



ANNUAL REPORT AND FINANCIAL STATEMENTS  
**FINANCIAL YEAR ENDED 30 JUNE 2015**



# 524,813

Total number of GPOBA connections during the year

## Global Partnership on Output-Based Aid (GPOBA)

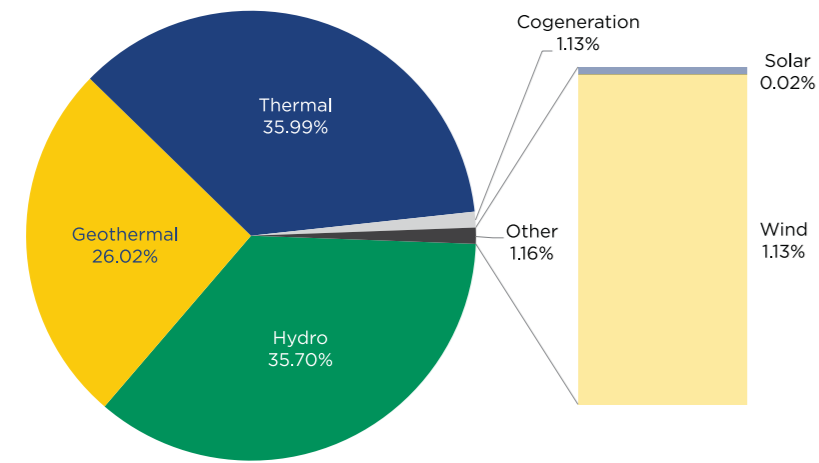
GPOBA electrification project aims at providing safe, legal and quality power supply to residents living in informal settlements. The project is funded by the Company in partnership with the World Bank to enable target customers pay a subsidised connection cost of Shs. 1,160.

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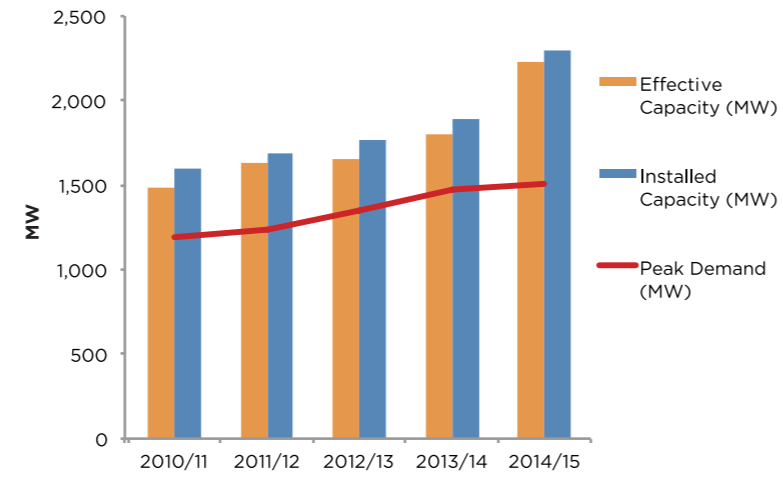
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## PERFORMANCE HIGHLIGHTS

Installed generation capacity (MW)



Capacity vs demand



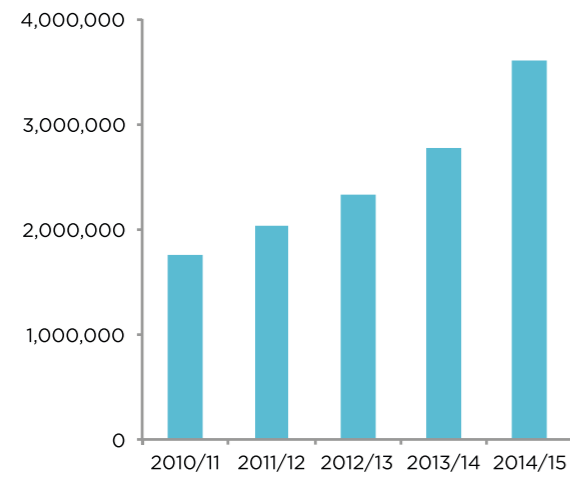
# 2,299MW

Installed generation capacity

### Generation Capacity

Total installed generation capacity stood at 2,299MW as at June 2015. A total of 402.7MW was added during the period as part of the planned 5000+MW additional generation capacity.

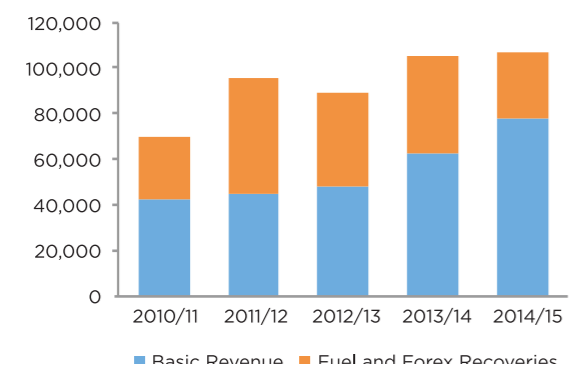
Number of customers



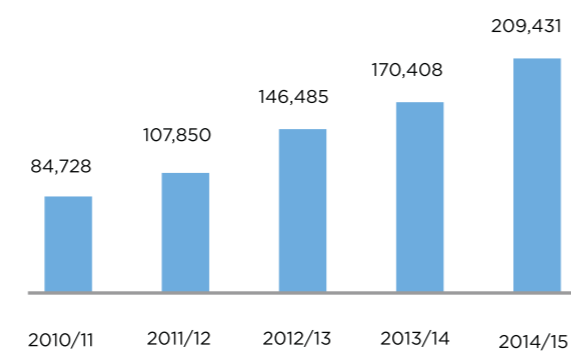
Energy purchases vs sales



Revenue in Shs (millions)



Asset base in Shs (million)



## CORPORATE INFORMATION

### DIRECTORS

Hon. Kenneth Marende	-	Chairman
Mr. Henry Rotich	-	Cabinet Secretary, The National Treasury
Eng. Joseph Njoroge	-	Principal Secretary, Ministry of Energy and Petroleum
Dr. Ben Chumo	-	Managing Director & CEO
Mr. Macharia Kariuki		
Dr. Theodorah Malla-Kilukumi		
Mrs. Jane Nashida		
Mr. Wilson Mugung'ei		
Mr. Adil Khawaja		
Mr. Joseph Kariuki	-	Alternate to Cabinet Secretary, The National Treasury
Eng. Isaac Kiva	-	Alternate to Principal Secretary, Ministry of Energy and Petroleum

### COMPANY SECRETARY

Beatrice Meso, CPS (Kenya)

### REGISTERED OFFICE

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

### BANKERS

Standard Chartered Bank Kenya Limited Harambee Avenue P O Box 20063 - 00200, Nairobi	CFC Stanbic Bank Limited Kenyatta Avenue P O Box 30550 - 00100, Nairobi	Commercial Bank of Africa Ragatti Road P O Box 30437 - 00100, Nairobi
Kenya Commercial Bank Limited Moi Avenue P O Box 30081 - 00100, Nairobi	Citi Bank NA Upper Hill Road P O Box 30711 - 00100, Nairobi	Barclays Bank of Kenya Limited Barclays Plaza P O Box 30120 - 00100, Nairobi
The Co-operative Bank of Kenya Limited Stima Plaza P O Box 48231 - 00100, Nairobi	Equity Bank Hospital Road P O Box 75104 - 00200, Nairobi	

### PRINCIPAL AUDITOR

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

### LEGAL ADVISERS

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

### DELEGATED AUDITORS

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

## COUNTY BUSINESS MANAGERS

COUNTY	BUSINESS MANAGER	OFFICE LOCATION	EMAIL ADDRESS	MOBILE NO.	COUNTY TEL NO.	POSTAL ADDRESS
Baringo	Stephen Usagi	KCB Building, Kabarnet	susagi@kplc.co.ke	0721 852753	05322159	P O Box 120 - 30400, Kabarnet
Bomet	Barnabas Munyao	Bomet Town, Opp Cereal Board	bmunyao@kplc.co.ke	0734 555288	0771 897 517	P O Box 578 - 20400, Bomet
Bungoma	Peter Manji	Opposite Huduma Centre, Bungoma	pmanji@kplc.co.ke	0725 529758	0202674284	P O Box 467 - 50200, Bungoma
Busia	Hicks Waswa	Ingonyera Plaza, Busia	hwaswa@kplc.co.ke	0720 775180	0202442792	P O Box 526 - 50400, Busia
Elgeyo Marakwet	Anthony Mwangi	Mosop Plaza, Iten	amwangi@kplc.co.ke	0714 814380	0714 814380	P O Box 495 - 30700, Iten
Embu	Richard Muindi	Sparko House, Embu	rmuindi@kplc.co.ke	0722 454140	0682230442	P O Box 197 60100, Embu
Garissa	Samuel Otieno	Maendeleo Plaza, Garissa	sobago@kplc.co.ke	0754 488148	0202368776	P O Box 9 - 70100, Garissa
Homabay	Daniel Tindongoluk	Sonyaco Plaza, Homabay	dtindongoluk@kplc.co.ke	0724 663471	0202674283	P O Box 117 - 40300, Homabay
Isiolo	William Onyango	Trends Building, Isiolo	wonyango@kplc.co.ke	0720812826	0645352345	P O Box 116 - 60300, Isiolo
Kajiado	Luke Ntaiyia	Kajiado Plaza, Kajiado	lntaiyia@kplc.co.ke	0729 525468	0729525468	P O Box 330 - 00204, Athi River
Kakamega	Eunice Masese	Electricity House, Kakamega	eunicewafula@kplc.co.ke	0710 923721	056-2030023	P O Box 440 - 50100, Kakamega
Kericho	Daniel Kipkoech	Opp Sansora Building, KCB Bank, Kericho	dkipkoech@kplc.co.ke	0725 863045	02442798	P O Box 296 - 20200, Kericho
Kiambu	Wanyoika Mwaura	Vam Plaza, Kiambu	wmwaura@kplc.co.ke	0722 300997	0202687760	P O Box 202 - 01000, Thika
Kilifi	Phineas Marete	Pwani Medical Centre, Kilifi	pmarete@kplc.co.ke	0722 620800	064-80108	P O Box 80108 - 1318, Kilifi
Kirinyaga	Daniel Waturu	Kerugoya, Professional Plaza	dwaturu@kplc.co.ke	0722 826123	060 2021359	P O Box 1079 - 10300, Kerugoya
Kisii	Christopher Omwenga	KPLC Office, Kisii	comwenga@kplc.co.ke	0722 826120	0202442794	P O Box 5 - 40200, Kisii
Kisumu	Eric Ohaga	Electricity House, Kisumu	eohaga@kplc.co.ke	0721 897978	057-2020536/7/8	P O Box 151 - 40100, Kisumu
Kitui	Hellen Mogire	Teachers Sacco Building, Kitui	hmogire@kplc.co.ke	0722 380662	0716645859	P O Box 202 - 01000, Kitui
Kwale	Lango Vaya	Alibhai Building, Diani	lvaya@kplc.co.ke	0722 509630	0202 328 572	P O Box 598 - 80400, Diani
Laikipia	Harrison Kamau	Marshals Building, Nanyuki	hkamau@kplc.co.ke	0720 326218	062-2032558	P O Box 80 - 10400, Nanyuki
Lamu	Benard Kataka	Casuarina Rest House, Lamu Island	bkataka@kplc.co.ke	0724 580070	020 2393704	P O Box 72 - 08500, Lamu
Machakos	Walter Kaguchia	Red Cross Building, Machakos	wkaguchia@kplc.co.ke	0735 206622	02025855537	P O Box 155 - 90100, Machakos
Makueni	Titus Kaluku	Nesa Plaza, Wote	tk@kplc.co.ke	0722 890183	0202426501	P O Box 290 - 90121, Emali
Mandera	Ali Golicha	Mandera Power Station	agolicha@kplc.co.ke	0721 751785	0770256498	P O Box 76 - 30700, Mandera
Marsabit	Ahmed Shalleh	KPLC Compound, Marsabit	ashalleh@yahoo.com	0723295469	069 2029	P O Box 68 - 60500, Marsabit
Meru	Timothy Waswa	Yusuf Plaza, Meru	twaswa@kplc.co.ke	0723 995095	0643132588	P O Box 221 - 60200, Meru
Migori	Moses Rotich	Migori Town Opp Migori Teachers College	mrotich@kplc.co.ke	0721782762	0202442797	P O Box 530 - 40400, Suna-Migori
Murang'a	Julius Mutahi	AFC Building, Muranga Town	jmutahi@kplc.co.ke	0722 890180	0602031481	P O Box 45 - 10200, Muranga
Nakuru	David Syengo	Electricity Hse, Nakuru	dsyengo@kplc.co.ke	0720 423662	051-2216113	P O Box 104 - 20100, Nakuru
Nandi	Evans Agesa	KCB Building, Kapsabet Town	ekesenwa@kplc.co.ke	0711 193093	0717 009594	P O Box 762 - 30300, Kapsabet
Narok	James Kiage	Ember's House, Narok	jkiage@kplc.co.ke	0706 442807	0708384997	P O Box 469 - 20500, Narok
Nyamira	Duncan Machuka	Legacy Plaza, Nyamira	dmachuka@kplc.co.ke	0727 638943	0208064672	P O Box 1242- 40500, Nyamira
Nyandarua	Joseph Kariuki	Wamuturi Building, Olkalou	kariukij@kplc.co.ke	0726 322004	0775586164	P O Box 244 - 20300, Nyahururu
Nyeri	Mang'era Moronge	Diana Centre, Nyeri	mmorongee@kplc.co.ke	0733 685526	0612030245	P O Box 106 -10100, Nyeri
Samburu	Wesley Kerich	Lekos Plaza, Maralal	wkerich@kplc.co.ke	0723664794	020 8010413	P O Box 196 - 20600, Maralal
Siaya	Calvin Jagongo	Siaya Town, Opposite Law Courts	cjagongo@kplc.co.ke	0721 803159	0202442793	P O Box 541 - 40600, Siaya
Taita Taveta	Lucas Huko	TATECOH Building, Wundanyi	lhuko@kplc.co.ke	0721 338008	020 2397702	P O Box 1250 - 80304, Wundanyi
Tana River	Joseph Ndegwa	Post Office Building, Hola	jndegwa@kplc.co.ke	0722 867011	0202178235	P O Box 192 - 70101, Hola
Tharaka Nithi	Eric Momanyi	Nthiga Plaza, Chuka	emachini@kplc.co.ke	0713 047080	0645630418	P O Box 16 - 60400, Chuka
Trans Nzoia	Alex Amboko	Ambwere Plaza, Kitale	aamboko@kplc.co.ke	0723 373466	0700 522100	P O Box 185 - 30200, Kitale
Turkana	Gideon Kogo	Kailong'koi House, Lodwar	gkogo@kplc.co.ke	0729 289190		P O Box 21 - 30500, Lodwar
Uasin Gishu	Kimutai Bett	KVDA Plaza, Eldoret	kimutaibett@kplc.co.ke	0727 830261	053 2033737	P O Box 74 - 30100, Eldoret
Vihiga	Evans Kowuor	Cheery Plaza, Mbale	ekowuor@kplc.co.ke	0722 805966	0202322755	P O Box 518 - 50300, Vihiga
Wajir	Elijah Ngugi	Afgoye Road, Wajir	emwangingugi@kplc.co.ke	0722 278834	0770256491	P O Box 127 - 70200, Wajir
West Pokot	Milimoh Amuvasi	Acacia Building, Makutano	mamusavi@kplc.co.ke	0725 149500	0700522101	P O Box 369 - 30600, Kapenguria

BOARD OF DIRECTORS

BOARD OF DIRECTORS



**Hon. Kenneth Marende, EGH**  
| Chairman



**Dr. Ben Chumo, ogw**  
| Managing Director & CEO



**Eng. Joseph Njoroge, mbs**  
| Principal Secretary, Ministry of Energy & Petroleum



**Mr. Wilson Mugung'ei**  
| Director



**Mrs. Jane Nashida**  
| Director



**Dr. Theodorah Malla-Kilukumi**  
| Director



**Mr. Adil Khawaja**  
| Director



**Mr. Macharia Kariuki**  
| Director



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



**Mr. Joseph Kariuki**  
| Alternate Director, The National Treasury



**Ms. Beatrice Meso**  
| Corporate Affairs & Company Secretary

**Mr. Henry Rotich (not in picture)**  
| Cabinet Secretary, The National Treasury

## DIRECTORS' BIOGRAPHIES

### Hon. Kenneth Marende, EGH, ACI Arb., Certified Mediator, LLB (Hons), Dip. (Law) – Chairman

Hon. Kenneth Marende (59 years) joined the Board of Directors of the Company on 19<sup>th</sup> December 2014 and was appointed the Chairman of the Board on 5<sup>th</sup> January 2015. Hon. Marende is an Advocate of the High Court of Kenya with over 35 years standing. He is a former President of the Commonwealth Parliamentary Association (CPA) and a former Speaker of the Kenya National Assembly as well as Chairman of the Parliamentary Service Commission. Hon. Marende holds a Bachelor's Degree in Law from the University of Nairobi and a Post Graduate Diploma in Law from the Kenya School of Law. He was awarded a Doctor of Letters Degree by Maseno University in 2011 and an Honorary Doctor of Philosophy of Humanities Degree by United Graduate College, USA, in July 2010. Hon. Marende is also a director of Kenmar Limited.

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

Mr. Henry Rotich (46 years) is the Cabinet Secretary for the National Treasury. He holds a Master's Degree in Economics and a Bachelor's Degree in Economics (First Class Honours), both from University of Nairobi. He also holds a Master's Degree in Public Administration (MPA) from Harvard University. Prior to this appointment, Mr. Rotich was the head of Macroeconomics at the Treasury, Ministry of Finance, since March 2006. Under this capacity, he was involved in formulation of macroeconomic policies that ensured an affordable and sustainable path of public spending aimed at achieving the Government's development priorities. Prior to joining the Ministry of Finance, Mr. Rotich worked at the Research Department of the Central Bank of Kenya since 1994. Between 2001 and 2004, he was attached to the International Monetary Fund (IMF) local office in Nairobi to work as an economist.

### Eng. Joseph Njoroge, MBS, BSc (Eng.), MBA, R. Cons. Eng., C. Eng., MIET, FIEK – Principal Secretary, Ministry of Energy & Petroleum

Eng. Joseph Njoroge (57 years) is the Principal Secretary, Ministry of Energy & Petroleum. He was the Managing Director of the Company since June 2007 until he was appointed to his current position in May 2013. He holds a First Class Honours Degree in Electrical Engineering and an MBA with a major in Strategic Management. He is a Registered Consulting Engineer, a Chartered Engineer, a Member of the Institution of Engineering & Technology (UK) and a Fellow of the Institute Engineers of Kenya. He is also a member of the Institute of Directors of Kenya and a trainer in Corporate Governance. He has wide experience in power engineering and management of the power sector, having joined the Company in 1980 and serving in various senior positions prior to his appointment as Principal Secretary, Ministry of Energy & Petroleum.

### Dr. Ben Chumo, OGW, BA, MBA, PHD – Managing Director & CEO

Dr. Ben Chumo (59 years) is the Company's Managing Director & CEO. Dr. Chumo holds a Doctor of Philosophy Degree (PhD) in Human Resources Management. He joined the Company in July 1986 and was the Chief Manager in charge of Human Resources & Administration since 2003. He was appointed Acting Managing Director & CEO of the Company in July 2013 following the appointment of Eng. Joseph Njoroge to the position of Principal Secretary. He was confirmed in his current position on 7<sup>th</sup> January 2014. Dr. Chumo has wide hands-on experience in the sector, having risen through the ranks in the Company to his current position.

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

Dr. Theodorah Malla-Kilukumi (50 years), has wide experience in medical health practice and community leadership. She joined the Board of Directors of the Company on 15<sup>th</sup> October 2007. Dr. Kilukumi is also a Director of Elasticity Properties Limited and Dee Properties Limited.

## DIRECTORS' BIOGRAPHIES

### Mr. Macharia Kariuki, BA (Econ.)

Mr. Macharia Kariuki (59 years), joined the Board of Directors of the Company on 18<sup>th</sup> December 2009. He has wide experience in private sector management and is currently in horticulture business, prior to which he worked as a sales manager with the United Distributing Company Ltd., and with Nation Media Group.

### Mrs. Jane Nashida, BA (Development Studies), Postgrad. Dip. (Public Relations and Diplomacy)

Mrs. Jane Nashida (43 years), holds a BA in Development Studies and a post graduate diploma in Public Relations and Diplomacy. Mrs. Nashida joined the Board on 19<sup>th</sup> December 2012. She has experience in projects management and community development, having worked with Finnish Free Foreign Mission (FFFM) and Parliamentary Service Commission and Constituency Development Fund (CDF). She is also a board member of Uhuru High School in Lokichar, Turkana County.

### Mr. Wilson Mugung'ei, B.A. (Math.), MBA (On-going)

Mr. Wilson Mugung'ei (49 years), has over 20 years experience in investment banking and fund management. Mr. Mugung'ei has progressive experience in investment environments and in various capacities notably operations management and as a dealer. He holds Bachelor of Arts (Mathematics) from Kenyatta University and is undertaking a Masters degree in Business Administration. Mr. Mugung'ei is also a director of Quadrix Capital Management Limited and Lions Capital Limited. He joined the Board on 19<sup>th</sup> December 2014.

### Mr. Adil Khawaja, LLB (Hons), Dip. (Law)

Mr. Adil Khawaja (44 years), joined the Board on 19<sup>th</sup> December 2014. He is a specialist in commercial law, corporate law, real estate law, energy, oil and gas, commercial litigation and arbitration. He has over 20 years of litigation and dispute resolution experience and vast experience in land and planning law. He has dealt with complex and control issues in Kenya and undertaken corporate restructuring; mergers and acquisitions; schemes of arrangement for banks and other companies; bank securities work and regulatory work. Mr. Khawaja holds a Bachelor of Law Degree from University of Sheffield and is an advocate of high court of Kenya. He is also a director of Kenya Commercial Bank Limited and several other private companies.

### Mr. Joseph Kariuki, BA (Econ.), MA (Econ.) - Alternate Director, The National Treasury

Mr. Joseph Kariuki (52 years), has wide experience in public sector management, having worked for more than 26 years in various senior positions in Government. He joined the Board of Directors of the Company on 1<sup>st</sup> June 2009 as an Alternate Director of the then Ministry of Finance, now The National Treasury.

### Eng. Isaac Kiva, BSc (Eng.), R. Eng., MIEK - Alternate Director, Ministry of Energy & Petroleum

Eng. Isaac Kiva (47 years), is currently the Director of Renewable Energy at the Ministry of Energy and Petroleum. Eng. Kiva has wide experience in public sector management, having worked in energy and senior Government positions for over 20 years. He is a member of the Institute of Engineers of Kenya. He is also a board member of the Electrical Technicians and Contractors' Licensing Board. He joined the Board of Directors for the Company on 16<sup>th</sup> December 2009 as an Alternate Director to the Permanent Secretary of the Ministry of Energy and Petroleum.

## WASIFU WA WAKURUGENZI

### Mhe. Kenneth Marende, EGH, ACI Arb., Mpatanishi Aliyeidhinishwa, LLB (Hons), Dip. (Law) – Mwenyekiti

Mhe. Kenneth Marende (Miaka 59), alijiunga na Bodi ya Wakurugenzi wa Kampuni Desemba 19, 2014 na akachaguliwa Mwenyekiti wa Bodi mnamo Januari 5, 2015. Mhe. Marende ni Wakili wa Mahakama Kuu ya Kenya ambaye amehudumu kwa zaidi ya miaka 35. Ni rais wa zamani wa Chama cha Mabunge ya Jumuiya ya Madola (CPA) na Spika wa zamani wa Bunge la Kitaifa la Kenya pamoja na Mwenyekiti wa Tume ya Huduma za Bunge. Mhe. Marende ana Digrii katika Sheria kutoka Chuo Kikuu cha Nairobi na Diploma katika Sheria kutoka Kenya School of Law. Alitunukiwa Digrii ya Doctor of Letters na Chuo Kikuu cha Maseno mnamo 2011 na Digrii ya Heshima, yaani Doctor of Philosophy of Humanities na United Graduate College, USA, mnamo Julai 2010. Mhe. Marende pia ni mkurugenzi wa Kenmar Limited.

### Bw. Henry Rotich, B.A. (Econ.), MA (Econ.), MPA – Waziri wa Fedha

Bw. Henry Rotich (Miaka 46) ni Waziri wa Fedha. Ana Digrii ya Uzamili katika Uchumi na Digrii katika Uchumi (Daraja la Kwanza) zote kutoka Chuo Kikuu cha Nairobi. Pia ana Digrii ya Uzamili kuhusu Usimamizi wa Umma (MPA) kutoka Chuo Kikuu cha Havard. Kabla ya uteuzi wake, Bw Rotich alikuwa msimamizi wa Uchumi katika Hazina Kuu, Wizara ya Fedha tangu 2006. Katika wadhifa huu, alihusika katika utungaji wa sera za kiuchumi ambazo zilihakikisha matumizi bora na ya kutegemewa ya fedha za umma kwa lengo la kuafikia malengo ya maendeleo ya serikali. Kabla ya kujiunga na Wizara ya Fedha, Bw Rotich alihudumu katika Idara ya Utafiti ya Benki Kuu ya Kenya tangu 1994. Kati ya 2001-2004, alikuwa anafanya kazi katika afisi ya Shirika la Fedha Duniani (IMF) jijini Nairobi alikohudumu kama mwanauchumi.

### Mha. Joseph Njoroge, MBS, BSc (Eng.), MBA, R. Cons. Eng., C. Eng., MIET, FIEK – Katibu, Wizara ya Kawi na Mafuta

Mha. Joseph Njoroge (Miaka 57) ni Katibu, Wizara ya Kawi. Alikuwa Mkurugenzi Mkuu wa Kampuni tangu Juni 2007 hadi alipoteuliwa kwa wadhifa wake wa sasa mnamo Mei 2013. Ana Digrii ya Uhandisi katika Umeme (Daraja la Kwanza) na MBA katika Usimamizi wa Mikakati. Ni Mhandisi mshauri, Mhandisi Msajiliwa, Mwanachama wa Taasisi ya Uhandisi na Teknolojia (UK) na Mwandamizi katika Taasisi ya Wahandisi wa Kenya. Pia ni mwanachama wa Taasisi ya Wakurugenzi wa Kenya na mkufunzi katika Maongozi Bora ya Kampuni. Ana tajiriba pana katika uhandisi wa Kawi na usimamizi wa sekta ya kawi baada ya kujiunga na Kampuni mnamo 1980 na kuhudumu katika nyadhifa tofauti za ngazi za juu kabla ya uteuzi wake kama Katibu, Wizara ya Kawi na Mafuta.

### Dkt. Ben Chumo, OGW, BA, MBA, PHD – Mkurugenzi Mkuu na Afisa Mkuu Mtendaji

Dkt. Ben Chumo (Miaka 59) ndiye Mkurugenzi Mkuu na Afisa Mkuu Mtendaji. Dkt. Chumo ana Digrii ya Uzamifu (PhD) katika Masuala ya Wafanyikazi. Alijiunga na Kampuni Julai 1986 na alikuwa Meneja Mkuu anayesimamia Wafanyikazi na Usimamizi tangu 2003. Aliteuliwa kaimu Mkurugenzi Mkuu na Afisa Mkuu Mtendaji wa Kampuni mnamo Julai 2013 kufuatia uteuzi wa Mha. Joseph Njoroge kama Katibu wa Wizara. Alithibitishwa katika wadhifa wake wa sasa Januari 7, 2014. Dkt Chumo ana tajiriba kubwa katika sekta hii, baada ya kupanda ngazi kwenye Kampuni hadi wadhifa wake wa sasa.

### Dkt. Theodorah Malla-Kilukumi, MB, Ch.B

Dkt. Theodorah Malla-Kilukumi (Miaka 50), ana tajiriba kubwa katika masuala ya utabibu na usimamizi wa kijamii. Alijiunga na Bodi ya Wakurugenzi wa Kampuni mnamo Oktoba 15, 2007. Dkt. Kilukumi pia ni Mkurugenzi wa Kampuni za Elasticity Properties Limited na Dee Properties Limited.

## WASIFU WA WAKURUGENZI

### Bw. Macharia Kariuki, BA (Econ.)

Bw. Macharia Kariuki (Miaka 59), alijiunga na Bodi ya Wakurugenzi wa Kampuni Desemba 18, 2009. Ana tajiriba kubwa katika usimamizi wa sekta ya kibinafsi na kwa sasa anajishughulisha na biashara ya maua, mboga na matunda, na mbeleni, alihudumu kama Meneja wa Mauzo katika United Distributing Company Ltd., na pia Nation Media Group.

### Bi. Jane Nashida, BA (Masuala ya Maendeleo), Diploma (Uhusiano Mwema na Diplomasia)

Bi. Jane Nashida (Miaka 43), ana Digrii katika Masuala ya Maendeleo na Diploma katika Uhusiano Mwema na Diplomasia. Bi. Nashida alijiunga na Bodi ya Wakurugenzi wa Kampuni Desemba 19, 2012. Bi. Nashida ana tajiriba kubwa katika usimamizi wa miradi na ustawi wa jamii baada ya kuhudumu katika mashirika tofauti kama vile Finnish Free Foreign Mission (FFFM) na Tume ya Huduma za Bunge na Hazina ya Ustawi wa Maeneo Bunge (CDF). Ni mwanachama wa bodi ya Shule ya Upili ya Uhuru High, Lokichar, Kaunti ya Turkana.

### Bw. Wilson Mugung'ei, B.A. (Math.), MBA (anaisomea)

Bw. Wilson Mugung'ei (Miaka 49), ana tajiriba ya zaidi ya miaka 20 katika uwekezaji wa benki na usimamizi wa hazina. Ana tajiriba pana katika mazingira ya uwekezaji katika viwanda tofauti hasa usimamizi wa operesheni kama muuzaji. Ana Digrii ya Sanaa (Hisabati) kutoka Chuo Kikuu cha Kenyatta na anasomea Uzamili katika Usimamizi wa Biashara. Bw. Mugung'ei pia ni mkurugenzi wa Quadrix Capital Management Limited na Lions Capital Limited. Alijiunga na Bodi ya Wakurugenzi wa Kampuni Desemba 19, 2014.

### Bw. Adil Khawaja, LLB (Hons), Dip. (Sheria)

Bw. Adil Khawaja (Miaka 44), alijiunga na Bodi ya Wakurugenzi wa Kampuni Desemba 19, 2014. Bw. Khawaja ni mtaalamu katika sheria ya biashara, sheria za kampuni, sheria za ujenzi wa nyumba na uendeshaji kesi za kibiashara na upatanishi. Ana tajiriba ya zaidi ya miaka 18 na utatuzi wa mizozo na uzoefu mkubwa katika sheria za mipango na ardhi. Ameshughulikia mizozo mikubwa kuhusu umiliki wa ardhi, miungano na kutwaliwa kwa mashirika, mipango ya maendeleo ya mableni na mashirika mengine, masuala ya usalama wa benki na usimamizi wa mableni. Bw Khawaja ana digrii katika Sheria kutoka Chuo Kikuu cha Sheffield na ni wakili wa Mahakama Kuu ya Kenya. Bw. Khawaja pia ni mkurugenzi wa Kenya Commercial Bank Limited na kampuni nyingine za kibinafsi.

### Bw. Joseph Kariuki, BA (Econ.), MA (Econ.) – Anayewakilisha Hazina Kuu

Bw. Joseph Kariuki (Miaka 52), ana tajiriba kubwa katika usimamizi wa sekta ya umma, baada ya kuhudumu kwa zaidi ya miaka 26 katika nyadhifa tofauti serikalini. Alijiunga na Bodi ya Wakurugenzi wa Kampuni mnamo Juni 1, 2009 kama mkurugenzi mwakilishi wa iliyokuwa Wizara ya Fedha na sasa Hazina Kuu.

### Mha. Isaac Kiva, BSc (Eng.), R. Eng., MIEK – Anayewakilisha Wizara ya Kawi na Mafuta

Mha. Isaac Kiva (Miaka 47), kwa sasa ni Mkurugenzi wa Kawi Safi katika Wizara ya Kawi na Mafuta. Mha. Kiva ana uzoefu wa muda mrefu katika usimamizi wa sekta ya umma, baada ya kuhudumu katika sekta ya kawi na kushikilia nyadhifa za ngazi za juu serikalini kwa zaidi ya miaka 20. Pia, ni mwanachama wa Taasisi ya Wahandisi Kenya na mwanachama wa bodi ya taasisi ya Electrical Technicians and Contractors' Licensing Board. Alijiunga na Bodi ya Wakurugenzi wa Kampuni mnamo Desemba 16, 2009 kama mkurugenzi mwakilishi wa Katibu, Wizara ya Kawi na Mafuta.

## SENIOR MANAGEMENT



1. Managing Director & CEO  
Dr. Ben Chumo (OGW), BA, MBA, PhD



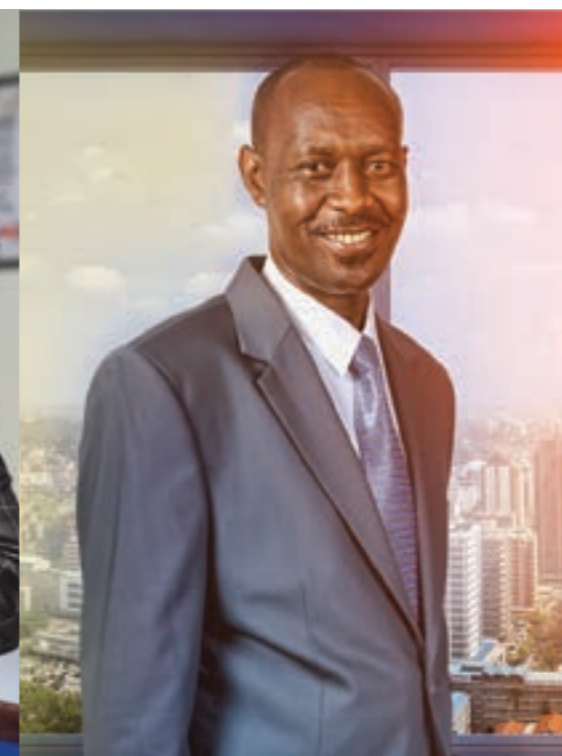
2. General Manager, Business Strategy  
Eng. Peter Mungai Kinuthia, BTech (Elec. Eng.), MBA, R.Eng., MIEK, MIET



3. General Manager, Corporate Affairs & Company Secretary  
Beatrice Meso, LLB, LLM, Dip (Law), MBA, CPS(K), MCI Arb



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



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



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



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



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



5. Head, Electricity Connectivity  
Eng. John Ombui, BSc (Eng.), MBA, P.Cons. Eng., FIEK, MIET, MIEEE, MCIPS



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



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



12. Ag. General Manager, Supply Chain  
Bernard Ngugi, MCIPS, MKISM, CPA(K), CPS(K), MBA(Finance), BCom(Acct)



13. General Manager, Internal Audit  
Regina Karauri, MSc MOB, CPA(K), CIA, CRMA

## SENIOR MANAGEMENT



## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT THE NINETY-FOURTH ANNUAL GENERAL MEETING** of Shareholders of the Company will be held at Safari Park Hotel, Thika Road, Nairobi, on Tuesday 22<sup>nd</sup> December 2015 at 11.00 a.m. to transact the following business:

- To read the Notice convening the Meeting and note the presence of a quorum.
- To receive and consider the Company's Audited Financial Statements for the year ended 30<sup>th</sup> June 2015, together with the Chairman's, Directors' and Auditors' reports thereon.
- 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 30<sup>th</sup> June 2015 and to ratify the interim dividend of Shs.0.20 per ordinary share already paid for the period.
- To elect Directors:
  - Dr. Theodorah Malla-Kilukumi retires by rotation in accordance with Article 120 of the Memorandum and Articles of Association of the Company and does not offer herself for re-election.
  - The Cabinet Secretary, The National Treasury, retires by rotation in accordance with Article 120 of the Memorandum and Articles of Association of the Company and, being eligible, offers himself for re-election.
  - The Principal Secretary, Ministry of Energy and Petroleum, 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.
  - To elect one new director to fill the vacancy in the Board.
- To approve payment of fees to non-executive Directors for the year ended 30<sup>th</sup> June 2015.
- 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.
- To authorise the Directors to fix the Auditors' remuneration.

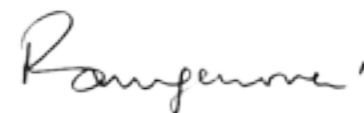
### NOTE:

A member entitled to attend and vote at the above meeting may appoint one or more proxies to attend and, on a poll, to vote instead of her/him. A proxy need not be a member of the Company. A Form of Proxy is enclosed with this report. To be valid, the Form of Proxy must be duly completed and lodged at the office of the Company Secretary, Stima Plaza, or posted in time to be received not less than forty-eight hours before the time appointed for holding the meeting.

### SPECIAL BUSINESS

- To consider and if thought fit to pass the following ordinary resolutions:
  - "THAT subject to all necessary approvals and authorisations required by law being duly obtained, the incorporation of a wholly-owned subsidiary of the Company under the name "Kenya Power International Limited" or such other name as may be duly authorised and approved (the purpose of such subsidiary being to actualise the vision of the Institute of Energy Studies & Research towards establishing a University of Excellence in the Energy sector under the Universities Act on the one hand, and to operate and run the business of Company's Telecommunications Business Unit under the Kenya Information and Communications Act on the other hand, "the Businesses") be and the same is hereby approved;
  - THAT subject to all necessary approvals and authorisations required by law being duly obtained, the Company be and the same is hereby authorised to transfer and assign the Businesses to the Wholly Owned Subsidiary in consideration of the allotment of new shares in the Wholly Owned Subsidiary to the Company;
  - THAT the Board of Directors of the Company be and are hereby authorised to sign all documents and to do all such things as may be necessary to give effect to the above resolutions."
- To consider any other business for which due notice has been given.

### By Order of the Board.



**Beatrice Meso**  
Company Secretary

29<sup>th</sup> October 2015

## ILANI YA MKUTANO MKUU WA KILA MWAKA

**ILANI INATOLEWA HII HAPA KWAMBA MKUTANO MKUU WA KILA MWAKA WA TISINI NA NNE** wa Wenyehisa wa Kampuni utaandaliwa katika Safari Park Hotel, Thika Road, Nairobi, mnamo Jumanne, Desemba 22, 2015 saa tano asubuhi kuendesha shughuli zifuatazo:

- Kusoma Ilani ya kuandaa Mkutano na kutambua kuwepo kwa idadi ya kutosha ya wanachama.
- Kupokea na kuchunguza taarifa za kifedha za Kampuni zilizokaguliwa kwa mwaka uliomalizika Juni 30, 2015, pamoja na ripoti za Mwenyekiti, Mkurugenzi Mkuu na Wahasibu.
- Kuidhinisha malipo ya mgao wa mwisho wa Sh 0.30 kwa kila hisa ya kawaida, ikitegemea ushuru wa kushikilia inavyohitajika, kuhusiana na mwaka uliomalizika Juni 30, 2015 na kuidhinisha malipo ya mgao wa muda wa Sh 0.20 kwa kila hisa ya kawaida ambao tayari umelipwa kwa kipindi hicho.
- Kuchagua Wakurugenzi:
  - Dkt. Theodorah Malla-Kilukumi anastaafu kwa mzunguko kwa mujibu wa Kipengele 120 cha Katiba ya Kampuni, na hajitokezi kuchaguliwa tena.
  - Waziri wa Hazina Kuu anastaafu kwa mzunguko kwa mujibu wa Kipengele 120 cha Katiba ya Kampuni, na kwa kuwa bado anahitimu, anajitokeza tena kwa uchaguzi.
  - Katibu wa Wizara ya Kawi na Mafuta anastaafu kwa mzunguko kwa mujibu wa Kipengele 120 cha Katiba ya Kampuni, na kwa kuwa bado anahitimu, anajitokeza tena kwa uchaguzi.
  - Kuchagua Mkurugenzi mmoja mpya kujaza nafasi katika Bodi.
- Kuidhinisha malipo ya Wakurugenzi wasio wasimamizi kwa mwaka uliomalizika Juni 30, 2015.
- Wahasibu:

Kutambua kuwa ukaguzi wa vitabu vya hesabu vya Kampuni utaendelea kutekelezwa na Mhasibu Mkuu au kampuni ya

### MUHIMU:

Mwanachama aliye na haki ya kuhudhuria na kupiga kura katika mkutano uliotajwa hapo 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. Fomu ya Uwakilishi imeambatanishwa kwenye ripoti hii. Ili kuwa halali, Fomu ya Uwakilishi inapaswa kujazwa na kupelekwa kwa afisi ya Katibu wa Kampuni, Stima Plaza, au kutumwa kwa njia ya posta kwa wakati ufao ili kupokelewa saa arobaini na nane kabla mkutano kufanyika.

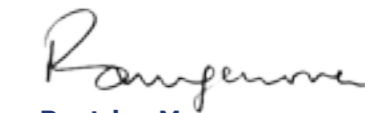
uhasibu itakayoteuliwa na Mhasibu Mkuu kwa mujibu wa sehemu ya 11 ya Sheria ya Mashirika ya Umma (kama ilivyorekebishwa na Mkusanyiko wa Sheria, 2002), na sehemu za 14 na 39 (i) za uhasibu wa umma 2003.

- Kuidhinisha Wakurugenzi kuamua malipo ya Wahasibu.

