

KENYA POWER

**ANNUAL REPORT AND
FINANCIAL STATEMENTS**

FINANCIAL YEAR ENDED 30 JUNE

2012





Kenyans supply
the energy

**We supply
the power**

Our Vision

Providing world-class power that delights our customers

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

Our Mission

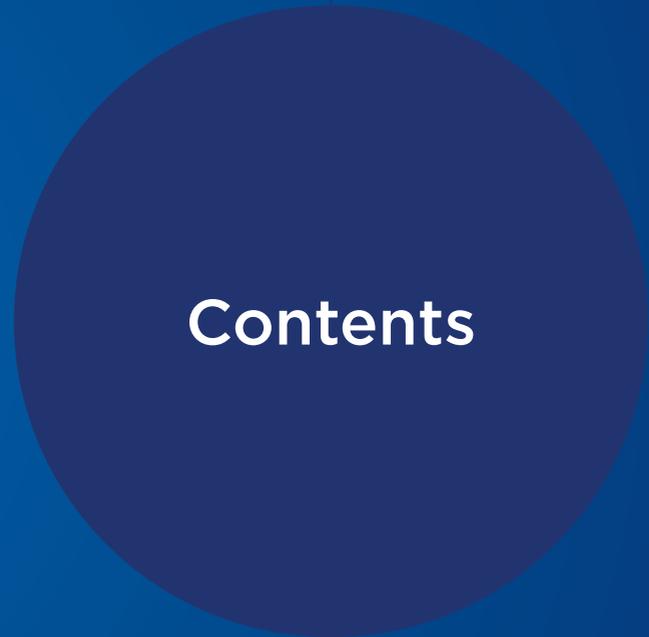
Powering people for better lives

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

Our Core Values

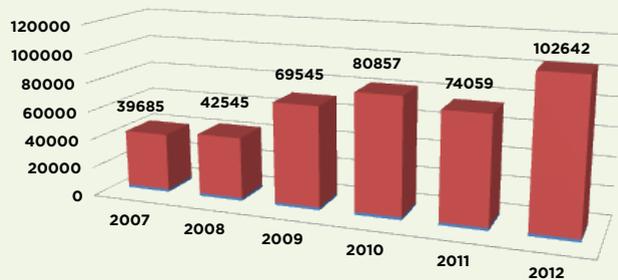
- We put our **customers first**
- We work together as **one team** to achieve our goals
- We are **passionate** about powering the nation
- We believe in **integrity** and delivering on our promises
- We **strive for excellence** in all that we do

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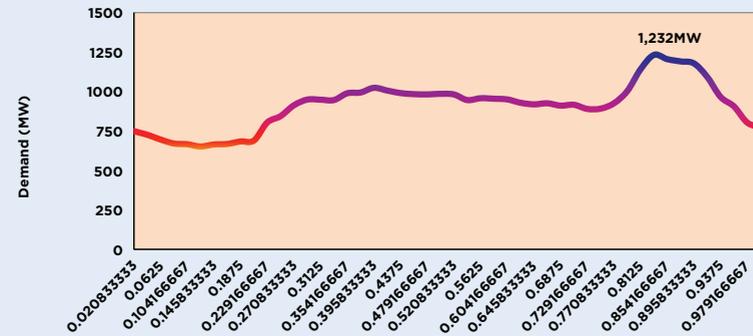


Performance Highlights

TOTAL REVENUE (Ksh Million)



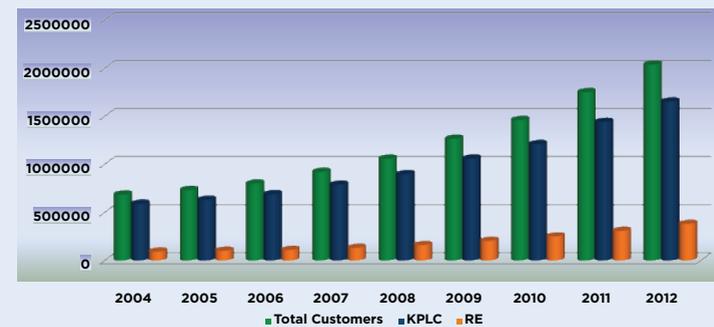
DAILY DEMAND CURVE - 22ND FEB 2012



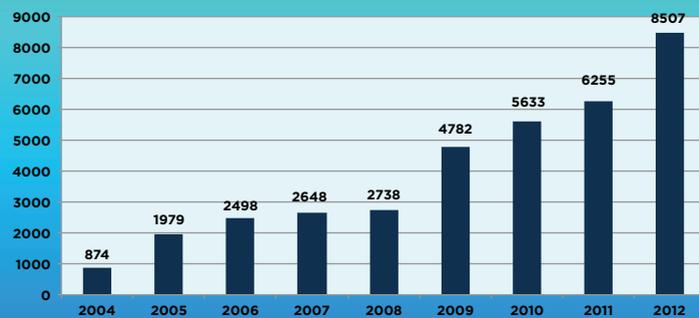
REGIONAL SALES



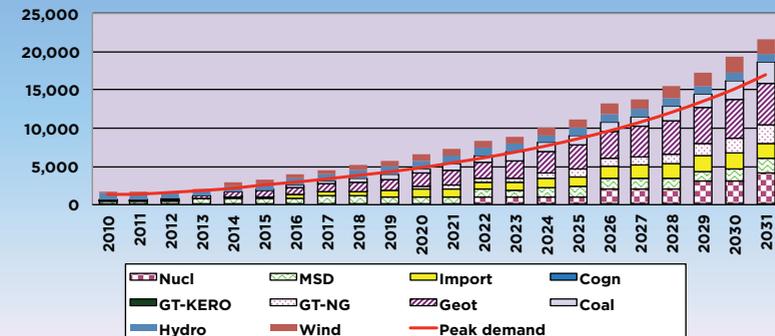
NUMBER OF CUSTOMERS



PROFIT BEFORE TAX (MILLIONS)



FUTURE GENERATION CAPACITY AND PEAK DEMAND (MW)



Directors

Eliazar O Ochola	Chairman
Eng. Joseph Njoroge	Managing Director & CEO
Joseph Kinyua	
Patrick M Nyoike	
Fidesius M Nyaga	
Dr. Theodorah Malla-Kilukumi	
Eng. Patrick E O Obath	
Macharia Kariuki	
Jacob K Mwirigi	
Esau K Kioni	(Left on 31 st August 2012)
Joseph Kariuki	(Alternate to Joseph Kinyua)
Eng. Isaac N Kiva	(Alternate to Patrick Nyoike)

Secretary

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

Registered Office

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

Country of Incorporation

Kenya

Main Bankers

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

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

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

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

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

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

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

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

Auditors

Deloitte & Touche (For the Auditor-General), Deloitte Place, Waiyaki Way, Muthangari | P O Box 40092-00100, Nairobi

Principal Legal Advisers

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

Any queries regarding this report should be directed to the Company Secretary.

The Board of Directors



Mr. Eliazar O Ochola
B Comm (Hons.) | Chairman



Mr. Jacob K Mwirigi
BSc (Maths.)

Board of Directors



Mr. Joseph Kariuki
BA (Econ.), MA (Econ.)
| Alternate Director to
Mr. Joseph Kinyua



Dr. Theodorah M Kilukumi
MB, Ch. B



Eng. Joseph K Njoroge
(MBS) BSc (Eng.), MBA, R. Cons. Eng.
C. Eng., MIET, FIEK
| Managing Director & CEO

Eng. Isaac N Kiva

BSc (Eng.), R. Eng., MIEK
| Alternate Director to
Mr. Patrick Nyoike



Mr. Macharia Kariuki

BA (Econ.)



Mr. Fidesius M Nyaga

BA (Econ. & Acc.), CPA (K),
CPS (K), FCIS

Eng. Patrick E O Obath

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



Mrs. Laurencia K Njagi

(OGW) LLB, Dip. in Law, CPS (K)
| Company Secretary



Not in the picture:

Mr. Patrick Nyoike, (CBS), BSc (Math. & Physics), B. Phil (Econ.) Permanent Secretary, Ministry of Energy

Mr. Joseph K Kinyua, (CBS), BSc (Econ.), MA (Econ.) Permanent Secretary to Treasury

Mr. Esau K Kioni, MSc (Crime Risk Management), FIIS (UK)

Biographies of Directors who served during the year

Mr. Eliazar O Ochola, B Comm (Hons) – Chairman

Mr. Eliazar Ochola (64 years), joined the Board of Directors of the Company in December 2006, and was appointed Chairman of the Board on 4th March 2010. He has over 29 years experience in private sector management, having worked in a multinational corporation – Kenya Swiss Chemical Limited (Ciba Geigy Group). He also serves as a director of Wanyaka General Supplies Company Limited.

Eng. Joseph K Njoroge (MBS), BSc (Eng.), MBA, R. Cons. Eng., C. Eng., MIET, FIEK – Managing Director & CEO

Eng. Joseph K Njoroge (54 years), has been the Managing Director of the Company since June 2007. He has wide experience in power engineering and management, having joined the Company in 1980 and serving in various senior positions prior to his appointment as Managing Director & CEO.

Mr. Patrick M Nyoike (CBS), BSc (Math & Physics), B.Phil (Econ.) – Permanent Secretary, Ministry of Energy

Mr. Patrick Nyoike (65 years), is the Permanent Secretary, Ministry of Energy and has over 30 years experience as an economist and public sector manager, having served in senior positions in Government. As Permanent Secretary, Mr. Nyoike is a director of other state corporations within the Ministry of Energy namely: Kenya Pipeline Company Limited, Kenya Electricity Generating Company Limited, National Oil Corporation, Energy Regulatory Commission, Kenya Petroleum Refineries Limited, Ewaso Ny'iro Development Authority, Ewaso Ny'iro South Development Authority, Rural Electrification Authority, Geothermal Development Company Limited and Kenya Electricity Transmission Company Limited. He joined the Board of Directors of the Company on 28th March 2003.

Mr. Joseph K Kinyua (CBS), BSc (Econ.), MA (Econ.) – Permanent Secretary, Treasury

Mr. Joseph Kinyua (61 years) has wide experience in financial and public sector management, having worked in senior positions at the International Monetary Fund (IMF), the Central Bank of Kenya and in Government. As the Permanent Secretary, Treasury, Mr. Kinyua is a director of among others, the Central Bank of Kenya, National Social Security Fund Board of Trustees, Kenya Ports Authority, East African Development Bank, Kenya Commercial Bank Limited, Kenya Electricity Generating Company Limited, Deposit Protection Fund Board, Kenya Pipeline Company Limited, Geothermal Development Company Limited and Kenya Electricity Transmission Company Limited. He joined the Company's Board of Directors on 22nd October, 2002.

Mr. Esau K Kioni, MSc (Crime Risk Management), FIIS (UK)

Mr. Esau Kioni (70 years) has wide experience in security and management, having worked in senior positions in Government and in the private sector and is currently in private business. He joined the Board of Directors of the Company on 8th December 2006 and resigned on 31st August 2012 to pursue other interests.

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

Mr. Fidesius Nyaga (68 years), has more than 30 years experience in financial management, having previously worked with Development Finance Corporation of Kenya (DFCK) and in private business. He joined the Board of Directors of the Company on 20th November 1997. He is also a director of Thiba Holdings Limited and Fide Registrars Limited.

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

Dr. Theodorah Malla-Kilukumi (47 years) has wide experience in medical health practice and community leadership. She joined the Board of Directors of the Company on 15th October 2007. Dr. Kilukumi is also a director of Elasticity Properties Limited and Dee Properties Limited.

Eng. Patrick E O Obath (MBS, OGW), BSc (Eng.), R. Eng, MIE (UK), MIEK, MPIEA

Eng. Patrick E O Obath (57 years), has worked with Shell, advising companies in different parts of the world, and also served as Managing Director of Shell at one time. He is currently the chairman of the Kenya Private Sector Alliance (KEPSA), a director of African Alliance Bank, Wananchi Group Holding Ltd., PZ Cussons E A Ltd, Afren Plc (UK), Standard Chartered Bank, New Forest Company (UK) and Ardour Capital Investments LLC (UK). He is also a member of the National Economic Social Council (NESC). He joined the Board of Directors of the Company on 18th December 2009.

Mr. Jacob K Mwirigi, BSc (Maths)

Mr. Jacob Mwirigi (67 years) has wide experience in the insurance and oil industries. Previously, he worked with the East African Community, Kenya Power & Lighting Company Ltd., American Life Insurance Company and was a director of Kabage & Mwirigi Insurance Brokers. He is currently in private business and also a director of Orix Oil (Kenya), Meru Ginnery (1994) Ltd., Apex Petroleum Ltd., and Remu DTM Limited. He joined the Board of Directors of the Company on 18th December 2009.

Mr. Macharia Kariuki, BA (Econ.)

Mr. Macharia Kariuki (56 years), joined the Board of Directors of the Company on 18th December 2009. He has wide experience in private sector management and is currently in horticulture business, prior to which he worked as a sales manager with the United Distributing Company Ltd., and with the Nation Media Group.

Mr. Joseph Kariuki, BA (Econ.), MA (Econ.) - Alternate Director to Mr. Joseph Kinyua (Permanent Secretary, Treasury)

Mr. Joseph Kariuki (49 years) has wide experience in public sector management, having worked for more than 25 years in various senior positions in Government. He joined the Board of Directors of the Company in June 2009 as an Alternate Director to Mr. J. Kinyua. He is also a director in the Geothermal Development Company Limited and Kenya Plant Health Inspectorate Services.

Eng. Isaac N Kiva BSc (Eng.), R. Eng., MIEK - Alternate Director to Mr. Patrick Nyoike, (Permanent Secretary, Ministry of Energy)

Eng. Isaac Kiva (44 years) is currently the Senior Principal Superintendent Engineer at the Ministry of Energy. Mr Kiva has wide experience in public sector management, having worked in senior Government positions for 20 years. He is a board member of the Electrical Technicians and Contractors' Licensing Board. He joined the Board of Directors of the Company on 16th December 2009 as an alternate director to Mr. Patrick Nyoike.

Management Team

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



Eng. Joseph Njoroge



Laurencia Njagi



Lawrence Yego



Eng. John Ombui



Eng. Rosemary Gitonga



Eng. Sammy Muita



Eng. Benson Muriithi



Eng. Samuel Ndirangu



Ben Chumo



Eng. Raphael Mwaura



Eng. Joseph Masibo



Eng. Jared Othieno



Eng. David Mwaniki

Managing Director & Chief Executive Officer

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

Company Secretary

Laurencia K Njagi, (OGW), LLB, Dip. In Law, CPS (K)

Chief Manager, Finance

Lawrence Yego, CPA (K)

Chief Manager, Supplies, Stores & Transport

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

Chief Manager, Commercial Services

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

Chief Manager, Energy Transmission

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

Chief Manager, Distribution

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

Ag. Chief Manager, Information Technology and Telecommunications

Eng. Samuel Ndirangu, BSc (Eng.), R. Eng.

Chief Manager, Human Resources & Administration

Ben Chumo, BA, MBA, MIHRM

Chief Manager, Planning, Research and Performance Monitoring

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

Chief Manager, Nairobi

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

Regional Manager, West

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

Regional Manager, Mount Kenya

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

Regional Manager, Coast (not in the picture)

Joseph Mkomba, BSc (Eng.)

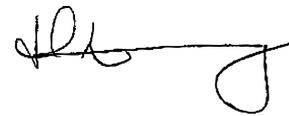
Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT THE NINETY FIRST ANNUAL GENERAL MEETING of Members of the Company will be held at the Bomas of Kenya, Lang'ata Road, Nairobi, on Wednesday 19th December 2012 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 2012, together with the Chairman's, Directors' and Auditors' reports thereon.
3. To approve payment of a final dividend of Shs.0.30 per ordinary share, subject to withholding tax where applicable, in respect of the year ended 30th June 2012 and to ratify the interim dividend of Shs.0.20 per ordinary share already paid for the period.
4. To elect Directors:
 - i. Mr. Patrick E O Obath retires by rotation in accordance with Article 120 of the Memorandum and Articles of Association of the Company and, being eligible, offers himself for re-election.
 - ii. Mr. Jacob K Mwirigi retires by rotation in accordance with Article 120 of the Memorandum and Articles of Association of the Company and, being eligible, offers himself for re-election.
 - iii. Mr. Fidesius Nyaga retires by rotation in accordance with Article 120 of the Memorandum and Articles of Association of the Company and does not offer himself for re-election.
 - iv. To elect two new Directors to fill the vacancies in the Board.
5. To approve payment of fees to non-executive Directors of Shs.600,000 per Director for the year ended 30th June 2012.
6. Auditors:

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

By Order of the Board



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

26th October 2012

NOTES:

A member entitled to attend and vote at the above meeting may appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company. A Form of Proxy is enclosed with this report. To be valid, the Form of Proxy must be duly completed and lodged at the office of the Company Secretary, Stima Plaza, or posted in time to be received not later than 11.00 a.m. on 17th December 2012.

Ilani ya Mkutano Mkuu wa Kila Mwaka

ILANI INATOLEWA HAPA KWAMBA, MKUTANO MKUU WA KILA MWAKA WA 91 wa wanachama wa Kampuni utaandaliwa katika Bomas of Kenya, Lang'ata Road, Nairobi mnamo Jumatano Desemba 19, 2012 saa 5.00 asubuhi kuendesha shughuli zifuatazo:

1. Kusoma Ilani ya kuandaa Mkutano na kutambua kuwepo kwa idadi ya kutosha ya wanachama.
2. Kupokea na kuangalia taarifa za kifedha za Kampuni zilizothesibiwa kwa mwaka uliomalizika Juni 30, 2012, pamoja na ripoti za Mwenyekiti, Wakurugenzi na Wahasibu.
3. Kuidhinisha malipo ya mgao wa faida wa mwisho wa Sh.0.30 kwa kila hisa ya kawaida, baada ya kutoza ushuru wa kushikilia inavyostahili, kuhusiana na mwaka uliomalizika Juni 30, 2012 na kupitisha malipo ya muda ya mgao wa faida ya Sh.0.20 kwa kila hisa ya kawaida ambayo tayari yamelipwa.
4. Kuwachagua Wakurugenzi:
 - i. Bw. Patrick. E. O. Obath anastaafu kwa mzunguko kwa mujibu wa Kifungu 120 cha Katiba ya Kampuni, na kwa kuwa bado anahitimu, anajitokeza kuchaguliwa tena.
 - ii. Bw. Jacob K. Mwirigi anastaafu kwa mzunguko kwa mujibu wa Kifungu 120 cha Katiba ya Kampuni, na kwa kuwa bado anahitimu, anajitokeza kuchaguliwa tena.
 - iii. Bw. Fidesius Nyaga anastaafu kwa mzunguko kwa mujibu wa Kifungu 120 cha Katiba ya Kampuni, na hajitokezi kuchaguliwa tena.
 - iv. Kuwachagua Wakurugenzi wawili wapya kujaza nafasi katika Bodi.

5. Kuidhinisha malipo ya ujira wa Wakurugenzi wasio na mamlaka kwa Mwaka uliomalizika Juni 30, 2012 ya Sh.600,000 kwa kila Mkurugenzi.

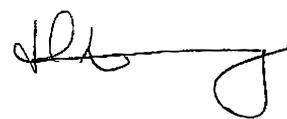
6. Wahasibu:

Kutambua kuwa ukaguzi wa vitabu vya hesabu vya Kampuni utaendelea kutekelezwa na Mhasibu Mkuu wa Serikali au kampuni ya uhasibu itakayoteuliwa kwa mujibu wa Sehemu 11 ya Sheria ya Mashirika ya Umma (kama ilivyorekebisha na Mkutanyiko wa Sheria, 2002) na Sehemu 14 na 39 (i) ya Sheria ya Uhasibu wa Umma 2003.

7. Kuidhinisha Wakurugenzi kuamua malipo ya Wahasibu.

8. Kuangalia shughuli zozote zile ambazo ilani inayostahili imetolewa kuzihusu.

Kwa Amri ya Bodi



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

Oktoba 26, 2012

MAELEZO:

Mwanachama aliye na haki ya kuhudhuria na kupiga kura kwenye mkutano uliotajwa hapa juu anaweza kuteua mwakilishi mmoja au zaidi kuhudhuria, na endapo kutakuwa na upigaji kura, kupiga kwa niaba yake. Si lazima mwakilishi awe mwanachama wa Kampuni. Fomu ya Uwakilishi imeambatanishwa kwenye ripoti hii. Ili kuwa halali, Fomu ya Uwakilishi ni lazima ijazwe kikamilifu na kuwasilishwa kwa Afisi ya Katibu wa Kampuni, Stima Plaza, au kutumwa kwa njia ya posta ili kufika kabla ya saa 5.00 asubuhi Desemba 17, 2012.

**Rural electrification
for social and
economic
empowerment of
Kenyans**





Eliazar Ochola,
Chairman

“ **2011/2012 was
yet another
successful year** ”

I am pleased to present the results for yet another successful year during which the Company recorded a net profit after tax of Shs.4,617 million compared to Shs.4,219 million the previous year, an increase of 9%.

BUSINESS ENVIRONMENT

The 2011/2012 financial year was characterised by a negative macro-economic environment, and the country's economic growth rate declined from 5.8% in 2010 to 4.4% in 2011. This was attributable to below normal rainfall, high interest rates and high international oil prices, as well as a highly charged political environment as the country prepares for the next general election. A lower GDP growth of between 3.5% to 4% is projected for the year 2012.

Electricity consumption, which has a direct correlation to GDP growth, recorded a low growth of 3.5% in 2011/2012 compared to 8.8% in 2010/2011.

FINANCIAL PERFORMANCE

Electricity sales increased to 5,991 million units from 5,785 million units the previous year, representing a growth of 3.6%. The growth in sales is attributed to increased number of customers and consumption and was realised in spite of an increase in system losses by 1.1% to 17.3% compared to 16.2% in the previous year as a result of extensive expansion of the electricity distribution network, and increased transmission of electricity from the Coast from the newly commissioned Kipevu III generation plant. The transmission constraint will be resolved with the commissioning of the 400kV Nairobi-Mombasa transmission line, currently under construction, by 2013.

During the year, the Company reached the two million customer mark after connecting a record 307,000 customers, which was an increase of 15% from the previous year. Revenue from electricity sales increased to Shs.45,008 million from Shs.42,485 million the previous year, representing a 6% growth.

The poor hydrology experienced during the first half of the financial year resulted in a reduction in hydro generation, and an increase in generation from thermal sources by 12% from 2,236GWh the previous year, to 2,509GWh. The thermal plants include the emergency power plants contracted from Aggreko, which were retained in service to mitigate generation shortfalls. This, coupled with high global fuel prices, resulted in a 62% increase in the fuel cost recovered from customers, to Shs.41,896 million compared to Shs.25,913 million the previous year.

Foreign exchange recoveries rose by Shs.4,004 million from Shs.4,755 million the previous year to Shs.8,759 million, due to increased foreign exchange denominated transactions and fluctuations of the shilling against major world currencies during the year.

The power purchase costs (excluding fuel and foreign exchange costs) increased by Shs.866 million from Shs.20,214 million the previous year, to Shs.21,080 million due to capacity charges paid for the emergency power plants, and increase in unit purchases from 6,895GWh the previous year to 7,197GWh. Previously, the Government subsidised part of the capacity charges for the emergency power, but this was discontinued during the year under review.

The expansion of the Company's electricity network and facilities to support increased demand and improvement of the quality of power supply, led to an increase in the transmission and distribution expenditure by Shs.1,985 million to Shs.19,680 million compared to Shs.17,695 million the previous period. The increase is also attributable to higher depreciation due to increased capital investment, and staff expenses in line with the growth of the business in general.



**Stima Loan for
affordable electricity
connection**

Chairman's Statement

Profit

The Company recorded a profit before tax of Shs.8,506 million compared to Shs.6,254 million the previous year. The net profit after tax was Shs.4,617 million compared to Shs.4,219 million the previous year, after taking into account a tax charge of Shs.3,889 million.

Balance Sheet

An adequate, robust and well maintained infrastructure is key to the delivery of high quality electricity supply to Kenyans. Over the last seven years, the Company has intensified implementation of system expansion, reinforcement and upgrade projects aimed at improving the quality and reliability of power supply, reducing system losses and creating capacity for new customer connections. Some of these projects have been financed with funds from various development partners mainly under the US\$225.8 million Energy Sector Recovery Project (ESRP) and the US\$102 million Kenya Electricity Expansion Programme (KEEP).

As a result of the intensive investment, the Company's capital asset base has grown from Shs.21,088 million in 2004/2005 financial year to Shs.105,973 million in 2011/2012 financial year. This capital investment is aimed at improving the quality of power supply, network expansion and accelerated connection of new customers. Over the same period, the number of customers increased from 735,144 to 2,038,625.

The Company also continues to use internally generated funds for system expansion and reinforcement as a pre-investment for future business growth. Most of the loans contracted by the Company for the system expansion, such as under the ESRP and KEEP programmes, have been fully disbursed, and this has necessitated higher application of the Company's own funds as a stop-gap measure, which has had a temporary impact on the Company's cashflow.

The Company will continue to implement the system expansion programme with a view to growing the business, as well as supporting the country's Vision 2030 socio-economic blueprint which seeks to increase electricity access of Kenyans to 50% by that year. The expansion will also enable the delivery of quality supply of electricity throughout the 47 counties.

The Company is sourcing for additional long term funding for the capital investment programme. Towards this, the Company recently obtained a loan of US\$50 million from the International Finance Corporation which will be disbursed by June 2013. Further, the Company has procured medium term funding to enhance its liquidity and current assets positions.

Following the approval by the shareholders during the last Annual General Meeting, the Company issued bonus shares in the proportion of one new ordinary share for every eight ordinary shares held as at 30th June 2011. This resulted in the capitalisation of Shs.542,074,180 out of the revenue reserve to create 216,829,672 bonus shares.

Dividend

The Directors recommend to members that in addition to the interim dividend of Shs.0.20 paid earlier, a final dividend of Shs.0.30 per ordinary share be paid for the year ended 30th June 2012, subject to withholding tax where applicable, to shareholders registered in the books of the Company at close of business on 19th December 2012. This amounts to a total dividend of Shs.0.50 per share (previous year - Shs.0.45). If approved, the dividend will be paid on or about 28th February 2013. The Register of Members and of Transfers will be closed for one day on 20th December 2012 to facilitate dividend processing.

Appreciation

I take this opportunity to sincerely express my gratitude and appreciation to all shareholders, my fellow Directors, staff, the Government, our customers and business development partners, for their continued support, which has contributed to our good performance.



Mr. Eliazar O Ochola
Chairman

26th October 2012

Ni furaha yangu kuwasilisha matokeo ya mwaka mwingine wa ufanisi ambapo Kampuni ilipata faida baada ya ushuru ya Sh.4,617 milioni ikilinganishwa na Sh.4,219 milioni mwaka uliopita, nyongeza ya asilimia 9.

MAZINGIRA YA KIBIASHARA

Mwaka wa kifedha wa 2011/2012 ulikumbwa na mazingira magumu ya kibiashara, ukuaji wa uchumi wa nchi ukadidimia kutoka asilimia 5.8 mnamo 2010 hadi asilimia 4.4, mnamo 2011. Hali hii ilitokana na mvua kidogo, viwango vya juu vya riba na bei za juu za mafuta katika soko la kimataifa, pamoja na mihemko ya kisiasa hasa nchi inapoelekea kwenye uchaguzi mkuu ujao. Kiwango cha chini ya ukuaji wa jumla ya mapato ya nchi cha kati ya asilimia 3.5 na asilimia 4 kinakadiriwa kwa mwaka 2012.

Matumizi ya kawi, ambayo yanaashiria moja kwa moja viwango vya ukuaji wa jumla ya mapato ya nchi, yalididimia kwa asilimia 3.5 mnamo 2011/2012 ikilinganishwa na asilimia 8.8 iliyorekodiwa 2010/2011.

MATOKEO YA KIFEDHA

Mauzo ya umeme yaliongezeka hadi kizio 5,991 milioni kutoka kizio 5,785 za mwaka uliopita, na hivyo ukuaji wa asilimia 3.6. Ukuaji wa mauzo ulitokana na kuongezeka kwa wateja na matumizi yaliimarika licha ya hasara ya umeme kwenye mitambo yetu kwa asilimia 0.66 hadi asilimia 83.24 ikilinganishwa na asilimia 83.9 mwaka uliopita. Hii ni kutokana na upanuzi mkubwa wa mtandao wa umeme, na kuongezeka kwa usambazaji wa umeme kutoka kiwanda cha Pwani kilichozinduliwa hivi majuzi cha Kipevu III. Changamoto ya usambazaji umeme itatatuliwa baada ya uzinduzi wa laini ya kusambaza umeme ya kV400 kutoka Nairobi-Mombasa, ambayo inaendelea kujengwa, kufikia 2013.

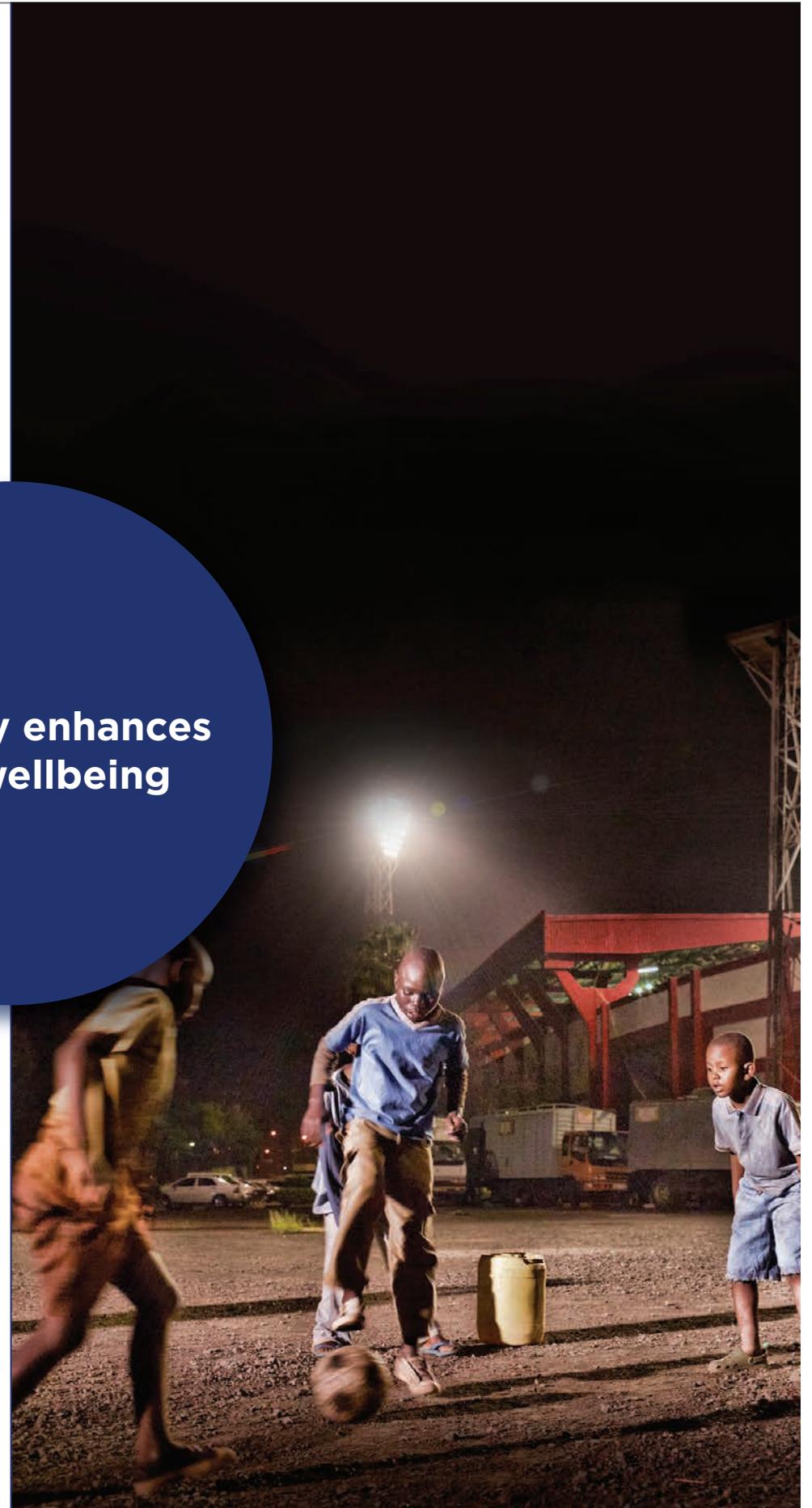
Mwaka uliomalizika, Kampuni ilifikia wateja milioni mbili baada ya kuwasambazia umeme wateja zaidi ya 307,000, ambayo ni nyongeza ya asilimia 15 ya idadi ya awali. Mapato kutokana na mauzo ya umeme yaliongezeka hadi Sh.45,008 milioni kutoka Sh.42,485 milioni mwaka uliopita, na hivyo kuashiria ukuaji wa asilimia 6.

Kiwango cha chini cha mvua kilichopatikana katika nusu ya kwanza ya kipindi cha matumizi ya fedha kilisababisha kupungua kwa uzalishaji umeme kutokana na maji, na nyongeza ya uzalishaji umeme kutokana na vyanzo vya umemejoto kwa asilimia 12 kutoka kiwango cha awali cha GWh2,236 mwaka uliopita, hadi GWh 2,509.

Viwanda vya umemejoto ni pamoja na vile vya umeme wa dharura vilivyokodishwa kutoka Aggreko, ambavyo vilihifadhiwa ili kupunguza athari ya kudidimia kwa uzalishaji. Hali hii, ikishirikiana na bei ya juu ya mafuta duniani, ilichangia kupanda kwa asilimia 62 ya gharama ya mafuta iliyokusanywa kutoka kwa wateja, hadi Sh.41,896 milioni, ikilinganishwa na Sh.25,913 milioni mwaka uliotangulia.

Kiwango cha mapato ya fedha za kigeni kiliongezeka kwa Sh.4,004 milioni kutoka Sh.4,755 milioni mwaka uliotangulia hadi Sh.8,759 milioni, kutokana

**Electricity enhances
social wellbeing**



Taarifa ya Mwenyekiti

na kuongezeka kwa shughuli za kibiashara zilizohusisha fedha za kigeni na kudidimia kwa thamani ya shilingi ya Kenya dhidi ya sarafu muhimu za kigeni katika mwaka huo.

Gharama za ununuzi wa umeme (bila kujumuisha ada za mafuta) iliongezeka kwa Sh.866 milioni kutoka Sh.20,214 milioni mwaka uliotangulia, hadi Sh.21,080 milioni kutokana na ada za uzalishaji zilizolipwa kwa viwanda vya umeme wa dharura, na nyongeza ya kizio zilionunuliwa kutoka GWh6,895 mwaka uliotangulia hadi GWh7,197. Awali, Serikali ilikuwa imetoa ruzuku kama sehemu ya ada za uzalishaji wa umeme wa dharura, lakini hatua hii ilisitishwa katika mwaka tunaoangazia.

Upanuzi wa mtandao wa umeme wa Kampuni na vifaa vyake ili kutosheleza mahitaji ya umeme yanayozidi kuongezeka na kuimarishwa kwa ubora wa usambazaji wa umeme, vilichangia kupanda kwa gharama za usafirishaji na ugawaji kwa Sh.1,985 milioni hadi Sh.19,680 milioni ikilinganishwa na Sh.17,695 milioni katika kipindi kilichopita. Nyongeza hii inatokana na kudidimia kwa thamani ya Shilingi kutokana na nyongeza ya uwekezaji wa mtaji, na gharama za wafanyikazi sambamba na ukuaji wa biashara kwa jumla.

Faida

Kampuni ilipata faida kabla ya ushuru ya Sh.8,506 milioni ikilinganishwa na Sh.6,254 milioni mwaka uliopita. Faida baada ya ushuru ilikua Sh.4,617 milioni ikilinganishwa na Sh.4,219 milioni mwaka uliopita, baada ya kuzingatia malipo ya ushuru ya Sh.3,889 milioni.

