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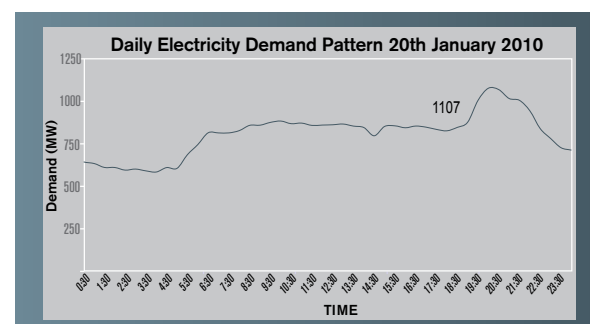
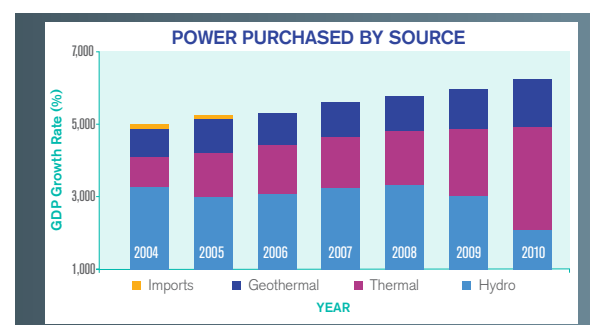
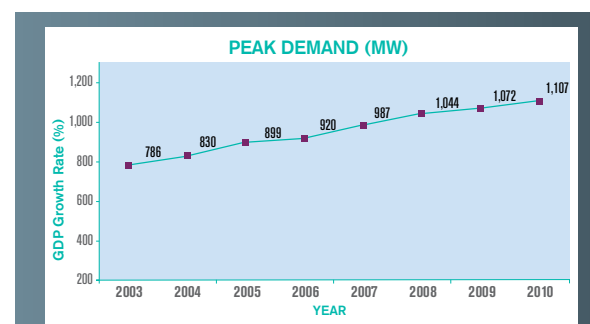
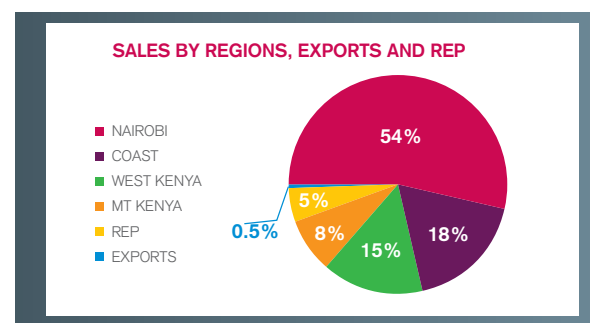
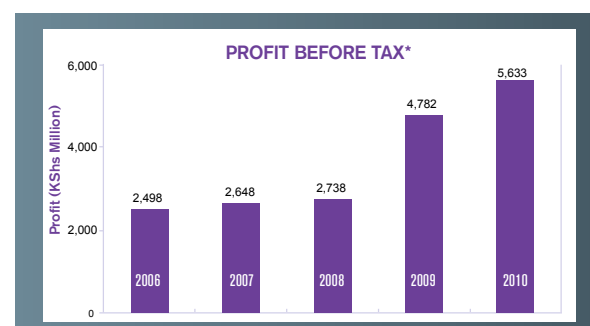
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BUSINESS & PERFORMANCE HIGHLIGHTS



Corporate Information

Directors

Eliazar O Ochola	Chairman
Eng. Joseph Njoroge	Managing Director & CEO
Joseph Kinyua	
Patrick M Nyoike	
Fidesius M Nyaga	
Esau K Kioni	
Dr. Theodorah Malla-Kilukumi	

Patrick E O Obath	} — W.e.f. 18th December 2009
Macharia Kariuki	
Jacob K Mwirigi	

Joseph Kariuki	Alternate to Joseph Kinyua
Isaac N Kiva	Alternate to Patrick Nyoike, was appointed on 16th December 2009

Dr. Crowther N Pepela	} — Retired on 18th December 2009
Aram M Mbui	
Samuel M Mwangi	

Secretary

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

Registered Office

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

Country of Incorporation

Kenya

Main Bankers

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

Auditors

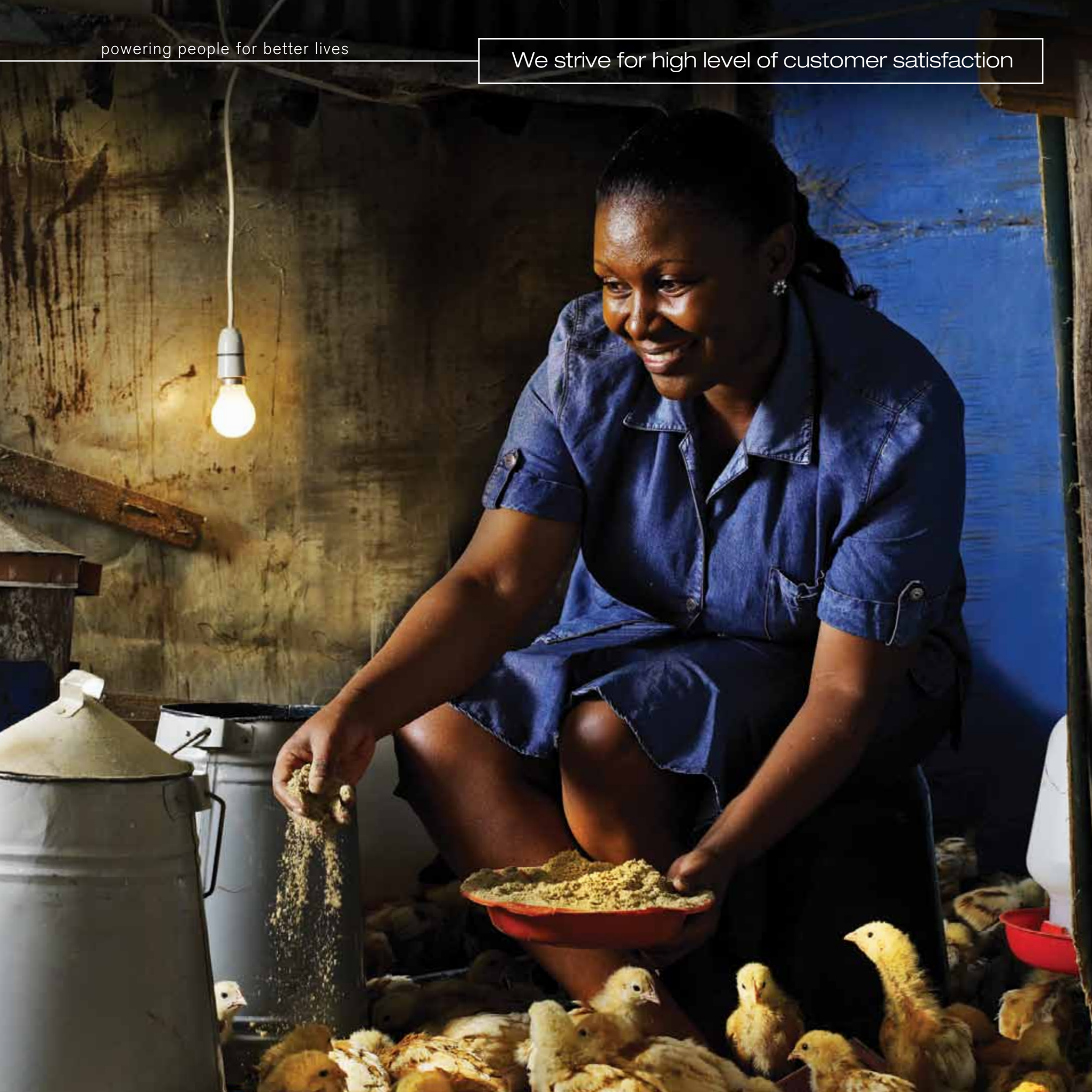
Ernst & Young, (For the Auditor General), Kenya-Re Towers, Upperhill, Off Ragati Road | P O Box 44286-00100, Nairobi

Principal Legal Advisers

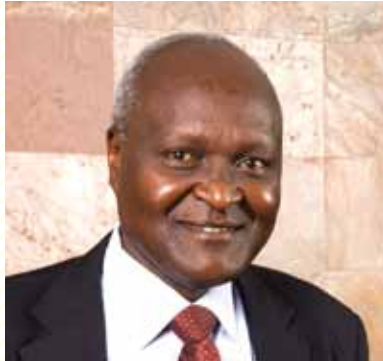
Hamilton Harrison & Mathews, Advocates | ICEA Building | P O Box 30333-00100, Nairobi

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We strive for high level of customer satisfaction



Biographies of the Board of Directors



Mr. Eliazar Ochola

B Comm (Hons) | Chairman

Mr. Eliazar Ochola was born in 1948 and holds a Bachelor of Commerce degree (Accounting). He joined the Board of Directors of the Company in December 2006. Mr. Ochola has over 29 years experience in private sector management, having worked in senior positions in multinational corporations including Kenya Swiss Chemical Limited (Ciba Geigy Group). He also serves as a director of Wanyaka General Supplies Company Limited. He was appointed Chairman of the Board of Directors of the Company on 4th March 2010.



Eng. Joseph K Njoroge (MBS)

BSc (Eng.), MBA, R. Eng. C. Eng., MIET, FIEK | Managing Director & CEO

Eng. Joseph K Njoroge, who was born in 1958, has wide experience in power engineering and management. He joined KPLC in 1980 and rose through the ranks to become Managing Director in June 2007. Eng. Njoroge holds a Bachelor of Science degree in Electrical Engineering and Master of Business Administration with a major in Strategic Management. He is a Chartered Electrical Engineer, a member of the Institution of Engineering and Technology, UK, a Registered Consulting Engineer, and is also a Fellow of the Institution of Engineers of Kenya.



Mr Patrick Nyoike (CBS)

BSc (Econ.), B.Phil (Mathematics) | Permanent Secretary, Ministry of Energy

Mr. Patrick Nyoike was born in 1947, and joined the Board of Directors of the Company in 2003. He holds Bachelor's degrees in Mathematics and Economics and has over 30 years experience in economics and public service. As the Permanent Secretary, Mr. Nyoike is a director of the other state corporations within the Ministry of Energy, namely, Kenya Pipeline Company Limited, Kenya Electricity Generating Company Limited, Kenya National Oil Corporation, Energy Regulatory Commission, Kenya Petroleum Refineries Limited, Ewaso Ng'iro North Development Authority, Ewaso Ng'iro South Development Authority, Rural Electrification Authority, Geothermal Development Company Limited and Kenya Electricity Transmission Company Limited.



Mr Joseph K Kinyua (CBS)

BSc (Econ.), MA (Economics) | Permanent Secretary, Treasury

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

Biographies of the Board of Directors



Fidesius M Nyaga

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

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



Mr Esau K Kioni

MSc

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



Mr Patrick E O Obath (OGW)

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

Eng. Patrick E. O. Obath was born in 1955, and joined the Board of the Company on 18th December 2009. He holds a Bachelor of Science degree in Mechanical Engineering. He has wide managerial and energy sector experience, having worked with the Kenya Petroleum Refineries Limited, and with Shell and BP; and was at one time the Managing Director of Shell & BP. He is Chairman of the Kenya Private Sector Alliance (KEPSA), Chairman, Petroleum Institute of East Africa, Director of Now Foundation, Chemelil Sugar Company, African Alliance Capital (Kenya) and Board member of the National Social Security Fund (NSSF), National Aids Council, National Council on Occupational Safety & Health and National Labour Council.



Theodorah M Kilukumi

BA (Economics)

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

Biographies of the Board of Directors (continued)



Mr. Jacob K. Mwirigi

BSC (Mathematics)

Mr. Jacob Mwirigi was born in 1945, and he joined the Board of the Company on 18th December 2009. He holds a Bachelor of Science Degree in Mathematics and is currently in private practice in the insurance and oil industries. Mr. Mwirigi has also served as a director of Kabage & Mwirigi Insurance Brokers, prior to which he worked with the East African Community, KPLC and American Life Insurance Company. He is also a director of Orix Oil (Kenya), Meru Ginnery (1994) Ltd., Apex Petroleum Ltd. and Remu DTM Limited.



Machariah Kariuki

BA (Economics)

Mr. Macharia Kariuki, was born in 1956, and he joined the Board of the Company on 18th December 2009. Mr. Macharia holds a Bachelor of Arts Degree in Economics and has wide experience in private sector management. He is currently in horticulture business, prior to which he worked as a sales manager with the United Distributing Company Ltd., and also with Nation Newspapers.



Mr Joseph Kariuki

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

Mr. Joseph Kariuki was born in 1963. He holds Bachelor's and Master's degrees in Economics. He has wide experience in public sector management, having worked for more than 25 years in various senior positions in Government. He joined the Board in June 2009 as an Alternate Director to Mr. Kinyua, and is also a director in the Geothermal Development Company Limited and Kenya Plant Health Inspectorate Services.



Eng. Isaac N Kiva

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

Mr. Isaac Kiva was born in 1968. He holds a Bachelor of Science degree in Electrical Engineering, and is currently the Senior Principal Superintending Engineer at the Ministry of Energy. Mr. Kiva has wide experience in public sector management, having worked in senior Government positions for almost 20 years. He joined the Board on 16th December 2009 as an Alternate Director to Mr. Patrick Nyoike. He is also an alternate director of Tana and Athi River Development Authority, and a board member of the Electrical Technicians & Contractors' Licensing Board.



Laurencia K Njagi

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

Mrs. Laurencia Njagi was born in 1966 and is the Company Secretary and Secretary to the Board of Directors of the Company. She is an advocate of the High Court of Kenya and has wide experience in commercial, energy and management spanning over 15 years. Mrs. Njagi joined the Company in 1996 and was appointed Company Secretary in 2001. She holds a Bachelor's Degree in Law, and is a Certified Public Secretary. Before joining the Company, she worked as a State Counsel at the Kenya Law Reform Commission.



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We light up your world

The Management Team



Seated (from left to right)

Lawrence Yego | Laurencia K. Njagi | Eng. Joseph K. Njoroge | Eng. Rosemary K. Gitonga

Standing (from left to right)

Ben Chumo | Eng. Benson Muriithi | Eng. Johnson ole Nchoe | Eng. Sammy Muita | Eng. Joseph W. Masibo | Eng. John Ombui

The Management Team

Managing Director & Chief Executive Officer

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

Company Secretary

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

Chief Manager, Finance

Lawrence Yego, CPA (K)

Chief Manager, Supplies, Stores & Transport

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

Chief Manager, Commercial Services

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

Chief Manager, Energy Transmission

Eng. Sammy Muita, BSc (Eng.), R. Eng.

Chief Manager, Distribution

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

Chief Manager, Information Technology and Telecommunications

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

Chief Manager, Human Resources & Administration

Ben Chumo, BA, MBA

Ag. Chief Manager, Planning, Research and Performance Monitoring

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

Chief Manager, Nairobi

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

Regional Manager, West

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

Regional Manager, Mount Kenya

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

Regional Manager, Coast

Joseph Mkomba, BSc (Eng.)

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT THE EIGHTY-NINTH ANNUAL GENERAL MEETING of Members of the Company will be held at Kenya School of Monetary Studies, Thika Road, Nairobi, on Wednesday 10th November 2010 at 10.00 a.m. to transact the following business:

1. To read the Notice convening the Meeting and note the presence of a quorum.
2. To receive and consider the Company's audited financial statements for the year ended 30th June 2010, together with the Chairman's, Directors' and Auditors' reports thereon.
3. To approve payment of a final dividend of Shs.5 per ordinary share, subject to withholding tax where applicable, in respect of the year ended 30th June 2010 and to ratify the interim dividend of Shs.3 per ordinary share already paid for the period.
4. **To elect Directors:**
 - (i) Mr. Esau Kioni retires by rotation in accordance with Article 120 of the Memorandum and Articles of Association of the Company and, being eligible, offers himself for re-election.
 - (ii) Mr. Fidesius Nyaga retires by rotation in accordance with Article 120 of the Memorandum and Articles of Association of the Company and, being eligible, offers himself for re-election.
 - (iii) Dr. Theodorah Malla-Kilukumi retires by rotation in accordance with Article 120 of the Memorandum and Articles of Association of the Company and, being eligible, offers herself for re-election.
5. To approve payment of fees to non-executive Directors for the year ended 30th June 2010 of Shs.600,000 per Director, totalling Shs.5,400,000.
6. **Auditors:**
To note that the audit of the Company's books of accounts will continue to be undertaken by the Auditor General or an audit firm appointed in accordance with Section 11 of the State Corporations Act (as amended by the Miscellaneous Law Amendment Act, 2002), and Sections 14 and 39 (i) of the Public Audit Act 2003.
7. To authorise the Directors to fix the Auditors' remuneration.

SPECIAL BUSINESS

To consider, and if thought fit, pass the following resolutions as ordinary resolutions:

8. Increase in Share Capital

"That the authorized share capital of the Company be and is hereby increased from Kenya Shillings eighteen billion (Shs.18,000,000,000/=) divided into eight hundred million (800,000,000) 7.85% Redeemable Non-Cumulative Preference Shares of Kenya Shillings twenty (Shs.20/=) each; three hundred and fifty thousand (350,000) 7% Cumulative Preference Shares of Kenya Shillings twenty (Shs.20/=) each; one million eight hundred thousand (1,800,000) 4% Cumulative Preference Shares of Kenya Shillings twenty (Shs.20/=) each; and ninety seven million eight hundred and fifty thousand (97,850,000) ordinary shares of Kenya Shillings twenty (Shs.20/=) each; to Kenya Shillings twenty billion eight hundred million (Shs.20,800,000,000/=) divided into eight hundred million (800,000,000) 7.85% Redeemable Non-Cumulative Preference Shares of Kenya Shillings twenty (Shs.20/=) each; three hundred and fifty thousand (350,000) 7% Cumulative Preference Shares of Kenya Shillings twenty (Shs.20/=) each; one million eight hundred thousand (1,800,000) 4% Cumulative Preference Shares of Kenya Shillings twenty (Shs.20/=) each; two hundred and thirty seven million, eight hundred and fifty thousand (237,850,000) ordinary shares of Kenya Shillings twenty (Shs.20/=) each;

by the creation of one hundred and forty million (140,000,000) new ordinary shares of Kenya Shillings twenty (Shs.20/=) each to rank *pari passu* in all respects with the existing ordinary shares of the Company."

9. Redemption of Non-Cumulative Redeemable Preference Shares

"That subject to the Company receiving all regulatory approvals, including, but not limited to the approval of the Capital Markets Authority and the Nairobi Stock Exchange and subject to the approval of the rights issue offer (which is the subject of the resolution number 11 to be considered at the annual general meeting) by the shareholders and regulators and further subject to the Permanent Secretary to the Treasury for and on behalf of the Government of the Republic of Kenya irrevocably renouncing all its rights under the said rights issue offer, seventy six million six hundred and twenty two thousand eight hundred and ninety one (76,622,891) ordinary shares of Shs.20/= each be issued to the Permanent Secretary to the Treasury for and on behalf

Notice of Annual General Meeting (continued)

of the Government of the Republic of Kenya in consideration for the redemption of seven hundred and ninety four million nine hundred and sixty two thousand four hundred and ninety one (794,962,491) 7.85% Non-Cumulative Redeemable Preference Shares at the price of Shillings two hundred and seven and fifty cents (Shs.207.50) per 7.85% Non-Cumulative Redeemable Preference Share, such issuance of new ordinary shares and redemption of 7.85% Non-Cumulative Redeemable Preference Share to occur at close of business in Kenya on the date of issue by the Company of the relevant information memorandum in respect of the said rights issue offer; and that the Directors be and are hereby authorized to do and effect all acts and things required to give effect to the above Resolutions.”

10. Share Split

“That subject to the Company receiving all regulatory approvals, including, but not limited to the approval of the Capital Markets Authority and the Nairobi Stock Exchange, and after the above increase of share capital and redemption of certain Non-Cumulative Redeemable Preference Shares are completed, each of the ordinary shares of Kenya Shillings twenty (Shs.20/=) in the present capital of the Company, both issued and unissued, be subdivided into 8 shares of Kenya Shillings two and fifty cents (Shs.2.50) each”.

To consider, and if thought fit, pass the following resolutions as special resolutions:

11. Rights Issue

“That subject to the Company receiving all regulatory approvals, including, but not limited to the approval of the Capital Markets Authority and the Nairobi Stock Exchange and subject to each of the ordinary shares of Kenya Shillings twenty (Shs.20/=) in the present capital of the Company, both issued and unissued, being subdivided into 8 shares of Kenya Shillings two and fifty cents (Shs.2.50) each: four hundred and eighty eight million six hundred and thirty thousand two hundred and forty five (488,630,245) ordinary shares of Kenya Shillings two and cents fifty (Shs.2.50) each in the capital of the Company be offered to the members of the Company by way of rights to holders of ordinary shares of the Company in proportion as nearly as may be of 20 new ordinary shares for every 51 existing ordinary shares held by them, at such price that the Directors may determine; and

- (i) That the directors be empowered to dispose of the shares not taken up by any shareholders or the shares not issued by reason of fractions of a share being disregarded, as they may consider expedient.
- (ii) That the Directors be and are hereby authorized to do and effect all acts and things required to give effect to the above Resolutions.”

12. Change in share capital structure

That after the above increase of share capital, redemption of certain Non-Cumulative Redeemable Preference Shares and Rights Issue and Share Split are completed, the Articles of Association of the Company be and hereby altered by substituting the following new article for Article 8:

“The share capital of the Company is Kenya Shillings four billion nine hundred million seven hundred and fifty thousand one hundred and eighty (Shs.4,900,750,180/=) divided into Five million and thirty seven thousand five hundred and nine (5,037,509) 7.85% Redeemable Non-Cumulative Preference Shares of Kenya Shillings twenty (Shs.20/=) each; three hundred and fifty thousand (350,000) 7% Cumulative Preference Shares of Kenya Shillings twenty (Shs.20/=) each; one million eight hundred thousand (1,800,000) 4% Cumulative Preference Shares of Kenya Shillings twenty (Shs.20/=) each; and one billion nine hundred and two million eight hundred thousand (1,902,800,000) ordinary shares of Kenya Shillings two and fifty cents (Shs.2.50) each”.

13. Miscellaneous changes to Articles of Association regarding payment of dividends, unclaimed dividends and notices

The Articles of Association of the Company be amended as follows:

- (i) *By deleting the existing Article 144 in its entirety and substituting it with the following new Article 144(a) & 144(b) to read as follows:*

“144 (a). Any dividend or other money payable in cash on or in respect of shares may be paid by electronic funds transfer or other automated system of bank transfer, electronic or mobile money transfer system, transmitted to such bank or electronic or mobile telephone address as shown in the share register of the Company or by cheque or warrant payable at such place of business as the Company shall specify in writing, sent through the post to the address of the member or person entitled to it as shown in the share register of the Company or if two or more persons are registered as joint holders of the shares, to the registered address of the joint holder who is first named in the share register of the Company or in the case of two or more persons being entitled thereto in consequence of the death or bankruptcy of the holder, to any one of such persons at such address as the persons being entitled to receive payment may in writing direct.

144(b). Every such cheque or warrant or funds transfer shall be made payable to or to the order of the person to whom it is sent or to such person who may be entitled to the same (as described in Article 144(a) aforesaid). Payment of the cheque or warrant, if purporting to be endorsed or enfaced, by the addressee or as the case may be,

Notice of Annual General Meeting (continued)

confirmation of payment having been made by the transmitting entity to the addressee of a direct debit, bank transfer or other automated system of bank transfer or via a mobile money transfer system, shall in each case be a good discharge to the Company. Every such payment whether by cheque or warrant or electronic funds transfer or mobile money payments system shall be sent at the risk of the person entitled to the money represented by it.”

(ii) *By inserting a new Article numbered 145A to read as follows:*

“All dividends, interest or other sum payable and unclaimed for 12 months after having become payable may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends unclaimed for a period of 7 years after having been declared or become due for payment shall be forfeited and be paid by the Company to the Investor Compensation Fund in accordance with Section 18(ee) of the Capital Markets Act (Cap 485A) and shall cease to remain owing by the Company.”

(iii) *By deleting in its entirety Article 155 and substituting it with the following new Article 155.*

“Any notice or other document may be served by the Company on any member or Director either personally or by sending it through the post (by airmail where service is available) in a prepaid letter; or by facsimile or through electronic media addressed to such Member or Director at his registered address as appearing in the Register of Members or the Company’s other records, whether such address shall be within or outside Kenya. In such case of joint holders of a share, all notices shall be given to that one of the joint holders whose name stands first in the Register of Members and notice so given shall be sufficient notice to all joint holders.

Provided that in the case of an Annual General Meeting, such notice may also be given by:(a)

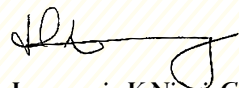
Publishing a notice containing a summary of both the annual financial statements and auditors’ report, in at least two daily newspapers with national circulation for at least two consecutive days; or (b) sending to every member, a notice through the electronic media containing a summary of both the annual financial statement and auditors’ report.”

(iv) *By deleting in its entirety Article 159 and substituting it with the following new Article 159.*

“Where a notice or other document is sent by post it shall be deemed to have been served on the third day after the day on which it was posted, if addressed within Kenya, and on the fifth day after the day on which it was posted, if addressed outside Kenya. In proving such service or sending, it shall be sufficient to prove that the cover containing the notice or document was properly addressed and put into the post office as a prepaid letter or prepaid airmail letter. Where a notice is sent by facsimile or electronic media it shall be deemed to have been served at the expiration of twenty-four hours after the time at which it was sent. Where notice is published in a daily newspaper, it shall be deemed to be served on the day on which it is first published.”

14. To consider any other business for which due notice has been given.

By Order of the Board



Laurencia K Njagi, Company Secretary
P O Box 30099 - 00100 Nairobi, Kenya
23rd September 2010

NOTES:

A member entitled to attend and vote at the above meeting may appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company. A Form of Proxy is enclosed with this report. To be valid, the Form of Proxy must be duly completed and lodged at the office of the Company Secretary, Stima Plaza, or posted in time to be received not later than 10.00 a.m. on 8th November 2010.

Ilani ya Mkutano Mkuu wa Kila Mwaka

ILANI INATOLEWA HAPA KWAMBA, MKUTANO MKUU WA KILA MWAKA WA THEMANINI NA TISA wa wanachama wa Kampuni utafanyika katika Kenya School of Monetary Studies, Thika Road, Nairobi, mnamo Jumatano, Novemba 10, 2010 saa 10.00 asubuhi kuendesha shughuli zifuatazo:

1. Kusoma Ilani ya kuandaa mkutano na kutambua kuwepo kwa idadi ya kutosha ya wanachama.
2. Kupokea na kudhukuru taarifa za hesabu za Kampuni zilizokaguliwa kwa mwaka uliomalizika Juni 30, 2010, pamoja na ripoti za Mwenyekiti, Wakurugenzi na Wahasibu.
3. Kuidhinisha malipo ya mgao wa mwisho wa Sh5 kwa kila hisa ya kawaida, baada ya kutoa ushuru wa kushikilia, inapohitajika, kuhusiana na mwaka uliomalizika Juni 30, 2010 na kuidhinisha malipo ya mgao wa muda wa Sh 3 kwa kila hisa ya kawaida ambayo tayari imeshalipwa kwa muda huo.
4. **Kuchagua Wakurugenzi:**
 - (i) Bw. Esau Kioni anastaafu kwa zamu kwa mujibu wa Kifungu 120 cha Katiba ya Kampuni, na kwa kuwa bado anahitimu, anajitokeza kuchaguliwa tena.
 - (ii) Bw. Fidesius Nyaga anastaafu kwa zamu kwa mujibu wa Kifungu 120 cha Katiba ya Kampuni, na kwa kuwa bado anahitimu, anajitokeza kuchaguliwa tena.
 - (iii) Dkt. Theodorah Malla-Kilukumi anastaafu kwa zamu kwa mujibu wa Kifungu 120 cha Katiba ya Kampuni, na kwa kuwa bado anahitimu, anajitokeza kuchaguliwa tena.
5. Kuidhinisha ujira wa Wakurugenzi wasio na mamlaka kwa mwaka uliomalizika Juni 30, 2010 wa Sh600,000 kwa kila mkurugenzi na hivyo jumla ya Sh.5,400,000.
6. **Wahasibu:**
Kutambua kuwa ukaguzi wa vitabu vya hesabu vya kampuni utaendelea kutekelezwa na Mhasibu na Mkaguzi Mkuu wa Serikali au kampuni ya uhasibu itakayoteuliwa kwa mujibu wa Sehemu ya 11 ya Sheria ya Mashirika ya Umma (kama ilivyorekebisha na Mkusanyiko wa Marekebisha ya Sheria, 2002) na sehemu za 14 na 39(i) ya Ukaguzi wa Umma 2003.
7. Kuwapa Wakurugenzi uwezo wa kuamua malipo ya Wahasibu.

SHUGHULI MAALUMU

Kuchunguza, na iwapo itabainika kuwa sawa, kupitisha maazimio yafuatayo kama maazimio ya kawaida:

8. Kuongeza mtaji wa hisa

"Kwamba mtaji wa hisa wa Kampuni ulioidhinishwa hii hapa unaongezwa kutoka Sh.18. bilioni (Sh.18,000,000,000) unaogawanywa kwa hisa maalumu milioni mia nane (800,000,000) za asilimia 7.85 za upendeleo zisizo na malimbikizo, za Sh.20 kwa kila hisa; hisa maalumu elfu mia tatu na hamsini (350,000) za asilimia 7 zinazolimbikizwa, za Shilingi 20 kila moja (Sh.20); hisa maalumu milioni moja, elfu mia nane (1,800,000) za asilimia 4 za upendeleo zinazoweza kulimbikizwa, za Sh20 kila moja; na hisa za kawaida milioni tisini na saba, elfu mia nane hamsini (97,850,000) za Sh20 kwa kila moja, hadi

Shilingi bilioni ishirini, milioni mia nane (Sh.20,800,000,000) zilizogawanywa hadi hisa maalumu milioni mia nane (800,000,000), za asilimia 7.85 za upendeleo zinazoweza kukombolewa, za Sh20 kila moja; hisa maalumu elfu mia tatu hamsini (350,000) za asilimia 7 zilizo na malimbikizo, za Sh.20 kila moja; hisa maalumu milioni moja, elfu mia nane (1,800,000) za asilimia 4 za upendeleo, za Sh.20 kila moja; hisa za kawaida milioni mia mbili thelathini na saba, elfu mia nane hamsini hisa za kawaida milioni mia mbili thelathini na saba, elfu mia nane hamsini (237,850,000) za Sh.20 kwa kila moja:

Kwa kuunda hisa mpya za kawaida milioni mia moja arobaini (Sh.140,000,000) za Sh.20 zitakazokuwa sawasawa katika fani zote na zile hisa za kawaida za Kampuni zilizopo."

9. Kufidia hisa za upendeleo zisizo za malimbikizo

"Kwa kutegemea Kampuni kupokea idhini zote za kisheria, ikiwemo ni pamoja na idhini ya Halmashauri ya Masoko ya Mtaji (CMA) na Soko la Hisa la Nairobi (NSE) na ikitegemea kuidhinishwa kwa toleo la hisa kwa wenyehisa (ambayo ni mada kuu ya azimio nambari 11 ambalo litaangaliwa katika Mkutano Mkuu wa Kila Mwaka) na wenyehisa na wasimamizi, na pia kwa kutegemea Katibu wa Kudumu wa Hazina Kuu kwa niaba ya Serikali ya Kenya kuachilia kabisa umiliki wa hisa zake chini ya toleo hilo la hisa, hisa za kawaida milioni sabini na sita, elfu mia sita ishirini na mbili, mia nane tisini na moja (76,622,891) hisa za kawaida kwa Sh.20 kwa kila moja zitolewe kwa Katibu wa Kudumu katika Hazina Kuu kwa niaba ya Serikali ya Kenya ili kufidia hisa milioni mia saba tisini na nne, elfu mia tisa sitini na mbili, mia nne tisini na moja, za upendeleo zisizokuwa na malimbikizi (794,962,491), za asilimia 7.85 ya hisa maalumu zisizokuwa na malimbikizi kwa bei ya Shilingi mia mbili na saba, na senti hamsini (207.50) kwa kila hisa za asilimia 7.85 za

Ilani ya Mkutano Mkuu wa Kila Mwaka (unaendelea)

upendeleo ambazo zinaweza kukombolewa. Utoaji huo wa hisa mpya za kawaida na kufidiwa kwa hisa za upendeleo zisizo na malimbikizi kufanyika kufikia mwisho wa shughuli za siku nchini Kenya katika siku ya kutolewa na Kampuni kwa taarifa muhimu kuhusiana na toleo la hisa maalumu; na kwamba Wakurugenzi waidhinishwe kufanya na kutekeleza vitendo na shughuli zote zinazohitajika kufanikisha maazimio yaliyoko juu.”