### SHUGHULI MAALUMU

- Kuchunguza na iwapo itaamuliwa kuwa sawa kupitisha maazimio yafuatayo ya kawaida:
  - "KWAMBA baada ya kupokea idhini na ruhusa zote chini ya sheria, kuundwa kwa shirika tanzu la kampuni hii litakalojulikana kama "Kenya Power International Limited" au jina lingine ambalo litapitishwa na kuidhinishwa (lengo kuu la shirika hilo likiwa kufanikisha maono ya Taasisi ya Mafunzo ya Kawi na Utafiti kuanzisha Chuo Kikuu cha kutoa mafunzo ya kawi chini ya Sheria ya Vyuo Vikuu kwa upande mmoja, na kuendesha na kusimamia biashara ya kitengo cha Mawasiliano cha Kampuni chini ya Sheria ya Mawasiliano na Habari Kenya, "Shughuli") iwe na hii hapa inaidhinishwa na kupitishwa;
  - KWAMBA ikitegemea idhini zinazohitajika kisheria, Kampuni ipewe na hii hapa inaidhinishwa kuhamisha na kutwika shughuli zote kwa Shirika hilo jipya kwa kuzingatia ugawaji wa hisa mpya katika shirika hilo jipya kwa Kampuni;
  - KWAMBA Bodi ya Wakurugenzi wa Kampuni ipewe na hii hapa inaidhinishwa kutia sahihi stakabadhi zote na kutekeleza shughuli zote ambazo zitafanikisha maazimio yaliyomo juu."
- Kuchunguza shughuli zozote zile ambapo ilani itakuwa imetolewa.

### Kwa Amri ya Bodi.



**Beatrice Meso**  
Katibu wa Kampuni

Oktoba 29, 2015



“We anticipate that electricity demand will grow owing to increased economic activities including implementation of energy intensive projects and through accelerated customer connections.”

**Hon. Kenneth Marende, EGH**  
| Chairman

**Opening Statement**

I am pleased to present the Company’s annual report and financial statement for the year ended 30<sup>th</sup> June 2015, my first as Chairman of The Kenya Power and Lighting Company Limited. On behalf of the Board of Directors, I hereby report impressive trading results registered during the year which were characterised by remarkable improvements in financial and operational performance. During the year, profit before tax increased by 11.2% to Shs.12,254 million from Shs.11,016 million the previous period.

**Operating Environment**

We operate in a dynamic business environment influenced by macroeconomic, socio-political, and regulatory factors among others. The economy grew by 5.3 percent in 2014 compared to a growth of 5.7 per cent in the previous year mainly driven by increased private consumption and private investments as well as modest growth in productive sectors of the economy such as agriculture,

trade and construction. In addition, the economy benefited from suppressed inflationary pressure supported by falling oil prices globally and increased public investments mainly in infrastructure.

Provision of reliable and affordable electricity remained a top priority for the government with significant funding channeled towards development and refurbishment of the infrastructure and acceleration of customer connections. The increased attention from the government has attracted development partners including private investors seeking partnerships and opportunities in the sector.

**Business Performance**

Electricity sales grew by 5.7% from 7,244 GWh recorded the previous year to 7,655 GWh mainly due to improved economic performance and growth in number of customers. Revenue from electricity sales increased by 24.3% to Shs.77,836 million up from Shs.62,597 million

the previous year. This is attributed to the rise in the number of customers, improved power supply, tariff review and economic growth. Fuel cost recovered from customers decreased by 33.3% from Shs.38,377 million the previous year to Shs.25,584 million. The decrease in fuel cost recovered was as a result of displacement of thermal generation following commissioning of additional 225 MW of geothermal capacity during the year. Consequently, generation from thermal power plants (fossil oil) decreased by 34.8% from 2,725GWh the previous year to 1,778GWh.

Foreign exchange cost recoveries decreased from Shs.4,422 million the previous year to Shs.3,344 million due to application of reviewed foreign exchange base rates in the current retail tariff structure. Power purchase costs excluding fuel costs increased by Shs.13,801 million from Shs.30,659 million to Shs.44,460 million. The rise in the power purchase was due to additional capacity charges for new power plants and increase in energy charges as a result of 5% rise in units purchased from 8,840 GWh the previous year to 9,280GWh.

Transmission and distribution costs rose by Shs.1,468 million from Shs.22,749 million incurred the previous year to Shs.24,217 million. This is due to increased operational costs in serving an exponentially growing customer base, expanding as well as maintaining the electricity network. The increase is also attributable to higher depreciation charge owing to increased capital investment.

During the year, the Company’s capital asset base grew by 23.5% from Shs.170 billion the previous year to Shs.210 billion as a result of continued capital investment in projects aimed at improving the quality of power supply and increasing customer connections.

**Profit After Tax**

The net profit after tax rose to Shs.7,432 million from Shs.6,995 million in the previous year, after taking into account a tax charge of Shs.4,822 million compared to Shs.4,021 million the previous year.

**Dividend**

The Directors recommend to shareholders 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 30<sup>th</sup> June 2015, subject to withholding tax where applicable, to shareholders registered in the books of the Company at the close of business on 22<sup>nd</sup> December 2015. This amounts to a total dividend of Shs.0.50 per share (previous year - Shs.0.50 per share). If approved, the dividend will be paid on or about 29<sup>th</sup> February 2016.

**Future Outlook**

The country is emerging as one of most attractive investment destinations in the continent and is poised to be one of the fastest

growing economies in Eastern Africa. It is projected that the growth momentum will be supported by a stable macroeconomic environment, sustained infrastructural investments and favourable business environment among other economic drivers. We recognise that availability of adequate, reliable and competitively priced electricity is key in enhancing the country’s attractiveness to investors. In this regard, in conjunction with our partners in the sector, we are investing heavily in projects aimed at providing adequate generation, transmission and distribution capacity.

We anticipate that electricity demand will grow owing to increased economic activities including implementation of energy intensive projects; and through accelerated customer connections. With the expected growth from increased investments at the county level, we have reviewed and implemented a new organisation structure to position our business in line with the devolved system of government and support the overall corporate strategy. In this regard, we have established county offices headed by business managers and supported with adequate resources to effectively conduct Company business. These strategies present opportunities to further grow our business and increase shareholder value.

As we move into the future, we will remain focused on strategies that enable us to take advantage of emerging opportunities for business growth and sustainability. Our immediate focus will be in four priority areas: system expansion, network upgrade, customer connectivity and loss reduction. In particular, we will fast-track the implementation of ongoing and planned substation projects and upgrade the existing network to provide capacity for the growing number of customers as well as adopt strategies to improve system efficiency.

**Tribute**

I wish to express my sincere and deep gratitude to my fellow Directors, shareholders, the Government, our customers, employees, development partners and other stakeholders for their steadfast support and contribution towards our success in the year.

**Hon. Kenneth Marende, EGH**  
Chairman

29<sup>th</sup> October 2015

## TAARIFA YA MWENYEKITI

### Taarifa tangulizi

Nina furaha kuwasilisha Ripoti ya Kila Mwaka na Taarifa ya Kifedha za Kampuni kwa mwaka uliomalizika Juni 30, 2015; yangu ya kwanza kama Mwenyekiti wa Kenya Power and Lighting Company Limited. Kwa niaba ya Bodi ya Wakurugenzi, ninariipoti matokeo bora ya biashara yaliyopatikana mwaka uliomalizika ambapo matokeo ya kifedha na utendakazi yaliimarika. Katika mwaka uliomalizika, faida kabla ya ushuru iliongezeka kwa asilimia 11.2 hadi Sh.12,254 milioni kutoka Sh. 11,016 milioni kipindi kilichopita.

### Mazingira ya kibiashara

Tunahudumu katika mazingira ya kibiashara yanayobadilika na kutokana na sababu za kiuchumi, kijamii na kisiasa na sheria miongoni mwa masuala mengine. Uchumi ulikua kwa asilimia 5.3 mnamo 2014 ikilinganishwa na ukuaji wa asilimia 5.7 mwaka uliopita kutokana na hasa, matumizi ya nyumbani na uwekezaji pamoja na ukuaji kiasi wa sekta mhimu za uchumi kama vile kilimo, biashara na ujenzi. Isitoshe, uchumi ulinufaika na kupungua kwa mfumko wa bei za bidhaa kulitokana na kupungua kwa bei ya mafuta duniani na kuongezeka kwa uwekezaji wa umma hasa barabara.

Utoaji wa umeme wa kutegemewa na nafuu ulipewa kipaumbele na serikali huku kiasi kikubwa cha fedha kikitumika kwa ustawishaji na ukarabati wa miundomsingi na kuharakisha usambazaji wa umeme kwa wateja. Kujitolea huku kwa serikali kumevutia washirika wa maendeleo wakiwemo wawekezaji wa kibinafsi wanaotafuta ushirika na nafasi za kibiashara katika sekta hii.

### Matokeo ya biashara

Mauzo ya umeme yalipanda kwa asilimia 5.7 kutoka GWh7,244 zilizorekodiwa mwaka uliopita hadi GWh7,655 hasa kutokana na kuimarika kwa uchumi na kuongezeka kwa idadi ya wateja. Mapato kutoka mauzo ya umeme yaliongezeka kwa asilimia 24.3 hadi Sh.77,836 milioni kutoka Sh.62,597 milioni mwaka uliotangulia.

Hii inatokana na kuongezeka kwa wateja, kuimarika kwa usambazaji umeme, mabadiliko ya ada za umeme na ukuaji wa uchumi.

Gharama ya mafuta iliyokusanywa kutoka kwa wateja ilipungua kwa asilimia 33.3 kutoka Sh.38,377 milioni mwaka uliopita hadi Sh25,584 milioni. Kupungua huko kulitokana na kusitishwa kwa uzalishaji umemejoto kufuatia uzinduzi wa mitambo ya kuzalisha megawati 225 zaidi za umememvuoke katika kipindi hicho.

Hivyo basi, uzalishaji wa umemejoto (fossil oil) ulipungua kwa asilimia 34.8 kutoka GWh2,725 mwaka uliopita hadi GWh1,778.

Mapato kutokana na ubadilishanaji wa fedha za kigeni yalipungua kutoka Sh.4,422 milioni mwaka uliopita hadi Sh.3,344 milioni kutokana na matumizi ya viwango vipya vya ubadilishanaji wa fedha katika muundo wa sasa wa ada za umeme.

Gharama za ununuzi umeme bila kujumuisha gharama za mafuta ilipanda kwa Sh.13,801 milioni kutoka Sh.30,659 milioni mwaka uliopita hadi Sh.44,460 milioni. Kupanda kwa ununuzi wa umeme kulitokana na gharama zaidi za ununuzi kwa viwanda vipya vya umeme na nyongeza ya gharama za kawi kutokana na nyongeza ya asilimia 5 ya vipimo vilivyonunuliwa kutoka GWh8,840 mwaka uliopita hadi GWh9,280.

Gharama za kusafirisha na kusambaza umeme zilipanda kwa Sh.1,468 milioni kutoka Sh.22,749 milioni zilizopatikana mwaka uliotangulia hadi Sh.24,217 milioni. Hii ni kutokana na kuongezeka kwa gharama za operesheni katika kuhudumia idadi ya wateja inayozidi kuongezeka, kupanua pamoja na kutunza mtandao wa umeme. Nyongeza hiyo inatokana na kupanda kwa gharama za kuhudumia wateja wanaozidi kuongezeka pamoja na kutunza mtandao wetu wa umeme. Nyongeza hii pia inatokana na ada za juu za ushuru zinazotokana na uwekezaji katika miradi mikubwa.

Katika mwaka uliomalizika, thamani ya vifaa vya Kampuni iliongezeka kwa asilimia 23.5 kutoka Sh.170 bilioni mwaka uliotangulia hadi Sh.210 bilioni kutokana na uwekezaji unaoendelea katika miradi mikubwa inayolenga kuimarisha viwango vya usambazaji umeme na kuhudumia idadi kubwa ya wateja wapya.

**“ Tunatarajia kuwa mahitaji ya umeme yataendelea kuongezeka kutokana na kuimarika kwa shughuli za kiuchumi ikiwa ni pamoja na utekelezaji wa miradi inayotumia umeme kwa wingi na kupitia kuongezeka kwa idadi ya wateja wapya. ”**

## TAARIFA YA MWENYEKITI -RIPOTI YA KILA MWAKA 2014-2015

### Faida baada ya ushuru

Faida baada ya ushuru ilipanda hadi Sh.7,432 million kutoka Sh.6,995 million mwaka uliotangulia, baada ya kuondoa ada ya ushuru ya Sh.4,822 milioni ikilinganishwa na Sh.4,021 milioni mwaka uliotangulia.

### Mgao wa faida

Wakurugenzi wanapendekeza kwa wenyehisa kuwa, pamoja na mgao wa muda wa faida wa Sh.0.20 uliolipwa awali, mgao wa mwisho wa Sh.0.30 kwa kila hisa ya kawaida ulipwe kwa mwaka uliomalizika Juni 30, 2015, baada ya kuondoa ushuru wa kushikilia inakohitajika, kwa wenyehisa waliosajiliwa kwenye vitabu vya Kampuni kufikia mwisho wa shughuli za siku mnamo Desemba 22, 2015. Hii inafikisha jumla ya mgao wa faida kuwa Sh.0.50 kwa kila hisa (mwaka uliopita-Sh.0.50 kwa kila hisa). Iwapo utaidhinishwa, mgao huo utalipwa mnamo au karibu Februari 29, 2016.

### Hali ya baadaye

Nchi hii inaibuka kuwa kitovu cha uwekezaji barani na iko tayari kuwa mojawapo ya chumi zinazokuwa kwa kasi zaidi Afrika Mashariki. Inakadiriwa kuwa ukuaji huo utadumishwa na mazingira bora ya kiuchumi, uwekezaji mkubwa wa miundomsingi na mazingira bora ya kibiashara miongoni mwa vichochezi vingine vya kiuchumi. Tunatambua kuwa kuwepo kwa umeme wa kutosha, unaotegemewa na wa bei nafuu ni kiungo muhimu kuwavutia wawekezaji. Hivyo basi, kwa ushirikiano na washirika wetu katika sekta hii, tunawekeza pakubwa katika miradi yenye lengo la kutoa uzalishaji wa kutosha, usambazaji na ugavi wa umeme.

Tunatarajia kuwa mahitaji ya umeme yataendelea kuongezeka kutokana na kuimarika kwa shughuli za kiuchumi ikiwa ni pamoja na utekelezaji wa miradi inayotumia umeme kwa wingi; na kupitia kuongezeka kwa idadi ya wateja wapya. Huku miradi mipya

ikitarajiwa kuanzishwa katika maeneo ya kaunti, tumechunguza na kutekeleza muundo mpya wa shirika hili ili kuweka biashara zetu sambamba na mfumo wa ugatuzi na kuunga mkono kwa jumla mkakati wa Kampuni. Kutokana na haya, tumeanzisha afisi za kaunti zinazosimamiwa na meneja wa biashara ambao wamepewa raslimali za kutosha kuwawezesha kuendesha shughuli za Kampuni. Mikakati hii inatoa nafasi za kukuza hata zaidi biashara yetu na kuongeza thamani kwa wenyehisa.

Tunaposonga mbele, tunalenga mikakati itakayotuwzesha kukumbatia nafasi ibuka kwa ukuaji wa biashara na kuidumisha. Shabaha yetu kwa sasa ni katika nyanja nne kuu tutazopea kipaumbele: upanuzi wa mtandao, kukarabati mtandao, kusambazia wateja umeme na kupunguza hasara. Haswa, tutaharakisha utekelezaji wa miradi ya ujenzi inayondelea na ule unaopangwa wa vituo vidogo na kukarabati mtandao wa sasa ili kutuwzesha kuhudumia idadi kubwa ya wateja inayoongezeka pamoja na kukumbatia mikakati ya kuboresha utendakazi wa mitambo.

### Shukrani

Ningependa kuwashukuru kwa dhati Wakurugenzi wenzangu, wenyehisa, Serikali, wateja wetu, wafanyikazi, washirika wa maendeleo na washikadau wengine kwa mchango wao kwa ufanisi wetu mwaka uliomalizika.



**Mhe. Kenneth Marende, EGH Mwenyekiti**

Oktoba 29, 2015

## REPORT OF THE MANAGING DIRECTOR & CEO

“Enhanced connectivity, network upgrade projects and the ongoing street lighting project were some of the key initiatives implemented by the Company as strategies to grow electricity sales and revenue.”

**Dr. Ben Chumo, OGW**  
| Managing Director & CEO



### INTRODUCTION

Guided by our mission to power people for better lives, we implemented extensive network expansion projects that enabled the Company intensify connectivity to homes and commercial enterprises to accelerate the country’s social and economic development. In addition, during the year under review, we undertook various system expansion and upgrade projects to further enhance distribution capacity and improve the quality of electricity supply.

Consequently, we attained a connectivity milestone of 843,899 new customers during the year up from 443,254 achieved in the 2013/14 financial period, representing a record 90% growth. This is in line with the Company’s electrification strategy to connect over 70% of Kenyans by 2017 as a grand step towards universal access by 2020. The Nairobi street lighting project was another notable initiative undertaken by the Company during the period

under review. This project was funded by the government with the aim of enhancing security in the city streets and public spaces to enable a 24 hour economy.

Enhanced connectivity, network upgrade projects and the ongoing street lighting project were some of the key initiatives implemented by the Company as strategies to grow electricity sales and revenue. The 5,000+ MW generation capacity project currently under implementation is expected to supply sufficient electricity to meet anticipated growing demand from these initiatives and other flagship projects under the country’s development plan.

### Corporate Strategy

Our medium-term strategic goals include growing electricity sales by fast-tracking connections to enhance the Company’s financial stability and sustainability; building, operating and maintaining a robust electricity network; improving quality of power supply and

## REPORT OF THE MANAGING DIRECTOR & CEO (Continued)

service delivery to customers; and generating a reasonable return to shareholders. These strategies are aligned to the country’s development objectives in the Vision 2030 blueprint.

The Company works closely with other sub-sector players to formulate appropriate strategies to meet the country’s power demand, expand the network, reduce system losses and improve operational efficiency. A robust network enhances customer satisfaction and consequently leads to improved sales and revenue.

### SECURING ADEQUATE GENERATION CAPACITY

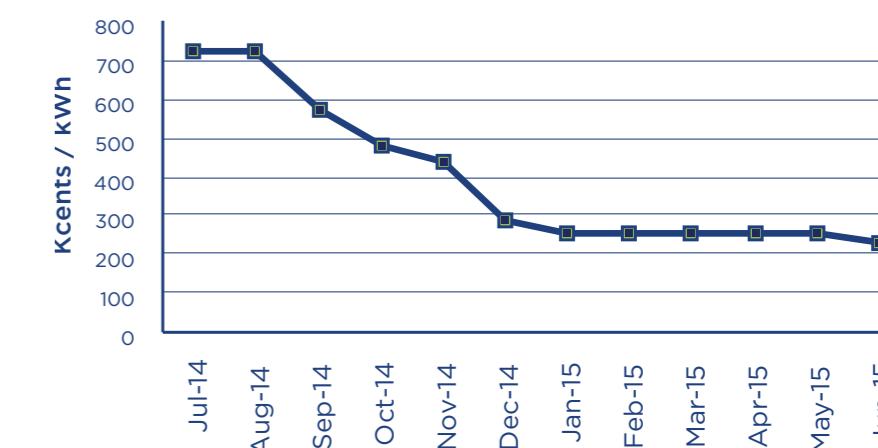
The country requires additional generation capacity to meet growing demand, reduce energy costs and diversify generation mix to minimise risks associated with overreliance on one source of energy. Adequate supply also includes provision of reserve capacity necessary for a steady system operation.

During the year under review, a total of 402.7MW of new generation capacity was added into the grid. This raised the total installed capacity to 2,299MW as at 30<sup>th</sup> June 2015 representing a growth of 21.4% compared to the previous period. The additional energy capacity comprises 225MW of geothermal, 20.4MW of wind and 157.32MW of thermal power.

The increased contribution from geothermal has significantly changed the monthly energy mix by displacing expensive thermal energy, thus relieving pressure on hydropower to become the leading source of energy.

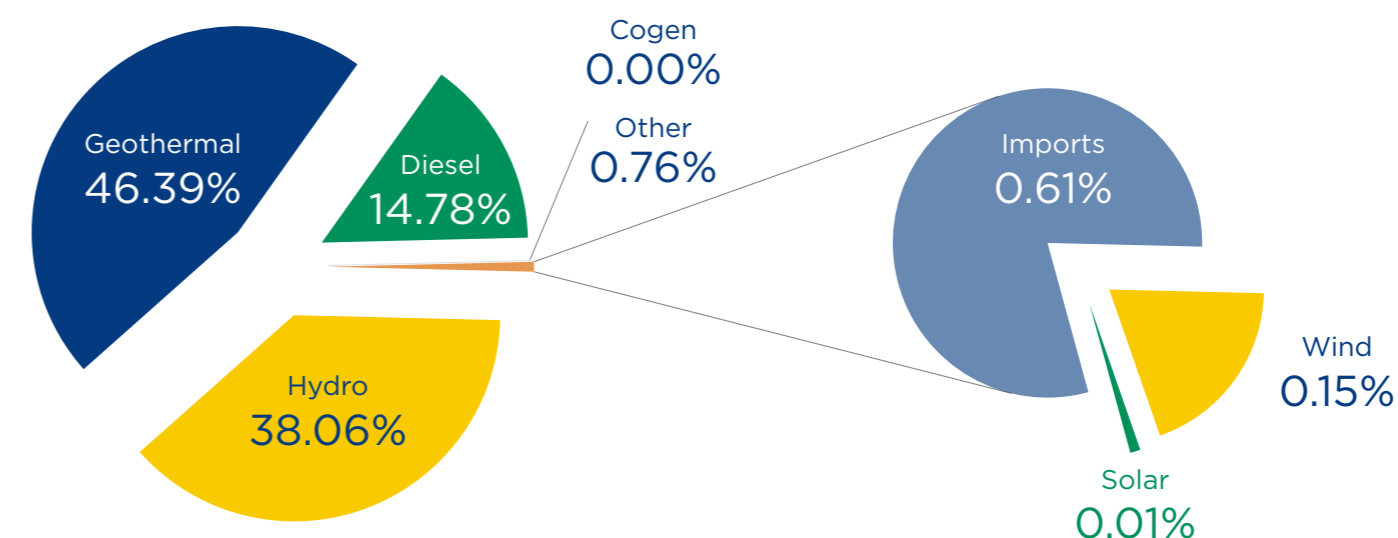
The increased geothermal energy enabled a 68% reduction in fuel cost charge to customers from a high of Shs.7.22/kWh in August 2014 to Shs.2.31/kWh in June 2015 as shown in the graph below.

Fuel Cost Charges (July 2014 - June 2015)



Generation projects include those implemented under the 5,000+MW programme and the Feed-in Tariffs Policy. The programme has increased generation capacity by 615.5MW in the last two years with 402.7MW realised during the period under review. Geothermal constitutes the bulk of new capacity integrated to the grid.

Energy Mix by Source (June 2015)



Committed Generation Projects (2015-2018)

	Plant	Type	MW	Ex-pected Online Date
1.	Kwale Sugar	Biomass	10	2015
2.	Strathmore University	Solar	0.25	2015
3.	Biojoule	Biogas	2	2016
4.	Kinangop Wind Park	Wind	60	2016
5.	Wellhead units	Geothermal	25	2016
6.	Cummins Power	Biomass	12	2016
7.	Marine Power -Akira	Geothermal	70	2016
8.	OrPower4 Plant IV	Geothermal	50	2016-2017
9.	Lake Turkana Wind Power	Wind	300	2017
10.	Quantum (Menengai)	Geothermal	35	2017
11.	Sosian (Menengai)	Geothermal	35	2017
12.	Ormat (Menengai)	Geothermal	35	2017
13.	ReGen Terem	Hydro	5	2017
14.	Kleen Energy	Hydro	6	2017
15.	Olkaria 1 rehabilitation	Geothermal	(45)	2018
16.	Olkaria 1 rehabilitation	Geothermal	50.7	2018
17.	Olkaria 1- (Unit 6)	Geothermal	70	2018
18.	Wellhead leasing	Geothermal	50	2018
19.	Africa Geothermal International (AGIL)	Geothermal	70	2018
20.	OI-Danyat Energy	Wind	10	2018
21.	Ethiopia Imports	Hydro	400	2018
22.	Mt. Kenya CBO	Hydro	0.57	2018
23.	Kipeto Energy	wind	100	2018
	<b>Total</b>		<b>1,352</b>	

Electricity demand is expected to rise as the economy expands and various energy intensive commercial activities emerge across the country including mining, production of iron and steel products, large scale irrigation, petro-chemicals industries, ports, rails, petroleum pipelines and development of special economic zones.

**BUILDING A ROBUST NETWORK**

**Transmission system projects**

During the year, the Company implemented various power transmission projects located in different parts of the country at a combined cost of USD 66.9 Million. These ongoing projects include the construction of 220/66 kV Thika Road substation and associated lines; refurbishment of 132/66 kV Juja Road substation and lines and construction of a 132kV power line from Sagana to Kutus and associated substation. In addition, we established a 220/66 kV substation and associated lines at Kainuk in Turkana county. The project was funded by the Government at a cost of Shs.897 Million.

We continued to work closely with Kenya Electricity Transmission Company (KETRACO) in the implementation of various transmission projects at a total cost of USD 46.4 Million. The projects are implemented under the Kenya Electricity Expansion Project (KEEP) and financed by World Bank's International Development Agency. They include construction of three new 132kV power lines and associated substations from Kindaruma to Garissa via Mwingi; Eldoret to Kitale and Kisii to Awendo.

Ongoing projects under implementation by KETRACO during the period include the following:

- i) Mombasa-Nairobi 220/400kV line with substation extension works at Rabai and Embakasi;
- ii) Installation of 220/66kV substations at Koma Rock, Athi River, Isinya and Ngong under 220kV Nairobi Ring project;
- iii) Construction of 400kV double circuit line between Suswa and Isinya substations;
- iv) The 500kV High Voltage Direct Current Eastern Electricity Highway between Ethiopia and Kenya and a convertor substation;
- v) Olkaria-Lessos; Lessos-Kisumu and Lessos-Tororo 220/400kV double circuit lines;
- vi) Development of Kenya-Tanzania 400kV interconnector double circuit line section between Isinya and Namanga;
- vii) Construction of Turkwel-Ortum-Kitale 220kV line;
- viii) Construction of various 132kV lines and associated substations with total circuit length of 647 kilometres. They include Meru-Isiolo-Nanyuki; Nanyuki-Rumuruti; Lessos-Kabarnet; Olkaria-Narok; Mwingi-Kitui-Wote-Sultan Hamud; Bomet-Sotik, Ishiara-Kieni and Machakos-Konza-Namanga.

**Distribution system projects**

In the year under review, the Company continued to invest heavily in distribution system expansion, reinforcement and upgrade projects to enhance quality and reliability of power supply to customers, reduce system losses, provide network flexibility and create capacity for new connections.

**Completed distribution projects**

The Company constructed a total of 16,552 kilometres of new medium and low voltage lines which were completed and commissioned compared to 6,979 kilometres in the previous year. Three turnkey projects worth USD9.11 million funded by the government were also completed. These are: completion of GSU Magadi 66/11kV substation; construction of a 33kV line from Hindi to Mkunubi and Kibaoni Market; Hindi to Mokowe 66kV line and a 33 kV line from Hindi to Lamu.

In addition, we commissioned 19 substation reinforcement and upgrade projects financed using internally generated funds at a total cost of Shs.1.4 billion. They include New Bamburi, Eldoret Rivatex and Lessos132/33kV substations; New Industrial, Steel Billets and Nairobi West 66/11kV substations. Others are 33/11kV substations in Bamburi Cement, Lessos, Nyali, Kisii, Msambweni, Busia, Kericho, Elburgon, Wajir, Sotik, Kikambala, Kianjai, Machakos and Nyali.

Other distribution projects completed include 61 line reinforcements and large power customer creation schemes at a cost of Shs.2.1 billion. The line reinforcement projects include electricity supply to Alale Township in West Pokot and completion of feed-outs at Kiboko substation in Makueni and Awendo substation in Migori. Other completed works include re-conductoring of the Juja-Nairobi South, Embakasi-Nairobi South double circuit line and Suswa-Narok line.

**On-going distribution projects**

We continued to implement various projects under different funding arrangements as detailed below:

- i) **The Kenya Electricity Expansion Project (KEEP)**  
The USD 102 million KEEP, funded by the World Bank's International Development Association (IDA), was initiated in 2010 with the objective of accelerating electricity access and improving quality and reliability of power supply.

In the year under review, we progressed in the implementation of various KEEP projects including construction of 24 distribution substations and associated lines at a cost of USD 77 million; all the substations are nearing completion and will be commissioned in the current financial year. These substations are distributed across various regions including Villa Franca, Tala and Lukenya in Nairobi South and Dagoretti in Nairobi West. Other substations include Magumu, Kabarak, Chepseon and Kipsaraman in Central Rift, and Juja, Gatundu, Uplands, Lower Kabete, Rironi, Banana and Githunguri in North Eastern region. Others are Elgon View in North Rift; Ahero, Kibos, Majengo and Maseno in Western Kenya; New Bamburi and Jomvu in Coast, and Kangema and Mwea in Mount Kenya region.

In addition, 604 kilometres of 33kV distribution lines are currently under construction emanating from various transmission substations in different parts of the country at a cost of USD 19.1 million.

- ii) **International Finance Corporation (IFC) and Government-funded projects**

Work progressed on substations and distribution line projects financed by International Finance Corporation and the Kenya Government at a cost of USD 20 million and USD 13.57 million respectively. The IFC funded projects are Maungu 132/33kV in Coast region, Mamlaka 66/11kV in Nairobi West and Bahati 33/11 in Central Rift. Government funded projects are Kainuk 220/66kV substation in North Rift and Lamu 33/11kV substation in Coast. These projects are expected to be commissioned in the current financial year.

## REPORT OF THE MANAGING DIRECTOR & CEO (Continued)

### iii) Kenya Electricity Modernisation Project

During the year, the Company commenced construction of 36 new substations and associated lines which are part of the recommendations of the Power Distribution Master Plan to be implemented between 2013 and 2018.

The projects will optimise efficiency of the distribution network, minimise losses and enhance power system to facilitate acceleration of customer connections and uptake of additional generation capacity. The USD.98.4 million projects, are distributed across various parts of the country as outlined below.

Nairobi Region	Scope of Work	Completion Date
1 Mvihoko	2x23 MVA 66/11 kV substation and lines	2016/17
2 Umoja	2x23MVA 66/11kV substation and lines	2016/17
3 Kitengela	23MVA 66/11kVsubstation and lines	2016/17
4 Kangundo	2x23MVA 66/11kVsubstation and lines	2016/17
5 Kiserian	2x23 MVA 66/11kVsubstationand lines	2016/17
Coast Region	Scope of Work	Completion date
1 Bofu (Kizingo)	23MVA 33/11 kV substation and lines	2016/17
2 Mtongwe	7.5MVA 33/11 kV substation and lines	2016/17
3 Port Reitz	15MVA 33/11kV substation and lines	2016/17
4 Kwale	2.5MVA 33/11kV substation and lines	2016/17
5 Kidimu	7.5MVA 33/11kV substation and lines	2016/17
6 Sabaki	7.5MVA 33/11kV substation and lines	2016/17
7 Kaloleni	7.5MVA 33/11kV substation and lines	2016/17
8 Kokotoni	7.5MVA 33/11kV substation and lines	2016/17
9 Mtondia	7.5MVA 33/11kV substation and lines	2016/17
10 Wundanyi	7.5MVA 33/11kV substation and lines	2016/17
West Region	Scope of Work	Completion date
1 Kisumu South	2x23MVA 33/11 kV substation and lines	2016/17
2 Sirisia	7.5MVA 33/11kV substation and lines	2016/17

South Nyanza Region	Scope of Work	Completion date
1 Mosoch	7.5MVA 33/11kV substation and lines	2016/17
2 Nyamira	7.5MVA 33/11kV substation and lines	2016/17
3 Kitaru	7.5MVA 33/11kV substation and lines	2016/17
North Rift Region	Scope of Work	Completion date
1 Kapsowar	7.5MVA 33/11kV substation and lines	2016/17
2 Endebess	7.5MVA 33/11kV substation and lines	2016/17
4 Moiben	7.5MVA 33/11kV substation and lines	2016/17
5 Ortum	7.5MVA 33/11kV substation and lines	2016/17
6 Kibebetiet	7.5MVA 33/11kV substation and lines	2016/17
7 Aldai	7.5MVA 33/11kV substation and lines	2016/17
Central Rift Region	Scope of Work	Completion date
1 Molo	7.5MVA 33/11kV substation and lines	2016/17
2 Sosiot	7.5MVA 33/11kV substation and lines	2016/17
Mt. Kenya Region	Scope of Work	Completion date
1. Mukurweini	7.5MVA 33/11kV substation and lines	2016/17
2. Kagumo	7.5MVA 33/11kV substation and lines	2016/17
4. Gatakaine	7.5MVA 33/11kV substation and lines	2016/17
5. Kahurura	7.5MVA 33/11kV substation and lines	2016/17
6. Kiamutugu	7.5MVA 33/11kV substation and lines	2016/17
7. Mikinduri	7.5MVA 33/11kV substation and lines	2016/17
8. Muirungi	7.5MVA 33/11kV substation and lines	2016/17
9. Nkuene	7.5MVA 33/11kV substation and lines	2016/17

## REPORT OF THE MANAGING DIRECTOR & CEO (Continued)

### iv) Distribution Upgrade and Reinforcement Projects

Using internally generated funds, we continued to implement on-going substation upgrade and reinforcement projects in different parts of the country at a cost of Shs.6.1 billion. To further stabilise voltage levels and improve quality of power supply in Coast, West Kenya and Mount Kenya regions; we progressed with works to install capacitor banks and reactors in major transmission substations under USD.26.6 million Reactive Power Compensation Project financed by the Company.

### v) Projects funded by Export-Import (EXIM) Bank of China

The government obtained a USD.132 million loan facility from the Export-Import (EXIM) Bank of China to implement several power projects aimed at enhancing power supply quality within Nairobi's Central Business District. The project entails installation of 220kV incomer cable from Embakasi substation in Nairobi West region to the proposed 220/66kV gas-insulated substation at the Nairobi Railways compound. It also involves development of 66kV underground cable network linking all major substations in the city. The project will also establish 66/11kV substations at Likoni Road in Nairobi's Industrial Area and Kiu River in Kiambu. In addition the funding will help modernise Cathedral Substation in the Nairobi's City Centre to enhance capacity and create flexibility of the network for better service to customers.

### vi) Boresha Umeme programme

The Company intensified the implementation of the *Boresha Umeme* programme initiated the previous period to upgrade the electricity network. The initiative maximises Company's resources to carry out extensive maintenance especially in areas that experience frequent power outages. In addition, the programme prioritises network upgrades for large power customers and high growth areas including industrial parks, major towns, residential areas and townships.

Under the programme, we completed construction of alternative power supply lines to 150 large power and essential service customers to enhance system flexibility and minimise power interruptions to their premises. The *Boresha Umeme* programme has been implemented in over 40 locations at a total cost of Shs.2.8 billion during the year under review. Quality of power supply has improved in areas covered by the programme. We shall sustain the project in the coming year as part of our strategy to grow electricity sales and, consequently, improve revenue in the medium term.

### vii) Live-Line maintenance strategy

In order to minimise power supply interruptions to customers during maintenance operations, the Company initiated live-line maintenance programme to enable our technical teams carry out maintenance works without interrupting supply to customers. During the year, we commenced procurement of the necessary live-line equipment and developed a training programme for the technical teams. The programme will enable our technical teams to replace damaged poles on live distribution networks; conduct repair works on power equipment; enable live connection of new power lines onto existing ones as well as perform wayleaves trace clearance among other advantages. Besides improving customer satisfaction, live-line programme will enhance reliability and improve sales by minimising power supply interruptions.

### viii) Reduced vandalism incidences

We made remarkable progress in countering vandalism challenges in the period under review. This was achieved through increased surveillance of our installations, enhanced public awareness campaigns, partnerships with law enforcement agencies to apprehend and prosecute offenders and adoption of innovative technical measures. These initiatives resulted in the lowest number of vandalism incidences recorded in the last six years, with transformer vandalism cases drastically reducing from 535 the previous year to 268 in the period.

### ACCELERATING CONNECTIVITY, EMPOWERING KENYANS

One of the notable achievements during the year was the connection of a record 843,899 new customers and the significant increase in total number of customers to 3,611,904 as at 30<sup>th</sup> June 2015. The rapid growth in customer connections has raised the country's electricity connectivity access rate from 37% as at end of June 2014 to 47% at the end of the financial year. This growth in customer base is part of our strategy to grow electricity sales and ensure the Company's long term financial viability. We aim to connect over one million new customers every year going forward in order to achieve the 70% connectivity milestone by 2017.

Initiatives adopted by the Company to attain the high connectivity rate include transformer maximisation, pre-investment schemes in densely populated areas, ease of connection costs through *StimaLoan* facility and electrification of low income high density settlements funded by the Company and World Bank's Global Partnership on Output-Based Aid (GPOBA) programme.

## REPORT OF THE MANAGING DIRECTOR & CEO (Continued)

Pre-investment is our customer growth strategy aimed at easing connection costs in high growth potential areas. It entails extension of the medium voltage network and installation of transformers to serve large number of unconnected settlements. This greatly reduces the connection charges and enables rapid uptake of electricity by customers.

### GPOBA electrification project

Acknowledging the reality of many Kenyans living in informal settlements with limited or no access to electricity, the Company, in partnership with the government and development partners, has been exploring sustainable ways to provide safe, legal and affordable electricity to these settlements as well as reduce prevalent commercial losses attributed to electricity theft. Electrification of informal settlements is often deemed uneconomical for power utilities owing to inadequate returns to cover investment and operational costs. Towards this, the Company entered into an arrangement with the World Bank's International Development Association (IDA) acting as the administrator of the Global Partnership Output Based Aid (GPOBA) for electrification of informal settlements in the country.

Under the GPOBA programme the Company pre-invests its resources to electrify informal settlements upon which the World Bank will reimburse to the Company for every connection. The facility comprises USD10 million IDA loan and USD5.15 million GPOBA grant to be used as subsidy for eligible electricity connections, allowing low-income households to pay Shs.1,160 per connection. The GPOBA project design includes an anti-theft distribution system configuration and prepayment metering technologies that help customers control their consumption.

During the period, we implemented a total of 393 GPOBA schemes in different parts of the country which enabled 524,813 new households connected. It is envisaged that electrification of these low-income communities will result in accelerated economic growth at the micro-economic level in line with the Government's development vision. The GPOBA programme will be concluded in the current financial year.

### Stima Loan

Affordability of the cost of new connections is a challenge to some customers. In this regard, the Company partnered with the French Development Agency (AFD) in 2010 to set up a revolving fund of Euro 4.5 million for lending to potential customers who require financing of new electricity connections under internally managed *StimaLoan* arrangement. In addition, we have separate *StimaLoan* funding arrangements with Equity Bank Limited and Jamii Bora

Bank. This type of financing has helped to increase electricity penetration and access especially in rural parts of the country. As at end of June 2015, a total of 80,890 customers had benefited from the *StimaLoan* facility, we continued to negotiate with other partners to increase funding and benefit more customers.

### Last mile connectivity project

The cost of extending the power supply network remains the biggest challenge to electrification especially in the country's rural and low income areas. This is compounded by our land tenure system which has led to sparse population settlement patterns making it expensive to extend utility services including electricity and water. The Last Mile Connectivity Project was launched by the government during the year to scale up connectivity by providing subsidy for extending the grid to enable Kenyans get electricity supply at affordable cost.

The Last Mile Connectivity Project aims at increasing electricity access notably to rural and peri-urban areas, accelerating economic growth at the micro-economic level and improving quality of lives. The initial phase of the project will be rolled out in the 2015/16 financial year under USD 139.5 million financing from the African Development Bank (AfDB). It entails maximisation of existing 5,320 distribution transformers spread across the country to enable connection of approximately 314,200 households translating to over 1.5 million beneficiaries. Customers within 600 metre transformer radius will be connected at a subsidised cost of Sh.15,000. Further, the African Development Bank has committed additional USD133.4 million funding to maximise another 5,320 transformers to connect 310,850 households.

The second phase to be implemented using USD 150 million funding from the World Bank's International Development Association (IDA) aims at maximising 3,200 existing transformers and installing additional 1,000 new transformers targeting 312,500 households in peri-urban and other densely populated areas throughout the country. Negotiations with the French Development Agency (AFD) are ongoing for Euro 100 million funding for implementation of the third phase of the project targeting maximisation of 3,830 existing distribution transformers and installation of 400 new transformers to benefit additional 230,000 households.

Other development partners such as the KfW of Germany, Danish International Development Agency (DANIDA) and Japan International Co-operation Agency (JICA) have expressed interest in supporting the project.

## REPORT OF THE MANAGING DIRECTOR & CEO (Continued)

### Rural Electrification

During the financial period under review, the Company completed installation of meters to various schools bringing the total number completed to 11,391. Implemented by the Rural Electrification Authority (REA), the metering project aims at completing the connection process for additional 5,489 primary schools in the coming year bringing the cumulative total to 16,880.

### ENHANCING TECHNICAL AND OPERATIONAL EFFICIENCY

The Company continues to embrace technological innovations that improve business processes and operations to enhance performance and, by so doing, create added value for our shareholders. Some of the major projects undertaken during the year to enhance technical and operational efficiency are highlighted below:

#### i) Smart metering project

During the year under review, we introduced a pilot smart metering technology solution to enhance revenue protection and customer satisfaction. This technology is being deployed in Small and Medium Commercial customer segments which contribute approximately 16% of our revenues. The initial phase of the project involves installation of 10,000 smart meters and is being implemented in Nairobi's Central Business District, Kariobangi Light Industries and Runda estate at a cost of Shs.172 million. In addition to generating automatic surveillance alerts, smart metering enables remote meter reading, time of use tariff functionality, disconnections and reconnections of supply to customers. The technology also makes it possible for customers to monitor and manage their energy consumption.

In addition, the Company initiated procurement of outdoor smart meters for large power customers who contribute 55% of our total revenue. The outdoor smart metering project involves relocation of metering points from indoor locations to lockable enclosures outside customer premises. A total of 5,963 meters will be installed by end of the 2015/2016 financial year.

#### ii) Distribution system automation and SCADA upgrade

The Supervisory Control and Data Acquisition (SCADA) system is at the core of grid operations. System automation projects involve use of SCADA applications to remotely identify faults occurring in the power distribution network; isolate the faulty sections and restore supply to customers.

