



Kenya Power

Tabled by the Leader of the
Majority in the Afternoon by
11/3/13 in the Table of the
House.

J. Githongo

PARLIAMENT
OF KENYA
LIBRARY



24

ANNUAL REPORT AND FINANCIAL STATEMENTS
FINANCIAL YEAR ENDED 30 JUNE 2014

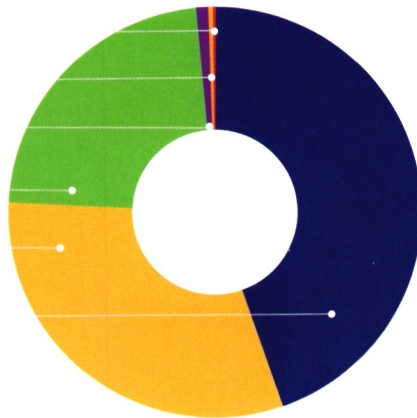


Fixing the network to power people for better lives

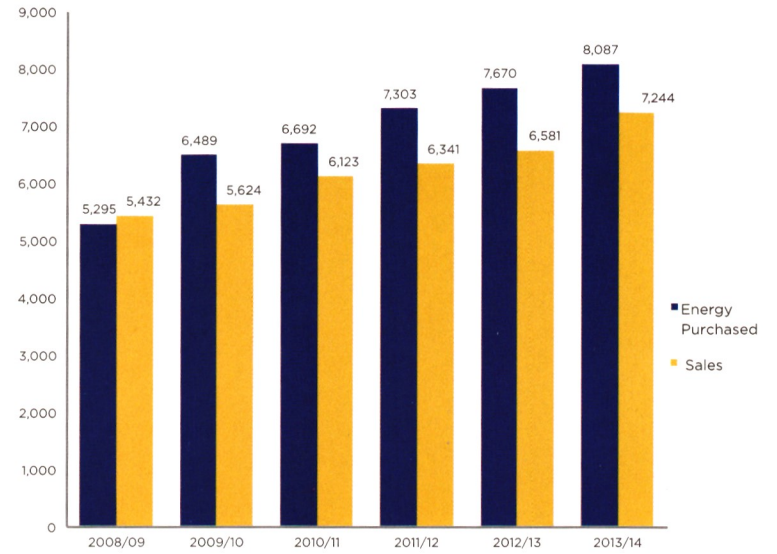


GENERATION BY SOURCE

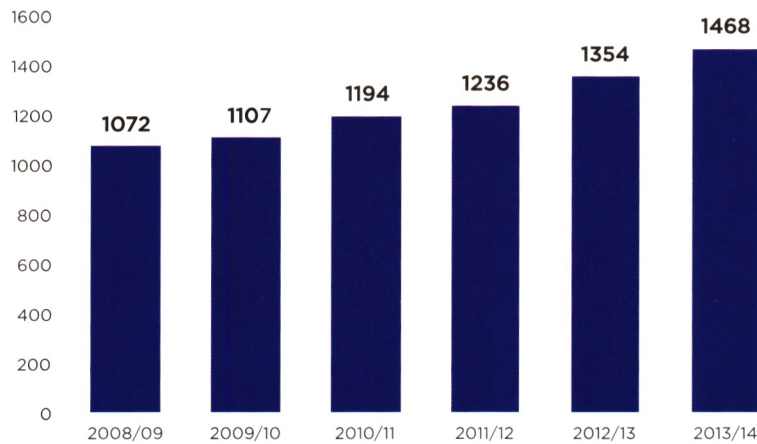
WIND	0.20%
OFF GRID	0.37%
IMPORTS	0.96%
GEOTHERMAL	22.71%
THERMAL	31.14%
HYDRO	44.63%



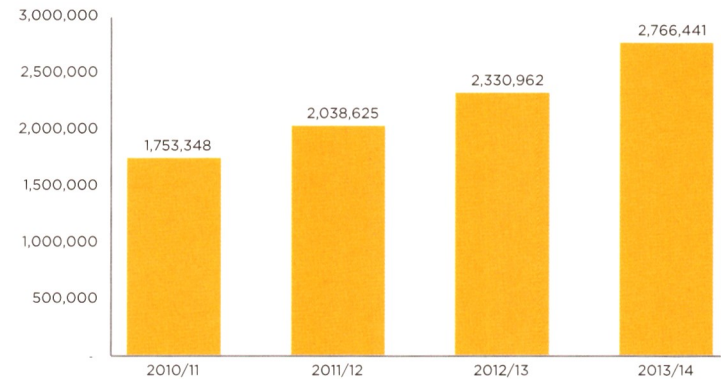
ENERGY PURCHASED / SALES (GWh)



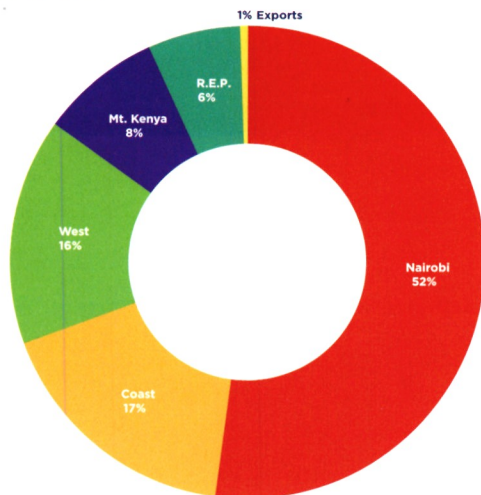
PEAK DEMAND (MW)



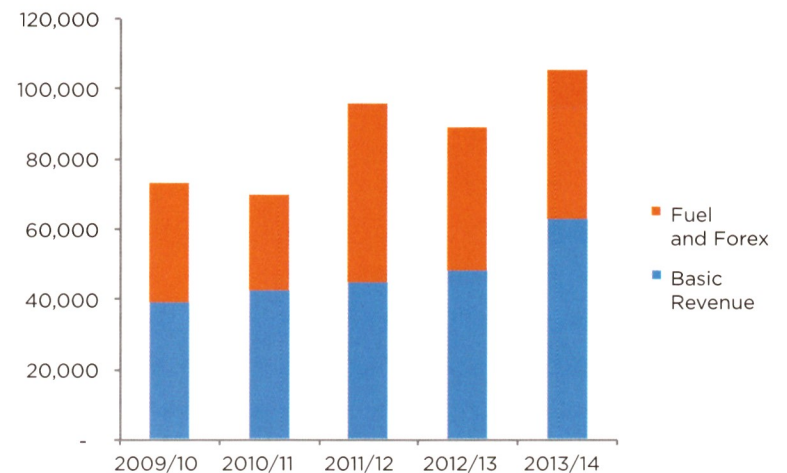
CUSTOMER BASE



SALES BY REGION



REVENUE IN MILLIONS (KSHS.)



CORPORATE INFORMATION

DIRECTORS

Mr. Eliazar O Ochola	- Chairman
Dr. Ben K Chumo	- Managing Director & CEO
Eng. Joseph K Njoroge	- Principal Secretary, Ministry of Energy and Petroleum
Dr. Kamau Thugge	- Principal Secretary, The National Treasury
Dr. Theodorah Malla-Kilukumi	
Mr. Jacob Mwirigi	
Eng. Patrick Obath	
Mr. Macharia Kariuki	
Mrs. Jane Apetet Nashida	
Mrs. Fatuma Hirsi Mohamed	- Left on 10 th March 2014
Mr. Joseph Kariuki	- Alternate to Dr. Kamau Thugge
Eng. Isaac N Kiva	- Alternate to Eng. Joseph K Njoroge

COMPANY SECRETARY

Beatrice Meso, CPS (Kenya)

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 Bank NA Upper Hill Road P O Box 30711 - 00100, Nairobi
Kenya Commercial Bank Limited Moi Avenue P O Box 30081 - 00100, Nairobi	Equity Bank Hospital Road P O Box 75104 - 00200, Nairobi
The Co-operative Bank of Kenya Limited Stima Plaza P O Box 48231 - 00100, Nairobi	Commercial Bank of Africa Ragatti Road P O Box 30437 - 00100, Nairobi
CFC Stanbic Bank Limited Kenyatta Avenue P O Box 30550 - 00100, Nairobi	Barclays Bank of Kenya Limited Barclays Plaza P O Box 30120 - 00100, Nairobi

PRINCIPAL AUDITOR

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

DELEGATED AUDITORS

Deloitte & Touche
Certified Public Accountants (Kenya)
Deloitte Place
Waiyaki Way, Muthangari
P O Box 40092 - 00100, Nairobi

LEGAL ADVISERS

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

NAME	STATION	LOCATION	EMAIL	PERSONAL MOBILE NO.	BRANCH TEL.	ADDRESS & CODE
Calvin Odhiambo Jagongo	Bondo	Bondo Plaza	cjagongo@kplc.co.ke	021803159	0203530050/0202674285	343 - 40601 Bondo
Gilbert Ng'etich	Bomet	Bomet office - Opposite NCBD	gngetich@kplc.co.ke	0723953585	202689671	578 - 20400 Bomet
Wesley Kerich	Bungoma	Victoria House	wkerich@kplc.co.ke	0723664794	202674284/0552030516	467 - 50200 Bungoma
Evans Kesenwa Agesa	Busia	Ingonyera Plaza	ekesenwa@kplc.co.ke	0711193093	055 - 22076/055 22093	526 - 50400 Busia
Julius Murigi	Chuka	Nthiga Plaza	jmurigi@kplc.co.ke	0722786979	064 - 630418	16 - 60400 Chuka
Alex K. Amboko	Eldama Ravine	Baringo Teachers Sacco Bldg.	aamboko@kplc.co.ke	0723091324	518005728	578 - 20103 Ravine
John Milgo	Elwak	Albaashir Bldg.	jmilgo@kplc.co.ke	0724478936	0724478936	95 - 70301 Elwalk
Joshua Orodo	Emali	Ithumba Bldg.	orodo@kplc.co.ke	0711388289	020 - 2426501	290 - 90132 Emali
Daniel Mukabi Okubi	Embu	Sparko House, Embu Town	dokubi@kplc.co.ke	0722886636	6830216	197 - 60100 Embu
Paul Gachuki Mbutia	Garissa	Maendeleo Plaza	pmbuthia@kplc.co.ke	0722606480	202368776	9 - 70100 Garissa
Lucy Njoroge	Gatundu	Kanyanja Bldg.	lnjoroge@kplc.co.ke	0722711911	202336980	176 - 01030 Gatundu
Roba Wario	Habaswein	Farah Haji Bldg.	wroba@kplc.co.ke	0715344759	0715 344 759	86 - 70201 Habaswen
Paul Mulwa Mutunga	Hola	Said Habani Bldg.	pmutunga2@kplc.co.ke	0722662912	0722662912	192 - 70101 Hola
Clement Ochieng'	Homabay	Sonyako Plaza	cochieng@kplc.co.ke	0722740086	202674283	117 - 40300 Homabay
Hellen Mogire	Isiolo	Trends Bldg.	hmogire@kplc.co.ke	0722380662	064 - 52013	112 - 60200 Isiolo
James Onuko Orina	Kamburu	Kivaa Market	orina2@kplc.co.ke	0722801995	0722136351/0722136393	77 - 01031 Kindaruma
Charles Apudo Awuondo	Kapsabet	KCB Bldg.	cawuondo@kplc.co.ke	0720431062	053 - 52115	762 - 30300 Kapsabet
Eng. Richard Okoth	Kakamega	KPLC Bldg.	rokoth@kplc.co.ke	0737623223	0202442789/0562030023	440 - 50100 Kakamega
James Gicheha Njuguna	Kiserian	Isalu Centre	gichehanjuguna@kplc.co.ke	0722763358	020 2060618 /0723963839	30099 - 00100 Nairobi
Evans Uhuru Anangwe	Kitale	Ambwere Plaza	ehuruanangwe@kplc.co.ke	0723056998	5337009	185 - 30200 Kitale
Laban Njenga	Kilifi	Pwani Medical Centre	lnjenga2@kplc.co.ke	0721296772	0710305252	1318 - 80108 Kilifi
William Onyango	Kisii	Near Daraja Mbili, Kisii	wonyango@kplc.co.ke	0789482888	0202657591/0737067778	5 - 4200 Kisii
Edward Kabiru	Kitengela	MK Arcade, past Naivas	ekabiru@kplc.co.ke	0733255743	208074514/5	330 - 00204 Athi River
Gitonga Rugendo	Kerugoya	Professional Plaza - Opp Law Courts	rugendo@kplc.co.ke	0721385856	060 - 2021359/0712565080	1079 - 10300 Kerugoya
Daniel Mukabi Okubi	Kericho	Sansora Bldg.	dokubi@kplc.co.ke	0722886636	202442798	296 - 20200 Kericho
Daniel Tidongoluk	Kabarnet	KCB Bldg.	dtidongoluk@kplc.co.ke	0724663471	0717154501/05352432	120 - 30400 Kabarnet
Thomas Sambu	Siaya	Opposite Law Courts, Siaya	tsambu@kplc.co.ke	0713023973	202442793/0713551960	541 - 40600 Siaya
Hogla Wanjohi	Kitumbu	Vam Plaza	hwanjohi@kplc.co.ke	0722966717	20268776	30099 - 00100 Nairobi
Stephen Mwenesi Usagi	Kitui	Kitui Teachers Sacco	susagi@kplc.co.ke	0721852753	444422051, 0202515009	476 - 90200 Kitui
Charles Kalya	Limuru	K - Unity, Limuru	ckalya@kplc.co.ke	0722221508	020 - 2070006/7	103 - 00217 Limuru
Mohammed Jamah	Lamu	Casuarina Rest Hse, Kenyatta Rd	mjamah@kplc.co.ke	0723 363722	0424632068	72 - 80500 Lamu
Joseph Ndegwa	Likoni	Mwinyibabu Rd, Likoni	jndegwa@kplc.co.ke	0722867011	412001933	598 - 80400 Ukunda
Gideon Kogo	Lodwar	Kailong'koi	gkogo@kplc.co.ke	0729289190	05421268	21 - 30500 Lodwar
Alex Maina	Loitokitok	Oсотua Plaza	amaina@kplc.co.ke	0722810272	202100399	377 - 00209 Loitokitok
Kennedy Kariuki	Machakos	Red Cross Bldg.	kkariuki@kplc.co.ke	0733763668	4420139	155 - 90100 Machakos
Ali Golicha	Mandera	Mandera Power Station	agolicha@kplc.co.ke	0721751785	4652188	76 - 70300 Mandera
Geoffrey Situngu	Malindi	Malindi Complex	gsitungu@kplc.co.ke	0721307884	422130200/0422120025	294 - 80200 Malindi
Jeremiah N Kariuki	Marsabit	Opposite Moi Girls, Marsabit	jnkariuki@kplc.co.ke	0722308745	202419815	68 - 00500 Marsabit
Vincent Ndwiga	Maua	Nyambene Lodge	vndwiga@kplc.co.ke	0722433617	064 - 21358	265 - 60600 Maua
Andrew Ouko Achora	Migori	Opposite Migori TTC	aochora@kplc.co.ke	0722787086	202442797	530 - 40400 Suna Migori
Musa Onyango Dudi	Molo	Maziwa House	mdudi@kplc.co.ke	0787787791	202614321	914 - 20106 Molo
Mohammed I. Hussein	Merti	Along Merti Habasweni Rd	mhussein@kplc.co.ke	0720493506	0716626381/2	102 - 10100 Nyeri
Phineas Marete	Meru	Yusuf Plaza	pmarete@kplc.co.ke	0722620800	064 - 32184	221 - 60200 Meru
Alfred Lotimoya Emaye	Maralal	Surere Road	aemaye@kplc.co.ke	0722744569	208010413	196 - 20600 Maralal
Ahmed Shalleh	Moyale	Al Hannan Bldg.	ashalleh@kplc.co.ke	0723295469	06952466	103 - 60700 Moyale
Jacob Mikaya Ayub	Mpeketoni	Mpeketoni Town	jayub@kplc.co.ke	0722231250	0714009969	105 - Mpeketoni
Nicholas Ambesa Ngeresa	Muhoroni	Next Kobil Petrol Station	nngeresa@kplc.co.ke	0734892033	202691386/0736594902	320 - 40107 Muhoroni
Richard Muindi	Murang'a	AFC Bldg.	rmuindi@kplc.co.ke	0722454140	6031480/0735611392/3	45 - 10200 Murang'a
Samuel Maingi	Mwingi	Kanzanzu - Mwingi	smaingi@kplc.co.ke	0722622417	0727016640/44822094	663 - 90400 Mwingi
Timothy Juma Waswa	Narok	Former Embassy Hotel	twaswa@kplc.co.ke	0708384997	502222046	469 - 20500 Narok
Gideon Githu	Namanga	Posta, Namanga	ggithu@kplc.co.ke	0721483278	07208007175	145 - 00207 Namanga
David Mugambi	Naivasha	Eagle Centre	dmugambi@kplc.co.ke	0722739508	050 - 2020169/ 0208010407	180 - 20117 Naivasha
Milimo Amusavi	Nanyuki	Next to Fina Bank	mamusavi@kplc.co.ke	0725149500	06232558/9	80 - 10400 Nanyuki
Eunice Wafula	Nyahururu	Electricity House	eunicewafula@kplc.co.ke	0733427500	652022205	244 - 20300 Nyahururu
Hezron Kwanya	Nyamira	Legacy Plaza - Next to Guardian	hkwanya@kplc.co.ke	0722794286	208064672	1242 - 40500 Nyamira
Ranyondo Mboya	Taveta	Next to Tripple J	mranyondo@kplc.co.ke	0721339547	0720347320	132 - 80302 Taveta
Lucy Mwangi	Tala	Along Ngundu Road	lmwangi@kplc.co.ke	0721239390	202527958/0714892553	783 - 80131 Tala
Josephat Lango Vaya	Voi	Ekklesia Bldg.	lvaya@kplc.co.ke	0722509630	043 2030660/043 2030755/ 043 2031231 Wireless 041 2011311	144 - 80300 Voi
George Samuel Mwabusa	Ukunda	Farna Bldg.	gmwabusa@kplc.co.ke	0721707811	0735972112	598 - 80400 Ukunda
Benson Nyaoga	Ugunja	Ramco Bldg.	bnyaoga@kplc.co.ke	0722802252	202442796	390 - 40606 Ugunja
Simon Gichanga	Wajir	Within Wajir Power Station	sgichanga@kplc.co.ke	0734433595	N/A	127 - 70200 Wajir
Richard Mutua King'oo	Webuye	Nice House Bldg.	rmutua@kplc.co.ke	0722620807	202674280	329 - 50205 Webuye
Lucas Huko	Wundanyi	Tatecoh Plaza	lhuko@kplc.co.ke	0721338008	202397702	1250 - 80304 Wundanyi

MEMBERS OF THE BOARD OF DIRECTORS



Mr. Eliazar O Ochola
Chairman



Dr. Ben K Chumo, o.g.w
Managing Director & CEO



Dr. Kamau Thugge, EBS, MBS
Principal Secretary, The National Treasury



Mr. Joseph Kariuki
Alternate Director, The National Treasury



Eng. Joseph K Njoroge, MBS
Principal Secretary, Ministry of Energy & Petroleum

OUR VISION

Providing world-class power that delights our customers

By striving to provide world-class products and services,
we can bring a sense of optimism and delight to our customers
- working together towards a brighter future for Kenya.

OUR MISSION

Powering people for better lives

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

OUR CORE VALUES

- We put our customers first
- 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

CONTENTS

PERFORMANCE HIGHLIGHTS	5
CORPORATE INFORMATION	6
BRANCH CONTACTS	7
MEMBERS OF THE BOARD OF DIRECTORS	8-9
DIRECTORS' BIOGRAPHIES	10-11
SENIOR MANAGEMENT TEAM	12-13
NOTICE OF ANNUAL GENERAL MEETING	14
CHAIRMAN'S STATEMENT	16-17
REPORT OF THE MANAGING DIRECTOR & CEO	20-27
CORPORATE GOVERNANCE STATEMENT	37-42
CORPORATE SOCIAL RESPONSIBILITY	50
REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 JUNE 2014	52
STATEMENT OF DIRECTORS' RESPONSIBILITIES	53
REPORT OF THE AUDITOR-GENERAL	54
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	55-56
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014	57
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2014	58
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2014	59
NOTES TO THE FINANCIAL STATEMENTS	60-109
TEN YEAR FINANCIAL AND STATISTICAL RECORDS	110
STATISTICAL INFORMATION	111-119
PROXY FORM	121



Mr. Jacob K Mwirigi
Director



Eng. Patrick E O Obath, MBS, OGW
Director



Mrs. Jane Apetet Nashida
Director



Mr. Macharia Kariuki
Director



Dr. Theodorah Malla-Kilukumi
Director



Eng. Isaac N Kiva
Alternate Director, Ministry of Energy & Petroleum

Mr. Eliazar O Ochola – Chairman

B. Comm. (Hons.)

Mr. Eliazar Ochola (66 years), joined the Board of Directors of the Company in December 2006, and was appointed Chairman of the Board on 4th March 2010. He has over 40 years experience in private sector management, having worked in a multinational corporation – Kenya Swiss Chemical Limited (Ciba Geigy Group). He also serves as a Director of Wanyaka General Supplies Company Limited.

Dr. Kamau Thugge (EBS, MBS) – Principal Secretary, The National Treasury

BA (Econ.), MA (Econ.), PhD (Econ.)

Dr. Kamau Thugge (57 years), is currently the Principal Secretary at The National Treasury. He has previously worked in the Ministry of Finance as Head of Fiscal and Monetary Affairs Department, Economic Secretary and as Senior Economic Advisor. Before joining the Ministry of Finance he worked with the International Monetary Fund (IMF) as Economist/Senior Economist and Deputy Division Chief. Dr. Thugge holds a Bachelor of Arts (Economics) from Colorado College, USA; a Masters in Economics from Johns Hopkins University, USA; and a Doctor of Philosophy in Economics, also from Johns Hopkins.

Eng. Joseph K Njoroge (MBS) - Principal Secretary, Ministry of Energy & Petroleum

BSc (Eng.), MBA, R. Cons. Eng., C. Eng., MIET, FIEK

Eng. Joseph K Njoroge (56 years), was the Managing Director of the Company since June 2007 until he was appointed to his current position in May 2013. 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 & Petroleum.

Dr. Ben Chumo (OGW) – Managing Director & CEO

BA, MBA, PhD

Dr. Ben Chumo (58 years), joined the Company in July 1986 and was the Chief Manager in charge of Human Resources & Administration since 2003. He was appointed Acting Managing Director and CEO of the Company in July 2013 following the appointment of Eng. Joseph Njoroge to the position of Principal Secretary. He was confirmed in his current position on 7th January 2014. Dr. Chumo has wide hands-on experience in the sector, having risen through the ranks in the Company to his current position.

Mr. Jacob K Mwirigi

BSc (Math)

Mr. Jacob Mwirigi (69 years), has wide experience in the insurance and oil industries. Previously, he worked with the East African Community, The Kenya Power & Lighting Company Ltd., American Life Insurance Company Ltd., and was a Director of Kabage & Mwirigi Insurance Brokers. He is currently in private business and is also a Director of Orix Oil (Kenya), Meru Ginnery (1994) Ltd., Apex Petroleum Ltd., and Remu DTM Limited. He joined the Board of Directors of the Company on 18th December 2009.

Eng. Patrick E O Obath (MBS, OGW)

BSc (Eng.), R. Eng., MIE (UK), MIEK, MPIEA

Eng. Patrick Obath (59 years), is a Managing Consultant for Eduardo Associates, a private practice consultancy in energy, oil and gas, and engineering with special emphasis on leadership, governance and sustainability. He is a Member of the Energy Institute (UK), the Petroleum Institute of East Africa and the Institution of Engineers in Kenya. Previously, he worked for Shell in different parts of the world; and at one time served as Managing Director of Kenya Shell. Eng. Obath is faculty with Duke Corporate Education, and is also the immediate past Chairman of Kenya Private Sector Alliance (KEPSA). He is a member of the National Economic and Social Council of Kenya, Chairman of PZ Cussons EA Ltd., a director in Afren PLC, and a Fellow of the Aspen Global Leadership Network (AGLN) and the African Leadership Initiative (ALI).

Dr. Theodorah Malla-Kilukumi

MB, Ch.B

Dr. Theodorah Malla-Kilukumi (49 years), has wide experience in medical health practice and community leadership. She joined the Board of Directors of the Company on 15th October 2007. Dr. Kilukumi is also a Director of Elasticity Properties Limited and Dee Properties Limited.

Mr. Macharia Kariuki

BA (Econ.)

Mr. Macharia Kariuki (58 years), joined the Board of Directors of the Company on 18th December 2009. He has wide experience in private sector management and is currently in horticulture business, prior to which he worked as a sales manager with the United Distributing Company Ltd., and with Nation Media Group.

Mrs. Jane Apetet Nashida

BA (Development Studies)

Mrs. Jane Apetet Nashida (42 years), has experience in projects management and community development, having worked with Finnish Free Foreign Mission (FFFM), Parliamentary Service Commission and Constituency Development Fund (CDF). She is also a board member of Uhuru High School in Lokichar, Turkana County.

Mr. Joseph Kariuki - (Alternate Director, The National Treasury)

BA (Econ.), MA (Econ.)

Mr. Joseph Kariuki (51 years), has wide experience in public sector management, having worked for more than 26 years in various senior positions in Government. He joined the Board of Directors for the Company in June 2009 as an Alternate Director of the then Ministry of Finance, now The National Treasury.

Eng. Isaac N Kiva - (Alternate Director, Ministry of Energy & Petroleum)

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

Eng. Isaac Kiva (46 years), is currently the Director of Renewable Energy at the Ministry of Energy and Petroleum. Eng. Kiva has wide experience in public sector management, having worked in energy and senior Government positions for over 20 years. He is a member of the Institution of Engineers of Kenya. He is also a board member of the Electrical Technicians and Contractors' Licensing Board.

Mrs. Fatuma Hirsi Mohamed (left in March 2014)

BA, PGD, MA

Mrs. Fatuma Hirsi Mohamed (51 years), is an integrated communications practitioner who has worked for 25 years in the telecommunications, media and banking industries. She has also served as a Board member of Digital Opportunity Trust; Commissioner, Media Complaints Commission; Affiliate Advisor, East Africa Centre for Ethics and Philanthropy; Trustee, Computers for Schools Kenya; Board member, Action Aid International Kenya General Assembly; Trustee, Northern Kenya Education Trust; Trustee, Ummah Foundation; and Director and founder, Gargaar International Network.

SENIOR MANAGEMENT TEAM



STANDING FROM LEFT TO RIGHT:

General Manager, Information Communication & Technology – Eng. Samuel Ndirangu, BSc (Eng.), MBA, Reg. Cons. Eng., R.Eng., MIEK, MIEE

General Manager, Human Resource & Administration – Abubakar Swaleh Shariff, BEd, MBA, MIHRM

General Manager, Network Management – Eng. Benson Muriithi, BSc (Eng.), MBA, R. Eng., MIEK

General Manager, Business Strategy – Eng. Peter Mungai Kinuthia, BTech (Elec. Eng.), MBA, R.Eng., MIEK, MIET

General Manager, Regional Coordination – Peter Mwichigi, BTech (Eng.), EMBA, PM Diploma, MKIM



General Manager, Supply Chain – Eng. John Ombui, BSc (Eng.), MBA, P.Cons. Eng., FIEK, MIET, MIEEE, MCIPS

General Manager, Corporate Affairs & Company Secretary – Beatrice Meso, LLB, LLM, Dip (Law), MBA, CPS(K), MCIArb

General Manager, Customer Service – Joshua Mutua, BSc (Eng.)

General Manager, Infrastructure Development – Eng. Stanley Mutwiri, BSc (Eng.), MBA, Reg. Eng., MIEK

General Manager, Finance – Kenneth Tarus, Bcom, MBA, CPA(K)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE NINETY-THIRD ANNUAL GENERAL MEETING of Shareholders of the Company will be held at Safari Park Hotel, Thika Road, Nairobi, on Friday 19th December 2014 at 11.00 a.m. to transact the following business:

1. To read the Notice convening the Meeting and note the presence of a quorum.
2. To receive and consider the Company's Audited Financial Statements for the year ended 30th June 2014, together with the Chairman's, Directors' and Auditors' reports thereon.
3. To approve payment of a final dividend of Shs.0.30 per ordinary share, subject to withholding tax where applicable, in respect of the year ended 30th June 2014 and to ratify the interim dividend of Shs.0.20 per ordinary share already paid for the period.
4. To elect Directors:
 - i. Mr. Jacob K. Mwirigi 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. Eng. Patrick E. O. Obath retires by rotation in accordance with Article 120 of the Memorandum and Articles of Association of the Company and, being eligible, offers himself for re-election.
 - iii. Mr. Eliazar O. Ochola retires by rotation in accordance with Article 120 of the Memorandum and Articles of Association of the Company and, being eligible, offers himself for re-election.
5. To approve payment of fees to non-executive Directors of Shs.600,000 per Director for the year ended 30th June 2014.
6. Auditors:

To note that the audit of the Company's books of accounts will continue to be undertaken by the Auditor-General or an audit firm appointed in accordance with Section 11 of the State Corporations Act (as amended by the Miscellaneous Law Amendment Act, 2002), and Sections 14 and 39 (i) of the Public Audit Act 2003.
7. To authorise the Directors to fix the Auditors' remuneration.
8. To consider any other business for which due notice has been given.

By Order of the Board.



Beatrice Meso
Company Secretary

22nd October 2014

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 later than 11.00 a.m. on 17th December 2014.

ILANI INATOLEWA HAPA KWAMBA MKUTANO MKUU WA KILA MWAKA WA TISINI NA TATU wa Wenyekiti wa Kampuni utaandaliwa katika Safari Park Hotel, Thika Road, Nairobi mnamo Desemba 19, 2014 saa tano asubuhi kuendesha shughuli zifuatazo:

1. Kusoma Ilani ya kuandaa Mkutano na kutambua kuwepo kwa idadi ya kutosha ya wanachama.
2. Kupokea na kuchunguza taarifa za kifedha zilizokaguliwa kwa mwaka uliomalizika Juni 30, 2014, pamoja na ripoti za Mwenyekiti, Wakurugenzi na Wahasibu hapo baadaye.
3. Kuidhinisha malipo ya mgao wa mwisho wa Sh0.30 kwa kila hisa ya kawaida, ikitegemea ushuru wa kushikilia inavyostahili, kuhusiana na mwaka uliomalizika Juni 30, 2014 na kuidhinisha mgao wa muda wa Sh0.20 kwa kila hisa ya kawaida ambao tayari umelipwa kwa kipindi hicho.
4. Kuchagua Wakurugenzi:
 - i. Bw. Jacob K. Mwirigi anastaafu kwa mzunguko kwa mujibu wa Kifungu 120 cha Katiba ya Kampuni na, kwa kuwa bado anahitimu, anajitokeza kuchaguliwa tena.
 - ii. Mha. Patrick E. O. Obath anastaafu kwa mzunguko kwa mujibu wa Kifungu 120 cha Katiba ya Kampuni na, kwa kuwa bado anahitimu, anajitokeza kuchaguliwa tena.
 - iii. Bw. Eliazar O. Ochola anastaafu kwa mzunguko kwa mujibu wa Kifungu 120 cha Katiba ya Kampuni na, kwa kuwa bado anahitimu, anajitokeza kuchaguliwa tena.
5. Kuidhinisha malipo ya Wakurugenzi wasio na mamlaka ya Sh600,000 kwa kila Mkurugenzi kwa mwaka uliomalizika Juni 30, 2014.
6. Wahasibu:

Kutambua kuwa ukaguzi wa vitabu vya hesabu vya Kampuni utaendelea kufanywa na Mhasibu Mkuu wa Serikali au Kampuni ya Uhasibu iliyoteuliwa kwa mujibu wa Sehemu ya 11 ya Sheria ya Mashirika ya Umma (kama ilivyobadilishwa na Mkusanyiko wa Sheria ya 2002) na Sehemu za 14 na 39 (i) ya Sheria ya Uhasibu wa Umma 2003.
7. Kuidhinisha Wakurugenzi kuamua malipo ya Wahasibu.
8. Kufanya shughuli yoyote ile ambayo ilani inayostahili imetolewa.

Kwa Amri ya Bodi.



Beatrice Meso
Katibu wa Kampuni

22 Oktoba 2014

MAELEZO:

Mwanachama aliye na haki ya kuhudhuria na kupiga kura kwenye mkutano uliotajwa juu anaweza kuteua mwakilishi mmoja au zaidi kuhudhuria na endapo kutakuwa na upigaji kura, kupiga kura kwa niaba yake. Si lazima mwakilishi awe mwanachama wa Kampuni. Fomu ya uwakilishi imeambatanishwa kwenye ripoti hii. Ili kuwa halali, Fomu ya Uwakilishi inapasa kujazwa kikamilifu na kupelekwa kwa Afisi za Katibu wa Kampuni, Stima Plaza, au kutumwa mapema ili imfikie kabla ya Saa Tano asubuhi mnamo Desemba 17, 2014.



Mr. Eliazar O. Ochola
Chairman

“The national growth, which has been attributed to favourable fiscal policies and growth in services, construction and the agricultural sectors, had a positive effect on electricity sales which increased by 10% from 6,581GWh the previous year to 7,244GWh.”

Introduction

On behalf of the Board of Directors, I am pleased to present the Company's Annual Report and Financial Statements for the year ended 30th June 2014. During the year under review, we registered overall improvement in our performance due to our stringent focus on management of operational costs, enhancement of system efficiency and reliability, and growth in sales. These strategies enabled us to post improved financial performance, service delivery and enhanced shareholder value.

Operating Environment

The national economy continued to recover during the review period, with the Gross Domestic Product (GDP) recording a growth of 5.7% in 2013, up from 4.5% in 2012, despite the uncertain environment created by the presidential and other national elections held in March 2013, as well as the transition process to a devolved system of government thereafter. The national growth, which has been attributed to favourable fiscal policies and growth in services, construction and the agricultural sectors, had a positive effect on total electricity sales which increased by 10% from 6,581GWh the previous year to 7,244GWh. Specifically, the sales are mainly attributable to expanding commercial and industrial activities and the ongoing accelerated national electrification.

During the same period, electricity generation rose to 8,839GWh from 8,087GWh the previous year, representing an increase of 9.3% compared to 5.4% the previous year. Electricity system losses decreased from 18.6% recorded in the previous financial year to 18.1%.

Financial Performance

Electricity revenue, excluding foreign exchange and fuel cost recoveries, increased to Shs.62,597 million compared to Shs.47,916 million the previous year, an increase of Shs.14,681 million or 30.6%. This was as a result of growth in unit sales during the year, reduced load shedding and implementation of a new tariff which came into effect from 1st December 2013.

Power purchase costs (excluding fuel costs and foreign exchange recoveries) increased from Shs.24,761 million to Shs.30,659 million during the year, representing a 23.8% growth attributable to an increase in the units purchased. Fuel cost, which is a pass-through component, rose from Shs.32,297 million to Shs.38,973 million as a result of higher dispatch of thermal plants to meet the increased demand and also due to the lower hydropower output in the year. Foreign exchange rate fluctuation recoveries decreased from Shs.4,102 million to Shs.1,414 million due to a review of exchange base rates in the new retail tariff structure.

Transmission and distribution costs increased to Shs.22,683 million, up from Shs.20,984 million the previous year, which is attributable to higher costs incurred in serving the growing number of customers, as well as maintaining and expanding the electricity network.

During the year, the Company's asset base grew by 16% from Shs.146,484 million to Shs.169,697 million as a result of new capital investments to improve system performance, enhance quality of power supply and expansion of the network.

Net Profit

The Company recorded improved financial performance compared to the previous year, registering a profit of Shs.10,198 million compared to Shs.6,570 million the previous year. This represents a 55% growth, which is attributable to both the increase in sales and the tariff review. Profit after tax increased to Shs.6,456 million compared to Shs.3,445 million the previous year, growth of 87% after taking into account a tax charge of Shs.3,742 million.

Dividend

The Directors recommend that, in addition to the interim dividend of Shs.0.20 paid earlier, a final dividend of Shs.0.30 per ordinary share be paid for the year ended 30th June 2014, subject to withholding tax where applicable, to shareholders registered in the books of the Company at the close of business on 19th December 2014. This amounts to a total dividend of Shs.0.50 per share (previous year - nil). If approved, the dividend will be paid on or about 27th February 2015.

Future Prospects

With increasing investor confidence buoyed by a stable macroeconomic environment, the country has tremendous prospects for economic growth in the medium term. The sector has invested enormous resources to enhance power generation, transmission and distribution systems; while in the counties, there is an increase in commercial investments and trade activities, giving rise to higher demand for electricity. These factors provide immense opportunities for growth of our business, and the Company has strategically positioned itself to expand its business in order to maximise shareholder value.

Gratitude

On behalf of the Board of Directors, I wish to thank the Government, all our shareholders, development and business partners, customers, and staff for their support to the business during the year under review.



Mr. Eliazar O. Ochola

22 October 2014

“The sector has invested enormous resources to enhance power generation, transmission and distribution systems.”

TAARIFA YA MWENYEKITI

Utangulizi

Kwa niaba ya Bodi ya Wakurugenzi, nina furaha kuwasilisha Ripoti na Taarifa za Kifedha ya Kila Mwaka kwa kipindi kilichomalizika Juni 30, 2014. Katika mwaka unaoangaziwa, matokeo yetu yaliimarika kutokana na kupunguzwa kwa gharama za uendeshaji biashara, kuimarisha utendakazi wa mitambo yetu na uthabiti, pamoja na ukuaji wa mauzo. Mikakati hii ilituwezesha kupata matokeo bora, kutoa huduma bora pamoja na thamani kubwa kwa wenyehisa.

Mazingira ya Kikazi

Uchumi wa nchi uliendelea kuimarika katika mwaka uliomalizika huku Jumla ya Mapato ya Nchi (GDP) yakiongezeka kwa asilimia 5.7 mnamo 2013 kutoka asilimia 4.5 mwaka uliotangulia, licha ya hali ya kutatanisha iliyotokana na Uchaguzi Mkuu uliofanyika Machi 2013, pamoja na kipindi cha mpito kwa mfumo wa ugatuzi kilichofuata. Ukuaji wa uchumi ambao ulitokana na sera zifaazo za kifedha, ukuaji katika sekta za huduma, ujenzi na kilimo ulikuwa na matokeo bora kwa mauzo ya umeme ambayo yalipanda kwa asilimia 10 kutoka GWh 6,581 mwaka uliopita hadi GWh 7,244. Haswa, mauzo hayo yaliyokana na kuongezeka kwa shughuli za kibiashara na kiviwanda na usambazaji umeme unaoendelea kitaifa.

Katika kipindi hicho, uzalishaji wa umeme uliongezeka hadi GWh 8,839 kutoka GWh 8,087mwaka uliopita, na hivyo asilimia 9.3 ikilinganishwa na asilimia 5.4 mwaka uliotangulia. Hasara ya umeme kwenye mitambo ilipungua kutoka asilimia 18.6 iliyorekodiwa mwaka uliopita wa matumizi ya fedha hadi asilimia 18.

