited in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audit of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1. Breach of Borrowing Covenants

The Company's total borrowings are carried in the statement of financial position at Kshs.113,029,384,000. As disclosed in note 28 (d), the Company was in breach of financial covenant ratios for commercial borrowings by an amount of Kshs.59,963,128,000 as at 30 June 2018. This amount comprises of

Report of the Auditor-General on the Financial Statements of Kenya Power and Lighting Company Limited for the year ended 30 June 2018

Kshs.49,985,745,000 which is classified as non-current and Kshs.9,977,383,000 classified as current. Subsequent to the financial year end, the Company received letters from the lenders, waiving their rights to demand payment due to the breach of the debt covenants even though the Company did not have unconditional rights to defer payment as at 30 June 2018.

International Accounting Standards (IAS) 1 on presentation of financial statements requires the presentation of the borrowings with covenant breaches as current liabilities. However, the total borrowings with covenant breaches have not been classified as current. Had management complied with IAS 1, an amount of Kshs.49,985,745,000 would have been reclassified from non-current to current. Accordingly, current liabilities and the net current liabilities would have increased by Kshs.49,985,745,000.

2. Incorrect Recognition of Unbilled Fuel Costs as Revenue

As explained in note 2 (c) (ii) to the financial statements, the Company recognizes revenue relating to fuel costs charge in the month of billing by the power generators and invoiced to the customers in the subsequent month, following approval by the Energy Regulatory Commission (ERC), based on the individual customers' consumption in the month in which the revenue was recognized. The accounting policy ensures effective matching of costs and revenues for the supply of electricity to customers. This policy has been consistently applied in prior years.

However, in the years ended 30 June 2017 and 2018, the company recognized revenue totaling Kshs.7,290,699,000 and Kshs.1,737,420,000 respectively relating to fuel costs charges, even though the amounts were not billed to customers in the immediate subsequent month. The balances are included within trade and other receivables as "unbilled fuel costs revenue" as shown in note 20 (b) to the financial statements. Consequently, these amounts had not met the criteria for revenue recognition under IAS 18 as at 30 June 2017 on the basis that the services (electricity) to support the revenue would be supplied in the future.

The balance of "unbilled fuel costs revenue" as at 30 June 2017 was fully billed to customers in the year ended 30 June 2018 upon approval by ERC and based on the individual customers' consumption in the respective months of billing.

As a result, revenue and unbilled fuel costs (current asset) for the year ended 30 June 2017 were overstated by Kshs.7,290,699,000, while revenue for the year ended 30 June 2018 is understated by Kshs.5,553,000,000.

Accordingly, had the Company complied with the principles of IAS 18, the profit before income tax for the year ended 30 June 2017 and the trade and other receivables (current assets) as at 30 June 2017 would have been decreased by Kshs.7,290,699,000; and the profit before income tax for the year ended 30 June 2018 would have increased by Kshs.5,553,000,000.

The correction of the misstatements requires a restatement of the comparative balances for the year ended 30 June 2017.

3. Material Misstatement of Provisions for Impairment Loss on Electricity and other Receivables

As explained in note 2 (k) to the financial statements, the Company determines the provision for impairment loss on receivables based on objective evidence of impairment considering individual customers' credit terms and the age profile of the outstanding balances as at the year end. Application of the Company's policy as at 30 June 2018, results in an additional impairment loss provision of Kshs.2,604,000,000 relating to electricity and prepaid fixed charge on no-vending meters. Had the Company consistently applied its policy for determining the provision for impairment loss on receivables, the profit before income tax for the year ended and trade and other receivables would have decreased by Kshs.2,604,000,000.

The combined impact of correcting the above matters in the financial statements would have been as follows:

- A reduction of the profit before income tax for the year ended 30 June 2017 from Kshs.7,656,639,000 to Kshs.366,639,000. Trade and other receivables as at 30 June 2017 would have decreased from Kshs.49,686,321,000 to Kshs.42,396,321,000, increasing the net current liabilities from Kshs.17,535,199,000 to Kshs.24,825,199,000 as at the same date; and
- An increase in the profit before income tax for the year ended 30 June 2018 from Kshs.3,089,209,000 to Kshs.6,038,209,000. Trade and other receivables as at 30 June 2018 would have decreased from Kshs.40,992,525,000 to Kshs.36,651,525,000 and the net current liabilities would increase from Kshs.51,637,615,000 to Kshs.105,964,360,000 as at 30 June 2018.

Key Audit Matters

Key Audit Matters are those matters which, in my professional judgment, were of most significance in the audit of the Company's financial statements for the current year. These matters were addressed in the context of the audit of the Company's financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. For each matter below, a description of how the audit addressed the matter is provided in that context.

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

Key audit matter	How my audit addressed the key audit matter
<p>Heightened risk of fraud and errors in financial information</p> <p>A majority of the Company's senior management were arrested and charged with alleged corruption at the High Court of Kenya in July 2018.</p> <p>This event triggered a heightened risk that the financial statements might have been misstated.</p> <p>In such circumstances, ISSAI 1240 requires that the Auditor conduct enhanced procedures, including possible involvement of forensic experts to address the heightened risk of fraud and errors and assess whether the risk is of such significance as to have a material impact on the financial statements.</p> <p>The Court case was ongoing at the date of this audit report.</p>	<p>Discussions were held with the Board Audit Committee to confirm their understanding of the charges, the actions they are taking and their assessment of the impact, if any, on the financial statements.</p> <p>In consultation with forensic experts, it was determined the enhanced audit procedures be carried out as part of the audit. These included:</p> <ul style="list-style-type: none"> • specific procedures focussing on compliance of a sample of procurements with the requirements of Public Procurement and Asset Disposal Act, 2015; • testing of billing adjustments made in the year including re-computation of customer bills in the year and testing of the interfaces between the meter, billing and financial accounting systems; • review of the end-to-end handling of transformers from acquisition to disposal. I independently checked the condition of a sample of transformers; • review of the process of pre-qualifying legal counsel, assigning cases to lawyers and settlement of legal fees and litigation, and whether the settlements appear reasonable from a Company viewpoint; • evaluation of whether analytical procedures which are performed near the end of the audit, when forming an overall conclusion on whether the financial statements are consistent with my understanding of the Company, indicate a previously unrecognised risk of material misstatement due to fraud; and • obtaining of Board representation confirming that the facts disclosed to me and the impact on the financial statements is complete.

Other Information

The other information comprises the Chairman's Statement and the acting Managing Director & CEO's Statement, which I obtained prior to the date of this report, and the rest

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

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

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

REPORT ON COMPLIANCE WITH LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC MONEY

Conclusion

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

Basis for Conclusion

1. Unclaimed Financial Assets

The Company as at 30 June 2018 held in their books financial assets amounting to Kshs.1,728,504,000 (2017: Kshs.1,163,739,000) disclosed in note 27 to the financial statements under other payables of Kshs.10,356,112,000 (2017: Kshs.5,259,237,000). These assets which include; customer refunds, unidentified receipts, wayleaves compensation, uncollected dividends and stale cheques, ought to have been reported and submitted to the Unclaimed Financial Assets Authority (UFAA), as required by the Unclaimed Financial Assets Act, 2011. According to the Act, failure to comply attracts a penalty of 25% of the assets, in addition to a daily interest of Kshs.7,000 for each day a report is late in submission. This aspect of non-compliance may cost the Company up to Kshs.1,891,639,000, in interest and penalties as at 30 June 2018.

2. Non-compliance with the Capital Markets Authority Listing Rules

The First Schedule of the Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations, 2002 (Amended 2016) sets out the minimum requirements for

a company at the time of listing, as well as continuing obligations of the listed entity. Kenya Power and Lighting Company Limited, which is listed on the main investment market segment, complied with most of these requirements. However, the regulations require that the issuer must not be in breach of any of its loan covenants, particularly in regard to the maximum debt capacity. The company was however in breach of borrowing covenants as at 30 June 2018. In addition, the regulations require that the issuer is not insolvent and should have adequate working capital. As at 30 June 2018, the company's current assets of Kshs.54,620,181,000 were less than current liabilities of Kshs.106,257,796,000, resulting in a negative working capital of Kshs.51,637,615,000.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Companies Act, 2015, I report based on the audit that:

- (i) In my opinion, the information given in the report of the directors on pages 2 to 3 is consistent with the financial statements.
- (ii) In my opinion the auditable part of the directors' remuneration report on pages 4 to 6 has been properly prepared in accordance with the Kenyan Companies Act, 2015.

Responsibilities of the Directors for the Financial Statements

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

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the directors are aware of any intension to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

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

Directors are responsible for overseeing the Company's financial reporting process, reviewing the effectiveness of management's systems for monitoring compliance with

relevant legislative and regulatory requirements, ensuring that effective processes and systems to address key roles and responsibilities in relation to governance and risk management, are in place, and ensuring the adequacy and effectiveness of the control environment.

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

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

In addition to the audit of the financial statements, a compliance review is planned and performed to express a conclusion with limited assurance on whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence which is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions which may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner which achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



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

Nairobi

22 November 2018

Report of the Auditor-General on the Financial Statements of Kenya Power and Lighting Company Limited for the year ended 30 June 2018

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2018 Shs'000	2017 Restated Shs'000
Revenue			
Electricity sales	6(a)	95,463,404	91,951,629
Foreign exchange adjustment		9,322,195	6,682,693
Fuel cost charge	7(b)	21,068,631	22,107,948
		125,854,230	120,742,270
Power purchase costs			
Non-fuel costs	7(a)	(52,795,031)	(50,202,488)
Foreign exchange costs		(7,714,264)	(6,199,227)
Fuel costs	7(b)	(23,591,184)	(24,075,529)
		(84,100,479)	(80,477,244)
Gross profit		41,753,751	40,265,026
Net operating expenses			
Network management	8(a)	(11,312,806)	(11,146,208)
Commercial services	8(b)	(12,405,555)	(4,920,081)
Administration	8(c)	(15,909,862)	(18,678,529)
		(39,628,223)	(34,744,818)
Operating income		2,125,528	5,520,208
Other operating income	6(b)	8,670,357	8,130,398
Operating profit		10,795,885	13,650,606
Interest income	10(a)	100,000	46,004
Finance costs	10(b)	(7,806,676)	(6,039,971)
Profit before income tax		3,089,209	7,656,639
Income tax expense	12(a)	(1,171,217)	(2,376,214)
Profit for the year		1,917,992	5,280,425
Basic and diluted earnings per share (Shs)	13	0.98	2.71
Profit for the year			
		1,917,992	5,280,425
Other comprehensive income:			
Items that will not be subsequently reclassified to profit or loss			
Remeasurement of the retirement benefit asset	30	(97,837)	(1,058,356)
Deferred income tax relating to remeasurement of the retirement benefit asset	26	29,351	317,507
Other comprehensive loss		(68,486)	(740,849)
Total comprehensive income for the year		1,849,506	4,539,576

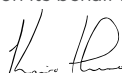
STATEMENT OF FINANCIAL POSITION

ASSETS	Note	2018 Shs'000	2017 Restated Shs'000	2016 Restated Shs'000
Non-current assets				
Property and equipment	15	273,376,882	262,347,609	233,714,593
Operating lease prepayments	16	813,423	868,463	868,519
Intangible assets	17	3,842,816	2,593,483	2,602,033
Retirement benefit asset	30	2,615,129	2,531,782	3,263,150
Trade and other receivables	20(a)	1,386,758	1,601,509	1,816,261
		282,035,008	269,942,846	242,264,556
Current assets				
Inventories	19	9,745,385	9,626,293	11,895,271
Trade and other receivables	20(b)	39,605,767	48,084,812	29,893,927
Current income tax	12(c)	-	44,358	25,990
Short term deposits	21(a)	491,991	596,169	3,842,355
Bank and cash balances	21(b)	4,777,038	2,941,754	1,660,698
		54,620,181	61,293,386	47,318,241
TOTAL ASSETS		336,655,189	331,236,232	289,582,797
EQUITY AND LIABILITIES				
Equity attributable to owners				
Ordinary share capital	22	4,878,667	4,878,667	4,878,667
Share premium	23	22,021,219	22,021,219	22,021,219
Retained earnings	24	37,307,503	36,433,731	32,479,595
TOTAL EQUITY		64,207,389	63,333,617	59,379,481
Non-current liabilities				
Deferred income tax	26	29,694,493	28,683,216	26,702,741
Deferred income	25	16,999,103	19,562,051	18,154,796
Trade and other payables	27(a)	22,524,358	29,710,547	30,172,855
Borrowings	28	96,929,050	111,075,216	105,017,783
Preference shares	29	43,000	43,000	43,000
		166,190,004	189,074,030	180,091,175
Current liabilities				
Trade and other payables	27(b)	71,249,076	57,545,032	34,495,409
Current income tax	12(c)	23,777	-	-
Deferred income	25	4,702,427	4,944,572	5,953,273
Leave pay provision	31	448,000	346,903	544,369
Borrowings	28	16,100,334	10,940,906	8,850,929
Dividends payable	32	862,007	362,839	268,161
Overdraft	21(b)	12,872,175	4,688,333	-
		106,257,796	78,828,585	50,112,141
TOTAL EQUITY AND LIABILITIES		336,655,189	331,236,232	289,582,797

The financial statements on pages 120 to 198 were approved and authorised for issue by the Board of Directors on 22 November 2018 and were signed on its behalf by:



Amb (Eng) Mahboub Maalim
Chairman, Board



Mr. Kairo Thuo
Chairman, Audit and Risk Committee



Eng. Jared Othieno
Ag. Managing
Director and CEO

STATEMENT OF CHANGES IN EQUITY

	Note	Ordinary share capital Shs'000	Share premium Shs'000	Retained earnings Shs'000	Total Shs'000
At 30 June 2016 - as previously reported		4,878,667	22,021,219	37,121,927	64,021,813
Restatement	39 (f)	-	-	(4,642,332)	(4,642,332)
30 June 2016 - restated		4,878,667	22,021,219	32,479,595	59,379,481
Year ended 30 June 2017					
1 July 2016 - restated		4,878,667	22,021,219	32,479,595	59,379,481
Total comprehensive income for the year (restated)	39 (g)	-	-	5,280,425	5,280,425
Other comprehensive loss		-	-	(740,849)	(740,849)
Total comprehensive income for the year		-	-	4,539,576	4,539,576
Final dividend - 2016		-	-	(585,440)	(585,440)
30 June 2017 - restated		4,878,667	22,021,219	36,433,731	63,333,617
Year ended 30 June 2018					
At 30 June 2017 - as previously reported		4,878,667	22,021,219	43,061,769	69,961,655
Restatement	39	-	-	(6,628,038)	(6,628,038)
At 1 July 2017 - restated		4,878,667	22,021,219	36,433,731	63,333,617
Profit for the year		-	-	1,917,992	1,917,992
Other comprehensive loss		-	-	(68,486)	(68,486)
Total comprehensive income for the year		-	-	1,849,506	1,849,506
Final dividend - 2017		-	-	(975,734)	(975,734)
At 30 June 2018		4,878,667	22,021,219	37,307,503	64,207,389

STATEMENT OF CASH FLOWS

		2018	2017
	Note	Shs '000	Restated Shs '000
Cash flows from operating activities			
Cash generated from operations	33(a)	37,168,444	35,131,974
Income tax paid	12(c)	(62,454)	(96,600)
Interest received	33(g)	108,563	33,811
Interest paid	33(d)	(9,128,427)	(6,910,645)
Net cash generated from operating activities		28,086,126	28,158,540
Cash flows from investing activities			
Purchase of property and equipment	33(h)	(25,434,423)	(38,838,985)
Purchase of intangible assets	17	(2,457,161)	(729,705)
Prepayment of operating lease	16	(8,574)	-
Proceeds from disposal of property and equipment	33(e)	166,934	48,727
Net cash used in investing activities		(27,733,224)	(39,519,963)
Cash flows from financing activities			
Repayment of borrowings	33(b)	(12,736,581)	(5,478,735)
Proceeds from borrowings	33(b)	6,409,439	10,672,294
Dividends paid to owners of the company	33(f)	(478,496)	(492,692)
Net cash (used in)/generated from financing activities		(6,805,638)	4,700,867
Net decrease in cash and cash equivalents		(6,452,736)	(6,660,556)
Cash and cash equivalents at the beginning of the year		(1,150,410)	5,503,054
Effects of foreign exchange rate fluctuations on deposits		-	7,092
Cash and cash equivalents at the end of the year	33(c)	(7,603,146)	(1,150,410)

NOTES

1. General information

The Kenya Power and Lighting Company Limited, a public company domiciled in the Republic of Kenya, was incorporated on 6 January 1922, as East Africa Power & Lighting Limited. The Company changed its name on 11 October 1983. The core business of the Company continues to be the transmission, distribution and retail of electricity purchased in bulk from Kenya Electricity Generating Company Plc (KenGen), Independent Power Producers (IPPs), Uganda Electricity Transmission Company Limited (UETCL) and Tanzania Electric Supply Company Limited (TANESCO). The shares of the Company are listed on the Nairobi Securities Exchange. The Government of Kenya is the principal shareholder in the Company holding a 50.1% equity interest.

The address of the Company's registered office is as follows:

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

2. Significant accounting policies

(a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

The financial statements have been prepared on a going concern basis. The Director's assessment is included below;

(i) Going concern assessment

The Company recorded a profit before tax of Shs 3,089,209,000 for the year ended 30 June 2018 (2017 Restated: Shs 7,656,639,000) and had net current liabilities of Shs 51,637,615,000 at 30 June 2018 (2017 Restated: Shs 17,535,199,000). In addition, the Company had a net cash outflow of Shs 6,452,736,000 for the year ended 30 June 2018 (2017 Restated: Shs 6,660,556,000). The Company's performance was affected by the following factors:

- i. Revenue growth in the year was constrained by the depressed economic environment in the first half of the financial year, and the delay in review and implementation of the retail electricity tariffs. The '2013 Schedule of tariffs' was for a 3-year period with a new tariff expected from June 2016. The average revenue requirement, which drives the tariff computation, takes into account the total transmission and distribution assets. Revenue for the last two financial years was based on the electricity grid in 2013 and did not take into account the significant expansion in the intervening period;
- ii. The recent aggressive connectivity and grid reinforcement programs aimed at achieving the Government's target of universal access by 2020 and increasing installed capacity, were funded using a mix of internal funds and medium term commercial debt resulting in net cash outflows and significant net current liability position as the assets acquired are long term in nature. The expected return on the Company's investment was dependent on review of the tariff;
- iii. Delayed fuel cost recoveries because of poor hydrological conditions in 2017 and the slow business environment, also affected the Company's cash flows. Financing costs and doubtful electricity receivables increased significantly in the year because of the deteriorated cash flows; and

NOTES (CONTINUED)

2. Significant accounting policies (continued)

(a) Basis of preparation (continued)

i Going concern assessment (continued)

- iv. Increased system losses due to rapid expansion at low voltage under the Last Mile and other connectivity programs.

The business fundamentals remain strong despite the above factors. The Company has consistently recorded profit and generated positive cash-flows from operating activities, which is the strongest indicator that it is able to meet obligations as and when they fall due.

The Board and management are undertaking a number of key strategic initiatives to improve the financial results of the Company going forward. These include:

- i. The new tariff (effective 1 July 2018), which includes incentives such as the time of use tariff and removal of the fixed charge, is expected to drive an increase in electricity demand and therefore, revenue;
- ii. Improvement in the Company's working capital position and profitability by reducing capital expenditure and undertaking cost containment measures without impacting service delivery;
- iii. Ring-fencing and channelling additional revenue to prioritized areas including defraying of overdraft facilities and payment of critical trade payable accounts including energy purchase;
- iv. Measures to enhance timely recovery and collection of electricity receivables;
- v. Measures to reduce transmission and distribution losses; and
- vi. The waiver letters obtained after year-end mean that the lenders will not call their loans on the basis of the current financial covenant breaches and management expect that the measures undertaken in the year will cure the breaches.

Based on the above, the directors consider it appropriate to prepare the financial statements on the going concern basis.

(ii) Changes in accounting policy and disclosures

New and amended standards adopted by the Company

Standard	Effective date	Executive summary
Amendment to IAS 12 - Income taxes	Annual periods beginning on or after 1 January 2017	The amendment was issued to clarify the requirements for recognising deferred tax assets on unrealised losses. The amendment clarifies the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. It also clarifies certain other aspects of accounting for deferred tax assets.
Recognition of deferred tax assets for unrealised losses.		