10. Kugawa Hisa

“Kwa kutegemea Kampuni kupokea idhini zote za kisheria, ikiwemo, ile ya Halmashauri ya Masoko ya Hisa (CMA) na Soko la Hisa la Nairobi, na baada ya shughuli za nyongeza ya mtaji wa hisa na kufidiwa kwa baadhi ya hisa za upendeleo zisizo na malimbikizi kumalizika, kila hisa ya kawaida ya thamani ya shilingi ishirini (Sh.20) katika mtaji wa sasa wa kampuni, zote zilizotolewa na zile ambazo bado, zigawanywe hadi hisa 8 za thamani ya Sh.2.50 kila moja.”

Kuchunguza, na iwapo itabainika kuwa sawa, kupitisha maazimio yafuatayo kama maazimio maalumu:

11. Toleo la Hisa

“Kwamba, kwa kutegemea Kampuni kupokea idhini zote za kisheria, ikiwa ni pamoja na ile ya Halmashauri ya Masoko ya Hisa na Soko la Hisa la Nairobi, na baada ya kila hisa ya kawaida ya Shilingi ishirini (Sh.20) katika mtaji wa sasa wa Kampuni, hisa zilizotolewa na zile hazitatolewa, zigawanywe hadi hisa 8 za thamani ya Sh.2.50 kwa kila hisa milioni mia nne na themanini na nane, elfu mia sita na thelathini, mia mbili na arobaini na tano (488,630,245) hisa za kawaida za thamani ya Shilingi 2 na senti 50 kwa mtaji wa Kampuni zipeanwe kwa wanachama wa Kampuni kama toleo kwa wale walio na hisa za kawaida kwa kiwango sawa na hisa mpya ishirini (20) kwa kila hisa za kawaida Hamsini na Moja (51) wanazomiliki, kwa bei ambayo wakurugenzi wataonelea inafaa, na

- (i) Kwamba wakurugenzi wapewe mamlaka ya kuuza hisa ambazo hazitachukuliwa na mwenyehisa yeyote au hisa ambazo hazitatolewa kwa sababu ya hisa kutogawanyika ipasavyo, kama wanavyoonelea inafaa.
- (ii) Kwamba Wakurugenzi waidhinishwe kufanya yote yanayohitajika kufanikisha maazimio yaliyopo juu.”

12. Kubadilisha mpangilio wa mtaji wa hisa

Baada ya kuongeza mtaji wa hisa, fidia ya hisa za upendeleo zisizo na malimbikizi na toleo la hisa na kugawa kwa Hisa kukamilika, Katiba ya Kampuni irekebishwe kwa kubadilisha kifungu kipya na kile cha 8:

“Mtaji wa kampuni ni Shilingi bilioni nne, milioni mia tisa, elfu mia saba na hamsini, na mia moja na themanini (Sh4,900,750,180) zilizogawanywa hadi hisa maalumu milioni tano, elfu thelathini na saba, mia tano na tisa (5,037,509) za asilimia 7.85% zisizo na malimbikizi za Sh.20 kwa kila moja; hisa elfu mia tatu na hamsini (350,000) za asilimia 7% za upendeleo zenye malimbikizi, za Sh.20 kwa kila moja; hisa milioni moja, elfu mia nane (1,800,000) za asilimia 4% za malimbikizi za Sh.20 kwa kila moja na; hisa bilioni moja, mia tisa na mbili, elfu mia nane (1,902,800,000) za kawaida za shilingi mbili na senti hamsini (Sh2.50)”.

13. Mkusanyiko wa mabadiliko kwa Katiba ya kampuni kuhusiana na malipo ya mgao wa faida, mgao ambao haujachukuliwa na ilani

Katiba ya Kampuni ibadilishwe ifuatavyo:

- (i) *Kwa kufuta Kifungu kizima cha sasa cha 144 na badala yake kuwa na kipya cha 144 (a) na 144 (b) kusoma ifuatavyo:*

“144 (a). Mgao wowote wa faida au malipo yoyote ya kifedha yanayolipwa kwa pesa taslimu au kuhusiana na hisa yaweza kulipwa kupitia kwa mitambo, au kuhamishwa kutoka akaunti moja ya benki hadi nyingine, au mfumo wa kutumia simu za rununu au anwani ya simu kama inavyoonyeshwa kwenye sajiri ya hisa ya Kampuni au kupitia kwa hundi au hati ya idhini ya malipo mahali pa kibiashara ambapo Kampuni inaweza kufafanua kwa maandishi, na kutumwa kwa njia ya posta kwa anwani ya mwanachama au yeyote anayestahili kama inavyoonyeshwa katika sajiri ya hisa ya Kampuni au katika hali ambapo zaidi ya mtu mmoja anastahili kutokana na kifo au kufilisika kwa mhusika, mmoja wa watu kwenye anwani hiyo kama wale wanaostahili kupokea malipo inavyoweza kuelezea kwa maandishi.

144(b). Kila hisa au idhini kama hiyo au kuhamishwa kwa fedha zitalipwa kwa mtu aliyetumiwa au anayestahili (kama ilivyofafanuliwa kwenye Kifungu 144 (a) mbeleni). Malipo ya hundi au idhini, kama yanadaiwa kuidhinishwa na aliyetumiwa ama itakavyokuwa, thibitisho la malipo baada ya kufanywa na anayetumiwa iwe ni kupitia moja kwa moja kwa akaunti yake, au kuhamishwa kutoka benki moja hadi nyingine au mfumo wa kuhamisha fedha kupitia simu za mkono, zitaondolea lawama Kampuni. Kila moja ya malipo hayo iwe ni kupitia hundi au idhini au uhamisho wa fedha kupitia mitambo au kwa njia ya simu yatafanywa juu ya yule anayetumiwa.”

- (ii) *Kwa kuingiza Kifungu kipya nambari 145A kusoma ifuatavyo:*

“Mgao wote wa faida, riba au malipo yoyote ambayo hayatachukuliwa katika muda wa miezi 12 baada ya kutolewa yaweza kuwekezwa au kutumiwa na Wakurugenzi kwa manufaa ya Kampuni hadi yadaiwe,

Ilani ya Mkutano Mkuu wa Kila Mwaka (unaendelea)

na Kampuni haiwezi kuchukuliwa kama mlezi wake. Malipo yote ya mgao wa faida ambayo hayatachukuliwa kwa muda wa miaka 7 baada ya kutolewa yatatwaliwa na kulipwa na Kampuni kwa Hazina ya Ridhaa ya Wawezekaji kwa mujibu wa sehemu ya 18(ee) ya Sheria ya Masoko ya Mtaji (Sura 485 A) na hivyo Kampuni kukoma kuwa na deni.”

(iii) *Kwa kufuta kifungo kizima cha 155 na kukibadilisha na Kifungu 155 kifuatacho kipya.*

“Ilani yoyote au stakabadhi ya Kampuni inaweza kutumwa kwa mwanachama au Mkurugenzi ama moja kwa moja au kupitia kwa posta (kwa njia ya ndege pahali kuna huduma hiyo) barua iliyosajiliwa, au faksi au barua pepe kwa anwani iliyosajiliwa na kuonekana kwenye Sajiri ya Wanachama wa Kampuni au rekodi zingine za Kampuni, ikiwa anwani kama hizo zimo ndani au nje ya Kenya.

Katika hali ambapo kuna umilikaji wa pamoja wa hisa, ilani zote zitolewa kwa mmoja wa wamiliki hao ambaye jina lake ni la kwanza katika Sajiri ya Wanachama na ilani kama hiyo itatosha kwa wote wanaomiliki hisa kwa pamoja.

Almradi katika hali ya Mkutano Mkuu wa Kila Mwaka, ilani kama hiyo inaweza pia kutolewa kwa: (a) Kuchapisha ilani iliyo na mukhtasari wa taarifa ya kila mwaka ya hesabu na ripoti ya mhasibu, katika angalau magazeti mawili ya kila siku ambayo yanasambazwa kote nchini kwa angalau siku mbili mfululizo; au (b) kwa kutuma kwa kila mwanachama, kupitia kwa mtandao ilani iliyo na mukhtasari wa taarifa ya kifedha ya kila mwaka na ripoti ya mhasibu.

(iv) *Kwa kufuta Kifungu kizima cha 159 na kukibadilisha na kile kipya cha 159.*

“Mahali ambapo ilani au stakabadhi yoyote imetumwa kupitia kwa posta, itachukuliwa kuwa imefika katika siku ya tatu baada ya siku ambapo ilitumwa, kama anwani yake imo nchini Kenya, na siku ya tano baada ya siku ilikopeleka katika sanduku la posta, iwapo anwani yake imo nje ya nchi. Kwa kuthibitisha huduma hiyo au kutumwa, itatosha kuthibitisha kuwa jalada lenye ilani au stakabadhi hiyo ilikuwa na anwani ifaayo na ilitumwa kwa posta kama barua iliyosajiliwa. Mahali ambapo ilani inatumwa kupitia faksi au mtandao, itachukuliwa kuwa imetumwa baada ya kumalizika kwa muda wa saa ishirini na nne baada ya kutumwa. Mahali ambapo ilani inachapishwa kwenye gazeti la kila siku, itachukuliwa kutumwa katika siku ambapo ilichapishwa kwanza.

14. Kushughulikia shughuli zingine zile ambazo ilani imetolewa.

Kwa Amri ya Bodi,

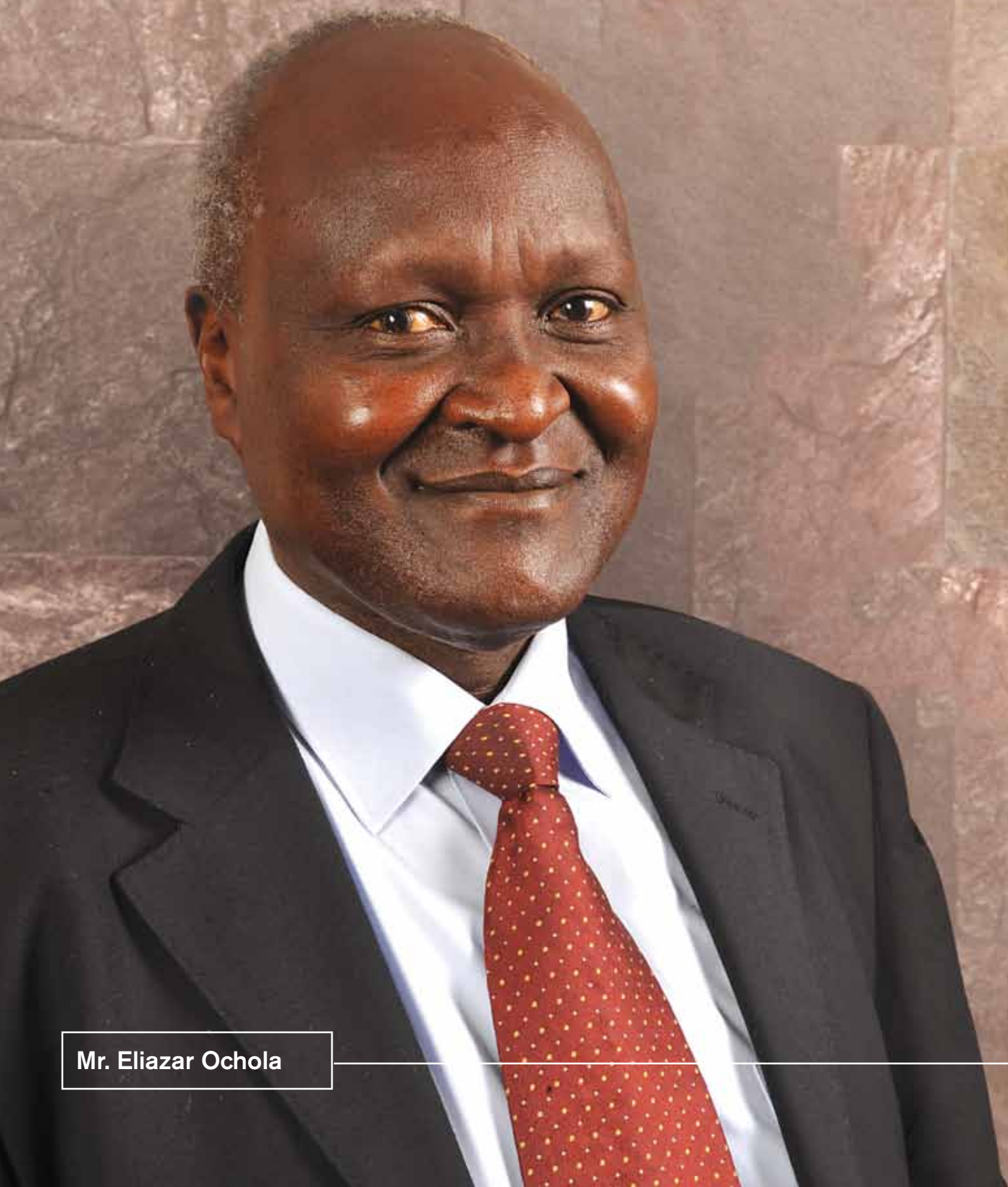


Laurencia K Njagi
Katibu wa Kampuni,
SLP 30099 - 00100
Nairobi, Kenya.
Septemba 23, 2010

Maelezo:

Mwanachama anayestahili kuhudhuria na kupiga kura katika mkutano uliotajwa juu anaweza kuteua mwakilishi mmoja au zaidi kuhudhuria, na iwapo kutakuwa na upigaji kura, kupiga kwa niaba yake. Si lazima mwakilishi awe mwanachama wa Kampuni. Fomu ya Mwakilishi imeambatanishwa kwenye ripoti hii. Ili kuwa halali, Fomu ya Mwakilishi inapaswa kujazwa na kuwasilishwa kwa afisi ya Katibu wa Kampuni, Stima Plaza, au kutumwa mapema ili imfikie kabla ya saa tano asubuhi, mnamo Novemba 8, 2010.

Chairman's Statement



Mr. Eliazar Ochola

Chairman's Statement

GENERAL OVERVIEW

It gives me great pleasure to present my first performance report as Chairman of the Company, of yet another successful trading year, during which we recorded a profit before tax of Shs.5,633 million compared to Shs.4,783 million the previous year. Electricity sales increased from 5,182 million units the previous year to 5,345 million units; while 214,488 additional electricity connections were made, bringing the total number of connections to 1.5 million.

FINANCIAL PERFORMANCE

Electricity revenue increased by 7.3% from Shs.36,459 million the previous year, to Shs.39,107 million; while the fuel cost recovered from customers rose by 17% from Shs.28,269 million the previous year, to Shs.33,190 million. The increase in fuel cost recovered was attributable to enhanced generation from thermal plants by 709 GWh from 2,430 GWh the previous year, to 3,139 GWh.

The thermal generation was stepped up to replace the severely depleted hydro generation, caused by the prolonged drought in the first half of the year. Fuel revenue, which is recovered from customers, is a pass-through cost which is paid directly to thermal based bulk power suppliers. Foreign exchange recoveries increased by Shs.388 million from Shs.481 million the previous year, to Shs.869 million due to depreciation of the shilling against world hard currencies.

The power purchase costs (excluding fuel costs) increased by Shs.1,746 million to Shs.20,516 million, from Shs.18,770 million the previous year, mainly due to the commissioning into service of three new power plants. Fuel costs paid to bulk power suppliers increased by Shs.4,983 million to Shs.33,331 million, up from Shs.28,348 million the previous year. Transmission and distribution costs rose by Shs.1,407 million from Shs.13,570 the previous year, to Shs.14,977 million.

The Company's capital asset base grew by 21% from Shs.50,107 million the previous year, to Shs.60,603 million, due to the continuing capital investment in projects aimed at improving the quality of power supply and increasing connection of new customers.

The dividend on the redeemable 7.85% non-cumulative preference shares became payable with effect from July 2009. These shares, which are held by the Government of Kenya, attract a dividend of Shs.1,248 million annually. As contained in the Information Circular issued to shareholders

in September 2010, the Company wishes to restructure the balance sheet by: (i) redemption through conversion of 7.85% redeemable non-cumulative preference shares to ordinary shares, (ii) a share split and (iii) a rights issue. The redemption of the 7.85% redeemable non-cumulative preference shares by issue of new ordinary shares will eliminate the fixed dividend burden and achieve a more robust balance sheet, which broadens the funding options and sources for the Company. This matter forms one of the agenda items of this Annual General Meeting.

After-tax Profit

The Company recorded a net profit after tax of Shs.3,716 million compared to Shs.3,226 million the previous year; after taking into account a tax charge of Shs.1,917 million; up from Shs.1,557 million the previous year.

Dividend

The Directors recommend to members that in addition to the interim dividend of Shs.3.00 paid earlier, a final dividend of Shs.5.00 per ordinary share be paid for the year ended 30th June 2010, subject to withholding tax where applicable, to shareholders registered in the books of the Company at close of business on 21st October 2010. This amounts to a total dividend of Shs.8.00 per share (previous year - Shs.8.00). If approved, the dividend will be paid on or about 15th December 2010.

FUTURE PROSPECTS

As we move into the future, our resolve is to remain focused on pursuing and applying resources on strategies that ensure that enable us to take advantage of emerging opportunities in order to ensure business and financial growth and sustainability. We shall therefore continue to build on our past gains in order to maximise shareholder returns and continually improve our corporate performance.

Tribute

I wish to express my sincere and deep gratitude to my fellow Directors, our staff, the Government, our customers and our development and business partners, for their support and contribution towards our success in the 2009/10 financial year.



Mr. Eliazar O Ochola
Chairman
23rd September 2010

Tathmini ya Mwenyekiti

MAELEZO KWA JUMLA

Ni fahari yangu kuwasilisha ripoti yangu ya kwanza ya matokeo kama Mwenyekiti wa Kampuni, ya mwaka mwingine wa ufanisi mkubwa wa kibiashara, ambapo tulipata faida kabla ya ushuru ya Sh.5,633 milioni ikilinganishwa na Sh.4,783 milioni mwaka uliopita. Mauzo ya umeme yaliongezeka kutoka vipimo 5,182 milioni hadi vipimo 5,345 milioni; ilhali wateja 214,488 wapya waliunganishwa kwenye mtandao na hivyo kufikisha idadi ya waliunganishwa kwenye mtandao wetu wa umeme kuwa milioni 1.5.

MATOKEO YA KIFEDHA

Mapato kutokana na umeme yaliongezeka kwa asilimia 7.3 kutoka Sh.36,459 milioni mwaka uliopita, hadi Sh.39,107 milioni; ilhali gharama ya mafuta iliyopatikana kutoka kwa wateja ikiongezeka kwa asilimia 17 kutoka Sh.28,269 milioni mwaka uliopita, hadi Sh.33,190 milioni. Nyongeza ya gharama ya mafuta inatokana na kuongezeka kwa uzalishaji kutoka kwa viwanda vya umemejoto kwa GWh 709 kutoka GWh 2,430 mwaka uliopita hadi GWh 3,139. Uzalishaji wa umemejoto uliimarishwa kuchukua mahali pa uzalishaji umeme kupitia maji ambao ulipungua kwa kiwango kikubwa kufuatia ukame wa muda mrefu mwanzoni mwa mwaka. Mapato ya mafuta, ambayo yanapatikana kutoka kwa wateja, ni gharama inayopitia kwetu na kulipwa moja kwa moja kwa kampuni za kuzalisha umemejoto kwa kiwango kikubwa. Mapato kutokana na kubadilishwa kwa fedha za kigeni yaliongezeka kwa Sh.388 milioni kutoka Sh.481 milioni mwaka uliopita, hadi Sh.869 milioni kutokana na kupungua kwa thamani ya shilingi dhidi ya fedha za kigeni.

Gharama za ununuzi wa umeme (bila kujumuisha gharama ya mafuta) iliongezeka kwa Sh.1,746 milioni hadi Sh.20,516 milioni, kutoka Sh.18,770 milioni mwaka uliopita, hasa kutokana na kuzinduliwa kwa viwanda vitatu vipya vya umeme. Gharama ya mafuta iliyolipwa kwa wauzaji wa kiasi kikubwa cha umeme iliongezeka kwa Sh.4,983 milioni hadi Sh.33,331 milioni, kutoka Sh.28,348 milioni mwaka uliopita. Gharama za usafirishaji na usambazaji ziliongezeka kwa Sh.1,407 milioni kutoka Sh.13,570 mwaka uliopita, hadi Sh.14,977 milioni.

Mtaji wa Kampuni uliongezeka kwa asilimia 21 kutoka Sh.50,107 mwaka uliopita, hadi Sh.60,603 milioni, kutokana na uwekezaji wa miradi mikubwa inayonua kuimarisha ubora wa usambazaji umeme na kuongeza idadi ya wateja wapya wanaounganishwa na mtandao wa umeme.

Mgao wa fidia ya hisa maalumu za asilimia 7.85 za upendeleo zisizo na malimbikizi ulianza kulipwa kuanzia Julai 2009. Hisa hizi ambazo zinashikiliwa na Serikali ya Kenya, huvutia mgao wa Sh.1,248 milioni kila mwaka. Kama ilivyotajwa kwenye ilani kwa Wenyehisa iliyotumwa mnamo

Septemba 2010, Kampuni ingependa kuimarisha jumla ya raslimali zake, kwa:

(i) kubadilisha hisa za asilimia 7.85 za upendeleo zisizo na malimbikizi kuwa hisa za kawaida (ii) Kugawa hisa (iii) Na kuuza hisa kwa wanachama. Kubadilishwa kwa hisa za asilimia 7.85 za upendeleo zisizo na malimbikizi kwa kutoa zile mpya za kawaida kutaondoa mzigo wa kutoa mgao usiobadilika na kuimarisha mizania yetu, ambayo hupanua fursa za ufadhili na vyanzo kwa Kampuni. Suala hili ni mojawapo ya masuala kwenye ajenda ya Mkutano Huu wa Kila Mwaka.

Faida baada ya ushuru

Kampuni ilipata faida baada ya ushuru ya Sh.3,716 milioni ikilinganishwa na Sh.3,226 milioni mwaka uliopita, baada ya kuzingatia ushuru uliotozwa wa Sh.1,917 milioni ikilinganishwa na ushuru wa Sh.1,557 milioni mwaka uliopita.

Mgao

Wakurugenzi wanapendekeza kwa wanachama kwamba, mbali na mgao wa muda wa Sh.3.00 uliolipwa awali, mgao wa mwisho wa Sh.5.00 kwa kila hisa ya kawaida ulipwe kwa mwaka uliomalizika Juni 30, 2010, baada ya utoaji ushuru wa kushikilia inavyostahili, kwa wenyehisa waliosajiliwa katika vitabu vya Kampuni kufikia mwisho wa shughuli za siku mnamo Oktoba 21, 2010. Hiyo inafikisha jumla ya mgao huo kuwa Sh. 8.00 kwa hisa (mwaka uliopita – Sh.8.00). Iwapo utaidhinishwa, mgao huu utalipwa mnamo au karibu Desemba 15, 2010.

SIKU ZIJAZO

Tunapoelekea siku za usoni, kujitolea kwetu ni kufuatilia na kutumia raslimali kwenye mikakati inayohakikisha kwamba tunatumia nafasi zinazoibuka kuhakikisha ukuaji wa kudumu kibiashara na kifedha. Hivyo basi, tutaendelea kutegemea ufanisi wetu wa awali ili kuongeza mapato ya wenyehisa na kuendelea kuimarisha matokeo ya Kampuni.

Shukrani

Ningependa kutoa shukrani zangu za dhiti kwa Wakurugenzi wenzangu, wafanya kazi wetu, Serikali, wateja na washirika wetu wa kibiashara na maendeleo, kwa kutuunga mkono na kwa mchango wao katika ufanisi wetu katika kipindi cha matumizi ya fedha za serikali cha 2009/10.



Bw. Eliazar O Ochola
Mwenyekiti
Septemba 23, 2010



powering people for better lives

We are an important economic pillar

Report of the Managing Director & CEO



Eng. Joseph Njoroge

Report of the Managing Director & CEO (continued)

OVERVIEW

Improvement of quality of power supply and services to our customers was our top priority during the year under review. In recognition of the important role that staff play in our business, the Company embarked on a project aimed at transforming our organization and staff culture in order to provide efficient and courteous services to our customers. Other strategies aimed at improving the quality of power and service included publicising our service level standards and commitments, negotiating for additional generation capacity to meet demand, implementation of transmission and distribution system improvement projects, and expansion of electricity access to Kenyans.

ORGANISATION CULTURE CHANGE AND CORPORATE REBRANDING

The Company has embarked on an organisation culture change and corporate rebranding exercise, with the aim of enhancing its image, customer service and financial performance. The project entails creation of a new organisational culture in line with internal and external customer expectations; establishment of methodologies and frameworks for embedding the culture; and tools to monitor and evaluate its performance. The exercise will also include development of a new corporate brand that will ensure that KPLC is perceived as responsive to its customers and stakeholders, and professional in its mandate. A consortium comprising Ogilvy & Mather East Africa Ltd., McKinney Rogers Kenya Ltd., and SBO Research Kenya Ltd., was engaged in October 2009 to assist the Company to implement the project, which will be rolled out over a three-year period.

The project is being implemented to address the findings and recommendations of studies on customer and employee satisfaction, as well as corporate reputation, and which identified the need to transform our organization culture and staff attitude in order to greatly enhance service delivery, corporate performance and image.

As a first step, and to anchor the entire project, a new Mission, Vision and Values (VMVs) were developed through a consultative process involving all cadres of staff. The Mission is *'Powering people for better lives'*; while the Vision is *'To provide world class power that delights our customers.'* The new Values are *'Customer First, One Team, Passion, Integrity and Excellence.'* Comprehensive training of all staff, aimed at achieving the project goals, constitutes a core component of the programme. In this regard, about 5,000 staff will undergo training that includes high performance, customer care, strategic planning, performance monitoring and evaluation, by June 2011. An executive performance management information system (dashboard) has also been installed that, among others, has harmonised and integrated all functions towards the corporate targets and objectives.

The rebranding component of the project will entail a range of visual changes to the Company's touch-points and facilities in line with a modern brand that is aligned to the new Vision, Mission and Values. As part of this process, members of the public were involved in recommending a new Company logo through a competition. Research on some of the proposed logos is already underway, following which the most popular one will be adopted as the Company's new emblem.

Continuous evaluation, research and performance monitoring is being undertaken to review the effectiveness of the project so as to ensure that the anticipated objectives are realized.

ELECTRICITY SUPPLY SYSTEM IMPROVEMENT

The Company has continued to invest in projects and initiatives aimed at achieving high quality power supply with a view to enhancing customer satisfaction, revenue collection and protection; as well as improving operational and financial performance. Following is a summary of some of the electricity supply system improvement projects which were implemented during the year under review.

System Reinforcement Projects

• Energy Sector Recovery Project (ESRP)

A total of 27 distribution system reinforcement and upgrade projects valued at Shs.9.6 billion were in progress during the year under review. These projects, which are aimed at improving the efficiency, reliability and quality of supply, as well as increasing access of electricity to Kenyans, are financed under the US\$153 million ESRP programme which commenced in 2004, and which was enhanced with an injection of an additional US\$72.8 million in 2009.

Projects worth Shs.5,200 million were completed during the review period under the ESRP programme. These include refurbishing and upgrading Shanzu, Diani, Msambweni and Mabungu substations at the Coast; and Athi River and Kitisuru substations in Nairobi; as well as installation of the Mombasa-Nairobi Fibre Optic Link, which is part of the System Control and Energy Management System project.

• Kenya Electricity Expansion Programme (KEEP)

In May 2010, the Company obtained a concessionary loan of US\$102 million from the World Bank through the Government of Kenya, to finance acceleration of electricity access in the country. The project entails upgrade of the distribution system in areas not covered by the Energy Sector Recovery Project funding; namely, Ndenyeru, Kiambu Town, Syokimau, Rironi, Lower Kabete, Githunguri, Villa Franca, Uplands, Jomvu, Mishimoroni, Ahero, Magumu, Chepseon, Elgon View, Kaplamai, Kibos, Majengo, Maseno, Kericho, Kapsowar, Kabarak University, Keroka, Gatundu, Ndarugu,

Report of the Managing Director & CEO (continued)

Kangema, Tala and Mwea. A portion of the loan, amounting to US\$15 million, will finance electrification of some people's settlements (slums) under the Global Partnership for Output Based Assistance (GPOBA). Further, an amount of US\$8 million will also be used to purchase prepayment energy meters to complement those being procured by the Company from internally generated funds.

The Company has also entered into an agreement with Kenya Electricity Transmission Company Ltd (KETRACO) for the provision of technical and engineering services. Under this arrangement, the Company will implement a US\$72.5 million 132kV transmission line projects to connect Kindaruma-Mwingi-Garissa, Eldoret-Kitale and Kisii-Awendo to the national transmission grid.

Other Transmission and Distribution System Expansion and Upgrade Projects

• *Kamburu-Meru, Rabai-Galu and Chemosit-Kisii 132 kV transmission lines*

Construction of the 64 km Chemosit-Kisii, 45 km Rabai-Galu 132 kV and the 124 km Kamburu-Meru, transmission lines and substations was completed during the year. These projects are expected to reduce power transmission losses and improve both quality and reliability of supply in the areas covered.

RURAL ELECTRIFICATION

The rural electrification projects are mainly undertaken by the Rural Electrification Authority (REA). However, KPLC has continued to complete some of the works which were still in progress at the time of establishment of REA. As a result, during the year under review, the Company completed 213 rural electrification projects valued at Shs.1,995 million, while more than 45,769 new customers were connected with electricity under the programme. The Company is implementing an additional 326 schemes estimated at Shs.2,559 million, which are expected to be completed by June 2011.

Work on the third phase of the Shs.1.5 billion Spanish funded rural electrification project continued during the year under review. The project, which is being implemented by Messrs ABB Spain, comprises 17 schemes and involves extension of the distribution network in Eastern, Central, Western, Rift Valley and Nyanza provinces. This project will be completed within the 2010/2011 financial year.

Replacement of six diesel generators (two each at Mandera and Lodwar and one each at Wajir and Marsabit) at a total cost of Shs.61 million is in progress and will be completed by June 2011. In Marsabit, replacement of the 200

kW wind turbine which went out of service in 2006, with two wind turbines of 250 kW each at a total cost of Shs.198 million, is in progress and is also expected to be completed by June 2011. The projects will reduce operational costs and increase reliability of the generators at these off-grid stations.

The Company entered into a service level agreement with REA in April 2010, setting out the roles of each party with respect to implementation, operation and maintenance of rural electrification projects undertaken by REA.

GENERATION CAPACITY

The total installed capacity rose from 1,361 MW in the previous year to 1,471 MW, while the effective capacity under average hydrology increased from 1,310 MW to 1,416 MW. The maximum system peak demand which was recorded during the year was 1,107 MW, compared to 1,072 MW the previous year. This peak demand is suppressed and the actual system peak demand is estimated at about 100 MW more than the recorded peak.

Availability of adequate power supply is critical for the success of our business and the overall economy. The Company, the Government and KenGen have therefore continued to pursue measures for the development of additional power capacity to meet the country's power demand. During the year, the generation capacity was increased by 196.4 MW under long term contracts following commissioning of the 88.6 MW Rabai power plant; 52.5 MW Iberafrika power plant; upgrading of Kiambere power plant by an additional 20 MW; installation of a 35 MW third unit at Olkaria II; and the first feed-in tariff plant—Imenti Tea Factory—with 0.3 MW. To mitigate the power shortage experienced during the first quarter of the financial year, arising out of poor hydrology in the Tana cascade, which resulted in low dam levels in the Seven Forks hydro-electric power stations, thermal based emergency generation capacity was enhanced to 290 MW in November and December 2009. This was later reduced to 60 MW by the end of the financial year as hydrology improved.

Several power generation projects are at various stages of implementation by KenGen and independent power producers, which will increase the power capacity by 1,353 MW by 2014. In this regard, KenGen is expected to develop an additional capacity of 233 MW by end of 2011 and a total of 553 MW by 2014, while IPPs will provide more than 800 MW of additional capacity in the same period. This includes 300 MW of wind plant by Lake Turkana Wind Power Limited, which will be the largest wind plant in Africa. The planning and selection of these generation projects (see following table) has taken into consideration the need for diversification to mitigate against risks such as poor hydrology, high fuel prices and environmental degradation.

Report of the Managing Director & CEO (continued)

PLANNED GENERATION PROJECTS

DEVELOPER	PROJECT	TYPE	CAPACITY (MW)	ESTIMATED COMMISSIONING DATE
KENGEN				
	Geothermal Well Head Units	Geothermal	70	Jun-11
	Tana Development	Hydro	20	Oct-10
	Kipevu Thermal Plant	Diesel	120	Jan-11
	Eburu 2.5 MW	Geothermal	2.5	Dec-11
	Sangoro	Hydro	21	Oct-11
	Ngong 3 Wind	Wind	15	Jul-12
	Kindaruma 3rd Unit	Hydro	25	Oct-12
	Olkaria IV	Geothermal	140	Jan-13
	Olkaria 1 Units IV and V	Geothermal	140	Jan-13
KENGEN/ IPP	Mombasa Coal	Coal	300-600	Jul-13
	Athi River MSD Plant (Triumph)	Diesel	81	Mar-12
IPP	Athi River MSD Plant (Gulf)	Diesel	84	Mar-12
	Thika MSD Plant (Melec)	Diesel	87	Mar-12
	ARM Coal (Mombasa)	Coal	20	Jul-12
	Lake Turkana	Wind	300	Jul-13
	Osiwo Wind	Wind	50	Jul-13
	Aeolus - Kinangop & Ngong	Wind	160	Jul-13
	OrPower4 (Olkaria III)	Geothermal	52	Jan-14
	Small Hydros	Hydro	25	2011-2015
IMPORT	Ethiopia	hydro	200	Jul-14
Total			1913-2213	

REGIONAL INTERCONNECTION TRANSMISSION PROJECTS
BY KENYA ELECTRICITY TRANSMISSION COMPANY LTD
(KETRACO)

Kenya-Ethiopia 500 kV Transmission Line

The project involves the construction of 1,200 km of a 500 kV transmission line and associated substations to facilitate importation of power from Ethiopia. Procurement of consultants to undertake, among others, detailed design is at an advanced stage and the line is expected to be commissioned in 2014.