Mapato na Gharama

Miundomsingi ya kutosha, imara na inayotunzwa vyema ni nguzo muhimu katika utoaji umeme wa hali ya juu kwa Wakenya. Katika muda wa miaka saba iliyopita, Kampuni imezidisha utekelezaji wa mipango ya upanuzi wa mitambo, kuimarisha na kuzindua upya miradi inayolenga kuboresha viwango vya umeme na uzalishaji umeme wa kutegemewa, kupunguza hasara kwenye mitambo na kuongeza uwezo wetu wa kuunganisha wateja wapya.

Baadhi ya miradi hii imefadhiwa na fedha kutoka kwa washirika wetu wa maendeleo hasa chini ya Mradi wa Ufufuzi wa Sekta ya Kawi (ESRP) wa Dola 225.8 milioni na Mpango wa Upanuzi wa Umeme Kenya (KEEP) wa Dola 102 milioni.

Kutokana na uwekezaji huu mkubwa, thamani ya raslimali za mtaji wa Kampuni imeongezeka kutoka Sh.21,088 milioni katika mwaka wa kifedha wa 2004/2005 hadi Sh.105,973 milioni katika mwaka wa matumizi ya fedha wa 2011/2012, unaolenga kuimarisha ubora wa usambazaji umeme, upanuzi wa mtandao na kuhakarisha usambazaji umeme kwa wateja wapya. Katika kipindi hicho, idadi ya wateja iliongezeka kutoka 735,144 hadi 2,038,625.

Kampuni pia inaendelea kutumia fedha inazopata kwa upanuzi wa mitambo yake na kujiimarisha kama mbinu ya uwezekaji wa mapema kwa ukuaji wake wa kibiashara siku sijazo.

Mingi ya mikopo ambayo ilichukuliwa na Kampuni kwa upanuzi wa mitambo, kama vile chini ya mipango ya ESRP na KEEP imetumika kikamilifu, na hali hii imelazimu Kampuni kutumia fedha zake kama hatua ya muda, ambayo ina athari ya muda kwa mapato ya Kampuni.

Kampuni itaendelea kutekeleza mpango wake wa upanuzi wa mitambo yake

kwa lengo la kupanua biashara yake, pamoja na kuchangia kufanikisha ruwaza ya kiuchumi na kijamii ya 2030 ambayo inalenga kunufaisha asilimia 50 ya Wakenya na nguvu za umeme kufikia wakati huo. Upanuzi huo pia utawezesha usambazaji wa hali ya juu wa umeme katika kaunti zote 47.

Kampuni inatafuta fedha zaidi za kufadhili mpango wake wa muda mrefu wa uwekezaji wa mtaji. Kufuatia hali hii, Kampuni hivi majuzi ilichukua mkopo wa Dola 50 milioni kutoka International Finance Corporation ambazo zitatolewa katika kipindi cha sasa cha matumizi ya fedha. Isitoshe, Kampuni imepokea ufadhili wa muda kuimarisha akiba ya fedha zake na pia thamani ya raslimali zake.

Kufuatia idhini ya wenyekiti wakati wa mkutano mkuu wa kila mwaka uliopita, Kampuni ilitoa hisa za bonasi kwa kiwango cha hisa moja kwa kila hisa nane za kawaida zilizomilikiwa kufikia Juni 30, 2011. Hatua hii iliwezesha kuongezwa kwa mtaji kwa Sh.542,074,180 kutokana na akiba ya mapato na hivyo kuunda hisa za bonasi 216,829,672.

Mgao wa Faida

Wakurugenzi wanapendekeza kwa wanachama kuwa, mbali na mgao wa faida wa muda wa Sh.0.20 uliolipwa mbeleni, mgao wa mwisho wa Sh.0.30 kwa kila hisa ya kawaida ulipwe kwa mwaka uliomalizika Juni 30, 2012, baada ya kuondoa ushuru wa kushikilia inakohitajika, kwa wenyekiti waliosajiliwa katika vitabu vya Kampuni kufikia mwisho wa shughuli za siku Desemba 19, 2012. Hii inafikisha jumla ya mgao wa faida wa Sh.0.50 kwa hisa. (mwaka uliopita-Sh.0.45). Ikiwa utaidhinishwa, mgao huo wa faida utalipwa mnamo au karibu na Februari 28, 2013. Rejista ya Wanachama na ile ya Uhamisho zitafungwa kwa siku moja Desemba 20, 2012 kufanikisha utayarishaji wa malipo ya mgao huo wa faida.

Shukrani

Nachukua fursa hii kuwashukuru kwa dhati wenyekiti wote, Wakurugenzi wenzangu, wafanyikazi, Serikali, wateja wetu na washirika wetu wa kibiashara, kwa kuendelea kutuunga mkono, hatua iliyochangia ufanisi wetu.



Bw. Eliazar O Ochola

Mwenyekiti

Oktoaba 26, 2012



**Prepaid meters
empower customers,
improve revenue
collection**



Eng. Joseph
Njoroge,
Managing Director
& CEO

“ The rate of new connections is one of the highest in Sub-Saharan Africa ”

OVERVIEW

Electricity is a key driver of social and economic development, and during the year under review, supply of adequate and reliable electricity to our customers; improvement of customer service; acceleration of electricity access to the public; and creating value for our shareholders, remained at the centre-stage of all our operations. Among the notable achievements during the year was the connection of a record 307,001 new customers, which increased the total number of customers as at 30th June 2012, to 2,038,625. This growth in customers contributed to increase in sales and revenue during the year under review.

Notably, between July 2005 and June 2012, the Company connected more than 1.3 million new customers, compared to 735,144 customers connected since its inception in 1922 and June 2005. This rate of new connections is one of the highest in sub-Saharan Africa, and is in line with the government's Vision

2030 economic blueprint that aims to make Kenya a middle income economy by that year.

In 2008, with a view to taking services closer to its customers and improving efficiency, the Company created branches throughout its four operational regions. The branches, which are headed by senior staff, are located in every county throughout the country. The Company is therefore ready to serve the counties after the implementation of the devolved system of national government in 2013, and to take advantage of the enhanced economic activities at the counties to expand its business.

Throughout our operations, we continue to be guided by the eight key strategic pillars that support our mission of powering people for better lives, and vision of providing world class power that delights our customers. These pillars are:

- i. electricity infrastructure
- ii. adequate and secure sources of power
- iii. provision of efficient customer service and strategic marketing
- iv. development and maximisation of human capital
- v. financial sustainability
- vi. innovation
- vii. diversification
- viii. business sustainability and corporate governance.

Following are our key focus areas and progress made during the year under review.

Power to More Kenyans

Financial support for electricity connection

Buoyed by the favourable forecast of the country's macro-economic environment, we aim to connect more than 300,000 customers annually in order to economically empower more Kenyans as well as to expand our business. Affordability of the cost of new connections is a challenge to some customers and in 2010, in partnership with Agence Francaise de Developpement (AfD), the Company set up a revolving loan fund of €4.5 million for lending to potential customers under the Stima Loan flagship. During the year under review, the Company received an additional €30 million from AfD towards the revolving fund, and about 27,178 customers were connected from the proceeds of the facility, which is expected to benefit about 330,464 customers over a five year period. An additional 3,769 customers were connected through a separate funding arrangement with Equity Bank, which commenced in the 2010/2011 financial year.

Funding the electrification of informal settlements

Informal settlements are a reality of Kenya's urban areas. Millions of Kenyans live in informal settlements with unsafe electrical installations and limited access to legal connections, while power theft in the informal settlements results in high commercial and technical losses for the Company. However, electrification of informal settlements is often uneconomic for power utilities as returns are too low to recover the cost of investment, operations and service. The Company, therefore, has been exploring sustainable ways to provide electricity to the settlements in partnership with the Government and development partners. Towards this, in February 2012, the Company obtained a grant from the International Development Association (IDA), acting as

administrator of the Global Partnership on Output-Based Aid (GPOBA), for electrification of informal settlements in the country. The programme entails the Company pre-investing in the electrification of informal settlements, after which GPOBA will reimburse the Company US\$75 per meter connected up to a total of US\$5million; while the World Bank will reimburse US\$150 per meter connected up to a total of US\$10 million. About 66,000 customers are expected to benefit from this initiative.

Power for rural Kenya

Rural electrification projects are mainly undertaken by the Rural Electrification Authority (REA), while the Company connects customers and maintains the network. The objective of the rural electrification programme, which is financed by the Government, is to provide electricity in areas that are far from the national electricity grid, and where electricity supply projects are not commercially viable, with a view to improving the social and economic lives of Kenyans in those areas.

During the year, the Company continued to complete projects carried over from the time it was implementing schemes on behalf of the Government.

The Company continues to complement the rural electrification work carried out by REA as a contractor for the Government. Under this arrangement, the Company completed 117 projects valued at Shs.641 million, and 78,901 new customers were connected with electricity during the year under review. The Company is also implementing another 115 schemes at an estimated cost of Shs.1,346 million, under the programme.

Under the rural electrification programme, the Government also installs power generators in areas which are far from the national grid, and during the year, the Company commenced with the installation of a \$1,36 8 million 300kW solar generation plant in Mandera on behalf of the Government. This is the second largest solar plant in the country, and the work is expected to be completed by December 2012.

As part of the Lamu Port-South Sudan-Ethiopia Transport (LAPSSET) corridor project, the Company is implementing a project on behalf of the government, to connect Lamu island and Mpeketoni to the national grid and supply power to the new Lamu Port, which is currently under construction. The supply will be sourced from a 220/33kV substation being constructed at Hindi by the Kenya Electricity Transmission Company Ltd. (Ketraco), which will be completed by December 2012. The project involves the construction of approximately 60 kms of 33kV lines, 42 kms of 66kV lines and one 33/11kV substation at Lamu island, at an estimated cost of Shs.650 million. The supply line to the new Lamu port is expected to be completed in December 2012, while the rest of the project will be completed by December 2013. The diesel stations currently supplying power to Lamu island and Mpeketoni will be retired once these projects are commissioned.

The Government has also requested the Company and REA to supply power to Lokichar district headquarters in Turkana county. The project entails construction of a 220/66kV substation at Turkwel hydro power generating station, which will also serve Pokot county. The project is expected to cost approximately Shs.700 million and will be completed by December 2013. The Company will construct the substations while REA will construct the overhead lines.

Managing Director's Report

CUSTOMER SERVICE

We are continually improving

We continue to implement programmes aimed at improving our service delivery, efficiency and customer convenience in line with our vision of providing quality service that delights our customers. Measurement of our performance in this regard is carried out through regular customer satisfaction surveys and during the year under review, we attained a customer satisfaction rating of 70%, which is similar to the previous year's rating. We use the findings and feedback we get from the surveys to improve our processes and products in line with customer needs and expectations. Some of our initiatives to improve the quality of service are outlined below.

New Contact Centre

A new Contact Centre was launched during the year, providing customers with an integrated communication platform through which they can interact with the Company. Located in Nairobi, the Contact Centre is a one-stop-shop where all customer information, complaints, queries and feedback from all communication channels, including social media, are channeled and addressed from a central location. The Contact Centre is manned on a 24-hour basis by trained staff assisted by a state of the art telephony system and customer relationship management system. The importance of social media cannot be overstated, and the Company has embraced it as a tool of corporate and customer communication. In this regard, we have established a social media unit within the Contact Centre to address customer complaints through interfaces such as twitter and facebook. The new Contact Centre has enhanced our level of interaction with customers, leading to faster resolution of complaints and other queries.

Keeping in touch with our customers

During the year under review, we launched county customer open days to engage and exchange information with our customers about our services and products, with a view to improving our service delivery and promoting electricity consumption. The events, which were well received by customers and the general public, were held in Kisumu, Eldoret, Embu and Mombasa, and have been cascaded to other counties. Our Easypay bill payment partners, as well as suppliers of electrical appliances, also participated in the open days to educate customers on their products and services.

As part of our regular customer education programmes, we also invested in education about various aspects of our business including products and services, safety, conservation, electricity system vandalism and theft of electricity. The public education and information dissemination was carried out through regular media campaigns, 14 Agricultural Society of Kenya shows, 34 exhibitions mainly in the home and construction sectors, 68 public meetings, 106 road shows, and through SMS messages.

Making bill payment more convenient

The Company is continuously exploring for ways to improve customer convenience in the payment of electricity bills through strategic partnerships under the Easypay flagship. These include M-Pesa and Airtel money transfer services, and bill settlement through Uchumi Supermarkets, Postal Corporation of Kenya, Post Bank, Equity, National and Cooperative banks. Customers can also pay through direct debit or over the counter at Barclays Bank. During the

year under review, further improvements were made to the M-Pesa and Airtel electricity payment facility, to credit customer accounts on real-time basis, compared to 48 hours previously. A customer satisfaction survey carried out during the year registered a more than 83% satisfaction rating with the Easypay service.

Prepaid metering empowers customers, improves revenue collection

Prepaid metering gives customers convenience, flexibility and control of their electricity use, while at the same time improving revenue management for the Company. During the year under review, a total of 164,117 customer premises had been installed with prepaid meters compared to 118,698 the previous year. The Company aims to install 500,000 meters by 2013 and to complete the programme for existing customers by 2015.

Digital Mapping

The installation of the facilities database digital mapping system, which commenced the previous year at a cost of Shs.259 million, continued during the year. The system involves use of the geographical information system (GIS) to gather and manage digitally stored data of the Company's electricity infrastructure and customers. Once complete, it will improve efficiency in provision of quotations for new connections, restoration of power supply in the event of a breakdown, as well as other customer queries and complaints. By June 2012, about 2,005,519 accounts out of 2,038,625 accounts had been linked to their transformers. During the year under review, the Company also introduced a facility which enables customers to monitor the progress of new connections by sending their reference number to 5551.

DELIVERING ADEQUATE AND RELIABLE POWER

An adequate, robust and well maintained infrastructure is key to the delivery of high quality electricity supply to Kenyans. During the year under review, the Company intensified implementation of system expansion, reinforcement and upgrade of projects aimed at improving the quality and reliability of power supply, reducing system losses and creating capacity for new customer connections.

Following are some of the major system improvement projects carried out during the year under review:

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

In 2004 and 2009, the Company received a total of US\$225.8 million from various development partners under the ESRP for improving the efficiency, reliability and quality of supply as well as increasing access of electricity to Kenyans. During the year under review, projects worth Shs.1.5 billion were completed under the programme, while a total of 31 distribution system reinforcement and upgrade projects valued at Shs.7.2 billion, were at various stages of implementation.

The completed projects include refurbishment and upgrading of Kipevu substation at the Coast, and Donholm, Airport, Kikuyu, Nairobi North, Gigiri, Muthurwa, Syokimau and Kabete substations in Nairobi region. Others are Sondu, Butere and Cherangani in West Kenya; and the installation of the Nairobi-Lessos-Tororo, Lessos-Eldoret, Lessos-Kisumu, Lessos-Chemosit and Nairobi-Kiganjo-Nanyuki fibre optic links, as part of the System Control and Energy Management System (SCADA) project.

Following the successful installation of modern equipment at control centres at Rabai, Kiganjo, Lessos and Nairobi the previous year with a view to enhancing efficiency in the regions, the exercise continued on the Komarock, Ruai, Ridgeways, Lang'ata, Ngong Town, Lavington, Kabete and Kileleshwa 66/11kV substations in Nairobi region; and at Makutano, Lessos, Naivasha 132/33kV substations in West region. These are expected to be completed by December 2012.

Works on 258 schemes worth Shs.1.9 billion aimed at connecting 65,000 new customers and improving the electricity network, also commenced all over the country during the year under review. These are expected to be completed in September 2013.

Kenya Electricity Expansion Programme (KEEP)

The US\$102 million KEEP, which is funded by the World Bank, is aimed at accelerating electricity access to Kenyans in areas not covered by the ESRP programme. Various projects being implemented under the programme are expected to be completed by 2014. Work on the following sub-station projects was in progress during the year: Ndenderu, Magumu, Kiambu Town, Rironi, Lower Kabete, Githunguri, Villa Franca, Uplands, Kirigiti and Lukenya in Nairobi region; Jomvu and Mishomoroni in Coast region; Ahero, Chepseon, Elgon View, Kibos, Kipsaraman, Majengo, Maseno and Kabarak University in West region; and Gatundu, Juja, Kangema, Tala and Mwea in Mt. Kenya region.

Rights Issue Funded Projects

In 2010, the Company raised Shs.9.1 billion from a rights issue to finance major electricity system reinforcement projects. During the year under review, the procurement of contractors for the projects was completed and construction works commenced at Nyeri Ruring'u, Thika Industrial, Embu East in Mt. Kenya region; and City Square, Kasarani and Eastleigh in Nairobi.

Other projects to be financed by the rights issue proceeds are Bahati and Dagoretti 33kV substations; the third Nairobi West-Embakasi, Steel Billets-Jevanjee 66kV lines in Nairobi; Msambweni-Lunga Lunga 33kV line at the Coast; and Bayete-Lessos, Muhoroni-Ahero-Kisumu, Kisian-Nyamninia 33kV lines; and reconductoring of Obote 1 & 2 and Breweries 33kV lines in West Kenya; all at an estimated cost of Shs.3.9 billion. In addition, Shs.2.8 billion will be used to develop the Thika Road Control Centre, and complete the Sagana-Kutus 132kV line and substation.

Distribution Master Plan

During the year under review, the Company engaged a consultant, Parsons Brinkerhoff Power of the United Kingdom, to prepare a distribution Master Plan. The consultant is expected to, among others, develop strategies to implement a least cost power distribution system, ensure adequate power distribution capacity in each of the 47 counties in the country, and maintain a reliable power supply. In addition, the Master Plan will provide recommendations on optimising operational efficiency of the distribution system, minimising of losses, acceleration of customer connections and rural electrification plans. Some of the key activities being undertaken by the consultant include determining power needs of counties with respect to existing and potential commercial centres, and recommendation of alternative supply lines to major commercial and load centres for ease of distribution system maintenance and to enhance reliability.



Employee training enhances skills



Good infrastructure for high quality electricity

System Automation

Implementation of the Shs.600 million project to automate the power distribution network in Nairobi and Mombasa, and which commenced the previous year, continued during the year under review. The project entails installation of modern and versatile equipment with the capacity to automatically identify faults occurring in the power distribution network; isolating the faulty sections and restoring power supply to customers in the healthy network. Automation of the distribution system will reduce the time taken to restore power supply in the event of system breakdowns. El-Mor Electricity Limited of Israel is undertaking the Nairobi project, while Lucy Electric Limited of the United Kingdom is undertaking the Mombasa project.

Implementation of the Mombasa project is at an advanced stage of completion, with most of the equipment having been installed and part of the system is already in use. The entire Mombasa project is scheduled to be completed by December 2012; and the Nairobi project is expected to be completed by June 2013.

Strengthening the Transmission System

The transmission system is the interface between the distribution system and the generating plants, and is therefore integral to the provision of high quality and reliable electricity supply. The country is implementing a number of new projects and upgrading the existing system with a view to creating a strong and adequate transmission system to support the increased generation capacity and demand. Towards this, new transmission infrastructure projects totalling 4,066 kms of 132kV, 220kV and 400kV transmission lines, as well as 2,421 MVA of substation capacity will be implemented at a cost of US\$1.241 billion by 2016.

Some of the projects completed by the Company during the year under review are: (i) Installation and commissioning of a third 90MVA 220/66kV transformer at Embakasi 220/66kV substation, upgrading its total capacity to 270MVA. (ii) Installation of reactive power compensation equipment at Juja Road, Embakasi, Nairobi North and Ruaraka substations. (iii) Installation and commissioning of a 45MVA 132/33kV transformer at the Mambo Leo substation in Kisumu, and consequently upgrading the total capacity to 68MVA. (iv) Construction of an additional 220kV bay at the Olkaria II substation to provide adequate capacity for evacuation of power generated at the OrPower4 plant.

Other projects still under implementation by the Company during the year are: construction of the 20 km Sagana-Kutus 132kV transmission line and substation; extension of the Rabai 220/132kV substation switchyard to establish a new bay; and installation of new 23MVA transformers at the Kisii and Meru 132/33kV substations, to double their current capacities.

The Company has a service level agreement with Kenya Electricity Transmission Company (Ketraco), under which it provides technical and engineering services in the implementation of some of the transmission infrastructure projects. During the review period, we completed four projects on behalf of Ketraco. These are: Kilimambogo-Mang'u 132kV line and substations; Mang'u-Gatundu West 132kV line and substation; Mumias-Rang'ala 132kV transmission line and substation. Other projects which are still in progress are: Mang'u-Githambo 132kV line and

PLANNED DIVERSIFIED POWER GENERATION SOURCES 2012 - 2020									
Year	Hydro	Medium speed diesel	Import	Cogeneration	Gas turbine/ kerosene	Gas turbine/ natural gas	Geothermal	Coal	Wind
2012	50.6%	30.1%		1.7%	4.0%		13.2%		0.3%
2015	26.5%	29.2%		0.8%			26.6%		16.9%
2020	16.1%	15.0%	15.5%			5.6%	26.8%	9.6%	11.4%

substation; Nairobi-Mombasa 400kV transmission line; Eldoret-Kitale 132kV transmission line and substation; Kindaruma-Mwingi-Garissa 132kV transmission line and substations; and Kisii-Awendo 132kV transmission line and substation.

Securing our Infrastructure

Vandalism of the electricity system, which has been on the increase, poses a major risk to the social and economic development of the country, as well as being costly for the Company. It is also a major source of customer dissatisfaction due to the attendant power outages. The Company has been implementing various strategies to combat vandalism, including community policing and police patrols, spot-welding, reinforcement and relocation of transformers prone to vandalism to safer areas, and installation of electronic intruder alarms. During the year under review, our anti-vandalism initiatives received a boost when Parliament amended the Energy Act to prescribe stiffer penalties for electricity system vandals of a jail term of 10 years, and/or a fine of Shs.5 million. It is expected that the stiffer penalties will act as a deterrent to vandalism of the electricity infrastructure.

Generation capacity

The country's current Least Cost Power Development Plan seeks to ensure the development of a diversified portfolio of power generation assets that is expected to shift over time from high dependency on increasingly unpredictable hydropower and fuel price-sensitive thermal options, to greener, cheaper and more dependable and sustainable technologies such as geothermal and firm regional hydro power imports. As an interim measure, the country will rely on thermal generation plants to partly meet current power shortfalls and provide adequate reserve margin for grid stability, until the cleaner, cheaper options are developed, after which the thermal plants will transition from base-load to intermediate duty.

The country aims to develop about 1,358MW of additional power generation capacity by 2015, and the projects are at various stages of development by the Kenya Electricity Generating Company Ltd. (648.4MW), and independent power producers (710MW).

Independent project developers and lenders require some security to cover the commercial defaults by off-takers and political risks. Previously, the Company provided credit security to the independent power producers (IPPs), while the Government issued letters of project support covering political risks. In view of the planned expansion of the generation capacity and increased private sector participation, during the year under review the Company, the Government and the World Bank negotiated provision of a sustainable security scheme to the IPPs, comprising a partial risk guarantee (IDA PRGs) and the Multilateral Insurance Guarantee Agency (MIGA) guarantee. The IDA PRGs are currently being provided to the 87MW Thika thermal power project

which is being developed at a cost of US\$146 million; 83MW Athi River based Triumph thermal power plant which is being developed at a cost of US\$157 million; 80MW Gulf thermal power plant located at Athi River which is being developed at a cost of US\$108 million; and OrPower4's 36MW Olkaria III US\$212 million geothermal expansion project, which will increase the plant's total installed capacity to 84MW from 48MW.

The IDA PRGs and MIGA guarantee are a substitute for government guarantees to the investors and lenders in support of the projects and have enabled the projects, which are being developed on a project finance basis, to reach financial close. The projects will be commissioned by June 2013.

400 MW import from Ethiopia - During the year, the Company entered into a power purchase agreement (PPA) with the Ethiopia Electric Power Corporation (EEPCCO) under which it will sell some 400MW firm electricity to the Company for a period of 20 years from 2017. Ethiopia is endowed with hydro generation potential estimated at 45,000MW, which it plans to develop for domestic consumption and export to neighbouring countries. The PPA with EEPCCO is supported by a Memorandum of Understanding entered into by the Government of Kenya and the Government of the Federal Republic of Ethiopia, in which the two governments expressed their commitment to facilitate bilateral and regional power trade and to develop a transmission interconnector to connect their respective power systems. Subsequently, the two governments are developing 1,045 km of 500kV high voltage transmission interconnector from Wolyata Sodo in Ethiopia to Suswa in Kenya, with a power transfer capacity of 2,000 MW. The total cost of the line and the associated substations will be about US\$1,152 million. The transmission interconnector project, which is expected to be completed by 2017, is being financed by the World Bank, African Development Bank and Agence Francaise de Developpement (Afd).

The interconnector will not only serve the two countries, but will also be used for electricity trade in the Eastern Africa region. It is expected that the enormous potential for electricity trade in the region, coupled with the benefits of jointly coordinated development of power resources and systems, will lead to the creation of a regional power market and jumpstart power trade in the East African Power Pool (EAPP).

Kenya Electricity Generating Company Ltd. (KenGen) supply - During the period under review, the Company negotiated five Power Purchase Agreements with KenGen for the development of 115MW Kipevu III thermal power plant, 280MW geothermal power plants at Olkaria, 75MW geothermal generation from portable wellhead units at Olkaria, 2.4MW geothermal power plant at Eburru, 20MW Sangoro hydro power project and the relocation of 60MW gas turbines from Mombasa to Nairobi. The projects will result in an additional 492.4 MW of generation capacity by 2015.



Our employees are a highly valuable resource

Human Capital - A valuable resource

The Company places great value on its human capital, which is key to driving corporate strategy and realisation of our Vision and Mission. As at 30th June 2012, the Company had 10,252 staff serving 2,038,625 customers, which translates to a staff to customer ratio of 1:199.

With a view to developing and retaining skilled and motivated staff, during the year under review, the Company continued to implement a needs-driven training and development programme focussing on cultural transformation, leadership development and enhancement of technical competencies. A total of 2,490 employees attended at least one training programme, with the average training days per employee being 4.39 days.

The Company has continued to effect other initiatives that directly impact on staff wellbeing in order to inculcate a high level of motivation in the workforce. These include work-life balance initiatives aimed at encouraging appropriate work, family and personal life balance; sports and employee wellness including medical facilities.

Each year, an employee satisfaction survey is conducted by independent consultants and the findings and feedback are used to improve on areas and issues of concern to staff in order to enhance staff motivation and productivity. During the period, the satisfaction level improved to 62.28% compared to 58.6% the previous year.

Future outlook

Ample opportunities exist for business growth in the counties after the implementation of the devolved system of government as a result of the envisaged enhanced economic activities in the counties, which we are well prepared to serve through our extensive regional and branch set-up. In order to achieve our goal of business growth, we will continue to direct our focus on expanding our customer base, increased electricity sales, improvement of the quality of supply, prudent management of our resources, in order to realise more value for our shareholders and contribute towards the social and economic transformation of the country.

I wish to thank all stakeholders and partners including shareholders, employees, customers, the Government, financiers and suppliers, among others, for their continued support during the year under review, which enabled the Company to post an impressive business performance.

Eng. Joseph Njoroge, MBS
Managing Director & CEO
Nairobi

26th October 2012

KWA JUMLA

Umeme ni kiungo muhimu cha ustawi wa kijamii na kiuchumi, na katika mwaka uliomalizika, utoaji wa umeme wa kutosha na wa kutegemewa kwa wateja wetu; uimarishaji wa huduma kwa wateja; ufanikishaji wa usambazaji umeme kwa umma; na kuunda thamani kwa wenyekwa wetu ziliongoza operesheni zetu. Miongoni mwa ufanisi mkubwa katika mwaka uliomalizika ni kuwasambazia stima wateja wapya 307,001, hatua ambayo ilifikisha jumla ya wateja kufikia Juni 30, 2012 kuwa 2,038,625. Upanuzi huu wa wateja ulichangia katika nyongeza ya mauzo na mapato katika mwaka tunaoangazia.

Hasa, kati ya Julai 2005 na Juni 2012, Kampuni iliwasambazia umeme zaidi ya wateja wapya 1.3 milioni ikilinganishwa na wateja 735,144 waliopokea umeme tangu kuanzishwa kwake 1922, na Juni 2005. Kiwango hiki kipya cha usambazaji ni mojawapo ya vile vya juu zaidi kusini mwa jangwa la Sahara, na ni sambamba na Ruwaza ya Kiuchumi ya Serikali ya 2030 ambayo inanua kuifanya Kenya nchi yenye uchumi wa mapato ya kadiri kufikia mwaka huo.

Mnamo 2008, kwa lengo la kupeleka huduma karibu na wateja na kuimarisha utendakazi, Kampuni ilianzisha matawi katika maeneo yote manne inakohudumu. Matawi hayo, ambayo yanasimamiwa na maafisa wa ngazi za juu, yamo kwenye kila kaunti kote nchini. Kampuni, hivyo basi, imo tayari kuhudumia kaunti hizo baada ya utekelezaji wa mfumo wa ugatuzi wa serikali ya kitaifa mnamo 2013, na kutumia fursa ya nafasi za kiuchumi zitakazoongezeka katika kaunti ili kupanua biashara zake.

Katika operesheni zetu zote, tunaendelea kuongozwa na nguzo nane muhimu ambazo zinasaidia lengo letu la kutoa nguvu za umeme kuimarisha maisha ya raia, na maono yetu ya kutoa umeme wa kiwango cha kimataifa kuwafurahisha wateja wetu. Nguzo hizi ni:

- i. miundo msingi ya umeme,
- ii. vyanzo vya kutosha na salama vya umeme,
- iii. utoaji wa huduma bora kwa wateja na uvumishaji ufaao wa huduma zetu,
- iv. ustawi na mafunzo ya kutosha kwa wafanyikazi,
- v. uthabiti wa kifedha,
- vi. ubunifu,
- vii. usambazaji wa huduma,
- viii. udumishaji wa biashara na maongozi yafaayo ya Kampuni.

Zifuatazo ni nyanja muhimu na ufanisi ulioafikiwa katika mwaka uliomalizika.

Kutoa umeme kwa Wakenya Zaidi

Msaada wa kifedha kwa utoaji umeme

Kutokana na makadirio ya kutia moyo ya uchumi wa nchi, tunalenga kuwasambazia umeme zaidi ya wateja 300,000 kila mwaka ili kuwezesha Wakenya zaidi kiuchumi pamoja na kupanua biashara yetu. Gharama nafuu kwa usambazaji umeme bado ni changamoto kubwa kwa baadhi ya wateja wapya na mnamo 2010, kwa ushirikiano na Agence Francaise de Developpement

(AfD), Kampuni ilianzisha hazina ya mkopo ya Yuro 4.5 milioni kutoa mikopo kwa wateja wanaohitaji chini ya mpango wa Stima Loan. Katika mwaka uliomalizika, Kampuni ilipokea zaidi ya Yuro 30 milioni kutoka AfD kwa hazina hiyo, na takribani wateja 27,178 waliunganishwa kutokana na mkopo huo ambao unatarajiwa kunufaisha wateja 330,464 katika kipindi cha miaka tano. Wateja wengine 3,769 walipokea umeme kupitia mpango tofauti wa ufadhili na Equity Bank, ambao ulianza katika kipindi cha matumizi ya fedha cha 2010/2011.

Ufadhili wa usambazaji umeme katika mitaa ya mabanda

Mitaa ya mabanda ipo kwenye sehemu nyingi za miji Kenya. Mamilioni ya Wakenya wanaishi katika mitaa ya mabanda ambapo wanaishi katika hatari ya kuangamia kutokana na umeme uliunganishwa bila uangalifu na ukosefu wa umeme uliosambazwa kwa njia halali. Wizi wa umeme katika maeneo ya mabanda huchangia hasara kubwa za kibiashara na kiufundi kwa kampuni. Hata hivyo, usambazaji wa umeme katika mitaa ya mabanda kwa kawaida huwa hauna manufaa ya kiuchumi kwa kampuni za umeme kwa kuwa mapato ni madogo mno kurudisha gharama ya uwekezaji, operesheni na huduma. Kampuni, hivyo basi, imekuwa ikitafuta namna ya kusambaza umeme katika mitaa hiyo kwa ushirikiano na serikali na washirika wa maendeleo. Kufuatia hatua hiyo, mnamo Februari 2012, kampuni ilipokea ruzuku kutoka kwa International Development Association (IDA), ikiwa kama msimamizi wa Global Partnership on Output-Based Aid (GPOBA), kwa usambazaji umeme katika mitaa ya mabanda nchini. Mpango huo unahusisha kampuni kuwekeza na kusambaza umeme katika mitaa ya mabanda, na baadaye GPOBA itarejeshea kampuni Dola 75 kwa kila mita iliyounganishwa hadi jumla ya Dola 5 milioni; ilhali Benki ya Dunia itarejesha Dola 150 kwa kila mita hadi jumla ya Dola 10 milioni. Takribani wateja 66,000 wanatarajiwa kunufaika na mpango huu.

Umeme kwa maeneo ya mashambani Kenya

Miradi ya usambazaji umeme katika maeneo ya mashambani kawaida inatekelezwa na Rural Electrification Authority (REA), ilhali Kampuni inaunganisha wateja na umeme na kudumisha mtandao wake. Azima ya mpango wa usambazaji umeme katika maeneo ya mashambani, ambao unafadhiliwa na Serikali, ni kutoa umeme katika maeneo ambayo yamo mbali na mfumo wa nyaya za stima, kwa lengo la kuimarisha hali ya kiuchumi na kijamii ya Wakenya wanaoishi katika maeneo hayo.

Katika mwaka uliopita, Kampuni iliendelea kukamilisha miradi ya usambazaji umeme sehemu za mashambani ambayo ilikuwa inatekeleza.

Kampuni inaendelea kuchangia katika shughuli za kusambaza umeme katika maeneo ya mashambani zinazoendeshwa na REA kama mwanakandarasi wa Serikali. Chini ya mpango huu, Kampuni ilikamilisha miradi 117 ya thamani ya Sh.641 milioni, na wateja wapya 78,901 walipokea umeme katika mwaka uliomalizika. Kampuni pia inatekeleza miradi mingine 115 kwa gharama inayokisiwa kuwa Sh.1,346 milioni chini ya mpango huu.

Kama sehemu ya mpango wa usambazaji umeme katika sehemu za mashambani, Serikali pia huweka mitambo ya jenereta kama maeneo ambayo yamo mbali na nyaya za stima na katika mwaka uliomalizika, Kampuni ilianza

Taarifa ya Mkurugenzi Mkuu

kujenga kiwanda cha kutumia miale ya jua ambacho kitazalisha kW300 Manderu kwa niaba ya Serikali. Hiki ndicho kiwanda cha pili kwa ukubwa cha kutumia miale ya jua nchini, na ujenzi wake unatarajiwa kukamilika Desemba 2012.

Kama sehemu ya mradi wa Lamu Port-South Sudan-Ethiopia Transport (LAPSSET), Kampuni inatekeleza mradi, kwa niaba ya Serikali, kuunganisha kisiwa cha Lamu na Mpeketoni kwa mtandao wetu wa nyaya za stima na kusambaza umeme kwa bandari mpya ya Lamu, ambayo inaendelea kujengwa.

Umeme huo utatolewa katika kituo kidogo cha kuzalisha kV220/33 kinachojengwa katika Hindi na kampuni ya Kenya Electricity Transmission Company Ltd. (Ketraco), ambacho kitakamilika Desemba 2012. Mradi huo unahusisha ujenzi wa takribani kilomita 60 za laini za kV33, kilomita 42 za laini za kV66 na kituo kidogo cha kuzalisha kV33/11 katika kisiwa cha Lamu, kwa gharama inayokisiwa kuwa Sh.650 milioni. Laini ya usambazaji hadi bandari mpya ya Lamu inatarajiwa kukamilika Desemba 2012, ilhali sehemu nyingine ya mradi huo itakamilika Desemba 2013. Vituo vya dizeli ambavyo kwa sasa vinasambaza umeme hadi kisiwani Lamu na Mpeketoni vitafungwa pindi tu miradi hii itakapozinduliwa.

Serikali pia imeomba Kampuni pamoja na REA kusambaza umeme hadi makao makuu ya wilaya ya Lokichar, katika kaunti ya Turkana. Mradi huo unahusisha ujenzi wa kituo kidogo cha kuzalisha kV220/66 katika kituo cha kuzalisha umeme kutokana na maji cha Turkwel, ambacho pia kitahudumia kaunti ya Pokot. Mradi huo unatarajiwa kugharimu takribani Sh.700 milioni na utakamilika Desemba 2013.

