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Lighting up your World.

Revenue up by 9% to Shs.41,885m
(2007- Shs.38,445m)

Operating expenses up by 6% to Shs.38,363m
(2007-Shs.36,063m)

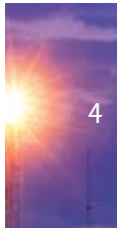
Operating profit up by 48% to Shs.3,522m
(2007-Shs.2,382m)

Profit before taxation up by 3% to Shs.2,738m
(2007-Shs.2,649m)

Earnings per share Shs.22.30
(2007-Shs.21.72)

Total Assets up by Shs.12,490m to Shs.59,812m
(2007-Shs.47,322m)





Corporate Information

Directors

Dr Crowther Pepela	Chairman
Eng Joseph Njoroge	Managing Director & CEO
Joseph Kinyua	
Patrick M Nyoike	
Aram M Mbui	
Fidesius M Nyaga	
Esau K Kioni	
Eliazar O Ochola	
Samuel M Mwangi	
Dr Theodorah Malla-Kilukumi	
Solomon Kitungu	<i>Alternate to Joseph Kinyua</i>
Benn Khadiagala	<i>Alternate to Patrick Nyoike (Appointed on 15th February 2008)</i>
Ng'ang'a Munyu	<i>Alternate to Patrick Nyoike (left on 15th February 2008)</i>

Secretary

Laurencia K Njagi
P O Box 30099-00100 Nairobi

Registered Office

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

Country of Incorporation

Kenya

Main Bankers

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

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

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

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

Auditors (For the Controller & Auditor-General)

Ernst & Young
Kenya-Re Towers, Upperhill
Off Ragati Road
P O Box 44286-00100 Nairobi

Principal Legal Advisers

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



Lighting up your World.

We light up Agriculture : A horticulture farm in Thika

Board of directors

Left to right standing : T. Kilukumi, A. Mbui, S. Kitungu, E. Kioni, E. Ochola, S. Mwangi
F. Nyaga, L. Njagi (Company Secretary).
Left to right seated : C. Pepela (Chairman), J. Njoroge (MD & CEO), P. Nyoike.



Directors' Biographies

Dr. Crowther N Pepela, PhD – Board Chairman

Dr. Crowther Pepela was born in 1938. He holds a Bachelor's degree and a Doctorate in physical chemistry. Dr. Pepela has been a consultant in Information Technology for over 30 years, prior to which he worked in the oil industry. Dr. Pepela has also taught in several local universities. He has been a director of the Company since November 2006.

Eng. Joseph K Njoroge, MBA, BSc (Eng), R. Consulting Eng., Chartered Eng., MIET, FIEK - Managing Director & CEO

Eng. Joseph K Njoroge was born in 1958 and holds a Bachelor of Science degree in electrical engineering and Master of Business Administration with a major in strategic management. He is a Chartered Electrical Engineer, a member of the Institution of Engineering and Technology, UK, a Registered Consulting Engineer, and is also a Fellow of the Institution of Engineers of Kenya. Eng. Njoroge has wide experience in power engineering and management. He rose through the ranks to become Managing Director in September 2007.

Mr. Joseph K Kinyua, BSc (Econ.), MA (Econ.)

Mr. Joseph Kinyua was born in 1951 and is the Permanent Secretary to the Treasury. He holds Bachelors and Masters degrees in economics. Mr. Kinyua has wide experience in financial and public sector management, having worked in senior positions at the International Monetary Fund (IMF), the Central Bank of Kenya and in Government. Mr. Kinyua joined the Board in 2004 following his appointment as the Permanent Secretary, Ministry of Finance/Treasury. As the Permanent Secretary, Treasury, Mr. Kinyua is a director of among others, the Central Bank of Kenya, National Social Security Fund Board of Trustees, Kenya Ports Authority, East African Development Bank, Kenya Commercial Bank, Kenya Electricity Generating Company Limited, Deposit Protection Fund, and Kenya Pipeline Company Limited.

Mr. Patrick M Nyoike, BSc (Econ.), B.Phil (Math.)

Mr. Patrick Nyoike is the Permanent Secretary, Ministry of Energy, and has over 30 years experience in economics and public service, particularly in the energy sector. He was born in 1947 and holds Bachelors degrees in mathematics and economics. Prior to his appointment as Permanent Secretary in 2003, he was the Chief Economist and Coordinator of World Bank funded projects in the Ministry of Energy. He joined the Board of Directors of the Company in 2003 following his appointment as the Permanent Secretary, Ministry of Energy. As the Permanent Secretary, Ministry of Energy, Mr. Nyoike is a director of the state corporations within the Ministry of Energy, namely, Kenya Pipeline Company Limited, Kenya Electricity Generating Company Limited, Kenya National Oil Corporation, Energy Regulatory Commission, Kenya Petroleum Refineries Limited, Ewaso Ngi'ro North Development Authority and Ewaso Ngi'ro South Development Authority.

Mr. Fidesius M Nyaga, BA (Econ. & Acc.), CPA (K), CPS (K), FCIS

Mr. Fidesius Nyaga was born in 1944. He holds a Bachelor of Arts degree in accounting and economics and is a Certified Public Accountant and Secretary with over 30 years experience in financial management. He joined the Board of Directors of the Company in December 1997. He is also a director of Thiba Holdings Limited and Fide Registrars Limited.

Mr. Aram M Mbui, BSc (Eng.)

Mr. Aram Mbui was born in 1953. He holds a Bachelor of Science degree in mechanical engineering and has post-graduate training in irrigation engineering. Mr. Mbui joined the Board of Directors of the Company in October 2004 and has extensive experience in the public and private sectors. Mr. Mbui is also the Managing Director of Rift Valley Machinery Services Limited. He has served as Chairman of the Society of Agricultural Engineers and the Federation of Kenya Employers (FKE). He is currently a board member of FKE and Rift Valley Machinery Services.

Mr. Esau K Kioni, MSc

Mr. Esau Kioni was born in 1942. He has a Master of Science degree in security and crime risk management from the University of Leicester, United Kingdom, and is a fellow of the International Institute of Security, UK. Mr. Kioni has worked in senior positions in Government and in the private sector. Mr. Kioni joined the Board of the Company in December 2006. He is also a director of Kiru Tea Factory Company Limited and United Kenya Club.

Mr. Eliazar O Ochola, BCom (Hons)

Mr. Eliazar Ochola was born in 1948 and holds a Bachelor of Commerce degree (Accounting). He has over 28 years experience in private sector management, having worked in senior positions in multinational corporations including Kenya Swiss Chemical Limited (Ciba Geigy Group). He joined the Board of Directors of the Company in December 2006. He is also a director of Wanyaka General Supplies Company Limited.

Mr. Samuel M Mwangi, BA (Land Econ.)

Mr. Samuel Mwangi was born in 1966 and holds a Bachelor of Arts degree in land economics. He is a member of the Institute of Surveyors of Kenya, Land Management Chapter, and has more than 15 years experience in land management and real estate. Mr. Mwangi joined the Board of Directors of the Company in February 2007. He is also a director of Samuelson Limited.

Dr. Theodorah Malla-Kilukumi, MB. Ch. B

Dr. Theodorah Malla-Kilukumi was born in 1965 and holds a Bachelors degree in medicine. She has wide experience in medical health practice and community leadership. She joined the Board of Directors of the Company in October 2007. She is also a director of Elasticity Properties Limited and Dee Properties Limited.

Mr. Solomon Kitungu, BSc (Econ.), MA (Econ.) - Alternate Director to Mr. Joseph Kinyua

Mr. Solomon Kitungu was born in 1961. He holds Bachelors and Masters degrees in economics. He has wide experience in enterprise supervision and reforms, and is the Director of Reforms, Department of Government Investments and Public Enterprises in the Treasury.

Mr. Benn Khadiagala, BA, MBA - Alternate Director to Mr. Patrick Nyoike

Mr. Khadiagala was born in 1957. He holds a Bachelor of Arts degree and a Masters degree in Business Administration. He is the Chief Finance Officer in the Ministry of Energy, and has wide experience in public service practice.



Left to right standing : J. Kiilu, S. Muhammad, J. Ombui, L. Yego, D. Mwangi, B. Chumo, J. Masibo, J. Olenchoe, B. Muriithi

Left to right seated : L. Njagi (Company Secretary), J. Njoroge (MD & CEO), R. Gitonga

The Management Team as at the date of this Report is as follows:

Managing Director & Chief Executive Officer (From 1st July 2008)

Eng. Joseph K Njoroge, MBA, BSc (Eng), R. Consulting Eng., Chartered Eng., MIET, FIEK

General Manager, Operations (Distribution, Sales and Customer Service)

Shahid Muhammad, P.Eng. MBA, MSc (Electrical)

Company Secretary

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

Chief Manager, Finance

Lawrence Yego, CPA (K)

Chief Manager, Distribution

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

Chief Manager, Commercial Services

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

Chief Manager, Energy Transmission

Eng. Joel M Kiilu, BSc (Eng.), MBA, R. Eng., MIEK, MIEEE

Chief Manager, Supplies, Stores & Transport

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

Chief Manager, Information Technology and Telecommunications

Eng. Johnson ole Nchoe, BSc (Eng.), R. Eng.

Chief Manager, Human Resources & Administration

Ben Chumo, BA, MBA

Chief Manager, Planning, Research and Performance Monitoring

Eng. David M Mwangi, BSc (Eng.) R. Eng., MIEK

Chief Manager, Nairobi

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

Regional Manager, West

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

Regional Manager, Mount Kenya

Peter Okeri, B.Sc (Eng.)

Regional Manager, Coast

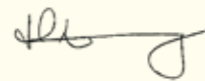
Joseph Mkomba, BSc (Eng.)

Notice of Annual General Meeting 2008

NOTICE IS HEREBY GIVEN THAT THE EIGHTY-SEVENTH ANNUAL GENERAL MEETING of Members of The Kenya Power & Lighting Co. Ltd. will be held at the Kenya School of Monetary Studies, Thika Road, Nairobi, on Friday, 28th November 2008 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 2008, together with the Chairman's, Directors' and Auditors' reports thereon.
3. To approve payment of a second and final dividend of Shs.3 (or 15%) per ordinary share of Shs.20, subject to withholding tax where applicable, in respect of the year ended 30th June 2008 and to ratify the interim dividend of Shs.1 per ordinary share already paid for the period.
4. To elect Directors:
 - (i) Mr. Joseph K Kinyua retires by rotation in accordance with Article 120 of the Memorandum and Articles of Association of the Company and, being eligible, offers himself for re-election;
 - (ii) Mr. 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;
 - (iii) Mr. Esau K Kioni retires by rotation in accordance with Article 120 of the Memorandum and Articles of Association of the Company and, being eligible, offers himself for re-election.
5. To approve payment of fees to non-executive Directors for the year ended 30th June 2008 within the limits set by the Government of Shs.360,000 per Director, and pro rata for any part thereof.
6. Auditors:
To note that the audit of the Company's books of accounts will continue to be undertaken by the Controller and 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.

By Order of the Board



Laurencia K Njagi
Company Secretary
P O Box 30099-00100
Nairobi, Kenya
16th October 2008

NOTES:

A member entitled to attend and vote at the above meeting may appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company. A Form of Proxy is enclosed with this report. To be valid, the Form of Proxy must be duly completed and lodged at the registered office of the Company, Stima Plaza, or posted in time to be received not later than 11.00 a.m. on 26th November 2008.

We light up Kenya:

Karen Hospital,
Nairobi;

Bamburi Cement
Factory, Mombasa;

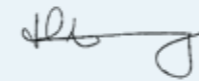
Streets in Nairobi.

Ilani ya Mkutano mkuu wa kila mwaka (AGM)

ILANI INATOLEWA HAPA KWAMBA MKUTANO MKUU WA KILA MWAKA WA THEMANINI NA SABA wa wanachama wa Kampuni ya Kenya Power & Lighting utaandaliwa katika Kenya School of Monetary Studies, Thika Road, Nairobi mnamo, Ijumaa 28, Novemba 2008 saa 5 asubuhi kuendesha shughuli zifuatazo:

1. Kusoma ilani ya kuendesha mkutano na kutambua kuwepo kwa idadi ya kutosha ya wanachama kuendesha shughuli.
2. Kupokea na kuangalia taarifa za kifedha za Kampuni zilizokaguliwa kwa kipindi kilichomalizika Juni 30, 2008 pamoja na ripoti za Mwenyekiti, Wakurugenzi na Wahasibu.
3. Kuidhinisha malipo ya mgao wa faida ya mwisho wa Sh3 (asilimia 15) kwa kila hisa ya kawaida ya Sh20, baada ya kuondoa ushuru unaohitajika, kuhusiana na mwaka uliomalizika Juni 30, 2008 na kuidhinisha mgao wa muda wa Sh1 kwa kila hisa ya kawaida ambao tayari umelipwa katika kipindi hicho.
4. Kuchagua wakurugenzi:
 - (i) Bw. Joseph K Kinyua anastaafu kwa zamu kwa mujibu wa Kifungu 120 cha Sheria za Kampuni, na kwa vile amehitimu, anajitokeza kuchaguliwa tena.
 - (ii) Bw. Eliazar O Ochola anastaafu kwa zamu kwa mujibu wa Kifungu 120 cha Sheria za Kampuni, na kwa vile amehitimu, anajitokeza kuchaguliwa tena.
 - (iii) Bw. Esau K Kioni Ochola anastaafu kwa zamu kwa mujibu wa Kifungu 120 ya Sheria za Kampuni, na kwa vile amehitimu, anajitokeza kuchaguliwa tena.
5. Kuidhinisha marupurupu ya Wakurugenzi wasiokuwa na mamlaka kwa mwaka uliomalizika Juni 30, 2008 chini ya viwango vilivyowekwa na Serikali za Sh360,000 kwa kila Mkurugenzi, na kugawa kwa uwiano malipo kwa muda waliohudumu.
6. Wahasibu
Kutambua kuwa ukaguzi wa vitabu vya hesabu za Kampuni utaendelea kutekelezwa na Mhasibu Mkuu wa Serikali au kampuni ya uhasibu atakayoiteua kwa mujibu wa Sehemu 11 ya Sheria ya Mashirika ya Umma (kama ilivyorekebishwa na Sheria ndogo ya Marekebisha, 2002) na Sehemu 14 na 39(i) ya Sheria za Ukaguzi wa Hesabu ya Umma, 2003.
7. Kuidhinisha Wakurugenzi kuamua malipo ya Wahasibu.

Kwa Amri ya Bodi



Laurencia K Njagi
Katibu wa Kampuni
SLP 30099-00100
Nairobi, Kenya
Oktoba 16, 2008

Mukhtasari:

Mwanachama yeyote anayehitimu kuhudhuria na kupiga kura katika mkutano uliotajwa juu, anaweza kuteua wakala mmoja au zaidi kuhudhuria na kama kutakuwepo na upigaji kura, kufanya hivyo kwa niaba yake. Wakala si lazima awe mwanachama wa Kampuni. Fomu ya Uwakala imeambatanishwa kwenye ripoti hii. Ili ikubalike, Fomu ya Uwakala inapaswa kujazwa kwa ukamilifu na kuwasilishwa katika afisi rasmi za Kampuni, Stima Plaza, au kutumwa kupitia posta, mapema ili ipokelewe kabla ya saa 5 asubuhi mnamo Novemba 26, 2008.



Dr. Crowther N Pepela

GENERAL OVERVIEW

It gives me great pleasure to present the trading results for yet another successful year, during which we improved our performance by focussing on attainment of key corporate targets. Electricity sales increased by 5.6% from 4,818 million units the previous year to 5,082 million units. The operating profit increased by 47.8% from Shs.2,382 million in 2006/07, to Shs.3,522 million during the year under review. The increase is attributable to the rise in electricity sales and reduction of transmission and distribution costs.

Financial Performance

Electricity revenue improved by 2.6% from Shs.23,303 million the previous year, to Shs.23,917 million as a result of increased electricity sales. Fuel cost recoveries rose by 21.6% from Shs.13,508 million the previous year, to Shs.16,433 million. The increase is attributable to higher fuel prices in the international market. However, all fuel revenue, which is recovered from customers, is a pass-through cost and is paid directly to bulk power suppliers. Foreign exchange recoveries decreased by Shs.564 million from Shs.1,133 million the previous year, to Shs.569 million due to appreciation of the shilling against world hard currencies in the first half of the year.

The non-fuel power purchase costs decreased marginally by Shs.21 million to Shs.12,081 million from Shs.12,102 million the previous year. Fuel costs paid to bulk power suppliers increased by Shs.2,656 million to Shs.16,666 million, up from Shs.14,010 million. The increase was mainly attributable to high fuel prices in the international market. Transmission and distribution costs also decreased by Shs.335 million from Shs.9,951 million the previous year, to Shs.9,616 million. During the year, the Company invested extensively in power system upgrade and reinforcement in order to improve the quality of power supply and increase the customer base.

As a result, the capital asset base rose by 38% from Shs.28,283 million the previous year, to Shs.39,057 million. This necessitated supplementing internally generated funds through borrowing, resulting in increased interest costs of Shs.430 million. The Company also incurred a foreign currency revaluation loss on its loans, amounting to Shs.319 million at the later part of the year. This, combined with the heavy capital investment, increased the finance costs by Shs.749 million.

After-tax Profit

The Company recorded a net profit after tax of Shs.1,765 million compared to Shs.1,718 million the previous year, after taking into account a deferred tax charge of Shs.973 million, up from Shs.930 million the previous year.

Dividend

The Directors recommend to members that in addition to the interim dividend of Shs.1.00 paid earlier, a final dividend of Shs.3.00 per ordinary share for the year ended 30th June 2008, subject to withholding tax where applicable, be paid to shareholders registered in the books of the Company at close of business on 7th November 2008. This amounts to a total dividend of Shs.4.00 per share (previous year - Shs.3.00). If approved, the dividend will be paid on or about 20th December 2008.

Future Prospects

Over the last three years, the Company has pursued prudent business strategies which have resulted in improved quality of supply, network expansion, increased customer base and reduction in system losses. In order to sustain and improve the gains achieved so far, additional investment will continue to be made. This will be funded partly through external sources as well as internally generated funds, which have been enhanced by the recent tariff increase.

With the foregoing strategies, coupled with the expected growth in the economy, the Directors are optimistic of sustained good performance in the foreseeable future.

Appreciation

Let me take this opportunity to acknowledge and thank the Directors for their diligence and for taking keen interest in Board affairs, and for working together as a team to guide Management towards building KPLC into an ever growing and admirable Company. I also want to thank our shareholders who have remained committed and chosen to invest in KPLC. In particular I want to thank the Government of Kenya through the Ministry of Energy, which has listened to us and given us support as and when needed.

I want to assure all stakeholders that as a Board we are committed to nurturing and raising shareholder value.

Dr. Crowther N Pepela

Chairman

16th October 2008

Tathmini ya Mwenyekiti

TATHMINI KWA JUMLA

Ni furaha yangu kuwasilisha matokeo ya kibiashara kwa kipindi kingine cha ufanisi ambapo tuliimarisha utendakazi wetu kwa kuangazia zaidi malengo yetu ya kibiashara. Mauzo ya umeme yaliongezeka kwa asilimia 5.6 kutoka vipimo 4,818 milioni mwaka uliopita hadi vipimo 5,082 milioni. Faida ya utendakazi wetu iliongezeka kwa asilimia 47.8 kutoka Sh2,382 milioni mnamo 2006/7 hadi Sh3,522 milioni katika mwaka uliopita. Nyongeza hiyo inatokana na kuimarika kwa mauzo ya stima na kupungua kwa gharama za usafirishaji na usambazaji.

Matokeo ya kifedha

Mapato ya umeme yaliongezeka kwa asilimia 2.6 kutoka Sh23,303 milioni mwaka uliopita, hadi Sh23,917 milioni kutokana na nyongeza ya mauzo ya umeme. Gharama za mafuta ziliongezeka kwa asilimia 21.6 kutoka Sh13,508 milioni mwaka uliopita, hadi Sh16,433 milioni. Nyongeza hiyo inatokana na kupanda kwa bei ya mafuta katika soko la kimataifa. Hata hivyo, mapato ya mafuta, ambayo yanakusanywa kutoka kwa wateja, ni ada inayokabidhiwa moja kwa moja wazalishaji umeme wa kiasi kikubwa. Mapato ya fedha za kigeni yalipungua kwa Sh564 milioni kutoka Sh1,133 milioni mwaka uliopita hadi Sh569 milioni kutokana na kupanda kwa thamani ya shilingi dhidi ya sarafu zingine za dunia katika nusu ya kwanza mwaka uliopita.

Gharama zingine za ununuzi zisizohusisha mafuta zilipungua kwa kiwango kidogo cha Sh21milioni hadi Sh12,081 milioni kutoka Sh12,102 milioni mwaka uliopita. Gharama za mafuta zinazolipwa kwa wauzaji umeme wa kiwango kikubwa uliongezeka kwa Sh2,656 milioni hadi Sh.16,666 milioni, juu kutoka Sh14,010 milioni. Nyongeza hiyo hasa ilitokana na kupanda kwa bei ya mafuta katika soko la kimataifa. Gharama za usafirishaji na usambazaji wa nguvu za umeme pia zilipungua kwa Sh335milioni kutoka Sh9,951 mwaka uliopita, hadi Sh9,616 milioni. Mwaka uliopita, Kampuni ilitumia rasimali nyingi katika kustawisha na kuidhibiti mitambo yake ya umeme ili kuboresha usambazaji na kuongeza idadi ya wateja. Kufuatia hali hiyo, thamani ya vifaa vyetu iliongezeka kwa asilimia 38 kutoka Sh28,283 milioni mwaka uliopita hadi Sh39,057 milioni. Hii ilitulazimu kutafuta fedha zaidi kwa njia ya mikopo, na hivyo kuongeza gharama za riba hadi Sh430 milioni. Kampuni pia ilipata hasara ya Sh319 milioni kufuatia ukadiriaji upya wa kiwango cha ubadilishanaji wa fedha za kigeni kwa mikopo yake kuelekea mwishoni mwa mwaka. Hii, pamoja na uwekezaji wa mtaji mkubwa, uliongeza gharama za kifedha kwa Sh749 milioni.

Faida baada ya ushuru

Kampuni ilipata faida baada ya ushuru ya Sh1,765 milioni ikilinganishwa na Sh1,718 milioni mwaka uliopita, huku tukitilia maanani ushuru ambao haukulipwa awali wa Sh973 milioni, ikilinganishwa na kiwango cha awali cha Sh930 milioni mwaka uliopita.

Mgao wa faida

Wakurugenzi wanapendekeza kwa wanachama kuwa mbali na mgao wa muda wa faida wa Sh1.00 uliolipwa awali, mgao wa mwisho wa Sh3.00 kwa kila hisa ya kawaida kwa mwaka uliomalizika Juni 30, 2008, ikitegemea ushuru inavyohitajika, ulipwe kwa wenyehisa kwenye rejista ya Kampuni kufikia mwisho wa Novemba 7, 2008. Hii inafikisha jumla ya mgao uliolipwa kuwa Sh4.00 kwa hisa (mwaka uliopita ilikuwa - Sh3.00). Iwapo utaidhinishwa, mgao huo utalipwa mnamo au kabla ya Desemba 20, 2008.

Matarajio ya siku sijazo

Katika muda wa miaka mitatu iliyopita, Kampuni imeweka mikakati madhubuti ya kibiashara ambayo imeimarisha ubora wa usambazaji umeme, upanuzi wa mtandao wa umeme, kuongezeka kwa idadi ya wateja na pia kupungua hasara kwenye mitambo yetu. Ili kudumisha na kuimarisha mafanikio yaliyofikiwa kufikia sasa, uwekezaji zaidi utaendelea kufanywa. Hii itafadhiliwa kwa upande mmoja kupitia ufadhili kutoka nje na kwa upande mwingine rasimali zetu ambazo zimeimarika kutokana na nyongeza ya hivi majuzi ya ada inayotozwa umeme. Kutokana na mikakati tuliotaja mbeleni, pamoja na ukuaji wa uchumi unaotarajiwa, Wakurugenzi wana imani kwamba matokeo bora yataendelea kupatikana katika siku sijazo.

Shukurani

Ningependa kushukuru Wakurugenzi wenzangu kwa kujitolea na kushugulikia maswala ya Kampuni vilivyo, na pia kwa kufanya kazi pamoja na kuwapa mwongozo bora wasimamizi wa Kampuni. Pia nina washukuru wenye hisa kwa kuwekeza kwenye Kampuni. Hasa ningependa kuishukuru Serikali yetu kupitia Wizara ya Kawi kwa kutupatia ushauri mwema tunapouhitaji. Ninawahakikishia washika dau wote ya kwamba Bodi ya KPLC inajitahidi vilivyo kuongeza dhamani ya mali yao.

Crowther N. Pepela

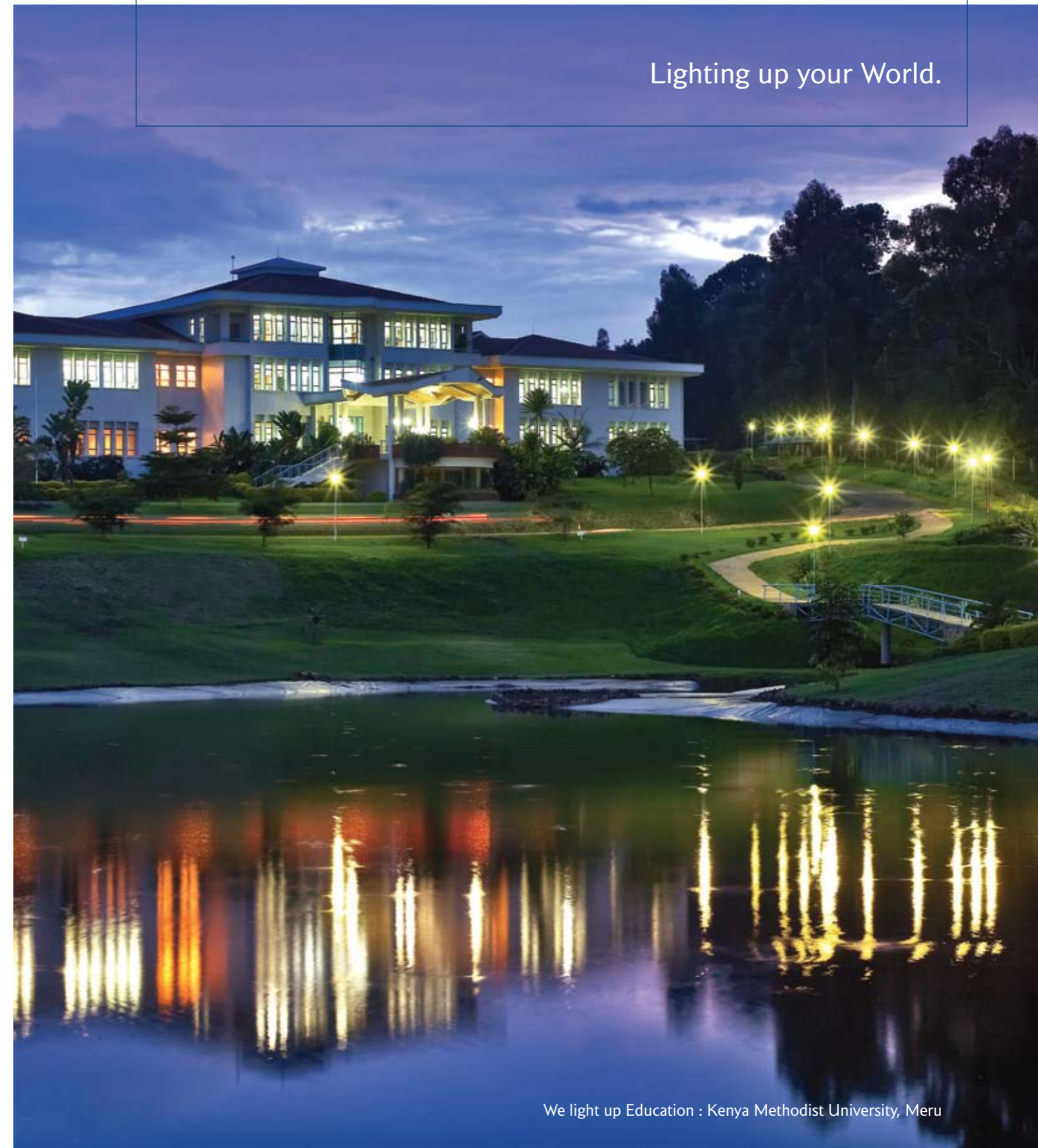
Dkt. Crowther N Pepela

Mwenyekiti

Oktoba 16, 2008

KPLC

Lighting up your World.



We light up Education : Kenya Methodist University, Meru



Eng. Joseph Njoroge

OVERVIEW

I am pleased to present my first Report as the Chief Executive Officer of the Company. During the year under review, the Company performed well in key operational areas. These include expansion of the electricity network and customer base, reduction of power system losses and power outages, improving revenue collection and average repair response time following interruption. In this regard, a total of 136,054 new customers were connected compared to 120,191 the previous year, while electricity losses reduced by 1.3%. The average debt age for electricity debtors also improved from 42.7 days to 38.3 days.

Tariff Review

The Energy Regulatory Commission (ERC) approved new tariffs for bills issued from 1st July 2008. The base retail tariffs were last increased by 18% on 1st August 1999, and despite the rise in power purchase and operating costs, these had remained unchanged. The July 2008 increase followed a

tariff study by Fichtner, which was commissioned by the Electricity Regulatory Board, the precursor to the ERC. The study recommended new retail tariffs for KPLC, and a two-tier bulk tariff for each of KenGen's plants (other than the small plants), comprising a take or capacity charge rate and energy charge rate.