During the year, we enhanced the capability of the SCADA network management system to improve operational efficiency and enable integration of new substations to the system. The upgraded system consists of equipment installed at the National Control Centre and Regional Control Centres as well as data collection equipment at

various substations. The SCADA system was extended to cover 17 substations including Magadi GSU; Gulf Power, Mbaraki in Mombasa, Olkaria IV, Olkaria I Additional Unit, Malindi 33/11kV, Olkaria II Extension, Mbaraki 33/11kV, Meru 132/33kV, Ruring'u 33/11kV, Thika Industrial 66/11kV and Donholm switching station.

In the same period, we commenced implementation of the second phase of the distribution system automation project extending to the wider Mombasa City and satellite towns following successful completion of the first phase. This phase will cover areas such as Mariakani and MacKinnon in the north west of Mombasa, Ukunda and Msambweni in the south, and Rea Vipingo and Kilifi in the north coast.

#### iii) GIS/ FDB implementation

During the year, we commenced implementation of the final phase of Facilities Database (FDB) project. FDB uses geographic information to store, generate and manage digital data of the Company's electricity infrastructure and customer details including location of their premises. The system enables the Company to generate quotations for new connections without site visits, facilitate targeted communication with customers as well as expedite restoration of electricity supply in case of outages. Upon full adoption, the system will enable the Company improve on operational efficiency, enhance system reliability and increase customer satisfaction among other benefits. The project is at an advanced stage and will be completed in the new financial year.

#### iv) Prepaid metering

Prepaid metering gives customers convenience, flexibility and control of their electricity use, while at the same time improving revenue management for the Company. In the period under review, we installed 654,953 additional prepaid meters compared to 341,770 in the previous period. This brings the total number of prepaid customer accounts to 1,331,741 as at end of June 2015. To further enhance revenue protection, the Company adopted prepaid split-metering technology which allows the meter to be secured to prevent tampering.

#### v) Extension of the radio trunking system

Following successful completion of radio trunking network for the western part of the country whose aim is to enhance communication efficiency in our field operations, the Company embarked on the extension and upgrade of the network system covering Coast and Nairobi Regions. We completed upgrade works at the Nairobi and Mount Kenya (Kiganjo) control centres, with ongoing works covering sites in Coast region including Voi, Taveta, Malindi, Lamu and Hola, Kwale, Kilifi and Garsen.

## REPORT OF THE MANAGING DIRECTOR & CEO (Continued)

### vi) Enterprise Data Warehouse and Business Intelligence

We initiated a project to fortify our technological infrastructure supporting data management, performance monitoring and reporting. The system is used to electronically monitor key business performance indicators to enable timely and accurate decision making. It will also avail a rich historical database that enables performance evaluation, forecasting and strategic planning.

The project entails upgrade of the existing Information and Communication Technology (ICT) infrastructure and implementation of an Enterprise Data Warehouse (EDW) and Business Intelligence (BI) solutions among others. Installation of the EDW/BI system was completed during the year under review and will be commissioned in the current financial period.

### vii) Automation of business process and E-Procurement in SAP

The Company continues to automate its business processes to enhance efficiency in operations and service delivery. The existing SAP enterprise resource planning system was upgraded during the year to efficiently manage financial, human resource, logistics and supply chain functions. The additional modules have facilitated e-procurement, e-tender approvals, e-recruitment, and e-travel applications.

### viii) Mechanisation of our work processes

During the year, we continued to mechanise labor-intensive tasks in building and maintaining the network. We acquired additional digger derricks, hoisting platforms and lifting cranes to enable the Company achieve operational efficiency in customer connectivity, network expansion and maintenance works.

### IMPROVING CUSTOMER SERVICE

We sustained information dissemination and customer awareness campaigns through engagement forums, media shows, trade fairs, exhibitions, public meetings and road shows. A baseline survey conducted by Ipsos Limited, a local research firm, established a Customer Satisfaction index of 64.8%. The research made recommendations to management on focus areas for improvement.

In particular, we undertook the following customer service initiatives during the year:-

#### i) Premier customer experience

Our modern Contact Centre provides customers with an integrated communication platform through which customers can interact with the Company on a 24-hour basis. During the year, we

enhanced the technical capacity of the communication channels at the Contact Centre and increased the number of agents to serve the needs of our growing number of customers.

In addition, we opened a premier centre at Electricity House in Nairobi to give dedicated service to customers applying for electricity under the large power customer category. Similar centres will be established in other major towns including Mombasa, Kisumu, Nakuru and Eldoret. We also extended our services to 21 Huduma Centres, the one-stop government service centres, to further enhance service delivery.

#### ii) Stakeholder engagements

Stakeholder engagement activities organised by the Company during the year include open day forums held jointly with Consumer Federation of Kenya (COFEK) in Uasin Gishu, Nakuru, Kisumu and Nyeri counties. In addition, we engaged other strategic stakeholders such as the Kenya Association of Manufacturers (KAM) and Kenya Private Sector Alliance (KEPSA), Kenya Private Developers Association and county governments. These forums involved sharing information about the Company, highlighting our major projects, products and services as well as facilitating customer feedback for improved service delivery. We also participated in exhibitions and trade fairs in various parts of the country including Agricultural Society of Kenya (ASK) shows.

#### iii) Alternative billing and payment services

The rapid growth in customer numbers and the changing business environment have necessitated adoption of innovative cost-effective technological solutions to enable timely delivery of bills, enhance communication with customers and improve service delivery. In this regard, we continued enrolling customers to receive electronic bills through emails and short messaging service (SMS). Customers are required to register for electronic bills by dialing \*551# on their mobile phones or filling in a registration form provided on the Company website. By the end of the financial year, 95% of our customers had signed up to receive electricity bills via SMS or email.

Our EasyPay partners provide convenient alternative payment channels to our customers. Revenues collected through these third party agencies averaged 85% of total collections in the year. EasyPay partners include Postal Corporation of Kenya; Uchumi Supermarkets; mobile money transfer services such as Airtel Money and MPESA; and banking institutions such as Post Bank, National Bank, Barclays Bank, Standard Chartered, Family Bank, Cooperative and Equity Bank.

## REPORT OF THE MANAGING DIRECTOR & CEO (Continued)

### iv) Simplifying connection process

During the year, we reviewed the electricity connection process by reducing the requisite steps from six to three: application; payment; and construction and metering. Premium applications (requiring over 25kVA demand) are assigned to a marketing officer to facilitate speedy connections. We have also deployed marketing officers to Kenya Investment Authority (KenInvest), the national investment promotion office, to provide liaison services for power supply to prospective investors.

### STREET LIGHTING PROGRAMME

The street lighting project was initiated to provide adequate public lighting to commercial and residential areas, roads and public transport facilities to improve security and create a conducive environment for a 24-hour economy. During the year, the government provided an initial budget of Shs.953 million for the project for works covering 783 sites in Nairobi. The works entail refurbishment of the existing street lighting infrastructure, installation of new lighting networks, operation, maintenance and replacement of existing High Pressure Sodium Lamps with Light Emitting Diode (LED's) along roads in the Nairobi Central Business District and other major roads in the city. The project was later extended to cover Nyeri town.

At the close of the financial year, a total of 10,554 street lights were installed in 455 sites comprising roads, streets and public lighting masts. Building on the success of the project in Nairobi, the Company is rolling out the street lighting programme to other parts of the country in partnership with county governments. The project provides an opportunity to grow business through increased electricity revenue.

### HUMAN CAPITAL

We recognise that human capital is a key pillar upon which our corporate objectives are anchored. In this regard, the Company endeavours to sustain an effective human resource capacity to deliver quality services that delight our customers.

During the year, we continued to employ human resource strategies that attract, retain and motivate highly skilled staff through recognition and reward for good performance, professionalism, meritocracy and equity. Towards this, we continued to invest in training programmes on technical and professional skills aimed at transforming staff into focused high performing teams. In recognition of the increasing demand for specialised technical manpower in the energy sector both locally and regionally, the Company is transforming its Training School, renamed Institute of Energy Studies and Research, into a state-of-the-art technical training centre to serve the needs of the country and the region.

In line with our business strategy and changing business environment, we continued to restructure the organisation to enhance performance

and service delivery. We currently have eleven functional divisions and ten administrative regions and county business units under the new structure for optimal operation and management. As at end of June 2015, the Company had 10,845 members of staff serving 3,611,904 customers which translates to a staff-customer ratio of 1:333, an improvement compared to 1:261 in the previous period.

The above initiatives contributed towards the Company's achievement of an overall performance rating of 'Very Good' in the year. We will strive to sustain and enhance these efforts to continually improve future performance.

### CONCLUSION

Going forward, the Company is on the right path to greater prosperity with numerous opportunities for business growth and expansion supported by anticipated economic growth. We are committed to pursuing strategies aimed at ensuring provision of adequate and diversified generation capacity delivered through a robust electricity infrastructure to serve our growing number of customers. A robust and expanded network is a critical pre-requisite for off-take and distribution of the additional generation capacity being developed under the 5000+MW programme to serve the growing economy.

Towards this end, we have mobilised resources to accelerate focused implementation of network upgrade projects including fixing the existing network through our *Boresha Umeme* programme, completion of the ongoing new substations across the country to enhance system capacity for new connections as well as improve the quality and reliability of power supply. In addition, we have commenced implementation of the Last Mile Connectivity project to support our one million customer connections annual target and realise the government's goal of achieving 70% electricity access by 2017.

I wish to thank the Board of Directors for their strategic support and guidance, and our employees for their dedicated service throughout the year. We are confident that with the continued support of our Board of Directors and other business partners in the implementation of these strategies, we shall achieve our overall goal of providing high quality electricity and service to our customers.



**Dr. Ben Chumo, OGW**  
Managing Director & CEO  
29<sup>th</sup> October 2015



## RIPOTI YA MKURUGENZI MKUU NA AFISA MKUU MTENDAJI

### UTANGULIZI

Huku tukiongozwa na wito wetu wa kusambaza umeme kuboresha maisha ya watu, tulitekeleza miradi mikubwa ya upanuzi wa mtandao ambayo iliwezesha Kampuni kuharakisha usambazaji umeme katika makazi na maeneo ya biashara ili kuharakisha ustawi wa kijamii na kiuchumi wa nchi. Mbali na hayo, katika mwaka uliomalizika, tulianzisha miradi tofauti ya upanuzi kuboresha mitambo yetu ili kuimarisha uwezo wa usambazaji na kuinua viwango vya ugavi wa umeme.

Kutokana na hayo, tulipata idadi ya kihistoria ya wateja wapya ya 843,899 katika kipindi hicho, ikilinganishwa na 443,254 tulipata katika kipindi cha kifedha cha 2013/14, na hivyo ukuaji wa aina yake wa asilimia 90. Hii inaambatana na mkakati wa Kampuni wa kusambaza umeme kwa zaidi ya asilimia 70 ya Wakenya kufikia 2017 kama sehemu ya hatua ya kuhakikisha Wakenya wote wana umeme kufikia 2020. Mpango wa kusambaza umeme katika barabara za Nairobi ni mradi mwingine muhimu uliotekelezwa na Kampuni katika kipindi kilichomalizika. Mradi huu, uliofadhiliwa na Serikali, ulilenga kuimarisha usalama katika barabara za jiji na maeneo ya umma ili kuwezesha biashara kuendelea kwa saa 24.

Usambazaji umeme wa kiwango kikubwa, kuboresha mitambo na mradi unaoendelea wa kuweka umeme barabarani ni miongoni mwa miradi mikuu iliyotekelezwa na Kampuni kwa lengo la kupanua mauzo ya umeme na mapato. Mradi wa kuzalisha MW 5,000+ unaoendelea kutekelezwa unatarajiwa kusambaza umeme wa kutosheleza mahitaji yanayozidi kuongezeka kutokana na miradi hii na mingine mingi mikubwa chini ya mpango wa ustawi wa nchi.

### Mkakati wa Kampuni

Malengo yetu ya hivi karibuni ni pamoja na kupanua mauzo ya umeme kwa kuharakisha usambazaji wa umeme ili kuongeza uthabiti wa kifedha wa Kampuni, kuunda, kusimamia na kutunza mtandao wenye nguvu za umeme; kuimarisha ubora wa usambazaji wa umeme na huduma kwa wateja; na kuzalisha mapato mazuri kwa wenyehisa wetu. Mikakati hii inaoanishwa na malengo ya maendeleo ya nchi kama inavyoelezwa kwenye ruwaza ya 2030.

Kampuni inashirikiana kwa karibu na washikadau wengine kwenye sekta zinazohusiana na umeme kuunda mikakati mwafaka kutosheleza mahitaji ya nchi ya umeme, kupanua mtandao, kupunguza hasara ya umeme kwenye mtandao na kuimarisha utendakazi. Mtandao thabiti huwezesha kuridhika kwa wateja na hivyo kuongeza mauzo na mapato.

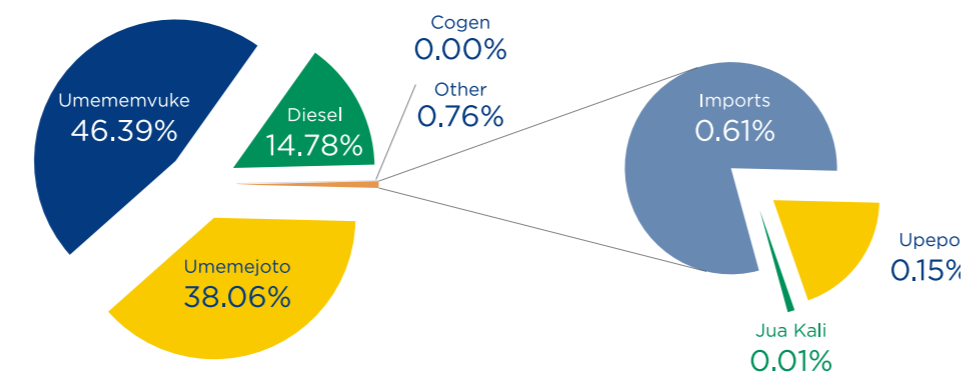
### KUPANUA UWEZO WA UZALISHAJI UMEME

Nchi inahitaji uwezo zaidi wa uzalishaji kutosheleza mahitaji yanayozidi kuongezeka, kupunguza gharama ya umeme na kupanua vyanzo vya uzalishaji umeme ili kupunguza hatari zinazohusishwa na kutegemea chanzo kimoja cha uzalishi umeme. Usambazaji wa kutosha unajumuisha kuwepo kwa njia mbadala za uzalishaji kuhakikisha mitambo inaendelea na kazi.

Katika mwaka uliomalizika, tuliongeza uwezo mpya wa kuzalisha jumla ya MW402.7 kwenye mtandao wetu. Hii ilifikisha jumla ya uwezo wetu wa uzalishaji kuwa MW2,299 kufikia Juni 30, 2015, ukuaji wa asimilia 21.4 ikilinganishwa na kipindi kilichopita. Uwezo zaidi wa uzalishaji umeme unajumuisha MW225 kutokana na umememvuke, MW20.4 za umeme kutokana na maji na MW157.32 za umemejoto.

Uzalishaji kutokana na umememvuke umebadilisha maradufu mchanganyiko wa umeme wa kila mwezi na hivyo kuondolea mbali matumizi ya umemejoto ambao ni ghali mno, na hivyo kupunguza shinikizo katika uzalishaji umeme kutoka vyanzo vya maji ambao ndio chanzo kikubwa cha kawi.

### Umeme Mchanganyiko Vyanzo (Juni 2015)

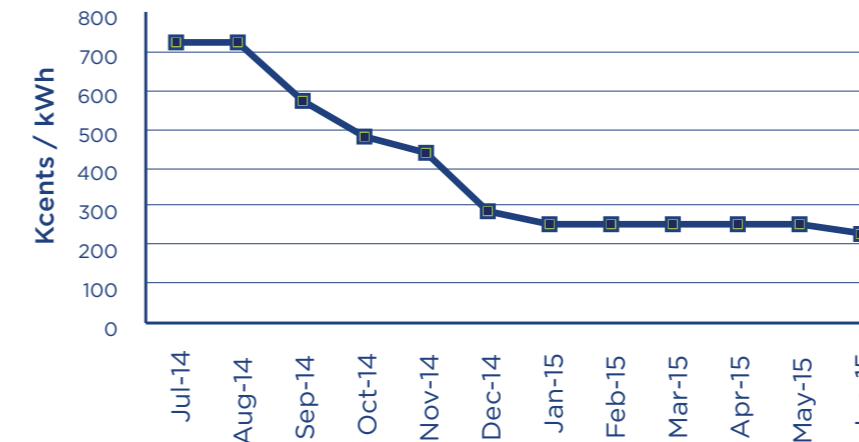


Kawi ya umememvuke iliwezesha kupunguza kwa asilimia 68 gharama ya mafuta wanaotozwa wateja kutoka kiwango cha juu cha Sh7.22/kWh mnamo Agosti 2014 hadi Sh2.31/kWh mnamo Juni 2015 kama inavyoonyeshwa kwenye mchoro ufuatao.

### Gharama za ada za Mafuta (Julai 2014 - Juni 2015)

Charged FCC KCents/kWh

## RIPOTI YA MKURUGENZI MKUU NA AFISA MKUU MTENDAJI (Kuendelea)



Miradi ya uzalishaji inajumuisha ile iliyotekelezwa chini ya Mpango wa 5,000+ na sera ya Feed-in Tariffs. Mpango huo umeongeza uwezo wa uzalishaji kwa MW615.5 katika miaka miwili iliyopita huku MW402.7 zikipatikana katika kipindi kinachoangaziwa. Umememvuke unachangia kiwango kikubwa cha umeme wa ziada unaozalishwa. Miradi mingine chini ya mpango huo imo kwenye awamu tofauti za utekelezaji kama inavyoonyeshwa hapa chini:

### Miradi inayoendelea ya Uzalishaji inayotajiwa 2015-2018

Plant	Type	MW	Inatarajiwa Tarehe
1. Kwale Sugar	Biomass	10	2015
2. Strathmore University	Solar	0.25	2015
3. Biojoule	Biogas	2	2016
4. Kinangop Wind Park	Wind	60	2016
5. Wellhead units	Geothermal	25	2016
6. Cummins Power	Biomass	12	2016
7. Marine Power - Akira	Geothermal	70	2016
8. OrPower4 Plant IV	Geothermal	50	2016-2017
9. Lake Turkana Wind Power	Wind	300	2017
10. Quantum (Menengai)	Geothermal	35	2017
11. Sosian (Menengai)	Geothermal	35	2017
12. Ormat (Menengai)	Geothermal	35	2017
13. ReGen Terem	Hydro	5	2017
14. Kleen Energy	Hydro	6	2017
15. Olkaria 1 rehabilitation	Geothermal	(45)	2018
16. Olkaria 1 rehabilitation	Geothermal	50.7	2018
17. Olkaria 1 - (Unit 6)	Geothermal	70	2018
18. Wellhead leasing	Geothermal	50	2018
19. Africa Geothermal International (AGIL)	Geothermal	70	2018
20. Ol-Danyat Energy	Wind	10	2018
21. Ethiopia Imports	Hydro	400	2018
22. Mt. Kenya CBO	Hydro	0.57	2018
23. Kipeto Energy	wind	100	2018
<b>Total</b>		<b>1,352</b>	

Mahitaji ya umeme yanatarajiwa kuongezeka uchumi unapoendelea kukua na shughuli za kibiashara zinazohitaji umeme kwa wingi zikizanzishwa kote nchini ukiwemo uchimbaji madini, uundaji wa vyuma na bidhaa za chuma, unyunyuzi mashamba wa kiwango kikubwa, viwanda vya kuteng'eneza kemikali, bandari, njia za reli, mabomba ya kusafirisha mafuta na uzinduzi wa maeneo maalumu ya kiuchumi.

**“ Usambazaji umeme wa kiwango kikubwa, kuboresha mitambo na mradi unaoendelea wa kuweka umeme barabarani ni miongoni mwa miradi mikuu iliyotekelezwa na Kampuni kwa lengo la kupanua mauzo ya umeme na mapato. ”**

## RIPOTI YA MKURUGENZI MKUU NA AFISA MKUU MTENDAJI (Kuendelea)

### KUUNDA MTANDAO THABITI

#### Miradi ya usambazaji umeme

Katika mwaka uliomalizika, Kampuni ilitekeleza miradi tofauti ya usambazaji umeme katika maeneo mbalimbali ya nchi kwa jumla ya gharama ya Dola 66.9 Milioni. Miradi hii inayoendelea ni pamoja na ujenzi wa kituo kidogo cha 220/66 kV katika Thika Road na laini za usambazaji umeme; ukarabati wa kituo kidogo cha kV132/66 katika Juja Road na laini zake na ujenzi wa laini ya umeme ya kV 132 kutoka Sagana hadi Kutus na kituo chake kidogo. Isitoshe, tulijenga kituo kidogo cha kV220/66 na laini yake katika Kainuk, kaunti ya Turkana. Mradi huo ulifadhiliwa na Serikali kwa gharama ya Sh897 milioni.

Tuliendelea kushirikiana kwa karibu na Kenya Electricity Transmission Company (KETRACO) katika utekelezaji wa miradi tofauti ya usambazaji kwa jumla ya Dola 46.4 Milioni. Miradi hiyo inatekelezwa chini ya Mradi wa Upanuzi wa Umeme Kenya (KEEP) na kufadhiliwa na shirika la Benki ya Dunia, International Development Agency. Hii ni pamoja na ujenzi wa laini tatu mpya za umeme za kV 132 na vituo vyao vidogo kutoka Kindaruma hadi Garissa kupitia Mwingi; Eldoret hadi Kitale na Kisii hadi Awendo.

Miradi inayoendelea ambayo inatekelezwa na KETRACO katika mwaka uliomalizika ni kama ifuatavyo:

- Laini ya kV220/400 kutoka Mombasa hadi Nairobi na upanuzi wa kituo kidogo katika Rabai na Embakasi;
- Ujenzi wa vituo vidogo vya kV220/66 katika Koma Rock, Athi River, Isinya na Ngong chini ya mradi wa kV 220 Nairobi Ring;
- Ujenzi wa laini kuu ya kubeba kV400 kati ya vituo vidogo vya Suswa na Isinya;
- Mradi wa kusafirisha kiwango kikubwa cha umeme cha kV 500kV kati ya Ethiopia na Kenya na kituo chake kidogo;
- Ujenzi wa laini mbili za kV220/400 kutoka Olkaria-Lessos na Lessos-Kisumu na kV400 kati ya Lessos na Tororo;
- Mradi wa kujenga laini ya 400kV kuunganisha Kati ya Kenya na Tanzania kutoka Isinya Hadi Namanga.
- Ujenzi wa laini ya kV220 kutoka Turkwell-Ortum- Kitale.
- Ujenzi wa laini tofauti za kV 132 na vituo vyao za kilomita 647. Hii ni pamoja na Meru-Isiolo-Nanyuki; Nanyuki-Rumuruti; Lessos-Kabarnet; Olkaria-Narok; Mwingi-Kitui-Wote-Sultan Hamud; Bomet-Sotik, Ishiara-Kieni na Machakos-Konza-Namanga.

#### Miradi ya mitambo ya usambazaji

Kampuni iliendelea kuwekeza pakubwa katika mpango wa usambazaji umeme, kuimarisha na kupanua miradi ili kuboresha viwango na usambazaji wa umeme kwa wateja, kupunguza hasara kwenye mtandao, kutoa nafasi ya marekebisho kwa mtandao na kuwezesha uunganishaji kwa wateja wapya.

#### Miradi iliyokamilika ya usambazaji

Katika mwaka uliomalizika, Kampuni ilijenga jumla ya kilomita 16,552 za laini za kusafirisha kiwango cha umeme cha wastani na cha chini ikilinganishwa na kilomita 6979 zilizokamilika mwaka uliopita. Miradi mitatu ya thamani ya Dola 9.11 milioni iliyodhaminiwa na Serikali pia ilikamilika. Hii ni pamoja na kituo kidogo cha GSU Magadi kV66/11; ujenzi wa laini ya kusafirisha kV33 kutoka Hindi hadi Mkunubi na soko la Kibaoni; laini ya kV66 kutoka Hindi hadi Mokowe; na laini nyingine ya kV33 kutoka Hindi hadi Lamu.

Pamoja na hayo, miradi 19 ya kukarabati vituo vidogo iliyofadhiliwa na fedha zilizotokana na mapato ya Kampuni kwa gharama ya Sh1.4 bilioni ilianzishwa katika kipindi hicho. Hii ni pamoja na vituo vidogo vipya kV132/33 vya New Bamburi, Eldoret Rivatex na Lessos; na vituo vidogo vya kV66/11 vya New Industrial, Steel Billets na Nairobi West. Vingine ni vituo vidogo vya kV33/11 katika Bamburi Cement, Lessos, Nyali, Kisii, Msambweni, Busia, Kericho, Elburgon, Wajir, Sotik, Kikambala, Kianjai, Machakos na Nyali.

Miradi mingine iliyokamilika ni kuimarisha kwa laini 61 na miradi ya wateja wanaotumia kiasi kikubwa cha umeme kwa jumla ya gharama ya Sh.2.1 bilioni. Miradi ya kuimarisha laini ni pamoja na usambazaji umeme hadi kituo cha biashara cha Alale Township, West Pokot na ujenzi wa kituo kidogo cha Kiboko katika Makueni na kituo kidogo cha Awendo, Migori. Miradi mingine iliyokamilika ni pamoja na kuongeza nguvu laini ya umeme kutoka Juja-Nairobi South, Embakasi-Nairobi South na laini ya Suswa-Narok.

#### Miradi inayoendelea ya usambazaji umeme

Tuliendelea kutekeleza miradi mbalimbali chini ya mipango tofauti ya ufadhili kama inavyoonyeshwa hapa chini:

#### i) Mradi wa upanuzi wa umeme Kenya (KEEP)

Mradi wa Upanuzi wa Umeme Kenya wa Dola 102 milioni, uliofadhiliwa na kitengo cha Benki ya Dunia cha International Development Agency (IDA), ulianzishwa mnamo 2010 kwa lengo la kuharakisha usambazaji wa umeme na kuimarisha viwango vya usambazaji umeme na kuufanya kuwa wa kutegemewa.

Katika mwaka uliomalizika, tuliendelea na utekelezaji wa miradi tofauti ya KEEP ukiwemo ujenzi wa vituo 24 vya usambazaji na laini

## RIPOTI YA MKURUGENZI MKUU NA AFISA MKUU MTENDAJI (Kuendelea)

zao kwa gharama ya Dola 77milioni; na vituo hivyo vyote vidogo vinapangiwa kukamilika katika kipindi cha sasa cha matumizi ya fedha. Vituo hivi vidogo vimo kwenye maeneo tofauti ya nchi huku Villa Franca, Tala na Lukenya vikiwa Nairobi South na Dagoretti katika Nairobi West. Vituo vingine ni pamoja na Magumu, Kabarak, Chepseon na Kipsaraman katika Central Rift, na Juja, Gatundu, Uplands, Lower Kabete, Rironi, Banana na Githunguri katika eneo la Kaskazini Mashariki. Vingine ni Elgon View katika North Rift; Ahero, Kibos, Majengo na Maseno magharibi mwa Kenya; New Bamburi na Jomvu katika Pwani, na Kangema na Mwea katika eneo la Mlima Kenya.

Pamoja na hayo, kilomita 604 za laini za kusambaza kV33 zinajengwa kutoka vituo tofauti vya usambazaji katika sehemu mbalimbali za nchi kwa gharama ya Dola 19.1milioni.

#### ii) Miradi iliyofadhiliwa na International Finance Corporation (IFC) na Serikali

Ujenzi uliendelea katika miradi ya vituo vidogo na laini za usambazaji vilivyofadhiliwa na International Finance Corporation na Serikali ya Kenya kwa gharama ya Dola 20milioni na Dola13.57 mtawalia. Miradi iliyofadhiliwa na IFC ni Maungu 132/33kV eneo la Pwani, Mamlaka 66/11kV Nairobi West na Bahati 33/11 katika Central Rift, ilhali miradi iliyofadhiliwa na Serikali ni kituo kidogo cha Kainuk 220/66kV katika North Rift na Lamu 33/11kV katika Pwani. Miradi hii inatarajiwa kuzinduliwa katika kipindi cha sasa cha matumizi ya fedha.

#### iii) Mradi wa Kuufanya umeme Kenya wa kisasa

Katika mwaka uliomalizika, Kampuni ilianzisha ujenzi wa vituo vidogo 36 na laini zao ambazo ni sehemu ya mapendekezo ya Mpango Mkubwa wa Usambazaji Umeme unaotekelezwa kati ya 2013 na 2018.

Miradi itafanikisha usambazaji bora, kupunguza hasara na kuimarisha mitambo ili kuharakisha usambazaji umeme kwa wateja na kugawa umeme zaidi utakozalishwa. Miradi hiyo ya gharama ya Dola 98.4 milioni, imesambazwa katika sehemu tofauti za nchi kama ifuatavyo:

Eneo la Nairobi	Mawanda ya kazi	Tarehe ya kukamilika
Mwihoko	2x23 MVA 66/11 kV kituo kidogo na laini	2016/17
Umoja	2x23MVA 66/11kV kituo kidogo na laini	2016/17
Kitengela	23MVA 66/11kV kituo kidogo na laini	2016/17
Kangundo	2x23MVA 66/11kV kituo kidogo na laini	2016/17

Kiserian	2x23 MVA 66/11kV kituo kidogo na laini	2016/17
<b>Eneo la Pwani</b>	<b>Mawanda ya kazi</b>	<b>Tarehe ya kukamilika</b>
Bofu (Kizingo)	23MVA 33/11 kV kituo kidogo na laini	2016/17
Mtongwe	7.5MVA 33/11 kV kituo kidogo na laini	2016/17
Port Reitz	15MVA 33/11kV kituo kidogo na laini	2016/17
Kwale	2.5MVA 33/11kV kituo kidogo na laini	2016/17
Kidimu	7.5MVA 33/11kV kituo kidogo na laini	2016/17
Sabaki	7.5MVA 33/11kV kituo kidogo na laini	2016/17
Kaloleni	7.5MVA 33/11kV kituo kidogo na laini	2016/17
Kokotoni	7.5MVA 33/11kV kituo kidogo na laini	2016/17
Mtondia	7.5MVA 33/11kV kituo kidogo na laini	2016/17
Wundanyi	7.5MVA 33/11kV kituo kidogo na laini	2016/17

Eneo la Magharibi	Mawanda ya kazi	Tarehe ya kukamilika
Kisumu South	2x23MVA 33/11 kV kituo kidogo na laini	2016/17
Sirisia	7.5MVA 33/11kV kituo kidogo na laini	2016/17

Eneo la Nyanza Kusini	Mawanda ya kazi	Tarehe ya kukamilika
Mosocho	7.5MVA 33/11kV kituo kidogo na laini	2016/17
Nyamira	7.5MVA 33/11kV kituo kidogo na laini	2016/17
Kitaru	7.5MVA 33/11kV kituo kidogo na laini	2016/17

Eneo la North Rift	Mawanda ya kazi	Tarehe ya kukamilika
Kapsowar	7.5MVA 33/11kV kituo kidogo na laini	2016/17
Endebess	7.5MVA 33/11kV kituo kidogo na laini	2016/17
Moiben	7.5MVA 33/11kV kituo kidogo na laini	2016/17
Ortum	7.5MVA 33/11kV kituo kidogo na laini	2016/17
Kibebetiet	7.5MVA 33/11kV kituo kidogo na laini	2016/17
Aldai	7.5MVA 33/11kV kituo kidogo na laini	2016/17

Eneo la Central Rift	Mawanda ya kazi	Tarehe ya kukamilika
Molo	7.5MVA 33/11kV kituo kidogo na laini	2016/17
Sosiot	7.5MVA 33/11kV kituo kidogo na laini	2016/17

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Eneo la Mlima Kenya	Mawanda ya Kazi	Tarehe ya kumalizika
Mukurweini	7.5MVA 33/11kV kituo kidogo na laini	2016/17
Kagumo	7.5MVA 33/11kV kituo kidogo na laini	2016/17
Gatakaine	7.5MVA 33/11kV kituo kidogo na laini	2016/17
Kahurura	7.5MVA 33/11kV kituo kidogo na laini	2016/17
Kiamutugu	7.5MVA 33/11kV kituo kidogo na laini	2016/17
Mikinduri	7.5MVA 33/11kV substation and lines	2016/17
Muirungi	7.5MVA 33/11kV kituo kidogo na laini	2016/17
Nkuene	7.5MVA 33/11kV kituo kidogo na laini	2016/17

### iv) Miradi ya kuimarisha Usambazaji na kuboresha mitambo

Tuliendelea kutekeleza miradi ya kuimarisha mitambo katika sehemu tofauti za nchi kwa gharama ya jumla ya Sh6.1bilioni. Ili kuthibiti viwango vya umeme na kuimarisha usambazaji wa nguvu za umeme katika maeneo ya Pwani, Magharibi mwa Kenya na Mlima Kenya; tuliendelea kuweka mitambo mipya kwenye vituo vidogo muhimu vya usambazaji chini ya mradi wa gharama ya Dola 26.6milioni uliofadhiliwa na Kampuni unaofahamika kama Reactive Power Compensation Project.

### v) Miradi iliyofadhiliwa na Export- Import (EXIM) Benki ya China

Serikali ilipokea mkopo kutoka kwa Serikali ya China kutekeleza miradi kadha ya umeme yenye lengo la kuboresha kiwango cha usambazaji wa umeme katikati mwa jiji la Nairobi. Mradi huo uliofadhiliwa na Export- Import (EXIM) Bank ya China kwa jumla ya gharama ya Dola132 milioni, unahusisha kuunganisha kebo kutoka kituo kidogo cha umeme cha kV 220 cha Embakasi katika Nairobi West hadi kituo kituo kidogo kinachopendekezwa kujengwa katika makao makuu ya reli Nairobi cha kV 220/66kV. Inahusisha kuwekwa kwa mtandao wa kebo za kV 66 chini ya ardhi zitakazounganisha vituo muhimu jijini. Isitoshe, chini ya mradi huo, vituo vidogo vya kV 66/11 vitajengwa katika Likoni Road, eneo la Viwandani, Nairobi na Kiu River, Kiambu na kufadhili ukarabati wa kituo kidogo cha Cathedral ili kuimarisha mtandao kwa lengo la kuboresha huduma kwa wateja katika eneo la katikati mwa jiji la Nairobi.

### vi) Mpango wa Boresha Umeme

Kampuni iliendelea kutekeleza mpango wake wa *Boresha Umeme* ulioanzishwa kipindi kilichopita cha matumizi ya fedha. Mpango wa Boresha Umeme ni harakati za kuchukua hatua za haraka kukarabati mitambo na kutumia kwa njia ifaayo rasimali za Kampuni kufanya ukarabati mkubwa hasa katika maeneo yanayoathirika na kupotea kwa umeme mara kwa mara. Pamoja na hayo, mpango huo unazipa kipaumbele ukarabati wa mitambo ya wateja wanaotumia kiasi kikubwa cha umeme na maeneo yenye idadi kubwa ya wateja

kama vile maeneo ya starehe, miji mikubwa, maeneo ya mitaa na sehemu za miji.

Chini ya mpango huo, tulikamilisha ujenzi wa laini mbadala za usambazaji umeme kwa wateja wakubwa 150 na wateja wanaotoa huduma muhimu ili kupunguza visa vya kupotea kwa umeme. Mpango wa Boresha Umeme umetekelezwa katika zaidi ya maeneo 40 kwa gharama ya jumla ya Sh 2.8 bilioni katika mwaka uliomalizika. Kiwango cha usambazaji umeme kimeimarika katika maeneo yaliyoshirikishwa kwenye mpango huo. Tutadumisha mradi huo katika mwaka unaokuja kama sehemu ya mkakati wetu wa kuongeza mauzo ya umeme, na hivyo basi, kuinua mapato katika siku sijazo.

### vii) Mkakati wa kukarabati wa laini zenye umeme

Ili kupunguza visa vya kukatia wateja umeme wakati wa ukarabati, Kampuni ilianzisha mpango wa kukarabati laini zenye umeme ambao utawezesha mafundi wetu kufanya kazi ya ukarabati bila kuvuruga usambazaji stima kwa wateja. Katika mwaka uliomalizika, tulianzisha utaratibu wa kuagiza vifaa vya laini zenye umeme na kuanzisha mpango wa mafunzo kwa mafundi. Utekelezaji kamili wa mpango huo utawezesha mafundi wetu kubadilisha nguzo zilizoharibika kwenye mtandao wa usambazaji; kuunganisha umeme moja kwa moja kwa laini mpya na zile zilizopo pamoja na kutafuta njia zinakopitia nguzo hizo miongoni mwa manufaa mengine. Mbali na kuridhisha wateja, mpango wa laini zenye umeme utasaidia kuongeza mauzo ya umeme kwa kupunguza visa vya kuvuruga usambazaji wa umeme.

### viii) Kupungua kwa visa vya uharibifu

Katika mwaka uliopita, tulipiga hatua katika kukabiliana na changamoto za uharibifu. Hii iliafikiwa kupitia ulinzi zaidi katika vituo vyetu; kampeni zaidi za kuhamasisha umma, ushirikiano na taasisi za usalama kuwatia nguvuni na kuwashtaki wahalifu na kukumbatia mbinu mpya za kiufundi. Hatua hizi zilipunguza visa vya uharibifu kwa kiwango kikubwa zaidi katika muda wa miaka sita. Visa vya uharibifu wa transfoma pia vilipungua kutoka 535 mwaka uliopita hadi 268 katika kipindi kinachoangaziwa.

### KUHARAKISHA USAMBAZAJI, KUWEZESHA WAKENYA

Mojawapo ya ufanisi wetu mkubwa katika mwaka uliomalizika ni kusambazaji umeme idadi kubwa zaidi ya wateja wapya 843,899 na kuongezeka maradufu kwa jumla ya wateja hadi 3,611,904 kufikia Juni 30 2015. Usambazaji huu mkubwa umeongeza kiwango cha usambazaji umeme kwa wateja kutoka asilimia 37 kufikia mwisho wa Juni, 2014 hadi asilimia 47 mwishoni mwa kipindi kilichopita cha matumizi ya fedha. Kuongezeka huku kwa idadi ya wateja ni sehemu ya mkakati wetu wa kupanua mauzo ya umeme na kudumisha hali nzuri ya kifedha ya Kampuni. Tunalenga kuunganisha wateja

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wapya milioni moja kila mwaka kuendelea mbele hadi tuunganishe asilimia 70 ya Wakenya kufikia 2017.

Mipango iliyowekwa na Kampuni kuunganisha wateja wengi ni pamoja na matumizi bora ya transfoma, kuweka umeme katika maeneo yenye wakazi wengi, malipo rahisi ya umeme kupitia StimaLoan na usambazaji umeme katika maeneo yenye watu wengi wa mapato ya chini uliofadhiliwa kwa pamoja na Kampuni na Mpango wa Benki ya Dunia Global Partnership on Output-Based Aid (GPOBA).

Uwekezaji mapema ni mkakati wetu wa kuongeza idadi ya wateja katika maeneo yenye uwezo wa kuwa na idadi kubwa ya wateja. Unahusisha kuweka mtandao wa kiwango cha kadiri cha umeme na pia transfoma kuhudumia maeneo yasiyo na umeme. Hali hii hupunguza kwa kiwango kikubwa gharama za uunganishaji umeme na kuwezesha wateja wetu kupokea umeme.

### Mradi wa kusambaza umeme wa GPOBA

Kwa kutambua kuwa Wakenya wengi wanaoishi katika mitaa ya mabanda hawana umeme, Kampuni, kwa ushirikiano na Serikali na washirika wa maendeleo, imekuwa ikitafuta njia za kutegemewa za kutoa umeme salama, halali na nafuu katika maeneo haya pamoja na kupunguza hasara ya kibiashara inayotokana na wizi wa umeme.

Usambazaji umeme katika mitaa ya mabanda unachukuliwa kama hasara kwa kampuni za umeme kutokana na mapato madogo na gharama kubwa za utunzaji mitambo. Kutokana na hayo, Kampuni ilifanya makubaliano na shirika tanzu la Benki ya Dunia la International Development Association (IDA), ambalo ni msimamizi wa Global Partnership Output Based Aid (GPOBA) kwa usambazaji wa umeme katika mitaa ya mabanda nchini.

Chini ya mpango huo wa GPOBA, Kampuni inasambaza umeme katika mitaa hiyo ya mabanda kisha baadaye GPOBA itarejeshea Kampuni fedha zote zilizotumika. Ufadhili huo unahusisha mkopo wa IDA wa Dola 10 Milioni na ruzuku ya Dola 5.15 Milioni ya GPOBA ambayo itatumika kusaidia wale wanaohitaji umeme ambapo kila nyumba inalipa Sh1,160. Mradi wa GPOBA umeundwa hivi kwamba, kuna mfumo wa kuzuia wizi wa stima na matumizi ya mita zinazoweza wateja kudhibiti matumizi yao ya umeme.

Katika kipindi kilichomalizika, tulitekeleza jumla ya miradi 393 ya GPOBA katika sehemu tofauti za nchini hali iliyoweza makazi mpya 524,813 kupokea umeme. Inakisiwa kuwa usambazaji wa umeme kwa jamii hizi utaharakisha ukuaji wa uchumi sawia na ruwaza ya Serikali ya 2030. Mradi huo unapangiwa kukamilika kabla ya mwisho wa mwaka huu wa matumizi ya fedha.

### Stima loan

Gharama ya usambazaji umeme kwa wateja wapya inaendelea kuwa kikwazo kwa baadhi ya wateja. Kufuatia hilo, Kampuni ilishirikiana na shirika la French Development Agency (AFD) mnamo 2010 kubuni hazina ya Yuro 4.5 milioni ya kutoa mkopo kwa wateja wanaohitaji umeme chini ya mpango wa *StimaLoan* unaosimamiwa na Kampuni. Pia, tuna mkataba mwingine wa ufadhili wa *StimaLoan* na Equity Bank Limited na Jamii Bora Bank. Ufadhili huu umesaidia kuongeza idadi ya waliosambaziwa umeme hasa katika maeneo ya mashambani. Kufikia mwisho wa Juni 2015, jumla ya wateja 80,890 walinafaika na mkopo huo wa *StimaLoan* na tuliendelea kushauriana na washirika wengine kuongeza ufadhili huo na kufaidi wateja zaidi.