Second Kenya-Uganda 220kV Lessos-Tororo Transmission Line

This project, which falls under the Nile Basin Initiative, aims to strengthen the link between the Kenya and Uganda power grids. The 220 kV line will complement the existing 132 kV Lessos-Tororo line, and will facilitate import

of excess capacity from Uganda's 250 MW Bujagali hydropower project, which is under construction. Consultants for supervision of construction are being procured and the project is expected to be completed in 2013.

In order to complete the interconnection on the Kenyan side, a 210 km 220 kV double circuit line will be constructed between Olkaria and Lessos. An update of the feasibility study that was first done in 2002 has been completed by Nippon Consultants of Japan on behalf of Japan International Cooperation Agency (JICA), the potential financiers of the project. The project is expected to be completed in 2013.

CUSTOMER SERVICE

Our commitment to deliver high quality and reliable electricity supply and to offer a friendly and efficient service to our customers remain our cherished goal. Towards this, we undertook the following initiatives during the year.

Report of the Managing Director & CEO (continued)

Customer Charter

This document, which outlines our service level commitments to our customers, was approved by the Energy Regulatory Commission during the year under review. The commitments include, among others, timelines on new supply connections, restoration of electricity and customer complaints resolutions. We will consistently monitor and evaluate our performance against these service standards.

To demonstrate our commitment to high quality customer service, during the review period we publicised all our service level standards as well as our physical contacts, and the names and contacts of key customer service staff in our 59 branches, through the media.

New connection financing

As part of the Energy Sector Recovery Project, the Agence Francaise de Developpement (AFD) advanced an amount of €4.5 million for setting up of a revolving fund aimed at availing credit to potential customers who require financing of new connections. The fund, which is internally managed by KPLC, was rolled out during the year and complements the existing KPLC-commercial banks financing partnership (Stima Loan). Both initiatives will assist the Company to meet its target of connecting 200,000 new customers each year.

Retrofitting of energy saving bulbs

The Company implemented a Government funded project to retrofit 1.25 million energy saving bulbs at a cost of Shs.460 million during the review period. The project entailed replacement of incandescent bulbs in customer premises with compact fluorescent lamps, and was aimed at reducing national electricity demand by 60 MW, as well as helping customers reduce their energy bills.

Prepaid metering

A prepaid metering pilot project involving 24,000 customers, which was initiated by the Company in April 2009, was completed in February 2010 at a cost of Shs.388 million. Following the success of the pilot, procurement of prepaid meters for a countrywide rollout of the project is at an advanced stage. Prepaid metering technology enables customers to manage their electricity consumption costs, and will also enhance revenue protection and collection in the Company.

SMS (short message service)

The short message service (SMS) alert for payment of bills, which was launched in December 2008 was enhanced to provide customers with information on status of new applications, and new products and services.

Customer satisfaction surveys have indicated that this is the customers' preferred mode of communication.

Enhanced bill payment service

The Company continues to enhance convenience and efficiency in payment of bills by customers through partnerships with other service providers. Towards this, customers can now pay bills through M-Pesa and Zap following agreements reached during the year with Safaricom and Zain, respectively. In addition, a direct debit service mode of payment was introduced in partnership with Barclays Bank for mutual customers of the two organisations. The additional bill payment facilities complement the existing arrangements with Uchumi Supermarkets, and Barclays Bank, Equity Bank, National Bank of Kenya, Cooperative Bank, Post Bank, Postal Corporation of Kenya, whereby customers pay their bills over the counters and ATMs.

Education and outreach

We consider education that is aimed at forging closer relationships with our customers and other stakeholders as important to our business. During the year under review, we sustained this education and information dissemination through regular media campaigns, Agricultural Society of Kenya shows, exhibitions, public meetings and road shows, among others.

HUMAN RESOURCES

One of the pillars upon which our corporate Vision, Mission and Values are anchored is our human capital. The Company therefore recognises that its human resource is critical for the delivery of high quality electricity that delights customers, in line with our corporate vision. In order to achieve this, we have continued to invest in training, and the ongoing organisation culture change project is primarily aimed at transforming staff into high performing teams that are focused on customer needs. The training also aims at inculcating a new culture of being passionate towards our work, as well as integrity and excellence in everything that we do. During the year under review, more than 4,000, or 57% of the staff, participated in local and overseas training.

We will continue to employ human resource strategies that ensure attraction and retention of highly skilled and motivated staff through recognition and reward of good performance, professionalism, meritocracy and equity.

As at 30th June 2010, the Company had 7,279 staff serving 1,463,639 customers, which translates into a staff-customer ratio of 1:201. This compares with 7,015 staff serving 1,267,198 customers and a staff-customer ratio of 1:181 as at 30th June 2009.

Business and Performance Highlights

INFORMATION COMMUNICATION TECHNOLOGY (ICT) SERVICES

The Company will incessantly build and invest in a robust and modern ICT enabled infrastructure, as it plays a critical role in all Company operations and innovations. Some of the major ICT projects undertaken during the year are outlined below.

Supervisory Control and Data Acquisition (SCADA)/Energy Management System (EMS) & Fibre Optic Project

Implementation of the Shs.1.9 billion project to install a new SCADA/EMS funded by the European Investment Bank under the Energy Sector Recovery Project, progressed well during the year. The new SCADA/EMS, which is being installed by ABB of Sweden, will be used for the effective and efficient management of operations of the Company's national power transmission and distribution grid. The project also includes the installation of a fibre optic cable, and the 500 Km Nairobi-Mombasa route was completed during the review period; while installation of the cable on the Western Kenya and Mt Kenya routes will be completed by December 2010.

The installation of the fibre optic cable on the Nairobi-Mombasa transmission line has enabled the Company to generate additional income from the lease of excess dark fibres to Safaricom, Jamii Telecommunications and the Wananchi Group.

Distribution system undergrounding

The distribution system in the urban areas will be undergrounded on a progressive basis to enhance aesthetics and system reliability.

Transformer intrusion & alarm system

A transformer intrusion detection system to curb transformer vandalism was installed in Nairobi on a pilot basis during the year under review and, if found successful, the system will be rolled out to other parts of the country.

Distribution system automation project

Automation of the 11 kV distribution network to enable its remote operation is underway. This will reduce restoration time of supply to customers following outage, subsequently enhancing quality of supply and customer service.

Upgrade of the billing system

During the review period, the existing billing system was upgraded to improve bills processing, printing and dispatch, while additional pay points were computerised for enhanced efficiency and customer convenience.

CONCLUSION

The future holds great promise for our Company, with numerous opportunities for business growth and expansion. This is due to the large untapped consumer market, as well as an enabling legal and policy framework. We have identified the resources, and put in place strategies and plans to expand the business and also to improve service delivery. These include growing the customer base, system expansion and reinforcement, ensuring adequate generation capacity to meet demand, and strengthening of the organisation culture.

We remain confident that with these strategies, and with the continued support of our Board of Directors, the Government, staff, customers, and other stakeholders, we shall achieve our overall goal of providing high quality electricity and service to our customers.



Eng. Joseph Njoroge, MBS
Managing Director & CEO
23rd September 2010

Ripoti ya Mkurugenzi Mkuu na Afisa Mkuu Mtendaji

UTANGULIZI

Uimarishaji wa ubora wa usambazaji umeme na huduma zetu kwa wateja ulipewa kipaumbele katika kipindi tunachotathmini. Kwa kutambua wajibu muhimu unaotekelezwa na wafanya kazi kwa shughuli zetu, Kampuni ilianzisha mradi unaolenga kubadilisha shirika letu na hulka ya wahudumu wetu kwa lengo la kutoa huduma bora na za kirafiki kwa wateja wetu. Mikakati mingine inayoniua kuimarisha ubora wa umeme na huduma ni pamoja na kutangaza viwango vya utoaji huduma na kujitolea kwetu, majadiliano ya nyongeza ya uzalishaji zaidi wa umeme kutosheleza mahitaji, utekelezaji wa miradi ya kuimarisha usambazaji na ugawaji wa umeme na kuongeza idadi ya Wakenya wanaonufaika na umeme.

MABADILIKO YA HULKA YA KAMPUNI NA SURA MPYA

Kampuni imeanzisha harakati za kubadilisha desturi ya Kampuni na shughuli ya kuunda sura mpya, kwa lengo la kuimarisha hadhi yake, utoaji huduma kwa wateja na matokeo ya kifedha. Mradi huo unahusisha kuundwa kwa mpangilio mpya sambamba na matarajio ya wateja nje na ndani ya Kampuni; kuanzisha mbinu na mipangilio ya kukita desturi hiyo na nyenzo za kuchunguza na kutathmini utenda kazi wake. Shughuli hiyo pia itajumuisha kubuniwa kwa sura mpya ambayo itawezesha KPLC kuonekana kama inayowajibika kwa wateja wake na wenyehisa, na pia yenye maadili ya kikazi katika utenda kazi wake. Mkusanyiko wa kampuni zikiwemo Ogilvy & Mather East Africa Ltd, McKinney Rogers Kenya Ltd na SBO Research Kenya Ltd., uliteuliwa mnamo Oktoba 2009 kusaidia Kampuni katika utekelezaji wa mradi huo, ambao utatekelezwa kwa muda wa miaka mitatu.

Mradi huo unatekelezwa ili kushugulikia matokeo ya uchunguzi uliofanywa miongoni mwa wateja na wafanya kazi kuhusu kuridhika kwao, pamoja na hadhi ya shirika hili na ambao ulitambua haja ya kubadilisha hulka ya shirika hili na mtazamo wa wafanya kazi kwa lengo la kuimarisha utoaji huduma, utenda kazi na hadhi ya kampuni.

Kama hatua ya kwanza na kukita mradi mzima, Malengo, Maono na Maadili (VMVs) mapya yalibuniwa kupitia utaratibu wa mashauriano uliohusisha wafanya kazi wa ngazi zote. Lengo ni *'Kuwapa watu umeme kwa maisha bora'*; ilhali Maono ni *'Kutoa Umeme wa kiwango cha kimataifa unaowafurahisha wateja wetu.'* Maadili mapya ni *'Mteja kwanza, Kundi moja, Hisia kali, Uadilifu na Ubora'*.

Mafunzo mazito kwa wafanya kazi wote, yanayoniua kuafikia malengo ya mradi ni nguzo kuu katika mpango huo. Kufuatia hali hiyo, takribani wafanya kazi 5,000 watapewa mafunzo yanayojumisha makundi ya utendaji kazi bora, huduma kwa wateja, kuweka mikakati, uchunguzi na tathmini ya utendaji kazi kufikia Juni 2011. Mtambo wa habari kuhusu utendaji kazi pia umewekwa ambao, miongoni mwa shughuli zingine, utapatanisha na kuunganisha shughuli zote kwa lengo la kuafikia malengo na shabaha za

kampuni. Shughuli ya kubadilisha sura ya kampuni itahusisha mabadiliko yanayoonekana katika vifaa na mali ya Kampuni ili kuwa sambamba na Maono, Malengo na Maadili mapya.

Kama sehemu ya utaratibu huu, raia walishirikishwa kupendekeza nembo mpya ya Kampuni kupitia kwa shindano. Utafiti kuhusu baadhi ya nembo zilizopendekezwa ungali unaendelea, ambapo baadaye, ile ambayo ni maarufu zaidi itachukuliwa kuwa nembo mpya ya Kampuni.

Tathmini ya mara kwa mara, utafiti na uchunguzi wa utenda kazi unatekelezwa ili kubaini ufanisi wa mradi huo na kuhakikisha malengo yanayokusidiwa yanaafikiwa.

KUIMARIKA KWA MFUMO WA UGAVI WA UMEME

Kampuni imeendelea kuwekeza katika miradi na harakati zinazoniua kufanikisha ugavi bora wa umeme kwa lengo la kutosheleza mahitaji ya wateja, ukusanyaji wa mapato na utunzaji wake; pamoja na kuimarisha utekelezaji na matokeo ya kifedha. Ufuatao ni mukhtasari wa baadhi ya miradi ya kuimarisha ugavi wa stima ambayo ilitekelezwa mwaka tunaotathmini.

Miradi ya Kuimarisha Mfumo

• Mradi wa Kufufua Sekta ya Kawi (ESRP)

Jumla ya miradi 27 ya kustawisha na kuimarisha mfumo wa usambazaji umeme wa thamani ya Sh.9.6 bilioni ingali inaendelea katika kipindi tunachoangazia. Miradi hii, ambayo inalenga kuimarisha utendaji bora, utegemeaji na ubora wa ugavi, pamoja na kuongeza idadi ya Wakenya waliunganishwa na stima, inafadhiliwa chini ya mpango wa ESRP wa thamani ya Dola 153 milioni ambao ulianzishwa 2004 na kuimarishwa zaidi kwa nyongeza ya Dola 72.8 milioni mnamo 2009.

Miradi ya thamani ya Sh.5,200 milioni ilikamilika katika kipindi tunachoangazia chini ya mpango wa ESRP. Hii ni pamoja na ukarabati na kustawishwa kwa vituo vidogo vya Shanzu, Diani, Msambweni na Mabungu Pwani, na Athi River na Kitisuru jijini Nairobi; pamoja na ujenzi wa nyaya nyuzinyuzi kutoka Mombasa hadi Nairobi, ambao ni sehemu ya mradi wa Kudhibiti Mitambo na Usimamizi wa Kawi.

• Mradi wa Upanuzi wa Umeme Kenya (KEEP)

Mnamo Mei 2010, Kampuni ilipokea mkopo wa masharti nafuu wa Dola 102 milioni kutoka Benki ya Dunia kupitia kwa Serikali ya Kenya kufadhili usambazaji wa nguvu za umeme nchini.

Mradi huo unahusisha kustawishwa kwa mfumo wa usambazaji katika maeneo ambayo hayajashirikishwa kwenye ufadhili wa Mradi wa Ufufuzi wa Sekta ya Kawi kama vile; Ndenderu, Kiambu mjini, Syokimau, Rironi, Lower Kabete, Githunguri, Villa Franca, Uplands, Jomvu, Mishimoroni, Ahero, Magumu, Chepseon, Elgon View, Kaplamai, Kibos, Majengo,

Ripoti ya Mkurugenzi Mkuu na Afisa Mkuu Mtendaji (unaendelea)

Maseno, Kericho, Kapsowar Kabarak University, Keroka, Gatundu, Ndarugu, Kangema, Tala na Mwea. Sehemu ya mkopo huo ya jumla ya Dola 15 milioni, itafadhili usambazaji umeme katika baadhi ya makazi ya mabanda chini ya mpango wa Global Partnership for Output Based Assistance (GPOBA). Vile vile, kiasi cha Dola 8 milioni pia zitatumika kununua mita za malipo kabla ya matumizi kushamirisha zile zinazonunuliwa kutokana na mapato ya Kampuni. Kampuni pia imefanya makubaliano na Kenya Electricity Transmission Company Ltd. (KETRACO) kutoa huduma za kiufundi na uhandisi. Chini ya mpangilio huu, Kampuni itatekeleza miradi ya usambazaji kV 132 ya thamani ya Dola 72.5 milioni kuunganisha Kindaruma- Mwingi, Eldoret- Kitale na Kisii-Awendo kwa mtandao wa kitaifa.

Miradi Mingine ya Kupanua na Kustawisha Mitambo ya Usafirishaji na Usambazaji

- *Laini za usafirishaji wa kV 132 za Kamburu-Meru, Rabai-Galu na Chemosit-Kisii*

Ujenzi wa laini za usafirishaji za kilomita 64 Chemosit-Kisii na Rabai-Galu za kilomita 45, za kV132 na laini ya Kamburu-Meru ya kilomita 124 pamoja na vituo vidogo ulikamilika mwaka uliopita. Miradi hii inatarajiwa kupunguza hasara ya umeme unaposafirishwa na kuimarisha ubora na utegemeaji wa ugavi katika maeneo husika.

UMEME MAENEO YA MASHAMBANI

Miradi ya kusambaza umeme katika maeneo ya mashinani hutekelezwa hasa na Rural Electrification Authority (REA). Hata hivyo, KPLC imeendelea kukamilisha miradi iliyokuwa imeanzishwa wakati wa kuanzishwa kwa REA. Kufuatia hali hiyo, mwaka uliopita, Kampuni ilikamilisha miradi 213 ya usambazaji umeme katika maeneo ya mashambani kwa gharama ya Sh.1.995 milioni, ilhali zaidi ya wateja wapya 45,769 walipokea stima chini ya mpango huo. Kampuni inaendelea kutekeleza miradi 326 zaidi kwa takribani Sh.2,559 milioni, ambayo inatarajiwa kukamilika Juni 2011.

Ujenzi kwenye awamu ya tatu ya mradi wa kusambaza umeme katika maeneo ya mashambani wa thamani ya Sh.1.5 bilioni unaodhaminiwa na Uhispania ulikuwa unaendelea katika kipindi hicho. Mpango huo, ambao unatekelezwa na Messrs ABB Spain, unajumuisha miradi 17 na unahusisha upanuzi wa mtandao wa usambazaji katika mikoa ya Magharibi, Kati, Magharibi, Rift Valley na Nyanza. Mradi huu utakamilika katika kipindi cha matumizi ya fedha cha 2010/2011.

Kubadilishwa kwa jenereta sita za dizeli (mbili kila moja katika Manderu na Lodwar na moja katika Wajir na Marsabit) kwa jumla ya gharama ya Sh.61 milioni kunaendelea na shughuli hiyo inatarajiwa kumalizika kufikia Juni 2011. Katika Marsabit, kubadilishwa kwa injini ya upepo ya kW 200 ambayo iliharibika mnamo 2006 na injini mbili za kW 250 kila moja kwa gharama ya Sh.198 milioni, kunaendelea na shughuli hiyo inatarajiwa kukamilika kufikia

Juni 2011. Miradi hiyo itapunguza gharama za utenda kazi na kuimarisha utegemeaji wa jenereta hizi katika vituo hivi ambavyo havijaunganishwa kwenye mtandao wa kitaifa.

Kampuni ilifanya mkataba wa ushirikiano na REA mnamo Aprili 2010, kufafanua majukumu ya kila upande kuhusiana na utekelezaji, uendeshaji na utunzaji wa miradi inayotekelezwa na REA.

UWEZO WA UZALISHAJI

Jumla ya uzalishaji wetu ulipanda kutoka MW 1,361 mwaka uliopita hadi MW 1,471, ilhali uwezo wa uzalishaji kutokana na maji ulipanda kutoka MW1,310 hadi MW 1,416. Hii inalinganishwa na mahitaji ya juu ya MW 1,101 ambayo yalishuhudiwa mwaka unaomalizika, ikilinganishwa na MW 1,072 mwaka uliotangulia.

Mahitaji haya ya juu yamezimwa, na mahitaji kamili ya umeme yanakadiriwa kuwa MW 1207 mwaka huu, MW 100 zaidi ya ilivyonakiliwa.

Ugavi wa umeme wa kutosha ni muhimu kwa shughuli zetu na uchumi wa nchi kwa jumla. Kampuni, Serikali na KenGen hivyo basi ziliendelea kutafuta mbinu za kustawisha umeme zaidi kutosheleza mahitaji ya nchi ya umeme. Mwaka unaomalizika, jumla ya uzalishaji wa umeme uliongezeka kwa MW 196.4 chini ya kandarasi za muda mrefu kufuatia kuzinduliwa kwa kiwanda cha umeme cha Rabai cha MW 88.6; na kiwanda cha Iberafrica kinachozalisha MW52.5; kustawishwa kwa kiwanda cha Kiambere kinachozalisha MW 20 zaidi, ujenzi wa awamu ya tatu katika Olkaria II inayozalisha MW 35 na kiwanda cha majani chai cha Imenti kinachozalisha MW 0.3. Ili kukabiliana na upungufu wa umeme ambao ulishuhudiwa mwanzoni mwa mwaka unaomalizika, kutokana na kiangazi cha muda mrefu katika maeneo ya Tana na hivyo kuchangia kupungua kwa viwango vya maji katika mabwawa ya Seven Forks, uzalishaji wa dharura wa umemejoto uliimarishwa hadi MW 290 mnamo Novemba na Desemba 2009. Hii ilipunguzwa hadi MW 60 kufikia mwisho wa kipindi kilichomalizika cha matumizi ya fedha viwango vya maji vilipoongezeka.

Miradi kadha ya uzalishaji wa umeme imo katika awamu tofauti za utekelezaji na KenGen na kampuni za kibinafsi za uzalishaji umeme, ambayo itaimarisha jumla ya kiwango cha umeme kwa MW 1,353 kufikia 2014. Kufuatia hali hii, KenGen inatarajiwa kuzalisha MW 233 zaidi kufikia 2011 na jumla ya MW 553 kufikia 2014, ilhali kampuni za kibinafsi (IPPs) zitazalisha MW 800 zaidi katika kipindi hicho. Hii ni pamoja na kiwanda cha upepo kinachozalisha MW 300 cha Lake Turkana Wind Power Limited ambacho kitakuwa kiwanda kikubwa zaidi cha upepo Afrika. Mipango na uteuzi wa miradi hii ya uzalishaji imetilia maanani haja ya kutumia mbinu tofauti za uzalishaji ili kukabiliana na athari zilizopo kama vile viwango vya chini vya maji, bei ya juu ya mafuta na uharibifu wa mazingira.

Ripoti ya Mkurugenzi Mkuu na Afisa Mkuu Mtendaji (unaendelea)

MPANGO WA MIRADI YA UZALISHAJI

	MRADI	AINA	KIWANGO (MW)	TAREHE YA UZINDUZI
KENGEN				
	Geothermal Well Head Units	Umememvuke	70	Jun-11
	Tana Development	Maji	20	Okt-10
	Kipevu Thermal Plant	Dizel	120	Jan-11
	Eburu 2.5 MW	umememvuke	2.5	Dec-11
	Sangoro	Maji	21	Okt-11
	Ngong 3 Wind	Upepo	15	Jul-12
	Kindaruma 3rd Unit	Maji	25	Okt-12
	Olkaria IV	Umememvuke	140	Jan-13
	Olkaria 1 Units IV and V	Umememvuke	140	Jan-13
KENGEN/				
IPP	Mombasa Coal	Makaa	300-600	Jul-13
IPP	Athi River MSD Plant (Triumph)	Dizeli	81	Machi-12
	Athi River MSD Plant (Gulf)	Dizeli	84	Machi -12
	Thika MSD Plant (Melec)	Dizeli	87	Machi -12
	ARM Coal (Mombasa)	Makaa	20	Jul-12
	Lake Turkana	Upepo	300	Jul-13
	Osiwo Wind	Upepo	50	Jul-13
	Aeolus - Kinangop & Ngong	Upepo	160	Jul-13
	OrPower4 (Olkaria III)	Umememvuke	52	Jan-14
	Small Hydros	Maji	25	2011-2015
UAGIZAJI	Ethiopia	Maji	200	Jul-14
JUMLA			1913-2213	

MIRADI YA KUUNGANISHWA NA MAENEO INAYOTEKELEZWA NA KENYA ELECTRICITY TRANSMISSION COMPANY LTD (KETRACO)

Laini ya usafirishaji kV 500 kutoka Kenya-Ethiopia

Mradi huu unahusisha ujenzi wa kilomita 1,200 za laini ya usambazaji umeme ya kV 500 na vituo vidogo vya kuwezesha uagizaji wa umeme kutoka Ethiopia. Uteuzi wa washauri kutayarisha, miongoni mwa mengine, kuchora muundo wa mradi umo kwenye awamu muhimu na laini hiyo inatarajiwa kuzinduliwa mnamo 2014.

Laini ya pili ya Kenya-Uganda kusafirisha kV 220 kutoka Lessos-Tororo

Mradi huu, ambao umo chini ya Nile Basin Initiative, unalenga kuimarisha muungano kati ya mitandao ya umeme ya Kenya na Uganda. Laini hiyo ya kV 220 itashirikiana na ile iliyopo ya kV 132 ya Lessos-Tororo, na itawezesha

uagizaji wa umeme wa ziada kutoka kiwanda cha Bujagali kinachozalisha MW 250, ambacho kingali kinaendelea kujengwa.

Wataalamu watakaosimamia ujenzi wanateuliwa kwa hivi sasa na mradi huo unatarajiwa kumalizika 2013.

Ili kukamilisha muungano huo upande wa Kenya, ujenzi wa laini mbili za kilomita 210 kusafirisha kV 220 utafanyika kati ya Olkaria na Lessos. Uchunguzi kuhusu uwezekano wa mradi huo uliofanywa mara ya kwanza 2002 umekamilika kupigwa msasa na Nippon Consultants Japan kwa niaba ya Japan International Cooperation Agency (JICA), ambao wanatarajiwa kufadhili mradi huo. Mradi huo unatarajiwa kukamilika mnamo 2013.

HUDUMA KWA WATEJA

Kujitolea kwetu kutoa umeme wa kiwango cha juu na wa kutegemewa na kutoa huduma ya kirafiki na utendaji bora kwa wateja wetu ni lengo tunalolienzi. Kufuatia hali hii, tulianzisha harakati zifuatazo mwaka uliopita.

Ripoti ya Mkurugenzi Mkuu na Afisa Mkuu Mtendaji (unaendelea)

HATI YA WATEJA

Stakabadhi hii inayofafanua viwango vya kujitolea kwetu kutoa huduma kwa wateja iliidhinishwa na tume inayosimamia kawi nchini (ERC) mwaka unaomalizika. Miongoni mwa mengine, hati hiyo inatoa muda wa kusambaza umeme kwa wateja wapya, kurejesha stima baada ya kukatwa na kushughulikia malalamiko ya wateja. Tutaendelea kuchunguza na kutathmini utenda kazi wetu dhidi ya vigezo hivi vya utoaji huduma.

Ili kudhihirisha kujitolea kwetu kwa huduma ya hali ya juu kwa wateja, tulitangaza vigezo hivyo vya huduma bora pamoja na anwani yetu na majina ya maafisa muhimu wanaohudumia wateja katika matawi yetu 59 kupitia vyombo vya habari.

Ufadhili wa wateja wapya

Kama sehemu ya mradi wa ufufuzi wa sekta ya kawi, Energy Sector Recovery Project, shirika la Agence Francaise de Developpement (AFD) lilitoa mkopo wa €4.5 milioni kuanzisha mfuko wa akiba kwa lengo la kutoa mkopo kwa wateja wanaohitaji kusambaziwa stima. Akiba hiyo inayosimamiwa na KPLC, ilizinduliwa mwaka uliopita na inasaidia ule ushirikiano uliopo kati ya KPLC na benki za kibiasara (Stima Loan). Harakati hizi zote zitasaidia Kampuni kuafikia malengo yake ya kuunganisha wateja wapya 200,000 kila mwaka.

Kubadilisha kwa glopu za kuhifadhi umeme

Kampuni ilitekeleza mradi uliodhaminiwa na Serikali kubadilisha glopu 1.25 milioni za kuhifadhi umeme kwa gharama ya Sh.460 milioni wakati wa kipindi kinachoangaziwa. Mradi huu ulihusisha kubadilishwa kwa balbu zitoazo nuru na joto katika makazi ya wateja na zile zenye kuakisi mwanga. Ulikusudia kupunguza mahitaji ya kitaifa ya umeme kwa MW 60, pamoja na kusaidia wateja kupunguza bili zao za stima.

Mita za kulipia kabla ya matumizi

Mradi wa majaribio wa kuweka mita za kulipia kabla ya matumizi uliohusisha wateja 24,000, ambao ulianzishwa na Kampuni mnamo Aprili 2009, ulikamilika mnamo Februari 2010 kwa gharama ya Sh.388 milioni. Kufuatia ufanisi wa mradi huo, ununuzi wa mita hizo sasa unaendelea. Teknolojia ya kutumia mita za kulipia kabla ya matumizi huwezesha wateja kudhibiti gharama za matumizi yao ya umeme, na pia itaimarisha utunzaji na ukusanyaji wa mapato katika Kampuni.

SMS (Ujumbe mfupi)

Huduma ya ujumbe mfupi inayotahadharisha kuhusu malipo ya ada, ambayo ilizinduliwa mnamo Desemba 2008, iliimarishwa ili kutoa maelezo kwa wateja kuhusu hali ya maombi mapya ya stima, bidhaa na huduma

mpya. Uchunguzi kuhusu maoni ya wateja umeonyesha kuwa wateja wanaipendelea zaidi kama mbinu ya mawasiliano.

Kuboresha huduma ya malipo ya bili

Kampuni inaendelea kutengeneza hali inayofaa na utenda kazi bora kwa wateja wanaolipa bili kupitia kwa ushirikiano na mashirika mengine ya kutoa huduma. Kufuatia hali hii, wateja sasa wanaweza kulipa bili zao kupitia M-Pesa na Zap kufuatia makubaliano yaliyoafikiwa na Safaricom na Zain. Isitoshe, mpango wa kulipa bili kutoka kwa akaunti za wateja ulianzishwa kwa ushirikiano na Barclays Bank kwa manufaa ya wateja wa benki na KPLC. Huduma hizi mbili za malipo zitasaidiana na mipangilio iliyopo na Uchumi Supermarkets, Barclays Bank, Equity Bank, National Bank of Kenya, Cooperative Bank, Post Bank, Postal Corporation of Kenya, ambapo wateja hulipa bili zao kwenye kaunta au kupitia ATM zao.

Mafunzo na uhamasishaji

Tunachukulia mafunzo yanayonua kukuza uhusiano wa karibu na wateja wetu na washika dau wengine kuwa muhimu kwa shughuli zetu. Wakati wa kipindi tunachotathmini, tuliendeleza mafunzo na utoaji habari kupitia kampeni za vyombo vya habari, maonyesho ya kilimo, mikutano ya hadhara, shoo barabarani miongoni mwa njia zingine.

WAFANYA KAZI

Mojawapo ya nguzo kuu ambapo Maono, Malengo na Maadili ya Kampuni yetu zimeegemea ni wafanya kazi. Hivyo basi, Kampuni inatambua kuwa wafanya kazi wake ni muhimu katika utoaji wa umeme wa hali ya juu unaowaridhisha wateja, sambamba na maono ya shirika letu. Ili kufanikisha haya, tuliendelea kuwekeza katika utoaji mafunzo, na mradi unaoendelea wa kubadilisha hulka katika shirika hili kimsingi unakusudia kubadilisha wafanya kazi hadi makundi ambayo yanashughulikia mahitaji ya wateja kwa hali ya juu. Mafunzo haya pia yanauia kufundisha watumishi mtazamo mpya wa kujitolea kazini, pamoja na uadilifu na utenda kazi bora katika kila tufanyalo. Katika mwaka unaoangaziwa, zaidi ya wafanya kazi 4,000 au asilimia 57, walishiriki katika mafunzo ndani na nje ya nchi.

Tutaendelea kutumia mikakati ya masuala ya wafanya kazi kuhakikisha tunavutia na kuhifadhi wafanya kazi wenye vipawa na walio na ari ya kufanya kazi kwa kutambua na kutuza utenda kazi bora, maadili ya kitaaluma, kutuza wanaostahili na usawa.

Kufikia Juni 30, 2010, Kampuni ilikuwa na wafanya kazi 7,279 wanaohudumia wateja 1,463,639 na hivyo kiwango cha mfanya kazi moja kuhudumia wateja 201. Hii inalinganishwa na wafanya kazi 7,015 kuhudumia wateja 1,267,198 ikiwa ni uwiano wa wafanya kazi kwa wateja wa 1:181 kufikia Juni 30, 2009.

Ripoti ya Mkurugenzi Mkuu na Afisa Mkuu Mtendaji (unaendelea)

HUDUMA ZA TEKNOLOJIA YA MAWASILIANO (ICT)

Kampuni itaendelea kukuza na kuwekeza kwenye miundomsingi ya kisasa ya teknolojia ya mawasiliano (ICT), kwa kuwa inatekeleza wajibu muhimu katika ubunifu na operesheni zote za Kampuni. Baadhi ya miradi mikubwa ya ICT ambayo ilianzishwa mwaka uliopita imeangaziwa chini:

Mtambo wa kusimamia na Kudhibiti Unyakuzi wa Data (SCADA)/ Mtambo wa Usimamizi wa Kawi (EMS) na Waya za Nyuzi

Utekezaji wa mradi wa gharama Sh.1.9 bilioni wa kuweka mtambo mpya wa SCADA/EMS uliofadhiliwa na European Investment Bank chini ya Mradi wa Ufufuzi wa Sekta ya Kawi, uliendelea vyema mwaka uliomalizika. Mtambo huo mpya wa SCADA/EMS, ambao unawekwa na ABB ya Sweden, utatumika kwa usimamizi bora na operesheni za mtandao wa kampuni wa umeme wa usafirishaji na usambazaji umeme. Mpango huo pia unahusisha kuwekwa kwa kebo ya waya za nyuzinyuzi, na ujenzi ulikamilika kwenye sehemu ya kilomita 500 ya Nairobi-Mombasa mwaka unaomalizika; ilhali ujenzi katika sehemu za Magharibi mwa Kenya na Mlima Kenya unatarajiwa kumalizika kufikia Desemba 2010.