The Company applied to the ERC for review of the retail tariffs mainly in order to realise adequate revenues to meet:

- a) Cost of power purchases, particularly in view of the proposed introduction of capacity and energy charges for each of KenGen's main power generating plants, and higher energy rates for the small generating plants; and increased power purchase costs from independent power producers; and to generate revenue to develop additional electricity generation capacity.
- b) Increased transmission and distribution costs to operate and maintain the expanding electricity network, including operation and maintenance of the rural electrification network.

KenGen lodged an appeal with the Energy Tribunal against the bulk tariff set by ERC, contending that the level it was awarded was inadequate for its operations. The matter is pending determination at the Tribunal and at the High Court.

THE ELECTRICITY NETWORK

The Energy Sector Recovery Project (ESRP)

Implementation of the distribution system upgrade under the US\$153 million Energy Sector Recovery Project (ESRP), which is funded jointly by KPLC and a consortium of financiers, continued during the year under review. The status of implementation of the various project components is as follows:

Distribution substations upgrade

The main component of the Energy Sector Recovery Project comprises distribution upgrade and reinforcement projects, and is aimed at reducing technical losses and improving quality of supply. The projects are spread across Nairobi, Mombasa, Rift Valley, Western Kenya, Nyanza, and Mt. Kenya, and are at various stages of completion.

Cathedral-Nairobi West 66kV underground cable

The Nairobi central business district is one of the most important areas of electricity supply in the country. To improve security of power supply to the area, a new 66kV underground cable from Cathedral sub-station to Nairobi West sub-station, including a US\$1.1 million fibre optic cable, was commissioned in April 2008. The work was undertaken by Socabelec SA of Belgium.

Mt. Kenya radio trunking system

In June 2008, new radio equipment which was installed by Motorola Israel at a cost of US\$3,380 million, was commissioned in the Mt. Kenya region. The equipment includes a state of the art digital radio system covering the whole of Mt. Kenya region including Nyeri, Meru, Embu, Maralal, Laikipia, Murang'a, Mwingi and Thika. This has enhanced operational efficiency and improved communication between the National Control Centre in Nairobi and operational staff in Mt. Kenya.

Supervisory Control and Data Acquisition/Energy Management System (SCADA/EMS) & associated telecommunications upgrade project

Work on this project, which is being implemented by ABB of Sweden at a cost of Shs.1.8 billion, is expected to be completed by December 2010. The project is financed by European Investment Bank (EIB) and entails installation of a new SCADA/EMS and a fibre optic cable over the power line infrastructure. This project is a major milestone for the Company as it will revolutionise the management of the electricity network and provide a telecommunication backbone for reliable, efficient and fast data communication system, while at the same time providing a better media for tele-protection, and interconnection of radio and ripple systems.

The fibre optic cable network will have a capacity of 48 fibres, and the Company will utilise only 10 fibres for its operations, data and speech communications, leaving a surplus capacity of 38 fibres, which the Company plans to commercialise to generate additional revenue streams. In this respect, the Company engaged a consultant to advise on the regulatory requirements and the most optimal business model to enter into the telecoms business whose report was received in July 2008, and which indicates that there are viable fibre optic business opportunities that the Company can pursue. The Company subsequently applied for a licence from the Communications Commission of Kenya (CCK) to venture into the telecommunications industry, and a response is awaited. KPLC is also exploring other opportunities in new emerging technologies such as broadband over power lines, which enables among others use of power line conductors for data and speech communication, access to internet and e-mail.

Electronic Energy Meters

A contract to supply 400,600 electronic meters was awarded to Hexing of China at a cost of Shs.230 million. So far, 150,000 meters have been delivered, and the balance will be delivered by June 2009.

OTHER TRANSMISSION AND DISTRIBUTION SYSTEM EXPANSION AND UPGRADE PROJECTS

During the year under review, implementation of additional projects aimed at expanding and upgrading the distribution system resulted in a 22% network growth compared to an average of 10% annual growth achieved over the previous four years. Completion of these projects will contribute to reduced system losses and significant improvement in the quality of power supply.

Construction of an additional 500 km of distribution lines is planned for Nairobi and its environs during the 2008/2009 Financial Year to cater for load growth. Construction of the 122 km Chinese funded 132kV transmission line between Kamburu and Meru, and the 61 km 132kV transmission line between Chemosit and Kisii, continued during the year, and work is expected to be completed by May 2009. The Mumias-Musaga 132 kV line is also under construction and will be completed in January 2009. The line will supply an additional 26 MW from the Mumias Sugar Company co-generation plant into the national grid.

Construction of a 55 km 132kV line from the 60 MW Sondu Miriu Hydro Power Station to the Kisumu 132/33 kV substation by Kinden Corporation of Japan was completed in July 2007, while a feasibility study on the proposed Mombasa-Nairobi 400 kV transmission line, carried out by Vattenfall of Sweden, was completed in June 2007. Electricite de France (EDF) also carried out a study to analyse various options of connecting the proposed lines to the existing system in Nairobi in view of environmental and socio-economic issues identified in the final report. Funding for the implementation of this project is being sought.

Work on a 60 km 132kV line and establishment of a 23MVA substation at Galu substation in the South Coast at an estimated cost of Euros 10 million commenced during the year under review. The project, which is being implemented by Pauwels International LV, is financed by the Belgian Government through the Overseas Economic Cooperation Development. The project is expected to be completed by June 2009.

CUSTOMER SERVICE

Customer Connectivity

The Company has devised innovative and proactive strategies to achieve its target of connecting an additional one million customers with electricity in the next five years. These initiatives include:

- i) New Development Zones (NDZs)*
The Company will invest in extension of electricity supply to upcoming high density settlements in urban and peri-urban areas or new development zones (NDZs), upfront and recoup the investment as customers are gradually connected.
- ii) Line/ Network Maximization*
This strategy targets connection of potential customers in high population density areas which are traversed by power lines (e.g. market centres, residential clusters, etc.). This will also optimise use of the investment made in the existing electricity distribution network.
- iii) Partnership with Financial Institutions for Extension of Credit Facilities*
One of the limiting factors to enhanced connectivity is the challenge faced by prospective customers in meeting new electricity connection charges. To address this challenge, the Company is in the process of partnering with a local bank to advance loans to potential customers to enable them pay the connection fees upfront.

Metering, Billing Processes and Reduction of System Losses

The Company continually appraises strategies aimed at improving customer service and enhancing revenue collection. The following initiatives, aimed at modernising the credit metering technology used in our commercial cycle for billing, were undertaken during the period under review:

- i) Automatic Meter Reading (AMR)*
Implementation of the Automatic Meter Reading (AMR) project is currently underway and more than 4,000 large power customers who consume between 2000 and 7000 units per month will migrate to this system by June 2009. The AMR meters will be installed for all large power customers, who contribute 63% of the total revenue.
- ii) Prepayment Metering*
Prepayment metering has been found to be a popular concept and a tender for an initial 25,000 meters to be used in a pilot project has already been floated. Once the concept is rolled out, it will enable customers to manage their consumption regime and budget, and also enhance revenue protection and collection.

Customer Outreach

During the year under review, the Company entered into a partnership with Postal Corporation of Kenya to enable customers to pay their bills through Posta's large electronically-linked countrywide network. Customers can also make payments through various banks including Cooperative, Barclays, Kenya Commercial and Standard banks, and through selected Uchumi Supermarkets outlets. These initiatives have taken services closer to the customers, enhanced their convenience and the Company's revenue collection. Efforts are underway to partner with other stakeholders in this initiative.

An SMS alert service to customers who are due for disconnection of supply for non-payment of electricity bills, and notification of supply breakdowns, is at an advanced stage of development and will be launched soon.

Several customer-oriented functions were held during the year, which created an opportunity to exchange information and ideas for mutual benefit. Staff interact regularly with customers through visits and road shows, community outreach programmes, and customer education.

In the face of mounting vandalism of the electricity delivery system, which is a constant threat to the business, the Company mounted an aggressive multi-pronged anti-vandalism campaign under the *Mulika Mwizi* banner. To complement this, the Company introduced a toll-free line to enable members of the public to report instances of vandalism. The *Mulika Mwizi* initiative has contributed to enhanced public surveillance and reduction in system vandalism throughout the country. During the year, the Company also showcased its products and services at the Agricultural Society of Kenya Shows, where it won numerous

awards in various competition categories. The Company is also taking bold steps to devolve provision of services to Branches across the country. To support this exercise, the Company is also undertaking a corporate re-branding exercise. These initiatives are geared towards bringing services closer to our customers.

REGIONAL INTERCONNECTION

Kenya-Ethiopia Inter-connector

A feasibility study on the viability of this project was carried out by Fitchner Consulting Engineers of Germany, and a final report was expected in December 2008. The study was funded by grants from French Development Agency (AFD), German Development Bank (KfW), African Development Bank (AfDB) and the Development Bank of Southern Africa (DBSA) at a cost of Euros 1.7 million.

Nile Basin Initiative

A feasibility study initiated by the Nile Equatorial Lakes Subsidiary Action Programme (NELSAP) and which proposed interconnection projects to facilitate trade in electricity among the member countries, that is: Kenya-Uganda, Uganda-Rwanda, Rwanda-Burundi and Rwanda-Democratic Republic of Congo, was completed in 2007. Following the recommendations of the study, detailed design for the proposed 220 kV double circuit line from Bujagali Hydro Power Station to Tororo in Uganda, and from Tororo to Lessos substation in Kenya, is currently ongoing.

GENERATION

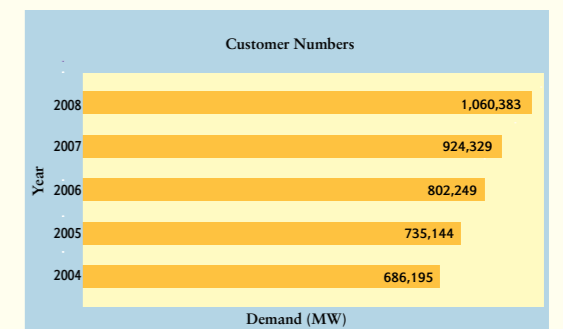
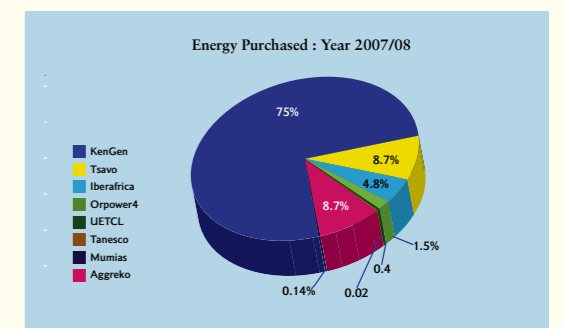
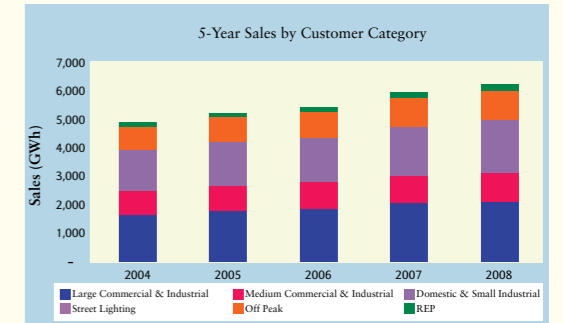
During the year, the maximum daily peak demand recorded was 1,044MW compared to 987MW the previous year, an increase of 5.8%. The effective generation capacity during the year was 1,254MW, against a reserve capacity margin of 20%. The peak demand is projected to grow to 1,172 MW in the current financial year, against an effective generation capacity of 1,384 MW, and a reserve capacity margin of 18%.

Generation capacity is expected to be enhanced when ongoing committed projects with a combined capacity of 387MW are commissioned between 2008 and 2011. Some of these projects are: 35MW OrPower III plant by October 2008; 10MW Kiambere hydro unit enhancement by October 2008, and an additional 10MW by June 2009; 25MW Mumias Sugar Company Limited by January 2009 and additional 50MW expected from Iberafrica in June 2009.

RURAL ELECTRIFICATION

The Company and the Rural Electrification Authority (REA), which commenced operations in September 2007, are in the process of signing a Memorandum of Understanding (MoU) outlining the relationship and partnership between them. In the meantime, the Company will complete those rural electrification projects which were in its books as at 30th June 2008.

During the year under review, 748 rural electrification schemes were completed out of 1,134 schemes awarded to various contractors. The schemes were constructed at a cost of about Shs.5,248 million covering approximately 2,633 km of medium (11 and 33 kV) voltage lines, 1,207 km of low voltage lines, and 1,632 substations; and benefited approximately 31,104 new customers.



A total of 832 projects of the planned 944 rural electrification schemes covering trading centres, secondary schools, health facilities, community water projects, coffee factories, tea buying centres, and government/administrative centres, were completed throughout the country at a cost of Shs.5.9 billion.

Twelve KPLC teams, eight turnkey contractors employing more than 4,200 workers, and more than 600 labour and transport contractors employing more than 10,800 workers countrywide, were involved in construction of the projects.

The projects have benefited 639 market centres in the 210 constituencies in the country. The beneficiaries include 641 schools, 203 health centres, 109 boreholes, 133 government/administrative centres, 79 coffee factories, 70 tea buying centres, and 24,960 residential customers. Of these, 118 are in Nairobi, 230 in West Kenya, 63 in North Rift, 78 in Central Rift; 202 in Mt. Kenya North, 101 in Mt. Kenya South, and 40 at the Coast. Another 410 projects are due to be completed by the end of December 2008 at a cost of Shs.3.48 billion. This will bring the total number completed between June 2006 and December 2008, to 1,896 projects worth Shs.12.6 billion.

The cumulative capital expenditure since inception of the Rural Electrification Programme in 1973 rose to Shs.20 billion during the year, up from Shs.13 billion the previous year. A total of Shs.1,282 million was collected from the Rural Electrification Levy during the year, compared to Shs.1,163 million the previous year. The number of customers connected under the programme rose by 21% to 161,373, up from 133,047 the previous year, while units sold increased by 16% from 203 million to 235 million, and revenue realised grew by 20% from Shs.1,721 million the previous year to Shs.2,064 million.

AFD Funded RE Projects

Implementation of the second phase of the French funded rural electrification project of Euros 30 million commenced in May 2007. This followed completion of the first phase in Nyanza, Western and Rift Valley in 2005 at a cost of Shs.850 million.

Spanish Funded RE Projects

The second phase of the Spanish funded rural electrification project commenced in February 2008, and will be completed by June 2010.

HUMAN RESOURCES

Industrial harmony was maintained throughout the year. An inter-regional sports event was held in March 2008 to promote and sustain employees' social welfare & development as well as enhance corporate team spirit. In recognition of long and faithful service, the Company held an award ceremony in November 2007 during which 821 long serving employees and 708 accident free drivers received bonuses and awards. In August 2007, the Company entered into an agreement with Housing Finance whereby employees can access mortgages at special interest rates. As at 30th June 2008, the Company had 6,668 staff serving 1,061,708 customers, giving a staff-customer ratio of 1:159. This compares with 6,399 staff serving 924,329 customers and a staff-customer ratio of 1:144 as at 30th June 2007.

Employee Satisfaction Survey

The Company carried out an Employee Satisfaction Survey between March and April 2008 as part of its customer satisfaction and overall business enhancement strategy. The satisfaction index rose by four percent over the previous year. Management endeavours to implement recommendations made by employees as a way of continually improving the satisfaction index.

Staff Training & Development

The Company continues to invest in its human capital through comprehensive staff training and development programmes. During the year under review, a total of 3,665 staff attended various training and staff development programmes both locally and overseas. Through these programmes, employees have been exposed to industry best practices, which has improved the skills base and enhanced productivity and quality of work.

Performance Contracting

Since the implementation of performance contracts in October 2004, management employees have continued to operate under annual performance contracts. The Company intends to introduce a bonus scheme to reward and encourage good performance. The targets are reviewed regularly to align them to changing business trends and expectations.

Company Premises

During the year, the Company embarked on a major property facelift programme aimed at enhancing the value of Company assets, bolstering corporate image and customer service.

UNBUNDLING OF TRANSMISSION AND DISTRIBUTION FUNCTIONS

As reported last year, the Government intends to transform the power transmission into an open access system to allow large electricity customers to purchase power from generators. With future interconnection of Kenya's electricity grid with Ethiopia, Tanzania and other Southern Africa Power Pool (SAAPP) countries, and strengthening of the interconnection with Uganda, the Government views open access as having potential to enhance market and supply options for both power generation and large consumers.

Subsequently, the Government will create a new electricity transmission company wholly owned by the Government, which will be directly funded from the Exchequer. This will shield electricity customers from paying higher tariffs to fund the expensive transmission network. The new company will be responsible for building new transmission lines, while KPLC will retain and continue operating all its existing transmission systems.

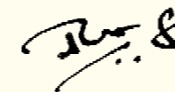
INFORMATION COMMUNICATION TECHNOLOGY (ICT) SERVICES

The Company's investment in modern information communication technology systems and processes is firmly rooted in its business strategy. ICT has also enabled the Company to meet customer needs, plan on entry into new markets, and to build value into its services.

During the year under review, ICT services continued to form the backbone for the Company's core business. The ICT system supported new revenue collection initiatives and partnerships, customer creation and online monitoring of Company fleet movement, among others.

CONCLUSION

Satisfying our customers' requirements and creating shareholder value remain our cherished goals. As we look into the future, our resolve is to pursue these goals through improvement of quality of supply to our customers, enhancement of operational efficiency, reduction of system losses and expansion of our customer base. With a clear focus on commitment of our staff to these strategies, the Company is poised for sustained profitability.



Eng. Joseph Njoroge
Managing Director & CEO
16th October 2008

Ripoti ya Mkurugenzi Mkuu na Afisa Mkuu Mtendaji

MAELEZO

Ni furaha yangu kuwasilisha Ripoti yangu ya kwanza kama Afisa Mkuu Mtendaji wa Kampuni. Katika kipindi tunachotathmini, Kampuni ilipata ufanisi mkubwa katika nyanja zake zote za utenda kazi. Hii ni pamoja na kupanua mtandao wake wa stima, kuongeza idadi ya wateja, kupunguza hasara kwenye mitambo na pia kupotea kwa umeme, kuimarisha ukusanyaji wa mapato na kuimarika kwa muda wa kufanya marekebisho kufuatia kukatika kwa umeme. Kwa mintaarafu hii, jumla ya wateja wapya 136,054 waliunganishwa na Mtandao ikilinganishwa na 120,191 mwaka uliopita, ilhali hasara ya umeme kwenye mitambo ilipungua kwa asilimia 1.3. Kipindi cha wastani cha kudai madeni kiliimarika kutoka siku 42.7 hadi 38.3.

Nyongeza ya ada tunayotoza

Tume inayosimamia Kawi nchini (ERC) iliidhinisha ada mpya kwa bili zilizotolewa kuanzia Julai 1, 2008. Ada inayotowza wateja reja reja ziliongezwa mara ya mwisho kwa asilimia 18 mnamo Agosti 1, 1999, na licha ya kupanda kwa gharama za ununuzi wa umeme na utenda kazi, ada hizo hazikuongezwa tena. Nyongeza hiyo ya Julai 2008 ilifuatia uchunguzi kuhusu ada uliofanywa na Fichtner, ambayo iliidhinishwa na Bodi ya Usimamizi wa Kawi nchini (ERB) ambayo ilitangulia ERC. Uchunguzi huo ulipendekeza ada mpya kwa wateja wadogo wa KPLC na ada aina mbili kwa kila kiwanda cha KenGen (mbali na viwanda vile vidogo), inayojumuisha ada ya uwezo wa uzalishaji na pia ada ya kawi inayozalishwa.

Kampuni iliwasilisha ombi kwa ERC kuchunguza ada zote za reja reja ili kuhakikisha kiwango cha mapato yetu kinaimarika kwa vile

- Gharama ya ununuzi wa umeme, hasa ikizingatiwa pendekezo la kutoza ada ya uwezo wa uzalishaji na ada ya kawi inayozalishwa kwa kila mojawapo ya viwanda vikubwa vya KenGen, na viwango vya juu vya ada ya kawi kwa viwanda vidogo vya uzalishaji umeme, ziliongezwa gharama za ununuzi wa umeme kutoka kwa wazalishaji huru wa umeme pamoja na kupata mapato ya kutosha kupanua uzalishaji wa stima zaidi.
- Nyongeza ya gharama za usafirishaji na usambazaji ili kuendesha na kutunza mtandao unaopanuka wa stima, zikiwemo za kusimamia na kutunza mtandao wa usambazaji umeme katika sehemu za mashambani.

KenGen iliwasilisha rufani katika Tume ya Kawi dhidi ya ada ya kiwango kikubwa cha stima kama ilivyowekwa na ERC, ikilalamika kuwa kiwango kilichowekwa hakitoshi kwa huduma zake.

MTANDAO WA STIMA

Mradi wa Ufufuzi wa Sekta ya Kawi (ESRP)

Utekelezaji wa kupanua mfumo wa usambazaji umeme chini ya mradi wa ESRP wa thamani ya US\$153milioni ambao unafadhiliwa kwa pamoja na KPLC na mkukusanyiko wa wafadhili, uliendelea katika kipindi kinachoangaziwa. Hali ya utekelezaji wa vitengo tofauti kwenye mradi huo ni kama ifuatavyo:

Kebo ya kusafirisha kilovolti 66 chini ya ardhi (Cathedral–Nairobi West)

Eneo la katikati mwa jiji la Nairobi ni miongoni mwa maeneo muhimu katika usambazaji umeme nchini. Ili kuimarisha hali ya usambaji stima katika sehemu hiyo, waya mpya ya kusafirisha kilovolti 66 iliwekwa chini ya ardhi kutoka kituo kidogo cha Cathedral hadi kile cha Nairobi West, ikiwemo kebo ya mawasiliano ya thamani ya US\$1.1milioni ilizinduliwa mnamo Aprili 2008. Shughuli ya ujenzi ilitekelezwa na Socabelec SA ya Ubelgiji.

Mtambo wa mawasiliano ya redio katika eneo la Mlima Kenya

Mnamo Juni 2008, mitambo mipya ya redio ambayo iliwekwa na Motorola Israel kwa gharama ya US\$3.38 milioni, ilizinduliwa katika eneo la Mlima Kenya. Mitambo hiyo ni pamoja na redio ya kisasa ya tarakimu inayohudumia eneo zima la Mlima Kenya kama vile Nyeri, Meru, Embu, Maralal, Laikipia, Murang'a, Mwingi na Thika. Hii imeimarisha utendaji kazi na kuimarisha mawasiliano kati ya kituo chetu kikuu cha mawasiliano Nairobi na wafanya kazi katika Mlima Kenya.

Mitambo ya Kusimamia na Kudhibiti kupatikana kwa data/ mtambo wa usimamizi wa kawi (SCADA/EMS) na kuimarisha mradi wa mawasiliano

Shughuli za ujenzi wa mradi huu, ambao unatekelezwa na ABB ya Sweden kwa gharama ya Sh1.8 bilioni, inatarajiwa kukamilika kufikia 2010. Mradi huo unafadhiliwa na European Investment Bank (EIB) na unahusisha kuweka kebo mpya ya mawasiliano ya SCADA/EMS juu ya nguzo za stima. Itabadilisha kwa kiasi kikubwa usimamizi wa mtandao wa umeme na kutoa mtandao wa mawasiliano wa kutegemewa, unaowasilisha data kwa njia ya haraka huku wakati huo huo ikitoa njia bora ya kudhibiti simu na mawasiliano ya pamoja ya redio na mitambo mingine. Kebo ya data itakuwa na nyaya 48, na Kampuni itatumia nyaya 10 pekee kwa huduma zake na mawasiliano ya data na mazungumzo, na hivyo kuiacha na nyaya 38 za ziada ambazo inakusudia kukodisha ili kuingiza mapato zaidi.

Ripoti ya Mkurugenzi Mkuu na Afisa Mkuu Mtendaji (inaendelea)

Kwa hali hiyo, Kampuni imemteua mtaalamu kushauri kuhusu mahitaji ya kisheria na mfumo ufaao wa kibiashara kutuwezesha kushiriki katika biashara za mawasiliano. Ripoti yake ilipokelewa Julai 2008, na inaonyesha kuwa kuna nafasi za kibiashara ambazo Kampuni inaweza kufuatilia. Kampuni hatimaye iliwasilisha ombi la kibali kutoka kwa Tume ya Mawasiliano nchini (CCK) kushiriki katika sekta ya mawasiliano ya simu, na tunasubiri jibu. KPLC pia inatafuta nafasi zingine katika teknolojia mpya kama vile kutumia broadband juu ya laini ya stima ambayo itawezesha matumizi ya vipitishi umeme pia kupitisha data na mawasiliano ya mazungumzo, intaneti na barua pepe kati ya zingine.

Kuimarisha vituo vidogo vya usambazaji umeme

Mojawapo ya nguzo kuu katika mradi wa Ufufuzi wa Sekta ya Kawi ni miradi ya kuimarisha na kudhibiti usambazaji, inayolenga kupunguza hasara na kuboresha usambazaji. Miradi hiyo imesambaa kote Nairobi, Mombasa, Rift Valley, Magharibi mwa Kenya, Nyanza, na Mlima Kenya na yote inakaribia kukamilika.

Mita za elektroniki za kawi

Kandarasi ya kununua mita za elektroniki 400,600 ilitolewa kwa kampuni ya Hexing ya Uchina kwa gharama ya Sh230 milioni. Kufikia sasa, mita 150,000 zimenunuliwa na zilizosalia zitaletwa kufikia Juni 2009.

MIRADI MINGINE YA KUPANUA NA KUSTAWISHA USAFIRISHAJI NA USAMBAZAJI

Katika kipindi tunachotathmini, utekelezaji wa miradi zaidi uliolenga kustawisha mfumo wa usambazaji na usafirishaji ulichangia ukuaji wa mtandao kwa asilimia 22 ikilinganishwa na kiwango cha wastani cha asilimia 10 kilichofikiwa katika miaka mine iliyopita. Kukamilika kwa miradi hii kutachangia kupunguza hasara kwenye mitambo yetu na pia kuimarisha kwa kiwango kikubwa ubora wa usambazaji umeme.

Ujenzi wa laini zaidi za usambazaji za kilomita 500 unapangwa kufanywa Nairobi na viunga vyake katika kipindi cha matumizi ya fedha cha 2008/2009 kushughulikia ukuaji huu. Ujenzi wa kilomita 122 za laini ya usafirishaji wa kilovolti 132 za umeme unaodhaminiwa na Uchina kati ya Kamburu na Meru, na kilomita 61 za laini kusambaza kilovolti 132 za stima kati ya Chemosit na Kisii, uliendelea katika kipindi hicho, na ujenzi unatarajiwa kumalizika kufikia Mei 2009. Ujenzi wa laini ya kusambaza kilovolti 132 kati ya Mumias-Musaga pia ungalinaendelea na unatarajiwa kukamilika Januari 2009. Laini hiyo itaongeza MW 26 zaidi kutoka kiwanda cha Sukari cha Mumias kwa jumla ya umeme wa kitaifa.

Ujenzi wa laini ya kilomita 55 kusafirisha kilovolti 132 za stima kutoka kwa kiwanda kinachozalisha MW 60 cha Sondu Miriu Hydro Power hadi kile kidogo cha kilovolti 132/33 cha Kisumu kilichojengwa na Kinden Corporation ya Japan ulikamilika Julai 2007, huku uchunguzi wa uwezekano wa mradi kuhusu laini ya usambazaji kilovolti 400 kati ya Nairobi na Mombasa ukifanywa na Vattenfall ya Sweden, ukikamilika Juni 2007. Electricite de France (EDF) ilifanya uchunguzi kuchanganua nafasi tofauti za kuunganisha laini zinazopendekezwa na zile zilizopo Nairobi ikizingatiwa masuala ya kimazingira, kijamii na kiuchumi yaliyotambuliwa kwenye ripoti ya mwisho. Ufadhili wa kutekeleza mradi huu ungalinaunatafutwa.

Ujenzi wa laini ya kilomita 60 kusafirisha kilovolti 132 na kuanzishwa kwa kituo cha MVA 23 katika Galu kusini mwa Pwani kwa takribani Yuro 10 milioni ulianza mwaka uliopita. Mradi huo ambao unatekelezwa na Pauwels International L V, unafadhiliwa na Serikali ya Ubelgiji kupitia kwa kitengo chake cha Ushirikiano wa Ustawi wa Kiuchumi Ugenini (OECD). Mradi huo unatarajiwa kumalizika kufikia Juni 2009.

HUDUMA KWA WATEJA

Kuunganisha wateja

Kampuni imebuni mikakati ya hali ya juu ili kufikia malengo yake ya kuunganisha wateja milioni moja zaidi kwa stima katika muda wa miaka mitano. Mikakati hiyo ni kama ifuatavyo:

i) Maeneo Mapya ya Ustawi (NDZs)

Kampuni itawekeza katika upanuzi wa usambazaji umeme katika makazi yenye watu wengi katika sehemu za mitaani na vitongoji vingine au maeneo yanayostawi (NDZs) na kupokea faida yake baadaye huku wateja wakiunganishwa na stima.

ii) Matumizi bora ya laini/ Mtandao

Mkakati huu unalenga kuunganisha wateja katika maeneo yenye idadi kubwa ya watu ambapo kuna laini nyingi za stima (kama vituo vya biashara, maeneo ya makazi nk.) Hii itahakikisha matumizi bora ya uwekezaji mpya uliofanywa katika mtandao wa sasa wa kusambaza umeme.