### Mpango wa kusambaza umeme wa Last Mile Connectivity

Gharama ya kupanua mtandao wa usambazaji umeme unasalia kuwa changamoto kubwa zaidi katika usambazaji umeme hasa katika maeneo ya mashambani na makazi yenye watu wa mapato madogo. Hali hii inakuwa mbaya zaidi kutokana na mfumo wetu wa matumizi ya ardhi ambao umechangia kutapakaa kwa watu na hivyo vigumu kusambaza huduma muhimu kama vile maji na umeme. Mradi wa The Last Mile Connectivity ulizinduliwa na Serikali mwaka uliopita ili kuharakisha usambazaji kwa kutoa ruzuku kuwezesha Wakenya kupata umeme kwa gharama nafuu.

Ukifadhiliwa na Serikali kwa usaidizi wa washirika wa maendeleo na kutekelezwa na Kampuni, mradi wa The Last Mile Connectivity unalenga kusambaza umeme hasa katika sehemu za mashambani na vitongoji vya miji, kuharakisha shughuli za kiuchumi katika mashinani na kusaidia kuinua hali ya maisha. Awamu ya kwanza ya mradi huo itazinduliwa mnamo 2015/16 chini ya ufadhili wa Dola 139.5 milioni kutoka African Development Bank (AfDB). Unahusisha matumizi bora ya transfoma 5,320 zilizopo kote nchini kunufaisha makazi 314,200 au wakazi zaidi ya 1.5 milioni. Wateja walio umbali wa mita 600 mraba kutoka kwa transfoma watapokea umeme kwa gharama nafuu ya Sh15,000. Isitoshe, African Development Bank imetenga ufadhili wa ziada wa Dola 133.4 milioni kutumia transfoma zingine 5,320 kuungansa makazi 310, 850.

Awamu ya pili itakayotekelezwa kwa kutumia ufadhili wa Dola 150 milioni kutoka shirika la Benki ya Dunia la International Development Association (IDA) inalenga kutumia vilivyo transfoma 3,200 zilizopo na kuweka transfoma 1,000 mpya zitakazonufaisha wakazi 312,500 wa vitongoji vya miji na maeneo mengine yenye idadi kubwa ya wakazi kote nchini. Mazungumzo na taasisi ya French Development Agency (AFD) yanaendelea kutafuta mkopo wa Yuro 100 milioni kufadhili awamu ya tatu ya mradi huo inayouia kutumia transfoma zilizopo 3,830 na kuweka zingine mpya 400 kunufaisha makazi 230,000.

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Washirika wengine wa maendeleo kama vile KfW ya Ujerumani, Danish International Development Agency (DANIDA) na Japan International Cooperation Agency (JICA) wameelezea nia yao ya kuunga mkono mradi huo.

### Usambazaji umeme mashinani

Wakati wa kipindi cha matumizi ya fedha tunachoangazia, Kampuni ilimaliza kuweka mita katika shule tofauti na hivyo kufikisha jumla ya nambari ya shule zilizosambaziwa umeme kuwa 11,391. Mpango huo unaotekelezwa na Rural Electrification Authority (REA) unalenga kumaliza shughuli ya kusambazia umeme shule za msingi 5,489 zaidi katika mwaka unaokuja na hivyo kufikisha jumla ya shule zote kuwa 16,880.

### KUIMARISHA UTENDAKAZI WA KIUFUNDI NA OPERESHENI

Kampuni inaendelea kukumbatia ubunifu wa kiteknolojia unaoimarisha utaratibu wa biashara na operesheni ili kuinua utendakazi, na kwa kufanya hivyo, kuongeza thamani kwa wenyehisa wetu. Baadhi ya miradi mikubwa iliyotekelezwa katika mwaka uliomalizika kuboresha utendakazi ni kama zifuatavyo:

#### i) Mradi wa mita za kidijitali

Katika mwaka uliomalizika, tulianzisha majaribio ya matumizi ya mita za kidijitali kuimarisha mapato na kutosheleza wateja. Teknolojia hii inatumia wateja wenye biashara ndogo na kadiri ambao huchangia takribani asilimia 16 ya mapato yetu. Awamu ya kwanza ya mradi inahusisha kuweka mita za kisasa 10,000 na unatekelezwa katikati mwa jiji la Nairobi, Kariobangi Light Industries na mtaa wa Runda kwa gharama ya Sh172 milioni. Pamoja na kutoa tahadhari ya moja kwa moja, mita hizo zitawezesha wahudumu kuzisoma bila kutembelea makazi ya wateja, kukatiza na kuunganisha stima kwa wateja. Teknolojia hiyo pia inasaidia wateja kufuatilia na kupanga matumizi yao ya umeme.

Mbali na hayo, Kampuni ilianzisha ununuzi wa mita za kisasa zinazowekwa njie ya makazi ya wateja wetu wenye matumizi makubwa wanaochangia asilimia 55 ya mapato yetu. Mradi huo unahusisha kuhamishwa kwa mita kutoka ndani ya makazi hadi maeneo yanayofungwa nje ya makazi yao. Jumla ya mita 5,963 ziliwekwa kufikia mwisho wa kipindi cha matumizi ya fedha cha 2015/2016.

#### ii) Mradi wa kufanya mitambo ya usambazaji kujiendesha na kuimarisha SCADA

Mfumo wa kufuatilia na kupokea data (SCADA) ni mojawapo ya operesheni muhimu za mtandao. Miradi ya kugeuza mitambo iwe ya kujiendesha huhusisha matumizi ya SCADA ili kugundua kwa mbali hitilafu zinazotokea katika mtandao wa usambazaji na kutenga sehemu zilizoharibika na kuwarejeshea wateja umeme.

Katika mwaka uliomalizika, tuliimarisha mfumo wa usimamizi wa mtandao wa SCADA kuboresha utendakazi na kushirikisha vituo vidogo vipya kwenye mtandao. Mitambo hiyo mipya inashirikisha vifaa vilivyowekwa katika National Control Centre na Regional Control Centre pamoja na vifaa vya kukusanya data katika vituo vidogo tofauti. Mitambo ya SCADA ilipanuliwa kuhudumia vituo vidogo 17 vikiwemo Magadi GSU; Gulf Power, Mbaraki jijini Mombasa, Olkaria IV, Olkaria I Additional Unit, Malindi 33/11kV, Olkaria II Extension, Mbaraki 33/11kV, Meru 132/33kV, Ruring'u 33/11kV, Thika Industrial 66/11kV na kituo cha kubadilisha cha Donholm.

Katika kipindi hicho, tulianzisha utekelezaji wa awamu ya pili ya mradi wa kugeuza mitambo yetu ya usambazaji umeme kuwa ya kujiendesha ili kushirikisha baadhi ya maeneo ya Mombasa mjini na viunga vyake kufuatia kukamilika kwa awamu ya kwanza. Awamu hii itahusisha maeneo kama Mariakani na MacKinnon kaskazini magharibi mwa Mombasa, Ukunda na Msambweni katika eneo la kusini na Rea Vipingo na Kilifi kaskazini mwa Pwani.

#### iii) Utekelezaji wa GIS/ FDB

Katika mwaka huu, tulianzisha utekelezaji wa awamu ya mwisho wa mradi wa Facilities Database (FDB). FDB hutumia taarifa ya kimaeneo kuhifadhi, kutoa na kuweka data kuhusu miundomsingi ya Kampuni ya umeme na maelezo kuhusu wateja pamoja na makazi yao. Mitambo hiyo inawezesha Kampuni kutoa gharama ya usambazaji kwa wateja wapya bila kutembelea makazi yao, kuwasiliana na wateja fulani pamoja na kuharakisha shughuli ya kurejesha umeme endapo utakatika. Baada ya kumalizika, mitambo hiyo itawezesha Kampuni kuimarisha utendakazi, kuinua utegemeaji wa mitambo na kufurahisha wateja miongoni mwa manufaa mengine. Mradi huo umu kwenye hatua za mwisho na utakamilika katika mwaka ujao wa matumizi ya fedha.

#### iv) Mita za kulipia ada kwanza

Mita za kulipia ada kwanza zinawapa wateja uwezo na kurahisisha matumizi yao ya umeme, huku zikisaidia Kampuni kusimamia mapato yake vyema. Katika kipindi kilichomalizika, tuliweka mita za ziada za kulipia ada kwanza 654,953 ikilinganishwa na 341,770 mwaka uliotangulia. Hii inafikisha idadi yote ya akaunti za wateja wanaolipia kabla ya matumizi kuwa 1,331,741 kufikia mwisho wa Juni 2015. Ili kutunza zaidi mapato, Kampuni ilianza kutumia teknolojia ya kuzuia kuvurugwa kwa mita.

#### v) Upanuzi wa mtandao wa mawasiliano ya redio

Kufuatia kukamilika kwa Mtandao wa Mawasiliano ya Redio katika eneo la magharibi mwa nchi, ambao lengo lake ni kuimarisha mawasiliano katika huduma zetu za nyanjani, Kampuni ilianzisha harakati za kupanua na kuinua mtandao huo wa mawasiliano katika maeneo ya Pwani na Nairobi. Tulikamilisha shughuli za ukarabati katika vituo vya mawasiliano vya Nairobi na Mount Kenya (Kiganjo), huku shughuli inayoendelea ikitanda katika maeneo ya

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Pwani yakiwemo Voi, Taveta, Malindi, Lamu na Hola, Kwale, Kilifi na Garsen.

#### vi) Ghala la kuhifadhi Data ya Biashara na uchanganuzi wa data

Tulianzisha mradi wa kutunza miundomsingi yetu ya teknolojia inayolinda data, kufuatilia utendakazi na kutoa ripoti. Mitambo hiyo inatumia kufuatilia kwa njia ya kielektroniki vigezo vikuu muhimu vya utendakazi wa biashara ili kuwezesha maamuzi yaafayo kufanywa na kwa haraka. Pia itatoa data ya zamani ambayo itawezesha tathmini ya utendakazi, kukadiria hali ya baadaye na mipango muhimu.

Mradi huo unahusisha ukarabati wa miundomsingi iliyopo ya ICT na utekelezaji wa mipango ya kuwa na ghala la kuhifadhi data ya biashara (EDW) na habari muhimu (BI) miongoni mwa masuala mengine. Ujenzi wa mitambo ya EDW/BI ulikamilika katika mwaka uliopita. Uzinduzi wa mradi huo unapangiwa kufanyika katika kipindi cha sasa cha matumizi ya fedha.

#### vii) Kujiendesha kwa taratibu za biashara na Ununuzi kupitia kwa mitambo katika SAP

Kampuni inaendelea kufanya taratibu zake za kibiashara kujiendesha ili kuimarisha utendakazi na utoaji huduma. Mitambo ya sasa ya SAP ilifanyiwa ukarabati katika mwaka uliomalizika ili kusimamia vyema shughuli za kifedha, masuala ya wafanyikazi, uchukuzi na uagizaji. Marekebisho hayo mapya sasa yamawezesha ununuzi, utoaji zabuni kwa njia ya elektroniki, uajiri kupitia kwa mtandao na kutuma maombi ya usafiri.

#### viii) Kutumia mashine katika shughuli zetu

Katika mwaka uliomalizika, tuliendelea na shughuli ya kutumia mashine katika kazi zinazohitaji wafanyikazi wengi katika kujenga na kutunza mtandao wetu. Tulinunua magari ya kuchimba mashimo na kubeba nguzo na kreni za kubeba vifaa kuwezesha Kampuni kuafikia ufanisi kusambazia umeme wateja, kupanua mtandao na kwa shughuli za utunzaji.

### KUBOresha huduma kwa wateja

Huku tukiongozwa na maadili yetu ya kuweka mteja mbele, tunajitolea kusambazia wateja wetu umeme pamoja na huduma ya kipekee. Katika mwaka uliomalizika, tuliendeleza usambazaji wa taarifa na uhamasisho kwa wateja kupitia vikao vya mazungumzo, shoo, kwenye vyombo vya habari, maonyesho ya kibiashara, mikutano ya hadhara na maonyesho barabarani. Utafiti uliofanywa na Ipsos Limited, kampuni ya humu nchini, ulionyesha kuridhika kwa wateja wa asilimia 64.8. Uchunguzi huo ulitoa mapendekezo kwa wasimamizi kuhusu nyanja zinazohitaji kuimarishwa.

Hasa, tulianzisha hatua zifuatazo za kuboresha huduma kwa wateja katika mwaka uliomalizika.

#### i) Huduma ya juu kwa wateja

Kituo chetu cha kisasa cha mawasiliano kinatoa jukwaa ambalo linawezesha wateja kuwasiliana na Kampuni kwa saa 24.

Katika mwaka uliomalizika, tuliimarisha vifaa vyetu vya mawasiliano katika kituo hicho na kuongeza wahudumu wanaosaidia wateja wanaozidi kuongezeka.

Pamoja na hayo, tulifungua kituo cha kisasa katika Electricity House, Nairobi kuwashughulikia wateja wanaotuma maombi ya kiwango kikubwa cha umeme. Vituo sawa na hivyo vitaanzishwa katika miji mingine mikuu ikiwemo Mombasa, Kisumu, Nakuru na Eldoret. Pia tulisambaza huduma zetu hadi vituo 21 vya Huduma Centre, vituo vinavyotoa huduma zote za Serikali ili kuboresha hata zaidi huduma zetu.

#### ii) Ushirikiano na washikadau

Shughuli za kutangamana na washikadau zilizoandaliwa na Kampuni katika kipindi hicho ni pamoja na vikao vilivyoandaliwa kwa pamoja na shirikisho la kutetea wanunuzi nchini (COFEK) katika kaunti za Uasin Gishu, Nakuru, Kisumu na Nyeri. Vile vile, tulishirikisha washikadau wengine muhimu kama vile Kenya Association of Manufacturers (KAM) na Kenya Private Sector Alliance (KEPSA), Kenya Private Developers Association na Serikali za Kaunti. Vikao hivyo vilihusisha utoaji maelezo kuhusu Kampuni, kuangazia miradi yetu mikubwa, bidhaa na huduma pamoja na kupokea maoni ya wateja kuhusu huduma zetu ili kuboresha utoaji huduma. Pia, tulishiriki katika maonyesho mbalimbali yakiwemo yale ya Kilimo (ASK) katika sehemu tofauti za nchi.

#### iii) Njia mbadala za malipo na utoaji bili

Kuongezeka kwa haraka kwa idadi ya wateja na mabadiliko katika mazingira ya kibiashara yamechochea haja ya kutafuta mbinu za kisasa za kiteknolojia za kutuma bili, kuimarisha mawasiliano na wateja na kuboresha huduma zetu. Kufuatia hayo, tuliendelea kusajili wateja wanaopokea bili zao kupitia baruapepe na ujumbe mfupi (SMS). Wateja wanahitajika kujiandikisha kupokea bili kwa njia ya kielektroniki kwa kupiga simu \*551# kwenye simu zao au kujaza fomu ya kujisajili iliyoko kwenye tovuti ya Kampuni. Kufikia mwisho wa kipindi kilichopita cha matumizi ya fedha, asilimia 95 ya wateja wetu walikuwa wamejiandikisha kupokea bili zao kwa njia ya SMS au baruapepe.

Washirika wetu wa EasyPay hutoa njia bora mbadala za malipo kwa wateja wetu. Mapato kupitia huduma hizi za ukusanyaji mapato yalikuwa asilimia 85 ya jumla ya mapato yetu. Washirika wetu wa EasyPay ni pamoja na Postal Corporation of Kenya; Maduka ya Uchumi; huduma za kutuma pesa kupitia simu kama vile Airtel Money na MPESA; na taasisi za benki kama vile Post Bank, National Bank, Barclays Bank, Standard Chartered, Family Bank, Cooperative na Equity Bank.

## RIPOTI YA MKURUGENZI MKUU NA AFISA MKUU MTENDAJI (Kuendelea)

### iv) Kurahisisha utaratibu wa kusambazia wateja wapya umeme

Katikamwakaulimalizika, tulibadilisha utaratibu wetu wakusambazia wateja wapya umeme kwa kupunguza taratibu zinazofuatwa kutoka sita hadi tatu: Kutuma maombi, malipo na ujenzi na kuweka mita. Maombi ya umeme mwingi (unaohitaji KVA 25) hushughulikiwa na afisa wa mauzo kuharakisha uunganishaji wa umeme. Pia tumeweka maafisa wa mauzo katika Mamlaka ya Uwekezaji Kenya (KenInvest), afisi ya kitaifa ya kutafuta wawekezaji, kuwa kiunganishi kwa wale ambao huenda wakawa wawekezaji nchini.

### MPANGO WA KUWEKA TAA BARABARANI

Mradi wa kuweka taa barabarani ulianzishwa kutoa mwangaza wa kutosha katika maeneo ya kibiashara na makazi, barabara na vifaa vya usafiri wa umma ili kuimarisha usalama na kuweka mazingira yaafayo kuendesha biashara kwa saa 24.

Katika mwaka uliomalizika, Serikali ilitoa bajeti ya mwanzo ya Sh953 milioni kwa mradi huo unaohusisha maeneo 783 jijini Nairobi. Kazi hiyo inahusisha ukarabati wa miundomsingi iliyopo ya umeme barabarani, ujenzi wa mtandao mpya wa taa za barabarani na kubadilisha taa za sasa zinazotumia umeme mwingi na zile za LED kwenye barabara za katikati mwa jiji la Nairobi na viunga vyake. Mradi huo baadaye ulisambazwa hadi mjini Nyeri.

Kufikia mwisho wa mwaka wa kifedha, jumla ya taa za barabarani 10,554 zilikuwa zimewekwa katika maeneo 455 yanayojumuisha barabara, mitaa na minara ya umeme katika sehemu za umma. Mradi huo unatoa fursa nzuri ya kukuza biashara kupitia nyongeza ya mapato ya mauzo ya umeme. Kutokana na ufanisi wa mradi huo Nairobi, Kampuni inasambaza mpango huo wa kuweka taa barabarani hadi sehemu zingine za nchi kwa ushirikiano na Serikali za kaunti.

### WAFANYIKAZI

Tunatambua kuwa wafanyikazi ni nguzo kuu ambapo malengo makuu ya Kampuni yamejikita. Kutokana na hili, Kampuni inajitolea kudumisha wafanyikazi wenye ufahamu kutoa huduma bora kwa manufaa ya wateja wetu.

Katika mwaka uliomalizika, tuliendelea kutumia mikakati ya uajiri wa wafanyikazi kuvutia, kuhifadhi na kutia moyo wafanyikazi wenye vipawa kupitia mpango wa kutambua na kutuza wachapakazi, weledi kazini na wale wanaostahili pamoja na kuzingatia usawa. Kutokana na hili, tuliendelea kuwekeza katika mipango ya mafunzo ya kiufundi na kitaaluma yanayonua kugeuza wafanyikazi kuwa makundi ya kufanya kazi nzuri. Kwa kutambua kuhusu kuongezeka kwa mahitaji ya watumishi wenye vipawa vya juu vya kiufundi katika sekta ya kawi nchini na katika kanda hii, Kampuni inageuza taasisi yake ya mafunzo ambayo kwa sasa inafahamika kama Taasisi ya Mafunzo ya Kawi na Utafiti, kuwa kituo cha kisasa cha mafunzo ya kiufundi kutosheleza mahitaji ya nchi na ya kanda hii.

Sawia na mkakati wetu wa kibiashara na mabadiliko ya mazingira ya biashara, tuliendelea kubadilisha muundo wa shirika hili kuboresha matokeo na utoaji huduma. Kwa sasa, tuna vitengo vinavyofanya kazi 11 na maeneo 10 ya usimamizi na vituo vya biashara katika kaunti chini ya mpangilio huo mpya kwa operesheni rahisi na usimamizi. Kufikia mwishoni mwa Juni 2015, Kampuni ilikuwa na wafanyikazi 10,845 wanaohudumia wateja 3,611,904 ambao ni uwiano wa mfanyikazi-mteja wa 1:333, ambao ni bora ikilinganishwa na 1:261 mwaka uliopita.

Hatua hizi zilichangia ufanisi wa Kampuni wa kupata alama ya "Bora Sana" katika mwaka uliomalizika. Tutaendelea kudumisha na kuimarisha jitihada hizi ili kuimarisha matokeo siku sijazo.

### MWISHO

Tukiendelea mbele, Kampuni imo kwenye barabara nzuri ya kupata ufanisi mkubwa huku kukiwa na nafasi kadha za ukuaji wa biashara na upanuzi kutokana na ukuaji wa uchumi unaotarajiwa. Tunajitolea kufuata mikakati inayolenga kupanua uwezo wetu wa uzalishaji umeme na wa aina tofauti kupitia miundomsingi imara kuhudumia idadi kubwa ya wateja wanaozidi kuongezeka. Mtandao imara na uliopanuka ni kiungo muhimu kwa usambazaji wa umeme wa ziada unaozalishwa chini ya mpango wa 5,000+MW kuhudumia uchumi unaokua.

Kutokana na hayo, tumetumia rasulimali kuharakisha utekelezaji wa miradi ya ukarabati mtandao wa umeme ikiwa ni pamoja na kuimarisha mtandao wa sasa kupitia mpango wa *Boresha Umeme*, kukamilisha kwa ujenzi unaoendelea wa vituo vidogo vipya 98 kote nchini kuimarisha utendakazi wa mitambo yetu pamoja na ubora na usambazaji umeme. Pamoja na hayo, tumeanzisha utekelezaji wa mradi wa Last Mile Connectivity kufanikisha azima yetu ya kuunganisha wateja milioni moja kila mwaka na kufaulisha lengo la Serikali la kusambazia umeme asilimia 70 ya Wakenya kufikia 2017.

Ningependa kushukuru Bodi ya Wakurugenzi kwa usaidizi wao muhimu na mwongozo, na wafanyikazi wetu kwa kujitolea kazini mwaka mzima.

Tuna imani kuwa kutokana na usaidizi wa Bodi ya Wakurugenzi na washirika wengine wa kibiashara katika utekelezaji wa mikakati hii, tutaafikia lengo letu kuu la kutoa umeme wa hali ya juu na huduma bora kwa wateja wetu.

**Dkt. Ben Chumo, OGW**  
**Mkurugenzi Mkuu na Afisa Mkuu Mtendaji**  
Oktoba 29, 2015

## Digital Mapping - GIS/FDB

We are collecting spatial and attribute data on our network including customer meter information, location of customer premises, substations, transformers and transmission lines with the use of GPS (Global Positioning System) gadgets. The Digital Map will enhance operational efficiency and improve customer satisfaction.



## COMPANY'S CORPORATE GOVERNANCE PHILOSOPHY

Good corporate governance entails establishment and enhancement of sustainable value for shareholders and other stakeholders through adoption of ethically driven business structures, procedures and processes. The Company ensures that corporate governance guidelines and best practices are followed and that all corporate affairs are managed in a fair and transparent manner. In this regard, we believe it is our inherent responsibility to disclose timely and accurate information on our financials and performance as well as the leadership and governance of the Company.

The Company's Board of Directors and Management remains steadfastly committed to the adoption of corporate governance best practices in support of our Vision to provide world-class services that delight our customers, create shareholder value and meet stakeholders' expectations.

This statement sets out the main corporate governance practices and structures in the Company and actions taken towards achievement of our goals.

### Corporate governance principles and guidelines

The Board is vested with powers and authority by relevant laws of Kenya, and the Company's Memorandum and Articles of Association. In discharging its mandate, the Board is guided by the Board Charter, Code of Conduct and Board Manual to effectively fulfill its corporate governance responsibility towards stakeholders. In addition it has adopted Guidelines on Corporate Governance developed by the Capital Markets Authority. The Company also embraces the Public Officers and Ethics Act and the Mwongozo Code for State Corporations.

The Board Charter seeks to ensure the effectiveness of each Director's contribution in the governance of the Company by facilitating full and free exercise of independent judgment and professional competencies. In particular, the Board Manual outlines the governance arrangements to be applied in the Company on the following areas: (i) appointment of directors and requirements for skills/gender mix and balance of independent and other directors; (ii) recognition 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 capacity 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 in the best interests of the Company. These include among others, requirement for Directors to act honestly, in good faith and in the best interests of the Company; exercise of duty of care and diligence; avoidance and disclosure of conflict of interest; maintenance of confidentiality of information about the Company, commitment to and attendance to Company's business and respect to fellow Directors. The Company has a Code of Conduct and Ethics for the Management Staff.

In addition, the Mwongozo Code of Governance was established by the Government to provide guidance on effective leadership, governance and management of public resources as outlined in the 2010 Constitution.

### Board of Directors

The Board of Directors is at the centre of the Company's governance practice for protection of long-term interests of all stakeholders. The Board provides leadership, oversight to Management, integrity and good judgment in directing our Company and acts in the best interest of the business for continued viability and sustainability.

### Size and composition of the Board

The Board comprises nine Directors including the Managing Director and Chief Executive Officer. Eight of these Directors including the Chairman are non-executive. The Board is constituted taking into account requirements of the sector, diversity of skills, age, value addition, gender, academic qualifications and experience necessary to help achieve the Company's goals and objectives. The Directors' biographies are shown on pages 10 - 11.

At least one third of the Board members retire by rotation each year 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 required to retire at the next Annual General Meeting and is eligible for election.

## COMPANY'S CORPORATE GOVERNANCE PHILOSOPHY (Continued)

### Composition of the Board and Attendance

Name of the Director	Board Position	Board Attendance	Board Committees Chairmanship	Number of Committees
Hon. Kenneth Marende	Chairman	8	-	-
Mr. Henry Rotich	CS, The National Treasury	-	-	Three
Eng. Joseph Njoroge	PS Ministry of Energy and Petroleum	3	-	Three
Dr. Ben Chumo	Managing Director & CEO	15	-	Five
Dr. Theodorah Malla-Kilukumi	Member	15	One	Four
Mr. Macharia Kariuki	Member	15	One	Four
Mr. Wilson Mugung'ei	Member	8	One	Three
Mrs. Jane Nashida	Member	15	One	Four
Mr. Adil Khawaja	Member	7	One	Two
Mr. Joseph Kariuki	Alternate to the CS, The National Treasury	15	-	-
Eng. Isaac Kiva	Alternate to the PS Ministry of Energy and Petroleum	12	-	-
Mr. Eliazar Ochola	Left in December 2014	7	-	-
Mr. Jacob Mwirigi	Left in December 2014	7	-	-
Eng. Patrick Obath	Left in December 2014	6	-	-

### Notes:

- Hon. Kenneth Marende, Mr. Adil Khawaja and Mr. Wilson Kimutai were elected as Directors during the Annual General Meeting held on 19<sup>th</sup> December 2014.
- Messrs Eliazar Ochola, Jacob Mwirigi and Patrick Obath retired as Directors during the Annual General Meeting held on 19<sup>th</sup> December 2014.
- There are no inter-se relationships between our Board Members.

### Responsibilities of the Board

In providing leadership and strategic direction to the Company, the Board is tasked with the following primary responsibilities:

- establishment of short and long-term goals of the Company and strategic plans to achieve those goals;
- ensuring preparation of the annual and half-year financial statements;
- approval and review of the annual budgets;
- setting and periodically reviewing key performance indicators and management performance;
- risk management by ensuring that the Company has adequate systems of internal controls together with appropriate monitoring of compliance activities to ensure business continuity; and
- working with Management to enhance shareholders' value.

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

The Chairman is responsible for providing leadership to the Board and timely provision of sufficient information to enable it to discharge its duties. He/She chairs Board and General meetings; maintains order and proper conduct of meetings; ensures fair decisions are made and effective management of the Board. On the other hand, the Managing Director and Chief Executive Officer is responsible for day to day management of the Company.

### Induction and capacity building for Directors

Directors regularly attend trainings on corporate governance and other relevant areas to equip them with the knowledge required to effectively discharge their responsibilities. Induction programme for new Directors is conducted to enhance understanding of the nature of our business and operations with presentations by Management highlighting the Company's performance and strategy.

During the year, Board members attended relevant training and capacity building programmes, seminars and conferences.

## COMPANY'S CORPORATE GOVERNANCE PHILOSOPHY (Continued)

### Board evaluation

During the year, the Board conducted a self-evaluation exercise to gauge its performance. The evaluation assessed effectiveness of its leadership giving members an opportunity to reflect on their responsibilities and, consequently, pointed out issues that required Board attention for performance improvement. In addition, the Board was evaluated by the State Corporations Advisory Committee as provided for in the law.

### Board work plan and meetings

Dates for Board meetings in the ensuing year are decided in advance and scheduled in a work plan. The Board meets at least once a month or more when necessary to transact Company business. Directors receive adequate notice and detailed papers on issues to be discussed in good time to enable them prepare for the meetings. The Board held a total of 15 meetings during the year.

### Board Committees

The Board has six standing committees that assist to effectively discharge various business functions and responsibilities. An ad hoc committee can be constituted to deal with pertinent issues as they arise. The Board defines terms of reference under which the respective committees operate. The Company Secretary is the secretary to all Board committees except the Staff and Remuneration Committee where the Managing Director and CEO is the secretary. The committees submit reports of their activities to the Board.

During the year, the Board had the following committees:

### Audit Committee

The Audit Committee ensures that adequate operating and control processes are applied to safeguard Company assets. The Committee comprised three non-executive Directors. It regularly invites the Managing Director and CEO, and General Managers in charge of Finance and Internal Audit to its meetings. External auditors are also invited to attend the meetings when necessary.

The Audit Committee is tasked with the following responsibilities:

- examining quarterly, half-year and annual financial statements,
- discussing audit plan with the external auditors before commencement of the annual audit,
- consideration of audit findings by the external auditors,

- recommending to the Board engagement of external auditors and their audit fees,
- reviewing the function, independence, operations and findings of the Internal Audit Department,
- reviewing risks affecting the Company and management strategies in addressing them, and
- ensuring adherence with the code of ethics and integrity in financial transactions of the Company.

The Audit Committee held 6 meetings as tabulated below:

Name	Attendance
Mr. W. Mugung'ei - Chairman (joined in January 2015)	3
Dr. B. Chumo (by invitation)	6
Hon. Kenneth Marende (by invitation)	2
Mr. M. Kariuki	6
Dr. T. Kilukumi (joined in January 2015)	3
Mr. J. Mwirigi (left in December 2014)	3
Eng. Patrick Obath (left in December 2014)	2
Mr. F. Ochola (left in December 2014)	2

### Strategy and Customer Service Committee

The Strategy and Customer Service Committee advises the Board on strategies to enhance performance of the Company. The Committee reviews 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 invites General Managers in charge of Finance and Customer Service to its meetings.

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

Name	Attendance
Mr. A. Khawaja - Chairman (joined in January 2015)	2
Dr. B. Chumo	4
Mr. M. Kariuki	3
Mr. J. Kariuki	4
Eng. I. Kiva	4
Eng. P. Obath (left in December 2014)	2

## COMPANY'S CORPORATE GOVERNANCE PHILOSOPHY (Continued)

### Staff and Remuneration Committee

The Staff and 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 for 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 business; (vi) succession plan for senior staff; and (vii) reviewing performance of the staff pension scheme. The Committee invites General Managers in charge of Human Resource and Administration to its meetings.

The Staff and Remuneration Committee held 7 meetings during the year under review as shown in the table below:

Name	Attendance
Dr. T. Kilukumi - Chairperson	7
Dr. B. Chumo -Secretary	7
Hon. Kenneth Marende (by invitation)	1
Mrs. J. Nashida	7
Eng. I. Kiva	5
Mr. J. Kariuki	7
Mr. W. Mugung'ei (joined in January 2015)	4
Mr. J. Mwirigi (left in December 2014)	2

### Procurement Oversight Committee

The role of the Procurement Oversight Committee is to provide oversight, on behalf of the Board, on procurement carried out by the Company. Functions of the Committee include: considering the annual procurement plan for recommendation to the Board; monitoring the procurement process to ensure compliance with the approved annual procurement plan and the law; and approving procurement of goods and services with a value of Shs.50 million and above, and other strategic procurement.

The Committee invites the Chairman of the Company's Tender Committee and the General Manager, Supply Chain to its meetings.

The Procurement Oversight Committee held 15 meetings during the year under review as shown in the table below:

Name	Attendance
Mr. M. Kariuki - Chairman	15
Dr. B. Chumo	15
Hon. Kenneth Marende (by invitation)	1
Mrs. J. Nashida	14
Dr. T. Kilukumi	14
Mr. W. Mugung'ei (joined in January 2015)	8
Mr. J. Mwirigi (left in December 2014)	7

### Power Purchase Agreements (PPA) Committee

The Committee reviews power purchase agreements negotiated between the Company and bulk power producers for recommendation to the Board with the aim of achieving cost-effective power purchase costs. The Committee invites expert management staff during meetings to provide information and make clarifications to facilitate the Board in discharging its functions effectively.

The Power Purchase Agreements Committee held 8 meeting during the year under review as shown in the table below:

Name	Attendance
Mr. A. Khawaja - Chairman (joined in January 2015)	4
Dr. B. Chumo	8
Hon. Kenneth Marende (by invitation)	1
Mrs. J. Nashida	5
Mr. J. Kariuki	8
Eng. I. Kiva	8
Eng. P. Obath (left in December 2014)	4

### Information Communication and Technology (ICT) Committee

The role of the ICT Committee is to review the Company's Information Communication and Technology policy, evaluate ICT security issues, internal controls and ensure adoption of ICT systems that support Company business to minimise risks and achieve maximum benefits from the investments.

## COMPANY'S CORPORATE GOVERNANCE PHILOSOPHY (Continued)

The ICT Committee held 2 meetings during the year under review as shown in the table below:

Name	Attendance
Mrs. J. Nashida – Chairperson	2
Dr. B. Chumo	2
Mr. M. Kariuki	2
Dr. T. Kilukumi	2

### Accountability and audit

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

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

### Directors' remuneration

Details of Directors' emoluments during the year are shown on page 99. 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. Additionally, the Chairman is paid a monthly honorarium. It is proposed that each non-executive Director be paid a fee of Shs.600,000 for the financial year ended 30<sup>th</sup> June 2015, or pro rata for any part served thereof. The fees are payable annually upon approval by shareholders in an Annual General Meeting in accordance and within the approved limits set in the guidelines by the Government to all state corporations.

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

### Internal controls

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. The Board is obligated to maintain a sound system of internal

controls to safeguard shareholders' investments. These include taking reasonable steps to ensure that the control and regulatory systems are continuously maintained and monitored. It is desired that the systems in place provide reasonable controls, but absolute assurance cannot be guaranteed.

### Directors' shareholding

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

### Enterprise risk management

Risk management is an integral part of corporate governance and ensures long term viability and sustainability of the Company. The Company continues to implement its Enterprise Risk Management (ERM) policy with the objective of managing identified business and operational risks in a structured and systematic manner. The ERM policy is designed to: (i) identify threats that affect the achievement of the Company's Vision, Mission and Values; (ii) take advantages 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 through its Audit Committee exercises oversight role on the ERM processes implemented by the Management.

During the year under review, the Company continued to embed a risk-awareness culture aimed at supporting strategic and operational objectives. Key corporate and emerging risks related to specific business objectives were assessed, evaluated and closely monitored by the Board and Management. The identified risks fall under three categories: macro-economic; strategic and operational. These risks affect the Company's operating environment, business growth strategies and operations.

### Ethical standards

The Company works towards ensuring that Directors and staff conduct themselves with integrity and professionalism in accordance with the Company's Code of Ethics. The Code of Ethics is a public statement that stipulates expectations and holds us accountable for our business conduct. Directors and all employees are required to read, understand, sign and remain bound by its provisions. The Company carries out integrity awareness, training, risk assessments and enforcements of corruption prevention measures.

The Company has mechanisms for receiving complaints and making follow-ups on allegations and cases of unethical conduct. Objective analysis of reported cases is done and appropriate action instituted to control and mitigate the risk. The Company collaborates with external partners to entrench a culture of ethics and integrity.

## COMPANY'S CORPORATE GOVERNANCE PHILOSOPHY (Continued)

### Communication with shareholders

The Company values and maintains good relations with shareholders as fostered through effective communication. The Annual General Meeting as well as published half-year trading results, annual reports and financial statements and other corporate announcements provide opportunities to communicate with our shareholders. The reports are also available on the Company website at [www.kplc.co.ke](http://www.kplc.co.ke). All shareholders are entitled to attend and vote at the AGM for which notice is published at least 21 clear days before the meeting. Shareholders are also given an opportunity to ask questions or seek clarification on any matter relating to Company business during the AGM. The Annual Report and Financial Statements are also available for distribution to shareholders on request. In addition, the Company maintains an open door policy and shareholders have direct access to the Company Secretary and the Shares Registrar who respond to correspondence on a wide range of issues.

### Executive management

The Company's business is structured under 11 functional divisions and 10 administrative regions for optimal operation and management. The divisions are Business Strategy, Infrastructure Development, Network Management, Customer Service, Regional Coordination, Information Communication and Technology, Corporate Affairs and Company Secretary, Human Resource and Administration, Finance, Supply Chain and Internal Audit. The business regions are: Nairobi North, Nairobi South, Nairobi West, Coast, Mt. Kenya, North Eastern, North Rift, Central Rift, Western and South Nyanza. In addition, the Company established 46 county business units each headed by a County Business Manager to take services closer to customers and identify business opportunities.

### Executive management committee

The Executive Management Committee comprises divisional heads and the Managing Director and CEO who is also the chairman of the committee. The Executive Committee meets at least twice a month to review performance, and to consider policy and business issues including strategic measures, and also reviews papers before they are tabled to the Board for consideration and approval.

### Shareholding profiles

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



## COMPANY'S CORPORATE GOVERNANCE PHILOSOPHY (Continued)

The top 20 major shareholders as at 31<sup>st</sup> August 2015 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	402,693,461	-	-	402,693,461	20.613
3	KCB Nominees Ltd	111,761,585	66,584	800	111,828,969	5.724
4	CFC Stanbic Nominees Ltd	57,908,940	48,308	-	57,957,248	2.967
5	NIC Custodial Services Ltd	45,857,085	-	-	45,857,085	2.347
6	Equity Nominees Ltd	25,735,852	-	-	25,735,852	1.317
7	Co-op Custody	22,013,850	-	-	22,013,850	1.127
8	The Jubilee Insurance Company Ltd	20,255,753	59,828	17,160	20,332,741	1.041
9	CSNL A/C UAP Life Ass Unitlink Fund	10,301,268	-	-	10,301,268	0.527
10	Old Mutual Life Assurance Co. Ltd	10,261,291	-	-	10,261,291	0.525
11	ICEA Lion Life Assurance Ltd	9,267,652	221,386	19,272	9,508,310	0.487
12	Kenindia Assurance Co. Ltd	7,278,349	-	-	7,278,349	0.373
13	Alimohamed Adam	4,762,521	277,264	57,617	5,097,402	0.261
14	Kenya Reinsurance Corporation Ltd	4,957,385	16,156	-	4,973,541	0.255
15	Phoenix of East Africa Assurance Company Limited	3,351,295	-	-	3,351,295	0.172
16	Natbank Trustee & Investment Services Ltd	2,589,773	-	-	2,589,773	0.133
17	Savitaben Velji Raichand Shah	2,292,589	73,736	6,500	2,372,825	0.121
18	Dhimantlal Samji Shah	2,322,951	-	-	2,322,951	0.119
19	Kyalo Mwangulu Kilele	2,305,000	-	-	2,305,000	0.118
20	APA Insurance Limited	2,286,552	-	-	2,286,552	0.117
<b>Sub - Totals</b>		<b>1,725,844,847</b>	<b>1,420,070</b>	<b>294,880</b>	<b>1,727,559,797</b>	<b>88.429</b>
<b>Other Shareholders</b>		<b>225,622,198</b>	<b>379,930</b>	<b>55,120</b>	<b>226,057,248</b>	<b>11.571</b>
<b>Total Issued Shares</b>		<b>1,951,467,045</b>	<b>1,800,000</b>	<b>350,000</b>	<b>1,953,617,045</b>	<b>100</b>

## COMPANY'S CORPORATE GOVERNANCE PHILOSOPHY (Continued)

Shares distribution of Ordinary Shareholders as at 31<sup>st</sup> August 2015

Range	No. of Shareholders	Shares
<1,000	12,198	3,949,275
1001-10,000	10,649	32,863,298
10,001-50,000	2,335	48,342,706
50,001-100,000	453	31,772,243
Over 100,000	784	1,834,539,523
<b>Totals</b>	<b>26,419</b>	<b>1,951,467,045</b>

Shares distribution of 4% Preference Shareholders as at 31<sup>st</sup> August 2015

Range	No. of Shareholders	Shares
<1,000	363	65,575
1001-10,000	55	152,792
10,001-50,000	14	325,818
50,001-100,000	2	133,564
Over 100,000	3	1,122,251
<b>Totals</b>	<b>437</b>	<b>1,800,000</b>

Shares distribution of 7% Preference Shareholders as at 31<sup>st</sup> August 2015

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



Hon. Kenneth Marende, EGH  
Chairman

29<sup>th</sup> October 2015

# 3,611,904

Total number of customers as at June 2015

## Increased Electricity Access

We connected a record 843,899 new customers during the year. This raised the country's electricity access from 37% to 47% as at 30 June 2015.

## RIPOTI KUHUSU UONGOZI WA KAMPUNI

### Falsafa ya usimamizi wa Kampuni

Usimamizi bora wa Kampuni unahusisha kubuniwa na kuimarishwa kwa faida ya kutegemewa kwa wenyehisa na washikadau wengine kupitia uzingatiji wa miundo, mifumo na taratibu za kibiashara zinazokumbatia maadili. Kampuni inahakikisha kanuni za usimamizi wa Kampuni na taratibu zifaaazo zinafuatwa na kwamba masuala yote ya usimamizi wa Kampuni yanaendeshwa kwa njia ya haki na uwazi. Kufuatia hali hii, tunaamini ni wajibu wetu kutoa taarifa zifaaazo na kwa wakati ufaao kuhusu hali yetu ya kifedha na matokeo pamoja na usimamizi na uongozi wa Kampuni.

Bodi ya Wakurugenzi wa Kampuni na Wasimamizi wanajitolea kikamilifu kuzingatia vitendo vifaavyo vya usimamizi kuambatana na Maono yetu ya kutoa huduma bora zaidi za kufurahisha wateja wetu, kuunda thamani kwa wenyehisa na kutosheleza matarajio ya washikadau wote.