Matokeo ya Kifedha

Mapato ya umeme, ukiondoa kiwango cha ubadilishaji fedha za kigeni na mapato kutokana na gharama ya mafuta, yaliongezeka hadi Sh62,597 milioni ikilinganishwa na Sh.47,916 milioni mwaka uliotangulia, nyongeza ya Sh.14,681 milioni au asilimia 30.6. Hii ilitokana na kuimarika kwa mauzo mwaka huo, na kupungua kwa visa vya kuzima mitambo katika maeneo fulani na utekelezaji wa kiwango kipyaa cha malipo kilichoanza kutumika Desemba 1, 2013.

Gharama za ununuzi wa umeme (bila kujumuisha gharama za mafuta na kiwango cha ubadilishaji pesa za kigeni) ziliongezeka kutoka Sh.24,761 milioni hadi Sh30,659 milioni mwaka uliomalizika, na hivyo kuwakilisha nyongeza ya asilimia 23.8 iliyotokana na kupanda kwa vipimo vilivyonunuliwa. Ada ya mafuta, ambayo ni gharama inayopitia tu kwa kampuni, iliongezeka kutoka Sh32,297 milioni hadi Sh38,973 milioni kutokana na uzalishaji mkubwa wa umeme kutoka viwanda vya dizeli kutosheleza mahitaji yaliyoongezeka na pia kupungua kwa umeme uliozalishwa kutokana na vyanzo vya maji katika kipindi hicho. Mapato kutokana na kudidimia kwa viwango vya ubadilishanaji wa fedha za kigeni yalipungua kutoka Sh4,102 milioni hadi Sh1,414 milioni kutokana na mabadiliko kwenye kiwango cha chini cha ubadilishanaji wa fedha za kigeni katika muundo huo mpya wa ada.

Gharama za usafirishaji na usambazaji ziliongezeka hadi Sh22,683 milioni, kutoka Sh20,984 milioni mwaka uliotangulia, hali iliyotokana na gharama za juu kufuatia kuongezeka kwa idadi ya wateja, kutunza na kupanua mtandao wa umeme.

Katika kipindi hicho, thamani ya vifaa vya Kampuni iliongezeka kwa asilimia 16 kutoka Sh146,484 milioni hadi Sh169,484 milioni kutokana na miradi mikubwa ya uwekezaji kuimarisha utendakazi wa mitambo, kuimarisha ubora wa usambazaji umeme na upanuzi wa mtandao wa umeme.

Faida Baada ya Ushuru

Kampuni ilipata matokeo bora kifedha ikilinganishwa na mwaka uliopita kwa kupata faida ya Sh10,198 milioni ikilinganishwa na Sh6,570 milioni za mwaka uliotangulia, ukuaji wa asilimia 55 ambao unatokana na nyongeza ya mauzo na kupandishwa kwa ada.

Faida baada ya ushuru iliongezeka hadi Sh6,456 milioni ikilinganishwa na Sh3,445 milioni mwaka uliopita, nyongeza ya asilimia 47 baada ya kuondoa ushuru wa Sh3,742 milioni.

Mgao wa Faida

Wakurugenzi wanapendekeza pamoja na mgao wa muda wa faida uliolipwa awali wa Sh0.20, mgao wa mwisho wa Sh0.30 kwa kila hisa ya kawaida ulipwe kwa mwaka uliomalizika Juni 30, 2014, baada ya kuondoa ushuru wa kushikilia inavyohitajika, kwa wenyehisa walio kwenye sajili ya Kampuni kufikia mwisho wa shughuli za siku mnamo Desemba 19, 2014. Hii inafikisha jumla ya mgao wa faida wa Sh0.50 kwa hisa (mwaka uliopita-sufuri). Iwapo utaidhinishwa, mgao huo utalipwa mnamo au karibu na Februari 27, 2015.

Matarajio ya Baadaye

Kutokana na imani ya wawekezaji inayozidi kuimarika kutokana na hali thabiti ya kiuchumi, nchi hii ina fursa kemkem ya kustawi kiuchumi hivi karibuni. Sekta hiyo imetumia raslimali nyingi kupanua uzalishaji wa umeme, mifumo ya usafirishaji na usambazaji umeme baada ya kutambua kuwa umeme ni kiungo muhimu cha ustawi wa kiuchumi. Katika kaunti zote, kuna shughuli nyingi za uwekezaji zinazoendelea na hivyo kuongeza mahitaji ya kawi. Mazingira hayo yanatoa fursa nzuri ya ukuaji wa biashara yetu. Kampuni imo kwenye nafasi nzuri ya kupanua biashara zake ili kuongeza thamani kwa wenyehisa.

Shukrani

Kwa niaba ya Halmashauri ya Wakurugenzi, ningependa kushukuru Serikali, washikadau wetu wote na washirika wetu wa kibiashara na maendeleo, wateja na wafanyikazi kwa mchango wao kwa biashara yetu katika mwaka uliomalizika.



Bw. Eliazar O. Ochola

22 Oktoba 2014



The Cabinet Secretary for Energy and Petroleum, Mr. Davis Chirchir, inspects an electric cable during a *Boresha Umeme* programme in Nairobi



Dr. Ben Chumo
MANAGING DIRECTOR
& CEO

“Our other key focus areas during the year were service improvement, particularly for large power customers; increasing electricity sales; and growing the customer base.”

1. 2013/2014 Highlights

Introduction

The electricity grid, which delivers power countrywide from generating stations through the transmission and distribution networks, is among Kenya's most important and critical infrastructure. A robust electricity system that is efficient and reliable is, therefore, essential for national development. This is especially so at this time when the Government has embarked on a journey to create an additional 5,000+MW of generation capacity over a period of 40 months commencing September 2013.

Indeed, this programme calls for major refurbishment and expansion of the existing transmission and distribution grid; as well as developing and implementing strategies aimed at ensuring the uptake of the additional electricity generated. In order to achieve these goals, in the 2013/2014 financial year the Company focused on tenaciously repairing and expanding the network; as well as on our core business of electricity retail. Our other key focus areas during the year were service improvement, particularly for large power customers; increasing electricity sales; and growing the customer base.

Our Corporate Strategy & the 5000+MW Capacity Plan

In performing its role of transmitting, distributing and retailing electricity throughout Kenya, the Company is guided by its strategic and business plans. These are in turn currently closely aligned with the Government's 5,000+MW plan; as well as its other target of making electricity accessible to more than 70% of the population by 2020, compared to 35 percent currently. During the year under review, therefore, the Company worked in collaboration with its various partners and stakeholders, including the Government, towards attainment of these national goals.

New Organisation Structure

To support the overall corporate strategy and other efforts aimed at achieving targets, the Company developed and commenced with the establishment of a new organisation structure during the year under review. The structure, whose implementation will be completed by December 2014, will culminate in a flatter, more efficient organisation and improved service delivery. An important aspect of the new structure is that the Company's functions in each of the country's 47 counties will henceforth be headed by a manager, supported by adequate staff and other resources.

Connecting More Kenyans

Due to the hard work of staff and our heightened focus on the business, we connected 443,254 new customers during the year under review. This is the highest number of customers ever connected within a single financial year, and was an increase of 52% from 292,337 the previous year; bringing the total number of customers to 2,766,441 in June 2014.

Business Performance

At the same time, the Company recorded a 54.5% increase in profit before tax, a 9.9% increase in sales and a 30.6% increase in electricity revenue. The increase in sales was due to the increase in customers, as well as rigorous system reinforcement and maintenance during the year which greatly reduced the number and duration of outages. Other factors that contributed to the sales growth were a favourable business environment, and improved generation capacity to meet demand. Electricity sales are expected to continue to grow rapidly in the short term, boosted by the projected additional generation capacity.

Boresha Umeme Initiative ('Fixing the Network')

The Company embarked on a programme to rapidly refurbish the power distribution network to enhance system reliability, customer service and electricity sales during the period under review. The strategy, dubbed *Boresha Umeme Viwandani*, entails comprehensive repair and upgrade of the Company's electricity infrastructure across the entire country. This is made possible through massive mobilisation of human and other resources to focus, for short durations, on carrying out wide-scale and major refurbishment of selected sections of the system.

The programme has resulted in greatly reduced outages and improved customer satisfaction in areas where it has been implemented. The *Boresha Umeme* initiative commenced in March 2014 and by June 2014, a total of Shs.610 million had been spent under the programme.

Details of these, and other key performance areas and achievements during the 2013/2014 financial year, are outlined in the rest of this report.

2. Adequate Power for the Nation

Kenya continues to experience a steady increase in electricity consumption and, during the year under review, the peak demand grew by 8.4% from 1,354MW the previous year, to 1,468MW. This trend is expected to be sustained due to accelerated customer connectivity by the Company, increased economic activities in the counties, and implementation of other mega-projects by the Government countrywide.

As the national off-taker of electricity generated by the Kenya Electricity Generating Company (KenGen) and Independent Power Producers (IPPs), the Company plays a major role in the development of new generating plant, mainly in power planning and in the negotiation and drawing up of Power Purchase Agreements (PPAs) prior to their approval by the Energy Regulatory Commission (ERC). In this regard, therefore, the Company's role in the 5000+MW initiative will be involvement in the procurement of power from new generating stations; as well as carrying out concerted marketing and other activities that will lead to absorption of the additional capacity.

Towards this, during the year under review, the Company successfully negotiated and concluded 12 new Power Purchase Agreements (PPAs) with KenGen (280MW) for Olkaria IV (140MW) and Olkaria 1 units 4 and 5 (140MW); Kenya Tea Development Agency (KTDA) for small hydropower plants (8.5MW); and 107MW from Quantum (37MW), Sosian (35MW), and Ormat (35MW). The last three are geothermal power plants and will be developed in the Menengai area in Nakuru.

All these projects will complement the country's generation mix and capacity in the medium term, and are part of the transformative programme through which the government aims to increase generating capacity from 1,664MW in 2013 to 6,762MW in 2017 through the addition of 5,098MW. This denotes an annual average capacity growth rate of 42%, compared to the 6.2% annual average growth in recent years.

Apart from increasing capacity, another important aspect of the 5000+MW programme is to change the generation mix with a view to reducing over-reliance on hydro power that is often curtailed by periodic low water levels whenever there is inadequate rainfall. Generation of thermal power, which is produced using fuel whose costs are passed on to customers, will also be greatly diminished, thereby reducing the unit cost of electricity. Once all the new generating plants are in place, the generation capacity mix will change as follows:

Type	2013 %	2017 %
Hydro	46.3	11.7
Thermal (diesel and kerosene)	37.4	6.4
Geothermal	14.5	27.9
Cogeneration	1.6	0.7
Wind	0.3	9.4
Coal	0	28.4
Natural gas	0	15.5

In accordance with the 5000+MW rollout plan, during the year under review, 210.3MW new generation capacity was added. The cumulative capacity expected to be commissioned by end of December 2014 is as detailed below:

Plant	Capacity (MW)	Type
Kindaruma (KenGen)	24	Hydro
Thika Power (IPP)	87	Thermal
Orpower 4 (IPP)	16	Geothermal
Olkaria IV (KenGen)	140	Geothermal
Wellheads (KenGen)	32.8	Geothermal
Triumph Power (IPP)	83	Thermal
Gulf Power (IPP)	80	Thermal
Kwale Sugar (IPP)	18	Cogeneration
Olkaria I units 4 & 5 (KenGen)	140	Geothermal
Total	621	

3. Increasing Kenyans' Access to Electricity

In order to absorb the additional 5000+MW capacity, peak demand is expected to rise by 296% from 1,468MW as at June 2014, to approximately 5,359MW in 2017; and electricity consumption to increase by 306% from 8,087GWh to 32,862GWh by the end of 2017. It is expected that most of the electricity will be taken up by projects that will be located all over the country, and which are currently at various stages of planning and/or implementation. These include an ICT Park at Konza, new railway systems, new ports in Lamu and Dongo Kundu, new pipeline pumping stations, resort cities and new iron and steel mills, among others. Domestic customers and commercial industrial customers, particularly in the counties, are expected to take up the remainder.

As part of the exercise to create additional demand, the Company has embarked on concerted efforts to grow its customer base by an additional one million per annum starting in the 2014/2015 financial year. This objective is aligned to the Company's Corporate Mission of 'powering people for better lives'; and also directly supports the Government plan to rapidly raise the national electricity access rate by more than 70% by 2020.

Some of the methods that the Company is using to increase the customer base are (i) transformer maximisation, which entails

extension of existing lines to new and viable potential sites in order to exploit the full potential of the distribution network; (ii) pre-investment in low voltage reticulation; (iii) clustering potential customers into viable groups to reduce the cost of connecting individuals; and (iv) electrification of informal settlements.

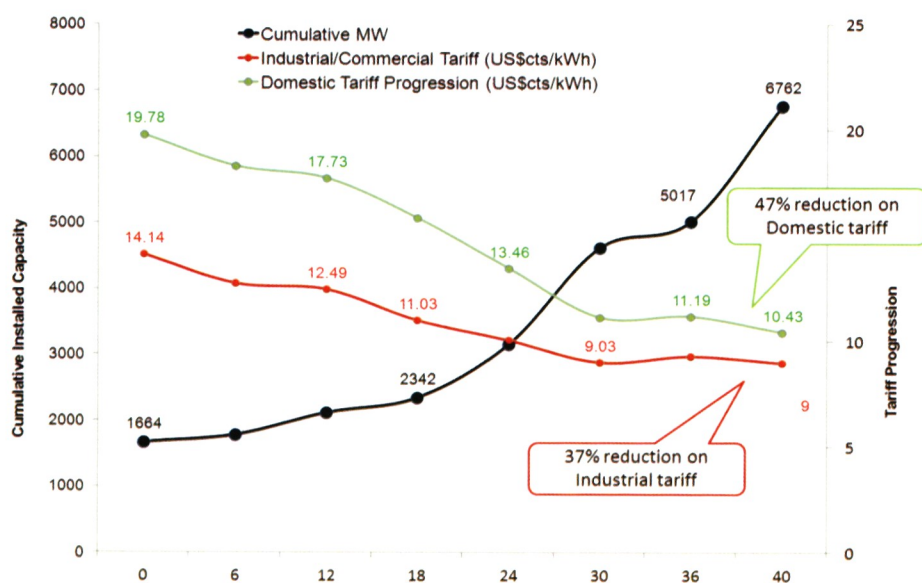
Revision of New Connection Policy

During the year under review, the Company revised parts of its connection policy of 2004 with a view to making it relevant to the changed business and operating environment. Under the revised policy, the Company will expand the low voltage network incrementally by pre-investing in shorter lengths of lines within the network. With time, this strategy will cumulatively take the low voltage system closer to potential customers, therefore making it possible to connect them at a lower cost.

Further, the Government is in the process of sourcing for US\$160 million from the African Development Bank (ADB) to fund last mile connectivity, which will be implemented through this method. 'Last mile' refers to the end link between electricity consumers and connectivity and the technologies and processes used to connect them. In this respect, the Company is continually exploring new connection techniques, including the single wire earth return (SWER) method, whereby a single-wire is used to supply single-phase power; rather than the current practice whereby two wires are used to supply the same amount of power and at a higher cost.

According to the Government, the other aim of the 5000+MW project is to bring about a reduction in the unit cost of electricity in the long term. The following chart indicates the expected tariff trend as the programme is implemented:

40-MONTH GOVERNMENT TARGET ON TARIFF EVOLUTION



Source: MoEP

At the same time, a US\$16 million project that aims to connect about 40,000 customers in informal settlements by May 2016, is ongoing. The project is funded through the Global Partnership on Output Based Assistance (GPOBA), which supports delivery of basic infrastructure and social services to the poor. More than 16,000 customers have been connected under the project so far.

Other Funding Initiatives for New Electricity Connections

Affordability of electricity connection is a major challenge for many Kenyans. To ease the burden of having to pay for new connections upfront, the Company has partnered with various financial institutions to avail long term credit to potential customers under the StimaLoan funding programme. So far, 50,000 customers have benefited from the programme, including through the Company's own internally funded StimaLoan. Other partners providing the credit facilities are Equity, National and Jamii Bora banks. Arrangements for disbursement of an additional €30 million from the *Agence Française de Développement* (AFD), which will benefit 300,000 customers through the KPLC StimaLoan, are at an advanced stage. This follows the successful pilot of the project in 2011 with a revolving fund of €4.5 million.

Government's Shs.2.7 Billion Subsidy

Between September and November 2013, the National

13

Treasury availed Shs.2.7 billion to subsidise connection costs for customers who were within 600 meters of an existing transformer, and whose connection capacity did not exceed 8kVA. Under the plan, 51,208 customers paid Shs.34,980 for single phase and Shs.49,080 for three phase connections, with the deficit between these amounts and the actual cost of connecting them being financed by the fund.

4. Strengthening the Network

A strong and stable network is crucial for our business, and each year the Company ensures adequate allocation of resources to operate and maintain the system effectively. Indeed, the Company will invest US\$1.3 billion by 2017, particularly to support the evacuation and distribution of the additional electricity that will be generated under the 5000+MW programme.

Towards this, during the year under review, the Company spent approximately Shs.11 billion on network refurbishment and expansion, which included automation and upgrade of the system, undergrounding of cables, replacement of wooden poles with concrete ones, and creating adequate redundancy in the system. This includes Shs.610 million spent during the review period on the *Boresha Umeme Viwandani* initiative in Nairobi's Industrial Area, Busia, Bungoma, parts of Mombasa Island, Garissa, Meru, Namanga, Karatina and Kajiado.

Apart from general improvement of the quality of supply to various areas, special emphasis was placed on improvement of supply to industries and other large power and essential service customers. During the year, therefore, the Company also embarked on the design of alternative and dedicated lines for the largest 200 and essential service customers in order to reduce power interruptions to this category of consumers; and 66 of the designs were completed. Further, 78 auto-changeover units were procured to facilitate switching of these premier customers to alternative supply feeders during power outages, and 12 of them were installed during the review period.

The Energy Sector Recovery Project (ESRP)

The US\$225.8 million ESRP project, which commenced in 2004, was concluded during the year under review. The project targeted reinforcement and upgrade of the distribution system to improve efficiency, reliability and quality of power supply; and also at increasing access to electricity in the country. During the review period, two projects valued at US\$7.43 million were completed. These are the 33kV

Kipevu-Makande-Mbaraki and Makande-Tononoka 33kV underground cables in Coast Region at a cost of US\$6.73 million, and the Lessos 1x2.5MVA 33/11kV Sub-station in North Rift at a cost of US\$0.7 million.

Government Funded Projects

Throughout the review period, the Company continued to carry out works amounting to US\$23.38 million on behalf of the Government comprising construction of sub-stations and lines at various locations. These include a new 1X10MVA 66/33kV sub-station and lines at GSU Magadi; a new 1X45MVA 220/66kV sub-station and lines at Kainuk; a new 1X7.5MVA 33/11kV sub-station and lines in Lamu; and two new 33kV distribution lines at Hindi, also in Lamu.

Rights Issue Projects

During the year, the Company implemented other projects financed by the Shs.9.1 billion proceeds from the rights issue of 2010 by investing Shs.2.82 billion in several major distribution system reinforcement schemes. The projects that were completed and commissioned include Thika Industrial, Nairobi City Square and Nairobi Eastleigh 2X45MVA 66/11kV sub-stations; Embu East 1X7.5MVA 33/11kV Sub-station and lines; and Ruring'u 7.5MVA 33/11kV Sub-station and lines in Nyeri Town.

Projects Implemented with Internally Generated Funds

A total of Shs.2.4 billion generated internally by the Company was used on system upgrade and extension during the review period. Out of this, Shs.921 million was used to upgrade 10 sub-stations in Kisumu, Rabai, Meru, Kenya Petroleum Refinery (KPRL), Kisii, and Kikuyu, among others.

The 5000+MW rollout is phased out over 40 months commencing September 2013. The following chart shows the implementation plan, and the capacity expected from the various sources of power:

40 MONTH GOVERNMENT 5000+MW STRATEGY

Time in Months	6	12	18	24	30	36	40	TOTAL (MW)
Hydro	24	-	-	-	-	-	-	24
Thermal	87	163	-	-	-	-	-	250
Geothermal	90	176	190	50	205	150	785	1,646
Wind	-	-	20	60	300	250	-	630
Coal	-	-	-	-	960	-	960	1,920
Natural Gas	-	-	-	700	350	-	-	1,050
Co-generation	-	-	18	-	-	-	-	18
Total	201	339	228	810	1,815	400	1,745	
Cumulative Additions (MW)	201	540	768	1,578	3,393	3,793	5,538	

Source: MoEP

An additional Shs.1.062 billion was spent on upgrade of 27 distribution lines projects countrywide. These include the Muthurwa 66kV in Nairobi, Malindi 33kV feedouts, reconductoring of 33kV lines to Obote Road Sub-station in Kisumu, construction of a new 33kV feeder in Eldoret, undergrounding of the 66kV cable from Parklands Sub-station to Cathedral Sub-station in Nairobi, and construction of Denyenye-Likoni 33kV interconnector in Mombasa.

Other projects implemented using internal funds were construction of 17,075km of new low and medium voltage power lines, and completion of 38 major customer projects at a cost of Shs.406.3 million.

Kenya Electricity Expansion Project (KEEP) World Bank Funded Projects
The \$132 million World Bank-International Development Agency (IDA) funded project commenced in 2010 with one of its main aims being the expansion of electricity access in the country. Out of the total amount, US\$77.03 million was allocated for 24 Company projects including 2x23 MVA 66/11kV sub-stations and lines in Githunguri, Dagoretti, Lukenya, Banana, Rironi, Lower Kabete, Villa Franca and Uplands in Nairobi Region; and a new 1x7.5MVA 33/11kV sub-station and lines in Magumu. Construction of a 2X23MVA 132/33kV sub-station at Jomvu and a 7.5MVA 33/11kV sub-station at Mishomoroni at the Coast, is also in progress under the programme. At the same time, eight new 7.5MVA 33/11kV sub-stations are also being constructed in Kibos, Ahero, Chepseon, Elgon View, Majengo, Maseno, Kabarak University and Kipsaraman in West Region. Five new sub-stations and lines are under construction in Mount Kenya Region including 2x7.5MVA 33/11kV sub-stations in Gatundu and Kangema, a 1x23 MVA 66/11kV sub-station at JKUAT University, as well as sub-stations in Mwea (7.5 MVA 33/11kV), and Tala (23MVA 66/11kV).

The Kenya Electricity Transmission Company (KETRACO) is constructing new transmission lines and associated sub-stations countrywide in conjunction with the Company, at a cost of US\$41.2 million, also under the KEEP programme. During the year under review, there was continuing work on the Kisii-Awendo, Kindaruma-Mwingi-Garissa and Eldoret-Kitale 132kV transmission lines.

Other US\$20.12 million projects funded by the World Bank's International Finance Corporation (IFC) were also in progress during the year. They include a 15 MVA 132/33kV sub-station at Maungu in Coast Region; 2x23 MVA 66/11kV GIS Mamlaka Sub-station in Nairobi Region, and 7.5MVA 33/11kV Bahati Sub-station in Nakuru.

Other Projects

Other projects in the pipeline and which are aimed at stabilising voltages and enhancing quality of power supply include refurbishment of the Juja Road 132/66kV Sub-station at the National Control Centre. Others are construction of 220/66kV sub-stations in Nairobi's Central Business District and Thika Road; a 66/11kV sub-station in Thika North; and a 132/33kV sub-station in Kutus. These projects will be implemented by 2017 at a cost of US\$208 million.

Installation of new reactors and capacitors in 15 critical transmission sub-stations also commenced during the year in West, Mount Kenya

Part of a 30 kilometer power line to Kadzandani in Malindi County, constructed by our employees in



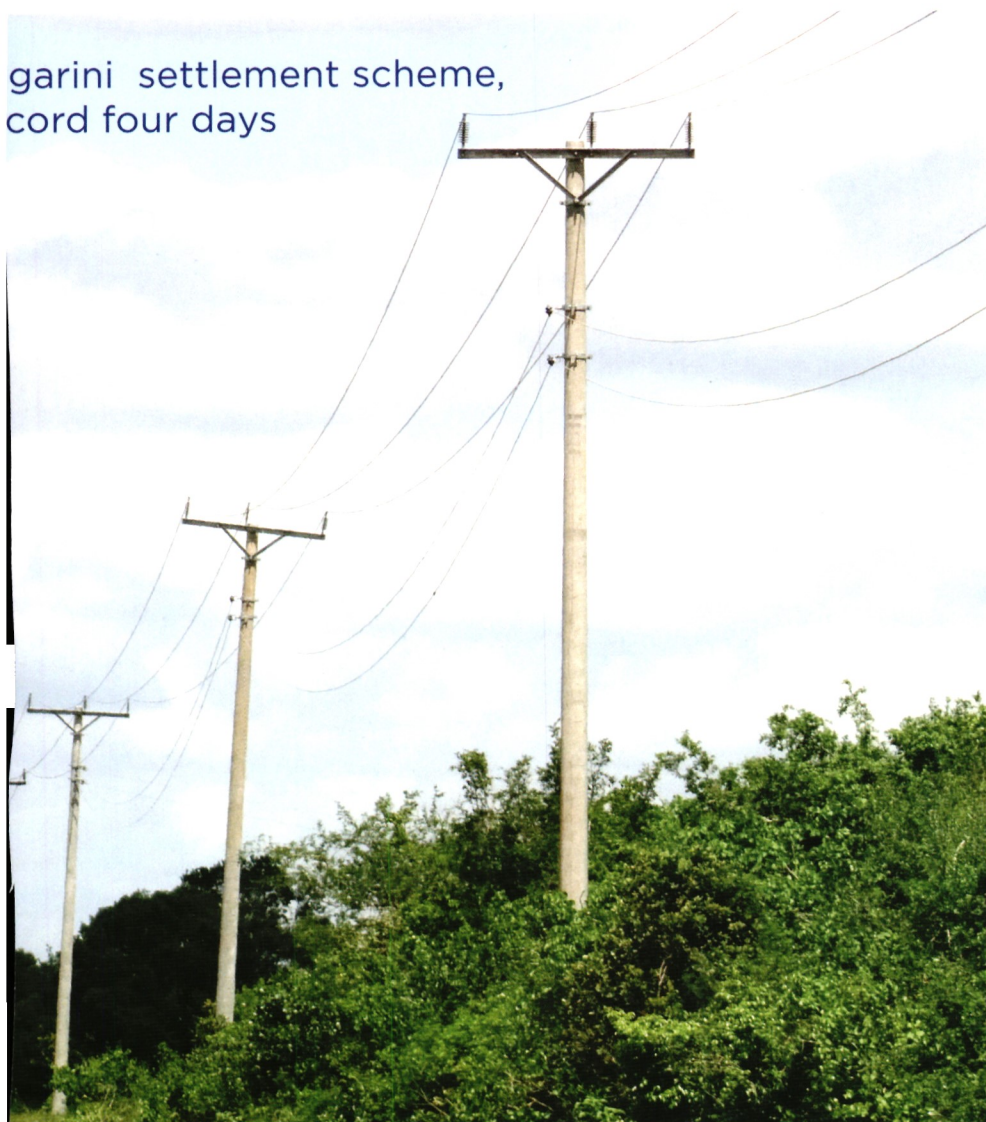
and Coast Regions to stabilise system voltages and enhance quality of power supply. The reactive power compensation project will cost US\$26.6 million.

Off-grid Power Supply

Off-grid power stations operate independent of the inter-connected electricity grid, providing electricity to hundreds of Kenyans in parts of the country that are far from the network. Currently, there are 16 off-grid stations operated by the Company with a total capacity of 16.8MW. These are located in Wajir, Elwak, Takaba, Mandera, Marsabit, Moyale, Habaswein, Rhamu, Lodwar, Lokichoggio, Baragoi, Merti, Mfangano, Mpeketoni, Hola and Eldas.

During the year, five additional diesel generators with a total capacity of 4.75MVA were installed at Wajir, Hola and Habaswein power stations at a total cost of Shs.359 million. At the same time, the new Takaba, Eldas and Rhamu off-grid power stations were handed

garini settlement scheme,
cord four days



over to the Company by the Rural Electrification Authority (REA), while 13 new stations were under construction. The Government is in the process of hybridising all off-grid thermal stations in order to reduce fuel costs by cumulatively adding 10.2MW solar and 600kW wind power capacities, at a total cost of Shs.3.44 billion. So far, nine stations have been hybridised.

Vandalism Reduced

Vandalism of infrastructure is a nationwide problem, and the Company has made concerted efforts to curb theft of, and damage to, the distribution system. As a result of these mitigations, there was a significant drop in the number of vandalism incidents, with 535 cases recorded during the review period, compared to 989 cases in the previous financial year. Mitigation strategies used include welding and hoisting transformers above the voltage conductors, relocating transformers from vandalism-prone areas to more secure locations, and enhancing security operations with the assistance of the police,

the affected communities and local administration officials. Stiffer penalties due to strengthening of various vandalism-associated laws in recent years, have also acted as a deterrent.

5. Innovation

We continually aim to be innovative with our processes and services in order to improve our performance; and by so doing create added value for our shareholders. Following are some of the products and processes whose modernisation and improvement was in progress during the review period.

SCADA Upgrade

The Company completed the extension and upgrade of the Supervisory Control and Data Acquisition System (Scada) during the year. The Scada system is the backbone of remote management of electricity grid operations and it links the primary National Control Centre with the secondary regional control centres. During the year, 22 new and existing sub-stations were also integrated into the system, while 20 others will be integrated in the 2014/15 financial year.

Facilities Database

The Facilities Database (FDB) system roll-out was intensified in all Company branches and 80% of the network had been mapped by the end of the review period. The FDB system maps out the Company's power network using Geographical Information System (GIS), which helps to improve quotation time for new connections by minimising the need for designers to physically visit customer sites. Currently, all new power lines and sub-stations are updated in the FDB upon commissioning.

Radio Systems for West Kenya and North Rift Regions

A trunking radio system for West Kenya and North Rift was successfully installed and commissioned at a cost of Shs.250 million during the review period. The system enhances efficiency of communication for field operations by interconnecting the National Control Centre to the regions through the Company's fibre optic network. The new areas covered by the system in West Region are Kilgoris, Kehancha, Migori, Homabay, Mfangano Island, Nyamira, Gucha, Bondo/Siaya, Bungoma, Kitale, Kapenguria, Kericho, Bomet, Nandi Hills, Maragoli/Kakamega, Lessos, Kipkabus, Kabarnet and Marigat.

Automation of Business Processes

During the year, 75 offices in West Kenya and North Rift were linked to the internal computer network using the Company's radio system. At the same time, we embarked on a project to integrate the Information Communication and Technology (ICT) systems to a unified and information-rich Business Intelligence and Enterprise Data Warehouse. The project entails upgrade of the ICT infrastructure, applications and services to improve employee performance management by providing real-time data on measurable Key Performance Indicators (KPIs). In addition, upgrade of the SAP Enterprise Resource Planning System to effectively manage financial resources, human capital and supply chain processes in an efficient manner, is in progress.

Fibre Optic Business

The Company owns more than 1,800km of optical fibre cable on its high voltage power lines across the country mainly to manage the national power grid, with the excess capacity being leased out to telecommunication service providers Safaricom, Liquid Telecom, Jamii Telecommunications, Indigo Telecom, Wananchi Group and Airtel Network. During the year under review, an additional 62.5km of fibre optic cable were installed in the network. The fibre optic network now also interconnects Uganda at Malaba border point, and the Company has signed a Memorandum of Understanding with Uganda Electricity Transmission Company for a cross-border fibre optic connectivity to facilitate backhaul of data extending to submarine cables in Mombasa. Further, the Company plans to extend the fibre optic network to all counties served by the national grid as part of its business diversification strategy.

Enhancing Service Through Alternative Billing and Payment Systems

With the fast growth and expansion of the customer base, it is imperative for the Company to continue embracing modern, cost-effective and efficient ways of service delivery. Towards this, during the year under review, the Company initiated the issuance of customer bills through email and short messaging services (SMS). This move was informed by research findings which indicate that many customers prefer to receive their bills through these channels. The service also enables customers to check the status of application for new connection; and the Company to disseminate customer information even more efficiently. By adopting digital billing, the Company anticipates to save Shs.600 million per annum.

At the same time, there was an increase in electricity revenue received through third party collection services, with 80% of the total revenue collected being paid through these avenues. The collection points, known as EasyPay, provide convenient alternative payment options to our customers. EasyPay partners include mobile money transfer services such as Airtel Money and M-Pesa; the Postal Corporation of Kenya; Uchumi Supermarkets and banking institutions such as Post Bank, National Bank, Barclays Bank, Standard Chartered Bank, Family Bank, Cooperative Bank and Equity Bank.

Distribution System Automation

Automation of the distribution system entails installation of remotely controlled switches on the 11kV and 33kV networks, enabling more efficient location of faults and facilitating isolation and restoration of power lines. There has been a significant reduction in the time taken to locate and resolve faults in areas already covered by the system automation since the project commenced in Mombasa and Nairobi in 2010. During the year, the Company signed a contract with Lucy Switchgear of the United Kingdom for implementation of the next phase of the Mombasa automation project in the 2014-2015 financial year. The phase will cover Mariakani, Mackinnon, Ukunda, Msambweni, Vipingo and Kilifi areas.

Electricity Metering

The electricity meter is the interface between the Company and its

customers. For this reason, we continuously seek metering solutions that enhance customer satisfaction, while at the same time protecting the Company's revenue base. In this regard, by the end of June, there were 676,788 prepaid meters serving about 25% of all electricity customer accounts. In future, the Company plans to install prepaid meters mainly for rural and other customers in remote locations; and to adopt a hybrid system consisting of post-paid and smart metering in urban and semi-urban areas. The Company also has plans to install two-way meters in large power premises. This will give customers more flexibility in managing their electricity use, while at the same time intensifying the Company's revenue protection.

6. Customer Service

Enhancing Customer Relations

We are committed to the continuous improvement of our customer service and the corporate reputation, and each year we carry out measurement of our performance in these areas. Such research also pinpoints areas for improvement and enables us to develop strategies to meet customer and stakeholder expectations.

During the year under review, we conducted customer satisfaction and corporate reputation surveys to measure the extent to which the Company achieved targeted goals. We attained fairly good results with a customer satisfaction index of 71.2% and corporate reputation index of 74.7% for the year ended June 2014. The ongoing initiatives to continually improve the network and other services are expected to result in major improvements in these performance indices in the near future.

To further enhance our relationships with major stakeholders, we organised joint forums with members of Parliament's House Committee on Energy, the media, Kenya Association of Hotelkeepers and Caterers (KAHC) and other interest groups. Seven joint meetings were held in partnership with the Kenya Association of Manufacturers (KAM) in all the Company's administrative regions, to which leading industrialists and other stakeholders were invited. During such meetings, we shared information about our business and plans.

We also participated in exhibitions and trade fairs in various parts of the country including 16 expos, four investor forums and over 60 county outreach programmes to deepen our engagement with various stakeholders, and to identify additional business opportunities. Further, we participated in 15 Agricultural Society of Kenya (ASK) trade fairs countrywide and attained 12 first positions, 10 second positions and seven third positions in various competition categories. These engagements helped create awareness about our products and services, and to promote safety and conservation as well as highlighting pertinent issues like vandalism, among others.

A comprehensive connectivity marketing campaign branded 'Switch' was carried out through the media, billboards and activations to mobilise prospective customers to apply, pay and get connected.

Ease of Doing Business

The Company continually engages with relevant stakeholders as it

seeks to improve service delivery timelines for new connections, with special focus on new commercial and industrial investors. Following such consultations, during the review period the connection process was streamlined and service delivery timeliness reduced. In this regard, customers requiring more than 25kVA supply are now being connected within 30 days and those requiring below 25kVA are connected within 43 days, compared to 151 days previously for both categories. In addition, marketing officers have been deployed to the National Investment Promotion Office to provide liaison services for power supply to prospective investors. Further, all applications for requirements that are above 25kVA are now being handled by dedicated marketing officers in order to fast-track connection.

7. Our Employees

We rely on our team of highly qualified and skilled staff to deliver the Company's mandate and to meet its customer service and business targets. It is therefore vital for the Company to continually expose its employees to modern and best practices of carrying out operations and doing business. In this regard, during the year under review, 4,902 staff attended various courses, workshops and conferences locally and abroad, which assisted them to contribute to our enhanced performance and to attainment of corporate goals.

Indeed, we are determined to share our vast knowledge with other stakeholders, and plans are at an advanced stage to revamp and upgrade the Company's Training School to turn it into a major institution offering advanced technical training for Company staff, Kenyans and other nationals.

With such a heavy investment in its employees, the Company has put in place measures to ensure high staff retention including competitive pay with attractive benefits, promotions based on merit, and continuous improvement in the work environment. During the review period, a number of welfare activities were conducted to enhance staff motivation and engagement, including excellence and long service awards. Due to these and other ongoing activities aimed at raising morale, the employee satisfaction index improved to 62.3% from 60.24% the previous year.

As at 30th June 2014, the Company had a total workforce of 10,590 serving 2,766,441 customers, translating to a customer-staff ratio of 261:1. This is an improvement from the previous year's ratio of 223:1.

8. Future Prospects

In view of the current national development agenda which includes heavy investment in infrastructure and other projects; as well as the discovery of oil in the country, Kenya is on the verge of unprecedented social and economic development. This heightened level of activity in the country generally, and in the energy sector specifically, offers a unique opportunity for the Company to grow its business significantly in the short and medium terms. It also places a great responsibility on the Company to deliver on its mandate in order to support the implementation and sustainability of the Government's ambitious national plans and projects. The implementation of the 5000+MW

programme by 2017 in particular, provides a singular opportunity for greatly improved performance due to the accompanying exponential scaling up of customer connectivity and electricity sales, and therefore the bottom-line.

We take serious note of these immense opportunities, and also acknowledge that electricity is one of the most important catalysts for national development. We are also aware of the challenges posed by the need to continually invest in improving the transmission and distribution system as well as customer service. We can however confidently state that we are well placed to meet the expectations of the Government, Kenyans in general, our customers and our shareholders. This is because we have laid firm foundations to improve the system, and to serve our customers diligently and with integrity in line with our mission of 'powering people for better lives'.

Appreciation

On behalf of the Management of the Company, I thank all our shareholders, the Government, our customers, and all other partners and stakeholders for their continued support in the 2013/2014 financial year which culminated in our very good performance. I also wish to thank the Board of Directors for its strategic support and guidance, and our employees for their dedicated service during the year. I look forward to our continued cooperation and team work to achieve even better results in the coming year.



Dr. Ben Chumo, OGW
Managing Director & CEO

22nd October 2014

“We are well placed to meet the expectations of the Government, Kenyans in general, our customers and our shareholders. This is because we have laid firm foundations to improve the system, and to serve our customers diligently and with integrity in line with our mission of powering people for better lives.”