NOTES (CONTINUED)

2 Significant accounting policies (continued)

(a) Basis of preparation (continued)

ii. Changes in accounting policy and disclosures (continued)

New and amended standards adopted by the Company (continued)

Standard	Effective date	Executive summary
<p>Amendment to IAS 7 – Cash flow statements</p> <p>Statement of cash flows on disclosure initiative</p>	Annual periods beginning on or after 1 January 2017	<p>The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment responds to requests from investors for information that helps them better understand changes in an entity's debt.</p> <p>The Company has adopted this amendment in the presentation of cash flows relating to borrowings.</p>

New and amended standards not yet adopted by the Company

Standard	Effective date	Executive summary
<p>IFRS 9 – Financial Instruments (2009 & 2010)</p> <ul style="list-style-type: none"> • Financial liabilities • Derecognition of financial instruments • Financial assets • General hedge accounting 	Annual periods beginning on or after 1 January 2018	<p>'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities and introduces new rules for hedge accounting.</p> <p>The complete version of IFRS 9 was issued in July 2015. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurements model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income (OCI) and fair value through profit or loss.</p> <p>The basis of classification depends on the entity's model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to changes in fair value in OCI without recycling.</p> <p>There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39.</p> <p>For financial liabilities there are no changes to the classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss.</p>

NOTES (CONTINUED)

2 Significant accounting policies (continued)

(a) Basis of preparation (continued)

ii. Changes in accounting policy and disclosures (continued)

New and amended standards not yet adopted by the Company (continued)

Standard	Effective date	Executive summary
		<p>IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.</p> <p>Contemporaneous documentation is still required but is different to that currently prepared under IAS 39.</p> <p>This standard will be applicable to the Company's financial statements for the year ending 30 June 2019. The standard requires that an assessment is performed to determine the impact of the standard on the financial statements. Management has not performed this assessment.</p>
<p>IFRS 15 - Revenue from contracts with customers.</p>	<p>Annual periods beginning on or after 1 January 2018</p>	<p>'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations.</p> <p>This standard will be applicable to the Company's financial statements for the year ending 30 June 2019. The standard requires that an assessment is performed to determine the impact of the standard on the financial statements. Management has not performed this assessment.</p>

NOTES (CONTINUED)

2 Significant accounting policies (continued)

(a) Basis of preparation (continued)

ii Changes in accounting policy and disclosures (continued)

New and amended standards not yet adopted by the Company (continued)

Standard	Effective date	Executive summary
IFRS 16 – Leases	Annual periods beginning on or after 1 January 2019 – earlier application permitted if IFRS 15 is also applied.	<p>This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.</p> <p>For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard.</p> <p>At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.</p> <p>IFRS 16 supersedes IAS 17, 'Leases', IFRIC 4, 'Determining whether an Arrangement contains a Lease', SIC 15, 'Operating Leases – Incentives' and SIC 27, 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.</p> <p>This standard will be applicable to the Company's financial statements for the year ending 30 June 2020</p> <p>Management has not performed this assessment.</p>

NOTES (CONTINUED)

2 Significant accounting policies (continued)

(a) Basis of preparation (continued)

ii Changes in accounting policy and disclosures (continued)

New and amended standards not yet adopted by the Company (continued)

Standard	Effective date	Executive summary
IFRIC 23, 'Uncertainty over income tax treatments'	Annual periods beginning on or after 1 January 2019 Published 7 June 2017)	IFRIC 23 provides a framework to consider, recognise and measure the accounting impact of tax uncertainties. The Interpretation provides specific guidance in several areas where previously IAS 12 was silent. The Interpretation also explains when to reconsider the accounting for a tax uncertainty. Most entities will have developed a model to account for tax uncertainties in the absence of specific guidance in IAS 12. These models might, in some circumstances, be inconsistent with IFRIC 23 and the impact on tax accounting could be material. Management should assess the existing models against the specific guidance in the Interpretation and consider the impact on income tax accounting
Annual improvements cycle 2015-2017	Annual periods beginning on or after 1 January 2019 (published December 2017)	These amendments include minor changes to: <ul style="list-style-type: none"> • IFRS 3, 'Business combination' - a company remeasures its previously held interest in a joint operation when it obtains control of the business. • IFRS 11, 'Joint arrangements', - a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business. • IAS 12, 'Income taxes' - The amendment clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised. • IAS 23, 'Borrowing costs' - a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

NOTES (CONTINUED)

2. Significant accounting policies (continued)

(b) Power purchase costs

Power purchase costs are recognised at the actual amounts charged to the Company by the suppliers of power. These comprise:

(i) *Non-fuel costs*

These include capacity charges, energy cost and steam charges.

(ii) *Foreign exchange costs*

These relate to the net foreign currency losses incurred by Kenya Electricity Generating Company Plc (KenGen) which are charged to the Company in accordance with the Power Purchase Agreements (PPAs) and the net foreign currency losses incurred by the Company in the settlement of foreign currency denominated invoices from independent power producers (IPPs).

(iii) *Fuel costs*

These comprise the cost of fuel incurred in the generation of electricity and invoiced by suppliers.

The recharge of power purchase costs relating to customers under the Rural Electrification Scheme is covered in note 2 (t).

(c) 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 net of Value Added Tax and other Government levies. The following specific recognition criteria must be met before revenue is recognised:

(i) *Electricity sales*

Electricity sales revenue is recognised when customers on

post-paid metering are billed for the power consumed. The billing is done for each monthly billing cycle based on the units consumed as read on the customers' electricity meters and the approved consumer tariffs. Electricity sales revenue for customers on prepaid metering is recognised when customers purchase electricity units and then adjusted for the estimated amount of unconsumed power based on the consumption rate over a period of time.

(ii) *Fuel cost charge*

The Company recognises revenue relating to fuel costs charge in the month of approval by the Energy Regulation Commission (ERC). The billing to customers is based on their individual consumption in the month and applied as a charge per KWh. Fuel costs recoveries comprise the actual amounts billed to the customers (consistent with description under note 2 (c) (i) above).

(iii) *Foreign exchange adjustment*

Foreign exchange payments, arising from exchange rate differences not factored in the retail tariffs, are recognised and charged to the consumers of power to recover the losses in the foreign exchange rates. The net foreign currency costs are passed on to the customers as a charge per KWh, which is approved each month by the ERC.

The recovery of fuel costs and the foreign exchange costs is based on supplier invoices and factors in the ERC's target loss factor in transmission and distribution. For the year ended 30 June 2018, the target loss factor was 15.9%.

NOTES (CONTINUED)

2 Significant accounting policies (continued)

(c) Revenue (continued)

Other income

(i) Finance revenue

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

(ii) Rental income

Rental income is recognised on the straight line basis over the lease term.

(iii) Capital contribution

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

(iv) Fibre optic income

This represents income from the lease of Company fibre optic cable lines to third parties. The revenue from leasing the transmission lines is recognised on a straight line basis over the lease term.

(d) Inventories

Inventories are stated at the lower of cost and net realisable value after due regard for obsolete and slow moving stocks. The cost of inventories comprises purchase price, import duties, transport and handling charges and is determined on a weighted average price. Net realisable value is the price at which the inventory can be realised in the normal course of business after allowing for the costs of realisation.

(e) Property and equipment

All 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 profit or loss as incurred.

No depreciation is charged on freehold land. Depreciation on other assets is calculated to write down their cost 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 1/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%

NOTES (CONTINUED)

2 Significant accounting policies (continued)

(f) Property and equipment (continued)

The asset's residual values, estimated useful lives and methods of depreciation are reviewed at the end of each reporting period with the effect of any changes in estimate accounted for prospectively. An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from the recognition of an item of property and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset at the disposal date) is included in profit or loss for the year. This does not apply to assets acquired by the Company on sale and leaseback transactions.

Properties in the course of construction for production, supply or administrative purposes are carried at cost less any recognised impairment loss. Cost includes professional fees and for qualifying assets, borrowing costs capitalised in accordance with the Company's accounting policy. Such properties are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

At the end of each accounting period, the Company conducts impairment tests where there are indications of impairment of an asset.

Capital work in progress

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

(g) Intangible assets

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

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from unforeseeable changes of such intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Currently, intangible assets comprise software and have an estimated useful life of five years.

(h) Income tax expense

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

The tax currently payable is based on taxable profit for the year. Taxable profit

NOTES (CONTINUED)

2 Significant accounting policies (continued)

(h) Income tax expense (continued)

differs from profit as reported in the profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax

Deferred income tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred income tax liabilities are generally recognised for all taxable temporary differences. Deferred income tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred income tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amounts of deferred income tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred

income tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred income tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current income tax or deferred income tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(i) Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date on 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.

NOTES (CONTINUED)

2. Significant accounting policies (continued)

Leases (continued)

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 basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

(j) Functional currency

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. Transactions during the year are translated at the rates ruling at the dates of the transactions. Gains and losses on exchange are dealt with in the 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.

(k) Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss, 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. The Company's financial assets all fall under the 'loans and receivables' category.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after

NOTES (CONTINUED)

2 Significant accounting policies (continued)

(k) Financial instruments (continued)

the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment of electricity receivables includes:

- significant financial difficulty of the customer; or
- non-payment of electricity bills; or
- it becoming probable that the customer will enter bankruptcy or financial re-organisation.

Electricity receivables that are outstanding for greater than the Company's average credit period of 30 days are considered past due. In addition to considering specific indicators for impairment, the Company makes a full provision for impairment loss on electricity receivables aged greater than 90 days excluding those relating to the Government of Kenya and entities related to the Government of Kenya including ministries and parastatals.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount

of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset other than in its entirety (e.g. when the Company retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the company retains control), the Company allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. Income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised.

NOTES (CONTINUED)

2 Significant accounting policies (continued) (k) Financial instruments (continued)

Financial liabilities

Other financial liabilities

Other financial liabilities (including borrowings) are subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the 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.

(l) Borrowing costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Capitalised costs include interest charges and foreign currency exchange differences on borrowings for projects under construction to the extent that they are regarded as adjustments to interest rates.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(m) Leave provision

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.

(n) Impairment of non-financial assets

The Company reviews the carrying amounts of its tangible and intangible assets, to determine whether there is any indication that those assets have suffered an impairment loss 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's) 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-generating 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

NOTES (CONTINUED)

2 Significant accounting policies (continued)

(n) Impairment of non-financial assets (continued)

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, in the technology or market environment in which the Company operates, or in the market to which an asset is dedicated.
- iv. Evidence is available of the obsolescence or physical damage of an asset.
- v. 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 reinforced, replaced or upgraded under the Energy Sector Recovery Project, after considering the above key indicators of impairment.

(o) Employees' benefits

- i. *Company's defined contribution scheme*

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.

- ii. *Company's defined benefit scheme*

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 defined benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as service costs (including current service cost, past service cost, as well as gains and losses on curtailments and settlements), net interest expense or income and remeasurement.

The Company presents the first two components of defined benefit costs in profit or loss in the line item of pension cost-defined benefit scheme (included in staff costs). Curtailment gains and losses are accounted for as past service costs.

NOTES (CONTINUED)

2 Significant accounting policies (continued)

(o) Employees' benefits (continued)

(ii) Company's defined benefit scheme (continued)

The retirement benefit asset recognised in the Company's statement of financial position represents the actual surplus in the Company's defined benefit plans.

Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

iii. *Statutory defined contribution pension scheme*

The employees and the Company also contribute to the National Social Security Fund, a national defined contribution scheme. Contributions are determined by the country's statutes and the Company's contributions are charged to profit or loss as incurred.

(p) **Operating segments**

The Company's business is organised by regions (reporting segments) comprising Nairobi, Mount Kenya, Coast and West Kenya. Business administration is by geographic region as the Company deals in only supply of electricity. There are no inter-region sales. The Chief Operating Decision Maker (CODM) is the Executive Management Committee.

Regions derive their revenues from the distribution and retail of electricity purchased in bulk by the head office. 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).

(q) **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 potentially dilutive ordinary shares, if any.

(r) **Dividends**

Dividends on ordinary shares are charged to reserves in the period in which they are declared. Proposed dividends are not accrued for until ratified in an Annual General Meeting.

(s) **Government grants**

Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

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

NOTES (CONTINUED)

2. Significant accounting policies (continued)

(s) Government grants (continued)

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the

Company with no future related costs are recognised in profit or loss in the period in which they become receivable.

(t) Recharge of costs to Rural Electrification Scheme

The Rural Electrification Scheme was established in 1973 by the Government of Kenya following an agreement between the Government and East African Power & Lighting Company (now The Kenya Power and Lighting Company Limited (KPLC)). The Scheme was established with the specific objective of extending electricity to the rural areas

Recharge of costs to the Rural Electrification Scheme (RES) is based on a formula determined 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 power purchase costs recharge is calculated as a proportion of RES electricity unit sales (excluding off-grid sales) to gross electricity unit sales. The distribution costs recharge is calculated based on 2% and 4% of the total high voltage and low voltage assets respectively in the books of RES at the close of the financial year.

Customer service costs recharge is calculated as a proportion of RES metered customers to total number of metered customers. Administration costs recharge are calculated based on the proportion of RES electricity unit sales to gross electricity unit sales.

(u) Cash and cash equivalents

Cash and cash equivalents in the

statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

(v) Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 2 above, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period or in the periods of the revision and future periods if the revision affects both current and future periods.

(a) Critical judgements in applying accounting policies

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

NOTES (CONTINUED)

3. Critical accounting judgements and key sources of estimation uncertainty (continued)

Deferred income tax assets

Deferred income 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. Details of the carrying value of recognised tax losses at 30 June 2018 are provided in Note 26.

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. Details of the defined benefit asset at 30 June 2017 are provided in Note 30.

Revenue recognition

Prepaid electricity revenue includes an assessment of electricity supplied to customers between the date of the last meter reading and the year end. Electricity sales revenue attributable to units consumed but not billed to customers at the end of the reporting period is estimated using historical consumption patterns taking into account the total electricity usage by the customers.

(b) Key sources of estimation uncertainty

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

Pensions

Actuarial assumptions are made in valuing future defined benefit obligation and are updated periodically. The principal assumption relates to the discount rate, the expected rates of return on assets, future salary increases, mortality rates and future pension increase. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. See note 30 for further details.

4. 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 are no inter-segment sales and all revenue is from external customers. Energy purchase and head office expenses are apportioned to various regions based on percentage unit sales.

NOTES (CONTINUED)

4. Operating segments (Continued)

2018	Nairobi Region Shs'000	West Kenya Region Shs'000	Coast Region Shs'000	Mount Kenya Region Shs'000	Total Shs'000
Revenue	60,935,886	22,840,469	22,027,846	20,050,029	125,854,230
Other operating income	3,397,025	2,473,263	980,512	1,819,557	8,670,357
Energy purchases	(46,255,264)	(15,138,086)	(15,138,086)	(7,569,043)	(84,100,479)
Operating expenses	(17,253,629)	(10,602,832)	(5,408,617)	(6,363,145)	(39,628,223)
Operating profit	824,018	(427,186)	2,461,655	7,937,398	10,795,885
Interest income					100,000
Finance costs					(7,806,676)
Income tax expense					(1,171,217)
Profit for the year					1,917,992
Assets	133,588,746	104,214,222	40,118,568	58,733,653	336,655,189
Liabilities	156,958,920	48,502,909	38,485,281	28,597,034	272,447,800
Capital expenditure (including intangible assets)	13,748,450	7,873,805	720,049	6,326,119	28,668,423
Depreciation/amortisation	6,950,886	4,061,245	2,053,516	2,219,305	15,284,953

NOTES (CONTINUED)

4 Operating segments (continued)

There were no revenues deriving from transactions with a single external customer that amounted to 10% or more of the Company's revenue. Finance income, finance costs and tax expenses are not segment specific and are largely head office items and therefore have not been apportioned to the operating segments.

	Nairobi Region Shs'000	West Kenya Region Shs'000	Coast Region Shs'000	Mount Kenya Region Shs'000	Total Shs'000
Revenue	60,161,334	20,956,628	20,984,964	18,639,344	120,742,270
Other income	3,315,122	2,371,413	785,512	1,658,351	8,130,398
Energy purchases	(44,261,903)	(14,486,136)	(14,486,136)	(7,243,069)	(80,477,244)
Operating expenses	(15,768,370)	(8,718,415)	(4,530,223)	(5,727,810)	(34,744,818)
Operating profit	3,446,183	123,490	2,754,117	7,326,816	13,650,606
Interest income					46,004
Finance costs					(6,039,971)
Income tax expense (restated)					(2,376,214)
Profit for the year (restated)					5,280,425
Assets	140,625,962	96,854,124	37,855,993	55,900,153	331,236,232
Liabilities	146,905,270	50,808,039	45,010,634	25,178,672	267,902,615
Capital expenditure (including intangible assets)	17,584,490	11,789,655	4,679,309	7,462,678	41,516,132
Depreciation/amortisation	5,572,530	3,216,875	1,490,938	1,671,007	11,951,350

NOTES (CONTINUED)

4. Operating segments (continued)

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:

	Land and buildings* Shs'000	Lines Shs'000	Machinery Shs'000	Motor vehicles Shs'000	Furniture equipment and other Shs'000	Intangible assets Shs'000	Total Shs'000
2018							
Transmission	447,644	20,625,419	27,677	-	155,292	-	21,256,032
Distribution	7,687,091	196,551,508	520,311	1,524,197	19,453,635	3,842,816	229,579,558
Total	8,134,735	217,176,927	547,988	1,524,197	19,608,927	3,842,816	250,835,590
2017							
Transmission	458,586	10,812,475	28,323	-	216,954	-	11,516,338
Distribution	4,663,527	168,049,821	481,098	1,484,567	16,765,301	2,593,483	194,037,797
Total	5,122,113	178,862,296	509,421	1,484,567	16,982,255	2,593,483	205,554,135

* Includes freehold land and buildings and prepaid leases on leasehold land.

NOTES (CONTINUED)

5. Financial risk and capital management

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.

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 risks, 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

The Company has exposure to credit risk, which is the risk that a counter party will be unable to pay amounts in full when due. Credit risk mainly arises from electricity receivables, short term deposits and bank balances.

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).

Credit risk arising from short term deposits and bank balances are low because the counter parties are financial institutions with high credit ratings.

The carrying amount of financial assets recorded in the financial statements representing the Company's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

NOTES (CONTINUED)

5. Financial risk and capital management (continued)

(a) Credit risk (continued)

At 30 June 2018	Neither past due nor impaired Shs'000	Past due but not impaired <90 days Shs'000	Impaired > 90 days Shs'000	Total Shs'000
Electricity receivables	10,502,960	3,247,045	8,471,429	22,221,434
Stima loan	191,905	-	79,071	270,976
Other receivables	1,047,288	19,489,900	2,853,220	23,390,408
Less provisions	-	-	(11,403,720)	(11,403,720)
Net trade and other receivables	11,742,153	22,736,945	-	34,479,098
Short term deposits	491,991	-	-	491,991
Bank balances	4,760,401	-	-	4,760,401
	16,994,545	22,736,945	-	39,731,490
At 30 June 2017				
Electricity receivables	12,013,601	665,736	4,036,472	16,715,809
Stima loan	263,102	-	79,071	342,173
Other receivables	13,745,697	16,108,565	1,259,623	31,113,885
Less provisions	-	-	(5,375,166)	(5,375,166)
Net trade and other receivables	26,022,400	16,774,301	-	42,796,701
Short term deposits	596,169	-	-	596,169
Bank balances	2,925,817	-	-	2,925,817
	29,544,386	16,774,301	-	46,318,687

The customers under the fully performing category are paying their debts as they fall due. Past due amounts are those beyond the maximum established credit period and represents slow but paying customers. The receivable balance continues to be serviced even though this is not done on the contractual dates. Treasury and finance departments are actively following up on these receivables. In addition, the Company holds deposits or a bank guarantee, depending on the electricity load supplied which acts as collateral. The fair value of the collateral held by the Company as security and other credit enhancements amounted to Shs 7,433 million (2017: Shs 7,418 million) Note 27(a).

Management of credit risk

Financial instruments are managed by the finance and commercial services functions.

Management of electricity receivables

The Company supplies electricity to customers in its licensed areas of supply. A large proportion comprises small commercial and domestic customers who settle their accounts within twenty one days after 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

NOTES (CONTINUED)

5 Financial risk and capital management (continued)

(a) Credit risk (continued)

times their monthly consumption being security in the form of a cash 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 a 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 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 of electricity receivables at 30 June 2018 was Shs 8,471 million (2017: Shs 4,036 million). Refer to Note 19(d).