Kuwekwa kwa kebo hiyo kwenye sehemu ya Nairobi-Mombasa kumwezesha Kampuni kujipatia mapato zaidi kwa kukodisha nyuzi za ziada kwa Safaricom, Jamii Telecommunications na Wananchi Group.

Kusambaza umeme kupitia ardhini

Mfumo wa usambazaji katika sehemu za miji utakuwa wa kupitia chini ya ardhi kama njia ya kuimarisha mvuto wa mazingira na pia kuifanya mitambo kuwa ya kutegemewa.

Mitambo ya kutahadharisha transfoma inapovamiwa

Mitambo ya kutambua uvamizi wa transfoma ili kukabiliana na uharibifu wa transfoma iliwekwa Nairobi kwa njia ya majaribio mwaka unaomalizika, na endapo itabainishwa kufanya kazi vyema, basi itasambazwa katika sehemu zingine za nchi.

Mradi wa kutumia mitambo ya kujiendesha ya usambazaji umeme

Mpango wa kuweka mitambo ya kujiendesha kwenye mtandao wa kusambaza wa kV 11 kuwezesha utenda kazi wake ungali unaendelea. Hii itapunguza muda wa kurejesha stima kwa wateja baada ya umeme kupotea, na hivyo kuimarisha viwango vya ugavi na huduma kwa wateja.

Kuimarisha mitambo ya kutayarisha bili

Wakati wa kipindi tunachotathmini, mitambo iliyopo iliimarishwa ili kuharakisha utayarishaji, kuchapishwa na kutumwa kwa bili huku sehemu zaidi za malipo zikiunganishwa kwenye kompyuta ili kuimarisha utenda kazi bora na kuwarahisishia kazi wateja.

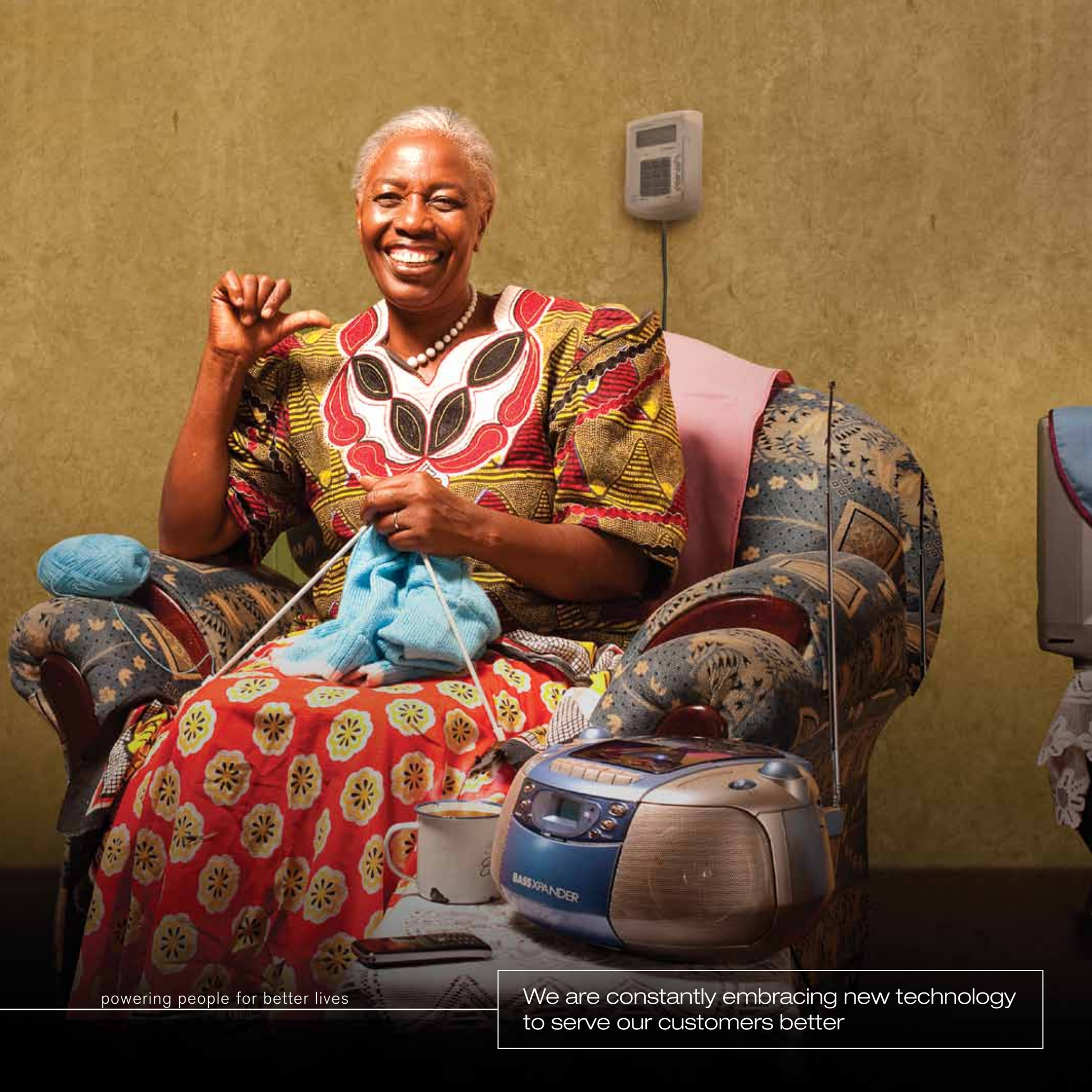
HITIMISHO

Kuna matumaini makubwa katika siku za baadaye kwa Kampuni yetu, huku kukiwa na nafasi kadha za kukuza biashara na upanuzi. Hii ni kutokana na soko kubwa ambalo bado halijahudumiwa pamoja na mazingira bora ya kibiashara. Tumetenga rasimali na kuweka mikakati na mipango ya kupanua biashara na pia kuimarisha utoaji huduma. Hii ni pamoja na kuongeza idadi ya wateja wetu, kupanua na kuimarisha mitambo, kuhakikisha uzalishaji umeme kutosheleza mahitaji na kuimarisha hulka ya shirika hili.

Tuna matumaini kwamba, kutokana na mikakati tuliyoweka, na kutokana na usaidizi kutoka kwa Bodi ya Wakurugenzi, wafanya kazi, wateja na washika dau wengine, tutafikia lengo letu kuu la kutoa umeme wa hali ya juu na huduma kwa wateja wetu



Mhandisi Joseph Njoroge, MBS
Mkurugenzi Mkuu/Afisa Mkuu Mtendaji
Septemba 23, 2010



powering people for better lives

We are constantly embracing new technology
to serve our customers better

Corporate Social Responsibility and Environmental Report | 2009-10

In all our operations, we take cognisance of the fact that our sustainability and success are dependent upon the environment and the communities in which we operate. It is our Company policy, therefore, to ensure that our activities meet and exceed the social, economic and environmental expectations of our stakeholders. In this regard, we acknowledge the following:

1. That we have a responsibility to the society and to provide adequate and reliable power supply throughout the country.
2. That our business activities have varying direct and indirect impact on the environment and societies in which we operate.
3. That our social, economic and environmental responsibilities are integral to our business.
4. That we must integrate our business values and operations to meet the expectations of our stakeholders.
5. That our stakeholders include customers, employees, regulators, investors, suppliers, the general public and various communities.

Further, apart from embedding social responsibility into our operations, we set aside 1% after-tax profit each year towards implementation of various pertinent activities in the spheres of education, environment, health and energy. Towards this, in the period under review, the Company set aside Shs.32 million. Following are some of the activities undertaken in the review period.

Education

The Company spent more than Shs.10 million on education of children and enhancement of facilities in various schools located all over the country. Some of the beneficiaries include 12 first form girls in Maasai Girls Secondary School in Narok District, and the Company has allocated Shs.1,080,000 for their four year education. Another 440 girls in nine schools in Kabarnet district each received one year's supply of sanitary pads at a cost of Shs.792,000. The beneficiaries are from Chesongo, Salawa, Kipsoit, Kakwane, Kaptara, Eron, Kapyemit, Magonoi, and Kimoso primary schools.

KPLC also partnered with ActionAid to support a school feeding programme at Hara Primary School in Ijaara at a cost of Shs.3 million and a water harvesting programme for 15 primary schools in Eastern, Nairobi and Nyanza provinces at a cost of Shs.3,019,250.

During the review period, the Company also contributed Shs.1.4 million to Kisii Special School for the mentally challenged for construction of a classroom for autistic children; and on procurement of books for Silanga Secondary School at a cost of Shs.306,000. An additional Shs.500,000 was used to construct an ablution facility at Duse Primary School in Mandera,

and Shs.250,000 on purchase and installation of solar lamps for Nasigel Primary School in Lodwar at a cost of Shs.250,000.

The Environment

During the year under review, the Company spent more than Shs.7million on environmental conservation. Some of the activities undertaken include the following, among others:

- Participation in the conservation of Government forests through planting of indigenous tree seedlings in areas set aside for KPLC plantations at a cost of Shs.2.8 million, and maintenance of some 16,000 seedlings which the Company planted in Kenya Forest Service forests in the previous review period. We also contributed Shs.250,000 towards the fencing of Karura Forest in Nairobi.
- Setting up 10 indigenous tree nurseries next to water catchment areas at a cost of Shs.2.5 million in partnership with ActionAid. The seedlings will be used to replace felled trees in the areas.
- Staff participated in the clean-up of three fishing beaches along Lake Victoria at a cost of Shs.700,000; and mangrove planting and clean-up of the marine beach in Malindi with a sponsorship worth Shs.500,000.
- Participation in the Nairobi National Park greenline tree planting initiative. Staff also participated in the exercise, towards which the Company contributed Shs.250,000.
- Implementation of a community water project in Ithanga, Murang'a, worth Shs.500,000.

Health

We supported five medical camps in Bungoma, Isiolo, Kacheliba, South Coast and Butere to the tune of Shs.6,525,000. The camps were held in partnership with Kenya Diabetes Management Information Centre.

The Company also sponsored the construction of a clinic in Kabete, Nairobi, for the mentally handicapped at a cost Shs.1 million. Construction of the clinic, which is approved by Nairobi City Council, is in progress under the supervision of Basic Needs, a locally based NGO.

Welfare and Staff Involvement

Involvement of staff in CSR activities is important for the Company because they are at the forefront of all our operations and they also interact closely with our communities. During the review period, staff in the various regions participated in community support projects at a cost of Shs.4 million. These included supporting homes for the needy, cleanups in informal settlements and improvement of special schools, among other activities.

Corporate Social Responsibility and Environmental Report | 2009-10 (continued)

Social Welfare

Apart from education, health and the environment, KPLC also supports other needy causes and, during the year under review, we contributed Shs.1 million towards Kianyaga and Tegla Lorupe children's homes, which received Shs.500,000 each.

Energy Conservation*EMA Awards*

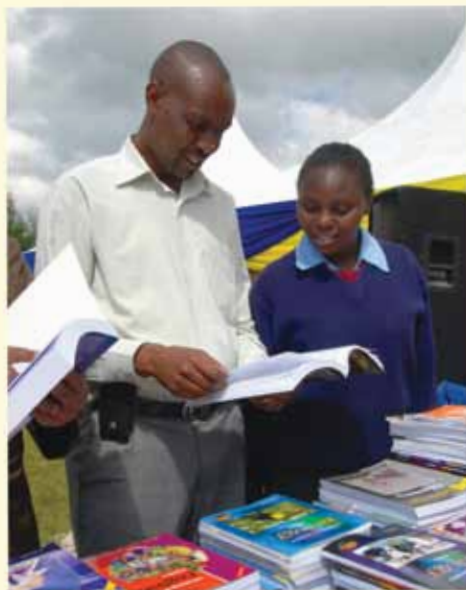
For the fourth year running, the Company sponsored the Energy Management Awards (EMA) in March 2010 at a cost of Shs.1.5 million. The event is managed by Kenya Association of Manufacturers and recognises and rewards industries for their energy conservation efforts.

Energy Saving Bulbs

The Company distributed 1,250,000 free bulbs to selected customers country-wide through a Government supported initiative to save about 60 MW of electricity.

Conclusion

In all our operations, we shall continue to recognize and appreciate the role of our stakeholders and the communities in which we do our business. We shall therefore continually engage the communities through dialogue and partnerships that achieve mutual benefit.


Eliazar Ochola**Chairman****23rd September 2010**

A staff member from West Region and a student of Silanga Secondary School peruse through books donated by the Company.



A doctor attends to a patient during a Company-sponsored medical camp.

Wajibu wa Kampuni kwa Jamii na Ripoti ya Kimazingira | 2009-10

Katika shughuli zetu zote, tunatambua kwamba ufanisi na kuwepo kwetu kunategemea mazingira na jamii ambako tunahudumu. Ni sera ya Kampuni yetu, hivyo basi, kuhakikisha kuwa shughuli zetu zote zinatimiza na kupitisha matarajio ya kijamii, kiuchumi na kimazingira ya washika dau wetu. Kufuatia hali hii, tunatambua yafuatayo:

1. Kwamba tunawajibika kwa jamii na kutoa umeme wa kutosha na wa kutegemewa kote nchini.
2. Kwamba shughuli zetu za kibiashara kwa kiwango fulani zinaathiri kwa njia moja au nyingine mazingira na jamii ambako tunahudumu.
3. Kwamba majukumu yetu ya kijamii, kiuchumi na kimazingira ni muhimu kwa shughuli zetu.
4. Kwamba hatuna budi kuambatanisha maadili yetu ya kibiashara na huduma zetu kutosheleza matarajio ya washika dau.
5. Kwamba washika dau wetu ni pamoja na wateja, wafanya kazi, wasimamizi, wawekezaji, wauzaji, umma kwa jumla na jamii tofauti.

Isitoshe, mbali na kuzingatia uwajibikaji kwa jamii katika huduma zetu, pia tunatenga asilimia 1 ya faida baada ya ushuru kila mwaka kutekeleza shughuli tofauti katika nyanja za elimu, mazingira, afya na kawi. Kufuatia hali hii, katika kipindi tunachotathmini, Kampuni ilitenga Sh.32 milioni. Shughuli zifuatazo zilitekelezwa.

Elimu

Kampuni ilitumia zaidi ya Sh.10 milioni kuelimisha watoto na kustawisha vifaa katika shule tofauti kote nchini. Miongoni mwa zile zilionufaika ni wasichana 12 wa Kidato cha Kwanza katika Maasai Girls Secondary School, wilayani Narok. Kampuni pia imetenga Sh.1,080,000 kwa masomo yao ya miaka minne. Wasichana wengine 440 katika shule tisa wilayani Kabarnet walipokea kila mmoja visodo kwa mwaka mzima kwa gharama ya Sh.792,000. Walionufaika ni kutoka shule za msingi za Chesongo, Salawa, Kipsoit, Kakwane, Kaptara, Eron, Kapyemit, Magonoi na Kimoso.

KPLC pia imeshirikiana na ActionAid kusaidia mpango wa kutoa chakula shuleni katika Shule ya Msingi ya Hara, Wilayani Ijaara, kwa gharama ya Sh.3 milioni na mpango wa kuteka maji kwa shule 15 katika mikoa ya Mashariki, Nairobi na Nyanza kwa gharama ya Sh.3,019,250.

Katika kipindi kilichomalizika, Kampuni pia ilitoa mchango wa Sh.1.4 milioni kwa Kisii Special School ya watoto wenye akili taahira kwa ujenzi wa darasa la watoto walio na ugonjwa wa akili; na ununuzi wa vitabu kwa shule ya upili ya Silanga kwa gharama ya Sh.306,000. Kiasi kingine cha ziada cha Sh.500,000 kilitumika kwa ujenzi wa chumba cha kuogea katika shule ya msingi ya Duse, Mandera, na Sh.250,000 kwa ununuzi na kuwekwa kwa

taa za kutumia miale ya jua katika shule ya msingi ya Nasigel, Lodwar kwa gharama ya Sh.250,000.

Mazingira

Wakati wa kipindi tunachoangazia, Kampuni ilitumia zaidi ya Sh.7 bilioni kwa utunzaji wa mazingira. Baadhi ya shughuli zilizotekelezwa kati ya zingine, ni pamoja na:

- Kuchangia kwa uhifadhi wa misitu ya Serikali kupitia upanzi wa miche ya kiasili katika maeneo yaliyotengewa mashamba makubwa ya KPLC kwa gharama ya Sh.2.8 milioni, na utunzaji wa miche 16,000 ambayo Kampuni ilipanda kwenye msitu ya Kenya Forest Service mwaka uliotangulia. Pia tulichangia Sh.250,000 kwa ujenzi wa ua katika msitu wa Karura, Nairobi.
- Kuanzisha zaidi ya nasari 10 za miti za kiasili karibu na maeneo ya chemchemi za maji kwa gharama ya Sh.2.5 milioni kwa ushirikiano na ActionAid. Tunapanga kupendekeza kupanda miche kutoka kwa nasari hizo mahali pa miti iliyokatwa.
- Wafanya kazi walishiriki kwenye shughuli ya kusafisha fuo tatu za uvuvi katika Lake Victoria kwa gharama ya Sh.700,000; upanzi wa mikoko na usafishaji wa ufuo wa bahari, Malindi kwa udhamini wa Sh.500,000.
- Kushiriki katika shughuli ya upanzi wa miti ya greenline katika Nairobi National Park. Wafanya kazi pia walishiriki na Kampuni kutoa msaada wa Sh.250,000.
- Mchango wa Sh.500,000 kwa mradi wa kijamii wa maji katika Ithanga, Murang'a.

Afya

Tulisaidia kambi za kutoa matibabu Bungoma, Isiolo, Kacheliba, South Coast na Butere kwa gharama ya Sh.6,525,000. Kambi hizo ziliandaliwa kwa ushirikiano na Kenya Diabetes Management Information Centre.

Kampuni pia ilidhamini ujenzi wa kliniki Kabete, Nairobi, cha watu wenye magonjwa ya kiakili kwa gharama ya Sh.1 milioni. Ujenzi wa kliniki ambao uliidhinishwa na Baraza la Jiji la Nairobi, unaendelea chini ya usimamizi wa shirika lisilokuwa la kiserikali (NGO) la Basic Needs.

Ustawi wa jamii na kushiriki kwa wafanya kazi

Kushirikishwa kwa wafanya kazi katika shughuli za jamii na kimazingira ni muhimu kwa Kampuni kwa kuwa zimo kwenye mstari wa mbele katika operesheni zetu zote na hutangamana kwa karibu na jamii zetu. Wakati wa kipindi kilichomalizika, wafanya kazi katika maeneo tofauti walishiriki katika miradi ya kusaidia jamii kwa gharama ya Sh.4 milioni. Hii ni pamoja na

Wajibu wa Kampuni kwa Jamii na Ripoti ya Kimazingira | 2009-10 (unaendelea)

kusaidia makazi ya maskini, usafishaji wa mitaa ya mabanda na kuimarisha shule maalumu, miongoni mwa shughuli zingine.

Ustawi wa jamii

Mbali na elimu, afya na mazingira, KPLC pia inasaidia mahitaji mengine muhimu. Katika mwaka unaomalizika, tulichangia Sh.1 milioni kwa makazi ya watoto ya Kianyaga na Tegla Lorupe ambazo zilipokea Sh.500,000 kila moja.

Uhifadhi wa kawi

Tuzo za EMA

Kwa mwaka wa nne mfululizo, Kampuni ilidhamini tuzo za usimamizi bora wa kawi (EMA) mnamo Machi, 2010 kwa gharama ya Sh.1.5 milioni. Shughuli hiyo inasimamiwa na Kenya Association of Manufacturers na hutambua na kutuza kampuni kwa jitihada zao za kuhifadhi umeme.

Balbu za kuhifadhi umeme

Kampuni ilisambaza balbu 1,250,000 bila malipo kwa wateja wachache kote nchini kupitia kwa mradi uliofadhiliwa na Serikali kuhifadhi MW 60 ya umeme.

Hitimisho

Katika shughuli zetu zote, tutaendelea kutambua na kushukuru wajibu wa washika dau wetu na jamii ambapo tunahudumu. Hivyo basi, tutaendelea kushirikiana na jamii kupitia kwa mazungumzo na ushirikiano ambao utatufaa zote.

Bw. Eliazar Ochola
Mwenyekiti
Septemba 23, 2010



Permanent Secretary Patrick Nyoike commissions the Nairobi-Mombasa fibre optic cable



Eng. Njoroge launches an internal customer service improvement programme



A senior manager signs up his commitment to the new Vision, Mission and Values.

Corporate Governance Statement

Businesses operate in an increasingly fragile socio-political and economic environment and adoption of good corporate governance practice is core to ensuring the creation, protection and enhancement of shareholder value, and for sustainability of the business while taking into account the interest of other stakeholders. Corporate governance entails the process and structures used to direct and manage the business affairs of companies, the respective roles of the Board of Directors and management and the framework for internal controls. Corporate governance involves maximising shareholder value in a lawful, ethical and sustainable basis. Directors and management of the Company regard corporate governance as pivotal to the success of the business and are unreservedly committed to ensuring that good corporate governance is practiced so that the Company remains a sustainable and viable business of global stature. This Statement sets out the main corporate governance practices and structures in the Company.

BOARD MANUAL, CHARTER AND CODE OF CONDUCT

The Board has in place a Board Charter, Code of Conduct and Manual and has adopted the Guidelines on Corporate Governance developed by the Capital Markets Authority as part of its Manual. These documents set out the collective and individual powers, duties, obligations, responsibilities and liabilities of Directors. The Board Charter seeks to ensure the effectiveness of each Director's contribution in the governance of the Company by facilitating full and free exercise of independent judgement and professional competencies. In particular, the Board Manual outlines the governance arrangements that are to be applied in the Company on among others, the following areas: (i) appointment of directors and requirements for skills/gender mix and balance of independent and other directors; (ii) 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 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 single minded pursuit of 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 approved by the Board.

CONSTITUTION OF THE BOARD OF DIRECTORS

The Board consists of ten Directors, including the Managing Director & Chief Executive Officer. Nine of the Directors are non-executive with seven independent directors, including the Chairman. Directors possess a broad mix of skills, age, qualifications, and experience required to direct the Company. Their biographies are shown on pages 4 - 6.

At least one third of the Board members submit themselves for re-election each year during the Annual General Meeting. Any Director appointed by the Board during the year to fill casual vacancy is required to retire and seek election at the next Annual General Meeting.

Business transactions with all parties, Directors or their related parties are carried out at arms' length. Directors are required to disclose any transaction in which they have interest and which would constitute a conflict of interest and to abstain from voting when such matters are being considered.

RESPONSIBILITIES

The Chairman is primarily responsible for providing leadership of the Board and ensuring that it is supplied in a timely manner with sufficient information to enable it to discharge its duties. The Managing Director is responsible for the day to day management of the Company.

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

Directors have full access to the advice and services of the Company Secretary. They are also entitled to obtain independent professional advice on any matter at Company expense, should they deem this necessary. To function effectively, the Board is given full and timely access to relevant information. Training and development of Directors and staff is an important part of our corporate strategy. The details of staff training is contained elsewhere in this Report. Directors attend training tailored to equip them with skills and knowledge that they require in discharging their responsibilities. This include, gaining knowledge on best practice on matters relevant to the Company's business. Towards this, all Board members attended training programs, seminars or conferences both locally and outside the country

Corporate Governance Statement (continued)

during the year. A programme for induction of new Directors forms part of the Board Manual so as to enhance their understanding of the nature of the business and operations of the Company. New Directors are trained on the applicable legislative and regulatory framework; the governance processes in place; and the strategic plan and committed performance indicators. Part of the induction programme also include presentation of the corporate strategic plan, organisation charts, performance contracts, meetings with Management and visit to the Company regional offices and key installations.

BOARD WORKPLAN AND MEETINGS

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

The Board work plan and calendar of meetings is prepared annually in advance. Adequate notice is given for each Board meeting and Directors receive detailed papers on issues to be discussed in good time before the meeting. The Board held a total of 15 meetings during the year, which were very well attended as shown below:

	NAME	ATTENDANCE
1	Mr. E. Ochola* - Chairman	14
2	Eng. J. Njoroge - MD & CEO	15
3	Mr. P. Nyoike	10
4	Mr. F. Nyaga	15
5	Dr. T. Kilukumi	15
6	Mr. E. Kioni	14
7	Mr. M. Kariuki	4
8	Mr. J. Mwirigi	4
9	Mr. P. Obath	3
10	Mr. J. Kariuki	13
11	Mr. I. Kiva (Alt to PS, Energy) - Wef 16.12.2009	7
12	Dr. C. Pepela**	6
13	Mr. S. Mwangi	10
14	Mr. A. Mbui	3

* Wef 4th March 2010

**Chairman until 18th December 2009

BOARD COMMITTEES

A number of standing committees exist in order to assist the Board and management fulfil their responsibilities. The members of the Committees are rotated periodically in order to give Directors an opportunity to contribute to numerous aspects of the Company's business. Consistent with this, the Committees were rotated on 18th March 2010. Ad hoc committees

are constituted to deal with pertinent issues as they arise. Each committee operates within the ambit of defined terms of reference assigned to it by the Board. During the year, the Board had the following standing and ad hoc committees.

Audit Committee

The Audit Committee was constituted in 1999 and its mandate redefined in April 2003, in line with the Capital Markets Guidelines on Corporate Governance. The Committee comprises four non-executive Directors and is chaired by a non-executive Director. The Chairman of the Committee is a Certified Public Accountant and is a long serving director with wide knowledge and experience in the Company's business.

All members have a broad knowledge of the Company's business, including risks facing the Company, internal controls, and are familiar with the accounting principles. The Committee has all the resources required to function properly.

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

The Committee's mandate is to ensure the Company's assets are safeguarded, that there exists adequate operating systems, control processes and accounting to the Board for its activities and making recommendations to the Board in adoption and promotion of good corporate governance, while responsibilities include:

(i) examination of quarterly, half-year and annual financial statements, (ii) discussion of audit plan with the external auditor before commencement of the annual audit, (iii) consideration of audit findings identified by the external auditors, including the management letter, (iv) consideration of engagement of external auditors and audit fees for recommendation to the Board, (v) review of the function, independence, operations and findings of the Internal Audit Department, and (vii) review of risks affecting the Company and management strategies in addressing the risks. Additionally, the Committee exercises oversight over strategies to ensure adherence to code of conduct and ethics, including approval of the anti-corruption policies and plans and considers reports on their implementation.

The Committee members who served during the year are shown in the Table below. The Committee held a total of 5 meetings during the year and the attendance is also shown below:

Corporate Governance Statement (continued)

	NAME	ATTENDANCE
1	Mr. F. Nyaga* } Chairman	5
2	Mr. M. Kariuki } Wef 18th March 2010	2
3	Mr. J. Mwirigi }	2
4	Mr. E. Kioni*	5
5	Mr. E. Ochola	5
6	Mr. S. Mwangi**	4
7	Eng. J. Njoroge - MD & CEO	5

*Ceased to be members on 18th March 2010.

** Retired on 18th December 2009

Strategy & Customer Service Committee

The Board Strategy & Customer Service Committee was constituted in February 2005 to focus on strategies that would facilitate the Board to give guidance and strategic direction to management. The mandate of the Committee include the review of the 5 year and annual corporate strategic plan, annual corporate budget, monitoring of major projects under implementation and strategies for business and customer service improvement.

The members who served in the Committee during the year are shown in the Table below. The Committee held 5 meetings during the year and the attendance is also shown below:

	NAME	ATTENDANCE
1	Mr. P. Obath* - Chairman	2
2	Mr. J. Kariuki	4
3	Mr. M. Kariuki*	2
4	Mr. F. Nyaga	4
5	Mr. E. Kioni**	4
6	Mr. S. Mwangi***	3
7	Mr. J. Njoroge - MD & CEO	5

*Wef 18th March 2010

**Ceased to be member on 18th March 2010

***Retired on 18th December 2009

Staff and Remuneration Committee

The Staff & Remuneration Committee's mandate include considering and making recommendations to the Board on the following: (i) appointment of and terms and conditions of service of the Managing Director; (ii) remuneration structure for staff; (iii) the appointment, promotion and disciplinary issues of senior staff; (iv) performance bonus for the Managing Director and staff; (v) human resources policies and corporate organizational

structure to support the Company's business; (vi) the succession plan for senior staff. The Committee also reviews the performance of the staff pension scheme.

The members who served in the Committee during the year are shown in the Table below. The Committee held 5 meetings during the year and the attendance is also shown below:

	NAME	ATTENDANCE
1	Dr. T. Kilukumi - Chair	5
2	Mr. E. Kioni	5
3	Mr. J. Kariuki	5
4	Mr. P. Nyoike	4
5	Mr. A. Mbui*	2
6	Mr. J. Mwirigi**	1
7	Eng. J. Njoroge - MD & CEO	5

*Retired on 18th December 2009

**Wef 18th March 2010

Procurement Oversight Committee

The Procurement Oversight Committee was constituted in January 2007 and exercises an oversight role on procurement on behalf of the Board, which is not represented in the Tender Committee. The functions of the Committee includes: considering the annual procurement plan for recommendation to the Board; monitoring the procurement process to ensure compliance with the approved annual procurement plan; and approving procurement of goods and services with a value of Shs.50 million and above each and other strategic procurement.

The members who served during the year under review are shown in the Table below. The Committee held 12 meetings during the year and the attendance is also shown below:

	NAME	ATTENDANCE
1	Mr. M. Kariuki - Chairman - Wef 18th March 2010	2
2	Mr. E. Ochola*	10
3	Dr. T Kilukumi	12
4	Mr. A. Mbui**	5
5	Mr. F. Nyaga - Wef 18th March 2010	3
6	Mr. E. Kioni	3
7	Eng. J. Njoroge - MD & CEO	12

*Ceased to be member on 18th March 2010

**Chairman and member until 18th December 2009

Corporate Governance Statement (continued)

IPP Committee

Power purchase costs account for the largest cost for the Company and the IPP Committee was constituted in May 2003 with a mandate of negotiating the power purchase proposals with the bulk power producers. The negotiations are also aim to achieve lower power costs to customers. The members who served during the year are shown in the Table below.

The Committee invites management staff with relevant expertise to its meetings. During the year, the Committee held a total of 8 meetings in line with business requirements. The members and list of attendance are shown below:

	NAME	ATTENDANCE
1	Mr. E. Kioni - Chairman	8
2	Mr. F. Nyaga	8
3	Mr. J. Kariuki	7
4	Mr. E. Ochola*	8
5	Mr. P. Nyoike	6
6	Mr. P. Obath**	1
7	Eng. J. Njoroge - MD & CEO	8

*Ceased to be a member on 18th March 2010

** Wef 18th March 2010

Information Technology Committee

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

The Committee held a total of 3 meetings during the year and the membership and attendance is as shown below:

	NAME	ATTENDANCE
1	Mr. J. Mwirigi* - Chairman	1
2	Mr. S. Mwangi**	2
3	Dr. T. Kilukumi	3
4	Mr. A Mbui**	1
5	Eng. J. Njoroge - MD & CEO	3

*Wef 18th March 2010

** Retired on 18th December 2009

The Company Secretary is the secretary to all Board Committees other than the Staff & Remuneration Committee where the Managing Director is the secretary.

Executive Management Committee Meetings

The executive Management Committee comprising heads of departments reporting directly to the Managing Director meets at least twice a month to review performance, and to consider policy and business issues including strategic measures, while also reviewing papers before they are tabled for Board consideration and approval as necessary.

DIRECTORS' REMUNERATION

Details of Directors' remuneration are set out in the report on page 81. For the financial year under review, Directors were not paid monthly fees in accordance with the guidelines by the Government to all state corporations that Directors' fees would be paid annually after approval by shareholders.

The Directors' fees payable each year should also be within the limits approved by the Government. It is proposed that Directors are each paid fees of Shs.600,000 for the financial year ended 30th June 2010 or pro rata for any part thereof. The total Directors' fees amounts to Shs.5,400,000.

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

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

INTERNAL CONTROLS

The Directors acknowledge their responsibility as set out on page 49 for the Company's system of internal financial control, including taking reasonable steps to ensure that the systems are being maintained.

Internal control systems are designed to meet the particular needs of the Company, and the risks to which it is exposed with procedures intended to provide effective internal financial control. However, such a system can only provide reasonable, but not absolute, assurance against material misstatement.

Directors' Shareholding

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

Corporate Governance Statement (continued)

Ethical Standards

The Company has a Code of Conduct for the Board and management staff and a Corruption Prevention Policy. The Company also ascribes to the ethical standards prescribed by the Public Officer Ethics Act. These require all employees to conduct business with integrity. To support the ethical standards initiatives, the Company has an Ethics and Integrity Office that carries out integrity awareness training, ensures the enforcement of the corruption prevention plans, conduct risks assessments and ensures that an integrity survey is carried out annually by an independent firm. The Company considers integrity and ethical issues critical in providing services to customers and meeting its business objectives and has a partnership with the Kenya Anti-Corruption Commission and the Transparency International (Kenya Chapter) on anti-corruption issues. Accordingly, implementation of corruption prevention plans forms part of the performance targets for the Board and Management.