Ripoti ya Mkurugenzi Mkuu na Afisa Mkuu Mtendaji (inaendelea)

iii) Ushirika na Taasisi za Kifedha za kutoa Mikopo

Mojawapo ya vizingiti katika kuunganisha wateja zaidi kwa stima ni changamoto za wanaohitaji stima kushindwa kumudu gharama mpya za kusambaziwa umeme. Ili kushughulikia changamoto hii, Kampuni imo kwenye harakati za kushirikiana na benki ya humu nchini kutoa mikopo kwa wanaotaka kusambaziwa umeme ili kuweza kulipia ada ya kuunganishwa na umeme.

Utaratibu wa kusoma mita, kutuma bili na kupunguza hasara kwenye mitambo

Kampuni inaendelea kukadiria ubora wa mikakati yake kwa lengo la kuboresha utoaji huduma na kuimarisha utaratibu wa kukusanya mapato. Taratibu zifuatazo, zenye lengo la kustawisha teknolojia ya mita zetu zinazotumika katika kutayarisha bili zilitekelezwa mwaka uliopita.

i) Usomaji wa Mita unaojiendesha (AMR)

Utekelezaji wa Usomaji Mita Unaojiendesha (AMR) ungali unaendelea na zaidi ya wateja 4,000 wanaotumia kiasi kikubwa cha umeme cha kati ya vipimo 2,000 na 7,000 kwa mwezi watahamishwa kwa mtambo huu kufikia Juni 2009. Mita za AMR zitawekwa kwa wateja wote wanaotumia kiasi kikubwa cha umeme ambao huchangia asili mia 65 ya jumla ya mapato yetu.

ii) Mita ya kulipia kabla ya kutumia

Kutoza wateja kabla ya kutumia imebainika kuwa dhana maarufu na tenda ya mita za kwanza 25,000 zitakazotumika katika mradi wa majaribio tayari imetangazwa. Pindi dhana hiyo itakapotekelezwa, itawezesha wateja kusimamia matumizi yao na pia bajeti mbali na kuboresha utunzaji na ukusanyaji wa mapato.

Huduma kwa wateja na Mawasiliano

Mwaka uliomalizika, Kampuni ilifanya mkataba na Shirika la Posta la Kenya kuwezesha wateja kulipia bili zao kupitia kwa mtandao wa Posta uliounganishwa kielektroniki kote nchini. Wateja pia wanaweza kulipia bili kupitia benki tofauti zikiwemo Cooperative, Barclays, Kenya Commercial na Standard, na kwenye matawi fulani ya maduka ya Uchumi. Mipango hii imepeleka huduma karibu na wateja, na kuwezesha Kampuni kukusanya mapato yake kwa urahisi. Juhudi zimo njiani kushirikiana na washika dau wengine katika mpango huu.

Tahadhari kwa njia ya SMS kwa wateja ambao wako karibu kukatizwa umeme kwa kutolipia bili zao itatolewa. Ilani ya kukatiza stima imo katika hatua za mwisho za utekelezaji na itazinduliwa hivi karibuni. Shughuli kadha za kuhudumia wateja ziliandaliwa mwaka uliopita, na kutoa nafasi kubadilishana taarifa na maoni kwa manufaa ya wote. Wafanya kazi hutangamana mara kwa mara na wateja kupitia ziara na maonyesho barabarani, miradi ya kutembelea jamii na uhamasishaji wa wateja.

Kutokana na kuongezeka kwa uharibifu wa mitambo ya usambazaji umeme, ambao ni tisho kuu kwa biashara yetu, Kampuni ilizindua kampeni kabambe ya kukabiliana na uharibifu huo chini ya bendera ya Mulika Mwizi. Sambamba na hii, Kampuni ilianzisha nambari ya mawasiliano ya bure kuwezesha umma kuripoti visa vya uharabu huo. Kampeni ya Mulika Mwizi imechangia kumakinika kwa umma katika upelelezi na pia kupungua kwa visa vya uharibifu kote nchini. Mwaka uliomalizika, Kampuni ilionyesha bidhaa na huduma zake katika Maonyesho ya Kilimo nchini ambapo ilitwaa tuzo mbalimbali katika vitengo vya kushindaniwa.

Kampuni imechukua hatua kabambe kusambaza huduma kwa wateja hadi mashinani kote nchini.

MUUNGANO KWENYE KANDA HII

Kuunganishwa kwa Kenya-Ethiopia

Uchunguzi kuhusu uwezekano wa mradi huu ulifanywa na Fitchner Consulting Engineers Ya Ujerumani, na ripoti ya mwisho inatarajiwa Desemba 2008. Uchunguzi huo ulifadhiliwa na ruzuku kutoka kwa Shirika la Maendeleo la Ufaransa (AFD), Benki ya Maendeleo ya Ujerumani (KfW), Benki ya Maendeleo Afrika (AfDB) na Benki ya Maendeleo Kusini mwa Afrika (DBSA) kwa gharama ya Yuro 1.7milioni.

Mpango wa Bonde la Nile

Uchunguzi kuhusu uwezekano ulioanzishwa na Nile Equatorial Lakes Subsidiary Action Programme (NELSAP) ulipendekeza miradi ya kuunganishwa pamoja ambayo itaimarisha biashara ya stima baina ya nchi wanachama, yaani: Kenya-Uganda, Uganda-Rwanda, Rwanda-Burundi na Rwanda-Democratic Republic of Congo, ulikamilishwa mnamo 2007. Kufuatia mapendekezo ya uchunguzi huo, muundo kamili kwa laini ya kilovolti 220 kutoka kituo cha kuzalisha umeme cha Bujagali hadi Tororo Uganda, na kutoka Tororo hadi kituo kidogo cha Lessos Kenya, ungali unatayarishwa.

Ripoti ya Mkurugenzi Mkuu na Afisa Mkuu Mtendaji (inaendelea)

UZALISHAJI

Mwaka uliopita, mahitaji ya juu ya kila siku yaliyorekodiwa yalikuwa MW 1,044, ikilinganishwa na MW987 mwaka uliopita, nyongeza ya asilimia 5.8. Uwezo wa uzalishaji mwaka uliopita ulikuwa MW1,254 dhidi ya kiwango cha akiba cha asilimia 20. Mahitaji ya juu yanakadiriwa kuongezeka hadi MW1,172 katika kipindi cha sasa cha matumizi ya fedha, dhidi ya uzalishaji wa MW1,384, na kiwango cha akiba cha asilimia 18.

Uwezo wa uzalishaji unatarajiwa kuimarika wakati miradi inayoendelea ambayo inaweza kwa pamoja kuzalisha MW 387MW itaka-pozinduliwa kati ya 2008 na 2011. Baadhi ya miradi hiyo ni pamoja na kiwanda cha OrPower III cha MW 35 kufikia Oktoba 2008; kuimarishwa kwa kituo cha Kiambere Hydro Unit cha MW10 kufikia Oktoba 2008, na MW10 za ziada kufikia Juni 2009, MW 26 kutoka Mumias Sugar Company Limited kufikia Januari 2009 na MW 50 zinazotarajiwa kutoka Iberafrica mnamo 2009.

USAMBAZAJI UMEME KATIKA SEHEMU ZA MASHAMBANI

Kampuni, kwa ushirikiano na Mamlaka ya Kusambaza Umeme katika Sehemu za Mashambani (REA), ambayo ilianza shughuli zake Septemba 2007, zimo njiani kutia sahihi Mwafaka wa Maelewano (MoU) kufafanua uhusiano na ushirika baina yao. Kwa sasa, Kampuni itakamilisha miradi yote ya usambazaji umeme katika sehemu za mashambani ambayo ilikuwa imezimia kutekeleza kufikia Juni 30, 2008.

Katika kipindi tunachotathmini, miradi 748 ya kusambaza umeme ilikamilishwa kati ya miradi 1,134 iliyoepanwa kwa wanakandarasi. Miradi hiyo ilibuniwa kwa gharama ya Sh5,248 milioni na kuhudumia eneo la takribani kilomita 2,633 (kilovolti 11 na 33) na waya za stima za volti za chini za kilomita, 1,207 na vituo vya umeme 1,632, vilivyounufaisha takribani wateja wapa 31,104.

Jumla ya miradi 832 kati ya 944 iliyolenga kuhudumia vituo vya kibiashara, shule za sekondari, vituo vya afya, miradi ya maji ya kijamii, viwanda vya kahawa, vituo vya kununua majani chai na afisi za Serikali ilikamilishwa, kote nchini kwa gharama ya Sh5.9 bilioni.

Makundi 12 ya KPLC, wanakandarasi 8 wanaojiriri zaidi ya wafanya kazi 4,200 na zaidi ya vibarua 600 na wanakandarasi wa uchukuzi wanaojiriri zaidi ya wafanya kazi 10,800 kote nchini, walihusika katika ujenzi wa miradi hiyo.

Miradi hiyo imenufaisha vituo 639 vya kibiashara katika maeneo yote 210 ya uwakilishi bungeni nchini. Zilizonufaika ni shule 641, vituo vya afya 203, visima 109, afisi za utawala 133, viwanda vya kahawa 79, vituo vya kununua majani chai 70, na wateja wenye nyumba za makazi 24,960. Kati ya hizi, 118 zimo Nairobi, 230 magharibi mwa Kenya, 63 katika eneo la North Rift, 78 katika Central Rift; 202 katika Mlima Kenya, 101 Kaskazini na 40 katika Pwani. Mwingine 410 inatarajiwa kukamilika kufikia Desemba, 2008 kwa gharama ya Sh3.48 bilioni. Hii itafikisha idadi ya miradi iliyomalizika kati ya Juni 2006 na Desemba 2008 1,896 ya thamani ya Sh12.6 bilioni.

Jumla ya mtaji uliotumika tangu kuzinduliwa kwa mpango wa Usambazaji Umeme katika sehemu za Mashambani mnamo 1973 uliongezeka hadi Sh20 bilioni mwaka huu, kutoka Sh13 bilioni mwaka uliopita. Jumla ya Sh1,282 milioni zilikusanywa kutoka kwa kodi ya Usambazaji Umeme katika sehemu za Mashambani ikilinganishwa na Sh1,163 milioni mwaka uliopita. Idadi ya wateja chini ya mpango huo iliongezeka kwa asilimia 21 hadi 161,373, ikilinganishwa na 133,047 mwaka uliopita, huku vipimo vilivyozwa vikiongezeka kwa asilimia 16% kutoka 203 milioni hadi 235 milioni, na mapato yaliyopatikana yakiongezeka kwa asilimia 20 kutoka Sh1,721 milioni mwaka uliopita hadi Sh2,064 milioni.

Miradi ya mashambani inayofadhiliwa na AFD

Utekelezaji wa awamu ya pili ya mradi wa kusambaza umeme katika sehemu za mashambani unaofadhiliwa na Ufaransa kwa gharama ya Yuro 30 milioni ulianza Mei 2007. Hii ilifuatia kumalizika kwa awamu ya kwanza katika mikoa ya Nyanza, Magharibi na Rift Valley mnamo 2005 kwa gharama ya Sh850 milioni.

Miradi ya mashambani inayofadhiliwa na Uhispania

Awamu ya pili ya mradi wa kusambaza umeme katika sehemu za mashambani unaofadhiliwa na Uhispania ulianza Februari 2008, na utamalizika kufikia Juni 2010.

WAFANYA KAZI

Hali ya utulivu kazini ilidumishwa mwaka mzima. Shindano la michezo baina ya maeneo tofauti liliandaliwa Machi 2008 kukuza na kudumisha maslahi ya kijamii ya wafanya kazi na ustawi wao pamoja na kukuza moyo wa ushirikiano kazini. Kwa kutambua huduma ya muda mrefu na ya uaminifu, Kampuni iliandaa sherehe ya kutoa tuzo mnamo Novemba 2007 ambapo wafanya kazi 821 waliohudumu kwa muda mrefu na madereva 708 ambao hawajahusika kwenye ajali walipokea tuzo na bonasi. Mnamo Agosti 2007, Kampuni ilifanya mkataba na Shirika la Housing Finance ambapo wafanya kazi wanaweza kupokea mikopo ya ujenzi kwa viwango nafuu vya riba.

Ripoti ya Mkurugenzi Mkuu na Afisa Mkuu Mtendaji (inaendelea)

Kufikia Juni 31, 2008, Kampuni ilikuwa na wafanya kazi 6,668 waliohudumia wateja 1,061,708, na hivyo kuwa na kiwango cha 1:159. Hii inalinganishwa na wafanya kazi 6,399 waliohudumia wateja 924,329 na hivyo mfanya kazi mmoja kwa wateja 144 kufikia Juni 30, 2007.

Uchunguzi kuhusu kuridhika kwa wafanya kazi

Kampuni ilitekeleza Uchunguzi kuhusu kuridhika miongoni mwa Wafanya kazi kati ya Machi na Aprili 2008 kama sehemu ya mkakati wa kutosheleza wateja na kukuzia biashara kwa jumla. Kigezo cha kuridhika kiliongezeka kwa asilimia nne ikilinganishwa na mwaka uliopita. Kama wasimamizi, tunajitolea kutekeleza mapendekezo ya wafanya kazi kama njia ya kuinua kigezo cha kuridhika kwao.

Mafunzo na Ustawi wa Wafanya kazi

Kampuni inaendelea kuwekeza katika wafanya kazi wake kupitia kwa mipango madhubuti ya mafunzo na ustawi wao. Katika kipindi tunachotathmini, jumla ya wafanya kazi 3,665 walihudhuria mafunzo na miradi mingine ya ustawi nchini na nje ya nchi. Kupitia miradi hiyo, wafanya kazi wamepata ujuzi ufaao na hivyo kuimarisha vipawa na utoaji huduma na pia kiwango cha juu cha kazi.

Kandarasi za utenda kazi

Tangu kutekelezwa kwa mikataba ya utenda kazi mnamo Oktoba 2004, wafanya kazi katika kiwango cha usimamizi wamekuwa wakihudumu chini ya mikataba ya utenda kazi. Kampuni inanua kuanzisha mpango wa kutoa bonsai kuwazawadia na kuwatia shime watumishi bora. Malengo hayo yanachunguzwa mara kwa mara sambamba na mabadiliko ya mikondo na matarajio ya kibiashara.

Majengo ya Kampuni

Katika kipindi hicho, Kampuni ilianzisha mpango wa ukarabati mkubwa wa mali za Kampuni wenye lengo la kukuzia thamani ya vifaa vya Kampuni na kuinua hadhi yake na utoaji huduma.

KUTENGANISHA MAJUKUMU YA KUPELEKA NA KUSAMBAZA UMEME

Kama ilivyoripotiwa mwaka uliopita, Serikali inapanga kugeza utaratibu wa usafirishaji umeme na kuufanya wazi ili kuwezesha wateja wanaotumia umeme kwa wingi kununua umeme moja kwa moja kutoka kwa kampuni za uzalishaji. Kufuatia kuunganishwa siku sijazo kwa mitandao ya umeme ya Kenya, Ethiopia, Tanzania na mataifa mengine ya kusini mwa Afrika, na kuimarisha muungano uliopo na Uganda, Serikali inachukulia ununuzi wa stima kwa uwazi kama anaoweza kukuza soko na kuwawezesha wanunuzi wakubwa wa umeme na makampuni ya uzalishaji kufanya maamuzi yafaayo. Kufuatia hali hiyo, Serikali itaanzisha kampuni mpya ya kupeleka umeme inayomilikiwa na Serikali na kufadhiliwa moja kwa moja na Hazina Kuu. Hii itawakinga wateja wa stima kulipa ada za juu kufadhili mtandao ghali wa kusafirisha umeme. Kampuni hiyo mpya itahusika na ujenzi wa laini mpya za stima, huku KPLC ikishikilia mitambo yake iliyopo ya kusafirisha umeme.

HUDUMA ZA TEKNOLOJIA YA MAWASILIANO (ICT)

Uwekezaji wa Kampuni katika mitambo na taratibu za kisasa za teknolojia ya mawasiliano umejikita katika mkakati wake wa kibiashara. ICT pia imewezesha Kampuni kutosheleza mahitaji ya wateja, kupanga kuingia kwenye masoko mapya na kuunda thamani kwa huduma zake. Katika mwaka uliopita, huduma za ICT ziliendelea kuwa nguzo kuu katika shughuli muhimu za Kampuni. Mfumo huo wa ICT ulisaidia harakati za kukusanya mapato na ushirikiano, kuongeza idadi ya wateja na kuchunguza mienendo ya magari ya Kampuni kupitia mtandao miongoni mwa manufaa mengine.

HITIMISHO

Kutosheleza mahitaji ya wateja wetu na kuunda thamani kwa fedha za wenyehisa ndio malengo yetu tunayothamini. Huku tukiangazia siku zijazo, azima yetu ni kufuatilia malengo haya kwa kuimarisha ubora wa huduma zetu kwa wateja, kuimarisha viwango vya utendakazi, kupunguza hasara kwenye mitambo yetu na kuongeza idadi ya wateja. Kufuatia malengo haya na kujitolea kwa wafanya kazi wetu kwa mikakati hii, Kampuni itaendelea kudumisha matokeo haya bora.



Mhandisi Joseph Njoroge

Mkurugenzi Mkuu na Afisa Mkuu Mtendaji
Oktoba 16, 2008

Lighting up your World.



We light up Tourism : Tsavo Salt Lick Lodge

Introduction

Our Company endeavours to carry out business in a socially and environmentally responsible manner, and all our business strategies are designed around this principle. In addition, being conscious that we owe the survival of our business to the community, the Company sets aside one percent of its after-tax profit each year to support corporate social responsibility (CSR) initiatives as one way of giving back to the communities. During the year under review, we supported health, education, environmental management, arts & culture and entrepreneurship activities, in various parts of the country. Some of these sponsorships and activities are outlined below.

Education

Most of the money set aside for specific CSR activities during the year was used to support education initiatives. One million shillings was used on a school feeding programme, and Shs.2 million to set up water harvesting projects in 10 schools in the semi-arid areas of Makueni District. The projects are coordinated by the World Food Programme (WFP) through the Ministry of Education.

Construction of a library at the Star of Hope informal school in Mukuru Fuata Nyayo slums commenced during the year, with an initial budget of Shs.500,000. The Company has set aside additional funds to complete the construction and to furnish and stock the library by June 2009.

During the year, we enhanced an existing endowment fund for Starehe Boys Centre from Shs.480,000 to Shs.2.2 million, thereby ensuring the education of four students per annum from the interest generated by the fund. Starehe Girls Centre, too, benefited from payment of school fees for four form one students for one year totalling Shs.260,000. We also plan to set up an endowment fund at this school.

We also supported the University of Nairobi Kabete Campus Cultural Week by donating Shs.200,000 and availing staff to give conservation education during the function. The Company also embarked on procurement of 50 computers at a cost of Shs.1.7million, which will be donated to 14 schools country-wide.

The Environment

Our business is highly dependent on climatic conditions and we also use mainly wooden poles in the electricity distribution system. Each year, the Company produces tree seedlings which are planted in government forests for future harvest for poles, and also distributed to farmers. During the year in review, 150,000 seedlings were planted in Timboroa forest in the greater Eldoret area, and by local farmers.

We also donated a total of Shs.1 million to the Rhino Ark and Bill Woodley Mount Kenya Trust to fence the greater Mount Kenya and Aberdare forests, which are important water catchment areas for the country's hydro-electricity dams. The fencing will also help reduce human/wildlife conflict and protect the areas' eco-systems.

In West Region, more than 100 members of staff volunteers cleaned up Kisumu's Hippo Point beach along Lake Victoria in partnership with the local community. This was a joint effort between KPLC, a local NGO - Global Development of Peaceful Environments (GDPE) - and the residents of Kisumu.

For the fourth year running, KPLC donated Shs.500,000 towards sponsorship of the annual Energy Management Awards to honour companies which promote and showcase efficient energy utilisation.

Health

The Company partnered with the Kenya Diabetes Management and Information Centre (DMI) by sponsoring two free medical camps in Murang'a and Machakos at a cost of Shs.1,370,710 where more than 3,000 patients were treated free of charge. The patients included the elderly and children and, where necessary, they were referred to district hospitals for follow-up.

Sports

During the year, our flag flew high at the Kenya Premier League, where Western Stima Football Club has become a major challenger. KPLC's support for its own staff-constituted teams - Western Stima FC and Nairobi Stima FC - has contributed to their current high standing. Support for the teams was supplemented with Shs.1.3 million from the CSR kitty.

Arts and Culture

Working with established entities like Kuona Trust, Phoenix Players and the Busara Project in Kibera, KPLC showcased Kenyans' talent in arts and culture. We supported a play, a major art exhibition in Nairobi and a writing competition for children in Kibera through sponsorships totalling more than Shs.3 million.

The KPLC staff choir received a boost of Shs.500,000 to produce a CD titled *Musala Mulahi* (A Good Tree), which is due to be released soon. KPLC will assist the choir to market the CD.

The Disadvantaged

We donated 40 tricycles worth Shs.640,000 to physically disabled Kenyans through the Association for the Physically Disabled of Kenya. Twenty of the tricycles are installed with *Simu ya Jamii* telephones, giving the recipients an opportunity to engage in income generating activities.

The Company also partnered with embassy of the Czech Republic by sponsoring a film during the embassy's Film Week, at Shs.250,000. All the proceeds from the film week went to the Kenya Paraplegics Association to support its members.

Staff visited institutions for disadvantaged Kenyans country-wide and donated foodstuff, clothes and money worth more than Shs.1 million. Staff also added own donations to this amount. Some of the institutions that benefited include Cheshire Home in Kariobangi, Nairobi; Mji wa Salama at the Coast; Carol Children's Home in Nakuru; Kapsabet School for the Deaf in Kapsabet and Pamoja Foundation in Awasi, Nyanza Province.

Post-election Violence

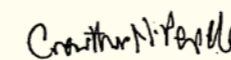
The Company donated Shs.4 million in early 2008 through the Red Cross Society to support those affected by the post-election violence. Another Shs1.4 million was donated to staff affected by the violence.

Community Support

During the year, the Company commenced on a project aimed at improving security in Mukuru Kayaba and Fuata Nyayo informal settlements in Nairobi by providing 58 street lamps at a cost of Shs.1.7 million.

Conclusion

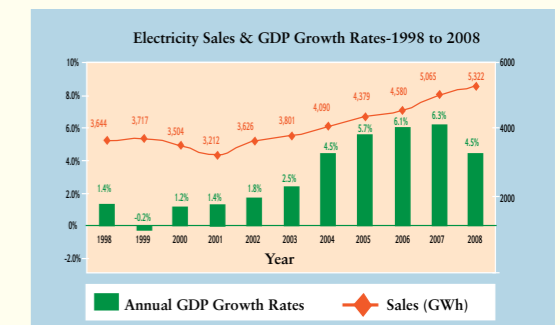
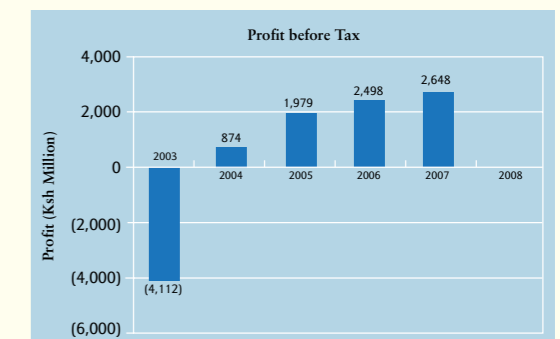
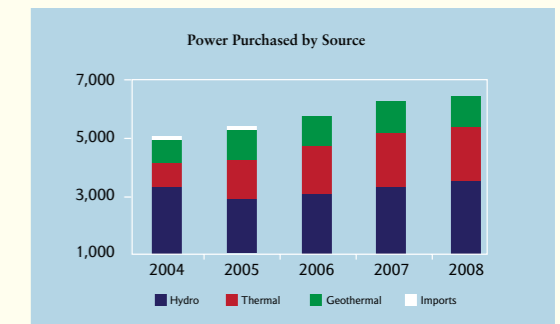
We give an important and essential service that impacts the environment and the society. As we provide this service, we shall remain committed to protecting the interests of our customers, employees, our shareholders, stakeholders and the society by practicing good corporate social responsibility.



Dr. Crowther N Pepela

Chairman

16th October 2008



Utangulizi

Kampuni yetu inajitolea kuendesha shughuli zake katika hali ifaayo ya kijamii na kimazingira, na mikakati yetu yote ya kibiashara imundwa kwa misingi hii. Mbali na hayo, kwa kutambua kuwa ufanisi wa biashara zetu unategemea jamii, Kampuni inatenga asilimia moja ya faida baada ya ushuru kila mwaka kutekeleza miradi ya kijamii (CSR) kama sehemu ya kurudisha kwa jamii. Katika kipindi kinachofanywa tathmini, tulichangia shughuli za afya, elimu, uhifadhi wa mazingira, sanaa na utamaduni na zile za kibiashara katika sehemu tofauti za nchi. Baadhi ya miradi na shughuli tulionga mkono imeonyeshwa hapa chini:

Elimu

Nyingi ya fedha zilizotengwa mahususi kwa shughuli za kijamii CSR mwaka uliomalizika zilitumika kusaidia miradi ya elimu. Sh1milioni zilitumika katika mpango wa kuwalisha wanafunzi shuleni, na Sh2 milioni kuanzisha miradi ya kuteka maji katika shule zilizo kwenye maeneo kame wilayani Makueni. Miradi hiyo inashirikishwa na Mpango wa Chakula Duniani (WFP) kupitia Wizara ya Elimu.

Ujenzi wa maktaba katika shule isiyo rasmi ya Star of Hope katika Mukuru Fuata Nyayo ulianza mwaka uliopita, huku kiasi cha kwanza cha Sh500,000 kikitumika. Kampuni imetenga fedha zaidi kukamilisha ujenzi huo na kununua vitabu na viti kufikia Juni 2009.

Katika mwaka unaomalizika, tuliongeza kiasi cha hazina ya ufadhili wetu kwa Starehe Boys Centre kutoka Sh480,000 hadi Sh2.2 milioni, na hivyo kufadhili angalau wanafunzi wanne kwa mwaka kutokana na riba inayotokana na hazina hiyo. Starehe Girls Centre, pia, ilinufaika na malipo ya karo ya wanafunzi wanne wa Kidato cha Kwanza kwa mwaka mmoja kwa Sh260,000. Pia tunakusudia kuanzisha hazina ya ufadhili katika shule hii.

Pia tulisaidia Wiki ya Kitamaduni katika Bewa la Kabete, Chuo Kikuu cha Nairobi kwa kutoa mchango wa Sh200,000 na kuwapeleka wafanya kazi wetu kuelimisha kuhusu uhifadhi wa mazingira wakati wa hafla hiyo. Kampuni pia ilianzisha mpango wa ununuzi wa kompyuta 50 kwa gharama ya Sh1.7 milioni, ambazo zitakabidhiwa shule 14 kote nchini.

Mazingira

Biashara yetu inategemea kwa kiwango kikubwa hali ya kimazingira na pia tunatumia nguzo za mbao katika mfumo wetu wa usambazaji umeme. Kila mwaka, Kampuni inakuza miche ya miti ambayo inasambazwa katika misitu ya Serikali kwa matumizi ya baadaye ya nguzo hizo, na pia kugawanywa kwa wakulima. Wakati wa kipindi tunachotathmini, miche 150,000 ilipandwa katika misitu wa Timbora katika eneo la Eldoret na wakulima wa sehemu hiyo.

Pia, tulitoa mchango wa Sh1 milioni kwa Rhino Ark and Bill Woodley Mount Kenya Trust kugharamia ujenzi wa ua katika misitu ya Mlima Kenya na Aberdare ambazo ni chemchemi muhimu za maji kwa mabwawa ya maji ya kuzalisha umeme. Ujenzi wa ua hilo utapunguza mafarakano kati ya binadamu na wanyama na kuhifadhi hali ya kimaumbile ya sehemu hiyo.

Katika eneo la Magharibi, zaidi ya wafanya kazi 100 wa kujitolea walisafisha ufuo wa ziwa wa Hippo Point, Kisumu kwenye Ziwa Victoria kwa ushirikiano na jamii ya sehemu hiyo. Hizi zilikuwa jitihada za pamoja kati ya KPLC, shirika lisilokuwa la kiserikali la - Global Development of Peaceful Environments (GDPE) – na wakazi wa Kisumu.

Kwa kipindi cha miaka minne mfululizo, KPLC ilichangisha Sh500,000 za kudhamini tuzo za kila mwaka za Usimamizi wa Kawi kutambua kampuni zinazoinua na kudhihirisha matumizi yafaayo ya kawi.

Afya

Kampuni ilishirikiana na kituo cha kudhibiti na kutoa taarifa kuhusu kisukari (DMI) kwa kudhamini kambi za kutoa matibabu ya bure Murang'a na Machakos kwa gharama ya Sh1,370,710 ambapo zaidi ya wagonjwa 3,000 walitibiwa bila malipo. Wagonjwa hao ni pamoja na wazee na vijana na ilipohitajika, walielekezwa kwa hospitali kuu za wilaya kwa matibabu maalumu.

Michezo

Katika kipindi hicho, bendera yetu ilipeperushwa juu katika ligi kuu ya premia ambapo timu ya Western Stima FC imekuwa mshindani mkuu. Udhhamini wa timu hizo za wafanya kazi wa KPLC - Western Stima na Nairobi Stima FC – umechangia katika hadhi yao kuu ya sasa. Udhhamini huo uliongezeka kutokana na mchango wa Sh1.3 milioni kutoka kwa akiba ya Wajibu wa Kampuni kwa Jamii (CSR).