The Company continues to install prepaid and automatic meters as strategies to minimise 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
- higher security deposits

Management of Stima Loan receivables Shs 270,976,000 (2017: Shs 342,173,000)

The Kenya Power Stima Loan Revolving Fund was established in the year 2010. The objective of the Fund is to facilitate credit access to the low income segments of the market for the purpose of electricity connection. It is funded by Agence Francaise de Development (AFD) through credit and grant to the Government of Kenya (GOK) which is then on lent and on grant to the Company. Electricity supply agreements are entered into with all customers and Stima Loan contracts signed. All customers are required to deposit 20% of the loaned amount and administration fee of 5% and are advanced a loan valid for 24 months with no interest charges. Repayment of the loan commences one month after connection.

Monthly follow ups are done to monitor these customers. 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. A short text message is sent reminding them of their monthly bill with a loan balance on the same.

Stima Loan customers are grouped into delinquency levels, according to their credit profiles to help in monitoring customer repayment performance. Delinquency level one have balances that are one month in arrears, delinquency level two are two months in arrears, delinquency level three being customers in three months arrears and subsequently delinquency level four and five are customers that are in arrears from four months on to twenty four months respectively.

NOTES (CONTINUED)

5 Financial risk and capital management (continued)

(a) Credit risk (continued)

Non – performing loans are assessed on the probability of recovery based on the customers' delinquency level. A provision of Shs 79 million has been recognised for loans which have been outstanding for more than 24 months as at 30 June 2018. Refer to Note 19 (d).

(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.

The objective of the Company's liquidity 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 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; and
- maintaining liquidity contingency plans.

The table below summarises the maturity profile of the Company's financial liabilities based on the remaining period using 30 June 2018 as a base period to the contractual maturity date:

NOTES (CONTINUED)

5. Financial risk and capital management (continued)

(b) *Liquidity risk (continued)*

	On demand Shs'000	Less than 3 months Shs'000	3 -12 months Shs'000	1-5 years Shs'000	>5 years Shs'000	Total Shs'000
At 30 June 2018						
Borrowings	-	-	28,972,509	60,828,263	36,100,787	125,901,559
Trade and other payables	871,210	70,848,689	7,144,809	2,402,540	26,302,884	107,570,132
Dividends	862,007	-	-	-	-	862,007
	1,733,217	70,848,689	36,117,318	63,230,803	62,403,671	234,333,698
At 30 June 2017						
Borrowings	-	-	23,481,422	73,425,238	55,241,387	152,148,047
Trade and other payables	302,499	52,042,906	9,644,391	2,702,122	30,466,730	95,158,648
Dividends	362,839	-	-	-	-	362,839
	665,338	52,042,906	33,125,813	76,127,360	85,708,117	247,669,534

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 of directors and are administratively managed by the treasury department. Updated guarantee schedules are compiled every month.

NOTES (CONTINUED)

5. Financial risk and capital management (continued)

(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/Shs exchange rate, with all other variables held constant, on the Company's profit before income tax (due to changes in the fair value of monetary assets and liabilities).

Currency	Appreciation/ (depreciation) of exchange rate	Effect on profit before tax and equity Shs million
Year 2018		
US\$	5%(-5%)	+/-4,205
Euro	5%(-5%)	+/- 456
JPY	5%(-5%)	-
Chinese ¥	5%(-5%)	-
Year 2017		
US\$	5%(-5%)	+/-4,480
Euro	5%(-5%)	+/- 437
JPY	5%(-5%)	+/- 54
Chinese ¥	5%(-5%)	+/-118

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 or price risk

Commodity or price risk arises from the fuel that is used for the generation of electricity.

NOTES (CONTINUED)

5 Financial risk and capital management (continued)

(c) Market risk (continued)

(ii) Commodity or price risk (continued)

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 with payment terms. These procedures include the issue of a notice of 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 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, where applicable.

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.

At 30 June 2018, an increase/decrease of 5 basis points (2017: 5 basis points) would have resulted in a decrease/increase in a profit before tax of Shs 4,661 million (2017: Shs 5,090 million).

	Change in currency rate	Effect on profit before tax and equity
2018		Shs' 000
	1%	932,000
	5%	4,661,000
2017	1%	1,018,000
	5%	5,090,000

(d) Capital management

Capital managed by the Company is the 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

NOTES (CONTINUED)

5 Financial risk and capital management (continued)

(d) Capital Management (continued)

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 2018 and 30 June 2017.

The Company monitors capital using a gearing ratio. This ratio is calculated as net debt divided by capital. Net debt is calculated as total of interest bearing loans and borrowings, less cash and cash equivalents.

	2018 Shs million	2017 Shs million
Interest-bearing loans and borrowings (Note 27)	113,029	122,016
cash and cash equivalents (Note 33(c))	7,603	1,151
Net debt	120,632	123,167
Equity	64,207	63,334
Gearing ratio	188%	194%

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 (ERC).

The electricity business is currently in a major expansion phase driven by a rise in demand and Government policy. The funding of additional transmission 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 ERC 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 (CONTINUED)

5. Financial risk and capital management (continued)

(e) Fair values of financial assets and liabilities

Comparison by class of the carrying amounts and fair values of the financial instruments is as set out below;

	Carrying amount		Fair value	
	2018 Shs'000	2017 Shs'000	2018 Shs'000	2017 Shs'000
Financial assets				
Trade and other receivables	43,295,835	45,332,533	43,295,835	45,332,533
Short term deposits	491,991	596,169	491,991	596,169
Bank and cash balances	4,777,038	2,941,754	4,777,038	2,941,754
Financial liabilities				
Borrowings	113,029,384	122,016,122	113,029,384	122,016,122
Trade and other payables	93,773,434	87,255,579	93,773,434	87,255,579
Bank overdraft	12,872,175	4,688,333	12,872,175	4,688,333

Trade and other receivables are evaluated regularly to assess the likelihood of impairment. Based on this evaluation, allowances are taken to account for the expected losses on these receivables. As at 30 June 2018, the carrying amounts of such receivables, net of allowances, approximates their fair value.

The fair values of term deposits, bank and cash balances and trade and other payables approximates their carrying amounts largely due to the short term maturities of these instruments.

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.

None of the financial assets is carried at fair value.

NOTES (CONTINUED)

6. (a) Electricity Sales

	2018 Shs'000	2017 Shs'000
Electricity sales	95,463,404	91,951,629

(b) Other operating income

Capital contribution amortised to profit or loss	6,837,104	6,773,396
Miscellaneous sales	903,649	683,936
Fibre optic leases	450,624	336,308
Transmission line maintenance revenue	206,427	119,291
Reconnection charges	143,936	154,430
Rent	128,617	63,037
	8,670,357	8,130,398

7. Power purchase costs

(a) Non-fuel costs

The basic power purchase costs according to source/ power producer were as follows:

	2018 Shs'000	2017 Shs'000
KenGen*	37,022,822	33,990,062
OrPower 4 Inc.	11,438,108	11,343,617
Iberafrica Power (E.A.) Company Limited	3,154,052	3,342,529
Rabai Power Limited	2,960,346	2,306,222
Thika Power Limited	2,352,950	1,621,244
Tsavo Power Company Limited	2,306,675	2,035,340
Gulf Power Limited	2,133,329	2,046,992
Triumph Power Generating Company Limited	1,939,371	2,384,967
Uganda Electricity Transmission Company Limited	1,098,878	1,268,119
Regen-Terem	178,349	24,474
Gura	137,336	-
Ethiopia Electricity Power Company	81,893	18,363
Power Technology Solutions Limited	14,696	9,743
Chania Power Limited	5,295	-
Biojoule Kenya Limited	4,136	7,353
Imenti Tea Factory	3,826	1,706
Tanzania Electric Supply Company Limited	37	1,229
Aggreko	-	12,977
Mumias Sugar Company Limited	-	3,911
	64,832,099	60,418,848
Less foreign exchange surcharge (separately presented in profit or loss)	(7,714,264)	(6,199,227)
Less recharged to Rural Electrification Scheme	(4,322,804)	(4,017,133)
	52,795,031	(50,202,488)

NOTES (CONTINUED)

7. Power purchase costs (continued)

KenGen* - included in Non-fuel costs for Kengen are Capacity charges totalling to Shs 21,189,809,000 (2017: Shs 21,145,825,000), Steam charges totalling Shs 6,166,125,000 (2017: Shs 5,093,354,000), Energy charges totalling Shs 8,112,081,000 (2017: Shs 6,491,665,000) and foreign exchange costs totalling Shs 1,554,807,000 (2017: Shs 1,259,218,000).

(b) *Fuel costs*

	2018	2017
	Shs'000	Restated Shs'000
KenGen	9,622,740	10,003,406
Rabai Power Limited	5,153,442	5,345,244
Uganda Electricity Transmission Company Limited	2,454,654	2,639,322
Thika Power Limited	2,311,997	2,206,335
Iberafrica Power (E.A.) Company Limited	2,044,320	2,493,244
Tsavo Power Company Limited	1,928,108	1,446,738
Off grid power stations	1,673,030	1,472,798
Gulf Power Limited	1,433,953	760,015
Triumph Power Generating Company Limited	327,332	880,346
Aggreko	-	15,033
	26,949,576	27,262,481
Less recharged to Rural Electrification Scheme	(3,358,392)	(3,186,952)
	23,591,184	24,075,529

Fuel cost for the year ended 30 June 2017 have been restated. The prior year adjustment is explained in note 39.

A recovery of Shs 21,068,631,000 (2017: Shs 22,107,948,000) was made.

NOTES (CONTINUED)

7. Power purchase costs (continued)

Units purchased

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

	2018 GWh	2017 GWh
KenGen	7,989	7,513
OrPower 4 Inc	1,185	1,172
Rabai Power Limited	562	607
Thika Power Limited	215	168
Tsavo Power Company Limited	196	121
Iberafrica Power (E.A.) Company Limited	186	252
Uganda Electricity Transmission Company Limited	168	180
Gulf Power Limited	81	61
Off grid power stations	47	41
Triumph Power Generating Company Limited	28	83
Regen-Terem	18	1
Gura	17	-
Mumias Sugar Company Limited	4	-
Ethiopia Electricity Power Company	3	3
Chania Power Limited	1	-
Imenti Tea Factory	1	-
Power Technology Solutions Limited	1	1
Biojoule Biogas Power Plant*	-	1
Aggreko	-	1
	10,702	10,205
Less recharged to Rural Electrification Scheme	(740)	(683)
	9,962	9,522

*Biojoule Biogas Power Plant supplied KWh 403,879 during the year (2017: KWh 711,165).

Tanzania Electric Supply Company Limited supplied KWh 4,865 during the year (2017: KWh 3,353).

NOTES (CONTINUED)

7. Power purchase costs (continued)

Type of interconnected power sources

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

	2018 GW	2017 GW
Geothermal	5,053	4,451
Hydro	3,224	3,341
Thermal	2,206	2,165
Net imports	171	184
Others	48	64
	10,702	10,205
Less recharged to Rural Electrification Scheme	(740)	(683)
	9,962	9,522

The Company transmits excess units generated by Aggreko Limited to Uganda Electricity Transmission Company Limited (UETCL) and Tanzania Electricity Supply Company Limited (TANESCO), whereas UETCL and TANESCO transmit back their 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.

8. Net operating expenses

(a) Network management

	2018 Shs'000	2017 Shs'000
Salaries and wages	5,188,001	4,554,499
Depreciation	5,060,161	4,705,527
Wheeling charges - Ketraco*	2,011,000	2,011,000
Loss on disposal of fixed assets	539,035	625,570
Consumable goods	271,631	380,068
Staff welfare	191,403	105,919
Transport and travelling	104,386	545,026
Advertising and public relations	-	50,444
Office expenses	3,114	3,017
Other costs	661,506	535,994
Net recharge of distribution and transmission costs to Rural Electrification Scheme	(2,717,431)	(2,370,856)
	11,312,806	11,146,208

* These are fees levied by Ketraco for the use of their transmission lines to transport electricity from the generators. The amount is determined by Energy Regulatory Commission (ERC).

NOTES (CONTINUED)

8. Net operating expenses (continued)

(b) *Commercial services*

	2018 Shs'000	2017 Shs'000
Depreciation	3,985,122	2,442,417
Salaries and wages	3,832,228	3,290,802
Advertising and public relations	131,340	63,472
Staff welfare	127,713	74,316
Transport and travelling	79,046	236,786
Consumable goods	16,318	29,722
Office expenses	11,010	85,175
Other costs	9,911	10,116
Net recharge of customer service costs to Rural Electrification Scheme	(1,870,180)	(2,060,241)
	6,322,508	4,172,565
Allowance for doubtful receivables		
Provision for electricity debtors (Note 20(e))	4,434,957	282,472
Provision for non-vending customers	1,342,103	289,940
Provision for other receivables	138,505	209,258
Provision for Uchumi debt	112,927	--
Provision for street lighting debtors	54,555	-
Imperial Bank deposits write-back**	-	(34,154)
	6,083,047	747,516
	12,405,555	4,920,081

NOTES (CONTINUED)

8. Net operating expenses (continued)

(c) Administration

	2018 Shs'000	2017 Restated Shs'000
Salaries and wages	5,252,374	4,791,114
Depreciation	4,968,229	4,065,095
Staff welfare	1,293,650	1,234,597
Amortisation of intangible assets and operating lease prepayment	1,271,442	738,311
Repairs and maintenance	854,395	1,286,538
Security and surveillance	757,758	608,196
Transport and travelling	700,933	478,831
Office expenses	505,283	637,045
Bank charges	471,739	357,593
Rents	400,573	438,804
Licenses	379,095	429,836
Insurance	368,718	374,998
Public relations	233,417	329,127
Company electricity expenses	188,995	181,226
Training expenses and consumer services	135,881	446,645
Other consumable goods	128,129	189,688
Increase /(decrease) in leave pay provision (Note 31)	101,097	(197,466)
Consultancy fees	73,095	136,758
Directors' emoluments	28,758	35,214
Auditor remuneration	15,750	15,270
Other directors' expenses	14,615	62,774
Inventories provision (Note 19)	-	497,733
Insurance claims provision	-	58,756
Other costs	598,247	724,258
Retirement benefit credits (Note 30)	(181,184)	(326,988)
(Decrease)/increase in unrealised exchange differences - restated	(1,650,243)	2,141,402
	16,910,746	19,735,355
Recharge of administration costs to Rural Electrification Scheme*	(1,000,884)	(1,056,826)
	15,909,862	18,678,529

Unrealised exchange differences for the year ended 30 June 2017 have been restated to include exchange differences on borrowings. The prior year adjustment is explained in note 39.

* Recharges to Rural Electrification Scheme (RES) relate to operating costs apportioned to RES based on the predetermined formula developed by the Government of Kenya.

**A full provision of Shs 322,438,000 was made in the year ended 30 June 2016 for amount deposited with Imperial Bank Limited. No recovery was made in the year (2017: Shs 34,154,000). Imperial Bank was placed under receivership in 2015.

NOTES (CONTINUED)

9. Employee benefits

	2018 Shs'000	2017 Shs'000
Salaries and wages	15,708,491	14,941,112
Recharge of recurrent expenditure to capital jobs*	(2,330,802)	(3,157,191)
NSSF employer contributions	27,105	27,137
Pension costs – defined contribution	867,808	825,364
Salaries and wages	14,272,602	12,636,422
Pension credit - defined benefit scheme (Note 30)	(181,184)	(326,988)
	14,091,418	12,309,434
Increase/ (decrease) in leave pay provision (Note 31)	101,097	(197,466)
	14,192,515	12,111,968

* Recharge of recurrent expenditure to capital jobs relates to the labour and transport costs incurred by staff on capital jobs.

10. Net finance costs

	2018 Shs'000	2017 Shs'000
(a) Interest income		
Interest income on bank and other deposits	100,000	46,004
(b) Finance costs		
Interest incurred on:		
Loans	(5,424,962)	(5,529,522)
Bank overdrafts	(1,418,489)	(508,519)
Late payment of invoices	(961,295)	-
Dividends on cumulative preference shares	(1,930)	(1,930)
	(7,806,676)	(6,039,971)

11. Expenses by nature

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

	2018 Shs'000	2017 Shs'000
Employee benefits (Note 9)	14,192,515	12,111,968
Depreciation (Note 15)	14,013,511	11,213,039
Interest expense (Note 10(b))	7,806,676	6,039,971
Provision for trade and other receivables (Note 8 (b))	6,083,047	781,670
Amortisation of intangible assets (Note17)	1,207,828	738,255
Loss on disposal of property and equipment (Note 32 (e))	539,035	625,370
Rent expense	400,573	438,804
Increase/(decrease) in leave provision	101,097	(197,466)
Amortisation of operating lease prepayments (Note 16)	63,614	56
Directors' emoluments:		
- Fees	3,453	5,094
- Other	25,305	30,120
Other directors' expenses	14,174	62,774
Auditor remuneration	15,750	15,270
Provision for inventories (Note 19)	-	497,733
Write back for cash deposits held in Imperial Bank (Note 8 (b))	-	(34,154)
Retirement benefit credit (Note 30)	(181,184)	(326,988)

NOTES (CONTINUED)

12. (a) Income tax expense

	2018 Shs'000	2017 Restated Shs'000
Current income tax	130,589	78,232
Deferred income tax (Note 26)	1,040,628	2,297,982
	1,171,217	2,376,214

The net income tax charge for the year ended 30 June 2017 has been restated as a result of the prior year adjustments explained in Note 39.

(b) Income tax expense reconciliation

The tax on the Company's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

	2018 Shs'000	2017 Restated Shs'000
Profit before income tax	3,089,209	7,656,639
Tax calculated at the statutory income tax rate of 30% (2017: 30%)	926,762	2,296,993
Tax effect of:		
Expenses not deductible for tax purposes	113,866	187,905
Under/(over) provision of deferred tax in prior years	-	(186,916)
Tax effect on excess allowance over depreciation		
Current income tax on separate sources of income	130,589	78,232
Income tax expense	1,171,217	2,376,214

(c) Current income tax (payable)/ recoverable reconciliation

	2018 Shs'000	2017 Restated Shs'000	2016 Restated Shs'000
At start of year	44,358	25,990	(180,432)
Paid during the year	62,454	96,600	498,155
Income tax paid	-	-	(33,020)
Corporation tax on separate sources of income - current year	(130,589)	(78,232)	(258,713)
At end of year	(23,777)	44,358	25,990

The current income tax recoverable balance at 30 June 2016 and 30 June 2017 has been restated as a result of the adjustments explained in Note 39.

NOTES (CONTINUED)

13. Earnings per share

The calculation of basic and diluted earnings per share is based on continuing operations attributable to the ordinary equity holders of the Company. There were no discontinued operations during the year. There were no potentially dilutive ordinary shares as at 30 June 2018 and 2017. Diluted earnings per share is therefore the same as basic earnings per share.

The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:

	2018	2017
	Shs'000	Restated Shs'000
Profit for the year attributable to owners of the Company	1,917,992	5,280,425

The total number of shares and the weighted average number of shares for the purpose of calculating the basic and diluted earnings are as follows:

	2018	2017
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	1,951,467,045	1,951,467,045

Earnings per share is calculated by dividing the profit attributable to owners of the Company by the number of ordinary shares.

	2018	2017
		Restated
Basic earnings per share (Shs)	0.98	2.71
Diluted earnings per share (Shs)	0.98	2.71

14. Dividends per share

Proposed dividends are accrued after they have been ratified at an Annual General Meeting. At the Annual General Meeting to be held before 31 December 2018, the directors will not recommend payment of dividend in respect of the year ended 30 June 2018 (2017: Shs 0.50).

There was no interim dividend paid in the year (2017: Shs Nil).