1. Vidokezo vya 2013/2014

Utangulizi

Mtandao ambao unasambaza umeme kote nchini kutoka vituo vya uzalishaji kupitia mifumo ya usafirishaji na ugavi, ni miongoni mwa miundomsingi muhimu zaidi nchini. Mitambo thabiti ya umeme ambayo ni salama na ya kutegemewa, hivyo basi, ni muhimu kwa maendeleo ya kitaifa. Hii hasa ni muhimu wakati huu ambapo Serikali imeanza safari ya kuzalisha MW5,000 zaidi kwa kipindi cha miezi 40 kuanzia Septemba 2013.

Ama kweli, mpango huu unahitaji ukarabati mkubwa na upanuzi wa mtandao uliopo wa usafirishaji na usambazaji umeme, pamoja na kuanzisha na kutekeleza mikakati inayolenga kuhakikisha umeme wa ziada unatumika. Ili kufikia malengo haya, katika kipindi cha matumizi ya fedha cha 2013/2014, Kampuni ilijizatiti kukarabati na kupanua mtandao wake; pamoja na shughuli zetu muhimu za uuzaji wa umeme. Nyanja zingine muhimu tulizoangazia katika kipindi hicho ni, kuboresha utoaji huduma, hasa kwa wateja wetu wakuu; kuongeza mauzo ya umeme na kupanua idadi ya wateja.

Mkakati wetu wa Kampuni na mpango wa kuzalisha MW5000

Katika kutekeleza wajibu wake wa kusafirisha, kugawa na kuuza umeme kote nchini, Kampuni inaongozwa na mikakati na mipango yake ya biashara.

Hii pia inaambatanishwa na mpango wa Serikali wa kuzalisha MW 5,000; pamoja na lengo lake lingine la kuhakikisha asilimia 70 au zaidi ya raia wana umeme kufikia 2020 ikilinganishwa na asilimia 35 wakati huu. Katika mwaka uliomalizika, hivyo basi, Kampuni ilishirikiana na washirika na washikadau wengine, ikiwemo Serikali, katika kufanikisha malengo haya ya kitaifa.

Muundo mpya wa Kampuni

Ili kusaidia mkakati mkuu wa Kampuni na juhudi zingine zinazonuia kufanikisha malengo hayo, Kampuni ilibuni na kuanzisha muundo mpya wa kampuni katika mwaka uliomalizika. Muundo huo ambao, utekelezaji wake utakamilika Desemba 2014, utazalisha shirika lenye muundo mdogo, bora zaidi na kuimarisha utoaji huduma. Kipengee muhimu katika muundo huu mpya ni kuwa huduma zote za Kampuni katika kila mojawapo ya kaunti zote 47 nchini kwanzia sasa zitasimamiwa na meneja, pamoja na wahudumu wa kutosha na raslimali nyingine.

Kusambazia umeme Wakenya zaidi

Kutokana na jitihada za wafanyakazi wetu na uzingatiaji mkubwa wa kazi yetu, tulisambazia umeme wateja wapya 443,254 katika kipindi kilichomalizika. Hii ndio idadi kubwa zaidi ya wateja kuwahi kusambaziwa umeme katika kipindi kimoja cha matumizi ya fedha, na ilikuwa nyongeza ya asilimia 52 kutoka 2766241 mwaka uliotangulia na hivyo kufikisha jumla ya wateja kuwa 2,774,216 mnamo Juni, 2014.



The CEO, Jamii Bora Bank Ltd., Mr. Samuel Kimani (left) shakes hands with Mr. Anwar Hussein, General Manager, Corporate Affairs & (right) during the signing of an agreement. Looking on are the General Manager, Corporate Affairs & (right) Mr. Anwar Hussein.

Matokeo ya kibiashara

Wakati huo huo, Kampuni ilipata nyongeza ya faida ya asilimia 54.5 kabla ya ushuru, nyongeza ya asilimia 9.8 katika mauzo na asilimia 30.6 katika mapato ya umeme. Nyongeza ya mauzo ilitokana na kuongezeka kwa wateja pamoja na juhudi kabambe za kuimarisha na kutunza mitambo katika mwaka huo, hali ambayo ilipunguza marudio na muda wa umeme kupotea. Masuala mengine yaliyochangia katika kukua kwa mauzo ya umeme ni hali nzuri ya kibiashara, kuongezeka kwa uwezo wetu wa usambazaji umeme kutosheleza mahitaji ya wateja. Mauzo ya umeme yanatarajiwa kuendelea kukua haraka kwa muda, kutokana na uzalishaji zaidi unaotarajiwa.

Kampeni ya Boresha Umeme

Kampuni ilianza mpango wa kukarabati kwa haraka mtandao wa usambazaji umeme ili kuimarisha utendakazi wa mitambo, huduma kwa wateja na mauzo ya umeme katika kipindi kilichomalizika. Mkakati huo wenye kichwa 'Boresha Umeme Viwandani,' unahusisha kufanya ukarabati mkubwa na kupiga



MD & CEO, Dr. Ben Chumo, after the signing of a power connection loan by Secretary, Beatrice Meso, and the CEO, Rapid Communications Ltd.,

jeki miundomsingi yote ya Kampuni kote nchini. Hii itafanikishwa kwa kuongeza wahudumu na raslimali nyingine kwa muda mfupi, kufanyia marekebisho kwa kiwango kikubwa, ukarabati kwenye sehemu muhimu za mitambo hiyo.

Mpango huo umesaidia kupunguza kupotea kwa umeme na kutosheleza matarajio ya wateja katika maeneo ambapo kampeni hiyo imetekelezwa. Kampeni ya Boresha Umeme ilianzishwa Machi 2014 na kufikia Juni 2014, jumla ya Sh610 milioni zilikuwa zimetumika chini ya mpango huo.

Maelezo kamili kuhusiana na hayo na nyanja zingine za utendakazi na mafanikio katika kipindi cha 2013/2014, yanaangaziwa kwenye ripoti hii.

2. Umeme wa Kutosha Nchi

Matumizi ya umeme Kenya yanaendelea kuongezeka maradufu, na katika kipindi tunachoangazia, kilele cha matumizi kiliongezeka kwa asilimia 8.4 kutoka MW1,354 mwaka uliopita, hadi MW 1,468.

Mkondo huu unatarajiwa kuendelea kutokana na kuongezeka kwa wateja wapya; kuongezeka kwa shughuli za kiuchumi; kuongezeka kwa shughuli za kibiashara katika kaunti; na utekelezaji wa miradi mikubwa na Serikali kote nchini.

Kama mnunuzi mkuu wa umeme unaozalishwa na Kenya Electricity Generating Company (KenGen) na Kampuni Huru za Uzalishaji Umeme (IPPs), Kampuni inatekeleza wajibu muhimu katika ujenzi wa viwanda vipya vya uzalishaji, katika mipango ya umeme na mazungumzo na kuandaa mikataba ya ununuzi wa umeme (PPAs) kabla ya kuidhinishwa na Tume ya Usimamizi wa Kawi (ERC). Kufuatia hali hii, wajibu wa Kampuni katika mpango wa kuzalisha MW 5000 utakuwa kununua umeme kutoka viwanda vipya vya uzalishaji; pamoja na shughuli zingine za kuvumisha uzalishaji huo ili wengi waweze kuutumia umeme huo wa ziada.

Ili kufanikisha hili, katika mwaka uliomalizika, Kampuni ilifanya mazungumzo na kufanikiwa kukamilisha Mikataba mipya 12 ya Ununuzi wa Umeme (PPAs) na KenGen (MW280) kutoka Olkaria IV (MW140) na Olkaria I vitengo 4 na 5 (MW140); Kenya Tea Development Agency (KTDA) kwa uzalishaji umeme kutoka viwanda vidogo vya maji (MW8.5); na MW107 kutoka Quantum (MW37), Sosian (MW35) na Ormat (MW35. Viwanda hivyo vitatu ni vya umememvuke ambavyo vimepatikana katika eneo la Menengai, Nakuru.

Miradi hii yote itachangia kuongeza uzalishaji wa umeme kwa muda, na ni sehemu ya mpango wa mabadiliko ambapo Serikali inalenga kuongeza uzalishaji kutoka MW1664 mnamo 2013 hadi MW6,726 kufikia 2017 kupitia kuongeza kwa MW5,098. Hii inaonyesha ukuaji wa wastani wa asilimia 42, ikilinganishwa na 6.2 katika miaka ya hivi karibuni.

Mbali na kuongeza uzalishaji, suala lingine muhimu katika mpango wa MW5000 ni mabadiliko katika uzalishaji ili usitegemee maji pekee, hali inayotatizwa wakati mwingine na viwango vya chini vya maji nyakati za kiangazi. Uzalishaji wa umemejoto, ambao unatokana na matumizi ya dizeli ambayo gharama yake inasukumiwa wateja, utapungua maradufu, na hivyo kupunguza gharama ya umeme. Pindi tu viwanda hivyo vyote vipya vitaanza kufanya kazi, vyanzo vya uzalishaji vitakuwa kama ifuatavyo:

Aina	2013 (%)	2017 (%)
Maji	46.3	11.7
Joto (Dizeli na mafuta taa)	37.4	6.4
Umememvuke	14.5	27.9
Uzalishaji umeme na joto	1.6	0.7
Upepo	0.3	9.4
Makaa	0	28.4
Gesi asilia	0	15.5

Kulingana na mpango wa utekelezaji, katika mwaka uliomalizika, MW210.3 za umeme zilizalishwa kama ifuatavyo:

KIWANDA	UZALISHAJI (MW)	AINA
Kindaruma (KenGen)	24	Hydro
Thika (IPP)	87	Thermal
Orpower 4 (IPP)	16	Umememvuke
Olkaria IV (KenGen)	140	Umememvuke
Wellheads (KenGen)	32.8	Umememvuke
Triumph Power Diesel (IPP)	83	Thermal
Gulf Power Diesel (IPP)	80	Thermal
Kwale Sugar Cogeneration (IPP)	18	Umememvuke
Olkaria I units 4 & 5 (KenGen)	140	Geothermal
Jumla	621	

3. Kuongeza Idadi ya Wakenya Waliounganishwa na Umeme

Ili kutumia MW5000 zaidi za umeme zitakazozalishwa, mahitaji yatapanda kwa asilimia 296 kutoka MW1,468 kufikia Juni 2014, hadi takribani MW5,359 mnamo 2017; na matumizi ya umeme yataongezeka kwa asilimia 306 kutoka GWh8,087 hadi GWh32,862 kufikia mwisho wa 2017. Inatarajiwa kuwa sehemu kubwa ya umeme huo itatumika kwenye miradi ambayo itakuwepo kote nchini, na ambayo imo kwenye awamu tofauti za maandalizi/

utekelezaji. Hii ni pamoja na ICT Park katika Konza, vituo vipya vya reli, bandari mpya katika Lamu na Dongo Kundu, vituo vipya vya kusafirisha mafuta, miji mikuu mipya na viwanda vipya vya chuma miongoni mwa mingine. Wateja wa kawaida na viwanda katika maeneo ya kaunti vinatarajiwa kutumia nyingine.

Kama sehemu ya kuongeza mahitaji zaidi, Kampuni imeanzisha harakati za kuongeza idadi ya wateja wake kwa milioni moja kila mwaka kuanzia kipindi cha matumizi ya fedha cha 2014/2015. Lengo hili ni sambamba na azima ya Kampuni ya 'kuwasambazia watu umeme kwa maisha bora'; na pia inaunga mkono moja kwa moja mpango wa Serikali kuongeza idadi ya raia walio na umeme hadi zaidi ya asilimia 70 kufikia 2020.

Baadhi ya mbinu ambazo Kampuni imetumia kuongeza idadi ya wateja wake ni (i) kutumia kwa njia bora zaidi transfoma, ambayo inahusisha upanuzi wa laini zilizopo hadi maeneo ambayo yanaweza kutumika kama makazi ili kutumia ipasavyo mtandao wa usambazaji; (ii) kuunda mtandao wa nyaya za kusafirisha umeme wa chini ili kupunguza gharama ya kuwasambazia wateja binafsi; (iii) kuwaweka wateja kwenye makundi ili kupunguza gharama ya kusambazia watu binafsi umeme; (iv) usambazaji umeme katika mitaa ya mabanda.

Marekebisho ya sera mpya ya uunganishaji

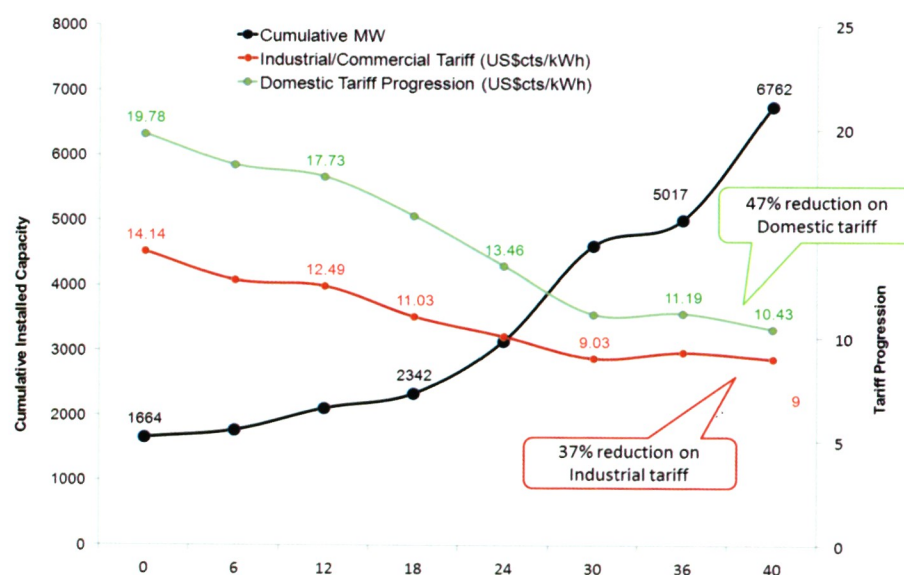
Katika mwaka uliomalizika, Kampuni ilibadilisha sehemu za sera yake kuhusu usambazaji umeme ya 2004 kwa lengo la kuiambatanisha na mabadiliko ya hali ya kibiashara. Chini ya sera hiyo iliyobadilishwa, Kampuni itapanua mtandao wake wa kusafirisha umeme wa kiwango kidogo taratibu kwa kutumia nyaya fupi kwenye mtandao huo. Hatimaye, mkakati huu utawezesha wale wanaopania kupokea umeme kufanya hivyo kwa gharama ya chini.

Isitoshe, Serikali imo mbioni kutafuta ufadhili wa US\$160milioni kutoka African Development Bank (ADB) kugharimia usambazaji umeme katika maili ya mwisho, ambao utatekelezwa kupitia mbinu hii. 'Maili ya mwisho' inarejelea sehemu ya mwisho ya uunganishaji kati ya watumiaji umeme na mitambo na taratibu zinazotumika kuwaunganisha. Katika hali hiyo, Kampuni inaendelea kutafuta mbinu mpya, ikiwemo ile ya kutumia waya moja (SWER), ambapo waya moja inatumika kusambaza umeme kwa wale wanaotumia kiwango kidogo cha umeme badala ya kutumia nyaya mbili kwa gharama ya juu.

Wakati huo huo, mradi mwingine wa US\$16milioni ambao unalenga kuwasambazia umeme wakazi 40,000 kwenye mitaa ya mabanda kufikia Mei 2016 unaendelea kutekelezwa. Mradi huo unafadhiliwa kupitia mpango wa Global Partnership on Output Based Assistance (GPOBA), ambao unalenga kutoa miundomsingi na huduma za kijamii kwa maskini. Zaidi ya wateja 16,000 tayari wamepokea umeme kufikia sasa.

Kulingana na Serikali, lengo lingine la mradi wa MW5000 ni hatimaye kupunguza gharama ya umeme. Chati ifuatayo inaonyesha mkondo wa ada unaotarajiwa pindi mpango huo utakapotekelezwa.

40-MONTH GOVERNMENT TARGET ON TARIFF EVOLUTION



Source:MoEP

13

Mipango mingine ya ufadhili kwa wateja wapya wa umeme

Ni changamoto kubwa kwa Wakenya wengi kupokea umeme. Ili kupunguza mzigo wa kulipia kwanza ndipo wasambaziwe umeme, Kampuni imeshirikiana na taasisi tofauti za kifedha kutoa mikopo ya malipo ya pole pole kwa wateja chini ya Mpango wa StimaLoan. Kufikia sasa, wateja 50,000 wamenufaika na mpango huo, ikiwemo kupitia fedha kutokana na mapato ya Kampuni. Washirika wengine wanaotoa mikopo ni Benki za Equity, National Bank na Jamii Bora. Mipango mingine ya kupokea €30 milioni zaidi kutoka kwa *Agence Française de Développement* (AFD), ambapo wateja 300,000 watanufaika kupitia KPLC StimaLoan inaendelea. Hii inafuatia kukamilika vyema kwa mpango wa majaribio mnamo 2011 na hazina ya €4.5 milioni.

Ruzuku ya Serikali ya Sh.2.7 bilioni

Kati ya Septemba na Novemba 2013, Wizara ya Fedha ilitoa Sh2.7 bilioni kupunguza gharama za usambazaji umeme kwa wateja walio kwenye umbali wa mita 600 kutoka kwa transfoma, na ambayo haina zaidi ya KVA 8 za umeme. Chini ya mpango huo, wateja 51,208 walilipa Sh34,980 kwa wanaotumia waya moja na Sh49,080 kwa wale watumiao nyaya tatu, huku tofauti kati ya kiwango hicho na gharama halisi ya usambazaji ikilipwa na hazina hiyo.

4. Kuimarisha Mtandao

Mtandao imara na thabiti ni muhimu kwa biashara yetu, na kila mwaka, Kampuni inahakikisha rasilmali za kutosha zinatengwa kuendesha na kutunza ipasavyo mtandao wetu. Ama kweli, Kampuni itatumia US\$1.3 bilioni kufikia 2017, hasa kusaidia katika usafirishaji na usambazaji wa umeme wa ziada utakaozalishwa chini ya mpango wa MW5000.

Hivyo basi, katika mwaka uliomalizika, Kampuni ilitumia takribani Sh11 bilioni katika marekebisho na upanuzi wa mtandao, ambao ulihusisha kuweka mitambo ya kujiendesha, kebo za ardhini, mitambo mipya na kubadilisha fito za miti na zile za mawe. Hii ni pamoja na Sh610milioni zilizotumika mwaka uliomalizika kwenye mradi wa Boresha Umeme Viwandani katika Industrial Area Nairobi, Busia, Bungoma, sehemu za Mombasa Kisiwani, Garissa, Meru, Namanga, Karatina na Kajiado.

Kando na juhudi za kuimarisha kwa ujumla ubora wa umeme tunaosambaza maeneo mbalimbali, tulitia mkazo

kuimarisha umeme unaotolewa kwa viwanda pamoja na wateja wengine wanaotumia umeme mwingi na wateja muhimu. Mwaka huo, hivyo basi, Kampuni pia ilianza kuweka nyaya mbadala na maalumu kwa wateja 200 wanaotumia umeme mwingi na wale maalum ili kupunguza visa vya wao kukatiziwa umeme; na asilimia 66 ya nyaya hizo zilikamilika. Vile vile, mitambo 78 ya kujibadilisha yenyewe ilinunuliwa ili kuwezesha wateja hawa wakuu kuhamishwa hadi laini mbadala wakati umeme unapotea, na vifaa 12 viliwekwa katika kipindi husika.

Mradi wa Kufufua Sekta ya Kawi (ESRP)

Mradi wa ESRP wa US\$22.5 milioni, ulioanza 2004, ulikamilika katika mwaka unaotathminiwa. Mradi huo ulilenga kuimarisha na kusitawisha mfumo wa kueneza umeme ili kuimarisha utendakazi, tegemeo na ubora wa huduma za umeme; na pia kuzidisha idadi ya watu waliofikiwa na umeme nchini. Katika kipindi kinachotathminiwa, miradi miwili ya thamani ya US\$7.43 milioni ilikamilishwa. Hii ni mradi wa nyaya za kupita chini ya sakafu wa Kipevu-Makande-Mbaraki (33kV) na Makande-Tononoka (33kV) katika eneo la Pwani kwa gharama ya US\$6.73 milioni, na ujenzi wa kituo kidogo cha Lessos cha kiwango cha 1x2.5MVA 33/11kV katika eneo la North Rift kwa gharama ya US\$0.7 milioni.

Miradi iliyofadhiliwa na Serikali

Katika mwaka unaotathminiwa, Kampuni iliendelea kutekeleza miradi ya ujenzi ya thamani ya US\$23.38 milioni kwa niaba ya Serikali, hii ikijumuisha ujenzi wa vituo vidogo na uwekaji nyaya maeneo mbalimbali. Hii ni pamoja na kituo kipya kidogo cha kiwango cha 1X10MVA 66/33kV na nyaya eneo la GSU Magadi; kituo kipya kidogo cha kiwango cha 1X45MVA 220/66kV na nyaya

Mpango wa MW5000 utatekelezwa kwa muda wa miezi 40 kuanzia Septemba 2013. Chati ifuatayo inaonyesha utaratibu wa utekelezaji, kiwango cha umeme kinachotarajiwa kutokana na vyanzo tofauti vya umeme.

MPANGO WA SERIKALI WA 5000+MW

Muda kwa Miezi	6	12	18	24	30	36	40	Jumla (MW)
Maji	24	-	-	-	-	-	-	24
Joto (Dizeli ya kiwango wastani)	87	163	-	-	-	-	-	250
Umememvuke	90	176	190	50	205	150	785	1,646
Upepo	-	-	20	60	300	250	-	630
Makaa	-	-	-	-	960	-	960	1,920
Gesi Asilia	-	-	-	700	350	-	-	1,050
Uzalishaji umeme na joto	-	-	18	-	-	-	-	18
Jumla	201	339	228	810	1,815	400	1,745	
Ongezeko jumla (MW)	201	540	768	1,578	3,393	3,793	5,538	

eneo la Kainuk; na kituo kipya kidogo cha kiwango cha 1X7.5MVA 33/11kV na nyaya eneo la Lamu; na nyaya mbili mpya za 33kV za kusambaza umeme eneo la Hindi, Lamu.

Miradi iliyofadhiliwa na uuzaji wa haki za hisa

Mwaka huo, Kampuni ilitekeleza miradi mingine iliyofadhiliwa na Shs.9.1 bilioni zilizotokana na uuzaji wa haki za hisa 2010 kwa kuwekeza Shs.2.82 bilioni katika miradi kadha mikubwa ya kuimarisha mfumo wa usambazaji umeme. Miradi hiyo iliyokamilika na kuanza kutumika ni pamoja na kituo kidogo cha kiwango cha 2X45MVA 66/11kV kuhudumia maeneo ya Thika Industrial, Nairobi City Square na Nairobi Eastleigh; kituo kidogo cha kiwango cha 1X7.5MVA 33/11kV na nyaya Embu East; na kituo kidogo cha kiwango cha 7.5MVA 33/11kV na nyaya eneo la Ruring'u mjini Nyeri.

Miradi iliyotekelezwa kwa fedha zilizokusanywa na kampuni

Jumla ya Shs.2.4 bilioni zilizokusanywa na Kampuni zilitumiwa kuimarisha na kusitawisha mfumo katika kipindi husika. Kati ya hizo, Shs.921 milioni zilitumika kuimarisha vituo 10 vidogo Kisumu, Rabai, Meru, Kenya Petroleum Refinery (KPRL), Kisii, na Kikuyu, miongoni mwa maeneo mengine.

Pesa zingine Shs.1.062 bilioni zilitumiwa katika miradi ya kuimarisha nyaya 27 za usambazaji umeme kote nchini. Nyaya hizo ni pamoja na Muthurwa 66kV mjini Nairobi; Malindi 33kV za kuingia kwenye nyaya kuu; kuweka nyaya mpya za kiwango cha 33kV za kupitisha umeme hadi kituo kidogo cha Obote Road mjini Kisumu; ujenzi wa nyaya za kiwango cha 33kV za kuingia kwenye nyaya kuu mjini Eldoret; kupitisha nyaya za 66kV chini ya sakafu kutoka kituo kidogo cha Parklands hadi kituo kidogo cha Cathedral mjini Nairobi; na ujenzi wa kituo cha kuunganisha mifumo cha Denyenye-Likoni (33kV) mjini Mombasa.

Miradi mingine iliyotekelezwa kwa kutumia pesa hizo ni ujenzi wa nyaya mpya za umbali wa kilomita 17,075 za volteji ya kiwango cha chini na kadri, na kukamilika kwa miradi 38 mikubwa ya wateja kwa gharama ya Shs.406.3 milioni.

Miradi wa kuzidisha idadi ya watu wanaopata umeme kenya (KEEP), katika miradi inayofadhiliwa na Benki ya Dunia

Miradi huo wa US\$132 milioni unaofadhiliwa na Benki ya Dunia pamoja na Shirika la Kimataifa la Maendeleo (IDA) ulianza 2010 huku lengo lake moja likiwa kuzidisha idadi ya watu wanaopata umeme nchini. Kati ya pesa hizo, US\$.77.03 milioni zilitengewa miradi 24 ikiwemo vituo vidogo vya kiwango cha 66/11kV na nyaya Githunguri, Dagoretti, Lukenya, Banana, Rironi, Lower Kabete, Villa Franca na Uplands katika kanda ya Nairobi; na kituo kipya kidogo cha kiwango cha 1x7.5MVA 33/11kV na nyaya Magumu. Ujenzi wa kituo kidogo cha kiwango cha 2X23MVA 132/33kV Jomvu na kituo kidogo cha kiwango cha 7.5MVA 33/11kV Mishomoroni katika kanda ya Pwani pia unaendelea chini ya mpango huo. Wakati huo huo, vituo vipya vidogo vinane vya kiwango cha 7.5MVA 33/11kV pia vinajengwa Kibos, Ahero, Chepseon, Elgon

View, Majengo, Maseno, Chuo Kikuu cha Kabarak na Kipsaraman katika kanda ya Magharibi. Vituo vipya vidogo vitano na nyaya zinaendelea kujengwa kanda ya Mount Kenya ikiwemo vituo vidogo vya kiwango cha 2x7.5MVA 33/11kV Gatundu na Kangema, kituo kidogo cha kiwango cha 1x23 MVA 66/11kV Chuo Kikuu cha Jomo Kenyatta cha Sayansi na Teknolojia (JKUAT), sawa na vituo vidogo Mwea (7.5 MVA 33/11kV), Tala (23MVA 66/11kV) na Kangema (2x7.5MVA 33/11kV).

Kampuni ya Kenya Electricity Transmission Company (KETRACO) inajenga laini mpya za kusafirisha umeme na vituo vidogo husika kwa ushirikiano na Kampuni, kwa gharama ya US\$.41.2 milioni, pia chini ya mpango wa KEEP. Katika mwaka uliomalizika, kulikuwa na shughuli za ujenzi zilizoendelea katika Kisii-Awendo, Kindaruma-Mwingi-Garissa na Eldoret-Kitale kwenye laini za kubeba kV132 na vituo vidogo husika.

Miradi mingine ya US\$20.12 milioni iliyofadhiliwa na Shirika la Benki ya Dunia International Finance Corporation (IFC) pia ilikuwa inaendelea mwaka uliomalizika.

Hii ni pamoja na kituo kidogo cha 15 MVA 132/33kV Maungu eneo la Pwani; 2x23 MVA 66/11kV GIS kituo kidogo cha Mamlaka katika eneo la Nairobi, na 7.5MVA 33/11kV kituo kidogo cha Bahati, Nakuru.

Miradi mingine

Miradi mingine inayopangiwa kufanywa na ambayo itadhibiti nguvu za umeme na kuboresha viwango vya usambazaji umeme kwa wateja ni pamoja na kukarabati kwa kituo kidogo cha Juja Road 132/66kV katika National Control Centre. Mingine ni ujenzi wa kituo kidogo cha 220/66kV katikati mwa jiji la Nairobi, kituo kidogo cha 66/11kV Thika North na 132/33kV Kutus na (220/66kV) Thika Road. Miradi hii itatekelezwa kufikia 2017 kwa gharama ya US\$208 milioni.

Ujenzi wa mitambo mipya katika vituo vidogo 15 muhimu vya usambazaji umeme pia ulianza mwaka uliomalizika katika maeneo ya Magharibi, Mlima Kenya na Pwani ili kudhibiti nguvu za umeme na kuimarisha ubora wa usambazaji umeme. Miradi wa kufidia umemetendaji utagharimu US\$.26.6 milioni.

Usambazaji umeme nje ya mtandao

Vituo vya umeme nje ya mtandao uhudumu bila kutegemea mtandao mkuu wa umeme, na hutoa umeme kwa maelfu ya Wakenya katika maeneo ambayo yako mbali na mtandao. Kwa sasa, kuna vituo 16 vya umeme vilivyo nje ya mtandao vinavyosimamiwa na Kampuni vyenye uwezo wa kuzalisha MW 16.8. Vituo hivyo vimo Wajir, Elwak, Takaba, Manderu, Marsabit, Moyale, Habaswein, Rhamu, Lodwar, Lokichoggio, Baragoi, Merti, Mfangano, Mpeketoni, Hola na Eldas.

Katika mwaka uliomalizika, jenereta tano zaidi za dizeli zenye uwezo wa kuzalisha jumla ya MVA 4.75 ziliwekwa katika vituo vya umeme vya Wajir, Hola na Habaswein kwa gharama ya Sh359

milioni. Wakati huo huo, vituo vipya vilivyomo nje ya mtandao vya Takaba, Eldas na Rhamu vilikabidhiwa Kampuni na Rural Electrification Authority (REA), ilhali vituo vingine 13 vipya viliendelea kujengwa. Serikali ina mipango ya kubadilisha vituo hivyo vyote huru ili vitumie vyanzo tofauti vya kawi ili kupunguza gharama za mafuta kwa kuongeza MW10.2 kutokana na jua na kW600 kutokana na upepo, kwa gharama ya Sh.3.44 bilioni. Kufikia sasa, vituo tisa tayari vimefanyiwa mabadiliko hayo.

Kupungua kwa uharibifu wa vifaa vya Kampuni

Uharibifu wa miundomsingi ni tatizo kote nchini, na Kampuni imefanya jitihada zote kuzuia wizi na uharibifu wa mitambo ya ugavi umeme. Kutokana na juhudi hizo, visa vya uharibifu vilipungua maradufu, huku visa 535 vikiripotiwa mwaka uliopita ikilinganishwa na 989 mwaka uliotangulia. Mbinu zilizotumika kuleta ufanisi huu ni pamoja na kuchomelea na kupandisha transfoma juu, kuhamisha transfoma kutoka sehemu zinazokumbwa na visa vingi vya uharibifu hadi maeneo salama, na kuimarisha doria kwa ushirikiano na polisi, jamii husika na maafisa wa utawala wa maeneo hayo. Adhabu kali kufuatia kupitishwa kwa sheria zinazohusiana na uharibifu katika miaka ya hivi karibuni, pia imesaidia kupunguza visa hivyo.

5. Ubunifu

Huwa tunajizatiti kuibua mbinu mpya katika taratibu na huduma zetu ili kuboresha utendakazi wetu; na kwa kufanya hivyo tunaongeza thamani kwa wenyehisa wetu. Zifuatazo ni baadhi ya huduma na taratibu ambazo uimarishaji wake ulikuwa unaendelea katika kipindi kilichomalizika.

Mitambo mpya ya SCADA

Kampuni ilikamilisha ununuzi na upanuzi wa mitambo ya Supervisory Control and Data Acquisition System (Scada) mwaka uliomalizika. Mitambo hiyo ya Scada ndio nguzo kuu katika usimamizi wa operesheni za usambazaji umeme kwa kuwa inaunganisha kituo kikuu cha kusimamia usambazaji huo National Control Centre na vituo vingine vidogo vya mashinani. Katika mwaka uliomalizika, vituo 22 vipya na vya zamani viliunganishwa na mitambo hiyo, ilihali vingine 20 vitaunganishwa katika kipindi cha matumizi ya fedha cha 2014/15.

Ghala la vifaa vyetu

Shughuli ya kuanzisha mitambo ya kuweka ghala la vifaa (FDB) ilishirikisha matawi yote ya Kampuni na asilimia 80 ya mtandao ilikuwa imeshughulikiwa kufikia mwisho wa mwaka uliomalizika. Mitambo ya FDB hufuatilia mtandao wa umeme wa Kampuni kwa kutumia mbinu ya kisayansi ya Geographical Information System (GIS), ambayo inaharakisha utaratibu wa kuwaelezea wateja wapya gharama ya kuwasambazia umeme na kuondoa haja ya wahudumu wetu kutembelea wateja kama hao kujionea wenyewe. Kwa sasa, laini zote mpya na vituo vidogo vipya vinaunganishwa kwenye FDB vinapozinduliwa.

Mawasiliano ya Redio katika maeneo ya magharibi mwa Kenya na North Rift

Mitambo ya mawasiliano na Magharibi mwa Kenya na North Rift iliwekwa na kuzinduliwa kwa gharama ya Sh250 milioni katika kipindi kilichomalizika. Mitambo hiyo inaimarisha mawasiliano kwa huduma za nyanjani kwa kuunganisha National Control Centre na mashinani kupitia mtandao wa Kampuni wa Kebo za Faiba. Maeneo mapya yaliyounganishwa na mitambo hiyo katika magharibi mwa Kenya ni Kilgoris, Kehancha, Migori, Homabay, Mfangano Island, Nyamira, Gucha, Bondo/Siaya, Bungoma, Kitale, Kapenguria, Kericho, Bomet, Nandi Hills, Maragoli/Kakamega, Lessos, Kipkabus, Kabarnet na Marigat.

Kutumia kompyuta katika shughuli za biashara

Katika mwaka uliomalizika, afisi 75 katika maeneo ya Magharibi mwa Kenya na North Rift yaliunganishwa na mtandao wetu wa kompyuta kwa kutumia mitambo ya redio ya Kampuni. Wakati huo huo, tulianzisha mradi wa kuunganisha mifumo yote ya Teknolojia ya Mawasiliano (ICT) kwenye bohari moja la data yaani Business Intelligence and Enterprise Data Warehouse. Mradi huu unahusisha ununuzi wa mitambo mpya ya ICT na huduma ili kuboresha utendakazi wa wasimamizi kwa kutoa data ya moja kwa moja inayoweza kupimwa kwa kutumia vigezo vikuu vya utendakazi (KPIs). Pamoja na hayo, ununuzi wa mitambo mpya ya SAP Enterprise Resource Planning System kusimamia fedha, masuala ya wafanyikazi na uagizaji bidhaa kwa njia bora unaendelea.

Biashara ya faiba optic

Kampuni inamiliki zaidi ya kilomita 1,800 za kebo ya Faiba Optic za kusafirisha umeme wa kiwango cha juu kote nchini hasa kubeba umeme huku zile za ziada zikikodishwa kwa mashirika ya mawasiliano ya simu Safaricom, Liquid Telecom, Jamii Telecommunications, Indigo Telecom, Wananchi Group na Airtel. Katika kipindi kilichomalizika, kilomita 62.5 zaidi za kebo ya faiba optic ziliongezwa kwenye mtandao wetu. Mtandao huo wa faiba optic sasa unaunganisha Uganda katika kituo cha mpakani cha Malaba, na Kampuni imetia sahihi Mkataba wa Maelewano na Kampuni ya Uganda Electricity Transmission kuunganisha mtandao wa faiba wa nchi hiyo na ule wa Kenya ili kuwezesha usafirishaji wa data kupitia kebo za chini ya maji Mombasa. Isitoshe, Kampuni inapanga kupanua mtandao wake wa Faiba Optic kwa kaunti zote zilizo kwenye mtandao wa umeme kama sehemu ya mkakati wake kupanua biashara yake.

Kuimarisha huduma kupitia njia mbadala za kutuma bili na mifumo ya malipo

Huku idadi ya wateja wetu ikiendelea kuongezeka, imekuwa muhimu kwa Kampuni kuendelea kukumbatia mbinu mpya, za kisasa, nafuu na bora zaidi za utoaji huduma. Kuhusiana na hilo, katika mwaka uliomalizika, Kampuni ilianzisha utaratibu wa kutoa bili za wateja kwa njia ya baruapepe na ujumbe mfupi (SMS). Hii ilitokana na matokeo ya uchunguzi kuhusiana na utoshelezaji wa

wateja ambayo yalionyesha kuwa wateja wengi wangependa kupokea bili zao kupitia njia hizi. Huduma hii pia inawawezesha wateja kubaini hali ya maombi yao ya umeme kwa wateja wapya; na Kampuni kutuma taarifa muhimu kwa wateja kwa njia ifaayo. Kwa kutumia mfumo wa dijitali wa kutuma bili, Kampuni inatarajia kuokoa Sh600 milioni kwa mwaka.

Wakati huo huo, kulikuwa na nyongeza ya mapato ya umeme yaliyopokelewa kupitia huduma za ukusanyaji mapato kupitia maajenti, huku asilimia 80 ya jumla ya mapato yakitokana na njia hizi.

Vituo hivyo vya ukusanyaji, vinavyofahamika kama EasyPay, hutoa njia bora zaidi za malipo kwa wateja wetu. EasyPay ina ushirikiano na huduma za kutuma pesa kama vile Airtel Money na M-Pesa; Postal Corporation of Kenya; Uchumi Supermarkets na benki kama vile Post Bank, National Bank, Barclays Bank, Standard Chartered Bank, Family Bank, Cooperative Bank na Equity Bank.

Kugeuza mfumo wa usambazaji kuwa wa kujiendesha

Kugeuza mfumo wa usambazaji kuwa wa kujiendesha inahusisha kuweka kwa swichi kwenye mitandao ya kV11 na kV33, na hivyo kuwezesha kutambua kwa urahisi maeneo ya hitilafu na kurejesha umeme. Kumekuwa na upungufu wa muda unaochukuliwa kurekebisha umeme katika maeneo ambayo yamehudumiwa na mtambo wa kujiendesha tangu mradi huo uanzishwe Mombasa na Nairobi mnamo 2010. Katika mwaka huo, Kampuni ilitia sahihi mkataba na Lucy Switchgear ya Uingereza kutekeleza awamu nyingine ya mradi huo wa mitambo kujiendesha katika kipindi cha matumizi ya fedha cha 2014-2015. Awamu hiyo itashirikisha Mariakani, Mackinnon, Ukunda, Msambweni, Vipingo na Kilifi.

Kuweka mita za stima

Mita ya umeme ndio kiunganishi cha Kampuni na wateja wake. Kwa sababu hii, tunaendelea kuimarisha njia za kutoa bili ili kutosheleza wateja na wakati huo huo kutunza mapato ya Kampuni. Kwa mintaarafu hii, kufikia mwishoni mwa Juni, kulikuwa na mita 676,788 za kulipia kabla ya kutumia zilizohudumia asilimia 25 za akaunti za wateja wa umeme. Siku sijazo, Kampuni inapanga kuweka mita za kulipia kabla ya kutumia hasa katika maeneo ya mashambani na wateja walio katika sehemu zisizofikika kwa urahisi; na pia kutumia mfumo mseto unaohusisha mita za kulipia baada ya matumizi na zile za kujikatia katika maeneo ya miji na viunguni mwa miji.