Kampuni itajenga vituo na REA itajenga laini.

HUDUMA KWA WATEJA

Tunaendelea kuimarisha huduma zetu

Tunaendelea kutekeleza mipango inayolenga kuboresha utoaji wa huduma zetu, utendakazi na kuwezesha wateja kutufikia kwa urahisi sambamba na maono yetu ya kutoa huduma ya hali ya juu inayofurahisha wateja wetu. Tunapima ufanisi wetu katika utekelezaji wa hayo yote kupitia mahojiano na wateja kuhusu huduma zetu na katika mwaka uliomalizika, tulifikia kiwango cha asilimia 70 ya wateja waliofurahishwa na huduma zetu, sawa na kiwango cha mwaka uliotangulia. Huwa tunatumia matokeo hayo na maoni tunayopokea kutoka kwa uchunguzi huo kuimarisha taratibu na bidhaa zetu sambamba na matakwa na matarajio ya wateja wetu. Baadhi ya mipango yetu ya kuimarisha ubora wa huduma zetu imeangaziwa hapa chini.

Kituo kipya cha mawasiliano

Kituo kipya cha kitaifa cha mawasiliano kilizinduliwa mwaka uliomalizika, na hivyo kuwapa wateja jukwaa moja la mawasiliano ambalo wanaweza kutumia kutangamana na Kampuni. Kituo hicho kilichoko Nairobi, ni jukwaa moja ambapo taarifa zote kuhusu wateja, malalamishi, maswali, maoni kutoka kwa njia zote za mawasiliano zikiwemo zile za mtandao zinaelekezwa na kushughulikiwa. Kituo hicho kinaendeshwa kwa saa 24 na kinasimamiwa na wafanyikazi waliopokea mafunzo ya hali ya juu wakisaidiwa na mitambo ya kisasa ya simu na ile ya kurahisisha utoaji huduma kwa wateja. Umuhimu wa

mawasiliano kwenye mtandao ni mkubwa na kampuni imekumbatia mbinu hii kama chombo kikuu cha mawasiliano baina ya wafanyikazi wetu na pia wateja. Kuhusiana na hili, tumeanzisha kitengo cha mawasiliano ya mtandao katika kituo chetu cha kitaifa cha mawasiliano kushughulikia malalamishi ya wateja kwenye facebook na twitter.

Kituo hicho kipya kimeimarisha utangamano wetu na wateja, na hivyo kuwezesha malalamishi na maswali ya wateja kushughulikiwa kwa haraka.

Kutangamana na wateja wetu

Katika mwaka unaoangaziwa, tulianzisha kipindi cha kujumuika na wateja wetu katika ngazi za kaunti ambapo tunaieleza wateja wetu kuhusu huduma na bidhaa zetu, kwa lengo la kuimarisha utoaji huduma na kupanua matumizi ya nguvu za umeme. Vikao hivyo vilivyochangamkiwa na wateja na raia kwa jumla, viliandaliwa Kisumu, Eldoret, Embu na Mombasa na sasa vimesambazwa hadi kaunti zingine. Washirika wetu wa mfumo wa malipo wa Easypay, pamoja na wauzaji wa vifaa vya umeme, pia walishiriki kwenye vikao hivyo kuhamasisha wateja kuhusu bidhaa na huduma zao.

Kama sehemu ya mipango yetu ya kawaida ya kuhamasisha wateja, tulielimisha raia kuhusu fani tofauti za biashara zetu zikiwemo bidhaa, huduma, usalama, uhifadhi, uharibifu wa mitambo ya umeme na wizi wa stima. Uhamasisho wa umma na usambazaji wa maelezo ulifanywa kupitia matangazo ya mara kwa mara kwenye vyombo vya habari, maonyesho 14 ya kilimo ya ASK, maonyesho 34 katika sekta za nyumba na ujenzi, vikao 68 vya hadhara, maonyesho 106 ya barabarani na kwa njia ya jumbe fupi.

Kurahisisha malipo ya bili za stima

Kampuni inaendelea kutafuta mbinu za kurahisha ulipaji wa stima kupitia ushirikiano mahususi chini ya nembo ya EasyPay. Hii ni pamoja na huduma za kutuma pesa za M-Pesa na Airtel, na malipo ya bili katika Uchumi Supermarkets, Postal Corporation of Kenya, benki za Post Bank, Equity, National na Cooperative. Wateja pia wanaweza kulipa moja kwa moja kwa akaunti zetu au kwenye kaunta katika Barclays Bank. Katika mwaka uliomalizika, mabadiliko zaidi yalifanywa kwa ule mfumo wa kulipa kwa njia ya M-Pesa na Airtel, ili akaunti za wateja ziweze kulipiwa moja kwa moja, ikilinganishwa na saa 48 za awali. Uchunguzi uliofanywa kuhusu kuridhika kwa wateja mwaka uliomalizika ulionyesha zaidi ya asilimia 83 walifurahia huduma ya EasyPay.

Mita za kulipia kabla ya kutumia zinawakuza wateja, zinaimarisha ukusanyaji wa mapato

Mita za kulipia kabla ya matumizi huwapa wateja uwezo wa kudhibiti matumizi ya umeme wao, huku wakati huo huo yakiimarisha ukusanyaji wa mapato ya Kampuni.

Katika mwaka uliomalizika, jumla ya wateja 164,117 walikuwa wamewekewa mita mpya ikilinganishwa na 118,698 mwaka uliotangulia. Kampuni inalenga kuweka mita 500,000 za kulipia kabla ya matumizi kufikia 2013 na kukamilisha mpango huo kwa wateja waliopo kufikia 2015.

Ukusanyaji wa data kwa njia ya digitali

Ujenzi wa vifaa vya mfumo wa ukusanyaji data kwa njia ya digitali, ambao ulianzishwa mwaka uliotangulia kwa gharama ya Sh.259 milioni uliendelea mwaka uliopita. Mbinu hiyo inahusisha matumizi ya mfumo wa GIS kukusanya na kuhifadhi data kuhusu miundomsingi ya kampuni na wateja wake kwa njia ya digitali. Baada ya kukamilika, utarahisha shughuli ya ukadiriaji wa gharama ya usambazaji umeme kwa wateja wapya, kurejesha umeme endapo utakatika, pamoja na maswali na malalamishi mengine ya wateja. Kufikia Juni 2012, akaunti 2,005,519 kati ya 2,038,625 zilikuwa zimeunganishwa na transfoma zao. Katika mwaka uliomalizika, Kampuni pia ilizindua kifaa kinachoweza wateja kufuatilia maombi yao ya stima yaliko kwa kutuma nambari ya marejeo kwa 5551.



KUSAMBAZA UMEME WA KUTOSHA NA WA KUTEGEMEWA KWA WAKENYA

Miundomsingi ya kutosha, imara na iliyotunzwa vyema ni muhimu katika utoaji wa umeme wa hali ya juu kwa Wakenya. Katika mwaka uliomalizika, Kampuni iliimarisha utekelezaji wa miradi ya kupanua mitambo yake, kuthibiti na kuinua mitambo yake kwa lengo la kuboresha usambazaji wa umeme na kuhakikisha ni wa kutegemewa, na hivyo kupunguza hasara kwenye mtandao na kutoa nafasi kwa wateja wapya kupokea stima.

Ifuatayo ni baadhi ya miradi mikubwa ya kuimarisha mitambo yetu iliyotekelezwa katika mwaka uliomalizika.

Uimarishaji wa Mitambo ya Ugawaji Chini ya Mradi wa Ufufuzi wa Sekta ya Kawi (ESRP).

Mnamo 2004 na 2009, Kampuni ilipokea jumla ya Dola 225.8 milioni kutoka kwa washirika tofauti wa maendeleo chini ya ESRP kwa kuimarisha utendakazi, usambazaji umeme wa kutegemewa na wa hali ya juu pamoja na kuongeza idadi ya Wakenya walio na umeme. Katika mwaka uliomalizika, miradi ya thamani ya Sh.1.5 bilioni ilimalizika chini ya mpango huo huku jumla ya miradi 31 ya kuimarisha na kuthibiti mitambo ya usambazaji umeme ya thamani ya Sh.7.2 bilioni, ilikuwa katika awamu tofauti za utekelezaji.



Taarifa ya Mkurugenzi Mkuu

Miradi iliyokamilika ni pamoja na ukarabati na uimarishaji wa kituo kidogo cha umeme cha Kipevu katika Pwani, na katika vituo vidogo vya Donholm, Airport, Kikuyu, Nairobi North, Gigiri, Muthurwa, Syokimau na Kabete katika eneo la Nairobi. Vingine ni Sondu, Butere na Cherangani Magharibi mwa Kenya; na kuwekwa kwa nyuzi za faiba kwa laini za Nairobi-Lessos-Tororo, Lessos-Eldoret, Lessos-Kisumu, Lessos-Chemosit na Nairobi-Kiganjo-Nanyuki, kama sehemu ya mradi wa System Control and Energy Management System (SCADA).

Kufuatia kuwekwa kwa mitambo ya kisasa katika vituo vya usimamizi katika Rabai, Kiganjo, Lessos na Nairobi mwaka uliotangulia kwa lengo la kuimarisha utendaji kazi katika maeneo hayo, shughuli hiyo iliendelea katika vituo vidogo vya Komarock, Ruai, Ridgeways, Lang'ata, Ngong Mjini, Lavington, Kabete na Kilelesha kV66/11 katika eneo la Nairobi; na katika vituo vidogo vya Makutano, Lessos, Naivasha vya kV132/33 katika eneo la Magharibi. Hivi vinatarajiwa kukamilika kufikia Desemba 2012.

Ujenzi katika miradi mingine 258 ya thamani ya Sh.1.9 bilioni yenye lengo la kuunganisha wateja wapya 65,000 na kuimarisha mtandao wa umeme, pia ulianza kote nchini katika mwaka uliomalizika. Hii inatarajiwa kukamilika mnamo Septemba 2013.

Mpango wa Upanuzi wa Umeme Kenya (KEEP)

Mpango wa KEEP utakaogharimu Dola 102 milioni, unaofadhiliwa na Benki ya Dunia, unalenga kuharakisha usambazaji umeme kwa Wakenya katika maeneo ambayo hayahudumiwi na mpango wa ESRP. Miradi tofauti iliyotekelezwa chini ya mpango huu inatarajiwa kukamilika kufikia 2014. Ujenzi katika vituo vidogo vifuatavyo ulikuwa unaendelea katika mwaka uliomalizika: Ndenderu, Magumu, Kiambu Mjini, Rironi, Lower Kabete, Githunguri, Villa Franca, Uplands, Kirigit na Lukenya katika eneo la Nairobi; Jomvu na Mishimoroni katika eneo la Pwani; Ahero, Chepseon, Elgon View, Kibos, Kipsaraman, Majengo, Maseno na Kabarak University katika eneo la Magharibi; na Gatundu, Juja, Kangema, Tala na Mwea katika eneo la Mlima Kenya.

Miradi Iliyofadhiliwa na Toleo la Hisa

Mnamo 2010, Kampuni ilipata Sh.9.1 bilioni kutokana na toleo la hisa kufadhili ujenzi wa miradi mikubwa ya kuimarisha mitambo ya umeme. Katika mwaka uliomalizika, utoaji zabuni kwa wanakandarasi wa miradi hiyo ulikamilika na shughuli za ujenzi zilianza katika Nyeri Ruring'u, Thika Industrial, Embu East katika eneo la Mlima Kenya; na City Square, Kasarani na Eastleigh jijini Nairobi.

Miradi mingine itakayofadhiliwa na mapato ya toleo la hisa ni vituo vidogo vya kV33 vya Bahati na Dagoretti; laini ya tatu ya kV66 ya Nairobi West-Embakasi, Steel Billets-Jevanjee jijini Nairobi; kV33 kutoka Msambweni-LungaLunga katika Pwani; na laini za kV33 za Bayete-Lessos, Muhoroni-Ahero-Kisumu, Kisian-Nyamnia; kuongeza na kubadilisha vifaa vya umeme katika laini za kV33 za Obote 1 & 2 na Breweries magharibi mwa Kenya; zote kwa thamani ya Sh.3.9 bilioni. Isitoshe, Sh.2.8 bilioni zitatumiwa kustawisha kituo cha usimamizi katika Thika Road, na kukamilisha ujenzi wa laini ya kV132 na kituo kidogo katika Sagana-Kutus.

Mpango Mkuu wa Ugawaji

Katika mwaka uliomalizika, Kampuni ilimwajiri mshauri, Parsons Brinkerhoff Power kutoka Uingereza, kutayarisha Mpango Mkuu wa Ugawaji. Mshauri huyo anatarajiwa, miongoni mwa mambo mengine, kutayarisha mikakati ya utekelezaji wa mfumo nafuu wa usambazaji wa umeme, kuhakikisha kuna uwezo wa kutosha wa usambazaji umeme katika kaunti zote 47 nchini, na kudumisha usambazaji umeme wa kutegemewa. Isitoshe, Mpango huo mkuu utatoa mapendekezo kuhusu matumizi yafaayo ya mfumo wa ugawaji, kupunguza hasara, kuharakisha usambazaji umeme kwa wateja wapya na pia mpango wa usambazaji umeme katika maeneo ya mashambani. Baadhi ya shughuli kuu zinazoshughulikiwa na mtaalamu ni pamoja na kutathmini mahitaji ya umeme ya wakazi wa kaunti kuhusiana na vituo vya kibiashara vilivyopo na vile vinavyotarajiwa kuchipuka, na kutoa mapendekezo ya laini badala za usambazaji kwa vituo vikuu vya kibiashara na vile vya kuhifadhi umeme ili kurahisisha usambazaji na utunzaji wa mitambo ili kuhakikisha kuna umeme nyakati zote.

Mitambo ya Kujiendesha

Utekelezaji wa mradi wa kuhakikisha usambazaji umeme wa kujiendesha wa thamani ya Sh.600 milioni katika miji ya Mombasa na Nairobi ambao ulianza mwaka uliotangulia, uliendelea mwaka uliomalizika. Mradi huo unahusisha kuweka mitambo ya kisasa yenye uwezo wa kutambua moja kwa moja dosari kwenye mtandao wa usambazaji umeme; kutenga sehemu zilizo na kasoro na kurejeshea umeme wateja waliomo katika sehemu ambazo hazijaathiriwa. Usambazaji wa umeme kwa njia inayojiendesha utapunguza muda unaotumika kurejesha umeme endapo kutakuwa na uharibifu wa mitambo. Kampuni ya El-Mor Electricity Limited ya Israel inatekeleza mradi wa Nairobi, ilhali ile ya Lucy Electric Limited ya Uingereza inatekeleza mradi wa Mombasa.

VYANZO TOFAUTI VILIVYOPANGWA VYA UZALISHAJI UMEME 2012 - 2020

Mwaka	Maji	Dizeli ya kasi ya kadiri	Uagizaji	Uzalishaji wa pamoja	Injini za kuzungushwa na gesi-mafuta taa	Gesi, injini za kuzungushwa na gesi	Umememvuke	Makaa	Upepo
2012	50.6%	30.1%		1.7%	4.0%		13.2%		0.3%
2015	26.5%	29.2%		0.8%			26.6%		16.9%
2020	16.1%	15.0%	15.5%			5.6%	26.8%	9.6%	11.4%

Utekelezaji wa mradi wa Mombasa upo karibu kukamilika, huku karibu vifaa vyote vikiwa vimewekwa na sehemu ya mtambo huo tayari inatumika. Mradi huo wote unatarajiwa kukamilika kufikia Desemba 2012; ilhali ule wa Nairobi unatarajiwa kukamilika kufikia Juni 2013.

Kuimarisha Mtambo wa Usafirishaji

Mtambo wa usafirishaji ni daraja kati ya mitambo ya ugawaji na viwanda vya uzalishaji, na hivyo ni kiungo muhimu katika utoaji wa umeme wa hali ya juu na usambazaji umeme wa kutegemewa. Kampuni inatekeleza miradi kadha mipya na kupanua mitambo iliyopo kwa lengo la kuongeza uwezo wa uzalishaji na mahitaji ya umeme. Kutokana na hili, miradi mikubwa mipya ya usambazaji ya jumla ya Km 4,066 za laini za kV132, kV220 na kV400, pamoja na kituo kidogo cha MVA 2,421 itatekelezwa kwa gharama ya Dola 1.241 bilioni kufikia 2016.

Baadhi ya miradi iliyokamilishwa na Kampuni katika mwaka tunaoangazia ni: (i) Ujenzi na uzinduzi wa transfoma ya tatu ya MVA90 kV220/66 katika kituo kidogo cha kV220/66 cha Embakasi, kupanua uwezo wake hadi MVA270. (ii) Ujenzi wa mitambo ya kupunguza hasara ya umeme katika vituo vidogo vya Juja Road, Embakasi, Nairobi North na Ruaraka. (iii) Ujenzi na uzinduzi wa transfoma MVA45 kV132/33 katika kituo kidogo cha Mambo Leo mjini Kisumu, na kisha upanuzi wa uwezo wake hadi MVA68. (iv) Ujenzi wa eneo la kuzalisha kV220 zaidi katika kituo kidogo cha Olkaria II kutoa nafasi ya usambazaji umeme unaozalishwa katika kiwanda cha OrPower4.

Miradi mingine ambayo ingali inatekelezwa na Kampuni mwaka huu ni: ujenzi wa laini ya kusafirisha kV132 ya Km 20 na kituo kidogo katika Sagana-Kutus na upanuzi wa kituo kidogo cha Rabai cha kV220/132 na kuhamia kwa kituo kipya cha kuzalisha kV132; kuwekwa kwa transfoma mpya za MVA23 katika vituo vya Kisii na Meru vya kV132/33 hadi mara mbili ya uwezo wao wa kusambaza umeme.

Kampuni ina mkataba wa huduma na Kenya Electricity Transmission Company (Ketraco), ambapo inatoa huduma za kiufundi na kitaalmu katika utekelezaji wa baadhi ya miradi yake mikubwa. Katika kipindi tunachoangazia, tulikamilisha miradi minne kwa niaba ya Ketraco. Hii ni pamoja na ujenzi wa laini za kV132 na kituo kidogo katika Kilimambogo-Mangu; ujenzi wa laini za kV132 na kituo kidogo Mangu-Gatundu West; ujenzi wa laini za kV132 na kituo kidogo Mumias-Rang'ala.

Miradi mingine ambayo bado inaendelea ni ujenzi wa laini za kV132 na kituo kidogo cha Mang'u-Githambo; ujenzi wa laini ya kusafirisha kV400 Nairobi-Mombasa; ujenzi wa laini za kV132 na kituo kidogo katika Eldoret-Kitale; ujenzi wa laini za kV132 na kituo kidogo cha Kindaruma-Mwingi-Garissa; na laini ya kusafirisha kV132 na kituo kidogo katika Kisii-Awendo.

Utunzaji wa Miundomsingi Yetu

Uharibifu wa mitambo ya stima, ambao umekuwa ukiongezeka, ni hatari kubwa kwa ustawi wa kijamii na kiuchumi wa nchi, pamoja na kuwa gharama kuu kwa Kampuni. Ni chanzo kikuu cha kutofurahia kwa wateja kutokana na kupotea kwa mara kwa mara kwa umeme. Kampuni imekuwa ikitekeleza mikakati tofauti kukabiliana na uharibifu, ukiwemo mpango wa kushirikisha jamii

kuwanasa wahalifu na doria za polisi, kuthibiti vifaa hivyo kwa kuvichomelea na kuhamisha transfoma zilizo hatarini kuchakurwa hadi maeneo salama na kuweka ving'ora vya kuwafukuza wahalifu hao. Katika mwaka uliomalizika, juhudi zetu za kukabiliana na uharibifu wa transfoma zilipigwa jeki wakati Bunge lilibadilisha Sheria ya Kawi na kutoa adhabu kali kwa wale wanaoharibu mitambo ya stima ili wahusika wafungwe jela miaka 10, na/au faini ya Sh.5 milioni. Inatarajiwa kuwa adhabu hizo kali zitazuia uharibifu wa vifaa vya umeme.

Uwezo wa Uzalishaji

Mpango wa sasa wa nchi wa Kuzalisha Umeme wa Gharama Nafuu unalenga kuhakikisha ustawishaji wa upanuzi wa mbinu za uzalishaji umeme ambao unatarajiwa kukomesha utegemeaji mkubwa wa maji na pia umemejoto ambao unategemea pakubwa bei ya mafuta na kukumbatia zaidi kawi salama kwa mazingira, nafuu na ya kutegemewa na tekinolojia za kudumu kama vile umememvuke na uagizaji wa umeme kutoka maeneo jirani. Kama hatua ya muda, nchi itategemea viwanda vya uzalishaji umemejoto ili kuziba pengo la mahitaji ya umeme na kuhifadhi akiba kwenye mtandao wetu, hadi mbinu salama, safi na nafuu zitakapobuniwa, ndipo baadaye viwanda vya umemejoto vitakoma kutumiwa kama njia ya kimsingi ya uzalishaji hadi wakati vitatumika inapolazimu kufanya hivyo.

Nchi hii inalenga kuwa na uwezo wa kuzalisha takribani MW1,358 za umeme kufikia 2015 na miradi hiyo imo kwenye awamu tofauti za utekelezaji na Kenya Electricity Generating Company Ltd. (648.4MW), na kampuni za kibinafsi za uzalishaji (710MW).

Kampuni huru za ustawishaji na wafadhili wanahitaji dhamana kupunguza hatari ya kutolipwa kwa madeni na pia hatari za kisiasa. Mbeleni, Kampuni ilitoa dhamana kwa wadeni wa kampuni huru za uzalishaji (IPP) huku Serikali ikitoa waraka wa kuunga mkono mradi ili kushughulikia hatari za kisiasa. Kufuatia mpango uliopo wa kuongeza uzalishaji wa umeme na kushirikisha zaidi sekta ya kibinafsi, katika kipindi tunachoangazia, Kampuni, Serikali na Benki ya Dunia zilijadiliana kuhusu kuwepo kwa mpango wa kudumu wa kudhamini IPP, ambao unashirikisha (IDA PRGs) na pia dhamana ya Multilateral Insurance Guarantee Agency (MIGA). IDA PRGs kwa sasa zinatolewa kwa mradi wa uzalishaji MW87 za umemejoto katika Thika ambao unastawishwa kwa gharama ya Dola 146 milioni; MW83 katika kiwanda cha Athi River cha Triumph kinachostawishwa kwa gharama ya Dola 157 milioni; kiwanda cha umemejoto cha Gulf cha kuzalisha MW80 katika eneo la Athi River kinachoundwa kwa gharama ya Dola 108 milioni na mradi wa upanuzi wa kuzalisha MW36 za umememvuke cha OrPower4 katika Olkaria III kwa gharama ya Dola 212 milioni ambao utaongeza uwezo wa uzalishaji hadi MW84 kutoka MW48.

Dhamana za IDA PRGs na MIGA zinachukua mahali pa dhamana za serikali kwa wawekezaji na wafadhili wanaounga mkono miradi hiyo na wamwezesha miradi inayofadhiliwa kwa muda tu kufikia ufadhili ufaao. Miradi hiyo itazinduliwa kufikia Juni 2013.

Taarifa ya Mkurugenzi Mkuu

Uagizaji wa MW400 kutoka Ethiopia – Katika mwaka uliomalizika, Kampuni ilifanya makubaliano na ununuzi wa umeme (PPA) na kampuni ya Ethiopia Electric Power Corporation (EPCO) ambapo itauzia Kampuni MW400 za umeme kwa muda wa miaka 20 kuanzia 2017. Ethiopia imejaliwa uwezo wa kuzalisha MW45,000 kupitia maji, ambazo inapanga kustawisha kwa matumizi ya nyumbani na kuuza katika mataifa jirani. Mkataba wa PPA na EPCO unaambatana na Mwafaka wa Maelewano kati ya Serikali ya Kenya na Serikali ya Ethiopia ambapo serikali hizo mbili zilielezea kujitolea kwao kufanikisha biashara baina yao na kustawisha mitambo ya kuunganisha mitandao yao miwili ya umeme. Kufuatia hatua hiyo, serikali hizo mbili zinaunda laini ya kusafirisha kV500 ya kilomita 1,045 kutoka Wolyata Sodo nchini Ethiopia hadi Suswa nchini Kenya ambayo itakuwa na uwezo wa kuhamisha MW2,000 za umeme. Jumla ya gharama ya laini hiyo na vituo vyake itakuwa Dola 1,152 milioni.

Mradi huo wa kuunganisha laini hizo mbili za umeme unaotarajiwa kukamilika 2017, unafadhiliwa na Benki ya Dunia, African Development Bank na Agence Francaise de Developpement (AfD).

Laini hiyo haitahudumia mataifa hayo mawili pekee, bali itatumika kwa biashara ya umeme katika eneo la Afrika Mashariki. Inakisiwa kuwa uwezo mkubwa wa biashara ya umeme katika kanda hii, pamoja na manufaa ya ushirikiano katika kustawisha raslimali za umeme na mitambo, zitawezesha kuundwa kwa soko la nguvu za umeme katika eneo hili na kuanzisha biashara ya umeme katika mataifa yanayozalisha umeme Afrika Mashariki (EAPP).

Usambazaji kutoka Kenya Electricity Generating Company Ltd. (KenGen)

– Katika mwaka uliomalizika, Kampuni ilifanya mikataba mitano na KenGen ya ustawishaji wa kiwanda cha kuzalisha MW115 za umemejoto cha Kipevu III, viwanda vya kuzalisha umememvuke vya MW280 katika Olkaria, MW75 kutoka kiwanda cha muda cha kuhamishwa katika Olkaria, MW2.4 katika Eburru, kiwanda cha kuzalisha MW20 za umeme kutoka kwa maji cha Sangoro na kuhamishwa kwa injini za kuzalisha MW60 za kuzungushwa na gesi kutoka Mombasa na Nairobi. Miradi hiyo itawezesha uzalishaji wa MW492.4 kufikia 2015.

WAFANYIKAZI – RASLIMALI MUHIMU

Kampuni inathamini wafanyikazi wake, ambao ni nguzo muhimu katika kuendesha mkakati wake na kufanikisha maono na lengo lake. Kufikia Juni 30, 2012, Kampuni ilikuwa na wafanyikazi 10,252, wateja 2,038,625, na hivyo mfanyikazi mmoja kuhudumia wateja 199.

Kwa lengo la kustawisha na kuhifadhi wafanyikazi walio na ujuzi na walio na msukumo wa kufanya kazi, katika mwaka uliomalizika, Kampuni iliendelea kutekeleza mpango wa kutoa mafunzo yenye lengo la kubadilisha itikadi zetu, kupalilia vipawa vya uongozi na kunoa uwezo wao kitaaluma. Jumla ya wafanyikazi 2,490 walihudhuria angalau mpango mmoja wa kutoa mafunzo, huku kiwango cha wastani cha siku za mafunzo kwa kila mfanyikazi kikiwa siku 4.39.

Kampuni inaendelea kutekeleza mipango mingine ambayo inaathiri moja kwa moja maslahi ya wafanyikazi kwa lengo la kuwatia shime. Hii ni pamoja na

mipango ya kuhakikisha usawa kati ya majukumu ya kikazi na ya maisha ya kibinafsi ambayo inalenga kuhakikisha wafanyikazi wanashughulikia familia zao, michezo na afya bora pamoja na vifaa bora vya afya.

Kila mwaka, uchunguzi kuhusu kuridhika kwa wafanyikazi unafanywa na matokeo na maoni hutumika kushughulikia nyanja zilizowaudhi watumishi hao ili kuimarisha ari yao na utenda kazi. Katika kipindi kilichomalizika, kiwango cha kuridhika kiliimarika hadi asilimia to 62.28 kutoka asilimia 58.6 ya mwaka uliopita.

SIKU ZA BAADAYE

Nafasi tele zipo kwa ukuaji wa biashara katika kaunti baada ya utekelezaji wa mfumo wa ugatuzi kutokana na kuongezeka kwa shughuli za kiuchumi katika kaunti, ambazo tuko tayari kuhudumia kupitia mtandao wetu mkubwa wa matawi nyanjani. Ili kufikia malengo yetu ya kibiashara, tutaendelea kulenga kupanua idadi ya wateja wetu, kuongeza mauzo ya umeme, kuimarisha kiwango cha usambazaji, usimamizi wa busara wa raslimali zetu, ili kupata thamani zaidi kwa wenyehisa wetu na kuchangia katika mabadiliko ya kijamii na kiuchumi ya nchi yetu.

Ningependa kuwashukuru washikadau pamoja na wenye hisa wote na washirika wakiwemo wafanyikazi, wateja, serikali, wafadhili na wauzaji, miongoni mwa wengine kwa kutuunga mkono katika mwaka uliomalizika, ambao uliwezesha Kampuni kupata matokeo bora ya kibiashara.

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

Oktoba 26, 2012

The Board of Directors continues to oversee and monitor the Company's sustainability performance, and it is one of our eight strategic pillars. Our social, environmental and financial performance for 2011/2012 financial year is contained throughout this report, and specific performance in this regard is cross-referenced in the table below.

The report covers the Kenya Power business and we have used the General Reporting Initiative (GRI) Reporting Guidelines & Electric Utilities Sector Supplement as our reference point. We also applied the GRI guidelines in the 2010/2011 report. However, the completeness of the reporting in line with the GRI framework is inadequate due to limitations that will be addressed once we engage a competent consultant to facilitate our improvement in this regard. We are already in the process of hiring the consultant who will assist us with the development of a framework for implementation, measurement, audit and reporting on sustainability. One of our targets under this initiative is to undertake an annual sustainability assessment that is externally assured.

We empower people to lead better lives and we believe that supplying quality electricity in a sustainable manner is the best contribution we can make to our economy and society. In order to do this, we work with various partners and communities to help meet electricity demand in the most economically, environmentally and socially responsible ways. Although we meet all statutory requirements relating to our business, we continue to strive to improve on our sustainability performance even beyond these legal requirements.

With a view to focussing more attention on business sustainability, during the year under review the Board reviewed and updated the Company's CSR policy of 2006, which was mainly based on the aspect of philanthropic giving. The thrust of the new policy is to embed sustainability and corporate governance throughout the Kenya Power business, and philanthropy will remain one aspect of our sustainability strategy.

At the same time, as part of our philanthropic activities, we shall continue to support various worthy causes and, during the year under review, the Company donated Shs.42 million to environment, sports and education initiatives throughout the country. With a view to enhance our support for these causes, during the year the Board of Directors also approved the creation of a Kenya Power Foundation, which will independently raise additional funds for charity. The foundation will be set up by June 2013.

**We empower
people for better
lives**



Sustainability and Corporate Social Responsibility (CSR) Statement

Following are other notable activities which we undertook during the review period:

Safety, health and environment

We continued to pay great attention to public and employee safety, and 37 awareness campaigns were conducted throughout the country, which also included training of the Company's contractors. In addition, committees on health and safety were launched in Coast and West regions, while routine workplace inspection, including fire risk assessment, was carried out throughout the organisation. The Company has a large transport fleet and therefore road safety is a priority for all our drivers. During the review period, defensive driving training was conducted for various Company drivers in liaison with the Automobile Association of Kenya; while others were feted and awarded for accident-free driving. On environmental conservation, we planted 129,000 trees in public and private land through partnerships with various institutions and groups, with clear plans for ensuring their survival.

Improving the work environment

In our annual work environment survey, which is carried out by an independent research firm, staff gave the Company's work environment a rating of 94%, compared to 87.4% the previous year. This improved rating is attributable to changes made based on recommendations from the previous year's survey. We shall continue to undertake research in this important area with a view to improving staff morale and safety.

Disability mainstreaming

Disability mainstreaming is in progress and we are in the process of hiring a consultant who will carry out a disability survey and policy framework, as well as carrying out disability sensitization throughout the company. Transcription of the Service Charter and other corporate information into braille is also in progress.

Clean Development Mechanism (CDM) projects

During the year under review, the Company commenced with the registration of clean development mechanism (CDM) projects from its assets and operations with a view to earning revenue from carbon credits from 2013. Implementation of these projects will improve system efficiency and reduce green house gas emissions estimated at 300,000 tonnes CO₂ per annum and a reduction of system peak demand estimated at 130MW. Two projects in the ambit of compact fluorescent lighting (CFL) and high energy efficient transformers are being developed for registration.

Awards

We won various awards and special commendations relating to our business performance. These include:

- (i) A trophy for 2nd position at the 2012 AITEC ICT Conference won by the Telecommunication Business Unit;
- (ii) Special mention and commendation of our customer connectivity at a practitioners' workshop of the Africa Electrification Initiative held in Dakar, Senegal, in November 2011.
- (iii) Special mention and commendation of our accelerated electrification during a practitioners' workshop on energy access for urban and peri-urban poor in Washington DC in May 2012.
- (iv) Special mention at the UN 56th Commission on the Status of Women

in New York in February 2012 for empowering rural women through electrification.

- (v) Special mention and commendation for gender mainstreaming at the Energia International Network on Gender and Sustainability workshop in Amsterdam in December 2011.

Sustainability Reporting Cross-Reference Index

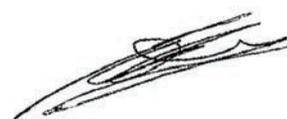
This is the practice of measuring, disclosing and being accountable to stakeholders for organisational performance towards the goal of sustainable development. Since the 2010/2011 financial year, our annual report has attempted to integrate aspects of sustainability and financial reporting based on the Global Reporting Initiative (GRI) guidelines. The following index below cross-references the various aspects of sustainability reporting throughout the report.

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Sustainability and Corporate Social Responsibility (CSR) Statement

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Mr. Eliazar O Ochola
Chairman

26th October 2012

Taarifa ya Uendelezaji na Wajibu wa Kampuni kwa Jamii (CSR)

Bodi ya Wakurugenzi inaendelea kusimamia na kufuatilia utekelezaji wa mpango wa uendelezaji wa Kampuni, na ni mojawapo ya nguzo zetu nane kuu. Matokeo yetu katika fani za kijamii, mazingira na kifedha kwa mwaka 2011/2012 yameangaziwa kote kwenye ripoti hii, na matokeo halisi kuhusiana na hili yamerejelewa kwenye jedwali iliyopo chini.

Ripoti hii inaangazia biashara ya Kenya Power na tumetumia taratibu za General Reporting Initiative (GRI) kama mwongozo wetu. Pia tulitumia kanuni hizo za GRI kwenye ripoti yetu ya 2010/2011. Lakini ukamilifu wa ripoti chini ya mfumo wa GRI una walakini kutokana na upungufu utakaoshughulikiwa pindi tutakapomteua mshauri aliyehitimu kutuwezesha kujiimarisha katika nyanja hii. Tayari, tumeanzisha utaratibu wa kuteua mshauri atakayetusaidia kutayarisha mfumo wa utekelezaji, kupima, kukagua na kuripoti kuhusu uendelezaji. Mojawapo ya malengo yetu chini ya mpango huu ni kufanya tathmini ya kila mwaka kuhusu uendelezaji ambayo imethibitishwa kutoka nje.

Tunawawezesha watu wetu kuishi maisha mema na tunaamini kuwa kwa kuwasambazia umeme wa hali ya juu na kwa njia inayoweza kudumishwa ndio mchango bora zaidi tunaoweza kutoa kwa uchumi na jamii. Ili kufanikisha hilo, tunashirikiana na washirika tofauti na jamii mbalimbali ili kutuwezesha kutosheleza mahitaji ya umeme kwa njia zinazofaa kiuchumi, kimazingira na pia kijamii. Ingawa tunatimiza mahitaji yote ya kisheria kuhusiana na biashara yetu, tunaendelea kujikakamua kuimarisha utendakazi wetu katika uendelezaji zaidi wa vigezo vya kisheria vilivyowekwa.

Kwa lengo la kuangazia zaidi kuhusu uendelezaji wa biashara, katika mwaka tunaoangazia, Bodi ilichunguza na kuimarisha sera ya wajibu wa kampuni kwa jamii (CSR) ya 2006, ambayo hasa ililenga utoaji wa misaada kwa wasiobahatika katika jamii. Kiini cha sera hii mpya ni kuhakikisha uendelezaji na maongozi bora yamejikita kwenye shughuli zote za Kenya Power, na utoaji msaada utakuwa sehemu tu ya mkakati wetu wa uendelezaji.