ACCOUNTABILITY AND AUDIT

Directors' responsibilities in relation to financial statements

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

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

ENTERPRISE RISK MANAGEMENT

Effective management of all enterprise risk in the Company is important for the realization of our strategic objectives and business survival. Business risks evolve from time to time due to both internal and external factors and organizations' need to be vigilant and identify emergent risks that may impact on achievement of their strategic objectives. We have therefore deployed the necessary mechanisms right from the Board to the lowest operational management level to ensure that all inherent risks are managed and opportunities arising therefrom have been exploited to add value to our stakeholders. The Company has established an Enterprise Risk Management (ERM) function to spearhead and coordinate ERM activities. The measures we have taken include proactively identifying, analyzing and mitigating risks in all facets of the business and created a corporate risk register that forms the foundation of the operations of the ERM.

SUCCESSION PLANNING

The Board considers succession planning to be crucial for continuity and sustainability of the business. In this regard, the Company has a corporate succession planning process and documentation of potential candidates for leadership and key strategic level management positions in the Company. This includes integration of management competency model in the performance appraisals, identification of successor talent pools and management development of the talent pool members.

COMMUNICATION WITH SHAREHOLDERS

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

The full report and accounts are distributed to all shareholders on an annual basis. All shareholders are entitled to attend the Annual General Meeting for which notice is posted at least 21 clear days before the meeting. The shareholders are given the opportunity to ask questions on any matter relating to the business of the Company. In addition, the Company holds meetings with major investors and customers and makes presentations on the half year and end year financial and operational performance.

Corporate Governance Statement (continued)

SHAREHOLDING PROFILES

The Company files returns with monthly reports prescribed by the Capital Markets Authority and Nairobi Stock Exchange under the listing regulations on transactions related to shareholders. The top 20 major shareholders as at 31st August 2010 were as follows:-

NO.	NAME OF SHAREHOLDER	ORDINARY	4% PREF.	7% PREF.	TOTAL	%
1	PERMANENT SECRETARY TO THE TREASURY	32,002,929	656,808	193,531	32,853,268	40.421
2	BARCLAYS (KENYA) NOMINEES LTD.	10,105,579	5,127	250	10,110,956	12.440
3	BOARD OF TRUSTEES N.S.S.F.	6,413,801	3,550	750	6,418,101	7.896
4	CFC STANBIC NOMINEES LTD.	2,360,427	48,308	-	2,408,735	2.964
5	JUBILEE INSURANCE CO. LTD.	1,613,435	59,828	17,160	1,690,423	2.080
6	KCB NOMINEES LTD.	1,611,466	69,584	800	1,681,850	2.069
7	NIC CUSTODIAL SERVICES	1,397,474	-	-	1,397,474	1.719
8	CFC LIFE ASSURANCE LIMITED	871,475	-	-	871,475	1.072
9	ALIMOHAMED ADAM	529,169	277,264	57,617	864,050	1.063
10	CO-OP BANK CUSTODY	660,933	-	-	660,933	0.813
11	PHOENIX OF E.A. ASSURANCE CO. LTD.	630,168	-	-	630,168	0.775
12	GOODWILL NAIROBI LIMITED	486,767	-	-	486,767	0.599
13	KPLC LTD. STAFF RETIREMENT BENEFIT SCHEME TRUSTEES	450,000	-	-	450,000	0.554
14	BRITISH AMERICAN INSURANCE CO. (K) LTD.	431,838	-	-	431,838	0.531
15	THE HERITAGE ALL INSURANCE CO. LTD.	419,408	-	-	419,408	0.516
16	EQUITY NOMINEES LTD.	397,206	-	-	397,206	0.489
17	KENINDIA ASSURANCE CO. LTD.	389,300	-	-	389,300	0.479
18	CHRISTOPHER JOHN KIRUBI	300,000	-	-	300,000	0.369
19	JENNID TRADING CO. LTD.	245,012	-	-	245,012	0.301
20	GANDHI SMARAK NIDHI	234,963	-	-	234,963	0.289
	SUB-TOTALS	61,551,350	1,120,469	270,108	62,941,927	77.440
	OTHER SHAREHOLDERS	17,576,650	679,531	79,892	18,336,073	22.560
	TOTAL ISSUED SHARES	79,128,000	1,800,000	350,000	81,278,000	100.000

DISTRIBUTION OF ORDINARY SHAREHOLDERS AS AT 31/08/2010

RANGE	NUMBER OF MEMBERS	SHARES
<1,000	5,070	1,887,363
1,001-10,000	1,860	6,058,631
10,001-50,000	397	8,049,712
50,001-100,000	79	5,624,287
Over 100,000	76	57,508,007
TOTALS	7,482	79,128,000

DISTRIBUTION OF 4% PREFERENCE SHAREHOLDERS AS AT 31/08/2010

RANGE	NUMBER OF MEMBERS	SHARES
<1,000	364	67,932
1,001-10,000	58	159,655
10,001-50,000	14	316,598
50,001-100,000	2	133,564
Over 100,000	3	1,122,251
TOTALS	441	1,800,000

DISTRIBUTION OF 7% PREFERENCE SHAREHOLDERS AS AT 31/08/2010

RANGE	NUMBER OF MEMBERS	SHARES
<1,000	84	22,113
1,001-10,000	15	43,890
10,001-50,000	3	86,432
50,001-100,000	1	57,617
Over 100,000	1	139,948
TOTALS	104	350,000



Mr. Eliazar Ochola
Chairman
23rd September 2010

Taarifa ya Maongozi ya Kampuni ya Kenya Power and Lighting Company Limited

TAARIFA YA MAONGOZI YA KAMPUNI

Biashara huendeshwa katika mazingira dhaifu ya kisiasa, kijamii na kiuchumi na uzingatiaji wa maongozi bora ya kampuni ni muhimu katika kuhakikisha uundaji, utunzaji na kuimarisha kwa thamani kwa wenyehisa, na kuendeleza biashara kwa siku za baadaye huku tukitilia maanani, maslahi ya washika dau wengine. Maongozi ya kampuni hushirikisha taratibu na miundo inayotumika kuongoza na kusimamia shughuli za kibiashara za kampuni, majukumu tofauti ya Bodi ya Wakurugenzi na Wasimamizi na mfumo wa usimamizi wa ndani.

Maongozi ya Kampuni yanahusisha kuunda thamani kwa wanahisa kwa njia ya halali, uadilifu na ya kutegemewa. Wakurugenzi na wasimamizi wa Kampuni huchukulia maongozi ya shirika kama nguzo muhimu kwa ufanisi wa biashara na hujitolea kwa dhati kuhakikisha kuwa maongozi bora yanazingatiwa ili kampuni idumu na kuwa na hadhi ya kimataifa. Taarifa hii inafafanua taratibu muhimu za maongozi bora na mifumo katika Kampuni.

MWONGOZO WA BODI, MKATABA NA KANUNI ZA UTENDA KAZI

Bodi imetayarisha Mkataba wa Bodi, Kanuni za Utenda Kazi na Mwongozo, na imezingatia Mwongozo kuhusu Maongozi ya Kampuni yaliyotayarishwa na Halmashauri ya Masoko ya Mtaji (CMA) kama sehemu ya mwongozo wake. Stakabadhi hizi zinafafanua mamlaka, majukumu na wajibu wa kibinafsi na jumla ya Wakurugenzi. Mkataba wa Bodi unanua kuhakikisha mchango ufaao wa kila Mkurugenzi katika uongozi wa Kampuni kwa kuwezesha kila mmoja kufanya maamuzi huru na ya kitaaluma.

Hasa, Mwongozo wa Bodi unafafanua mipangilio ya uongozi inayotumika katika Kampuni katika miongoni mwa fani zingine, nyanja zifuatazo: (i) Uteuzi wa wakurugenzi na mahitaji ya vipawa/mchanganyiko wa jinsia na usawa wa wakurugenzi huru na wengine; (ii) kutambua na kuheshimu haki za wenyehisa (iii) wajibu na majukumu tofauti ya Bodi, Mwenyekiti, Mkurugenzi Mkuu na Katibu wa Kampuni; (iv) kuendesha vikao vya Bodi; (v) kuelimisha wakurugenzi kuhusu kampuni; (vi) majukumu ya Wakurugenzi, Wajibu wao kisheria na Kanuni za Maadili (vii) masharti ya utenda kazi kwa Kamati zote za Bodi; na (viii) kufichua habari zozote muhimu kwa umma.

Kanuni ya Maadili ya Wakurugenzi inafafanua sheria zinazoongoza kila mkurugenzi ili kuwezesha Bodi kuhudumu ipasavyo kwa manufaa ya Kampuni. Hii ni pamoja na miongoni mwa mengine, hitaji la Wakurugenzi kufanya kazi kwa uaminifu, kwa moyo mkunjufu na kwa manufaa ya Kampuni; kutekeleza majukumu yake kwa uangalifu na umakinifu; kujiepusha na kufafanua kuwepo kwa migongano ya ushirika, kudumisha

siri za Kampuni, kujitolea kwa shughuli za Kampuni na kuheshimu Wakurugenzi wenzake. Kampuni ina Kanuni ya Maadili kwa Wasimamizi wa Kampuni iliyoidhinishwa na Bodi.

MUUNDO WA BODI YA WAKURUGENZI

Bodi ina jumla ya Wakurugenzi kumi, akiwemo Mkurugenzi Mkuu na Afisa Mkuu Mtendaji. Tisa kati yao ni wakurugenzi ambao hawana mamlaka huku saba kati yao ni wakurugenzi huru, akiwemo Mwenyekiti. Wakurugenzi wana mchanganyiko mkubwa wa vipawa, umri, taaluma na tajiriba inayohitajika kuendesha Kampuni. Wasifu zao zimeonyeshwa kwenye ukurasa 4 - 6.

Angalau theluthi moja ya Wakurugenzi hujitokeza kuchaguliwa tena kila mwaka wakati wa Mkutano Mkuu wa Kila Mwaka. Mkurugenzi yeyote ambaye anateuliwa na Bodi katikati ya mwaka kujaza nafasi wazi anahitajika kustaafu na kujitokeza kwa uchaguzi kwenye Mkutano Mkuu wa Kila mwaka unaofuata.

Wakurugenzi hujitenga na shughuli za kibiashara na wahusika wote, Wakurugenzi wenzao na washirika wao. Wakurugenzi wanahitajika kufichua shughuli ambapo wanahusika na ambayo huenda ikawa na mgongano wa kibiashara na kujizuia kupiga kura wakati masuala kama hayo yanashughulikiwa.

MAJUKUMU

Mwenyekiti anawajibika kimsingi kutoa mwongozo kwa Bodi na kuhakikisha kuwa inapokea kwa wakati mwafaka, habari zote muhimu kuiwezesha kutekeleza majukumu yake. Mkurugenzi Mkuu anawajibika kuendesha shughuli za kila siku za Kampuni.

Majukumu ya kimsingi ya Bodi ni pamoja na: Kuweka malengo ya muda mfupi na muda mrefu ya Kampuni na mikakati ya kuafikia malengo hayo; kuhakikisha taarifa za kifedha za kila mwaka na katikati ya mwaka zinatayarishwa; kuidhinisha na kutathmini bajeti za kila mwaka; kutunga na kutathmini mara kwa mara viashirio na utenda kazi wa wasimamizi, kudhibiti hasara kwa kuhakikisha Kampuni ina mifumo ya kutosha na vidhibiti vya ndani na mbinu zifaazo kuhakikisha uzingatiaji wa kanuni ili shughuli za kibiashara ziendelee, na kushirikiana na wasimamizi kutoa thamani kwa wenyehisa.

Wakurugenzi wanaweza kupokea ushauri na huduma za Katibu wa Kampuni. Pia wanaweza kupokea ushauri wa kitaaluma kuhusu suala lolote na gharama kulipwa na Kampuni, endapo wataonelea haja ya kufanya hivyo. Ili kuhudumu ipasavyo, Bodi inapewa habari zote muhimu na kwa wakati ufaao.

Taarifa ya Maongozi ya Kampuni ya Kenya Power and Lighting Company Limited (unaendelea)

Mafunzo na ustawi wa Wakurugenzi na wafanya kazi ni sehemu muhimu katika mkakati wetu kama Kampuni. Maelezo kuhusu mafunzo ya wafanya kazi yametolewa kwingineko kwenye Ripoti hii. Wakurugenzi uhudhuria mafunzo yanayolenga kuwapa vipawa na maarifa wanayohitaji kutekeleza majukumu yao. Hii ni pamoja na kuelewa kuhusu njia bora za kuendesha shughuli za Kampuni. Kwa mintaarafu hii, wanachama wote wa Bodi walihudhuria mafunzo, seminaa na makongamano ndani na nje ya nchi mwaka uliopita.

Mpango wa kuwaelimisha Wakurugenzi wapya ni sehemu ya Mwongozo wa Bodi ili kuwawezesha kuelewa vyema biashara na operesheni za Kampuni. Wakurugenzi wapya wanafunzwa kuhusu mfumo husika wa usimamizi na kisheria; taratibu zilizopo za uongozi, mikakati muhimu na viashirio vya utenda kazi. Pia, sehemu ya mafunzo inajumuisha kuelezea mkakati wa Kampuni, chati ya usimamizi, kandarasi za utenda kazi, mikutano na wasimamizi na ziara kwa afisi za Kampuni nyanjani na vifaa muhimu.

RATIBA YA BODI NA MIKUTANO

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

Ratiba na kalenda ya mikutano ya Bodi hutayarishwa mapema kila mwaka. Ilani ya kutosha hutolewa kwa kila mkutano wa Bodi na Wakurugenzi hupokea kwa wakati ufaao stakabadhi zenye maelezo kuhusu masuala yatakayozungumziwa kabla ya mkutano. Bodi ilifanya jumla ya vikao 15 mwaka uliopita, na ambavyo vilihudhuriwa vyema kama inavyoonyeshwa hapa chini:

	NAME	ATTENDANCE
1	Bw. E. Ochola* - Mwenyekiti	14
2	Mhandisi J. Njoroge - MD & CEO	15
3	Bw. P. Nyoike	10
4	Bw. F. Nyaga	15
5	Dkt. T. Kilukumi	15
6	Bw. E. Kioni	14
7	Bw. M. Kariuki	4
8	Bw. J. Mwirigi	4
9	Bw. P. Obath	3
10	Bw. J. Kariuki	13
11	Bw. I. Kiva (Badala ya Katibu wa Kudumu Kawi) – (Kuanzia 16.12.2009)	7
12	Dkt. C. Pepela**	6
13	Bw. S. Mwangi	10
14	Bw. A. Mbui	3

*Kuanzia 4.3.2010.

** Mwenyekiti kuanzia 18.12.2009.

KAMATI ZA BODI

Kamati mbalimbali za kudumu zipo ili kusaidia Bodi na wasimamizi kutekeleza majukumu yao. Wanachama wa Kamati hizo wanabadilishwa mara kwa mara ili kuwapa Wakurugenzi fursa ya kuchangia katika vipengele tofauti vya shughuli za Kampuni. Sambamba na hali hii, Kamati zilizunguzwa mnamo Machi 18, 2010. Kamati za muda pia zinaundwa kushughulikia masuala muhimu yanapoibuka. Kila kamati inahudumu chini ya masharti maalumu ya utenda kazi inayopewa na Bodi. Mwaka unaomalizika, Bodi ilikuwa na kamati zifuatazo za kudumu na za muda.

Kamati ya Uhasibu

Kamati ya uhasibu ilibuniwa mnamo 1999 na majukumu yake kufafanuliwa upya mnamo Aprili 2003, sambamba na mwongozo wa Halmashauri ya Masoko ya Mtaji kuhusu Maongozi ya Kampuni. Kamati hiyo ina wakurugenzi wanne wasio na mamlaka na inaongozwa na Mkurugenzi asiye na mamlaka. Mwenyekiti wa Kamati hiyo ni Mhasibu aliyehitimu na ni mkurugenzi aliyehudumu kwa muda mrefu ambaye ana maarifa na tajiriba kubwa kuhusu shughuli za Kampuni, ikiwemo hatari zinazokumba Kampuni, vidhibiti vya ndani na anaelewa kuhusu kanuni za uhasibu. Kamati ina raslimali zote zinazohitajika kutekeleza majukumu yake.

Kamati mara kwa mara hualika Mkurugenzi Mkuu, Meneja Mkuu wa Fedha, na Meneja wa Ukaguzi wa Hesabu wa Ndani kwa vikao vyake. Wakaguzi kutoka nje hualikwa kuhudhuria vikao inapohitajika.

Mamlaka ya Kamati hiyo ni kuhakikisha vifaa vya Kampuni vinalindwa, na taratibu zifaazo za kuhudumu zipo, mbinu za kudhibiti hasara na kuelezea Bodi kuhusu shughuli zake na kutoa mapendekezo kwa Bodi ili kuzingatia na kukuza maongozi yaafayo ya Kampuni, ilhali majukumu yake ni pamoja na: (i) kuchunguza taarifa za kifedha za robo mwaka, nusu mwaka na za mwishoni mwa mwaka, (ii) kujadili mpango wa uhasibu na mkaguzi kutoka nje kabla ya shughuli ya ukaguzi wa kila mwaka kuanza. (iii) kupitisha matokeo ya ukaguzi yaliyotolewa na uhasibu kutoka nje, ikiwemo barua ya wasimamizi, (iv) kupitisha kuajiriwa kwa uhasibu kutoka nje na kupendekeza ujira wao kwa Bodi, (v) kuchunguza shughuli, uhuru, operesheni na matokeo ya Idara ya Uhasibu wa ndani na (vii) kutathmini hatari zinazoathiri Kampuni na mikakati ya Wasimamizi kukabiliana na hatari hizo. Isitoshe, Kamati hiyo inasimamia mikakati kuhakikisha uzingatiaji wa kanuni za maadili, ikiwemo kuidhinisha sera za kukabiliana na ufasidi na kuchunguza ripoti kuhusu utekelezaji wake.

Wanakamati waliohudumu mwaka unaomalizika wameonyeshwa kwenye Jedwali iliyopo chini. Kamati ilikuwa na jumla ya vikao 5 na mahudhuri na kama ifuatavyo:

Taarifa ya Maongozi ya Kampuni ya Kenya Power and Lighting Company Limited (unaendelea)

	JINA	MAHUDHURIO
1	Bw. F. Nyaga* } Mwenyekiti	5
2	Bw. M. Kariuki } Kuanzia Machi 18, 2010	2
3	Bw. J. Mwirigi } }	2
4	Bw. E. Kioni* } }	5
5	Bw. E. Ochola*	5
6	Bw. S. Mwangi**	4
7	Mhandisi J. Njoroge - MD & CEO	5

*Walikoma kuwa wanachama mnamo Machi 18, 2010.

**Alistaafu mnamo Desemba 18, 2009

Kamati ya Huduma kwa Wateja na Mkakati

Kamati ya Mkakati na Huduma kwa Wateja ilibuniwa mnamo Februari 2005 kuangazia mikakati itakayoweza Bodi kutoa mwongozo ufaao kwa wasimamizi. Mamlaka ya Kamati ni pamoja na kuchunguza mpango wa miaka mitano na ule wa kila mwaka wa kutoa mwongozo kwa kampuni, bajeti ya kila mwaka ya Kampuni, kuchunguza miradi mikubwa inayotekelezwa na mikakati ya kuinua biashara na huduma kwa wateja.

Wanachama waliohudumu kwenye Kamati hiyo mwaka uliopita wanaonyeshwa kwenye Jedwali iliyopo chini. Kamati ilifanya vikao 5 mwaka uliopita na mahudhurio yalikuwa kama ifuatavyo:

	JINA	MAHUDHURIO
1	Bw. P. Obath* - Mwenyekiti	2
2	Bw. J. Kariuki	4
3	Bw. M. Kariuki*	2
4	Bw. F. Nyaga**	4
5	Bw. E. Kioni**	4
6	Bw. S. Mwangi***	3
7	Mhandisi J. Njoroge - MD & CEO	5

*Kuanzia Machi 18, 2010

**Alikoma kuwa mwanachama mnamo Machi 18, 2010

***Alistaafu mnamo Desemba 18, 2009

Kamati ya Wafanya Kazi na Mishahara

Mamlaka ya kamati ya wafanya kazi na Mishahara ni pamoja na kuangalia na kufanya mapendekezo kwa Bodi kuhusu yafuatayo: (i) uteuzi na masharti ya utenda kazi ya Mkurugenzi Mkuu; (ii) muundo wa malipo ya wafanya kazi; (iii) uteuzi, kupandishwa cheo na masuala ya kuadhibu wafanya kazi wa ngazi za juu; bonasi ya matokeo bora kwa Mkurugenzi Mkuu na wafanya kazi; (v) sera za masuala ya wafanya kazi na muundo na mpangilio wa shirika kusaidia shughuli za Kampuni; (vi) mpango wa urithi wa wafanya kazi wa

ngazi za juu. Kamati pia inachunguza hali ya mfuko wa malipo ya uzeeni ya wafanya kazi. Wanachama waliohudumu katika Kamati hiyo mwaka uliopita wanaonyeshwa kwenye Jedwali iliyopo chini. Kamati iliandaa vikao 5 mwaka huo na mahudhurio ni kama inavyoonyeshwa pia hapa chini:

	JINA	MAHUDHURIO
1	Dkt. T. Kilukumi - Mwenyekiti	5
2	Bw. E. Kioni	5
3	Bw. J. Kariuki	5
4	Bw. P. Nyoike	4
5	Bw. A. Mbui*	2
6	Bw. J. Mwirigi**	1
7	Mhandisi J. Njoroge - MD & CEO	5

*Alistaafu mnamo Desemba 18, 2009

**Kuanzia Machi 2010

Kamati Inayosimamia Ununuzi

Kamati ya Usimamizi wa Ununuzi ilibuniwa mnamo Januari 2007 na inatekeleza wajibu wa uangalizi wa ununuzi kwa niaba ya Bodi, ambayo haiwakilishwi kwenye Kamati ya Kusimamia Tenda. Majukumu ya Kamati hiyo ni pamoja na kuangalia mpango wa ununuzi wa kila mwaka na kutoa mapendekezo kwa Bodi; kuchunguza utaratibu wa ununuzi kuhakikisha uzingatiaji wa mpango ulioidhinishwa wa ununuzi, kuidhinisha ununuzi na uagizaji wa huduma za thamani ya Sh.50 milioni na zaidi na ununuzi mwingine muhimu.

Wanakamati waliohudumu mwaka uliopita wanaonyeshwa kwenye Jedwali iliyopo chini. Kamati ilifanya vikao 12 mwaka uliopita na mahudhurio yalikuwa kama ilivyo hapa chini:

	JINA	MAHUDHURIO
1	Bw. M. Kariuki - Mwenyekiti - Kuanzia Machi 18, 2010	2
2	Bw. E. Ochola*	10
3	Dkt. T. Kilukumi	12
4	Bw. A. Mbui**	5
5	Bw. F. Nyaga - Kuanzia Machi 8, 2010	3
6	Bw. E. Kioni	3
7	Mhandisi J. Njoroge - MD & CEO	12

*Alikoma kuwa mwanachama mnamo Machi 18, 2010

** Mwenyekiti alikoma kuwa mwenyekiti na mwanachama Disemba 18, 2009

Taarifa ya Maongozi ya Kampuni ya Kenya Power and Lighting Company Limited (unaendelea)

Kamati ya IPP

Ununuzi wa umeme huigharimu Kampuni kiasi kikubwa cha pesa na Kamati ya IPP ilibuniwa mnamo Mei 2003 na kupewa mamlaka ya kujadiliana na wazalishaji umeme wa kibinafsi kuhusu ununuzi wa umeme. Majadiliano hayo yananiua kupunguza ada ya umeme kwa wateja. Wanachama waliohudumu mwaka uliopita wanaonyeshwa kwenye Jedwali chini:

Kamati huwaalika wafanya kazi wakuu walio na ufahamu muhimu kwa vikao vyake. Mwaka uliomalizika, Kamati iliandaa jumla ya vikao 8 sambamba na mahitaji ya kibiashara. Orodha ya mahudhurio ni kama ifuatavyo:

	JINA	MAHUDHURIO
1	Bw. E. Kioni - Mwenyekiti	8
2	Bw. F. Nyaga	8
3	Bw. J. Kariuki	7
4	Bw. E. Ochola*	8
5	Bw. P. Nyoike	6
6	Bw. P. Obath**	1
7	Mhandisi J. Njoroge - MD & CEO	8

*Alikoma kuwa mwanachama mnamo Machi 18, 2010

**Kuanzia Machi 18, 2010

Kamati ya Teknolojia ya Mawasiliano

Kamati hii ilibuniwa Januari 2007, kwa kuzingatia wajibu muhimu unaotekelezwa na teknolojia ya mawasiliano katika biashara ya Kampuni. Ina jukumu la kutathmini Sera ya Kampuni Kuhusu IT, kushughulikia masuala ya usalama wa IT, kuhakikisha mitambo inafanikisha malengo ya kibiashara ya Kampuni na Kampuni inapata thamani kwa fedha zote ilizowekeza katika ununuzi wa vifaa vya teknolojia ya mawasiliano, wafanya kazi na kuchunguza nafasi zilizopo za kibiashara.

Kamati ilikuwa na vikao vitatu mwaka uliopita na mahudhurio ni kama ifuatavyo:

	JINA	MAHUDHURIO
1	Bw. J. Mwirigi* - Mwenyekiti	1
2	Bw. S. Mwangi**	2
3	Dkt. T. Kilukumi	3
4	Bw. A Mbui**	1
5	Mhandisi J. Njoroge - MD & CEO	3

*Kuanzia Machi 18, 2010

** Alistaafu mnamo Desemba 18, 2009

Katibu wa Kampuni ndiye katibu wa Kamati zote za Bodi isipokuwa ile ya Wafanya Kazi na Mishahara ambapo Mkurugenzi Mkuu ndiye katibu.

Mikutano ya Maafisa Wakuu Wasimamizi

Kamati ya maafisa wakuu wasimamizi inayoshirikisha wakuu wa idara wanaowajibika moja kwa moja kwa Mkurugenzi Mkuu hukutana angalau mara mbili kwa mwezi kutathmini utenda kazi, na kuangalia masuala ya sera na biashara ikiwemo hatua muhimu, huku pia ikichunguza stakabadhi kabla ya kuwasilishwa kwa Bodi kuangaliwa na kuidhinishwa inavyostahili.

MALIPO YA WAKURUGENZI

Maelezo kuhusu ujira wa Wakurugenzi yametolewa kwenye ukurasa 81. Kwa mwaka uliomalizika, Wakurugenzi hawakulipwa ujira wa kila mwezi sambamba na mwongozo wa Serikali kwa mashirika yote ya umma kwamba ujira wa Wakurugenzi ulipwe kila mwaka baada ya kuidhinishwa na wenyehisa. Malipo ya Wakurugenzi kila mwaka ni lazima yawe kwenye viwango vilivyoidhinishwa na Serikali. Inapendekezwa kwamba Wakurugenzi walipwe ujira wa Sh.600,000 kila mmoja kwa kipindi cha matumizi ya fedha kilichomalizika Juni 30, 2010 au kugawa kwa usawa kiasi chochote kile. Jumla ya malipo ya Wakurugenzi ni Sh.5,400,000.

Wakurugenzi pia wanalipwa marupurupu kwa kila kikao waliohudhuria, marupurupu ya chakula cha mchana (badala ya chakula hicho kupeanwa), marupurupu ya malazi na kurudishiwa fedha za mafuta inavyostahili, zote sambamba na viwango vilivyoidhinishwa kwa mashirika ya umma na Serikali. Isitoshe, Mwenyekiti analipwa honoraria kila mwezi.

Wakurugenzi hawakuwa na mikopo mwaka uliopita.

VIDHIBITI VYA NDANI

Wakurugenzi wanatambua wajibu wao kama ulivyofanuliwa kwenye ukurasa 49 Kwa mfumo wa Kampuni wa kusimamia fedha, ikiwemo kuchukua hatua zifaazo kuhakikisha mifumo hiyo inadumishwa.

Mifumo ya usimamizi wa ndani inaundwa kutosheleza mahitaji maalumu ya Kampuni, na hatari zinazoikabili huku taratibu zikiwepo kutoa usimamizi ufao wa kifedha. Hata hivyo, mfumo kama huo unaweza kutoa usalama kiasi, lakini si hakikisho kamili kwa ulaghai.

Hisa za Wakurugenzi

Hakuna Mkurugenzi binafsi anayemiliki zaidi ya asilimia 1 ya hisa zote za Kampuni.

Taarifa ya Maongozi ya Kampuni ya Kenya Power and Lighting Company Limited (unaendelea)

Viwango vya Maadili

Kampuni ina Mwongozo wa Maadili kwa Bodi, Wasimamizi na Sera ya Kuzuia Ufisadi. Kampuni pia inazingatia viwango vya maadili kama

ilivyofafanuliwa kwenye Sheria ya Maadili ya Afisa wa Umma. Hii inawahitaji wafanya kazi wote kuendesha shughuli zao kwa uadilifu. Ili kuunga mkono harakati za kukuza maadili, Kampuni ina Afisi ya Maadili na Uadilifu ambayo huendesha mafunzo ya uhamasisho, kuhakikisha utekelezaji wa mipango ya kuzuia ufasadi, kufanya tathmini ya hatari zilizopo na kuhakikisha uchunguzi kuhusu uadilifu unafanywa kila mwaka na taasisi huru. Kampuni inachukulia uadilifu na masuala ya maadili kuwa muhimu katika kutoa huduma kwa wateja na kufanikisha malengo yake ya kibiashara na ina ushirikiano na Tume ya Kupambana na Ufisadi na Transparency International (Kenya) kuhusiana na masuala ya kukabiliana na ufasadi. Kutokana na hali hiyo, utekelezaji wa mipango ya kuzuia ufasadi ni mojawapo ya malengo ya utenda kazi ya Bodi na Wasimamizi.

UWAJIBIKAJI NA UHASIBU

Wajibu wa wakurugenzi kuhusiana na taarifa za kifedha

Pamoja na majukumu yake ya kuhakikisha uzingatiaji wa uangalifu, vipawa na umakinifu, Sheria ya Kampuni inawahitaji Wakurugenzi kutayarisha taarifa za kifedha kila mwaka wa matumizi ya fedha, ambayo inatoa taswira sahihi na ya kweli kuhusu hali halisi ya Kampuni kufikia mwisho wa mwaka wa fedha, na akaunti ya faida na hasara kwa kipindi hicho. Wakurugenzi wanawajibika kuhakikisha kuwa sera zifaazo za uhasibu zinatumiwa kwa kuzingatia maamuzi yanayostahili na viwango vinavyostahili vya uhasibu vinatumika.

Wakurugenzi wanawajibika kuhakikisha kuwa Kampuni inaweka rekodi sahihi, ambazo zinaonyesha hali halisi ya Kampuni kifedha ili kuzingatia Sheria ya Kampuni. Pia wana wajibu mkubwa kwa vidhibiti vya ndani kulinda mali na vifaa vya Kampuni na kuzuia na kutambua ulaghai na ukiukaji wowote wa kanuni.

KUDHIBITI HATARI ZA KIBIASHARA

Usimamizi ufaao wa hatari ya kibiashara katika Kampuni ni muhimu katika kuafikia malengo yetu muhimu na udumishaji wa biashara. Hatari za kibiashara hubadilika mara kwa mara kutokana na sababu za ndani na nje,

na mashirika yanapasa kuwa chonjo na kutambua hatari zozote zinazoweza kutatiza kuafikiwa kwa malengo yao muhimu. Hivyo basi, tumeweka taratibu zifaazo kutoka kwa Bodi hadi ngazi ya chini ya usimamizi kuhakikisha kuwa hatari zozote zinadhibitiwa na nafasi za kibiashara zinazojitokeza zinatumiwa kikamilifu kwa manufaa ya wenyehisa wetu.

Kampuni imeanzisha kitengo cha kusimamia hatari za kibiashara (ERM) kuongoza na kushirikisha shughuli za ERM. Hatua tulizochukua ni pamoja na kutambua mapema, kuchanganua na kupunguza hatari katika fani zote za biashara na kuanzisha sajiri ya hatari za kibiashara ambayo inaunda msingi wa huduma za ERM.

MIPANGO KUHUSU URITHI

Bodi inachukulia mipango kuhusu urithi kuwa muhimu kwa uendelezaji na udumishaji wa biashara. Kufuatia hali hii, Kampuni ina utaratibu wa urithi na kutambua wale wanaoweza kushikilia nyadhifa muhimu za usimamizi. Hii ni pamoja na kujumuisha muundo wa usimamizi bora katika tathmini za utenda kazi, kutambua wote walio na vipawa na kuwakuza.

MAWASILIANO NA WENYEHISA

Kampuni inathamini kwa dhiti mawasiliano kati yake na wenyehisa ndiposa inachapisha taarifa zake za kifedha katikati ya mwaka na mwishoni mwa mwaka kwenye magazeti ya humu nchini. Matokeo hayo pia huwepo kwenye mtandao wa Kampuni katika: www.kplc.co.ke.