Kampuni pia imeanzisha mipango ya kuweka mita za njia mbili katika makazi yanayotumia umeme mwingi. Inakadiriwa kuwa hii itawapa wateja fursa ya kusimamia vyema matumizi yao ya umeme; wakati huo huo ikitunza mapato ya Kampuni hata zaidi.

6. Huduma kwa Wateja

Kuimarisha uhusiano na wateja

Tunajitolea kuendelea kuimarisha huduma zetu kwa wateja na sifa

ya Kampuni yetu, na kila mwaka huwa tunatathmini utendakazi wetu katika nyanja hizi. Utafiti kama huo hutuonyesha sehemu zinazohitaji kurekebisha na kutuwezesha kuunda mikakati ya kutosheleza matarajio ya wateja na washikadau.

Katika mwaka uliomalizika, tulifanya uchunguzi kuhusu kuridhika kwa wateja wetu na sifa za shirika hili ili kubaini ni kwa kiwango gani Kampuni imefikia malengo yake katika nyanja hizi muhimu. Tulipokea matokeo mazuri huku asilimia 71.2 ya wateja wakielezea kuridhika kwao na sifa ya Kampuni. Jitihada zinazoendelea kuimarisha mtandao na huduma nyingine zinatarajiwa kuimarisha matokeo hayo hivi karibuni.

Ili kuimarisha uhusiano wetu na washikadau wengine wakuu, tuliandaa vikao vya pamoja na Kamati ya Bunge kuhusu Kawi, Vyombo vya Habari, Kenya Association of Hotelkeepers and Caterers (KAHC) na makundi mengine husika. Vikao saba vya pamoja viliandaliwa katika maeneo yote ya usimamizi wa Kampuni ambapo viwanda vikuu na wahusika wengine walialikwa. Wakati wa mikutano hiyo, tulielezea zaidi kuhusu biashara yetu na mipango yetu.

Pia tulishiriki katika maonyesho na shoo nyingine katika sehemu tofauti za nchi yakiwemo maonyesho 16 ya bidhaa, mikutano minne mikuu ya wawekezaji na zaidi ya mikutano 60 ya uhamasisho katika kaunti ili kuzidisha ushirikiano wetu na washikadau tofauti, na kutambua nafasi zaidi za kibiashara. Vile vile, tulishiriki katika Maonyesho ya Kilimo nchini (ASK) 15 kote nchini na kushikilia nafasi 12 za kwanza, 10 za pili na saba katika nafasi ya tatu kwenye vitengo tofauti vya mashindano.

Ushiriki huo ulisaidia kutoa uhamasisho kuhusu bidhaa na huduma zetu na kupigia debe usalama na utunzaji mazingira pamoja na kuangazia kuhusu masuala muhimu kama vile uharibifu wa vifaa vyetu miongoni mwa mengine. Kampeni kubwa ya kuvumisha usambazaji umeme kwa wateja wapya inayofahamika kama "Switch" iliendeshwa kupitia vyombo vya habari, mabango na uamilifu ili kuwavutia wale wanaohitaji umeme kutuma maombi, kulipa na kusambaziwa umeme.

Kuendesha biashara kwa urahisi

Kampuni inaendelea kila wakati kushauriana na washikadau muhimu huku inapajaribu kupunguza muda wa kusambaza umeme kwa wateja wapya, huku tukilenga zaidi wawekezaji wa kibiashara na viwanda. Kufuatia mashauriano hayo, katika mwaka uliomalizika, utaratibu wa uunganishaji umeme uliimarishwa na muda wa kusambaza umeme kupunguzwa. Kufuatia hayo, wateja wanaohitaji kVA25 wanapokea umeme katika muda wa siku 30 na wale wanaohitaji chini ya kVA25 wanaunganishwa na umeme katika muda wa siku 43 ikilinganishwa na siku 151 za hapo awali kwa vitengo vyote viwili.

Isitoshe, maafisa wa mauzo wamepelekwa katika National Investment Promotion Office kuwasaidia wale wanaoazimia kuwekeza nchini. Mbali na hayo, maombi yote ya umeme unaozidi

kVA25 yanashughulikiwa na maafisa maalumu wa uuzaji ili kuharakisha usambazaji huo wa umeme.

7. Wafanyikazi Wetu

Tunategemea wafanyikazi waliohitimu na wenye ujuzi wa hali ya juu kutekeleza majukumu ya Kampuni na kutimiza malengo yake kwa wateja na ya kibiashara. Sambamba na mabadiliko ya kibiashara na mageuzi, ni muhimu kwa Kampuni kuendelea kuwapa mafunzo wafanyikazi wetu kuhusu njia bora zaidi za kuendesha operesheni na kuendesha biashara. Kwa mintaarafu hii, katika mwaka uliomalizika, wafanyikazi 4,902 walihudhuria mafunzo tofauti, warsha na makongamano nchini na ng'ambo, yaliyowasaidia kuboresha utendakazi wao na kufanikisha malengo ya Kampuni. Ama kweli, tunajitolea kushiriki na washikadau wote maarifa yetu mengi, na mipango imekamilika ya kufufua na kujenga upya Taasisi ya Mafunzo ya Kampuni ili kuifanya taasisi kubwa ya kutoa mafunzo ya kiufundi ya kiwango cha juu kwa Wafanyikazi wa Kampuni, Wakenya na raia wengine.

Baada ya kutumia rasilmali nyingi katika wafanyikazi wetu, Kampuni imeweka mikakati ya kuhakikisha tunahifadhi wengi wa wafanyikazi wetu ikiwemo mishahara mizuri, kupandishwa ngazi kwa wale waliohitimu na kuendelea kuimarisha mazingira ya kikazi.

Katika mwaka uliomalizika, shughuli mbalimbali za ustawi wa wafanyikazi zilifanywa kuwapa motisha wafanyikazi, zikiwemo tuzo za wahudumu bora zaidi na wale waliohudumu kwa muda mrefu. Kutokana na haya na shughuli zingine zenye lengo la kuwatia shime wafanyikazi, ripoti kuhusu kuridhika kwa wafanyikazi iliimarika hadi asilimia 62.3 ikilinganishwa na asilimia 60.24 mwaka uliotangulia.

Kufikia Juni 30, 2014, Kampuni ilikuwa na jumla ya wafanyikazi 10,590 wanaohudumia wateja 2,757,983, na hivyo uwiano wa 261:1 wa wafanyikazi na wateja. Kiwango hicho ni bora kuliko mwaka uliopita ambapo uwiano ulikuwa 223:1.

8. Hali ya Baadaye

Kutokana na ajenda ya kitaifa ya maendeleo ambayo inashirikisha uwekezaji mkubwa katika miundomsingi na miradi mingine; pamoja na kupatikana kwa mafuta nchini, Kenya imo kwenye hatihati ya maendeleo makubwa ya kijamii na kiuchumi. Shughuli hizi nyingi nchini kwa jumla na hasa sekta ya afya, zinatoa fursa ya kipekee kwa Kampuni kukuza biashara yake pakubwa. Pia inaweka mabegani mwa Kampuni wajibu mkubwa kutekeleza majukumu yake ili kusaidia kufanikisha utekelezaji na udumishaji wa mipango na miradi mkuu ya Serikali. Utekelezaji wa Mpango wa MW5000 kufikia 2017 hasa unatoa fursa nzuri kwa Kampuni kuimarisha matokeo yake kutokana na kuongezeka maradufu kwa idadi ya wateja watakaosambaziwa umeme na mauzo ya umeme na hivyo basi, matokeo ya Kampuni.

Tunatilia maanani nafasi hizi tele, na kutambua kuwa umeme ni mojawapo ya viungo muhimu katika maendeleo ya kitaifa. Tunatambua pia changamoto zinazotokana na haja ya kuendelea kuwekeza katika kuboresha mifumo ya usambazaji na ugavi pamoja na huduma kwa wateja.

Tunaweza kusema kwa ujasiri kuwa tuko kwenye nafasi nzuri ya kutosheleza matarajio ya Serikali, Wakenya kwa jumla, wateja wetu na wenyekazi wetu. Hii ni kwa sababu tumeweka misingi thabiti kuboresha mitambo, na kuhudumia wateja wetu kwa bidii na kwa uadilifu sambamba na azima yetu ya 'kutoa umeme kwa watu kwa maisha bora'.

Shukrani

Kwa niaba ya Wasimamizi wa Kampuni, ninawashukuru wenyekazi wetu, Serikali, wateja wetu na washirika wengine wote na washikadau kwa kutuunga mkono katika mwaka wa 2013/2014 hali ambayo ilichangia matokeo bora. Ningependa pia kushuruku Bodi ya Wakurugenzi kwa kutuunga mkono na kutupa mwelekeo, na wafanyikazi wetu kwa kujitolea kazini katika mwaka uliomalizika. Ninatazamia ushirikiano na kufanya kazi pamoja ili kupata matokeo hata bora zaidi katika mwaka unaokuja.



Dkt. Ben Chumo, OGW

Mkurugenzi Mkuu na Afisa Mkuu Mtendaji

22 Oktoba 2014

Our technicians
working on the
power system in
Garissa



Good corporate governance is critical in ensuring security and growth of shareholder value, and sustainability of Company business. Corporate governance entails establishment of structures, procedures and processes to direct and control an organisation for enhanced efficiency and competitiveness. It defines relationships among a Company's Board, shareholders, management and other stakeholders to ensure that the business remains viable and sustainable. The Company's Directors and Management remain committed to adoption of corporate governance best practices.

This statement outlines corporate governance principles, structures and practices in the Company.

PRINCIPLES AND GUIDELINES GOVERNING THE BOARD

Being listed at the Nairobi Securities Exchange (NSE), the Company complies with the Capital Markets Authority Guidelines on Corporate Governance for publicly quoted companies. In addition, the Directors are guided by the Board Manual, Charter, and Code of Conduct. We also ascribe to the 2003 Public Officers Ethics Act applicable to all public officers. The Board is also vested with powers and authority by relevant laws of Kenya and the Company's Memorandum and Articles of Association.

These documents describe individual powers, duties, obligations, responsibilities, corrective actions and liabilities of Directors. The Board Manual seeks to ensure effectiveness of Directors' contribution in the governance of the Company by facilitating full and free exercise of independent judgment and professional competencies. The Manual specifically outlines governance arrangements applied in the Company in the following areas, among others:

- i. Appointment of Directors and requirements for skills/gender mix and balance of independent and other Directors;
- ii. Recognition of, and commitment to, rights of shareholders;
- iii. Respective roles and functions of the Board, the Chairman, Managing Director and CEO, and Company Secretary;
- iv. Conduct of Board meetings;
- v. Directors' induction and development;
- vi. Directors' duties, liabilities and code of conduct;
- vii. Terms of reference for all Board committees; and
- viii. Disclosure of material information to the public.

The Board operates under rules that govern the conduct of individual Directors spelt out in the Directors' Code of Conduct to enable them operate effectively and in the best interests of the Company. Directors are required to declare in writing any transaction which would constitute a conflict of interest and to abstain from voting when such matters are being considered. Business transactions with all parties, Directors or their related parties, are carried out at arms' length.

The Code of Conduct requires Directors to: act honestly and in good faith; exercise duty with care and diligence; avoid and disclose

conflict of interest; maintain confidentiality of information about the Company; show commitment to, and attend to, Company business; and to respect fellow Directors. In addition, all management employees are required to commit and adhere to the Company's Code of Conduct and Ethics.

CONSTITUTION OF THE BOARD OF DIRECTORS

The current Board has nine Directors including the Managing Director & Chief Executive Officer. Eight of the Directors including the Chairman are non-executive. The constitution of the Board is based on diversity of skills, requirements of the sector, age, value addition, gender, academic qualifications and experience necessary to help achieve the Company's goals and objectives. The Directors' biographies are shown on pages 8 to 11.

At least one third of the Board members retire by rotation every year and are eligible for re-election during the Annual General Meeting. Any Director appointed by the Board during the year to fill a casual vacancy is also required to retire and seek election at the next Annual General Meeting.

ROLE OF THE BOARD

The Chairman is responsible for providing leadership to the Board and ensuring sufficient information is provided in a timely manner to enable the Directors to discharge their duties, while the Managing Director and Chief Executive Officer is responsible for the day to day management of the Company.

The responsibilities of the Board include: (i) setting short and long-term goals of the Company and strategic plans to achieve those goals; (ii) ensuring preparation of the annual and half-year financial statements; (iii) reviewing and approving annual budgets; (iv) setting and reviewing key performance indicators and management performance targets; (v) ensuring the Company has adequate risk management internal control and compliance monitoring systems for business continuity; and (vi) working with Management to maximise shareholders' value.

The Board of Directors has full access to advice and services of the Company Secretary as well as timely and relevant Company information to discharge its duties effectively. Directors are also empowered to seek independent professional advice on Company business at its expense where necessary.

BOARD WORK-PLAN AND MEETINGS

The Board work-plan and schedule of meetings is prepared before the start of each calendar year. Board meetings are held once a month or more often depending on the requirements of the business. Directors receive adequate notice and detailed papers on issues to be discussed in good time to enable them prepare for the meetings.

During the year under review, the Board held a total of 14 meetings which were well attended as detailed below:

CORPORATE GOVERNANCE STATEMENT (Continued)

Board Meetings Attendance

Name	Attendance (14 meetings)
Mr. E. Ochola - Chairman	14
Dr. B. Chumo - MD & CEO	14
Eng. J. Njoroge	3
Dr. T. Kilukumi	14
Mr. M. Kariuki	14
Mr. J. Mwirigi	13
Mr. J. Kariuki (Alternate to the PS, The National Treasury)	14
Eng. I. Kiva (Alternate to the PS, Ministry of Energy & Petroleum)	11
Eng. P. Obath	11
Mrs. J. Nashida	14
Mrs. F. Hirsi Mohamed (left in March 2014)	6

BOARD COMMITTEES

There are six standing committees of the Board which assist it to discharge various business functions and responsibilities effectively. Ad hoc committees are constituted to deal with pertinent issues whenever the need arises. Operations of each committee are defined in the terms of reference assigned by the Board. The Company Secretary is the secretary to all Board Committees except the Staff and Remuneration Committee where the Managing Director & CEO is the secretary.

The Board had the following committees during the year:

Audit Committee

The Audit Committee is composed of four non-executive Directors. The Committee is mandated to safeguard Company assets and to ensure that adequate operating and control processes are in place. The Committee regularly invites the Managing Director & CEO, General Manager in charge of Finance and the Internal Audit Manager to its meetings. When necessary, external auditors are invited to attend the meetings.

The Audit Committee is charged with the following responsibilities:

- examining quarterly, half-year and annual financial statements;
- discussing the audit plan with the external auditors before commencement of the annual audit exercise;
- consideration of audit findings by the external auditors;
- recommending to the Board engagement of external auditors and their audit fees;
- reviewing the function, independence, operations and findings of the Internal Audit Department; reviewing risks affecting the Company and management strategies in addressing them; and
- ensuring adherence with the code of ethics and integrity in financial transactions of the Company.

The Committee held 5 meetings as follows:

Name	Attendance (5 meetings)
Mr. J. Mwirigi - Chairman	5
Dr. B. Chumo - MD & CEO (by invitation)	5
Mr. M. Kariuki	5
Eng. P. Obath	4
Mr. E. Ochola	5

Strategy and Customer Service Committee

The role of the Strategy and Customer Service Committee is to advise the Board on strategies to enhance the Company's performance. Duties of the Committee include review of the Company's Five Year Strategic Plan, Annual Corporate Strategic Plan and Annual Corporate Budget. The committee also monitors major Company projects under implementation and directs strategies to improve customer service.

During the year, the Committee held 3 meetings as shown in the table below:

Name	Attendance (3 meetings)
Eng. P. Obath - Chairman	3
Dr. B. Chumo - MD & CEO	3
Mr. J. Kariuki	3
Eng. I. Kiva	2
Mr. E. Ochola (by invitation)	1
Mrs. F. Hirsi Mohamed (left in March 2014)	1

Staff and Remuneration Committee

The mandate of the Staff and Remuneration Committee includes the following:

- appointment of, and setting terms and conditions of service for, the Managing Director and CEO;
- appointment, promotion and disciplinary issues of senior staff;
- staff remuneration;
- performance bonus for the Managing Director and staff;
- human resources policies and corporate organisation structure to support the Company's business;
- succession plan for senior staff; and
- reviewing the performance of the staff pension scheme.

The Committee held 3 meetings during the year under review as shown in the table below:

Name	Attendance (3 meetings)
Dr. T. Kilukumi – Chairperson	3
Dr. B. Chumo – MD & CEO	3
Mr. J. Kariuki	3
Mr. J. Mwirigi	2
Mrs. J. Nashida	3
Eng. I. Kiva	2

Procurement Oversight Committee

The Procurement Oversight Committee provides oversight role on procurement carried out by the Company. The Committee reviews and considers the annual procurement plan for recommendation to the Board, monitors the procurement by Management to ensure compliance with the approved annual procurement plan and the law, and approves procurement of goods and services with a value of Shs.50 million and above, and other strategic procurements.

The Committee held 13 meetings during the year under review as shown in the table below:

Name	Attendance (13 meetings)
Mr. M. Kariuki – Chairman	13
Dr. B. Chumo – MD & CEO	13
Dr. T. Kilukumi	13
Mr. J. Mwirigi	13
Mrs. J. Nashida (joined the committee in July 2014)	-
Mrs. F. Hirsi Mohamed (left in March 2014)	9

Power Purchase Agreements (PPA) Committee

This committee reviews proposed power purchase agreements (PPAs) with bulk power producers with a view to safeguarding the interests of the Company. The committee ensures cost-effective power purchase contracts for the benefit of customers and shareholders.

The Committee held 4 meetings during the year under review as shown in the table below:

Name	Attendance (4 meetings)
Mrs. F. Hirsi Mohamed – Chairperson (left in March 2014)	2
Dr. B. Chumo – MD & CEO	4
Mrs. J. Nashida	3
Eng. I. Kiva	2
Eng. P. Obath	3
Mr. J. Kariuki	3
Mr. E. Ochola (by invitation)	4

Information Communication and Technology (ICT) Committee

The Committee is responsible for reviewing the Company's ICT policy, addressing issues of ICT security and internal controls, ensuring procurement of suitable systems to support the business and to minimise risks related to ICT.

The Committee held 3 meetings during the year as shown in the table below:

Name	Attendance (3 meetings)
Mrs. J. Nashida – Chairperson	3
Dr. B. Chumo – MD & CEO	3
Mr. M. Kariuki	3
Dr. T. Kilukumi	3
Mr. E. Ochola (by invitation)	1

ACCOUNTABILITY AND AUDIT

The Companies Act requires Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company as at the end of the period. Directors are responsible for ensuring that suitable accounting policies are consistently applied, supported by reasonable and prudent judgments and estimates; and that applicable accounting standards are followed as well as the duty to exercise care, skill and diligence.

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

CAPACITY BUILDING FOR THE BOARD

Directors attend training to equip them with the necessary skills and for effective discharge of their duties. The identified training programmes are designed to impart knowledge suitable for conducting business. In addition, an induction programme for new Directors is conducted to enhance understanding of the nature of the business and operations of the Company.

In the year under review, Directors attended various training seminars and conferences on procurement, regulation, strategic management and corporate governance, among others.

DIRECTORS' REMUNERATION

Directors' fees are payable annually upon approval by shareholders in an Annual General Meeting in accordance and within the approved limits set in the guidelines by the Government for all state corporations. Details of Directors' remuneration are shown on page 87. It is proposed that each non-executive Director be paid a fee of Shs.600,000 for the financial year ended 30th June 2014, or pro

rata for any part served thereof. In addition, Directors are entitled to sitting allowance for every meeting attended, lunch allowance (in lieu of lunch being provided), accommodation allowance and mileage reimbursement where applicable, within limits set by Government for state corporations. In addition, the Chairman is paid a monthly honorarium.

There were no Directors' loans at any time during the year.

INTERNAL CONTROLS

The Board is obligated to maintain a sound system of internal controls to safeguard shareholders' investments. These include taking reasonable steps to ensure that the control and regulatory systems are continuously maintained and monitored. Internal control systems are designed to meet the particular needs of the Company and the risks to which it is exposed, with procedures to provide effective internal financial control. It is desired that the systems in place provide reasonable controls, but absolute assurance cannot be guaranteed.

DIRECTORS' SHAREHOLDING

None of the Directors owns more than one percent of the Company's total issued shares in their individual capacity.

ENTERPRISE RISK MANAGEMENT

Enterprise Risk Management (ERM) is a key component of the Company's governance framework. During the review period, the convergence of governance risk and compliance continued in earnest globally, with more organisations embracing a combined framework to manage governance, risk and compliance.

We continued to implement the ERM programme with update and tracking of key risks by both the Management and the Board, and we also reviewed and validated the efficiency of all the mitigations in place. Emerging risks were captured to ensure alignment of the corporate risks with the Company's strategic direction.

In summary, the risk issues likely to affect the Company can be grouped into three major categories:

- i. Macro-economic risk issues: These are the issues likely to affect growth opportunities in the next 12 months.
- ii. Strategic issues: These are issues surrounding the Company's strategy in pursuit of the objectives and business growth opportunities in the next 12 months.
- iii. Operational issues: Issues that may affect key operations of the Company as it seeks to execute its business strategy.

Going forward, the Company is in the final stages of procuring a consultant through a World Bank facilitated process, to review the ERM framework and strengthen the risk management uptake within the Company. This project will be funded under the Kenya Electricity Expansion Project (KEEP). Once on Board, the consultant will review all ERM activities and provide tools for setting the risk appetite, risk reporting, advise on ways of dealing with residual risks and build internal capacity for business continuity and sustainability.

ETHICAL STANDARDS

The Board and Management are committed to ensuring that ethics and integrity remain at the core of everything we do. We recognise that ethics management is key to the Company's sustainability and we are therefore continuously putting in place practices, systems and processes to integrate ethics and to leverage the same for competitive advantage. The Code of Ethics, which helps us to align our conduct and practices with our values, has been revised in line with the Constitution and international benchmarks. Sustained training on the provisions of the Code of Ethics is conducted and integrity programmes have been incorporated in all courses conducted at the Company's Training School. All new staff undergo mandatory induction training that includes ethical conduct. All management staff are required to sign the Code of Ethics and to adhere to its principles and provisions.

The Company's whistle blowing facility, which is an anonymous mechanism for receiving complaints and making follow-ups, was active in the year under review. All reported cases are objectively analysed, investigated and appropriate action taken.

In the year under review, the Company's ethics index improved from 4.0 to 3.84. This can be attributed to sustained training, risk assessment and enforcement of corruption prevention.

RELATIONS WITH SHAREHOLDERS

The Company places great importance on maintaining cordial relations with its shareholders and open communication is maintained through various channels. These include the Annual General Meeting (AGM). All shareholders are entitled to attend and vote at the AGM whose notice is published at least 21 clear days before the meeting. We also publish our half-year and annual financial statements in the print media and through the Company website www.kplc.co.ke. The Annual Report and Financial Statements are also available for distribution to shareholders on request. During the AGM, shareholders are given an opportunity to ask questions or seek clarification on any matter relating to the Company. In addition, the Company maintains an open door policy and shareholders have direct access to the Company Secretary and the Shares Registrar, who respond to queries and correspondence on a wide range of issues.

EXECUTIVE MANAGEMENT

Under the new organisation structure, the Company's business is structured under 10 functional divisions and nine administrative regions for efficient operation and management. The nine business regions are: Nairobi North, Nairobi South, Nairobi West, Coast, West Kenya, Central Rift, North Rift, Mt. Kenya North and Mt. Kenya South. The divisions are Business Strategy; Infrastructure Development; Network Management; Customer Services; Supply Chain; Information Communication Technology; Corporate Affairs and Company Secretary; Human Resource and Administration; Finance; and Regional Coordination.

CORPORATE GOVERNANCE STATEMENT (Continued)

Executive Management Committee

The Executive Management Committee is chaired by the Managing Director & CEO. The committee comprises heads of divisions. The Committee meets at least twice a month to review performance, and to consider policy and business issues including corporate strategy, and also reviews papers before they are tabled to the Board for consideration and approval.

SHAREHOLDING PROFILES

The Company complies with all statutory requirements prescribed under the Companies Act, Capital Markets Authority (CMA) and listing requirements at the Nairobi Securities Exchange (NSE).

The top 20 major shareholders as at 31st August 2014 were as follows:

No.	Name of Shareholder	Ordinary (Shs.2.50 each)	4% Pref. (Shs.20 each)	7% Pref. (Shs.20 each)	Total	Percentage
1	Permanent Secretary, The National Treasury	977,641,695	656,808	193,531	978,492,034	50.086
2	Standard Chartered Nominees Ltd.	343,304,359	-	-	343,304,359	17.573
3	NSSF Board of Trustees	80,361,153	3,550	750	80,365,453	4.114
4	CFC Stanbic Nominees Ltd.	73,214,711	48,308	-	73,263,019	3.750
5	KCB Nominees Ltd.	48,002,152	69,584	800	48,072,536	2.461
6	NIC Custodial Services Ltd.	41,687,543	-	-	41,687,543	2.134
7	Equity Nominees Ltd.	27,041,184	-	-	27,041,184	1.384
8	Co-op Bank Custody	21,618,536	-	-	21,618,536	1.107
9	Jubilee Insurance Company Ltd.	20,215,387	59,828	17,160	20,292,375	1.039
10	Old Mutual Life Assurance Co. Ltd.	10,261,291	-	-	10,261,291	0.525
11	Chase Bank Nominees Ltd.	8,646,856	-	-	8,646,856	0.443
12	Kenindia Assurance Co. Ltd.	7,278,349	-	-	7,278,349	0.373
13	ICEA Lion Life Assurance Ltd.	6,508,952	221,386	19,272	6,749,610	0.345
14	CFC Life Assurance Company Ltd.	6,584,477	-	-	6,584,477	0.337
15	Bai Co. (Mtius) Ltd.	5,276,800	-	-	5,276,800	0.270
16	Alimohamed Adam	4,762,521	277,264	57,617	5,097,402	0.261
17	Kenya Reinsurance Corporation Ltd.	4,957,385	16,156	-	4,973,541	0.255
18	Beechwood Overseas Ltd.	4,000,000	-	-	4,000,000	0.205
19	Phoenix of East Africa Assurance Co. Ltd.	3,851,295	-	-	3,851,295	0.197
20	Natbank Trustee & Investment Services Ltd.	2,391,262	-	-	2,391,262	0.122
	Sub-totals	1,697,605,908	1,352,884	289,130	1,699,247,922	86.980
	Other Shareholders	253,861,137	447,116	60,870	254,369,123	13.020
	Total Issued Shares	1,951,467,045	1,800,000	350,000	1,953,617,045	100

CORPORATE GOVERNANCE STATEMENT (Continued)

Shares distribution of Ordinary Shareholders as at 31st August 2014

Range	No. of Shareholders	Shares
<1,000	11,649	3,949,679
1001-10,000	11,316	35,094,922
10,001-50,000	2,566	53,633,620
50,001-100,000	489	34,322,407
Over 100,000	803	1,824,466,417
Totals	26,823	1,951,467,045

Shares distribution of 4% Preference Shareholders as at 31st August 2014

Range	No. of Shareholders	Shares
<1,000	364	66,295
1001-10,000	55	152,792
10,001-50,000	15	325,098
50,001-100,000	2	133,564
Over 100,000	3	1,122,251
Totals	439	1,800,000

Shares distribution of 7% Preference Shareholders as at 31st August 2014

Range	No. of Shareholders	Shares
<1,000	82	22,019
1001-10,000	15	43,984
10,001-50,000	3	86,432
50,001-100,000	1	57,617
Over 100,000	1	139,948
Totals	102	350,000



Mr. Eliazar Ochola

22 October 2014



Laying the underground cable that takes power to Nairobi's Central Business District from Parklands Sub-station

USIMAMIZI WA KAMPUNI

Uongozi bora wa kampuni ni muhimu katika kuhakikisha usalama na ukuaji wa faida kwa wenyehisa, na uendelevu wa biashara ya Kampuni. Usimamizi wa Kampuni unahusisha kuweka mipangilio, taratibu na michakato kuongoza na kudhibiti shirika kuimarisha utendakazi na ushindani. Unaelezea bayana uhusiano baina ya Bodi ya Kampuni, wenyehisa, wasimamizi na washikadau wengine kuhakikisha biashara inashamiri na inaendelea. Wakurugenzi wa Kampuni na Wasimamizi hujitolea kutumia taratibu bora zaidi za usimamizi.

Taarifa hii inafafanua kanuni za uongozi wa Kampuni, mipangilio na taratibu katika Kampuni.

KANUNI NA MWONGOZO UNAOSIMAMIA BODI

Kwa kuwa imeorodheshwa kwenye Nairobi Securities Exchange (NSE), Kampuni inazingatia mwongozo wa Capital Markets Authority (CMA) kuhusu maongozi ya Kampuni kwa mashirika ya umma. Isitoshe, Wakurugenzi wanaelekezwa na Mwongozo wa Bodi, Mkataba na Kanuni ya Maadili. Pia tunazingatia Sheria ya Maadili ya Maafisa wa Umma 2003. Bodi pia imepewa nguvu na mamlaka na sheria tofauti za nchi na Katiba ya Kampuni.

Stakabadhi hizi huelezea mamlaka ya kila mmoja, majukumu, na wajibu na dhima ya Wakurugenzi.

Mkataba wa Bodi unanua kuhakikisha mchango ufaao wa Wakurugenzi katika usimamizi wa Kampuni kwa kuwezesha kufanyika kwa maamuzi huru na kutumia umahiri wa kila mmoja.

Mkataba huo hasa unaelezea mipangilio ya Usimamizi inayotumika katika Kampuni katika nyanja zifuatazo, miongoni mwao:

- i. Uteuzi wa Wakurugenzi na mahitaji ya vipawa/ mchanganyiko na usawa wa kijinsia na usawa wa Wakurugenzi wasio na mamlaka na Wakurugenzi wengine;
- ii. Kutambua na kuheshimu haki za wenyehisa;
- iii. Majukumu tofauti na kazi za Bodi, Mwenyekiti, Mkurugenzi Mkuu na Afisa Mkuu Mtendaji na Katibu wa Kampuni;
- iv. Kuendesha mikutano ya Bodi;
- v. Mafunzo na ustawi wa Wakurugenzi;
- vi. Majukumu, dhima na maadili ya Wakurugenzi;
- vii. Masharti ya Utendakazi kwa kamati zote za Bodi; na
- viii. Ufichuzi wa taarifa zote muhimu kwa umma.

Bodi inahudumu chini ya sheria zinazoongoza Wakurugenzi binafsi zilizofafanuliwa kwenye Kanuni za Maadili kuwawezesha kufanya kazi ipasavyo na kwa manufaa ya Kampuni. Wakurugenzi wanahitajika kutangaza kwa maandishi shughuli yoyote inayoweza kuleta mgongano wa maslahi na kukoma kupiga kura wakati masuala kama hayo yanajadiliwa.

Shughuli za kibiashara na wahusika wote, Wakurugenzi au wahusika kama hao zinapasa kuepukwa.

Kanuni za Maadili zinahitaji Wakurugenzi: kuhudumu kwa uaminifu na kwa imani nzuri; kufanya kazi kwa uangalifu na bidii; na kutangaza

mgongano wa maslahi; kudumisha siri ya taarifa kuhusu Kampuni; kuonyesha kujitolea kwao, na kuhudhuria shughuli za Kampuni; na kuheshimu Wakurugenzi wenzake. Vile vile, wafanyikazi wote wanahitajika kufanya na kuzingatia Kanuni za Maadili za Kampuni.

UJUMUISHAJI WA BODI YA WAKURUGENZI

Bodi kwa sasa inajumuisha Wakurugenzi 9 akiwemo Mkurugenzi Mkuu na Afisa Mkuu Mtendaji. Wanane kati ya wakurugenzi hao akiwemo Mwenyekiti hawana mamlaka. Ujumuishaji wa Bodi umetokana na vipawa tofauti, mahitaji ya sekta hii, umri, kuongeza thamani, jinsia, mafunzo na tajiriba inayohitajika kufanikisha malengo ya Kampuni. Wasifu wa wakurugenzi unaonyeshwa kwenye ukurasa 8 - 11.

Angalau theluthi moja ya wanachama wa Bodi hustaafu kwa mzunguko kila mwaka lakini wanaweza kujitokeza kuchaguliwa tena kwenye Mkutano Mkuu wa Kila Mwaka. Mkurugenzi yeyote anayeteuliwa na Bodi katikati ya mwaka kujaza nafasi iliyo wazi pia anahitajika kustaafu na kupigiwa kura katika Mkutano Mkuu wa Kila Mwaka ujao.

WAJIBU WA BODI

Mwenyekiti anawajibika kusimamia Bodi na kuhakikisha taarifa kamili inatolewa kwa wakati ufaao kuwezesha Wakurugenzi kutekeleza majukumu yao, ilhali Mkurugenzi Mkuu na Afisa Mkuu Mtendaji anawajibika kuongoza shughuli za kila siku za Kampuni.

Majukumu ya Bodi ni pamoja na: (i) kuweka malengo ya muda mfupi na ya baadaye ya Kampuni na mikakati ya kufanikisha malengo hayo; (ii) kuhakikisha utayarishaji wa taarifa za kifedha za kila mwaka na nusu mwaka; (iii) kutathmini na kuidhinisha bajeti za kila mwaka; (iv) kutayarisha na kutathmini vigezo vikuu vya utendakazi na kuwawekea wasimamizi malengo; (v) kuhakikisha Kampuni ina mifumo ya kutosha ya kudhibiti hatari zozote na uzingatiaji wa mbinu za uchunguzi kwa biashara kuendelea; na (vi) kushirikiana na Wasimamizi ili kuongeza thamani kwa wenyehisa.

Bodi ya Wakurugenzi inapata wakati wowote ushauri na huduma za Katibu wa Kampuni pamoja na taarifa zozote kuhusu Kampuni kwa wakati ufaao ili kutekeleza majukumu yake ipasavyo. Wakurugenzi pia wana mamlaka ya kutafuta ushauri wa kitaalamu kuhusiana na shughuli za Kampuni kwa gharama ya Kampuni.

MPANGILIO WA KAZI WA BODI NA MIKUTANO

Mpangilio wa kazi ya Bodi na Ratiba ya Mikutano hutayarishwa kabla ya mwaka kuanza. Mikutano ya Bodi inaandaliwa mara moja kwa mwezi au zaidi ikitegemea mahitaji ya biashara. Wakurugenzi hupokea ilani ya kutosha na maelezo kamili kuhusu masuala yatakayojadiliwa mapema ili kuwawezesha kujiandaa ipasavyo kwa mikutano hiyo.

Katika mwaka uliomalizika, Bodi iliandaa jumla ya mikutano 14 ambayo ilihudhuriwa vyema kama inavyoonyeshwa hapa chini:

Jina	Mikutano ya Bodi (Mikutano 14)
Bw. E. Ochola - Chairman	14
Dkt. B. Chumo - MD&CEO	14
Mha. J. Njoroge	3
Dkt. T. Kilukumi	14
Bw. M. Kariuki	14
Bw. J. Mwirigi	13
Bw. J. Kariuki (anabadilishana na Katibu, Hazina Kuu)	14
Mha. I. Kiva (anabadilisha na Kaibu, MoEP)	11
Mha. P. Obath	11
Bi. J. Nashida	14
Bi. F. Hirsi Mohamed (aliondoka Machi 2014)	6

KAMATI ZA BODI

Kuna kamati sita za kudumu za Bodi ambazo huisaidia kutekeleza majukumu yake na shughuli za kibiashara kikamilifu. Kamati za muda zinabuniwa ili kushughulikia masuala muhimu kunapokuwa na haja. Majukumu ya kila kamati yanafanuliwa kwenye maelezo ya utendakazi kama yanavyotolewa na Bodi. Katibu wa Kampuni ndiye karani wa Kamati zote za Bodi isipokuwa ile ya Wafanyikazi na Mishahara ambapo Mkurugenzi Mkuu na Afisa Mkuu Mtendaji ndiye katibu.

Bodi ilikuwa na kamati zifuatazo mwaka uliomalizika:

Kamati ya Uhasibu

Kamati ya Uhasibu inajumuisha Wakurugenzi wanne wasio na mamlaka. Kamati hiyo ina wajibu wa kulinda mali ya Kampuni na kuhakikisha taratibu zifaazo za kuendesha na kusimamia mali hiyo zipo. Kamati hiyo mara kwa mara hualika Mkurugenzi Mkuu na Afisa Mkuu Mtendaji, Meneja Mkuu anayesimamia Fedha na Meneja wa Uhasibu wa Ndani kwenye vikao vyake. Inapohitajika, wahasibu kutoka nje hualikwa kwenye mikutano hiyo.

Kamati ya Uhasibu ina majukumu yafuatayo:

- Kuchunguza kila baada ya miezi mitatu, taarifa za kifedha za nusu mwaka na zile za kila mwaka;
- Kujadili mpango wa uhasibu na wahasibu kutoka nje kabla ya kuanza kwa shughuli ya kila mwaka ya uhasibu;
- Kuchunguza matokeo ya wahasibu kutoka nje;
- Kupendekeza kwa Bodi uajiri wa wahasibu kutoka nje na malipo yao;
- Kuchunguza utendakazi, uhuru, operesheni na matokeo ya Idara ya Uhasibu wa Ndani;
- Kutathmini hatari zinazokumba Kampuni na mikakati ya wasimamizi kuzikabili; na

vii. Kuhakikisha uzingatiaji wa mwongozo wa maadili na uadilifu katika shughuli za kifedha za Kampuni.

Kamati iliandaa mikutano mitano kama ifuatavyo:

Jina	Mahudhurio (Mikutano 5)
Bw. J. Mwirigi - Mwenyekiti	5
Dkt. B. Chumo - MD&CEO (kwa mwaliko)	5
Bw. M. Kariuki	5
Mha. P. Obath	4
Bw. E. Ochola	5

Kamati ya Mkakati na Huduma kwa Wateja

Jukumu la Kamati ya Mkakati na Huduma kwa Wateja ni kushauri Bodi kuhusu mikakati ya kuimarisha utendakazi wa Kampuni. Majukumu ya Kamati hiyo ni pamoja na kutathmini Mkakati wa Kampuni wa Miaka Mitano, Mkakati wa Kampuni wa Kila Mwaka na Bajeti ya Kampuni ya Kila Mwaka. Kamati hiyo pia inafuatilia miradi ya Kampuni inayoendelea na kutoa mapendekezo kuhusu namna ya kuboresha huduma kwa wateja.