NOTES (CONTINUED)

15. Property and equipment

2018	Freehold land and buildings Shs'000	Transmission lines Shs'000	Distribution lines Shs'000	Machinery Shs'000	Motor vehicles Shs'000	Furniture equipment Shs'000	Work in progress Shs'000	Total Shs'000
Cost								
At 1 July 2017 (restated)	5,332,604	19,851,516	197,303,653	662,492	6,562,556	36,844,492	60,255,420	326,812,733
Work in progress additions	-	-	-	-	-	-	25,748,752	25,748,752
Transfers from work in progress	3,293,701	10,523,722	36,739,066	68,922	446,417	7,734,813	(58,806,641)	-
Disposals	(75,027)	-	(957,243)	-	-	-	-	(1,032,270)
At 30 June 2018	8,551,278	30,375,238	233,085,476	731,414	7,008,973	44,579,305	27,197,531	351,529,215
Depreciation								
At 1 July 2017 (restated)	1,078,954	9,039,041	29,253,832	153,071	5,077,989	19,862,237	-	64,465,124
Charge for the year	151,152	710,778	7,606,298	30,355	406,787	5,108,141	-	14,013,511
Disposals	(140)	-	(326,162)	-	-	-	-	(326,302)
At 30 June 2018	1,229,966	9,749,819	36,533,968	183,426	5,484,776	24,970,378	-	78,152,333
Net book value								
At 30 June 2018	7,321,312	20,625,419	196,551,508	547,988	1,524,197	19,608,927	27,197,531	273,376,882

NOTES (CONTINUED)

15. Property and equipment (continued)

2017	Freehold land and buildings Shs'000	Transmission lines Shs'000	Distribution lines Shs'000	Machinery Shs'000	Motor vehicles Shs'000	Furniture equipment Shs'000	Work in progress Shs'000	Total Shs'000
Cost								
At 1 July 2016 (restated)	3,971,915	18,187,534	164,940,451	620,045	6,112,960	28,314,850	65,067,459	287,215,214
Work in progress additions	-	-	-	-	-	-	40,520,152	40,520,152
Transfers from work in progress	1,360,689	1,663,982	33,269,916	42,447	465,515	8,529,642	(45,332,191)	-
Disposals	-	-	(906,714)	-	(15,919)	-	-	(922,633)
At 30 June 2017 (restated)	5,332,604	19,851,516	197,303,653	662,492	6,562,556	36,844,492	60,255,420	326,812,733
Depreciation								
At 1 July 2016	971,112	8,419,588	23,157,782	125,292	4,565,401	16,261,446	-	53,500,621
Charge for the year	107,842	619,453	6,330,259	27,779	526,915	3,600,791	-	11,213,039
Disposals	-	-	(234,209)	-	(14,327)	-	-	(248,536)
At 30 June 2017	1,078,954	9,039,041	29,253,832	153,071	5,077,989	19,862,237	-	64,465,124
Net book value	4,253,650	10,812,475	168,049,821	509,421	1,484,567	16,982,255	60,255,420	262,347,609

The values relating to freehold land, transmission and distribution lines at 1 July 2016 and for the year ended 30 June 2017 have been restated to exclude leasehold land with a cost of Shs 737,025,000 and correct prior period errors in capitalised borrowing costs respectively. The adjustments are explained in note 39.

NOTES (CONTINUED)

16. Operating lease prepayments

	2018 Shs'000	2017 Restated Shs'000	2016 Restated Shs'000
Cost			
At start of year	870,718	870,718	870,718
Additions	8,574	-	-
	879,292	870,718	870,718
Amortisation			
At start of year	(2,255)	(2,199)	(2,150)
Charge for the year	(63,614)	(56)	(49)
At end of year	(65,869)	(2,255)	(2,199)
Net book value	813,423	868,463	868,519

The cost at 1 July 2016 and 1 July 2017 has been restated to include leasehold land totaling to Shs 737,025,000 which was previously disclosed as part of ' freehold land and buildings' under property and equipment.

The cumulative amortization charge of Shs 57,135,000 relating to the reclassified leases has been recognized in the year ended 30 June 2018.

17. Intangible assets

	2018 Shs'000	2017 Shs'000
Cost		
At start of year	4,330,577	3,600,872
Additions	2,457,161	729,705
At end of year	6,787,738	4,330,577
Amortisation		
At start of year	(1,737,094)	(998,839)
Charge for the year	(1,207,828)	(738,255)
At end of year	(2,944,922)	(1,737,094)
Net book value	3,842,816	2,593,483

18. Recoverable foreign exchange adjustment

The electricity tariff allows the Company to bill and recover realised foreign exchange losses based on the base rates approved by the Energy Regulatory Commission The Company has previously recognised a recoverable foreign currency exchange adjustment asset relating to unrealised currency exchange differences on foreign currency denominated borrowings at the reporting date which are recoverable from electricity customers.

	2018 Shs'000	2017 Restated Shs'000	2016 Restated Shs'000
Recoverable foreign exchange adjustment asset	-	-	-

The adjustments made for the years ended 30 June 2016 and 30 June 2017 are explained in note 39.

NOTES (CONTINUED)

19. Inventories

	2018 Shs'000	2017 Shs'000
General stores	4,177,464	5,321,960
Transformers	2,920,775	2,049,688
Conductors and cables	1,526,142	1,696,835
Meters and accessories	636,698	302,240
Poles	375,945	867,961
Fuel and oil	185,054	229,750
Motor vehicle spares	108,989	100,651
Engineering spares	13,560	17,437
	9,944,627	10,586,522
Provision for impairment	(199,242)	(960,229)
	9,745,385	9,626,293

Movements in the provisions for inventories were as follows:

	2018 Shs'000	2017 Shs'000
At start of year	(960,229)	(602,893)
Write off	760,987	140,397
Additional provision (Note 8(c))	-	(497,733)
At end of year	(199,242)	(960,229)

General stores, engineering spares, fuel and oil, transformers and motor vehicle spares are carried at weighted average cost.

20. Trade and other receivables

(a) *Non-current - Trade and other receivables*

	2018 Shs'000	2017 Restated Shs'000	2016 Restated Shs'000
Prepayments	1,386,758	1,601,509	1,816,261
	1,386,758	1,601,509	1,816,261

NOTES (CONTINUED)

20. Trade and other receivables (Continued)

(b) *Current - Trade and other receivables*

	2018	2017	2016
	Shs'000	Restated Shs'000	Restated Shs'000
Electricity receivables (Note 20(c))	22,221,434	16,715,809	16,159,084
Rural Electrification Scheme - intercompany	9,101,806	4,855,584	238,115
Prepayments	2,685,067	488,171	337,448
Receivable from Government of Kenya*****	2,598,787	3,362,487	3,362,587
VAT recoverable	2,429,798	4,276,787	1,901,651
Unbilled fuel costs revenue*	1,737,420	7,290,699	-
Due from Ketraco***	1,425,441	8,593,104	5,204,858
Staff receivables (Note 20 (d) (i))	726,828	705,197	672,496
Stima loan deferred payment customers (Note 20(d)(ii)) **	270,976	342,173	552,707
Rural Electrification Authority current account	248,564	167,110	60,294
GPOBA prepaid debtors****	208,479	610,495	1,114,756
Energy Regulatory Levy	56,351	-	759,429
Capital contribution receivable	-	1,939,813	-
Other receivables (Note 20(d) (iii))*****	7,298,536	4,112,549	3,830,958
Gross trade and other receivables	51,009,487	53,459,978	34,194,383
Provision for credit losses (Note 20(e))	(11,403,720)	(5,375,166)	(5,049,870)
Net trade and other receivables	39,605,767	48,084,812	29,144,513

Trade and other receivables are non - interest bearing.

*Unbilled fuel costs revenue of Shs 1,737,420,000 (2017: Shs 7,290,699,000) relate to unrecovered fuel cost arrears to be recovered from customers in the subsequent month.

**Deferred payment customers balances represent debts outstanding under the Stima Loan Revolving Fund Programme which was established in 2010 to facilitate credit access to the low-income segments of the market for the purpose of electricity connection. It is funded by Agence Francaise de Development (AFD).

*** This represents amounts due from Ketraco for local costs incurred in the construction of Sondu Miriu transmission and distribution line and repayments in relation to 0.75% Japan Bank for International Corporation loan before the same was transferred to Ketraco in the year upon signing of the Novation agreement.

****GPOBA prepaid debtors relate to the Global Partnership on Output Based Assistance (GPOBA) project for customers with prepaid meters. This project aims to provide safe, legal and affordable electricity to informal settlements. In 2015, the Company entered into an arrangement with the World Bank's International Development Association (IDA), which acts as an administrator of GPOBA. Under the agreement, the Company pre-invests its own resources to provide electricity to informal settlements after which IDA reimburses the Company for every connection done under this project.

The facility comprised a USD 10 million IDA loan and USD 5.15 million grant to be used as a subsidy for eligible electricity connections, allowing low income households to pay Shs 1,160 per connection. The receivable amount of Shs 208,479,000 (2017: Shs 610,495,000) is due from customers who received electricity connection under this project. The Company automatically recovers Shs 100 from these customers every month towards the Shs 1,160 awarded to each customer.

NOTES (CONTINUED)

20. Trade and other receivables (Continued)

*****Receivable from Government of Kenya (GoK) relates to subsidies due to the Company to enhance universal access to electricity through connectivity to the national grid. The Shs 2,598,789,000 (2017: Shs 3,362,487,000) receivable from the GoK is part of a larger commitment by the GoK, to be financed partly through support from the World Bank and the African Development Bank to enhance universal access to electricity. During the year, the Company received Shs 1,196,750,000 as disbursements of which Shs 763,702,000 was used to offset the debt and Shs 433,048,000 was fully utilized to grant accounting versus capital connect new customers.

*****Included in other receivables is an amount of Shs 288,284,000 (2017: Shs 288,284,000) deposited in Imperial Bank Limited which was placed under receivership in 2015. No recovery was made during the year (2017: Shs 34,154,000) (Note 8(c)). The rest of the balance is fully provided for.

Prior year adjustments relating to unbilled fuel costs revenue and Rural Electrification Scheme - intercompany are explained in noted 39.

(c) Electricity receivables

At 30 June, the aged analysis of electricity receivables was as follows:

	Total Shs'000	<30 days Shs'000	30-60 days Shs'000	60-90 days Shs'000	>90 days Shs'000
2018					
Gross	22,221,434	8,945,986	1,351,668	1,095,377	10,828,403
Impairment	(8,471,429)	-	-	-	(8,471,429)
Net	13,750,005	8,945,986	1,351,668	1,095,377	2,356,974
2017					
Gross	16,715,809	7,912,550	1,432,842	698,471	6,671,946
Impairment	(4,036,472)	-	-	-	(4,036,472)
Net	12,679,337	7,912,550	1,432,842	698,471	2,635,474

(d) Other receivables analysis

Other receivables comprise debtors' balances that have been impaired as follows:

	2018 Shs'000	2017 Shs'000
Staff receivables (Note 20(a))	726,828	705,197
Allowance for doubtful staff receivables*	(188,161)	(127,165)
Net staff receivables	538,667	578,032
Stima loans deferred payment customers (Note 20(a))	270,976	342,173
Allowance for doubtful Stima loans	(79,071)	(79,071)
Net Stima loans	191,905	263,102
Other receivables (Note 20(a))	7,332,689	4,166,549
Allowance for doubtful receivables	(2,665,059)	(1,132,458)
Net other receivables	4,667,630	3,034,091

* Allowance for doubtful staff receivables relates to provision held for ex-staff

NOTES (CONTINUED)

Trade and other receivables (Continued)

(e) Provisions for credit losses

Movements on the provision for impairment of trade and other receivables are as follows:

	Electricity receivables Shs'000	Stima loans Shs'000	Staff receivables Shs'000	Other receivables Shs'000	Total Shs'000
2018					
At start of year	(4,036,472)	(79,071)	(127,165)	(1,132,458)	(5,375,166)
Additional provision	(4,434,957)	-	(60,996)	(1,587,093)	(6,083,046)
Write back	-	-	-	54,492	54,492
At end of year (Note 20(a))	(8,471,429)	(79,071)	(188,161)	(2,665,059)	(11,403,720)
2017					
At start of year	(3,754,000)	(79,071)	(127,165)	(608,657)	(4,568,893)
Additional provision	(282,472)	-	-	(523,801)	(806,273)
At end of year (Note 20(a))	(4,036,472)	(79,071)	(127,165)	(1,132,458)	(5,375,166)

The Imperial Bank provision of Sh 322,438,000 was made in the year ended 30 June 2016. Shs 34,154,000 was recovered in the year ended 30 June 2017.

21. Short term deposits, bank and cash balances

	2018 Shs'000	2017 Shs'000
(a) Short term deposits		
Housing Finance Company of Kenya Limited	393,183	371,089
The Co-operative Bank of Kenya Limited	98,808	225,080
	491,991	596,169

The average effective interest rate on the short-term deposits for the year ended 30 June 2018 was 6.90% (2017: 6.68%).

(b) Bank and cash balances

	2018 Shs'000	2017 Shs'000
Cash at bank	4,760,401	2,925,817
Cash on hand	16,637	15,937
	4,777,038	2,941,754
Overdraft	(12,872,175)	(4,688,333)
	(8,095,137)	(1,746,579)

NOTES (CONTINUED)

22. Share capital

Ordinary Share capital

Authorised:	2018	2017
2,592,812,000 ordinary shares of Shs 2.50 each	6,482,030	6,482,030

	2018	2017
	Shs'000	Shs'000

Issued and fully paid:

1,951,467,045 ordinary shares of Shs 2.50 each	4,878,667	4,878,667
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23. Share premium

The share premium arose from the redemption of the 7.85% redeemable non-cumulative preference shares and a rights issue in the year 2011 at a price of Shs 207.50 giving rise to a share premium of Shs 14,367 million.

A further premium was received from the rights issue of 488,630,245 ordinary shares of Shs 2.50 each at a price of Shs 19.50, hence resulting to a share premium of Shs 17.00 per share or a total share premium of Shs 8,307 million. The transaction costs amounting to Shs 653 million were netted off against the share premium.

24. Retained earnings

The retained earnings balance represents the amount available for distribution to the shareholders of the Company.

25. Deferred income

Deferred income relates to capital contributions received from electricity customers for the construction of electricity assets. The amounts are amortised through profit or loss on a straight line basis over the useful life of the related asset used to provide the ongoing service.

	2018	2017
	Shs'000	Shs'000
At start of year	24,506,623	24,108,069
Additions: Contributions from customers	4,032,011	5,267,029
Grant from Government of Kenya	-	1,904,921
Recognised as income (Note 6(b))	(6,837,104)	(6,773,396)
At end of the year	21,701,530	24,506,623
Maturity analysis:		
Non-current	16,999,103	19,562,051
Current	4,702,427	4,944,572
At end of the year	21,701,530	24,506,623

NOTES (CONTINUED)

26. Deferred income tax

Deferred income tax is calculated using the enacted income tax rate of 30% (2017: 30%). The movement on the deferred income tax account is as follows:

	2018 Shs'000	2017 Restated Shs'000	2016 Restated Shs'000
At start of year	28,683,216	26,702,741	24,699,789
Credit to other comprehensive income	(29,351)	(317,507)	(72,289)
Charge to profit or loss (Note 12 (a))	1,040,628	2,297,982	2,075,241
At end of year	29,694,493	28,683,216	26,702,741

Year ended 30 June 2018	01.07.2017 Restated Shs'000	(Credited)/ charged to profit or loss Shs'000	Credited to OCI Shs'000	30.06.2018 Shs'000
Deferred income tax liabilities				
Property and equipment	51,351,629	(954,341)	-	50,397,288
Unrealised foreign exchange loss	(2,791,229)	831,959	-	(1,959,270)
Retirement benefit asset	759,534	54,355	(29,351)	784,538
	49,319,934	(68,027)	(29,351)	49,222,556
Deferred income tax assets				
Provisions	(2,004,689)	(1,694,381)	-	(3,699,070)
Tax losses	(18,632,029)	2,746,884	-	(15,885,145)
	(20,636,718)	1,052,503	-	(19,584,215)
Tax charge on excess accelerated capital allowances(current year)	-	56,152	-	56,152
Net deferred income tax liabilities	28,683,216	1,040,628	(29,351)	29,694,493

NOTES (CONTINUED)

26. Deferred income tax (Continued)

Year ended 30 June 2017

	01.07.2016 Restated Shs'000	Charged/ (credited) to profit or loss Shs'000	Credited to OCI Shs'000	30.06.2017 Restated Shs'000
Deferred income tax liabilities				
Property and equipment	43,183,443	8,168,186	-	51,351,629
Unrealised foreign exchange loss	(2,315,206)	(476,023)		(2,791,229)
Retirement benefit asset	978,945	98,096	(317,507)	759,534
	41,847,182	7,790,259	(317,507)	49,319,934
Deferred income tax assets				
Provisions	(1,714,847)	(289,842)	-	(2,004,689)
Tax losses	(13,429,594)	(5,202,435)	-	(18,632,029)
	(15,144,441)	(5,492,277)	-	(20,636,718)
Net deferred income tax liabilities	26,702,741	2,297,982	(317,507)	28,683,216

As at 30 June 2018, the Company had accumulated tax losses amounting to Shs 52,950,483,000 (2017: Shs 62,106,763,000). The deferred income tax has been restated to account for errors in prior periods which are explained in Note 39.

27. Trade and other payables

	2018 Shs'000	2017 Shs'000
(a) Non-current liabilities		
Capital contribution - on-going projects**	8,242,300	13,426,192
Customer deposits*	7,432,623	7,417,883
Capital contributions	4,610,528	1,542,274
Deferred creditor (Fibre optic)	480,251	524,460
Rural Electrification Scheme current account - capital	182,697	172,498
Donor funded revolving fund	177,910	4,509,763
Nuclear electricity project	12,545	-
Ministry of Finance	-	328,141
Other payables	1,385,504	1,789,336
	22,524,358	29,710,547

*Customer deposits are held as a non-current liability because the Company will continue to offer services to the customers for the foreseeable future and the customers are not expected to discontinue their use of electricity in the short run. In addition, the customer deposits are a security for the electric meters supplied to the customer for long term electricity supply.

**Capital contributions for on-going projects relate to customer contributions for capital works not completed.

NOTES (CONTINUED)

27. Trade and other payables (Continued)

	2018 Shs'000	2017 Shs'000
(b) Current liabilities		
KenGen	21,888,545	15,429,222
Other suppliers' accounts	14,531,425	13,773,775
Other electricity suppliers	11,010,113	12,695,623
Other payables	10,356,112	5,259,237
Rural Electrification Scheme current account - Last Mile Project	5,839,520	3,570,618
Rural Electrification Authority Levy**	3,292,916	1,634,371
Ketraco wheeling charge	2,047,868	1,119,457
Ministry of Finance	875,041	546,900
Prepaid revenue***	871,210	302,499
Street lighting project	285,741	2,875,319
Aggreko	190,400	193,934
Deferred creditor (Fibre optic)	60,185	60,185
Energy Regulatory Commission Levy	-	83,892
	71,249,076	57,545,032

**The Rural Electrification Authority Levy relates to levy charge for May and June 2018 to be remitted to the Rural Electrification Authority on collection.

*** Prepaid revenue represents unearned income on prepaid meters. Based on historical trends, management derives an estimate of the value of prepaid power units not consumed as at the end of the financial year.

Non-current trade and other payables payables are non-interest bearing.

NOTES (CONTINUED)

28. Borrowings

	Currency	Interest rate	Start date	End date	2018 Shs'000	2017 Shs'000
Commercial borrowings						
Standard Chartered Bank Loan	USD	4.15% + Libor	6/19/2016	6/23/2026	35,367,500	36,299,095
Standard Chartered Bank Loan	Shs	CBR + 4%	6/17/2016	6/23/2023	15,180,000	15,180,000
Rand Merchant Bank Long Term Loan	USD	5.75% + Libor	6/30/2014	12/31/2021	7,073,500	10,889,728
Equity Bank USD Medium Term Loan	USD	4.75% + Libor	9/30/2014	9/30/2025	6,345,104	7,380,535
Stanbic Loan	Shs	11%	6/28/2017	6/28/2019	2,000,000	2,000,000
Stanbic Medium Term Loan	USD	5.25% + Libor	1/19/2014	12/31/2019	1,173,556	2,051,972
GOK/Agence Francaise De development	EUR	2.5% + Libor	1/18/2017	12/31/2030	1,168,572	-
					68,308,232	73,801,330
On-lent borrowings						
GOK/IDA Kenya Electricity Expansion Project	USD	3.00%	5/11/2011	3/1/2035	12,339,046	12,282,733
GOK/CHINA EXIM BANK (USD 109,414,646)	USD	3.00%	8/28/2014	8/28/2034	11,056,350	9,074,569
GOK/IDA 3958 & 4572 KE ESRP	USD	4.50%	6/28/2005	6/1/2024	10,222,824	10,886,288
GOK/NORDEA	EUR	3.00%	12/15/2014	9/15/2026	2,801,926	2,405,717
GOK/EIB 23324 KE ESRP	EUR	3.97%	10/10/2007	7/20/2025	2,747,767	3,375,607
GOK/Agence Francaise de Development	EUR	4.50%	5/23/2007	3/30/2025	1,459,250	1,704,923
GOK/ Nordic Development Fund 435 ESRP	EUR	4.50%	5/22/2007	9/15/2026	620,804	702,470
KPLC/AFD Revolving Fund Loan	EUR	2.70%	12/31/2014	7/31/2034	467,429	448,800
GOK/EIB - Olkaria Loan	EUR	4.00%	5/25/2005	11/25/2019	329,909	556,859
GOK/IDA 5587 KE LOAN	USD	2.00%	2/27/2016	11/15/2052	268,400	126,528
GOK/IDA 2966 KE loan	Shs	7.70%	6/30/2016	6/30/2019	188,349	188,349
GOK/ IDA 5587 Grant	USD	4.50%	29/6/2015	30/6/2035	64,218	430,173
GOK/EXIMBANK Loan	JPY	2.50%	06/27/2008	01/31/2026	-	2,367,077
Japan Bank for International Cooperation	JPY	0.75%	06/27/2008	08/15/2043	-	1,072,494
Accrued interest					2,154,880	2,592,205
					44,721,152	48,214,792
Total borrowings					113,029,384	122,016,122

NOTES (CONTINUED)

(28) Borrowings (continued)

	2018 Shs'000	2017 Shs'000
Total borrowings	113,029,384	122,016,122
Less: amounts repayable within 12 months	(16,100,334)	(10,940,906)
Non-current	96,929,050	111,075,216

(b) Analysis of borrowings by currency

	Shs Shs' 000	USD Shs' 000	Chinese Yuan Shs' 000	JPY Shs' 000	Euros Shs' 000	Total Shs' 000
2018						
Loans	19,802,309	84,098,848	-	-	9,128,227	113,029,384
2017						
Loans	20,221,005	89,609,971	2,367,077	1,072,494	8,745,575	122,016,122

	2018 Shs'000	2017 Shs'000
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(c) Maturity of borrowings

Due within 1 year	16,100,334	10,940,906
Due between 1 and 2 years	11,986,652	6,348,701
Due between 2 and 5 years	57,831,168	53,671,120
Due after 5 years	27,111,230	51,055,395
	113,029,384	122,016,122

(d) Compliance with debt covenants

During the year, the Company met all its loan repayment obligations. The Company was in compliance with all financial covenants during the year except for the Current Ratio covenant relating to the below borrowings from Standard Chartered Bank, Rand Merchant Bank, Stanbic Bank and Agence Francaise de Developpement. This covenant compares the current assets with the current liabilities.