Ripoti kamili na hesabu husambazwa kwa wenyehisa kila mwaka. Wenyehisa wote wana haki kuhudhuria Mkutano Mkuu wa Kila Mwaka ambao unatangazwa siku 21 kabla ya kuandaliwa. Wenyehisa wanapewa fursa ya kuuliza maswali kuhusiana na suala lolote linalohusu shughuli za Kampuni. Isitoshe, Kampuni hufanya vikao na wawekezaji wakuu na wateja na kuwasilisha ripoti zake za hesabu katikati ya mwaka na mwishoni mwa mwaka kuhusu utenda kazi wake.

Taarifa ya Maongozi ya Kampuni ya Kenya Power and Lighting Company Limited (unaendelea)

MAELEZO KUHUSU WENYEHISA

Kampuni huwasilisha ripoti za kila mwezi sambamba na maelezo ya Halmashauri ya Masoko ya Mtaji na Soko la Hisa la Nairobi chini ya kanuni za usajili kuhusu shughuli zinazohusiana na wenyehisa. Wenyehisa 20 wakuu kufikia Agosti 31, 2010 walikuwa kama ifuatavyo:

NO.	JINA LA MWENYEHISA	KAWAIDA	4% UPENDELEO	7% UPENDELEO	JUMLA	%
1	KATIBU WA KUDUMU HAZINA KUU	32,002,929	656,808	193,531	32,853,268	40.421
2	BARCLAYS (KENYA) NOMINEES LTD.	10,105,579	5,127	250	10,110,956	12.440
3	BOARD OF TRUSTEES N.S.S.F.	6,413,801	3,550	750	6,418,101	7.896
4	CFC STANBIC NOMINEES LTD.	2,360,427	48,308	-	2,408,735	2.964
5	JUBILEE INSURANCE CO. LTD.	1,613,435	59,828	17,160	1,690,423	2.080
6	KCB NOMINEES LTD.	1,611,466	69,584	800	1,681,850	2.069
7	NIC CUSTODIAL SERVICES	1,397,474	-	-	1,397,474	1.719
8	CFC LIFE ASSURANCE LIMITED	871,475	-	-	871,475	1.072
9	ALIMOHAMED ADAM	529,169	277,264	57,617	864,050	1.063
10	CO-OP BANK CUSTODY	660,933	-	-	660,933	0.813
11	PHOENIX OF E.A. ASSURANCE CO. LTD.	630,168	-	-	630,168	0.775
12	GOODWILL NAIROBI LIMITED	486,767	-	-	486,767	0.599
13	KPLC LTD. STAFF RETIREMENT BENEFIT SCHEME TRUSTEES	450,000	-	-	450,000	0.554
14	BRITISH AMERICAN INSURANCE CO. (K) LTD.	431,838	-	-	431,838	0.531
15	THE HERITAGE ALL INSURANCE CO. LTD.	419,408	-	-	419,408	0.516
16	EQUITY NOMINEES LTD.	397,206	-	-	397,206	0.489
17	KENINDIA ASSURANCE CO. LTD.	389,300	-	-	389,300	0.479
18	CHRISTOPHER JOHN KIRUBI	300,000	-	-	300,000	0.369
19	JENNID TRADING CO. LTD.	245,012	-	-	245,012	0.301
20	GANDHI SMARAK NIDHI	234,963	-	-	234,963	0.289
	JUMLA	61,551,350	1,120,469	270,108	62,941,927	77.440
	WENYEHISA WENGINE	17,576,650	679,531	79,892	18,336,073	22.560
	JUMLA YA HISA ZILIZOTOLEWA	79,128,000	1,800,000	350,000	81,278,000	100.000

UGAWANAJI WA WENYEHISA

UGAWANAJI WA WENYEHISA WA KAWAIDA KUFIKIA 31/08/2010

MASAFA	IDADI YA WANACHAMA	HISA
<1,000	5,070	1,887,363
1,001-10,000	1,860	6,058,631
10,001-50,000	397	8,049,712
50,001-100,000	79	5,624,287
Zaidi ya 100,000	76	57,508,007
JUMLA	7,482	79,128,000

UGAWANAJI WA HISA MAALUM ZA ASILIMIA 4 KUFIKIA 31/08/2010

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

UGAWANAJI WA HISA MAALUM ZA ASILIMIA 7 KUFIKIA 31/08/2010

MASAFA	IDADI YA WANACHAMA	HISA
<1,000	84	22,113
1,001-10,000	15	43,890
10,001-50,000	3	86,432
50,001-100,000	1	57,617
Zaidi ya 100,000	1	139,948
JUMLA	104	350,000



Bw. Eliazar Ochola
Mwenyekiti
Septemba 23, 2010

Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended 30 June 2010 which show the state of the Company's affairs.

ACTIVITIES

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

RESULTS

The results of the Company for the year are set out on page 51.

DIVIDENDS

A dividend of KShs 1.93 million payable on the cumulative preference shares has been recognised in the income statement under finance costs. In addition, a dividend of KShs 1,248 million payable on the redeemable 7.85% non-cumulative preference shares, which relates to the converted debts from the Government of Kenya and which exhibits all the characteristics of equity (see note 20(b)), has been charged to the retained earnings.

Subject to the approval of the shareholders, The Directors recommend to members that in addition to the interim dividend of Shs.3.00 paid earlier, a final dividend of Shs.5.00 per ordinary share be paid for the year ended 30 June 2010, subject to withholding tax where applicable, to shareholders registered in the books of the Company at close of business on 8th November 2010. This amounts to a total dividend of Shs.8.00 per share (previous year - Shs.8.00). If approved, the dividend will be paid on or about 15th December 2010.

CAPITAL EXPENDITURE

During the year, a total of KShs 17,527 million (2009 – KShs 16,207 million) was spent on property and equipment. Capital contributions received from customers amounting to KShs 3,885 million (2009 – KShs 3,472 million) have been netted off against costs of the assets resulting in a net capital cost to the Company of KShs 13,642 million (2009 – KShs 12,735 million). Net capital work-in-progress as at 30 June 2010 amounted to KShs 10,755 million compared to KShs 13,711 million in 2009.

DIRECTORS

The members of the Board of Directors who served during the year are shown on pages 4 - 6.

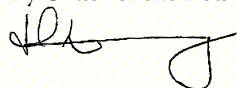
In accordance with Article 120 of the Memorandum and Articles of Association of the Company, Mr. Fidesius Nyaga, Mr. Esau Kioni and Dr. Theodorah Mallah-Kilukumi retire by rotation and being eligible, offer themselves for re-election.

AUDITORS

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

Ernst & Young were nominated by the Auditor General to carry out the audit for the year ended 30 June 2010.

By Order of the Board,



Laurencia Njagi

Secretary

Nairobi

23rd September 2010

Statement of Directors' Responsibilities the Year Ended 30 June 2010


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 affairs of the Company as at the end of the financial year and of the operating results of the Company for that year. It also requires the Directors to ensure the Company keeps proper accounting records which disclose with reasonable accuracy the financial position of the Company. They are also responsible for safeguarding the assets of the Company.

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

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



Director



Director



Director

23rd September 2010

Report of the Auditor General

The accompanying financial statements of The Kenya Power & Lighting Company Limited, set out at pages 51 to 101, which comprise the Statement of Financial Position as at 30 June 2010, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information have been audited on my behalf by Ernst & Young, auditors appointed under section 39 of the Public Audit Act, 2003. The auditors have duly reported to me the results of their audit and on the basis of their report, I am satisfied that all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit were obtained.

Management's Responsibility for the Financial Statements

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

Responsibility of the Auditor General

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

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

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 30 June 2010, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act, Cap 486 of the Laws of Kenya.



A.S.M. Gatumbu
Auditor General
Nairobi
23rd September 2010

Statement of Comprehensive Income for the Year Ended 30 June 2010

	Note	2010 KShs'000	2009 KShs'000
REVENUE			
Electricity sales	2.4 (a) (i)	39,107,277	36,458,817
Fuel costs recovered	2.4 (a) (ii)	33,190,489	28,268,851
Foreign exchange costs recovered	5 (a)	869,028	480,861
		<u>73,166,794</u>	<u>65,208,529</u>
POWER PURCHASE COSTS			
Basic power purchase costs	6 (a)	20,515,686	18,770,247
Fuel costs	6 (b)	33,331,119	28,347,555
		<u>53,846,805</u>	<u>47,117,802</u>
Gross profit		19,319,989	18,090,727
OPERATING EXPENSES			
Distribution	7 (a)	4,949,136	3,268,997
Commercial services	7 (b)	1,986,719	3,271,752
Energy transmission	7 (c)	1,643,331	1,483,103
Administration	7 (d)	6,397,959	5,546,545
		<u>14,977,145</u>	<u>13,570,397</u>
Operating income		4,342,844	4,520,330
OTHER INCOME	5 (b)	1,606,618	1,154,282
OPERATING PROFIT	8	5,949,462	5,674,612
Finance income	10	177,380	153,343
Finance costs	10	(493,885)	(1,045,522)
PROFIT BEFORE TAX		5,632,957	4,782,433
Income tax expense	11 (b)	(1,916,587)	(1,557,339)
PROFIT FOR THE YEAR		3,716,370	3,225,094
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME		<u>3,716,370</u>	<u>3,225,094</u>
Earnings per share (KShs)	12	46.97	40.76
Dividend per share (KShs)	13	8.00	8.00

Statement of Financial Position as at June 2010

ASSETS	Note	2010 KShs'000	2009 KShs'000
NON-CURRENT ASSETS			
Property and equipment	14	60,471,502	49,974,859
Prepaid leases on land	15	131,819	131,874
Fixed Interest investment	16 (a)	-	200,000
Unquoted investment	16 (b)	-	-
		60,603,321	50,306,733
CURRENT ASSETS			
Inventories	17	8,387,030	7,570,854
Trade and other receivables	18	8,416,960	8,716,239
Tax recoverable	11 (a)	196,968	171,101
Short term deposits	19 (a)	347,730	3,293,023
Bank and cash balances	19 (b)	2,261,461	1,505,858
		19,610,149	21,257,075
TOTAL ASSETS		80,213,470	71,563,808
EQUITY AND LIABILITIES CAPITAL AND RESERVES			
Ordinary share capital	20 (a)	1,582,560	1,582,560
Redeemable preference share capital	20 (b)	15,899,250	15,899,250
Reserves	21	9,615,336	7,643,394
Proposed dividends		1,643,731	1,722,859
TOTAL EQUITY		28,740,877	26,848,063
NON-CURRENT LIABILITIES			
Deferred tax	22	4,481,865	2,701,965
Trade and other payables	23(a)	15,119,048	11,870,700
Borrowings	24	13,113,434	11,545,014
Preference shares	25	43,000	43,000
		32,757,347	26,160,679
CURRENT LIABILITIES			
Trade and other payables	23 (b)	14,656,197	13,323,115
Retirement benefits obligation	26	21,618	471,218
Provision for leave pay	27	675,369	653,029
Borrowings	24	1,744,289	3,996,644
Dividends payable on ordinary shares	28	369,682	111,060
Dividends payable on 7.85% preference shares	28	1,248,091	-
		18,715,246	18,555,066
TOTAL EQUITY AND LIABILITIES		80,213,470	71,563,808

The financial statements on pages 51 to 101 were approved for release by the Board of Directors on 23rd September 2010 and were signed on its behalf by:



Eliazar O Ochola
(Chairman)



Fidesius M Nyaga
(Director)



Eng. Joseph Njoroge
(Managing Director & CEO)

Statement of Changes in Equity for the Year Ended 30 June 2010

	Ordinary share capital KShs'000 Note 20 (a)	Redeemable 7.85% cumulative preference share capital KShs'000 Note 20 (b)	Revaluation reserves KShs'000 Note 21	Retained earnings KShs'000 Note 21	Proposed dividends KShs'000 Note 13	Total KShs'000
At 1 July 2008	1,582,560	15,899,250	2,396,301	3,766,427	237,384	23,881,922
Transfer of excess depreciation	-	-	(455,626)	455,626	-	-
Deferred tax on excess depreciation	-	-	136,687	-	-	136,687
Total comprehensive income	-	-	-	3,225,094	-	3,225,094
Dividends paid - 2008	-	-	-	-	(237,384)	(237,384)
Interim dividends paid - 2009	-	-	-	(158,256)	-	(158,256)
Proposed final dividends:						
Ordinary shares	-	-	-	(474,768)	474,768	-
Redeemable 7.85% non-cumulative preference shares	-	-	-	(1,248,091)	1,248,091	-
At 30 June 2009	1,582,560	15,899,250	2,077,362	5,566,032	1,722,859	26,848,063
At 1 July 2009	1,582,560	15,899,250	2,077,362	5,566,032	1,722,859	26,848,063
Transfer of excess depreciation	-	-	(455,626)	455,626	-	-
Deferred tax on excess depreciation	-	-	136,687	-	-	136,687
Total comprehensive income	-	-	-	3,716,370	-	3,716,370
Dividends paid - 2009	-	-	-	-	(1,722,859)	(1,722,859)
Interim dividends paid -2010	-	-	-	(237,384)	-	(237,384)
Proposed final dividends:						
Ordinary shares	-	-	-	(395,640)	395,640	-
Redeemable 7.85% non-cumulative preference shares	-	-	-	(1,248,091)	1,248,091	-
At 30 June 2010	1,582,560	15,899,250	1,758,423	7,856,913	1,643,731	28,740,877

Statement of Cash Flows for the Year Ended June 2010

	Note	2010 KShs'000	2009 KShs'000
OPERATING ACTIVITIES			
Cash generated from operations	29(a)	12,853,201	16,013,096
Interest received	10	177,380	153,343
Interest paid	29(d)	(687,845)	(636,345)
Dividends paid	29(d)	(455,460)	(324,875)
Tax paid	11	(25,867)	(24,792)
Cash generated from operating activities		11,861,409	15,180,427
INVESTING ACTIVITIES			
Purchase of property and equipment		(17,526,909)	(16,207,418)
Customers capital contributions		3,885,105	3,472,481
Proceeds from disposal of property and equipment		47,940	190,690
Net cash used in investing activities		(13,593,864)	(12,544,247)
FINANCING ACTIVITIES			
Loans proceeds received	29(b)	2,728,630	2,357,694
Repayment of amounts borrowed	29(b)	(3,191,954)	(972,313)
Net cash (used in)/from financing activities		(463,324)	1,385,381
(Decrease)/increase in cash and cash equivalents		(2,195,779)	4,021,561
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR			
		4,798,881	756,427
Effects of foreign exchange rate fluctuations		6,089	20,893
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR			
	29(c)	2,609,191	4,798,881

Notes to the Financial Statements for the Year Ended 30 June 2010

1. Corporate information

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

2. Basis of preparation of financial statements

2.1 Basis of preparation

The financial statements have been prepared on a historical cost basis, except for the measurement at revaluation amounts of certain property and equipment, marketable securities and financial instruments at fair value, impaired assets at their recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) requires the use of estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

Statement of compliance

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

2.2 Changes in accounting policies and disclosures

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

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

The Company has adopted certain new and amended International Financial Reporting Standards which were effective from 1 July 2009. Adoption of these revised standards and interpretations did not have any effect on the financial performance or position of the Company. They did however give rise to additional disclosures.

IAS 1, Revised Presentation of Financial Statements (effective 1 January 2009)

The Standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income, which presents income and expense items recognised in profit or loss, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The Company has elected to present comprehensive income in one single statement and it has not provided a restated comparative set of financial position for the earliest comparative period, as it has not adopted any new accounting policies retrospectively, or has a retrospective restatement or retrospectively reclassified items in the financial statements.

Amendment to IFRS 7 Financial Instruments Disclosures (effective 30 November 2009)

The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, reconciliation between the beginning and ending balance for level three fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. Estimated fair value is the amount at which an instrument could be exchanged in a current transaction between willing parties other than enforced or liquidation sale.

IFRS 8 Operating segments (effective 1 January 2009)

IFRS 8 specifies how an entity should report information about its operating segments in the annual financial statements. It also sets out requirements for related disclosures about products and services (business segments), geographical areas (reporting segments) and major customers.

The standard require the presentation and disclosure of segment information based on the internal reports that are regularly reviewed by the Company's "chief operating decision maker" in order to assess each segment's performance and allocate resources to them. Currently the Company presents segment information in respect of its business and geographical segments (See note 3). This standard will have no effect on the Company's reported profit or loss or equity.

Notes to the Financial Statements for the Year Ended 30 June 2010 (continued)

2.2 Changes in accounting policies and disclosures (continued)

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

The amendment to the standard requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use) as part of the cost of that asset. Though, the option of immediately expensing borrowing costs was removed from the standard, the Company had already adopted the option of capitalising and thus has no effect on the financial statements.

IAS 32 (amendment), Financial instruments: Presentation and IAS 1 (amendment), Presentation of financial statements (effective 1 January 2009)

IAS 32 requires certain puttable instruments that meet the definition of a financial liability to be classified as equity if, and only if, they meet the required conditions. The Company had already adopted the recommended presentation and disclosure and thus this had no effect on the financial statements.

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

IFRS 2 Share-Based Payment (Amendments)

The IASB issued an amendment to IFRS 2 in January 2008 that defines vesting conditions and prescribes the treatment for an award that is cancelled. This amendment is effective for financial years beginning on or after 1 January 2009.

The IASB also issued an amendment to IFRS 2 in June 2009 on the accounting for group cash-settled share-based payment transactions. This amendment is effective for financial years beginning on or after 1 January 2010. This amendment also supersedes IFRIC 8 and IFRIC 11.

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

In accordance with IAS 27 amendments, acquisitions of additional non-controlling equity interest in subsidiaries have to be accounted for as equity transactions. Disposals of equity interests while retaining control are also accounted for as equity transactions. When control of an investee is lost, the resulting gain or loss relating to the transaction will be recognised in the income statement. The amendments to IAS 27 also require that losses (including negative other comprehensive income as detailed in the revised

IAS 1) have to be allocated to the non-controlling interest even if doing so causes the non-controlling interest to be in a deficit position.

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

The statement requires that all transaction costs be expensed and the contingent purchase consideration be recognised at fair value on acquisition date. For successive share purchases, any gain or loss for the difference between the fair value and the carrying amount of the previously held equity interest in the acquiree will have to be recognised in income statement. This revision will have no impact on the financial position or performance of the Company.

IFRIC 8 Scope of IFRS 2

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

IFRIC 15 Agreements for the construction of real estate (effective 1 January 2009)

The IFRIC issued IFRIC interpretation 15 in July 2008 and is effective for financial years beginning on or after 1 January 2009. The interpretation is to be applied retrospectively. It clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognised if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. Furthermore, the interpretation provides guidance on how to determine whether an agreement is within the scope of IAS 11 or IAS 18. IFRIC 15 will not have an impact on the consolidated financial statements because the Company does not conduct such activities.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation (effective 1 October 2008)

The IFRIC issued IFRIC interpretation 16 in July 2008. The interpretation provides guidance in respect of hedges of foreign currency gains and losses on a net investment in a foreign operation. The amendment is applied prospectively. The amendment states an entity can hedge foreign currency risk between the functional currency of a subsidiary and the functional currency of any parent, as well as the presentation currency of the Company if this is different from the parent. This interpretation did not have an impact on the financial statements.

Notes to the Financial Statements for the Year Ended 30 June 2010 (continued)

2.2 Changes in accounting policies and disclosures (continued)

Standards, interpretations and amendments, to published standards, that have no effect on the Company operations or position as they are not applicable to the Company's current circumstances. (continued)

IFRIC 16 Hedges of a Net Investment in a Foreign Operation (effective 1 October 2008) (continued)

As the Company report in the presentational currency of the ultimate parent, as well as the ultimate parent holding the direct investment in the subsidiaries, this guidance has no impact on the financial position and performance of the Company. This interpretation did not have an impact on the financial statements.

IFRIC 17 Distribution of Non-cash Assets to Owners (effective 1 July 2009)

IFRIC 17 provides guidance on how to account for distributions of non cash assets to its owners and distributions that give owners a choice of receiving either non-cash assets or a cash alternative. The interpretation is effective prospectively for reporting periods beginning on or after 1 July 2009. This interpretation did not have an impact on the financial statements.

IFRIC 18 Transfer of Assets from Customers (effective 1 July 2009) IFRIC 18 provides guidance on accounting for transfers of assets, where cash is used to purchase those items of plant, property and equipment, which an entity receives from a customer, which is either used to connect the customer to a network, or provide the customer ongoing access to a supply of goods and services. The interpretation is effective prospectively for reporting periods beginning on or after 1 July 2009. This interpretation did not have an impact on the financial statements.

Improvements to IFRSs

In May 2008 and April 2009, the IASB issued omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments did not have material impact on the financial position or performance of the Company.

IFRS 5, Non-current Assets Held for Sale and Discontinued Operations:-

Clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in IFRS 5. The disclosure requirements of other IFRSs only apply if specifically required for such non-current assets or discontinued operations.

IFRS 7, Financial Instruments: Disclosures:- Removal of the reference to 'total interest income' as a component of finance costs.

IFRS 8, Operating Segment Information:- Clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.

IAS 1, Presentation of Financial Statements:-Assets and liabilities classified as held for trading in accordance with IAS 39 Financial Instruments:-

Recognition and Measurement are not automatically classified as current in the statement of financial position.

IAS 1 Presentation of Financial Statements:-Current/non-current classification of derivatives:- Assets and liabilities classified as held for trading are not automatically classified as current in the statement of financial position.

IAS 7, Statement of Cash Flows:- Explicitly states that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities.

IAS 8, Accounting Policies, Change in Accounting Estimates and Errors:- Clarification that only implementation guidance that is an integral part of an IFRS is mandatory when selecting accounting policies.

IAS 10, Events after the Reporting Period:- Clarification that dividends declared after the end of the reporting period are not obligations.

IAS 16, Property, Plant and Equipment:- Recoverable amount: Replaces the term "net selling price" with "fair value less costs to sell".

Sale of assets held for rental: Items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental, are transferred to inventory when rental ceases and they are held for sale.

IAS 18, Revenue:- The amendment replaces the term 'direct costs' with 'transaction costs' as defined in IAS 39.

IAS 18, Revenue:- As part of the second omnibus of amendments to standards issued in April 2009 the Board has added guidance (which accompanies the standard) to determine whether an entity is acting as a principal or as an agent, effective immediately. The features to consider are whether the entity:

- Has primary responsibility for providing the goods or service
- Has inventory risk
- Has discretion in establishing prices
- Bears the credit risk

The Company has assessed its revenue arrangements against these criteria and concluded that it is acting as principal in all arrangements.

Notes to the Financial Statements for the Year Ended 30 June 2010 (continued)

2.2 Changes in accounting policies and disclosures (continued)

IAS 19, Employee Benefits:-Revised the definition of 'past service costs', 'return on plan assets' and 'short term' and 'other long-term' employee benefits. Amendments to plans that result in a reduction in benefits related to future services are accounted for as curtailment. Deleted the reference to the recognition of contingent liabilities to ensure consistency with IAS 37. Changes to definitions on return on plan assets, contingent liability and short-term and other long-term benefits are to be applied retrospectively. The change to past service cost definition to be applied prospectively. The amendment had no impact on accounting policy and financial position of the Company.

IAS 20, Accounting for Government Grants and Disclosures of Government Assistance:-Loans granted with no or low interest will not be exempt from the requirement to impute interest. Interest is to be imputed on loans granted with below-market interest rates.

IAS 23, Borrowing Costs:-Components of borrowing costs:- Revises the definition of borrowing costs to consolidate the types of items that are considered components of 'borrowing costs' – that is components of the interest expense calculated using the effective interest rate method.

IAS 27, Consolidated and Separate Financial Statements:-When a parent entity accounts for a subsidiary at fair value in accordance with IAS 39 in its separate financial statements, this treatment continues when the subsidiary is subsequently classified as held for sale.

IAS 28, Investments in Associates:- If an associate is accounted for at fair value through profit or loss, only the requirement of IAS 28 to disclose the nature and extent of any significant restrictions on the ability of the associate to transfer funds to the entity in the form of cash or repayment of loans applies. An investment in an associate is a single asset for the purpose of conducting the impairment test – including any reversal of impairment. Therefore, any impairment is not separately allocated to the goodwill included in the investment balance.

IAS 29, Financial Reporting in Hyperinflationary Economies:-Revises the reference to the exception that assets and liabilities should be measured at historical cost, such that it notes property, plant and equipment as being an example, rather than implying that it is a definitive list.

IAS 31, Interest in Joint Ventures:-If a joint venture is accounted for at fair value, the only disclosure requirements of IAS 31 are those relating to the commitments of the venturer and the joint venture, as well as summary financial information about the assets, liabilities, income and expenses.

IAS 34, Interim Financial Reporting:-Clarifies that earnings per share is disclosed in interim financial reports if an entity is within the scope of IAS 33.

IAS 36, Impairment of Assets:-When discounted cash flows are used to estimate 'fair value less cost to sell', additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate 'value in use'. The amendment clarified that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes.

IAS 38, Intangible Assets (effective 1 July 2009):-If an intangible asset acquired in a business combination is identifiable only with another intangible asset, the acquirer may recognise the group of intangibles as a single asset provided the individual assets have similar useful lives. The valuation techniques presented for determining the fair value of intangible assets acquired in a business combination are only examples and are not restrictive on the methods that can be used.

Expenditure on advertising and promotional activities is recognised as an expense when the Company either has the right to access the goods or has received the service. The reference to there being rarely, if ever, persuasive evidence to support an amortisation method of intangible assets other than a straight-line method has been removed.

IAS 39, Financial Instruments:- Recognition and Measurement:- Changes in circumstances relating to derivatives

Specifically derivatives designated or de-designated as hedging instruments after initial recognition – are not reclassifications. When financial assets are reclassified as a result of an insurance Company changing its accounting policy in accordance with paragraph 45 of IFRS 4 Insurance Contracts, this is a change in circumstance, not a reclassification.

The standard also requires use of the revised effective interest rate (rather than the original effective interest rate) when remeasuring a debt instrument on the cessation of fair value hedge accounting.

IAS 39, Financial Instruments (effective 1 July 2009): Recognition and measurement – Eligible Hedged Items

The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations.

Notes to the Financial Statements for the Year Ended 30 June 2010 (continued)

2.2 Changes in accounting policies and disclosures (continued)

IAS 40, Investment Properties:- Revises the scope to include property that is being constructed or developed for future use as an investment property. Where an entity is unable to determine the fair value of an investment property under construction, but expects to be able to determine its fair value on completion, the investment under construction will be measured at cost until fair value can be determined or construction is complete.

IAS 41, Agriculture:- Removes the reference to the use of a pre-tax discount rate to determine fair value, thereby allowing use of either a pre-tax or a post tax discount rate depending on the valuation methodology used. The standard removes the prohibition to take into account cash flows resulting from any additional transformations when estimating fair value. Instead, cash flows that are expected to be generated in the most relevant market are taken into account.

Standards, interpretations and amendments to published standards, that were not early adopted.

The Company has chosen not to early adopt the following standards, amendments and interpretations to existing standards that were issued, but not yet effective, for accounting periods beginning on 1 January 2009. The adoption of these standards, amendments and interpretations is expected not to have any significant impact on the Company's financial statements in the period of initial application but additional disclosures will be required.

- **IAS 24, (Revised) Related Party Disclosure:-** The revised Standard shall be applied retrospectively for annual periods beginning on or after 1 January 2011.
- **IFRS 2, Share based payment (effective 1 January 2010):-** Group Cash-settled Share-based Payment Transactions. The IASB issued an amendment to IFRS 2 that clarified the scope and the accounting for group cash-settled share-based payment transactions.
- **IFRS 9, Financial Instruments (effective 1 January 2011):- Recognition and Measurement:-** The revised standard sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.
- **IFRIC 14, Prepayments of a Minimum Funding Requirements (Amendments):-** IFRIC 14 was amended to remove an unintended consequence arising from the treatment of prepayments of future contributions in some circumstances when there is a minimum funding requirement.

- **IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments:-** The Interpretation was issued in November 2009 and shall be applied retrospectively for annual periods beginning on or after 1 April 2010. The Interpretation clarifies that equity instruments issued to a creditor to extinguish the liability are "consideration paid" in accordance with IAS 39. As a result, the financial liability is derecognised and the equity instruments issued are treated as consideration paid to extinguish that financial liability. The Interpretation states that equity instruments issued in a debt for equity swap should be measured at the fair value of the equity instruments issued, if this can be determined reliably. If the fair value of the equity instruments issued is not reliably determinable, the equity instruments should be measured by reference to the fair value of the financial liability extinguished as of the date of extinguishment. Any difference between the carrying amount of the financial liability that is extinguished and the fair value of the equity instruments issued is recognised immediately in profit or loss. The resulting gain or loss is disclosed separately on the statement of comprehensive income, or the separate statement of comprehensive income (if presented), or in the notes. This standard will have no effect on the Company's financial statements.

2.3 Significant accounting judgments, estimates and assumptions

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

Judgments

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

Operating lease commitments – Company as lessor

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

Notes to the Financial Statements for the Year Ended 30 June 2010 (continued)

2.3 Significant accounting judgments, estimates and assumptions (continued)

Estimates and assumptions

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

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of recognised tax losses at 30 June 2010 was KShs. 8.5 billion (2009: nil).

Pension and other post employment benefits

The cost of defined benefit pension plans and other post employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. The net employee liability at 30 June 2010 was KShs 21,618,000 (2009: KShs 471,218,000). Further details are given in Note 26.

Fair value of unquoted equity instruments

The unquoted equity instruments have been valued based on the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics. This valuation requires the Company to make estimates about expected future cash flows and discount rates, and hence they are subject to uncertainty. The fair value of the unquoted equity instruments at 30 June 2010 was NIL. (2009: NIL). Further details are given in Note 16.

Use of estimates in the preparation of the financial statements and assumptions made

In preparing the financial statements, Directors are required to make estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available

information and the application of judgment is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements.

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

(i) Property and equipment

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

(ii) Impairment of assets

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

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

(iii) Provision for doubtful debts

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

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 balance sheet. It is also intended to promote well-reasoned, effective work plans for problem 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.

Notes to the Financial Statements for the Year Ended 30 June 2010 (continued)

2.3 Significant accounting judgments, estimates and assumptions (continued)**(iii) Provision for doubtful debts (continued)**

Specific provisions are established where full recovery of 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.

The amounts required to bring the provisions for impairment to new assessed levels are charged to income statement.

(iv) Deferred tax assets

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

(v) Pensions

Actuarial assumptions are made in valuing future defined benefit obligation and are updated periodically. The principal assumptions relates to the discount rate. The discount rate is equal to 5%.

2.4 Summary of significant accounting policies**(a) Revenue**

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

(i) Electricity sales

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

(ii) Fuel cost recovered

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

(iii) Foreign exchange recovered

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

(iv) Finance income

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

(v) Dividends

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

(vi) Rental income

Rental income is recognised in the income statement, as it accrues using the effective lease agreements.

(b) Inventories

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

(c) Tangible and intangible assets**(i) Property and equipment**

Transmission assets in existence as at 30 June 2002 are stated at revalued amount, while subsequent additions are carried at cost less accumulated depreciation and amortisation impairment losses. Other 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 rehabilitation 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 the income statement as incurred.

Notes to the Financial Statements for the Year Ended 30 June 2010 (continued)

2.4 Summary of significant accounting policies (continued)

(c) Tangible and intangible assets (continued)

(i) Property and equipment (continued)

Revaluations are performed to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any revaluation surplus is credited to the assets revaluation reserve included in the equity section of the balance sheet, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement, in which case the increase is recognised in the income statement. A revaluation deficit is recognised in the income statement, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

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

Additions to power distribution lines during the year are capitalised net of customers' contributions, i.e. nil basis of recognition of customer contributions as part of distribution lines.

Due to the system reinforcement being carried out on the distribution lines and upgrading of associated substations under the Energy Sector Recovery Project, there was no need for a revaluation as the impaired lines and substations will be reinforced, replaced or upgraded.

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

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its

use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

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

(ii) Capital work-in-progress

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

(iii) Intangible assets excluding goodwill

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. 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 are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortised.

Notes to the Financial Statements for the Year Ended 30 June 2010 (continued)

2.4 Summary of significant accounting policies (continued)

(c) Tangible and intangible assets (continued)

(iii) Intangible assets excluding goodwill (continued)

The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

(d) Taxation

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date. Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Deferred income tax

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

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

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

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

the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

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

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

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

(e) Leases

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

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

Notes to the Financial Statements for the Year Ended 30 June 2010 (continued)

2.4 Summary of significant accounting policies (continued)

(e) Leases (continued)

Company as a lessee

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

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 the income statement on a straight line basis over the lease term.

Company as a lessor

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

(f) Foreign currencies

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

(g) Financial Instruments

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

A financial asset (or, where applicable a part of a financial asset or part of a Company of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis.

This policy is to ensure that the Company regularly evaluate debts and their recoverability, maintain timely and appropriate provisions account in order to accurately reflect the condition of the balance sheet. It is also intended to promote well-reasoned, effective work plans for problem debts and effective internal controls to manage the level of such debts.