Wakati huo huo, kama sehemu ya shughuli zetu za utoaji msaada, tutaendelea kusaidia makundi na taasisi zinazostahili na, katika mwaka uliomalizika, Kampuni ilitoa mchango wa Sh.42milioni kwa miradi ya kuhifadhi mazingira, kukuza michezo na elimu kote nchini. Kwa lengo la kuimarisha hata zaidi miradi hii, katika mwaka uliomalizika, Bodi ya Wakurugenzi pia iliidhinisha kubuniwa kwa Wakfu wa Kenya Power, ambao utatafuta kivyake fedha zaidi za kutoa misaada. Wakfu huo utanzishwa Juni 2013.

Zifuatazo ni shughuli zingine muhimu ambazo tulizifanya katika mwaka uliomalizika.

Usalama, afya na mazingira

Tuliendelea kutilia maanani usalama wa umma na wafanyikazi wetu na kampeni 37 za uhamasisho ziliendeshwa kote nchini, yakiwemo mafunzo kwa wanakandarasi wa Kampuni. Mbali na hayo, kamati kuhusu afya na usalama zilianzishwa katika maeneo ya Pwani na Magharibi, huku ukaguzi wa kawaida katika mahali pa kazi, ikiwemo hatari ya kuzuka moto, ukifanywa katika shirika lote. Kampuni ina magari mengi ya uchukuzi, na hivyo usalama wa barabarani kwa madereva wetu wote ni muhimu. Katika mwaka uliomalizika, mafunzo maalumu yalitolewa kwa madereva wote wa Kampuni kwa ushirikiano na Automobile Association of Kenya; ilhali wengine walisheherekewa na kutuzwa kwa kutohusika kwenye ajali yoyote. Pia tulipanda miti 129,000 kwenye ardhi ya kibinafsi na ile ya uma kwa kushirikiana na taasisi na vikundi mbalimbali, tukiwa na mpangilio wa kuhakikisha ukuaji wa miti hiyo.

Kuimarisha mazingira ya kazi

Kwenye uchunguzi wetu wa kila mwaka kuhusu mazingira ya kazi, uliofanywa na kampuni huru, wafanyikazi walitoa alama ya asilimia 94, ikilinganishwa na asilimia 87.4 ya mwaka uliopita.

Hii inatokana na mabadiliko yaliyofanywa kufuatia mapendekezo ya uchunguzi wa awali. Tutaendelea kufanya utafiti katika nyanja hii muhimu kwa lengo la kuimarisha usalama wa wafanyikazi na pia kuwatia shime.

Kukumbatia walemavu

Juhudi za kukumbatia walemavu katika Kampuni zinaendelea na tunajiandaa kuteua mshauri ambaye atafanya uchunguzi na mfumo wa kisera, pamoja na kuendesha kampeni ya uhamasisho kuhusu ulemavu katika Kampuni nzima. Utayarishaji wa Mkataba wa Huduma na taarifa zingine za kampuni kwa lugha inayoweza kusomwa na vipofu ya braile unaendelea.

Miradi ya Uhifadhi wa Mazingira Safi (CDM)

Katika mwaka uliomalizika, Kampuni ilianza kwa usajili wa miradi ya uhifadhi wa mazingira safi kutoka kwa rasimali na operesheni zake kwa lengo la kupokea malipo ya kupunguza hewa ya kaboni kuanzia 2013.

Utekelezaji wa miradi hii utaimarisha utendakazi wa mitambo yetu pamoja na kuongoza katika juhudi za kupunguza hewa chafu inayokadiriwa kuwa tani 300,000 za kaboni kila mwaka. Utekelezaji wa miradi hii utasaidia kupunguza matumizi ya mitambo yetu ambayo kilele chake ni MW130.

Miradi mingine miwili chini ya mpango wa matumizi ya globu za kutumia umeme mdogo (CFL) na transfoma zinazotumia kawi vyema inaendelea kutayarishwa tayari kwa usajili.

Tuzo

Tulishinda tuzo tofauti na kutambuliwa kuhusiana na utendakazi wetu wa kibiashara. Hii ni pamoja na:

- i. Tuzo kwa kuibuka wa pili katika Kongamano la Teknolojia ya Mawasiliano la AITEC 2012 iliyotwaliwa na Kitengo cha Mawasiliano ya Kibiashara.
- ii. Kutambuliwa na kutuzwa kuhusiana na namna tulivyowasambazia umeme wateja kwenye warsha ya washikadau kuhusu mpango wa kusambaza umeme Afrika iliyofanyika Dakar, Senegal mnamo Novemba 2011.
- iii. Kutambuliwa kwa juhudi zetu za kuharakisha usambazaji umeme wakati wa warsha kuhusu utoaji umeme kwa maskini walio katika sehemu za miji na maeneo yaliyo pembeni mwa miji katika Washington DC mnamo Mei 2012.
- iv. Kutambuliwa kwenye Mkutano wa 56 wa Tume ya Umoja wa Mataifa kuhusu Hadhi ya Wanawake New York, mnamo Februari 2012 kwa kuwapiga jeki wanawake katika sehemu za mashambani kupitia usambazaji umeme.
- v. Kutambuliwa na kupongezwa kwa kukumbatia masuala ya jinsia katika warsha ya shirika la Energia International Network kuhusu jinsia na uendelezaji mjini Amsterdam, Desemba 2011.

Marejeleo kuhusu vigezo vya ripoti ya uendelezaji

Ripoti kuhusu uendelezaji ni utaratibu wa kupima, kufichua na kuwajibika kwa washikadau kwa utendakazi wa kampuni kwa lengo la ustawi wa kudumishwa. Tangu kipindi cha matumizi ya fedha cha 2010/2011, ripoti yetu ya kila mwaka imejaribu kujumuisha vipengele vya uendelezaji na utayarishaji wa ripoti za kifedha kwa kuzingatia mwongozo wa Global Reporting Initiative (GRI). Vigezo vifuatavyo vinarejelea fani tofauti za ripoti ya uendelezaji kote kwenye ripoti hii ya kila mwaka.

Taarifa ya Uendelezaji na Wajibu wa Kampuni kwa Jamii (CSR)

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Bw. Eliazar O Ochola

Mwenyekiti

Oktoha 26, 2012

**We invest
in customer
education**



Corporate governance refers to the principles, processes and practices by which a company is operated, regulated and controlled so that it can set and fulfil its goals and objectives in a manner that adds value for the benefit of all stakeholders and is sustainable. It is concerned with systems and practices and procedures that govern the company. Good corporate governance entails provision of structures that establish relationships among company's board, shareholders, management and other stakeholders to ensure the company business remains viable and sustainable.

The Company regards good corporate governance as crucial to the success of the business and is steadfastly committed to practice it 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.

CORPORATE GOVERNANCE GUIDELINES

The following Corporate governance guidelines and principles are applied in the Company to govern directors and staff: (i) the Capital Markets Authority's Guidelines on Corporate Governance for publicly quoted companies; (ii) specified best corporate governance principles adopted from other jurisdictions as contained in the Company's Board Manual, Charter and Code of Conduct that the company ascribes to; and (iii) the Public Officer Ethics Act, 2003 that applies to public officers.

Directors exercise independent judgement and professional competencies for effective governance of the Company as set out in the Board Manual which clearly spells out important governance arrangements covering: (i) appointment of 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; (vii) terms of reference for all Board Committees; and (viii) disclosure of material information to the public.

The Directors' Code of Conduct sets out rules that govern the conduct of individual directors in order to enable the Board to operate effectively and in the best interests of the Company. The Code of Conduct sets out rules for directors to among others: act honestly, in good faith and for the best interest of the Company; exercise duty with care and diligence; avoidance and management of conflict of interest; maintain confidentiality of information about the Company; show commitment to and attend to Company business; and respect to fellow directors.

COMPOSITION OF THE BOARD OF DIRECTORS

The Board comprises ten Directors, including the Managing Director & Chief Executive Officer. Nine of the Directors including the Chairman are non-executive. The composition of the Board of Directors takes into account requirements of the industry, diverse mix of skills, age, gender, qualifications and experience necessary to achieve the Company's goals and objectives. The directors' biographies are shown on pages 10-11.

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

Conflict of Interest

Directors are required to make a written disclosure of 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. Business transactions with all parties, directors or their related parties are carried out at arms' length.

ROLE AND RESPONSIBILITIES OF THE BOARD

The Board provides leadership and strategic direction to the Company. The main responsibilities of the Board are: (i) establishing the short and long-term goals of the Company and strategic plans to achieve those goals; (ii) ensuring preparation of the annual and half-year financial statements; (iii) approval and review of the annual budgets; (iv) setting and periodically reviewing key performance indicators and management performance; (v) ensuring that the Company has adequate systems of internal controls; and (vi) ensuring that the Company has adequate risk management plans to ensure business continuity.

The Board of Directors has full access to the advice and services of the Company Secretary. They are also empowered to seek independent professional advice at Company expense where necessary.

Role of Chairman of the Board of Directors

The Chairman is primarily responsible for providing leadership to the Board, Chairing Board meetings and general meetings of members. The chairman also ensures that the Board is supplied with timely and sufficient information to enable it to discharge its duties effectively.

Managing Director & Chief Executive Officer

The Managing Director is the chief executive of the company responsible for the day to day management of the Company.

DIRECTORS' TRAINING AND DEVELOPMENT

The Company recognises the importance of having a well informed and fully empowered Board of Directors. In this regard, relevant training and capacity development opportunities are organised to equip directors with skills and knowledge necessary to effectively perform their responsibilities.

During the year, the Board members attended training programmes, seminars and conferences locally and outside the country and the average training days per director was 13 days. The training programmes attended included: Africa energy forum, the national energy conference, global corporate governance conference, African Utility Week, the American wind energy association conference, annual projects and infrastructure forum and powering Africa. The training not only provided directors with skills they needed but also insight of the emerging business trends internationally.

BOARD WORKPLAN AND MEETINGS

A work plan and schedule of meetings is prepared annually in advance. The Board meets at least once a month or more depending on the requirements of the business. Directors receive adequate notice for meetings and detailed papers on issues to be discussed before the meetings.

The Board held a total of 12 meetings during the year, which were well attended as detailed below:

Corporate Governance Statement

BOARD MEETINGS ATTENDANCE

NAME	BOARD MEETINGS (12 MEETINGS)
Mr. E. Ochola - Chairman	12
Eng. J. Njoroge- MD & CEO	12
Mr. P. Nyoike	9
Mr. F. Nyaga	11
Dr. T. Kilukumi	11
Mr. E. Kioni	10
Mr. M. Kariuki	11
Mr. J. Mwirigi	10
Eng. P. Obath	10
Mr. J. Kariuki	12
Eng. I. Kiva	11

BOARD COMMITTEES

The Board has six standing committees to assist it discharge its responsibilities effectively. Ad hoc committees are constituted to deal with pertinent issues as they arise. Each committee operates within the ambit of defined terms of reference assigned to it by the Board. The Committees submit reports of their activities to the Board. The Company Secretary is the secretary to the Board Committees except the Staff and Remuneration Committee where the Managing Director & CEO is the secretary.

The following were committees of the Board during the year:

Audit Committee

The Committee comprises four non-executive directors and is chaired by a non-executive director. The Chairman of the Committee is a Certified Public Accountant and is a long serving director with wide knowledge and experience in the Company's business. All members of the Committee have a broad knowledge of the Company's business, including risks facing the Company, internal controls, and are familiar with the accounting principles. The Committee has all the resources required to function properly. The Committee routinely invites the Managing Director, Chief Manager 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 and that there exists adequate operating and control processes for this purpose.

The responsibilities of the Audit Committee include: examining the quarterly, half-year and annual financial statements; discussing the audit plan with the external auditor before commencement of the annual audit; considering the audit findings by the external auditors; including the management letter; considering the engagement of external auditors and their audit fees; reviewing the function, independence, operations and findings of the Internal Audit Department; reviewing the risks affecting the Company and management

strategies in addressing risk; and ensuring adherence with code of ethics and anti-corruption policies in the Company.

The Committee held five meetings during the year under review. The members of the Committee, and the attendance of the meetings held during the year is shown below:

NAME	ATTENDANCE
Mr. F. Nyaga - Chairman	5
Mr. M. Kariuki	5
Mr. J. Mwirigi	5
Eng. P. Obath	5
Eng. J. Njoroge - MD & CEO	5
Mr. E. Ochola	2 (by invitation)
Mr. J. Kariuki	1 (by invitation)
Mr. E. Kioni	1 (by invitation)

Strategy & Customer Service Committee

The mandate of the Strategy & Customer Service Committee is to guide the Board on strategies to be adopted in order to provide strategic guidance and leadership to management. The duties of the Committee include review of the Company's Five Year Strategic Plan, Annual Corporate Strategic Plan and Annual Corporate Budget. It is also responsible for monitoring major projects under implementation and directing strategies for improving customer service.

The Committee held 3 meetings during the year under review. The members who served in the Committee during the year, and their attendance is shown below:

NAME	ATTENDANCE
Eng. P. Obath - Chairman	3
Mr. M. Kariuki	3
Mr. P. Nyoike	1
Eng. J. Njoroge - MD & CEO	3
Mr. E. Ochola	1 (by invitation)

Staff and Remuneration Committee

The Staff & Remuneration Committee's mandate is to consider and make recommendations to the Board on the following: (i) appointment of and terms and conditions of service of the Managing Director; (ii) appointment, promotion and disciplinary issues of senior staff; (iii) remuneration structure for staff; (iv) performance bonus for the Managing Director and staff; (v) human resources policies and corporate organisational structure to support the Company's business; (vi) the succession plan for senior staff; and (vii) oversight of the performance of the staff pension scheme.

The Committee held 3 meetings during the year under review. The members who served in the Committee during the year, and their attendance is shown below:

NAME	ATTENDANCE
Dr. T. Kilukumi - Chairperson	3
Mr. E. Kioni	3
Mr. J. Kariuki	3
Mr. P. Nyoike	2
Mr. J. Mwirigi	3
Eng. J. Njoroge - MD & CEO	3

Procurement Oversight Committee

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

The Committee held 20 meetings during the year under review. The members who served in the Committee during the year and their attendance is shown below:

NAME	ATTENDANCE
Mr. M. Kariuki - Chairman	20
Dr. T. Kilukumi	18
Mr. F. Nyaga	20
Mr. E. Kioni	20
Eng. J. Njoroge - MD & CEO	20
Mr. Eliazar Ochola	3 (by invitation)

IPP Committee

The mandate of the Committee is to review and negotiate proposed power purchase agreements with bulk power producers. With power purchase costs constituting a significant cost to the Company, the IPP Committee was formed with the aim of achieving cost-effective power purchase for the benefit of customers. The Committee invites management staff with relevant expertise during meetings.

The Committee held 3 meetings during the year under review. The members who served in the Committee during the year, and their attendance is shown below:

NAME	ATTENDANCE
Mr. E. Kioni - Chairman	3
Mr. F. Nyaga	3
Mr. J. Kariuki	3
Eng. E. Obath	1
Mr. P. Nyoike	2
Eng. J. Njoroge - MD & CEO	3
Mr. E. Ochola	2 (by invitation)

Information Technology Committee

Information technology and telecommunication play a critical role in the modern business enterprise. It is with this view that the Committee was constituted to review the Company's IT Policy, address issues of IT security and internal controls, ensure installation of IT systems that support Company business in order to minimise risks and achieve maximum benefits from the investments made in information and telecommunication.

The Committee held 2 meetings during the year under review. The members who served in the Committee during the year, and their attendance is shown below:

NAME	ATTENDANCE
Mr. J. Mwirigi - Chairman	2
Dr. T. Kilukumi	2
Mr. J. Kariuki	2
Eng. J. Njoroge - MD & CEO	2

ACCOUNTABILITY AND AUDIT

Directors' responsibilities in relation to financial statements

The Companies Act requires 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. Directors are responsible for ensuring that suitable accounting policies are consistently applied, supported by reasonable and prudent judgments and estimates and those applicable accounting standards are followed and the duty to exercise care, skill and diligence is applied.

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.

DIRECTORS' REMUNERATION

In accordance with guidelines by the Government to all state corporations, directors' fees are payable annually upon approval by shareholders in an Annual General Meeting and within the limits approved by the Government. Details of directors' remuneration are set out in the report on page 83.

It is proposed that each non-executive director be paid a fee of Shs.600,000 for the financial year ended 30th June 2012, or pro rata for any part served thereof. The total directors' fees therefore amount to Shs.5,400,000. In addition, directors are entitled to sitting allowance for every meeting attended, lunch allowance (in lieu of lunch being provided), accommodation allowance and mileage reimbursement where applicable, within set limits of Government for state corporations. In addition, the Chairman is paid a monthly honorarium.

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

Corporate Governance Statement

INTERNAL CONTROLS

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

DIRECTORS' SHAREHOLDING

None of the directors owns more than one percent of the Company's total shares.

ETHICAL STANDARDS

The Board and Management recognise that a strong ethical culture is important for the realisation of our corporate goals. In this regard, the Company carries out integrity awareness, training, risk assessments and enforcement of corruption prevention measures. The Company works towards ensuring that Directors and staff conduct themselves with integrity and professionalism and uphold the Company's Code of Ethics. In order to measure the progress being made in enhancing the ethical culture in the Company and to inform on areas of improvement, an Ethics and Integrity Survey is carried out annually by an independent firm. The Ethics and Integrity Survey carried out by the Ethics Institute of South Africa for the period under review showed that the corruption spread index in the Company had reduced to 4.31 from 4.8 the previous year while the ethical rating scale improved to B category from C category.

A total of 2,224 employees and 1,200 staff from contractors carrying out business with the Company benefited from continuous awareness training and were sensitised on the Company's Code of Ethics. The Company also has a mechanism of receiving complaints from staff and members of the public on cases of unethical conduct. Reported cases are analysed and appropriate action taken to control and mitigate the risk.

RISK MANAGEMENT

Risk Management is fundamental for the long term viability and sustainability of our business. The Company has implemented an integrated approach to risk management, also called Enterprise Risk Management (ERM), with the objective of managing identified business and operational risks in a structured manner. The ERM policy is designed to: (i) identify threats that affect the achievement of the Company's Vision, Mission and Values; (ii) take advantage of opportunities in order to create value to all stakeholders; and (iii) establish appropriate mitigation measures to counter negative effects of the risks. The Board of Directors takes the lead in implementing the ERM policy and procedures.

During the year under review, the Company continued to embed a risk-awareness culture. ERM processes are implemented by management while the Board exercises an oversight role.

COMMUNICATION WITH SHAREHOLDERS

The Company acknowledges that timely communication with shareholders is critical. In this regard, the Company publishes its financial statements in the local dailies on half-yearly and annual basis. The reports are also available on the Company website at: www.kenyapower.co.ke. The annual report and financial statements are also available for distribution to shareholders on request. All shareholders are entitled to attend the Annual General Meeting (AGM) for which notice is published at least 21 clear days before the meeting. Shareholders are also given the opportunity to ask questions or seek clarifications on any matter relating to Company business during the AGM.

EXECUTIVE MANAGEMENT

The Company has structured its business under ten functional divisions and four business regions for optimal operation and management. The four business regions are: Nairobi Region, Coast Region, West Kenya Region and Mt. Kenya Region. The divisions are Energy Transmission; Distribution; Commercial Services; Planning, Research and Performance Monitoring; Supplies, Stores and Transport; Information Technology and Telecommunications; Company Secretary; Human Resource and Administration; Finance; and Managing Director's office.

Executive Management Committee

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

SHAREHOLDING PROFILES

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

The top 20 major shareholders as at 30th September 2012 were as follows:

NO.	NAME OF SHAREHOLDER	ORDINARY (Shs.2.50 each)	4% PREF. (Shs.20/= each)	7% PREF. (Shs.20/= each)	TOTAL	PERCENTAGE
1	PERMANENT SECRETARY TO THE TREASURY	977,641,695	656,808	193,531	978,492,034	50.086
2	STANDARD CHARTERED NOMINEES LTD.	297,581,641	416	-	297,582,057	15.232
3	CFC STANBIC NOMINEES LTD.	80,671,885	48,308	-	80,720,193	4.132
4	BOARD OF TRUSTEES NSSF	80,361,153	3,550	750	80,365,453	4.114
5	CO-OP BANK CUSTODY	37,712,967	-	-	37,712,967	1.930
6	KCB NOMINEES LTD.	34,745,650	69,584	800	34,816,034	1.782
7	NIC CUSTODIAL SERVICES LTD.	34,224,871	-	-	34,224,871	1.752
8	JUBILEE INSURANCE CO. LTD.	20,215,387	59,828	17,160	20,292,375	1.039
9	EQUITY NOMINEES LTD.	19,088,976	-	-	19,088,976	0.977
10	CHRISTOPHER JOHN KIRUBI	15,601,954	-	-	15,601,954	0.799
11	KENINDIA ASSURANCE CO. LTD.	15,319,045	-	-	15,319,045	0.784
12	CHASE BANK NOMINEES LTD.	8,295,294	-	-	8,295,294	0.425
13	INSURANCE COMPANY OF EAST AFRICA LTD.	6,750,959	221,386	19,272	6,991,617	0.358
14	KENYA POWER STAFF RETIREMENT BENEFIT SCHEME TRUSTEES	5,638,234	-	-	5,638,234	0.289
15	OLD MUTUAL LIFE ASSURANCE CO. LTD.	5,562,491	-	-	5,562,491	0.285
16	THE HERITAGE ALL INSURANCE CO. LTD.	5,254,930	-	-	5,254,930	0.269
17	ALIMOHAMED ADAM	4,762,521	277,264	57,617	5,097,402	0.261
18	CFC LIFE ASSURANCE LTD.	5,038,348	-	-	5,038,348	0.258
19	KENYA REINSURANCE CORPORATION LTD.	4,957,385	16,156	-	4,973,541	0.255
20	PHOENIX OF EAST AFRICA ASSURANCE CO. LTD.	3,851,295	-	-	3,851,295	0.197
SUB-TOTALS		1,663,276,681	1,353,300	289,130	1,664,919,111	85.222
OTHER SHAREHOLDERS		288,190,364	446,700	60,870	288,697,934	14.78
TOTAL ISSUED SHARES		1,951,467,045	1,800,000	350,000	1,953,617,045	100

Shares Distribution of Ordinary Shareholders as at 30th September 2012

Range	No. of Members	Shares
<1,000	10,184	3,890,240
1001-10,000	12,430	37,581,957
10,001-50,000	2,812	57,754,053
50,001-100,000	505	35,017,221
Over 100,000	834	1,817,223,574
Totals	26,765	1,951,467,045

Shares Distribution of 4% Preference Shareholders as at 30th September 2012

Range	No. of Members	Shares
<1,000	363	66,932
1001-10,000	58	159,655
10,001-50,000	14	317,598
50,001-100,000	2	133,564
Over 100,000	3	1,122,251
Totals	440	1,800,000

Shares Distribution of 7% Preference Shareholders as at 30th September 2012

Range	No. of Members	Shares
<1,000	83	22,113
1001-10,000	15	43,890
10,001-50,000	3	86,432
50,001-100,000	1	57,617
Over 100,000	1	139,948
Totals	103	350,000



Mr. Eliazar Ochola
Chairman

26th October 2012

Taarifa ya Maongozi ya Kampuni

Maongozi ya kampuni uhusisha kanuni, taratibu, na shughuli zinazoongoza huduma, usimamizi na utendakazi wa kampuni, ili iweze kufanikisha malengo na majukumu yake kwa namna ambayo inaongeza thamani kwa manufaa ya washikadau wote kwa njia ya kutegemewa.

Inahusisha mifumo, shughuli na taratibu na kanuni zinazosimamia kampuni. Maongozi bora ya kampuni yanahusisha kuwepo kwa miundo inayopalilia uhusiano miongoni mwa bodi ya kampuni, wenyehisa, wasimamizi na washikadau wengine kuhakikisha biashara inajitosheleza na inadumu.

Kampuni inachukulia maongozi bora kama kiungo muhimu kwa ufanisi wa biashara na inajitolea kikamilifu kuyakumbatia ili iweze kusalia biashara ya kujitegemea na kudumisha umbo la kimataifa. Taarifa hii inazungumzia miundo na kanuni kuu za maongozi katika Kampuni.

MWONGOZO WA MAONGOZI YA KAMPUNI

Mwongozo na kanuni zifuatazo zinazingatiwa na Kampuni kusimamia wakurugenzi na wafanyikazi: (i) Kanuni za Mamlaka ya Masoko ya Mtaji (CMA) kuhusu maongozi ya kampuni kwa kampuni zote za umma; (ii) kanuni mahususi za maongozi bora zilizoazimwa kutoka mashirika mengine kama ilivyojumuishwa kwenye Mwongozo wa Bodi, Kanuni za Utendakazi ambazo kampuni inakumbatia; (iii) Sheria ya Maadili ya Afisa wa Umma, 2003 ambayo inahusisha maafisa wa umma.

Wakurugenzi hufanya maamuzi huru na ujuzi wao kitaaluma kwa usimamizi ufaao wa Kampuni kama ilivyofafanuliwa kwenye mwongozo wa bodi ambao unafafanua bayana mipangilio muhimu ya usimamizi kuhusiana na: (i) uteuzi wa wakurugenzi; (ii) ufafanuzi na kujitolea kuheshimu haki za wenyehisa; (iii) majukumu tofauti na shughuli za Bodi, Mwenyekiti, Mkurugenzi Mkuu na Katibu wa Kampuni; (iv) utendakazi katika vikao vya Bodi (v) kueleweshwa wakurugenzi kuhusu kampuni na ustawi wao; (vi) majukumu ya wakurugenzi, uwajibikaji wao na kanuni za utendakazi; (vii) hadidu za rejea kwa Kamati zote za Bodi; (viii) na ufichuzi wa taarifa zozote ambazo umma unapaswa kufahamu.

Mwongozo wa Utendakazi wa Wakurugenzi unafafanua kanuni zinazoongoza utendakazi wa mkurugenzi binafsi ili kuwezesha Bodi kuhudumu kwa njia ya ukamilifu na kwa manufaa ya Kampuni. Mwongozo wa Utendakazi unaelezea masharti kwa wakurugenzi miongoni mwa mengine: kutenda haki, kwa ukweli na kwa manufaa ya Kampuni; kutekeleza majukumu kwa uangalifu na uadilifu; kuepusha hali ambapo majukumu yanalingiliana na maslahi ya kibinafsi, kudumisha siri kuhusu taarifa muhimu za Kampuni; kuonyesha kujitolea na kuhudhuria shughuli za Kampuni; na kuheshimu wakurugenzi wenzake.

MUUNDO WA BODI YA WAKURUGENZI

Bodi inajumuisha Wakurugenzi kumi, akiwemo Mkurugenzi Mkuu na Afisa Mkuu Mtendaji. Wakurugenzi tisa akiwemo Mwenyekiti, hawana mamlaka. Muundo wa Bodi ya Wakurugenzi unazingatia mahitaji ya sekta hii, mchanganyiko wa vipawa, umri, jinsia, elimu na ujuzi unaohitajika kufanikisha malengo na majukumu ya Kampuni. Wasifu wa wakurugenzi umechapishwa kwenye kurasa 10-11.

Kilamwaka, angalautheluthimojayawanachamawaBodihustaafukwamzunguko lakini wako huru kuchaguliwa tena kwenye Mkutano Mkuu wa Kila Mwaka.

Mkurugenzi yeyote aliyeteuliwa na Bodi katikati ya mwaka kujaza nafasi iliyo wazi anahitajika kustaafunakuwaniachaguzikatikaMkutanoMkuuujao wakilaMwaka.

Mwingiliano wa majukumu ya kikazi na maslahi ya kibinafsi

Wakurugenzi wanahitajika kufafanua kwa njia ya maandishi shughuli zozote ambazo kuna maslahi yao na ambazo zinaweza kuingilia kazi zao na kujiepusha kupiga kura wakati masuala kama hayo yanazungumziwa. Shughuli za kibiashara na wahusika wengine, wakurugenzi au washirika wao zinashughulikiwa kwa mbali.

WAJIBU NA MAJUKUMU YA BODI

Bodi inatoa mwongozo na mkakati wa mwelekeo kwa Kampuni. Majukumu muhimu ya Bodi ni: (i) kubuni malengo ya muda mfupi na ya siku sijazo ya Kampuni na mikakati muhimu ya kufanikisha malengo hayo; (ii) kuhakikisha maandalizi ya taarifa za kifedha za nusu mwaka na kila mwaka; (iii) kuidhinisha na kutathmini bajeti za kila mwaka; (iv) kuweka na kutathmini mara kwa mara vigezo vikuu vya utendakazi na utendakazi wa wasimamizi; kuhakikisha Kampuni ina mifumo ya kutosha ya vidhibiti vya ndani; (vi) kuhakikisha Kampuni ina mipango ya kushughulikia hatari zozote kwa biashara na kuhakikisha biashara inaendelea.

Bodi ya Wakurugenzi inaweza kupokea ushauri na huduma za Katibu wa Kampuni wakati wowote. Pia wako na mamlaka ya kutafuta ushauri huru wa kitaalamu ambao Kampuni itagharimia inapohitajika. Bodi pia inapewa habari muhimu kwa wakati ufaao ili kutekeleza majukumu yake ipasavyo.

Wajibu wa Mwenyekiti wa Bodi ya Wakurugenzi

Mwenyekiti kimsingi anahusika na uongozi wa Bodi, kusimamia vikao vya Bodi na mikutano ya kawaida ya wanachama. Mwenyekiti pia anahakikisha Bodi inapokea taarifa za kutosha na kwa wakati ufaao kuiwezesha kutekeleza majukumu yake.

Mkurugenzi Mkuu na Afisa Mkuu Mtendaji

Mkurugenzi Mkuu ni afisa mkuu mtendaji wa kampuni anayehusika na usimamizi wa kila siku wa Kampuni.

MAFUNZO NA USTAWI WA WAKURUGENZI

Kampuni inatambua umuhimu wa kuwa na Bodi ya Wakurugenzi iliyo na ufahamu na uwezo wa kutenda kazi. Kwa mintoarafu hii, mafunzo yanayostahili na nafasi za kuwakuza zinaandaliwa ili kuwapa wakurugenzi vipawa na ufahamu unaohitajika kushughulikia kikamilifu majukumu yao.

Mwaka uliopita, wanachama wa Bodi walihudhuria vikao vya mafunzo, seminaa, makongamano ndani na nje ya nchi na kiwango cha wastani kwa kila mkurugenzi kilikuwa siku 13. Mafunzo waliopokea ni pamoja na jukwaa la kawi Afrika, kongamano la kitaifa la kawi, kongamano la dunia kuhusu maongozi bora, wiki ya kampuni za utoaji huduma Afrika, kongamano la chama cha kawi ya upepo Amerika, miradi ya kila mwaka na jukwaa la miundomsingi na kusambaza umeme Afrika. Mafunzo hayo yaliwapa wakurugenzi sio tu vipawa waliohitaji bali pia maono kuhusu mikondo inayoibuka kimataifa.

MPANGILIO WA KAZI WA BODI NA MIKUTANO YAKE

Mpangilio wa kazi na ratiba ya vikao inapangwa mapema kila mwaka.

Bodi hukutana angalau mara moja kwa mwezi kwa kutegemea mahitaji ya kibiashara. Wakurugenzi hupokea ilani ya kutosha ya vikao na stakabadhi zenye maelezo kuhusu masuala yatakayozungumziwa kabla ya vikao.

Bodi iliandaa jumla ya mikutano 12 mwaka uliomalizika; ambayo ilihudhuriwa vyema kama inavyoelezwa hapa chini:

MAHUDHURIO YA MIKUTANO NA BODI

JINA	MIKUTANO YA BODI (MIKUTANO 12)
Bw. E. Ochola - Mwenyekiti	12
Mha. J. Njoroge - MD & CEO	12
Bw. P. Nyoike	9
Bw. F. Nyaga	11
Dkt. T. Kilukumi	11
Bw. E. Kioni	10
Bw. M. Kariuki	11
Bw. J. Mwirigi	10
Mha. P. Obath	10
Bw. J. Kariuki	12
Mha. I. Kiva	11

KAMATI ZA BODI

Bodi ina kamati sita za kudumu kuisaidia kutekeleza majukumu yake ipasavyo. Kamati za muda zinaundwa kushughulikia masuala muhimu yanapoibuka. Kila kamati inahudumu chini ya hadidu za rejea ilizopewa na Bodi. Kamati hizo huwasilisha ripoti za shughuli zao kwa Bodi. Katibu wa Bodi ndiye karani wa Kamati zote za Bodi isipokuwa Kamati ya Wafanyikazi na Mishahara ambapo Mkurugenzi Mkuu na Afisa Mkuu Mtendaji ndiye karani.

Zifuatazo ni kamati za Bodi kwa mwaka uliomalizika:

Kamati ya Uhasibu

Kamati hii inashirikisha wakurugenzi wanne wasio na mamlaka na inaongozwa na mkurugenzi asiye na mamlaka. Mwenyekiti wa kamati hiyo ni mhasibu aliyehitimu na mkurugenzi aliyehudumu kwa muda mrefu mwenye ufahamu mpana na tajiriba kuhusu biashara ya Kampuni. Wanachama wote wa Kamati hiyo wana ufahamu mkubwa kuhusu shughuli za Kampuni pamoja na hatari zinazoikumba, vidhibiti vya ndani na wanaelewa kanuni za uhasibu. Kamati ina raslimali zote inazohitaji kuhudumu ipasavyo. Kamati mara kwa mara humwalika Mkurugenzi Mkuu, Meneja Mkuu wa Fedha na Meneja wa Ndani wa Uhasibu kwenye vikao vyake. Wahasibu kutoka nje hualikwa kwa mikutano inapohitajika.

Mamlaka ya Kamati hiyo ni kuhakikisha raslimali za Kampuni zinatunzwa na kuna taratibu na vidhibiti kwa lengo hili.

Majukumu ya Kamati ya Uhasibu ni pamoja na: kuchunguza taarifa za kifedha za miezi mitatu, nusu mwaka na kila mwaka; kujadiliana kuhusu mpango wa uhasibu na mhasibu kutoka nje kabla ya shughuli ya kila mwaka ya uhasibu, kuzingatia matokeo ya uchunguzi wa wahasibu kutoka nje; ukiwemo waraka wa wasimamizi; kuamua uteuzi wa wahasibu kutoka nje na malipo

yao; kutathmini majukumu, operesheni na matokeo ya Idara ya Uhasibu wa Ndani; kutathmi hatari zinazokumba kampuni na mikakati ya wasimamizi ya kushughulikia hatari hizo; kuhakikisha uzingatiaji wa mwongozo wa maadili na sera za kupambana na ufasadi katika Kampuni.

Kamati iliandaa mikutano mitano mwaka uliomalizika. Wanachama wa Kamati hiyo na mahudhurio ya mikutano iliyoandaliwa mwaka uliomalizika ni kama ifuatavyo:

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

Kamati ya Mkakati na Huduma kwa Wateja

Mamlaka ya Kamati ya Mkakati na Huduma za Wateja ni kuongoza Bodi kuhusu mikakati iliyowekwa ili kutoa mwelekeo na mwongozo kwa wasimamizi. Majukumu ya Kamati ni pamoja na kutathmini Mkakati wa Kampuni wa Miaka Mitano, Mkakati wa Kampuni wa Kila Mwaka na Bajeti ya Kila Mwaka ya Kampuni. Pia inawajibika kufuatilia miradi mikubwa inayotekelezwa na kutoa mwelekeo kuhusu namna ya kuimarisha huduma kwa wateja.