	Current Shs'000	Non-current Shs'000	Total Shs'000
Standard Chartered Bank USD 350m loan	3,757,797	31,609,703	35,367,500
Standard Chartered Bank USD 150m loan	3,036,000	12,144,000	15,180,000
Rand Merchant Bank	2,357,833	4,715,667	7,073,500
Agence Francaise de Developpement	-	1,168,572	1,168,572
Stanbic Bank	825,753	347,803	1,173,556
	9,977,383	49,985,745	59,963,128

NOTES (CONTINUED)

28. Borrowings (continued)

(d) Compliance with debt covenants (continued)

Paragraph 74 of IAS 1 'Presentation of financial statements' requires the reclassification of the non-current portion of borrowings with covenant breaches to current because at the end of the reporting period, 30 June 2018, the Company did not have an unconditional right to defer settlement of the relevant borrowings for at least twelve months after that date. This has not been performed in the financial statements. The impact of the reclassification on the current ratio is presented in the table below:

	Covenant requirement	As per the financial statements	With the non-current portion reclassified
For Standard Chartered Bank, Rand Merchant Bank and AFD			
Current assets (Shs'000)		54,620,181	54,620,181
Current liabilities (Shs'000)		106,257,796	156,243,541
Current ratio	1	0.51	0.35
For Stanbic Bank			
Current assets (Shs'000)		54,620,181	54,620,181
Current liabilities less deferred income (Shs'000)		101,555,369	151,541,114
Current ratio	1	0.54	0.36

The Directors are of the view that reclassification of the non-current balances to current classification as required by IAS 1 is unwarranted because the Company obtained the following letters subsequent to year end:

Through a letter from Standard Chartered Bank dated 11 September 2018, the lender communicated consent of extension of the breach from 30 June 2018 to 30 June 2019.

Through a letter from Rand Merchant Bank dated 10 July 2018, the lender communicated that the breach would be condoned from 30 June 2018 to 30 June 2019 while reserving the rights under the facility agreement.

Through a letter from Stanbic Bank dated 9 August 2018, the lender amended the facility agreement such that the requirement for a current ratio of 1:1 was removed for the dates 30 June 2018, 31 December 2018 and 30 June 2019.

Through a letter from Agence Francaise de Developpement Bank dated 10 September 2018, the lender communicated that it did not envisage any prepayment or acceleration of repayments for a 12 month period starting 30 June 2018 on condition that there is no cross default event and the current ratio does not deteriorate to a level below 0.6 during the period. The directors do not envisage accelerated repayment despite being the current ratio being below 0.6.

NOTES (CONTINUED)

29. Preference shares

	2018 Shs'000	2017 Shs'000
Authorised, issued and fully paid:		
350,000 - 7% cumulative preference shares of Shs 20 each	7,000	7,000
1,800,000 - 4% cumulative preference shares of Shs 20 each	36,000	36,000
	43,000	43,000

The preference shares are treated as financial liabilities because the Company has a contractual obligation to pay preference dividends on the shares.

30. Retirement benefit asset

The Company operates a funded defined benefit plan (the "DB Scheme") for its employees that is established under irrevocable trust. The DB Scheme was closed to new members and future accrual of service as from 1 July 2006. Currently, no contributions are payable by employees to the DB Scheme and the Company is on a contribution holiday. DB Scheme assets are invested in a variety of asset classes comprising of government securities, fixed and time deposits, corporate bonds, equities and offshore investments. A separate defined contribution scheme (the "DC Scheme") was setup in respect of service from 1 July 2006. The contributions to the DC Scheme are accounted separately in the Company's statement of profit or loss.

The benefits provided by the DB 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. Under the DB Scheme, the employees are entitled to retirement benefits varying between 3 and 5 percent of final pensionable emoluments on attainment of the retirement age.

The DB Scheme is governed by the Retirement Benefits Act, 1997. This requires that an actuarial valuation be carried out at least every three years for the DB Scheme. The most recent actuarial valuation of the DB Scheme was carried out at 31 December 2016, using the Projected Credit Method, by

an independent qualified actuary, Actuarial Services (E.A.) Limited. The actuary carried out a high level actuarial estimate of the DB Scheme financial position at 30 June 2017 and 30 June 2018 taking into account changes in the years then ended. The Company is exposed to the following actuarial risks:

- (i) Investment risk

The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan assets is below this rate, it will create a plan deficit. Currently, the plan has a relatively balanced investment in investment properties, government securities, equity investments, corporate bonds and short term deposits. Due to the long-term nature of the DB Scheme liabilities, management considers it appropriate that a reasonable portion of the plan assets should be invested in equity securities and in real estate to leverage the return generated by the DB Scheme.
- (ii) Interest risk

A decrease in bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.
- (iii) Longevity risk

Benefits in the DB Scheme are payable on retirement, resignation, death or ill-health retirement. The actual cost to the Company of the benefits is therefore subject to the demographic movements of employees.
- (iv) The benefits are linked to salary and consequently have an associated risk to increases in salary.

NOTES (CONTINUED)

30. Retirement benefit asset (continued)

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2018	2017
Discount rate	12.28%	12.52%
Expected rate of return on assets	12.28%	12.52%
Future salary increases	5.00%	5.00%
Retirement age	60 years	60 years

The updated position arising from the Company's obligation in respect of its DB Scheme is as follows:

The current service costs and the net interest expense for the year are included in administration expenses in profit or loss (Note 8(c)).

The measurement of the defined benefit liability is included in other comprehensive income. The amounts recognised in profit or loss and other comprehensive income in respect of the defined benefit plan are as follows:

	2018 Shs'000	2017 Shs'000
Current service cost	126,202	128,832
Interest cost on defined benefit obligation	1,674,063	1,561,142
Interest income on plan assets	(2,299,933)	(2,481,960)
Interest on the effect of the asset ceiling	316,979	464,998
Prior year adjustment for asset values	1,505	-
Net income recognised in profit or loss (Note 9)	(181,184)	(326,988)
Net actuarial (gains)/losses	(309,643)	1,867,090
Return on plan assets (excluding amount in interest cost)	641,111	387,634
Changes in effect of asset ceiling (excluding amounts in interest cost)	(233,631)	(1,196,368)
Recognised in other comprehensive income	97,837	1,058,356
Total		
Net actuarial (gains)/losses	195,674	2,116,712

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

	2018 Shs'000	2017 Shs'000
Fair value of plan assets	19,397,401	19,003,066
Present value of funded defined benefit obligation	(14,167,143)	(13,939,502)
	5,230,258	5,063,564
Limit on defined benefit asset	(2,615,129)	(2,531,782)
Present value of funded defined benefit asset	2,615,129	2,531,782

NOTES (CONTINUED)

30. Retirement benefit asset (continued)

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

	2018 Shs'000	2017 Shs'000
Net asset at the start of the year	2,531,782	3,263,150
Net income recognised in profit or loss (Note 8(c))	181,184	326,988
Amount recognised in other comprehensive income	(97,837)	(1,058,356)
Present value of funded defined benefit asset	2,615,129	2,531,782

Movement in the present value of defined benefit funded obligations in the current year was as follows:

	2018 Shs'000	2017 Shs'000
At start of year	13,939,502	11,399,492
Current service cost	126,202	128,832
Interest cost on obligation	1,674,063	1,561,142
Actuarial (gain)/loss	(309,643)	1,867,090
Benefits paid	(1,262,981)	(1,017,054)
At end of year	14,167,143	13,939,502

Movement in the fair value of defined benefit scheme assets:

	2018 Shs'000	2017 Shs'000
At start of year	(19,003,066)	(17,925,793)
Interest income on plan assets	(2,299,933)	(2,481,960)
Actuarial loss	641,111	387,634
Benefits paid	1,262,981	1,017,054
Prior year understatement for asset values	1,505	-
At end of year	(19,397,402)	(19,003,065)

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

	2018 Shs'000	2017 Shs'000
Property	7,134,603	7,676,282
Debt instruments	6,638,890	6,280,783
Equity instruments	3,407,146	3,030,885
Others	2,216,762	2,015,116
Total scheme (assets)	19,397,401	19,003,066

NOTES (CONTINUED)

30. Retirement benefit asset (continued)

The fair values of the above equity and debt instruments are determined based on quoted market prices in active markets whereas the fair values of properties are not based on quoted market prices in active markets. This treatment has been implemented during the current and prior years.

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 Shs 200 per employee per month.

Sensitivity analysis

A sensitivity analysis was performed on the model and if all other key assumptions remained unchanged while the discount rate increased by 1% this would have resulted in an increase in the retirement benefit asset by Shs 427 million. If the discount rate had decreased by 1% the result would have been Shs 532 million decrease in the retirement benefit asset.

31. Provision for leave pay

	2018 Shs'000	2017 Shs'000
At start of year	346,903	544,369
Increase/(decrease) in provisions (Note 9)	101,097	(197,466)
At end of year	448,000	346,903

Provision for annual leave is based on services rendered by employees up to the end of the year.

32. Dividends payable

	2018 Shs'000	2017 Shs'000
Dividends payable on ordinary shares	862,007	362,839

These relate to unclaimed dividends payable to different ordinary shareholders.

The movement in the dividend payable account is as follows:

	2018 Shs'000	2017 Shs'000
At start of year	362,839	268,161
Declared during the year	977,664	587,370
Paid during the year	(478,496)	(492,692)
At end of year	862,007	362,839

NOTES (CONTINUED)

33. Notes to the statement of cash flows

(a) Reconciliation of operating profit to cash generated from operations

	2018 Shs'000	2017 Restated Shs'000
Operating profit	10,795,885	13,650,606
Depreciation of property and equipment (Note 15)	14,013,511	11,213,039
Amortisation of intangible assets (Note 17)	1,207,828	738,255
Amortisation of prepaid leases on land (Note 16)	63,614	56
Loss on disposal of property and equipment (Note 33 (e))	539,035	625,370
(Decrease)/increase in deferred income	(2,805,093)	2,460,842
Increase/(decrease) in provision for leave pay obligation (Note 31)	101,097	(197,466)
Increase in provision for electricity receivables (Note 20(e))	4,434,957	282,472
Increase in provision for staff and other receivables (Note 20 (e))	1,648,089	523,801
Write back of other electricity debtors (Note 20 (e))	(54,492)	-
Write back of Imperial bank provision		34,154
Increased provision for inventories	-	497,733
Unrealised foreign exchange losses	(1,650,245)	836,381
Retirement benefit plan credit (Note 8(c))	(181,184)	(326,988)
Working capital adjustments:		
(Increase)/decrease in inventories (Note 19)	(119,092)	2,268,978
Decrease/(increase) in trade and other receivables	2,656,679	(20,062,574)
Increase in trade and other payables	6,517,855	22,587,315
Cash generated from operations	37,168,444	35,131,974

NOTES (CONTINUED)

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

(b) Analysis of changes in borrowings

	2018 Shs'000	2017 Shs'000
At start of year	122,016,122	113,868,712
Proceeds	6,409,439	10,672,294
Repayments	(12,736,581)	(5,478,735)
Repayment of previous year's accrued interest	(2,592,205)	(2,219,492)
Foreign exchange (gain)/ losses	(2,222,271)	2,581,138
Accrued interest (Note 28 (a))	2,154,880	2,592,205
At end of year	113,029,384	122,016,122

Net debt reconciliation

Cash and bank balances (Note 21 (b))	4,777,038	2,941,754
Short term deposits (Note 21 (a))	491,991	596,169
Borrowings - repayable within one year (including overdraft)	(28,972,509)	(15,629,239)
Borrowings - repayable after one year	(96,929,050)	(111,075,216)
Net debt	(120,632,530)	(123,166,532)
Cash, bank balances and short term deposits	5,269,029	3,537,923
Gross debt - fixed interest rates	(111,309,399)	(112,634,793)
Gross debt - variable interest rates	(14,592,160)	(14,069,662)
Net debt	(120,632,530)	(123,166,532)

(c) Analysis of cash and cash equivalents

Short term deposits (Note 20(a))	491,991	596,169
Cash and bank balances (Note 20(b))	4,777,038	2,941,754
Bank overdraft (Note 20(b))	(12,872,175)	(4,688,333)
	(7,603,146)	(1,150,410)

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.

NOTES (CONTINUED)

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

(d) Analysis of interest paid

	2018 Shs'000	2017 Shs'000
Interest on loans (Note 10(b))	5,424,962	5,529,522
Overdraft interest (Note 10(b))	1,418,489	508,519
Late payment interest (Note 10 (a))	961,295	
	7,804,746	6,038,041
Interest on loans capitalised	886,356	1,245,317
Accrued interest brought forward (Note 28(a))	2,592,205	2,219,492
Accrued interest carried forward (Note 28(a))	(2,154,880)	(2,592,205)
Interest paid	9,128,427	6,910,645

(e) Proceeds of disposal of property and equipment

	2018 Shs'000	2017 Shs'000
Proceeds from disposal of property and equipment	166,934	48,727
Less: disposed assets at net book value	(705,969)	(674,097)
Loss on disposal of property and equipment	(539,035)	(625,370)

(f) Analysis of dividends paid

At start of year	362,839	268,161
Preference dividends - 4% and 7% cumulative preference shares	1,930	1,930
2017 Dividends declared	975,734	585,440
At end of year	(862,007)	(362,839)
Dividends paid	478,496	492,692

(g) Analysis of interest received

Interest received on bank and other deposits (Note 10 (a))	100,000	46,004
Accrued interest brought forward	11,087	112,142
Reversal of previous years' accrued interest	-	(113,248)
Accrued interest carried forward	(2,524)	(11,087)
Interest received	108,563	33,811

NOTES (CONTINUED)

33 Notes to the statement of cash flows (continued)

(h) Purchase of property and equipment

	2018 Shs'000	2017 Shs'000
Work in progress additions (Note 15)	25,748,752	40,520,152
Exchange gain/(losses) on loans for on-going projects capitalised	572,027	(435,850)
Interest expense on loans capitalised (Note 33(d))*	(886,356)	(1,245,317)
Property and equipment purchased	25,434,423	38,838,985

*The Company capitalises interest on qualifying projects quarterly at the average cost of debt of 9.21% (2017: 7.91%).

34. Related party transactions

The Government of Kenya is the principal shareholder in The Kenya Power & Lighting Company Limited (KPLC) holding a 50.1% equity interest. The Government also holds 70% and 100% of the equity interest in Kenya Electricity Generating Company Plc (KenGen) and Kenya Electricity Transmission Company (KETRACO), respectively. The Company is related to KenGen and KETRACO through common control. During the year, the following transactions were carried out with related parties:

(a) The Company had no individually significant transactions carried out on non-market terms.

(b) Other transactions that are collectively significant are detailed as follow

	2018 Shs'000	2017 Shs'000
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(i) Ministries

Electricity sales to Government Ministries	4,013,298	3,272,231
Electricity sales to strategic parastatals	1,815,908	1,693,812

(ii) Outstanding balances at the year-end included in trade and other receivables:

	2018 Shs'000	2017 Shs'000
Rural Electrification Scheme - intercompany (Note 20 (b))	9,101,806	4,855,584
Receivable from Government of Kenya (Note 20 (b))	2,598,787	3,362,487
VAT recoverable (Note 20 (b))	2,429,798	4,276,787
Ministries	665,023	171,797
Strategic parastatals	404,574	207,952
Rural Electrification Authority current account (Note 20 (b))	248,564	167,110
Ministry of Energy and other sector entities	154,766	154,766
Electricity Regulatory Commission levy (Note 20 (b))	56,351	-
	15,659,669	13,196,483

NOTES (CONTINUED)

34. Related party transactions (Continued)

(iii) Outstanding balances at the year-end included in trade and other payables:

	2018 Shs'000	2017 Shs'000
Rural Electrification Scheme current account - Last Mile (Note 27 (b))	5,839,520	3,570,618
Rural Electrification Scheme levy Mile (Note 27 (b))	3,292,916	1,634,371
Ministry of Finance (Note 27 (b))	875,041	875,041
Government of Kenya - Street lighting project	285,741	2,875,319
Rural Electrification Scheme - capital (Note 27 (a))	182,697	172,498
Electricity Regulatory Commission levy (Note 27 (b))	-	83,892
	10,475,915	9,211,739
Net amount owed by Government of Kenya	5,183,754	3,984,744

The tariffs applicable to Government institutions are the same as those charged to other ordinary customers.

(c) Staff

	2018 Shs'000	2017 Shs'000
Electricity sales to staff	86,328	87,145
Outstanding balances included in electricity receivables	1,993	2,435

The tariff applicable to staff is the same as that charged to other ordinary customers.

	2018 Shs'000	2017 Shs'000
(ii) Advances to staff included in trade and other receivables	538,667	578,032
(iii) Key management compensation		
Short-term employee benefits	9,460	6,470
Termination benefits	26,056	27,176
	35,516	33,646

Short-term employee benefits include those relating to the Managing Director and Chief Executive Officer who is also a director which are disclosed in note 11 and also below:

NOTES (CONTINUED)

34 Related party transactions (continued)

(c) Staff (continued)

(iii) Key management compensation (continued)

	2018 Shs'000	2017 Shs'000
Fees for services as director		
Non-executive directors	3,453	5,094
Other emoluments		
Salaries and other short term employment benefits:		
Non-executive directors	42,932	97,988
Executive directors and key management staff	35,516	33,646
	78,448	131,634
	81,901	136,728

(d) Rural Electrification Scheme

The Company continued to manage the Rural Electrification Scheme (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 the Government 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 REA to operate and maintain lines owned by REA. In return, the Company will retain revenues generated from RES customers to cover maintenance costs incurred by the Company. However, the Company continues to invoice the Government for the expenditure incurred to complete on-going 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. The balances due to RES are disclosed in note 34(b) (ii) and (iii).

(e) KenGen

	2018 Shs'000	2017 Shs'000
Electricity purchases (before allocation to RES)	46,645,562	43,993,468
Amounts due to KenGen on electricity purchases (Note 27 (b))	21,888,545	15,429,222
Electricity sales	173,518	208,939
Loan due to KenGen - 0.75% JICA Loan	-	1,072,494
Amounts due from KenGen on account of electricity sales	128,566	74,006

NOTES (CONTINUED)

34 Related party disclosures (continued)

(f) KETRACO

	2018 Shs'000	2018 Shs'000
KETRACO	2,047,868	1,119,457
Funding for assets		
KEEP/KETRACO 132KV Transmission lines	47,208	2,173,192
KEEP/KETRACO 132/33KV substations	44,996	2,539,768
2.5% Exim Bank Loan for the construction of Kamburu-Meru line	-	2,226,953
Interest paid on repayment of 2.5% Exim Bank Loan	27,695	27,695
Amount due from Ketraco on account of local costs*	567,642	567,642
Amount due from Ketraco on 0.75% JICA loan (inclusive of interest)	221,272	1,249,249
Operations and Maintenance costs for Transmission lines	562,464	323,009

*These are local costs incurred by KPLC in the construction of Kisii Chemosit and Kamburu- Meru lines.