An estimate is made of doubtful receivables based on review of all outstanding amounts at year end. Bad debts are written off after all efforts of recovery have been exhausted.

Borrowings

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

Notes to the Financial Statements for the Year Ended 30 June 2010 (continued)

2.4 Summary of significant accounting policies (continued)

(g) Financial Instruments (continued)

Trade and other payables

Trade and other payables are non interest bearing liabilities and are carried at amortised cost, which is measured at the fair or contractual value of the consideration to be paid in future in respect of goods and services supplied by the suppliers, whether billed to the Company or not, less any payments made to the suppliers.

Investments

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

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

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

Redeemable preference shares

The component of redeemable preference shares that exhibits the characteristics of a liability is recognised as a liability in the balance sheet, net of issue costs. The corresponding dividends on those shares are charged as interest expenses in the income statement.

(h) Leave accrual

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

(i) Impairment of tangible and intangible assets excluding goodwill

The Company reviews the carrying amounts of its tangible and intangible assets, to determine whether there is any indication that those assets have suffered an impairment loss at reporting date, or when there are indications of impairment. If any such indication exists, the recoverable amount of the asset

is estimated and an impairment loss is recognised in the income statement whenever the carrying amount of the asset exceeds its recoverable amount.

An asset's recoverable amount is the higher of an 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-generated unit to which the asset belongs.

Impairment of transmission and distribution lines

A decline in the value of the transmission and distribution lines could have a significant effect on the amounts recognised in the financial statements. Management assesses the impairment of the lines whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors that are considered important which could make an impairment review necessary include 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 for the Year Ended 30 June 2010 (continued)

2.4 Summary of significant accounting policies (continued)

(i) Impairment of tangible and intangible assets excluding goodwill (continued)

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

(j) Retirement benefits obligations

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

Pensioners and deferred pensioners (those who have left the employment of the Company or are still in employment but have not attained retirement age to qualify as pensioners) existing at 30 June 2006 are eligible for retirement benefits under a defined benefit scheme. For the defined benefit scheme, the pension costs are assessed using the unit credit method. Under this method, the cost of providing pensions is charged to the income statement so as to spread the regular cost over the lives of pensioners in accordance with the advice of the actuaries who carry out a full valuation of the scheme every three years. The next valuation will be carried out in December 2011. The pension obligation is measured as the present value of the estimated future cash outflows using interest rate of 5%.

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

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

(k) Segment reporting

The Company business is organised by regions (reporting segments), comprising Nairobi, West Kenya, Coast and Mount 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).

(l) Earnings per share

Basic and diluted earnings per share (EPS) data for ordinary shares are presented in the financial statements. Basic EPS is calculated by dividing the profit 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.

(m) Dividends

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

(n) Government grants

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

When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

(o) Cash and cash equivalents

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

(p) Customers' capital contributions

Customers' capital contributions refer to receipts from customers to finance their connection to the Company's power supply network. They are initially recognised as liabilities. Upon commencement of construction works, they are netted off against construction costs incurred by the Company, with the resultant net cost being capitalised as Property Plant and Equipment.

These contributions are not transferred to the Company as they are not recognised as part of Company assets.

Notes to the Financial Statements for the Year Ended 30 June 2010 (continued)

3(a) SEGMENTS REPORTING

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

2010	Nairobi Region KShs'000	West Kenya Region KShs'000	Coast Region KShs'000	Mount Kenya Region KShs'000	2010 Total KShs'000
Electricity revenue	41,376,639	12,002,750	13,763,152	6,024,253	73,166,794
Other income	849,512	297,178	178,605	281,323	1,606,618
Power purchases	(29,615,742)	(9,692,425)	(9,692,425)	(4,846,213)	(53,846,805)
Branch transmission & distribution expenditure	(6,493,416)	(3,016,964)	(1,452,352)	(2,069,123)	(13,031,855)
Head office expenses	(1,069,910)	(350,152)	(350,152)	(175,076)	(1,945,290)
Segment results	5,047,083	(759,613)	2,446,828	(784,836)	5,949,462
Finance income					177,380
Finance cost					(493,885)
Income tax expense					(1,916,587)
Profit for the year					3,716,370
Other information					
Assets	39,724,449	18,753,366	10,521,266	11,214,389	80,213,470
Liabilities	28,851,435	9,399,120	8,372,775	4,849,263	51,472,593
Capital expenditure	4,604,274	4,631,331	1,451,156	2,955,043	13,641,804
Depreciation/amortisation	1,605,637	461,560	304,350	389,444	2,760,991

Notes to the Financial Statements for the Year Ended 30 June 2010 (continued)

3(a) SEGMENTS REPORTING (continued)

The table below shows the Company's revenue, expenses, assets and liabilities per region, capital expenditure and depreciation by region for the year 2009

2009	Nairobi Region KShs'000	West Kenya Region KShs'000	Coast Region KShs'000	Mount Kenya Region KShs'000	2009 Total KShs'000
Electricity revenue	36,565,367	11,220,033	11,992,990	5,430,140	65,208,530
Other income	848,554	99,362	75,919	130,447	1,154,282
Power purchases	(25,914,792)	(8,481,204)	(8,481,204)	(4,240,602)	(47,117,802)
Branch transmission & distribution expenditure	(4,469,950)	(2,542,119)	(1,194,772)	(1,036,133)	(9,242,974)
Head office expenses	(2,380,084)	(778,936)	(778,936)	(389,468)	(4,327,424)
Segment results	4,649,095	(482,864)	1,613,997	(105,616)	5,674,612
Finance income					153,343
Finance costs					(1,045,522)
Income tax expense					(1,557,339)
Profit for the year					3,225,094

Other information

Assets	36,345,804	15,232,320	10,200,621	9,785,063	71,563,808
Liabilities	24,617,132	8,340,712	7,384,627	4,373,274	44,715,745
Capital expenditure	5,520,822	3,528,505	1,646,680	2,710,328	13,406,335
Depreciation/amortisation	1,314,288	356,227	275,378	208,516	2,154,409

3(b) BUSINESS SEGMENTS

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

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

2010	Freehold land and buildings KShs'000	Lines KShs'000	Machinery KShs'000	Motor vehicles KShs'000	Furniture equipment and other KShs'000	Total KShs'000
Transmission	482,231	9,339,666	24,514	-	20,174	9,866,585
Distribution	1,181,054	33,762,065	72,785	1,675,263	3,290,613	39,981,780
Total	1,663,285	43,101,731	97,299	1,675,263	3,310,787	49,848,365

2009	Freehold land and buildings KShs'000	Lines KShs'000	Machinery KShs'000	Motor vehicles KShs'000	Furniture equipment and other KShs'000	Total KShs'000
Transmission	222,957	12,290,393	61,340	-	96,496	12,671,186
Distribution	1,145,343	18,858,582	9,565	1,311,319	2,213,096	23,537,905
Total	1,368,300	31,148,975	70,905	1,311,319	2,309,592	36,209,091

Notes to the Financial Statements for the Year Ended 30 June 2010 (continued)

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

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

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

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

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

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

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

- (c) Market risk
- (d) Operational risk
- (e) Compliance and regulatory risk
- (f) Legal risk

(a) Credit risk

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

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

Management of credit risk

Financial instruments managed by the finance and commercial services functions.

(i) Electricity receivables

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

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

The main classes of electricity receivables are industrial, government ministries, local authorities, parastatals commercial and domestic customers. Electricity supply agreements are entered into with all customers. All customers are required to deposit an amount equivalent to two times their monthly consumption as security in form of 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 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.

Notes to the Financial Statements for the Year Ended 30 June 2010 (continued)

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Credit risk (continued)

Management of credit risk (continued)

(i) Electricity receivables (continued)

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 total cumulative provision for impairment for electricity receivables at 30 June 2010 was KShs 4,749 million (2009: KShs. 4,743 million). Refer to note 18(c). A large portion relates to rebilling as result of meter tampering. The increase is partly due to tariff review which went up by 21% with effect from July 2008.

The Company is currently exploring the employment of pre-paid metering and automatic meter reading as strategies to minimise the risk of non-collection. In addition, the following strategies are currently in operation and are largely successful in other high risk areas of non-paying customers. These include:

- disconnections
- increased internal debt management capacity
- use of debt collectors.
- focus on early identification and letters of demand.
- Increased securities

(ii) Other receivables

Other receivables include recoverable VAT and fuel costs, employee debtors, inter-company balances, recoverable work and tenants. Recoverable VAT is mainly amount refundable by tax authority in relation to overpaid taxes while recoverable relate to fuel costs to be passed to electricity customers. The details of provision for impairment for other receivables at 30 June 2010 is as per note 18(d).

Credit exposure

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

	2010 KShs'000	2009 KShs'000
Electricity receivables		
Large power users	3,093,513	2,527,463
Government ministries	109,434	116,144
Local authorities	69,350	43,857
State corporations	805,019	688,695
Ordinary customers	1,025,735	1,432,125
Exports	100,942	48,672
Total electricity receivables	5,203,993	4,856,956

Notes to the Financial Statements for the Year Ended 30 June 2010 (continued)

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit exposure (continued)

	2010 KShs'000	2009 KShs'000
Other receivables		
Recoverable fuel costs	1,371,911	2,197,881
VAT recoverable	456,197	400,037
Government of Kenya- Power purchase subsidy	250,728	550,728
Rural Electrification Schemes	179,029	-
Staff receivables	456,487	372,096
Prepayments	151,944	162,966
Other receivables	346,671	175,575
Total other receivables	3,212,967	3,859,283
<u>Total trade and other receivables</u>	<u>8,416,960</u>	<u>8,716,239</u>

(b) Liquidity risk

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

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

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

Notes to the Financial Statements for the Year Ended 30 June 2010 (continued)

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Liquidity risk (continued)

The table below summarises the maturity profile of the Company's financial liabilities at 30 June 2010 based on contractual undiscounted payments.

Year ended 30 June 2010	On demand months KShs' 000	Less than 3 months KShs' 000	3 to 12 months KShs' 000	1 to 5 years KShs' 000	> 5 years KShs' 000	Total KShs' 000
Interest bearing loans and borrowings	-	-	1,744,289	5,833,586	7,279,848	14,857,723
Convertible preference shares	-	-	-	-	15,899,250	15,899,250
Other liabilities	-	-	-	-	6,545,429	6,545,429
Trade and other payables	1,617,773	14,337,320	1,015,864	4,271,000	4,302,619	25,544,576
	1,617,773	14,337,320	2,760,153	10,104,586	34,027,146	62,846,978

Year ended 30 June 2009	On demand months KShs' 000	Less than 3 months KShs' 000	3 to 12 months KShs' 000	1 to 5 years KShs' 000	> 5 years KShs' 000	Total KShs' 000
Interest bearing loans and borrowings	-	-	3,996,644	5,639,340	5,905,674	15,541,658
Convertible preference shares	-	-	-	-	15,899,250	15,899,250
Other liabilities	-	-	-	-	7,086,421	7,086,421
Trade and other payables	110,060	11,134,248	3,314,114	2,607,000	2,177,279	19,342,701
	110,060	11,134,248	7,310,758	8,246,340	31,068,624	57,870,030

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

Primary source of funding and unused facilities

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

Key indicators used for liquidity management.**Tenure**

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

Liquid assets

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

Notes to the Financial Statements for the Year Ended 30 June 2010 (continued)

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Liquidity risk (continued)

Capital expenditure ratio

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

	2010	2009
	%	%
Continuing activities	95	119

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

(c) Market risk

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

(i) Currency risk

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

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 KShs million
Year 2010		
US\$	5%/(5%)	+/-266
Euro	5%/(5%)	+/-386
CHF	5%/(5%)	+/-9
Year 2009		
US\$	5%/(5%)	+/-143
Euro	5%/(5%)	+/-319
CHF	5%/(5%)	+/-8
J.Yen	5%/(5%)	+/-53
R.Yuan	5%/(5%)	+/-53

Notes to the Financial Statements for the Year Ended 30 June 2010 (continued)

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Market risk (continued)

(i) Currency risk

Management of currency risk

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

(ii) Commodity risk

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

Management of commodity risk

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

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

(iii) Interest rate risk

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

(iv) Sensitivity analysis

The Company analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on income statement 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 income statement if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs 66 million (2009: KShs 85 million). A rate increase/decrease of 5% would result in a decrease/increase in profit of KShs 332 million (2009 - KShs 425 million)

(d) Operational risk

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

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

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

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and legal requirements
- documentation of controls and procedures
- requirements for the yearly assessment of operational risk faced, and the adequacy of controls and procedures to address the risks identified

Notes to the Financial Statements for the Year Ended 30 June 2010 (continued)

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Operational risk (continued)

- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective.

Operational risk is managed by Enterprise Risk Management (ERM) function established to spearhead and coordinate risk management activities. The measures taken include proactively identifying, analysing and mitigating risks in all facets of the business.

(e) Compliance and regulatory risk

Compliance and regulatory risk includes the risk of non-compliance with regulatory requirements. Electricity Regulatory Commission (ERC) sets and monitors retail and bulk tariffs, additional surcharges and levies for the power sub sector industry. Various parameters are applied in arriving at monthly surcharge and levies passed on to customers. ERC also requires monthly surcharges to be gazetted. The Company has complied with all externally imposed requirements throughout the year.

(f) Legal risk

Legal risk is the risk of unexpected loss, including reputational loss, arising from defective transactions or contracts, claims being made or some other event resulting in a liability or other loss for the Company, failure to protect the title to and ability to control the rights to assets of the Company (including intellectual property rights), changes in law, or jurisdictional risk.

The Company manages legal risk through the legal function, legal risk policies and procedures and effective use of its internal controls and external lawyers.

(g) Capital management

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 30 June 2010 and 30 June 2009.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company's policy is to keep the gearing ratio within manageable levels. The Company includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and cash equivalents.

	2010 KShs 'million'	2009 KShs 'million'
Interest-bearing loans and borrowings (Note 24)	14,858	15,542
Trade and other payables (Note 23)	29,775	25,194
Less cash and short-term deposits (Note 29(c))	(2,609)	(4,799)
Net debt	42,024	35,937
Redeemable preference shares (Note 20(b))	15,899	15,899
Equity	12,842	10,949
Total capital	28,741	26,848
Capital and net debt	70,765	62,785
Gearing ratio	59%	57%

Notes to the Financial Statements for the Year Ended 30 June 2010 (continued)

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(g) Capital management (continued)

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 Electricity Regulatory Commission.

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

FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

(a) Comparison by class of the carrying amounts and fair values of the financial instruments set out below is a comparison by class of the carrying amounts and fair values of the Company's financial instruments that are carried in the financial statements.

	Carrying amount		Fair value	
	2010 KShs'000	2009 KShs'000	2010 KShs'000	2009 KShs'000
Financial Assets				
Fixed interest investment	-	200,000	-	200,000
Trade and other receivables	8,416,960	8,716,239	8,416,960	8,716,239
Tax recoverable	196,968	171,101	196,968	171,101
Short term deposits	347,730	3,293,023	347,730	3,293,023
Bank and cash balances	2,261,605	1,505,858	2,261,605	1,505,858
Financial Liabilities				
Borrowings	14,857,723	15,541,658	14,857,723	15,541,658
Trade and other payables	29,775,245	25,193,815	29,775,245	25,193,815
Retirement benefits obligation	21,618	471,218	21,618	471,218
Provision for leave pay	675,368	653,029	675,368	653,029
Dividends payable	1,617,773	111,060	1,617,773	111,060

Notes to the Financial Statements for the Year Ended 30 June 2010 (continued)

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(g) Capital management (continued)

FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (continued)

Fair values of Central Bank of Kenya bond –available for sale financial assets are based on price quotations at the reporting date. Trade receivables are evaluated regularly to assess the likelihood of impairment. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. As at 30 June 2010, the carrying amounts of such receivables, net of allowances, approximates their fair value. The fair values of term deposits, bank and cash balances, tax recoverable, dividends payable and trade and other payables approximates their carrying amounts largely due to the short term maturities of these instruments.

(b) 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.

As at 30 June 2010, the Company held the following financial instruments measured at fair value:

Assets measured at fair value:

As at 30 June 2010, there were no assets measured at fair value.

Liabilities measured at fair value:

As at 30 June 2010, there were no liabilities measured at fair value.

5.(a) FOREIGN EXCHANGE COSTS RECOVERED

	2010 KShs'000	2009 KShs'000
Total foreign exchange costs recovered	3,611,140	2,311,585
Less amount charged to power purchases	(2,742,112)	(1,830,724)
<u>Amount attributable to Company's operations</u>	<u>869,028</u>	<u>480,861</u>

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

5. (b) OTHER INCOME

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

	2010 KShs'000	2009 KShs'000
Connection and reconnection charges	221,366	372,156
Stock excess adjustment	573,650	514,115
Miscellaneous sales	167,288	152,453
Fibre optic lease charges	46,796	-
Meter separation charges	312,431	-
Gain from sale of Central Bank bond	39,287	-
Energy saving bulbs costs recovered	112,071	-
Others	133,729	115,558
	<u>1,606,618</u>	<u>1,154,282</u>

Notes to the Financial Statements for the Year Ended 30 June 2010 (continued)

6. POWER PURCHASE COSTS

(a) Basic power purchase costs

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

	2010 KShs'000	2009 KShs'000
KenGen	11,721,783	12,489,281
Aggreko	2,250,591	1,555,639
Uganda Electricity Transmission Company Limited	183,807	134,486
Tsavo Power Company Limited	1,884,955	1,944,258
Iberafrika Power (E.A.) Company Limited	2,265,901	984,511
OrPower 4 Inc	2,736,918	1,779,370
Mumias Sugar Company Limited	331,552	8,961
Tanzania Electric Supply Company Limited	6,691	8,289
Rabai Power Limited	1,279,594	-
Imenti Tea Factory	1,700	-
Deferred power purchase costs	1,664,000	2,607,000
	24,327,492	21,511,795
Less foreign exchange surcharge	(2,742,112)	(1,830,724)
Less recharged to Rural Electrification Schemes	(1,069,694)	(910,824)
	<u>20,515,686</u>	<u>18,770,247</u>

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

	2010 KShs'000	2009 KShs'000
(b) Fuel costs		
KenGen	6,283,742	8,072,178
Aggreko	14,522,218	12,091,489
Uganda Electricity Transmission Company Limited	489,606	482,954
Tsavo Power Company Limited	4,441,803	4,855,700
Iberafrika Power (E.A.) Company Limited	6,260,950	3,992,820
Mumias Sugar Company Limited	3,276	2,463
Rabai Power Limited	3,067,419	-
Off grid power stations	452,195	225,513
	35,521,209	29,723,117
Less recharged to Rural Electrification Schemes	(2,190,090)	(1,375,562)
	<u>33,331,119</u>	<u>28,347,555</u>

Notes to the Financial Statements for the Year Ended 30 June 2010 (continued)

6. POWER PURCHASE COSTS (continued)

(c) Units purchased

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

	2010 GWh	2009 GWh
KenGen	3,606	4,340
Aggreko (Net of exports to Uganda)	1,070	888
Uganda Electricity Transmission Company Limited	37	28
Tsavo Power Company Limited	495	566
Iberafrica Power (E.A.) Company Limited	621	344
OrPower 4 Inc	400	276
Mumias Sugar Company Limited	99	4
Tanzania Electric Supply Company Limited	1	1
Rabai Power Limited	318	-
Off grid power stations	18	16
	6,665	6,463
Less delivered to Rural Electrification Schemes	(350)	(314)
	6,315	6,149

(d) Type of interconnected power sources

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

	2010 GWh	2009 GWh
Hydro	2,170	2,850
Geothermal	1,339	1,179
Thermal (Net of exports to Uganda)	3,139	2,430
Others	17	4
	6,665	6,463
Less delivered to Rural Electrification Schemes	(350)	(314)
	6,315	6,149

The Company transmits excess units generated by Aggreko Limited to Uganda Electricity Transmission Company Limited (UETCL) and UETCL transmits back its own 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.

Notes to the Financial Statements for the Year Ended 30 June 2010 (continued)

7. OTHER OPERATING COSTS

(a) Distribution	2010 KShs'000	2009 KShs'000
Salaries and wages	2,359,924	1,888,826
Staff welfare	179,992	154,228
Other consumable goods	485,167	254,255
Depreciation	1,143,254	660,690
Transport and travelling	755,899	582,681
Office expenses	10,427	7,818
Advertising and public relations	43,578	10,427
Loss on disposal of fixed assets	344,760	71,400
Other costs	43,675	21,870
Net recharge of distribution and customer service costs to RES	(417,540)	(383,198)
	<u>4,949,136</u>	<u>3,268,997</u>
(b) Commercial services		
Salaries and wages	1,587,484	1,382,425
Staff welfare	92,322	95,883
Electrical materials	246,030	253,078
Other consumable goods	28,558	35,839
Depreciation	258,978	281,574
Transport and travelling	301,995	266,162
Provision for bad and doubtful debts	107,777	1,990,842
Office expenses	366,305	310,724
Advertising and public relations	220,722	143,168
Repairs and maintenance	121,810	15,844
Other costs	133,426	62,930
Recharge of recurrent expenditure to capital jobs	(818,768)	(918,768)
Net recharge of distribution and customer service costs to RES	(659,920)	(647,949)
	<u>1,986,719</u>	<u>3,271,752</u>
(c) Energy transmission		
Salaries and wages	874,123	619,228
Depreciation	576,122	654,726
Transport and travelling	253,423	288,926
Other costs	169,898	187,518
Recharge of recurrent expenditure to capital jobs	(230,235)	(186,288)
Recharge of Transmission costs to RES	-	(81,007)
	<u>1,643,331</u>	<u>1,483,103</u>

Notes to the Financial Statements for the Year Ended 30 June 2010 (continued)

7. OTHER OPERATING COSTS (continued)

(d) Administration	2010 KShs'000	2009 KShs'000
Salaries	2,972,704	2,566,940
Staff welfare	508,083	405,382
Insurance	234,188	208,088
Other consumable goods	307,784	211,669
Transport and travelling	46,225	37,911
Training expenses and consumer services	215,688	165,826
Depreciation	782,636	557,366
Electricity expenses	165,522	173,783
Other office expenses	314,718	307,391
Repairs and maintenance	458,266	493,679
Consultancy fees	25,622	30,021
Auditors' remuneration	10,727	10,120
Directors' emoluments	29,038	30,995
Amortisation	55	52
Pension deficit provisions	166,800	166,800
Leave pay obligation provision	22,340	42,278
Bank charges	163,545	152,789
Other costs	770,674	894,897
Recharge of administration costs to RES	(285,992)	(298,778)
Recharge of recurrent expenditure to capital jobs	(510,664)	(610,664)
	6,397,959	5,546,545

8. OPERATING PROFIT

The operating profit is arrived at after charging/ (crediting): -	2010 KShs'000	2009 KShs'000
Staff costs (note 9)	7,983,377	7,046,597
Depreciation	2,760,936	2,154,357
Amortisation	55	52
Provision for bad and doubtful debts	107,777	1,990,841
Directors' emoluments:		
- Fees	7,100	4,200
- Other	21,938	26,795
Auditors' remuneration	10,727	10,120
Loss on disposal of property and equipment	344,760	11,742
Rent payable	178,888	155,664
Net foreign exchange gain	154,947	138,448
Interest payable	646,902	905,144
Interest receivable	(177,380)	(153,343)
Rent receivable	(52,419)	(52,889)

Notes to the Financial Statements for the Year Ended 30 June 2010 (continued)

9. STAFF COSTS

	2010 KShs'000	2009 KShs'000
Salaries and wages	7,389,813	6,481,805
National Social Security Fund employer contributions	17,835	15,706
Pension costs – Company contribution	386,589	340,007
Leave provision	22,340	42,279
Provision for actuarial losses (note 26)	166,800	166,800
	<u>7,983,377</u>	<u>7,046,597</u>

The average number of employees during the year was:-

Permanent employees	5,562	5,442
Contract employees	1,717	1,573
	<u>7,279</u>	<u>7,015</u>

10. FINANCE INCOME / (COSTS)

FINANCE INCOME

	2010 KShs'000	2009 KShs'000
Interest income on bank and other deposits	177,380	153,343

FINANCE COSTS

Exchange gain/(loss) on loans	519,116	(830,735)
Exchange gain on loans for ongoing projects capitalised	(370,258)	671,394
Exchange gain/(losses) on loans for completed projects	148,858	(159,341)
Exchange gains on deposits	6,089	20,893
Net foreign exchange gains/(losses)	154,947	(138,448)

Interest expense:

Loans	(635,120)	(881,303)
Bank overdrafts	(11,782)	(23,841)
Dividends on cumulative preference shares	(1,930)	(1,930)
	<u>(648,832)</u>	<u>(907,074)</u>
Total finance costs	(493,885)	(1,045,522)

Notes to the Financial Statements for the Year Ended 30 June 2010 (continued)

11. TAXATION

	2010 KShs'000	2009 KShs'000
(a) Statement of Financial Position – Tax recoverable		
At the beginning of the year	171,101	260,833
Paid during the year	25,867	24,792
Current tax 1998/99 under - provision	-	(27,401)
Current year tax payable	-	(87,123)
	196,968	171,101

The tax recoverable relates to withholding tax on interest earned over the years, which has not been utilised as the Company has not been in a tax paying position.

(b) Statement of comprehensive income - Income tax expense

	2010 KShs'000	2009 KShs'000
Current taxation based on the adjusted profit for the year at 30%	-	87,123
Current tax 1998/99 under - provision	-	27,401
Deferred tax charge current year	1,916,587	1,451,363
Deferred tax prior year over – provision	-	(8,548)
	1,916,587	1,557,339

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

Profit before tax	5,632,957	4,782,433
Tax at the applicable tax rate of 30%	1,689,887	1,434,730
Current tax 1998/99 under - provision	-	27,401
Tax effect of expenses not deductible for tax purposes	133,242	144,016
Tax effect on excess allowances over depreciation	93,458	(40,260)
Deferred tax prior year over - provision	-	(8,548)
Tax charge	1,916,587	1,557,339

12. EARNINGS PER SHARE

The earnings per share is calculated on the profit after tax of KShs 3,716,370,000 (2009-KShs 3,225,094,000) and the number of ordinary shares in issue during the year of 79,128,000 (2009: - 79,128,000).

There are plans to carry out a restructuring of the Company's capital structure immediately after the year end. There are, therefore, potentially dilutive ordinary shares as at 30 June 2010, but which have not yet been determined at the date of this report.

13. DIVIDEND PER SHARE

Proposed dividends are accounted for as a separate component of equity until they have been ratified at an Annual General Meeting. At the Annual General Meeting to be held before the end of 2010, a final dividend in respect of the year ended 30 June 2010 of KShs 5.00 (2009 – KShs 6.00) for every ordinary share of KShs 20.00 is to be proposed. An interim dividend of KShs 3.00 (2009– KShs 2.00) for every ordinary share of KShs 20.00 was declared and paid during the year. This will bring the total dividend for the year to KShs 8.00 (2009 – KShs 8.00).

Notes to the Financial Statements for the Year Ended 30 June 2010 (continued)

14. PROPERTY AND EQUIPMENT

2010	Freehold land and buildings	Transmission lines	Distribution lines	Machinery	Motor vehicles	Furniture equipment and other	Total
COST OR VALUATION	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
At 1 July 2009	1,816,254	15,538,869	23,661,126	93,848	2,960,324	7,726,547	51,796,968
Additions	618,004	6,498	13,377,813	32,140	822,491	1,927,544	16,784,490
Transfers	(283,325)	(20,624)	568,461	-	(264,512)	-	-
Disposals	-	-	(783,277)	-	-	-	(783,277)
At 30 June 2010	2,150,933	15,524,743	36,824,123	125,988	3,518,303	9,654,091	67,798,181
Comprising Cost	2,150,933	5,296,987	36,824,123	125,988	3,518,303	9,654,091	57,570,425
Valuation – 2002	-	10,227,756	-	-	-	-	10,227,756
	2,150,933	15,524,743	36,824,123	125,988	3,518,303	9,654,091	67,798,181
DEPRECIATION							
At 1 July 2009	579,828	5,029,433	3,021,587	22,943	1,649,005	5,416,955	15,719,751
Charge for the year	43,012	474,153	1,095,598	5,746	480,590	661,837	2,760,936
Transfers	(3,373)	(408)	25,824	-	(22,043)	-	-
Disposals	-	-	(399,052)	-	-	-	(399,052)
At 30 June 2010	619,467	5,503,178	3,743,957	28,689	2,107,552	6,078,792	18,081,635
NET BOOK VALUE							
At 30 June 2010	1,531,466	10,021,565	33,080,166	97,299	1,675,263	3,310,787	49,716,546
Capital work-in-progress							10,754,956
							60,471,502

Capital work-in-progress

Capital work-in-progress relates mainly to construction works of electricity distribution lines and installations spread across the country. Included in land and buildings, distribution lines, machinery, motor vehicles, furniture and equipment are assets with a cost of KShs 9,062,909,903 and carrying amount of KShs. 756,883,871, which were fully depreciated but still in use. The normal depreciation charge on these assets would have been KShs 210,487,511.

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

The cost of distribution lines was arrived at after offsetting the actual total cost of the lines of KShs 56,396,329,781 with the customers contributions of KShs 19,572,206,131.

Notes to the Financial Statements for the Year Ended 30 June 2010 (continued)

14 PROPERTY AND EQUIPMENT (continued)

2009	Freehold land and buildings	Transmission lines	Distribution lines	Machinery	Motor vehicles	Furniture equipment and other	Total
COST OR VALUATION	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
At 1 July 2008	1,313,812	15,427,166	14,302,108	56,547	2,839,132	6,345,675	40,284,440
Additions	502,442	111,703	9,689,120	37,301	427,724	1,380,872	12,149,162
Disposals	-	-	(330,102)	-	(306,532)	-	(636,634)
At 30 June 2009	1,816,254	15,538,869	23,661,126	93,848	2,960,324	7,726,547	51,796,968
Comprising Cost	1,816,254	5,311,113	23,661,126	93,848	2,960,324	7,726,547	41,569,212
Valuation – 2002	-	10,227,756	-	-	-	-	10,227,756
	1,816,254	15,538,869	23,661,126	93,848	2,960,324	7,726,547	51,796,968
DEPRECIATION							
At 1 July 2008	543,588	4,454,009	2,523,641	19,037	1,542,708	4,916,609	13,999,592
Charge for the year	36,240	575,424	654,110	3,906	384,331	500,346	2,154,357
Disposals	-	-	(156,164)	-	(278,034)	-	(434,198)
At 30 June 2009	579,828	5,029,433	3,021,587	22,943	1,649,005	5,416,955	15,719,751
NET BOOK VALUE							
At 30 June 2009	1,236,426	10,509,436	20,639,539	70,905	1,311,319	2,309,592	36,077,217
Capital work-in-progress							13,897,642
							49,974,859

Capital work-in-progress

Capital work-in-progress relates to mainly construction works of electricity distribution lines and installations spread across the country. Included in land and buildings, distribution lines, machinery, motor vehicles, furniture and equipment are assets with a cost of KShs 7,301,035,281 and carrying amount of KShs. 471,280,920, which were fully depreciated but still in use. The normal depreciation charge on these assets would have been 52,788,769.

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

The cost of distribution lines was arrived after offsetting the actual total cost of the lines of KShs 39,348,227,504 with the customers contributions of KShs 15,687,101,463.

Notes to the Financial Statements for the Year Ended 30 June 2010 (continued)

14. PROPERTY AND EQUIPMENT (continued)

NET BOOK VALUE (COST BASIS)

COST OR VALUATION	Freehold land and buildings KShs'000	Transmission lines KShs'000	Distribution lines KShs'000	Machinery KShs'000	Motor vehicles KShs'000	Furniture equipment and other KShs'000	Total KShs'000
At 30 June 2010	1,531,466	7,528,799	33,080,166	97,299	1,675,263	3,310,787	47,223,780
Capital work-in-progress							10,754,956
							57,978,736
At 30 June 2009	1,236,426	7,540,826	20,639,539	70,905	1,311,319	2,309,592	33,108,607
Capital work-in-progress							13,897,642
							47,006,249

15. PREPAID LEASES ON LAND

	2010 KShs'000	2009 KShs'000
COST		
At 30 June	133,693	133,693
AMORTISATION		
At 1 July	1,819	1,767
Amortisation for the year	55	52
At 30 June	1,874	1,819
NET BOOK VALUE		
At 30 June	131,819	131,874

This relates to leases on pieces of land that are under use by the Company countrywide, mainly hosting substations. The leased pieces of land are spread all over the country and carry different lease periods and lease amounts, depending on when they were leased.

Notes to the Financial Statements for the Year Ended 30 June 2010 (continued)

15. PREPAID LEASES ON LAND (continued)

There were 160 leases during the year (2009- 160). All the land is leased from the Government of Kenya under renewable leases. The lease periods range from between 50 years to 99 years in the provinces and up to 999 years for some plots at the Coastal City of Mombasa. Leases are renewed as they expire. Where leases have expired in the past, all have been renewed without any complications and no renewal complications are expected in the foreseeable future.

16. INVESTMENTS

	2010 KShs'000	2009 KShs'000
(a) Fixed Interest investment (bond)		
Central Bank of Kenya Bond	-	200,000

This refers to a 12.5% twelve year infrastructure bond, issue number IFB1/2009/12, value dated 23 February 2009. The infrastructure bond was disposed in March 2010 and a gain of KShs. 39 million was realised.