Katika mwaka uliomalizika, Kamati iliandaa mikutano mitatu kama inavyoonyeshwa kwenye jedwali iliyopo chini:

Jina	Mahudhurio (Mikutano 3)
Mha. P. Obath - Mwenyekiti	3
Dkt. B. Chumo - MD&CEO	3
Bw. J. Kariuki	3
Mha. I. Kiva	2
Bw. E. Ochola (kwa mwaliko)	1
Bi. F. Hirsi Mohamed (aliondoka Machi 2014)	1

Kamati ya Wafanyikazi na Mishahara

Majukumu ya Kamati ya Wafanyikazi na Mishahara ni pamoja na:

- Uteuzi, utoaji wa masharti na kanuni za utendakazi kwa Mkurugenzi Mkuu na Afisa Mkuu Mtendaji;
- Uteuzi, kupandisha cheo na kuadhibu wafanyikazi wa ngazi za juu;
- mishahara ya wafanyikazi;
- Malipo ya bonasi kwa Mkurugenzi Mkuu na wafanyikazi;
- Sera kuhusu wafanyikazi na muundo wa kampuni ili kufanikisha biashara za Kampuni;
- Mpango wa urithi kwa maafisa wakuu; na kufuatilia matokeo ya mpango wa malipo ya uzeeni wa wafanyikazi.
- Kuchunguza matokeo ya mpango wa malipo ya uzeeni ya wafanyikazi.

USIMAMIZI WA KAMPUNI (Kuendelea)

Kamati iliandaa vikao vitatu katika mwaka uliomalizika kama inavyoonyeshwa kwenye jedwali inayofuata:

Jina	Mahudhurio (Mikutano 3)
Dkt. T. Kilukumi - Mwenyekiti	3
Dkt. B. Chumo - MD&CEO	3
Bw. J. Kariuki	3
Bw. J. Mwirigi	2
Bi. J. Nashida	3
Mha. I. Kiva	2

Kamati Inayosimamia Ununuzi

Kamati inayosimamia ununuzi inatekeleza wajibu wa kusimamia ununuzi unaofanywa na Kampuni. Kamati inatathmini na kuchunguza mpango wa kila mwaka wa ununuzi ili kutoa mapendekezo kwa Bodi, hufuatilia ununuzi unaofanywa na Wasimamizi kuhakikisha Wasimamizi wanazingatia sheria na mpango wa ununuzi wa kila mwaka ulioidhinishwa, huidhinisha ununuzi wa bidhaa na huduma za thamani ya zaidi ya Sh50 milioni na zaidi na ununuzi mwingine muhimu.

Kamati iliandaa vikao 13 katika mwaka uliomalizika kama inavyoonyeshwa hapa chini:

Jina	Mahudhurio (Mikutano 13)
Bw. M. Kariuki - Mwenyekiti	13
Dkt. B. Chumo - MD&CEO	13
Dkt. T. Kilukumi	13
Bw. J. Mwirigi	13
Bi. J. Nashida (alijiunga na kamati Julai 2014)	-
Bi. F. Hirsi Mohamed (aliondoka Machi 2014)	9

Kamati ya Mikataba na Wazalishaji Huru wa Umeme (PPA)

Kamati hii inachunguza mikataba inayopendekezwa ya ununuzi wa umeme na wazalishaji wakubwa wa umeme kwa lengo la kulinda maslahi ya Kampuni. Kamati hii inahakikisha kuna kandarasi nafuu za ununuzi wa kawi kwa manufaa ya wateja na wenyehisa.

Kamati iliandaa mikutano 4 katika mwaka uliomalizika kama inavyoonyeshwa kwenye jedwali ifuatayo:

Jina	Mahudhurio (Mikutano 4)
Bi. F. Hirsi Mohamed - Mwenyekiti (aliondoka Machi 2014)	2
Dkt. B. Chumo - MD&CEO	4
Bi. J. Nashida	3
Mha. I. Kiva	2
Mha. P. Obath	3
Bw. J. Kariuki	3
Bw. E. Ochola (kwa mwaliko)	4

Kamati ya Teknolojia ya Mawasiliano (ICT)

Kamati hii inawajibika kutathmini Sera ya Kampuni kuhusu ICT, kushughulikia masuala ya usalama wa ICT na vidhibiti vya ndani, kuhakikisha ununuzi wa mitambo ifaayo kusaidia biashara na kupunguza hatari zinazohusiana na ICT.

Kamati iliandaa mikutano mitatu mwaka uliomalizika kama ifuatavyo:

Jina	Mahudhurio (Mikutano 3)
Bi. J. Nashida - Mwenyekiti	3
Dkt. B. Chumo - MD&CEO	3
Bw. M. Kariuki	3
Dkt. T. Kilukumi	3
Bw. E. Ochola (kwa mwaliko)	1

UWAJIBIKAJI NA UHASIBU

Sheria ya Kampuni huwataka Wakurugenzi kuandaa taarifa za kifedha za kila kipindi cha matumizi ya fedha ambazo zinatoa taswira na hali kamili ya Kampuni kufikia mwisho wa kipindi hicho. Wakurugenzi wanawajibika kuhakikisha sera zifaazo za uhasibu zinatumika kila wakati, pamoja na maamuzi yanayofaa pamoja na makadirio; na kwamba viwango vinavyostahili vya uhasibu vinazingatiwa pamoja na wajibu wa kuwa waangalifu na makinifu.

Wakurugenzi pia wanawajibika kuhakikisha Kampuni inaweka rekodi bora za uhasibu, ambazo zinaonyesha kila wakati hali halisi ya kifedha ya Kampuni kuwawezesha kuhakikisha taarifa za kifedha zinazingatia Sheria ya Kampuni. Wanawajibika pia kuhakikisha mifumo na taratibu zinahifadhi vifaa vya Kampuni na kuzuia na kugundua ulaghai na makosa mengine.

MAFUNZO KATIKA BODI

Wakurugenzi uhudhuria mafunzo kuwapa ujuzi unaohitajika na kuwawezesha kutekeleza majukumu yao. Mipango ya mafunzo iliyotambuliwa inalenga kuwapa maarifa yanayohitajika kuendesha shughuli zao. Isitoshe, mpango wa mafunzo kwa Wakurugenzi wapya unaendeshwa kuimarisha ufahamu wao kuhusu biashara na operesheni za Kampuni.

Katika mwaka uliomalizika, Wakurugenzi walihudhuria seminaa tofauti za mafunzo na makongamano kuhusu ununuzi bidhaa, sheria, usimamizi na uongozi wa Kampuni miongoni mwa mengine.

MALIPO YA WAKURUGENZI

Mshahara wa wakurugenzi hulipwa kila mwaka baada ya kupokea idhini ya wenyehisa kwenye Mkutano Mkuu wa kila Mwaka kwa mujibu wa viwango vinavyokubalika na kanuni zilizowekwa na Serikali kwa mashirika yote ya umma. Maelezo zaidi kuhusiana na mshahara wa Wakurugenzi yamo kwenye ukurasa 87. Inapendekezwa kuwa kila Mkurugenzi asiye na mamlaka alipewe ujira wa Sh600,000 kwa Mwaka wa Kifedha uliomalizika Juni 30, 2014 au kwa usawa malipo yoyote yatakayotolewa. Pamoja na hayo, Wakurugenzi wanastahili kulipwa marupurupu ya mikutano kwa kila

kikao walichohudhuria, marupurupu ya chakula cha mchana (badala ya chakula hicho kutolewa) marupurupu ya malazi na kurejeshewa pesa za usafiri inavyostahili kwa mujibu wa viwango vilivyowekwa na Serikali kwa mashirika ya umma. Pamoja na hayo, Mwenyekiti hulipwa honoraria kila mwisho wa mwezi.

Wakurugenzi hawakuwa na mikopo wakati wowote mwaka uliopita.

VIDHIBITI VYA NDANI

Bodi inahitajika kuweka mfumo imara wa vidhibiti vya ndani kulinda mali ya wawekezaji. Hii ni pamoja na kuchukua hatua zifaazo kuhakikisha mifumo ya usimamizi na sheria zote zinadumishwa kila wakati na kufuatiliwa kwa karibu. Mifumo ya udhibiti wa ndani imeundwa kwa namna ambayo inatosheleza mahitaji maalumu ya Kampuni na hatari zinazoweza kuikumba, pamoja na taratibu kuwezesha usimamizi bora wa fedha. Inatarajiwa kuwa mifumo iliyowekwa itatoa udhibiti ufaao, lakini hakuna hakikisho kamili kuhusu ufanisi wake.

UMILIKI WA HISA WA WAKURUGENZI

Hakuna mkurugenzi yeyote binafsi aliye na zaidi ya asilimia moja ya jumla ya hisa zote za Kampuni.

UDHIBITI WA HATARI ZA KIBIASHARA

Udhibiti wa Hatari za Kibiashara (ERM) ni kiungo muhimu kwenye mfumo wa kiutawala wa Kampuni.

Katika mwaka uliomalizika, ushirikishi wa udhibiti wa hatari na uzingatiaji uliendelea kote duniani, huku mashirika zaidi yakikumbatia mfumo wa pamoja kusimamia uongozi, hatari na uzingatiaji.

Tuliendelea kutekeleza mpango wa ERM kwa kuimarisha na kufuatilia hatari kuu na wasimamizi na Bodi, na pia tukatathmini na kukadiria ubora wa mikakati iliyopo ya kukabiliana na hatari hizo. Hatari zinazoibuka zilitambuliwa ili kuambatanishwa na hatari zinazokumba shirika pamoja na mwelekeo muhimu wa Kampuni.

Kwa mukhtasari hatari zinazoweza kuathiri Kampuni zinaweza kuunganishwa kwenye makundi matatu makuu:

- i. Hatari za kiuchumi: Haya ni masuala ambayo yanaweza kuathiri ukuaji katika muda wa miezi 12.
- ii. Masuala ya kimkakati: Haya ni masuala yanayohusiana na mkakati wa Kampuni wa kutekeleza malengo na ukuaji wa biashara katika muda wa miezi 12 ijayo.
- iii. Masuala ya uendeshaji: Masuala yanayoweza kuathiri operesheni muhimu za Kampuni huku inapotekeleza mkakati wake wa kibiashara.

Kwenda mbele, Kampuni imo kwenye hatua za mwisho za kuteua mshauri kupitia utaratibu unaofadhiliwa na Benki ya Dunia, ili kuchunguza upya mfumo wa ERM na kuimarisha uwezo wa Kampuni wa kudhibiti Hatari katika Kampuni. Mradi huu utafadhiliwa chini ya mpango wa upanuzi wa umeme nchini (KEEP). Pindi atakapoteuliwa, mshauri huyo atachunguza upya shughuli zote za ERM na kutoa

zana za kutambua hatari, na kuripoti hatari hizo na kushauri njia za kukabiliana na hatari zinazosalia na kutoa mafunzo kwa wahudumu wetu ili kuendeleza na kudumisha biashara.

VIWANGO VYA MAADILI

Bodi na Wasimamizi wanajitolea kuhakikisha maadili na uadilifu zinaongoza kila tunachofanya. Tunatambua kuwa uzingatiaji wa maadili ni muhimu kwa uendelezaji wa Kampuni na hivyo tunaendelea kuweka taratibu, mifumo na michakato ili kushirikisha maadili na kuitumia kwa manufaa yetu.

Kanuni za Maadili, ambazo zinatwezesha kuambatanisha taratibu na utendakazi wetu na maadili, zimebadilishwa kuambatanisha na Katiba na vigezo bora zaidi vya kimataifa. Mafunzo ya mara kwa mara kuhusu vipengee vya Mwongozo wa Maadili hutolewa na mafunzo ya uadilifu yameshirikishwa katika kozi zote zinazoendeshwa katika chuo cha mafunzo cha Kampuni. Wafanyikazi wote wapya hupokea mafunzo ya lazima ya kujifahamisha yanayoshirikisha maadili bora. Wasimamizi wote wanahitajika kutia sahihi Mwongozo wa Maadili na kuzingatia kanuni na masharti yake.

Mbinu ya Kampuni ya kuripoti ukiukaji wa maadili, ambayo ni njia ya kupokea kisiri malalamishi na kufuatilia malalamishi hayo, ilifanya kazi katika mwaka uliomalizika. Kesi zote zilichunguzwa bila mapendeleo na hatua zifaazo kuchukuliwa.

Katika mwaka uliomalizika, kipimo kuhusu maadili katika Kampuni kiliimarika kutoka 4.0 hadi 3.84. Hii inatokana na mafunzo yanayoendelea, kukadiria hatari na kupambana na ufasidi.

UHUSIANO NA WENYEHISA

Kampuni inatilia umuhimu mkubwa katika kudumisha uhusiano mwema na wenyehisa wake na mawasiliano ya wazi yanadumishwa kupitia njia tofauti. Hii ni pamoja na Mkutano Mkuu wa Kila Mwaka (AGM). Wenyehisa wote wana haki ya kuhudhuria na kupiga kura kwenye Mkutano Mkuu wa Kila Mwaka (AGM) ambao ilani yake huchapishwa angalau siku 21 kabla ya mkutano huo. Pia huwa tunachapisha Taarifa zetu za Kifedha na Ripoti ya Kila Mwaka kwenye vyombo vya habari na kupitia mtandao wa Kampuni www.kplc.co.ke. Ripoti ya Kila Mwaka na Taarifa za Kifedha pia zimo tayari kusambazwa kwa wenyehisa wakizihitaji. Wakati wa Mkutano Mkuu wa Kila Mwaka, wenyehisa wanapewa fursa ya kuuliza maswali au kutafuta ufafanuzi kuhusiana na suala lolote linalohusiana na Kampuni. Vile vile, Kampuni inadumisha sera ya uwazi na wenyehisa wana uhuru wa kuwasiliana na Katibu wa Kampuni na Msajili wa Hisa ambao hujibu maswali yoyote kuhusiana na masuala tofauti.

WASIMAMIZI WAKUU

Chini ya mpangilio mpya wa Kampuni, biashara ya Kampuni imepangwa chini ya vitengo 10 na maeneo tisa ya usimamizi kwa utendakazi na usimamizi bora.

Maeneo hayo tisa ya kibiashara ni: Nairobi North, Nairobi South, Nairobi West, Pwani, West Kenya, Central Rift, North Rift, Mt. Kenya North na Mt. Kenya South. Vitengo hivyo ni Mkakati wa Biashara;

USIMAMIZI WA KAMPUNI (Kuendelea)

Miundomsingi; Usimamizi wa Mtandao; Huduma kwa Wateja; Ununuzi na Usafirishaji; Teknolojia ya Mawasiliano; Masuala ya Kampuni na Katibu wa Kampuni; Masuala ya Wafanyikazi na Usimamizi; Uratibu wa Kanda; na Fedha.

Kamati kuu ya Wasimamizi

Kamati kuu ya Wasimamizi inaongozwa na Mkurugenzi Mkuu na Afisa Mkuu Mtendaji. Kamati hiyo inajumuisha wakuu wa vitengo mbalimbali. Kamati hiyo hukutana angalau mara mbili kwa mwezi

kutathmini utendakazi, na kuchunguza masuala ya sera na biashara ukiwemo mkakati wa Kampuni, na pia kuchunguza stakabadhi kabla ya kuwasilishwa kwa Bodi kuangaliwa na kuidhinishwa.

MAELEZO MAFUPI KUHUSU WENYEHISA

Kampuni inatimiza mahitaji yote ya kisheria yaliyoagizwa chini ya Sheria ya Kampuni, Mamlaka ya Kusimamia Masoko ya Hisa (CMA) na mahitaji yote ya kuorodheshwa katika Nairobi Securities Exchange.

Wenyehisa 20 wakuu kufikia Agosti 31, 2014 walikuwa kama ifuatavyo:

Nambari	Jina la Mwenyehisa	Kawaida (Sh. 2.50 kila moja)	Asilimia 4 ya upendeleo (Sh. 20 kila moja)	Asilimia 7 ya upendeleo (Sh. 20 kila moja)	JUMLA	Asilimia
1	Permanent Secretary, The National Treasury	977,641,695	656,808	193,531	978,492,034	50.086
2	Standard Chartered Nominees Ltd.	343,304,359	-	-	343,304,359	17.573
3	NSSF Board of Trustees	80,361,153	3,550	750	80,365,453	4.114
4	CFC Stanbic Nominees Ltd.	73,214,711	48,308	-	73,263,019	3.750
5	KCB Nominees Ltd.	48,002,152	69,584	800	48,072,536	2.461
6	NIC Custodial Services Ltd.	41,687,543	-	-	41,687,543	2.134
7	Equity Nominees Ltd.	27,041,184	-	-	27,041,184	1.384
8	Co-op Bank Custody	21,618,536	-	-	21,618,536	1.107
9	Jubilee Insurance Company Ltd.	20,215,387	59,828	17,160	20,292,375	1.039
10	Old Mutual Life Assurance Co. Ltd.	10,261,291	-	-	10,261,291	0.525
11	Chase Bank Nominees Ltd.	8,646,856	-	-	8,646,856	0.443
12	Kenindia Assurance Co. Ltd.	7,278,349	-	-	7,278,349	0.373
13	ICEA Lion Life Assurance Ltd.	6,508,952	221,386	19,272	6,749,610	0.345
14	CFC Life Assurance Company Ltd.	6,584,477	-	-	6,584,477	0.337
15	Bai Co. (Mtius) Ltd.	5,276,800	-	-	5,276,800	0.270
16	Alimohamed Adam	4,762,521	277,264	57,617	5,097,402	0.261
17	Kenya Reinsurance Corporation Ltd.	4,957,385	16,156	-	4,973,541	0.255
18	Beechwood Overseas Ltd.	4,000,000	-	-	4,000,000	0.205
19	Phoenix of East Africa Assurance Co. Ltd.	3,851,295	-	-	3,851,295	0.197
20	Natbank Trustee & Investment Services Ltd.	2,391,262	-	-	2,391,262	0.122
JUMLA NDOGO		1,697,605,908	1,352,884	289,130	1,699,247,922	86.980
Wenyehisa wengine		253,861,137	447,116	60,870	254,369,123	13.020
Jumla ya hisa zilizotolewa		1,951,467,045	1,800,000	350,000	1,953,617,045	100

Mgao wa wenyehisa wa kawaida kufikia Agosti 31, 2014

Kati ya	Idadi ya wenyehisa	Hisa
<1,000	11,649	3,949,679
1001-10,000	11,316	35,094,922
10,001-50,000	2,566	53,633,620
50,001-100,000	489	34,322,407
Zaidi ya 100,000	803	1,824,466,417
Jumla	26,823	1,951,467,045

Mgao wa asilimia 4 ya wenyehisa za upendeleo kufikia Agosti 31, 2014

Kati ya	Idadi ya Wenyehisa	Hisa
<1,000	364	66,295
1001-10,000	55	152,792
10,001-50,000	15	325,098
50,001-100,000	2	133,564
Zaidi ya 100,000	3	1,122,251
Jumla	439	1,800,000

Ugavi wa asilimia 7 ya Wenyehisa za upendeleo kufikia Agosti 31, 2014

Kati ya	Idadi ya wenyehisa	Hisa
<1,000	82	22,019
1001-10,000	15	43,984
10,001-50,000	3	86,432
50,001-100,000	1	57,617
Zaidi ya 100,000	1	139,948
Jumla	102	350,000


Bw. Eliazar Ochola

Oktoba 22 2014

CORPORATE SOCIAL RESPONSIBILITY (CSR)

We take our social and environmental responsibility seriously and support the communities and the environment within which we do our business. The Board and Management believe that Corporate Social Responsibility (CSR) programmes should be relevant, impactful, and sustainable. The Board takes overall responsibility for the continued development and implementation of appropriate social and environmental policies of the Company.

During the year under review, the Company was involved in various CSR activities, some of which are outlined below.

Environmental Conservation

The Company relies on the environment extensively for its business, including water for electricity generation, since our transmission and distribution systems traverse the land. Since 2009, the Company has been involved in tree-planting programmes in Kenya Forest Services (KFS) sites in partnership with KFS and ActionAid Kenya. The forest sites include Ngong Hills, Mau Narok, Kuresoi, Cherangany, Cheptais in Mount Elgon, Aberdares, Mount Kenya, Buda in Kwale, and Marsabit. During the year under review, we planted an additional 42,500 trees.

Our employees also participated in a wheelbarrow race organised by Kenya Wildlife Service (KWS) at Hells Gate National Park towards which we donated Shs.150,000 for environmental conservation activities around geothermal generation sites in Naivasha. Further, we participated in the KenGen Great Dams Race to which we contributed Shs.2.2 million to support environmental conservation initiatives around the Seven Forks Dams.

Kenya Power Charity Cup

During the year, the Company sponsored the second edition of the Kenya Power Charity Cup which raised a total of Shs.9.5 million. The money will be invested in community projects in various parts of the country. In addition, the Company donated Shs.1.4 million to support three other sporting events including the Special Olympics Kenya, GDC's Menengai Geothermal Half Marathon, and Kass Marathon.

Corporate Philanthropy

The Company also supported various social welfare initiatives across the country with Shs.4.1 million. They include Shs.150,000 towards the Day of the African Child; a sponsorship of Shs.500,000 to the Nairobi County Christmas Season Decoration and Lighting; Shs.970,000 towards the County Governor's Tree Fund appeal; Shs.1 million to the Westgate Attack Victims Fund; and a sponsorship of Shs.1.5 million Belgut Women Empowerment Organisation.

The Company co-sponsored the first edition of the Energy Journalism Excellence Awards (EJEA) with a donation of Shs.3 million to promote media reporting standards on energy particularly on electricity matters. The Company also contributed Shs.500,000 to the annual Social Media and Advertising (SOMA) Awards.

At the same time, the Company contributed Shs.1 million towards Joyful Women Organisation, an NGO that supports financial empowerment of women, and Shs.200,000 for social welfare activities in Kasarani slums, Naivasha.

Health

Beyond Zero Campaign, a maternal healthcare project targeting improvement of mother and child health in all the counties, received a contribution of Sh.2 million from the Company. We also donated Shs.824,500 to other charitable causes for creation of cancer and autism awareness, as well as sponsorship of the 2014 Mater Heart Run.

Education

In the education sector, the Company spent Shs.203,000 to purchase flags for 50 primary schools in various parts of the country; Shs.205,590 to purchase text books for Moonlight Centre School in Kibera slums; Shs.100,000 to support children with special needs at Zabibu Centre in Nairobi; and Shs.250,000 towards a regional youth conference organised by Change Mind, Change Future to promote entrepreneurship among youth.

From Top

- Sofapaka FC players celebrate after emerging winners of the 2014 Kenya Power Charity Cup.
- Staff participating in the annual KWS Wheelbarrow Race in Naivasha during the year.
- The Company installed new floodlights worth Shs.2.2 million at Nairobi's City Stadium with funds generated from the 2013 Charity Cup.
- Staff participating in Kengen's Great Dams Race.
- Models display the names of football teams which participated in the 2014 Charity Cup.
- On-going rehabilitation of Kawangware Sports Ground sponsored by the Company using funds raised in last year's Charity Cup.
- Young women in a fitness exercise at Dandora Social Hall in Nairobi. The hall was rehabilitated during the year with proceeds generated from the 2013 Charity Cup.



SOCIAL RESPONSIBILITY AND SUSTAINABILITY



REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 JUNE 2014

The Directors present their report together with the audited Financial Statements of The Kenya Power & Lighting Company Limited (the "Company") for the year ended 30 June 2014 which show the state of the Company's affairs.

Principal activities

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

Results for the year

	30 June 2014 KShs'000	30 June 2013 (Restated) KShs'000
Profit before taxation	10,198,427	6,570,497
Taxation charge	(3,742,193)	(3,124,780)
Profit for the year transferred to retained earnings	<u>6,456,234</u>	<u>3,445,717</u>

Dividends

A dividend of KShs.1.93 million (2013 - KShs.1.93 million) is payable on the cumulative preference shares and has been recognised in the statement of profit or loss and comprehensive income under finance costs.

Subject to the approval of the shareholders, the Directors recommend to members that in addition to the interim dividend of KShs.0.20 (2013 - KShs.Nil) per ordinary share, a final dividend of KShs.0.30 (2013 - KShs.Nil) per ordinary share be paid for the year ended 30 June 2014.

Capital expenditure

During the year, a total of KShs.27,208 million (2013 - KShs.40,578 million) was spent on property and equipment. The capital work-in-progress as at 30 June 2014 amounted to KShs.43,686 million (2013 - KShs.40,402 million).

Directors

The current Board of Directors are as shown on pages 8-9. Dr. Ben Chumo was confirmed as the Managing Director and CEO on 7th January 2014. Eng. Joseph K Njoroge, Principal Secretary, Ministry of Energy and Petroleum was appointed a Director on 2nd August 2013. Dr. Kamau Thugge was appointed a Director on 2nd August 2013. Mrs. Fatuma H. Mohamed resigned as a Director on 10th March 2014.

Auditors

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

Accordingly, Deloitte & Touche were appointed to carry out the audit for the year ended 30 June 2014 and report to the Auditor-General.

By order of the Board.



Beatrice Meso
Company Secretary

22 October 2014

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Kenyan Companies Act requires the Directors to prepare Financial Statements for each financial year which give a true and fair view of the state of the Company as at the end of the financial year and of its operating results for that year. It also requires the Directors to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company. They are also responsible for safeguarding the assets of the Company.

The Directors are responsible for the preparation of Financial Statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, and for such internal controls as the Directors determine are necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

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

Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern for at least the next 12 months from the date of this statement.



Director



Director



Director

22 October 2014

REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL STATEMENTS OF THE KENYA POWER AND LIGHTING COMPANY LIMITED

Report of the Financial Statements

The accompanying financial statements of Kenya Power and Lighting Company Limited set out on pages 55 to 109 which comprise the statement of financial position as at 30th June 2014, the statement of Profit or Loss and other comprehensive income, statement of changes in equity and statement 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 Deloitte and Touché auditors appointed under Section 39 of the Public Audit Act, 2003. The auditors have duly reported to me the results of their audit and on the basis of the 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.

Directors' Responsibility 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 for such internal control as Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on the financial statements based on the audit and report in accordance with the provisions of Section 15 of the Public Audit Act, 2003. The audit was conducted in accordance with the International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about the financial statements are free from materials misstatement.

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

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 30th June 2014 and of its financial performance and its cash flows of the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act, Cap 486 of the Laws of Kenya.

Report on Other Legal and Regulatory Requirements

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

- (i) I have obtained all the information and explanations, which, to the best of my knowledge and belief, were necessary for the purpose of the audit; and
- (ii) In my opinion, proper books have been kept by the Company, so far as appears from the examination of those books; and
- (iii) The Company's statement of financial position and statement of comprehensive income are in agreement with the books of account.



Edward R. O. Ouko
Auditor-General

22 October 2014

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 KShs'000	2013 (Restated) KShs'000
REVENUE			
Electricity sales	7(a)	62,597,035	47,916,237
Foreign exchange adjustment - power purchase	7(b)	3,008,290	5,119,619
- Company operations	7(b)	1,413,910	4,102,470
Fuel costs adjustment	8(b)	38,376,479	31,771,300
		105,395,714	88,909,626
POWER PURCHASE COSTS			
Non-fuel costs	8(a)	30,658,932	24,760,873
Foreign exchange cost	7(b)	3,008,290	5,119,619
Fuel costs	8(b)	38,973,183	32,297,132
		72,640,405	62,177,624
GROSS PROFIT			
		32,755,309	26,732,002
OPERATING EXPENSES			
Distribution	9(a)	6,538,057	5,633,960
Commercial services	9(b)	3,491,220	3,368,531
Energy transmission	9(c)	2,254,303	2,133,110
Administration	9(d)	10,399,148	9,848,876
	9(e)	22,682,728	20,984,477
Operating income		10,072,581	5,747,525
OTHER OPERATING INCOME			
	7(c)	4,914,486	3,192,085
OPERATING PROFIT			
		14,987,067	8,939,610
Interest income	11(a)	104,208	111,546
Finance costs	11(b)	(4,008,832)	(2,495,362)
Net foreign exchange (losses)/gains	11(c)	(884,016)	14,703
PROFIT BEFORE TAX			
	12	10,198,427	6,570,497
Income tax expense	13(a)	(3,742,193)	(3,124,780)
PROFIT FOR THE YEAR			
		6,456,234	3,445,717

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2014 (Continued)

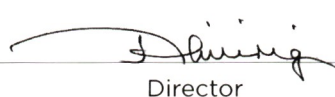
	Note	2014 KShs'000	2013 (Restated) KShs'000
PROFIT FOR THE YEAR		6,456,234	3,445,717
OTHER COMPREHENSIVE INCOME:			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Re-measurement of net defined benefit asset	31	1,414,030	1,627,658
Deferred tax relating to re-measurement of net defined benefit asset	26	(424,209)	(488,297)
		989,821	1,139,361
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Cumulative fair value loss reclassified to equity on disposal of available for sale treasury bonds	19(a)	-	127,397
OTHER COMPREHENSIVE INCOME		989,821	1,266,758
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		7,446,055	4,712,475
Basic earnings per share (KShs)	14	3.31	1.76
Diluted earnings per share (Kshs)	14	3.31	1.76

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

	Note	2014 KShs'000	2013 (Restated) KShs'000	2012 (Restated) Kshs'000
ASSETS				
NON-CURRENT ASSETS				
Property and equipment	16	162,713,968	142,443,465	105,671,370
Prepaid leases on land	17	131,598	131,653	131,709
Intangible assets	18	1,410,044	258,716	169,520
Net retirement benefit asset	31	5,441,883	3,650,719	1,876,904
		169,697,493	146,484,553	107,849,503
CURRENT ASSETS				
Inventories	20	14,968,210	14,915,622	10,286,376
Trade and other receivables	21(a)	25,256,561	18,131,454	14,211,800
Tax recoverable	13(c)	11,156	20,486	-
Investment in government securities		-	-	1,171,109
Short term deposits	22(a)	915,862	991,496	506,168
Bank and cash balances	22(b)	9,260,070	3,668,924	1,983,931
		50,411,859	37,727,982	28,159,384
TOTAL ASSETS		220,109,352	184,212,535	136,008,887
EQUITY AND LIABILITIES				
CAPITAL AND RESERVES				
Ordinary share capital	23	4,878,667	4,878,667	4,878,667
Share premium	24	22,021,219	22,021,219	22,021,219
Reserves	25	27,305,683	20,249,921	16,122,886
TOTAL EQUITY		54,205,569	47,149,807	43,022,772
DEFERRED INCOME	28	18,680,714	16,087,747	12,362,327
NON-CURRENT LIABILITIES				
Deferred tax	26	19,569,327	15,442,569	11,862,140
Trade and other payables	27(a)	25,621,572	23,727,961	15,823,485
Borrowings	29(a)	53,141,442	42,886,311	21,512,025
Preference shares	30	43,000	43,000	43,000
		98,375,341	82,099,841	49,240,650
CURRENT LIABILITIES				
Trade and other payables	27(b)	26,648,209	22,464,988	21,990,795
Tax payable		-	-	37,886
Leave pay provision	32	1,090,955	1,070,460	989,378
Borrowings due within one year	29(a)	16,968,279	8,193,054	6,250,288
Dividends payable	33	573,541	388,826	425,184
Bank overdraft	22(b)	3,566,744	6,757,812	1,689,607
		48,847,728	38,875,140	31,383,138
TOTAL EQUITY AND LIABILITIES		220,109,352	184,212,535	136,008,887

The Financial Statements on pages 55 to 109 were approved and authorised for issue by the Board of Directors on 22 October 2014 and were signed on its behalf by:


Chairman


Director


Managing Director and CEO

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2014

	Ordinary share capital KShs'000 (Note 23(a))	Share premium KShs'000 (Note 24)	Investments revaluation reserve KShs'000 (Note 19)	Retained earnings KShs'000 (Note 25)	Total KShs'000
At 1 July 2012 – as previously reported	4,878,667	22,021,219	(127,397)	16,739,064	43,511,553
<i>Prior year adjustments:</i>					
- Net retirement benefit asset* (note 41 (a))	-	-	-	1,313,833	1,313,833
- Deferred tax effect on capital contribution ** (note 41 (d))	-	-	-	(1,802,614)	(1,802,614)
At 1 July 2012 – as restated	4,878,667	22,021,219	(127,397)	16,250,283	43,022,772
Profit for the year	-	-	-	3,445,717	3,445,717
Other comprehensive income for the year			127,397	1,139,361	1,266,758
Total comprehensive income for the year	-	-	127,397	4,585,078	4,712,475
Dividends paid – 2012	-	-	-	(585,440)	(585,440)
At 30 June 2013 – as restated	4,878,667	22,021,219	-	20,249,921	47,149,807
At 1 July 2013 – as previously reported	4,878,667	22,021,219	-	20,505,789	47,405,675
<i>Prior year adjustments:</i>					
- Net retirement benefit asset* (note 41 (a))	-	-	-	2,555,503	2,555,503
- Deferred tax effect on capital contributions** (note 41 (d))	-	-	-	(2,811,371)	(2,811,371)
At 1 July 2013 – as restated	4,878,667	22,021,219	-	20,249,921	47,149,807
Profit for the year	-	-	-	6,456,234	6,456,234
Other comprehensive income for the year	-	-	-	989,821	989,821
Total comprehensive income for the year	-	-	-	7,446,055	7,446,055
Interim dividends paid – 2014	-	-	-	(390,293)	(390,293)
At 30 June 2014	4,878,667	22,021,219	-	27,305,683	54,205,569

*Prior year restatement relates to tax effect on the net retirement benefit asset as a result of implementation of IAS 19 (as revised in 2011) effective for annual periods beginning on or after 1 January 2014. The standard (IAS 19) changed the accounting for defined benefit plans and termination benefits. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the statement of financial position to reflect the full value of the plan deficit or surplus. See note 41(a).

** Prior year restatement relates to correction of errors in computing the tax effect on capital contribution as a result of the adoption of IFRIC 18 – Transfer of Assets from customers effective for periods beginning on or after 1 July 2009. See note 41(d) for additional details.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 KShs'000	2013 KShs'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	34(a)	23,208,118	18,454,228
Interest received	34(e)	104,893	165,852
Interest paid	34(d)	(3,943,574)	(2,623,356)
Tax paid	13(d)	(30,314)	(91,020)
		<hr/>	<hr/>
Cash generated from operating activities		19,339,123	15,905,704
		<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	34(f)	(26,650,847)	(42,630,824)
Purchase of intangible assets	18	(1,320,180)	(131,095)
Proceeds from disposal of property and equipment		20,201	77,137
		<hr/>	<hr/>
Net cash used in investing activities		(27,950,826)	(42,684,782)
		<hr/>	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from sale of treasury bond	19(a)	-	1,244,821
Dividends paid	34(d)	(207,508)	(623,728)
Loan proceeds received	34(b)	25,100,876	29,923,542
Repayment of amounts borrowed	34(b)	(7,575,085)	(6,663,441)
		<hr/>	<hr/>
Net cash generated from financing activities		17,318,283	23,881,194
		<hr/>	<hr/>
Increase/(decrease) in cash and cash equivalents		8,706,580	(2,897,884)
		<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		(2,097,392)	800,492
		<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	34(c)	6,609,188	(2,097,392)
		<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

1. Reporting entity

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 Limited (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. Application of new and revised International Financial Reporting Standards (IFRS)

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2014

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

Amendments to IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities	<p>The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.</p> <p>The application of the amendment had no effect on the Company's Financial Statements as the Company did not have any offsetting arrangements in place.</p>
New and revised standards on consolidation and joint arrangements, associates and disclosures	<p>In May 2011, a package of five standards in consolidation and joint arrangements, associates and disclosures was issued comprising IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, IAS 27 (as revised in 2011) Separate Financial Statements and IAS 28 (as revised in 2011) Investments in Associates and Joint Ventures. Subsequent to the issue of these standards, amendment to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain guidance on first application of the standards.</p> <p>The application of these new standards has not had any impact on the disclosures or the amounts recognised in these Financial Statements as the Company does not have any joint arrangements or associates.</p>
IFRS 13 Fair Value Measurement	<p>The scope of IFRS 13 is broad; the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).</p>

2. Application of new and revised International Financial Reporting Standards (IFRS) (Continued)

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2014 (Continued)

<p>IFRS 13 Fair Value Measurement (Continued)</p>	<p>IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.</p> <p>IFRS 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Company has not made any new disclosures required by IFRS 13 for the 2012 comparative period.</p> <p>Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognised in the Financial Statements.</p>
<p>Amendments to IAS 1 Presentation of Financial Statements (as part of the Annual Improvements to IFRSs 2009 - 2011 Cycle issued in May 2012)</p>	<p>The Annual Improvements to IFRSs 2009 - 2011 have made a number of amendments to IFRSs. The amendments that are relevant to the Company are the amendments to IAS 1 regarding when a statement of financial position as at the beginning of the preceding period (third statement of financial position) and the related notes are required to be presented. The amendments specify that a third statement of financial position is required when a) an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items in its Financial Statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The amendments specify that related notes are not required to accompany the third statement of financial position.</p> <p>In the current year, the Company has restated the financial statement position with the following:-</p> <ul style="list-style-type: none"> i. Retirement benefit asset as it adopted the revised IAS 19 standard, which has resulted in material effects on the information in the statement of financial position as at 1 July 2012. ii. Restatement of prior year balances in connection to the correction of an error in the computation of tax effect on the capital contribution as a result of the implementation of IFRIC 18 - Transfer of Assets from Customers in the year 2010. <p>In accordance with the amendments to IAS 1, the Company has presented a third statement of financial position as at 1 July 2012 without the related notes except for the disclosure requirements relating to the impact on the application of the new standard.</p>
<p>IAS 19 Employee Benefits (as revised in 2011)</p>	<p>IAS 19 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a 'net interest' amount under IAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset.</p> <p>The above amendments are generally effective for annual periods beginning on or after 1 January 2013. Specific transitional provisions are applicable to first-time application of IAS 19 (as revised in 2011). The Company has applied the relevant transitional provisions and restated the comparative amounts on a retrospective basis. The impact of the changes on the total comprehensive income for the year, assets, liabilities and equity is analysed in note 41(a).</p>

2. Application of new and revised International Financial Reporting Standards (IFRS) (Continued)

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2014

New and Amendments to Standards	Effective for annual periods beginning on or after
IFRS 9	1 January 2018
Amendments to IFRS 9 and IFRS 7	1 January 2015
Amendments to IFRS 10, IFRS 12 and IAS 27	1 January 2014
Amendments to IAS 32	1 January 2014
Amendments to IAS 36	1 January 2014
Amendments to IAS 39	1 January 2017
IFRS 15	

iii. Impact of relevant new and amended standards and interpretations on the Financial Statements for the year ended 30 June 2014 and future annual periods

• **IFRS 9, Financial Instruments (2014)**

IFRS 9 Financial Instruments (2014) is the finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas:

- Classification and measurement. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.
- Impairment. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised
- Hedge accounting. Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures
- De-recognition. The requirements for the de-recognition of financial assets and liabilities are carried forward from IAS 39.