Kamati iliandaa mikutano 3 mwaka uliomalizika. Wanachama waliohudumu kwenye kamati hiyo mwaka uliomalizika na mahudhurio ni kama ifuatavyo:

JINA	MAHUDHURIO
Mha. P. Obath - Mwenyekiti	3
Bw. M. Kariuki	3
Bw. P. Nyoike	1
Mha. J. Njoroge - MD & CEO	3
Bw. E. Ochola	1 (Kwa mwaliko)

Kamati ya Wafanyikazi na Mishahara

Mamlaka ya Kamati ya Wafanyikazi na Mishahara ni pamoja na kuchunguza na kutoa mapendekezo kwa Bodi kuhusu yafuatayo: (i) uteuzi, masharti na kanuni za utendakazi ya Mkurugenzi Mkuu; (ii) uteuzi, kupandisha ngazi na masuala ya adhabu ya wafanyikazi wa daraja la juu; (iii) muundo wa malipo ya wafanyikazi; (iv) bonasi ya utendakazi bora kwa Mkurugenzi Mkuu na wafanyikazi; (v) sera za masuala ya wafanyikazi na mpangilio wa ngazi tofauti ili kusaidia ufanisi wa shughuli za Kampuni; (vi) mpango wa urithi kwa wafanyikazi wa ngazi za juu; na (vii) usimamizi wa matokeo ya mpango wa malipo ya uzeeni. Kamati iliandaa mikutano mitatu mwaka uliomalizika. Wanachama waliohudumu kwenye Kamati mwaka huo, na mahudhurio ni kama ifuatavyo:

Taarifa ya Maongozi ya Kampuni

JINA	MAHUDHURIO
Dkt. T. Kilukumi - Mwenyekiti	3
Bw. E. Kioni	3
Bw. J. Kariuki	3
Bw. P. Nyoike	2
Bw. J. Mwirigi	3
Mha. J. Njoroge - MD & CEO	3

Kamati Inayosimamia Ununuzi Bidhaa

Kamati ya Usimamizi wa Ununuzi wa Bidhaa inaangalia masuala ya ununuzi katika Kampuni kwa niaba ya Bodi. Kamati inachunguza mpango wa ununuzi wa kila mwaka ili kuupendekeza kwa Bodi, huchunguza utaratibu wa ununuzi kuhakikisha uzingatiaji wa mpango wa kila mwaka ulioidhinishwa na sheria na kuidhinisha ununuzi wa bidhaa na hudumiza thamani ya zaidi ya Sh.50 milioni na ununuzi wowote muhimu.

Kamati iliandaa mikutano 20 mwaka uliomalizika. Wanachama waliohudumu katika Kamati hiyo na mahudhurio ni kama ifuatavyo:

JINA	MAHUDHURIO
Bw. M. Kariuki- Mwenyekiti	20
Bw. T. Kilukumi	18
Bw. F. Nyaga	20
Bw. E. Kioni	20
Mha. J. Njoroge - MD & CEO	20
Bw. Eliazar Ochola	3 (kwa mwaliko)

Kamati ya IPP

Mamlaka ya Kamati hiyo ni kuchunguza na kujadiliana kuhusu mikataba ya ununuzi wa umeme na kampuni zingine za uzalishaji umeme. Huku ununuzi wa umeme ukiwa sehemu kubwa ya gharama za Kampuni, Kamati ya IPP ilibuniwa kwa lengo la kuafikia ununuzi wa umeme nafuu kwa manufaa ya wateja. Kamati hualika wafanyikazi walio na ujuzi ufaao wakati wa mikutano yao.

Kamati iliandaa mikutano mitatu mwaka uliomalizika. Wanachama waliohudumu kwenye Kamati hiyo mwaka uliomalizika na mahudhurio ni kama ifuatavyo:

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

Kamati ya Teknolojia na Mawasiliano

Teknolojia ya mawasiliano hutekeleza wajibu muhimu katika biashara za kisasa. Ni kutokana na hali hii ambapo Kamati ilibuniwa kutathmini Sera ya Kampuni kuhusu Teknolojia ya Mawasiliano, kushughulikia usalama wa IT na vidhibiti vya ndani; kuhakikisha mitambo ya IT inayosaidia kukuza biashara imewekwa ili kupunguza hasara na kupata manufaa zaidi kutoka kwa uwezekaji katika teknolojia na mawasiliano.

Kamati iliandaa mikutano miwili mwaka uliomalizika. Wanachama waliohudumu kwenye Kamati hiyo na mahudhurio ni kama ifuatavyo:

JINA	MAHUDHURIO
Bw. J. Mwirigi - Mwenyekiti	2
Dkt. T. Kilukumi	2
Bw. J. Kariuki	2
Mha. J. Njoroge - MD& CEO	2

HESABU NA UHASIBU

Majukumu ya Wakurugenzi Kuhusiana na Taarifa za Kifedha

Sheria ya Kampuni inawahitaji Wakurugenzi kuandaa taarifa za kifedha za kila mwaka, ambazo zinatoa taswira halisi ya hali ya Kampuni kufikia mwisho wa kipindi cha matumizi ya fedha. Wakurugenzi wanawajibika kuhakikisha sera zifaazo za ukaguzi wa vitabu vya hesabu zinafuatwa, na kusaidiwa na maamuzi na makadirio yafaayo na ya busara na viwango vya uhasibu vinavyohitajika vinatumika na jukumu la kuhakikisha kuna uangalifu na uadilifu mkubwa.

Wakurugenzi wanawajibika kuhakikisha Kampuni inaweka rekodi zifaazo za hesabu, ambazo zinaonyesha barabara wakati wowote hali ya kifedha ya Kampuni na kuwawezesha kuhakikisha taarifa za kifedha zinazingatia Sheria ya Kampuni. Wana wajibika kwa jumla kuhusu mifumo na taratibu za ndani za kuhifadhi rasimali za Kampuni na kuzuia na kutambua ulaghai na kasoro zingine.

MALIPO YA WAKURUGENZI

Kwa mujibu wa mwongozo wa Serikali kwa mashirika yote ya umma, ujira wa wakurugenzi hulipwa kila mwaka baada ya idhini ya wenyehisa katika Mkutano Mkuu wa Kila Mwaka na katika viwango vilivyoidhinishwa na Serikali. Maelezo zaidi kuhusu malipo ya wakurugenzi yametolewa kwenye ripoti hii ukurasa 83.

Inapendekezwa kuwa kila mkurugenzi asiye na mamlaka alipwe ujira wa Sh.600,000 kwa mwaka wa kifedha uliomalizika Juni 30, 2012, au kulipwa sawa sawa kwa muda aliohudumu juu yake. Jumla ya malipo ya wakurugenzi hivyo basi ni Sh.5,400,000. Isitoshe, wakurugenzi wana haki ya kulipwa marupurupu kwa kila kikao walichohudhuria, malipo ya chakula cha mchana (badala ya chakula hicho kupeanwa), malipo ya malazi na kurejeshewa fedha za usafiri inapohitajika, zote chini ya viwango vilivyowekwa na Serikali kwa mashirika yote ya umma. Isitoshe, Mwenyekiti hulipwa honoraria kila mwezi.

Wakurugenzi hawakuwa na mikopo yoyote mwaka uliomalizika.

VIDHIBITI VYA NDANI

Bodi inawajibika kudumisha vidhibiti vifaavyo vya ndani kulinda uwekezaji na raslimali za wenyehisa. Hii ni pamoja na kuchukua hatua zifaazo kuhakikisha mifumo ya usimamizi na udhibiti inadumishwa na kuchunguzwa. Mifumo ya usimamizi wa ndani inalenga kutosheleza matakwa mahususi ya Kampuni na hatari inayoweza kukumbana nazo pamoja na taratibu zinazolenga kutoa usimamizi ufaao wa fedha. Inatarajiwa kuwa mifumo iliyopo itatoa vidhibiti vifaavyo lakini hakikisho kamili la usalama haliwezekani.

HISA ZA WAKURUGENZI

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

VIWANGO VYA MAADILI

Bodi na Wasimamizi hutambua kuwa itikadi thabiti iliyojikita katika maadili ni muhimu katika kufanikisha malengo yetu kama shirika. Kwa mintarafu hii, idara ya Maadili na Uadilifu ya Kampuni hutoa uhamasisho kuhusu uadilifu, mafunzo, ukadiriaji wa hasara na utekelezaji wa hatua za kuzuia ufisadi. Kampuni inahakikisha wafanyikazi wanazingatia uadilifu na maadili ya taaluma yao na kukumbatia Mwongozo wa Maadili wa Kampuni.

Isitoshe, inalenga kukuza na kudumisha itikadi zinazokumbatia maadili na uwajibikaji ili kuimarisha hadhi na ufanisi wa Kampuni. Ili kupima hatua zilizopigwa katika kukuza itikadi ya maadili katika Kampuni na kufahamu nyanja zinazohitaji kurekebisha, Uchunguzi kuhusu Maadili na Uadilifu hufanywa kila mwaka na kampuni huru. Uchunguzi uliofanywa na kampuni ya Ethics Institute of South Africa kwa kipindi kinachoangaziwa ulionyesha kuwa viwango vya ufisadi katika kampuni vilikuwa vimepungua hadi 4.31 kutoka 4.8 mwaka uliopita ilhali kiwango cha kuzingatia uadilifu kiliimarika hadi B kutoka kiwango cha C.

Jumla ya wafanyikazi 2,224 na wanakandarasi 1,200 wanaoshirikiana na Kampuni walinafaika na mafunzo yanayoendelea ya uhamasisho na walifahamishwa kuhusu Mwongozo wa Maadili ya Kampuni. Kampuni pia ina mbinu za kupokea malalamishi na kufuatilia madai yote na visa vya ukiukaji wa maadili. Kesi zote zinazoripotiwa huchunguzwa na hatua zifaazo kuchukuliwa ili kudhibiti na kupunguza makali ya hatari iliyopo.

KUSHUGHULIKIA HATARI

Kukabiliana na hatari ni muhimu kwa ukuaji na udumishaji wa muda mrefu wa biashara. Kampuni imetumia mchanganyiko wa mbinu kukabiliana na hatari za kibiashara, pia kwa jina lingine Enterprise Risk Management (ERM), kwa lengo la kushughulikia hatari zilizotambuliwa za kibiashara na utendakazi kwa njia ya mpangilio na utaratibu ufaao. Sera ya ERM inalenga: (i) kutambua vizingiti vinavyoweza kutatiza ufanikishaji wa Maono, Malengo na Maadili ya Kampuni; (ii) kutumia fursa ya nafasi zilizopo ili kuunda thamani kwa washikadau wote; na (iii) kubuni hatua madhubuti zenye lengo la kukabiliana na athari mbaya za hatari hizo. Bodi ya Wakurugenzi huwa kwenye mstari wa mbele katika kutekeleza sera na taratibu za ERM.

Katika mwaka uliomalizika, Kampuni iliendelea kudumisha ufahamu kuhusu hatari zilizopo kwa lengo la kufanikisha malengo ya mikakati na pia utendakazi. Taratibu za ERM zinashirikishwa na wasimamizi ilhali Bodi inafuatilia utekelezaji wake.

MAWASILIANO NA WENYEHISA

Kampuni inatambua kuwa mawasiliano ya wakati ufaao na wenyehisa ni muhimu. Kwa mintaraafu hii, Kampuni huchapisha taarifa za kifedha kwenye magazeti ya kila siku nchini kila nusu mwaka na kila mwaka. Taarifa hizo pia huwa zipo kwenye mtandao wa Kampuni katika: www.kenyapower.co.ke. Ripoti ya kila mwaka na taarifa za kifedha pia ziko tayari kusambaziwa wenyehisa kila wanapozihitaji. Wenyehisa wote wana haki ya kuhudhuria Mkutano Mkuu wa Kila Mwaka (AGM) ambao ilani ya maandalizi yake huchapishwa angalau siku 21 kabla ya mkutano wenyewe. Wenyehisa wanapewa fursa ya kuuliza maswali au kutafuta ufafanuzi kuhusu na suala lolote linalohusiana na shughuli za Kampuni wakati wa AGM.

MAAFISA WASIMAMIZI

Kampuni imeunda biashara yake chini ya vitengo 10 na maeneo manne ya kibiashara kwa utendakazi rahisi na usimamizi. Maeneo hayo manne ya kibiashara ni: Eneo la Nairobi, Pwani, Magharibi mwa Kenya na eneo la Mlima Kenya. Vitengo hivyo ni Usafirishaji wa Umeme, Usambazaji, Huduma za Kibiashara, Utafiti na Uchunguzi wa Utendakazi, Ununuzi, Stoo na Uchukuzi; Teknolojia ya Mawasiliano; Katibu wa Kampuni; Masuala ya Wafanyikazi na Usimamizi; Fedha; na Afisi ya Mkurugenzi Mkuu.

Kamati ya Wasimamizi

Kamati ya Wasimamizi chini ya uenyekiti wa Mkurugenzi Mkuu na Afisa Mkuu Mtendaji, inashirikisha wakuu wa vitengo na idara wanaosimamiwa moja kwa moja na Mkurugenzi Mkuu. Kamati hiyo hukutana angalau mara mbili kwa mwezi kutathmini matokeo ya biashara, kuchunguza masuala ya sera na biashara zikiwemo hatua za mikakati, huku pia ikichunguza stakabadhi kabla ya kuwasilishwa kwa Bodi kukaguliwa na kuidhinishwa.

Taarifa ya Maongozi ya Kampuni

MAELEZO KUHUSU WENYEHISA

Kampuni inatimiza matakwa yote ya kisheria kama yalivyofafanuliwa chini ya Sheria za Kampuni, Mamlaka ya Masoko ya Mtaji (CMA) na mahitaji yote ya kuorodheshwa kwenye Soko la Hisa la Nairobi.

Wenyehisa 20 wakuu kufikia Septemba 30, 2012 ni kama ifuatavyo:

NO.	JINA LA MWENYE HISA	HISA ZA KAWAIDA (Shs.2.50/= kila moja)	4% UPENDELEO (Shs.20/= kila moja)	7% UPENDELEO (Shs.20/= kila moja)	JUMLA	ASILIMIA
1	PERMANENT SECRETARY TO THE TREASURY	977,641,695	656,808	193,531	978,492,034	50.086
2	STANDARD CHARTERED NOMINEES LTD.	297,581,641	416	-	297,582,057	15.232
3	CFC STANBIC NOMINEES LTD.	80,671,885	48,308	-	80,720,193	4.132
4	BOARD OF TRUSTEES NSSF	80,361,153	3,550	750	80,365,453	4.114
5	CO-OP BANK CUSTODY	37,712,967	-	-	37,712,967	1.930
6	KCB NOMINEES LTD.	34,745,650	69,584	800	34,816,034	1.782
7	NIC CUSTODIAL SERVICES LTD.	34,224,871	-	-	34,224,871	1.752
8	JUBILEE INSURANCE CO. LTD.	20,215,387	59,828	17,160	20,292,375	1.039
9	EQUITY NOMINEES LTD.	19,088,976	-	-	19,088,976	0.977
10	CHRISTOPHER JOHN KIRUBI	15,601,954	-	-	15,601,954	0.799
11	KENINDIA ASSURANCE CO. LTD.	15,319,045	-	-	15,319,045	0.784
12	CHASE BANK NOMINEES LTD.	8,295,294	-	-	8,295,294	0.425
13	INSURANCE COMPANY OF EAST AFRICA LTD.	6,750,959	221,386	19,272	6,991,617	0.358
14	KENYA POWER STAFF RETIREMENT BENEFIT SCHEME TRUSTEES	5,638,234	-	-	5,638,234	0.289
15	OLD MUTUAL LIFE ASSURANCE CO. LTD.	5,562,491	-	-	5,562,491	0.285
16	THE HERITAGE ALL INSURANCE CO. LTD.	5,254,930	-	-	5,254,930	0.269
17	ALIMOHAMED ADAM	4,762,521	277,264	57,617	5,097,402	0.261
18	CFC LIFE ASSURANCE LTD.	5,038,348	-	-	5,038,348	0.258
19	KENYA REINSURANCE CORPORATION LTD.	4,957,385	16,156	-	4,973,541	0.255
20	PHOENIX OF EAST AFRICA ASSURANCE CO. LTD.	3,851,295	-	-	3,851,295	0.197
JUMLA NDOGO		1,663,276,681	1,353,300	289,130	1,664,919,111	85.222
WENYEHISA WENGINE		288,190,364	446,700	60,870	288,697,934	14.78
JUMLA YA HISA ZILIZOTOLEWA		1,951,467,045	1,800,000	350,000	1,953,617,045	100

Umiliki wa hisa za kawaida Septemba 30, 2012

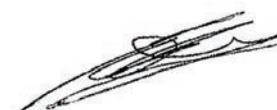
Kadiri	Idadi ya Wenyehisa	Hisa
<1,000	10,184	3,890,240
1001-10,000	12,430	37,581,957
10,001-50,000	2,812	57,754,053
50,001-100,000	505	35,017,221
Over 100,000	834	1,817,223,574
Jumla	26,765	1,951,467,045

Umiliki wa hisa za asilimia 4 za upendeleo Septemba 30, 2012

Kadiri	Idadi ya Wenyehisa	Hisa
<1,000	363	66,932
1001-10,000	58	159,655
10,001-50,000	14	317,598
50,001-100,000	2	133,564
Over 100,000	3	1,122,251
Jumla	440	1,800,000

Umiliki wa hisa za asilimia 7 za upendeleo Septemba 30, 2012

Kadiri	Idadi ya Wenyehisa	Hisa
<1,000	83	22,113
1001-10,000	15	43,890
10,001-50,000	3	86,432
50,001-100,000	1	57,617
Over 100,000	1	139,948
Jumla	103	350,000



Mr. Eliazar Ochola

Mwenyekiti

26 Oktoba, 2012

Report of the Directors for the Year Ended 30 June 2012

The directors present their report together with the audited financial statements for the year ended 30 June 2012 which show the state of the Company's affairs.

Principal activities

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

Results for the year

	KSh'000
Profit before taxation	8,506,693
Taxation charge	(3,889,577)
Profit for the year transferred to retained earnings	<u>4,617,116</u>

Dividends

A dividend of KShs.1.93 million (2011: KShs.1.93 million) is payable on the cumulative preference shares and has been recognised in the statement of comprehensive income under finance costs.

Subject to the approval of the shareholders, the directors recommend to members that in addition to the interim dividend of KShs.0.20 per ordinary share paid earlier, a final dividend of KShs.0.30 per ordinary share be paid for the year ended 30 June 2012, subject to deduction of withholding tax where applicable, to shareholders registered in the books of the Company at close of business on 19th December, 2012. This will bring the total dividend for the year to KShs.0.50 per ordinary share (2011: KShs.0.45). If approved, the dividend will be paid on or about 28th February, 2013.

Capital expenditure

During the year, a total of KShs.25,950 million (2011: KShs.24,714 million) was spent on property and equipment. The capital work-in-progress as at 30 June 2012 amounted to KShs.21,359 million (2011: KShs.18,818 million).

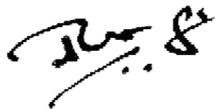
Directors

The members of the board of directors who served during the year are as shown on pages 8 - 11.

Auditors

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

Accordingly, Deloitte & Touche were appointed during the year to carry out the audit for the year ended 30 June 2012 and report to the Auditor-General.



Eng. Joseph Njoroge, MBS
Managing Director & CEO
Nairobi

26th October 2012

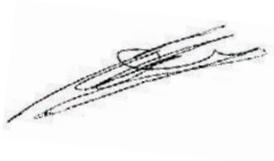
Statement of Directors' Responsibilities

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

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

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

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



Director



Director



Director

26th October 2012

REPORT ON THE FINANCIAL STATEMENTS

The accompanying financial statements of Kenya Power & Lighting Company Limited set out at pages 54 to 102, which comprise the statement of financial position as at 30th June 2012, the statement of comprehensive income, statement of changes in equity and statement cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, have been audited on my behalf by Deloitte and Touché auditors appointed under Section 39 of the Public Audit Act, 2003. The auditors have duly reported to me the results of their audit and on the basis of the report, I am satisfied that all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit were obtained.

Management's Responsibility for the Financial Statements

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

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

Auditor-General's Responsibility

My responsibility is to express an opinion on the financial statements based on the audit and report in accordance with the provisions of Section 15 of the Public Audit Act, 2003. The audit was conducted in accordance with the International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether 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 control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Unqualified Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 30th June 2012 and of its financial performance and its cash flows of the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act, Cap 486 of the Laws of Kenya.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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



Edward R. O. Ouko
Auditor-General
Nairobi

26th October 2012

Statement of Comprehensive Income for the Year Ended 30 June 2012

	Note	2012 KShs'000	2011 KShs'000
Electricity sales	7(a)	45,007,884	42,485,593
Foreign exchange adjustment - power purchase	7(b)	6,093,868	3,425,194
- company operations	7(b)	2,664,832	1,330,378
Fuel costs adjustment	8(b)	41,895,843	25,912,856
		<u>95,662,427</u>	<u>73,154,021</u>
POWER PURCHASE COSTS			
Non-fuel costs	8(a)	21,079,695	20,213,817
Foreign exchange cost	7(b)	6,093,868	3,425,194
Fuel costs	8(b)	42,788,616	26,150,566
		<u>69,962,179</u>	<u>49,789,577</u>
GROSS PROFIT		25,700,248	23,364,444
OPERATING EXPENSES			
Distribution	9(a)	5,338,545	4,835,045
Commercial services	9(b)	3,255,597	3,079,179
Energy transmission	9(c)	2,079,675	2,016,247
Administration	9(d)	9,006,029	7,764,480
	9(e)	<u>19,679,846</u>	<u>17,694,951</u>
Operating income		6,020,402	5,669,493
OTHER OPERATING INCOME	7(c)	<u>1,788,118</u>	<u>1,412,954</u>
OPERATING PROFIT		7,808,520	7,082,447
Finance costs	11(b)	(1,216,272)	(414,835)
Interest income	11(a)	489,182	171,477
Net foreign exchange gains/(losses)	11(c)	<u>1,425,263</u>	<u>(584,338)</u>
PROFIT BEFORE TAX	12	8,506,693	6,254,751
Income tax expense	13(a)	(3,889,577)	(2,035,185)
PROFIT FOR THE YEAR		<u>4,617,116</u>	<u>4,219,566</u>
OTHER COMPREHENSIVE INCOME			
Net losses on revaluation of available-for-sale treasury bonds	19(b)	(127,397)	-
TOTAL COMPREHENSIVE INCOME		<u>4,489,719</u>	<u>4,219,566</u>
Basic earnings per share (KShs)	14	<u>2.36</u>	<u>2.16</u>
Diluted earnings per share (Kshs)	14	<u>2.36</u>	<u>2.16</u>

Statement of Financial Position as at 30 June 2012

	Note	2012 KShs'000	2011 KShs'000
ASSETS			
NON - CURRENT ASSETS			
Property and equipment	16	105,671,370	84,590,569
Prepaid leases on land	17	131,709	131,764
Intangible assets	18	169,520	-
Investments in government securities	19(a)	-	1,298,506
		<u>105,972,599</u>	<u>86,020,839</u>
CURRENT ASSETS			
Inventories	20	10,286,376	8,960,830
Trade and other receivables	21(a)	14,211,800	16,273,419
Tax recoverable	13(c)	-	194,059
Investments in government securities	19(a)	1,171,109	-
Short term deposits	22(a)	506,168	1,539,999
Bank and cash balances	22(b)	1,983,931	8,182,369
		<u>28,159,384</u>	<u>35,150,676</u>
TOTAL ASSETS		<u>134,131,983</u>	<u>121,171,515</u>
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Ordinary share capital	23(a)	4,878,667	4,336,593
Share premium	24	22,021,219	22,042,004
Reserves	25	16,611,667	13,227,779
TOTAL EQUITY		<u>43,511,553</u>	<u>39,606,376</u>
DEFERRED INCOME	28	<u>12,362,327</u>	<u>7,472,912</u>
NON - CURRENT LIABILITIES			
Deferred tax	26	9,496,455	6,500,449
Trade and other payables	27(a)	15,823,485	19,661,135
Borrowings	29(a)	21,512,025	19,757,132
Preference shares	30	43,000	43,000
		<u>46,874,965</u>	<u>45,961,716</u>
CURRENT LIABILITIES			
Trade and other payables	27(b)	21,990,795	22,181,838
Tax payable	13(c)	37,886	-
Provision for leave pay	32	989,378	830,734
Borrowings	29(a)	6,250,288	4,764,171
Dividends payable	33	425,184	353,768
Bank overdraft	22(b)	1,689,607	-
		<u>31,383,138</u>	<u>28,130,511</u>
TOTAL EQUITY AND LIABILITIES		<u>134,131,983</u>	<u>121,171,515</u>

The financial statements on pages 54 to 102 were approved and authorised for issue by the board of directors on 26th October 2012 and were signed on its behalf by:

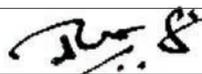
Chairman



Director



Managing Director and CEO



Statement of Changes in Equity for the Year Ended 30 June 2012

	Ordinary share capital KShs'000 Note 23(a)	Redeemable 7.85% non- cumulative preference share capital KShs'000 Note 23(b)	Share premium KShs'000 Note 24	Revaluation reserves KShs'000 Note 24	Investments revaluation reserve KShs'000 Note 19	Retained earnings KShs'000 Note 25	Proposed dividends KShs'000 Note 15	Total KShs'000
As previously presented								
At 1 July 2010								
Prior year reclassification	1,582,560	15,899,250	-	1,758,423	-	7,856,913	1,643,731	28,740,877
- Revaluation reserve*	-	-	-	(1,758,423)	-	1,758,423	-	-
- Transfer of excess depreciation*	-	-	-	455,626	-	(455,626)	-	-
- Deferred tax on excess depreciation*	-	-	-	(136,687)	-	136,687	-	-
- Proposed dividends**	-	-	-	-	-	1,643,731	(1,643,731)	-
Restated	1,582,560	15,899,250	-	318,939	-	10,940,128	-	28,740,877
Preference shares conversion	1,532,458	(15,899,250)	14,366,792	-	-	-	-	-
Rights issue	1,221,575	-	8,306,714	-	-	-	-	9,528,289
Restructuring costs (note 24)	-	-	(631,502)	-	-	-	-	(631,502)
Transfer of excess depreciation	-	-	-	(455,626)	-	455,626	-	-
Deferred tax on excess depreciation	-	-	-	136,687	-	(136,687)	-	-
Total comprehensive income	-	-	-	-	-	4,219,566	-	4,219,566
Dividends paid - 2010	-	-	-	-	-	(1,643,731)	-	(1,643,731)
Interim dividends paid - 2011	-	-	-	-	-	(607,123)	-	(607,123)
At 30 June 2011 - restated	<u>4,336,593</u>	<u>-</u>	<u>22,042,004</u>	<u>-</u>	<u>-</u>	<u>13,227,779</u>	<u>-</u>	<u>39,606,376</u>

* Prior year reclassification relates to reversals of the revaluation reserve and related deferred tax that arose on the revaluation of the transmission lines in the year 2002. The revaluation surplus was erroneously adopted and recorded as revaluation surplus instead of the surplus being accounted for as the deemed cost of the transmission lines. The revaluation was occasioned by the restructuring of the power sector at that time to determine the transfer values of the transmissions lines.

** Reclassification of proposed dividends erroneously accounted for as equity in the prior years.

Statement of Changes in Equity for the Year Ended 30 June 2012 *(continued)*

	Ordinary share capital KShs'000 Note 23(a)	Redeemable 7.85% non- cumulative preference share capital KShs'000 Note 23(b)	Share premium KShs'000 Note 24	Revaluation reserves KShs'000 Note 24	Investments revaluation reserve KShs'000 Note 19	Retained earnings KShs'000 Note 25	Proposed dividends KShs'000 Note 15	Total KShs'000
As previously stated								
At 1 July 2011	4,336,593	-	22,042,004	1,439,484	-	11,614,831	173,464	39,606,376
Prior year reclassification								
- Revaluation reserve*	-	-	-	(1,439,484)	-	1,439,484	-	-
- Proposed dividends**	-	-	-	-	-	173,464	(173,464)	-
Restated	<u>4,336,593</u>	<u>-</u>	<u>22,042,004</u>	<u>-</u>	<u>-</u>	<u>13,227,779</u>	<u>-</u>	<u>39,606,376</u>
Bonus issue (note 23)	542,074	-	-	-	-	(542,074)	-	-
Restructuring costs (note 24)	-	-	(20,785)	-	-	-	-	(20,785)
Transfer of excess depreciation	-	-	-	-	-	-	-	-
Deferred tax on excess depreciation	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	(127,397)	4,617,116	-	4,489,719
Dividends paid - 2011	-	-	-	-	-	(173,464)	-	(173,464)
Interim dividends paid - 2012	-	-	-	-	-	(390,293)	-	(390,293)
At 30 June 2012	<u>4,878,667</u>	<u>-</u>	<u>22,021,219</u>	<u>-</u>	<u>(127,397)</u>	<u>16,739,064</u>	<u>-</u>	<u>43,511,553</u>

* Prior year reclassification relates to reversals of the revaluation surplus that arose on the revaluation of the transmission lines in the year 2002. The revaluation surplus was erroneously adopted and recorded as revaluation surplus instead of the surplus being accounted for as deemed cost of the transmission lines. The revaluation was occasioned by the restructuring of the power sector at that time to determine the transfer values of the transmission lines.

** Reclassification of proposed dividends erroneously accounted for as equity in the prior years.

Statement of Cash flows for the Year Ended 30 June 2012

	Note	2012 KShs'000	2011 KShs'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	34(a)	14,404,754	15,052,173
Interest received	34(e)	513,459	90,134
Interest paid	34(d)	(1,082,421)	(495,365)
Tax paid	13(d)	(661,626)	(13,692)
Cash generated from operating activities		<u>13,174,166</u>	<u>14,633,250</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	34(f)	(26,510,788)	(22,131,852)
Purchase of intangible assets	18	(188,801)	-
Proceeds from disposal of property and equipment		23,295	155,946
Net cash used in investing activities		<u>(26,676,294)</u>	<u>(21,975,906)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of new shares		-	9,528,289
Restructuring costs	24	(20,785)	(631,502)
Dividends paid	34(d)	(494,271)	(1,020,607)
Loan proceeds received	34(b)	9,390,378	8,421,280
Repayment of amounts borrowed	34(b)	(4,295,070)	(1,841,627)
Net cash generated from financing activities		<u>4,580,252</u>	<u>14,455,833</u>
(Decrease)/increase in cash and cash equivalents		(8,921,876)	7,113,177
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		<u>9,722,368</u>	<u>2,609,191</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	34(c)	<u>800,492</u>	<u>9,722,368</u>

1. Corporate information

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

2. Application of New And Revised International Financial Reporting Standards (IFRS)

i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2012

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

<p>Amendments to IAS 1 Presentation of Financial Statements (as part of Improvements to IFRSs issued in 2010)</p>	<p>The amendments to IAS 1 clarify that an entity may choose to disclose an analysis of other comprehensive income by item in the statement of changes in equity or in the notes to the financial statements. For other comprehensive income, the Company has continued to present such an analysis in the notes to the financial statements, with a single-line presentation of other comprehensive income in the statement of changes in equity.</p>
<p>IAS 24 Related Party Disclosures (as revised in 2009)</p>	<p>IAS 24 (as revised in 2009) has been revised on the following two aspects: (a) IAS 24 (as revised in 2009) has changed the definition of a related party and (b) IAS 24 (as revised in 2009) introduces a partial exemption from the disclosure requirements for government-related entities.</p> <p>The Company is 50.1% owned by the Government of Kenya. The Company is involved in the business of transmission, distribution and retail of electricity, it provides services to virtually all government entities in the country. Due to adoption of the partial exemptions available in the revised IAS 24 (2009) these financial statements do not provide disclosure requirements under IAS 24 paragraph 18 (see note 35).</p> <p>The application of the revised definition of related party set out in IAS 24 (as revised in 2009) in the current year has not resulted in the identification of related parties that were not identified as related parties under the previous Standard.</p>

<p>Amendments to IAS 32 Classification of Rights Issues</p>	<p>The amendments address the classification of certain rights issues denominated in a foreign currency as either equity instruments or as financial liabilities. Under the amendments, rights, options or warrants issued by an entity for the holders to acquire a fixed number of the entity's equity instruments for a fixed amount of any currency are classified as equity instruments in the financial statements of the entity provided that the offer is made pro rata to all of its existing owners of the same class of its non-derivative equity instruments. Before the amendments to IAS 32, rights, options or warrants to acquire a fixed number of an entity's equity instruments for a fixed amount in foreign currency were classified as derivatives. The amendments require retrospective application.</p> <p>The application of the amendments has had no effect on the amounts reported in the current and prior years because the Company has not issued instruments of this nature.</p>
<p>Amendments to IFRS 7 - Financial instruments disclosures</p>	<p>The amendment to IFRS 7 Financial Instruments: Disclosures resulting from the International Accounting Standards Board's (IASB) comprehensive review of off balance sheet activities. The amendment introduces additional disclosures, designed to allow users of the financial statements to improve their understanding of transfer of transactions of financial assets (for example securitisations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of the reporting period.</p> <p>The application of the amendment has had no effect on the amounts reported in the current because the Company has not entered into any such transfer transactions of financial assets during the year.</p>
<p>Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement</p>	<p>IFRIC 14 addresses when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of IAS 19; how minimum funding requirements might affect the availability of reductions in future contributions; and when minimum funding requirements might give rise to a liability. The amendments now allow recognition of an asset in the form of prepaid minimum funding contributions. The application of the amendments has not had material effect on the Company's financial statements.</p>

Notes to the Financial Statements *(continued)*

2. Application of New And Revised International Financial Reporting Standards (IFRS) *(continued)*

(i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2012 (continued)

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	The Interpretation provides guidance on the accounting for the extinguishment of a financial liability by the issue of equity instruments. Specifically, under IFRIC 19, equity instruments issued under such arrangement will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the consideration paid will be recognised in profit or loss. The application of IFRIC 19 has had no effect on the amounts reported in the current and prior years because the Company has not entered into any transactions of this nature.
Improvements to IFRS issued in 2010	The application of Improvements to IFRS issued in 2010 has not had any material effect on amounts reported in the financial statements.

ii) Relevant new and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2012

	Effective for annual periods beginning on or after
<i>New and Amendments to standards</i>	
IFRS 9, Financial Instruments – Classification and Measurement (2010)	1 January 2015
IAS 12, Income Taxes – limited scope amendment (recovery of underlying assets)	1 January 2012
IAS 1, Presentation of Financial Statements – presentation of items of other comprehensive income	1 January 2012
IAS 19, Employee Benefits (2011)	1 January 2013
IFRS 13, Fair Value Measurement	1 January 2013
<i>Amendment to interpretations</i>	
IAS 19 – the Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction	1 January 2013

iii) Impact of relevant new and amended standards and interpretations on the financial statements for the year ended 30 June 2012 and future annual periods

IFRS 9, Financial Instruments

IFRS 9 issued in November 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in October 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

IFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The directors anticipate that IFRS 9 will be adopted in the Company's financial statements for the annual period beginning 1 January 2015 and that the application of IFRS 9 may have a significant impact on the amounts reported in respect of the Company's financial assets and financial liabilities (e.g the Company will classify financial assets as subsequently measured at either amortised cost or fair value). However, it is not practical to provide a reasonable estimate of the effect until a detailed review has been completed.

IFRS 13 Fair Value Measurements

IFRS 13 replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard. The IFRS is the result of joint efforts by the IASB and the Financial Accounting Standards Board (FASB) to develop a converged fair value framework. The IFRS defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. However, IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value.

IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements).

With some exceptions, the standard requires entities to classify these measurements into a 'fair value hierarchy' based on the nature of the inputs:

- Level 1 – quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date;

2. Application of New And Revised International Financial Reporting Standards (IFRS) *(continued)*

iii) Impact of relevant new and amended standards and interpretations on the financial statements for the year ended 30 June 2012 and future annual periods (continued)

IFRS 13 Fair Value Measurements *(continued)*

- Level 2 – inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – unobservable inputs for the asset or liability.

IFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that IFRS 13 will be adopted in the Company's financial statements for the annual period beginning 1 July 2013 and that the application of the new Standard may affect the amounts reported in the financial statements and result in more extensive disclosures in the financial statements, however, the Company is yet to assess IFRS 13 full impact and intends to adopt the standard not later than the accounting period beginning on or after 1 January 2013.

Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12)

This amends IAS 12, Income Taxes, to provide a presumption that recovery of the carrying amount of an asset measured using the fair value model in IAS 40, Investment Property, will normally be through sale. As a result of the amendments, SIC-21, Income Taxes – Recovery of Revalued Non-Depreciable Assets, would no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC-21, which is accordingly withdrawn.