Taarifa hii inafafanua kanuni na miundo ya Kampuni na vitendo vinavyofanikisha malengo yetu.

### Masharti na kanuni za usimamizi wa Kampuni

Bodi ina nguvu na mamlaka kutokana na sheria za Kenya na Katiba ya Kampuni. Katika kutekeleza wajibu wake, Bodi inaelekezwa na Mkataba wa Bodi, Kanuni za Maadili Mema ili kufanikisha kikamilifu wajibu wake wa uongozi bora wa Kampuni kwa washikadau. Mbali na hayo, imezingatia Taratibu kuhusu Uongozi Bora zilizotayarishwa na Mamlaka ya Masoko ya Mtaji. Kampuni pia inakumbatia Sheria ya Maafisa wa Umma na Maadili na Mwongozo kwa Mashirika ya Umma.

Mkataba wa Bodi unalenga kuhakikisha ufanisi wa mchango wa kila Mkurugenzi katika usimamizi wa Kampuni kwa kuhakikisha wanafanya maamuzi huru na kwa njia ya kitaaluma. Hasa, Mkataba wa Bodi unaelezea mipangilio ya usimamizi itakayotumiwa katika Kampuni katika nyanja zifuatazo: (i) uteuzi wa wakurugenzi na mahitaji ya mchanganyiko wa vipawa/jinsia ya wakurugenzi huru; (ii) kutambua kwa na kujitolea kuheshimu haki za wenyehisa; (iii) Wajibu na majukumu tofauti ya Bodi, Mwenyekiti, Mkurugenzi Mkuu na Katibu wa Kampuni; (iv) kuendesha mikutano ya Bodi; (v) Kuelekeza na mafunzo kwa wakurugenzi; (vi) Majukumu ya

wakurugenzi, madeni na mwongozo wa maadili; (vii) masharti ya Utendakazi kwa Kamati zote za Bodi; na (viii) ufichuzi wa habari muhimu kwa umma.

Mwongozo wa Kanuni za Wakurugenzi wafafanua sheria zinazoongoza utendakazi wa wakurugenzi binafsi ili kuwezesha Bodi kuendesha shughuli zake ipasavyo kwa manufaa ya Kampuni. Hii ni pamoja na, miongoni mwa mengine, mahitaji ya Wakurugenzi kufanya kazi kwa ukweli, roho safi na kwa manufaa ya Kampuni; kujitenga na shughuli zinazokinzana na matakwa ya Kampuni au zinazohujumu utendakazi wake, kuhifadhi siri za Kampuni, kujitolea na kuhudhuria shughuli za Kampuni na kuheshimu Wakurugenzi wenzake. Kampuni ina Kanuni za Maadili Mema kwa wafanyakazi wasimamizi.

Isitoshe, Kanuni za Usimamizi za Mwongozo zilianzishwa na Serikali kutoa mwongozo kuhusu usimamizi bora, uongozi ufaao na usimamizi bora wa rasimali za umma kama inavyoelekezwa na Katiba ya 2010.

### Bodi ya Wakurugenzi

Bodi ya Wakurugenzi inasimamia utekelezaji wa maongozi bora kwa manufaa ya muda mrefu ya washikadau. Bodi inatoa mwongozo, uangalizi kwa Wasimamizi, uadilifu na maamuzi bora katika kuendesha Kampuni yetu na huchukua hatua kwa manufaa ya kibiashara kwa njia ya kudumu na kutegemewa.

### Ukubwa na Idadi ya Bodi

Bodi ina Wakurugenzi tisa akiwemo Mkurugenzi Mkuu na Afisa Mkuu Mtendaji. Nane kati ya Wakurugenzi hao, akiwemo Mwenyekiti hawana mamlaka. Bodi huundwa kwa kuzingatia mahitaji ya sekta hii, vipawa mbalimbali, umri, thamani kwa Kampuni, jinsia, elimu na uzoefu unaohitajika kuwezesha Kampuni kuafikia shabaha na malengo yake. Wasifu wa Wakurugenzi umo kwenye kurasa 12 - 13.

Angalau theluthi moja ya wanachama wa Bodi hustaafu kwa mzunguko kila mwaka lakini wako huru kuchaguliwa tena wakati wa Mkutano Mkuu wa Kila Mwaka. Mkurugenzi yeyote aliyeteuliwa kujaza nafasi ya muda anahitajika kustaafu katika Mkutano Mkuu wa Kila Mwaka unaofuata na ako huru kujitokeza kwa uchaguzi.

## RIPOTI KUHUSU UONGOZI WA KAMPUNI (Kuendelea)

### Muundo wa Bodi na Mahudhurio

Jina la Mkurugenzi	Wadhifa katika Bodi	Mahudhurio ya Bodi	Kamati za Bodi Uenyekiti	Idadi ya Kamati
Mhe. Kenneth Marende	Mwenyekiti	8	-	-
Bw. Henry Rotich	Waziri, Hazina Kuu	-	-	Tatu
Mha. Joseph Njoroge	Katibu Wizara ya Kawi na Mafuta	3	-	Tatu
Dkt. Ben Chumo	Mkurugenzi Mkuu na Afisa Mkuu Mtendaji	15	-	Tano
Dkt. Theodorah Kilukumi	Mwanachama	15	Moja	Nne
Bw. Macharia Kariuki	Mwanachama	15	Moja	Nne
Bw. Wilson Mugung'ei	Mwanachama	8	Moja	Tatu
Bi. Jane Nashida	Mwanachama	15	Moja	Nne
Bw. Adil Khawaja	Mwanachama	7	Moja	Mbili
Bw. Joseph Kariuki	Anayewakilisha Katibu, Hazina Kuu	15	-	-
Mha. Isaac Kiva	Anayewakilisha Katibu Wizara ua Kawi na Mafuta	12	-	-
Bw. Eliazar Ochola	Aliondoka Desemba 2014	7	-	-
Bw. Jacob Mwirigi	Aliondoka Desemba 2014	7	-	-
Mha. Patrick Obath	Aliondoka Desemba 2014	6	-	-

### Maelezo:

- Mhe. Kenneth Marende, Bw. Adil Khawaja na Bw. Wilson Mugung'ei walichaguliwa kama Wakurugenzi wakati wa Mkutano Mkuu wa Kila Mwaka ulioandaliwa Desemba 19, 2014.
- Mabw. Eliazar Ochola, Jacob Mwirigi na Patrick Obath walistaafu kama Wakurugenzi wakati wa Mkutano Mkuu wa Kila Mwaka ulioandaliwa Desemba 19, 2014.
- Hakuna uhusiano wowote baina ya wanachama wetu wa Bodi.

### Majukumu ya Bodi

Katika kutoa mwongozo na mwelekeo ufaao kwa Kampuni, Bodi inawajibishwa na majukumu msingi yafuatayo:

- Kuweka malengo ya muda mfupi na mrefu ya Kampuni na mikakati ya kufanikisha malengo hayo;
- Kuhakikisha utayarishaji wa taarifa za kifedha za nusu mwaka na za kila mwaka;
- Kuidhinisha na kutathmini bajeti za kila mwaka;
- Kuweka na kuchunguza mara kwa mara vigezo vya utendakazi na matokeo ya wasimamizi;
- Kuzuia hatari kwa kuhakikisha kuna mifumo ya kutosha katika Kampuni ya vidhibiti vya ndani pamoja na taratibu zifaazo za kufuatilia uzingatiji ili kuhakikisha biashara inaendelea; na
- Kushirikiana na Wasimamizi kuimarisha thamani kwa wenyehisa.

Bodi ya Wakurugenzi inaweza kupokea kwa wakati ufaao taarifa muhimu kuhusu Kampuni pamoja na ushauri na huduma za Katibu wa Kampuni kutekeleza majukumu yake ipasavyo. Wakurugenzi pia wana mamlaka ya kutafuta ushauri huru wa kitaalamu kuhusu shughuli za Kampuni kwa gharama yake inapohitajika.

Mwenyekiti anawajibika kutoa mwelekeo kwa Bodi na kutoa taarifa za kutosha na kwa wakati ufaao kuiwezesha kutekeleza wajibu wake. Anasimamia vikao vya Bodi na Mikutano Mikuu ya Kila Mwaka; hudumisha utulivu na amani kwenye mikutano; uhakikisha maamuzi ya haki yanafanywa na usimamizi bora wa Bodi. Kwa upande wake, Mkurugenzi Mkuu na Afisa Mkuu Mtendaji anahusika na usimamizi wa kila siku wa Kampuni.

### Maelezo na mafunzo kwa Wakurugenzi

Wakurugenzi uhudhuria mara kwa mara mafunzo kuhusu usimamizi bora na fani zingine kuwapa ufahamu unaohitajika ili kutekeleza majukumu yao kwa njia inayofaa. Mpango wa kujifahamisha kwa Wakurugenzi wapya unaendeshwa ili kuimarisha ufahamu wa shughuli za biashara na operesheni zetu kupitia maelezo ya wasimamizi wakiangazia matokeo ya Kampuni na mkakati.

Katika Mwaka uliomalizika, wanachama wa Bodi walipokea mafunzo muhimu na mipango ya kuimarisha ufahamu, seminaa na makongamano kuandaliwa.

### Tathmini ya Bodi

Katika mwaka uliomalizika, Bodi ilijitathmini kupima utendakazi wake. Uchunguzi huo ulipima ubora wa usimamizi wake na kutoa nafasi kwa wanachama kutafakari kuhusu majukumu yao na, hivyo,

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kutambua masuala yanayohitaji Bodi kuingilia kati ili kuboresha matokeo. Isitoshe, Bodi ilichunguzwa na Kamati ya Ushauri ya Mashirika ya Umma kama inavyohitajika kisheria.

### Mipangilio ya kazi na mikutano ya Bodi

Tarehe za Mikutano ya Bodi katika mwaka unaofuata zinaamuliwa mapema na kuratibiwa. Bodi hukutana angalau mara moja kwa mwezi au zaidi au inapohitajika kuendesha shughuli za Kampuni. Wakurugenzi hupokea ilani ya kutosha na stakabadhi zenye maelezo ya kina kuhusiana na masuala yatakayojadiliwa kwa wakati unaofaa kuwawezesha kujiandaa kikamilifu kwa mikutano hiyo. Bodi ilifanya jumla ya vikao 15 mwaka uliomalizika.

### Kamati za Bodi

Bodi ina kamati sita za kudumu ambazo zinasaidia katika utekelezaji wa majukumu mbalimbali ya kibiashara.

Kamati ya muda inaweza kubuniwa kushughulikia masuala muhimu ambayo huenda yakaibuka. Bodi inaamua masharti ya utendakazi kwa kila kamati. Katibu wa Kampuni ndiye karani wa kamati zote za Bodi isipokuwa ile ya Wafanyikazi na Mshahara ambapo Mkurugenzi Mkuu na Afisa Mkuu Mtendaji ndiye karani. Kamati huwasilisha ripoti za shughuli zao kwa Bodi.

Katika mwaka uliomalizika, Bodi ilikuwa na kamati zifuatazo:

### Kamati ya Uhasibu

Kamati ya Uhasibu uhakikisha kuna taratibu za kutosha na vidhibiti vifaavyo kulinda mali ya Kampuni. Kamati hujumuisha Wakurugenzi watatu wasio na mamlaka. Humwalika mara kwa mara Mkurugenzi Mkuu na Afisa Mkuu Mtendaji, Meneja Wakuu wanaosimamia Fedha na Uhasibu wa Ndani kwenye vikao vyake. Wahasibu kutoka nje pia wanaalikwa kuhudhuria mikutano inapohitajika.

Kamati ya Uhasibu imetwikwa majukumu yafuatayo:

- Kuchunguza taarifa za hesabu za miezi mitatu, nusu mwaka na mwaka mzima,
- Kujadiliana kuhusu mpango wa uhasibu na wahasibu kutoka nje kabla ya kuanza kwa ukaguzi wa kila mwaka,
- Kuchunguza matokeo ya wakaguzi kutoka nje,
- Kupendekeza kwa Bodi uteuzi wa wahasibu kutoka nje na malipo yao ya kila mwaka,
- Kuchunguza utendakazi, uhuru, na operesheni na matokeo ya Idara ya Uhasibu wa Ndani,
- Kutathmini hatari zinazokumba Kampuni na mikakati ya wasimamizi kukabiliana nazo, na kuhakikisha uzingatiji wa kanuni za maadili mema na uadilifu katika shughuli za kifedha za Kampuni.

Kamati ya Uhasibu iliandaa mikutano 6 kama inavyoonyeshwa hapa chini:

Jina	Mahudhurio
Bw. W. Mugung'ei – Mwenyekiti (Alijiunga Januari, 2015)	3
Dkt. B. Chumo (kwa mwaliko)	6
Mhe. Kenneth Marende (kwa mwaliko)	2
Bw. M. Kariuki	6
Dkt. T. Kilukumi (Alijiunga Januari, 2015)	3
Bw. J. Mwirigi (aliondoka Desemba 2014)	3
Mha. Patrick Obath (aliondoka Desemba 2014)	2
Bw. E. Ochola (aliondoka Desemba 2014)	2

### Kamati ya Mkakati na Huduma kwa Wateja

Kamati ya Mkakati na Huduma kwa Wateja hushauri Bodi kuhusu mikakati ya kuboresha matokeo ya Kampuni. Kamati inachunguza Mpango wa Mkakati wa Miaka Mitano wa Kampuni, Mpango wa Mkakati wa Kila Mwaka wa Kampuni na Bajeti ya Kila Mwaka ya Kampuni. Pia, inahusika na kufuatilia miradi mikubwa inayoendelea kutekelezwa na kuelekeza mikakati ya kuboresha huduma kwa wateja. Kamati huwaalika Meneja Wakuu wanaosimamia Fedha na Huduma kwa Wateja kwenye mikutano yao.

Kamati ya Mkakati na Huduma kwa Wateja iliandaa vikao 4 katika kipindi kinachoangaziwa kama inavyoonyeshwa kwenye jedwali ifuatayo:

Jina	Mahudhurio
Bw. A. Khawaja – Mwenyekiti (Alijiunga Januari 2015)	2
Dkt. B. Chumo	4
Bw. M. Kariuki	3
Bw. J. Kariuki	4
Mha. I. Kiva	4
Mha. P. Obath (aliondoka Desemba 2014)	2

### Kamati ya Wafanyikazi na Mishahara

Majukumu ya Kamati ya Wafanyikazi na Mishahara ni kuchunguza na kutoa mapendekezo kwa Bodi kuhusu yafuatayo: (i) uteuzi wa, na kanuni na masharti ya utendakazi kwa Mkurugenzi Mkuu; uteuzi, kupandishwa vyeo na masuala ya kinidhamu ya maafisa wa ngazi za juu; (iii) muundo wa mishahara ya wafanyikazi; (iv) bonasi ya matokeo bora kwa Mkurugenzi Mkuu na wafanyikazi; (v) sera kuhusu wafanyikazi na muundo wa usimamizi wa Kampuni kusaidia biashara; (vi) mipangilio wa urithi wa maafisa wa ngazi za juu; na (vii) kutathmini matokeo ya mpango wa malipo ya uzeeni ya wafanyikazi. Kamati hualika Meneja Wakuu wanaosimamia masuala ya Wafanyikazi na Usimamizi kwa vikao vyao.

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Kamati ya Wafanyikazi na Malipo iliandaa vikao 7 mwaka uliomalizika kama inavyoonyeshwa kwenye jedwali ifuatayo:

Jina	Mahudhurio
Dkt. T. Kilukumi – Mwenyekiti	7
Dkt. B. Chumo -Katibu	7
Mhe. Kenneth Marende (kwa mwaliko)	1
Bi. J. Nashida	7
Mha. I. Kiva	5
Bw. J. Kariuki	7
Bw. W. Mugung'ei (Alijiunga Januari 2015)	4
Bw. J. Mwirigi (aliondoka Desemba 2014)	2

### Kamati Angalizi kuhusu Ununuzi

Jukumu la Kamati Angalizi kuhusu Ununuzi ni kufuatilia, kwa niaba ya Bodi kuhusu ununuzi unaofanywa na Kampuni. Majukumu ya Kamati hii ni pamoja na: kuchunguza mpango wa kila mwaka wa ununuzi na kutoa mapendekezo kwa Bodi; kufuatilia utaratibu wa ununuzi kuhakikisha unazingatia mpango wa ununuzi wa kila mwaka ulioidhinishwa na pia sheria; na kuidhinisha ununuzi bidhaa na huduma zinazogharimu Sh50 milioni na zaidi, na ununuzi mwingine muhimu.

Kamati hualika Mwenyekiti wa Kamati ya Utoaji Zabuni ya Kampuni na Meneja Mkuu, Uagizaji kwenye vikao vyake.

Kamati Angalizi kuhusu Ununuzi iliandaa vikao 15 katika mwaka uliomalizika kama inavyoonyeshwa kwenye jedwali ifuatayo:

Jina	Mahudhurio
Bw. M. Kariuki – Mwenyekiti	15
Dkt. B. Chumo	15
Mhe. Kenneth Marende (kwa mwaliko)	1
Bi. J. Nashida	14
Dkt. T. Kilukumi	14
Bw. W. Mugung'ei (alijiunga Januari 2015)	8
Bw. J. Mwirigi (aliondoka Desemba 2014)	7

### Kamati ya Mkataba na Wazalishaji Umeme (PPA)

Kamati huchunguza mikataba inayofanywa kati ya Kampuni na mashirika yanayozalisha umeme na kutoa mapendekezo kwa Bodi kwa lengo la kudhibiti gharama. Kamati huwaalika wafanyikazi wataalamu wakati wa mikutano yao kutoa taarifa na kutoa ufafanuzi kuwezesha Bodi kutekeleza majukumu yake kwa njia ifaayo.

Kamati ya Mkataba na Wazalishaji Umeme iliandaa vikao 8 katika mwaka uliomalizika kama ifuatavyo:

Jina	Mahudhurio
Bw. A. Khawaja – Mwenyekiti (Alijiunga Januari 2015)	4
Dkt. B. Chumo	8
Mha. Kenneth Marende (kwa mwaliko)	1
Bi. J. Nashida	5
Bw. J. Kariuki	8
Mha. I. Kiva	8
Mha. P. Obath (Aliondoka Desemba 2014)	4

### Kamati ya Teknolojia ya Mawasiliano (ICT)

Jukumu la kamati ya ICT ni kuchunguza sera ya Kampuni kuhusu Teknolojia ya Mawasiliano, kutathmini masuala ya usalama ya ICT, vidhibiti vya ndani na kuhakikisha uzingatiji wa mifumo ya ICT inayolinda biashara ya Kampuni kupunguza hatari na kupata manufaa makubwa kutokana na uwekezaji huo.

Kamati ya ICT iliandaa vikao viwili katika mwaka uliomalizika kama inavyoonyeshwa hapa chini:

Jina	Mahudhurio
Bi. J. Nashida – Mwenyekiti	2
Dkt. B. Chumo	2
Bw. M. Kariuki	2
Dkt. T. Kilukumi	2

### Uwajibikaji na uhasibu

Kwa mujibu wa Sheria ya Kampuni, Wakurugenzi wanahitajika kuandaa taarifa za kifedha katika kila mwaka wa kifedha kusawiri hali halisi ya masuala ya Kampuni. Ni wajibu wao kuhakikisha sera mwafaka za uhasibu zinatumiwa pamoja na maamuzi yafaayo na makadirio; na kwamba viwango vinavyostahili vya uhasibu vinafuatwa pamoja na jukumu la kudumisha uangalifu, kutumia ujuzi na bidii.

Wakurugenzi pia wanahitajika kuhakikisha Kampuni ina rekodi bora za hesabu, ambazo zinadokeza kwa usahihi kila wakati hali ya kifedha ya Kampuni na kuwawezesha kuhakikisha taarifa za kifedha zinazingatia Sheria ya Kampuni. Isitoshe, wana jukumu la kuhakikisha kuna vidhibiti vya ndani vya kutosha kulinda vifaa vya Kampuni na kuzuia na kutambua ulaghai na makosa mengine.

### Malipo ya Wakurugenzi

Maelezo kuhusu malipo ya Wakurugenzi katika mwaka uliomalizika yamo kwenye ukurasa 99 Wakurugenzi wanastahili kulipwa marupurupu ya vikao kwa kila mkutano ulioandaliwa, marupurupu ya chakula cha mchana (badala ya chakula hicho kutolewa),

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marupurupu ya malazi na kurejeshewa ada za usafiri inakohitajika, katika viwango vilivyowekwa na Serikali kwa mashirika ya umma. Pamoja na hayo, Mwenyekiti hulipwa tunzo (honaria) kila mwezi. Inapendekezwa kuwa kila mkurugenzi asiye na mamlaka alipwe ujira wa Sh600,000 kwa mwaka uliomalizika Juni 30, 2015 au kugawana malipo sawa kwa kipindi hicho. Malipo hayo hutolewa kila mwaka baada ya idhini kutolewa kwenye Mkutano Mkuu wa kila Mwaka kwa mujibu wa viwango vilivyowekwa na kuidhinishwa na Serikali kwa mashirika ya umma.

Hakukuwa na mikopo yoyote ya Wakurugenzi katika mwaka uliomalizika.

### Vidhibiti vya ndani

Mifumo ya udhibiti wa ndani imewekwa kutosheleza mahitaji maalumu ya Kampuni, na hatari zinazoikumba pamoja na taratibu zinazonuia kutoa usimamizi bora wa kifedha katika Kampuni. Bodi inawajibika kudumisha mifumo thabiti katika Kampuni ili kulinda mali ya wenyehisa. Hii ni pamoja na mifumo ya usimamizi na sheria ambayo inadumishwa kila wakati na kuchunguzwa. Inahitajika mifumo iwekwe kutoa vidhibiti vifaavyo, lakini hakutakuwa na hakikisho kamili ya vidhibiti hivyo kufanya kazi asilimia 100.

### Hisa za Wakurugenzi

Hakuna Mkurugenzi anayemiliki zaidi ya asilimia moja ya jumla ya hisa zote za Kampuni kibinafsi.

### Uthibiti wa hatari za kibiashara

Kuzuia hatari ni sehemu muhimu ya usimamizi bora wa kampuni na uhakikisha uendeleu wa biashara na utunzaji wa Kampuni kwa siku zijazo. Kampuni inaendelea kutekeleza sera yake ya Kukabiliana na Hatari za Kibiashara (ERM) kwa lengo la kupunguza hatari zilizotambuliwa za kibiashara na zile za utendakazi kwa utaratibu na njia mwafaka. Sera ya ERM imeundwa kufanya yafuatayo: (i) kutambua hatari zinazoathiri ufanikishaji wa Maono, Malengo na Maadili ya Kampuni; (ii) kutumia nafasi zilizopo ili kuunda thamani kwa washikadau wote; na (iii) kuchukua hatua zinazoweza kupunguza athari mbaya za hatari hizo. Bodi kupitia kwa Kamati yake ya Uhasibu hutekeleza wajibu wake wa uangalizi kwenye taratibu za ERM zinazotekelezwa na wasimamizi.

Katika kipindi kinachoangaziwa, Kampuni iliendelea kukumbatia desturi ya kutoa uhamasisho kuhusu hatari hizo kwa lengo la kusaidia mikakati na malengo yetu ya kibiashara. Hatari kuu za kibiashara na nyingine ibuka zilichunguzwa, kutathminiwa na kufuatiliwa kwa karibu na Bodi na Wasimamizi. Hatari zilizotambuliwa zimeorodheshwa kwenye makundi matatu: hali ya kiuchumi, mikakati na utendakazi. Hatari hizi huathiri mazingira ya kibiashara ya Kampuni, mikakati ya ukuaji wa biashara na operesheni.

### Viwango vya maadili

Kampuni uhakikisha Wakurugenzi na wafanyikazi wanazingatia maadili na kufanya kazi kwa weledi kwa mujibu wa Mwongozo wa Kampuni wa Maadili. Mwongozo wa Maadili ni taarifa kwa umma inayofafanua matarajio yao na hutuwajibisha katika namna tunavyoendesha shughuli zetu. Wakurugenzi na wafanyikazi wote wanahitajika kusoma, kuelewa, kutia saini na kuheshimu vipengee vyake vyote. Kampuni inaendesha uhamasishaji kuhusu uadilifu, tathmini za hatari na utekelezaji wa hatua za kuzuia ufisadi.

Kampuni ina utaratibu wa kupokea malalamishi na kufuatia kuhusu madai na visa vya ukiukaji wa maadili. Uchunguzi wa haki kuhusu visa vilivyoriptiwa hufanywa na hatua mwafaka kuchukuliwa kuzuia na kupunguza makali ya hatari hiyo.

Kampuni hushirikiana na washikadau kutoka nje kudumisha desturi ya maadili na uadilifu.

### Mawasiliano na washikadau

Kampuni huthamini na kudumisha mahusiano mema na washikadau kama inavyoendelezwa kupitia mawasiliano bora. Mkutano Mkuu wa Kila Mwaka (AGM) pamoja na taarifa za kifedha za nusu mwaka, ripoti ya kila mwaka na taarifa za kifedha na matangazo mengine ya Kampuni hutoa nafasi murua kuwasiliana na wenyehisa wetu. Ripoti hizo pia zimo kwenye tovuti ya Kampuni www.kplc.co.ke. Wenyehisa wote wana haki ya kuhudhuria na kupiga kura katika Mkutano Mkuu wa Kila Mwaka ambao ilani yake hutolewa angalau siku 21 kabla ya mkutano. Wenyehisa pia wanapewa fursa ya kuuliza maswali au ufafanuzi kuhusu swala lolote linalohusiana na biashara ya Kampuni wakati wa AGM. Ripoti ya Kila Mwaka na Taarifa za Kifedha pia zipo na waweza kusambaziwa endapo watazihitaji. Isitoshe, Kampuni inakumbatia sera ya 'Milango Wazi' na wenyehisa wako huru kushauriana na Katibu wa Kampuni na Msajili wa Hisa ambao wanaweza kujibu maswali yoyote yale.

### Wasimamizi wakuu

Muundo wa biashara wa Kampuni ni kwamba, kuna vitengo 11 na maeneo 10 ya usimamizi kwa uendeshaji bora wa biashara na usimamizi. Vitengo hivyo ni Mkakati wa Biashara, Ustawi wa Miundomsingi, Utunzaji wa Mtandao, Huduma kwa Wateja, Ushirikishi wa Kimaeneo, Teknolojia ya Mawasiliano, Masuala ya Kampuni na Katibu wa Kampuni, Masuala ya Wafanyikazi na Usimamizi, Fedha, Ununuzi na Uhasibu wa Ndani. Maeneo ya kibiashara ni: Nairobi Kaskazini, Nairobi Kusini, Nairobi Magharibi, Pwani, Mlima Kenya, Kaskazini Mashariki, Central Rift, Magharibi na Nyanza Kusini. Pamoja na hayo, Kampuni ilibuni vitengo 46 vya kaunti vya biashara vinavyosimamiwa na Meneja wa Biashara wa Kaunti ili kupeleka huduma karibu na wateja na kutambua nafasi za kibiashara.

## RIPOTI KUHUSU UONGOZI WA KAMPUNI (Kuendelea)

### Kamati kuu ya wasimamizi

Kamati Kuu ya Wasimamizi inajumuisha wakuu wa vitengo na Mkurugenzi Mkuu na Afisa Mkuu Mtendaji ambaye pia ni mwenyekiti wa kamati hiyo. Kamati hiyo hukutana angalau mara mbili kwa mwezi kutathmini utendakazi, na kuangalia masuala ya sera na biashara zikiwemo hatua za kimkakati, na pia kukagua stakabadhi kabla hazijawasilishwa kwa Bodi kuidhinishwa.

### Maelezo kuhusu wenyehisa

Kampuni inatimiza mahitaji yote ya kisheria kama yanavyoagizwa chini ya Sheria ya Kampuni, Mamlaka ya Masoko ya Mtaji na mahitaji ya kuorodheshwa kwenye Soko la Hisa la Nairobi.

### Wenye hisa wakuu 20 kufikia Agosti 31, 2015 ni kama ifuatavyo:

No.	Jina la Mwenyehisa	Kawaida (Sh. 2.50 kila moja)	4% Upendeleo. (Sh. 20/= kila moja)	7% upendeleo. (Sh. 20/= kila moja)	Jumla	Asilimia
1	Katibu, Hazina Kuu	977,641,695	656,808	193,531	978,492,034	50.086
2	Standard Chartered Nominees Ltd	402,693,461	-	-	402,693,461	20.613
3	KCB Nominees Ltd	111,761,585	66,584	800	111,828,969	5.724
4	CFC Stanbic Nominees Ltd	57,908,940	48,308	-	57,957,248	2.967
5	NIC Custodial Services Ltd	45,857,085	-	-	45,857,085	2.347
6	Equity Nominees Ltd	25,735,852	-	-	25,735,852	1.317
7	Co-op Custody	22,013,850	-	-	22,013,850	1.127
8	The Jubilee Insurance Company Ltd	20,255,753	59,828	17,160	20,332,741	1.041
9	CSNL A/C UAP Life Ass Unitlink Fund	10,301,268	-	-	10,301,268	0.527
10	Old Mutual Life Assurance Co. Ltd	10,261,291	-	-	10,261,291	0.525
11	ICEA Lion Life Assurance Ltd	9,267,652	221,386	19,272	9,508,310	0.487
12	Kenindia Assurance Co. Ltd	7,278,349	-	-	7,278,349	0.373
13	Alimohamed Adam	4,762,521	277,264	57,617	5,097,402	0.261
14	Kenya Reinsurance Corporation Ltd	4,957,385	16,156	-	4,973,541	0.255
15	Phoenix of East Africa Assurance Company Limited	3,351,295	-	-	3,351,295	0.172
16	Natbank Trustee & Investment Services Ltd	2,589,773	-	-	2,589,773	0.133
17	Savitaben Velji Raichand Shah	2,292,589	73,736	6,500	2,372,825	0.121
18	Dhimantlal Samji Shah	2,322,951	-	-	2,322,951	0.119
19	Kyalo Mwangulu Kilele	2,305,000	-	-	2,305,000	0.118
20	APA Insurance Limited	2,286,552	-	-	2,286,552	0.117
<b>Jumla ndogo</b>		<b>1,725,844,847</b>	<b>1,420,070</b>	<b>294,880</b>	<b>1,727,559,797</b>	<b>88.429</b>
<b>Wenyehisa wengine</b>		<b>225,622,198</b>	<b>379,930</b>	<b>55,120</b>	<b>226,057,248</b>	<b>11.571</b>
<b>Jumla ya hisa zilizotolewa</b>		<b>1,951,467,045</b>	<b>1,800,000</b>	<b>350,000</b>	<b>1,953,617,045</b>	<b>100</b>

## RIPOTI KUHUSU UONGOZI WA KAMPUNI (Kuendelea)

### Mgao wa hisa za Wenyehisa wa Kawaida kufikia Agosti 31, 2015

Safu	Idadi ya Wenyehisa	Hisa
<1,000	12,198	3,949,275
1001-10,000	10,649	32,863,298
10,001-50,000	2,335	48,342,706
50,001-100,000	453	31,772,243
Over 100,000	784	1,834,539,523
<b>Jumla</b>	<b>26,419</b>	<b>1,951,467,045</b>

### Mgao wa asilimia 4 ya wenyehisa za Upendeleo kufikia Agosti 31, 2015

Safu	Idadi ya Wenyehisa	Hisa
<1,000	363	65,575
1001-10,000	55	152,792
10,001-50,000	14	325,818
50,001-100,000	2	133,564
Over 100,000	3	1,122,251
<b>Jumla</b>	<b>437</b>	<b>1,800,000</b>

### Mgao wa Hisa za Wenyehisa wa asilimia 7 za Upendeleo kufikia Agosti 31, 2015

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

**Mhe. Kenneth Marende, EGH**  
Mwenyekiti

Oktoba 29, 2015

## CORPORATE SOCIAL RESPONSIBILITY REPORT

In recognition of the important role of Corporate Social Responsibility (CSR) as the conscience of the Company, we dedicate 1% of our annual after tax profit to CSR initiatives that support socio-economic programmes among communities. The Board and Management believe that CSR programmes should be relevant, impactful and sustainable. Initiatives undertaken during the year to support our principal CSR themes and priorities are outlined below.

### Health

During the period, we gave a sponsorship amount of Shs.6.5 million for the annual Beyond Zero campaign, an initiative that promotes maternal and public health. We also gave Shs.492,000 in support of Autism Society of Kenya awareness campaign during the World Autism Day. In addition, the Company gave Shs.500,000 golf sponsorship to Nyeri Hospice as part of their fundraising initiatives to provide palliative care for cancer patients. Further, we provided sponsorship for the East African Bariatric Clinic, an organisation that promotes ideal weights and healthy living styles, to mark World Obesity Day at a cost of Shs.200,000. Another Shs.146,000 was given to Kiaora Disability Group based in Thika town to enable them purchase raw materials for income generating activities.

### Education

The Company invested a total of Shs.3.8 million to implement various educational programmes. Notably, we spent Shs.2.8 million for construction of eight classrooms and an administration block for Immaculate Conception Secondary School in Trans-Nzoia County with the aim of providing a conducive learning environment for its pupils. We also reconstructed an electrical system for the Thika School for the Blind and established a centre for dyslexic children called Raregen Talent School in Kitengela, Machakos County. The two programmes were implemented at a combined cost of Shs.1 million.

### Sports

The Company promotes talent among young people and supports growth of sports in the country. During the year, we sponsored several sports events including the Nandi Road Race and Kass Marathon held in Eldoret at Shs.2 million and Shs.1 million respectively. In the same period, we constructed a new sports pitch for Embu School for the Handicapped at a cost of Shs.1.8 million and rehabilitated a sports grounds for Pwani School for the mentally challenged at a cost of Shs.1.9 million and upgraded Kawangware Sports Ground at Shs.2.5 million. In addition, we sponsored the development of an information technology centre in Machakaa, Meru County, at Shs.4 million.

### Other charitable causes

In addition, Shs.10.6 million was set aside for various social welfare initiatives in various parts of the country. In this regard, we gave Shs.3 million to Wema Centre, a children's home based in Mombasa County that rescues and provides shelter to street children. We also assisted Lodwar based Kaibeye Women Group in peace and social cohesion initiatives for Pokot and Turkana communities at a cost of Shs.4.1 million. Other programmes include funding of women empowerment initiatives under Joyful Women Organization at a cost of Shs.2 million; facilitating Women on Board Network conference to enhance leadership skills in women at Shs.1 million and providing sponsorship for the Nairobi County 'Lighting up the Christmas Tree' event at Shs.500,000.



The Company sponsored the annual Kass Marathon held in Eldoret, Uasin Gishu County, during the year



Pupils of St. Monica in Embu County pose for a picture at their newly constructed sports ground



Members of staff in support of autism awareness campaign during the World Autism Day



Company Employees participate in the annual First Lady's Marathon in support of the Beyond Zero campaign



Newly grassed field at the rehabilitated Kawangware Sports Ground in Nairobi



Ongoing renovations at Immaculate Conception Secondary School in Trans-Nzoia County

## REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 JUNE 2015

The Directors present their report together with the audited financial statements of the Kenya Power and Lighting Company Limited (the "Company") for the year ended 30 June 2015 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), Tanzania Electric Supply Company Limited (TANESCO) and Ethiopia Electricity Power Company (EEPCO).

### Results for the year

	30 June 2015	30 June 2014 (Restated)
	KShs'000	KShs'000
Profit before taxation	12,253,574	11,015,850
Taxation charge	(4,821,617)	(4,021,363)
Profit for the year transferred to retained earnings	7,431,957	6,994,487

### Dividends

A dividend of KShs 1.93 million (2014 - KShs 1.93 million) is payable on the cumulative preference shares and has been recognised in the statement of profit or loss and other comprehensive income under finance costs.

Subject to the approval of the shareholders, the directors recommend to members that in addition to the interim dividend of

KShs 0.20 (2014 - KShs 0.20) per ordinary share, a final dividend of KShs 0.30 (2014 - KShs 0.30) per ordinary share be paid for the year ended 30 June 2015.

### Capital expenditure

During the year, a total of KShs 41,568 million (2014 - KShs 27,208 million) was spent on property and equipment. The capital work-in-progress as at 30 June 2015 amounted to KShs 54,345 million (2014- KShs 43,686 million).

### Directors

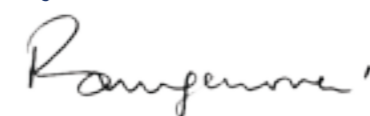
The current Board of Directors are as shown on pages 8-9 Hon. Kenneth Marende, Mr. Adil Arshed Khawaja and Mr. Wilson Kimutai Mugung'ei were elected directors effective 19 December 2014. Mr. Jacob Kabutu Mwirigi, Mr. Patrick Ochieng Obath and Mr. Eliazar Ochieng Ochola ceased to be directors with effect from 19<sup>th</sup> December 2014.

### Auditors

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

Accordingly, Deloitte & Touche were appointed to carry out the audit for the year ended 30 June 2015 and report to the Auditor -General.

### By order of the Board



**Beatrice Meso**  
Company Secretary

29 October 2015

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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



Director

29 October 2015



Director



Director

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

### REPORT ON THE FINANCIAL STATEMENTS

The accompanying financial statements of Kenya Power & Lighting Company Limited set out on pages 63 to 122, which comprise the statement of financial position as at 30<sup>th</sup> June 2015, and the statement of Profit or Loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, 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 their report, I am satisfied that all the information and explanations which, to the best of my knowledge and belief were necessary for the purpose of the audit were obtained.

#### Directors' Responsibility for the Financial Statements

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

The Directors are also responsible for the submission of 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 these financial statements based on the audit and report in accordance with the provisions of Section 15(2) of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. 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 the internal controls relevant to the Company's preparation of financial statements that give a true and fair view in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

#### Opinion

In my opinion, the financial statements give a true and fair view of the state of financial affairs of the Company as at 30<sup>th</sup> June 2015 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act, Cap 486 of the Laws of Kenya.

#### Report on Other Legal and Regulatory Requirements

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

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



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

29 October 2015

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2015

	Note	2015 KShs'000	2014 (Restated) KShs'000
<b>REVENUE</b>			
Electricity sales	7(a)	77,835,634	62,597,035
Foreign exchange adjustment - power purchase	7(b)	2,819,891	3,008,290
- company operations	7(b)	523,724	1,413,910
Fuel costs adjustment	8(b)	25,584,276	38,376,479
		<hr/>	<hr/>
		106,763,525	105,395,714
		<hr/>	<hr/>
<b>POWER PURCHASE COSTS</b>			
Non-fuel costs	8(a)	44,460,483	30,658,932
Foreign exchange cost	7(b)	2,819,891	3,008,290
Fuel costs	8(b)	25,834,986	38,973,183
		<hr/>	<hr/>
		73,115,360	72,640,405
		<hr/>	<hr/>
<b>GROSS PROFIT</b>		33,648,165	32,755,309
		<hr/>	<hr/>
<b>OPERATING EXPENSES</b>			
Network management	9(a)	8,563,679	8,792,360
Commercial services	9(b)	3,802,418	3,491,220
Administration	9(c)	11,850,511	10,465,741
		<hr/>	<hr/>
	9(d)	24,216,608	22,749,321
		<hr/>	<hr/>
Operating income		9,431,557	10,005,988
		<hr/>	<hr/>
<b>OTHER OPERATING INCOME</b>	7(c)	6,405,991	4,914,486
		<hr/>	<hr/>
<b>OPERATING PROFIT</b>		15,837,548	14,920,474
		<hr/>	<hr/>
Interest income	11(a)	1,380,968	104,208
Finance costs	11(b)	(4,964,942)	(4,008,832)
		<hr/>	<hr/>
<b>PROFIT BEFORE TAX</b>	12	12,253,574	11,015,850
		<hr/>	<hr/>
Income tax expense	13(a)	(4,821,617)	(4,021,363)
		<hr/>	<hr/>
<b>PROFIT FOR THE YEAR</b>		7,431,957	6,994,487
		<hr/>	<hr/>



**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2015 (Continued)**

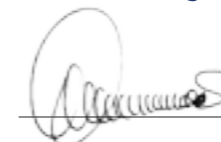
	Note	2015 KShs'000	2014 (Restated) KShs'000
PROFIT FOR THE YEAR		7,431,957	6,994,487
OTHER COMPREHENSIVE INCOME:			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Remeasurement of net defined benefit asset	31	355,688	1,414,030
Deferred tax relating to remeasurement of net defined benefit asset	27	(106,706)	(424,209)
OTHER COMPREHENSIVE INCOME		248,982	989,821
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>7,680,939</u>	<u>7,984,308</u>
Basic earnings per share (KShs)	14	<u>3.81</u>	<u>3.58</u>
Diluted earnings per share (Kshs)	14	<u>3.81</u>	<u>3.58</u>

**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015**

	Note	2015 KShs'000	2014 (Restated) KShs'000
<b>ASSETS</b>			
<b>NON - CURRENT ASSETS</b>			
Property and equipment	16	196,301,330	162,713,968
Prepaid leases on land	17	131,543	131,598
Intangible assets	18	1,418,599	1,410,044
Recoverable foreign exchange adjustment	19(b)	5,165,067	710,252
Net retirement benefit asset	31	6,414,136	5,441,883
		<u>209,430,675</u>	<u>170,407,745</u>
<b>CURRENT ASSETS</b>			
Inventories	20	11,660,097	14,968,210
Trade and other receivables	21(a)	25,823,284	25,256,561
Recoverable foreign exchange adjustment	19(b)	348,432	107,171
Tax recoverable	13(c)	-	10,895
Short term deposits	22(a)	4,272,357	915,862
Bank and cash balances	22(b)	23,958,305	9,260,070
		<u>66,062,475</u>	<u>50,518,769</u>
<b>TOTAL ASSETS</b>		<u>275,493,150</u>	<u>220,926,514</u>
<b>EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Ordinary share capital	23	4,878,667	4,878,667
Share premium	24	22,021,219	22,021,219
Reserves	25	34,549,142	27,843,936
<b>TOTAL EQUITY</b>		<u>61,449,028</u>	<u>54,743,822</u>
<b>DEFERRED INCOME</b>	26	22,013,580	18,680,714
<b>NON - CURRENT LIABILITIES</b>			
Deferred tax	27	24,427,485	19,848,236
Trade and other payables	28(a)	28,072,720	25,621,572
Borrowings	29(a)	99,289,403	53,141,442
Preference shares	30	43,000	43,000
		<u>151,832,608</u>	<u>98,654,250</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	28(b)	26,328,349	26,648,209
Tax payable	13(c)	180,432	-
Leave pay provision	32	1,098,003	1,090,955
Borrowings due within one year	29(a)	12,310,981	16,968,279
Dividends payable	33	280,169	573,541
Bank overdraft	22(b)	-	3,566,744
		<u>40,197,934</u>	<u>48,847,728</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>275,493,150</u>	<u>220,926,514</u>

**TOTAL EQUITY AND LIABILITIES**

The financial statements on pages 63 to 122 were approved and authorised for issue by the Board of Directors on 29 October 2015 and were signed on its behalf by:



Chairman



Director



Managing Director and CEO

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2015

	Ordinary share capital KShs'000 (Note 23(a))	Share premium KShs'000 (Note 24)	Retained earnings KShs'000 (Note 25)	Total KShs'000
At 1 July 2014 - as previously reported	4,878,667	22,021,219	27,305,683	54,205,569
<i>Prior year adjustments:</i>				
- Net unrealised foreign exchange losses adjustment* (note 19(b))	-	-	884,016	884,016
- Realised foreign exchange adjustment	-	-	(66,593)	(66,593)
Tax effect on foreign exchange adjustments				
- current tax	-	-	(33,943)	(33,943)
- deferred tax	-	-	(245,227)	(245,227)
As at 1 July 2014 - as restated	4,878,667	22,021,219	27,843,936	54,743,822
Profit for the year	-	-	7,431,957	7,431,957
Other comprehensive income for the year	-	-	248,982	248,982
Total comprehensive income for the year	-	-	7,680,939	7,680,939
Dividends paid - 2014	-	-	(585,440)	(585,440)
Interim dividends paid - 2015	-	-	(390,293)	(390,293)
At 30 June 2015	4,878,667	22,021,219	34,549,142	61,449,028

\*Prior year restatement relates to change in the accounting policy for treatment of unrealised foreign currency exchange differences arising on retranslation of foreign currency denominated borrowings at the reporting date. Previously, due to immateriality of the amounts involved, the unrealised exchange differences were recognised through the statement of comprehensive income as an expense instead of the same being deferred until recovered from electricity customers. The electricity tariff allows the Company to bill and recover all qualifying realised foreign exchange fluctuations relative to the base rates approved by the Energy Regulatory Commission. See further details on note 19.