Sanaa na Utamaduni

Kwa kushirikiana na mashirika yanayosifika kama vile Kuona Trust, Phoenix Players na Busara Project Kibera, KPLC ilionyesha vipaji vya Wakenya katika sanaa na utamaduni. Tulifadhili mchezo wa kuigiza na maonyesho makubwa ya sanaa Nairobi na shindano la uandishi insha kwa watoto wa Kibera kwa jumla ya Sh3milioni.

Kwaya ya wafanya kazi wa KPLC ilipokea mchango wa Sh500,000 kutoa CD yenye kichwa Musala Mulahi (Mti mzuri), ambayo itatolewa hivi karibuni. KPLC itasaidia kwaya kuuza CD hiyo.

Wasiobahatika

Tulitoa baiskeli 40 za magurudumu tatu za thamani ya Sh640,000 kwa Wakenya walemavu kupitia kwa Chama cha Walemavu nchini. 20 kati yao zina Simu za Jamii na hivyo kuwawezesha walionufaika kuendesha shughuli za kuwaletea mapato.

Kampuni pia ilishirikiana na ubalozi wa Czech Republic kudhamini filamu wakati wa Juma la Filamu la ubalozi huo kwa gharama ya Sh250,000. Mapato yote kutoka kwa juma hilo yalipelekwa kwa chama cha wenye matatizo ya kiakili kusaidia wanachama wake.

Wafanya kazi walitembelea taasisi za Wakenya wasiobahatika katika jamii kote nchini na kutoa vyakula, mavazi na fedha vyote ya thamani ya Sh1 milioni. Wafanya kazi pia walitoa mchango yao. Baadhi ya taasisi zilionufaika ni pamoja na Cheshire Home, Kari-obangi, Nairobi; Mji wa Salama katika Pwani; Carol Children's Home, Nakuru; Kapsabet School for the Deaf, Kapsabet na Pamoja Foundation Awasi, mkoani Nyanza.

Vurugu za baada ya uchaguzi

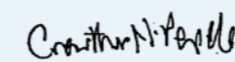
Kampuni ilitoa mchango wa Sh4 milioni mapema 2008 kupitia Shirika la Msalaba Mwekundu kusaidia waathiriwa wa mapigano baada ya uchaguzi. Kiasi kingine cha Sh1.4milioni kilitolewa kwa wafanya kazi walioathiriwa na ghasia hizo.

Misaada ya kijamii

Katika kipindi hicho, Kampuni ilianzisha mradi ulionuia kuimarisha usalama katika mitaa ya mabanda ya Mukuru Kayaba na Fuata Nyayo Nairobi kwa kutoa taa za barabarani 58 kwa gharama ya Sh1.7 milioni.

Hitimisho

Tunatoa huduma muhimu na yenye manufaa makubwa ambayo inaathiri mazingira na jamii. Huku tunapotoa huduma hii, tutajitolea kulinda maslahi ya wateja wetu, wafanya kazi, wenyehisa na washika dau wetu na jamii kupitia uzingatiaji wa uwajibikaji bora wa kampuni kwa jamii.



Dkt. Crowther N Pepela

Mwenyekiti

Oktoba 16, 2008

Businesses operate in an increasingly fragile socio-political and economic environment. The adoption of good corporate governance practice is, therefore, integral in helping them to interact with various internal and external stakeholders, as well as the operating environment. Corporate governance entails the process and structures used to direct and manage the business affairs of companies, the respective roles of the Board of Directors and management and the framework for internal controls. Corporate governance involves maximising shareholder value in a lawful, ethical and sustainable basis, while ensuring fairness to every stakeholder. Directors and management of the Company regard corporate governance as pivotal to the success of the business and are unreservedly committed to ensuring that good corporate governance is practiced so that the Company remains a sustainable and viable business of global stature. This statement sets out the main corporate governance practices and structures in the Company.

BOARD MANUAL, CHARTER AND CODE OF CONDUCT

The Board has a published Manual, Board Charter and Code of Conduct. As part of its Manual, the Board has adopted the Guidelines on Corporate Governance developed by the Capital Markets Authority. These documents explain to each Board member the collective and individual powers, duties, obligations, responsibilities and liabilities of Directors. The Board Charter seeks to ensure the effectiveness of each Director's contribution in the governance of the Company by facilitating full and free exercise of independent judgement and professional competencies. In particular, the Board Manual sets out clearly important governance arrangements in the Company on among others, the following areas: (i) appointment of directors and requirements for skills/gender mix and balance of independent and other directors; (ii) articulation of and commitment to respect the rights of shareholders; (iii) respective roles and functions of the Board, the Chairman, Managing Director and Company Secretary; (iv) conduct of Board meetings; (v) Directors induction and development; (vi) Directors duties, liabilities and code of conduct; (viii) terms of reference for all Board Committees; and (ix) disclosure of material information to the public.

CONSTITUTION OF THE BOARD OF DIRECTORS

The Board consists of ten Directors, including the Managing Director & Chief Executive Officer. Nine of the Directors are non-executive with seven independent directors, including the Chairman. The Directors' biographies are on page 8. Directors possess a broad mix of skills, qualifications and experience required to direct the Company.

At least one third of the Board members submit themselves for re-election each year during the Annual General Meeting. Any Director appointed by the Board during the year to fill casual vacancy is required to retire and seek election at the next Annual General Meeting. Business transactions with all parties, Directors or their related parties are carried out at arms' length. Directors are required to disclose any transaction in which they have interest and which would constitute a conflict of interest and to abstain from voting when such matters are being considered.

RESPONSIBILITIES

The Board engaged the services of Manitoba Hydro International Limited (MHI) as a Management Contractor for the Company for a period of two years from 1st July 2006, which expired on 30th June 2008 when the General Manager & Chief Executive Officer handed back the day-to-day operations and responsibilities to the Managing Director & Chief Executive Officer after successfully carrying out their mandate as defined in the Management Services Contract. The Chairman is primarily responsible for providing leadership of the Board and ensuring that it is supplied in a timely manner with sufficient information to enable it to discharge its duties.

The primary responsibilities of the Board include: establishment of short- and long-term goals of the Company and strategic plans to achieve those goals; ensuring preparation of the annual and half-year financial statements; approval and review of the annual budgets; setting and periodically reviewing key performance indicators and management performance; risk management by ensuring that the Company has adequate systems of internal controls together with appropriate monitoring of compliance activities to ensure business continuity; and working with management to realise shareholders' value. Directors have full access to the advice and services of the Company Secretary. They are also entitled to obtain independent professional advice on any matter at Company expense, should they deem this necessary.

To function effectively, the Board is given full and timely access to relevant information. New Directors are also inducted through provision of necessary information pertinent to the Company's business, meetings with Management and training so as to enhance their understanding of the Company's legislative framework, its governance processes and the nature of the business and operations of the Company. Continuous training is provided. Towards this, nine Directors and all top executive management team have received formal training on corporate governance, while various Committees have visited and/or attended seminars and conferences and benchmarking best practices with other global utilities regularly.

BOARD WORKPLAN AND MEETINGS

The Board meets at least once a month or more often in accordance with requirements of the business.

The Board work plan and calendar of meetings is prepared annually in advance. Adequate notice is given for each Board meeting and Directors receive detailed papers on issues to be discussed in good time before the meeting. The Board held a total of 39 meetings during the year, which were very well attended as shown below:

NAME	ATTENDANCE
Dr. Crowther Pepela	39
Mr. Eliazar Ochola	39
Mr. Samuel Mwangi	38
Mr. Esau Kioni	39
Mr. Fidesius Nyaga	38
Mr. Aram Mbui	31
Mr. Solomon Kitungu	29
Mr. Patrick Nyoike	22
Dr. Theodorah Kilukumi *	21
Mr. Benn Khadiagala **	18

* Dr Kilukumi joined the Board in October 2007

** Alternate to Mr P. Nyoike

BOARD COMMITTEES

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

Audit Committee

The Audit Committee was constituted in 1999 and its mandate redefined in April 2003, in line with the Capital Markets Guidelines on Corporate Governance. The Committee comprises four non-executive Directors and is chaired by a non-executive Director. The Audit Committee currently comprises the following members:

Mr. E. Ochola	: Chairman
Mr. E. Kioni	
Mr. F. Nyaga	
Mr. S. Mwangi	
L. Njagi	: Secretary

The Committee routinely invited the General Manager and Chief Executive Officer, the Managing Director, the Deputy General Manager, Finance, and the Internal Audit Manager to its meetings. The external auditors are invited to attend the meetings whenever necessary.

The Committee's mandate is to ensure the Company's assets are safeguarded, that there exists adequate operating systems, control processes and accounting to the Board for its activities and making recommendations to the Board in adoption and promotion of good corporate governance, while responsibilities include: (i) examination of quarterly, half-year and annual financial statements, (ii) discussion of audit plan with the external auditors before commencement of the annual audit, (iii) consideration of issues identified by the external auditors, (iv) consideration of audit fees for recommendation to the Board, (vi) review of the function, operations and findings of the Internal Audit Department, and (vii) review of risk management strategies in ensuring business continuity and survival.

The Committee held a total of 12 meetings during the year.

NAME	ATTENDANCE
Mr. Eliazar Ochola	12
Mr. Samuel Mwangi	12
Mr. Esau Kioni	10
Mr. Fidesius Nyaga	10

Staff and Remuneration Committee

The Staff & Remuneration Committee's mandate includes recommending to the Board terms and conditions of service of the Managing Director, staff and recommendations for appointment and disciplinary issues of senior staff. The Committee also recommends to the Board, adoption of human resources policies and corporate organizational structure to support the Company's business. The members who served in the Committee are as follows:

Mr. E. Kioni	: Chairman
Mr. P. Nyoike-	
Mr. S. Kitungu	: (Alternate to Mr. J. Kinyua)
Mr. A. Mbui	
Mr. D. Priestman	: (left 1st July 2008)
Eng. J. Njoroge	: Secretary

The Committee held four meetings during the year.

NAME	ATTENDANCE
Mr. Esau Kioni	4
Mr. Solomon Kitungu	2
Mr. Aram Mbui	2
Mr. Patrick Nyoike	4

Central Tender Committee

The Central Tender Committee was established pursuant to the requirements of the Exchequer and Audit Act (Public Procurement Regulations) 2001, and the chief functions include approval of award of tenders of goods and services with a value exceeding Shs.500,000. The Public Procurement and Disposal Act, 2005 and Public Procurement and Disposal Regulations, 2006, which came into operation from 1st January 2007, introduced changes to the structure of the tender committees for procuring entities bound by the Act. However, as part of the transition provisions, the Central Tender Committee continued to adjudicate on procurements commenced prior to January 1, 2007.

The members of this Committee include three non-executive Directors as shown below:

Mr. F. Nyaga	: Chairman
Mr. E. Ochola	
Mr. A. Mbui	
L. Njagi	: Secretary

Other members are the Managing Director & CEO and senior management staff in accordance with the Procurement Regulations, 2001. The Central Tender Committee held a total of 4 meetings in line with business requirements, and has since wound up after completing adjudicating tenders whose procurement process had commenced prior to 1st January 2007.

NAME	ATTENDANCE
Mr. Fidesius Nyaga	3
Mr. Eliazar Ochola	4
Mr. Aram Mbui	4

Procurement Oversight Committee

The Procurement Oversight Committee was constituted in January 2007 and plays an oversight role on procurement on behalf of the Board, which is not represented in the Tender Committee. The functions of the Committee includes: considering the annual procurement plan for recommendation to the Board; monitoring the procurement process to ensure compliance with the approved annual procurement plan; and approving strategic procurement. The committee held a total of 10 meetings during the year.

Members constituting the Committee are:-

Mr. A. Mbui	: Chairman
Dr. T. Kilukumi	
Mr. E. Ochola	
Eng. J. Njoroge	
Mr. D. Priestman	: (left 1st July 2008)
Mrs. L.Njagi	: Secretary

NAME	ATTENDANCE
Mr. Eliazar Ochola	10
Dr. T Kilukumi *	3
Mr. Aram Mbui	8

* Dr Kilukumi joined the Board in October 2007

Board Strategy & Customer Service Committee

The Board Strategy & Customer Service Committee was constituted in February 2005 to devise strategies that would facilitate the Board to give guidance and strategic direction to management. The Committee held three meetings during the year.

Its members are:

Mr. F. Nyaga	: Chairman
Eng. J. Njoroge	
Mr. S. Kitungu	
Mr. S. Mwangi	
Mr. E. Kioni	
Mr. D. Priestman	: (left 1st July 2008)
Mrs. L. Njagi	: Secretary

NAME	ATTENDANCE
Mr. Fidesius Nyagah	2
Mr. S Kitungu	2
Mr. Samuel Mwangi	3
Mr. Esau Kioni	3

Committee on IPP Negotiations

The Board constituted a committee in May 2003 to re-negotiate the power purchase agreements with the independent power producers.

Its members are:

Mr. E. Kioni	: Chairman
Mr. E. Ochola	
Mr. F. Nyaga	
Eng. J. Njoroge	
Mr. D. Priestman	: (left 1st July 2008)
Mrs. L. Njagi	: Secretary

The Committee invites management staff with relevant expertise to its meetings. During the year, the committee held a total of 16 meetings in line with business requirements.

NAME	ATTENDANCE
Mr. Esau Kioni	16
Mr. Fidesius Nyagah	14
Mr. Eliazar Ochola	16

Information Technology Committee

This Committee was constituted in January 2007, taking cognizance of the critical role of information and telecommunication technology in the modern business enterprise. It is charged with the responsibility of reviewing the Company's IT Policy, addressing issues of IT security, ensuring that the system supports the business objectives of the Company and that the company derives maximum benefits from the investments it has put in information and telecommunication technology equipment, software and human resource, and evaluating available business opportunities. The Committee held a total of 9 meetings during the year.

Members constituting the Committee are:-

Mr. S. Mwangi : Chairman
 Mr. A. Mbui
 Eng. J. Njoroge
 Mr. D. Priestman : (left 1st July 2008)
 Dr. T. Kilukumi
 Mrs. L.Njagi : Secretary

NAME	ATTENDANCE
Mr. S. Mwangi	9
Dr. T. Kilukumi *	4
Mr. A Mbui	9

* Dr Kilukumi joined the Board in October 2007

Executive Management Committee Meetings

The executive Management Committee meets regularly on policy implementation and operational issues, and proposes strategic measures and other business initiatives, while also reviewing papers before they are tabled for Board consideration and approval as necessary.

DIRECTORS' REMUNERATION

Details of Directors' remuneration are set out in the report on page 81. For the financial year under review, Directors were not paid monthly fees in accordance with the guidelines by the Government to all state corporations that Directors' fees would be paid annually after approval by shareholders. The Directors' fees payable each year should also be within the limits approved by the Government. It is proposed that Directors are each paid fees of Shs.360,000 for the financial year ended 30th June 2008 or pro rata for any part thereof. The total Directors' fees amounts to Shs.3,240,000.

Directors are also paid sitting allowance for every meeting attended, lunch allowance (in lieu of lunch being provided), accommodation allowance and mileage reimbursement where applicable, all in line with the ceilings approved for state corporations by the Government. Additionally, the Chairman is paid a monthly honorarium.

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

INTERNAL CONTROLS

The Directors acknowledge their responsibility as set out on page 51 for the Company's system of internal financial control, including taking reasonable steps to ensure that the systems are being maintained. Internal control systems are designed to meet the particular needs of the Company, and the risks to which it is exposed with procedures intended to provide effective internal financial control. However, such a system can only provide reasonable, but not absolute, assurance against material misstatement.

Directors' Shareholding

No Director holds shares in his individual capacity that is more than 1% of the Company's total equity.

Ethical Standards

The Company has a Code of Conduct for the Board and management staff. The Company also ascribes to the ethical standards prescribed by the Public Officer Ethics Act. These require all employees to conduct business with integrity.

ACCOUNTABILITY AND AUDIT

Directors' responsibilities in relation to financial statements

In addition to the fiduciary duties and the duty to exercise care, skill and diligence, Company Law requires the Directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company as at the end of the financial year, and of the profit or loss of the Company for that period. The Directors are responsible for ensuring that suitable accounting policies are consistently applied, supported by reasonable and prudent judgements and estimates and that applicable accounting standards are followed.

The Directors are responsible for ensuring that the Company keeps proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company and 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.

RISK MANAGEMENT

The Board has adopted corporate governance as a strategic response to risk management. In this regard, the Company has identified and documented its risk profile, ranked and rated the risks and set in place mitigation and risk management strategies including outsourcing, taking up insurance and/or avoiding others, reducing the negative impact of the risk.

COMMUNICATION WITH SHAREHOLDERS

The Company places a great deal of importance on communication with its shareholders and publishes its financial statements in the local dailies on half year and annual basis. The results are also available on the Company website at: www.kplc.co.ke.

The full report and accounts are distributed to all shareholders on an annual basis. All shareholders are entitled to attend the Annual General Meeting for which notice is posted at least 21 clear days before the meeting. The shareholders are given the opportunity to ask questions on any matter relating to the business of the Company.

SHAREHOLDING PROFILES

The Company files returns and monthly reports prescribed by the Capital Markets Authority and Nairobi Stock Exchange under the listing regulations on transactions related to shareholders. The top 20 major shareholders as at 30th September, 2008 were as follows:-

Corporate Governance Statement (continued)

The Top 20 Shareholders as at 30th September, 2008

NO.	NAME OF SHAREHOLDER	ORDINARY (£)	4% PEF. (£)	7% PEF.(£)	TOTAL (£)	% -AGE
1	P.S. TREASURY	32,002,929	656,808	193,531	32,853,268	40.421
2	BARCLAYS(KENYA) NOMINEES LTD. BOARD OF TRUSTEES N.S.S.F.	9,659,786	5,127	250	9,665,163	11.891
4	KCB NOMINEES LTD.	6,413,801	3,550	750	6,418,101	7.896
5	STANBIC NOMINEES KENYA LTD.	1,853,747	69,784	800	1,924,331	2.368
6	JUBILEE INSURANCE CO. LTD.	1,836,707	48,308	-	1,885,015	2.319
7	NIC BANK LIMITED	1,471,835	59,828	17,160	1,548,823	1.906
8	ALIMOHAMED ADAM	1,313,623	-	-	1,313,623	1.616
9	PHOENIX OF E.A. ASSURANCE CO. LTD.	529,169	277,264	57,617	864,050	1.063
10	INVESTMENTS & MORTGAGES NOMINEES LTD.	730,168	-	-	730,168	0.898
11	CfC LIFE ASSURANCE LIMITED	696,594	-	-	696,594	0.857
12	K.P.L.C. LTD. STAFF RBS TRUSTEES	668,475	-	-	668,475	0.822
13	TRANS-CENTURY LTD.	450,000	-	-	450,000	0.554
14	BRITISH AMERICAN INSURANCE CO. (K) LTD.	381,100	-	-	381,100	0.469
15	THE HERITAGE ALL INSURANCE CO. LTD.	371,500	-	-	371,500	0.457
16	VIRCHAND VIRPAL & SONS LIMITED	364,408	-	-	364,408	0.448
17	KCB STAFF PENSION FUND	360,700	-	-	360,700	0.444
18	MADISON INSURANCE CO. (K) LTD.	345,525	-	-	345,525	0.425
19	KARIM JAMAL	334,044	-	-	334,044	0.411
20	OLD MUTUAL LIFE ASSURANCE CO. LTD.	273,558	-	-	273,558	0.337
	SUB - TOTALS	263,000	-	-	263,000	0.324
	OTHER SHAREHOLDERS	60,320,669	1,120,669	270,108	61,711,446	75.926
	TOTAL ISSUED SHARES	18,807,331	679,331	79,892	19,566,554	24.074
	TOTAL ISSUED SHARES	79,128,000	1,800,000	350,000	81,278,000	100.000

Corporate Governance Statement (continued)

Distribution of Ordinary Shareholders as at 30th September, 2008

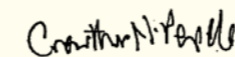
RANGE	NO. OF MEMBERS	SHARES
<1,000	5,034	1,914,666
1001-10,000	1,905	6,312,857
10,001-50,000	391	8,206,344
50,001-100,000	77	5,559,848
Over 100,000	77	57,134,285
Totals	7,484	79,128,000

Distribution of 4% Preference Shareholders as at 30th September, 2008

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

Distribution of 7% Preference Shareholders as at 30th September, 2008

RANGE	NO. OF MEMBERS	SHARES
<1,000	83	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	103	350,000



Dr. Crowther Pepela

Chairman

16th October 2008

Biashara huendeshwa katika mazingira hafifu ya kijamii, kisiasa na kiuchumi. Hivyo basi, uzingatiaji wa maongozi bora ya usimamizi, ni kiungo muhimu katika kusaidia kutangamana kwa wahusika nje na ndani ya Kampuni, pamoja na mazingira tunakohudumu. Maongozi ya shirika yanajumuisha taratibu na mipangilio inayotumika kuelekeza na kusimamia shughuli za kibiashara za makampuni, majukumu tofauti ya Halmashauri ya Wakurugenzi na wasimamizi na mfumo wa vidhibiti vya ndani. Maongozi ya Kampuni yanahusisha kutoa thamani ya fedha za wenyehisa kwa njia halali, ya kimaadili na inayoweza kudumishwa, huku haki ikizingatiwa kwa kila mwenyehisa. Wakurugenzi na wasimamizi wa Kampuni wanachukulia maongozi ya shirika kama nguzo kuu kwa ufanisi wa biashara na wanajitolea kuhakikisha maongozi hayo yanazingatiwa ili Kampuni iwe imara kibiashara na pia hadhi ya kimataifa. Taarifa hii inaainisha maongozi na miundo katika Kampuni.

MWONGOZO WA BODI, MKATABA NA MAADILI

Halmashauri imechapisha Mwongozo, Mkataba wa Bodi na Mwongozo wa Maadili. Kama sehemu ya mwongozo wake, Halmashauri imezingatia taratibu kuhusu Maongozi ya Kampuni yaliyotayarishwa na Mamlaka ya Masoko ya Dhamana (CMA). Stakabadhi hizi zinaeleza kwa kila mwanachama mamlaka ya kibinafsi na jumla, majukumu, na wajibu wa Wakurugenzi. Mkataba wa Halmashauri unalenga kuhakikisha mchango bora wa kila Mkurugenzi kwa kuwezesha mchango huru na wa kitaaluma.

Mkataba wa Bodi unalenga kuwezesha mchango ufaao wa kila Mkurugenzi katika uongozi wa Kampuni kwa kutoa uhuru wa kufanya maamuzi yafaayo ya kitaaluma. Hasa, Mwongozo wa Bodi ambao unafanua barabara mipangilio muhimu ya usimamizi katika Kampuni katika miongoni mwa nyanja zingine: (i) Uteuzi wa wakurugenzi na mahitaji ya vipawa na mchanganyiko wa kijinsia na usawa wa baina ya wakurugenzi huru na wengine. (ii) Kuelezea na kujitolea kuheshimu haki za wenyehisa (iii) Majukumu na wajibu wa Bodi, Mwenyekiti, Mkurugenzi na Katibu wa Kampuni; (iv) Kuendesha vikao vya Bodi; (v) Kuingiza wakurugenzi na ustawi wao; (vii) Majukumu ya wakurugenzi, wajibu wao na kanuni za maadili mema; (viii) Masharti ya utenda kazi kwa Kamati za Bodi (ix) utoaji wa maelezo muhimu kwa umma.

MUUNDO WA HALMASHAURI YA WAKURUGENZI

Bodi ina wakurugenzi kumi, akiwemo Mkurugenzi Mkuu na Afisa Mkuu Mtendaji. Tisa kati ya wakurugenzi hao hawana mamlaka huku saba wakiwa wakurugenzi huru, akiwemo Mwenyekiti. Wasifu wa Wakurugenzi umo kwenye ukurasa wa 8. Wakurugenzi wana mkusanyiko mpana wa vipawa, mafunzo na tajiriba zinazohitajika kuongoza Kampuni.

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

Shughuli za kibiashara na wahusika wote, Wakurugenzi na makundi mengine husika hazitangamani. Wakurugenzi wanahitajika kuelezea shughuli yoyote ambayo wanahusika nayo ambayo inaweza kuzua mgongano na majukumu yao na kujizuia kupiga kura wakati masuala kama hayo yanazungumziwa.

MAJUKUMU

Bodi iliteua Manitoba Hydro International Limited (MHI) kama Mwanakandarasi Msimamizi wa Kampuni kwa muda wa miaka miwili kutoka Julai 1, 2006 ambao ulimalizika Juni 30, 2008 ambapo Meneja Mkuu na Afisa Mkuu Mtendaji alikabidhi shughuli za usimamizi wa kila siku na majukumu yote kwa Mkurugenzi Mkuu na Afisa Mkuu Mtendaji baada ya kutekeleza mamlaka yao kama ilivyofanuliwa kwenye Mkataba wa Huduma za Usimamizi. Mwenyekiti kimsingi anawajibika kutoa mwongozo kwa Bodi na kuhakikisha inapokea kwa wakati ufaao habari za kutosha ili kuiwezesha kutekeleza majukumu yake.

Majukumu ya kimsingi ya Bodi ni pamoja na: Kuweka malengo ya muda mfupi na siku zijazo kwa Kampuni na mikakati ya kufanikisha malengo hayo, kuhakikisha utayarishaji wa taarifa za matokeo ya kifedha za kila mwaka na nusu mwaka; kuidhinisha na kutathmini bajeti za kila mwaka, kuweka na kutathmini mara kwa mara vigezo vya utendaji kazi na utenda kazi wa wasimamizi, kudhibiti hatari zozote kwa kuhakikisha Kampuni ina mfumo ya kutosha ya usimamizi wa ndani na uchunguzi wa kutosha wa uzingatiaji kuhakikisha shughuli za kibiashara zinaendelea; na kushirikiana na wasimamizi kuhakikisha wenye hisa wanapata thamani ya fedha zao. Wakurugenzi wanaweza kupokea huduma na ushauri wa Katibu wa Kampuni. Pia wana haki kupokea ushauri huru wa kitaalamu kuhusu swala lolote kwa gharama ya Kampuni, endapo wataonelea haja ya kufanya hivyo.

Ili kuhudumu kikamilifu, Bodi inapewa habari zifaazo na kwa wakati unaofaa. Wakurugenzi wapya wanaingizwa kwenye Kampuni kwa kupewa habari muhimu kuhusu shughuli za Kampuni, mikutano na wasimamizi na mafunzo ili kuzidisha kuelewa kwao kwa mfumo wa kisheria Kampuni, taratibu za maongozi yake na aina ya shughuli zake na huduma za Kampuni. Mafunzo ya mara kwa mara

yanatolewa. Kwa minajili hii, Wakurugenzi tisa wamepokea mafunzo rasmi kuhusu uongozi wa Kampuni, ilhali Kamati tofauti zimezuru na/au kuhudhuria semina na makongamano na kujipima dhidi ya vigezo bora zaidi kimataifa.

MPANGILIO WA KIKAZI WA BODI NA MIKUTANO

Bodi inakutana angalau mara moja kwa mwezi au zaidi kulingana na mahitaji ya kibiashara.

Mpangilio wa kazi na ratiba ya vikao inaandaliwa mapema kila mwaka. Ilani ya kutosha inatolewa kwa kila kikao cha Bodi na Wakurugenzi hupokea stakabadhi kamilifu kuhusu masuala yatakayojadiliwa mapema kabla ya mkutano. Bodi ilikuwa na jumla ya mikutano 39 mwaka uliopita ambayo ilihudhuriwa vyema kama inavyoonyeshwa hapa chini:

JINA	MAHUDHURIO
Dkt. Crowther Pepela	39
Bw. Eliazar Ochola	39
Bw. Samuel Mwangi	38
Bw. Esau Kioni	39
Bw. Fidesius Nyaga	38
Bw. Aram Mbui	31
Bw. Solomon Kitungu	29
Bw. Patrick Nyoike	22
Dkt. Theodorah Kilukumi*	21
Bw. Benn Khadiagala**	18

* Dkt Kilukumi alijungwa na Bodi Oktoba, 2007.

** Mwakilishi wa Bw. P. Nyoike.

KAMATI ZA BODI

Kuna kamati za kudumu kusaidia Bodi na wasimamizi kutimiza majukumu yao. Kamati za muda zinaundwa kushughulikia masuala nyeti kama yanavyoibuka. Kila kamati inahudumu chini ya masharti ya utendaji kazi iliyopewa na Bodi. Mwaka ulimalizika, Bodi ilikuwa na kamati zifuatazo za kudumu na za muda.

Kamati ya Uhasibu

Kamati ya Uhasibu ilibuniwa mnamo 1999 na mamlaka yake kufanuliwa upya mnamo Aprili 2003, sambamba na mwongozo wa Mamlaka ya Masoko ya Hisa (CMA) kuhusu Uongozi wa Shirika. Kamati hiyo ina Wakurugenzi wanne wasiokuwa na Mamlaka na inasimamiwa na Mkurugenzi asiye mtendaji. Kamati ya Uhasibu kama inavyoundwa kwa sasa ina wanachama wafuatao:

Bw. E. Ochola : Mwenyekiti
 Bw. E. Kioni
 Bw. F. Nyaga
 Bw. S. Mwangi
 Bi. L. Njagi : Katibu

Kamati ilialika mara kwa mara meneja mkuu na Afisa Mkuu Mtendaji, Mkurugenzi Mkuu, Naibu Meneja Mkuu, Fedha na Meneja wa Uhasibu wa Ndani kwa vikao vyake ilivyohitajika.