(g) KPLC Staff Retirement Benefits Scheme

The Company rents property owned by the staff retirement benefits scheme for office space. Rent paid to the scheme in the year amounted to Shs 92 million (2017: Shs 124 million). The outstanding balance to the retirement benefit scheme as at 30 June 2018 was Shs 30 million (2017: none).

The year-end outstanding balances with related parties are interest free and settlement occurs in cash.

35. Government grant

The Company received grants from the Government of Kenya to subsidize electricity connectivity and to finance street lighting projects. The grants amounted to Shs 3,521,750,000 (2017: Shs 6,465,267,000)

The movement in the grant accounts in the current year was as follows:

	2017 Shs'000	2017 Shs'000
Connectivity		
At start of year	(862,163)	(862,163)
Disbursements received during the year	1,196,750	2,465,267
Utilised during the year	(236,221)	(2,465,267)
At end of year	98,366	(862,163)
Street lighting		
At start of year	2,875,319	4,250,939
Disbursements received during the year	2,325,000	4,000,000
Utilised during the year	(4,914,578)	(5,375,620)
At end of year	285,741	2,875,319

The amount of Shs 98 million receivable for connectivity projects has been disclosed under trade and other receivables, while Shs 285 million for street lighting is accounted for under trade and other payables.

NOTES (CONTINUED)

36. Capital commitments

	2018 Shs'000	2017 Shs'000
Authorised and contracted for	69,095,450	144,712,340
Less: amount incurred and included in work-in-progress	(34,928,666)	(59,457,304)
	34,166,784	85,255,036

37. Contingent liabilities

The Company is listed as a defendant in a number of legal suits handled by various lawyers. Based on professional advice and the previous High Court rulings, the directors are of the opinion that no significant loss will arise from these matters. The significant claims on the Company include:

Litigation and claims

- i) Joseph Kinyanjui Mwai vs KPLC (2010) – The plaintiff is seeking damages plus interests as loss occasioned by KPLC incurred as a result of disconnection;
- ii) High Court Petition No 6 of 2018, Apollo Mboya & Electricity Consumers Society of Kenya vs KPLC, ERC, Attorney General & Auditor General. A consent was registered to settle this matter on 22 October 2018 and a court order to dismiss the case issued accordingly;
- iii) Christopher Lebo & 331 Others vs KPLC (2003) - The plaintiffs are former employees of Kenya Power who have filed the suit claiming amounts allegedly owed to them following their cessation of employment on diverse dates in the period 30 June 2001 - 19 March 2002;
- iv) Nucon Switchgears PVT Limited vs KPLC (2016) – Nucon Switchgear PVT Limited is seeking payment under three separate contracts for the supply of transformers. They are seeking payments and interest as well as demurrage charges;

- v) Ahmed Dolal, Musa Ahmed and Fatima Kadid suing on their behalf and 27 members of Likolei (1) Farmers Group vs KPLC and KenGen – The plaintiffs are claiming damages for oils spills on their farms from the Garissa Power station;
- vi) County Government of Nairobi vs. KPLC. This is a claim by the County Government of Nairobi for poles and wayleaves charges;
- vii) Nasir Maalim Arte vs. KPLC. This is a claim for wayleave & trespass to land against KPLC; and
- viii) Levy E.A. Ltd & 62 Others vs. KPLC. This is a claim for compensation for termination of Labour & Transport Contracts.

Other claims on the Company relate to civil suits lodged against the Company by various parties in the normal course of business. Included in these claims is the case by Muwa Limited for the termination of contracts for supply of transformers.

Other

The Company was yet to submit qualifying unclaimed assets at 30 June 2014, 2015, 2016 and 2017 to the Unclaimed Financial Assets Authority (UFAA) at the date of this report. Management intend to make such submission and engage UFAA in the coming months. The directors are of the opinion that no significant losses will arise from this matter.

NOTES (CONTINUED)

38. 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:

	2018 Shs'000	2017 Shs'000
Not later than 1 year	293,480	218,814
Later than 1 year and not later than 5 years	450,755	554,108
More than 5 years	400,709	419,374
	1,144,944	1,192,296

As lessor:

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	2018 Shs'000	2017 Shs'000
Not later than 1 year	85,826	63,901
Later than 1 year and not later than 5 years	274,437	126,281
More than 5 years	177,485	71,646
	537,748	261,828

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.

39. Prior year adjustments

The prior year adjustments relate to:

(a) Prior year error in accounting for unrealised foreign exchange differences on borrowings

Kenya Power bills its customers on a monthly basis the sum of foreign currency costs incurred by the Company, in accordance with the Schedule of tariffs approved by the Energy Regulatory Commission (ERC). In the past, the Company has recognised a Recoverable

foreign exchange adjustment asset (note 18) being the unrealised exchange loss on borrowings on the basis that the loss will be billed and recovered from customers when realised (in line with the approved tariff described above). On the same basis, the unrealised exchange loss arising from translation of the borrowings at year-end has not been recognised in profit or loss. The above accounting treatment was not in line with IAS 21 'The effects of changes in foreign exchange rates'.

In the current year, management has processed adjustments to 1) derecognise the previously recognised asset and 2) recognise unrealised exchange differences on borrowings in profit or loss. Correction of the prior period error has been applied retrospectively in line with IAS 8 'Accounting policies, change in accounting estimates and errors'.

NOTES (CONTINUED)

39 Prior year adjustments (continued)

The pre-tax impact of the adjustments on the prior years financial results is as follows:

Recoverable foreign exchange adjustment asset (Note 18)

	2017 Restated Shs'000	2016 Restated Shs'000
As previously reported	7,319,665	6,091,546
Restatements:		
De-recognition of recoverable foreign exchange asset at 30 June 2016	(6,091,546)	(6,091,546)*
Net increase in unrealised foreign exchange losses during the year ended 30 June 2017	(1,228,119)	-
	(7,319,665)	(6,091,546)
As restated	-	-

*The contra entry has been processed through retained earnings at 30 June 2016. The impact of the adjustment on the recharges to RES has been processed through the RES – intercompany balance and retained earnings as of the same date.

Administration expenses (Note 8 (c))	Note	2017 Restated Shs'000
Unrealised exchange differences		
As previously reported		798,716
Restatements:		
Net increase in the unrealised exchange loss		1,228,119
To adjust for over-capitalisation of foreign currency costs for the year ended 30 June 2017	39 (c)	114,567
		1,342,686
As restated		2,141,402

(b) Prior year error in accounting for fuel costs

Kenya Power incurs fuel costs from the generation of electricity using thermal power plants. In the past, the Company has incorrectly recognised fuel costs in the month subsequent to the month they relate to resulting in late recognition of power purchase costs. As a result, June 2016 fuel cost invoices totalling Shs 802,762,000 were incorrectly recognised in the year ended 30 June 2017 and June 2017 fuel cost invoices totalling Shs 2,893,546,000 were incorrectly excluded from power purchase costs for the year ended 30 June 2017.

The pre-tax impact of the adjustments on the prior year's financial results is as follows:

NOTES (CONTINUED)

39 Prior year adjustments (continued)

Trade and other receivables (Note 20 (b))

	2017 Restated Shs'000	2016 Restated Shs'000
<i>Unbilled fuel costs revenue</i>		
As previously reported	10,155,749	802,762
Restatement:		
To recognise June 2016 and June 2017 fuel cost invoices in the correct financial year	(2,893,546)	(802,762)*
To adjust for fuel credit note received after the year end	28,496	-
	(2,865,050)	(802,762)
As restated	7,290,699	-

*The contra entry has been processed through retained earnings at 30 June 2016. The impact of the adjustment on the recharges to RES has been processed through the RES – intercompany balance and retained earnings as of the same date.

Power purchase costs (Note 7 (a))

	Note	2017 Restated
Fuel costs		
As previously reported		22,123,712
Restatements:		
To reverse incorrect recognition of June 2016 fuel cost invoices in the year ended 30 June 2017		(802,762)
To recognise June 2017 fuel cost invoices in the correct financial year		2,893,546
Resulting adjustment of RES recharge	39 (d)	(138,967)
		1,951,817
As restated		24,075,529

NOTES (CONTINUED)

39 Prior year adjustments (continued)

(c) Prior year error relating to capitalised borrowing costs

The Company's policy of capitalising borrowing costs directly attributable to the construction of transmission and distribution assets that necessarily take a substantial period of time to get ready for their intended use, is included in note 2 (l) of the financial statements.

The financial statements have been restated to correct errors in the computation of capitalised borrowing costs. The pre-tax impact of the adjustments on the prior year's financial results is as follows:

Property and equipment (Note 15)	Note	2017 Restated Shs'000	2016 Restated Shs'000
Net book value as previously reported		264,589,481	235,467,263
Restatements:			
To adjust for over-capitalisation of borrowing costs for the period ended 30 June 2016		(1,015,645)	(1,015,645)*
To adjust for over-capitalisation of finance costs for the year ended 30 June 2017		(389,173)	-
To adjust for over-capitalisation of foreign currency costs for the year ended 30 June 2017	39 (a)	(114,567)	-
To adjust for depreciation impact of the above over-capitalisations for the year ended 30 June 2017		14,538	-
Reclassification of leasehold land to operating lease prepayments**		(737,025)	(737,025)
		(2,241,872)	(1,752,670)
Net book value as restated		262,347,609	233,714,593

*The contra entry has been processed through retained earnings at 30 June 2016.

**The entry has been processed at 30 June 2016 to reclassify leasehold land that was incorrectly classified as freehold land and building in 'property and equipment' in accordance with the Company's policy.

Finance costs (Note 10 (b))

	2017 Restated Shs'000
As previously reported	5,650,798
Restatements:	
To adjust for over-capitalisation of finance costs for the year ended 30 June 2017	389,173
As restated	6,039,971

NOTES (CONTINUED)

39 Prior year adjustments (continued)

(c) Prior year error relating to capitalised borrowing costs (continued)

Network management (Note 8 (a))

	2017 Restated Shs'000
As previously reported	11,160,746
Restatements:	
Depreciation impact of the above over-capitalisations for the year ended 30 June 2017	(14,538)
As restated	11,146,208

(d) Prior year error in amounts recharged to the Rural Electrification Scheme (RES)

The Company's relationship with RES is described in note 34 (d). Power purchase costs and other expenses of the Company are recharged to RES based on the Mercados formula. The adjustments described under a) to c) above result in changes to the recharges to RES. In addition to the above, the financial statements have been restated to correct errors in the computation of the RES recharges in the past.

The pre-tax impact of the adjustments on the prior year's financial results is as follows:

Trade and other receivables (Note 20 (b))

	Note	2017 Restated Shs'000	2016 Restated Shs'000
As previously reported		49,677,295	30,750,689
Restatements:			
Total adjustment under note 39 (b)		(2,893,546)	(802,762)
Total adjustment under note 39 (d)		412,029	(804,067)
Total adjustment under note 39 (d)		750,067	
Total adjustment under note 39 (d)	39 (b)	138,967	750,067
		(1,592,483)	(856,762)
As restated		48,084,812	29,893,927

Power purchase costs (Note 7 (b))

	Note	2017 Restated Shs'000
Non-fuel costs		
As previously reported		50,615,823
Restatements:		
RES allocation - Non fuel		(413,335)
As restated		50,202,488

NOTES (CONTINUED)

39 Prior year adjustments (continued)

(e) Total impact on trade and other receivables at 30 June 2017

	Shs'000
As previously stated	49,677,295
Restatements:	
Total adjustment under note 39 (b)	(2,893,546)
Total adjustment under note 39 (d)	412,029
Total adjustment under note 39 (d)	138,967
Total adjustment under note 39 (d)	750,067
	(1,592,483)
As restated	48,084,812

(f) Total impact on retained earnings at 30 June 2016

	Shs'000
As previously stated	37,121,927
Restatements:	
Adjustment under note 39 (a)	(6,091,546)
Adjustment under note 39 (b)	(802,762)
To adjust for over-capitalisation of borrowing costs for the period ended 30 June 2016	(1,015,645)
Res under provision	750,067
Net impact on income tax	2,517,554
	(4,642,332)
As restated	32,479,595

NOTES (CONTINUED)

39. Prior year adjustments (continued)

(g) Statement of profit and loss extract

	Note	2017 As previously reported Shs'000	Profit increase/ (decrease) Shs'000	2017 Restated Shs'000
Revenue				
Electricity sales		91,951,629	-	91,951,629
Foreign exchange adjustment		6,682,693	-	6,682,693
Fuel cost charge		22,107,948	-	22,107,948
Power purchase cost				
Non-fuel costs	39 (d)	(50,615,823)	413,335	(50,202,488)
Foreign exchange cost		(6,199,227)	-	(6,199,227)
Fuel costs	39 (b)	(22,123,712)	(1,951,817)	(24,075,529)
Net operating expenses				
Network management	39 (c)	(11,160,746)	14,538	(11,146,208)
Commercial services	39 (c)	(4,745,831)	(174,250)	(4,920,081)
Administration	39 (c)	(17,510,093)	(1,168,436)	(18,678,529)
Other operating income		8,130,398	-	8,130,398
Interest income		46,004		46,004
Finance costs	39 (c)	(5,650,798)	(389,173)	(6,039,971)
Profit before income tax		10,912,442		7,656,639
Income tax expense		(3,646,311)	1,270,097	(2,376,214)
Profit for the year		7,266,131		5,280,425

NOTES (CONTINUED)

39. Prior year adjustments (continued)

(h) Statement of financial position extract

	2017 As previously reported Shs'000	Increase/ (decrease) Shs'000	2017 Restated Shs'000	2016 As previously reported Shs'000	Increase/ (decrease) Shs'000	2016 Restated Shs'000
ASSETS						
Property and equipment	264,589,481	(2,241,872)	262,347,609	235,467,263	(1,752,670)	233,714,593
Operating lease prepayment	131,438	737,025	868,463	131,494	737,025	868,519
Intangible assets	2,593,483	-	2,593,483	2,602,033	-	2,602,033
Recoverable foreign exchange adjustment	6,520,949	(6,520,949)	-	6,068,423	(6,068,423)	-
Retirement benefit asset	2,531,782	-	2,531,782	3,263,150	-	3,263,150
Trade and other receivables	1,601,509	-	1,601,509	1,816,262	-	1,816,262
Inventories	9,626,293	-	9,626,293	11,895,271	-	11,895,271
Trade and other receivables	49,677,295	(1,592,483)	48,084,812	30,750,689	(856,763)	29,893,926
Recoverable foreign exchange adjustment	798,716	(798,716)	-	23,123	(23,123)	-
Current income tax	44,358	-	44,358	21,419	4,571	25,990
Short term deposits	596,169	-	596,169	3,842,355	-	3,842,355
Bank and cash balances	2,941,754	-	2,941,754	1,660,698	-	1,660,698
TOTAL ASSETS	341,653,227		331,236,232	297,542,180		289,582,797
Ordinary share capital	4,878,667		4,878,667	4,878,667		4,878,667
Share premium	22,021,219		22,021,219	22,021,219		22,021,219
Reserves	43,061,769	(6,628,038)	36,433,731	371,219,27	(4,642,332)	32,479,595
LIABILITIES						
Deferred income tax	32,472,173	(3,788,957)	28,683,216	29,217,030	(2,514,289)	26,702,741
Deferred income	19,562,051	-	19,562,051	18,154,796	-	18,154,796
Trade and other payables	33,281,165	(3,570,618)	29,710,547	30,172,855	-	30,172,855
Borrowings	111,075,216		111,075,216	105,017,783		105,017,783
Preference shares	43,000		43,000	43,000		43,000
Trade and other payables	53,974,414	3,570,618	57,545,032	35,298,171	(802,762)	34,495,409
Current income tax	-	-	-	-	-	-

NOTES (CONTINUED)

39 Prior year adjustments (continued)

(h) Statement of financial position extract (continued)

Note	2017		2016		Increase/ (decrease)	2016 As previously reported	2016 Restated	Increase/ (decrease)	2016 Restated
	As previously reported	Increase/ (decrease)	As previously reported	Increase/ (decrease)					
ASSETS									
Deferred income	4,944,572		5,953,273		-	5,953,273		-	5,953,273
Leave pay provision	346,903		544,369		-	544,369		-	544,369
Borrowings	10,940,906		8,850,929		-	8,850,929		-	8,850,929
Dividends payable	362,839		268,161		-	268,161		-	268,161
Overdraft	4,688,333		-		-	-		-	-
TOTAL EQUITY AND LIABILITIES	341,653,227		297,542,180			297,542,180			289,582,797

NOTES (CONTINUED)

40. World Bank Financing

(a) World Bank Credits No. 3958 and 4752-KE

The Company received financial support from the World Bank through Credit No. 3958 and 4572 – KE dated 4 August 2004 to support implementation of the Energy Sector Recovery Project. Summary information on transactions during the year are as follows:

	2018	2017
	Shs'000	Shs'000
Balance at the beginning of the year	-	456
Expenditure during the year	-	(456)
Balance at the end of the year	-	-

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 Stanbic Bank of Kenya Limited. Included in the long term borrowings is also an amount of Shs 10,222,823,931 (US\$ 101,165,996) in respect of the amounts disbursed under the loan to date.

The proceeds of the World Bank loan have been expended in accordance with the intended purpose as specified in the loan agreement.

(b) KEEP Loan (IDA Credit No. 4743-KE)

The Company received funding from the World Bank through Credit No.4743-KE to support electricity expansion projects. Summary information on transactions under KEEP Loan during the two years ended 30 June 2018 and 2017 were as follows:

	2018	2017
	Shs'000	Shs'000
Balance at the beginning of the year	34,189	17,312
Amounts received during the year	339,344	170,285
Net interest income	1,068	786
Expenditure during the year	(370,494)	(154,194)
Balance at the end of the year	4,107	34,189

NOTES (CONTINUED)

40. World Bank Financing (continued)

(c) KEMP (IDA Credit No. 5587-KE)

The Company received funding from the World Bank through Credit No.5587-KE to support electricity modernization projects. Summary information on transactions under KEMP Loan during the two years ended 30 June 2018 and 2017 were as follows:

	2018 Shs'000	2017 Shs'000
At start of year	123,461	-
Amounts received during the year	-	123,461
Net interest income	6,074	-
At end of year	(71,603)	-
Balance at the end of the year	57,932	123,461

The closing balances shown above are included in cash and cash equivalents and represent balances in the World Bank funded Special Account No. 1400266765947 held at Equity Bank Limited. Included in the long term borrowings is an amount of Shs 268,400,346 (US\$ 2,655,214) in respect of the amounts disbursed under the loan to date. The proceeds of the World Bank through Credit No.5587-KE have been expended in accordance with the intended purpose as specified in the loan agreement.

41. European Investment Bank (EIB) Financing

The Company received financial support from EIB for Grid development. Summary information on special account transactions during the year are as follows:

	2018 Shs'000	2017 Shs'000
Balance at the beginning of the year	235,568	227,567
Net interest income	1,995	8,001
Expenditure during the year	(237,563)	-
Balance at the end of the year	-	235,568

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 Stanbic Bank of Kenya Limited. Included in the long term borrowings is an amount of Shs 2,747,766,546 (Euro 23,513,882) in respect of the amounts disbursed under the loan to date. The proceeds of the European Investment Bank loan have been expended in accordance with the intended purpose as specified in the loan agreement.

42. Subsequent event

Except for the matter disclosed under note 37 (ii), there are no other material subsequent events.



A section of the 220/66/11kV Nairobi City Centre Gas Insulated Substation (GIS)



Nyeri Town, Nyeri County

5:32 AM





TEN YEAR FINANCIAL AND STATISTICAL RECORDS.