IFRS 9 is effective for accounting periods beginning on or after 1 January 2018.

The Directors of the Company do not anticipate that the investment entities amendments will have any effect on the Company's Financial Statements as the Company is not an investment entity.

• **Amendments to IFRS 7 and IAS 32 Offsetting Financial Assets and Financial Liabilities and the related disclosures**

The amendments to IAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to IFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods. However, the amendments to IAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The Directors anticipate that the application of these amendments to IAS 32 and IFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

• **IFRS 15, Revenue from Contracts with Customers**

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts;
- Recognise revenue when (or as) the entity satisfies a performance obligation.

2. Application of new and revised International Financial Reporting Standards (IFRS) (Continued)

iii. *Impact of relevant new and amended standards and interpretations on the Financial Statements for the year ended 30 June 2014 and future annual periods (Continued)*

• **IFRS 15, Revenue from Contracts with Customers (Continued)**

Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.

The Directors of the Company do not anticipate that the application of the standard will have a significant impact on the Company's Financial Statements.

• **Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)**

Amends IAS 36 Impairment of Assets to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique.

The Directors of the Company do not anticipate that the application of these amendments to IAS 36 will have a significant impact on the Company's Financial Statements as the company does not have any significant financial assets and financial liabilities that qualify for the offset.

• **Annual Improvements to IFRSs 2010 - 2012 Cycle**

The annual improvements 2010-2012 cycle makes amendments to the following standards:

- IFRS 2 – Amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition'.
- IFRS 3 – Require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date.
- IFRS 8 – Requires disclosure of the judgements made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly.
- IFRS 13 – Clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to

measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only).

- IAS 16 and IAS 38 – Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount.
- IAS 24 – Clarify how payments to entities providing management services are to be disclosed.

• **Annual Improvements to IFRSs 2011 - 2013 Cycle**

Makes amendments to the following standards:

- IFRS 1 – Clarify which versions of IFRSs can be used on initial adoption (amends basis for conclusions only).
- IFRS 3 – Clarify that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the Financial Statements of the joint arrangement itself.
- IFRS 13 – Clarify the scope of the portfolio exception in paragraph 52.
- IAS 40 – Clarifying the inter-relationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

These IFRS improvements are effective for accounting periods beginning on or after 1 January 2014. The Directors of the Company do not anticipate that the application of these improvements to IFRSs will have a significant impact on the Company's Financial Statements.

iv. *Early adoption of standards*

The Company did not early-adopt new or amended standards.

3. Accounting policies

3.1 Statement of compliance

The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

For the Kenyan Companies Act reporting purposes, in these Financial Statements, the balance sheet is represented by/is equivalent to the statement of financial position and the profit and loss account is equivalent to the statement of profit or loss.

3.2 Basis of preparation

The Financial Statements have been prepared on a historical cost basis, except for the measurement at revaluation amounts of marketable securities and financial instruments at fair value, impaired assets at their recoverable amounts and any actuarially determined assets/liabilities at their present value. The principal accounting policies are set out below:-

3.3 Summary of significant accounting policies

(a) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is recognised at the fair value of consideration received or receivable taking into account contractually defined terms of payment and excluding taxes or duty. The following specific recognition criteria must be met before revenue is recognised:-

i. Electricity sales

Electricity revenue is recognised when electricity is consumed by the user and is stated net of Value Added Tax and other Government levies.

ii. Fuel cost recoveries

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

iii. Foreign exchange recoveries

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

(b) Other income

i. Finance revenue

Finance revenue comprises interest receivable from

bank deposits and investment in securities. Finance revenue is recognised as it accrues in profit or loss, using the effective yield method.

ii. Dividends

Dividend income is recognised when the Company's right to receive dividend as a shareholder is established.

iii. Rental income

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

iv. Deferred income

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

v. 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.

vi. Other operating income

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

(c) 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.

(d) Tangible assets

i. 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.

3. Accounting policies (Continued)

3.3 Summary of significant accounting policies (Continued)

(d) Tangible assets (Continued)

(i) Property and equipment (continued)

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:

	The greater of 2% and the unexpired period of the lease
Buildings	
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%

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.

ii. 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.

(e) 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 an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the 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 unforseeable 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 eight years.

(f) Taxation

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

i. Current tax

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

3. Accounting policies (Continued)

3.3 Summary of significant accounting policies (Continued)

(e) Taxation (Continued)

ii. Deferred tax

Deferred 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 tax liabilities are generally recognised for all taxable temporary differences. Deferred 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 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 amount of deferred tax assets is 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 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 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 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 tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(g) 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.

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.

(h) Foreign currencies

The Financial Statements are presented in Kenya shillings, which is the Company's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Transactions during the year are translated at the rates ruling at the dates of the transactions.

3. Accounting policies (Continued)

3.3 Summary of significant accounting policies (Continued)

(h) Foreign currencies (Continued)

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.

(i) 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.

(i) Financial assets at fair value through profit or loss (FVTPL)

This category has two sub-categories: Financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Gains and losses arising from changes in fair value are recognised in the profit or loss.

(ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the company has the positive

intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

(iii) Available-for-sale financial assets

Available-for-sale (AFS) financial assets are non-derivatives that are either designated as available-for-sale financial assets or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Investments in debt securities that are traded in an active market are stated at fair value at the end of each reporting period. The fair value of available-for-sale debt securities is determined by reference to published price quotations in an active market. Interest income calculated using the effective interest method is recognised in profit or loss except for interest income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets which is deducted from the borrowing costs eligible for capitalisation.

Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the Company's right to receive the dividends is established

The fair value of AFS monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

(iv) Loans and receivables

Loans and receivables are non-derivative financial assets

3. Accounting policies (Continued)

3.3 Summary of significant accounting policies (Continued)

(i) Financial Instruments (Continued)

Financial assets (Continued)

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.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

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

For available-for-sale debt securities, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

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

In respect of available-for-sale debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can

3. Accounting policies (Continued)**3.3 Summary of significant accounting policies (Continued)****(i) Financial Instruments (Continued)****Financial assets (Continued)***Impairment of financial assets (Continued)*

be objectively related to an event occurring after the recognition of the impairment loss.

De-recognition of financial assets

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

On de-recognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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

Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or 'other financial liabilities'.

Other financial liabilities

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

De-recognition 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.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

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.

3. Accounting policies (Continued)

3.3 Summary of significant accounting policies (Continued)

(j) Borrowing costs

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

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

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.

(k) Leave accrual

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

(l) Impairment of tangible assets

The Company reviews the carrying amounts of its tangible assets, to determine whether there is any indication that those assets have suffered an impairment loss at reporting date, or when there are indications of impairment. If any such indication exists, the recoverable amount of the asset is estimated and an impairment loss is recognised in profit or loss whenever the carrying amount of the asset exceeds its recoverable amount. An asset's recoverable amount is the higher of the asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Where it is not possible to estimate the recoverable amount of an individual asset, the Directors estimate the recoverable amount of the cash-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 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) The carrying amount of the net assets of the Company is more than its market capitalisation.
- (v) Evidence is available of the obsolescence or physical damage of an asset.
- (vi) Significant changes with an adverse effect on the Company have taken place during the period, or are expected to take place in the near future, which impact the manner or the extent to which an asset is used. These changes include plans to discontinue or restructure the operation to which an asset belongs or to dispose of an asset before the previously expected date.

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

(m) Retirement benefits obligations

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

Pensioners and deferred pensioners (those who have left the employment of the Company but have not attained retirement age to qualify as pensioners) existing at 30 June 2006 are eligible for retirement benefits under a defined benefit scheme.

For defined retirement benefit plans, the cost of providing benefits is determined using the projected

3. Accounting policies (Continued)

3.3 Summary of significant accounting policies (Continued)

(m) Retirement benefits obligations (Continued)

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

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

The net retirement benefit asset/(obligation) recognised in the Company's statement of financial position represents the actual surplus or deficit 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.

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

(n) Operating segments

The Company's business is organised by regions (reporting segments), comprising Nairobi, Mount Kenya, Coast and West Kenya. Business administration is by region as the Company deals in only supply of electricity.

There are no inter-region sales.

Region results include revenue and expenses directly attributable to each region. Region assets and liabilities comprise those operating assets and liabilities that are directly attributable to the region or can be allocated to the region on a reasonable basis.

Capital expenditure represents the total cost incurred during the year to acquire assets for the regions that are expected to be used during more than one period (property and equipment).

(o) Earnings per share

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

(p) 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.

(q) 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.

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.

3. Accounting policies (Continued)

3.3 Summary of significant accounting policies (Continued)

(q) Government grants (Continued)

The benefit of a government loan at a below market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market rates.

(r) Recharge of costs to Rural Electrification Scheme

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 in 1973.

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.

(s) Cash and cash equivalents

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

(t) Comparatives

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. See note 41(f) for the details of the reclassifications in the Financial Statements for the current year.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 3 above, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the 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.

4.1 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:

Operating lease commitments—Company as lessor

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

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of recognised tax losses at 30 June 2014 was KShs.33,288 million (2013: KShs.30,409 million). Further details are contained 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. The net defined benefit asset at 30 June 2014 was KShs.5,442 million (2013: KShs.3,651 million). Further details are given in Note 31.

4. Critical accounting judgements and key sources of estimation uncertainty (Continued)

4.1 Critical judgements in applying accounting policies (Continued)

Electricity deposits

Money received from electricity customers as deposit is 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.

Revenue recognition

Electricity revenue includes an assessment of electricity supplied to customers between the date of the last meter reading and the year end. The electricity sales is estimated using historical consumption patterns taking into account the total electricity usage by the customer.

4.2 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:

Property and equipment

Property and equipment is depreciated over its useful life taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed at the reporting date and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Impairment of assets

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

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

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 31 for further details.

Provision for doubtful debts

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

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

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

General (portfolio) provisions for bad and doubtful debts are maintained to cover non identified probable losses and latent risks inherent in the overall debt portfolio. The provisions are determined having regard to the general risk profile of the credit portfolio, historical loss experience, economic conditions and a range of other criteria including status of the pending court cases.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5.

(a) OPERATING SEGMENTS

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

The table below shows the Company's revenue, expenses, assets and liabilities per region. The table also shows capital expenditure and depreciation by region for the year. There 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.

2014	Nairobi Region KShs'000	West Kenya Region KShs'000	Coast Region KShs'000	Mount Kenya Region KShs'000	Total KShs'000
Revenue	58,548,859	18,399,353	19,125,539	9,321,963	105,395,714
Other income	2,433,550	1,159,808	591,059	730,069	4,914,486
Energy purchases	(39,952,223)	(13,075,273)	(13,075,273)	(6,537,636)	(72,640,405)
Operating expenses	(11,347,808)	(4,861,030)	(3,136,202)	(3,337,688)	(22,682,728)
Operating profit	9,682,378	1,622,858	3,505,123	176,708	14,987,067
Interest income					104,208
Net finance costs					(4,892,848)
Income tax expense					(3,742,193)
Profit for the year					6,456,234
Other information					
Assets	96,208,138	64,917,819	26,204,316	32,779,079	220,109,352
Liabilities	81,073,729	26,533,220	25,821,009	13,795,111	147,223,069
Capital expenditure (including intangible assets)	8,205,290	11,809,717	2,631,199	5,882,042	28,528,248
Depreciation/amortisation	3,187,941	1,773,082	762,255	1,074,467	6,797,745

There were no revenues deriving from transactions with a single external customer that amounted to 10% or more of the Company's revenue. The finance revenue, 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.

5.

(a) OPERATING SEGMENTS (Continued)

2013	Nairobi Region (Restated) KShs'000	West Kenya Region (Restated) KShs'000	Coast Region (Restated) KShs'000	Mount Kenya Region (Restated) KShs'000	Total (Restated) KShs'000
Revenue	49,868,644	15,124,973	16,057,544	7,858,465	88,909,626
Other income	1,796,961	664,221	325,640	405,263	3,192,085
Energy purchases	(34,197,694)	(11,191,972)	(11,191,972)	(5,595,986)	(62,177,624)
Operating expenses	(10,590,652)	(4,194,516)	(3,241,599)	(2,957,710)	(20,984,477)
Operating profit	<u>6,877,259</u>	<u>402,706</u>	<u>1,949,613</u>	<u>(289,968)</u>	<u>8,939,610</u>
Interest income					111,546
Net finance income					(2,480,659)
Income tax expense					(3,124,780)
Profit for the year					<u>3,445,717</u>
Other information					
Assets	<u>82,882,721</u>	<u>52,689,294</u>	<u>21,255,301</u>	<u>27,385,219</u>	<u>184,212,535</u>
Liabilities	<u>66,039,543</u>	<u>22,557,387</u>	<u>20,876,927</u>	<u>11,501,124</u>	<u>120,974,981</u>
Capital expenditure (including intangible assets)	<u>15,595,839</u>	<u>14,034,285</u>	<u>3,667,423</u>	<u>7,411,885</u>	<u>40,709,432</u>
Depreciation/amortisation	<u>2,670,382</u>	<u>1,388,417</u>	<u>656,071</u>	<u>917,772</u>	<u>5,632,642</u>

There were no revenues deriving from transactions with a single external customer that amounted to 10% or more of the Company's revenue. The finance revenue, 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5.

(a) 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:

2014	Land and buildings* KShs'000	Lines KShs'000	Machinery KShs'000	Motor vehicles KShs'000	Furniture equipment and other KShs'000	Intangible assets KShs'000	Total KShs'000
Transmission	483,819	5,830,611	30,453	-	175,315	-	6,520,198
Distribution	1,692,748	102,699,522	442,454	1,939,256	5,865,627	1,410,044	114,049,651
Total	2,176,567	108,530,133	472,907	1,939,256	6,040,942	1,410,044	120,569,849

2013	Land and buildings* KShs'000	Lines KShs'000	Machinery KShs'000	Motor vehicles KShs'000	Furniture equipment and other KShs'000	Intangible assets KShs'000	Total KShs'000
Transmission	495,118	8,734,511	75,224	-	195,779	-	9,500,632
Distribution	1,695,869	84,529,191	55,639	1,842,012	4,549,998	258,716	92,931,425
Total	2,190,987	93,263,702	130,863	1,842,012	4,745,777	258,716	102,432,057

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

6. FINANCIAL RISK & 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
- b. Liquidity risk
- c. Market risk

(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, bank balances and investments in government securities.

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. Credit risk from Government securities is low because of a low default record.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. FINANCIAL RISK & CAPITAL MANAGEMENT

(a) Credit risk (Continued)

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:

	Neither past due nor impaired KShs '000	Past due but not impaired		Impaired Over 365 days KShs '000	Total KShs '000
		Over 60 days KShs '000	Over 365 days KShs '000		
At 30 June 2014					
Trade and other receivables	23,958,901	3,383,106	64,919	3,994,687	31,401,613
Less: impairment allowance	-	-	-	(3,994,687)	(3,994,687)
Short term deposits	915,862	-	-	-	915,862
Bank balances	9,236,684	-	-	-	9,236,684
	<u>34,111,447</u>	<u>3,383,106</u>	<u>64,919</u>	<u>-</u>	<u>37,559,472</u>
At 30 June 2013					
	Neither past due nor impaired KShs '000	Over 60 days KShs '000	Over 365 days KShs '000	Impaired Over 365 days KShs '000	Total KShs '000
Trade and other receivables	12,518,583	1,714,119	448,139	4,087,079	18,767,920
Less: impairment allowance	-	-	-	(4,087,079)	(4,087,079)
Short term deposits	991,496	-	-	-	991,496
Bank balances	3,645,029	-	-	-	3,645,029
	<u>17,155,108</u>	<u>1,714,119</u>	<u>448,139</u>	<u>-</u>	<u>19,317,366</u>

6. FINANCIAL RISK & CAPITAL MANAGEMENT

(a) Credit risk (Continued)

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 KShs.7,182 million (2013 - KShs.6,763 million).

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 is small commercial and domestic customers who settle their accounts within 21 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 times their monthly consumption being security in the form of a cash deposit depending on the load supplied, subject to a minimum of KShs.2,500. 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 21 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 line with Company 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 rates 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 categories of customers including individual households, private industries, companies and Government institutions.

The total cumulative provision for impairment of electricity receivables at 30 June 2014 was KShs.3,622 million (2013: KShs.3,720 million). Refer to note 21(c).

The Company is currently installing 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.

The following table represents an analysis of the maximum exposure to credit risk for electricity receivables:

	2014 KShs'000	2013 KShs'000
Electricity receivables		
Large power users	7,788,322	4,678,945
Ministries	267,537	131,697
Local authorities	43,189	35,866
Parastatals	1,542,145	1,274,614
Ordinary customers	4,415,059	2,869,654
Exports	83,656	175,041
Total electricity receivables	<u>14,139,908</u>	<u>9,165,817</u>

6. FINANCIAL RISK & CAPITAL MANAGEMENT (Continued)

(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,
- 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 2014 as a base period to the contractual maturity date:

	On demand KShs' 000	Less than 3 months KShs' 000	3 to 12 months KShs' 000	1 to 5 years KShs' 000	> 5 years KShs' 000	Total KShs' 000
At 30 June 2014						
Interest bearing loans and borrowings	-	535,180	19,078,895	36,837,556	20,745,289	77,196,920
Trade and other payables	573,541	28,062,735	3,196,476	3,235,438	22,377,236	57,445,426
	<u>573,541</u>	<u>28,597,915</u>	<u>22,275,371</u>	<u>40,072,994</u>	<u>43,122,525</u>	<u>134,642,346</u>
At 30 June 2013						
Interest bearing loans and borrowings	-	-	10,524,326	30,707,830	18,201,971	59,434,127
Trade and other payables	2,275,557	26,965,477	3,117,071	1,497,068	14,453,566	48,308,739
	<u>2,275,557</u>	<u>26,965,477</u>	<u>13,641,397</u>	<u>32,204,898</u>	<u>32,655,537</u>	<u>107,742,866</u>

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.

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

Currency type	Appreciation/ (depreciation) of Exchange rate	Effect on profit before tax and equity KShs million
Year 2014		
US\$	5 %/(5%)	+/-2,245
Euro	5 %/(5%)	+/- 441
JPY	5 %/(5%)	+/- 57
Chinese ¥	5 %/(5%)	+/-112
Year 2013		
US\$	5 %/(5%)	+/-1,550
Euro	5 %/(5%)	+/- 470
JPY	5 %/(5%)	+/- 57
Chinese ¥	5 %/(5%)	+/-112

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

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

Management of commodity risk

Exposure due to commodity risk is managed by passing the cost of fuel used in generation to customers. In addition the Company has well-established credit control procedures that monitor activity on customer accounts and allow for remedial action should the customer not comply with payment terms. These procedures include the issue of a notice of disconnection of supply, an internal collection process; follow up of the customer telephonically or in person, negotiations of mutually acceptable payment arrangements and letters of demand. Non-payment will result in disconnection of supply and the customer's account being closed. The legal collection process is pursued thereafter.

The decision to impair overdue amounts is assessed on the probability of recovery based on the customer's credit risk profile.

iii. Interest rate risk

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

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

Management of interest rate risk

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

6. FINANCIAL RISK & CAPITAL MANAGEMENT (Continued)

(c) Market risk (Continued)

Sensitivity analysis (Continued)

foreign exchange rates, remain constant. The calculation excludes borrowing costs capitalised in terms of the Company's accounting policy. The analysis has been performed on the same basis as the prior year.

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of profit or loss and other comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs.523 million (2013 – KShs.551 million). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs.2,615 million (2013 – KShs.2,755 million):

	Change in currency rate	Effect on profit before tax and equity KShs' 000
2014		
	1%	523,000
	5%	2,615,000
2013		
	1%	551,000
	5%	2,755,000

(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 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 2014 and 30 June 2013.

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.

	2014 KShs' million'	2013 KShs' million'
Interest-bearing loans and borrowings (Note 29)	70,110	51,079
(Less)/add cash and cash equivalents (Note 34(c))	(6,609)	2,097
Net debt	63,501	53,176
Equity	54,205	47,149
Gearing ratio	117%	113%

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 least cost 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 transmitting and other distribution capacity is to be obtained from cash generated by the business, Government support and funds borrowed from local and international lending institutions. The adequacy of electricity tariffs allowed by 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.

6. FINANCIAL RISK & CAPITAL MANAGEMENT (Continued)

(e) Fair values of financial assets and liabilities

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

	Carrying amount 2014 KShs'000	2013 (Restated) KShs'000	Fair value 2014 KShs'000	2013 (Restated) KShs'000
Financial assets				
Trade and other receivables	24,807,771	14,680,841	24,807,771	14,680,841
Short term deposits	915,862	991,496	915,862	991,496
Bank and cash balances	9,260,070	3,668,924	9,260,070	3,668,924
Financial liabilities				
Borrowings	70,109,721	51,079,365	70,109,721	51,079,365
Trade and other payables	52,269,781	46,192,949	52,269,781	46,192,949
Bank overdraft	3,566,744	6,757,812	3,566,744	6,757,812

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 2014, 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.

ii. Fair value hierarchy

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7.

(a) ELECTRICITY SALES

	2014 KShs'000	2013 KShs'000
Large commercial and industrial customers	33,720,332	24,661,040
Small commercial customers	12,224,483	9,396,197
Domestic customers	15,833,508	12,980,859
Export and others	818,712	878,141
	<u>62,597,035</u>	<u>47,916,237</u>

(b) FOREIGN EXCHANGE COSTS ADJUSTMENTS

Total foreign exchange costs on-charged to customers:-	4,422,200	9,222,089
Less amounts attributed to power purchases	(3,008,290)	(5,119,619)
Amounts attributable to Company's operations	<u>1,413,910</u>	<u>4,102,470</u>

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

(c) OTHER OPERATING INCOME

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

	2014 KShs'000	2013 KShs'000
Reconnection charges	188,721	200,709
Stock excess adjustment	385,766	265,961
Fibre optic leases	250,658	159,010
Deferred income amortised to profit or loss for the year (note 28)	2,682,821	1,648,791
Miscellaneous sales	1,406,520	971,299
Net loss on disposal of available for sale Treasury Bonds (note 19(a))	-	(53,685)
	<u>4,914,486</u>	<u>3,192,085</u>

8. POWER PURCHASE COSTS

(a) Basic power purchase costs

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

	2014 KShs'000	2013 KShs'000
KenGen	17,620,150	18,227,794
Aggreko	705,570	1,125,013
Uganda Electricity Transmission Company Limited	487,308	238,284
Tsavo Power Company Limited	1,889,831	1,879,637
Iberafrica Power (E.A.) Company Limited	3,090,640	3,118,337
OrPower 4 Inc.	6,868,006	3,893,915
Mumias Sugar Company Limited	231,890	303,734
Tanzania Electric Supply Company Limited	12,919	10,591
Rabai Power Limited	3,001,752	2,590,175
Imenti Tea Factory	803	3,599
Ethiopia Electricity Power Company	7,667	7,038
Thika Power Limited	1,934,073	-
	<u>35,850,609</u>	<u>31,398,117</u>
Less foreign exchange surcharge (Note 7(b))	(3,008,290)	(5,119,619)
Less recharged to Rural Electrification Scheme	(2,183,387)	(1,517,625)
	<u>30,658,932</u>	<u>24,760,873</u>

(b) Fuel costs

KenGen	12,379,564	8,452,982
Aggreko	2,629,643	6,755,718
Uganda Electricity Transmission Company Limited	1,378,377	683,767
Tsavo Power Company Limited	2,328,642	2,836,412
Iberafrica Power (E.A.) Company Limited	8,704,180	9,737,735
Rabai Power Limited	8,145,034	5,810,049
Thika Power Limited	6,183,232	-
Off-grid power stations	1,107,647	818,175
	<u>42,856,319</u>	<u>35,094,838</u>
Less: recharged to Rural Electrification Scheme	(3,883,136)	(2,797,706)
	<u>38,973,183</u>	<u>32,297,132</u>

The Company incurred KShs.38,973,183 as fuel cost during the year (2013 - KShs.32,297,132), which was passed to the customers and a recovery of KShs.38,376,479 (2013: KShs.31,771,300) was made.

8. POWER PURCHASE COSTS (Continued)
(c) Units purchased

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

	2014 GWh	2013 GWh
KenGen	5,931	5,968
Aggreko	94	261
Uganda Electricity Transmission Company Limited	83	41
Tsavo Power Company Limited	152	178
Iberafrica Power (E.A.) Company Limited	550	593
OrPower 4 Inc.	851	503
Mumias Sugar Company Limited	57	71
Tanzania Electric Supply Company Limited	1	1
Imenti Tea Factory*	-	1
Rabai Power Limited	633	443
Thika Power	454	-
Off-grid power stations	33	27
	<u>8,839</u>	<u>8,087</u>
Less recharged to Rural Electrification Scheme	(585)	(525)
	<u>8,254</u>	<u>7,562</u>

*Imenti Tea Factory Co. Ltd. supplied KWh 149,280 during the period (2013 - KWh 696,680).

(d) Type of interconnected power sources

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

	2014 GWh	2013 GWh
Hydro	3,944	4,298
Geothermal	2,008	1,599
Thermal	2,786	2,134
Imports	84	42
Others	17	14
	<u>8,839</u>	<u>8,087</u>
Less recharged to Rural Electrification Scheme	(585)	(525)
	<u>8,254</u>	<u>7,562</u>

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.

9. OTHER OPERATING COSTS
(a) Distribution

	2014 KShs'000	2013 KShs'000
Salaries and wages	3,429,977	3,406,048
Staff welfare	25,676	4,108
Other consumable goods	679,207	408,759
Depreciation	3,595,995	2,904,965
Transport and travelling	752,578	636,604
Office expenses	11,272	10,950
Advertising and public relations	43,833	34,553
Loss on disposal of fixed assets*	288,526	392,483
Other costs	98,466	104,942
Recharge of recurrent expenditure to capital jobs	(1,072,848)	(1,179,434)
Net recharge of distribution and customer service costs to Rural Electrification Scheme	(1,314,625)	(1,090,018)
	<u>6,538,057</u>	<u>5,633,960</u>

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

(b) Commercial services

	2014 KShs'000	2013 KShs'000
Salaries and wages	2,914,145	2,193,374
Staff welfare	20,787	19,144
Electrical materials	43,402	43,221
Other consumable goods	31,641	37,507
Depreciation	705,342	614,232
Transport and travelling	412,373	482,852
Office expenses	629,277	610,814
Advertising and public relations	209,368	584,111
Repairs and maintenance	36,952	15,679
Other costs	49,510	138,495
Net recharge of distribution and customer service costs to Rural Electrification Scheme	(1,561,577)	(1,370,898)
	<u>3,491,220</u>	<u>3,368,531</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. OTHER OPERATING COSTS

	2014 KShs'000	2013 KShs'000
(c) Energy transmission		
Salaries and wages	1,539,196	1,247,129
Depreciation	629,510	649,322
Transport and travelling	202,592	266,153
Wheeling charges-Ketraco (net)	50,000	161,474
Other costs	179,882	240,699
Recharge of recurrent expenditure to capital jobs	(346,877)	(431,667)
	<u>2,254,303</u>	<u>2,133,110</u>
(d) Administration		
Salaries and wages	4,220,171	4,087,938
Staff welfare	1,095,626	989,260
Insurance	332,799	265,953
Other consumable goods	299,245	360,240
Training expenses and consumer services	340,896	371,821
Depreciation	1,697,991	1,422,167
Electricity expenses	181,642	188,521
Office expenses	480,339	313,617
Licenses	41,597	237,209
Security and surveillance	415,979	394,767
Repairs and maintenance	1,227,496	916,905
Consultancy fees	247,538	138,361
Auditors' remuneration	13,970	13,000
Public relations	286,595	471,561
Directors' emoluments	67,335	40,924
Amortisation	168,907	41,955
Pension write back of provisions	-	(900)
Leave pay obligation provision	20,495	81,082
Bank charges	206,618	378,159
Net retirement benefit expenses	(377,134)	(146,157)
Other costs	1,103,630	772,650
Recharge of administration costs to Rural Electrification Scheme	(907,642)	(610,346)
Recharge of recurrent expenditure to capital jobs	(764,945)	(879,811)
	<u>10,399,148</u>	<u>9,848,876</u>

	2014 KShs'000	2013 (Restated) KShs'000
(e) Total operating expenses		
Salaries and wages (note 10)	11,726,355	10,788,332
Staff welfare	1,142,089	1,012,512
Insurance	332,799	265,953
Other consumable goods	1,010,093	806,506
Training expenses and consumer services	340,896	371,821
Depreciation	6,628,838	5,590,686
Electricity expenses	181,642	188,521
Office expenses	1,120,888	935,381
Repairs and maintenance	1,264,448	932,584
Licenses	41,597	237,209
Consultancy fees	247,538	138,361
Security and surveillance	415,979	394,767
Auditors' remuneration	13,970	13,000
Directors' emoluments	67,335	40,924
Amortisation	168,907	41,955
Pension write-back of provisions	-	(900)
Leave provision	20,495	81,082
Bank charges	206,618	378,159
Transport and travelling	1,367,543	1,385,609
Advertising and public relations	539,796	1,090,225
Electrical materials	43,402	43,221
Wheeling charges-Ketraco (net)	50,000	161,474
Loss on disposal of property and equipment	288,526	392,483
Other costs	1,431,488	1,256,786
Recharges to Rural Electrification Scheme *	(3,783,844)	(3,071,262)
Recharges of recurrent expenditure to capital jobs**	(2,184,670)	(2,490,912)
	<u>22,682,728</u>	<u>20,984,477</u>

*Recharges to RES relate to operating costs apportioned to RES based on the predetermined formula developed by GOK.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. STAFF COSTS

	2014 KShs'000	2013 KShs'000
Salaries and wages excluding retirement benefit costs	11,463,936	10,355,500
NSSF employer contributions	25,289	24,990
Pension costs – Company contributions	614,264	553,999
Net retirement benefit expenses* (note 31)	(377,134)	(146,157)
	<hr/>	<hr/>
Salaries and wages	11,726,355	10,788,332
Provision for leave pay (note 32)	20,495	81,082
	<hr/>	<hr/>
	<u>11,746,850</u>	<u>10,869,414</u>

*Relates to recognition of Retirement benefit plan expenses as a result of implementation of IAS 19 (as revised in 2011) effective for annual periods beginning on or after 1 January 2013. See detailed note on note 31.

11. FINANCE (COSTS)/INCOME

(a) Interest income

Interest income on bank and other deposits	<u>104,208</u>	<u>111,546</u>
--	----------------	----------------

(b) Finance costs

Interest incurred on:		
Loans	(2,338,316)	(1,383,401)
Bank overdrafts	(1,668,586)	(1,110,031)
Dividends on cumulative preference shares	(1,930)	(1,930)
	<hr/>	<hr/>
	<u>(4,008,832)</u>	<u>(2,495,362)</u>

(c) Net foreign exchange gains/(losses)

	2014 KShs'000	2013 KShs'000
Exchange losses on loans	(1,120,272)	(1,856)
Exchange gains on loans for on-going projects capitalised	205,094	33,129
	<hr/>	<hr/>
Exchange (losses)/gains on loans for completed projects	(915,178)	31,273
Exchange gains/(losses) on deposits	31,162	(16,570)
	<hr/>	<hr/>
Net foreign exchange (losses)/gains	(884,016)	14,703
	<hr/>	<hr/>
Total finance costs	<u>(4,892,848)</u>	<u>(2,480,659)</u>

12. PROFIT BEFORE TAX

	2014 KShs'000	2013 (Restated) KShs'000
The profit before tax is arrived at after charging/(crediting):-		
Staff costs (note 10)	12,123,984	11,015,571
Depreciation	6,628,838	5,590,687
Amortisation of intangible assets	168,852	41,899
Amortisation of prepaid leases on land	55	56
Directors' emoluments:		
- Fees	5,644	6,745
- Other	67,335	40,924
Auditors' remuneration	13,970	13,000
Loss on disposal of property and equipment	288,526	392,483
Rent payable	294,250	146,087
Net foreign exchange losses/(gains)	884,016	(14,703)
Net retirement benefit expenses	(377,134)	(146,157)
Interest payable	4,008,832	2,495,362
Interest receivable	(104,208)	(111,546)
Rent receivable	(53,227)	(61,606)
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. TAXATION

(a) Statement of profit or loss – income tax expense

	2014 KShs'000	2013 (Restated) KShs'000
Current taxation based on the adjusted profit for the year at 30%	-	-
Deferred tax charge current year (note 26)	3,702,549	3,023,973
Deferred tax prior year – under provision	-	68,159
Corporation tax on separate sources – prior year	7,597	-
Corporation tax on separate sources of income – current year	32,047	32,648
	<u>3,742,193</u>	<u>3,124,780</u>

(b) Reconciliation of tax expense to the expected tax based on profit before tax:-

	2014	2013
Profit before tax	<u>10,198,427</u>	<u>6,570,497</u>
Tax at the applicable tax rate of 30%	3,059,528	1,971,150
Tax effect of expenses not deductible for tax purposes	31,784	44,066
Tax effect on excess allowance over depreciation	611,237	1,008,757
Deferred tax prior year – under provision	-	68,159
Corporation tax on separate sources – prior year	7,597	-
Corporation tax separate sources – current year	32,047	32,648
Tax charge	<u>3,742,193</u>	<u>3,124,780</u>

(c) Statement of Financial Position – Tax recoverable

	2014	2013
At the beginning of the year	20,486	(37,886)
Paid during the year	30,314	68,505
Corporation tax on separate sources – prior year	(7,597)	22,515
Corporation tax separate sources – current year	(32,047)	(32,648)
	<u>11,156</u>	<u>20,486</u>

(d) Analysis of tax paid

	2014 KShs'000	2013 KShs'000
Paid during the year	22,717	68,505
Corporation tax on separate sources paid	7,597	22,515
	<u>30,314</u>	<u>91,020</u>

14. 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:

	2014 KShs'000	2013 (Restated) KShs'000
Profit for the year attributable to owners of the Company	<u>6,456,234</u>	<u>3,445,717</u>

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.

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:

	2014	2013
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<u>1,951,467,045</u>	<u>1,951,467,045</u>

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

	2014	2013 (Restated)
Basic earnings per share (KShs)	<u>3.31</u>	<u>1.76</u>
Diluted earnings per share (KShs)	<u>3.31</u>	<u>1.76</u>

There were no potentially dilutive ordinary shares as at 30 June 2014. Diluted earnings per share is therefore the same as basic earnings per share.

15. DIVIDEND 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 the end of 2014, a final dividend in respect of the year ended 30 June 2014 of KShs.0.30 (2013 – KShs.Nil) for every ordinary share of KShs.2.50 par value is to be proposed. An interim dividend of KShs.0.20 (2013 – KShs.Nil) for every ordinary share of KShs.2.50 was declared and paid during the year. This will bring the total dividend for the year to KShs.0.50 (2013 – KShs. Nil).

16. PROPERTY AND EQUIPMENT

2014 COST	Freehold land and buildings KShs'000	Transmission lines KShs'000	Distribution lines KShs'000	Machinery KShs'000	Motor vehicles KShs'000	Furniture equipment and other KShs'000	Work in Progress KShs' 000	Total KShs'000
At 1 July 2013 – as previously stated	2,838,395	15,661,234	95,011,342	185,856	4,990,463	14,614,086	38,147,712	171,449,088
Prior year adjustment for work in progress* (note 41(c))	-	-	-	-	-	-	2,254,065	2,254,065
At 1 July 2013 – as restated	2,838,395	15,661,234	95,011,342	185,856	4,990,463	14,614,086	40,401,777	173,703,153
Work in progress additions	-	-	-	-	-	-	27,208,068	27,208,068
Transfers to fixed assets	42,524	161,525	19,631,973	355,438	713,617	3,019,007	(23,924,084)	-
Disposals	-	-	(484,723)	-	-	-	-	(484,723)
At 30 June 2014	2,880,919	15,822,759	114,158,592	541,294	5,704,080	17,633,093	43,685,761	200,426,498
DEPRECIATION								
At 1 July 2013	779,061	6,926,723	10,482,151	54,993	3,148,451	9,868,309	-	31,259,688
Charge for the year	56,889	477,784	3,740,556	13,394	616,373	1,723,842	-	6,628,838
Disposals	-	-	(175,996)	-	-	-	-	(175,996)
At 30 June 2014	835,950	7,404,507	14,046,711	68,387	3,764,824	11,592,151	-	37,712,530
NET BOOK VALUE								
At 30 June 2014	2,044,969	8,418,252	100,111,881	472,907	1,939,256	6,040,942	43,685,761	162,713,968

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. PROPERTY AND EQUIPMENT (Continued)

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

2013	Freehold land and buildings KShs'000	Transmission lines KShs'000	Distribution lines KShs'000	Machinery KShs'000	Motor vehicles KShs'000	Furniture equipment and other KShs'000	Work in Progress KShs' 000	Total KShs'000
COST								
At 1 July 2012 – as previously stated	2,519,667	15,538,340	75,031,048	177,674	4,317,065	12,755,310	21,359,044	131,698,148
Prior year adjustment for work in progress* (note 41(c))	-	-	-	-	-	-	2,254,065	2,254,065
At 1 July 2012 – as restated	2,519,667	15,538,340	75,031,048	177,674	4,317,065	12,755,310	23,613,109	133,952,213
Work in progress additions	-	-	-	-	-	-	40,578,337	40,578,337
Transfers to fixed assets	318,728	122,894	20,555,016	8,182	926,073	1,858,776	(23,789,669)	-
Disposals	-	-	(574,722)	-	(252,675)	-	-	(827,397)
At 30 June 2013 – as restated	2,838,395	15,661,234	95,011,342	185,856	4,990,463	14,614,086	40,401,777	173,703,153
DEPRECIATION								
At 1 July 2012	724,960	6,451,747	7,567,405	45,229	2,897,878	8,339,559	-	26,026,778
Charge for the year	54,101	474,976	3,045,117	9,764	477,979	1,528,750	-	5,590,687
Disposals	-	-	(130,371)	-	(227,406)	-	-	(357,777)
At 30 June 2013	779,061	6,926,723	10,482,151	54,993	3,148,451	9,868,309	-	31,259,688
NET BOOK VALUE								
At 30 June 2013	2,059,334	8,734,511	84,529,191	130,863	1,842,012	4,745,777	40,401,777	142,443,465

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

*Restatement of work in progress is in relation to capital works for Kisii-Chemosit and Kamururu-Meru transmission lines together with the related loan obligation which were omitted from the Company's books as a result of the Government directive to transfer these assets to Kenya Electricity Transmission Company Limited (Ketraco). However, the transfer was not effected as the legal agreements to facilitate the transfer had not been signed. These work in progress/lines will be transferred to Ketraco after the agreement to transfer the assets and related loans to Ketraco is executed between the relevant parties.