Mamlaka ya Kamati ni kuhakikisha kuwa mali za Kampuni zinalindwa na kuna taratibu zifaazo za usimamizi, miundo ya udhibiti na kuwajibika kwa Bodi kwa shughuli zake na kutoa mapendekezo kwa Bodi katika uzingatiaji na uimarishaji wa maongozi bora ya usimamizi, na majukumu yake ni (i) kuchunguza taarifa za kifedha za miezi mitatu, nusu mwaka na mwaka mzima, (ii) kujadili mpango wa uhasibu na mhasibu kutoka nje kabla ya kuanza kwa ukaguzi wa vitabu vya hesabu wa kila mwaka (iii) kushughulikia masuala yaliyoangaziwa na uhasibu kutoka nje (iv) kuamua ujira wa uhasibu na kupendekeza kwa Bodi, (vi) Kutathmini majukumu, huduma na matokeo ya Idara ya Uhasibu wa Ndani, na (vii) Kutathmini mikakati ya kudhibiti hatari kuhakikisha biashara inaendelea na kudumu. Kamati ilikuwa na jumla ya vikao 12 mwaka uliopita.

Taarifa ya Maongozi ya Kampuni (inaendelea)

JINA	MAHUDHURIO
Bw. Eliazar Ochola	12
Bw. Samuel Mwangi	12
Bw. Esau Kioni	10
Bw. Fidesius Nyaga	10

Kamati ya Wafanya kazi na Ujira

Mamlaka ya Kamati ya Wafanya kazi na Ujira ni pamoja na kupendekeza kwa Bodi kanuni na masharti ya utenda kazi wa Mkurugenzi Mkuu, wafanya kazi na mapendekezo kwa uteuzi na masuala ya adhabu kwa wafanya kazi wa ngazi za juu. Kamati pia inapendekeza kwa Bodi, uzingatiaji wa sera za masuala ya wafanya kazi na mpangilio wa usimamizi wa kampuni kufanikisha shughuli za Kampuni. Wanachama waliohudhuria Kamati hiyo ni kama ifuatavyo:

Bw. E. Kioni : Mwenyekiti
 Bw. P. Nyoike
 Bw. S. Kitungu : (Anayebadilishana na Bw. J. Kinyua)
 Bw. A. Mbui
 Bw. D. Priestman : (aliondoka Julai 1, 2008)
 Mhandisi. J. Njoroge : Katibu

Kamati ilikuwa na mikutano minne mwaka uliopita

JINA	MAHUDHURIO
Bw. Esau Kioni	4
Bw. Solomon Kitungu	2
Bw. Aram Mbui	2
Bw. Patrick Nyoike	4

Kamati kuu ya Tenda

Kamati kuu ya Kutoa Tenda ilianzishwa kufuatia mahitaji ya Sheria ya Hazina Kuu na Uhasibu (Kanuni za Ununuzi) 2001, na majukumu yake makuu ni pamoja na kuidhinisha utoaji tenda za bidhaa na huduma zenye thamani ya zaidi ya Sh.500,000. Sheria ya Ununuzi na Uzaji wa Umma, 2005 na Kanuni za Ununuzi na Uzaji wa Umma, 2006 ambazo zilianza kutekelezwa kuanzia Januari 1, 2007, zilibadilisha mpangilio wa kamati za tenda kwa kununua bidhaa zilizofanuliwa na Sheria hiyo. Hata hivyo, kama sehemu ya vipengele vya mpito, Kamati Kuu ya Tenda iliendelea kusimamia ununuzi ulioanza kabla ya Januari 1, 2007.

Wanachama wa Kamati hiyo ni pamoja na Wakurugenzi watatu wasio na mamlaka kama inavyoonyesha chini:

Bw. F. Nyaga : Mwenyekiti
 Bw. E. Ochola
 Bw. A. Mbui
 Bi. L. Njagi : Katibu

Wanachama wengine ni Mkurugenzi Mkuu na Afisa Mkuu Mtendaji na maafisa wakuu wasimamizi kwa mujibu wa Kanuni za Ununuzi, 2001. Kamati Kuu ya Tenda ilikuwa na vikao 4 sambamba na mahitaji ya kibiashara, na tayari imevunjwa baada ya kusimamia tenda ambazo zilianzishwa kabla ya Januari 1, 2007.

JINA	MAHUDHURIO
Bw. Fidesius Nyaga	3
Bw. Eliazar Ochola	4
Bw. Aram Mbui	4

Taarifa ya Maongozi ya Kampuni (inaendelea)

Kamati ya Uangalizi wa Ununuzi

Kamati ya uangalizi wa ununuzi ilibuniwa Januari 2007 na inatekeleza wajibu wa usimamizi katika ununuzi kwa niaba ya Bodi, ambayo haiwakilishwi katika Kamati ya Tenda. Majukumu ya Kamati ni pamoja na kuchunguza mpango wa ununuzi wa mwaka mzima ili kuratibiwa na Bodi; kuchunguza utaratibu wa ununuzi kuhakikisha uzingatiaji wa mpango ulioidhinishwa na kuidhinisha ununuzi wa vifaa muhimu. Kamati ilifanya jumla ya mikutano 10 mwaka huo.

Wanachama wa Kamati hiyo ni pamoja na:

Bw. A. Mbui : Mwenyekiti
 Dkt. T. Kilukumi
 Bw. E. Ochola
 Mhandisi. J. Njoroge
 Bw. D. Priestman : (Aliondoka Julai 1, 2008)
 Bi. L.Njagi : Katibu

JINA	MAHUDHURIO
Bw. Eliazar Ochola	10
Dkt. T Kilukumi*	3
Bw. Aram Mbui	8

* Dkt Kilukumi alijiunga na Bodi Oktoba, 2007

Kamati ya kubuni mkakati wa Bodi na Huduma kwa Wateja

Kamati ya mkakati wa Bodi na Huduma kwa Wateja ilibuniwa Februari 2005 kubuni mikakati ambayo itawezesha Bodi kutoa mwongozo na mwelekeo ufaao kwa wasimamizi. Kamati iliandaa mikutano mitatu mwaka uliopita.

Wanachama wake ni:

Bw. F. Nyaga : Mwenyekiti
 Mhandisi. J. Njoroge
 Bw. S. Kitungu
 Bw. S. Mwangi
 Bw. E. Kioni
 Bw. D. Priestman : (aliondoka Julai 1, 2008)
 Bi. L. Njagi : Katibu

JINA	MAHUDHURIO
Bw. Fidesius Nyagah	2
Bw. S Kitungu	2
Bw. Samuel Mwangi	3
Bw. Esau Kioni	3

Kamati ya Majadiliano kuhusu Wazalishaji huru wa Umeme (IPP)

Bodi iliunda kamati mnamo Mei 2003 kujadili upya mikataba ya ununuzi umeme na kampuni za kibinafsi za kuzalisha umeme. Wanachama wake ni:

Bw. E. Kioni : Mwenyekiti
 Bw. E. Ochola
 Bw. F. Nyaga
 Mhandisi. J. Njoroge
 Bw. D. Priestman : (aliondoka Julai 1, 2008)
 Bi L.Njagi : Katibu

Taarifa ya Maongozi ya Kampuni (inaendelea)

Kamati inaalika wafanya kazi wasimamizi walio na ujuzi unaohitajika kwa mikutano yake. Mwaka uliopita, kamati ilikuwa na jumla ya mikutano 16 sambamba na mahitaji ya kibiashara.

JINA	MAHUDHURIO
Bw. Esau Kioni	16
Bw. Fidesius Nyagah	14
Bw. Eliazar Ochola	16

Kamati ya Teknolojia ya Mawasiliano

Kamati hii ilibuniwa Januari 2007, kwa kutambua wajibu muhimu wa teknolojia na mawasiliano katika biashara za kisasa. Ina jukumu la kutathmini sera ya Teknolojia ya Mawasiliano ya Kampuni, kushughulikia masuala ya usalama wa Teknolojia ya Mawasiliano, kuhakikisha mtandao huo unafanikisha malengo ya kibiashara ya Kampuni na Kampuni inanufaika vilivyo kutokana na uwekezaji wake katika mitambo na vifaa pamoja na mafunzo ya wafanya kazi na kutafuta nafasi zilizopo za kibiashara. Kamati hii iliandaa jumla ya mikutano 9 mwaka uliopita.

Wanachama wa Kamati hii ni:-

Bw. S. Mwangi	: Mwenyekiti
Bw. A. Mbui	
Mhandisi. J. Njoroje	
Bw. D. Priestman	: (Aliondoka Julai 1, 2008)
Dkt. T. Kilukumi	
Bi. L.Njagi	: Katibu

JINA	MAHUDHURIO
Bw. S. Mwangi	9
Dkt. T. Kilukumi*	4
Bw. A Mbui	9

* Dkt Kilukumi alijiunga na Bodi Oktoba, 2007

Mikutano ya Kamati ya Wasimamizi watendaji

Kamati ya wasimamizi watendaji inakutana mara kwa mara kuhusu sera za utekelezaji na utenda kazi na hupendekeza taratibu zifaazo za kibiashara huku ikichunguza stakabadhi kabla ya kuwasilishwa kwa Bodi kuangaliwa na kupitishwa inavyohitajika.

UJIRA WA WAKURUGENZI

Maelezo kamili kuhusu ujira wa Wakurugenzi yametolewa kwenye ripoti katika ukurasa wa 81. Katika kipindi cha matumizi ya fedha tunachoangazia, Wakurugenzi hawakulipwa mshahara wa kila mwezi sambamba na mwongozo wa Serikali kwa mashirika yote ya umma kuwa ujira wa Wakurugenzi ulipwe kila mwaka baada ya idhini ya wenyehisa. Ujira wa Wakurugenzi kila mwaka unapasa kuwa katika kiwango kilichoidhinishwa na Serikali. Inapendekezwa kuwa Wakurugenzi walipwe Sh360,000 kwa kipindi cha matumizi ya fedha kilichomalizika Juni 30, 2008 au kwa uwiano. Jumla ya ujira wa Wakurugenzi ni Sh.3,240,000.

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

Taarifa ya Maongozi ya Kampuni (inaendelea)

VIDHIBITI VYA NDANI

Wakurugenzi wanatambua wajibu wao kama ulivyoelzwa kwenye ukurasa.....kwa mfumo wa Kampuni wa kudhibiti usimamizi wa kifedha, ikiwemo kuchukua hatua zifaazo kuhakikisha taratibu hizo zinadumishwa. Taratibu za ndani za kusimamia fedha zinatungwa kutosheleza mahitaji maalumu ya Kampuni, na hatari inazoweza kukumbana nazo pamoja na taratibu zenye lengo la kutoa udhibiti ufao wa kifedha. Hata hivyo, mfumo kama huo hutoa hakikisho lifaalo lakini si hakikisho kamili dhidi ya maelezo ya kupotosha.

Umiliki wa hisa na Wakurugenzi

Hakuna mkurugenzi anayemiliki hisa kibinafsi za zaidi ya asilimia 1 ya jumla ya hisa za Kampuni.

Vigezo vya Maadili Mema

Kampuni ina mwongozo wa Maadili Mema kwa Bodi na Wasimamizi. Kampuni pia inazingatia Sheria ya Maadili ya Afisa wa Umma. Zote hizi zinawahitaji wafanya kazi kuendesha shughuli zao kwa uadilifu.

UWAJIBIKAJI NA UHASIBU

Wajibu wa Wakurugenzi kuhusiana na Taarifa za Kifedha

Mbali na majukumu yao ya kawaida na wajibu wa kuzingatia uangalifu, vipawa na bidii, Sheria ya Kampuni inahitaji Wakurugenzi kuandaa taarifa za kifedha kwa kila kipindi cha matumizi ya fedha, ambayo inatoa taswira halisi na kamilifu ya hali ya Kampuni kwa wakati huo. Wakurugenzi wanawajibika kuhakikisha kuwa sera zifaazo za uhasibu zinatunika nyakati zote, pamoja na maamuzi ya busara na makadirio na viwango vinavyostahili vya uhasibu vinatumika.

Wakurugenzi wana jukumu kuhakikisha kuwa Kampuni inaweka rekodi halali za kifedha, ambazo zinaonyesha kwa ufasaha wakati wowote hali ya kifedha ya Kampuni kuwawezesha kuhakikisha kuwa taarifa za kifedha zinazingatia Sheria ya Kampuni. Pia, wana jukumu la jumla kwa mifumo na taratibu zote kudhibiti na kulinda mali ya Kampuni kuzuia na kugundua ulaghai na hila zozote zile.

KUKABILIANA NA HATARI ZOZOTE

Bodi imezingatia maongozi ya Kampuni kama mkakati wa kukabiliana na hatari za kibiashara. Kwa mintaarafu hii, Kampuni imetambua na kunakili maelezo kuhusu hatari zilizopo na kuratibu mikakati ya kukabiliana na hatari hizo, ikiwemo kukabidhi baadhi ya majukumu kwa mashirika ya nje, kuchukua bima na/au kuepuka mengine na kupunguza athari mbaya za hatari hizo.

MAWASILIANO NA WENYEHISA

Kampuni inathamini mawasiliano na wenyehisa wake na huchapisha taarifa zake za kifedha kwenye magazeti ya humu nchini katikati ya mwaka na baada ya kila mwaka. Matokeo hayo yamo pia kwenye mtandao wa Kampuni: www.kplc.co.ke.

Ripoti kamili inasambazwa kwa wenyehisa wote kila mwaka. Wenyehisa wote wana haki ya kuhudhuria Mkutano Mkuu wa Kila Mwaka (AGM) ambao ilani yake hutolewa angalau siku 21 kabla ya mkutano huo. Wenyehisa wanapewa fursa ya kuuliza masuala kuhusu suala lolote linahusiana na shughuli za Kampuni.

Taarifa ya Maongozi ya Kampuni (inaendelea)

Wenyehisa Wakuu 20 kufikia Septemba 30, 2008

NAMBARI.	JINA LA MWENYEHISA	ZA KAWAIDA (£)	4% MAALUMU (£)	7% MAALUMU (£)	JUMLA (£)	% -AGE
1	P.S. TREASURY	32,002,929	656,808	193,531	32,853,268	40.421
2	BARCLAYS(KENYA) NOMINEES LTD.	9,659,786	5,127	250	9,665,163	11.891
	BOARD OF TRUSTEES N.S.S.F.	6,413,801	3,550	750	6,418,101	7.896
4	KCB NOMINEES LTD.	1,853,747	69,784	800	1,924,331	2.368
5	STANBIC NOMINEES KENYA LTD.	1,836,707	48,308	-	1,885,015	2.319
6	JUBILEE INSURANCE CO. LTD.	1,471,835	59,828	17,160	1,548,823	1.906
7	NIC BANK LIMITED	1,313,623	-	-	1,313,623	1.616
8	ALIMOHAMED ADAM	529,169	277,264	57,617	864,050	1.063
9	PHOENIX OF E.A. ASSURANCE CO. LTD.	730,168	-	-	730,168	0.898
10	INVESTMENTS & MORTGAGES NOMINEES LTD.	696,594	-	-	696,594	0.857
11	CFC LIFE ASSURANCE LIMITED	668,475	-	-	668,475	0.822
12	K.P.L.C. LTD. STAFF RBS TRUSTEES	450,000	-	-	450,000	0.554
13	TRANS-CENTURY LTD.	381,100	-	-	381,100	0.469
14	BRITISH AMERICAN INSURANCE CO. (K) LTD.	371,500	-	-	371,500	0.457
15	THE HERITAGE ALL INSURANCE CO. LTD.	364,408	-	-	364,408	0.448
16	VIRCHAND VIRPAL & SONS LIMITED	360,700	-	-	360,700	0.444
17	KCB STAFF PENSION FUND	345,525	-	-	345,525	0.425
18	MADISON INSURANCE CO. (K) LTD.	334,044	-	-	334,044	0.411
19	KARIM JAMAL	273,558	-	-	273,558	0.337
20	OLD MUTUAL LIFE ASSURANCE CO. LTD.	263,000	-	-	263,000	0.324
	JUMLA	60,320,669	1,120,669	270,108	61,711,446	75.926
	WENYEHISA WENGINE	18,807,331	679,331	79,892	19,566,554	24.074
	JUMLA ZA HISA ZILIZOTOLEWA	79,128,000	1,800,000	350,000	81,278,000	100.000

Taarifa ya Maongozi ya Kampuni (inaendelea)

UGAWANAJI WA WENYEHISA

Ugawanaji wa wenyehisa wa kawaida kufikia Septemba 30, 2008.

MASAFU	IDADI YA WANACHAMA	HISA
<1,000	5,034	1,914,666
1,001-10,000	1,905	6,312,857
10,001-50,000	391	8,206,344
50,001-100,000	77	5,559,848
Zaidi ya 100,000	77	57,134,285
Jumla	7,484	79,128,000

Ugawanaji wa hisa maalumu za asilimia 4 kufikia Septemba 30, 2008

MASAFU	IDADI YA WANACHAMA	HISA
<1,000	364	67,932
1,001-10,000	58	159,655
10,001-50,000	14	316,598
50,001-100,000	2	133,564
Zaidi ya 100,000	3	1,122,251
Jumla	441	1,800,000

Ugawaji wa hisa maalumu za asilimia 7 kufikia Septemba 30, 2008

MASAFU	IDADI YA WANACHAMA	HISA
<1,000	83	22,019
1,001-10,000	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	103	350,000

Crowther Pepela

Dr. Crowther Pepela

Mwenyekiti

Oktoba 16, 2008

Report of the Directors for the year ended 30 June 2008

The Directors submit their report together with the audited financial statements for the year ended 30th June 2008 which show the state of the Company's affairs.

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).

The Management Services Contractor (MSC)

In June 2006, the Board, in consultation with the Government engaged Manitoba Hydro International Limited (MHI) of Canada to provide management services to the Company for a term of two years. Under the Contract, MHI provided the General Manager and Chief Executive Officer of the Company. The Management Contract expired on 30th June 2008 and Mr Don Priestman and the other staff of the contractor left on 31st July 2008 after a one month hand back period. Eng. Joseph Njoroge, who had been appointed as the Managing Director of the Company in September 2007, took over as the Chief Executive Officer of the Company with effect from 1st July 2008.

Results

The results of the Company for the year are set out on page 55.

Dividends

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

Subject to the approval of the shareholders, the Directors recommend a final dividend for the year of 15% or KShs 3.00 per ordinary share, amounting to KShs 237 million, subject to withholding tax where applicable. An interim dividend of KShs.1.00 per ordinary share was paid in April 2008. The total dividend for the year, therefore, is KShs.4.00 (2007 - KShs 3.00). If approved, the dividend will be paid on or about 20 December, 2008 to shareholders registered in the books of the Company at the close of business on Friday, 7 November, 2008. The Register of Members will be closed for one day only on Monday, 10 November, 2008, to facilitate preparation of dividend warrants.

Capital Expenditure

During the year, a total of KShs 15,198 million was spent on property and equipment. Capital contributions received from customers amounting to KShs 2,736 million have been netted off against costs of the assets resulting in a net capital cost to the Company of KShs 12,642 million. Net capital work-in-progress as at 30 June 2008 amounted to KShs 12,640 million compared to KShs 6,207 million in 2007.

Directors

The members of the Board of Directors who served during the year are shown on page 6.

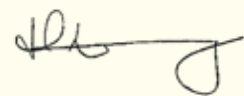
In accordance with Regulation 120 of the Articles of Association of the Company, Messrs. Joseph Kinyua, (PS Treasury), Eliazar Ochola and Esau Kioni retire by rotation and, being eligible, offer themselves for re-election.

Auditors

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

Ernst & Young were nominated by the Controller and Auditor-General to carry out the audit for the year ended 30th June 2008.

By Order of the Board



Laurencia Njagi (Mrs)

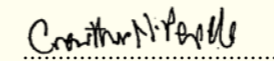
Secretary
Nairobi
16th October 2008

Statement of Directors' Responsibilities on the Financial Statements for the year ended 30th June 2008

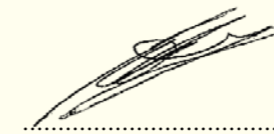
The Kenya Companies Act requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the operating results of the Company for that year. It also requires the Directors to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

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

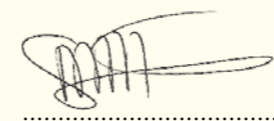
Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern for at least the next twelve months from the date of this statement.



Director



Director



Director

16th October 2008

Mombasa

7.00pm



We light up Cities : Old Town, Mombasa, as seen from the Tamarind restaurant

Report of the Controller and Auditor-General on the Financial Statements of The Kenya Power & Lighting Company Limited for the year ended 30 June 2008

The financial statements of The Kenya Power & Lighting Company Limited, set out on pages 55 to 100, which comprise the balance sheet as at 30 June 2008 and the income statement, statement of changes in equity and cash flow statement for the year then ended, together with a summary of significant accounting policies and other explanatory notes have been audited on my behalf by Ernst & Young, auditors appointed under Section 39 of the Public Audit Act, 2003. The auditors have duly reported to me the results of their audit and on the basis of their report, I am satisfied that all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit were obtained.

Directors' responsibility for the financial statements

The directors are responsible for the preparation of financial statements which give a true and fair view of the Company's state of affairs and its operating results in accordance with the International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

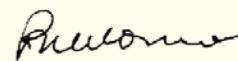
Responsibility of Controller and Auditor-General

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial statements. I believe the audit provides a reasonable basis for my opinion.

Opinion

In my opinion, proper books of account have been kept and the accompanying financial statements give a true and fair view of the state of the financial affairs of the Company as at 30 June 2008 and of its profit and cash flows for the year then ended in accordance with the International Financial Reporting Standards and the Kenya Companies Act, Cap. 486 of the Laws of Kenya.



P N KOMORA, CBS

CONTROLLER AND AUDITOR-GENERAL

Nairobi

16 October 2008

Income Statement for the year ended 30 June 2008

	Note	2008 KShs'000	2007 KShs'000
REVENUE			
Electricity sales	2.4 (a)(i)	23,917,599	23,303,233
Fuel cost recoveries	2.4 (a)(ii)	16,433,003	13,507,795
Foreign exchange recoveries	2.4 (a)(iii)	568,536	1,133,258
		40,919,138	37,944,286
Other income	5	965,926	500,615
		41,885,064	38,444,901
OPERATING EXPENSES			
Power purchase costs	6(a)	12,081,104	12,101,946
Fuel costs	6(b)	16,666,219	14,010,417
Distribution and customer service	7(a)	3,974,197	4,530,761
Energy transmission	7(b)	1,483,960	1,397,542
Administration	7(c)	4,157,544	4,021,901
		38,363,024	36,062,567
OPERATING PROFIT			
	8	3,522,040	2,382,334
Finance income	10	88,929	390,291
Finance costs	10	(872,660)	(123,934)
PROFIT BEFORE TAXATION			
		2,738,309	2,648,691
Taxation	11(b)	(973,439)	(930,214)
PROFIT FOR THE YEAR			
		1,764,870	1,718,477
Basic and diluted earnings per share (KShs)			
	12	22.30	21.72
Dividend per share (KShs)			
	13	4.00	3.00

Balance Sheet as at 30 June 2008

	Note	2008 KShs'000	2007 KShs'000
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	14	38,925,317	28,147,019
Prepaid leases on land	15	131,926	131,981
Unquoted investment	16	-	4,300
		39,057,243	28,283,300
CURRENT ASSETS			
Inventories	17	6,578,195	5,012,620
Trade and other receivables	18	13,159,424	10,154,155
Tax recoverable	11(a)	260,833	279,239
Short term deposits	19(a)	244,239	2,846,062
Bank and cash balances	19(b)	512,188	746,488
		20,754,879	19,038,564
TOTAL ASSETS		59,812,122	47,321,864
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Ordinary share capital	20(a)	1,582,560	1,582,560
Redeemable preference share capital	20(b)	15,899,250	15,899,250
Reserves	21	6,162,728	4,577,683
Proposed dividends	13	237,384	189,907
TOTAL EQUITY		23,881,922	22,249,400
NON-CURRENT LIABILITIES			
Deferred tax	22	1,395,837	559,085
Trade and other payables	23	4,605,412	3,941,258
Borrowings	24	11,368,208	2,683,117
Preference shares	25	43,000	43,000
		17,412,457	7,226,460
CURRENT LIABILITIES			
Trade and other payables	23	15,305,275	12,310,371
Retirement benefits obligation	26	874,818	1,260,018
Provision for leave pay		610,750	481,683
Borrowings	24	1,688,535	3,761,363
Dividends payable	27	38,365	32,569
		18,517,743	17,846,004
TOTAL EQUITY AND LIABILITIES		59,812,122	47,321,864

The financial statements on pages 55 to 100 were approved for release by the Board of Directors on 16 October 2008 and were signed on its behalf by:

Dr Crowther N Pepela  (Chairman)
 Eliazar O Ochola  (Director)
 Samuel M Mwangi  (Director)

Statement of changes in Equity for the year ended 30 June 2008

	Ordinary Share Capital KShs'000 Note 20	Revaluation reserves KShs'000 Note 21	Retained earnings KShs'000 Note 21	Proposed dividends KShs'000 Note 13	Redeemable 7.85% non- cumulative preference share capital KShs'000 Note 20	Total KShs'000
At 1 July 2006	1,582,560	3,034,179	(74,276)	118,692	15,899,250	20,560,405
Transfer of excess depreciation	-	(455,626)	455,626	-	-	-
Deferred tax on excess depreciation	-	136,687	-	-	-	136,687
Profit for the year	-	-	1,718,477	-	-	1,718,477
Dividends paid - 2006	-	-	-	(118,692)	-	(118,692)
Interim dividends paid - 2007	-	-	(47,477)	-	-	(47,477)
Proposed final dividends for the year	-	-	(189,907)	189,907	-	-
At 30 June 2007	1,582,560	2,715,240	1,862,443	189,907	15,899,250	22,249,400
At 1 July 2007	1,582,560	2,715,240	1,862,443	189,907	15,899,250	22,249,400
Transfer of excess depreciation	-	(455,626)	455,626	-	-	-
Deferred tax on excess depreciation	-	136,687	-	-	-	136,687
Profit for the year	-	-	1,764,870	-	-	1,764,870
Dividends paid - 2007	-	-	-	(189,907)	-	(189,907)
Interim dividends paid -2008	-	-	(79,128)	-	-	(79,128)
Proposed final dividends for the year	-	-	(237,384)	237,384	-	-
At 30 June 2008	1,582,560	2,396,301	3,766,427	237,384	15,899,250	23,881,922

Cashflow Statement for the year ended 30 June 2008

	Note	2008 KShs'000	2007 KShs'000
OPERATING ACTIVITIES			
Cash generated from operations	28(a)	4,149,478	1,263,187
Interest received		88,929	191,674
Interest paid		(537,330)	(113,650)
Dividends paid		(265,169)	(163,173)
Tax refund / (paid)		18,406	(27,410)
Cash generated from operating activities		3,454,314	1,150,628
INVESTING ACTIVITIES			
Purchase of property and equipment, net of capital contributions		(12,642,311)	(7,463,425)
Proceeds from disposal of property and equipment		73,011	200,009
Net cash used in investing activities		(12,569,300)	(7,263,416)
FINANCING ACTIVITIES			
Loans received	28(b)	10,217,235	3,864,211
Repayment of amounts borrowed	28(b)	(3,936,483)	(391,272)
Net cash from financing activities		6,280,752	3,472,939
Decrease in cash and cash equivalents		(2,834,234)	(2,639,849)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		3,592,550	6,211,238
Effects of foreign exchange rate fluctuations		(1,889)	21,161
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	28(c)	756,427	3,592,550

Notes to the Financial Statements for year ended 30 June 2008

1. Corporate information

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

2.1 Basis of preparation

The financial statements have been prepared on a historical cost basis, except for the measurement at revaluation amounts of certain property and equipment.

Statement of compliance

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

2.2 Changes in accounting policy and disclosures

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

Standards, interpretations and amendments, to published standards, that were adopted.

The Company has adopted certain new and amended International Financial Reporting Standards which were effective from 1 June 2007. Adoption of these revised standards and interpretations did not have any effect on the financial performance or position of the Company. They did however give rise to additional disclosures, including revisions to accounting policies.

- IFRS 7 Financial Instruments: Disclosures
- IAS 1 Amendment - Presentation of Financial Statements

IFRS 7 Financial Instruments: Disclosures

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Company's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial statements, comparative information has been revised, where needed.

IAS 1 Presentation of Financial Statements

This amendment requires the Company to make new disclosures to enable users of the financial statements to evaluate the Company's objectives, policies and processes for managing capital. These new disclosures are shown in Note 4.

Standards, interpretations and amendments, to published standards, that are not yet effective.

The following new standards, amendments and interpretations to existing standards have been published that are applicable in future accounting periods but have not been adopted early by the Company.

IAS 1 (amendment), Presentation of financial statements (effective 1 January 2009)

The amendment requires that all non-owner changes in equity (comprehensive income) be presented either in one statement of comprehensive income or in two statements (a separate income statement and a statement comprehensive income). Components of comprehensive income may not be presented in the statement of changes in equity.

It also requires that a balance sheet is presented at the beginning of the earliest comparative period in a complete set of financial statements when entity applies an accounting policy retrospectively or makes a retrospective restatement. The entity has to disclose income tax relating to each component of other comprehensive income, and disclose reclassification adjustments relating to components of other comprehensive income.

Notes to the Financial Statements (continued) for year ended 30 June 2008

2.2 Changes in accounting policy and disclosures (continued)

Other main changes to IAS 1 require disclosure of income tax relating to each component of other comprehensive income and reclassification adjustments relating to components of other comprehensive income.

The Company will adopt statement of comprehensive income by function option, but is not expecting the impact on the financial statements to be significant.

IAS 23 (amendment), Borrowing costs (effective 1 January 2009)

The amendment to the standard requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. This amendment will not have an impact on the financial statements as the Kenya Power and Lighting Company Limited currently capitalises borrowing costs on qualifying assets.

IAS 32 (amendment), Financial instruments

Presentation and IAS 1 (amendment), Presentation of financial statements (effective 1 January 2009).