The above amendments are generally effective for annual periods beginning on or after 1 January 2012. The Company will apply this amendment prospectively. The directors anticipate no material impact to the Company's financial statements currently as the Company does not have investment properties. However, the Company would have to apply this standard to any such arrangements entered into in the future.

Presentation of Items of Other Comprehensive Income (Amendments to IAS)

This amends IAS 1, Presentation of Financial Statements, to revise the way other comprehensive income is presented.

The amendments:

- Preserves the amendments made to IAS 1 in 2007 to require profit or loss and other comprehensive income to be presented together, i.e. either as a single 'statement of profit or loss and comprehensive income', or a separate 'statement of profit or loss' and a 'statement of comprehensive income' – rather than requiring a single continuous statement.
- Requires entities to group items presented in other comprehensive income based on whether they are potentially reclassifiable to profit or loss subsequently, i.e. those that might be reclassified and those that will not be reclassified.
- Requires tax associated with items presented before tax to be shown separately for each of the two groups of other comprehensive income items (without changing the option to present items of other Comprehensive income either before tax or net of tax).

The above amendments are generally effective for annual periods beginning on or after 1 July 2012. The Company will apply the amendments prospectively. Other than presentation, the directors anticipate no material impact to the Company's financial statements.

IAS 19 (as revised in 2011) - Employee Benefits

The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the statement of financial position to reflect the full value of the plan deficit or surplus.

The amendments to IAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application with certain exceptions. The directors anticipate that the amendments to IAS 19 will be adopted in the Company's financial statements for the annual period beginning 1 January 2013 and that the application of the amendments to IAS 19 may have impact on amounts reported in respect of the Company's defined benefit plans. However, the directors have not yet performed a detailed analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the impact.

iv) Early adoption of standards

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

3. Accounting Policies

3.1 Statement of compliance

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

For the Kenyan companies Act reporting purposes, in these financial statements, the balance sheet is represented by/is equivalent to the statement of financial position and the profit and loss account is presented in the statement of comprehensive income.

3.2 Basis of preparation

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

3.3 Summary of significant accounting policies

(a) Revenue

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

Notes to the Financial Statements *(continued)*

3.0 Accounting Policies (continued)

3.3 Summary of significant accounting policies (continued)

(a) Revenue (continued)

(i) Electricity sales

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

(ii) Fuel cost recoveries

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

(iii) Foreign exchange recoveries

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

(b) Other income

(i) Finance revenue

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

(ii) Dividends

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

(iii) Rental income

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

(iv) Deferred income

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

(v) Fibre optic income

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

(vi) Other operating income

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

(c) Inventories

Inventories are stated at the lower of cost and net realisable value after due regard for obsolete and slow moving stocks. The cost of inventories comprises purchase price, import duties, transport and handling charges and is determined on a weighted average price.

(d) Tangible assets

(i) Property and equipments

All property and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of the property and equipment when that cost is incurred, if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

No depreciation is 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%

The asset's residual values, estimated useful lives and methods of depreciation are reviewed at the end of each reporting period with the effect of any changes in estimate accounted for on a prospectively.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from the recognition of an item of property and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset at the disposal date) is included in profit or loss for the year. This does not apply to assets acquired by the Company on sale and leaseback transactions.

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

(ii) Capital work in progress

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

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

3.3 Summary of significant accounting policies *(continued)*

(d) Tangible assets *(continued)*

(ii) Capital work in progress *(continued)*

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

(e) Intangible assets

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

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

(f) Taxation

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

(i) Current tax

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

(ii) Deferred tax

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised,

based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

(g) Leases

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

For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of IFRIC 4.

Company as a lessee

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

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

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

Company as a lessor

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

(h) Foreign currencies

The financial statements are presented in Kenya shillings, which is the Company's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Transactions during the year are translated at the rates ruling at the dates of the transactions. Gains and losses on exchange are dealt with in the profit or loss.

Notes to the Financial Statements *(continued)*

3.3 Summary of significant accounting policies *(continued)*

(h) Foreign currencies *(continued)*

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

(i) Financial Instruments

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

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

Financial assets

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

(a) Financial assets at fair value through profit or loss

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

(b) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

(c) Available-for-sale financial assets

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

The Company has investments in debt securities that are traded in an active market and are stated at fair value at the end of each reporting period. The fair value of available-for-sale debt securities is determined by reference to published price quotations in an active market. Interest income calculated using the effective interest method is recognised in profit or loss except for interest income earned on the temporary investment of specific borrowings

pending their expenditure on qualifying assets which is deducted from the borrowing costs eligible for capitalisation.

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

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

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

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

(d) Loans and receivables

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

Effective interest method

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

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

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

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

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

3.3 Summary of significant accounting policies *(continued)*

(i) Financial Instruments *(continued)*

Financial assets *(continued)*

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

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

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

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

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

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

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

In respect of available-for-sale debt securities, impairment losses are

subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Derecognition of financial assets

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

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

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

Classification as debt or equity

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

Equity instruments

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

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

Notes to the Financial Statements *(continued)*

3.3 Summary of significant accounting policies *(continued)*

(i) Financial Instruments *(continued)*

Financial liabilities *(continued)*

Financial liabilities

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

Other financial liabilities

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

Derecognition of financial liabilities

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

Onerous contracts

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

Offsetting of financial instruments

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

(j) Borrowing costs

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

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

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

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

(k) Leave accrual

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

(l) Impairment of tangible assets

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

Impairment of transmission and distribution lines

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

- (i) Significant decline in the market value beyond that which would be expected from the passage of time and normal use.
- (ii) Evidence from internal reporting which indicates that the performance of the asset is, or will be, worse than expected.
- (iii) Significant changes with adverse effect on the Company have taken place during the period, or will take place in the near future, in the technology or market environment in which the Company operates, or in the market to which an asset is dedicated.
- (iv) The carrying amount of the net assets of the Company is more than its market capitalisation.
- (v) Evidence is available of the obsolescence or physical damage of an asset.
- (vi) Significant changes with an adverse effect on the Company have taken place during the period, or are expected to take place in the near future, which impact the manner or the extent to which an asset is used. These changes include plans to discontinue or restructure the operation to which an asset belongs or to dispose of an asset before the previously expected date.

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

(m) Retirement benefits obligations

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

3.3 Summary of significant accounting policies *(continued)*

(m) Retirement benefits obligations *(continued)*

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. The pension costs for the defined benefit scheme are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to profit or loss so as to spread the regular cost over the lives of pensioners in accordance with the advice of the actuaries who carry out a full valuation of the scheme every three years. The next valuation will be carried out in December 2012. The pension obligation is measured as the present value of the estimated future cash outflows using an interest rate of 5%.

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

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

(n) Operating segments

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

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

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

(o) Earnings per share

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

(p) Dividends

Dividends on ordinary shares are charged to reserves in the period in which

they are declared. Proposed dividends are not accrued for until ratified in an Annual General Meeting.

(q) Government grants

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

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

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss in the period in which they become receivable.

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

(r) Recharge of costs to Rural Electrification Scheme

Recharge of costs to the Rural Electrification Scheme (RES) is based on a formula determined by the Government of Kenya following an agreement between it and East African Power & Lighting Company Limited, the predecessor to the Kenya Power & Lighting Company Limited in 1973.

The power purchase costs recharge is calculated as a proportion of RES electricity unit sales (excluding off-grid sales) to Gross electricity unit sales.

The distribution costs recharge is calculated based on 2% and 4% of the total high voltage and low voltage assets respectively in the books of RES and Rural Electrification Authority at the close of the financial year.

Customer service costs recharge is calculated as a proportion of RES metered customers to total number of metered customers.

Administration costs recharge are calculated based on the proportion of RES electricity unit sales to gross electricity unit sales.

(s) Cash and cash equivalents

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

(t) Comparatives

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. Specifically, the following reclassifications have been made:

(i) Capital work in progress has been grossed up by KShs.1,292,522,000

4. Critical Accounting Judgements And Key Sources of Estimation Uncertainty *(continued)*

resulting in an increase of the same amount to property and equipment and capital contributions included in long term liabilities;

- (ii) Shs.136,687,000 relating to accelerated depreciation on transmission lines has been included in deferred tax on the correction of the accounting treatment for the transmission lines revalued in 2002;
- (iii) Shs.807,197,000 relating to deferred income fibre optic leases previously included in current liabilities has now been reclassified to non-current liabilities;
- (iv) Shs.1,846,844,000 relating to cash collected in July 2011 but included in June 2011 has been adjusted against cash and trade receivables;
- (v) Shs.1,167,076,000 relating to unidentified receipts held by the Company has been reclassified to non-current liabilities as management does not expect to make payments in the next one year.

4. Critical Accounting Judgements And Key Sources of Estimation Uncertainty

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

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

4.1 Critical judgements in applying accounting policies

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

Operating lease commitments – Company as lessor

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

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can

be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of recognised tax losses at 30 June 2012 was KShs.27,765 million (2011: KShs.15,267 million). Further details are contained in Note 26.

Pension and other post-employment benefits

The cost of defined benefit pension plans and other post-employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. The net employee asset at 30 June 2012 was KShs.1,876 million (2011: liability of KShs.286 million). Further details are given in Note 31.

Electricity deposits

Money received from electricity customers as deposit is held as a non-current liability because the Company will continue to offer services to the customers for the foreseeable future and the customers are not expected to discontinue their use of electricity in the short run. In addition, the customer deposits are a security for the electric meters supplied to the customer for long term electricity supply.

Revenue recognition

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

4.2 Key sources of estimation uncertainty

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

Property and equipment

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

Impairment of assets

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

4. Critical Accounting Judgements And Key Sources of Estimation Uncertainty (continued)

4.2 Key sources of estimation uncertainty (continued)

where it is a component of a larger economic unit, the viability of that unit itself.

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

Pensions

Actuarial assumptions are made in valuing future defined benefit obligation and are updated periodically. The principal assumption relates to the discount rate. The discount rate is equal to 12.5%, which is the rate determined by reference to market yields on the treasury bonds at the end of the reporting period.

Provision for doubtful debts

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

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

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

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

Notes to the Financial Statements *(continued)*

5. (a) Operating segments

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

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

	Nairobi Region	West Kenya Region	Coast Region	Mount Kenya Region	2012 Total
2012	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Electricity revenue	53,335,591	16,187,364	17,927,622	8,211,850	95,662,427
Other income	992,831	353,900	272,368	169,019	1,788,118
Energy purchases	(38,479,199)	(12,593,192)	(12,593,192)	(6,296,596)	(69,962,179)
Other expenses	(5,603,583)	(2,571,056)	(1,557,507)	(1,999,959)	(11,732,105)
Head office expenses	(4,371,258)	(1,430,593)	(1,430,593)	(715,297)	(7,947,741)
Operating profit	<u>5,874,382</u>	<u>(53,577)</u>	<u>2,618,698</u>	<u>(630,983)</u>	<u>7,808,520</u>
Finance revenue					489,182
Finance income					208,991
Income tax expense					<u>(3,889,577)</u>
Profit for the year					<u>4,617,116</u>
Other information					
Assets	<u>59,880,371</u>	<u>38,111,416</u>	<u>16,413,198</u>	<u>19,726,998</u>	<u>134,131,983</u>
Liabilities	<u>40,086,574</u>	<u>16,355,287</u>	<u>13,418,912</u>	<u>8,397,330</u>	<u>78,258,103</u>
Capital expenditure (including intangible assets)	<u>8,715,263</u>	<u>10,238,645</u>	<u>2,341,542</u>	<u>4,843,183</u>	<u>26,138,633</u>
Depreciation/amortisation	<u>2,246,722</u>	<u>1,040,772</u>	<u>538,260</u>	<u>737,904</u>	<u>4,563,658</u>

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

5. (a) Operating segments (continued)

2011	Nairobi Region	West Kenya Region	Coast Region	Mount Kenya Region	2011 Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Electricity revenue	40,310,728	12,826,586	13,307,682	6,709,025	73,154,021
Other income	779,112	338,315	146,102	149,425	1,412,954
Energy purchases	(27,384,267)	(8,962,124)	(8,962,124)	(4,481,062)	(49,789,577)
Other expenses	(6,075,429)	(2,240,151)	(1,721,876)	(2,090,720)	(12,128,176)
Head office expenses	(3,061,727)	(1,002,019)	(1,002,019)	(501,010)	(5,566,775)
Operating profit	<u>4,568,417</u>	<u>960,607</u>	<u>1,767,765</u>	<u>(214,342)</u>	<u>7,082,447</u>
Finance revenue					171,477
Finance cost					(999,173)
Income tax expense					<u>(2,035,185)</u>
Profit for the year					<u>4,219,566</u>
Other information					
Assets	<u>57,424,910</u>	<u>30,517,188</u>	<u>16,299,146</u>	<u>16,930,271</u>	<u>121,171,515</u>
Liabilities	<u>38,988,278</u>	<u>14,999,801</u>	<u>11,781,650</u>	<u>8,322,498</u>	<u>74,092,227</u>
Capital expenditure	<u>9,113,177</u>	<u>8,784,535</u>	<u>2,808,119</u>	<u>4,008,067</u>	<u>24,713,898</u>
Depreciation/amortisation	<u>2,037,740</u>	<u>753,698</u>	<u>448,328</u>	<u>607,241</u>	<u>3,847,007</u>

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

Notes to the Financial Statements *(continued)*

5. (b) Operating segments

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

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

	Freehold land and buildings KShs'000	Lines KShs'000	Machinery KShs'000	Motor vehicles KShs'000	Furniture Equipment and other KShs'000	Intangible assets KShs'000	Total KShs'000
2012							
Transmission	470,133	9,086,593	57,309	-	774,136	-	10,388,171
Distribution	1,456,283	67,463,643	75,136	1,419,187	3,641,615	169,520	74,225,384
Total	<u>1,926,416</u>	<u>76,550,236</u>	<u>132,445</u>	<u>1,419,187</u>	<u>4,415,751</u>	<u>169,520</u>	<u>84,613,555</u>
	Freehold land and buildings KShs'000	Lines KShs'000	Machinery KShs'000	Motor vehicles KShs'000	Furniture equipment and other KShs'000	Intangible assets KShs'000	Total KShs'000
2011							
Transmission	576,138	9,556,021	54,911	-	688,122	-	10,875,192
Distribution	1,204,717	49,168,684	50,602	1,355,402	3,249,995	-	55,029,400
Total	<u>1,780,855</u>	<u>58,724,705</u>	<u>105,513</u>	<u>1,355,402</u>	<u>3,938,117</u>	<u>-</u>	<u>65,904,592</u>

6. Financial Risk & Capital 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.

For the Kenya Power and Lighting Company, a strategic risk is a significant unexpected or unpredictable change or outcome beyond what was factored into the organisation's strategy and business model which could have an impact on the Company's performance.

Business continuity risks are those events, hazards, variances and opportunities which could influence the continuity of the Company.

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

The Board of Directors has delegated the management of the Companywide risk to the Audit Committee. One of the committee's responsibilities is to

review risk management strategies in order to ensure business continuity and survival. Most of the financial risks arising from financial instruments are managed in the centralised finance function of the Company.

The Company's exposure to risk, its objectives, policies and processes for managing the risk and the methods used to measure it have been consistently applied in the years presented, unless otherwise stated.

The Company has exposure to the following risks as a result of its financial instruments:

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

(a) Credit risk

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

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

6. Financial Risk & Capital Management Objectives And Policies *(continued)*

(a) Credit Risk *(continued)*

Management of credit risk

Financial instruments are 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 after receipt of the bill. The Company's exposure to credit risk is influenced by the individual characteristics of each customer.

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

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

The Company has well-established credit control procedures that monitor activity on customer accounts and allow for remedial action should the customer not comply with payment terms. These procedures include the issue of a notice for disconnection of supply, an internal collection process; follow up of the customer by telephone or in person, negotiations of mutually acceptable payment arrangements and letters of demand. Non-payment will result in disconnection of supply and the account's closure if the disconnection is done and there is no payment within three months. The legal collection process is pursued thereafter. The decision to impair overdue amounts is assessed on the probability of recovery based on the customer's credit risk profile.

Progress on the collection process is reviewed on a regular basis and if it is evident that the amount will not be recovered, it is recommended for write-off

in terms of the Company's policy. The process of recovery continues unless it is confirmed that there is no prospect of recovery or the costs of such action will exceed the benefits to be derived. Amounts written off are determined after taking into account the value of the security held.

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

The total cumulative provision for impairment of electricity receivables at 30 June 2012 was KShs.3,860 million (2011: KShs.4,227 million). Refer to note 21(c).

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

- disconnections
- increased internal debt management capacity
- use of debt collectors.
- focus on early identification and letters of demand.
- higher security deposits

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

	2012	2011
	KShs'000	KShs'000
Electricity receivables		
Large power users	4,430,523	6,218,594
Ministries	241,075	102,757
Local authorities	40,353	47,769
Parastatals	1,186,122	1,146,603
Ordinary customers	2,024,864	1,585,316
Exports	103,403	183,821
Total electricity receivables	<u>8,026,340</u>	<u>9,284,860</u>

Notes to the Financial Statements *(continued)*

6. Financial Risk & Capital Management Objectives And Policies *(continued)*

(a). Credit risk *(continued)*

(ii) Other credit risk exposure

Credit risk arising from short term deposits and bank balances is low because the counter parties are financial institutions with high credit ratings. Credit risk from government securities is low because of a low default record.

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

	Neither past due nor impaired KShs'000	Past due but not impaired		Impaired Over 365 days KShs'000	Total KShs'000
		Over 60 days KShs'000	Over 365 days KShs'000		
At 30 June 2012					
Trade and other receivables	10,443,944	1,462,194	448,244	4,227,544	16,581,926
Less: impairment allowance	-	-	-	(4,227,544)	(4,227,544)
Add non-financial assets:					
Prepayments	96,288	-	-	-	96,288
VAT recoverable	1,761,130	-	-	-	1,761,130
	<u>12,301,362</u>	<u>1,462,194</u>	<u>448,244</u>	<u>-</u>	<u>14,211,800</u>
Investments in government securities available-for-sale	1,171,109	-	-	-	1,171,109
Short term deposits	506,168	-	-	-	506,168
Bank balances	1,983,931	-	-	-	1,983,931
	<u>15,962,570</u>	<u>1,462,194</u>	<u>448,244</u>	<u>-</u>	<u>17,873,008</u>

6. Financial Risk & Capital Management Objectives And Policies (continued)**(a). Credit risk** (continued)**(ii) Other credit risk exposure** (continued)

	Neither past due nor impaired KShs'000	Past due but not impaired		Impaired	Total KShs'000
		Over 60 days KShs'000	Over 365 days KShs'000	Over 365 days KShs'000	
At 30 June 2011					
Trade and other receivables	12,961,526	2,257,717	218,876	4,594,919	20,033,038
Less: impairment allowance	-	-	-	(4,594,919)	(4,594,919)
Add non-financial assets:					
Prepayments	175,448	-	-	-	175,448
VAT recoverable	659,852	-	-	-	659,852
	<u>13,796,826</u>	<u>2,257,717</u>	<u>218,876</u>	<u>-</u>	<u>16,273,419</u>
Investments in government securities - Held to maturity	1,298,506	-	-	-	1,298,506
Short term deposits	1,539,999	-	-	-	1,539,999
Bank balances	8,182,369	-	-	-	8,182,369
	<u>24,817,700</u>	<u>2,257,717</u>	<u>218,876</u>	<u>-</u>	<u>27,294,293</u>

The customers under the fully performing category are paying their debts as they fall due.

Past due amounts are those beyond the maximum established credit period and represents slow but paying customers. The receivable balance continues to be serviced even though this is not done on the contractual dates. Treasury and finance departments are actively following up on these receivables. In addition, the Company holds deposits or a bank guarantee, depending on the electricity load supplied which acts as collateral.

The fair value of the collateral held by the Company as security and other credit enhancements amounted to KShs.6,330 million (2011: KShs.5,570 million).

Notes to the Financial Statements *(continued)*

6. Financial Risk & Capital Management Objectives And Policies *(continued)*

(b) Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient financial resources to meet its obligations when they fall due, or will have to do so at excessive cost. This risk can arise from mismatches in the timing of cash flows from revenue and capital and operational outflows.

The objective of the Company's liquidity management is to ensure that all foreseeable operational, capital expansion and loan commitment expenditure can be met under both normal and stressed conditions. The Company has adopted an overall balance sheet approach, which consolidates all sources and uses of

liquidity, while aiming to maintain a balance between liquidity, profitability and interest rate considerations. The Company's liquidity management process includes:

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

The table below summarises the maturity profile of the Company's financial liabilities based on the remaining period using 30 June 2012 as a base period to the contractual maturity date:

	On demand KShs'000	Less than 3 months KShs'000	3 to 12 months KShs'000	1 to 5 years KShs'000	> 5 years KShs'000	Total KShs'000
Year ended 30 June 2012						
Interest bearing loans and borrowings	-	-	6,250,288	13,605,949	7,906,076	27,762,313
Trade and other payables	1,624,839	20,013,536	2,330,323	3,246,921	12,751,338	39,966,957
	<u>1,624,839</u>	<u>20,013,536</u>	<u>8,580,611</u>	<u>16,852,870</u>	<u>20,657,414</u>	<u>67,729,270</u>
	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
Year ended 30 June 2011						
Interest bearing loans and borrowings	-	-	4,764,171	7,673,810	12,083,322	24,521,303
Trade and other payables	2,453,423	19,524,762	2,593,458	8,849,222	8,949,340	42,370,205
	<u>2,453,423</u>	<u>19,524,762</u>	<u>7,357,629</u>	<u>16,523,032</u>	<u>21,032,662</u>	<u>66,891,508</u>

6. Financial Risk & Capital Management Objectives And Policies *(continued)*

(b.) Liquidity Risk *(continued)*

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 financing facilities. To supplement these liquidity sources under stress conditions, overdraft facilities and undrawn loans are in place.

Key indicators used for liquidity management.

Tenure

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

Liquid assets

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

Capital expenditure ratio

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

	2012	2011
	%	%
Continuing activities	53	59

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

(c) Market risk

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

(i) Currency risk

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

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

Currency type	Appreciation/ (depreciation) of Exchange rate	Effect on profit before tax and equity KShs million
Year 2012		
US\$	5 %/(5%)	+/-255
Euro	5 %/(5%)	+/-389
CHF	5 %/(5%)	+/-10
Year 2011		
US\$	5 %/(5%)	+/-182
Euro	5 %/(5%)	+/-494
CHF	5 %/(5%)	+/-13

Management of currency risk

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

(ii) Commodity risk

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

Management of commodity risk

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

Notes to the Financial Statements *(continued)*

6. Financial Risk & Capital Management Objectives And Policies *(continued)*

(c) Market risk *(continued)*

(iii) Interest rate risk *(continued)*

borrowings issued at fixed rates expose the Company to fair value interest rate risk.

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

Management of interest rate risk

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

Sensitivity analysis

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs.193 million (2011: KShs.128 million). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs.965 million (2011: KShs. 644 million):

	Change in currency rate	Effect on Profit before tax and equity
	KShs'000	KShs'000
2012		
	1%	193,000
	5%	<u>965,000</u>
2011		
	1%	128,000
	5%	<u>644,000</u>

(d) Capital management

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

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 30 June 2012 and 30 June 2011.

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

	2012	2011
	KShs 'million'	KShs 'million'
Interest-bearing loans and borrowings (Note 29)	27,762	24,521
Trade and other payables (Note 27)	37,814	41,843
Less cash and short-term deposits (Note 34(c))	(800)	(9,722)
Net debt	<u>64,776</u>	<u>56,642</u>
Equity	43,512	39,433
Gearing ratio	<u>149%</u>	<u>144%</u>

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

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

The Company uses Power System Development Planning process, which forecasts long-term growth in electricity demand; evaluates the alternative means to meet and manage that demand and comes up with a Least Cost Power Development Plan. The planning process determines a forward electricity cost curve (the Long Run Marginal Cost), which will give an indication of the size of the price increases that the Company requires in order to be sustainable

6. Financial Risk & Capital Management Objectives And Policies (continued)

(d) Capital Management (continued)

over the medium and long term. Adjustment of the tariffs for the electricity business is regulated and is subject to the process laid down by the Energy Regulatory Commission.

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

(e) Fair values of financial assets and liabilities

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

	Carrying amount		Fair value	
	2012	2011	2012	2011
	KShs'000	KShs'000	KShs'000	KShs'000
Financial assets				
Fixed interest investment	-	1,298,506	-	1,298,506
Trade and other receivables	14,211,800	16,273,419	14,211,800	16,273,419
Investments in Government securities	1,171,109	-	1,171,109	-
Short term deposits	506,168	1,539,999	506,168	1,539,999
Bank and cash balances	<u>1,983,931</u>	<u>8,182,369</u>	<u>1,983,931</u>	<u>8,182,369</u>
Financial liabilities				
Borrowings	27,762,313	24,521,303	27,762,313	24,521,303
Trade and other payables	37,814,280	42,016,437	37,814,280	42,016,437
Bank overdraft	<u>1,689,151</u>	<u>-</u>	<u>1,689,151</u>	<u>-</u>

Trade receivables are evaluated regularly to assess the likelihood of impairment. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. As at 30 June 2012, the carrying amounts of such receivables, net of allowances, approximates their fair value.

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

(ii) Fair value hierarchy

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

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

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

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

The table below shows an analysis of financial instruments at fair value by level of the fair value hierarchy:

	Level 1	Level 2	Level 3
	KShs'000	KShs'000	KShs'000
Financial assets measured at fair value:			
30 June 2012			
Investments in Government Securities - available-for-sale	<u>1,171,109</u>	<u>-</u>	<u>-</u>
30 June 2011			
Investments in Government Securities - available-for-sale	<u>-</u>	<u>-</u>	<u>-</u>

Notes to the Financial Statements *(continued)*

7. (a) ELECTRICITY SALES

	2012 KShs'000	2011 KShs'000
Large commercial and industrial customers	23,749,774	24,652,916
Small commercial customers	9,040,528	8,555,842
Domestic customers	11,269,857	8,686,521
Export and others	947,725	590,314
	<u>45,007,884</u>	<u>42,485,593</u>

(b) FOREIGN EXCHANGE COSTS ADJUSTMENTS

Total foreign exchange costs on-charged to customers:-	8,758,700	4,755,572
Less amounts attributed to power purchases	<u>(6,093,868)</u>	<u>(3,425,194)</u>
Amounts attributable to Company's operations	<u>2,664,832</u>	<u>1,330,378</u>

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

(c) OTHER OPERATING INCOME

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

	2012 KShs'000	2011 KShs'000
Connection and reconnection charges	202,161	342,406
Stock excess adjustment	351,136	408,057
Fibre optic lease charges	124,623	101,751
Deferred income amortised to profit or loss for the year	488,464	183,900
Miscellaneous sales	621,734	376,840
	<u>1,788,118</u>	<u>1,412,954</u>

8. POWER PURCHASE COSTS

(a) Basic power purchase costs

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

	2012 KShs'000	2011 KShs'000
KenGen	17,112,335	14,276,249
Aggreko	2,211,568	1,043,188
Uganda Electricity Transmission Company Limited	211,278	169,636
Tsavo Power Company Limited	2,029,823	1,960,235
Iberafrica Power (E.A.) Company Limited	3,103,530	3,034,808
OrPower 4 Inc	3,269,322	2,924,481
Mumias Sugar Company Limited	412,766	366,220
Tanzania Electric Supply Company Limited	8,242	5,866
Rabai Power Limited	2,567,325	2,611,767
Imenti Tea Factory	3,907	1,751
Ethiopia Electricity Power Company	4,926	-
Deferred power purchase costs	<u>(2,644,878)</u>	<u>(1,687,886)</u>
	28,290,144	24,706,315
Less foreign exchange surcharge (Note 7(b))	(6,093,868)	(3,425,194)
Less recharged to Rural Electrification Scheme	<u>(1,116,581)</u>	<u>(1,067,304)</u>
	<u>21,079,695</u>	<u>20,213,817</u>

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

8. POWER PURCHASE COSTS (continued)

(b) Fuel costs

	2012	2011
	KShs'000	KShs'000
KenGen	12,478,808	5,218,825
Aggreko	9,716,652	4,397,167
Uganda Electricity Transmission Company Limited	607,131	378,864
Tsavo Power Company Limited	4,601,127	3,813,220
Iberafrica Power (E.A.) Company Limited	12,474,844	9,188,807
Mumias Sugar Company Limited	-	16,226
Rabai Power Limited	5,176,546	4,518,226
Off grid power stations	726,967	599,030
	<u>45,782,075</u>	<u>28,130,365</u>
Less recharged to Rural Electrification Scheme	<u>(2,993,459)</u>	<u>(1,979,799)</u>
	<u><u>42,788,616</u></u>	<u><u>26,150,566</u></u>

The Company incurred KShs.42,788,616 (2011: KShs.26,150,000) as fuel cost during the year, which was passed to the customers and a recovery of KShs.41,895,843 (2011: KShs.25,912,856) was made.

(c) Units purchased

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

	2012	2011
	GWh	GWh
KenGen	5,409	5,040
Aggreko (Net of exports to Uganda & Tanzania)	339	237
Uganda Electricity Transmission Company Limited	36	30
Tsavo Power Company Limited	283	368
Iberafrica Power (E.A.) Company Limited	705	722
OrPower 4 Inc	392	373
Mumias Sugar Company Limited	100	87
Tanzania Electric Supply Company Limited	1	1
Imenti Tea Factory	1	-
Rabai Power Limited	338	394
Off grid power stations	23	21
	<u>7,627</u>	<u>7,273</u>
Less recharged to Rural Electrification Scheme	<u>(430)</u>	<u>(378)</u>
	<u><u>7,197</u></u>	<u><u>6,895</u></u>

Notes to the Financial Statements *(continued)*

8. 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:

	2012	2011
	GWh	GWh
Hydro	3,450	3,427
Geothermal	1,498	1,454
Thermal (net of exports to Uganda & Tanzania)	2,664	2,374
Others	15	18
	<u>7,627</u>	<u>7,273</u>
Less recharged to Rural Electrification Scheme	(430)	(378)
	<u>7,197</u>	<u>6,895</u>

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

9. OTHER OPERATING COSTS

(a) Distribution

	2012	2011
	KShs'000	KShs'000
Salaries and wages	2,925,270	2,671,760
Staff welfare	211,003	191,173
Other consumable goods	673,065	490,880
Depreciation	2,142,397	1,654,064
Transport and travelling	833,379	668,237
Office expenses	14,720	12,160
Advertising and public relations	39,036	37,392
Loss on disposal of fixed assets	301,414	464,154
Other costs	45,759	56,788
Recharge of recurrent expenditure to capital jobs	(1,097,723)	(822,430)
Net recharge of distribution costs to RES	(749,775)	(589,133)
	<u>5,338,545</u>	<u>4,835,045</u>

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

(b) Commercial services

	2012	2011
	KShs'000	KShs'000
Salaries and Wages	1,992,344	1,832,967
Staff welfare	117,222	107,798
Electrical materials	29,913	390,460
Other consumable goods	56,727	39,030
Depreciation	488,102	319,775
Transport and travelling	381,120	371,277
Provision for debtors impairment	-	305,938
Office expenses	486,061	401,311
Advertising and public relations	607,573	306,173
Repairs and maintenance	4,841	54,634
Other costs	30,625	92,915
Energy saving bulbs	-	(284,456)
Net recharge of commercial services costs to RES	(938,931)	(858,643)
	<u>3,255,597</u>	<u>3,079,179</u>

9. OTHER OPERATING COSTS (continued)

(c) Energy transmission

	2012	2011
	KShs'000	KShs'000
Salaries and wages	1,189,525	1,091,608
Depreciation	649,690	650,046
Transport and travelling	256,701	164,307
Wheeling charges - Ketraco (net)	97,560	118,196
Other costs	271,010	204,672
Recharge of recurrent expenditure to capital jobs	(384,811)	(212,582)
	<u>2,079,675</u>	<u>2,016,247</u>

(d) Administration

	2012	2011
	KShs'000	KShs'000
Salaries and wages	3,665,610	3,155,864
Staff welfare	650,544	538,127
Insurance	298,381	253,965
Other consumable goods	348,304	279,236
Training expenses and consumer services	394,251	363,492
Depreciation	1,264,133	1,223,067
Electricity expenses	144,416	137,088
Other office expenses	667,000	337,863
Licenses	101,744	101,686
Security and surveillance	295,820	304,110
Repairs and maintenance	839,186	397,152
Consultancy fees	96,833	42,153
Auditors' remuneration	13,000	11,800
Public relations	418,542	338,462
Directors' emoluments	39,604	33,022
Amortisation	19,336	55
Pension deficit provisions	303,586	585,582
Leave pay obligation provision	158,658	155,366
Bank charges	213,766	252,631
RES off grid actual costs	(4,469)	99,145
Other costs	545,395	143,331
Recharge of administration costs to RES	(607,198)	(352,756)
Recharge of recurrent expenditure to capital jobs	(860,413)	(635,961)
	<u>9,006,029</u>	<u>7,764,480</u>

(e) Total operating expenses

	2012	2011
	KShs'000	KShs'000
Salaries and wages	9,772,749	8,740,971
Staff welfare	978,769	837,098
Insurance	298,381	253,965
Other consumable goods	1,078,096	809,146
Training expenses and consumer services	394,251	363,492
Depreciation	4,544,322	3,846,952
Electricity expenses	144,416	137,088
Other office expenses	1,167,781	751,334
Repairs and maintenance	844,027	451,786
Licenses	101,744	101,686
Consultancy fees	96,833	42,153
Security and surveillance	295,820	304,110
Auditors' remuneration	13,000	11,800
Directors' emoluments	39,604	44,250
Amortisation	19,336	55
Pension deficit provisions	303,586	585,582
Leave provision	158,658	155,366
Bank charges	213,766	252,631
RES actual costs	(4,469)	99,145
Transport and travelling	1,471,200	1,203,821
Advertising and public relations	1,065,151	682,027
Electrical materials	29,913	390,460
Provision for debtors impairment	-	305,938
Wheeling charges - Ketraco (net)	97,560	118,196
Loss on disposal of fixed assets	301,414	464,154
Other costs	892,789	497,706
Energy saving bulbs	-	(284,456)
Recharge to RES*	(2,295,904)	(1,800,532)
Recharge of recurrent expenditure to capital jobs*	(2,342,947)	(1,670,973)
	<u>19,679,846</u>	<u>17,694,951</u>

* Recharge to RES relates to operating costs apportioned to RES based on the predetermined formula developed by GoK. Recharge of recurrent expenditure to capital jobs relates to the labour and transport costs incurred by staff on capital jobs.