For year ended	30th June 2009	30th June 2010	30th June 2011	30th June 2012	30th June 2013	30th June 2014	30th June 2015	30th June 2016	30th June 2017 (Restated)	30th June 2018
UNITS SOLD (GWh)	5,182	5,345	5,816	6,001	6,175	6,790	7,130	7,385	7,717	7,905
Average yield of units sold (cents)	1,258.37	1,368.88	1,257.81	1,596.77	1,437.74	1,552.45	1,497.38	1,467.50	1,564.63	1,592.08
	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '001
Revenue from sale of electricity	65,208,529	73,166,794	73,154,021	95,662,427	88,909,626	105,395,714	106,763,525	108,374,612	120,742,270	125,854,230
Operating Profit	5,676,542	5,951,392	7,084,377	7,810,450	8,941,540	14,922,404	15,839,478	16,930,645	13,652,536	10,797,815
TAXATION (CHARGE)/CREDIT	(1,557,339)	(1,916,587)	(2,035,185)	(3,889,577)	(3,124,780)	(4,021,363)	(4,821,617)	(4,885,834)	(2,376,214)	(1,171,217)
NET PROFIT AFTER TAXATION BEFORE FINANCE INCOME/COSTS	4,119,203	4,034,805	5,049,192	3,920,873	5,816,760	10,901,041	11,017,861	12,044,811	11,276,322	9,626,598
Finance Income	153,343	177,380	171,477	489,182	111,546	104,208	1,380,968	964,957	46,004	100,000
Finance Costs	(1,045,522)	(493,885)	(999,173)	208,991	(2,480,659)	(4,008,832)	(4,964,942)	(5,811,275)	(6,039,971)	(7,806,676)
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 ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	3,225,094	3,716,370	4,219,566	4,617,116	3,445,717	6,994,487	7,431,957	7,196,563	5,280,425	1,917,992
ORDINARY DIVIDENDS (gross)	(633,024)	(633,024)	(1,002,763)	(563,757)	-	(390,293)	(975,733)	(975,733)	(585,440)	(975,734)
OTHER COMPREHENSIVE INCOME	-	-	-	(127,397)	1,266,758	989,821	(1,995,966)	(168,673)	(740,849)	(68,486)
RETAINED PROFIT FOR THE YEAR	2,592,070	3,083,346	3,216,803	3,925,962	4,712,475	7,594,015	4,460,258	6,052,157	3,954,136	873,772

For year ended	30th June 2009	30th June 2010	30th June 2011	30th June 2012	30th June 2013	30th June 2014	30th June 2015	30th June 2016	30th June 2017 (Restated)	30th June 2018
FUNDS GENERATED FROM OPERATIONS										
Profit/(Loss) for the year after dividends	2,592,070	3,083,346	3,216,803	3,925,962	4,712,475	7,594,015	4,460,258	6,052,157	3,954,136	873,772
Depreciation	2,154,357	2,807,111	3,847,007	4,563,658	5,632,642	6,797,745	7,943,421	9,434,511	11,951,350	15,284,953
	4,746,427	5,890,457	7,063,810	8,489,620	10,345,117	14,391,760	12,403,679	15,486,668	15,905,486	16,158,725
CAPITAL EMPLOYED										
Fixed Assets less depreciation	49,974,859	64,310,486	84,590,569	106,377,165	146,094,184	168,155,851	196,301,330	233,714,593	262,347,609	273,376,882
Intangible assets	-	-	-	169,520	258,716	1,410,044	1,418,599	2,602,033	2,593,483	3,842,816
Prepaid leases on land	131,874	131,819	131,764	131,709	131,653	131,598	131,543	868,519	868,463	813,423
Investment	200,000	-	1,298,506	1,171,109	-	-	-	-	-	-
Other non current assets	-	-	-	-	-	817,423	8,372,135	5,079,411	4,133,291	4,001,887
Net current assets/(Liabilities)	2,702,009	1,736,355	7,020,165	(3,223,754)	(1,147,158)	1,563,870	20,463,293	(2,793,900)	(17,535,199)	(51,637,615)
	53,008,742	66,178,660	93,041,004	104,625,749	145,337,395	172,078,786	226,686,900	239,470,656	252,407,647	230,397,393
FINANCED BY:										
Ordinary shareholders' equity	9,700,722	11,593,536	39,606,376	43,022,772	47,149,807	54,743,822	57,969,656	59,379,481	63,333,617	64,207,389
Non cumulative preference shares	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
Deferred Income	-	-	7,472,912	12,362,327	16,087,747	18,680,714	16,612,332	18,154,796	19,562,051	16,999,103

For year ended	30th June 2009	30th June 2010	30th June 2011	30th June 2012	30th June 2013	30th June 2014	30th June 2015	30th June 2016	30th June 2017 (Restated)	30th June 2018
Loan capital	11,545,014	13,113,434	19,757,132	21,512,025	42,886,311	53,141,442	99,289,403	105,017,783	111,075,216	96,929,050
Deferred taxation	2,701,965	4,481,865	6,500,449	11,862,140	15,442,569	19,848,236	24,699,789	26,702,741	28,683,216	29,694,493
Non current liability	11,870,700	19,799,484	19,661,135	15,823,485	23,727,961	25,621,572	28,072,720	30,172,855	29,710,547	22,524,358
	53,008,742	66,178,660	93,041,004	104,625,749	145,337,395	172,078,786	226,686,900	239,470,656	252,407,647	230,397,393
CAPITAL EXPENDITURE	12,734,937	17,526,909	24,713,898	25,949,832	40,578,337	27,208,068	41,567,840	48,815,284	41,516,132	28,668,423
Average cost of units sold (cents)	1,171.13	1,287.63	1,160.33	1,496.28	1,347.16	1,450.92	1,365.10	1,339.41	1,493.09	1,565.20
Profit for the year before taxation as a percentage of average capital employed	10.71%	8.99%	7.61%	7.47%	6.40%	8.67%	6.99%	7.07%	5.41%	4.69%
ORDINARY DIVIDENDS RATES	40%	40%	18%	20%	0%	20%	20%	20%	20%	0%
Earnings per share	40.76	3.00	2.16	2.36	1.76	3.58	3.81	3.69	2.71	0.98
Customers/employees ratio	180.64	201.08	205.24	198.85	223.00	260.00	333.05	439.27	615.00	615.00
Sales (KWh) per employee	738,703	734,300	680,774	584,374	590,922	641,076	657,446	663,343	682,800	719,094

STATISTICAL TABLES

TABLE 1: POWER SYSTEM OPERATION STATISTICS FOR 5 YEARS

COMPANY	Capacity (MW) as at 30.06.2018		2013/14	2014/15	2015/16	2016/17	2017/18
	Installed	Effective ¹					
KenGen							
Hydro:							
Tana	20.0	20.0	69	108	109	71	96
Kamburu	94.2	90.0	421	358	434	384	321
Gitaru	225.0	216.0	830	710	862	775	724
Kindaruma	72.0	70.5	201	165	208	183	179
Masinga	40.0	40.0	206	138	127	169	107
Kiambere	168.0	164.0	979	718	996	938	751
Turkwel	106.0	105.0	719	551	426	402	458
Sondu Miriu	60.0	60.0	351	376	419	282	388
Sangoro	21.0	20.0	109	125	140	90	129
Small Hydros	11.7	11.2	59	60	63	44	33
Hydro Total	818	797	3,944	3,308	3,784	3,339	3,186
Thermal:							
Kipevu I Diesel	73.5	60.0	219.9	156.5	128.6	211.3	238.3
Kipevu III Diesel	120.0	115.0	524.2	299.0	181.4	512.1	583.8
Embakasi Gas Turbine	30.0	27.0	41.3	41	0.6	0.2	0.0
Muhoroni Gas Turbine	30.0	28.0	-	-	-	108.0	65.5
Garissa & Lamu	-	-	27.6	11.7	12.4	-	-
Garissa Temporary Plant (Aggreko)	-	-	-	21.0	18.6	-	-
Thermal Total	254	230	813	492	342	832	888

COMPANY	Capacity (MW) as at 30.06.2018		2013/14	2014/15	2015/16	2016/17	2017/18
	Installed	Effective ¹					
Geothermal:							
Olkaria I	45.0	44.0	352	333	331	195	247
Olkaria II	105.0	101.0	712	756	814	791	832
Eburru Hill	2.4	2.2	7	11	10	0	6
OW37, OW 37 kwg 12, OW 37 kwg 13 and OW 39 Olkaria Mobile Wellheads ²	15.0	12.2	17	9	16	89	127
OW43 Olkaria Mobile Wellheads	12.8	12.8	29	78	75	74	66
OW905,OW914 ,OW915 and OW 919 Olkaria Mobile Wellheads ³	52.8	52.8	7	109	266	309	325
Olkaria IV	140.0	140.0	32	1064	976	852	1132
Olkaria I 4 & 5	140.0	140.0		744	1055	968	1133
Geothermal Total	513	505	1,156	3,104	3,542	3,279	3,868
Wind							
Ngong	25.5	25.5	17.6	37.7	56.7	63.2	47.5
KenGen Total	1,610	1,557	5,931	6,943	7,725	7,513	7,989
Government of Kenya (Rural Electrification Programme)							
Thermal	30.4	21.3	29.8	35.1	39.9	40.8	46.9
Solar	0.69	0.62	0.8	0.9	0.8	0.5	0.0
Wind	0.55	0.01	0.4	0.0	0.000	0.003	0.124
Total Offgrid	31.6	22.0	31	36	41	41	47

COMPANY	Capacity (MW) as at 30.06.2018		2013/14	2014/15	2015/16	2016/17	2017/18
	Installed	Effective ¹					
Independent Power Producers (IPP) - Thermal & Geothermal							
Iberafrica I&II	108.5	102.5	550	198	128	252	186
Tsavo	74.0	74.0	152	83	39	121	196
Thika Power	87.0	87.0	454	233	70	168	215
Biojule Kenya Limited	2.0	2.0	-	-	0	0.7	0.4
Mumias - Cogeneration	26.0	21.5	57	14	0	0	4
OrPower 4 - Geothermal I,II&III	121.0	121.0	851	955	937	925	942
OrPower 4 - Geothermal (the 4th plant)	29.0	29.0			129	247	244
Rabai Power	90.0	90.0	633	609	536	606	562
Imenti Tea Factory (Feed-in Plant)	0.3	0.3	0.1	0.5	0.7	0.3	0.6
Gikira small hydro	0.514	0.514	0.4	1.6	1.9	0.9	1.4
Triumph Diesel	83.0	83.0	-	4.8	81.8	83	28
Gulf Power	80.32	80.32	-	60	8	61	80
Regen-Terem	5.00	5.00	-	-	-	1	18
Gura	2.00	2.00	-	-	-	-	17
Chania	0.50	0.50	-	-	-	-	0.8
Strathmore	0.25	0.25	-	-	-	-	0.02
IPP Total	709	699	2,698	2,160	1,934	2,466	2,495
Emergency Power Producers(EPP)							
Aggreko Power	0	0.0	94	63	50	-	-
EPP Total	0	0	94	63	50	0	0
Imports							
UETCL	-	-	83	76	65	180	168
TANESCO	-	-	1.3	0.6	0.0	0.0	0.0
EEPCO	-	-	2.1	2.8	2.6	3.4	3.0
Total Imports	-	-	87	79	67	184	171
SYSTEM TOTAL	2,351	2,278	8,840	9,280	9,817	10,204	10,702

	Installed	Effective ¹	2013/14	2014/15	2015/16	2016/17	2017/18
SUMMARY OF KEY STATISTICS							
SALES - KPLC System (GWh)			6,751	7,090	7,330	7,701	7,881
- REP System (GWh)			454	525	537	549	554
- Export to Uganda (GWh)			37	38	43	20	22
- Export to Tanesco (GWh)			2	2	2	2	2
TOTAL SALES (GWh)			7,244	7,655	7,912	8,272	8,459
System Losses (GWh) ⁴			1,596	1,624	1,905	1,932	2,244
System Peak Demand (MW) ⁵			1,468	1,512	1,586	1,656	1,802
System Load Factor			68.7%	70.1%	70.6%	70.3%	67.8%
Sales % of Energy Purchased			81.9%	82.5%	80.6%	81.1%	79.0%
Losses as % of Energy Purchased			18.1%	17.5%	19.4%	18.9%	21.0%
Annual Growth: - Energy Purchased			9.3%	5.0%	5.8%	3.9%	4.9%
- KPLC Sales			9.9%	5.0%	3.4%	5.1%	2.3%
- REP Sales			45.0%	15.6%	2.3%	2.2%	1.0%

Notes:

- 1) Contracted output from the station under normal operating conditions.
- 2) OW37, OW 37 kwg 12, OW 37 kwg 13 and OW 39 Olkaria Mobile Wellheads are centrally metered at OW 37
- 3) OW905,OW914 ,OW915 and OW 919 Olkaria Mobile Wellheads are metered at OW 914 and OW 915
- 4) System losses comprise of technical and non-technical losses.
- 5) The peak demand shown includes export to Uganda.

TABLE 2: REGIONAL MAXIMUM DEMAND (MW)

REGION	2013/14	2014/15	2015/16	2016/17	2017/18
Nairobi	768	811	842	831	881
Coast	267	249	315	323	318
West	298	309	364	391	400
Mt. Kenya	159	148	177	171	414
TOTAL SYSTEM (SIMULTANEOUS)	1,468	1,512	1,586	1,656	1,802
% INCREASE P.A.	8.4%	3.0%	4.9%	4.4%	8.8%

TABLE 3: KPLC SALES BY CUSTOMER CATEGORY IN GWh

CUSTOMER CATEGORY	2013/14	2014/15	2015/16	2016/17	2017/18
Domestic-DC	1,803	1,866	2,007	2,138	2,335
Small Commercial-SC	1,109	1,143	1,153	1,201	1,222
Commercial and Industrial-CI	3,818	4,030	4,104	4,266	4,225
Off-peak (Interruptible)-IT	1	15	26	41	33
Street lighting-SL	20	35	40	55	66
TOTAL	6,751	7,090	7,330	7,701	7,881
% INCREASE P.A.	9.9%	5.0%	3.4%	5.1%	2.3%

TABLE 4: TOTAL UNIT SALES BY REGION IN GWh

REGION	2013/14	2014/15	2015/16	2016/17	2017/18
Nairobi North	-	1,032	1,187	1,301	1,204
Nairobi South	-	1,667	1,696	1,759	1,728
Nairobi West	-	1,059	808	853	898
Nairobi	3,776	-	-	-	-
Coast	1,256	1,312	1,338	1,389	1,435
Central Rift	-	456	569	596	650
North Rift	-	269	280	269	303
South Nyanza	-	0	48	86	88
West Kenya	-	525	320	313	361
West	1,121	-	-	-	-
Mt Kenya	-	309	413	431	437
North Eastern	-	461	671	704	776
Mt Kenya	598	-	-	-	-
KPLC Sales	6,751	7,090	7,330	7,701	7,881
R.E.P. Schemes	454	525	537	549	554
Export Sales***	39	40	45	22	23
TOTAL	7,244	7,655	7,912	8,272	8,459
% INCREASE P.A.	10.1%	5.7%	3.4%	4.5%	2.3%

TABLE 5: REGIONAL SALE OF ELECTRICITY FOR CATEGORY “DC”
DOMESTIC LOAD IN GWh

REGION	2013/14	2014/15	2015/16	2016/17	2017/18
Nairobi North	-	413	395	418	306
Nairobi South	-	290	289	291	352
Nairobi West	-	404	380	405	321
Nairobi	1,177	-	-	-	-
Coast	301	306	328	338	371
Central Rift	-	139	168	218	280
West Kenya	-	169	163	136	102
North Rift	-	101	105	116	262
South Nyanza	-	-	31	51	106
West	359	-	-	-	-
Mt Kenya	-	141	178	203	220
North Eastern	-	212	315	328	380
Mt Kenya	220	-	-	-	-
TOTAL	2,057	2,176	2,352	2,504	2,699
% INCREASE P.A.	23.4%	5.8%	8.1%	6.5%	7.8%

TABLE 6: REGIONAL SALE OF ELECTRICITY FOR CATEGORY “SC”
SMALL COMMERCIAL LOAD IN GWh

REGION	2013/14	2014/15	2015/16	2016/17	2017/18
Nairobi North	-	159	214	216	231
Nairobi South	-	164	153	157	163
Nairobi West	-	225	146	154	170
Nairobi	567	-	-	-	-
Coast	164	167	171	182	162
Central Rift	-	153	163	182	169
West Kenya	-	163	114	99	80
North Rift	-	85	77	79	90
South Nyanza	-	0	19	34	54
West	373	-	-	-	-
Mt Kenya	-	123	151	161	165
North Eastern	-	107	131	132	119
Mt Kenya	191	-	-	-	-
TOTAL	1,295	1,346	1,339	1,395	1,403
% INCREASE P.A.	22.3%	4.0%	-0.6%	4.2%	0.6%

TABLE 7: REGIONAL SALE OF ELECTRICITY FOR CATEGORY “C11” LARGE COMMERCIAL AND INDUSTRIAL LOAD (415V) IN GWh

REGION	2013/14	2014/15	2015/16	2016/17	2017/18
Nairobi North	-	175	236	240	237
Nairobi South	-	328	331	335	292
Nairobi West	-	301	200	212	184
Nairobi	790	-	-	-	-
Coast	214	208	216	219	160
Central Rift	-	154	203	221	213
West Kenya	-	149	82	68	58
North Rift	-	80	88	81	105
South Nyanza	-	0	21	35	49
West	393	-	-	-	-
Mt Kenya	-	116	161	154	154
North Eastern	-	94	122	126	138
Mt Kenya	202	-	-	-	-
TOTAL	1,599	1,606	1,660	1,693	1,590
% INCREASE P.A.	7.1%	0.5%	3.3%	2.0%	-6.1%

TABLE 8: REGIONAL SALE OF ELECTRICITY CATEGORY “C12” LARGE COMMERCIAL AND INDUSTRIAL LOAD(11kV) IN GWh

REGION	2013/14	2014/15	2015/16	2016/17	2017/18
Nairobi North	-	196	238	244	206
Nairobi South	-	515	514	500	441
Nairobi West	-	113	65	72	82
Nairobi	819	-	-	-	-
Coast	212	228	230	230	166
Central Rift	-	40	46	53	106
West Kenya	-	45	45	42	29
North Rift	-	20	19	20	91
South Nyanza	-	0	2	6	14
West	107	-	-	-	-
Mt Kenya	-	8	17	20	33
North Eastern	-	85	131	140	154
Mt Kenya	78	-	-	-	-
TOTAL	1,216	1,251	1,307	1,328	1,321
% INCREASE P.A.	6.5%	2.9%	4.5%	1.6%	-0.5%

TABLE 9: REGIONAL SALE OF ELECTRICITY CATEGORY “CI3” LARGE COMMERCIAL AND INDUSTRIAL LOAD (33KV) IN GWh

REGION	2013/14	2014/15	2015/16	2016/17	2017/18
Nairobi North	-	10.9	0.0	0.0	0.1
Nairobi South	-	2.0	0.0	5.7	12.9
Nairobi West	-	5.0	4.0	11.9	28.8
Nairobi	5	-	-	-	-
Coast	168	152.2	140.0	158.2	110.4
Central Rift	-	37	65	75	101
West Kenya	-	34	11	16	16
North Rift	-	43	40	29	19
South Nyanza	-	0	0	0	8
West	93	-	-	-	-
Mt Kenya	-	0	0	0	24
North Eastern	-	0	0	0	0
Mt Kenya	0	-	-	-	-
TOTAL	266	284	260	295	321
% INCREASE P.A.	-0.1%	6.9%	-8.6%	13.5%	8.7%

TABLE 10: REGIONAL SALE OF ELECTRICITY CATEGORY “CI4” LARGE COMMERCIAL AND INDUSTRIAL LOAD (66KV) IN GWh

REGION	2013/14	2014/15	2015/16	2016/17	2017/18
Nairobi North	-	78	83	88	81
Nairobi South	-	341	379	419	346
Nairobi West	-	34	32	34	25
Nairobi	453	-	-	-	-
Coast	0	0	0	0	7
Central Rift	-	3	3	7	11
West Kenya	-	0	0	0	0
North Rift	-	0	0	0	63
South Nyanza	-	0	0	0	0
West	2	-	-	-	-
Mt Kenya	-	0	0	0	4
North Eastern	-	2	29	32	37
Mt Kenya	5	-	-	-	-
TOTAL	460	458	526	580	575
% INCREASE P.A.	12.7%	-0.4%	14.8%	10.2%	-0.9%

TABLE 11: REGIONAL SALE OF ELECTRICITY CATEGORY "CI5" LARGE COMMERCIAL AND INDUSTRIAL LOAD (132KV) IN GWh

REGION	2013/14	2014/15	2015/16	2016/17	2017/18
Nairobi North	-	0	0	0	0
Nairobi South	-	69	72	82	69
Nairobi West	-	0	0	0	8
Nairobi	60	-	-	-	-
Coast	217	274	278	287	211
Central Rift	-	2	2	1	102
West Kenya	-	84	0	6	20
North Rift	-	0	0	0	14
South Nyanza	-	0	0	0	0
West	9	-	-	-	-
Mt Kenya	-	0	0	0	0
North Eastern	-	12	3	0	1
Mt Kenya	5	-	-	-	-
TOTAL	291	441	355	376	425
% INCREASE P.A.	63.7%	51.5%	-19.5%	6.0%	12.9%