IAS 32 requires certain puttable instruments that meet the definition of a financial liability to be classified as equity if, and only if, they meet the required conditions. These amendments will not have any impact on the Company's financial statements.

Standards, interpretations and amendments, to published standards, that have no effect on the Company operations or position as they are not yet applicable to the Company's current circumstances. These changes will not have impact on the Company's financial statements.

IFRS 2 (amendment), Share-based payment (effective 1 January 2009)

The amendments apply to equity-settled share-based payment transactions and clarify what are vesting and non-vesting conditions.

Vesting conditions are now limited to service conditions (as defined in the current IFRS 2) and performance conditions. Non-vesting conditions are conditions that do not determine whether the entity receives the services that entitle the counterparty to a share-based payment. Non-vesting conditions are taken into account in measuring the grant date fair value and thereafter there is no true-up for differences between expected and actual outcomes.

IAS 27 (amendment), Consolidated and separate financial statements (effective 1 July 2009)

In accordance with IAS 27 amendments, acquisitions of additional non-controlling equity interest in subsidiaries have to be accounted for as equity transactions. Disposals of equity interests while retaining control are also accounted for as equity transactions. When control of an investee is lost, the resulting gain or loss relating to the transaction will be recognised in profit or loss.

The amendments to IAS 27 also require that losses (including negative other comprehensive income as detailed in the revised IAS 1) have to be allocated to the non-controlling interest even if doing so causes the non-controlling interest to be in a deficit position.

IFRS 3 (revised) Business combinations (effective 1 July 2009)

IFRS 3 applies to all new business combinations that occur after 1 April 2010. The statement requires that all transaction costs be expensed and the contingent purchase consideration be recognised at fair value on acquisition date. For successive share purchases, any gain or loss for the difference between the fair value and the carrying amount of the previously held equity interest in the acquiree will have to be recognised in profit and loss.

IFRS 8 Operating segments (effective 1 January 2009)

IFRS 8 specifies how an entity should report information about its operating segments in the annual financial statements. It also sets out requirements for related disclosures about products and services, geographical areas and major customers. The Company has only one product and operates in only one country. The reference to regions is purely for administrative purposes and disclosures made in these financial statements are purely for additional disclosure as opposed to requirements of any standards. This standard does not apply in the current Company set up but would be applied should circumstances change to require compliance.

Notes to the Financial Statements (continued) for year ended 30 June 2008

2.2 Changes in accounting policy and disclosures (continued)

IFRIC 8 Scope of IFRS 2

This interpretation requires IFRS 2 to be applied to any arrangements in which the entity cannot identify specifically some or all of the goods received, in particular where equity instruments are issued for consideration which appears to be less than fair value. As equity instruments are only issued to employees in accordance with the employee share scheme, the interpretation had no impact on the financial position or performance of the Company.

IFRIC 9 Reassessment of embedded derivatives

IFRIC 9 states that the date to assess the existence of an embedded derivative is the date that an entity first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Company has no embedded derivative requiring separation from the host contract, the interpretation had no impact on the financial position or performance of the Company.

IFRIC 10 Interim financial reporting and impairment (1 January 2007)

This interpretation requires that an entity must not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. As the Company had no impairment losses previously reversed, the interpretation had no impact on the financial position or performance of the Company.

IFRIC 11 IFRS 2 - Group and treasury share transactions (1 January 2007)

This interpretation requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme, even if the entity buys the instruments from another party, or the shareholders provide the equity instruments needed. As the Company had no such arrangement, the interpretation had no impact on the financial position or performance of the Company.

IFRIC 12, Service concession arrangements (effective 1 January 2008)

IFRIC 12 gives guidance on the accounting by operators for public-to-private concession arrangements. The interpretation is not relevant to the Company currently.

IFRIC 13, Customer loyalty programmes (effective 1 July 2008)

IFRIC 13 will be adopted for the first time for the financial year ending 30 June 2009. IFRIC 13 addresses accounting by entities that grant loyalty award credits to customers who buy goods or services. As the programme is yet to be implemented, the impact of this statement on the Company's financial statements is expected to be insignificant.

IFRIC 14 and IAS 19, The limit on a defined benefit asset, minimum funding requirements and their interaction (effective 1 January 2008)

The interpretation clarifies that the economic benefits from a defined benefit asset are available to an employer as a refund or a reduction in future contributions only when a refund or a reduction in future contributions only when the employer has an unconditional right to realise the asset. An unconditional right would not exist if it is contingent on the approval of a third party, such as the benefit fund's trustees. This interpretation is not applicable because the Company does have a defined benefit asset in its financial statements.

2.3 Significant accounting judgments, estimates and assumptions

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

Notes to the Financial Statements (continued) for year ended 30 June 2008

Judgments

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

Operating Lease Commitments—Company as Lessor

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

Estimates and assumptions

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

Deferred Tax Assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of recognised tax losses at 30 June 2008 was KShs 562,887,000. (2007: KShs 1,913,033,000). Further details are contained in Note 22.

Pension and Other Post Employment Benefits

The cost of defined benefit pension plans and other post employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. The net employee liability at 30 June 2008 was KShs 874,818,000 (2007: KShs 1,260,018,000). Further details are given in Note 26.

Fair Value of Unquoted Equity Instruments

The unquoted equity instruments have been valued based on the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics. This valuation requires the Company to make estimates about expected future cash flows and discount rates, and hence they are subject to uncertainty. The fair value of the unquoted equity instruments at 30 June 2008 was NIL. (2007: KShs 4,300,000). Further details are given in Note 16.

2.4 Summary of significant accounting policies

(a) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is recognised at the fair value of consideration received or receivable. The following specific recognition criteria must be met before revenue is recognised:-

(i) Sale of electricity

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

Notes to the Financial Statements (continued) for year ended 30 June 2008

2.4 Summary of significant accounting policies (continued)

(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 amounts charged to the consumers of power to recover the fuel costs.

(iii) Foreign exchange recoveries

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

(iv) Finance income

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

(v) Finance cost

Finance cost comprises interest payable on borrowings and debt securities. All borrowings are recognised in profit or loss using the effective interest rate method.

(vi) Dividends

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

(vii) Rental income

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

(b) Inventories

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

(c) Property and equipment

(i) Property and equipment

Property and equipment is stated at cost or as professionally valued, 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.

Revaluations are performed frequently enough, but limited to a period of not more than five years, to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any revaluation surplus is credited to the assets revaluation reserve included in the equity section of the balance sheet, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

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

Notes to the Financial Statements (continued) for year ended 30 June 2008

2.4 Summary of significant accounting policies (continued)

(c) Property and equipment (continued)

(i) Property and equipment (continued)

Additions to power distribution lines during the year are capitalised net of customers' contributions. Due to the system reinforcement being carried out on the distribution lines and upgrading of associated substations under the Energy Sector Recovery Project, there was no need for a revaluation as the impaired lines and substations will be reinforced, replaced or upgraded.

No depreciation is provided on freehold land. Depreciation on other assets is calculated to write down their cost or valuation to their residual values, on a straight-line basis, over their expected useful lives. The depreciation rates used are as follows:

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

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

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

(ii) Capital work-in-progress

Capital work-in-progress is included under property and equipment and comprises of costs incurred on ongoing capital works relating to both customer and internal works. These costs include material, transport and labour cost incurred. Customer capital contributions towards the cost of projects are however offset against costs incurred in arriving at the costs of capital work-in-progress.

(d) Taxation

Current income tax

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

Current income tax relating to items recognised directly in equity is recognised in equity and not in profit or loss.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

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

Notes to the Financial Statements (continued) for year ended 30 June 2008

2.4 Summary of significant accounting policies (continued)

(d) Taxation (continued)

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

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

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax relating to items recognised directly in equity is recognised in equity and not in profit or loss.

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

(e) Leases

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

Company as a lessee

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

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight line basis over the lease term.

Company as a lessor

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

Notes to the Financial Statements (continued) for year ended 30 June 2008

2.4 Summary of significant accounting policies (continued)

(f) Foreign currencies

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

(g) Financial instruments

Financial assets and liabilities are recognised on the Company's balance sheet when the Company has become a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables are recognized and carried at original invoice amounts less allowances for any uncollectible amounts. An estimate is made of doubtful receivables based on review of all outstanding amounts at year end. Bad debts are written off after all efforts of recovery have been exhausted.

Borrowings

Interest bearing loans and overdrafts are initially recorded at cost, being the fair value of consideration received, net of issue costs associated with the borrowing. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue cost, and any discount or premium on settlement. Finance charges, including premiums payable on settlement or redemption, are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Loan interest accruing during the construction of a project is capitalised as part of the cost of the project.

Trade payables

Trade payables are stated at their nominal value.

Investments

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

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

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

Redeemable Preference Shares

The component of redeemable preference shares that exhibits the characteristics of a liability is recognised as a liability in the balance

Notes to the Financial Statements (continued) for year ended 30 June 2008

sheet, net of issue costs. The corresponding dividends on those shares are charged as interest expenses in the income statement.

2.4 Summary of significant accounting policies (continued)

(h) Leave accrual

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

(i) Impairment of tangible and intangible assets excluding goodwill

The Company reviews the carrying amounts of its financial assets, tangible and intangible assets, to determine whether there is any indication that those assets have suffered an impairment loss at reporting date, or when there are indications of impairment. If any such indication exists, the recoverable amounts of the asset is estimated and an impairment loss is recognised in the income statement whenever the carrying amount of the asset exceeds its recoverable amount. Where it is not possible to estimate the recoverable amount of an individual asset, the Directors estimate the recoverable amount of the cash-generated unit to which the asset belongs.

Impairment of transmission and distribution lines

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

In management's judgment, the carrying values of the lines are not impaired as of the date of these financial statements

(j) Retirement benefits obligations

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

Pensioners and deferred pensioners (those who have left the employment of the Company but have not attained retirement age to qualify as pensioners) existing at 30 June 2006 are eligible for retirement benefits under a defined benefit scheme. For the defined benefit scheme, the pension costs are assessed using the unit credit method. Under this method, the cost of providing pensions is charged to the income statement so as to spread the regular cost over the lives of pensioners in accordance with the advice of qualified actuaries who carry out a full valuation of the scheme every three years. The pension obligation is measured as the present value of the estimated future cash outflows using interest rate of 3%.

Actuarial gains and losses are recognised as income or expense when cumulative unrecognised actuarial gains or losses exceed 10 per cent of the higher of the defined benefits obligations and the fair value of plan assets at that date. These gains or losses are recognised over the expected average remaining working lives of the participating employees.

The employees and the Company also contribute to the National Social Security Fund, a national retirement scheme. Contributions are determined by local statutes and the Company's contributions are charged to the income statement.

(k) Administrative information

The Company business is organised by regions, 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.

Notes to the Financial Statements (continued) for year ended 30 June 2008

2.4 Summary of significant accounting policies (continued)

(k) Administrative information (continued)

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

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

(l) Earnings per share

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

(m) Dividends

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

(n) Use of estimates in the preparation of the financial statements and assumptions made

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

Significant judgements made by management in the preparation of the financial statements relate to the following:

(i) Property and equipment

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

(ii) Impairment of assets

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

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

(iii) 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.

(iv) Deferred taxation assets

Deferred tax assets are recognised to the extent it is probable that taxable income will be available in future against which they can be utilized. Future taxable profits are estimated based on business plans which include estimates and assumptions regarding economic growth, interest, inflation and taxation rates and competitive forces.

Notes to the Financial Statements (continued) for year ended 30 June 2008

2.4 Summary of significant accounting policies (continued)

(n) Use of estimates in the preparation of the financial statements and assumptions made (continued)

(v) Pensions

Actuarial assumptions are made in valuing future defined benefit obligation and are updated periodically. The principal assumptions relates to the discount rate. The discount rate is equal 3%.

(vi) Government grants

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

When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

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

3(a) GEOGRAPHICAL INFORMATION

For management purposes, the Company is currently organised into four administrative regions. 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, capital expenditure and depreciation by region for the year. There is no intersegment sale and all revenue is from external customers.

	Nairobi Region KShs'000	West Kenya Region KShs'000	Coast Region KShs'000	Mount Kenya Region KShs'000	2008 Total KShs'000
2008					
Electricity revenue	22,542,524	7,385,240	7,420,617	3,570,757	40,919,138
Other income	769,590	77,517	73,083	45,736	965,926
Energy purchases	(15,523,555)	(5,461,991)	(5,174,518)	(2,587,259)	(28,747,323)
Other expenses	(3,099,957)	(1,813,634)	(844,141)	(923,495)	(6,681,227)
Head office expenses	(1,584,617)	(557,550)	(528,206)	(264,101)	(2,934,475)
Segment results	3,103,985	(370,417)	946,835	(158,362)	3,522,040
Finance income					88,929
Finance cost					(872,660)
Taxation					(973,439)
Profit after taxation					1,764,870
Other information					
Assets	31,743,904	12,508,198	8,353,082	7,206,938	59,812,122
Liabilities	27,475,043	9,904,523	8,665,358	4,947,774	50,992,698
Capital expenditure	5,814,647	3,119,617	1,213,473	2,494,574	12,642,311
Depreciation/amortisation	1,097,902	272,278	234,030	145,609	1,749,819

Notes to the Financial Statements (continued) for year ended 30 June 2008

3 (a) GEOGRAPHICAL INFORMATION (continued)

The table below shows the Company's revenue, expenses, assets and liabilities per region, capital expenditure and depreciation by region for the year 2007.

	Nairobi Region KShs'000	West Kenya Region KShs'000	Coast Region KShs'000	Mount Kenya Region KShs'000	Total KShs'000
2007					
Electricity revenue	20,552,200	7,120,190	6,998,945	3,272,951	37,944,286
Other income	403,508	36,647	36,548	23,912	500,615
Energy purchases	(13,982,086)	(5,202,021)	(4,540,739)	(2,387,517)	(26,112,363)
Other expenses	(3,330,974)	(1,868,753)	(1,202,181)	(848,654)	(7,250,562)
Head office expenses	(1,445,546)	(537,814)	(469,447)	(246,835)	(2,699,642)
Segment results	2,197,102	(451,751)	823,126	(186,143)	2,382,334
Finance income					390,291
Finance costs					(123,934)
Taxation					(930,214)
Profit after taxation					1,718,477
Other information					
Assets	25,241,318	10,083,130	7,133,114	4,864,302	47,321,864
Liabilities	26,673,983	9,374,830	4,936,190	4,754,301	45,739,304
Capital expenditure	3,198,859	2,266,865	732,088	1,265,613	7,463,425
Depreciation/amortisation	952,048	236,075	206,195	119,188	1,513,506

Notes to the Financial Statements (continued) for year ended 30 June 2008

3 (b) BUSINESS AREAS

The Company's core business in the four regions 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 fixed assets details at net book values are shown below:

	Freehold land and buildings KShs'000	Lines KShs'000	Machinery KShs'000	Motor vehicles KShs'000	Furniture equipment and other KShs'000	Total KShs'000
2008						
Transmission	144,532	10,960,532	29,340	-	92,311	11,226,715
Distribution	757,618	11,791,092	8,170	1,296,424	1,336,755	15,190,059
Total	902,150	22,751,624	37,510	1,296,424	1,429,066	26,416,774
2007						
Transmission	152,682	11,500,097	37,799	212,202	83,836	11,986,616
Distribution	774,140	7,244,364	3,471	869,412	1,194,052	10,085,439
Total	926,822	18,744,461	41,270	1,081,614	1,277,888	22,072,055

Notes to the Financial Statements (continued) for year ended 30 June 2008

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Information about the Company's exposure to risks, its objectives, policies and processes for measuring and managing such risks, as well as quantitative disclosure, is discussed in this note. The management of capital is also discussed.

The Company has an integrated risk management framework. The Company's approach to risk management is based on risk governance structures, risk management policies, risk identification, measurement and reporting. Three types of risks are reported as part of the risk profile, namely operational, strategic and business continuity risks.

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

For the Kenya Power and Lighting Company's, a strategic risk is a significant unexpected or unpredictable change or outcome beyond what was factored into the organisation's strategy and business model which could have an impact on the Company's performance. Business continuity risks are those events, hazards, variances and opportunities which could influence the continuity of the Company.

One of the key risks for the Kenya Power and Lighting Company, identified both under the operational and strategic risk categories, is financial sustainability of the Company. The financial risk, as defined by IFRS 7, and the management thereof, form part of this key risk area.

The Board of Directors has delegated the management of the Companywide risk to the Audit Committee. One of the committee's responsibilities is review risk management strategies in ensuring 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
- (d) Operational risk

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or other counterparty (including government and financial institutions) to a financial instrument fails to meet its contractual obligations. Credit risk arises primarily from the sale of goods and services in the ordinary course of business and the centralised treasury activities. Credit risk includes counterparty risk and delivery or settlement risk.

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

Management of credit risk

Financial instruments managed by the finance and commercial services functions.

(i) Electricity receivables

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

Notes to the Financial Statements (continued) for year ended 30 June 2008

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) Electricity receivables (continued)

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 and a half times their monthly consumption being security in form of deposit depending on the load supplied, subject to a minimum of shillings, two thousand five hundred. Industrial and large commercial customers have the option of providing a bank guarantee in lieu of cash deposit. Payment is enforced by way of disconnection of the supply if bills are not paid within twenty one days after billing. No interest is charged on balances in arrears.

The Company has well-established credit control procedures that monitor activity on customer accounts and allow for remedial action should the customer not comply with payment terms. These procedures include the issue of a notice 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 account's closure if the disconnection is done and there is no payment within three months. The decision to impair overdue amounts is assessed on the probability of recovery based on the customer's credit risk profile.

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

The total cumulative provision for impairment for electricity receivables at 30 June 2008 was KShs 1.995 billion (2007: KShs. 1.995 billion). Refer to note 18(c). A large portion relates to rebilling as result of meter tampering. The Company is currently exploring the employment of pre-paid metering as a strategy 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
- conversion to prepayment
- increased internal debt management capacity
- use of debt collectors
- focus on early identification and letters of demand
- Increased securities

(ii) Other receivables

Other receivables include recoverable VAT and fuel costs, employee debtors, inter-company balances, recoverable work and tenants. Recoverable VAT is mainly amount refundable by tax authority in relation to overpaid taxes while recoverable fuel costs relates to fuel costs paid to generators to be passed to electricity customers.

The details of provision for impairment for other receivables at 30 June 2008 is as per note 18(d).

Notes to the Financial Statements (continued) for year ended 30 June 2008

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit exposure

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

	2008 KShs'000	2007 KShs'000
Electricity receivables		
Large power users	1,842,957	1,545,470
Ministries	184,771	318,537
Local authorities	25,031	25,558
Parastatals	498,200	717,202
Ordinary customers	1,680,333	1,337,402
Exports	423,490	508,285
Total electricity receivables	4,654,782	4,452,454
Other receivables		
Recoverable fuel costs	2,831,741	1,113,195
VAT recoverable	1,323,403	1,924,082
Government of Kenya- Power purchase subsidy	1,112,241	1,858,602
Rural Electrification Programme Schemes	2,581,484	-
Staff receivables	327,698	316,434
Prepayments	125,365	390,985
Other receivables	202,710	98,403
Total other receivables	8,504,642	5,701,701
Total trade and other receivables	13,159,424	10,154,155

(b) Liquidity risk

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

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

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

Notes to the Financial Statements (continued) for year ended 30 June 2008

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Liquidity risk (continued)

The table below summarises the maturity profile of the Company's financial liabilities at 30 June 2008 based on contractual undiscounted payments.

Year ended 30 June 2008	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
Interest bearing loans and borrowings	-	-	1,688,535	4,909,002	6,459,206	13,056,743
Convertible preference shares	-	-	-	-	15,899,250	15,899,250
Other liabilities	-	-	-	-	4,605,412	4,605,412
Trade and other payables	452,010	11,434,187	4,943,012	-	-	16,829,209
	452,010	11,434,187	6,631,547	4,909,002	26,963,868	50,390,614

Year ended 30 June 2007	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
Interest bearing loans and borrowings	-	3,500,000	261,363	678,084	2,005,033	6,444,480
Convertible preference shares	-	-	-	-	15,899,250	15,899,250
Other liabilities	-	-	-	-	3,941,258	3,941,258
Trade and other payables	446,214	7,758,718	5,879,709	-	-	14,084,641
	446,214	11,258,718	6,141,072	678,084	21,845,541	40,369,629

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

Primary source of funding and unused facilities

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

Key indicators used for liquidity management.

Tenure

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

Liquid assets

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

Capital expenditure ratio

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

	2008	2007
Continuing activities	27%	15%

The ratio is calculated as net cash from trading operations divided by capital expenditure (excluding borrowing costs capitalised) on property, plant and equipment and intangible assets.

Notes to the Financial Statements (continued) for year ended 30 June 2008

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (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 balance sheet and income statement 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.

Management of currency risk

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

(ii) Commodity risk

The Company is exposed to price risk on the fuel that is used for the generation of electricity to the extent that the customers are not able to pay for the additional costs passed on to them.

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.

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 and loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The calculation excludes borrowing costs capitalised in terms of the Company's accounting policy. The analysis has been performed on the same basis as the prior year.

Using the end of the year figures, the sensitivity analysis indicates the impact on profit or loss if current floating interest rates changes by one percentage point as KShs. 70 million (2007: KShs. 35 million).

Notes to the Financial Statements (continued) for year ended 30 June 2008

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure and from external factors other than credit, market and liquidity risks such as from legal and regulatory requirements and generally accepted standards of corporate behaviour. The Company seeks to ensure that key operational risks are managed in a timely and effective manner through a framework of policies, procedures and tools to identify, assess, monitor, control and report such risks.

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

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions
- Requirements for the reconciliation and monitoring of transactions
- Compliance with regulatory and legal requirements
- Documentation of controls and procedures
- Requirements for the yearly assessment of operational risk faced, and the adequacy of controls and procedures to address
- Requirements for the reporting of operational losses and proposed remedial action
- Development of contingency plans
- Training and professional development
- Ethical and business standards
- Risk mitigation, including insurance where this is effective.

Operational risk is managed by a programme of regular reviews undertaken by the Internal Audit and the results of the reviews are discussed with the management, with summaries submitted to the Audit Committee and senior management of the Company.

Capital management

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 2008 and 30 June 2007.

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

Notes to the Financial Statements (continued) for year ended 30 June 2008

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

KPLC uses a 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 Electricity Regulatory Commission.

The electricity business is currently in a major expansion phase driven by a rise in demand following the recent accelerated economic growth. The funding of additional transmission and other distribution capacity is to be obtained from cash generated by the business, Government support and funds borrowed from local and international lending institutions. The adequacy of electricity tariffs allowed by the regulator and the level of Government support are key factors in the sustainability of KPLC.

The debt to equity ratio plays an important role in the credit ratings given to KPLC 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.

5. OTHER INCOME

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

	2008 KShs	2007 KShs
Connection and reconnection charges	194,032	120,483
Stock excess adjustment	333,832	124,050
Miscellaneous sales	239,634	147,865
Others	198,428	108,217
	<u>965,926</u>	<u>500,615</u>

6. POWER PURCHASE COSTS

(a) Power purchase costs

The power purchases were sourced from the following companies: -

	2008 KShs'000	2007 KShs'000
KenGen	11,453,546	11,055,050
Aggreko	878,885	834,829
Uganda Electricity Transmission Company Limited	90,097	59,951
Tsavo Power Company Limited	1,619,778	1,701,369
Iberafira Power (E.A.) Company Limited	836,670	944,959
OrPower 4 Inc	630,786	733,428
Mumias Sugar Company Limited	18,175	7,489
Tanzania Electric Supply Company Limited	5,358	2,834
	<u>15,533,295</u>	<u>15,339,909</u>
GoK subsidy on power purchases from KenGen	(2,891,067)	(2,759,178)
Less recharged to Rural Electrification Programme	(561,124)	(478,785)
	<u>12,081,104</u>	<u>12,101,946</u>

Notes to the Financial Statements (continued) for year ended 30 June 2008

6. POWER PURCHASE COSTS (continued)

(b) Fuel costs

	2008 KShs'000	2007 KShs'000
KenGen	3,987,542	3,269,892
Aggreko	6,296,523	5,460,506
Uganda Electricity Transmission Company Limited	390,225	161,083
Tsavo Power Company Limited	3,928,096	2,933,058
Iberafira Power (E.A.) Company Limited	2,617,071	2,615,025
Mumias Sugar Company Limited	6,195	3,507
	<u>17,225,652</u>	<u>14,443,071</u>
Less recharged to Rural Electrification Programme	(559,433)	(432,654)
	<u>16,666,219</u>	<u>14,010,417</u>

KenGen increased their power bulk tariffs from 1 July 2006 which KPLC refused to honour because of conditions that prohibit it from billing for the same increase. The Government of Kenya (GoK) agreed to meet the cost arising from this rate differential. The subsidy on power purchases from KenGen represents the difference between what the Company paid for power at the power purchase rate charged by KenGen, and the power purchase rate the Company applied before the rate revision. The Government has settled the differential up to the end of April 2008.

The Company has been managing all projects of the Rural Electrification Programme, (a GoK scheme to supply electricity to strategic, institutional, market centres and other adjacent customers in rural areas where electricity reticulation at the onset does not meet commercial return on investment criteria), based on a 1973 agreement until 30 June 2008. KPLC has been incurring the implementation costs which it then recovers from GoK based on the terms of the agreement. These costs are shown as the recharges to Rural Electrification Programme.

(c) Units purchased

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

	2008 GWh	2007 GWh
KenGen	4,818	4,599
Aggreko (Net of exports to Uganda)	499	471
Uganda Electricity Transmission Company Limited	26	13
Tsavo Power Company Limited	556	547
Iberafira Power (E.A.) Company Limited	306	331
OrPower 4 Inc	98	112
Mumias Sugar Company Limited	9	4
Tanzania Electric Supply Company Limited	1	-
	<u>6,313</u>	<u>6,077</u>
Less recharged to Rural Electrification Programme	(268)	(239)
	<u>6,045</u>	<u>5,838</u>

Notes to the Financial Statements (continued) for year ended 30 June 2008

6. POWER PURCHASE COSTS (continued)

(d) Type of interconnected power sources

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

	2008 GWh	2007 GWh
Hydro	3,514	3,290
Geothermal	1,020	1,012
Thermal (Net of exports to Uganda)	1,770	1,774
Others	9	1
	6,313	6,077
Less recharged to Rural Electrification Programme	(268)	(239)
	6,045	5,838

The Company transmits excess units generated by Aggreko Limited to Uganda Electricity Transmission Company Limited. The Company bills Uganda Electricity Transmission Company Limited as per Power Purchase Agreement in place between the two organizations. Aggreko uses the same terms, to bill the KPLC for those units and as such, the KPLC does not make any margin from the transmission. The units so transmitted (57 GWh) are excluded from the units purchased from Aggreko for sale by the Company. The Company is thus disclosing 'net' i.e., only what it had purchased for sale.