Notes to the Financial Statements (continued)

10. STAFF COSTS

	2012 KShs'000	2011 KShs'000
Salaries and wages excluding retirement benefit costs	9,266,231	8,312,876
NSSF employer contributions	24,998	19,403
Pension costs - Company contribution	481,520	408,692
Salaries and wages	<u>9,772,749</u>	<u>8,740,971</u>
Leave provision	158,658	155,366
Defined benefit plan expense	-	130,182
	<u>9,931,407</u>	<u>9,026,519</u>

11. FINANCE INCOME/(COSTS)

	2012 KShs'000	2011 KShs'000
Interest income		
Interest income on bank and other deposits	<u>489,182</u>	<u>171,477</u>
Finance costs		
Interest incurred on:		
Loans	(1,144,131)	(384,291)
Bank overdrafts	(70,211)	(28,614)
Dividends on cumulative preference shares	(1,930)	(1,930)
	<u>(1,216,272)</u>	<u>(414,835)</u>
Net foreign exchange gains/(losses)		
Exchange gains/(losses) on loans	2,089,923	(2,759,260)
Exchange losses/(gains) on loans for on-going projects capitalised	(730,144)	2,171,772
Exchange gain/(losses) on loans for completed projects	<u>1,359,779</u>	<u>(587,488)</u>
Exchange gains on deposits	65,484	3,150
Net foreign exchange gains/(losses)	<u>1,425,263</u>	<u>(584,338)</u>
Total finance income/(costs)	<u>208,991</u>	<u>(999,173)</u>

12. PROFIT BEFORE TAX

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

	2012 KShs'000	2011 KShs'000
Staff costs (note 10)	9,931,407	9,026,519
Depreciation	4,544,322	3,846,952
Amortisation of intangible assets	19,336	55
Debtors impairment	-	305,938
Directors' emoluments:		
- Fees	6,371	5,440
- Other	33,233	38,810
Auditors' remuneration	13,000	11,800
Loss on disposal of property and equipment	301,414	464,154
Rent payable	225,550	197,767
Net foreign exchange (gains)/losses	(1,425,263)	584,338
Interest payable	1,214,342	412,905
Interest receivable	(489,182)	(171,477)
Rent receivable	<u>(58,478)</u>	<u>(55,552)</u>

13. TAXATION

(a) Statement of comprehensive income - Income tax expense

	2012 KShs'000	2011 KShs'000
Current taxation based on the adjusted profit for the year at 30%	-	-
Deferred tax charge current year	2,732,235	2,035,185
Deferred tax prior year - under-provision	263,771	-
Advance tax and withholding tax prior year - over-provision	(38,764)	-
Corporation tax 2008/2009 - under-provision	410,383	-
Corporation tax on separate sources of income - prior years	415,739	-
Corporation tax on separate sources of income - current year	106,213	-
	<u>3,889,577</u>	<u>2,035,185</u>

13. TAXATION (continued)

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

	2012 KShs'000	2011 KShs'000
Profit before tax	8,506,693	6,254,751
Tax at the applicable tax rate of 30%	2,552,008	1,876,425
Tax effect of expenses not deductible for tax purposes	180,227	158,760
Deferred tax prior year under-provision	263,771	-
Advance tax and withholding tax - prior year under-provision	(38,764)	-
Corporation tax - prior year under-provision	410,383	-
Corporation tax - separate sources - previous years	415,739	-
Corporation tax - separate sources - current year	106,213	-
Tax charge	<u>3,889,577</u>	<u>2,035,185</u>

(c) Statement of Financial Position - Tax (payable)/recoverable

	2012 KShs'000	2011 KShs'000
At the beginning of the year	194,059	196,968
Paid during the year	90,843	13,692
Corporation tax under-provision paid	410,383	-
Income tax - separate sources paid	160,400	-
Under-provision - prior year advance and withholding tax	38,764	-
Corporation tax 2009/10 under-provision	(410,383)	(16,601)
Income tax - separate sources	(415,739)	-
Current year tax payable	(106,213)	-
	<u>(37,886)</u>	<u>194,059</u>

(d) Analysis of tax paid

	2012 KShs'000	2011 KShs'000
Paid during the year	90,843	13,692
Corporation tax under-provision paid	410,383	-
Income tax - separate sources paid	160,400	-
	<u>661,626</u>	<u>13,692</u>

The Company paid out tax arrears arising from Kenya Revenue Authority tax audit during the year.

14. EARNINGS PER SHARE

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

	2012 KShs '000	2011 KShs '000
Profit for the year attributable to owners of the Company	<u>4,617,116</u>	<u>4,219,566</u>

The calculation of basic and diluted earnings per share is based on continuing operations attributable to the ordinary equity holders of the Company. There were no discontinued operations during the year.

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

	2012	2011
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<u>1,951,467,045</u>	<u>1,951,467,045</u>

Notes to the Financial Statements *(continued)*

14. EARNINGS PER SHARE *(continued)*

During the year, the Company issued bonus shares in the ratio of 1 new ordinary share for every 8 ordinary shares held. Because the bonus issue was without consideration, it is treated as if it had occurred before the beginning of 2011, the earliest period presented. The calculated prior year weighted average number of ordinary shares has been restated accordingly.

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

	2012	2011
Basic earnings per share (KShs)	<u>2.36</u>	<u>2.16</u>
Diluted earnings per share (KShs)	<u>2.36</u>	<u>2.16</u>

There were no potentially dilutive ordinary shares as at 30 June 2012. Diluted earnings per share is therefore the same as basic earnings per share.

15. DIVIDEND PER SHARE

Proposed dividends are accrued after they have been ratified at an Annual General Meeting. At the Annual General Meeting to be held before the end of 2012, a final dividend in respect of the year ended 30 June 2012 of KShs.0.30 (2011: KShs.0.10) for every ordinary share of KShs.2.50 par value is to be proposed. An interim dividend of KShs.0.20 (2011: KShs.0.35) for every ordinary share of KShs.2.50 par value was declared and paid during the year. This will bring the total dividend for the year to KShs.0.50 (2011: KShs.0.45).

16. PROPERTY AND EQUIPMENT

2012	Freehold land and buildings	Transmission lines	Distribution lines	Machinery	Motor vehicles	Furniture equipment and other	Work in Progress	Total
COST	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
At 1 July 2011	2,320,173	15,533,326	54,552,851	141,503	3,791,710	11,009,755	18,817,741	106,167,059
Work in progress additions	-	-	-	-	-	-	25,949,832	25,949,832
Transfers to fixed assets	199,494	5,014	20,893,982	36,171	528,313	1,745,555	(23,408,529)	-
Disposals	-	-	(415,785)	-	(2,958)	-	-	(418,743)
At 30 June 2012	<u>2,519,667</u>	<u>15,538,340</u>	<u>75,031,048</u>	<u>177,674</u>	<u>4,317,065</u>	<u>12,755,310</u>	<u>21,359,044</u>	<u>131,698,148</u>
DEPRECIATION								
At 1 July 2011	671,082	5,977,305	5,384,167	35,990	2,436,308	7,071,638	-	21,576,490
Charge for the year	53,878	474,442	2,274,610	9,239	464,232	1,267,921	-	4,544,322
Disposals	-	-	(91,372)	-	(2,662)	-	-	(94,034)
At 30 June 2012	<u>724,960</u>	<u>6,451,747</u>	<u>7,567,405</u>	<u>45,229</u>	<u>2,897,878</u>	<u>8,339,559</u>	<u>-</u>	<u>26,026,778</u>
NET BOOK VALUE								
At 30 June 2012	<u>1,794,707</u>	<u>9,086,593</u>	<u>67,463,643</u>	<u>132,445</u>	<u>1,419,187</u>	<u>4,415,751</u>	<u>21,359,044</u>	<u>105,671,370</u>

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

Notes to the Financial Statements *(continued)*

16. PROPERTY AND EQUIPMENT *(continued)*

2011	Freehold land and buildings	Transmission lines	Distribution lines	Machinery	Motor vehicles	Furniture equipment and other	Work in Progress	Total
COST	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
At 1 July 2010	2,150,933	15,524,743	40,709,227	125,988	3,518,303	9,654,091	10,754,956	82,438,241
Work in progress additions	-	-	-	-	-	-	24,713,898	24,713,898
Transfers to fixed assets	169,240	8,583	14,603,470	15,515	238,186	1,616,119	(16,651,113)	-
Reclassification	-	-	(4,057)	-	264,512	(260,455)	-	-
Disposals	-	-	(755,789)	-	(229,291)	-	-	(985,080)
At 30 June 2011	<u>2,320,173</u>	<u>15,533,326</u>	<u>54,552,851</u>	<u>141,503</u>	<u>3,791,710</u>	<u>11,009,755</u>	<u>18,817,741</u>	<u>106,167,059</u>
DEPRECIATION								
At 1 July 2010	619,467	5,503,178	3,790,077	28,689	2,107,552	6,078,792	-	18,127,755
Charge for the year	51,615	474,127	1,786,184	7,301	535,118	992,607	-	3,846,952
Reclassification	-	-	(239)	-	-	239	-	-
Disposals	-	-	(191,855)	-	(206,362)	-	-	(398,217)
At 30 June 2011	<u>671,082</u>	<u>5,977,305</u>	<u>5,384,167</u>	<u>35,990</u>	<u>2,436,308</u>	<u>7,071,638</u>	<u>-</u>	<u>21,576,490</u>
NET BOOK VALUE								
At 30 June 2011	<u>1,649,091</u>	<u>9,556,021</u>	<u>49,168,684</u>	<u>105,513</u>	<u>1,355,402</u>	<u>3,938,117</u>	<u>18,817,741</u>	<u>84,590,569</u>

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

17. PREPAID LEASES ON LAND

	2012 KShs'000	2011 KShs'000
COST		
At 30 June	133,693	133,693
AMORTISATION		
At 1 July	1,929	1,874
Amortisation for the year	55	55
At 30 June	<u>1,984</u>	<u>1,929</u>
NET BOOK VALUE		
At 30 June	<u>131,709</u>	<u>131,764</u>

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

There were 160 leases during the year (2011: 160). All the land is leased from the Government of Kenya under renewable leases. The lease periods range from between 50 years to 99 years in the provinces and up to 999 years for some plots in the Coastal City of Mombasa. Leases are renewed as they expire. Where leases have expired in the past, all have been renewed without any complications and no renewal complications are expected in the foreseeable future.

18. INTANGIBLE ASSETS - COMPUTER SOFTWARE

	2012 KShs'000	2011 KShs'000
COST		
At start of the year	-	-
Additions	<u>188,801</u>	<u>-</u>
At close of the year	<u>188,801</u>	<u>-</u>
AMORTISATION		
At start of the year	-	-
Charge for the year	<u>(19,281)</u>	<u>-</u>
At close of the year	<u>169,520</u>	<u>-</u>

19. INVESTMENTS IN GOVERNMENT SECURITIES

	2012 KShs'000	2011 KShs'000
(a) Analysis of treasury bonds		
Available-for-sale treasury bonds carried at fair value	1,171,109	-
Held-to-maturity treasury bonds carried at amortised cost	<u>-</u>	<u>1,298,506</u>
	<u>1,171,109</u>	<u>1,298,506</u>
Maturity analysis of treasury bonds		
- Within one year	1,171,109	-
- After one year but within two years	-	298,750
- After two years but within five years	-	999,756
	<u>1,171,109</u>	<u>1,298,506</u>
Less: current portion	<u>(1,171,109)</u>	<u>-</u>
Non-current	<u>-</u>	<u>1,298,506</u>
Weighted average interest rate	<u>13.45%</u>	<u>13%</u>

Notes to the Financial Statements (continued)

19. INVESTMENTS IN GOVERNMENT SECURITIES (continued)

(b) Analysis of treasury bonds

	2012	2011
	KShs'000	KShs'000
At start of the year	1,298,506	-
Additions	-	1,298,506
Fair value losses	(127,397)	-
	<u>1,171,109</u>	<u>1,298,506</u>

The investments in government securities relate to two treasury bonds that were held to maturity in the prior year but have now been reclassified to available for sale investments since the Company has the intention of disposing the bonds in the security market. One of the bonds was sold after year end.

The fair value losses have been charged to other comprehensive income, and accumulated in the investment revaluation reserve in equity.

(c) Unquoted investment

	2012	2011
	KShs'000	KShs'000
Cost	4,300	4,300
Impairment	(4,300)	(4,300)
	<u>-</u>	<u>-</u>

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

20. INVENTORIES

	2012	2011
	KShs'000	KShs'000
General stores	3,442,210	2,818,464
Conductors and cables	2,476,153	2,420,310
Transformers	1,894,249	2,120,924
Poles	934,848	490,389
Meters and accessories	119,704	121,164
Engineering spares	13,002	17,625
Fuel and oil	375,572	326,014
Motor vehicle spares	164,101	181,237
Goods in transit	866,537	464,703
	<u>10,286,376</u>	<u>8,960,830</u>

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.758,944,000 (2011: KShs.1,010,593,000) while goods in transit are at cost. A total of KShs.42,245,000 (2011: KShs.58,221,000) has been expensed as an increase in the provision for obsolete and slow moving stocks.

21. (a) TRADE AND OTHER RECEIVABLES

	2012	2011
	KShs'000	KShs'000
Electricity receivables (note 21(c))	11,886,310	13,512,232
Prepayments	96,288	175,448
Recoverable fuel costs*	2,641,056	3,596,213
VAT recoverable	1,761,130	659,852
Rural Electrification Schemes - recurrent	307,902	1,152,465
Staff receivables (note 21(d) i)	576,448	499,834
Deferred payment customers	457,837	462,358
Other receivables (note 21(d) ii)	712,373	809,936
	<u>18,439,344</u>	<u>20,868,338</u>
Gross trade and other receivables	18,439,344	20,868,338
Provision for credit losses (note 21(b))	(4,227,544)	(4,594,919)
	<u>14,211,800</u>	<u>16,273,419</u>

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

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

(b) PROVISIONS FOR CREDIT LOSSES

As at 30 June 2012, trade and other receivables amounting to KShs.4,227,544,000 (2011: KShs.4,594,919,000) were fully impaired and provided for. Movements in the provisions for credit losses were as follows:

	2012	2011
	KShs'000	KShs'000
At 1 July	(4,594,919)	(5,116,680)
Bad debts write off	367,375	827,699
Additional provision (note 9(b))	-	(305,938)
	<u>(4,227,544)</u>	<u>(4,594,919)</u>

21. (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
2012						
Gross	11,886,310	8,191,160	1,338,474	662,129	462,231	1,232,316
Impairment	(3,859,970)	(164,820)	(1,338,474)	(662,129)	(462,231)	(1,232,316)
Net electricity receivable	<u>8,026,340</u>	<u>8,026,340</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
2011						
Gross	13,512,232	9,359,342	1,097,096	435,243	303,782	2,316,769
Impairment	(4,227,345)	(74,455)	(1,097,096)	(435,243)	(303,782)	(2,316,769)
Net electricity receivable	<u>9,284,887</u>	<u>9,284,887</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(d) OTHER RECEIVABLE ANALYSIS

Other receivables comprise debtors which have been impaired as follows:

	2012 KShs'000	2011 KShs'000
i. Staff receivables (note 21(a))	576,448	499,834
Impairment	(86,677)	(86,677)
Net other receivables	<u>489,771</u>	<u>413,157</u>
ii. Other receivables (note 21(a))	712,373	809,936
Impairment	(280,897)	(280,897)
Net other receivables	<u>431,476</u>	<u>529,039</u>

All provisions for credit losses are specific.

22. SHORT TERM DEPOSITS, BANK AND CASH BALANCES

(a) Short term deposits - maturing within 3 months

	2012 KShs'000	2011 KShs'000
Housing Finance Company of Kenya Limited	305,273	289,284
Standard Chartered Bank Kenya Limited	109,260	654
CfC Stanbic Bank Limited	78,521	132,893
The Co-operative Bank of Kenya Limited	13,114	1,117,168
	<u>506,168</u>	<u>1,539,999</u>

The average effective interest rate on the short-term deposits as at 30 June 2012 was 12.69% (2011 - 3.04%).

Notes to the Financial Statements *(continued)*

22. SHORT TERM DEPOSITS, BANK AND CASH BALANCES *(continued)*

(b) Bank and cash balances

	2012 KShs'000	2011 KShs'000
Cash at bank	1,957,743	8,162,389
Cash on hand	26,188	19,980
	<u>1,983,931</u>	<u>8,182,369</u>
Bank overdraft*	(1,689,607)	-
	<u>294,324</u>	<u>8,182,369</u>

*The bank overdraft was obtained from Kenya Commercial Bank Limited, Commercial Bank of Africa, NIC Bank Limited and Standard Chartered Bank Limited during the year.

The interest rates were as follows:-

Bank	Interest rates
Kenya Commercial Bank Limited	Base rate minus 2% (base rate at 30.06.12 was 22%)
Commercial Bank of Africa and NIC Bank Limited	Base rate minus 4% (base rate at 30.06.12 was 24%)
Standard Chartered Bank Limited	Base rate (base rate at 30.06.12 was 23%)

23. SHARE CAPITAL

(a) Ordinary share capital

	2012 KShs'000	2011 KShs'000
Authorised: 2,592,812,000 ordinary shares of KShs.2.50 each (2011: 1,902,800,000 ordinary shares of KShs.2.50 each)	<u>6,482,030</u>	<u>4,757,000</u>
Issued and fully paid: 1,951,467,045 ordinary shares of KShs.2.50 each (2011: 1,734,637,373 ordinary shares of KShs.2.50 each)	<u>4,878,667</u>	<u>4,336,593</u>

(b) A reconciliation or movement of the number of shares outstanding at the beginning and end of the year is as shown below:-

	2012 No. of ordinary shares	2011 No. of ordinary shares
At 1 July	1,734,637,373	79,128,000
Bonus issue Issued in 2010 on redemption of 7.85% non-cumulative	216,829,672	-
Preference Shares Issued in 2010 on split of shares Issued in 2011 for cash on exercise of rights issue	-	76,622,891 1,090,256,237 488,630,245
	<u>1,951,467,045</u>	<u>1,734,637,373</u>

During the year the Company issued bonus shares in the proportion of one new ordinary share for every eight ordinary shares held as at 30 June 2011. This resulted in the capitalization of KShs.542,074,180 out of the retained earnings to create 216,829,672 bonus shares.

In 2011, the Company restructured its balance sheet as follows:

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

23. SHARE CAPITAL *(continued)*

(c) Redeemable non-cumulative preference share capital

	2012	2011
	KShs'000	KShs'000
5,037,509 - 7.85% preference shares of KShs.20 each	<u>100,750</u>	<u>100,750</u>

The 7.85% Redeemable non-cumulative preference shares are treated as part of equity because they are redeemable at the discretion of the Company. There were no non-cumulative preference shares in issue during the year.

24. SHARE PREMIUM

The share premium arose from the redemption of the 7.85% redeemable non-cumulative shares and the rights issue. During the year transaction costs amounting to KShs.20.8 million (2011: KShs.631.5 million) relating to the capital reorganisation done in the prior year was netted off against the share premium.

25. RESERVES

	2012	2011
	KShs'000	KShs'000
Retained earnings	16,739,064	13,277,779
Investment revaluation reserve	<u>(127,397)</u>	<u>-</u>
	<u>16,611,667</u>	<u>13,277,779</u>

Retained earnings

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

Investment revaluation reserve

This represents the unrealised decrease in the fair value of available for sale investments, excluding impairment losses. The reserve is not distributable to the shareholders.

26. DEFERRED TAX

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

Deferred tax liabilities:

Accelerated capital allowances	19,240,606	13,662,224
Unrealised exchange gains/(losses)	318,861	(137,971)
	<u>19,559,467</u>	<u>13,524,253</u>

Deferred tax assets:

Tax losses	(8,329,508)	(5,901,269)
Provisions	(1,733,504)	(1,122,535)
	<u>(10,063,012)</u>	<u>(7,023,804)</u>

Net deferred tax liability

	<u>9,496,455</u>	<u>6,500,449</u>
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Movement on the deferred tax account is as follows:

	2012	2011
	KShs'000	KShs'000
At 1 July	6,500,449	4,465,264
Deferred tax prior year - under-provision	263,771	-
Charge to profit or loss (note 13(a))	<u>2,732,235</u>	<u>2,035,185</u>
At 30 June	<u>9,496,455</u>	<u>6,500,449</u>

As at 30 June 2012 the Company had accumulated tax losses amounting to KShs.27,765 million (2011: KShs.15,267 million) available for future relief. Under the Kenyan legislation with effect from January 2010, tax losses can only be carried forward to a maximum of four years.

Notes to the Financial Statements *(continued)*

27. TRADE AND OTHER PAYABLES

(a) Non current liabilities

	2012	2011
	KShs'000	KShs'000
Customer deposits*	6,330,414	5,570,084
Capital contributions	1,768,363	1,913,271
Capital contribution- on-going projects	451,171	1,292,522
Deferred power purchase costs	-	2,644,879
Non current suppliers' accounts	346,830	597,987
Rural Electrification Schemes - Capital	-	984,687
Rural Electrification Scheme Levy	856,586	1,212,422
Deferred creditor (Fibre Optic)	904,081	807,197
Petroleum Development	120,000	-
Donor Funded Revolving Fund	396,038	734,818
Rural Electrification Schemes	3,440,919	2,736,192
Other payables and accruals	1,209,083	1,167,076
	<u>15,823,485</u>	<u>19,661,135</u>

* Customers deposit is held as a non-current liability because the Company will continue to offer services to the customers for the foreseeable future and the customers are not expected to discontinue their use of electricity in the short run. In addition, the customer deposits are a security for the electric meters supplied to the customer for long term electricity supply.

(b) Current liabilities

	2012	2011
	KShs'000	KShs'000
KenGen	8,695,976	8,537,401
Other electricity suppliers	5,777,101	6,119,040
Other suppliers' accounts	3,240,583	2,743,714
Rural Electrification Scheme Levy	310,031	291,112
Nuclear Electricity Project	143,706	130,000
Energy Regulatory Commission Levy	91,096	35,147
Ministry of Finance	1,199,655	2,099,655
KenGen actuarial deficit provision	380,000	380,000
Other payables and accruals	2,152,647	1,845,769
	<u>21,990,795</u>	<u>22,181,838</u>

The Rural Electrification Scheme Levy under current liabilities relates to levy charge for May and June 2012 to be remitted to Rural Electrification Authority on collection. The amount due to the Ministry of Finance (Shs.1,199,655,000) is in respect of dividend payable to the Government of Kenya but designated for utilisation for RES projects. Capital contribution for on-going jobs relate to capital customer contribution for works not completed. Trade payables under current liabilities are non-interest bearing and are normally settled within 60 days.

28. DEFERRED INCOME

	2012	2011
	KShs'000	KShs'000
Balance at beginning of the year	7,472,912	3,838,984
Additions	5,377,879	3,817,828
Recognised as income	(488,464)	(183,900)
Balance at end of the year	<u>12,362,327</u>	<u>7,472,912</u>

Deferred income relates to capital contributions received from electricity customers for the construction of electricity assets. The amounts are amortised through profit or loss on a straight line basis over the useful life of the related asset, used to provide the on-going asset.

A separate classification has been adopted as, in the view of the directors, the amounts included in the deferred income are not refundable to the customers hence no clear liability arising.

29. BORROWINGS

(a) Balances

	2012	2011
	KShs'000	KShs'000
6.125% Kenya Government/Swiss mixed credit (CHF 2,331,110) 1996-2007	205,416	252,232
4% Kenya Government/European Investment Bank - Olkaria loan (Euro 14,126,752) 2005-2020	1,496,872	2,088,176
7.7% Kenya Government/IDA 2966 KE loan 1997-2017	188,349	188,349
4.5% GOK/IDA 3958 KE ESRP (USD 55,425,729) 2004-2024	4,685,061	3,644,639
4.5 % GOK/ Nordic Development Fund 435 ESRP (Euro 9,062,500) 2006-2024	960,263	1,263,201
4.5% GOK/ AgenceFrancaise de Development 3008 ESRP (Euro 23,833,620) 2006-2024	2,470,361	2,456,361
3.97% GOK/EIB 23324 KE ESRP (Euro 30,070,655) 2006-2025	3,186,290	4,151,164
Kenya Electricity Expansion Project Loan (USD 3,715,620)	314,810	-
Standard Chartered Bank Loan - 2008-2012	1,555,556	3,111,111
Standard Chartered Medium Term Loan	4,960,156	5,618,750
Equity Bank Medium Term Loan	5,690,750	-
Standard Chartered Bank Short term funding	800,000	800,000
Accrued interest	1,248,429	947,320
	<u>27,762,313</u>	<u>24,521,303</u>
Less: amounts repayable within 12 months	(6,250,288)	(4,764,171)
Non-current	<u>21,512,025</u>	<u>19,757,132</u>

Standard Chartered Bank and Equity Bank loans are secured by letter of negative pledge. All other loans are guaranteed by the Government of Kenya.

Under the terms of the Kenya Government/Swiss mixed credit, the balance of this loan, upon full payment of 50% of the amount lent, was to become a grant to the GoK. The last instalment on this loan was paid in December 2007. Modalities 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

Standard Chartered Bank and Equity Bank loans are secured by letter of negative pledge. All other loans are guaranteed by the Government of Kenya.

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

	Borrowings in KShs.	Borrowings in US\$	Borrowings in CHF	Borrowings in Euros	Total Borrowings
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
2012 Loans	<u>13,918,144</u>	<u>5,380,900</u>	<u>205,416</u>	<u>8,257,853</u>	<u>27,762,313</u>
2011 Loans	<u>10,404,955</u>	<u>3,832,987</u>	<u>252,232</u>	<u>10,031,129</u>	<u>24,521,303</u>

Notes to the Financial Statements *(continued)*

29. BORROWINGS *(continued)*

(c) Maturity of borrowings

	2012	2011
	KShs'000	KShs'000
Due within 1 year	6,250,288	4,764,171
Due between 1 and 2 years	4,616,983	3,861,414
Due between 2 and 5 years	8,988,966	3,812,396
Due after 5 years	7,906,076	12,083,322
	<u>27,762,313</u>	<u>24,521,303</u>

30. PREFERENCE SHARES

30.1 Authorised, issued and fully paid:

	2012	2011
	KShs'000	KShs'000
350,000 - 7% cumulative preference shares of KShs.20 each	7,000	7,000
1,800,000 - 4% cumulative preference shares of KShs.20 each	36,000	36,000
	<u>43,000</u>	<u>43,000</u>

The preference shares are treated as financial liabilities because the Company has a contractual obligation to pay preference dividends on the shares.

31. RETIREMENT BENEFITS OBLIGATION

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

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

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

Both schemes are governed by the Retirement Benefits Act, 1997. This requires that an actuarial valuation be carried out at least every three years for the defined benefit scheme. However, valuation is done yearly to ensure reported actuarial position is as accurate as possible. The most recent actuarial valuation of the defined benefit scheme was carried out as at 31 December 2010, using Projected Credit Method, by an independent qualified actuary, Alexander Forbes Financial Services (East Africa) Limited. The actuary carried out a high level actuarial estimate of the scheme financial position as at 31 December 2010. Management has updated the results of the 31 December 2010 valuation to reflect the changes as at 30 June 2012. The updated position arising from the Company's obligation in respect of its defined benefits plan is as follows:

The amounts recognised in the statement of financial position in respect of the group defined benefit scheme are as follows:

	2012	2011
	KShs'000	KShs'000
Present value of funded obligations	10,610,949	11,616,204
Fair value of scheme assets	(12,487,853)	(11,329,438)
Net (asset)/liability recognised in the statement of financial position	<u>(1,876,904)</u>	<u>286,766</u>

The amounts recognised in the profit or loss for the year are as follows:

Current service cost	-	-
Interest on obligation	1,138,955	1,075,588
Expected return on plan assets	(1,127,988)	(1,046,324)
Total included in staff costs	<u>10,967</u>	<u>29,264</u>
Actual return on plan assets	<u>1,257,530</u>	<u>805,287</u>

The principal actuarial assumptions used were as follows:

	2012	2011
	KShs'000	KShs'000
- discount rate of interest	12.5%	10%
- expected rate of return on assets	10%	10%
- future salary increases	<u>5.0%</u>	<u>5%</u>
Future salary increases		
- Post 31/12/99	0%	0%
- Pre 31/12/99	<u>3%</u>	<u>3%</u>

31. RETIREMENT BENEFITS (continued)

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

	2012	2011
	KShs'000	KShs'000
Opening defined benefit obligations	11,616,204	10,998,567
Interest cost	1,138,955	1,075,588
Actuarial (gains) / losses	(1,690,895)	27,430
Benefits paid	(453,315)	(485,381)
Closing defined benefit obligations	<u>10,610,949</u>	<u>11,616,204</u>

Movement in the present value of defined benefit scheme assets:

	2012	2011
	KShs'000	KShs'000
Opening fair value of scheme assets	11,329,438	10,402,332
Expected return on scheme assets	1,127,988	1,046,324
Actuarial gains/(losses)	129,542	(241,037)
Contributions from the employer	354,200	607,200
Benefits paid	(453,315)	(485,381)
Closing fair value of scheme assets	<u>12,487,853</u>	<u>11,329,438</u>

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

32. PROVISION FOR LEAVE PAY

	2012	2011
	KShs'000	KShs'000
At 1 July	830,734	675,369
Additional provisions	158,644	155,365
At 30 June	<u>989,378</u>	<u>830,734</u>

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

33. DIVIDENDS PAYABLE

	2012	2011
	KShs'000	KShs'000
Dividends payable on ordinary shares	<u>425,184</u>	<u>353,768</u>

These relate to unclaimed dividends payable to different ordinary shareholders.

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

	2012	2011
	KShs'000	KShs'000
At the beginning of the year	353,768	369,682
Declared during the year	565,687	1,004,693
Paid during the year	(494,271)	(1,020,607)
	<u>425,184</u>	<u>353,768</u>

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

	2012	2011
	KShs'000	KShs'000
Operating profit	7,808,520	7,082,447
Depreciation	4,544,322	3,846,952
Amortisation	19,336	55
Loss on disposal of property and equipment	301,414	464,154
Increase in deferred income	4,889,415	3,633,928
Decrease in staff retirement benefits scheme	-	(21,618)
Increase in provision for leave pay obligation	158,644	155,365
Movement in non-current deposit	-	(1,298,506)
Working capital adjustments		
Increase in inventories	(1,325,546)	(573,800)
Decrease/(increase) in trade and other receivables	2,037,342	(6,801,680)
(Decrease)/increase in trade and other payables	(4,028,693)	8,564,876
Cash generated from operations	<u>14,404,754</u>	<u>15,052,173</u>

Notes to the Financial Statements *(continued)*

34. NOTES TO THE STATEMENTS OF CASHFLOWS *(continued)*

(b) ANALYSIS OF CHANGES IN LOANS

	2012	2011
	KShs'000	KShs'000
At the beginning of the year	24,521,303	14,857,723
Receipts	9,390,378	8,421,280
Repayments	(4,295,070)	(1,841,627)
Repayment of previous year's accrued interest	(947,320)	(619,505)
Exchange (gain)/loss	(2,155,407)	2,756,112
Accrued interest	1,248,429	947,320
At the end of the year	<u>27,762,313</u>	<u>24,521,303</u>

(c) ANALYSIS OF CASH AND CASH EQUIVALENTS

	2012	2011
	KShs'000	KShs'000
Short term deposits	506,168	1,539,999
Bank and cash balances	1,983,931	8,182,369
Bank overdraft	(1,689,607)	-
	<u>800,492</u>	<u>9,722,368</u>

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

(d) ANALYSIS OF INTEREST AND DIVIDEND PAID

	Note	2012	2011
		KShs'000	KShs'000
INTEREST PAID			
Interest on loans	11	1,144,131	384,291
Overdraft interest	11	70,211	28,614
		<u>1,214,342</u>	<u>412,905</u>
Interest on loans capitalised		169,188	410,274
Balance brought forward	29(a)	947,320	619,506
Balance carried forward	29(a)	(1,248,429)	(947,320)
Interest paid		<u>1,082,421</u>	<u>495,365</u>
DIVIDENDS PAID			
Opening balance		353,768	369,682
Preference dividends - 4% and 7% cumulative preference shares		1,930	1,930
2011 dividends		173,464	395,640
2012 interim dividends		390,293	607,123
Closing balance		(425,184)	(353,768)
Dividends paid		<u>494,271</u>	<u>1,020,607</u>

34. NOTES TO THE STATEMENTS OF CASHFLOWS (continued)

(e) ANALYSIS OF INTEREST RECEIVED

	Note	2012 KShs'000	2011 KShs'000
INTEREST RECEIVED			
Interest received on bank and other deposits	11	489,182	171,477
Balance brought forward		81,882	539
Balance carried forward		(57,605)	(81,882)
Interest received		<u>513,459</u>	<u>90,134</u>

(f) PURCHASE OF PROPERTY PLANT AND EQUIPMENT

	Note	2012 KShs'000	2011 KShs'000
Additions of property plant and equipment	16	23,408,529	16,651,113
Additions to work in progress	16	2,541,303	8,062,785
Exchange losses/ (gains) on loans for on-going projects capitalised 11(c)		730,144	(2,171,772)
Interest earned on loans capitalised	34(d)	(169,188)	(410,274)
Property and equipment purchased		<u>26,510,788</u>	<u>22,131,852</u>

35. RELATED PARTY DISCLOSURES

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

(a) the Company had no individually significant transactions carried out on non-market terms.

(b) Other transactions that are collectively significant are detailed as follows:

(a) Government of Kenya

	2012 KShs'000	2011 KShs'000
(i) Ministries		
Electricity sales to Government Ministries	2,824,970	2,178,627
(ii) Outstanding balances at the year end		
Included in trade and other receivables:		
Ministries	498,848	378,914
Strategic parastatals	1,261,956	1,317,227
VAT recoverable	1,761,130	659,852
Rural Electrification Schemes - recurrent	307,902	1,152,465
	<u>3,829,836</u>	<u>3,508,458</u>

Government of Kenya

	2012 KShs'000	2011 KShs'000
Included in trade and other payables:		
Rural Electrification Schemes levy	1,166,617	1,503,534
Electricity Regulatory Commission levy	91,096	35,147
Rural Electrification Schemes - Capital	-	984,687
Ministry of Finance	1,199,655	2,099,655
Rural Electrification Schemes	3,440,919	2,736,192
	<u>5,898,287</u>	<u>7,359,215</u>
Net amount owed to Government of Kenya	<u>(2,068,451)</u>	<u>(3,850,757)</u>

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

(b) Staff

Notes to the Financial Statements *(continued)*

35. RELATED PARTY DISCLOSURES *(continued)*

	2012	2011
	KShs'000	KShs'000
(i) Sales		
Electricity sales to staff	<u>128,295</u>	<u>119,123</u>
Outstanding balances included in electricity receivables	<u>5,247</u>	<u>9,584</u>

The tariff applicable to staff is the same as that charged to other ordinary customers with effect from 1 July 2008. Previously staff tariff was KShs.2.26 per Kwh.

	2012	2011
	KShs'000	KShs'000
(ii) Advances to staff included in trade and other receivables	<u>489,771</u>	<u>413,157</u>
(iii) Key management compensation		
Short-term employee benefits	<u>92,909</u>	<u>113,072</u>
Termination benefits	<u>20,136</u>	<u>269,218</u>

Short-term employee benefits include those relating to the Managing Director and Chief Executive who is also a director which are disclosed in note 12.

(c) Rural Electrification Schemes

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

The Rural Electrification Programme (REP) was established in 1973 by the Government of Kenya following an agreement between the Government and East African Power & Lighting Company Limited, the predecessor to the Kenya Power & Lighting Company Limited. The programme was established with the specific objective to extend electricity to the sub-economic rural areas. In order to intensify the expansion of these sub-economic regions, the Government has established the Rural Electrification Authority (REA). However, KPLC continues to operate and maintain the whole network, in addition to implementing projects for the Authority on contract basis.

The Company has entered into a Mutual Co-operation and Provision of Services Agreement with REA to operate and maintain lines owned by REA. In return the Company will retain revenues generated from RES customers to cover maintenance costs incurred by the Company. However, the Company continues to invoice the Government for the expenditure incurred to complete on-going projects.

The REP is funded by the Government of Kenya. Any property acquired by REP remains the property of the Government of Kenya. KPLC only acts as a management agent on behalf of the Government.

(d) KenGen

	2012	2011
	KShs'000	KShs'000
Electricity purchases	<u>34,874,484</u>	<u>24,231,542</u>
Amounts due to KenGen on account of electricity purchases	<u>8,695,976</u>	<u>8,537,401</u>
Electricity sales	<u>118,914</u>	<u>133,152</u>
Amounts due from KenGen on account of electricity sales	<u>6,405</u>	<u>13,659</u>

(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.87,597,457 (2011: KShs.85,586,636).

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

36. CAPITAL COMMITMENTS

	2012	2011
	KShs'000	KShs'000
Authorised and contracted for	109,026,057	64,259,701
Less: amount incurred and included in work-in-progress	<u>(25,966,012)</u>	<u>(20,917,877)</u>
	<u>83,060,045</u>	<u>43,341,824</u>

37. CONTINGENT LIABILITIES

	2012	2011
	KShs'000	KShs'000
Bank guarantees	1,347,717	1,296,779
Claims on the Company	7,063,000	7,630,210
	<u>8,410,717</u>	<u>8,926,989</u>

Included in the claims on the Company are:

- (i) Shs.1.3 billion in 2004 relating to a claim by Tana & Athi River Development Authority (TARDA) for Masinga and Kiambere power stations lease hire charges for the period prior to 1998. In 2005, the parties, together with the parent ministries, Treasury and Office of the President agreed to settle the matter administratively. This dispute arose as a result of compliance by the Company of a Government directive in 1988. Resolution of this matter is being discussed with the GoK.
- (ii) Christopher Lebo & 331 Others Vs KPLC - This case relates to termination of services by KPLC amounting to KShs.5 billion, the case is yet to be scheduled for hearing.
- (iii) David Miraa Gathii & Other KPLC - This is a claim by the plaintiff for way leave amounting to KShs.175 million. The case is set for mentioning on 5 December 2012.
- (iv) Grand Holiday VS KPLC - This is a claim by the plaintiff relating to disconnection damages. The claim damages amount to KShs.300 million
- (v) Other claims on the Company relate to civil suits lodged against the Company by various parties in the normal course of business. The estimated amount of these cases is KShs.288 million.