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2015

	Note	2015 KShs'000	2014 KShs'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	34(a)	31,844,310	23,141,525
Interest received	34(g)	1,270,906	104,893
Interest paid	34(d)	(5,347,392)	(3,943,574)
Tax paid	13(d)	(157,747)	(30,314)
Cash generated from operating activities		27,610,077	19,272,530
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property and equipment	34(h)	(39,760,863)	(26,650,847)
Purchase of intangible assets	18	(346,322)	(1,320,180)
Proceeds from disposal of property and equipment	34(e)	17,627	20,201
Net cash used in investing activities		(40,089,558)	(27,950,826)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends paid	34(f)	(1,271,035)	(207,508)
Loan proceeds received	34(b)	47,243,906	25,100,876
Repayment of amounts borrowed	34(b)	(11,871,916)	(7,508,492)
Net cash generated from financing activities		34,100,955	17,384,876
Increase in cash and cash equivalents		21,621,474	8,706,580
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		6,609,188	(2,097,392)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	34(c)	28,230,662	6,609,188

## Substation projects commissioned during the year

### Network Expansion and System Reinforcement Projects

We have mobilised resources to fast track the implementation of network upgrade projects which includes completion of on-going substation projects in different parts of the country. The projects will improve efficiency of distribution network and provide capacity for system expansion.



### 1. Reporting entity

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

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

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

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

#### i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2015

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

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities	<p>The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.</p> <p>As the Company does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the Company's financial statements.</p>
IFRIC 21 Levies	<p>IFRIC 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.</p> <p>The application of this Interpretation has had no material impact on the disclosures or on the amounts recognised in the Company's financial statements.</p>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets	The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 Fair Value Measurements. As the Company does not have any cash-generating units (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the Company's financial statements.
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#### ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2015

New and Amendments to standards	Effective for annual periods beginning on or after
IFRS 9	1 January 2018
IFRS 15 Revenue from contracts with customers	1 January 2017
Amendments to IFRS 11	1 January 2016
Amendments to IAS 16 and IAS 38	1 January 2016

#### iii) Relevant new and revised IFRSs in issue but not yet effective for the year ended 30 June 2015

##### IFRS 9 Financial Instruments

IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required 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 value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that 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 presented 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. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

The directors of the Company do not anticipate that the application of IFRS 9 in the future may have a significant impact on amounts reported in respect of the Company's financial assets and financial liabilities. However, it is not practical to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

#### iii) Relevant new and revised IFRSs in issue but not yet effective for the year ended 30 June 2015 (Continued)

##### IFRS 15 Revenue from Contracts with Customers

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until a detailed review has been completed.

##### Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

a) when the intangible asset is expressed as a measure of revenue; or

b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Company uses the straight-line method for depreciation and amortisation for its property and equipment, and intangible assets respectively.

The directors of the Company do not anticipate that the application of the standard will have a significant impact on the Company's financial statements.

##### Annual Improvements 2011-2013 Cycle

The Annual Improvements to IFRSs 2011-2013 Cycle include a number of amendments to various IFRSs, which are summarised below:

The amendments to IFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to IFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

The amendments to IAS 40 clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

a) the property meets the definition of investment property in terms of IAS 40; and

b) the transaction meets the definition of a business combination under IFRS 3

The directors of the Company do not anticipate that the application of these amendments will have a significant impact on the Company's financial statements.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

iii) Relevant new and revised IFRSs in issue but not yet effective for the year ended 30 June 2015 (Continued)WW

#### Annual Improvements 2012-2014 Cycle

The amendments to IFRS 5 adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.

The amendments to IFRS 7 adds additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of determining the disclosures required. Clarifies the applicability of the amendments to IFRS 7 on offsetting

disclosures to condensed interim financial statements.

The amendments to IAS 19 clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid (thus, the depth of the market for high quality corporate bonds should be assessed at currency level).

The amendment to IAS 34 clarifies the meaning of 'elsewhere in the interim report' and requires a cross-reference.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 3. Accounting policies

#### Early adoption of standards

The Company did not early-adopt any new or amended standards in the year 2015.

#### 3.1. Statement of compliance

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

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

#### 3.2. Basis of preparation

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

#### 3.3. Summary of significant accounting policies

##### (a) Revenue

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

##### (i) Electricity sales

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

##### (ii) Fuel cost recoveries

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

##### (iii) Foreign exchange recoveries

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

##### (b) Other income

##### (i) Finance revenue

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

##### (ii) Dividends

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

##### (iii) Rental income

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

##### (iv) Deferred income

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

##### (v) Fibre optic income

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

##### (vi) Other operating income

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

##### (c) Inventories

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 3) Accounting policies (Continued)

#### 3.3 Summary of significant accounting policies (Continued)

##### (d) Tangible assets

###### (i) Property and equipment

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

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

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

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

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

acquired by the Company on sale and leaseback transactions.

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

###### (ii) Capital work in progress

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

##### (e) Intangible assets

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

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 3) Accounting policies (Continued)

#### 3.3 Summary of significant accounting policies (Continued)

##### (e) Intangible assets (Continued)

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.

###### (iii) Current and deferred tax for the year

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 3) Accounting policies (Continued)

#### 3.3 Summary of significant accounting policies (Continued)

##### (g) Leases (Continued)

*Company as a lessee (Continued)*

property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in profit or loss.

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

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

*Company as a lessor*

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

##### (h) Foreign currencies

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

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

##### (i) Financial Instruments

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

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

##### Financial assets

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

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

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

##### (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.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 3) Accounting policies (Continued)

#### 3.3 Summary of significant accounting policies (Continued)

##### (i) Financial Instruments (Continued)

##### Financial assets (Continued)

##### (c) Available-for-sale financial assets

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

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

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

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

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

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

##### (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.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 3) Accounting policies (Continued)

#### 3.3 Summary of significant accounting policies (Continued)

##### (i) Financial Instruments (Continued)

###### *Impairment of 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.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 3) Accounting policies (Continued)

#### 3.3 Summary of significant accounting policies (Continued)

##### (i) Financial Instruments (Continued)

###### *Impairment of financial assets (Continued)*

###### *Derecognition of financial assets (Continued)*

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

###### *Classification as debt or equity*

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

###### *Equity instruments*

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

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

###### **Financial liabilities**

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

###### *Other financial liabilities*

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

###### *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.



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 3) Accounting policies (Continued)

#### 3.3 Summary of significant accounting policies (Continued)

##### (j) Borrowing costs

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

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

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

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

##### (k) Leave accrual

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

##### (l) Impairment of tangible assets

The Company reviews the carrying amounts of its tangible assets, to determine whether there is any indication that those assets have suffered an impairment loss at reporting date, or when there are indications of impairment. If any such indication exists, the recoverable amount of the asset is estimated and an impairment loss is recognised in profit or loss whenever the carrying amount of the asset exceeds its recoverable amount. An asset's recoverable amount is the higher of the asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the

asset. In determining fair value less costs to sell, an appropriate valuation model is used. Where it is not possible to estimate the recoverable amount of an individual asset, the directors estimate the recoverable amount of the cash-generating unit to which the asset belongs.

##### *Impairment of transmission and distribution lines*

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

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 3) Accounting policies (Continued)

#### 3.3 Summary of significant accounting policies (Continued)

##### (i) Impairment of tangible assets (Continued)

##### *Impairment of transmission and distribution lines (Continued)*

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

##### *(i) Company's defined contribution retirement benefit scheme*

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

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

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

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

The net retirement benefit asset recognised in the Company's statement of financial position represents the actual surplus in the Company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

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

##### *(ii) Statutory defined contribution pension scheme*

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

##### (n) Operating segments

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 3) Accounting policies (Continued)

#### 3.3 Summary of significant accounting policies (Continued)

##### (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 and Lighting Company Limited in 1973.

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

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

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

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

##### (s) Cash and cash equivalents

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

##### (t) Comparatives

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. See note 19(b) for the details of the reclassifications in the financial statements for the current year.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 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 2015 was KShs 35,857 million (2014: KShs 33,288 million). Further details are contained in Note 27.

##### *Classification of leases of land as finance or operating leases*

At the inception of each lease of land or building, the Company considers the substance rather than the form of the lease contract. Examples of situations that individually or in combination would normally lead to a lease being classified as a finance lease are:

- The lease transfers ownership of the asset to the lessee by the end of the lease term; The lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised;
- The lease term is for the major part of the economic life of the asset even if title is not transferred;
- At the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and
- The leased assets are of such a specialised nature that only the lessee can use them without major modifications.
- The Company also considers indicators of situations that individually or in combination could also lead to a lease being classified as a finance lease. Examples of such indicators include:
  - If the lessee can cancel the lease, the lessor's losses associated with the cancellation are borne by the lessee;
  - gains or losses from the fluctuation in the fair value of the residual accrue to the lessee (for example, in the form of a rent rebate equalling most of the sales proceeds at the end of the lease); and
  - the lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent.

##### *Pension and other post-employment benefits*

The cost of defined benefit pension plans and other post-employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. The net defined benefit asset at 30 June 2015 was KShs 6,414 million (2014: KShs 5,442 million). Further details are given in Note 31.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

#### 4.1 Critical judgements in applying accounting policies (Continued)

##### *Electricity deposits*

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

##### *Revenue recognition*

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

#### 4.2 Key sources of estimation uncertainty

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

##### *Property and equipment*

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

##### *Impairment of assets*

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

Future cash flows expected to be generated by the assets are projected, taking into account market conditions and the

expected useful lives of the assets. The present value of these cash flows, determined using an appropriate discount rate, is compared to the current net asset value and, if lower, the assets are impaired to the present value.

##### *Pensions*

Actuarial assumptions are made in valuing future defined benefit obligation and are updated periodically. The principal assumption relates to the discount rate, the expected rates of return on assets, future salary increases, mortality rates and future pension increase. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. See note 31 for further details.

##### *Provision for doubtful debts*

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 5. 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.

2015	Nairobi Region KShs'000	West Kenya Region KShs'000	Coast Region KShs'000	Mount Kenya Region KShs'000	Total KShs'000
Revenue	58,019,028	18,938,139	18,647,171	11,159,187	106,763,525
Other income	3,044,895	1,570,492	649,796	1,140,808	6,405,991
Energy purchases	(40,213,447)	(13,160,765)	(13,160,765)	(6,580,383)	(73,115,360)
Operating expenses	(11,269,700)	(5,841,235)	(3,464,461)	(3,641,212)	(24,216,608)
Operating profit	9,580,776	1,506,631	2,671,741	2,078,400	15,837,548
Interest income					1,380,968
Net finance costs					(4,964,942)
Income tax expense					(4,821,617)
Profit for the year					7,431,957
Other information					
Assets	117,762,674	78,457,241	33,632,792	43,640,443	275,493,150
Liabilities	104,894,483	35,434,952	34,001,005	17,700,102	192,030,542
Capital expenditure (including intangible assets)	12,224,798	14,780,681	4,925,159	9,983,524	41,914,162
Depreciation/amortisation	3,684,353	2,197,639	926,784	1,134,645	7,943,421

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 5. OPERATING SEGMENTS (Continued)

2014	Nairobi Region (Restated) KShs'000	West Kenya Region (Restated) KShs'000	Coast Region (Restated) KShs'000	Mount Kenya Region (Restated) KShs'000	Total (Restated) KShs'000
Revenue	58,548,859	18,399,353	19,125,539	9,321,963	105,395,714
Other income	2,433,550	1,159,808	591,059	730,069	4,914,486
Energy purchases	(39,952,223)	(13,075,273)	(13,075,273)	(6,537,636)	(72,640,405)
Operating expenses	(11,384,434)	(4,873,017)	(3,148,189)	(3,343,681)	(22,749,321)
Operating profit	9,645,752	1,610,871	3,493,136	170,715	14,920,474
Interest income					104,208
Net finance income					(4,008,832)
Income tax expense					(4,021,363)
Profit for the year					6,994,487
Other information					
Assets	96,649,373	65,062,308	26,348,806	32,851,324	220,911,811
Liabilities	81,227,129	26,583,424	25,871,213	13,820,212	147,501,978
Capital expenditure (including intangible assets)	8,205,290	11,809,717	2,631,199	5,882,042	28,528,248
Depreciation/amortisation	3,187,941	1,773,082	762,255	1,074,467	6,797,745

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

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.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 5. OPERATING SEGMENTS (Continued)

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

2015	Land and buildings* KShs'000	Lines KShs'000	Machinery KShs'000	Motor vehicles KShs'000	Furniture equipment and other KShs'000	Intangible assets KShs'000	Total KShs'000
Transmission	480,162	5,845,646	28,564	-	119,340	-	6,473,712
Distribution	2,294,750	123,333,190	463,427	1,817,396	7,705,162	1,418,599	137,032,524
Total	2,774,912	129,178,836	491,991	1,817,396	7,824,502	1,418,599	143,506,236
2014	Land and buildings* KShs'000	Lines KShs'000	Machinery KShs'000	Motor vehicles KShs'000	Furniture equipment and other KShs'000	Intangible assets KShs'000	Total KShs'000
Transmission	483,819	5,830,611	30,453	-	175,315	-	6,520,198
Distribution	1,692,748	102,699,522	442,454	1,939,256	5,865,627	1,410,044	114,049,651
Total	2,176,567	108,530,133	472,907	1,939,256	6,040,942	1,410,044	120,569,849

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 6. FINANCIAL RISK & CAPITAL MANAGEMENT

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

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

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

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

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

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

finance function of the Company.

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

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

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

#### (a) Credit risk

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 6. FINANCIAL RISK & CAPITAL MANAGEMENT (Continued)

#### (a) Credit risk (Continued)

	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		
<b>At 30 June 2015</b>					
Trade and other receivables	18,355,537	4,375,920	1,453,493	4,205,967	28,390,917
Less: impairment allowance	-	-	-	(4,205,967)	(4,205,967)
Short term deposits	4,272,357	-	-	-	4,272,357
Bank balances	23,937,191	-	-	-	23,937,191
	<u>46,565,085</u>	<u>4,375,920</u>	<u>1,453,493</u>	<u>-</u>	<u>52,394,498</u>
<b>At 30 June 2014</b>					
Trade and other receivables	20,509,746	3,383,106	64,919	3,994,687	27,952,458
Less: impairment allowance	-	-	-	(3,994,687)	(3,994,687)
Short term deposits	915,862	-	-	-	915,862
Bank balances	9,236,684	-	-	-	9,236,684
	<u>30,662,292</u>	<u>3,383,106</u>	<u>64,919</u>	<u>-</u>	<u>34,110,317</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 7,601 million (2014 - KShs 7,182 million) note 28(a).

#### Management of credit risk

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

#### Management of electricity receivables

The Company supplies electricity to customers in its licensed areas of supply. A large proportion 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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 6. FINANCIAL RISK & CAPITAL MANAGEMENT (Continued)

#### (a) Credit risk (Continued)

##### Management of electricity receivables (Continued)

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 2015 was KShs 3,754 million (2014: KShs 3,622 million). Refer to note 21(c).

The Company continues to install 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:

	2015 KShs'000	2014 KShs'000
Electricity receivables		
Large power users	7,692,897	7,788,322
Ministries	260,192	267,537
Local authorities	146,082	43,189
Parastatals	1,271,456	1,542,145
Ordinary customers	2,772,982	4,415,059
Exports	174,540	83,656
	<u>12,318,149</u>	<u>14,139,908</u>
Total electricity receivables		

##### Management of Stima Loan receivables

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

Monthly follow ups are done to monitor these customers. These procedures include the issue of a notice for disconnection of supply, an internal collection process; follow up of the customer by telephone or in person, negotiations of mutually acceptable payment arrangements and letters of demand. A short text message is sent reminding them of their monthly bill with a loan balance on the same.

Stima Loan customers are grouped into delinquency levels, according to their credit profiles to help in monitoring customer repayment performance. Where delinquency level one have one month in arrears, delinquency level two are in two months arrears,

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 6. FINANCIAL RISK & CAPITAL MANAGEMENT (Continued)

#### (a) Credit risk (Continued)

##### Management of Stima Loan receivables (Continued)

delinquency level three being customers in three months arrears and subsequently delinquency level four and five are customers that are in areas from four months on to twenty four months respectively.

Non - performing loans are assessed on the probability of recovery based on the customers' delinquency level. A provision of Kshs. 79.071 million has been made for loans which have been outstanding for more than 24 months. as at 30th June 2015. Refer to note 21(c).

#### (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 2015 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
<b>At 30 June 2015</b>						
Interest bearing loans and borrowings	-	1,930,135	12,465,514	79,139,892	35,529,611	129,065,152
Trade and other payables	533,980	23,866,077	5,063,325	1,684,733	20,572,500	51,720,615
	<u>533,980</u>	<u>25,796,212</u>	<u>17,528,839</u>	<u>80,824,625</u>	<u>56,102,111</u>	<u>180,785,767</u>
<b>At 30 June 2014</b>						
Interest bearing loans and borrowings	-	535,180	19,078,895	36,837,556	20,745,289	77,196,920
Trade and other payables	573,541	28,062,735	3,196,476	3,291,033	22,377,236	57,501,021
	<u>573,541</u>	<u>28,597,915</u>	<u>22,275,371</u>	<u>40,128,589</u>	<u>43,122,525</u>	<u>134,697,941</u>

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 6. FINANCIAL RISK & CAPITAL MANAGEMENT (Continued)

#### (c) Market risk

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

##### (i) Currency risk

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

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

Currency type	Appreciation/ (depreciation) of Exchange rate	Effect on profit before tax and equity
Year 2015		KShs million
US\$	5 %/(5%)	+/-3,946
Euro	5 %/(5%)	+/- 372
JPY	5 %/(5%)	+/- 50
Chinese ¥	5 %/(5%)	+/-128
Year 2014		
US\$	5 %/(5%)	+/-2,245
Euro	5 %/(5%)	+/- 441
JPY	5 %/(5%)	+/- 57
Chinese ¥	5 %/(5%)	+/-112

#### Management of currency risk

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

##### (ii) Commodity or price risk

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

#### Management of commodity risk

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

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

##### (iii) Interest rate risk

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

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

#### Management of interest rate risk

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 6. FINANCIAL RISK & CAPITAL MANAGEMENT (Continued)

#### (c) Market risk (Continued)

##### (iii) Interest rate risk (Continued)

#### 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 profit or loss and other comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs 873 million (2014: KShs 523 million). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs 4,368 million (2014 - KShs 2,615 million):

	Change in currency rate	Effect on Profit before tax and equity KShs' 000
<b>2015</b>		
	1%	873,000
	5%	4,368,000
<b>2014</b>		
	1%	523,000
	5%	2,615,000

#### (d) Capital management

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

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 30 June 2015 and 30 June 2014.

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

	2015 KShs' million'	2014 KShs' million'
Interest-bearing loans and borrowings (Note 29)	111,600	70,110
Less cash and cash equivalents (Note 34(c))	(28,231)	(6,609)
Net debt	83,369	63,501
Equity	61,449	54,729
Gearing ratio	136%	116%

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 6. FINANCIAL RISK & CAPITAL MANAGEMENT (Continued)

#### (d) Capital management (Continued)

The electricity business is currently in a major expansion phase driven by a rise in demand and Government policy. The funding of additional transmitting and other distribution capacity is to be obtained from cash generated by the business, Government support and funds borrowed from local and international lending institutions. The adequacy of electricity tariffs allowed

by ERC and the level of Government support are key factors in the sustainability of the Company. The debt to equity ratio plays an important role in the credit ratings given to the Company which in turn influence the cost of funding. The Company's policy is to fund capital expansion programme jointly through its own resources and long-term borrowings.

#### (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	
	2015 KShs'000	2014 KShs'000	2015 KShs'000	2014 KShs'000
<b>Financial assets</b>				
Trade and other receivables	20,115,710	23,957,771	20,115,710	23,957,771
Short term deposits	4,272,357	915,862	4,272,357	915,862
Bank and cash balances	23,958,305	9,260,070	23,958,305	9,260,070
<b>Financial liabilities</b>				
Borrowings	111,600,384	70,109,721	111,600,384	70,109,721
Trade and other payables	50,331,830	52,269,781	50,331,830	52,269,781
Bank overdraft	-	3,566,744	-	3,566,744

Trade and other receivables are evaluated regularly to assess the likelihood of impairment. Based on this evaluation, allowances are taken to account for the expected losses on these receivables. As at 30 June 2015, the carrying amounts of such receivables, net of allowances, approximates their fair value.

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

#### (ii) Fair value hierarchy

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 7. (a) ELECTRICITY SALE

	2015 KShs	2014 KShs
Large commercial and industrial customers	40,522,275	33,720,332
Small commercial customers	16,308,627	12,224,483
Domestic customers	20,198,517	15,833,508
Export and others	806,215	818,712
	<u>77,835,634</u>	<u>62,597,035</u>

### (b) FOREIGN EXCHANGE COSTS ADJUSTMENTS

	2015 KShs	2014 KShs
Total foreign exchange costs on-charged to customers	3,343,615	4,422,200
Less: amounts attributed to power purchases	(2,819,891)	(3,008,290)
Amounts attributable to Company's operations	<u>523,724</u>	<u>1,413,910</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.

	2015 KShs	2014 KShs
Reconnection charges	229,181	188,721
Stock excess adjustment	28,203	385,766
Fibre optic leases	259,388	250,658
Deferred income amortised to profit or loss for the year (note 26)	4,105,805	2,682,821
Miscellaneous sales	1,783,414	1,406,520
	<u>6,405,991</u>	<u>4,914,486</u>

### 8. POWER PURCHASE COSTS

#### (a) Basic power purchase costs

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

	2015 KShs	2014 KShs
KenGen	30,767,368	17,620,150
Aggreko	326,269	705,570
Uganda Electricity Transmission Company Limited	852,222	487,308
Tsavo Power Company Limited	1,966,457	1,889,831
Iberafrica Power (E.A.) Company Limited	2,817,490	3,090,640
OrPower 4 Inc.	8,067,419	6,868,006
Mumias Sugar Company Limited	71,022	231,890
Tanzania Electric Supply Company Limited	7,360	12,919
Rabai Power Limited	2,607,258	3,001,752
Imenti Tea Factory	2,565	803
Ethiopia Electricity Power Company	6,240	7,667
Thika Power Limited	2,096,793	1,934,073
Power Technology Solutions Limited	18,129	-
Gulf Power Limited	1,037,065	-
Triumph Power Generating Co. Ltd	4,655	-
	<u>50,648,312</u>	<u>35,850,609</u>
Less foreign exchange surcharge (Note 7(b))	(2,819,891)	(3,008,290)
Less recharged to Rural Electrification Scheme	(3,367,938)	(2,183,387)
	<u>44,460,483</u>	<u>30,658,932</u>



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 8. POWER PURCHASE COSTS (Continued)

#### (b) Fuel costs

	2015 KShs	2014 KShs
KenGen	8,219,330	12,379,564
Aggreko	1,333,387	2,629,643
Uganda Electricity Transmission Company Limited	917,811	1,378,377
Tsavo Power Company Limited	1,463,630	2,328,642
Iberafrica Power (E.A.) Company Limited	3,794,626	8,704,180
Rabai Power Limited	6,933,482	8,145,034
Thika Power Limited	4,151,160	6,183,232
Gulf Power Limited	978,593	-
Off grid power stations	1,174,661	1,107,647
	<u>28,966,680</u>	<u>42,856,319</u>
Less: recharged to Rural Electrification Scheme	(3,131,694)	(3,883,136)
	<u>25,834,986</u>	<u>38,973,183</u>

The Company incurred KShs 25,834,986 as fuel cost during the year (2014: KShs 38,973,183), which was passed to the customers and a recovery of KShs 25,584,276 (2014: KShs 38,376,479) was made.

#### (c) Units purchased

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

	2015 GWh	2014 GWh
KenGen	6,942	5,931
Aggreko	63	94
Uganda Electricity Transmission Company Limited	76	83
Tsavo Power Company Limited	83	152
Iberafrica Power (E.A.) Company Limited	198	550
OrPower 4 Inc	955	851
Mumias Sugar Company Limited	14	57
Tanzania Electric Supply Company Limited	1	1
Imenti Tea Factory*	-	-
Rabai Power Limited	609	633
Thika Power	233	454
Power Technology Solutions Limited	2	-
Gulf Power Limited	60	-
Ethiopia Electricity Power Company	3	-
Triumph Power Generating Co. Ltd	5	-
Off grid power stations	36	33
	<u>9,280</u>	<u>8,839</u>
Less recharged to Rural Electrification Scheme	(651)	(585)
	<u>8,629</u>	<u>8,254</u>

\*Imenti Tea Factory Co. Ltd supplied KWh 454,287 during the period (2014: KWh 149,280).

## 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:

	2015 GWh	2014 GWh
Hydro	3,310	3,944
Geothermal	4,060	2,008
Thermal	1,792	2,786
Imports	80	84
Others	38	17
	<u>9,280</u>	<u>8,839</u>
Less recharged to Rural Electrification Scheme	(651)	(585)
	<u>8,629</u>	<u>8,254</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 COST

	2015 KShs'000	2014 KShs'000
<b>(a) Network management</b>		
Salaries and wages	1,845,640	3,549,448
Staff welfare	56,212	25,676
Other consumable goods	771,859	679,207
Depreciation	4,899,548	4,225,505
Transport and travelling	1,134,999	955,170
Office expenses	11,549	11,272
Advertising and public relations	69,985	43,833
Loss on disposal of fixed assets*	357,253	288,526
Wheeling charges-Ketraco (net)	735,000	50,000
Other costs	348,696	278,348
Net recharge of distribution and transmission costs to Rural Electrification Scheme	(1,667,062)	(1,314,625)
	<u>8,563,679</u>	<u>8,792,360</u>

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

	2015 KShs'000	2014 KShs'000
<b>(b) Commercial services</b>		
Salaries and wages	2,744,155	2,914,145
Staff welfare	15,093	20,787
Electrical materials	29,990	43,402
Other consumable goods	41,577	31,641
Depreciation	1,056,099	705,342
Provision for electricity debtors	480,206	-
Provision for Stima loan debtors	79,071	-
Transport and travelling	399,644	412,373
Office expenses	426,764	629,277
Advertising and public relations	243,451	209,368
Repairs and maintenance	28,612	36,952
Other costs	47,161	49,510
Net recharge of customer service costs to Rural Electrification Scheme	(1,789,405)	(1,561,577)
	<u>3,802,418</u>	<u>3,491,220</u>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 9. OTHER OPERATING COSTS (Continued)

	2015	2014		2015	2014
	KShs'000	(Restated) KShs'000		KShs'000	KShs'000
<b>(c) Administration</b>					
Salaries and wages	5,072,512	3,455,226			
Staff welfare	1,212,030	1,095,626			
Insurance	355,662	332,799			
Other consumable goods	290,603	299,245			
Training expenses and consumer services	258,603	340,896			
Depreciation	1,649,952	1,697,991			
Electricity expenses	168,686	181,642			
Office expenses	501,838	480,339			
Licenses	31,018	41,597			
Security and surveillance	525,839	415,979			
Repairs and maintenance	1,114,218	1,227,496			
Consultancy fees	93,912	247,538			
Auditors' remuneration	16,600	13,970			
Public relations	127,429	286,595			
Directors' emoluments	54,816	67,335			
Amortisation	337,822	168,907			
Leave pay obligation provision	7,048	20,495			
Bank charges	292,273	206,618			
Realised foreign exchange differences	277,419	66,593			
Net retirement benefit credits	(616,565)	(377,134)			
Other costs	1,227,644	1,103,630			
Recharge of administration costs to Rural Electrification Scheme	(1,148,848)	(907,642)			
	<u>11,850,511</u>	<u>10,465,741</u>			
<b>(d) Total operating expenses</b>					
Salaries and wages (note 10)	9,045,742	9,541,685			
Staff welfare	1,283,335	1,142,089			
Insurance	355,662	332,799			
Other consumable goods	1,104,039	1,010,093			
Training expenses and consumer services	258,603	340,896			
Depreciation	7,605,598	6,628,838			
Electricity expenses	168,686	181,642			
Office expenses	940,151	1,120,888			
Repairs and maintenance	1,142,830	1,264,448			
Licenses	31,019	41,597			
Consultancy fees	93,912	247,538			
Security and surveillance	525,839	415,979			
Auditors' remuneration	16,600	13,970			
Directors' emoluments	54,816	67,335			
Amortisation	337,822	168,907			
Provision for electricity debtors	480,206	-			
Provision for stima loan debtors	79,071	-			
Leave provision	7,048	20,495			
Bank charges	292,273	206,618			
Transport and travelling	1,534,643	1,367,543			
Advertising and public relations	440,865	539,796			
Electrical materials	29,990	43,402			
Wheeling charges-Ketraco (net)	735,000	50,000			
Street lighting	254,383	-			
Loss on disposal of property and equipment	357,253	288,526			
Realised foreign exchange differences(note 19(b)) *	277,419	66,593			
Other costs	1,369,118	1,431,488			
Recharges to Rural Electrification Scheme **	(4,605,315)	(3,783,844)			
	<u>24,216,608</u>	<u>22,749,321</u>			

\* Realised foreign exchange differences are amounts recovered from electricity customers as a result of foreign exchange fluctuations.

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2015	2014		2015	2014
	KShs'000	KShs'000		KShs'000	KShs'000
<b>10. STAFF COSTS</b>					
Salaries and wages excluding retirement benefit costs	11,972,053	11,463,936			
Recharge of recurrent expenditure to capital jobs* NSSF employer contributions	(3,009,627)	(2,184,670)			
Pension costs - Defined contributions	25,775	25,289			
Pension cost- defined benefit scheme (note 31)	674,106	614,264			
	<u>(616,565)</u>	<u>(377,134)</u>			
Salaries and wages (Note 9(d))	9,045,742	9,541,685			
Provision for leave pay (note 32)	7,048	20,495			
	<u>9,052,790</u>	<u>9,562,180</u>			
<b>11. FINANCE (COSTS)/INCOME</b>					
<b>(a) Interest income</b>					
Interest income on bank and other deposits	1,380,968	104,208			
<b>(b) Finance costs</b>					
Interest incurred on:					
Loans	(4,601,897)	(2,338,316)			
Bank overdrafts	(361,115)	(1,668,586)			
Dividends on cumulative preference shares	(1,930)	(1,930)			
Total finance costs	<u>(4,964,942)</u>	<u>(4,008,832)</u>			
<b>(c) Unrealised foreign exchange losses</b>					
Exchange losses on loans	(7,480,979)	(1,120,272)			
Exchange losses on loans for on-going projects capitalised	925,703	205,094			
Exchange losses on loans for completed projects	(6,555,276)	(915,178)			
Exchange gains on deposits	1,581,781	31,162			
Net unrealised foreign exchange losses (note19)	<u>(4,973,495)</u>	<u>(884,016)</u>			
<b>12. PROFIT BEFORE TAX</b>					
The profit before tax is arrived at after charging/(crediting): -					
Staff costs (note 10)	9,052,790	9,562,180			
Depreciation	7,605,599	6,628,838			
Amortisation of intangible assets	337,767	168,852			
Amortisation of prepaid leases on land	55	55			
Directors' emoluments:					
- Fees	6,151	5,644			
- Other	54,816	67,335			
Auditors' remuneration	16,600	13,970			
Loss on disposal of property and equipment	357,253	288,526			
Rent payable	353,916	294,250			
Provision for electricity debtors	480,206	-			
Provision for Stima loan debtors	79,071	-			
Net retirement benefit credit	(616,565)	(377,134)			
Interest payable	4,964,942	4,008,832			
Interest receivable	(1,380,968)	(104,208)			
Rent receivable	(47,603)	(53,227)			

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

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 13. TAXATION

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

	2015 KShs'000	2014 KShs'000
Current taxation based on the adjusted profit for the year at 30%	-	-
Deferred tax charge current year (note 27)	4,472,543	3,947,776
Corporation tax on separate sources of income – prior year	-	7,597
Prior year under-provision	-	33,682
Corporation tax on separate sources of income – current year	349,074	32,308
	<u>4,821,617</u>	<u>4,021,363</u>

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

	2015 KShs'000	2014 KShs'000
Profit before tax	<u>12,253,574</u>	<u>11,015,850</u>
Tax at the applicable tax rate of 30%	3,676,072	3,304,755
Tax effect of expenses not deductible for tax purposes	796,471	643,021
Corporation tax on separate sources of income – prior year	-	7,597
Prior year under-provision	-	33,682
Corporation tax on separate sources of income – current year	349,074	32,308
Taxation charge	<u>4,821,617</u>	<u>4,021,363</u>

#### (c) Statement of Financial Position – Tax recoverable

	2015 KShs'000	2014 KShs'000
At the beginning of the year	10,895	20,486
Paid during the year	157,747	30,314
Corporation tax on separate sources of income – prior year	-	(7,597)
Corporation tax on separate sources of income – current year	(349,074)	(32,308)
	<u>(180,432)</u>	<u>10,895</u>
	<u>157,747</u>	<u>30,314</u>

#### (d) Analysis of tax paid

Paid during the year	157,747	22,717
Corporation tax on separate sources of income paid	-	7,597
	<u>157,747</u>	<u>30,314</u>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 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:

	2015 KShs'000	2014 (Restated) KShs'000
Profit for the year attributable to owners of the Company	<u>7,431,957</u>	<u>6,994,487</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:

	2015	2014
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<u>1,951,467,045</u>	<u>1,951,467,045</u>

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

	2015	2014 (Restated)
Basic earnings per share (KShs)	<u>3.81</u>	<u>3.58</u>
Diluted earnings per share (KShs)	<u>3.81</u>	<u>3.58</u>

There were no potentially dilutive ordinary shares as at 30 June 2015. 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 2015, a final dividend in respect of the year ended 30 June 2015 of KShs 0.30 (2014 – KShs 0.30) for every ordinary share of KShs 2.50 par value is to be proposed. An interim dividends of KShs 0.20 (2014– KShs 0.20) for every ordinary share of KShs 2.50 was declared and paid during the year. This will bring the total dividend for the year to KShs 0.50 (2014-KShs. 0.50).

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 16. PROPERTY AND EQUIPMENT

2015	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 2015	2,880,919	15,822,759	114,158,592	541,294	5,704,080	17,633,093	43,685,761	200,426,498
Work in progress additions	-	-	-	-	-	-	41,567,840	41,567,840
Transfers to fixed assets	656,955	787,100	25,098,771	46,713	407,148	3,911,678	(30,908,365)	-
Disposals	-	-	(595,307)	-	-	-	-	(595,307)
At 30 June 2015	3,537,874	16,609,859	138,662,056	588,007	6,111,228	21,544,771	54,345,236	241,399,031
DEPRECIATION								
At 1 July 2014	835,950	7,404,507	14,046,711	68,387	3,764,824	11,592,151	-	37,712,530
Charge for the year	58,555	487,438	4,374,850	27,629	529,008	2,128,118	-	7,605,598
Disposals	-	-	(220,427)	-	-	-	-	(220,427)
At 30 June 2015	894,505	7,891,945	18,201,134	96,016	4,293,832	13,720,269	-	45,097,701
NET BOOK VALUE								
At 30 June 2015	2,643,369	8,717,914	120,460,922	491,991	1,817,396	7,824,502	54,345,236	196,301,330

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)

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

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)

### 17. PREPAID LEASES ON LAND

	2015 KShs'000	2014 KShs'000
<b>COST</b>		
At 1 July and 30 June	133,693	133,693
<b>AMORTISATION</b>		
At 1 July	2,095	2,040
Amortisation for the year	55	55
At 30 June	2,150	2,095
<b>NET BOOK VALUE</b>		
At 30 June	131,543	131,598

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 (2014 - 160). All the land is leased from the Government of Kenya under renewable leases. The lease periods range from between 50 years to 99 years in the counties and up to 999 years for some plots in the Coastal City of Mombasa. Leases are renewed as they expire. Where leases have expired in the past, all have been renewed without any complications and no renewal complications are expected in the foreseeable future.

### 18. INTANGIBLE ASSETS - COMPUTER SOFTWARE

	2015 KShs'000	2014 KShs'000
<b>COST</b>		
At 1 July	1,640,076	319,896
Additions	346,322	1,320,180
At 30 June	1,986,398	1,640,076
<b>AMORTISATION</b>		
At 1 July	(230,032)	(61,180)
Charge for the year	(337,767)	(168,852)
At 30 June	(567,799)	(230,032)
At 30 June	1,418,599	1,410,044

### 19. RECOVERABLE FOREIGN EXCHANGE ADJUSTMENT

(a) Recoverable foreign currency exchange adjustment relates to unrealised currency exchange differences on foreign denominated borrowings recoverable from electricity customers when realised. Previously, the unrealised exchange differences were recognised through the statement of profit or loss and other comprehensive income as an expense instead of the same being deferred through the statement of financial position and charged to profit and loss when realised or recovered from electricity customers. The electricity tariff allows the Company to bill and recover all realised foreign exchange fluctuations relative to the base rates approved by the Energy Regulatory Commission. The amount in the statement of financial position relates to unrealised exchange differences arising on retranslation of foreign currency borrowings at the reporting date which are recoverable from electricity customers.

(b) The movement in recoverable foreign exchange adjustment is as follows

	2015 KShs'000	2014 (Restated) KShs'000
At the beginning of the year	817,423	-
Unrealised exchange gains in the year (note 11)	4,973,495	884,016
Realised exchange gain on loans repayment (note 9(d))	(277,419)	(66,593)
At the end of the year	5,513,499	817,423
Recoverable foreign exchange adjustment is further analysed as follows:		
Current- recoverable within 12 months	348,432	107,171
Non-current- recoverable after 12 months	5,165,067	710,252
At the end of the year	5,513,499	817,423

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 19. RECOVERABLE FOREIGN EXCHANGE ADJUSTMENT (Continued)

(b) The movement in recoverable foreign exchange (Continued)

The effect of the above prior year adjustment these on the financial statements and comparative information reported in the financial statements for the years ended 30 June 2014 and 1 July 2013 is summarised as follows:

#### 30 June 2014

	As previously reported at 30 June 2014 KShs'000	Prior year adjustments KShs'000	As restated at 30 June 2014 KShs'000
<b>Profit or loss</b>			
Unrealised foreign exchange losses	(884,016)	884,016	-
Realised foreign exchange losses	-	(66,593)	(66,593)
Tax charge	(3,742,193)	(279,170)	(4,021,363)
	(4,626,209)	538,253	(4,087,956)
<b>Assets</b>			
Recoverable foreign exchange adjustment	-	802,720	802,720
	-	802,720	802,720
<b>Capital and reserves</b>			
Retained earnings	27,305,683	523,550	27,829,233

As per IAS, an entity shall present a third statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements if the retrospective application, retrospective restatement or the reclassification has a material effect on the information in the statement of financial position at the beginning of the preceding period. There is no third statement of financial position because the prior year adjustment was not material.

	2015 KShs'000	2014 KShs'000
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### 20. INVENTORIES

General stores	6,422,148	5,427,022
Conductors and cables	2,100,639	4,946,816
Transformers	1,662,856	2,733,228
Poles	844,720	790,490
Meters and accessories	215,978	97,122
Engineering spares	14,320	16,226
Fuel and oil	248,489	190,238
Motor vehicle spares	150,947	670,183
Goods in transit	-	96,885
	11,660,097	14,968,210

General stores, engineering spares, fuel and oil, transformers and motor vehicle spares are stated at weighted average cost and adjusted with the provision for obsolete and slow moving stocks of KShs 439,507,000 (2014 KShs 527,529,000) while goods in transit are at cost. A total of KShs 51,862,000 (2014 - KShs 45,905,000) has been expensed as an increase in the provision for obsolete and slow moving stocks.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2015 KShs'000	2014 KShs'000
<b>21. (a) TRADE AND OTHER RECEIVABLES</b>		
Electricity receivables (note 21(c))	16,072,149	17,761,699
Prepayments	208,543	144,633
Recoverable fuel costs*	1,509,083	5,816,440
VAT recoverable	1,429,792	1,154,157
Rural Electrification Scheme's current account	139,108	-
Staff receivables (note 21(d)(i))	606,670	545,532
Stima loan deferred payment customers (note 21(d)(ii)) **	775,731	458,297
Due from Ketraco***	3,987,571	2,376,810
Receivable from Government of Kenya****	4,069,239	-
Other receivables (note 21(d)(iii))	1,231,365	993,680
	<u>                    </u>	<u>                    </u>
Gross trade and other receivables	30,029,251	29,251,248
Provision for credit losses (Note 21(b))	(4,205,967)	(3,994,687)
	<u>                    </u>	<u>                    </u>
Net trade and other receivables	25,823,284	25,256,561
	<u>                    </u>	<u>                    </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.