7. OTHER OPERATING COSTS

(a) Distribution and customer service

	2008 KShs'000	2007 KShs'000
Salaries and wages	2,935,947	2,500,069
Staff welfare	216,840	225,202
Other consumable goods	600,263	904,433
Depreciation	686,042	569,178
Transport and travelling	1,071,329	933,737
Provision for bad and doubtful debts	-	600,754
Office expenses	229,589	186,918
Advertising and public relations	93,957	62,514
Repairs and maintenance	99,240	21,428
Other costs	38,177	34,162
Recharge of recurrent expenditure to capital jobs	(621,359)	(382,370)
Recharge of distribution and customer service costs to RES	(1,375,828)	(1,125,264)
	3,974,197	4,530,761

(b) Energy transmission

Salaries and wages	571,710	462,927
Depreciation	642,686	691,623
Transport and travelling	219,924	187,491
Other costs	221,989	149,981
Recharge of recurrent expenditure to capital jobs	(172,349)	(94,480)
	1,483,960	1,397,542

Notes to the Financial Statements (continued) for year ended 30 June 2008

7. OTHER OPERATING COSTS (continued)

(c) Administration

	2008 KShs'000	2007 KShs'000
Salaries	1,645,123	1,493,574
Staff welfare	306,389	289,388
Insurance	224,198	234,617
Other consumable goods	210,433	184,128
Transport and travelling	145,868	71,724
Training expenses and consumer services	128,345	87,447
Other costs	497,093	490,539
Depreciation	421,036	252,704
Other office expenses	269,862	238,207
Repairs and maintenance	398,502	354,233
Consultancy fees	164,669	178,384
Provision for non commercial bad debts	213,000	200,000
Impairment loss of the unquoted investment	4,300	-
Audit fees	10,120	8,800
Directors emoluments	22,549	22,572
Amortisation	55	55
Pension deficit provisions	166,800	166,800
Leave pay obligation provision	129,068	123,719
Bank charges	143,485	162,126
Recharge of recurrent expenditure to capital jobs	(530,779)	(288,691)
Recharge of administration costs to RES	(412,572)	(248,425)
	4,157,544	4,021,901

8. OPERATING PROFIT

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

Staff costs (Note 9)	6,071,129	5,280,266
Depreciation	1,749,764	1,513,451
Amortisation	55	55
Provision for bad and doubtful debts	-	600,754
Provision for non commercial debts	213,000	200,000
Impairment loss of unquoted investment	4,300	-
Directors' emoluments:		
- Fees	2,787	3,691
- Other	19,762	18,881
Auditors' remuneration	10,120	8,800
Loss on disposal of property and equipment	41,238	19,478
Rent payable	131,608	109,963
Net foreign exchange loss /(gain)	318,997	(203,603)
Rent receivable	(48,387)	(59,956)

Notes to the Financial Statements (continued) for year ended 30 June 2008

9. STAFF COSTS	2008 KShs'000	2007 KShs'000
Salaries and wages	5,435,565	4,693,113
National Social Security Fund employer contributions	15,493	14,606
Pension costs – Company contribution	324,203	282,028
Leave provision	129,068	123,719
Provision for actuarial losses (note 26)	166,800	166,800
	<u>6,071,129</u>	<u>5,280,266</u>
The average number of employees during the year was:-		
Permanent employees	5,271	5,126
Contract employees	1,397	1,273
	<u>6,668</u>	<u>6,399</u>
10. FINANCE INCOME / (COSTS)		
FINANCE INCOME		
Interest income:		
On bank and other deposits	88,929	186,688
Exchange differences:		
Exchange gains on loans	-	182,440
Exchange gains on deposits	-	21,163
Net foreign exchange gains	-	203,603
Total	<u>88,929</u>	<u>390,291</u>
FINANCE COSTS		
Exchange differences:		
Exchange losses on loans	(317,108)	-
Exchange losses on deposits	(1,889)	-
Net foreign exchange losses	(318,997)	-
Interest expense:		
Loans	(479,932)	(119,870)
Bank overdrafts	(71,801)	(2,134)
Dividends on preference shares	(1,930)	(1,930)
	<u>(553,663)</u>	<u>(123,934)</u>
Total	<u>(872,660)</u>	<u>(123,934)</u>

Notes to the Financial Statements (continued) for year ended 30 June 2008

11. TAXATION	2008 KShs'000	2007 KShs'000
(a) Balance sheet		
At the beginning of the year	279,239	251,829
(Recovered)/paid during the year	(18,406)	27,410
	<u>260,833</u>	<u>279,239</u>
The tax recoverable relates to withholding tax on interest earned over the years, which has not been utilised as the Company has not been in a tax paying position. The recovery during the year was an offset against Pay As You Earn (PAYE) as agreed with the Kenya Revenue Authority.		
(b) Income statement		
Current taxation based on the adjusted profit for the year at 30%	-	-
Deferred tax charge	973,439	930,214
	<u>973,439</u>	<u>930,214</u>
(c) Reconciliation of tax expense to the expected tax based on accounting profit:-		
Profit before taxation	2,738,309	2,648,691
Tax at the applicable tax rate of 30%	821,493	794,608
Tax effect of expenses not deductible for tax purposes	151,946	135,606
Tax charge	<u>973,439</u>	<u>930,214</u>
12. EARNINGS PER SHARE		
The earnings per share is calculated on the profit after tax of KShs 1,764,870,000 (2007-KShs 1,718,477,000) and the number of ordinary shares in issue during the year of 79,128,000 (2007: - 79,128,000).		
The diluted earnings per share is the same as the basic earnings per share as there were no potentially dilutive ordinary shares outstanding as 30 June 2008.		
13. DIVIDEND PER SHARE		
Proposed dividends are accounted for as a separate component of equity until they have been ratified at an Annual General Meeting.		
At the Annual General Meeting to be held before the end of 2008, a final dividend in respect of the year ended 30 June 2008 of KShs 3.00 (2007 – KShs 2.40) for every ordinary share of KShs 20.00 is to be proposed. An interim dividend of KShs 1.00 (2007 – KShs 0.60) for every ordinary share of KShs 20.00 was declared and paid during the year. This will bring the total dividend for the year to KShs 4.00 (2007 – KShs 3.00).		

Notes to the Financial Statements (continued) for year ended 30 June 2008

14. PROPERTY AND EQUIPMENT

2008	Freehold land and buildings KShs'000	Transmission lines KShs'000	Distribution lines KShs'000	Machinery KShs'000	Motor vehicles KShs'000	Furniture equipment and other KShs'000	Total KShs'000
COST OR VALUATION							
At 1 July 2007	1,303,751	15,384,284	9,553,855	56,547	2,413,030	5,810,547	34,522,014
Additions	10,061	42,882	5,094,375	-	526,340	535,128	6,208,786
Disposals	-	-	(346,122)	-	(100,238)	-	(446,360)
At 30 June 2008	1,313,812	15,427,166	14,302,108	56,547	2,839,132	6,345,675	40,284,440
Comprising							
Cost	1,313,812	5,199,410	14,302,108	56,547	2,839,132	6,345,675	30,056,684
Valuation – 2002	-	10,227,756	-	-	-	-	10,227,756
	1,313,812	15,427,166	14,302,108	56,547	2,839,132	6,345,675	40,284,440
DEPRECIATION							
At 1 July 2007	508,911	3,884,187	2,309,489	15,277	1,331,416	4,532,659	12,581,939
Charge for the year	34,677	569,822	456,048	3,760	301,507	383,950	1,749,764
Disposals	-	-	(241,896)	-	(90,215)	-	(332,111)
At 30 June 2008	543,588	4,454,009	2,523,641	19,037	1,542,708	4,916,609	13,999,592
NET BOOK VALUE							
At 30 June 2008	770,224	10,973,157	11,778,467	37,510	1,296,424	1,429,066	26,284,848
Capital work-in-progress							12,640,469
							38,925,317

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

Included in land and buildings, distribution lines, machinery, motor vehicles, furniture and equipment are assets with a cost of KShs 7,015,223,852 and carrying amount of KShs. 283,404,905, which were fully depreciated but still in use. The normal depreciation charge on these assets would have been KShs 6,298,887.

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

The cost of distribution lines were arrived after adjusting the actual total cost of the lines of KShs 27,420,728,008 with the customers contributions of KShs 13,118,620,278.

Notes to the Financial Statements (continued) for year ended 30 June 2008

14. PROPERTY AND EQUIPMENT (continued)

2007	Freehold land and buildings KShs'000	Transmission lines KShs'000	Distribution lines KShs'000	Machinery KShs'000	Motor vehicles KShs'000	Furniture equipment and other KShs'000	Total KShs'000
COST OR VALUATION							
At 1 July 2006	1,204,711	15,298,563	6,987,208	55,650	1,879,177	5,329,972	30,755,281
Additions	99,040	85,721	2,947,932	897	597,473	480,575	4,211,638
Disposals	-	-	(381,285)	-	(63,620)	-	(444,905)
At 30 June 2007	1,303,751	15,384,284	9,553,855	56,547	2,413,030	5,810,547	34,522,014
Comprising							
Cost	1,303,751	5,156,528	9,553,855	56,547	2,413,030	5,810,547	24,294,258
Valuation – 2002	-	10,227,756	-	-	-	-	10,227,756
	1,303,751	15,384,284	9,553,855	56,547	2,413,030	5,810,547	34,522,014
DEPRECIATION							
At 1 July 2006	475,662	3,271,725	2,137,825	11,584	1,216,744	4,180,439	11,293,979
Charge for the year	33,249	612,462	339,886	3,693	171,941	352,220	1,513,451
Disposals	-	-	(168,222)	-	(57,269)	-	(225,491)
At 30 June 2007	508,911	3,884,187	2,309,489	15,277	1,331,416	4,532,659	12,581,939
NET BOOK VALUE							
At 30 June 2007	794,840	11,500,097	7,244,366	41,270	1,081,614	1,277,888	21,940,075
Capital work-in-progress							6,206,944
							28,147,019

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

Included in land and buildings, distribution lines, machinery, motor vehicles, furniture and equipment are assets with a cost of KShs 6,691,813,806 and carrying amount of KShs. 268,849,224, which were fully depreciated but still in use. The normal depreciation charge on these assets would have been KShs 1,000,977,904.

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

The cost of distribution lines were arrived after adjusting the actual total cost of the lines of KShs 21,087,280,095 with the customers contributions of KShs 11,533,424,598.

Notes to the Financial Statements (continued) for year ended 30 June 2008

14. PROPERTY AND EQUIPMENT (continued)

NET BOOK VALUE (COST BASIS)

	Freehold land and buildings KShs'000	Transmission lines KShs'000	Distribution lines KShs'000	Machinery KShs'000	Motor vehicles KShs'000	Furniture equipment and other KShs'000	Total KShs'000
At 30 June 2008	770,224	8,656,593	11,778,467	37,510	1,296,424	1,429,066	23,968,284
Work-in-progress							12,853,493
							36,821,777
At 30 June 2007	794,840	8,727,907	7,244,364	41,270	1,081,614	1,277,888	19,167,883
Capital work-in-progress							6,206,944
							25,374,827

15. PREPAID LEASES ON LAND

COST

At 30 June 2007 and 2008	133,693
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AMORTISATION

At 1 July 2007	1,712
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Amortisation for the year	55
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At 30 June 2008	1,767
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NET BOOK VALUE

At 30 June 2008	131,926
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At 30 June 2007	131,981
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This relates to leases on land that is under use by the Company countrywide mainly hosting substations. The leased land is spread all over the country and carries different lease periods and lease amounts, depending on when it was leased.

There were 152 leases during the year (2007 - 152). All the land is leased from the Government of Kenya under renewable leases. The lease periods range from between 50 years to 99 years in the provinces and up to 999 years for some plots at the Coastal City of Mombasa.

Leases are renewed as they expire. Where leases have expired in the past, all have been renewed without any complications and no renewal complications are expected in the foreseeable future.

Notes to the Financial Statements (continued) for year ended 30 June 2008

16. UNQUOTED INVESTMENT

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

17. INVENTORIES

	2008 KShs'000	2007 KShs'000
General stores	4,759,839	3,037,144
Engineering spares	22,737	21,199
Fuel and oil	191,650	129,109
Transformers	1,224,463	980,714
Motor vehicle spares	104,821	90,810
Goods in transit	274,685	753,644
	6,578,195	5,012,620

General stores, engineering spares, fuel and oil, transformers and motor vehicle spares are stated at weighted average cost and adjusted with provision for obsolete and slow moving stocks of KShs 815,148,963 (2007 – KShs 699,950,012) while goods in transit are at cost.

18 (a) TRADE AND OTHER RECEIVABLES

	2008 KShs'000	2007 KShs'000
Electricity receivables (note 18 (c))	6,650,271	6,447,942
Prepayments	125,365	390,985
Recoverable fuel costs	2,831,741	1,113,195
VAT recoverable	1,978,403	2,379,082
Government of Kenya – Power purchase subsidy	1,112,240	1,858,602
Rural Electrification Programme Schemes	2,581,484	-
Staff receivables	414,375	390,112
Other receivables	483,607	379,299
Gross trade and other receivables	16,177,486	12,959,217
Provision for bad debts (Note 18(b))	(3,018,062)	(2,805,062)
Net trade and other receivables	13,159,424	10,154,155

18 (b) PROVISIONS FOR IMPAIRED TRADE RECEIVABLES

As at 30 June 2008, trade receivables amounting to KShs 3,018,061,999 (2007- KShs 2,805,061,999) were fully impaired and provided for. Movements in the provisions for impairment of receivables were as follows:

	2008 KShs'000	2007 KShs'000
At 1 July	(2,805,062)	(3,418,566)
Amount written off	-	1,414,258
Additional provision (Note 8)	(213,000)	(800,754)
At 30 June (Note 18(a))	(3,018,062)	(2,805,062)

Notes to the Financial Statements (continued) for year ended 30 June 2008

18 (c) ELECTRICITY RECEIVABLES

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

	Total KShs'000	<30 days KShs'000	30-60 days KShs'000	60-90days KShs'000	90-120days KShs'000	>120days KShs'000
2008						
Gross	6,650,271	4,955,345	306,044	594,370	205,699	588,813
Impairment	(1,995,489)	(641,452)	(152,526)	(406,999)	(205,699)	(588,813)
Carrying amount	4,654,782	4,313,893	153,518	187,371	-	-
2007						
Gross	6,447,943	3,797,531	189,475	503,432	164,049	1,793,456
Impairment	(1,995,489)	-	-	(178,995)	(164,049)	(1,652,445)
Carrying amount	4,452,454	3,797,531	189,475	324,437	-	141,011

18 (d) OTHER RECEIVABLE ANALYSIS

Other receivables comprise mainly debtors which have no specific repayment terms.

	2008 KShs'000	2007 KShs'000
Recoverable fuel costs	2,831,741	1,113,195
Impairment	-	-
	2,831,741	1,113,195
VAT recoverable	1,978,403	2,379,082
Impairment	(655,000)	(455,000)
	(1,323,403)	1,924,082
Government of Kenya – Power purchase subsidy	1,112,240	1,858,602
Impairment	-	-
	1,112,240	1,858,602
Rural Electrification Programme Schemes	2,581,484	-
Impairment	-	-
	2,581,484	-
Staff receivables	414,375	390,112
Impairment	(86,677)	(73,678)
	327,698	316,434
Other receivables	483,607	379,300
Impairment	(280,897)	(280,897)
	202,710	98,403

Notes to the Financial Statements (continued) for year ended 30 June 2008

19. SHORT TERM DEPOSITS, BANK AND CASH BALANCES

(a) Short term deposits - maturing within 3 months

	2008 KShs'000	2007 KShs'000
Housing Finance Company of Kenya Limited	241,906	228,662
Standard Chartered Bank Kenya Limited	-	2,475,589
The Co-operative Bank of Kenya Limited	2,333	141,811
	244,239	2,846,062

The average effective interest rate on the short-term deposits as at 30 June 2008 was 4% (2007 – 6 %).

(b) Bank and cash balances

Bank and cash balances comprise:-

	2008 KShs'000	2007 KShs'000
Cash at bank	496,565	731,055
Cash on hand	15,623	15,433
	512,188	746,488

20. SHARE CAPITAL

(a) Ordinary share capital

Authorised:

97,850,000 ordinary shares of KShs 20 each	1,957,000	1,957,000
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Issued and fully paid:

79,128,000 ordinary shares of KShs 20 each	1,582,560	1,582,560
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(b) Redeemable non-cumulative preference share capital

Authorised:

800,000,000 - 7.85% preference shares of KShs 20 each	16,000,000	16,000,000
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Issued and fully paid:

794,962,500 - 7.85% preference shares of KShs 20 each	15,899,250	15,899,250
---	------------	------------

The issued and fully paid redeemable non-cumulative preference share capital relates to debts from the Government of Kenya converted into redeemable 7.85% non-cumulative preference shares in the year 2004. The preference shares are redeemable in part or whole at the option of the Company and exhibit all the characteristics of equity as there is no present obligation to transfer assets to the holder.

21. RESERVES

	2008 KShs'000	2007 KShs'000
Retained earnings	3,766,427	1,862,443
Revaluation reserve	2,396,301	2,715,240
	6,162,728	4,577,683

The revaluation reserve was as result of revaluation of transmission lines, less transfers to retained earnings.

Notes to the Financial Statements (continued) for year ended 30 June 2008

22. 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 asset at year-end is attributable to the following items:

	2008 KShs'000	2007 KShs'000
Deferred tax assets:		
Tax losses	(562,887)	(1,913,033)
Provisions	(1,240,682)	(1,233,732)
	(1,803,569)	(3,146,765)
Deferred tax liabilities:		
Accelerated capital allowances	2,159,927	2,431,677
Unrealised exchange gains	12,490	110,496
Revaluation surplus	1,026,989	1,163,677
	3,199,406	3,705,850
	1,395,837	559,085
Movement on the deferred tax account is as follows:		
At 1 July	559,085	(234,442)
Credit to revaluation reserve	(136,687)	(136,687)
Income statement charge (note 11(b))	973,439	930,214
At 30 June	1,395,837	559,085

The deferred tax assets have been recognised in the financial statements on the basis of profit forecasts which indicate that the Company will generate sufficient profits in the foreseeable future to facilitate utilisation of the tax losses and provisions. Under the Kenya tax legislation, tax losses can be carried to perpetuity.

23. TRADE AND OTHER PAYABLES

	2008 KShs'000	2007 KShs'000
KenGen	7,803,800	6,025,633
Other electricity suppliers	2,302,557	1,150,636
Customers' deposits	3,390,257	2,932,308
Capital contributions	1,215,155	1,008,950
Other suppliers' accounts	1,338,439	597,466
Rural Electrification Programme Levy	1,554,875	1,552,874
Electricity Regulatory Board Levy	31,423	29,016
Rural Electrification Programme Schemes	-	1,111,707
Other payables and accruals	2,274,181	1,843,039
	19,910,687	16,251,629
Less: Non-refundable and payable after one year	(4,605,412)	(3,941,258)
	15,305,275	12,310,371

Notes to the Financial Statements (continued) for year ended 30 June 2008

23. TRADE AND OTHER PAYABLES (Continued)

The amount due to KenGen represents outstanding amounts arising from power purchases, GoK power purchase subsidy and Sondu Miriu transmission line project as disclosed in note 29 (d).

The non-refundable and payable amounts after one year relate to deposits and capital contributions received from customers.

Rural Electrification Programme Levy represents levies collected by the Company from electricity customers on behalf of the Government, while Rural Electrification Programme Schemes relate to the amount received from Government of Kenya for implementation of Rural Electrification Projects.

24. BORROWINGS

	2008 KShs'000	2007 KShs'000
(a) Balances		
6.125% Kenya Government/Swiss mixed credit (CHF 2,331,110) 1996-2007	147,916	127,388
4% Kenya Government/European Investment Bank - Olkaria loan (Euro 21,661,020) 2005 - 2020	2,207,663	2,095,694
7.83% East Africa Development Bank (Kiambere - Nairobi 220KVA line USD) 2003-2007	-	2,208
4% FMO (Kipevu - Rabai line - USD) 2003-2007	-	49,665
7.7% Kenya Government/IDA 2966 KE loan (USD 3,778,051) 1997-2017	186,096	186,096
4.5% GOK/IDA 3958 KE ESRP (USD 6,024,243) 2004-2024	389,769	219,708
4.5 %GOK/ Nordic Development Fund 435 ESRP (Euro 4,331,176) 2006 - 2024	441,428	93,820
4.5% GOK/Agence Francaise de Development 3008 ESRP (Euro 6,075,614) 2006 - 2024	619,219	132,103
3.97% GOK/EIP 3958 KE ESRP (Euro 8,536,612) 2006 - 2025	870,040	-
2.5% GOK/Export Import Bank of China (RMB Yuan 35,091,106) 2007 - 2026	312,507	-
0.75% Japan Bank for International Cooperation (J. Yen 1,320,013,268) 2007 - 2043	829,904	-
Standard Chartered Bank Loan - 2008 - 2012	7,000,000	-
Standard Chartered Bank - Money Market	-	3,000,000
Barclays Bank - Money Market	-	500,000
Accrued interest	52,201	37,798
	13,056,743	6,444,480
Less: amounts repayable within 12 months	(1,688,535)	(3,761,363)
Non current	11,368,208	2,683,117

Notes to the Financial Statements (continued) for year ended 30 June 2008

24. BORROWINGS (continued)

East African Development Bank Limited, FMO and Barclays Bank money market loans are guaranteed by letters of negative pledge. Standard Chartered bank money market is secured by corporate guarantee and standby letters of credit and confirmed by CfC Stanbic (K) Limited and The Co-operative Bank of Kenya Limited. All other loans are guaranteed by the Government of Kenya.

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

(b) Analysis of borrowings by currency

	Borrowings in KShs. KShs' 000	Borrowings in US\$ KShs' 000	Borrowings in CHF KShs' 000	Borrowings in Euros KShs' 000	Borrowings in J. Yen KShs' 000	Borrowings in R.Yuan KShs' 000	Total Borrowings in KShs' 000
2008							
Loans	7,000,000	619,427	147,916	4,146,989	829,904	312,507	13,056,743
2007							
Loans	3,714,775	272,758	127,388	2,329,559	-	-	6,444,480

(c) Maturity of borrowings

	2008 KShs'000	2007 KShs'000
Due within 1 year	1,688,535	3,761,363
Due between 1 and 2 years	1,636,334	169,521
Due between 2 and 5 years	3,272,668	508,563
Due after 5 years	6,459,206	2,005,033
	13,056,743	6,444,480

25. PREFERENCE SHARES

Authorised, issued and fully paid:

350,000 - 7% cumulative preference shares of KShs 20 each	7,000	7,000
1,800,000 - 4% cumulative preference shares of KShs 20 each	36,000	36,000
	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) for year ended 30 June 2008

26. RETIREMENT BENEFITS OBLIGATION

The Company operates a defined retirement benefits scheme for all full time permanent employees and defined benefit scheme for pensioners and deferred pensioners (those who have left the employment of the Company but have not attained retirement age to qualify as pensioners), who existed as at 30 June 2006. The scheme is administered by an inhouse team and is funded by contributions from the Company and its employees.

The benefits provided by the defined benefit scheme are based on a formula taking into account years of service and remuneration levels, whilst the benefits provided by the defined contribution scheme are determined by accumulated contributions and returns on investments.

AIG Global Investment (EA) Company Limited and Co-optrust Investment Services Limited jointly manage the scheme's funds. Under the defined benefit scheme, the employees are entitled to retirement benefits varying between 2 and 3 percent of final pensionable emoluments on attainment of the retirement age of 55.

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 2006 by an independent qualified actuary, Alexander Forbes Financial Services (East Africa) Limited. Previous valuation was carried out as at 30 December 2005 for purposes of converting from defined benefit scheme to defined contribution scheme by the same actuary.

	2008 KShs'000	2007 KShs'000
Net actuarial losses	166,800	166,800

The charge for the year has been included in staff costs (note 9).

The amount included in the balance sheet arising from the Company's obligation in respect of its defined benefits plan is as follows:

	2008 KShs'000	2007 KShs'000
Present value of funded obligations	9,432,600	7,713,400
Unrecognised actuarial losses	(499,082)	(1,774,182)
Fair value of plan assets	(6,522,700)	(3,695,200)
	2,410,818	2,244,018

Movement in the net liability in the current year were as follows:

At beginning of the year	1,260,018	1,697,218
Amounts paid	(552,000)	(604,000)
Amounts charged to income statement (Note 9)	166,800	166,800
At 30 June	874,818	1,260,018

Notes to the Financial Statements (continued) for year ended 30 June 2008

26. RETIREMENT BENEFITS OBLIGATION (continued)

	2008	2007
Key assumptions used:		
Rate of interest	10%	10%
Expected return on plan assets	10%	10%
Expected rate of salary increases	8%	8%
Future pension increases:		
- Post 31/12/99 service	0%	0%
- Pre 31/12/99 service	3%	3%

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

27. DIVIDENDS PAYABLE

These relate to unclaimed dividends payable to different ordinary shareholders.

28. NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of Operating Profit to cash generated from operations

	2008 KShs'000	2007 KShs'000
Operating profit	3,522,040	2,382,334
Depreciation	1,749,764	1,513,453
Amortisation	55	55
Loss on disposal of property and equipment	41,238	19,478
Impairment of unquoted investment	4,300	-
Operating profit before working capital changes	5,317,397	3,915,320
Increase in inventories	(1,565,575)	(2,084,034)
Increase in trade and other receivables	(3,005,269)	(3,609,120)
Increase in trade and other payables	3,659,058	3,354,502
Decrease in staff retirement benefits scheme	(385,200)	(437,200)
Increase in provision for leave pay obligation	129,067	123,719
Cash generated from operations	4,149,478	1,263,187

Notes to the Financial Statements (continued) for year ended 30 June 2008

28. NOTES TO THE CASH FLOW STATEMENT (continued)

(b) Analysis of changes in Loans

	2008 KShs'000	2007 KShs'000
At the beginning of the year	6,444,480	3,145,626
Receipts	10,217,235	3,864,211
Repayments	(3,936,483)	(391,272)
Repayment of previous year's accrued interest	(37,798)	(29,443)
Exchange losses/ (gains)	317,108	(182,440)
Accrued interest	52,201	37,798
At the end of the year	13,056,743	6,444,480

(c) Analysis of cash and cash equivalents

	2008 KShs'000	2007 KShs'000
Short term deposits	244,239	2,846,062
Bank and cash balances	512,188	746,488
	756,427	3,592,550

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.

29. RELATED PARTY TRANSACTIONS

The Government of Kenya is the principal shareholder in The Kenya Power and Lighting Company Limited (KPLC) and also holds 70% of the equity interest in Kenya Electricity Generating Company Limited (KenGen). The Company is related to KenGen through common control.

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

(a) Government of Kenya

	2008 KShs'000	2007 KShs'000
(i) Ministries		
Electricity sales to Government Ministries	1,203,419	1,284,991

Notes to the Financial Statements (continued) for year ended 30 June 2008

29. RELATED PARTY TRANSACTIONS (continued)

	2008 KShs'000	2007 KShs'000
(ii) Outstanding balances		
Included in trade and other receivables:		
Ministries	184,771	318,537
Strategic parastatals	230,617	738,516
VAT recoverable	1,323,403	1,924,082
GoK power purchase subsidy	1,106,645	1,858,602
Rural Electrification Schemes	2,581,484	-
	<u>5,426,920</u>	<u>4,839,737</u>
Included in trade and other payables		
Rural Electrification Programme levy	1,554,875	1,552,874
Electricity Regulatory Commission levy	31,423	29,016
Rural Electrification Schemes	-	1,111,707
	<u>1,586,298</u>	<u>2,693,597</u>
Net amount due from Government of Kenya	3,840,622	2,146,140

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

	2008 KShs'000	2007 KShs'000
(b) Staff		
(i) Sales		
Electricity sales to staff	18,173	16,778
Outstanding balances included in electricity customers	5,362	5,220
(ii) Advances to staff included in trade and other receivables	340,698	316,434

The tariff charged to staff is KShs 2.26 per kWh. This has however changed to market rate with effect from 1 July 2008.

(iii) Key management compensation	68,823	55,582
(iv) Key management retirement benefit payments	3,502	3,174

Notes to the Financial Statements (continued) for year ended 30 June 2008

29. RELATED PARTY TRANSACTIONS (continued)

(c) Rural Electrification Programme

During the year, the Company continued to manage the Rural Electrification Programme (REP) on behalf of the Government of Kenya.

The Rural Electrification Programme (REP) was established in 1973 by the Government of Kenya following an agreement between it and East African Power & Lighting Company, 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. During the year, the Rural Electrification Authority (REA) was established to manage the REP activities that are currently carried out by the Company.

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 scheme's financial details not included in these financial statements are as follows:

	2008 KShs'000	2007 KShs'000
Electricity sales	2,064,074	1,721,279
Expenditure	(3,669,656)	(2,976,218)
Net deficit	(1,605,582)	(1,254,939)
Net Assets	18,427,803	12,306,821

The balance outstanding in the current account with the Government of Kenya is disclosed in note 18(a) under trade and other receivables.

(d) Kenya Electricity Generating Company Limited

	2008 KShs'000	2007 KShs'000
Electricity purchases	22,616,495	20,680,828
Amounts due to KenGen on account of electricity purchases	6,277,914	3,539,959
Amounts due to KenGen on account of GOK subsidy	1,112,241	1,858,602
Amounts due to KenGen on account of Sondu Miriu project	413,645	627,071
Electricity sales	67,289	60,079
Amounts due from KenGen on account of electricity sales	7,472	5,727

Transactions with KenGen are at arm's length and in the normal course of business.

Notes to the Financial Statements (continued) for year ended 30 June 2008

29. RELATED PARTY TRANSACTIONS (continued)

(e) KPLC Staff Retirement Benefits Scheme

The Company rents property owned by the staff retirement benefits scheme for office accommodation. Rent paid to the scheme in the year amounted to KShs 56,787,360 (2007-KShs 56,787,360).

30. CAPITAL COMMITMENTS

	2008 KShs'000	2007 KShs'000
Authorised and contracted for	29,775,627	12,284,100
Less: Amount incurred and included in work-in-progress	(10,284,396)	(4,873,180)
	19,491,231	7,410,920
Less: Capital contributions received from customers	(1,218,321)	(688,962)
	18,272,910	6,721,958

31. CONTINGENT LIABILITIES

Bank guarantees	536,157	557,110
Claims on the Company	6,471,694	6,145,286
	7,007,851	6,702,396

Included in the claims on the Company are: -

- Some employees whose employment was terminated in the year 2003 went to court seeking additional compensation for termination. The advice from the external lawyers is that the plaintiffs claim cannot succeed against the Company.
- KShs1.355 billion in 2004 relating to a claim by Tana & Athi River Development Authority (TARDA) for Masinga and Kiambere power stations lease hire charges for the period prior to 1998. In 2005, the parties, together with the parent ministries, Treasury and Office of the President agreed to settle the matter administratively. This dispute arose as a result of compliance by the Company of a Government directive in 1988. Resolution of this matter is being discussed with the GoK.
- Other claims on the Company relate to civil suits lodged against the Company by various parties in the normal course of business.
- Kenya Electricity Generating Company Limited (KenGen) has claimed an amount of KShs 826 million relating to an actuarial deficit determined on the separation of the Staff Retirement Benefit Schemes in 2004. This claim has been disputed by the company.

Notes to the Financial Statements (continued) for year ended 30 June 2008

31. CONTINGENT LIABILITIES (continued)

The likely outcome of these suits cannot be determined as at the date of signing these financial statements.

Based on the information currently available, the Directors believe that the ultimate resolution of these legal proceedings would most likely not have a material effect on the results of the Company's operations, financial position or liquidity.

32. 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:

	2008 KShs'000	2007 KShs'000
Not later than 1 year	107,754	109,407
Later than 1 year and not later than 5 years	258,191	351,055
	365,945	460,462

As Lessor:

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

	2008 KShs'000	2007 KShs'000
Not later than 1 year	43,470	46,489
Later than 1 year but not later than 5 years	111,567	109,003
	155,037	155,492

Operating leases relate to premises with lease terms 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.