17. PREPAID LEASES ON LAND

	2014 KShs'000	2013 KShs'000
COST		
At 30 June	133,693	133,693
AMORTISATION		
At 1 July	2,040	1,984
Amortisation for the year	55	56
At 30 June	2,095	2,040
NET BOOK VALUE		
At 30 June	131,598	131,653

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

There were 160 leases during the year (2013 - 160). All the land is leased from the Government of Kenya under renewable leases. The lease periods range from between 50 years to 99 years in the counties and up to 999 years for some plots in the Coastal City of Mombasa. Leases are renewed as they expire. Where leases have expired in the past, all have been renewed without any complications and no renewal complications are expected in the foreseeable future.

18. INTANGIBLE ASSETS-COMPUTER SOFTWARE

	2014 KShs'000	2013 KShs'000
COST		
At 1 July	319,896	188,801
Additions	1,320,180	131,095
At 30 June	1,640,076	319,896
AMORTISATION		
At 1 July	(61,180)	(19,281)
Charge for the year	(168,852)	(41,899)
	(230,032)	(61,180)
At 30 June	1,410,044	258,716

19. INVESTMENTS IN GOVERNMENT SECURITIES

(a) The investments in government securities relate to two treasury bonds classified as available for sale investments. The details are as follows:-

	2014 KShs '000	2013 Carrying value KShs '000	2013 Proceeds KShs '000	2013 Fair value gain Kshs '000
Available for sale investments	-	1,171,109	1,244,821	73,712

The two bonds were disposed of in year 2012/2013 and the realized net loss on disposal was as follows:

	2014 KShs'000	2013 KShs'000
Cumulative fair value loss reclassified to equity on disposal on disposal	-	(127,397)
Fair value gain during the year	-	73,712
Realised net loss on disposal (note 7(c))	-	(53,685)

(b) Unquoted investment

	2014 KShs'000	2013 KShs'000
Cost	4,300	4,300
Impairment	(4,300)	(4,300)
	-	-

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. INVENTORIES

	2014 KShs'000	2013 KShs'000
General stores	5,427,022	5,868,076
Conductors and cables	4,946,816	5,607,923
Transformers	2,733,228	2,201,633
Poles	790,490	674,975
Meters and accessories	97,122	94,799
Engineering spares	16,226	17,355
Fuel and oil	190,238	179,000
Motor vehicle spares	670,183	159,824
Goods in transit	96,885	112,037
	<u>14,968,210</u>	<u>14,915,622</u>

General stores, engineering spares, fuel and oil, transformers and motor vehicle spares are stated at weighted average cost and adjusted with the provision for obsolete and slow moving stocks of KShs.527,529,000 (2013 - KShs.458,502,000) while goods in transit are at cost. A total of KShs.45,905,000 (2013 - KShs.53,291,000) has been expensed as an increase in the provision for obsolete and slow moving stocks.

21. (a) TRADE AND OTHER RECEIVABLES

	2014 KShs'000	2013 (Restated) KShs'000
Electricity receivables (note 21(c))	17,761,699	12,885,322
Prepayments	144,633	73,670
Recoverable fuel costs*	5,816,440	2,202,770
VAT recoverable	1,154,157	3,376,943
Staff receivables (note 21(d)(i))	545,532	559,937
Deferred payment customers	458,297	483,750
Due from Ketraco**	2,376,810	1,822,022
Other receivables (note 21(d)(ii))	993,680	814,119
	<u>29,251,248</u>	<u>22,218,533</u>
Gross trade and other receivables		
Provision for credit losses (Note 21(b))	(3,994,687)	(4,087,079)
	<u>25,256,561</u>	<u>18,131,454</u>

Trade and other receivables are non-interest bearing and are generally due within 30 days.

* Recoverable fuel costs relate to fuel costs for the month of June passed on to customers to be recovered in July.

** Due from Ketraco are amounts due from Ketraco relating to the 0.75% Japan Bank for International Cooperation reinstated debt for the construction of Sondu Miriu transmission and distribution line which is to be transferred to Ketraco after the agreement to transfer the loan to Ketraco is executed between the relevant parties.

(b) PROVISIONS FOR CREDIT LOSSES

As at 30 June 2014, trade and other receivables amounting to KShs.3,994,687,000 (2013 - KShs.4,087,079,000) were fully impaired and provided for. Movements in the provisions for credit losses were as follows:

	2014 KShs'000	2013 KShs'000
At 1 July	(4,087,079)	(4,227,544)
Bad debts write-off	97,715	140,465
Additional provision	(5,323)	-
	<u>(3,994,687)</u>	<u>(4,087,079)</u>
At 30 June (Note 21(a))		
Provisions for credit losses comprise:		
Electricity receivables	3,621,791	3,719,505
Staff receivables	86,677	86,677
Other receivables	286,219	280,897
	<u>3,994,687</u>	<u>4,087,079</u>

21. (Continued)
(c) ELECTRICITY RECEIVABLES

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

	Total KShs'000	<30 days KShs'000	30-60 days KShs'000	60-90 days KShs'000	90-120 days KShs'000	>120 days KShs'000
2014						
Gross	17,761,699	14,256,463	1,050,891	608,050	494,651	1,351,644
Impairment	(3,621,791)	(116,555)	(1,050,891)	(608,050)	(494,651)	(1,351,644)
Net electricity receivable	<u>14,139,908</u>	<u>14,139,908</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
2013						
Gross	12,885,322	9,558,396	999,260	443,820	362,186	1,521,660
Impairment	(3,719,505)	(392,579)	(999,260)	(443,820)	(362,186)	(1,521,660)
Net electricity receivable	<u>9,165,817</u>	<u>9,165,817</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(d) OTHER RECEIVABLES ANALYSIS

Other receivables comprise debtors which have been impaired as follows:

	2014 KShs'000	2013 (Restated) KShs'000
i. Staff receivables (note 21(a))		
Impairment	545,532 (86,677)	559,937 (86,677)
Net other receivables	<u>458,855</u>	<u>473,260</u>
ii. Other receivables (note 21(a))		
Impairment	993,680 (286,219)	814,119 (280,897)
Net other receivables	<u>707,461</u>	<u>533,222</u>

All provisions for credit losses are specific.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. SHORT TERM DEPOSITS, BANK AND CASH BALANCES

	2014 KShs'000	2013 KShs'000
(a) Short term deposits-maturing within 3 months		
Housing Finance Company of Kenya Limited	340,712	322,739
Standard Chartered Bank Kenya Limited	259,796	113,679
CfC Stanbic Bank Limited	217,452	161,913
The Co-operative Bank of Kenya Limited	97,902	393,165
	<u>915,862</u>	<u>991,496</u>

The average effective interest rate on the short-term deposits as at 30 June 2014 was 5.59% (2013 - 5.84%).

(b) Bank and cash balances

	2014 KShs'000	2013 KShs'000
Cash at bank	9,236,684	3,645,029
Cash on hand	23,386	23,895
	<u>9,260,070</u>	<u>3,668,924</u>
Bank overdraft*	(3,566,744)	(6,757,812)
	<u>5,693,326</u>	<u>(3,088,888)</u>

*The bank overdraft was obtained from Kenya Commercial Bank Limited, Commercial Bank of Africa and CfC Stanbic bank during the year.

The interest rates were as follows:-

Bank	Interest rates
Kenya Commercial Bank Limited	Base rate minus 2% (base rate at 30 June 2014 was 17%)
CfC Stanbic Bank Limited	Base rate minus 1.5% (base rate at 30 June 2014 was 13.5%)
Commercial Bank of Africa Limited	Base rate minus 4% (Base rate at 30 June 2014 was 17%)

23. SHARE CAPITAL

	2014 KShs'000	2013 KShs'000
Ordinary share capital		
Authorised:		
2,592,812,000 ordinary shares of KShs.2.50 each	<u>6,482,030</u>	<u>6,482,030</u>
Issued and fully paid:		
1,951,467,045 ordinary shares of KShs.2.50 each	<u>4,878,667</u>	<u>4,878,667</u>

24. SHARE PREMIUM

The share premium arose from the redemption of the 7.85% redeemable non-cumulative preference shares and the rights issue in the year 2011.

	2014 KShs'000	2013 (Restated) KShs'000
Retained earnings	<u>27,305,683</u>	<u>20,249,921</u>

25. RESERVES

Retained earnings

The retained earnings balance represents the amount available for distribution to the shareholders of the Company.

26. DEFERRED TAX

Deferred tax is calculated on all temporary differences under the liability method using the enacted rate, currently at 30%. The net deferred tax liability at year-end is attributable to the following items:

	2014 KShs'000	2013 (Restated) KShs'000
Deferred tax liabilities:		
Accelerated capital allowance	29,346,462	24,634,533
Unrealised exchange gains	36,194	321,533
Net retirement benefit asset	1,632,565	1,095,216
	<u>31,015,221</u>	<u>26,051,282</u>
Deferred tax assets:		
Tax losses	(9,986,474)	(9,122,753)
Provisions	(1,459,420)	(1,485,960)
	<u>(11,445,894)</u>	<u>(10,608,713)</u>
Net deferred tax liability	<u>19,569,327</u>	<u>15,442,569</u>
Movement on the deferred tax account is as follows:		
At 1 July - as previously reported	11,535,982	9,496,455
<i>Prior year adjustments:</i>		
- Net retirement benefit assets (note 41(a))	1,095,216	563,071
- Tax effect on capital contributions (note 41(d))	2,811,371	1,802,614
At 1 July - as restated	<u>15,442,569</u>	<u>11,862,140</u>
Tax effect on net retirement benefit asset - dealt with through other comprehensive income in equity	424,209	488,297
Charge to profit or loss (note 13 (a))	3,702,549	3,023,973
Deferred tax prior year under provision	-	68,159
At 30 June	<u>19,569,327</u>	<u>15,442,569</u>

As at 30 June 2014 the Company had accumulated tax losses amounting to KShs.33,288 million (2013 — KShs.30,409 million) available for future relief. Under the new Kenyan legislation with effect from January 2010, tax losses can only be carried forward to a maximum of four years.

27. TRADE AND OTHER PAYABLES

	2014 KShs'000	2013 (Restated) KShs'000
(a) Non-current liabilities		
Customer deposits*	7,182,095	6,763,227
Capital contributions	2,474,775	2,209,848
Capital contribution - on-going projects	9,845,564	6,176,612
Rural Electrification Scheme Levy	122,685	750,717
Deferred creditor (Fibre Optic)	775,622	863,402
Donor Funded Revolving Fund	1,694,613	957,158
Rural Electrification Schemes	1,066,421	3,313,077
Ministry of Finance	984,421	984,421
Other payables and accruals	1,475,376	1,709,499
	<u>25,621,572</u>	<u>23,727,961</u>
(b) Current liabilities		
	2014 KShs'000	2013 (Restated) KShs'000
KenGen	7,731,871	5,953,651
Aggreko	728,226	1,650,104
Other electricity suppliers	10,557,831	5,879,527
Customer refunds (foreign exchange adjustment)	-	902,310
Other suppliers' accounts	2,949,789	4,345,366
Rural Electrification Scheme's current account	1,444,819	1,341,014
Rural Electrification Scheme Levy	569,212	341,257
Nuclear Electricity Project	10,251	25,526
Energy Regulatory Commission Levy	81,238	78,097
Other payables and accruals	2,574,972	1,948,136
	<u>26,648,209</u>	<u>22,464,988</u>

*Customers' deposit is 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 electricity meters supplied to the customer for long term electricity supply.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

27. TRADE AND OTHER PAYABLES (Continued)

The Rural Electrification Scheme Levy under current liabilities relates to levy charge for May and June 2014 to be remitted to Rural Electrification Authority on collection. Capital contributions for on-going jobs relate to customer contributions for capital works not completed. Trade payables under current liabilities are non-interest bearing and are normally settled within 60 days.

28. DEFERRED INCOME

	2014 KShs'000	2013 KShs'000
Balance at beginning of the year	16,087,747	12,362,327
Additions	5,275,788	5,374,211
Recognised as income (note 7(c))	(2,682,821)	(1,648,791)
Balance at end of the year	<u>18,680,714</u>	<u>16,087,747</u>

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 on-going service.

Included in the additions for the current year is an amount of KShs.2.7 billion (2013: none) disbursed by the Government of Kenya as a grant to the Company to enhance universal access to electricity through connectivity to the national grid.

A separate classification for deferred income has been adopted as, in the view of the Directors, the amounts included in the deferred income are not refundable in cash to the customers, but instead, the asset is used to provide an ongoing service to the customer and hence there is no clear liability arising.

29. BORROWINGS

	2014 KShs'000	2013 (Restated) KShs'000
(a) Balances		
4% Kenya Government/European Investment Bank - Olkaria loan (Euro 10,359,618) 2005-2020	1,238,492	1,376,109
7.7% Kenya Government/IDA 2966 KE loan 1997-2017	188,349	188,349
4.5% GOK/IDA 3958& 4572 KE ESRP (USD 116,369,315) 2004-2024	10,197,082	7,772,673
4.5 % GOK/ Nordic Development Fund 435 ESRP (Euro 7,812,500) 2006 - 2024	933,985	948,358
4.5% GOK/Agence Francaise de Development 3008 ESRP (Euro 20,179,773) 2006 - 2024	2,412,492	2,505,931
3.97% GOK/EIB 23324 KE ESRP (Euro 35,482,193) 2006 - 2025	4,241,896	4,229,548
Kenya Electricity Expansion Project Loan (USD 28,678,612)	2,513,018	1,661,911
Standard Chartered Medium Term Loan (USD 23,437,500)	2,053,756	3,359,375
Equity Bank USD Medium Term Loan (USD 39,345,690)	3,447,740	4,404,096
Equity Bank Short Term Loan	4,000,000	4,000,000
First Rand Bank Medium Term Loan (USD 54,545,454)	4,779,649	5,160,000
International Finance Corporation Loan (USD 27,000,000)	2,365,926	2,322,000
Standard Chartered Loan (USD 52,500,000)	4,600,412	5,160,000
Co-operative Bank Short Term Loan	4,500,000	-
Barclays Bank Loan	6,000,000	-
First Rand Bank Long Term Loan (USD 100,000,000)	8,762,690	-
0.75% Japan Bank for International Cooperation (JPY 1,325,904,871)	1,148,565	1,149,996
2.5% GOK/EXIMBANK Loan (¥161,028,810)	2,273,260	2,254,065
CBA Medium Term Loan	2,750,000	-
Citi Bank Short Term Loan	-	2,500,000
Standard Chartered Bank Short Term Loan	-	800,000
Accrued interest	1,702,409	1,286,954
	<u>70,109,721</u>	<u>51,079,365</u>
Less: amounts repayable within 12 months (note 29(c))	(16,968,279)	(8,193,054)
Non-current	<u>53,141,442</u>	<u>42,886,311</u>

29. BORROWINGS (Continued)

(a) Balances (Continued)

Standard Chartered Bank, Equity Bank, First Rand Bank, Barclays Bank, Commercial Bank of Africa, Co-operative Bank and International Finance Corporation loans are secured by letter of negative pledge. All other loans are guaranteed by the Government of Kenya.

Under the terms of the Kenya Government/Swiss mixed credit, the balance of this loan, upon full payment of 50% of the amount lent, was to become a grant to the GoK. The last instalment on this loan was paid in December 2007. Modalities on how the grant will be remitted to the GoK had not been worked out as at 30 June 2014.

(b) Analysis of borrowings by currency

	Borrowings in KShs KShs' 000	Borrowings in US\$ KShs' 000	Borrowings in Chinese Yuan KShs' 000	Borrowings in JPY KShs' 000	Borrowings in Euros KShs' 000	Total borrowings KShs' 000
2014						
Loans	12,952,409	44,908,622	2,273,260	1,148,565	8,826,865	70,109,721
2013						
Loans	7,300,000	30,995,923	2,254,065	1,149,996	9,379,381	51,079,365
					2014 KShs'000	2013 KShs'000

(c) Maturity of borrowings

Due within 1 year	16,968,279	8,193,054
Due between 1 and 2 years	9,460,445	10,638,192
Due between 2 and 5 years	23,844,226	17,956,389
Due after 5 years	19,836,771	14,291,730
	70,109,721	51,079,365

30. PREFERENCE SHARES

Authorised, issued and fully paid:

	2014 KShs'000	2013 KShs'000
350,000 - 7% cumulative preference shares of KShs.20 each	7,000	7,000
1,800,000 - 4% cumulative preference shares of KShs.20 each	36,000	36,000
	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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31. RETIREMENT BENEFITS OBLIGATION

The Company operates a defined contributions scheme for all full time permanent employees from 1 July 2006. It also operates a defined benefit scheme for pensioners and deferred pensioners (those who have left the employment of the Company or are still serving but have not attained retirement age to qualify as pensioners), who existed as at 30 June 2006. The defined contributions scheme is administered by an in-house team and is funded by contributions from the Company and its employees.

The defined benefit scheme is closed and the members ceased contributing to the scheme with effect from 1 July 2006. The benefits provided by defined benefit scheme are based on a formula taking into account years and complete months of service with the employer since joining the scheme to the closing date. The benefits provided by the defined contribution scheme are determined by accumulated contributions from the employer and employees and the returns on investments.

CfC Stanbic Financial Services Limited and Co-opTrust Investment Services Limited jointly manage the defined benefit scheme's funds. Under the defined benefit scheme, the employees are entitled to retirement benefits varying between 3 and 5 percent of final pensionable emoluments on attainment of the retirement age.

Both schemes are governed by the Retirement Benefits Act, 1997. This requires that an actuarial valuation be carried out at least every three years for the defined benefit scheme. The most recent actuarial valuation of the defined benefit scheme was carried out as at 31 December 2013, using the Projected Credit Method, by an independent qualified actuary, Alexander Forbes Financial Services (East Africa) Limited. The actuary carried out a high level actuarial estimate of the scheme's financial position as at 31 December 2013. Management has updated the results of the 31 December 2013 valuation to reflect the changes as at 30 June 2014.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2014	2013
- discount rate of interest	13.0%	12.5%
- expected rate of return on assets	13.0%	12.5%
- future salary increases	5.0%	5.0%
Retirement age	60 Years	60 Years

The updated position arising from the Company's obligation in respect of its defined benefits plan is as follows:

The amounts recognised in the profit and loss and other comprehensive income in respect of the defined benefit plan are as follows:

	2014 Shs'000	2013 (Restated) Shs'000
Current service cost	74,547	83,253
Interest cost on defined benefit obligation	1,390,307	1,292,216
Interest income on plan assets	(1,841,988)	(1,521,626)
Recognised in profit or loss in respect of the plan (note 10)	(377,134)	(146,157)
Actuarial gain	(1,472,867)	-
Return on plan assets (excluding amount in interest cost)	58,837	(1,627,658)
Recognised in other comprehensive income	(1,414,030)	(1,627,658)
Total	(1,791,164)	(1,773,815)

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:

	2014 Shs'000	2013 (Restated) Shs'000
Present value of funded defined benefit obligation	10,805,631	11,356,723
Fair value of plan assets	(16,247,514)	(15,007,442)
Present value of unfunded defined benefit asset	(5,441,883)	(3,650,719)

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

	2014 Shs'000	2013 (Restated) Shs'000
Net asset at the start of the period	(3,650,719)	(1,876,904)
Net income recognised in profit or loss	(377,134)	(146,157)
Fair value of plan assets	(1,414,030)	(1,627,658)
Present value of unfunded defined benefit asset	(5,441,883)	(3,650,719)

31. RETIREMENT BENEFITS OBLIGATION (Continued)

Movement in the present value of defined benefit funded obligations in the current year were as follows:

	2014 Shs'000	2013 (Restated) Shs'000
Defined benefit obligations - 1 July	11,356,723	10,610,949
Current service cost	74,547	83,253
Interest cost on obligation	1,390,307	1,292,216
Actuarial gain	(1,472,867)	-
Benefits paid	(543,079)	(629,695)
Defined benefit obligations - 30 June	<u>10,805,631</u>	<u>11,356,723</u>

Movement in the present value of defined benefit scheme assets:

Fair value of scheme assets - 1 July	(15,007,442)	(12,487,853)
Interest income on plan assets	(1,841,988)	(1,521,626)
Return on plan assets	58,837	(1,627,658)
Benefits paid	543,079	629,695
Fair value of scheme assets - 30 June	<u>(16,247,514)</u>	<u>(15,007,442)</u>

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

	2014 Shs'000	2013 Shs'000
Equity instruments	3,151,150	2,654,910
Debt instruments	6,102,760	6,673,810
Property	6,694,160	5,235,450
Others	299,444	443,272
Total scheme (assets)	<u>16,247,514</u>	<u>15,007,442</u>

The Company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The Company's obligations under the scheme are limited to specific contributions legislated from time to time and are currently at KShs.200 per employee per month.

32. PROVISION FOR LEAVE PAY

	2014 Shs'000	2013 Shs'000
At 1 July	1,070,460	989,378
Additional provisions (note 10)	20,495	81,082
At 30 June	<u>1,090,955</u>	<u>1,070,460</u>

Provision for annual leave is based on services rendered by employees up to the end of the year.

33. DIVIDENDS PAYABLE

	2014 Shs'000	2013 Shs'000
Dividends payable on ordinary shares	<u>573,541</u>	<u>388,826</u>

These relate to unclaimed dividends payable to different ordinary shareholders.

The movement in the dividend payable account is as follows:-

	2014 Shs'000	2013 Shs'000
At 1 July	388,826	425,184
Declared during the year	392,223	587,370
Paid during the year	(207,508)	(623,728)
At 30 June	<u>573,541</u>	<u>388,826</u>

34. NOTES TO THE STATEMENT OF CASH FLOWS
(a) RECONCILIATION OF OPERATING PROFIT TO CASH GENERATED FROM OPERATIONS

	2014 KShs'000	2013 (Restated) KShs'000
Operating profit	14,987,067	8,939,610
Depreciation	6,628,838	5,590,687
Amortisation of intangible assets	168,852	41,899
Amortisation of prepaid leases on land	55	56
Loss on disposal of property and equipment	288,526	392,483
Loss on disposal of treasury bond	-	53,685
Increase in deferred income	2,592,967	3,725,420
Increase in provision for leave pay obligation	20,495	81,082
Movement in retirement benefits expenses	(377,134)	(146,157)
Working capital adjustments		
Increase in inventories	(52,588)	(4,629,246)
Increase in trade and other receivables	(7,125,792)	(3,973,960)
Increase in trade and other payables	6,076,832	8,378,669
Cash generated from operations	<u>23,208,118</u>	<u>18,454,228</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

34. NOTES TO THE STATEMENT OF CASH FLOWS (Continued)

(b) ANALYSIS OF CHANGES IN LOANS

	2014 KShs'000	2013 (Restated) KShs'000
At the beginning of the year	51,079,365	27,762,313
Receipts	25,100,876	29,923,542
Repayments	(7,575,085)	(6,663,441)
Repayment of previous year's accrued interest	(1,286,954)	(1,248,429)
Foreign exchange loss	1,089,110	18,426
Accrued interest	1,702,409	1,286,954
At the end of the year	<u>70,109,721</u>	<u>51,079,365</u>

(c) ANALYSIS OF CASH AND CASH EQUIVALENTS

Short term deposits	915,862	991,496
Bank and cash balances	9,260,070	3,668,924
Bank overdraft	(3,566,744)	(6,757,812)
	<u>6,609,188</u>	<u>(2,097,392)</u>

For the purpose of the cash flow statement, cash and cash equivalents include short term liquid investments which are readily convertible to known amounts of cash and which were within three months to maturity when acquired; less advances from banks repayable within three months from date of disbursement or date of confirmation of the advance.

(d) ANALYSIS OF INTEREST AND DIVIDEND PAID

	Note	2014 KShs'000	2013 KShs'000
INTEREST PAID			
Interest on loans	11	2,338,316	1,383,401
Overdraft interest	11	1,668,586	1,110,031
		<u>4,006,902</u>	<u>2,493,432</u>
Interest on loans capitalised		352,127	168,449
Accrued interest brought forward	29(a)	1,286,954	1,248,429
Accrued interest carried forward	29(a)	(1,702,409)	(1,286,954)
Interest paid		<u>3,943,574</u>	<u>2,623,356</u>

	Note	2014 KShs'000	2013 KShs'000
DIVIDENDS PAID			
Dividends payable - 1 July		388,826	425,184
Preference dividends - 4% and 7% cumulative preference shares		1,930	1,930
2013 dividends declared		-	585,440
2014 interim dividends declared		390,293	-
Dividends payable - 30 June		(573,541)	(388,826)
Dividends paid		<u>207,508</u>	<u>623,728</u>

(e) ANALYSIS OF INTEREST RECEIVED

Interest received on bank and other deposits	11	104,208	111,546
Accrued interest brought forward		3,299	57,605
Accrued interest carried forward		(2,614)	(3,299)
Interest received		<u>104,893</u>	<u>165,852</u>

(f) PURCHASE OF PROPERTY AND EQUIPMENT

	Note	2014 KShs'000	2013 (Restated) KShs'000
Additions to property and equipment	16	23,924,084	23,789,669
Additions to work in progress	16	3,283,984	19,042,733
Exchange losses on loans for on-going projects capitalised	11(c)	(205,094)	(33,129)
Interest expense on loans capitalised	34(d)	(352,127)	(168,449)
Property and equipment purchased		<u>26,650,847</u>	<u>42,630,824</u>

35. RELATED PARTY DISCLOSURES

The Government of Kenya is the principal shareholder in The Kenya Power and Lighting Company Limited (KPLC) holding a 50.1% equity interest. The Government also holds 70% of the equity interest in Kenya Electricity Generating Company Limited (KenGen). The Company is related to KenGen through common control. During the year, the following transactions were carried out with related parties:

- (a) The Company had no individually significant transactions carried out on non-market terms.
- (b) Other transactions that are collectively significant are detailed as follows:-

Government of Kenya

	2014 KShs'000	2013 KShs'000
i. Ministries:		
Electricity sales to Government Ministries	3,163,359	2,701,254
Electricity sales to strategic parastatals	3,573,423	3,247,304
ii. Outstanding balances at the year end included in trade and other receivables:		
Ministries	746,798	546,140
Strategic parastatals	1,799,015	1,173,810
VAT recoverable	1,154,157	3,376,943
	3,699,970	5,096,893
iii. Outstanding balances at the year end included in trade and other payables:		
Rural Electrification Scheme levy	691,897	1,091,974
Electricity Regulatory Commission levy	81,238	78,097
Rural Electrification Scheme - recurrent	1,444,819	1,341,014
Ministry of Finance	984,421	984,421
Rural Electrification Schemes	1,066,421	3,313,077
	4,268,796	6,808,583
Net amount owed to Government of Kenya	(568,826)	(1,711,690)

The tariffs applicable to Government institutions are the same as those charged to other ordinary customers.

(c) Staff

	2014 KShs'000	2013 KShs'000
(i) Sales		
Electricity sales to staff	137,297	131,576
Outstanding balances included in electricity receivables	2,777	3,125

The tariff applicable to staff is the same as that charged to other ordinary customers with effect from 1 July 2008.

	2014 KShs'000	2013 KShs'000
(ii) Advances to staff included in trade and other receivables	458,855	473,260
(iii) Key management compensation		
Short-term employee benefits	14,882	23,755
Termination benefits	15,608	19,364

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 12 and also below:

	2014 KShs'000	2013 KShs'000
(iv) Fees for services as director		
Non-executive Directors	5,644	6,745
Other emoluments		
Salaries and other short term employment benefits:		
- Executive Directors and key management staff	30,490	43,119
- Non-executive Directors	67,335	40,924
Total other emoluments	97,825	84,043
Total	103,469	90,788

(d) Rural Electrification Schemes

During the year, 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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

35. RELATED PARTY DISCLOSURES (Continued)

(d) Rural Electrification Schemes (Continued)

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 35(b)(iii).

(e) KenGen

	2014 KShs'000	2013 (Restated) KShs'000
Electricity purchases	29,999,714	34,548,517
Amounts due to KenGen on account of electricity purchases	7,731,871	5,953,651
Electricity sales	311,556	93,605
Loan due to KenGen - 0.75% JICA loan	1,148,565	1,149,996
Amounts due from KenGen on account of electricity sales	1,765	2,213

(f) Kenya Electricity Transmission Company Limited (Ketraco)

Funding for assets		
KEEP/KETRACO 132KV Transmission lines*	912,053	359,649
KEEP/KETRACO 132/33KV substations*	541,578	312,377
Amount due to Ketraco on account of local costs	762,382	762,382
Amounts due from Ketraco for 0.75% JICA loan	1,148,565	1,149,996

* These are advance payments received from Ketraco to cater for 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 accommodation.

Rent paid to the scheme in the year amounted to KShs.94,109,342 (2012 - KShs.88,154,358). The company had no outstanding balance to the retirement benefit scheme as at 30 June 2014 (2013 - none).

The year end outstanding balances with related parties are interest free and settlement occurs in cash.

36. CAPITAL COMMITMENTS

	2014 KShs'000	2013 KShs'000
Authorised and contracted for	137,489,072	100,866,557
Less: amount incurred and included in work-in-progress	(40,502,355)	(33,405,460)
	<u>96,986,717</u>	<u>67,461,097</u>

37. CONTINGENT LIABILITIES

	2014 KShs'000	2013 KShs'000
Bank guarantees	1,699,444	1,559,597
Claims on the Company	7,993,759	9,891,215
	<u>9,693,203</u>	<u>11,450,812</u>

Included in the claims on the Company are: -

- (i) The TARDA case concerns a dispute amount of KShs.1.3 billion allegedly owed to TARDA by KPLC. By agreements entered into in 1978, KPLC agreed to purchase power from hydro-electric power schemes owned by TARDA. By further agreements in 1981 and 1983, TARDA agreed to lease Masinga and Kiambere hydro-electric power assets to KPLC. It was a condition of the said agreements that KPLC would pay all amounts payable by TARDA in respect of all the external loans contracted by TARDA directly or through the Government of Kenya (GoK). However, a 1988 government circular directed that KPLC remit the said amounts directly to Treasury. In implementing the said directive, KPLC consequently stopped its payments to

37. CONTINGENT LIABILITIES (Continued)

TARDA which then instituted a suit against KPLC in 1998 to recover those amounts remitted to Treasury. From the interest claimed in court this sum is now estimated to be over KShs.1.3 billion.

The Board and management is following up on the issue with the relevant ministries to ensure resolution of the case and based on the correspondence with relevant ministries and the legal advice for the Company's legal advisors, the resolution of the case is not expected to result into a material effect on the Financial Statements.

- (ii) Christopher Lebo & 331 Others vs KPLC (2003). This case relates to termination of services by KPLC amounting to KShs.3.9 billion, the case is yet to be scheduled for hearing.
- (iii) David Miraa Gathii & Other vs KPLC. This is a claim by the plaintiff for wayleaves amounting to KShs.175 million.
- (iv) Other claims on the Company relate to civil suits lodged against the Company by various parties in the normal course of business. The estimated amount of these cases is KShs.588 million.

The likely outcome of these suits cannot be determined at the date of signing these Financial Statements.

Based on the information currently available and legal advice by the Company's legal advisors, the Directors believe that the ultimate resolution of these legal proceedings is not expected to result into a material effect on the results of the Company's operations, financial position or liquidity.

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:

	2014 KShs'000	2013 KShs'000
Not later than 1 year	314,198	235,961
Later than 1 year and not later than 5 years	787,246	567,532
More than 5 years	347,808	38,960
	<u>1,449,252</u>	<u>842,453</u>

AS LESSOR:

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	2014 KShs'000	2013 KShs'000
Not later than 1 year	36,183	57,144
Later than 1 year but not later than 5 years	46,172	112,744
	<u>82,355</u>	<u>169,888</u>

Operating leases relate to premises with lease terms of up to 10 years and are subject to rent escalations. The Company does not have an option to purchase the leased asset at the expiry of the lease period. Similarly, as a lessor, the Company has entered into commercial property leases on its property and it retains all the significant risks and rewards of ownership of these properties and therefore accounts for the contracts as operating leases.

39. WORLD BANK FINANCING
(a) World Bank Credits No. 3958 and 4752-KE

- (i) The Company received financial support from the World Bank through Credit No. 3958 and 4752-KE dated 4 August 2004 to support implementation of the Energy Sector Recovery Project. Summary information on transactions during the year are as follows:

	2014 KShs'000	2013 KShs'000
Balance at the beginning of the year	566,570	140,319
Amounts received during the year	35,261	825,811
Net interest income	3,596	155
Expenditure during the year	(605,039)	(399,715)
Balance at the end of the year	<u>388</u>	<u>566,570</u>

- (ii) The closing balances shown above are included in cash and cash equivalents and represent balances on the World Bank funded Special Account No. 024/00/800521/01 held at CFC Stanbic Bank of Kenya Limited. Included in the long term liabilities is also an amount of KShs.10,197,082,356 (US\$ 116,369,315) in respect of the amounts disbursed under the loan to date.

- (iii) The proceeds of the World Bank loan have been expended in accordance with the intended purpose as specified in the loan agreement.

39. WORLD BANK FINANCING (Continued)

(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 2014 and 2013 were as follows:

	2014 KShs'000	2013 KShs'000
Balance at the beginning of the year	114,192	219,736
Amounts received during the year	194,482	1,068
Expenditure during the year	(305,354)	(106,612)
Balance at the end of the year	<u>3,320</u>	<u>114,192</u>

- (i) The closing balances shown above are included in cash and cash equivalents and represent balances on the balances in the World Bank funded Special Account No. 0550297294000 held at Equity Bank Limited. Included in the long term liabilities were amounts of KShs.2,513,017,850 (US\$ 28,678,612) in respect of the amounts disbursed under the loan to date.
- (ii) The proceeds of the World Bank through Credit No.4743-KE have been expended in accordance with the intended purpose as specified in the loan agreement.

40. EUROPEAN INVESTMENT BANK (EIB) FINANCING

The Company received financial support from EIB for Grid development. The Company has set aside KShs.72,945,894 Revolving Credit Fund (RCF) as per clause 6.14 of the finance contract. The proceeds of this fund will be used to facilitate new connections to the electricity network for low income customers.

Summary information on special account transactions during the year are as follows:

	2014 KShs'000	2013 KShs'000
Balance at the beginning of the year	639,039	2,767
Amounts received during the year	5,685	1,200,383
Net interest income	9,953	15,891
Expenditure during the year	(409,109)	(580,002)
Balance at the end of the year	<u>245,568</u>	<u>639,039</u>

- (i) The closing balances shown above are included in cash and cash equivalents and represent balances on the European Investment Bank funded Special Account No.0100000443683 held at CfC Stanbic Bank of Kenya Limited. Included in the long term liabilities is also an amount of KShs.4,241,896,183 (Euro 35,482,193) in respect of the amounts disbursed under the loan to date.
- (ii) The proceeds of the European Investment Bank loan have been expended in accordance with the intended purpose as specified in the loan agreement.

41. PRIOR YEAR ADJUSTMENTS/ RECLASSIFICATION

(a) Net retirement benefit asset

In compiling the financial information included herein, the Company adopted the specific transitional provisions applicable to the first time application of IAS 19 (as revised in 2011). The Company has applied the relevant transitional provisions and restated the comparative amounts on a retrospective basis. The impact of the changes on the total comprehensive income for the year, assets and liabilities and equity is shown below:

(i) *Impact on assets, liabilities and equity as at 1 July 2012 of the application of the amendments to IAS 19 (as revised in 2011)*

	As at 1 July 2012 (as previously stated) KShs'000	IAS 19 adjustments KShs'000	As at 1 July 2012 (as restated) KShs'000
Increase in net retirement benefit asset	-	(1,876,904)	(1,876,904)
Decrease in deferred tax credit	-	563,071	563,071
Increase in net assets	-	1,313,833	1,313,833
Increase in retained earnings	-	1,313,833	1,313,833

The scheme had a net asset position which was not recognized in the statement of financial position prior to the adoption of IAS 19 (as revised in 2011).

(ii) *Impact on assets, liabilities and equity as at 30 June 2013 of the application of the amendments to IAS 19 (as revised in 2011)*

	As at 1 July 2013 (as previously stated) KShs'000	IAS 19 adjustments KShs'000	As at 1 July 2013 (as restated) KShs'000
Increase in net retirement benefit asset	-	(3,650,719)	(3,650,719)
Decrease in deferred tax credit	-	1,095,216	1,095,216
Increase in net assets	-	2,555,503	2,555,503
Increase in retained earnings	-	2,555,503	2,555,503

(iii) *Impact on assets, liabilities and equity as at 30 June 2014 of the application of the amendments to IAS 19 (as revised in 2011)*

	30 June 2014 KShs'000
Increase in retirement benefit assets	1,414,030
Decrease in deferred tax credit	(424,209)
Increase in net assets	989,821
Increase in retained earnings	989,821

NOTES TO THE FINANCIAL STATEMENTS (Continued)

41. PRIOR YEAR ADJUSTMENTS/ RECLASSIFICATION (Continued)

(a) Net retirement benefit asset (Continued)

(iv) Impact on total comprehensive income for the year on the application of IAS 19 (as revised in 2011)

	Year ended 30 June 2014 Shs'000	Year ended 30 June 2013 Shs'000
Decrease in expenses	377,134	146,157
Increase in income tax credit	(113,140)	(43,848)
	<u>263,994</u>	<u>102,309</u>
<u>Impact on other comprehensive income for the year</u>		
Increase in re-measurement of defined benefit asset	1,414,030	1,627,658
Increase in income tax relating to items of other comprehensive income	(424,209)	(488,297)
	<u>989,821</u>	<u>1,139,361</u>

(b) Sondu-Kisumu transmission line loan

In 2009, under the Government of Kenya power sector restructuring programme, the Company transferred certain transmission assets and their associated liabilities to Kenya Electricity Transmission Company (Ketraco) including the Sondu-Kisumu transmission line. The Sondu - Kisumu transmission line had an associated loan of KShs.1,148 billion advanced by the Japan Bank for International Cooperation and the construction of the line was managed by Kengen. The carrying value of the transmission lines and related loans were then removed from KPLC books.

In 2014 the Directors determined that the loan was incorrectly removed from KPLC's books as there was no legal extinguishment of KPLC's liability. As a result, the loan has now been reinstated in KPLC books and a due from Ketraco balance recorded amounting to KShs.1,148,565,000 (2013: KShs.1,149,996,000) pending execution of the legal agreement to transfer the loan to Ketraco.

The 2012 and 2013 presentation of the borrowings and trade and other receivables relating to this transmission line as previously reported and as restated is analysed as below:

	As at 1 July 2013 (as previously stated) KShs'000	Prior year adjustments KShs'000	30 June 2013 (as restated) KShs'000
Impact on balances at 30 June 2013			
Borrowings - 0.75% Japan Bank for International Corporation (JPY 1,325,904,871)	-	1,149,996	1,149,996
Trade and other receivables - (due from Ketraco)	-	1,149,996	1,149,996

(c) GOK/EXIMBANK Loan

In 2014, management determined that the 2.5% GOK/EXIMBANK loan for the construction of Kisii-Chemosit and Kamburu-Meru transmission lines and the related work in progress had not been captured in the company's books. A prior year adjustment has been recorded to capture the work in progress costs relating to the capital works together with the loan obligation in the Company's books. The loan and related assets will be transferred to Ketraco as per the Government of Kenya directive once the legal agreements to effect the transfer of the loan and assets are executed between the relevant parties. The restated loan amounted to KShs.2,273,260,000 (2013: KShs: 2,254,065,000).