TABLE 12: REGIONAL SALE OF ELECTRICITY FOR CATEGORY "IT" OFF- PEAK LOAD IN GWh

REGION	2013/14	2014/15	2015/16	2016/17	2017/18
Nairobi North	0.0	0.2	10.7	2.4	2.6
Nairobi South	0.0	0.4	0.5	2.3	5.2
Nairobi West	0.0	12.8	11.8	3.2	2.7
Nairobi	1.0	-	-	-	-
Coast	0.0	0.4	0.4	2.2	8.5
Central Rift	0.0	0.1	0.3	2.7	2.7
West Kenya	0.0	0.3	0.5	2.5	1.2
North Rift	0.0	0.0	0.2	1.2	5.5
South Nyanza	0.0	0.0	0.1	1.2	1.3
West	0.0	-	-	-	-
Mt Kenya	0.0	0.3	0.4	2.2	2.1
North Eastern	0.0	0.9	1.5	3.2	4.4
Mt Kenya	0.0	-	-	-	-
TOTAL	1.0	15.4	26.4	23.1	36.3
% INCREASE P.A.	-94%	1388%	71%	-13%	57%

TABLE 13: REGIONAL SALE OF ELECTRICITY FOR CATEGORY “SL”
STREET LIGHTING IN GWh

REGION	2013/14	2014/15	2015/16	2016/17	2017/18
Nairobi North	0.0	6.7	9.2	13.1	15.1
Nairobi South	0.0	10.0	6.7	5.6	8.4
Nairobi West	0.0	7.5	8.3	9.8	8.5
Nairobi	13.0	-	-	-	-
Coast	4.0	3.8	4.0	4.6	7.2
Central Rift	0.0	1.6	2.4	4.9	7.2
West Kenya	0.0	0.2	0.9	3.8	2.7
North Rift	0.0	1.1	1.2	2.4	3.2
South Nyanza	0.0	0.0	0.1	0.3	1.6
West	1.0	-	-	-	-
Mt Kenya	0.0	2.2	4.3	6.6	7.4
North Eastern	0.0	2.7	2.8	5.5	5.7
Mt Kenya	2.0	-	-	-	-
TOTAL	20.0	35.7	39.9	56.5	66.9
% Increase P.A.	-16.5%	78.7%	11.6%	41.6%	18.4%

TABLE 14: REGIONAL SALES OF ELECTRICITY FOR R.E.P. SCHEMES IN GWH

REGION	2013/14	2014/15	2015/16	2016/17	2017/18
Nairobi North	-	7	0	0	0
Nairobi South	-	53	49	39	38
Nairobi West	-	43	40	49	36
Nairobi	109	-	-	-	-
Coast	24	27	29	32	32
Central Rift	-	75	83	88	96
West Kenya	-	119	96	59	59
North Rift	-	62	50	41	50
South Nyanza	-	0	25	61	68
West	216	-	-	-	-
Mt Kenya	-	82	100	117	115
North Eastern	-	56	64	63	62
Mt Kenya	105	-	-	-	-
TOTAL	454	525	537	549	554
% Increase P.A.	45.2%	15.6%	2.3%	2.2%	1.0%

TABLE 15: NUMBER OF CUSTOMERS BY REGION

REGION	2013/14	2014/ 15	2015/ 16	2016/ 17	2017/ 18
Nairobi North	-	514,003	626,662	720,180	759,903
Nairobi South	-	462,108	590,731	746,961	819,603
Nairobi West	-	358,279	482,759	632,433	655,504
Nairobi	1,258,555	-	-	-	-
Coast	248,058	297,985	400,679	490,290	543,009
Central Rift	-	235,729	340,165	434,163	475,725
West Kenya	-	215,237	265,700	396,691	454,108
North Rift	-	156,858	242,328	287,296	315,735
South Nyanza	-	0	104,161	146,580	171,701
West	438,998	-	-	-	-
Mt Kenya		244,936	320,137	412,605	487,120
North Eastern	-	423,579	545,033	645,573	746,473
Mt. Kenya	293,820	-	-	-	-
KPLC Customers	2,239,431	2,908,714	3,918,355	4,912,772	5,428,881
R.E.P. Customers	528,552	703,190	972,018	1,269,510	1,332,209
TOTAL	2,767,983	3,611,904	4,890,373	6,182,282	6,761,090
% Increase P.A.	18.7%	30.5%	35.4%	26.4%	9.4%

TABLE 16: NUMBER OF CUSTOMERS BY TARIFF CATEGORY

TARIFF	MAIN TYPE OF CUSTOMERS COVERED BY THIS TARIFF	2013/14	2014/15	2015/16	2016/17	2017/18
DC only	Domestic					
	KPLC	1,987,330	2,646,965	3,665,216	4,628,435	5,135,226
	REP	435,749	600,244	861,110	1,153,031	1,215,721
DC & IT	Domestic					
	KPLC	57,958	57,827	38,816	57,442	53,172
	REP	819	898	765	957	513
SC only	Small Commercial					
	KPLC	185,529	193,327	202,477	211,655	224,276
	REP	91,647	101,608	109,588	114,893	115,412
SC & IT	Small Commercial					
	KPLC	1,542	1,548	1,470	1,741	1,473
	REP	211	252	229	287	145
C11	KPLC	2,695	2,930	3,068	3,126	3,202
	REP	33	10	19	24	25
C12	Large Commercial and Industrial KPLC	333	348	378	405	527
C13	Large Commercial and Industrial KPLC	36	43	43	57	64
C14	Large Commercial and Industrial KPLC	24	31	35	41	53
C15	Large Commercial and Industrial KPLC	27	32	32	33	41
IT only	Off-peak (Interruptible)					
	KPLC	785	794	796	791	1,110
	REP	4	8	13	8	10
SL	Street lighting					
	KPLC	3,172	4,869	6,024	9,046	9,845
	REP	89	170	294	310	275
	TOTAL (KPLC)	2,239,431	2,908,714	3,918,355	4,912,772	5,428,989
	TOTAL (R.E.P.)	528,552	703,190	972,018	1,269,510	1,332,101
	GROSS TOTAL	2,767,983	3,611,904	4,890,373	6,182,282	6,761,090
	% INCREASE P.A.	18.7%	30.5%	35.4%	26.4%	9.4%

TABLE 17: REVENUE (Shs 'Mllion) BY CUSTOMER CATEGORY

TARIFF	MAIN TYPE OF CUSTOMERS COVERED BY TARIFF	2013/14	2014/15	2015/16	2016/17	2017/18
DC	Domestic	31,029	30,897	32,726	38,064	38,066
SC	Small Commercial	23,864	23,490	23,639	25,590	26,995
CI	Commercial Industrial	49,269	51,097	50,862	55,706	59,528
IT	Off-peak (Interruptible)	23	26	70	625	391
SL	Street Lighting	392	447	342	414	464
	TOTAL	104,577	105,957	107,638	120,399	125,444
	Export**	819	806	736	343	410
	TOTAL KPLC	105,396	106,763	108,374	120,742	125,854
	R.E.P.	7,229	8,051	9,812	10,376	11,846
	TOTAL REVENUE	112,625	114,814	118,186	131,118	137,700
	% INCREASE P.A.	18.7%	1.9%	2.9%	10.9%	5.0%

TABLE 18: STAFF ANALYSIS

Number of Staff in Each Region		2013/14	2014/15	2015/16	2016/17	2017/18
	Central Office	1,563	1,863	2,049	2,093	1,779
	Nairobi North	3,396	930	851	838	852
	Nairobi West		1,075	922	913	918
	Nairobi South		951	845	853	837
	Coast	1,088	1,067	1,139	1,144	1,156
	West Kenya	2,927	1,103	949	960	945
	South Nyanza			364	418	421
	Central Rift		1,079	1,051	1,079	1,157
	North Rift		801	790	803	819
	Mt Kenya	1,616	1,120	1,216	1,227	1,136
	North Eastern		856	957	967	973
Total Number of Staff		10,590	10,845	11,133	11,295	10,993
% INCREASE P.A.		1.2%	2.4%	2.7%	1.5%	-2.7%
Gender:						
	Male	8,532	8,691	8,913	8,996	8,712
	Female	2,058	2,154	2,220	2,299	2,281
Ratio- Male/Female		4.1	4.0	4.0	3.9	3.8

TABLE 19: TRANSMISSION AND DISTRIBUTION LINES, CIRCUIT LENGTH IN KILOMETRES¹

VOLTAGE	2013/14	2014/15	2015/16	2016/17	2017/18
400 kV	-	-	-	96.8	1244.4
220 kV	1,248	1,352	1,452	1,555	1,686
132 kV	2,797	2,824	3,087	3,208	3,322
66 kV	928	952	977	1,000	1,168
33 kV	20,778	21,370	27,497	30,846	34,508
11 kV	30,860	32,823	35,383	37,234	38,968
Total HV and MV	56,611	59,322	68,396	73,940	80,897
415/240V or 433/250V	-	-	110,778	139,642	152,803
TOTAL	56,611	59,322	179,174	213,582	233,700
% INCREASE P.A.	14.0%	4.8%	15.3%	19.2%	9.4%

Note:

1. Data for 2013/14 to 2016/17 restated.

TABLE 20: TRANSFORMERS IN SERVICE, TOTAL INSTALLED CAPACITY IN MVA¹

	2013/14	2014/15	2015/16	2016/17	2017/18
Generation Substations					
33/220	88	88	88	88	88
15/220KV	95	95	95	95	95
11/220kV	694	1,054	1,054	1,054	1,054
33/132	45	45	45	45	45
15/132	175	175	175	175	175
11/132kV	1,035	1,035	1,035	1,095	1,095
11/66kV	171	291	411	411	576
11/33kV	238	238	238	238	238
3.3/33kV	4	4	4	4	4
TOTAL	2,545	3,025	3,145	3,205	3,370
Transmission Substations					
132/220 and 220/132kV	835	1,266	1,266	1,266	1,350
220/66kV	450	450	720	720	1,111
220/33 kV	46	69	69	69	69
132/66kV	360	420	420	600	600
132/33kV	916	939	1,229	1,721	1,721
132/11kV	-	-	-	-	15
TOTAL	2,607	3,144	3,704	4,376	4,866
Distribution Substations					
66/11kV	1,838	2,139	2,345	2,465	2,670
66/33kV	138	138	138	138	161
40/11kV	-	-	-	-	-
33/11kV	1,200	1,295	1,365	1,453	1,541
TOTAL	3,176	3,572	3,848	4,056	4,372
Distribution Transformers					
11/0.415kV and 33/0.415kV	6,317	6,384	7,088	7,276	7,606

Note:

1. Data for 2013/14 to 2016/17 restated.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE NINETY-SEVENTH ANNUAL GENERAL MEETING of Shareholders of the Company will be held at Safari Park Hotel, Thika Road, Nairobi, on Friday 21st December 2018 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, consider and adopt the Company's Audited Financial Statements for the year ended 30th June 2018, together with the Chairman's, Directors' and Auditors' reports thereon.
3. To note that the Directors do not recommend payment of a dividend on ordinary shares for the year ended 30th June 2018.
4. To elect Directors:
 - i. The Cabinet Secretary, The National Treasury, 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. The Principal Secretary, Ministry of Energy, 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. In accordance with the provisions of Section 769 of the Companies Act 2015, the following directors being members of the Board Audit and Risk Committee will be required to be elected to continue serving as members of the said Committee:
 - i. Mr. Kairo Thuo
 - ii. Mrs. Brenda Eng'omo
 - iii. Mr. Wilson Mugung'ei
 - iv. Mrs. Beatrice Gathirwa
6. To approve payment of fees to non-executive Directors for the year ended 30th June 2018.
7. Auditors:

To note that the audit of the Company's books of accounts will continue to be undertaken by the Auditor-General or an audit firm appointed by him in accordance with Section 23 of the Public Audit Act 2015.
8. To authorise the Directors to fix the Auditors' remuneration.

SPECIAL BUSINESS

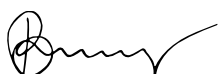
9. To consider and, if thought fit, to pass the following special resolution:

Change of name of the Company

"That the name of the Company be and is hereby changed from "The Kenya Power and Lighting Company Limited" to "The Kenya Power and Lighting Company plc" in compliance with Section 53 of the Companies Act 2015, and with effect from the date set out in the Certificate of Change of Name to be issued by the Registrar of Companies."

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

By Order of the Board



Imelda Bore
Ag. Company Secretary
29th November 2018

NOTE:

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 her/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 less than forty-eight hours before the time appointed for holding the meeting. A scanned copy of the Proxy Form can also be emailed to shares@kplc.co.ke within the stipulated time.

ILANI YA MKUTANO MKUU WA KILA MWAKA

ILANI INATOLEWA HAPA KWAMBA MKUTANO MKUU WA KILA MWAKA WA TISINI NA SABA wa Wenyehisa wa Kampuni utaandaliwa katika Safari Park Hotel, Thika Road, Nairobi mnamo Ijumaa Desemba 21, 2018 saa 5.00 asubuhi kuendesha shughuli zifuatazo:

1. Kusoma ilani ya kuandaa mkutano na kutambua kuwepo kwa idadi ya kutosha ya wanachama.
2. Kupokea, kuchunguza na kuidhinisha Taarifa za Kifedha za Kampuni zilizokaguliwa kwa kipindi kilichomalizika Juni 30, 2018, pamoja na ripoti za Mwenyekiti, Wakurugenzi na Wahasibu juu yake.
3. Kutambua kuwa Wakurugenzi hawapendekezi kutolewa kwa mgao wa faida kwa hisa za kawaida kwa kipindi kilichomalizika Juni 30, 2018.
4. Kuchagua Wakurugenzi:
 - i. Waziri wa Fedha, anastaafu kwa mzunguko kwa mujibu wa Kifungu 120 cha Katiba ya Kampuni, na kwa kuwa bado anahitimu, ajitokeza kuchaguliwa tena.
 - ii. Katibu, Wizara ya Kawi, anastaafu kwa mzunguko kwa mujibu wa Kifungu 120 cha Katiba ya Kampuni, na kwa kuwa bado anahitimu, ajitokeza kuchaguliwa tena.
5. Kwa mujibu wa Kipengee 769 cha Sheria ya Kampuni 2015, wakurugenzi wafuatao wakiwa wanachama wa Kamati ya Bodi ya Uhasibu na Ukadiriaji Hatari watahitajika kuchaguliwa kuendelea kuhudumu katika Kamati hiyo:
 - i. Bw. Kairo Thuo
 - ii. Bi Brenda Eng'omo
 - iii. Bw. Wilson Mugung'ei
 - iv. Bi. Beatrice Gathirwa
6. Kuidhinisha malipo ya mshahara kwa Wakurugenzi wasio na mamlaka kwa mwaka uliomalizika Juni 30, 2018.
7. Wahasibu:

Kutambua kuwa uhasibu wa vitabu vya hesabu vya Kampuni utaendelea kutekelezwa na Mhasibu Mkuu wa Serikali au kampuni ya uhasibu atakayoteua kwa mujibu wa Kipengele cha 23 cha Sheria ya Uhasibu wa Umma 2015.
8. Kuidhinisha Wakurugenzi kuamua malipo ya Wahasibu.

SHUGHULI MAALUMU

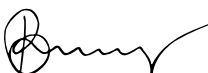
9. Kuchunguza na, iwapo itakubalika, kupitisha azimio maalumu lifuatalo:

Mabadiliko ya jina la Kampuni

"Kwamba jina la Kampuni libadilishwe, na hii hapa linabadilishwa kutoka "The Kenya Power and Lighting Company Limited" hadi "The Kenya Power and Lighting Company plc," kwa mujibu wa Kipengele 53 cha Sheria ya Kampuni 2015, na kuanzia tarehe ambayo itatajwa kwenye Cheti cha Mabadiliko ya Jina kitakachotolewa na Msajili wa Kampuni."

10. Kuangalia shughuli zozote zile ambazo ilani imepeanwa.

Kwa Amri ya Bodi



Imelda Bore
Kaimu Katibu wa Kampuni
Novemba 29, 2018

KUMBUKA:

Mwanachama aliye na haki ya kuhudhuria na kupiga kura kwenye mkutano uliotajwa hapo juu anaweza kuteua mwakilishi mmoja au zaidi kuhudhuria na, endapo kutakuwa na upigaji kura, kupiga kwa niaba yake. Si lazima mwakilishi awe mwanachama wa Kampuni. Fomu ya Uwakilishi imeambatanishwa kwenye Ripoti hii. Ili iwe halali, Fomu ya Uwakilishi inapasa kujazwa kikamilifu na kuwasilishwa kwa Katibu wa Kampuni, Stima Plaza, au kutumwa kwa njia ya posta ili kufika saa arobaini na nane kabla ya kuandaliwa kwa mkutano. Nakala ya Fomu ya Uwakilishi inaweza kutumwa kwa baruapepe shares@kplc.co.ke katika muda uliowekwa.

PROXY FORM

THE KENYA POWER AND LIGHTING COMPANY LIMITED

P.O. BOX 30099- 00100, NAIROBI

ANNUAL GENERAL MEETING OF THE COMPANY TO BE HELD ON 21ST DECEMBER 2018

I/We _____ Share Account No. _____

of P. O. Box _____ being a member/members of the above Company,

HEREBY APPOINT _____ of P. O. Box _____

or failing him/her _____ of P. O. Box _____

as my/our proxy to vote for me/us and on my/our behalf at the ANNUAL GENERAL MEETING of the Company to be held on Friday, 21st December 2018 and at any adjournment thereof.

Signature _____

Dated this _____ day of _____ 2018

NOTES:

- 1. A member entitled to attend and vote at the meeting may appoint one or more proxies to attend and, on a poll, to vote instead of him/her. A proxy need not be a member of the Company. 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 less than forty-eight hours before the time appointed for holding the meeting.
- 2. If the appointer is a corporation or a Government office, the Proxy must be executed under its common seal or under the hand of an Officer or Attorney duly authorised in writing. Unless otherwise indicated the proxy will vote as he/she deems fit.
- 3. A scanned copy of the Proxy Form and a copy of shareholder’s ID/Passport can be emailed to shares@kplc.co.ke

Please note that the duly signed proxy form should be returned with a copy of the shareholder’s ID/Passport.

FOMU YA UWAKILISHI

THE KENYA POWER AND LIGHTING COMPANY LIMITED

S.L.P. 30099- 00100, NAIROBI

MKUTANO MKUU WA KILA MWAKA WA KAMPUNI UTAKAOFANYIKA DESEMBA 21, 2018

Mimi/Sisi _____ Nambari ya Hisa _____

Wa S.L.P. _____ nikiwa mwanachama wa Kampuni iliyotajwa hapo juu,

HII HAPA NAMTEUA _____ wa S.L.P. _____

au akikosa _____ wa S.L.P. _____

kama mwakilishi wangu kupiga kura kwa niaba yangu/yetu katika MKUTANO MKUU WA KILA MWAKA wa Kampuni utakaofanyika Ijumaa Desemba 21, 2018 na tarehe mpya endapo utaahirishwa.

Sahihi _____

Tarehe _____ ya siku _____ 2018

MAELEZO:

1. Mwanachama aliye na haki ya kuhudhuria na kupiga kura anaweza kuteua mwakilishi mmoja au zaidi, na endapo kutakuwa na upigaji kura, kupiga kwa niaba yake. Si lazima mwakilishi awe mwanachama wa Kampuni. Ili kuwa halali, Fomu ya Uwakilishi lazima ijazwe kikamilifu na kuwasilishwa kwa Katibu wa Kampuni, Stima Plaza, au kutumwa kwa njia ya posta mapema kabla ya saa arobaini na nane kabla ya kuanza kwa mkutano.
2. Iwapo anayeteua ni shirika au afisi ya Serikali, Fomu ya Uwakilishi ni lazima iwe na muhuri au ijazwe mbele ya wakili. Isipokuwa aelekezwe vinginevyo, mwakilishi anaweza kupiga kura apendavyo.
4. Nakala ya Fomu ya Uwakilishi na ile ya kitambulisho/ Cheti cha kusafiria cha mwenyehisa zinaweza kutumwa kwa baruapepe shares@kplc.co.ke

Tafadhali kumbuka kwamba, fomu ya uwakilishi iliyojazwa inapasa kurejeshwa na nakala ya kitambulisho/ paspoti ya mwenyehisa.



Nanyuki, Laikipia County

8:08 PM



• **POWERING KENYA**





Kenya Power



www.kplc.co.ke



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Kenya Power



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