The likely outcome of these suits cannot be determined 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.

38. FUTURE RENTAL COMMITMENTS UNDER OPERATING LEASES**AS LESSEE:**

The total future minimum lease payments due to third parties under non-cancellable operating leases are as follows:

	2012	2011
	KShs'000	KShs'000
Not later than 1 year	224,141	186,679
Later than 1 year and not later than 5 years	679,821	209,915
More than 5 years	39,735	355,237
	<u>943,697</u>	<u>751,831</u>

AS LESSOR:

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

	2012	2011
	KShs'000	KShs'000
Not later than 1 year	60,183	60,863
Later than 1 year but not later than 5 years	160,288	61,902
More than 5 years	46	625
	<u>220,517</u>	<u>123,390</u>

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

Notes to the Financial Statements (continued)

39. WORLD BANK FINANCING

(i) 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:

	2012	2011
	KShs'000	KShs'000
Balance at the beginning of the year	3,027	56,514
Amounts received during the year	509,146	302,122
Net interest income	168	72
Expenditure during the year	(372,022)	(355,681)
Balance at the end of the year	<u>140,319</u>	<u>3,027</u>

(ii) The closing balances shown above are included in cash and cash equivalents and represent balances on the World Bank funded Special Account No. 024/00/800521/01 held at CfC Stanbic Bank of Kenya Limited. Included in the long term liabilities is also an amount of KShs.4,685,060,847 (US\$ 55,425,729) in respect of the amounts disbursed under the loan to date.

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

40. EUROPEAN INVESTMENT BANK (EIB) FINANCING

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

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

	2012	2011
	KShs'000	KShs'000
Balance at the beginning of the year	757,287	1,094,348
Amounts received during the year	142,037	-
Net interest income	11,949	7,417
Expenditure during the year	(908,506)	(344,478)
Balance at the end of the year	<u>2,767</u>	<u>757,287</u>

(i) The closing balances shown above are included in cash and cash equivalents and represent balances on the European Investment Bank funded Special Account No. 0100000443683 held at CfC Stanbic Bank of Kenya Limited. Included in the long term liabilities is also an amount of KShs.3,186,289,608 (Euro 30,070,655) in respect of the amounts disbursed under the loan to date.

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

41. INCORPORATION

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

42. FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in Kenya Shillings thousands (KShs'000).

43. EVENTS AFTER THE REPORTING PERIOD

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

44. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors and authorised for issue on 26 October 2012.

TEN YEAR FINANCIAL AND STATISTICAL RECORDS.											
FOR YEAR ENDED	30TH JUNE 2002	30TH JUNE 2003	30TH JUNE 2004	30TH JUNE 2005	30TH JUNE 2006	30TH JUNE 2007	30TH JUNE 2008	30TH JUNE 2009	30TH JUNE 2010	30TH JUNE 2011	30TH JUNE 2012
UNITS SOLD (GWh)	3,498	3,654	3,940	4,215	4,444	4,818	5,082	5,182	5,345	5,785	5,991
Average yield of units sold (cents)	709.20	633.03	591.96	672.39	764.33	787.55	802.85	1,258.37	1,368.88	1,257.81	1,596.77
	Shs '000										
Revenue from sale of electricity	24,807,649	23,130,782	23,323,083	28,341,356	33,966,730	37,944,286	40,801,040	65,208,529	73,166,794	73,154,021	95,662,427
PROFIT/(LOSS) for the Year											
Before exceptional item	(1,868,760)	(4,110,263)	857,957	1,843,233	2,207,674	2,384,264	3,523,970	5,676,542	5,951,392	7,084,377	7,810,450
Exceptional item	(978,426)	-	-	-	-	-	-	-	-	-	-
PROFIT/(LOSS) for the Year before taxation	(2,847,186)	(4,110,263)	857,957	1,843,233	2,207,674	2,384,264	3,523,970	5,676,542	5,951,392	7,084,377	7,810,450
TAXATION (CHARGE)/CREDIT	969,563	1,060,838	(415,877)	(709,003)	(853,752)	(930,214)	(973,439)	(1,557,339)	(1,916,587)	(2,035,185)	(3,889,577)
NET PROFIT/(LOSS) AFTER TAXATION BEFORE FINANCE INCOME/COSTS	(1,877,623)	(3,049,425)	442,080	1,134,230	1,353,922	1,454,050	2,550,531	4,119,203	4,034,805	5,049,192	3,920,873
Finance Income	38,372	132,502	49,270	190,778	485,238	390,291	88,929	153,343	177,380	171,477	489,182
Finance Costs	(76,744)	(36,975)	(31,613)	(52,805)	(192,999)	(123,934)	(872,660)	(1,045,522)	(493,885)	(999,173)	208,991
Preference dividends (gross)	(1,930)	(1,930)	(1,930)	(1,930)	(1,930)	(1,930)	(1,930)	(1,930)	(1,930)	(1,930)	(1,930)
NET PROFIT/(LOSS) ATTRIBUTABLE TO											
ORDINARY SHAREHOLDERS	(1,917,925)	(2,955,828)	457,807	1,270,273	1,644,231	1,718,477	1,764,870	3,225,094	3,716,370	4,219,566	4,617,116
ORDINARY DIVIDENDS (gross)	-	-	-	(118,692)	(118,692)	(237,384)	(316,512)	(633,024)	(633,024)	(1,002,763)	(563,757)
OTHER COMPREHENSIVE INCOME	-	-	-	-	-	-	-	-	-	-	(127,397)
RETAINED PROFIT/(LOSS) FOR THE YEAR FUNDS GENERATED FROM OPERATIONS	(1,917,925)	(2,955,828)	457,807	1,151,581	1,525,539	1,481,093	1,448,358	2,592,070	3,083,346	3,216,803	3,925,962
Profit/(Loss) for the year after dividends	(1,917,925)	(2,955,828)	457,807	1,151,581	1,525,539	1,481,093	1,448,358	2,592,070	3,083,346	3,216,803	3,925,962
Depreciation	1,101,236	1,569,572	1,518,396	1,436,716	1,382,910	1,513,506	1,749,764	2,154,357	2,807,111	3,847,007	4,563,658
	(778,317)	(1,386,256)	1,976,203	2,588,297	2,908,449	2,994,599	3,198,122	4,746,427	5,890,457	7,063,810	8,489,620
CAPITAL EMPLOYED											
Fixed Assets less depreciation	19,357,165	19,011,871	20,599,403	20,856,199	22,416,459	28,147,019	38,925,317	49,974,859	64,310,486	84,590,569	105,671,370
Intangible assets	-	-	-	-	-	-	-	-	-	-	169,520
Prepaid leases on land	132,257	132,202	132,147	132,092	132,037	131,981	131,926	131,874	131,819	131,764	131,709
Investment	4,300	4,300	4,300	4,300	4,300	4,300	-	200,000	-	1,298,506	1,171,109
Other non-current assets	187,500	325,262	351,886	340,684	-	-	-	-	-	-	-
Net current assets/(Liabilities)	1,319,233	(1,972,253)	1,139,351	2,969,063	3,816,718	1,192,560	2,237,136	2,702,009	1,736,355	7,020,165	(4,394,863)
	21,000,455	17,501,382	22,227,087	24,302,338	26,369,514	29,475,860	41,294,379	53,008,742	66,178,660	93,041,004	102,748,845
FINANCED BY:											
Ordinary shareholders' equity	3,516,168	997,475	1,591,969	2,998,929	4,661,155	6,350,150	7,982,672	9,700,722	11,593,536	39,606,376	43,511,553
Non-cumulative preference shares	-	-	15,899,250	15,899,250	15,899,250	15,899,250	15,899,250	17,147,341	17,147,341	-	-
Cumulative preference shares	43,000	43,000	43,000	43,000	43,000	43,000	43,000	43,000	43,000	43,000	43,000
Deferred income	-	-	-	-	-	-	-	-	-	7,472,912	12,362,327
Loan capital	5,049,326	5,494,863	3,769,347	3,248,936	2,701,722	2,683,117	11,368,208	11,545,014	13,113,434	19,757,132	21,512,025
Deferred taxation	(110,389)	(1,803,024)	(1,523,834)	(951,518)	(234,442)	559,085	1,395,837	2,701,965	4,481,865	6,500,449	9,496,455
Non-current liability	12,502,350	12,769,068	2,447,355	3,063,741	3,298,829	3,941,258	4,605,412	11,870,700	19,799,484	19,661,135	15,823,485
	21,000,455	17,501,382	22,227,087	24,302,338	26,369,514	29,475,860	41,294,379	53,008,742	66,178,660	93,041,004	102,748,845
CAPITAL EXPENDITURE	1,959,535	1,231,937	3,111,203	1,846,965	2,979,564	7,463,425	12,642,311	12,734,937	17,526,909	24,713,898	25,949,832
Average cost of units sold (cents)	856	736	584	644.64	736.95	748.50	754.88	1,171.13	1,287.63	1,160.33	1,496.28
Profit/(Loss) for the year before taxation as a percentage of average capital employed	-13.56%	-23.49%	3.86%	7.58%	8.37%	8.09%	8.53%	10.71%	8.99%	13.13%	13.16%
ORDINARY DIVIDENDS RATES	0%	0%	0%	7.50%	7.50%	10%	20%	40%	40%	18%	20%
Earnings per share	(23.75)	(38.56)	5.79	16.05	20.78	21.72	22.30	40.76	3.00	2.16	2.36
Customers/employees ratio	98.25	107.98	110.62	119.93	129.00	144.00	159.03	180.64	201.08	205.24	198.85
Sales (KWh) per employee	537,444	582,868	633,848.00	687,602.00	716,543	752,930	762,148	738,703	734,300	680,774	584,374

Statistical Information

TABLE 1: POWER SYSTEM OPERATION STATISTICS FOR 6 YEARS

COMPANY	Capacity (MW) as at 30.06.2012		Energy Purchased in GWh					
	Installed	Effective ¹	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
KENGEN								
Hydro								
Tana	20.0	20.0	68	64	44	29	50	86
Kamburu	94.2	90.0	464	489	348	244	408	410
Gitaru	225.0	216.0	945	977	655	457	802	793
Kindaruma	44.0	44.0	215	239	157	111	191	185
Masinga	40.0	40.0	183	230	128	61	201	137
Kiambere	164.0	164.0	973	937	614	546	899	886
Turkwel	106.0	105.0	372	341	524	335	455	473
Sondu Miriu	60.0	60.0	0	150	333	340	364	409
Sangóro	21.2	20.0						7
Small Hydros	13.7	10.9	57	60	46	46	57	66
Hydro Total	788	770	3,277	3,488	2,849	2,170	3,427	3,450
Thermal								
Kipevu I Diesel	75.0	60.0	326	295	376	316	223	256
Kipevu III Diesel	115.0	115.0	0	0	0	0	268	525
Fiat - Nairobi South	0.0	0.0	4	7	9	0	0	0
Embakasi Gas Turbines	60.0	27.0	75	88	184	145	1	33
Garissa & Lamu	8.7	7.3	16	18	17	19	23	25
Thermal Total	259	236	421	408	587	481	514	839
Geothermal								
Olkaria I	45.0	44.0	360	359	368	366	235	279
Olkaria II	105.0	101	540	564	535	573	846	819
Eburru Hill	2.5	2.2						5
Olkaria Wellhead OW37	5.0	4.4						3
Geothermal Total	157	150	900	922	903	939	1,081	1,106
Wind								
Ngong	5.3	5.1	0.2	0.2	0.3	16.3	17.7	14.6
KENGEN TOTAL	1,210	1,161	4,599	4,818	4,339	3,606	5,040	5,409
Government of Kenya (Rural Electrification Programme)								
Off-grid Stations								
Thermal	9.4	8.5						22.8
Solar	0.6	0						0.3
Wind	0.1	0						0.1
Total Off-grid	10.1	8.5	12	14	16	19	21	23

Independent Power Producers (IPP) - Thermal & Geothermal								
Iberafrica	108.5	108.5	321	306	344	621	722	705
Tsavo	74.0	74.0	547	556	566	495	368	283
COMPANY	Capacity (MW) as at 30.06.2012		Energy Purchased in GWh					
	Installed	Effective ¹	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Mumias - Cogeneration	26.0	26.0	4	9	4	99	87	100
OrPower 4 - Geothermal	52.0	48.0	112	98	276	400	372	392
Rabai Power	90.0	90.0	-	-	-	318	394	338
Imenti Tea Factory (Feed-in Plant)	0.3	0.3	-	-	-	0.3	0.4	0.8
IPP Total	351	347	984	970	1,189	1,933	1,945	1,820
Emergency Power Producers (EPP)								
Aggreko energy to Kenyan Market	120	120	561	499	885	1,096	267	381
Aggreko energy to Uganda				57	29	0	0	
EPP Total	120	120	561	556	914	1,096	267	381
Imports								
UETCL			13	25	29	37	30	36
TANESCO			0.5	1.0	1.2	1.1	0.9	1.1
Total Imports			13	26	30	38	31	37
SYSTEM TOTAL	1,691	1,636	6,169	6,385	6,489	6,692	7,303	7,670
SUMMARY OF KEY STATISTICS								
SALES								
- KPLC System (GWh)			4,771	5,036	5,155	5,318	5,785	5,991
- REP System (GWh)			221	240	250	279	307	308
- Export to Uganda (GWh)			73	46	27	26	30	41
- Export to Tanesco (GWh)						1	1	1
TOTAL SALES (GWh)			5,065	5,322	5,432	5,624	6,123	6,341
System Losses (GWh) ²			1,104	1,062	1,057	1,068	1,180	1,329
System Peak Demand (MW) ³			987	1,044	1,072	1,107	1,194	1,236
System Load Factor			71.5%	69.5%	69.1%	68.8%	69.8%	70.4%
Sales % of Energy Purchased			82.1%	83.4%	83.7%	84.0%	83.8%	82.7%
Losses as % of Energy Purchased			17.9%	16.6%	16.3%	16.0%	16.2%	17.3%
Annual Growth:								
- Energy Purchased			8.3%	3.5%	1.6%	3.1%	9.1%	5.0%
- KPLC Sales			8.7%	5.6%	2.4%	3.2%	8.8%	3.6%
- REP Sales			33.9%	8.6%	4.2%	11.6%	10.1%	0.3%
Notes:								
1) Output from the station under normal operating conditions.								
2) System losses comprise of technical and non-technical losses.								
3) The Demand shown includes the export demand.								

Statistical Information

TABLE 2: REGIONAL MAXIMUM DEMAND (MW)

REGION	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Nairobi	522	548	568	588	623	662
Coast	179	180	199	195	220	271
West	195	212	217	246	233	259
Mt. Kenya	100	113	118	113	114	120
TOTAL SYSTEM (SIMULTANEOUS)	987	1,044	1,072	1,107	1,194	1,236
% INCREASE P.A.	7.3%	5.7%	2.7%	3.2%	7.9%	3.5%

TABLE 3: KPLC SALES IN GWh BY CUSTOMER CATEGORY**

TARIFF	TYPES OF CUSTOMERS COVERED BY THIS TARIFF	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
DC	Domestic	1,113	1,255	1,254	1,290	1,424	1,520
SC	Small Commercial	558	590	823	823	904	993
B	Commercial (Medium) and and Industrial (Medium)	985	996	n/a	n/a	n/a	n/a
C	Commercial (Large) and Industrial (Large)	2,054	2,108	n/a	n/a	n/a	n/a
CI	Commercial and Industrial			3,020	3,153	3,401	3,419
IT	Off-peak	50	74	43	36	38	43
SL	Street lighting	11	13	15	16	18	16
	TOTAL	4,771	5,036	5,155	5,318	5,785	5,991
	% INCREASE P.A.	8.7%	5.6%	2.4%	3.2%	8.8%	3.6%

** Due to Tariff categories review with effect from July 2008, the sales have been reviewed to reflect the same.

TABLE 4: TOTAL UNIT SALES BY REGION IN GWh

REGION	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Nairobi	2,595	2,782	2,898	3,014	3,268	3,347
Coast	908	929	979	1,027	1,118	1,147
West	872	902	867	853	932	1,003
Mt. Kenya	396	423	411	424	467	494
KPLC Sales	4,771	5,036	5,155	5,318	5,785	5,991
R.E.P. Schemes	221	240	250	279	307	308
Export Sales***	73	46	27	27	31	42
TOTAL	5,065	5,322	5,432	5,624	6,123	6,341
%INCREASE P.A.	10.6%	5.1%	2.1%	3.5%	8.8%	3.6%

*** Exports from 2007/08 were to Uganda from Aggreko via KPLC.

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

REGION	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Nairobi	719	808	800	804	888	841
Coast	194	214	214	227	246	261
West	132	152	156	167	184	266
Mt. Kenya	68	81	84	92	105	153
TOTAL	1,113	1,255	1,254	1,290	1,424	1,520
% INCREASE P.A.	8.3%	12.8%	-0.1%	2.9%	10.4%	6.8%

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

REGION	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Nairobi	263	271	400	402	435	426
Coast	85	91	127	132	139	140
West	134	143	187	183	209	277
Mt. Kenya	76	85	109	106	122	150
TOTAL	558	590	823	823	904	993
% INCREASE P.A.	6.9%	5.7%	39.5%	-0.1%	9.9%	9.8%

TABLE 7: REGIONAL SALE OF ELECTRICITY IN GWh FOR CATEGORY "BO" IRRIGATION LOAD

REGION	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Nairobi	6.8	5.5	0	0	0	0
Coast	0.3	0.3	0	0	0	0
West	17.7	15.7	0	0	0	0
Mt. Kenya	17.5	15.9	0	0	0	0
TOTAL	42	37	0	0	0	0
% INCREASE P.A.	-10.8%	-11.6%	0.0%	0.0%	0	0

Statistical Information

TABLE 8: REGIONAL SALE OF ELECTRICITY IN GWh FOR CATEGORY “B1” MEDIUM COMMERCIAL AND INDUSTRIAL LOAD (240V or 415V)

REGION	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Nairobi	524	536	0	0	0	0
Coast	139	139	0	0	0	0
West	173	175	0	0	0	0
Mt. Kenya	74	78	0	0	0	0
TOTAL	910	928	0.0	0.0	0.0	0.0
% INCREASE P.A.	9.8%	2.0%	0.0%	0.0%	0.0%	0.0%

TABLE 9: REGIONAL SALE OF ELECTRICITY IN GWh FOR CATEGORY “B2” MEDIUM COMMERCIAL AND INDUSTRIAL LOAD (11kV or 33kV)

REGION	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Nairobi	21	13	0	0	0	0
Coast	6	13	0	0	0	0
West	4	3	0	0	0	0
Mt. Kenya	3	2	0	0	0	0
TOTAL	33	31	0	0	0	0
% INCREASE P.A.	36.3%	-6.7%	0.0%	0.0%	0.0%	0.0%

TABLE 10: REGIONAL SALE OF ELECTRICITY IN GWh FOR CATEGORY “B3” MEDIUM COMMERCIAL AND INDUSTRIAL LOAD (66kV or 132kV)

REGION	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Nairobi	0.03	0	0	0	0	0
Coast	0.02	0.2	0	0	0	0
West	0	0	0	0	0	0
Mt. Kenya	0	0	0	0	0	0
TOTAL	0.1	0.2	0.0	0.0	0.0	0.0
% INCREASE P.A.	-95.0%	300.0%	0.0%	0.0%	0.0%	0.0%

TABLE 11: REGIONAL SALE OF ELECTRICITY IN GWh FOR CATEGORY “CI1” LARGE COMMERCIAL AND INDUSTRIAL LOAD (415V)

REGION	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Nairobi	283	293	757	752	760	760
Coast	109	105	214	218	223	216
West	147	143	312	333	334	354
Mt. Kenya	104	102	160	166	174	181
TOTAL	643	643	1,443	1,469	1,492	1,511
% INCREASE P.A.	8.2%	0.0%	124.5%	1.8%	1.6%	1.3%

TABLE 12: REGIONAL SALE OF ELECTRICITY IN GWh CATEGORY "CI2" LARGE COMMERCIAL AND INDUSTRIAL LOAD (11kV)						
REGION	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Nairobi	0	0	598	652	736	727
Coast	0	0	182	192	197	195
West	0	0	99	102	108	107
Mt. Kenya	0	0	52	58	63	63
TOTAL	0	0	931	1,003	1,104	1,092
% INCREASE P.A.	0.0%	0.0%	100.0%	7.8%	10.0%	-1.1%
TABLE 13: REGIONAL SALE OF ELECTRICITY IN GWh CATEGORY "CI3" LARGE COMMERCIAL AND INDUSTRIAL LOAD (33kV)						
REGION	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Nairobi	0	0	0	3	4	3
Coast	0	0	149	147	170	171
West	0	0	64	65	84	93
Mt. Kenya	0	0	3	1	0	0
TOTAL	0	0	216	215	258	267
% INCREASE P.A.	0.0%	0.0%	100.0%	-0.4%	19.9%	3.5%
TABLE 14: REGIONAL SALE OF ELECTRICITY IN GWh CATEGORY "CI4" LARGE COMMERCIAL AND INDUSTRIAL LOAD (66kV)						
REGION	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Nairobi	0	0	272	326	368	384
Coast	0	0	0	0	0	0
West	0	0	0	0	0	0
Mt. Kenya	0	0	0	0	0	0
TOTAL	0	0	272	326	368	384
% INCREASE P.A.	0.0%	0.0%	100.0%	19.7%	12.9%	4.5%
TABLE 15: REGIONAL SALE OF ELECTRICITY IN GWh CATEGORY "CI5" LARGE COMMERCIAL AND INDUSTRIAL LOAD (132kV)						
REGION	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Nairobi	0	0	20	31	30	34
Coast	0	0	90	106	139	121
West	0	0	48	2	10	9
Mt. Kenya	0	0	0	0	0	0
TOTAL	0	0	158	140	179	164
% INCREASE P.A.	0.0%	0.0%	100.0%	-11.5%	28.1%	-8.5%

Statistical Information

TABLE 16: REGIONAL SALE OF ELECTRICITY IN GWh FOR CATEGORY "IT" OFF-PEAK LOAD						
REGION	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Nairobi	47.1	60.0	40	34	36	41
Coast	0.6	5.0	0	1	1	1
West	0.9	5.0	1	1	1	1
Mt. Kenya	1.2	4.0	1	1	1	1
TOTAL	50	74	42	36	38	43
% INCREASE P.A.	-7.8%	48.7%	-43.2%	-14.5%	6.2%	12.9%
TABLE 17: REGIONAL SALE OF ELECTRICITY IN GWh FOR CATEGORY "SL" STREET LIGHTING						
REGION	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Nairobi	8.5	10.0	11.2	11.4	12.2	10.9
Coast	0.9	1.3	2.2	2.8	3.1	2.8
West	1.0	0.8	1.0	1.3	1.3	1.0
Mt. Kenya	0.7	0.9	1.0	1.1	1.2	1.4
TOTAL	11.1	13.0	15.4	16.6	17.7	16.0
% INCREASE P.A.	20.7%	17.1%	18.5%	7.8%	6.6%	-9.6%
TABLE 18: REGIONAL SALES OF ELECTRICITY IN GWh FOR R.E.P. SCHEMES						
REGION	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Nairobi	42	47.7	52.0	55.3	62.6	63.0
Coast	14	14.5	16.0	18.3	20.9	21.2
West	113	120.7	125.0	134.8	153.1	151.9
Mt. Kenya	52	57.1	57.1	70.5	70.4	71.9
TOTAL	221	240.0	250.1	278.9	307.1	308.0
% INCREASE P.A.	33.9%	8.6%	4.2%	11.5%	10.1%	0.3%
TABLE 19: NUMBER OF CUSTOMERS BY REGION AS AT 30th JUNE						
REGION	2007	2008	2009	2010	2011	2012
Nairobi	445,595	505,414	595,010	669,128	814,251	921,548
Coast	109,645	121,864	139,245	157,731	178,095	201,425
West	149,606	168,608	200,266	235,291	275,033	322,885
Mt. Kenya	86,436	103,143	127,390	150,433	176,682	210,136
KPLC Customers	791,282	899,029	1,061,911	1,212,583	1,444,061	1,655,994
R.E.P. Customers	133,047	161,354	205,287	251,056	309,287	382,631
TOTAL	924,329	1,060,383	1,267,198	1,463,639	1,753,348	2,038,625
% INCREASE P.A.	15.2%	14.7%	19.5%	15.5%	19.8%	16.3%

TABLE 20: NUMBER OF CUSTOMERS BY TARIFF CATEGORY

TARRIFF	MAIN TYPE OF CUSTOMERS COVERED BY THIS TARIFF	AS AT 30th JUNE					
		2007	2008	2009	2010	2011	2012
DC only	Domestic						
	KPLC	626,099	724,283	873,764	1,017,266	1,239,873	1,428,363
	REP	91,672	114,820	150,964	189,850	237,602	304,298
DC & IT	Domestic						
	KPLC	54,284	55,573	57,678	54,076	46,437	43,482
	REP	358	367	1,002	949	872	830
SC only	Small Commercial						
	KPLC	103,617	111,446	124,251	134,601	150,687	163,117
	REP	40,752	46,010	53,185	60,008	70,552	77,242
SC & IT	Small Commercial						
	KPLC	1,150	1,149	1,167	1,248	1,266	1,280
	REP	185	71	72	178	171	178
B0	Irrigation Load						
	KPLC	213	196	0	-	-	-
	REP	3	3	0	-	-	-
B1	Medium Commercial and Industrial						
	KPLC	3,208	3,412	0	-	-	-
	REP	53	55	0	-	-	-
B2	Medium Commercial and Industrial						
	KPLC	65	68	0	-	-	-
B3	Medium Commercial and Industrial						
	KPLC	2	4	0	-	-	-
C11	Large Commercial						
	KPLC	317	321	2,250	2,373	2,457	2,478
	REP	2	2	37	43	41	28
C12	Large Commercial and Industrial						
	KPLC	168	177	233	255	277	290
C13	Large Commercial and Industrial						
	KPLC	18	16	23	26	29	31
C14	Large Commercial and Industrial						
	KPLC	1	1	14	16	19	22
C15	Large Commercial and Industrial						
	KPLC	1	1	13	15	21	21
IT only	Off-peak						
	KPLC	677	659	631	622	566	13,984
	REP	8	9	9	8	8	7
SL	Street lighting						
	KPLC	1,462	1,723	1,887	2,085	2,429	2,926
	REP	14	17	18	20	41	48
	TOTAL (KPLC)	791,282	899,029	1,061,911	1,212,583	1,444,061	1,655,994
	TOTAL (R.E.P.)	133,047	161,354	205,287	251,056	309,287	382,631
	GROSS TOTAL	924,329	1,060,383	1,267,198	1,463,639	1,753,348	2,038,625
	% INCREASE P.A.	15.2%	14.7%	19.5%	15.5%	19.8%	16.3%

Statistical Information

TABLE 21: REVENUE (KSHS 'MILLION') BY CUSTOMER CATEGORY

TARIFF	MAIN TYPE OF CUSTOMERS COVERED BY THIS TARIFF	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
DC	Domestic	9,718	10,867	16,493	17,696	19,012	26,960
SC	Small commercial	5,858	6,481	12,078	17,974	15,228	22,007
	Small industrial						
B	Commercial						
(Old Tariff)	and industrial	7,607	8,054	-	-	-	
	(medium)						
C	Commercial (large)						
(Old Tariff)	Industrial (large)	14,225	14,810	-	-	-	
CI	Commercial Industrial	-	-	36,014	36,603	34,573	46,717
IT	Off-peak	298	442	314	263	9	15
SL	Street Lighting	132	198	271	415	576	155
	TOTAL	37,838	40,852	65,170	72,951	69,398	95,854
	Export**	106	-51	38	216	331	947
	TOTAL KPLC	37,944	40,801	65,208	73,167	69,729	96,801
	R.E.P.	1,721	2,064	4,337	4,277	4,324	5,841
	TOTAL REVENUE	39,665	42,865	69,545	77,444	74,053	102,642
	% INCREASE P.A.	11.7%	8.1%	62.2%	11.4%	-4.4%	38.6%

* In 2007/08, KPLC had no export revenues from UETCL. Exports to UETCL were from Aggrekko plants through the KPLC System.

* Revenue reduction in 2010/11 when compared to that of 2009/10 is attributed to reduced revenue from Fuel Cost Charge.

TABLE 22: STAFF ANALYSIS AS AT 30TH JUNE

	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
NUMBER OF STAFF IN EACH REGION						
Central Office	736	894	1,131	1,205	1,203	1,453
Nairobi	2,438	2,387	2,329	2,378	2,742	3,307
Coast	755	776	808	839	996	1,098
West	1,613	1,728	1,803	1,871	2,303	1,560
Mt. Kenya	857	883	944	986	1,299	2,834
Total Number of Staff*	6,399	6,668	7,015	7,279	8,543	10,252
% INCREASE P.A.	3.2%	4.2%	5.2%	3.8%	17.4%	20.0%
Gender:						
Male	5,158	5,351	5,565	5,774	6,856	8,303
Female	1,241	1,317	1,450	1,505	1,687	1,949
Ratio - Male/Female	4.0	4.1	3.8	3.8	4.1	4.3

* All staff employed in the organization are Kenyan Citizens.

TABLE 23: TRANSMISSION AND DISTRIBUTION LINES, CIRCUIT LENGTH IN KILOMETERS AS AT 30TH JUNE

VOLTAGE	2007	2008	2009	2010	2011	2012
220 kV	1,323	1,323	1,331	1,331	1,331	1,331
132 kV	2,085	2,085	2,112	2,211	2,343	2,343
66 kV	632	632	649	655	655	758
40 kV	29	29	29	0	0	0
33 kV	11,163	12,633	13,031	13,812	15,271	15,384
11 kV	21,918	23,573	24,334	25,485	26,250	27,219
TOTAL	37,149	40,274	41,486	43,494	45,850	47,035
% INCREASE P.A.	22.2%	8.4%	3.0%	4.8%	5.4%	2.6%

TABLE 24: TRANSFORMERS IN SERVICE, TOTAL INSTALLED CAPACITY IN MVA AS AT 30TH JUNE 2007

	2008	2009	2010	2011	2012
Generation Substations					
11/220kV	472	472	544	544	544
11/132kV	675	675	694	694	889
11/66kV	146	183	121	121	171
11/33kV	280	280	238	238	238
11/40kV	5	5	0	0	0
3.3/11/40kV	10	10	0	0	0
3.3/40kV	4	4	0	0	0
3.3/33kV	4	4	4	4	4
TOTAL	1,596	1,633	1,601	1,601	1,846
Transmission Substations					
132/220kV	620	620	620	620	620
220/132kV	730	730	730	730	730
220/66kV	360	360	360	360	450
132/66kV	375	375	375	375	375
132/33kV	629	652	687	756	801
TOTAL	2,714	2,737	2,772	2,841	2,954
Distribution Substations					
66/11kV	1,058	1,114	1,206	1,206	1,288
66/33kV	77	77	77	90	90
40/11kV	11	11	11	11	11
33/11kV	729	750	823	934	1053
TOTAL	1,874	1,951	2,117	2,241	2,442
Distribution Transformers					
11/0.415kV and 33/0.415kV	3,515	4,138	4,307	4,688	5,784

THE KENYA POWER AND LIGHTING COMPANY LIMITED
P.O. BOX 30099-00100 NAIROBI

FORM OF PROXY FOR ANNUAL GENERAL MEETING OF THE COMPANY TO BE HELD ON WEDNESDAY, 19TH DECEMBER 2012

(BLOCK LETTERS PLEASE)

I/We..... of P.O. Box..... being (a) Member(s) of the above-named Company, HEREBY APPOINT of P.O. Box: or failing him/her the Chairman of the Meeting as my/our proxy to vote for me/us and on my/our behalf at the ANNUAL GENERAL MEETING of the Company to be held on Wednesday, 19th December 2012 and at any adjournment thereof.

My/our proxy is to vote in favour of/against the Resolutions as indicated here below:

ITEM	BUSINESS	FOR	AGAINST
1	Adoption of audited financial statements for the year ended 30th June, 2012		
2	Approve payment of dividend		
3	Election of Directors:		
	(i) Mr. Patrick E O Obath		
	(ii) Mr. Jacob K Mwirigi		
4	Approve payment of fees to non-executive Directors		
5	Remuneration of Auditors		

Signature

Dated this day of2012

NOTE:

1. A member entitled to attend and vote at the above meeting may appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company. To be valid, the Form of Proxy must be duly completed and lodged at the office of the Company Secretary, Stima Plaza, or posted in time to be received not later than 11.00 a.m. on 17th December 2012.
2. If the appointer is a corporation or a Government office, the Proxy must be executed under its common seal or under the hand of an Officer or Attorney duly authorized in writing. Unless otherwise indicated the proxy will vote as he/she deems fit.

FOR OFFICIAL USE ONLY	
7%	
4%	
ORDINARY	
TOTAL	

**THE KENYA POWER AND LIGHTING COMPANY LIMITED
S.L.P. 30099-00100 NAIROBI**

FOMU YA UWAKILISHI KWA MKUTANO MKUU WA KILA MWAKA WA KAMPUNI UTAKAOANDALIWA JUMATANO, DESEMBA 19, 2012

(HERUFI KUBWA TAFADHALI)

Mimi/Sisi.....wa S.L.P..... kama (a) mwanachama/wanachama wa Kampuni iliyotajwa hapo Juu, HII HAPA NAMTEUA/TUNAMTEUA.....wa S.L.P: na iwapo atashindwa kufanya hivyo, Mwenyekiti wa Mkutano kama mwakilishi wangu/wetu kupiga kura kwa niaba yangu/yetu kwenye MKUTANO MKUU WA KILA MWAKA wa Kampuni utakaoandaliwa Jumatano, Desemba 19, 2012 na shughuli yoyote itakayoandaliwa baadaye.

Mwakilishi wangu/wetu atapigia kuunga/kupinga Maazimio yaliyoorodheshwa hapa chini:

ORODHA	SHUGHULI	KUUNGA	KUPINGA
1	Kuidhinishwa kwa taarifa za kifedha zilizokaguliwa kwa mwaka uliomalizika Juni 30, 2012		
2	Kuidhinisha malipo ya mgao wa faida		
3	Uchaguzi wa wakurugenzi:		
	(i) Bw. Patrick E O Obath		
	(ii) Bw. Jacob K Mwirigi		
4	Kuidhinisha malipo ya Wakurugenzi wasio na mamlaka		
5	Malipo ya Wahasibu		

Sahihi

Tarehe hii ya siku ya2012

MAELEZO:

- Mwanachama aliye na haki ya kuhudhuria na kupiga kura kwenye mkutano uliotajwa juu anaweza kuteua mwakilishi mmoja au zaidi kuhudhuria, na endapo kutakuwa na upigaji kura, kupiga kwa niaba yake. Mwakilishi si lazima awe mwanachama wa Kampuni. Ili kuwa halali, Fomu ya Uwakilishi inapasa kujazwa na kuwasilishwa katika afisi ya Katibu wa Kampuni, Stima Plaza, au kutumwa kwa njia ya posta mapema ili kufika kabla ya saa 5.00 asubuhi, mnamo Desemba 17, 2012.
- Iwapo mteuzi ni shirika au afisi ya Serikali, fomu hiyo ya uwakilishi ni lazima iwe na muhuri rasmi au kuidhinishwa na wakili kwa maandishi. Isipokuwa ifafanuliwe kivingine, mwakilishi atapiga kura kama apendavyo.

KWA MATUMIZI RASMI PEKEE	
7%	
4%	
KAWAIDA	
JUMLA	