\*\* Deferred payment customers are debts outstanding under the Stima Loan Revolving Fund Programme which was established in 2010 to facilitate credit access to the low income segments of the market for the purpose of electricity connection. It is funded by Agence Francaise de Development (AFD) through credit and grant to Government of Kenya which is then on lent and further on grant to KPLC.

\*\*\* Due from Ketraco are amounts due from Ketraco relating to the 0.75% Japan Bank for International Cooperation debt for the construction of Sondu Miriu transmission and distribution line which is to be transferred to Ketraco after the agreement to transfer the loan to Ketraco is executed between the relevant parties and the construction 132 KV transmission lines and substations.

\*\*\*\*Receivable from Government of Kenya (GoK) relates to subsidies due to the Company to enhance universal access to electricity through connectivity to the national grid. The KShs 4 Billion receivable from the GoK is part of a larger commitment by the GoK, to be financed partly through support from the World Bank and the African Development Bank to enhance universal access to electricity.

### (b) PROVISIONS FOR CREDIT LOSSES

As at 30 June 2015, trade and other receivables amounting to KShs 4,126,896,000 (2014- KShs 3,994,687,000) were fully impaired and provided for. Movements in the provisions for credit losses were as follows:

	2015 KShs'000	2014 KShs'000
At 1 July	(3,994,687)	(4,087,079)
Bad debts write off	347,997	97,715
Additional provision	(559,277)	(5,323)
	<u>                    </u>	<u>                    </u>
At 30 June (Note 21(a))	(4,205,967)	(3,994,687)
	<u>                    </u>	<u>                    </u>
Provisions for credit losses comprise:		
Electricity receivables	3,754,000	3,621,791
Stima Loans deferred payment customers	79,071	-
Staff receivables	86,677	86,677
Other receivables	286,219	286,219
	<u>                    </u>	<u>                    </u>
	4,205,967	3,994,687
	<u>                    </u>	<u>                    </u>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 21. TRADE AND OTHER RECEIVABLES (Continued)

#### (c) ELECTRICITY RECEIVABLES

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

	Total KShs'000	<30 days KShs'000	30-60 days KShs'000	60-90 days KShs'000	90-120 days KShs'000	>120 days KShs'000
<b>2015</b>						
Gross	16,072,149	10,625,737	1,179,073	513,339	382,515	3,371,485
Impairment	(3,754,000)	-	-	-	(382,515)	(3,371,485)
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Net electricity receivable	12,318,149	10,625,737	1,179,073	513,339	-	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>2014</b>						
Gross	17,761,699	12,480,967	1,050,891	608,050	494,651	3,127,140
Impairment	(3,621,791)	-	-	-	(494,651)	(3,127,140)
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Net electricity receivable	14,139,908	12,480,967	1,050,891	608,050	-	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

#### (d) OTHER RECEIVABLES ANALYSIS

Other receivables comprise debtors which have been impaired as follows.

	2015 KShs'000	2014 KShs'000
i. Staff receivables (note 21 (a))	606,670	545,532
Impairment	(86,677)	(86,677)
	<u>                    </u>	<u>                    </u>
Net staff receivables	519,993	458,855
	<u>                    </u>	<u>                    </u>
ii. Stima Loans deferred payment customers (note 21 (a))	775,731	458,297
Impairment	(79,071)	-
	<u>                    </u>	<u>                    </u>
Net stima loans(Stima loan) receivables	696,660	458,297
	<u>                    </u>	<u>                    </u>
iii. Other receivables (note 21(a))	1,231,365	993,680
Impairment	(286,219)	(286,219)
	<u>                    </u>	<u>                    </u>
Net other receivables	945,146	707,461
	<u>                    </u>	<u>                    </u>

All provisions for credit losses are specific.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 22. SHORT TERM DEPOSITS, BANK AND CASH BALANCES

#### (a) Short term deposits - maturing within 3 months

	2015 KShs'000	2014 KShs'000
Housing Finance Company of Kenya Limited	359,544	340,712
Standard Chartered Bank Kenya Limited	-	259,796
Diamond Trust Bank Limited	3,494,129	-
CFC Stanbic Bank Limited	-	217,452
The Co-operative Bank of Kenya Limited	418,684	97,902
	<u>4,272,357</u>	<u>915,862</u>

The average effective interest rate on the short-term deposits as at 30 June 2015 was 6.56% (2014 - 5.59%).

#### (b) Bank and cash balances

	2015 KShs'000	2014 KShs'000
Cash at bank	23,937,191	9,236,684
Cash on hand	21,114	23,386
	<u>23,958,305</u>	<u>9,260,070</u>
Bank overdraft*	-	(3,566,744)
	<u>23,958,305</u>	<u>5,693,326</u>

\*The bank overdraft obtained in the previous year from Kenya Commercial Bank Limited, Commercial Bank of Africa and CFC Stanbic bank was settled during the year.

The interest rates were as follows:-

Bank	Interest rates
Kenya Commercial Bank Limited	KBRR rate plus 5.46% (KBRR rate at 30 June 2015 was 8.54, with a floor of 11%)
CfC Stanbic Bank Limited	KBRR rate plus 2.87% (KBRR rate at 30 June 2015 was 8.54)
Commercial Bank of Africa Limited	KBRR rate plus 3.87% (KBRR rate at 30 June 2015 was 8.54)

### 23. SHARE CAPITAL

Ordinary share capital

	2015 KShs'000	2014 KShs'000
Authorised: 2,592,812,000 ordinary shares of KShs 2.50 each	<u>6,482,030</u>	<u>6,482,030</u>
Issued and fully paid: 1,951,467,045 ordinary shares of KShs 2.50 each	<u>4,878,667</u>	<u>4,878,667</u>

### 24. SHARE PREMIUM

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

	2015 KShs'000	2014 (Restated) KShs'000
Retained earnings	<u>34,549,142</u>	<u>27,843,936</u>

### 25. RESERVES

Retained earnings	<u>34,549,142</u>	<u>27,843,936</u>
<b>Retained earnings</b>		
The retained earnings balance represents the amount available for distribution to the shareholders of the Company.		

### 26. DEFERRED INCOME

	2015 KShs'000	2014 KShs'000
Balance at beginning of the year	18,680,714	16,087,747
Additions: - Contributions from customers	5,605,854	2,575,788
- Grant from Government of Kenya	1,832,817	2,700,000
Recognised as income (note 7(c))	(4,105,805)	(2,682,821)
Balance at end of the year	<u>22,013,580</u>	<u>18,680,714</u>

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 26. DEFERRED INCOME (Continued)

Included in the additions for the current year is an amount of KShs 1.8 Billion (2014: 2.7 Billion) disbursed by the Government of Kenya as a grant to the Company to enhance universal access to electricity through connectivity to the national grid.

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

### 27. 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:

	2015 KShs'000	2014 (Restated) KShs'000
Deferred tax liabilities:		
Accelerated capital allowance	35,845,167	29,346,462
Unrealised exchange gains	321,533	321,533
Defined benefit asset	1,924,241	1,632,565
	<u>38,090,941</u>	<u>31,300,560</u>
Deferred tax assets:		
Tax losses	(11,961,730)	(9,992,904)
Provisions	(1,701,726)	(1,459,420)
	<u>(13,663,456)</u>	<u>(11,452,324)</u>
Net deferred tax liability	<u>24,427,485</u>	<u>19,848,236</u>
Movement on the deferred tax account is as follows:		
As 1 <sup>st</sup> July	19,848,236	15,476,251
Tax effect on net retirement benefit asset - dealt with through other comprehensive income	106,706	424,209
Charge to profit or loss (note 13 (a))	4,472,543	3,947,776
At 30 June	<u>24,427,485</u>	<u>19,848,236</u>

As at 30 June 2015 the Company had accumulated tax losses amounting to KShs 35,857 million (2014 - KShs 33,288 million) available for future relief.

	2015 KShs'000	2014 KShs'000
<b>28. TRADE AND OTHER PAYABLES</b>		
(a) Non current liabilities		
Customer deposits*	7,600,854	7,182,095
Capital contributions	1,086,490	2,474,775
Capital contribution - on-going projects	12,164,523	9,845,564
Rural Electrification Scheme Levy	-	122,685
Deferred creditor (Fibre Optic)	700,310	775,622
Donor Funded Revolving Fund	3,243,726	1,694,613
Rural Electrification Schemes	643,602	1,066,421
Ministry of Finance	984,421	984,421
Other payables and accruals	1,648,794	1,475,376
	<u>28,072,720</u>	<u>25,621,572</u>

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

	2015 KShs'000	2014 KShs'000
(b) Current liabilities		
KenGen	8,028,863	7,731,871
Aggreko	488,138	728,226
Other electricity suppliers	6,691,252	10,557,831
Customer refunds (capacity for uncommissioned plants)	253,811	-
Other suppliers' accounts	5,629,067	2,949,789
Rural Electrification Scheme's current account	-	1,444,819
Rural Electrification Scheme Levy*	755,241	569,212
Energy Regulatory Commission Levy	78,044	81,238
Nuclear Electricity Project	10,456	10,251
Ketraco wheeling charge	429,173	64,317
World Bank Grant (GPOBA)**	400,325	-
Street lighting project	535,220	-
Other payables and accruals	3,028,759	2,510,655
	<u>26,328,349</u>	<u>26,648,209</u>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 28. TRADE AND OTHER PAYABLES (Continued)

(b) Current liabilities (Continued)

\*The Rural Electrification Scheme Levy under current liabilities relates to levy charge for May and June 2015 to be remitted to Rural Electrification Authority on collection. Capital contributions for on-going jobs relate to customer contributions for capital works not completed. Trade payables under current liabilities are non-interest bearing and are normally settled within 60 days.

\*\* World Bank grant for Global Partnership Output Based Aid (GPOBA) is a subcomponent of the distribution component of the IDA-financed Kenya electricity expansion project (KEEP) for connecting electricity to the poor households living in informal areas in Kenya who have limited ability to pay the full connection fee upfront.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 29. BORROWINGS

(a) Balances

	2015 KShs'000	2014 KShs'000
4% Kenya Government/European Investment Bank - Olkaria Loan (Euro 8,476,051) 2005 - 2020	935,716	1,238,492
7.7% Kenya Government/IDA 2966 KE loan 1997-2017	188,349	188,349
4.5% GOK/IDA 3958& 4572 KE ESRP (USD 112,568,485) 2004-2024	11,103,688	10,197,082
4.5 % GOK/ Nordic Development Fund 435 ESRP (Euro 7,187,500) 2006 - 2024	793,466	933,985
4.5% GOK/Agence Française de Développement 3008 ESRP (Euro 18,256,696) 2006 - 2024	2,015,453	2,412,492
3.97% GOK/EIB 23324 KE ESRP (Euro 33,431,886) 2006 - 2025	3,690,723	4,241,896
3.0% GOK/IDA Kenya Electricity Expansion Project (USD 76,783,400)	7,576,716	2,513,018
6.25%+libor Standard Chartered Medium Term Loan (USD 190,000,000) 2015-2021	18,741,486	2,053,756
4.5%+libor Equity Bank USD Medium Term Loan (USD 150,000,000) 2014-2015	14,795,910	3,447,740
16% Equity Bank Short Term Loan 2013-2015	4,000,000	4,000,000
5.25%+libor First Rand Bank Medium Term Loan (USD 43,636,363)2013-2019	4,304,265	4,779,649
4.5%+libor International Finance Corporation Loan (USD 24,300,000)2013-2019	2,396,937	2,365,926
Standard Chartered Loan (USD 52,500,000)	-	4,600,412
182TB +2.75%Co-operative Bank Short Term Loan 2014-2018	3,937,500	4,500,000
91TB +5% Barclays Bank Loan 2014-2022	6,000,000	6,000,000
5.75%+Libor First Rand Bank Long Term Loan (USD 140,000,000) 2014-2020	13,809,516	8,762,690
0.75% Japan Bank for International Cooperation (JPY 1,254,012,605)	1,000,326	1,148,565
2.5% GOK/EXIMBANK Loan (¥161,028,810)	2,559,505	2,273,260
182TB+3% CBA Medium Term Loan 2014-2018	2,332,187	2,750,000
5.25%+libor CFC Stanbic Medium Term Loan (USD 60,000,000) 2015-2018	5,918,364	-
3% GOK/CHINA EXIM BANK (USD 26,423,609) 2014-2034	2,606,409	-
3% GOK/NORDEA (Euro 2,226,231) 2015-2026	245,765	-
KPLC/AFD Revolving Fund Loan	448,800	-
Accrued interest	2,199,303	1,702,409
	<u>111,600,384</u>	<u>70,109,721</u>
Less: amounts repayable within 12 months (note 29(c))	(12,310,981)	(16,968,279)
	<u>99,289,403</u>	<u>53,141,442</u>
Non-current	<u>99,289,403</u>	<u>53,141,442</u>

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



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 29. BORROWINGS (Continued)

(b) Analysis of borrowings by currency

	Borrowings in KShs KShs' 000	Borrowings in US\$ KShs' 000	Borrowings in Chinese Yuan KShs' 000	Borrowings in JPY KShs' 000	Borrowings in Euros KShs' 000	Total borrowings KShs' 000
2015 Loans	18,917,790	81,441,639	2,559,505	1,000,326	7,681,124	111,600,384
2014 Loans	12,952,409	44,908,622	2,273,260	1,148,565	8,826,865	70,109,721

	2015 KShs'000	2014 KShs'000
(c) Maturity of borrowings		
Due within 1 year	12,310,981	16,968,279
Due between 1 and 2 years	14,548,058	9,460,445
Due between 2 and 5 years	54,860,274	23,844,226
Due after 5 years	29,881,071	19,836,771
	111,600,384	70,109,721

### 30. PREFERENCE SHARES

Authorised, issued and fully paid:

350,000 - 7% cumulative preference shares of KShs 20 each	7,000	7,000
1,800,000 - 4% cumulative preference shares of KShs 20 each	36,000	36,000
	43,000	43,000

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

### 31. RETIREMENT BENEFITS OBLIGATION

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 31. RETIREMENT BENEFITS OBLIGATION (Continued)

Both schemes are governed by the Retirement Benefits Act, 1997. This requires that an actuarial valuation be carried out at least every three years for the defined benefit scheme. The most recent actuarial valuation of the defined benefit scheme was carried out as at 31 December 2013, using the Projected Credit Method, by an independent qualified actuary, Alexander Forbes Financial Services (East Africa) Limited. The actuary carried out a high level actuarial estimate of the scheme financial position as at 31 December 2013. Management has updated the results of the 31 December 2013 valuation to reflect the changes as at 30 June 2015.

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

	2015	2014
- discount rate of interest	13.25%	13.0%
- expected rate of return on assets	13.25%	13.0%
- future salary increases	5.00%	5.00%
Retirement age	60 years	60 years

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

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

	2015 Shs'000	2014 Shs'000
Current service cost	85,334	74,547
Interest cost on defined benefit obligation	1,349,762	1,390,307
Interest income on plan assets	(2,051,661)	(1,841,988)
Recognised in profit or loss in respect of the plan (note 10)	(616,565)	(377,134)
Actuarial gain	(83,359)	(1,472,867)
Return on plan assets (excluding amount in interest cost)	(272,329)	58,837
Recognised in other comprehensive income	(355,688)	(1,414,030)
Total	(972,253)	(1,791,164)

The amount included in the statement of financial position arising from the Company's obligation in respect of its defined benefit retirement plan is as follows:

	2015 Shs'000	2014 Shs'000
Present value of funded defined benefit obligation	11,226,348	10,805,631
Fair value of plan assets	(17,640,484)	(16,247,514)
Present value of funded defined benefit asset	(6,414,136)	(5,441,883)

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 31. RETIREMENT BENEFITS OBLIGATION (Continued)

	2015 Shs'000	2014 Shs'000	2015 Shs'000	2014 Shs'000
Net asset at the start of the period	(5,441,883)	(3,650,719)	Equity instruments	3,415,870
Net income recognised in profit or loss (note 10)	(616,565)	(377,134)	Debt instruments	6,054,640
Amount recognized in other comprehensive income	(355,688)	(1,414,030)	Property	8,470,300
			others	(300,326)
Present value of funded defined benefit asset	(6,414,136)	(5,441,883)	Total scheme (assets)	17,640,484

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

	2015 Shs'000	2014 Shs'000
Defined benefit obligations - 1 July	10,805,631	11,356,723
Current service cost	85,334	74,547
Interest cost on obligation	1,349,762	1,390,307
Actuarial gain	(83,359)	(1,472,867)
Benefits paid	(931,020)	(543,079)
Defined benefit obligations - 30 June	11,226,348	10,805,631

Movement in the present value of defined benefit scheme assets:

	2015 Shs'000	2014 Shs'000
Fair value of scheme assets - 1 July	(16,247,514)	(15,007,442)
Interest income on plan assets	(2,051,661)	(1,841,988)
Return on plan assets	(272,329)	58,837
Benefits paid	931,020	543,079
Fair value of scheme assets - 30 June	(17,640,484)	(16,247,514)

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

	2015 Shs'000	2014 Shs'000
Equity instruments	3,415,870	3,151,150
Debt instruments	6,054,640	6,102,760
Property	8,470,300	6,694,160
others	(300,326)	299,444
Total scheme (assets)	17,640,484	16,247,514

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

	2015 KShs'000	2014 KShs'000
At 1 July	1,090,955	1,070,460
Additional provisions (note 10)	7,048	20,495
At 30 June	1,098,003	1,090,955

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

	2015 KShs'000	2014 KShs'000
At 1 July	573,541	388,826
Declared during the year	977,663	392,223
Paid during the year	(1,271,035)	(207,508)
At 30 June	280,169	573,541

### 33. DIVIDENDS PAYABLE

	2015 KShs'000	2014 KShs'000
Dividends payable on ordinary shares	280,169	573,541

These relate to unclaimed dividends payable to different ordinary shareholders.

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

	2015 KShs'000	2014 KShs'000
At 1 July	573,541	388,826
Declared during the year	977,663	392,223
Paid during the year	(1,271,035)	(207,508)
At 30 June	280,169	573,541

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 34. NOTES TO THE STATEMENT OF CASH FLOWS

#### (a) RECONCILIATION OF OPERATING PROFIT TO CASH GENERATED FROM OPERATIONS

	2015 Shs'000	2014 Shs'000
Operating profit	15,837,548	14,920,474
Depreciation	7,605,598	6,628,838
Amortisation of intangible assets	337,767	168,852
Amortisation of prepaid leases on land	55	55
Loss on disposal of property and equipment	357,253	288,526
Increase in deferred income	3,332,866	2,592,967
Increase in provision for leave pay obligation	7,048	20,495
Retirement plan income	(616,565)	(377,134)
Working capital adjustments		
Decrease/(increase) in inventories	3,308,113	(52,588)
Increase in trade and other receivables	(456,661)	(7,125,792)
Increase in trade and other payables	2,131,288	6,076,832
Cash generated from operations	31,844,310	23,141,525

	2015 Shs'000	2014 Shs'000
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#### (b) ANALYSIS OF CHANGES IN LOANS

At the beginning of the year	70,109,721	51,079,365
Receipts	47,243,906	25,100,876
Repayments	(11,871,916)	(7,508,492)
Repayment of previous year's accrued interest	(1,702,409)	(1,286,954)
Realised foreign exchange losses on repayment (Note 19)	(277,419)	(66,593)
Unrealised foreign exchange loss	5,899,198	1,089,110
Accrued interest	2,199,303	1,702,409
At the end of the year	111,600,384	70,109,721

#### (c) ANALYSIS OF CASH AND CASH EQUIVALENTS

Short term deposits	4,272,357	915,862
Bank and cash balances	23,958,305	9,260,070
Bank overdraft	-	(3,566,744)
	28,230,662	6,609,188

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

		2015	2014		2015	2014
	Note	KShs'000	KShs'000		Shs'000	Shs'000
<b>(d) ANALYSIS OF INTEREST PAID</b>						
Interest on loans	11(b)	4,601,897	2,338,316			
Overdraft interest	11(b)	361,115	1,668,586			
		<u>4,963,012</u>	<u>4,006,902</u>			
Interest on loans capitalised		881,274	352,127			
Accrued interest brought forward	29(a)	1,702,409	1,286,954			
Accrued interest carried forward	29(a)	(2,199,303)	(1,702,409)			
Interest paid		<u>5,347,392</u>	<u>3,943,574</u>			
<b>(e) PROCEEDS FROM DISPOSAL OF PROPERTY AND EQUIPMENT</b>						
Disposed assets at net book value		374,880	308,727			
Less: loss on disposal of property and equipment		357,253	288,526			
Proceeds from disposal of property and equipment		<u>17,627</u>	<u>20,201</u>			
<b>(f) ANALYSIS OF DIVIDENDS PAID</b>						
Dividends payable - 1 July		573,541	388,826			
Preference dividends - 4% and 7% cumulative preference shares		1,930	1,930			
2014 dividends declared		585,440	-			
2015 interim dividends declared		390,293	390,293			
Dividends payable - 30 June		(280,169)	(573,541)			
Dividends paid		<u>1,271,035</u>	<u>207,508</u>			
<b>(g) ANALYSIS OF INTEREST RECEIVED</b>						
Interest received on bank and other deposits	11	1,380,968	104,208			
Accrued interest brought forward		2,614	3,299			
Accrued interest carried forward		(112,676)	(2,614)			
Interest received		<u>1,270,906</u>	<u>104,893</u>			
<b>(h) PURCHASE OF PROPERTY AND EQUIPMENT</b>						
Additions to property and equipment	16	30,908,365	23,924,084			
Additions to work in progress	16	10,659,475	3,283,984			
		<u>41,567,840</u>	<u>27,208,06</u>			
Exchange losses on loans for on-going projects capitalised	11(c)	(925,703)	(205,094)			
Interest expense on loans capitalised	34(d)	(881,274)	(352,127)			
Property and equipment purchased		<u>39,760,863</u>	<u>26,650,847</u>			

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 35. RELATED PARTY DISCLOSURES

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

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

	2015	2014
	KShs'000	KShs'000
Government of Kenya		
(i) Ministries:		
Electricity sales to Government Ministries	3,420,920	3,163,359
Electricity sales to strategic parastatals	3,625,255	3,573,423
(ii) Outstanding balances at the year end included in trade and other receivables:		
Ministries	331,962	746,798
Strategic parastatals	433,036	1,799,015
VAT recoverable	1,429,792	1,154,157
	<u>2,194,790</u>	<u>3,699,970</u>

(iii) Outstanding balances at the year end included in trade and other payables:

	2015	2014
	KShs'000	KShs'000
Rural Electrification Scheme levy	755,241	691,897
Electricity Regulatory Commission levy	78,044	81,238
Rural Electrification Scheme - recurrent	-	1,444,819
Ministry of Finance Government of Kenya- street lighting project	984,421	984,421
Rural Electrification Schemes	535,220	-
	643,602	1,066,421
	<u>2,996,528</u>	<u>4,268,796</u>
Net amount owed to Government of Kenya	(801,738)	(568,826)

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

	2015	2014
	KShs'000	KShs'000
<b>(c) Staff</b>		
(i) Sales		
Electricity sales to staff	144,249	137,297
Outstanding balances included in electricity receivables	2,682	2,777

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 35. RELATED PARTY DISCLOSURES (Continued)

#### (c) Staff (Continued)

	2015 KShs'000	2014 KShs'000
(ii) Advances to staff included in trade and other receivables	519,993	458,855
(iii) Key management compensation		
Short-term employee benefits	17,414	14,882
Termination benefits	18,767	15,608

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 and also below:

	2015 KShs'000	2014 KShs'000
(iv) Fees for services as director		
Non-executive directors	6,151	5,644
Other emoluments		
Salaries and other short term employment benefits:		
- Executive directors and key management staff	36,181	30,490
- Non-executive directors	54,816	67,335
Total other emoluments	90,997	97,825
Total	97,148	103,469

#### (d) Rural Electrification Schemes

The Company continued to manage the Rural Electrification Scheme (RES) under the Rural Electrification Programme (REP), on behalf of the Government of Kenya.

The Rural Electrification Programme (REP) was established in 1973 by the Government of Kenya following an agreement between the Government and East African Power & Lighting Company Limited, the predecessor to The Kenya Power and Lighting Company Limited. The programme was established with the specific objective to extend electricity to the sub-economic rural areas. In order to intensify the expansion of these sub-economic regions, the Government has established the Rural Electrification Authority (REA). However, KPLC continues to operate and maintain the whole network, in addition to implementing projects for the Authority on contract basis.

The Company has entered into a Mutual Co-operation and Provision of Services Agreement with REA to operate and maintain lines owned by REA. In return the Company will retain revenues generated from RES customers to cover maintenance costs incurred by the Company. However, the Company continues to invoice the Government for the expenditure incurred to complete on-going projects.

The REP is funded by the Government of Kenya. Any property acquired by REP remains the property of the Government of Kenya. KPLC only acts as a management agent on behalf of the Government. The balances due to RES are disclosed in note 35(b)(iii).

	2015 KShs'000	2014 KShs'000
<b>(e) KenGen</b>		
Electricity purchases	38,986,698	29,999,714
Amounts due to KenGen on account of electricity purchases	8,028,863	7,731,871
Electricity sales	345,155	311,556
Loan due to KenGen - 0.75% JICA Loan	1,000,326	1,148,565
Amounts due from KenGen on account of electricity sales	4,879	1,765

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 35. RELATED PARTY DISCLOSURES (Continued)

	2015 KShs'000	2014 KShs'000
<b>(f) Kenya Electricity Transmission Company Limited (Ketraco)</b>		
Funding for assets		
KEEP/KETRACO 132KV Transmission lines	1,829,406	912,053
KEEP/KETRACO 132/33KV substations	1,190,260	541,578
Amount due to Ketraco on account of local costs*	762,382	762,382
Amounts due from Ketraco for 0.75% JICA loan	1,069,918	1,148,565

\* These are advance payments received from Ketraco to cater for costs incurred by KPLC in the construction of Kisii-Chemosit and Kamburu-Meru lines.

#### (g) KPLC Staff Retirement Benefits Scheme

The Company rents property owned by the staff retirement benefits scheme for office accommodation. Rent paid to the scheme in the year amounted to KShs 89,019,950 (2014 - KShs 94,109,342). The company had no outstanding balance to the retirement benefit scheme as at 30 June 2015 (2014: none).

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

### 36. GOVERNMENT GRANT

The Company received grants from the Government of Kenya to subsidize electricity connectivity and finance the street lighting projects amounting to KShs 2,905,816,800. An amount of Kshs. 1,832,816,800 was received to subsidize connectivity and KShs. 1,073,000,000 for street lighting projects. The funds for connectivity were fully utilised during the year. KShs 537,779,930 was paid out for street lighting projects and the balance as at 30 June 2015 of KShs 535,220,070 has been committed but not paid out and is reported under other trade and other payables.

The Company also received an amount of KShs 1,008,000,000 on behalf of Rural Electrification Scheme for System losses. This has been accounted for in RES financial statements.

### 37. CAPITAL COMMITMENTS

	2015 KShs'000	2014 KShs'000
Authorised and contracted for	111,864,810	137,489,072
Less: amount incurred and included in work-in-progress	(56,460,389)	(40,502,355)
	55,404,421	96,986,717

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 38. CONTINGENT LIABILITIES

	2015 KShs'000	2014 KShs'000
Bank guarantees	1,782,629	1,699,444
Claims on the Company	5,361,355	7,993,759
	<u>7,143,984</u>	<u>9,693,203</u>

Included in the claims on the Company are: -

- (i) The TARDA case concerns a disputed amount of KShs 1.3 billion allegedly owed to TARDA by KPLC. By agreements entered into in 1978, KPLC agreed to purchase power from hydro-electric power schemes owned by TARDA. By further agreements in 1981 and 1983, TARDA agreed to lease Masinga and Kiambere hydro-electric power assets to KPLC. It was a condition of the said agreements that KPLC would pay all amounts payable by TARDA in respect of all the external loans contracted by TARDA directly or through the Government of Kenya (GoK). However, a 1988 government circular directed that KPLC remit the said amounts directly to Treasury. In implementing the said directive, KPLC consequently stopped its payments to TARDA which then instituted a suit against KPLC in 1998 to recover those amounts remitted to Treasury. From the interest claimed in court this sum is now estimated to be over KShs 1.3 billion. The Board and management is following up on the issue with the relevant ministries to ensure resolution of the case and based on the correspondence with relevant ministries and the legal advice from the Company's legal advisors, the resolution of the case is not expected to result into a material effect on the financial statements.
- (ii) Christopher Lebo & 331 Others vs KPLC (2003). This case relates to termination of services by KPLC amounting to KShs 2.9 billion. The Company has adopted Alternative Dispute Resolution as a means of fast tracking the resolution of this case.
- (iii) David Miraa Gathii & Other KPLC. This is a claim by the plaintiff for way leave amounting to KShs 175 million, the case is yet to be scheduled for hearing.
- (iv) Other claims on the Company relate to civil suits lodged against the Company by various parties in the normal course of business. The estimated amount of these cases is KShs 986 million.

The likely outcome of these suits could not be determined at the date of signing these financial statements.

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

### 39. 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:

	2015 KShs'000	2014 KShs'000
Not later than 1 year	357,682	314,198
Later than 1 year and not later than 5 years	770,103	787,246
More than 5 years	395,841	347,808
	<u>1,523,626</u>	<u>1,449,252</u>

AS LESSOR:

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

	2015 KShs'000	2014 KShs'000
Not later than 1 year	66,360	36,183
Later than 1 year but not later than 5 years	125,770	46,172
	<u>192,130</u>	<u>82,355</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)

### 40. WORLD BANK FINANCING

#### (a) World Bank Credits No. 3958 and 4752-KE

- i) The Company received financial support from the World Bank through Credit No. 3958 and 4572 - KE dated 4 August 2004 to support implementation of the Energy Sector Recovery Project. Summary information on transactions during the year are as follows:

	2015 KShs'000	2014 KShs'000
Balance at the beginning of the year	388	566,570
Amounts received during the year	-	35,261
Net interest income	50	3,596
Expenditure during the year	-	(605,039)
Balance at the end of the year	<u>438</u>	<u>388</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 borrowings is also an amount of KShs 11,103,687,875 (US\$ 112,568,485) 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.

#### (b) KEEP LOAN (IDA Credit No. 4743-KE)

The Company received funding from the World Bank through Credit No.4743-KE to support electricity expansion projects. Summary information on transactions under KEEP Loan during the two years ended 30 June 2015 and 2014 were as follows:

	2015 KShs'000	2014 KShs'000
Balance at the beginning of the year	3,320	114,192
Amounts received during the year	903,405	194,482
Expenditure during the year	(725,632)	(305,354)
Balance at the end of the year	<u>181,093</u>	<u>3,320</u>

- i) The closing balances shown above are included in cash and cash equivalents and represent balances on the balances in the World Bank funded Special Account No. 0550297294000 held at Equity Bank Limited. Included in the long term borrowings is an amount of KShs 7,576,715,209 (US\$ 76,783,400) in respect of the amounts disbursed under the loan to date.
- ii) The proceeds of the World Bank through Credit No.4743-KE have been expended in accordance with the intended purpose as specified in the loan agreement.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 41. 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:

	2015 KShs'000	2014 KShs'000
Balance at the beginning of the year	245,568	639,039
Amounts received during the year	11,753	5,685
Net interest income	5,863	9,953
Expenditure during the year	(41,743)	(409,109)
Balance at the end of the year	221,441	245,568

- 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 CFCStanbic Bank of Kenya Limited. Included in the long term borrowings is an amount of KShs 3,690,723,082 (Euro 33,431,886) 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.

### 42. INCORPORATION

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

### 43. FUNCTIONAL AND PRESENTATION CURRENCY

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

### 44. EVENTS AFTER THE REPORTING PERIOD

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

### 45. APPROVAL OF FINANCIAL STATEMENTS

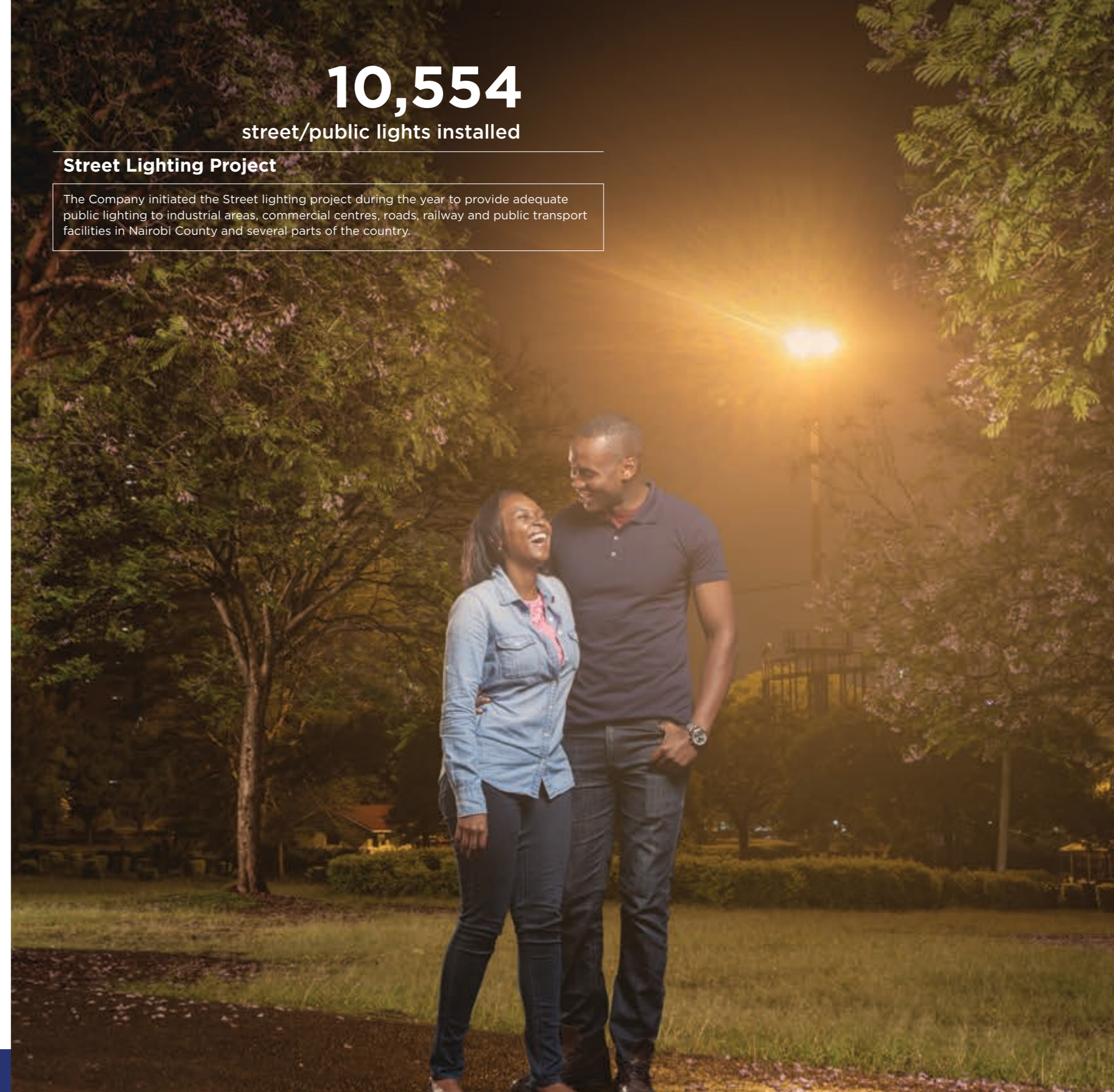
The financial statements were approved by the board of directors and authorised for issue on 29 October 2015.

# 10,554

street/public lights installed

### Street Lighting Project

The Company initiated the Street lighting project during the year to provide adequate public lighting to industrial areas, commercial centres, roads, railway and public transport facilities in Nairobi County and several parts of the country.