33. WORLD BANK FINANCING

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

	2008 KShs'000	2007 KShs'000
Balance at the beginning of the year	51,448	64,141
Amounts received during the year	182,298	129,840
Net interest income	80	105
Expenditure during the year	(198,086)	(142,638)
Balance at the end of the year	35,740	51,448

Notes to the Financial Statements (continued) for year ended 30 June 2008

33. WORLD BANK FINANCING (continued)

(b) The closing balances shown above are included in cash and cash equivalents and represent balances on the World Bank funded Special Account No. 024/00/800521/01 held at Cfc Stanbic Bank of Kenya Limited. Included in the long term liabilities is also an amount of KShs. 389,768,512 (US\$ 6,024,243) in respect of the amounts disbursed under the loan to date.

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

34. TARIFF REVIEW

On 26 June 2008, the Energy Regulatory Commission (ERC) approved an application by the Company for increase in retail tariffs with effect from 1 July 2008. ERC also approved new bulk charge rates for each of KenGen's power plants to be applied with effect from the same date. The objectives of the tariff increase were to generate additional revenue to meet the increased costs of power purchases and transmission and distribution operations.

In July 2008, KenGen lodged an appeal with the Energy Tribunal against the bulk plant charge rates set by ERC. The Company was enjoined as a party to the suit.

Based on the information available, Directors believe that the ultimate resolution of this case will not have a material effect on the results of the Company's operations, financial position or liquidity.

35. COMPARATIVES

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

36. INCORPORATION

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

37. CURRENCY

These financial statements are prepared in Kenya shillings thousands (KShs'000).

Ten Year Financial and Statistical Records

For year ended	30th June 1998	30th June 1999	30th June 2000	30th June 2001	30th June 2002	30th June 2003	30th June 2004	30th June 2005	30th June 2006	30th June 2007	30th June 2008
UNITS SOLD (Millions)	3,498	3,564	3,365	3,091	3,498	3,654	3,940	4,215	4,444	4,818	5,082
Average yield of units sold (cents)	516.67	516.91	700.28	911.95	709.20	633.03	591.96	672.39	764.33	787.55	805.18
Revenue from sale of electricity	18,073,232	18,422,731	23,564,466	28,188,525	24,807,649	23,130,782	23,323,083	28,341,356	33,966,730	37,944,286	40,919,138
PROFIT/(LOSS) for the Year	2,005,343	1,721,924	(4,155,863)	(4,103,984)	(1,868,760)	(4,110,263)	875,614	1,981,206	2,499,913	2,384,264	3,523,970
Before exceptional item	-	-	1,581,594	-	(978,426)	-	-	-	-	-	-
Exceptional item	2,005,343	1,721,924	(2,574,269)	(4,103,984)	(2,847,186)	(4,110,263)	875,614	1,981,206	2,499,913	2,384,264	3,523,970
PROFIT/(LOSS) for the Year before taxation	(658,612)	(416,662)	966,287	1,229,203	969,563	1,060,838	(415,877)	(709,003)	(853,752)	(930,214)	(973,439)
TAXATION (CHARGE)/ CREDIT	1,346,731	1,305,262	(1,607,982)	(2,874,781)	(1,877,623)	(3,049,425)	459,737	1,272,203	1,646,161	1,454,050	2,550,531
NET PROFIT/(LOSS) AFTER TAXATION	(1,930)	(1,930)	(1,930)	(1,930)	(1,930)	(1,930)	(1,930)	(1,930)	(1,930)	(1,930)	(1,930)
Preference dividends (gross)	1,344,801	1,303,332	(1,609,912)	(2,876,711)	(1,879,553)	(3,051,355)	457,807	1,270,273	1,644,231	1,452,120	2,548,601
NET PROFIT/ (LOSS) ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	(422,016)	(633,024)	(158,256)	-	-	-	-	(118,692)	(118,692)	(237,384)	(316,512)
ORDINARY DIVIDENDS (gross)	922,785	670,308	(1,768,168)	(2,876,711)	(1,879,553)	(3,051,355)	457,807	1,151,581	1,525,539	1,214,736	2,232,089
RETAINED PROFIT/(LOSS) FOR THE YEAR	922,785	670,308	(1,768,168)	(2,876,711)	(1,879,553)	(3,051,355)	457,807	1,151,581	1,525,539	1,214,736	2,232,089
FUNDS GENERATED FROM OPERATIONS	579,494	748,424	926,201	1,138,686	1,101,236	1,569,572	1,518,396	1,436,716	1,382,910	1,513,506	1,749,819
Profit/(Loss) for the year	1,502,279	1,418,732	(841,967)	(1,738,025)	(778,317)	(1,481,783)	1,976,203	2,588,297	2,908,449	2,728,242	3,981,908
Depreciation											

Ten Year Financial and Statistical Records (continued)

For year ended	30th June 1998	30th June 1999	30th June 2000	30th June 2001	30th June 2002	30th June 2003	30th June 2004	30th June 2005	30th June 2006	30th June 2007	30th June 2008
CAPITAL EMPLOYED											
Fixed Assets less depreciation	7,548,159	9,136,366	12,022,675	12,343,789	19,357,165	19,011,871	20,599,403	20,856,199	22,416,459	28,147,019	38,925,317
Prepaid leases on land	-	-	-	132,343	132,257	132,202	132,147	132,092	132,037	131,981	131,926
Loan to KenGen	80,871	-	-	-	-	-	-	-	-	-	-
Investment	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300	-
Other non current assets	-	-	-	-	187,500	325,262	351,886	340,684	-	-	-
Net current assets/(Liabilities)	(389,532)	694,474	(2,445,301)	(7,108,211)	1,319,233	(1,972,253)	1,139,351	2,969,063	3,816,718	1,192,560	2,237,136
	7,243,798	9,835,140	9,581,674	5,372,221	21,000,455	17,501,382	22,227,087	24,302,338	26,369,514	29,475,860	41,294,379
FINANCED BY:											
Ordinary shareholders' equity	5,060,357	5,730,665	3,962,497	1,065,785	3,516,168	997,475	1,591,969	2,998,929	4,661,155	6,350,150	7,982,672
Non cumulative preference shares	-	-	-	-	-	-	15,899,250	15,899,250	15,899,250	15,899,250	15,899,250
Cumulative preference shares	43,000	43,000	43,000	43,000	43,000	43,000	43,000	43,000	43,000	43,000	43,000
Loan capital	1,153,273	1,239,483	1,268,999	2,258,632	5,049,326	5,494,863	3,769,347	3,248,936	2,701,722	2,683,117	11,368,208
Deferred taxation	987,168	1,207,550	241,263	(987,940)	(110,389)	(1,803,024)	(1,523,834)	(951,518)	(234,442)	559,085	1,395,837
Non current liability	-	1,614,442	4,065,915	2,972,744	12,612,135	12,790,747	2,447,355	3,063,741	3,298,829	3,941,258	4,605,412
	7,243,798	9,835,140	9,581,674	5,352,221	21,110,240	17,523,061	22,227,087	24,302,338	26,369,514	29,475,860	41,294,379
CAPITAL EXPENDITURE											
Average cost of units sold (cents)	1,542,191	2,351,083	4,669,768	1,593,221	1,959,535	1,231,937	3,111,203	1,846,965	2,979,564	7,463,425	10,217,235
	471	464	803	1,207	856	736	584	644,64	736,95	748,50	754,88
Profit/(Loss) for the year before taxation as a											
percentage of average capital employed	27.68%	17.51%	-26.87%	-76.39%	-13.56%	-23.49%	3.94%	8.15%	9.48%	8.09%	8.53%
ORDINARY DIVIDENDS RATES											
Earnings per share	40%	40%	10%	0%	0%	0%	0%	7.50%	7.50%	10%	15%
Customers/employees ratio	17	16.47	(20.35)	(36.35)	(23.75)	(38.56)	5.79	16.05	20.78	21.72	21.03
Sales (KWh) per employee	63.20	66.57	71.31	71.22	98.25	107.98	110.62	119.93	129.00	144.00	159.03
	488,070	501,672	474,278	473,064	557,444	582,868	633,848	687,602	716,543	752,930	762,147

Table 1: Power System Operation Statistics for 6 years

COMPANY	Capacity (MW) as at 30.06.2008		Energy Purchased Units in GWh					
	Installed	Effective ¹	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
KenGen								
Hydro								
Tana	14.4	10.4	65	65	59	56	68	64
Wanjii	7.4	7.4	51	34	21	22	36	37
Kamburu	94.2	90.0	470	470	381	399	464	489
Gitaru	225.0	216.0	945	938	757	795	945	977
Kindaruma	40.0	40.0	224	221	170	190	215	239
Small Stations	6.3	5.6	25	28	23	20	21	23
Masinga	40.0	40.0	206	230	169	170	183	230
Kiambere	144.0	144.0	999	1010	814	852	973	937
Turkwel	106.0	106.0	136	263	475	520	372	341
Sondu Miriu	60.0	60.0	0	0	0	0	0	150
Hydro Total	737	719	3,120	3,259	2,869	3,025	3,277	3,488
Thermal								
Kipevu Steam			83	56	48	0	0	0
Kipevu I Diesel	75.0	60.0	144	279	330	399	326	295
Fiat - Nairobi South	13.5	10.5	0.2	-0.02	3	18	4	7
Kipevu Gas Turbines	60.0	60.0	20	4	97	194	75	88
Garissa & Lamu	5.2	4.6	12	13	13	15	16	18
Thermal Total	154	135	260	352	491	626	421	408
Geothermal								
Olkaria I	45.0	45.0	277	266	371	324	360	359
Olkaria II	70.0	70.0	0	417	549	562	540	564
Geothermal Total	115	115	277	682	920	886	900	922
Wind								
Ngong	0.4	0.4	0.3	0.4	0.4	0.4	0.2	0.2
KenGen Total	1,006	970	3,657	4,294	4,280	4,538	4,599	4,818
Government of Kenya (Rural Electrification Programme)								
Off-grid Thermal Stations	9.0	7.9	10	10	11	11	12	14
Independent Power Producers (IPP) - Thermal & Geothermal								
Iberafrika	56.0	56.0	251	240	330	408	321	306
Westmont ²	0.0	0.0	29	15	3	0	0	0
Tsavo	74.0	74.0	473	200	508	570	547	556
Mumias - Cogeneration	2.0	0.0	0	0	0	9	4	9
OrPower 4 - Geothermal	13.0	13.0	109	105	115	117	112	98
IPP Total	145	143	861	560	956	1,103	984	970

Table 1: Power System Operation Statistics for 6 years (continued)

COMPANY	Capacity (MW) as at 30.06.2008		Energy Purchased Units in GWh					
	Installed	Effective ¹	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
Emergency Power Producers (EPP)³								
Aggreko energy to Kenyan Market	150	146	0	0	0	30	561	499
Aggreko energy to Uganda								57
EPP Total	150	146	0	0	0	30	561	556
Imports								
UETCL			222	171	99	15	13	25
TANESCO			0	0	0.3	0.4	0.5	1.0
Total Imports	0.0	0.0	222	171	99	15	13	26
SYSTEM TOTAL	1,310	1,267	4,750	5,035	5,347	5,697	6,169	6,385
SUMMARY OF KEY STATISTICS								
SALES⁴ - KPLC System (GWh)			3,654	3,940	4,200	4,391	4,771	5,036
- REP System (GWh)			147	150	164	165	221	240
- Export to Uganda (GWh)					15	24	73	46
TOTAL SALES (GWh)			3,801	4,090	4,379	4,580	5,065	5,322
System Losses (GWh) ⁴			949	946	968	1,117	1,104	1,062
System Peak Demand (MW) ⁵			786	830	899	920	987	1,044
System Load Factor			69.4%	69.4%	68.4%	70.9%	71.5%	69.5%
Sales % of Energy Purchased			80.0%	81.2%	81.9%	80.4%	82.1%	83.4%
Losses as % of Energy Purchased			20.0%	18.8%	18.1%	19.6%	17.9%	16.6%
Annual Growth: - Energy Purchased			4.1%	6.0%	6.2%	6.6%	8.3%	3.5%
- KPLC Sales			4.5%	7.8%	6.6%	4.5%	8.7%	5.6%
- REP Sales			12.9%	2.0%	9.3%	0.6%	33.9%	8.6%

NOTES:

- 1) Maximum output from the station under normal operating conditions.
- 2) Westmont was retired in August 2004 upon expiry of the supply contract with KPLC.
- 3) Aggreko was commissioned in June 2006 to address the shortfall in meeting the Country's demand.
- 4) System losses comprise of technical and non-technical losses.
- 5) The Demand shown includes the export demand. The Country's peak demand was 884MW, 916MW, 979MW and 1,036MW for years 2004/05, 2005/06, 2006/07 and 2007/08 respectively as shown in Table 2

Table 2: Regional Maximum Demand (MW)

REGION	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
Nairobi	405	427	453	481	522	548
Coast	145	141	152	164	179	180
West Kenya	157	166	176	178	195	212
Mt. Kenya	78	81	86	90	100	113
TOTAL SYSTEM* (SIMULTANEOUS)	786	830	884	916	979	1,036
% INCREASE P.A.	3.4%	5.6%	6.5%	3.7%	6.8%	5.8%

*The Total System Peak demand excludes export demand.

Table 3: KPLC Sales in GWh by Customer Category

TARIFF	TYPES OF CUSTOMERS COVERED BY THIS TARIFF	2002/03	2003/04	2004/05	2005/06*	2006/07	2007/08
A0	Domestic	834	900	956	1,028	1,113	1,255
A1	Small Commercial	450	476	522	522	558	590
B	Commercial (Medium) and Industrial(Medium)	748	819	885	901	985	996
C	Commercial (Large) and Industrial(Large)	1,557	1,683	1,776	1,877	2,054	2,108
D	Off-peak	59	55	53	54	50	74
E	Street lighting	7	7	8	9	11	13
	TOTAL	3,654	3,940	4,200	4,391	4,771	5,036
	% INCREASE P.A.	4.5%	7.8%	6.6%	4.5%	8.7%	5.6%

Table 4: Total Unit Sales by Region in GWh

REGION	2002/03	2003/04	2004/05	2005/06*	2006/07	2007/08
Nairobi	1,923	2,075	2,234	2,371	2,595	2,782
Coast	708	759	808	844	908	929
West Kenya	702	741	792	805	872	902
Mt. Kenya	321	365	366	371	396	423
KPLC Sales	3,654	3,940	4,200	4,391	4,771	5,036
R.E.P. Schemes	147	150	164	165	221	240
Export Sales			15	24	73	46
TOTAL	3,801	4,090	4,379	4,580	5,065	5,322
%INCREASE P.A.	4.8%	7.6%	7.1%	4.6%	10.6%	5.1%

Exports for 2007/08 were to Uganda from Aggreko via KPLC

Table 5: Regional Sale of Electricity in GWh for Category "A0" Domestic Load

REGION	2002/03	2003/04	2004/05	2005/06*	2006/07	2007/08
Nairobi	541	582	622	666	719	808
Coast	142	153	165	178	194	214
West Kenya	97	104	112	122	132	152
Mt. Kenya	51	54	57	62	68	81
TOTAL	831	892	956	1,028	1,113	1,255
% INCREASE P.A.	8.2%	7.4%	7.1%	7.6%	8.3%	12.8%

Table 6: Regional Sale of Electricity in GWh for Category "A1" Small Commercial Load

REGION	2002/03	2003/04	2004/05	2005/06*	2006/07	2007/08
Nairobi	217	230	245	244	263	271
Coast	65	70	79	79	85	91
West Kenya	109	114	120	126	134	143
Mt. Kenya	59	62	79	73	76	85
TOTAL	450	476	522	522	558	590
% INCREASE P.A.	0.8%	5.8%	9.7%	-0.1%	6.9%	5.7%

Table 7: Regional Sale of Electricity in GWh for Category "B0" Irrigation Load

REGION	2002/03	2003/04	2004/05	2005/06*	2006/07	2007/08
Nairobi	4.4	5.0	4.3	7.0	6.8	5.5
Coast	0.4	0.4	0.5	0.4	0.3	0.3
West Kenya	11.0	13.5	15.6	18.0	17.7	15.7
Mt. Kenya	20.3	19.0	17.7	22.0	17.5	15.9
TOTAL	36	38	38	47	42	37
% INCREASE P.A.	10.6%	4.7%	0.7%	24.5%	-10.8%	-11.6%

Table 8: Regional Sale of Electricity in GWh for Category "B1" Medium Commercial & Industrial Load (240/415V)

REGION	2002/03	2003/04	2004/05	2005/06*	2006/07	2007/08
Nairobi	381	424	459	472	524	536
Coast	124	126	133	129	139	139
West Kenya	133	146	154	159	173	175
Mt. Kenya	52	58	64	69	74	78
TOTAL	690	754	811	829	910	928
% INCREASE P.A.	7.5%	9.3%	7.6%	2.2%	9.8%	2.0%

Table 9: Regional Sale of Electricity in GWh for Category "B2" Medium Commercial & Industrial Load (11kV/33kV)

REGION	2002/03	2003/04	2004/05	2005/06*	2006/07	2007/08
Nairobi	13.5	10.1	13	13	20.8	12.5
Coast	5.2	11.2	9	5	5.5	12.8
West Kenya	3.1	2.7	3	3	3.8	3.0
Mt. Kenya	1.0	1.4	2	3	2.6	2.2
TOTAL	23	25	27	24	32.7	30.5
% INCREASE P.A.	34.5%	11.2%	7.7%	-12.1%	36.3%	-6.7%

Table 10: Regional Sale of Electricity in GWh for Category "B3" Medium Commercial & Industrial Load (66kV/132kV)

REGION	2002/03	2003/04	2004/05	2005/06*	2006/07	2007/08
Nairobi	0	0	2	1	0.03	0.00
Coast	0	0	0	0	0.02	0.20
West Kenya	0	0	0	0	0	0
Mt. Kenya	0	0	0	0	0	0
TOTAL	0.0	0.0	2.0	1.0	0.05	0.20
% INCREASE P.A.	-100.0%	0.0%	100.0%	-48.8%	-95.0%	300.0%

Table 11: Regional Sale of Electricity in GWh for Category "C1" Medium Commercial & Industrial Load (415V)

REGION	2002/03	2003/04	2004/05	2005/06*	2006/07	2007/08
Nairobi	218	227	250	271	283	293
Coast	91	85	93	106	109	105
West Kenya	127	138	134	123	147	143
Mt. Kenya	89	99	95	94	104	102
TOTAL	526	549	572	594	643	643
% INCREASE P.A.	1.0%	4.4%	4.2%	3.9%	8.2%	0.0%

Table 12: Regional Sale of Electricity in GWh for Category "C2" Large Commercial & Industrial Load (11kV/33kV)

REGION	2002/03	2003/04	2004/05	2005/06*	2006/07	2007/08
Nairobi	320	370	392	423	489	535
Coast	217	238	255	268	292	275
West Kenya	96	100	119	132	148	155
Mt. Kenya	48	49	46	46	52	53
TOTAL	681	757	812	869	981	1,019
% INCREASE P.A.	2.2%	11.1%	7.2%	7.1%	12.9%	3.8%

Table 13: Regional Sale of Electricity in GWh for Category "C3" Large Commercial & Industrial Load (66kV/132kV)

REGION	2002/03	2003/04	2004/05	2005/06*	2006/07	2007/08
Nairobi	168	183	193	196	174	186
Coast	63	72	76	77	82	86
West Kenya	0	0	0	0	0	0
Mt. Kenya	0	0	0	0	0	0
TOTAL	231	256	269	273	256	272
% INCREASE P.A.	11.9%	11.0%	4.9%	1.7%	-6.2%	6.2%

Table 14: Regional Sale of Electricity in GWh for Category "C4" Large Commercial & Industrial Load (66kV/132kV)

REGION	2002/03	2003/04	2004/05	2005/06*	2006/07	2007/08
Nairobi	0	0	0	21	60	65
Coast	0	0	0	0	0	0
West Kenya	0	0	0	0	0	0
Mt. Kenya	0	0	0	0	0	0
TOTAL	0	0	0	21	60	60
% INCREASE P.A.	0.0%	0.0%	0.0%	100.0%	185.7%	0.0%

Note: Category C4 was introduced on March 2006

Table 15: Regional Sale of Electricity in GWh for Category "C5" Large Commercial & Industrial Load (66kV/132kV)

REGION	2002/03	2003/04	2004/05	2005/06*	2006/07	2007/08
Nairobi	0	0	0	0	0	0
Coast	0	0	0	0	0	0
West Kenya	120	117	125	120	114	109
Mt. Kenya	0	0	0	0	0	0
TOTAL	120	117	125	120	114	109
% INCREASE P.A.	-0.5%	-2.5%	6.4%	-3.6%	-5.0%	-4.6%

Note: Category C5 was introduced on 29th May 2000

Table 16: Regional Sale of Electricity in GWh for Category "D0" Off-Peak Load

REGION	2002/03	2003/04	2004/05	2005/06*	2006/07	2006/07
Nairobi	53.3	51.0	50.2	51.0	47	60
Coast	1.3	1.0	0.7	1.0	1	5
West Kenya	2.1	1.7	1.2	1.0	1	5
Mt. Kenya	1.9	1.4	1.5	1.0	1	4
TOTAL	59	55	53	54	50	74
% INCREASE P.A.	5.8%	-6.0%	-2.9%	1.0%	-7.8%	48.7%

Table 17: Regional Sale of Electricity in GWh for Category "E0" Street Lighting

REGION	2001/02	2002/03	2003/04	2004/05	2005/06*	2006/07	2007/08
Nairobi	4.6	5.4	5.6	6.1	7.0	8.5	10.0
Coast	0.7	0.5	0.6	0.5	0.6	0.9	1.3
West Kenya	0.5	0.5	0.5	0.5	0.9	1.0	0.8
Mt. Kenya	0.4	0.4	0.5	0.5	0.7	0.7	0.9
TOTAL	6.2	6.8	7.2	7.7	9.2	11.1	13.0
% INCREASE P.A.	6.5%	10.1%	5.3%	8.0%	18.9%	20.7%	17.1%

Table 18: Regional Sale of Electricity in GWh for R.E.P Schemes

REGION	2001/02	2002/03	2003/04	2004/05	2005/06*	2006/07	2007/08
Nairobi	25	26	28	31	32	42	48
Coast	8	7	8	9	9	14	15
West Kenya	65	69	75	83	85	113	121
Mt. Kenya	32	45	38	40	39	52	57
TOTAL	130	147	150	164	165	221	240
% INCREASE P.A.	8.1%	12.8%	2.0%	9.1%	0.8%	33.9%	8.6%

Table 19: Number of Customers by Region

AS AT 30th JUNE							
REGION	2002	2003	2004	2005	2006	2007	2008
Nairobi	286,004	308,056	331,108	355,673	388,202	445,595	505,414
Coast	74,659	81,138	85,017	90,796	98,790	109,645	121,864
West Kenya	98,112	106,438	112,753	118,734	130,044	149,606	168,608
Mt. Kenya	55,905	60,467	63,875	68,148	74,489	86,436	103,143
KPLC Customers	514,680	556,099	592,753	633,351	691,525	791,282	899,029
R.E.P. Customers	78,941	87,175	93,442	101,793	110,724	133,047	161,354
TOTAL	593,621	643,274	686,195	735,144	802,249	924,329	1,060,383
% INCREASE P.A.	10.5%	8.4%	6.7%	7.1%	9.1%	15.2%	14.7%

Table 20: Number of Customers by Tariff Category

TARIFF	MAIN TYPE OF CUSTOMERS COVERED BY THIS TARIFF	AS AT 30TH JUNE					
		2003	2004	2005	2006	2007	2008
A0 only	Domestic KPLC REP	413,303 55,545	444,785 59,750	482,812 65,439	534,743 72,794	626,099 91,672	724,283 114,820
A0 & D0	Domestic KPLC REP	49,266 316	50,290 319	50,843 325	52,338 338	54,284 358	55,573 367
A1 only	Small Commercial KPLC REP	86,923 31,080	90,727 33,190	93,021 35,874	97,236 37,412	103,617 40,752	111,446 46,010
A1& D0	Small Commercial KPLC REP	1,124 160	1,134 82	1,162 80	1,146 75	1,150 185	1,149 71
B0	Irrigation Load KPLC REP	247 2	251 2	226 2	225 2	213 3	196 3
B1	Medium Commercial and Industrial KPLC REP	2,591 48	3,006 76	2,863 46	3,291 78	3,208 53	3,412 55
B2	Medium Commercial and Industrial KPLC	58	61	66	68	65	68
B3	Medium Commercial and Industrial KPLC	1	1	4	2	2	4
C1	Large Commercial KPLC REP	279 1	269 1	287 1	305 1	317 2	321 2
C2	Large Commercial and Industrial KPLC	126	135	142	155	168	177
C3	Large Commercial and Industrial KPLC	19	19	16	18	18	16
C4	Large Commercial and Industrial KPLC	0	0	0	1	1	1
C5	Large Commercial and Industrial KPLC	1	1	1	1	1	1
D0 only	Off-peak KPLC REP	1,056 12	918 9	734 8	705 10	677 8	659 9
E0	Street lighting KPLC REP	1,105 11	1,156 13	1,178 14	1,291 14	1,462 14	1,723 17
	TOTAL (KPLC)	556,099	592,753	633,355	691,525	791,282	899,029
	TOTAL (R.E.P.)	87,175	93,442	101,789	110,724	133,047	161,354
	GROSS TOTAL	643,274	686,195	735,144	802,249	924,329	1,060,383
	% INCREASE P.A.	8.4%	6.7%	7.1%	9.1%	15.2%	14.7%

Table 21: Revenue (Kshs "Million) by Customer Category

TARIFF	MAIN TYPE OF CUSTOMERS COVERED BY THIS TARIFF	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
A*	Domestic, small commercial & small industrial	8,841	8,855	10,386	12,742	15,576	17,466
A0	Domestic		5,233	6,481	8,092	9,718	10,985
A1	Small commercial & small industrial		3,622	3,905	4,650	5,858	6,481
B	Commercial & industrial (medium)	5,220	5,329	6,509	7,338	7,607	8,054
C	Commercial (large)						
D	Industrial (large)	8,743	8,816	10,891	13,294	14,225	14,810
E	Off-peak	276	272	472	320	298	442
	Street Lighting	51	51	83	95	132	198
	TOTAL	23,130	23,323	28,341	33,789	37,838	40,970
	Export**			92	178	106	-51
	TOTAL KPLC	23,130	23,323	28,433	33,967	37,944	40,919
	R.E.P.	1,011	978	1,208	1,538	1,721	2,064
	TOTAL REVENUE	24,142	24,301	29,641	35,505	39,665	42,983
	%INCREASE P.A.	-6.4%	0.7%	22.0%	19.8%	11.7%	8.4%

* Revenues for A0 & A1 are shown collectively as category A for Year 2002/03. They are thereafter shown collectively as well as separately split as A0 & A1.

** In 2007/08, KPLC had no export revenues from UETCL. Exports to UETCL were from Aggrekko plants through the KPLC System. The amount of KShs. 51 million in the year relates to exchange loss arising from timing difference.

Table 22: Staff Analysis

	AS AT 30th JUNE					
	2003	2004	2005	2006	2007	2008
Number of Staff in Each Region						
Central Office	744	675	704	698	736	894
Nairobi	2,423	2,451	2,372	2,405	2,438	2,387
Coast	739	735	732	743	755	776
West	1,544	1,538	1,532	1,543	1,613	1,728
Mt Kenya	819	817	790	813	857	883
Total Number of Staff*	6,269	6,216	6,130	6,202	6,399	6,668
% INCREASE P.A.	-2.4%	-2.4%	-1.4%	1.2%	3.2%	4.2%
Gender:						
Male	5,181	5,156	4,991	5,056	5,158	5,351
Female	1,088	1,060	1,139	1,146	1,241	1,317
Ratio- Male/Female	5	5	4	4	4	4

* All staff employed in the organization are Kenyan Citizens

Statistical Information

Table 23: Transmission and Distribution Lines, Circuit Length in Kilometers

VOLTAGE	AS AT 30th JUNE					
	2003	2004	2005	2006	2007	2008
220 kV	941	1,323	1,323	1,323	1,323	1,323
132 kV	2,035	2,035	2,035	2,035	2,085	2,085
66 kV	580	600	600	630	632	632
40 kV	58	58	58	58	29	29
33 kV	5,430	5,973	6,570	7,826	11,163	12,633
11 kV	13,879	15,267	16,794	18,532	21,918	23,573
TOTAL	22,923	25,256	27,380	30,404	37,149	40,274
% INCREASE P.A.	1.1%	10.2%	8.4%	11.0%	22.2%	8.4%

Table 24: Transmission and Distribution Lines, Circuit Length in Kilometers

	AS AT 30th JUNE					
	2003	2004	2005	2006	2007	2008
Generation Substations						
11/220kV	388	472	472	472	472	472
11/132kV	675	675	675	675	675	675
11/66kV	90	90	90	146	146	183
11/33kV	279	279	279	279	280	280
11/40kV	5	5	5	5	5	5
3.3/11/40kV	8	8	8	8	10	10
3.3/40kV	4	4	4	4	4	4
3.3/33kV	4	4	4	4	4	4
TOTAL	1,453	1,537	1,537	1,593	1,596	1,633
Transmission Substations						
132/220kV	540	620	620	620	620	620
220/132kV	730	810	810	810	811	811
220/66kV	180	360	360	360	360	360
132/66kV	375	255	255	375	375	375
132/33kV	637	637	660	621	629	652
TOTAL	2,462	2,682	2,705	2,786	2,795	2,818
Distribution Substations						
66/11kV	675	743	743	966	1,058	1,114
66/33kV	61	67	67	77	77	77
40/11kV	11	11	11	11	11	11
33/11kV	512	563	619	666	729	750
TOTAL	1,259	1,384	1,440	1,720	1,874	1,951
Distribution Transformers						
11/0.415kV & 33/0.415kV	2,546	2,801	3,081	3,271	3,515	4,138