The 2012 and 2013 presentation of the loan and work in progress as previously reported and as restated is reported and as restated is analysed as below:

	As at 1 July 2013 (as previously stated) KShs'000	Prior year adjustment KShs'000	30 June 2013 (as restated) KShs'000
Impact on balances at 30 June 2013			
Borrowings - 2.5% GOK/EXIMBANK loan (¥ 161,028,810)	-	2,254,065	2,254,065
Work in progress (note 16)	-	2,254,065	2,254,065

41. PRIOR YEAR ADJUSTMENTS/ RECLASSIFICATION (Continued)

(d) Deferred tax

Prior year adjustments on deferred tax relates to the following:

i. Retirement benefit asset

Prior year adjustment relates to tax effect on the net retirement benefit asset as a result of implementation of IAS 19 (revised in 2011) which was effective for annual periods beginning on or after 1 January 2013. The standard changed the accounting for defined benefit plans and termination benefits. The net pension asset or liability is recognised in the statement of financial position to reflect the full value of the plan surplus or deficit.

ii. Capital contribution

Prior year adjustment relates to the correction of an error in computing the tax effect on the amortisation of capital contributions as a result of the implementation of IFRIC 18 - Transfer of assets from customers in the year 2010. Prior to that, the capital contribution received from customers was netted off from the assets capitalized and therefore reducing the investment deduction claimed in the respective year. The investment deduction claimed between 2011 and 2013 was overstated by the amount of capital contribution in each of these years. Deferred income is now amortized in the Financial Statements while for tax purposes the capital contribution is netted off from the investment deduction in its entirety.

The prior year adjustments are analysed as follows:

	2014 KShs'000	2013 (Restated) KShs'000	2012 (Restated) KShs'000
The movement on the net deferred tax liability is as follows:			
Beginning balance - as previously reported	11,535,982	9,496,455	6,500,449
<i>Prior year adjustments:</i>			
- Retirement benefit assets	1,095,216	563,071	563,071
- Tax effect on capital contributions	2,811,371	1,802,614	1,802,614
Beginning balance - as restated	15,442,569	11,862,140	8,866,134
Tax effect on retirement benefit assets - dealt with through other comprehensive income in equity	424,209	488,297	-
Charge to profit or loss (note 13 (a))	3,702,549	3,023,973	2,732,235
Deferred tax prior year under provision	-	68,159	263,771
Ending balance (2013, 2012 restated)	19,569,327	15,442,569	11,862,140

Other reclassification: This relates to the reclassification of 6.125% of Kenya Government/Swiss grant from borrowings to other payables to reflect the portion relating to the grant after the loan was fully repaid.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

41. PRIOR YEAR ADJUSTMENTS/ RECLASSIFICATION (Continued)

(e) Comparative information

Following the above prior year adjustments and reclassifications the effect of these on the Financial Statements and comparative information reported on the Financial Statements for the years ended 30 June 2013 and 1 July 2012 is summarised as follows:

30 June 2013

	As previously reported at 30 June 2013 KShs'000	Prior year adjustments KShs'000	As restated at 30 June 2013 KShs'000
Profit or loss			
Net retirement benefit expenses	-	(146,157)	(146,157)
Tax charge	2,072,175	1,052,605	3,124,780
	<u>2,072,175</u>	<u>906,448</u>	<u>2,978,623</u>
Other comprehensive income			
Re-measurement of defined benefit Obligation (net)	-	1,139,361	1,139,361
	<u>-</u>	<u>1,139,361</u>	<u>1,139,361</u>
Assets			
Property and equipment	140,189,400	2,254,065	142,443,465
Retirement benefit asset	-	3,650,719	3,650,719
Trade and other receivables	16,981,458	1,149,996	18,131,454
	<u>157,170,858</u>	<u>7,054,780</u>	<u>164,225,638</u>
Liabilities			
Deferred tax liability	11,535,982	3,906,587	15,442,569
Borrowings	47,887,734	3,191,631	51,079,365
Other payables	45,980,519	212,430	46,192,949
	<u>105,404,235</u>	<u>7,310,648</u>	<u>112,714,883</u>
Capital and reserves			
Retained earnings	<u>20,505,789</u>	<u>(255,868)</u>	<u>20,249,921</u>
Cash flows			
Cash generated from operations	19,391,794	(937,566)	18,454,228
Purchase of property and equipment	40,376,759	2,254,065	42,630,824
Loan proceeds received	26,731,911	3,191,631	29,923,542
	<u>86,500,464</u>	<u>4,508,130</u>	<u>91,008,594</u>

42. INCORPORATION

The Company is incorporated in Kenya under the Kenyan Companies Act and is domiciled in Kenya.

43. FUNCTIONAL AND PRESENTATION CURRENCY

These Financial Statements are presented in Kenya Shillings thousands (KShs'000), the Company's functional currency.

44. EVENTS AFTER THE REPORTING PERIOD

There are no significant events after the reporting period which have been reported in these Financial Statements.

45. APPROVAL OF FINANCIAL STATEMENTS

The Financial Statements were approved by the Board of Directors and authorised for issue on 22 October 2014.

TEN YEAR FINANCIAL AND STATISTICAL RECORDS

For year ended	30 th June 2005	30 th June 2006	30 th June 2007	30 th June 2008	30 th June 2009	30 th June 2010	30 th June 2011	30 th June 2012 (Restated)	30 th June 2013 (Restated)	30 th June 2014
UNITS SOLD (GWh)	4,215	4,444	4,818	5,082	5,182	5,345	5,816	6,001	6,175	6,790
Average yield of units sold (cents)	672.39	764.33	787.55	802.85	1,258.37	1,368.88	1,257.81	1,596.77	1,437.74	1,552.45
	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000
Revenue from sale of electricity	28,341,356	33,966,730	37,944,286	40,801,040	65,208,529	73,166,794	73,154,021	95,662,427	88,909,626	105,395,714
Profit for the Year before taxation	1,843,233	2,207,674	2,384,264	3,523,970	5,676,542	5,951,392	7,084,377	7,810,450	8,941,540	14,988,997
TAXATION (CHARGE)/ CREDIT	(709,003)	(853,752)	(930,214)	(973,439)	(1,557,339)	(1,916,587)	(2,035,185)	(3,889,577)	(3,124,780)	(3,742,193)
NET PROFIT AFTER TAXATION BEFORE FINANCE INCOME/COSTS	1,134,230	1,353,922	1,454,050	2,550,531	4,119,203	4,034,805	5,049,192	3,920,873	5,816,760	11,246,804
Finance Income	190,778	485,238	390,291	88,929	153,343	177,380	171,477	489,182	111,546	104,208
Finance Costs	(52,805)	(192,999)	(123,934)	(872,660)	(1,045,522)	(493,885)	(999,173)	208,991	(2,480,659)	(4,892,848)
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	1,270,273	1,644,231	1,718,477	1,764,870	3,225,094	3,716,370	4,219,566	4,617,116	3,445,717	6,456,234
ORDINARY DIVIDENDS (gross)	(118,692)	(118,692)	(237,384)	(316,512)	(633,024)	(633,024)	(1,002,763)	(563,757)	-	-
OTHER COMPREHENSIVE INCOME	-	-	-	-	-	-	-	(127,397)	1,266,758	989,821
RETAINED PROFIT FOR THE YEAR	1,151,581	1,525,539	1,481,093	1,448,358	2,592,070	3,083,346	3,216,803	3,925,962	4,712,475	7,446,055
FUNDS GENERATED FROM OPERATIONS										
Profit/(Loss) for the year after dividends	1,151,581	1,525,539	1,481,093	1,448,358	2,592,070	3,083,346	3,216,803	3,925,962	4,712,475	7,446,055
Depreciation	1,436,716	1,382,910	1,513,506	1,749,764	2,154,357	2,807,111	3,847,007	4,563,658	5,632,642	6,797,745
	2,588,297	2,908,449	2,994,599	3,198,122	4,746,427	5,890,457	7,063,810	8,489,620	10,345,117	14,243,800
CAPITAL EMPLOYED										
Fixed Assets less depreciation	20,856,199	22,416,459	28,147,019	38,925,317	49,974,859	64,310,486	84,590,569	107,548,274	146,094,184	168,155,851
Intangible assets	-	-	-	-	-	-	-	169,520	258,716	1,410,044
Prepaid leases on land	132,092	132,037	131,981	131,926	131,874	131,819	131,764	131,709	131,653	131,598
Investment	4,300	4,300	4,300	-	200,000	-	1,298,506	1,171,109	-	-
Other non current assets	340,684	-	-	-	-	-	-	-	-	-
Net current assets/(Liabilities)	2,969,063	3,816,718	1,192,560	2,237,136	2,702,009	1,736,355	7,020,165	(3,223,754)	(1,147,158)	1,564,131
	24,302,338	26,369,514	29,475,860	41,294,379	53,008,742	66,178,660	93,041,004	105,796,858	145,337,395	171,261,624
FINANCED BY:										
Ordinary shareholders' equity	2,998,929	4,661,155	6,350,150	7,982,672	9,700,722	11,593,536	39,606,376	43,022,772	47,149,807	54,205,569
Non cumulative preference shares	15,899,250	15,899,250	15,899,250	15,899,250	17,147,341	17,147,341	-	-	-	-
Cumulative preference shares	43,000	43,000	43,000	43,000	43,000	43,000	43,000	43,000	43,000	43,000
Deferred Income	-	-	-	-	-	-	7,472,912	12,362,327	16,087,747	18,680,714
Loan capital	3,248,936	2,701,722	2,683,117	11,368,208	11,545,014	13,113,434	19,757,132	21,512,025	42,886,311	53,141,442
Deferred taxation	(951,518)	(234,442)	559,085	1,395,837	2,701,965	4,481,865	6,500,449	11,862,140	15,442,569	19,569,327
Non current liability	3,063,741	3,298,829	3,941,258	4,605,412	11,870,700	19,799,484	19,661,135	15,823,485	23,727,961	25,621,572
	24,302,338	26,369,514	29,475,860	41,294,379	53,008,742	66,178,660	93,041,004	104,625,749	145,337,395	171,261,624
CAPITAL EXPENDITURE	1,846,965	2,979,564	7,463,425	12,642,311	12,734,937	17,526,909	20,839,330	20,839,330	40,709,432	28,528,248
Average cost of units sold (cents)	644.64	736.95	748.50	754.88	1,171.13	1,287.63	1,160.33	1,496.28	1,429.93	1,450.92
Profit for the year before taxation as a percentage of average capital employed	7.58%	8.37%	8.09%	8.53%	10.71%	8.99%	7.61%	7.38%	6.40%	8.75%
ORDINARY DIVIDENDS RATES	7.50%	7.50%	10%	20%	40%	40%	18%	20%	0%	20%
Earnings per share	16.05	20.78	21.72	22.30	40.76	3.00	2.16	2.36	1.76	3.31
Customers/employees ratio	119.93	129.00	144.00	159.03	180.64	201.08	205.24	198.85	223.00	260.00
Sales (KWh) per employee	687,602.00	716,543	752,930	762,148	738,703	734,300	680,774	584,374	590,922	641,076

TABLE 1: POWER SYSTEM OPERATION STATISTICS FOR 6 YEARS

Company	Capacity (MW) as at 30.06.2014		Energy Purchased in GWh					
	Installed	Effective ¹	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
KenGen								
Hydro:								
Tana	20.0	20.0	44	29	50	86	108	69
Kamburu	94.2	90.0	348	244	408	410	520	421
Gitaru	225.0	216.0	655	457	802	793	1,036	830
Kindaruma	72.0	70.5	157	111	191	185	252	201
Masinga	40.0	40.0	128	61	201	137	148	206
Kiambere	164.0	164.0	614	546	899	886	1,129	979
Turkwel	106.0	105.0	524	335	455	473	545	719
Sondu Miriu	60.0	60.0	333	340	364	409	393	351
Sangóro	21.2	20.0	0	0	0	7	110	109
Small Hydros	14.7	11.2	46	46	57	66	57	59
Hydro Total	817	797	2,849	2,170	3,427	3,450	4,298	3,944
Thermal:								
Kipevu I Diesel	75.0	51.0	376	316	223	256	185	220
Kipevu III Diesel	120.0	115.0	0	0	268	525	321	524
Fiat - Nairobi South	0.0	0.0	9	0	0	0	0	0
Embakasi Gas Turbines	60.0	54.0	184	145	1	33	27	41
Garissa & Lamu	8.6	8.4	17	19	23	25	27	28
Thermal Total	264	228	587	481	514	839	560	813
Geothermal:								
Olkaria I	45.0	44.0	368	366	235	279	369	352
Olkaria II	105.0	90.62	535	573	846	819	696	712
Eburru Hill	2.4	2.2	-	-	-	5	9	7
OW37 Olkaria Wellhead	5.4	5.4	-	-	-	3	23	17
OW43 Olkaria Wellhead	12.8	12.8	-	-	-	-	-	29
OW914 Olkaria Wellhead	12.8	12.8	-	-	-	-	-	7
Olkaria IV	70.0	70.0	-	-	-	-	-	32
Geothermal Total	253	238	903	939	1,081	1,106	1,096	1,156
Wind								
Ngong	5.3	5.1	0.3	16.3	17.7	14.6	13.9	17.6
KenGen Total	1,339	1,268	4,339	3,606	5,040	5,409	5,968	5,931
Government of Kenya (Rural Electrification Programme)								
Thermal	18	14	16	19	21	23.0	26.0	29.8
Solar	0.7	0.6	-	-	-	0.3	0.6	0.8
Wind	0.6	0.2	-	-	-	0.1	0.7	0.4
Total Offgrid	19	15	16	19	21	23	27	31

STATISTICAL INFORMATION (Continued)

TABLE 1: POWER SYSTEM OPERATION STATISTICS FOR 6 YEARS

Company	Capacity (MW) as at 30.06.2014		Energy Purchased in GWh					
	Installed	Effective ¹	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Independent Power Producers (IPP) - Thermal & Geothermal								
Iberafrica I&II Power	108.5	108.5	344	621	722	705	592	550
Tsavo Power	74.0	74.0	566	495	368	283	178	152
Thika Power	87.0	87.0	0					454
Mumias - Cogeneration	26.0	21.5	4	99	87	100	71	57
OrPower 4 - Geothermal I, II & III	110.0	110.0	276	400	372	392	503	851
Rabai Power	90.0	90.0	0	318	394	338	443	633
Imenti Tea Factory hydro	0.3	0.3	0	0.3	0.4	0.8	0.7	0.1
Gikira hydro	0.514	0.514	0					0.4
IPP Total	497	492	1,189	1,933	1,945	1,820	1,788	2,698
Emergency Power Producers(EPP)								
Aggreko energy to Kenyan Market	30	30	885	1,096	267	381	261	93.8
Aggreko energy to Uganda			29	-	-	-	-	-
EPP Total	30	30	914	1,096	267	381	261	93.8
Imports								
UETCL			29	37	30	36	41	83
TANESCO			1.2	1.1	1	1.1	1.2	1.3
EEPCO								2.1
Total Imports			30	38	31	37	42	87
SYSTEM TOTAL	1,885	1,805	6,489	6,692	7,303	7,670	8,087	8,840
SUMMARY OF KEY STATISTICS								
SALES - KPLC System (GWh)			5,155	5,318	5,785	5,991	6,144	6,751
- REP System (GWh)			250	279	307	308	406	454
- Export to Uganda (GWh)			27	26	30	41	30	37
- Export to Tanesco (GWh)				1	1	1	1	2
TOTAL SALES (GWh)			5,432	5,624	6,123	6,341	6,581	7,244
System Losses (GWh) ²			1,057	1,068	1,180	1,330	1,507	1,596
System Peak Demand (MW) ³			1,072	1,107	1,194	1,236	1,354	1,468
System Load Factor			69.1%	68.8%	69.8%	70.8%	68.2%	68.7%
Sales % of Energy Purchased			83.7%	84.0%	83.8%	82.7%	81.4%	81.9%
Losses as % of Energy Purchased			16.3%	16.0%	16.2%	17.3%	18.6%	18.1%
Annual Growth: Energy Purchased			1.6%	3.1%	9.1%	5.0%	5.4%	9.3%
- KPLC Sales			2.4%	3.2%	8.8%	3.6%	4.1%	9.9%
- REP Sales			4.2%	11.6%	10.1%	0.3%	1.6%	12.0%

Notes:

1) Contracted output from the station under normal operating conditions.

2) System losses comprise of technical and non-technical losses.

3) The Demand shown includes the export demand.

TABLE 2: REGIONAL MAXIMUM DEMAND(MW)

REGION	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Nairobi	568	588	623	662	716	768
Coast	199	195	220	271	261	267
West	217	246	233	259	273	298
Mt. Kenya	118	113	114	120	125	159
TOTAL SYSTEM (SIMULTANEOUS)	1,072	1,107	1,194	1,236	1,354	1,468
% INCREASE P.A.	2.7%	3.2%	7.9%	3.5%	9.5%	8.4%

TABLE 3: KPLC SALES IN GWh BY CUSTOMER CATEGORY

TARIFF	TYPES OF CUSTOMERS COVERED BY THIS TARIFF	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
DC	Domestic	1,254	1,290	1,424	1,531	1,670	1,777
SC	Small Commercial	823	823	904	993	998	1,107
CI	Commercial and Industrial	3,020	3,153	3,401	3,419	3,440	3,819
IT	Off-peak	43	36	38	31	18	28
SL	Street lighting	15	16	18	16	18	20
	TOTAL	5,155	5,318	5,785	5,990	6,144	6,751
	% INCREASE P.A.	2.4%	3.2%	8.8%	3.5%	2.6%	9.9%

TABLE 4: TOTAL UNIT SALES BY REGION IN GWh

REGION	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Nairobi	2,898	3,014	3,268	3,315	3,507	3,776
Coast	979	1,027	1,118	1,147	1,134	1,256
West	867	853	932	1,003	1,056	1,121
Mt. Kenya	411	424	467	494	539	598
KPLC Sales	5,155	5,318	5,785	5,959	6,236	6,751
R.E.P. Schemes	250	279	307	340	313	454
Export Sales	27	27	31	42	32	39
TOTAL	5,432	5,624	6,123	6,341	6,581	7,244
%INCREASE P.A.	2.1%	3.5%	8.9%	3.6%	3.8%	10.1%

STATISTICAL INFORMATION (Continued)

TABLE 5: REGIONAL SALE OF ELECTRICITY IN GWh FOR CATEGORY "DC" DOMESTIC LOAD

REGION	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Nairobi	800	804	888	847	997	1,151
Coast	214	227	246	263	269	301
West	156	167	184	268	236	359
Mt. Kenya	84	92	105	154	144	220
TOTAL	1,254	1,290	1,424	1,532	1,645	2,031
% INCREASE P.A.	-0.1%	2.9%	10.4%	7.6%	7.4%	23.5%

TABLE 6: REGIONAL SALE OF ELECTRICITY IN GWh FOR CATEGORY "SC" SMALL COMMERCIAL LOAD

REGION	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Nairobi	400	402	435	426	501	566
Coast	127	132	139	140	145	164
West	187	183	209	277	270	373
Mt. Kenya	109	106	122	150	142	191
TOTAL	823	823	904	993	1,059	1,294
% INCREASE P.A.	39.5%	-0.1%	9.9%	9.8%	6.6%	22.2%

TABLE 7: REGIONAL SALE OF ELECTRICITY IN GWh FOR CATEGORY "C1" LARGE COMMERCIAL AND INDUSTRIAL LOAD (415V)

REGION	2007/08	2008/09	2009/10	2010/11	2012/13	2013/14
Nairobi	293	757	752	760	727	790
Coast	105	214	218	223	211	214
West	143	312	333	334	367	393
Mt. Kenya	102	160	166	174	188	202
TOTAL	643	1,443	1,469	1,492	1,492	1,599
% INCREASE P.A.	0.0%	124.5%	1.8%	1.6%	0.0%	7.1%

TABLE 8: REGIONAL SALE OF ELECTRICITY IN GWh FOR CATEGORY "C12" LARGE COMMERCIAL AND INDUSTRIAL LOAD (11kV)

REGION	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Nairobi	598	652	736	727	764	819
Coast	182	192	197	195	209	212
West	99	102	108	107	103	107
Mt. Kenya	52	58	63	63	66	78
TOTAL	931	1,003	1,104	1,092	1,142	1,216
% INCREASE P.A.	100.0%	7.8%	10.0%	-1.1%	4.5%	6.5%

TABLE 9: REGIONAL SALE OF ELECTRICITY IN GWh FOR CATEGORY "CI3" LARGE COMMERCIAL AND INDUSTRIAL LOAD (33kV)

REGION	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Nairobi	0	3	4	3	5	5
Coast	149	147	170	171	176	168
West	64	65	84	93	85	93
Mt. Kenya	3	1	0	0	0	0
TOTAL	216	215	258	267	266	266
% INCREASE P.A.	100.0%	-0.4%	19.9%	3.5%	-0.3%	-0.1%

TABLE 10: REGIONAL SALE OF ELECTRICITY IN GWh FOR CATEGORY "CI4" LARGE COMMERCIAL AND INDUSTRIAL LOAD (66kV)

REGION	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Nairobi	272	326	368	384	408	453
Coast	0	0	0	0	0	0
West	0	0	0	0	0	2
Mt. Kenya	0	0	0	0	0	5
TOTAL	272	326	368	384	408	460
% INCREASE P.A.	100.0%	19.7%	12.9%	4.5%	6.2%	12.7%

TABLE 11: REGIONAL SALE OF ELECTRICITY IN GWh FOR CATEGORY "CI5" LARGE COMMERCIAL AND INDUSTRIAL LOAD (132kV)

REGION	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Nairobi	20	31	30	34	43	60
Coast	90	106	139	121	134	217
West	48	2	10	9	1	9
Mt. Kenya	0	0	0	0	0	5
TOTAL	158	140	179	164	178	291
% INCREASE P.A.	100.0%	-11.5%	28.1%	-8.5%	8.4%	63.7%

TABLE 12: REGIONAL SALE OF ELECTRICITY IN GWh FOR CATEGORY "IT" OFF- PEAK LOAD

REGION	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Nairobi	40	34	36	29	21	27.0
Coast	0	1	1	0	0.3	0.4
West	1	1	1	1	0.5	0.6
Mt. Kenya	1	1	1	1	0.4	0.5
TOTAL	42	36	38	31	22.3	29
% INCREASE P.A.	-43.2%	-14.5%	6.2%	-18.7%	-28.1%	27.8%

STATISTICAL INFORMATION (Continued)

TABLE 13: REGIONAL SALE OF ELECTRICITY IN GWh FOR CATEGORY "SL" STREET LIGHTING

REGION	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Nairobi	11.2	11.4	12.2	10.9	15	13
Coast	2.2	2.8	3.1	2.8	5	4
West	1.0	1.3	1.3	1.0	1	1
Mt. Kenya	1.0	1.1	1.2	1.4	2	2
TOTAL	15.4	16.6	17.7	16.0	24	20
% Increase P.A.	18.5%	7.8%	6.6%	-9.6%	49.6%	-16.5%

TABLE 14: REGIONAL SALES OF ELECTRICITY IN GWh FOR R.E.P. SCHEMES

REGION	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Nairobi	52.0	55.3	62.6	63.0	66	109
Coast	16.0	18.3	20.9	21.2	22	24
West	125.0	134.8	153.1	151.9	152	216
Mt. Kenya	57.1	70.5	70.4	71.9	73	105
TOTAL	250	279	307	308	313	454
% Increase P.A.	4.2%	11.5%	10.1%	0.3%	1.5%	45.2%

TABLE 15: NUMBER OF CUSTOMERS BY REGION

REGION	AS AT 30 th JUNE 2014					
	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Nairobi	595,010	669,128	814,251	921,548	1,042,216	1,257,013
Coast	139,245	157,731	178,095	201,425	221,410	248,058
West	200,266	235,291	275,033	322,885	368,800	438,998
Mt. Kenya	127,390	150,433	176,682	210,136	244,992	293,820
KPLC Customers	1,061,911	1,212,583	1,444,061	1,655,994	1,877,418	2,237,889
R.E.P. Customers	205,287	251,056	309,287	382,631	453,544	528,552
TOTAL	1,267,198	1,463,639	1,753,348	2,038,625	2,330,962	2,766,441
% Increase P.A.	19.5%	15.5%	19.8%	16.3%	14.3%	18.7%

TABLE 16: NUMBER OF CUSTOMERS BY TARIFF CATEGORY

 AS AT 30th JUNE 2014

TARIFF	MAIN TYPE OF CUSTOMERS COVERED BY THIS TARIFF	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
DC only	Domestic						
	KPLC	873,764	1,017,266	1,239,873	1,428,363	1,633,773	1,987,330
	REP	150,964	189,850	237,602	304,298	367,017	435,749
DC & IT	Domestic						
	KPLC	57,678	54,076	46,437	43,482	57,709	57,958
	REP	1,002	949	872	830	841	819
SC only	Small Commercial						
	KPLC	124,251	134,601	150,687	163,117	177,664	185,529
	REP	53,185	60,008	70,552	77,242	85,399	91,647
SC & IT	Small Commercial						
	KPLC	1,167	1,248	1,266	1,280	1,431	1,542
	REP	72	178	171	178	118	211
CI1	Large Commercial						
	KPLC	2,250	2,373	2,457	2,478	2,550	2,695
	REP	37	43	41	28	22	33
CI2	Large Commercial and Industrial						
	KPLC	233	255	277	290	320	333
CI3	Large Commercial and Industrial						
	KPLC	23	26	29	31	33	36
CI4	Large Commercial and Industrial						
	KPLC	14	16	19	22	23	24
CI5	Large Commercial and Industrial						
	KPLC	13	15	21	21	22	27
IT only	Off-peak						
	KPLC	631	622	566	13,984	826	785
	REP	9	8	8	7	7	4
SL	Street lighting						
	KPLC	1,887	2,085	2,429	2,926	3,067	3,172
	REP	18	20	41	48	61	89
	TOTAL (KPLC)	1,061,911	1,212,583	1,444,061	1,655,994	1,877,418	2,237,889
	TOTAL (R.E.P.)	205,287	251,056	309,287	382,631	453,465	528,552
	GROSS TOTAL	1,267,198	1,463,639	1,753,348	2,038,625	2,330,883	2,766,441
	% INCREASE P.A.	19.5%	15.5%	19.8%	16.3%	14.3%	18.7%

STATISTICAL INFORMATION (Continued)

TABLE 17: REVENUE (Kshs 'Million) BY CUSTOMER CATEGORY

TARIFF	MAIN TYPE OF CUSTOMERS COVERED BY THIS TARIFF	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
DC	Domestic	16,493	21,109	18,998	26,960	27,771	31,029
SC	Small commercial small industrial	12,078	17,974	15,228	22,007	21,582	23,864
CI	Commercial Industrial	36,014	36,603	34,573	46,717	39,627	49,269
IT	Off-peak	314	263	9	15	6	23
SL	Street Lighting	271	415	331	155	412	392
	TOTAL	65,170	76,364	69,139	95,854	89,398	104,577
	Export	38	216	590	947	687	819
	TOTAL KPLC	65,208	76,580	69,729	96,801	90,085	105,396
	R.E.P.	4,337	4,277	4,324	5,841	6,012	7,229
	TOTAL REVENUE	69,545	80,857	74,053	102,642	96,097	112,625
	%INCREASE P.A.	62.2%	16.3%	-8.4%	38.6%	-6.4%	17.2%

TABLE 18: STAFF ANALYSIS

	AS AT 30 th JUNE 2014					
	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Number of Staff in Each Region						
Central Office	1,131	1,205	1,203	1,453	1,495	1,563
Nairobi	2,329	2,378	2,742	3,307	3,355	3,396
Coast	808	839	996	1,098	1,114	1,088
West	1,803	1,871	2,303	2,834	2,914	2,927
Mt Kenya	944	986	1,299	1,560	1,587	1,616
Total Number of Staff	7,015	7,279	8,543	10,252	10,465	10,590
% INCREASE P.A.	5.2%	3.8%	17.4%	20.0%	2.1%	1.2%
Gender:						
Male	5,565	5,774	6,856	8,303	8,410	8,532
Female	1,450	1,505	1,687	1,949	2,055	2,058
Ratio - Male/Female	3.8	3.8	4.1	4.3	4.1	4.1

TABLE 19: TRANSMISSION AND DISTRIBUTION LINES, CIRCUIT LENGTH IN KILOMETERS

VOLTAGE	AS AT 30 th JUNE 2014					
	2009	2010	2011	2012	2013	2014
220 kV	1,331	1,331	1,331	1,331	1,331	1,434
132 kV	2,112	2,211	2,343	2,343	2,436	2,513
66 kV	649	655	655	758	1,097	1,212
40 kV	29	0	0	0	0	0
33 kV	13,031	13,812	15,271	15,384	16,136	20,778
11 kV	24,334	25,485	26,250	27,219	28,818	30,860
TOTAL	41,486	43,494	45,850	47,035	49,818	56,797
% INCREASE P.A.	3.0%	4.8%	5.4%	2.6%	5.9%	14.0%

TABLE 20: TRANSFORMERS IN SERVICE, TOTAL INSTALLED CAPACITY IN MVA

	AS AT 30 th JUNE 2014					
	2009	2010	2011	2012	2013	2014
Generation Sub-stations						
11/220kV	544	544	544	544	544	844
11/132kV	694	694	889	889	889	889
11/66kV	121	121	171	171	171	171
11/33kV	238	238	238	238	238	238
11/40kV	0	0	0	0	0	0
3.3/11/40kV	0	0	0	0	0	0
3.3/40kV	0	0	0	0	0	0
3.3/33kV	4	4	4	4	4	4
TOTAL	1,601	1,601	1,846	1,846	1,846	2,146
Transmission Sub-stations						
132/220kV	620	620	620	620	620	620
220/132kV	730	730	730	730	730	835
220/66kV	360	360	450	450	450	450
132/66kV	375	375	375	375	360	360
132/33kV	687	756	779	801	916	916
TOTAL	2,772	2,841	2,954	2,976	3,076	3,181
Distribution Sub-stations						
66/11kV	1,206	1,206	1,206	1,288	1,608	1,332
66/33kV	77	90	90	90	113	138
40/11kV	11	11	11	11	11	0
33/11kV	823	934	937	1,053	1,068	1,841
TOTAL	2,117	2,241	2,244	2,442	2,800	3,311
Distribution Transformers						
11/0.415kV and 33/0.415kV	4,307	4,688	5,069	5,784	6,195	6,317



A tree-planting exercise in Cheptais, Bungoma County, sponsored by the Company.

THE KENYA POWER AND LIGHTING COMPANY LIMITED P.O. BOX 30099-00100, NAIROBI

**FORM OF PROXY FOR ANNUAL GENERAL MEETING OF THE COMPANY
TO BE HELD ON FRIDAY 19TH DECEMBER 2014**

(BLOCK LETTERS PLEASE)

I/We _____ CDSC/Mem. No. _____ of P.O. Box _____

being (a) Member(s) of the above-named Company, HEREBY APPOINT _____

of P.O. Box _____ or failing him/her the Chairman of the Meeting

as my/our proxy to vote for me/us and on my/our behalf at the ANNUAL GENERAL MEETING of the Company to be held on Friday, 19th December 2014 and at any adjournment thereof.

My/our proxy is to vote in favour of/against the Resolutions as indicated here below:

Item	Business	For	Against
1	Adoption of audited financial statements for the year ended 30 th June 2014		
2	Approve payment of dividend		
3	Election of Directors:		
	i) Mr. Jacob K. Mwirigi		
	ii) Eng. Patrick E. O. Obath		
	iii) Mr. Eliazar O. Ochola		
4	Approve payment of fees to non-executive Directors		
5	Remuneration of Auditors		

Signature _____

Dated this _____ day of _____ 2014

NOTE:

1. A member entitled to attend and vote at the above meeting may appoint one or more proxies to attend and, on a poll, to vote instead of him/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 later than 11.00 a.m. on 17th December 2014.
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.

FOR OFFICIAL USE ONLY	
7%	
4%	
ORDINARY	
TOTAL	

**FOMU YA UWAKILISHI KATIKA MKUTANO MKUU WA KILA MWAKA WA KAMPUNI
UTAKAOFANYIKA IJUMAA DESEMBA 19, 2014**

(HERUFI KUBWA TAFADHALI)

Mimi/Sisi _____ CDSC/Nambari _____ Wa S.L.P. _____ nikiwa/tukiwa
mwanachama wa Kampuni iliyotajwa hapa juu NAMTEUA/TUNAMTEUA _____

wa S.L.P. _____ au endapo atashindwa kufika huko, Mwenyekiti wa Mkutano kama mwakilishi wangu/wetu
kupiga kura kwa niaba yangu katika MKUTANO MKUU WA KILA MWAKA wa Kampuni utakaofanyika Ijumaa Desemba 19, 2014 na tarehe nyingine
ijapo endapo utaahirishwa.

Mwakilishi wangu/wetu atapiga kura kuunga au kupinga maazimio yafuatayo:

Kifungu	Shughuli	Kuunga	Kupinga
1	Kupitishwa kwa taarifa za kifedha zilizokaguliwa kwa mwaka uliomalizika Juni 30, 2014		
2	Kuidhinisha malipo ya mgao wa faida		
3	Uchaguzi wa Wakurugenzi:		
	i) Bw. Jacob K. Mwirigi		
	ii) Mha. Patrick E. O. Obath		
	iii) Bw. Eliazar O. Ochola		
4	Kuidhinisha malipo ya wakurugenzi wasio na mamlaka		
5	Malipo ya Wahasibu		

Sahihi _____

Tarehe hii ya _____ siku ya _____ 2014

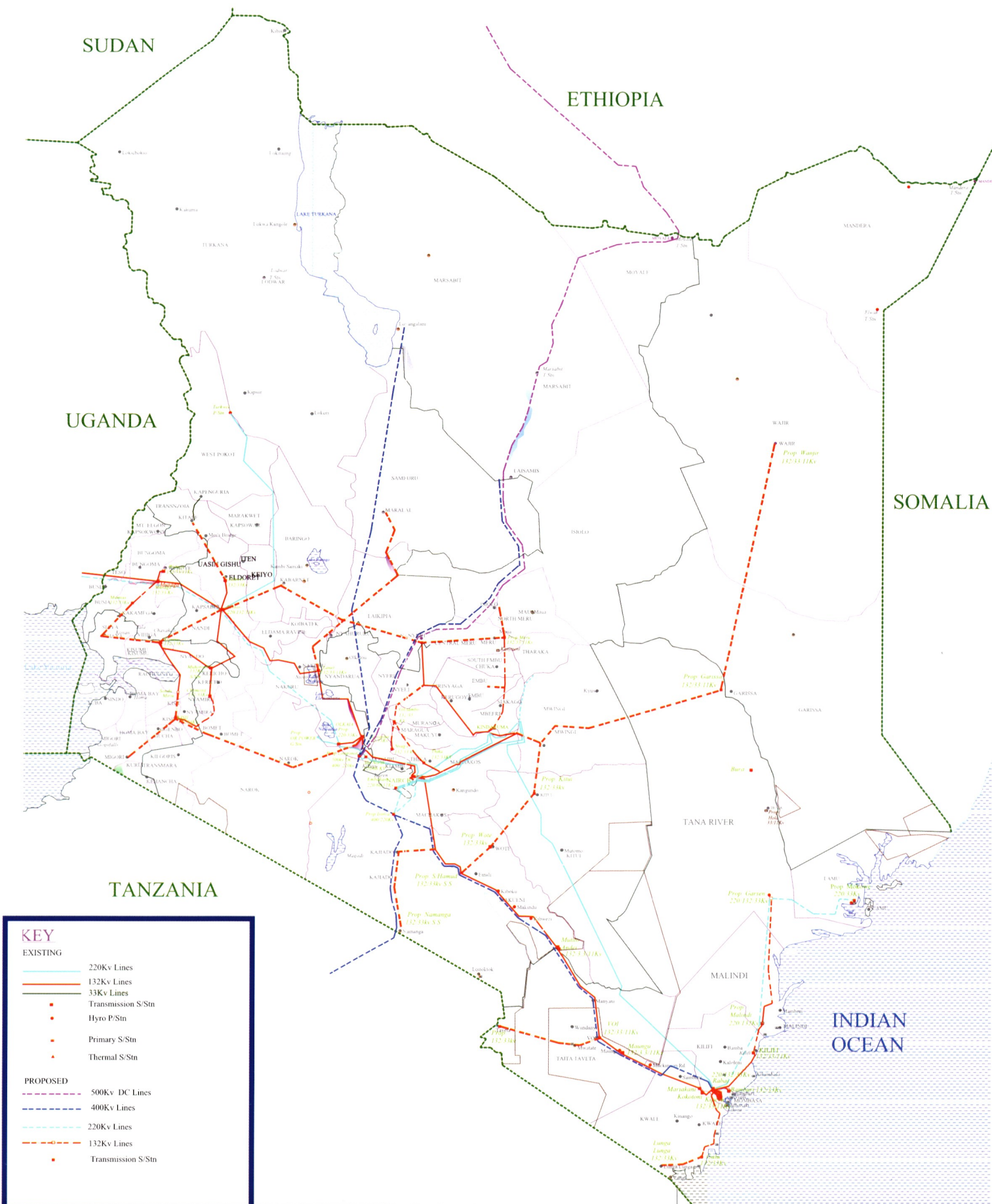
Maelezo:

1. Mwanachama ana haki ya kuhudhuria na kupiga kura kwenye mkutano uliotajwa juu na endapo kutakuwa na upigaji kura, kupiga kwa niaba yake. Mwakilishi si lazima awe mwanachama wa Kampuni. Ili kuwa halali, Fomu ya Uwakilishi lazima ijazwe kikamilifu na kuwasilishwa kwa afisi za Katibu wa Kampuni, Stima Plaza, au kutumwa kwa wakati ufaao ili kumfikia kabla ya Saa 5.00 asubuhi mnamo Desemba 17, 2014.
2. Iwapo anayeteua ni shirika au Afisi ya Serikali, uwakilishi huo nilazima uidhinishwe na kuwa na muhuri wa serikali au kutolewa chini ya kiapo mbele ya wakili au afisa anayeidhinishwa kwa maandishi. Isipokuwa ifanuliwe vinginevyo, mwakilishi atapiga kura namna apendavyo.

KWA MATUMIZI RASMI PEKEE	
7%	
4%	
KAWAIDA	
JUMLA	

NATIONAL ELECTRICITY TRANSMISSION GRID NETWORK

(SHOWING EXISTING AND PROPOSED LINES)





Kenya Power

P.O. BOX 30099-00100, | Nairobi, Kenya,

Tel: +254 20 320 1000 | National Contact Centre: 95551 | 0703 070 707 | 0732 170 170

Email: customercarenairobi@kplc.co.ke | Website: www.kplc.co.ke