**THE KENYA POWER AND LIGHTING COMPANY LIMITED. TEN YEAR FINANCIAL AND STATISTICAL RECORDS**

For year ended	30 <sup>th</sup> June 2006	30 <sup>th</sup> June 2007	30 <sup>th</sup> June 2008	30 <sup>th</sup> June 2009	30 <sup>th</sup> June 2010	30 <sup>th</sup> June 2011	30 <sup>th</sup> June 2012	30 <sup>th</sup> June 2013	30 <sup>th</sup> June 2014 (Re-stated)	30 <sup>th</sup> June 2015
UNITS SOLD (GWh)	4,444	4,818	5,082	5,182	5,345	5,816	6,001	6,175	6,790	7,130
Average yield of units sold (cents)	764.33	787.55	802.85	1,258.37	1,368.88	1,257.81	1,596.77	1,437.74	1,552.45	1,497.38
	<b>Shs '000</b>	<b>Shs '000</b>	<b>Shs '000</b>	<b>Shs '000</b>	<b>Shs '000</b>	<b>Shs '000</b>	<b>Shs '000</b>	<b>Shs '000</b>	<b>Shs '000</b>	<b>Shs '000</b>
Revenue from sale of electricity	33,966,730	37,944,286	40,801,040	65,208,529	73,166,794	73,154,021	95,662,427	88,909,626	105,395,714	106,763,525
Profit for the Year before taxation	2,207,674	2,384,264	3,523,970	5,676,542	5,951,392	7,084,377	7,810,450	8,941,540	14,922,404	15,839,478
TAXATION (CHARGE)/ CREDIT	(853,752)	(930,214)	(973,439)	(1,557,339)	(1,916,587)	(2,035,185)	(3,889,577)	(3,124,780)	(4,021,363)	(4,821,617)
NET PROFIT AFTER TAXATION BEFORE FINANCE INCOME/COSTS	1,353,922	1,454,050	2,550,531	4,119,203	4,034,805	5,049,192	3,920,873	5,816,760	10,901,041	11,017,861
Finance Income	485,238	390,291	88,929	153,343	177,380	171,477	489,182	111,546	104,208	1,380,968
Finance Costs	(192,999)	(123,934)	(872,660)	(1,045,522)	(493,885)	(999,173)	208,991	(2,480,659)	(4,008,832)	(4,964,942)
Preference dividends (gross)	(1,930)	(1,930)	(1,930)	(1,930)	(1,930)	(1,930)	(1,930)	(1,930)	(1,930)	(1,930)
NET PROFIT ATTRIBUTABLE TO ORDINARY SHARE-HOLDERS	1,644,231	1,718,477	1,764,870	3,225,094	3,716,370	4,219,566	4,617,116	3,445,717	6,994,487	7,431,957
ORDINARY DIVIDENDS (gross)	(118,692)	(237,384)	(316,512)	(633,024)	(633,024)	(1,002,763)	(563,757)	-	(390,293)	(975,733)
OTHER COMPREHENSIVE INCOME	-	-	-	-	-	-	(127,397)	1,266,758	989,821	248,982
RETAINED PROFIT FOR THE YEAR	1,525,539	1,481,093	1,448,358	2,592,070	3,083,346	3,216,803	3,925,962	4,712,475	7,594,015	6,705,206
<b>FUNDS GENERATED FROM OPERATION</b>										
Profit/(Loss) for the year after dividends	1,525,539	1,481,093	1,448,358	2,592,070	3,083,346	3,216,803	3,925,962	4,712,475	7,594,015	6,705,206
Depreciation	1,382,910	1,513,506	1,749,764	2,154,357	2,807,111	3,847,007	4,563,658	5,632,642	6,797,745	7,943,421
FUNDS GENERATED FROM OPERATIONS	2,908,449	2,994,599	3,198,122	4,746,427	5,890,457	7,063,810	8,489,620	10,345,117	14,391,760	14,648,627
<b>CAPITAL EMPLOYED</b>										
Fixed Assets less depreciation	22,416,459	28,147,019	38,925,317	49,974,859	64,310,486	84,590,569	107,548,274	146,094,184	162,713,968	196,301,330
Intangible assets	-	-	-	-	-	-	169,520	258,716	1,410,044	1,418,599
Prepaid leases on land	132,037	131,981	131,926	131,874	131,819	131,764	131,709	131,653	131,598	131,543
Investment	4,300	4,300	-	200,000	-	1,298,506	1,171,109	-	-	-
Other non current assets	-	-	-	-	-	-	-	-	6,259,306	11,927,635
Net current assets/(Liabilities)	3,816,718	1,192,560	2,237,136	2,702,009	1,736,355	7,020,165	(4,394,863)	(1,147,158)	1,563,870	25,516,109
	26,369,514	29,475,860	41,294,379	53,008,742	66,178,660	93,041,004	104,625,749	145,337,395	172,078,786	235,295,216
<b>FINANCED BY:</b>										
Ordinary shareholders' equity	4,661,155	6,350,150	7,982,672	9,700,722	11,593,536	39,606,376	43,022,772	47,149,807	54,743,822	61,449,028
Non cumulative preference shares	15,899,250	15,899,250	15,899,250	17,147,341	17,147,341	-	-	-	-	-
Cumulative preference shares	43,000	43,000	43,000	43,000	43,000	43,000	43,000	43,000	43,000	43,000
Deferred Income	-	-	-	-	-	7,472,912	12,362,327	16,087,747	18,680,714	22,013,580
Loan capital	2,701,722	2,683,117	11,368,208	11,545,014	13,113,434	19,757,132	21,512,025	42,886,311	53,141,442	99,289,403
Deferred taxation	(234,442)	559,085	1,395,837	2,701,965	4,481,865	6,500,449	11,862,140	15,442,569	19,848,236	24,427,485
Non current liability	3,298,829	3,941,258	4,605,412	11,870,700	19,799,484	19,661,135	15,823,485	23,727,961	25,621,572	28,072,720
	26,369,514	29,475,860	41,294,379	53,008,742	66,178,660	93,041,004	104,625,749	145,337,395	172,078,786	235,295,216
<b>CAPITAL EXPENDITURE</b>	2,979,564	7,463,425	12,642,311	12,734,937	17,526,909	24,713,898	25,949,832	40,578,337	27,208,068	41,567,840
Average cost of units sold (cents)	736.95	748.50	754.88	1,171.13	1,287.63	1,160.33	1,496.28	1,347.16	1,450.92	1,365.10
Profit for the year before taxation as a percentage of average capital employed	8.37%	8.09%	8.53%	10.71%	8.99%	7.61%	7.47%	6.40%	8.67%	6.73%
ORDINARY DIVIDENDS RATES	7.50%	10%	20%	40%	40%	18%	20%	0%	20%	20%
Earnings per share	20.78	21.72	22.30	40.76	3.00	2.16	2.36	1.76	3.58	3.81
Customers/employees ratio	129.00	144.00	159.03	180.64	201.08	205.24	198.85	223.00	260.00	333.05
Sales (KWh) per employee	716,543	752,930	762,148	738,703	734,300	680,774	584,374	590,922	641,076	657,446

**TABLE 1: POWER SYSTEM OPERATION STATISTICS FOR 6 YEARS**

COMPANY	Capacity (MW) as at 30.06.2015		Energy purchased in GWh					
	Installed	Effective <sup>1</sup>	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
<b>KenGen</b>								
<b>Hydro:</b>								
Tana	20.0	20.0	29	50	86	108	69	108
Kamburu	94.2	90.0	244	408	410	520	421	358
Gitaru	225.0	216.0	457	802	793	1,036	830	710
Kindaruma	72.0	70.5	111	191	185	252	201	165
Masinga	40.0	40.0	61	201	137	148	206	138
Kiambere	168.0	164.0	546	899	886	1,129	979	718
Turkwel	106.0	105.0	335	455	473	545	719	551
Sondu Miriu	60.0	60.0	340	364	409	393	351	376
Sangoro	21.0	20.0	0	0	7	110	109	125
Small Hydros	13.7	13.2	46	57	66	57	59	60
<b>Hydro Total</b>	<b>820</b>	<b>799</b>	<b>2,170</b>	<b>3,427</b>	<b>3,450</b>	<b>4,298</b>	<b>3,944</b>	<b>3,308</b>
<b>Thermal:</b>								
Kipevu I Diesel	73.5	52.3	316	223	256	185	220	157
Kipevu III Diesel	120.0	115.0	0	268	525	321	524	299
Embakasi Gas Turbines	60.0	54.0	145	1	33	27	41	4
Garissa & Lamu	5.7	5.1	19	23	25	27	28	12
Garissa Temporary Plant (Aggreko)	3.4	3.4	-	-	-	-	-	21
<b>Thermal Total</b>	<b>263</b>	<b>230</b>	<b>481</b>	<b>514</b>	<b>839</b>	<b>560</b>	<b>813</b>	<b>492</b>
<b>Geothermal:</b>								
Olkaria I units 1, 2 & 3	45.0	44.0	366	235	279	369	352	333
Olkaria II	105.0	101.0	573	846	819	696	712	756
Eburru Hill	2.5	2.2	-	-	5	9	7	11
OW37 Olkaria Mobile Wellheads	5.0	2.2	-	-	3	23	17	9
OW43 Olkaria Mobile Wellheads	12.8	12.8	-	-	-	0	29	78
OW914 and OW915 Olkaria Wellheads	37.8	37.8	-	-	-	0	7	109
Olkaria IV	140.0	140.0	-	-	-	0	32	1,064
Olkaria I units 4 & 5	140.0	140.0	-	-	-	-	-	744
<b>Geothermal Total</b>	<b>488</b>	<b>480</b>	<b>939</b>	<b>1,081</b>	<b>1,106</b>	<b>1,096</b>	<b>1,156</b>	<b>3,104</b>
<b>Wind</b>								
Ngong	25.5	25.5	16.3	17.7	14.6	13.9	17.6	37.7
<b>KenGen Total</b>	<b>1,596</b>	<b>1,534</b>	<b>3,606</b>	<b>5,040</b>	<b>5,409</b>	<b>5,968</b>	<b>5,931</b>	<b>6,943</b>

TABLE 1: POWER SYSTEM OPERATION STATISTICS (CONTINUED)

COMPANY	Capacity (MW) as at 30.06.2015		Energy purchased in GWh					
	Installed	Effective <sup>1</sup>	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
<b>Government of Kenya (Rural Electrification Programme)</b>								
Thermal	18.0	14.5	19	21	23.0	26.0	29.8	35.1
Solar	0.569	0.569			0.3	0.6	0.8	0.9
Wind	0.550	0.200			0.1	0.7	0.4	0.003
<b>Total Offgrid</b>	<b>19</b>	<b>15</b>	<b>19</b>	<b>21</b>	<b>23</b>	<b>27</b>	<b>31</b>	<b>36</b>
<b>Independent Power Producers (IPP) - Thermal, Geothermal &amp; Hydro</b>								
Iberafrica I & II	108.5	108.5	621	722	705	592	550	198
Tsavo Power	74.0	74.0	495	368	283	178	152	83
Thika Power	87.0	87.0					454	233
Mumias - Cogeneration	26.0	21.5	99	87	100	71	57	14
OrPower 4 - Geothermal I, II & III	110.0	110.0	400	372	392	503	851	955
Rabai Power	90.0	90.0	318	394	338	443	633	609
Imenti Tea Factory Hydro	0.3	0.3	0.3	0.4	0.8	0.7	0.1	0.5
Power Technologies Solutions (Gikira)	0.514	0.514					0.4	1.6
Triumph Diesel	77.0	77.0						5
Gulf Power	80.32	80.32						60
<b>IPP Total</b>	<b>654</b>	<b>649</b>	<b>1,933</b>	<b>1,945</b>	<b>1,820</b>	<b>1,788</b>	<b>2,698</b>	<b>2,160</b>
<b>Emergency Power Producers (EPP)</b>								
Aggreko Power	30	30.0	1096	267	381	261	93.8	62.7
<b>EPP Total</b>	<b>30</b>	<b>30</b>	<b>1,096</b>	<b>267</b>	<b>381</b>	<b>261</b>	<b>93.8</b>	<b>63</b>
<b>Imports</b>								
UETCL			37	30	36	41	83	76
TANESCO			1.1	1	1.1	1.2	1.3	0.6
EEPCO							2.1	2.8
<b>Total Imports</b>			<b>38</b>	<b>31</b>	<b>37</b>	<b>42</b>	<b>87</b>	<b>79</b>
<b>SYSTEM TOTAL</b>	<b>2,299</b>	<b>2,228</b>	<b>6,692</b>	<b>7,303</b>	<b>7,670</b>	<b>8,087</b>	<b>8,840</b>	<b>9,280</b>
<b>SUMMARY OF KEY STATISTICS</b>								
<b>SALES - KPLC System (GWh)</b>			5,318	5,785	5,991	6,144	6,751	7,090
- REP System (GWh)			279	307	308	406	454	525
- Export to Uganda (GWh)			26	30	41	30	37	38
- Export to Tanesco (GWh)			1	1	1	1	2	2
<b>TOTAL SALES (GWh)</b>			<b>5,624</b>	<b>6,123</b>	<b>6,341</b>	<b>6,581</b>	<b>7,244</b>	<b>7,655</b>
System Losses (GWh) <sup>2</sup>			1,068	1,180	1,329	1,507	1,596	1,625

TABLE 1: POWER SYSTEM OPERATION STATISTICS (CONTINUED)

COMPANY	Capacity (MW) as at 30.06.2015		Energy purchased in GWh					
	Installed	Effective <sup>1</sup>	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
System Peak Demand (MW) <sup>3</sup>			1,107	1,194	1,236	1,354	1,468	1,512
System Load Factor			68.8%	69.8%	70.8%	68.2%	68.7%	70.1%
Sales % of Energy Purchased			84.0%	83.8%	82.7%	81.4%	81.9%	82.5%
Losses as % of Energy Purchased			16.0%	16.2%	17.3%	18.6%	18.1%	17.5%
Annual Growth:- Energy Purchased			3.1%	9.1%	5.0%	5.4%	9.3%	5.0%
- KPLC Sales			3.2%	8.8%	3.6%	4.1%	9.9%	5.0%
- REP Sales			11.6%	10.1%	0.3%	1.6%	11.8%	15.6%

**Notes:**

- 1) Contracted output from the station under normal operating conditions.
- 2) System losses comprise of technical and non-technical losses.
- 3) The peak demand shown includes export to Uganda.



TABLE 2: REGIONAL MAXIMUM DEMAND (MW)

REGION	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Nairobi	588	623	662	716	768	811
Coast	195	220	271	261	267	249
West	246	233	259	273	298	309
Mt. Kenya	113	114	120	125	159	148
<b>TOTAL SYSTEM (SIMULTANEOUS)</b>	<b>1,107</b>	<b>1,194</b>	<b>1,236</b>	<b>1,354</b>	<b>1,468</b>	<b>1,512</b>
<b>% INCREASE P.A.</b>	<b>3.2%</b>	<b>7.9%</b>	<b>3.5%</b>	<b>9.5%</b>	<b>8.4%</b>	<b>3.0%</b>

TABLE 3: KPLC SALES IN GWh BY CUSTOMER CATEGORY

TARIFF	TYPES OF CUSTOMERS COVERED BY THIS TARIFF	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
		DC	Domestic	1,290	1,424	1,520	1,670
SC	Small Commercial	823	904	993	998	1,109	1,143
CI	Commercial and Industrial	3,153	3,401	3,419	3,440	3,818	4,030
IT	Off-peak (Interruptible)	36	38	43	18	1	15
SL	Street lighting	16	18	16	18	20	35
	<b>TOTAL</b>	<b>5,318</b>	<b>5,785</b>	<b>5,991</b>	<b>6,144</b>	<b>6,751</b>	<b>7,090</b>
	<b>% INCREASE P.A.</b>	<b>3.2%</b>	<b>8.8%</b>	<b>3.6%</b>	<b>2.6%</b>	<b>9.9%</b>	<b>5.0%</b>

TABLE 4: TOTAL UNIT SALES BY REGION IN GWh\*

REGION	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Nairobi North	-	-	-	-	-	1,032
Nairobi South	-	-	-	-	-	1,667
Nairobi West	-	-	-	-	-	1,059
<b>Nairobi</b>	<b>3,014</b>	<b>3,268</b>	<b>3,347</b>	<b>3,507</b>	<b>3,776</b>	<b>-</b>
<b>Coast</b>	<b>1,027</b>	<b>1,118</b>	<b>1,147</b>	<b>1,134</b>	<b>1,256</b>	<b>1,312</b>
Central Rift	-	-	-	-	-	456
North Rift	-	-	-	-	-	269
West Kenya	-	-	-	-	-	525
<b>West</b>	<b>853</b>	<b>932</b>	<b>1,003</b>	<b>1,056</b>	<b>1,121</b>	<b>-</b>
Mt Kenya	-	-	-	-	-	309
North Eastern	-	-	-	-	-	461
<b>Mt Kenya</b>	<b>424</b>	<b>467</b>	<b>494</b>	<b>539</b>	<b>598</b>	<b>-</b>
<b>KPLC Sales</b>	<b>5,318</b>	<b>5,785</b>	<b>5,991</b>	<b>6,144</b>	<b>6,751</b>	<b>7,090</b>
R.E.P. Schemes	279	307	308	406	454	525
Export Sales	27	31	42	32	39	40
<b>TOTAL</b>	<b>5,624</b>	<b>6,123</b>	<b>6,341</b>	<b>6,581</b>	<b>7,244</b>	<b>7,655</b>
<b>% INCREASE P.A.</b>	<b>3.5%</b>	<b>8.9%</b>	<b>3.6%</b>	<b>3.8%</b>	<b>10.1%</b>	<b>5.7%</b>

\* KPLC administrative regions increased to nine.

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

REGION	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Nairobi North	-	-	-	-	-	413
Nairobi South	-	-	-	-	-	290
Nairobi West	-	-	-	-	-	404
<b>Nairobi</b>	<b>804</b>	<b>888</b>	<b>841</b>	<b>1,010</b>	<b>1,177</b>	<b>-</b>
<b>Coast</b>	<b>227</b>	<b>246</b>	<b>261</b>	<b>272</b>	<b>301</b>	<b>306</b>
Central Rift	-	-	-	-	-	139
West Kenya	-	-	-	-	-	169
North Rift	-	-	-	-	-	101
<b>West</b>	<b>167</b>	<b>184</b>	<b>266</b>	<b>239</b>	<b>359</b>	<b>-</b>
Mt Kenya	-	-	-	-	-	141
North Eastern	-	-	-	-	-	212
<b>Mt Kenya</b>	<b>92</b>	<b>105</b>	<b>153</b>	<b>146</b>	<b>220</b>	<b>-</b>
<b>TOTAL</b>	<b>1,290</b>	<b>1,424</b>	<b>1,520</b>	<b>1,667</b>	<b>2,057</b>	<b>2,176</b>
<b>% INCREASE P.A.</b>	<b>2.9%</b>	<b>10.4%</b>	<b>6.8%</b>	<b>9.7%</b>	<b>23.4%</b>	<b>5.8%</b>

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

REGION	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Nairobi North	-	-	-	-	-	159
Nairobi South	-	-	-	-	-	164
Nairobi West	-	-	-	-	-	225
<b>Nairobi</b>	402	435	426	501	567	
<b>Coast</b>	132	139	140	145	164	167
Central Rift	-	-	-	-	-	153
West Kenya	-	-	-	-	-	163
North Rift	-	-	-	-	-	85
<b>West</b>	183	209	277	270	373	
Mt Kenya	-	-	-	-	-	123
North Eastern	-	-	-	-	-	107
<b>Mt Kenya</b>	106	122	150	142	191	
<b>TOTAL</b>	<b>823</b>	<b>904</b>	<b>993</b>	<b>1,059</b>	<b>1,295</b>	<b>1,346</b>
<b>% INCREASE P.A.</b>	<b>-0.1%</b>	<b>9.9%</b>	<b>9.8%</b>	<b>6.6%</b>	<b>22.3%</b>	<b>4.0%</b>

TABLE 7: REGIONAL SALE OF ELECTRICITY IN GWh FOR CATEGORY "CI1" LARGE COMMERCIAL AND INDUSTRIAL LOAD (415V)

REGION	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Nairobi North	-	-	-	-	-	175
Nairobi South	-	-	-	-	-	328
Nairobi West	-	-	-	-	-	301
<b>Nairobi</b>	757	752	760	727	790	
<b>Coast</b>	214	218	223	211	214	208
Central Rift	-	-	-	-	-	154
West Kenya	-	-	-	-	-	149
North Rift	-	-	-	-	-	80
<b>West</b>	312	333	334	367	393	
Mt Kenya	-	-	-	-	-	116
North Eastern	-	-	-	-	-	94
<b>Mt Kenya</b>	160	166	174	188	202	
<b>TOTAL</b>	<b>1,443</b>	<b>1,469</b>	<b>1,492</b>	<b>1,492</b>	<b>1,599</b>	<b>1,606</b>
<b>% INCREASE P.A.</b>	<b>124.5%</b>	<b>1.8%</b>	<b>1.6%</b>	<b>0.0%</b>	<b>7.1%</b>	<b>0.5%</b>

TABLE 8: REGIONAL SALE OF ELECTRICITY IN GWh CATEGORY "CI2" LARGE COMMERCIAL AND INDUSTRIAL LOAD (11kV)

REGION	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Nairobi North	-	-	-	-	-	196
Nairobi South	-	-	-	-	-	515
Nairobi West	-	-	-	-	-	113
<b>Nairobi</b>	652	736	727	764	819	824
<b>Coast</b>	192	197	195	209	212	228
Central Rift	-	-	-	-	-	40
West Kenya	-	-	-	-	-	45
North Rift	-	-	-	-	-	20
<b>West</b>	102	108	107	103	107	105
Mt Kenya	-	-	-	-	-	8
North Eastern	-	-	-	-	-	85
<b>Mt Kenya</b>	58	63	63	66	78	94
<b>TOTAL</b>	<b>1,003</b>	<b>1,104</b>	<b>1,092</b>	<b>1,142</b>	<b>1,216</b>	<b>1,251</b>
<b>% INCREASE P.A.</b>	<b>7.8%</b>	<b>10.0%</b>	<b>-1.1%</b>	<b>4.5%</b>	<b>6.5%</b>	<b>2.9%</b>

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

REGION	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Nairobi North	-	-	-	-	-	11
Nairobi South	-	-	-	-	-	2
Nairobi West	-	-	-	-	-	5
<b>Nairobi</b>	3	4	3	5	5	
<b>Coast</b>	147	170	171	176	168	152
Central Rift	-	-	-	-	-	37
West Kenya	-	-	-	-	-	34
North Rift	-	-	-	-	-	43
<b>West</b>	65	84	93	85	93	
Mt Kenya	-	-	-	-	-	0
North Eastern	-	-	-	-	-	0
<b>Mt Kenya</b>	1	0	0	0	0	0
<b>TOTAL</b>	<b>215</b>	<b>258</b>	<b>267</b>	<b>266</b>	<b>266</b>	<b>284</b>
<b>% INCREASE P.A.</b>	<b>-0.4%</b>	<b>19.9%</b>	<b>3.5%</b>	<b>-0.3%</b>	<b>-0.1%</b>	<b>6.9%</b>

TABLE 10: REGIONAL SALE OF ELECTRICITY IN GWh CATEGORY "C14" LARGE COMMERCIAL AND INDUSTRIAL LOAD (66kV)

REGION	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Nairobi North	-	-	-	-	-	78
Nairobi South	-	-	-	-	-	341
Nairobi West	-	-	-	-	-	34
<b>Nairobi</b>	<b>326</b>	<b>368</b>	<b>384</b>	<b>408</b>	<b>453</b>	
<b>Coast</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Central Rift	-	-	-	-	-	3
West Kenya	-	-	-	-	-	0
North Rift	-	-	-	-	-	0
<b>West</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>	
Mt Kenya	-	-	-	-	-	0
North Eastern	-	-	-	-	-	2
<b>Mt Kenya</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5</b>	
<b>TOTAL</b>	<b>326</b>	<b>368</b>	<b>384</b>	<b>408</b>	<b>460</b>	<b>458</b>
<b>% INCREASE P.A.</b>	<b>19.7%</b>	<b>12.9%</b>	<b>4.5%</b>	<b>6.2%</b>	<b>12.7%</b>	<b>-0.4%</b>

TABLE 11: REGIONAL SALE OF ELECTRICITY IN GWh CATEGORY "C15" LARGE COMMERCIAL AND INDUSTRIAL LOAD (132kV)

REGION	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Nairobi North	-	-	-	-	-	0
Nairobi South	-	-	-	-	-	69
Nairobi West	-	-	-	-	-	0
<b>Nairobi Total</b>	<b>31</b>	<b>30</b>	<b>34</b>	<b>43</b>	<b>60</b>	
<b>Coast</b>	<b>106</b>	<b>139</b>	<b>121</b>	<b>134</b>	<b>217</b>	<b>274</b>
Central Rift	-	-	-	-	-	2
West Kenya	-	-	-	-	-	84
North Rift	-	-	-	-	-	0
<b>West Total</b>	<b>2</b>	<b>10</b>	<b>9</b>	<b>1</b>	<b>9</b>	
Mt Kenya	-	-	-	-	-	0
North Eastern	-	-	-	-	-	12
<b>Mt Kenya Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5</b>	
<b>TOTAL</b>	<b>140</b>	<b>179</b>	<b>164</b>	<b>178</b>	<b>291</b>	<b>441</b>
<b>% INCREASE P.A.</b>	<b>-11.5%</b>	<b>28.1%</b>	<b>-8.5%</b>	<b>8.4%</b>	<b>63.7%</b>	<b>51.5%</b>

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

REGION	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Nairobi North	-	-	-	-	-	0.2
Nairobi South	-	-	-	-	-	0.4
Nairobi West	-	-	-	-	-	12.8
<b>Nairobi</b>	<b>34.0</b>	<b>36.2</b>	<b>41.0</b>	<b>16.0</b>	<b>1.0</b>	
<b>Coast</b>	<b>0.6</b>	<b>0.5</b>	<b>0.6</b>	<b>0.4</b>	<b>0.0</b>	<b>0.4</b>
Central Rift	-	-	-	-	-	0.1
West Kenya	-	-	-	-	-	0.3
North Rift	-	-	-	-	-	0.0
<b>West</b>	<b>0.6</b>	<b>0.7</b>	<b>0.7</b>	<b>1.1</b>	<b>0.0</b>	
Mt Kenya	-	-	-	-	-	0.3
North Eastern	-	-	-	-	-	0.9
<b>Mt Kenya</b>	<b>0.7</b>	<b>0.8</b>	<b>0.8</b>	<b>0.5</b>	<b>-</b>	
<b>TOTAL</b>	<b>35.9</b>	<b>38.1</b>	<b>43.0</b>	<b>18.0</b>	<b>1.0</b>	<b>15.4</b>
<b>% INCREASE P.A.</b>	<b>-14.5%</b>	<b>6.2%</b>	<b>12.9%</b>	<b>-58.2%</b>	<b>-94.2%</b>	<b>1,388.4%</b>

TABLE 13: REGIONAL SALE OF ELECTRICITY IN GWh FOR CATEGORY "SL"

STREET LIGHTING						
REGION	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Nairobi North	-	-	-	-	-	6.7
Nairobi South	-	-	-	-	-	10.0
Nairobi West	-	-	-	-	-	7.5
<b>Nairobi</b>	<b>11.4</b>	<b>12.2</b>	<b>10.9</b>	<b>15.3</b>	<b>13.0</b>	
<b>Coast</b>	<b>2.8</b>	<b>3.1</b>	<b>2.8</b>	<b>5.4</b>	<b>4.0</b>	<b>3.8</b>
Central Rift	-	-	-	-	-	1.6
West Kenya	-	-	-	-	-	0.2
North Rift	-	-	-	-	-	1.1
<b>West</b>	<b>1.3</b>	<b>1.3</b>	<b>1.0</b>	<b>1.4</b>	<b>1.0</b>	
Mt Kenya	-	-	-	-	-	2.2
North Eastern	-	-	-	-	-	2.7
<b>Mt Kenya</b>	<b>1.1</b>	<b>1.2</b>	<b>1.4</b>	<b>1.9</b>	<b>2.0</b>	
<b>TOTAL</b>	<b>16.6</b>	<b>17.7</b>	<b>16.0</b>	<b>23.9</b>	<b>20.0</b>	<b>35.7</b>
<b>% INCREASE P.A.</b>	<b>7.8%</b>	<b>6.6%</b>	<b>-9.6%</b>	<b>49.6%</b>	<b>-16.5%</b>	<b>78.7%</b>

TABLE 14: REGIONAL SALES OF ELECTRICITY IN GWh FOR R.E.P. SCHEMES

REGION	2009/10	2010/11	2011/12	2012/13	2013/14	2014/ 15
Nairobi North	-	-	-	-	-	7.3
Nairobi South	-	-	-	-	-	53.2
Nairobi West	-	-	-	-	-	43.4
<b>Nairobi</b>	55.3	62.6	63.0	65.6	109.0	
<b>Coast</b>	18.3	20.9	21.2	21.8	24.0	27.3
Central Rift	-	-	-	-	-	74.9
West Kenya	-	-	-	-	-	118.9
North Rift	-	-	-	-	-	62.1
<b>West</b>	134.8	153.1	151.9	152.1	216.0	
Mt Kenya	-	-	-	-	-	82.3
North Eastern	-	-	-	-	-	55.7
<b>Mt Kenya</b>	70.5	70.4	71.9	73	105.0	
<b>TOTAL</b>	<b>279</b>	<b>307</b>	<b>308</b>	<b>313</b>	<b>454</b>	<b>525</b>
<b>% INCREASE P.A.</b>	<b>11.5%</b>	<b>10.1%</b>	<b>0.3%</b>	<b>1.5%</b>	<b>45.2%</b>	<b>15.6%</b>

TABLE 15: NUMBER OF CUSTOMERS BY REGION AS AT 30<sup>th</sup> JUNE

REGION	2009/10	2010/11	2011/12	2012/13	2013/14	2014/ 15
Nairobi North	-	-	-	-	-	514,003
Nairobi South	-	-	-	-	-	462,108
Nairobi West	-	-	-	-	-	358,279
<b>Nairobi</b>	669,128	814,251	921,548	1,042,216	1,258,555	
<b>Coast</b>	157,731	178,095	201,425	221,410	248,058	297,985
Central Rift	-	-	-	-	-	235,729
West Kenya	-	-	-	-	-	215,237
North Rift	-	-	-	-	-	156,858
<b>West</b>	235,291	275,033	322,885	368,800	438,998	
Mt Kenya	-	-	-	-	-	244,936
North Eastern	-	-	-	-	-	423,579
<b>Mt. Kenya</b>	150,433	176,682	210,136	244,992	293,820	
<b>KPLC Customers</b>	<b>1,212,583</b>	<b>1,444,061</b>	<b>1,655,994</b>	<b>1,877,418</b>	<b>2,239,431</b>	<b>2,908,714</b>
R.E.P. Customers	<b>251,056</b>	<b>309,287</b>	<b>382,631</b>	<b>453,544</b>	<b>528,552</b>	<b>703,190</b>
<b>TOTAL</b>	<b>1,463,639</b>	<b>1,753,348</b>	<b>2,038,625</b>	<b>2,330,962</b>	<b>2,767,983</b>	<b>3,611,904</b>
<b>% INCREASE P.A.</b>	<b>15.5%</b>	<b>19.8%</b>	<b>16.3%</b>	<b>14.3%</b>	<b>18.7%</b>	<b>30.5%</b>

TABLE 16: NUMBER OF CUSTOMERS BY TARIFF CATEGORY

TARIFF	MAIN TYPE OF CUSTOMERS COVERED BY THIS TARIFF	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
DC only	Domestic						
	KPLC	1,017,266	1,239,873	1,428,363	1,633,773	1,987,330	2,646,965
DC & IT	REP	189,850	237,602	304,298	367,017	435,749	600,244
	Domestic						
SC only	KPLC	54,076	46,437	43,482	57,709	57,958	57,827
	REP	949	872	830	841	819	898
SC & IT	Small Commercial						
	KPLC	134,601	150,687	163,117	177,664	185,529	193,327
SC & IT	REP	60,008	70,552	77,242	85,399	91,647	101,608
	Small Commercial						
CI2	KPLC	1,248	1,266	1,280	1,431	1,542	1,548
	REP	178	171	178	197	211	252
	KPLC	2,373	2,457	2,478	2,550	2,695	2,930
	REP	43	41	28	22	33	10
CI3	Large Commercial and Industrial						
	KPLC	255	277	290	320	333	348
CI4	Large Commercial and Industrial						
	KPLC	26	29	31	33	36	43
CI5	Large Commercial and Industrial						
	KPLC	16	19	22	23	24	31
IT only	Large Commercial and Industrial						
	KPLC	15	21	21	22	27	32
SL	Off-peak (Interruptible)						
	KPLC	622	566	13,984	826	785	794
SL	REP	8	8	7	7	4	8
	Street Lighting						
SL	KPLC	2,085	2,429	2,926	3,067	3,172	4,869
	REP	20	41	48	61	89	170
	<b>TOTAL (KPLC)</b>	<b>1,212,583</b>	<b>1,444,061</b>	<b>1,655,994</b>	<b>1,877,418</b>	<b>2,239,431</b>	<b>2,908,714</b>
	<b>TOTAL (R.E.P.)</b>	<b>251,056</b>	<b>309,287</b>	<b>382,631</b>	<b>453,544</b>	<b>528,552</b>	<b>703,190</b>
	<b>GROSS TOTAL</b>	<b>1,463,639</b>	<b>1,753,348</b>	<b>2,038,625</b>	<b>2,330,962</b>	<b>2,767,983</b>	<b>3,611,904</b>
	<b>% INCREASE P.A.</b>	<b>15.5%</b>	<b>19.8%</b>	<b>16.3%</b>	<b>14.3%</b>	<b>18.7%</b>	<b>30.5%</b>

TABLE 17: REVENUE (Kshs 'Million) BY CUSTOMER CATEGORY

TARIFF	MAIN TYPE OF CUSTOMERS COVERED BY THIS TARIFF	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
DC	Domestic	17,695	22,423	25,821	26,595	31,029	30,897
SC	Small commercial	17,974	15,228	22,007	21,582	23,864	23,490
CI	Commercial and Industrial	36,603	34,573	46,717	39,627	49,269	51,097
IT	Off-peak (Interruptible)	263	9	15	6	23	26
SL	Street Lighting	415	331	155	412	392	447
	<b>TOTAL</b>	<b>72,950</b>	<b>72,564</b>	<b>94,715</b>	<b>88,222</b>	<b>104,577</b>	<b>105,957</b>
	Export	216	590	947	687	819	806
	<b>TOTAL KPLC</b>	<b>73,166</b>	<b>73,154</b>	<b>95,662</b>	<b>88,909</b>	<b>105,396</b>	<b>106,763</b>
	R.E.P.	4,277	4,324	5,841	6,012	7,229	8,051
	<b>TOTAL REVENUE</b>	<b>77,443</b>	<b>77,478</b>	<b>101,503</b>	<b>94,921</b>	<b>112,625</b>	<b>114,814</b>
	<b>% INCREASE P.A.</b>	<b>11.4%</b>	<b>0.0%</b>	<b>31.0%</b>	<b>-6.5%</b>	<b>18.7%</b>	<b>1.9%</b>

TABLE 18: STAFF ANALYSIS AS AT 30th JUNE 2014

NUMBER OF STAFF IN EACH REGION	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Central Office	1,205	1,203	1,453	1,495	1,563	1,863
Nairobi North	2,378	2,742	3,307	3,355	3,396	930
Nairobi West						1,075
Nairobi South						951
Coast	839	996	1,098	1,114	1,088	1,067
West Kenya	1,871	2,303	2,834	2,914	2,927	1,103
Central Rift						1,079
North Rift						801
Mt Kenya	986	1,299	1,560	1,587	1,616	1,120
North Eastern						856
<b>Total Number of Staff</b>	<b>7,279</b>	<b>8,543</b>	<b>10,252</b>	<b>10,465</b>	<b>10,590</b>	<b>10,845</b>
<b>% INCREASE P.A.</b>	<b>3.8%</b>	<b>17.4%</b>	<b>20.0%</b>	<b>2.1%</b>	<b>1.2%</b>	<b>2.4%</b>
<b>Gender:</b>						
Male	5,774	6,856	8,303	8,410	8,532	8,691
Female	1,505	1,687	1,949	2,055	2,058	2,154
<b>Ratio-Male/Female</b>	<b>3.8</b>	<b>4.1</b>	<b>4.3</b>	<b>4.1</b>	<b>4.1</b>	<b>4.0</b>

TABLE 19: TRANSMISSION AND DISTRIBUTION LINES' CIRCUIT LENGTH IN KILOMETERS

VOLTAGE	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
220kV	1,331	1,331	1,331	1,331	1,434	1,527
132kV	2,211	2,343	2,343	2,436	2,513	2,527
66kV	655	655	758	1,097	1,212	1,212
33kV	13,812	15,271	15,384	16,136	20,778	21,370
11kV	25,485	26,250	27,219	28,818	30,860	32,823
<b>TOTAL</b>	<b>43,494</b>	<b>45,850</b>	<b>47,035</b>	<b>49,818</b>	<b>56,797</b>	<b>59,459</b>
<b>% INCREASE P.A.</b>	<b>4.8%</b>	<b>5.4%</b>	<b>2.6%</b>	<b>5.9%</b>	<b>14.0%</b>	<b>4.7%</b>

TABLE 20: TRANSFORMERS IN SERVICE TOTAL INSTALLED CAPACITY IN MVA

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
<b>Generation Substations</b>						
11/220kV	544	544	544	544	844	844
11/132kV	694	889	889	889	889	1,067
11/66kV	121	171	171	171	171	171
11/33kV	238	238	238	238	238	238
11/40kV	0	0	0	0	0	0
3.3/11/40kV	0	0	0	0	0	0
3.3/40kV	0	0	0	0	0	0
3.3/33kV	4	4	4	4	4	4
<b>TOTAL</b>	<b>1,601</b>	<b>1,846</b>	<b>1,846</b>	<b>1,846</b>	<b>2,146</b>	<b>2,324</b>
<b>Transmission Substations</b>						
132/220kV	620	620	620	620	620	620
220/132kV	730	730	730	730	835	1,266
220/66kV	360	450	450	450	450	450
132/66kV	375	375	375	360	360	360
132/33kV	756	779	801	916	916	916
<b>TOTAL</b>	<b>2,841</b>	<b>2,954</b>	<b>2,976</b>	<b>3,076</b>	<b>3,181</b>	<b>3,612</b>
<b>Distribution Substations</b>						
66/11kV	1,206	1,206	1,288	1,608	1,332	1,446
66/33kV	90	90	90	113	138	138
40/11kV	11	11	11	11	0	0
33/11kV	934	937	1,053	1,068	1,841	1,841
<b>TOTAL</b>	<b>2,241</b>	<b>2,244</b>	<b>2,442</b>	<b>2,800</b>	<b>3,311</b>	<b>3,425</b>
<b>Distribution Transformers</b>						
11/0.415kV and 33/0.415kV	<b>4,688</b>	<b>5,069</b>	<b>5,784</b>	<b>6,195</b>	<b>6,317</b>	<b>6,384</b>

# 10,000

smart meters to be installed in the initial phase

## Smart Metering Project

We have introduced a smart metering technology to enhance revenue protection and improve customer satisfaction.



## PROXY FORM

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 TUESDAY 22<sup>ND</sup> DECEMBER 2015 (USE BLOCK LETTERS PLEASE)

I/We \_\_\_\_\_ CDSC/Mem. No. \_\_\_\_\_ of  
P.O. Box \_\_\_\_\_

being (a) Member(s) of the above-named Company, HEREBY APPOINT \_\_\_\_\_  
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 Tuesday,  
22<sup>nd</sup> December 2015 and at any adjournment thereof.

My/our proxy is to vote in favour of/against the Resolutions as indicated here below:

Item	Business	For	Against
1	Adoption of audited financial statements for the year ended 30 <sup>th</sup> June 2015		
2	Approve payment of dividend		
3	Election of Directors:		
	(i) The Cabinet Secretary, National Treasury		
	(ii) The Principal Secretary, Ministry of Energy and Petroleum		
4	Approve payment of fees to non-executive Directors		
5	Remuneration of Auditors		
6	Special business		

Signature \_\_\_\_\_

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2015

#### NOTE:

1. A member entitled to attend and vote at the above meeting may appoint one or more proxies to attend and, on a poll, to vote instead of him/her. A proxy need not be a member of the Company. To be valid, the Form of Proxy must be duly completed and lodged at the office of the Company Secretary, Stima Plaza, or posted in time to be received not less than forty-eight hours before the time appointed for holding the meeting.
2. If the appointer is a corporation or a Government office, the Proxy must be executed under its common seal or under the hand of an Officer or Attorney duly authorised in writing. Unless otherwise indicated the proxy will vote as he/she deems fit.

FOR OFFICIAL USE ONLY	
7%	
4%	
ORDINARY	
<b>TOTAL</b>	

# FOMU YA UWAKILISHI

THE KENYA POWER AND LIGHTING COMPANY LIMITED S.L.P 30099- 00100, NAIROBI

## FOMU YA UWAKILISHI KWENYE MKUTANO MKUU WA KILA MWAKA WA KAMPUNI UTAKAONDALIWA JUMANNE, DESEMBA 22, 2015 (TUMIA HERUFI KUBWA TAFADHALI)

Mimi/Sisi \_\_\_\_\_ CDSC/Nambari \_\_\_\_\_

Wa S.L.P. \_\_\_\_\_

Nikiwa mwanachama wa Kampuni iliyotajwa juu, HII HAPA NAMTEUA \_\_\_\_\_

kama mwakilishi wangu kunipigia kura na kupiga kura kwa niaba yangu kwenye MKUTANO MKUU WA KILA MWAKA wa Kampuni utakaofanyika Jumanne Desemba 22, 2015 na katika tarehe yoyote endapo mkutano huo utahirishwa.

Mwakilishi wangu atapiga kura kuunga au kupinga Maazimio kama inavyoorodheshwa hapa chini:

Kifungu	Shughuli	Kuunga	Kupinga
1	Kuidhinisha taarifa za Kifedha zilizokaguliwa kwa mwaka uliomalizika Juni 30, 2015		
2	Kuidhinisha malipo ya mgao wa faida		
3	Uchaguzi wa Wakurugenzi: (i) Waziri wa Hazina Kuu (ii) Katiba ya Wizara ya Kawi na Mafuta		
4	Idhinisha mshahara wa Wakurugenzi Wasio na Mamlaka		
5	Malipo ya Wahasibu		
6	Shughuli maalum		

Saini \_\_\_\_\_

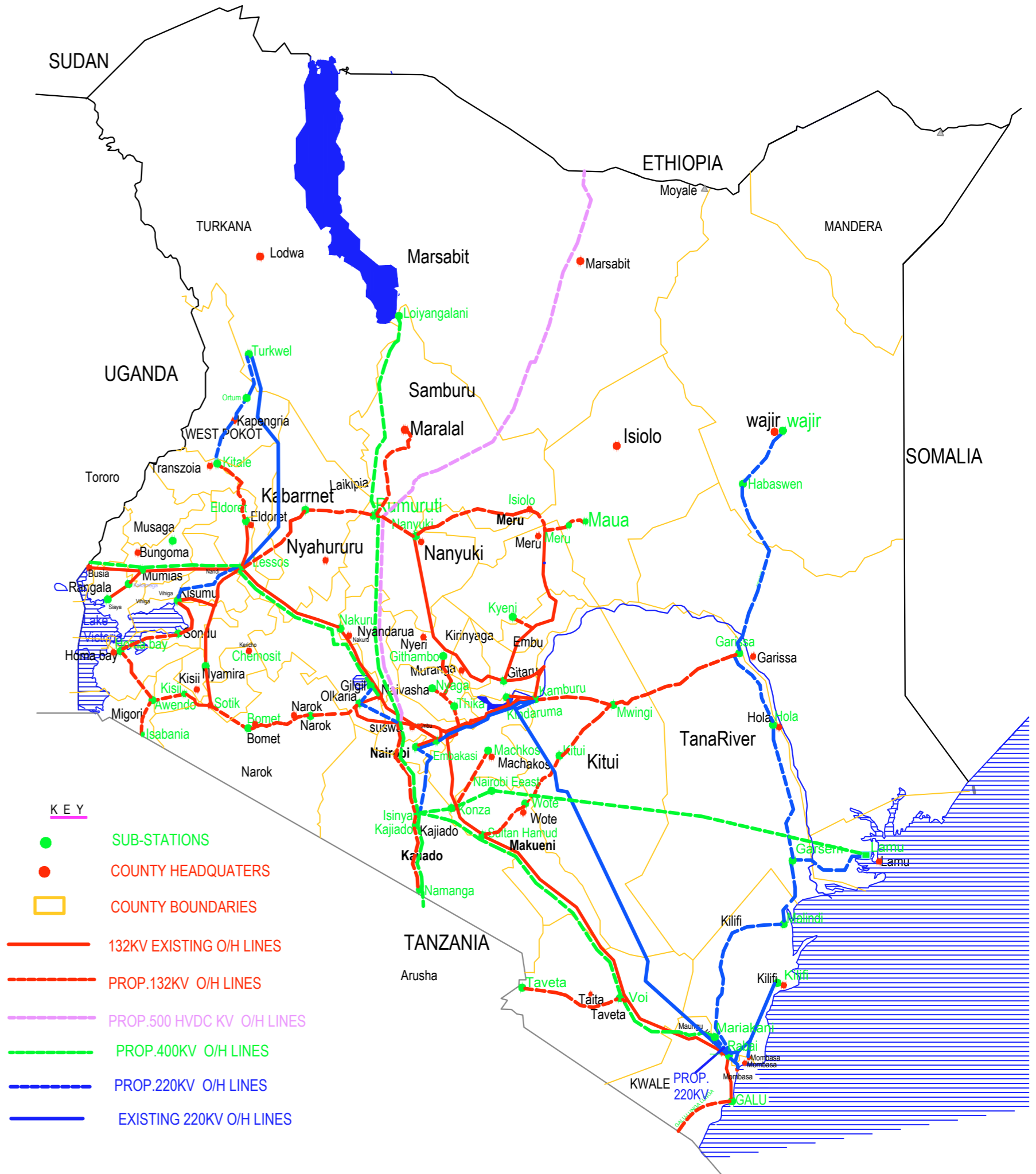
Tarehe \_\_\_\_\_ ya siku \_\_\_\_\_ 2015

### MAELEZO:

- Mwanachama anayestahili kuhudhuria na kupiga kura kwenye mkutano uliotajwa hapo juu anaweza kuteua mwakilishi mmoja au zaidi kuhudhuria, na wakati wa kupiga kura, kupiga kura kwa niaba yake. Si lazima mwakilishi awe mwanachama wa Kampuni. Fomu ya Uwakilishi imeambatanishwa kwenye ripoti hii. Ili kuwa halali, Fomu ya Uwakilishi inapaswa kujazwa kikamilifu na kupelekwa kwa afisi ya Katibu wa Kampuni, Stima Plaza, au kutumwa mapema ili kupokelewa saa arobaini na nane kabla ya mkutano mkuu kuanza.
- Iwapo anayewakilishwa ni Shirika au Taasisi ya Serikali, Fomu ya Uwakilishi inapaswa kuwekwa Muhuri wake au kupitia wakili ambaye ameaidhinishwa kwa maandishi. Na isipokuwa aelekezwe, mwakilishi anaweza kupiga kura namna atakavyoamua.

KWA MATUMIZI RASMI PEKEE	
7%	
4%	
KAWAIDA	
<b>JUMLA</b>	

# ELECTRICITY TRANSMISSION NETWORK





Kenya Power