	2010 KShs'000	2009 KShs'000
(b) Unquoted investment		
Cost	4,300	4,300
Impairment	(4,300)	(4,300)
	-	-

The investment represents equity shares held in Consolidated Bank of Kenya Limited. The shares were acquired in return for deposits previously held with Jimba Credit Finance Limited, one of the finance houses under rehabilitation from insolvency. The institution is under statutory management and the investment was fully impaired and fully provided in 2007/08.

17. INVENTORIES

	2010 KShs'000	2009 KShs'000
General stores	5,649,225	5,064,668
Engineering spares	15,825	18,426
Fuel and oil	244,267	284,586
Transformers	1,780,229	1,520,023
Motor vehicle spares	151,633	122,871
Goods in transit	545,851	560,280
	8,387,030	7,570,854

General stores, engineering spares, fuel and oil, transformers and motor vehicle spares are stated at weighted average cost and adjusted with a provision for obsolete and slow moving stocks of KShs 952,372,265 (2009 – KShs 947,099,385). The goods in transit are stated at cost.

An amount of KShs.915 million has been reclassified as stated in note 23 (a) (ii).below

Notes to the Financial Statements for the Year Ended 30 June 2010 (continued)

18(a) TRADE AND OTHER RECEIVABLES

	2010 KShs'000	2009 KShs'000
Electricity receivables (note 18 (c))	9,953,099	9,599,776
Prepayments	151,944	162,966
Recoverable fuel costs (note 18 (d) i)	1,371,911	2,197,881
VAT recoverable (note 18 (d) ii)	456,197	400,037
Government of Kenya – Power purchase subsidy (note 18 (d) iii)	250,728	550,728
Rural Electrification Schemes (note 18 (d) iv)	179,029	-
Staff receivables (note 18 (d) v)	543,164	458,773
Other receivables (note 18 (d) vi)	627,568	456,472
Gross trade and other receivables	13,533,640	13,826,633
Provision for doubtful debts (Note 18(b))	(5,116,680)	(5,110,394)
Net trade and other receivables	8,416,960	8,716,239

18(b) PROVISIONS FOR DOUBTFUL DEBTS

As at 30 June 2010, trade receivables amounting to KShs 5,116,680,322 (2009- KShs 5,110,394,385) were fully impaired and provided for. Movements in the provisions for credit losses were as follows:

	2010 KShs'000	2009 KShs'000
At 1 July	(5,110,394)	(3,018,062)
Amount transferred from Rural Electrification Schemes	101,491	(101,491)
Additional provision (Note 8)	(107,777)	(1,990,841)
At 30 June (Note 18 (a))	(5,116,680)	(5,110,394)

18 (c) ELETRICITY RECEIVABLES

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

	Total KShs'000	<30 days KShs'000	30-60 days KShs'000	60-90days KShs'000	90-120days KShs'000	>120days KShs'000
2010						
Gross	9,953,099	5,281,819	657,175	474,254	305,192	3,234,659
Impairment	(4,749,106)	(77,826)	(657,175)	(474,254)	(305,192)	(3,234,659)
Carrying amount	5,203,993	5,203,993	-	-	-	-
2009						
Gross	9,599,776	5,735,649	671,241	381,982	266,230	2,544,674
Impairment	(4,742,820)	(878,693)	(671,241)	(381,982)	(266,230)	(2,544,674)
Carrying amount	4,856,956	4,856,956	-	-	-	-

Notes to the Financial Statements for the Year Ended 30 June 2010 (continued)

18.(d) OTHER RECEIVABLE ANALYSIS

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

	2010 KShs'000	2009 KShs'000
i.Recoverable fuel costs	1,371,911	2,197,881
Impairment	-	-
	<u>1,371,911</u>	<u>2,197,881</u>
ii. VAT recoverable	456,197	400,037
Impairment	-	-
	<u>456,197</u>	<u>400,037</u>
iii. Government of Kenya – Power purchase subsidy	250,728	550,728
Impairment	-	-
	<u>250,728</u>	<u>550,728</u>
iv. Rural Electrification Schemes	179,029	-
Impairment	-	-
	<u>179,029</u>	<u>-</u>
v. Staff receivables	543,164	458,773
Impairment	(86,677)	(86,677)
	<u>456,487</u>	<u>372,096</u>
vi. Other receivables	627,568	456,472
Impairment	(280,897)	(280,897)
	<u>346,671</u>	<u>175,575</u>

All provisions for credit losses are specific.

19. SHORT TERM DEPOSITS, BANK AND CASH BALANCES

(a) Short term deposits - maturing within 3 months	2010 KShs'000	2009 KShs'000
Housing Finance Company of Kenya Limited	274,956	257,343
Standard Chartered Bank Kenya Limited	54,923	1,734,670
The Co-operative Bank of Kenya Limited	17,851	1,301,010
	<u>347,730</u>	<u>3,293,023</u>

The average effective interest rate on the short-term deposits as at 30 June 2010 was 5.5% (2009 – 7.5%).

(b) Bank and cash balances

Bank and cash balances comprise:-	2010 KShs'000	2009 KShs'000
Cash at bank	2,242,050	1,487,686
Cash on hand	19,411	18,172
	<u>2,261,461</u>	<u>1,505,858</u>

Notes to the Financial Statements for the Year Ended 30 June 2010 (continued)

20. SHARE CAPITAL

(a) Ordinary share capital

	2010 KShs'000	2009 KShs'000
Authorised:		
97,850,000 ordinary shares of KShs 20 each	1,957,000	1,957,000
Issued and fully paid:		
79,128,000 ordinary shares of KShs 20 each	1,582,560	1,582,560

(b) Redeemable non-cumulative preference share capital

Authorised:		
800,000,000 - 7.85% preference shares of KShs 20 each	16,000,000	16,000,000
Issued and fully paid:		
794,962,500 - 7.85% preference shares of KShs 20 each	15,899,250	15,899,250

The issued and fully paid redeemable non-cumulative preference share capital relates to debts from the Government of Kenya converted into redeemable 7.85% non-cumulative preference shares in the year 2004. The preference shares are redeemable in part or whole at the option of the Company.

21. RESERVES

	2010 KShs'000	2009 KShs'000
Retained earnings	7,856,913	5,566,032
Revaluation reserve	1,758,423	2,077,362
	<u>9,615,336</u>	<u>7,643,394</u>

Retained earnings

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

Revaluation reserve

The revaluation reserve was as result of revaluation of transmission lines. This is stated after transfer of excess depreciation net of related deferred tax to retained earnings. Revaluation surpluses are not distributable.

22. DEFERRED TAX

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

	2010 KShs'000	2009 KShs'000
Deferred tax liabilities:		
Accelerated capital allowances	7,510,503	3,174,143
Unrealised exchange gains/ (losses)	15,973	(25,183)
Revaluation surplus	753,614	890,302
	<u>8,280,090</u>	<u>4,039,262</u>

Notes to the Financial Statements for the Year Ended 30 June 2010 (continued)

22. DEFERRED TAX (Continued)

	2010 KShs'000	2009 KShs'000
Deferred tax assets:		
Tax losses	(2,556,774)	-
Provisions	(1,241,451)	(1,337,297)
	(3,798,225)	(1,337,297)
Net deferred tax liability	4,481,865	2,701,965
Movement on the deferred tax account is as follows:		
At 1 July	2,701,965	1,395,837
Credit to revaluation reserve	(136,687)	(136,687)
Deferred tax prior year over - provision	-	(8,548)
Income statement charge (note 11(b))	1,916,587	1,451,363
At 30 June	4,481,865	2,701,965

23. TRADE AND OTHER PAYABLES

(a) Non current liabilities

Customers' deposits	4,566,707	4,192,063
Capital contributions	1,978,722	1,978,974
Deferred power purchase costs	4,271,000	2,607,000
Non current suppliers' accounts	915,383	915,383
Rural Electrification Levy	1,336,023	1,336,023
Donor Funded Revolving Fund	734,818	-
Rural Electrification Schemes	1,316,395	841,257
	15,119,048	11,870,700

During the year, a detailed review of current liabilities was carried out which showed that some items classified as current are non current. These are:

- i) Deferred power purchase costs – These refer to power purchase cost provisions for power plants anticipated to come on within three years immediately after the tariff review in 2008. These are now not expected to come on within the next one year.
- ii) Non current suppliers' accounts – The amount comprises several long outstanding items which arose during information system changeover to the current SAP system. The items have always been classified with the inventory balance but have now been analysed and separated for final determination.
- iii) Rural Electrification Levy – The revised tariffs in 1999 provided for the recovery of levy from the customers. The balance represents the difference between the amount billed and amounts not collected and also amounts not paid in the period 2000 to 2003 when the Company was experiencing serious financial difficulties. The Government was agreeable to the deferment of payment of the amounts.
- iv) Rural Electrification Schemes – The balance represents capital contributions and customer deposits from RES customers which are not refundable. These liabilities have now been reclassified accordingly.

Comparative figures have been adjusted to conform with changes in presentation in the current year.

Notes to the Financial Statements for the Year Ended 30 June 2010 (continued)

23. TRADE AND OTHER PAYABLES

	2010 KShs'000	2009 KShs'000
(b) Current liabilities		
KenGen	4,841,565	6,837,936
Other electricity suppliers	4,762,967	2,126,539
Other suppliers' accounts	1,847,860	1,294,115
Rural Electrification Scheme Levy	294,914	283,374
Electricity Regulatory Commission Levy	23,963	27,650
Other payables and accruals	2,884,928	2,753,501
	<u>14,656,197</u>	<u>13,323,115</u>

The Rural Electrification Scheme Levy under current liabilities relates to levy charge for May and June 2010 to be remitted to Rural Electrification Authority on collection.

24. BORROWINGS

	2010 KShs'000	2009 KShs'000
(a) Balances		
6.125% Kenya Government/Swiss mixed credit (CHF 2,331,110) 1996-2007	176,746	166,254
4% Kenya Government/European Investment Bank - Olkaria loan (Euro 17,893,886) 2005 – 2020	1,792,966	2,151,878
7.7% Kenya Government/IDA 2966 KE loan 1997-2017	188,349	188,349
4.5% GOK/IDA 3958 KE ESRP (USD 20,770,912) 2004-2024	1,698,541	830,275
4.5 %GOK/ Nordic Development Fund 435 ESRP (Euro 7,761,177) 2006 – 2024	777,667	668,929
4.5% GOK/Agence Francaise de Development 3008 ESRP (Euro 17,446,806) 2006 – 2024	1,748,168	1,711,103
3.97% GOK/EIB 3958 KE ESRP (Euro 31,827,516) 2006 - 2025	3,189,114	1,844,812
2.5% GOK/Export Import Bank of China (RMB Yuan) 2007 - 2026	-	372,641
0.75% Japan Bank for International Cooperation (J. Yen) 2007 - 2043	-	1,064,195
Standard Chartered Bank Loan - 2008 - 2012	4,666,667	6,222,222
Accrued interest	619,505	321,000
	<u>14,857,723</u>	<u>15,541,658</u>
Less: amounts repayable within 12 months	<u>(1,744,289)</u>	<u>(3,996,644)</u>
Non current	<u>13,113,434</u>	<u>11,545,014</u>

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

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

Notes to the Financial Statements for the Year Ended 30 June 2010 (continued)

24. BORROWINGS (continued)

(b) Analysis of borrowings by currency

	Borrowings in KShs. KShs' 000	Borrowings in US\$ KShs' 000	Borrowings in CHF KShs' 000	Borrowings in Euros KShs' 000	Borrowings in J. Yen KShs' 000	Borrowings in R.Yuan KShs' 000	Total Borrowings KShs' 000
2010							
Loans	4,907,474	1,832,910	176,746	7,940,593	-	-	14,857,723
2009							
Loans	6,427,033	1,126,508	166,254	6,385,027	1,064,195	372,641	15,541,658

	2010 KShs'000	2009 KShs'000
(c) Maturity of borrowings		
Due within 1 year	1,744,289	3,996,645
Due between 1 and 2 years	1,964,450	1,944,625
Due between 2 and 5 years	3,869,136	3,694,715
Due after 5 years	7,279,848	5,905,673
	14,857,723	15,541,658

25. PREFERENCE SHARES

Authorised, issued and fully paid:

350,000 - 7% cumulative preference shares of KShs 20 each	7,000	7,000
1,800,000 - 4% cumulative preference shares of KShs 20 each	36,000	36,000
	43,000	43,000

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

26. RETIREMENT BENEFITS OBLIGATION

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

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

CFC Stanbic Financial Services Limited and Co-optrust Investment Services Limited jointly manage the defined benefit scheme's funds. Under the defined benefit scheme, the employees are entitled to retirement benefits varying between 2 and 3 percent of final pensionable emoluments on attainment of the retirement age.

Notes to the Financial Statements for the Year Ended 30 June 2010 (continued)

26. 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 2008 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 2009. Management has updated the results of the 31 December 2009 valuation to reflect the changes as at 30 June 2010.

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

	2010 KShs'000	2009 KShs'000
Present value of funded obligations	11,428,594	9,432,600
Unrecognised actuarial losses	-	(499,082)
Fair value of plan assets	(11,307,677)	(6,522,700)
	<u>120,917</u>	<u>2,410,818</u>

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

	2010 KShs'000	2009 KShs'000
At beginning of the year	471,218	874,818
Amounts paid	(616,400)	(570,400)
Charged to Statement of Comprehensive Income (Note 9)	166,800	166,800
<u>At 30 June</u>	<u>21,618</u>	<u>471,218</u>

	2010	2009
Key assumptions used:		
Rate of interest	10%	10%
Expected return on plan assets	10%	10%
Expected rate of salary increases	5%	5%
Future pension increases:		
Post 31/12/99 service	0%	0%
Pre 31/12/99 service	3%	3%

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

Notes to the Financial Statements for the Year Ended 30 June 2010 (continued)

27. PROVISION FOR LEAVE PAY

	2010 KShs'000	2009 KShs'000
At 1 July	653,029	610,750
Additional provisions	22,340	42,279
<u>At 30 June</u>	<u>675,369</u>	<u>653,029</u>

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

28. DIVIDENDS PAYABLE

These relate to unclaimed dividends payable to different ordinary shareholders and 7.85% preference shares.

29. NOTES TO THE CASH FLOW STATEMENT

(a) RECONCILIATION OF OPERATING PROFIT TO CASH GENERATED FROM OPERATIONS

	2010 KShs'000	2009 KShs'000
Operating profit	5,949,462	5,674,612
Depreciation	2,760,936	2,154,357
Amortisation	55	52
Loss on disposal of property and equipment	344,760	11,742
Gain from sale of Central Bank bond	(39,287)	-
Operating profit before working capital changes	9,015,926	7,840,763
Increase in inventories	(816,176)	(992,659)
Decrease in trade and other receivables	299,279	4,443,185
Increase in trade and other payables	4,581,432	5,283,128
Decrease in staff retirement benefits scheme	(449,600)	(403,600)
Increase in provision for leave pay obligation	22,340	42,279
Movement in non current deposit	200,000	(200,000)
<u>Cash generated from operations</u>	<u>12,853,201</u>	<u>16,013,096</u>

(b) ANALYSIS OF CHANGES IN LOANS

At the beginning of the year	15,541,658	13,056,743
Receipts	2,728,630	2,357,694
Repayments	(3,191,954)	(972,313)
Repayment of previous year's accrued interest	(321,000)	(52,201)
Exchange (gains)/Loss	(519,116)	830,735
Accrued interest	619,505	321,000
<u>At the end of the year</u>	<u>14,857,723</u>	<u>15,541,658</u>

Notes to the Financial Statements for the Year Ended 30 June 2010 (continued)

29. NOTES TO THE CASH FLOW STATEMENT (continued)

(c) ANALYSIS OF CASH AND CASH EQUIVALENTS

	2010 KShs'000	2009 KShs'000
Short term deposits	347,730	3,293,023
Bank and cash balances	2,261,461	1,505,858
	<u>2,609,191</u>	<u>4,798,881</u>

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

(d) ANALYSIS OF INTEREST AND DIVIDEND PAID

	Note	2010 KShs'000	2009 KShs'000
INTEREST PAID			
Interest on loans	10	635,120	881,303
Overdraft interest	10	11,782	23,841
	10	646,902	905,144
Interest on loans capitalised		339,449	-
Balance brought forward		321,000	52,201
Balance carried forward	28(b)	(619,506)	(321,000)
<u>Interest paid</u>		<u>687,845</u>	<u>636,345</u>
DIVIDENDS PAID			
Opening balance		111,060	38,365
Preference dividends		1,930	1,930
2009 dividends		474,768	237,384
2010 Interim dividends		237,384	158,256
Closing balance		(369,682)	(111,060)
<u>Dividend paid</u>		<u>455,460</u>	<u>324,875</u>

30. RELATED PARTY DISCLOSURES

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

(a) Government of Kenya

	2010 KShs'000	2009 KShs'000
(i) Ministries		
<u>Electricity sales to Government Ministries</u>	<u>2,352,066</u>	<u>2,367,615</u>

Notes to the Financial Statements for the Year Ended 30 June 2010 (continued)

30. RELATED PARTY DISCLOSURES (continued)

(ii) Outstanding balances included in trade and other receivables:

	2010 KShs'000	2009 KShs'000
Government ministries	482,505	444,769
State corporations	1,284,254	925,826
VAT recoverable	456,197	427,836
GoK power purchase subsidy	250,728	550,728
Rural Electrification Schemes	179,029	-
	<u>2,652,713</u>	<u>2,349,159</u>
Included in trade and other payables:		
Rural Electrification Schemes levy	1,631,054	1,619,397
Electricity Regulatory Commission levy	23,963	27,650
Rural Electrification Schemes	1,316,278	841,257
	<u>2,971,295</u>	<u>2,488,304</u>
Net amount (owed to)/ due from Government of Kenya	(318,582)	(139,145)

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

	2010 KShs'000	2009 KShs'000
(b) Staff		
(i) Sales		
Electricity sales to staff	102,542	86,464
Outstanding balances included in electricity customers	4,082	7,999

The tariff applicable to staff is the same as that charged to other ordinary customers with effect from 1 July 2008. Previously staff tariff was KShs 2.26 per kWh.

(ii) Advances to staff included in trade and other receivables	456,487	372,095
(iii) Key management compensation (remuneration)	79,726	75,442
(iv) Key management retirement benefit payments	22,717	18,145

(c) Rural Electrification Schemes

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

The Rural Electrification Programme (REP) was established in 1973 by the Government of Kenya following an agreement between it and East African Power & Lighting Company, the predecessor to The Kenya Power & Lighting Company Limited (KPLC). 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.

Notes to the Financial Statements for the Year Ended 30 June 2010 (continued)

30. RELATED PARTY DISCLOSURES (continued)

(c) Rural Electrification Schemes (continued)

The Company has entered Mutual Co-operation and Provision of Services Agreement with Rural Electrification Authority (REA) to operate and maintain lines owned by REA. In return the Company will retain revenues generated from Rural Electrification Schemes (RES) customers to cover maintenance costs incurred by the Company. However, the Company continues to invoice the Government for the expenditure incurred to complete ongoing 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.

	2010 KShs'000	2009 KShs'000
(d) KenGen		
Electricity purchases (KenGen & Aggreko)	34,778,334	34,208,587
Amounts due to KenGen on account of electricity purchases	4,841,565	6,837,936
Amounts due to KenGen on account of GOK subsidy	250,728	550,728
Electricity sales	128,391	129,484
Amounts due from KenGen on account of electricity sales	5,955	8,037

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

(e) KPLC Staff Retirement Benefits Scheme

The Company rents property owned by the staff retirement benefits scheme for office accommodation. Rent paid to the scheme in the year amounted to KShs 65,763,911 (2009-KShs 65,763,911).

31. CAPITAL COMMITMENTS

	2010 KShs'000	2009 KShs'000
Authorised and contracted for	41,115,286	51,500,022
Less: Amount incurred and included in work-in-progress	(13,432,866)	(17,436,457)
	27,682,420	34,063,565
Less: Capital contributions received from customers	(3,463,964)	(3,294,247)
	24,218,456	30,769,318

32. CONTINGENT LIABILITIES

Bank guarantees	1,166,385	809,118
Claims on the Company	8,009,660	6,471,694
	9,176,045	7,280,812

Notes to the Financial Statements for the Year Ended 30 June 2010 (continued)

32. CONTINGENT LIABILITIES (continued)

Included in the claims on the Company are: -

- (i) Some employees whose employment was terminated in the year 2003 went to court seeking additional compensation for termination. The advice from the external lawyers is that the plaintiffs claim is unlikely to succeed against the Company.
- (ii) KShs 1.355 billion in 2004 relating to a claim by Tana & Athi River Development Authority (TARDA) for Masinga and Kiambere power stations lease hire charges for the period prior to 1998. In 2005, the parties, together with the parent ministries, Treasury and Office of the President agreed to settle the matter administratively. This dispute arose as a result of compliance by the Company of a Government directive in 1988. Resolution of this matter is being discussed with the GoK.
- (iii) Other claims on the Company relate to civil suits lodged against the Company by various parties in the normal course of business.
- (iv) Kenya Electricity Generating Company Limited (KenGen) has claimed an amount of KShs 826 million relating to an actuarial deficit determined on the separation of the Staff Retirement Benefit Schemes in 2004. This claim has been disputed by the Company. The matter is under arbitration.

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

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

33. 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:

	2010 KShs'000	2009 KShs'000
Not later than 1 year	143,744	130,770
Later than 1 year and not later than 5 years	220,101	268,962
	363,845	399,732

AS LESSOR:

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

	2010 KShs'000	2009 KShs'000
Not later than 1 year	55,686	43,749
Later than 1 year but not later than 5 years	75,540	83,603
	131,226	127,352

Operating leases relate to premises with lease terms up to 10 years and are subject to rent escalations. The Company does not have an option to purchase the leased asset at the expiry of the lease period.

Notes to the Financial Statements for the Year Ended 30 June 2010 (continued)

34. WORLD BANK FINANCING

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

	2010 KShs'000	2009 KShs'000
Balance at the beginning of the year	75,287	35,740
Amounts received during the year	35,302	106,192
Net interest income	111	109
Expenditure during the year	(54,186)	(66,754)
Balance at the end of the year	56,514	75,287

(b) The closing balances shown above are included in cash and cash equivalents and represent balances on the World Bank funded Special Account No. 024/00/800521/01 held at CfC Stanbic Bank of Kenya Limited. Included in the long term liabilities is also an amount of KShs. 1,698,541,111 (US\$ 20,770,912) in respect of the amounts disbursed under the loan to date.

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

35. 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. The amount is included under creditors awaiting opening of Special Bank Account.

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

	2010 KShs'000	2009 KShs'000
Balance at the beginning of the year	385,612	325,394
Amounts received during the year	1,601,885	851,861
Net interest income	27,146	14,713
Expenditure during the year	(920,295)	(806,356)
Balance at the end of the year	1,094,348	385,612

(a) The closing balances shown above are included in cash and cash equivalents and represent balances on the European Investment Bank funded Special Account No.0100000443683 held at CfC Stanbic Bank of Kenya Limited. Included in the long term liabilities is also an amount of KShs.3,189,113,951 (Euro 31,827,516) in respect of the amounts disbursed under the loan to date.

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

Notes to the Financial Statements for the Year Ended 30 June 2010 (continued)

36. BALANCE SHEET RESTRUCTURING

On 19th November 2009, the Board of Directors of KPLC made a public announcement that it was exploring some proposals on the restructuring of the capital base of the Company. The proposals were: (i) redemption of all 7.85% redeemable non-cumulative preference shares in the Company by using the proceeds of a new issue of Ordinary Shares to GoK; (ii) a share split; and (iii) a rights issue. In this regard, the Company has appointed, Dyer & Blair in consortium with PKF as a lead transaction advisor and Hamilton Harrison & Mathews as legal advisors to assist in the capital base restructuring programme. Work on the Programme is on-going and subject to approval by the shareholders, Capital Markets Authority, Nairobi Stock Exchange and other regulators, the restructuring is expected to be implemented before the end of 2010.

37. COMPARATIVES

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

38. INCORPORATION

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

39. CURRENCY

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

Ten year Financial and Statistical Records

THE KENYA POWER AND LIGHTING COMPANY LIMITED.											
TEN YEAR FINANCIAL AND STATISTICAL RECORDS.											
	30th June 2001	30th June 2002	30th June 2003	30th June 2004	30th June 2005	30th June 2006	30th June 2007	30th June 2008	30th June 2009	30th June 2010	
For year ended											
UNITS SOLD (GWh)	3,091	3,498	3,654	3,940	4,215	4,444	4,818	5,082	5,182	5,345	
Average yield of units sold (cents)	911.95	709.20	633.03	591.96	672.39	764.33	787.55	802.85	1,258.37	1,368.88	
	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	
Revenue from sale of electricity	28,188,525	24,807,649	23,130,782	23,323,083	28,341,356	33,966,730	37,944,286	40,801,040	65,208,529	73,166,794	
PROFIT/(LOSS) for the Year											
Before exceptional item & preference dividend	(4,103,984)	(1,868,760)	(4,110,263)	875,614	1,981,206	2,499,913	2,650,621	3,523,970	5,676,542	5,951,392	
Exceptional item	-	(978,426)	-	-	-	-	-	-	-	-	
PROFIT/(LOSS) for the Year before taxation	(4,103,984)	(2,847,186)	(4,110,263)	875,614	1,981,206	2,499,913	2,650,621	3,523,970	5,676,542	5,951,392	
TAXATION (CHARGE)/ CREDIT	1,229,203	969,563	1,060,838	(415,877)	(709,003)	(853,752)	(930,214)	(973,439)	(1,557,339)	(1,916,587)	
NET PROFIT/(LOSS) AFTER TAXATION BEFORE FINANCE INCOME/COSTS	(2,874,781)	(1,877,623)	(3,049,425)	459,737	1,272,203	1,646,161	1,720,407	2,550,531	4,119,203	4,034,805	
Finance income	20,746	38,372	132,502	49,270	190,778	485,238	390,291	88,929	153,343	177,380	
Finance costs	(41,492)	(76,744)	(36,975)	(31,613)	(52,805)	(192,999)	(123,934)	(872,660)	(1,045,522)	(493,885)	
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/ (LOSS) ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	(2,876,711)	(1,879,553)	(2,897,276)	457,807	1,270,273	1,644,231	1,718,477	1,764,870	3,225,094	3,716,370	
ORDINARY DIVIDENDS (gross)	-	-	-	-	(118,692)	(118,692)	(237,384)	(316,512)	(633,024)	(633,024)	
RETAINED PROFIT/(LOSS) FOR THE YEAR FUNDS GENERATED FROM OPERATIONS	(2,876,711)	(1,879,553)	(2,897,276)	457,807	1,151,581	1,525,539	1,481,093	1,448,358	2,592,070	3,083,346	
Profit/(Loss) for the year after dividends	(2,876,711)	(1,879,553)	(3,051,355)	457,807	1,151,581	1,525,539	1,481,093	1,448,358	2,592,070	3,083,346	
Depreciation	1,138,686	1,101,236	1,569,572	1,518,396	1,436,716	1,382,910	1,513,506	1,749,764	2,154,357	2,760,936	
	(1,738,025)	(778,317)	(1,481,783)	1,976,203	2,588,297	2,908,449	2,994,599	3,198,122	4,746,427	5,844,282	
CAPITAL EMPLOYED											
Fixed Assets less depreciation	12,343,789	19,357,165	19,011,871	20,599,403	20,856,199	22,416,459	28,147,019	38,925,317	49,974,859	60,471,502	
Prepaid leases on land	132,343	132,257	132,202	132,147	132,092	132,037	131,981	131,926	131,874	131,819	
Investment	4,300	4,300	4,300	4,300	4,300	4,300	4,300	-	200,000	-	
Other non current assets	-	187,500	325,262	351,886	340,684	-	-	-	-	-	
Net current assets/(Liabilities)	(7,108,211)	1,319,233	(1,972,253)	1,139,351	2,969,063	3,816,718	1,192,560	2,237,136	2,702,009	894,903	
	5,372,221	21,000,455	17,501,382	22,227,087	24,302,338	26,369,514	29,475,960	41,294,379	53,008,742	61,498,224	
FINANCED BY:											
Ordinary shareholders' equity	1,065,785	3,516,168	997,475	1,591,969	2,998,929	4,661,155	6,350,150	7,982,672	9,700,722	11,593,536	
Non cumulative preference shares	-	-	-	15,899,250	15,899,250	15,899,250	15,899,250	15,899,250	17,147,341	17,147,341	
Cumulative preference shares	43,000	43,000	43,000	43,000	43,000	43,000	43,000	43,000	43,000	43,000	
Loan capital	2,258,632	5,049,326	5,494,863	3,769,347	3,248,936	2,701,722	2,683,117	11,368,208	11,545,014	13,113,434	
Deferred taxation	(987,940)	(110,389)	(1,803,024)	(1,523,834)	(951,518)	(234,442)	559,085	1,395,837	2,701,965	4,481,865	
Non current liability	2,972,744	12,612,135	12,790,747	2,447,355	3,063,741	3,298,829	3,941,258	4,605,412	11,870,700	15,119,048	
CAPITAL EXPENDITURE	5,352,221	21,110,240	17,523,061	22,227,087	24,302,338	26,369,514	29,475,860	41,294,379	53,008,742	61,498,224	
Average cost of units sold (cents)	1,593,221	1,959,535	1,231,937	3,111,203	1,846,965	2,979,564	7463,425	12,642,311	12,734,937	13,641,804	
	1,207	856	736	584	644.64	736.95	748.50	754.88	1,171.13	1,287.63	
Profit/ (Loss) for the year before taxation as a percentage of average capital employed	-76.01%	-13.38%	-23.15%	3.86%	7.58%	8.37%	8.09%	8.53%	10.11%	9.68%	
ORDINARY DIVIDENDS RATES	0%	0%	0%	0%	7.50%	7.50%	10%	20%	40%	40%	
Earnings per share	(36.35)	(23.75)	(38.56)	5.79	16.05	20.78	21.72	22.30	40.76	46.97	
Customers/employees ratio	71.22	98.25	107.98	110.62	119.93	129.00	144.00	159.03	180.64	201.08	
Sales (KWh) per employee	473,064	537,444	582,868	633,848	687,602	716,543	752,930	762,148	738,703	734,304	

Statistical Information

Table 1 : Power System Operation Statistics for 6 years

COMPANY	Capacity (MW) as at 30.06.2010		Energy Purchased Units in GWh					
	Installed	Effective ¹	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
KenGen								
Hydro								
Tana	14.4	0.0	59	56	68	64	44	29
Kamburu	94.2	90.0	381	399	464	489	348	244
Gitaru	225.0	216.0	757	795	945	977	655	457
Kindaruma	40.0	40.0	170	190	215	239	157	111
Masinga	40.0	40.0	169	170	183	230	128	61
Kiambere	164.0	164.0	814	852	973	937	914	546
Turkwel	106.0	105.0	475	520	372	341	524	335
Sondu Miriu	60.0	60.0	0	0	0	150	333	340
Small Hydros	14.7	12.8	44	43	57	60	46	46
Hydro Total	758	728	2,869	3,025	3,277	3,488	2,849	2,170
Thermal								
Kipevu Steam	0.0	0.0	48	0	0	0	0	0
Kipevu I Diesel	75.0	60.0	330	399	326	295	376	316
Fiat - Nairobi South	0.0	0.0	3	18	4	7	9	0
Kipevu Gas Turbines	60.0	60.0	97	194	75	88	184	145
Garissa & Lamu	5.4	5.2	13	15	16	18	17	19
Thermal Total	140	125	491	626	421	408	587	481
Geothermal								
Olkaria I	45.0	44.0	371	324	360	359	368	366
Olkaria II	105.0	97.0	549	562	540	564	535	573
Geothermal Total	150	141	920	886	900	922	903	939
Wind								
Ngong	5.1	5.1	0.4	0.4	0.2	0.2	0.3	16.3
KenGen Total	1,054	999	4,280	4,538	4,599	4,818	4,339	3,606
Government of Kenya (Rural Electrification Programme)								
Off-grid Thermal Stations	11.7	10.2	11	11	12	14	16	19
Independent Power Producers (IPP) - Thermal, Geothermal & Hydro								
Iberafica	108.5	108.5	330	408	321	306	344	621
Westmont ²	0.0	0.0	3	0	0	0	0	0
Tsavo	74.0	74.0	508	570	547	556	566	495
Mumias - Cogeneration	26.0	26.0	0	9	4	9	4	99
OrPower 4 -Geothermal	48.0	48.0	115	117	112	98	276	400
Rabai Power	90.0	90.0	0	0	0	0	0	318
Imenti Tea Factory (Hydro)	0.6	0.6	0	0	0	0	0	0.3
IPP Total	347	347	956	1,103	948	970	1,189	1,933

Statistical Information

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

COMPANY	Capacity (MW) ^{as} at 30.06.2010		Energy Purchased Units in GWh					
	Installed	Effective ¹	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Emergency Power Producers (EPP) ³								
Aggreko energy to Kenyan Market	60	60	0	30	561	499	885	1,096
Aggreko energy to Uganda	0	0	0	0	0	57	29	0
EPP Total	60	60	0	30	561	556	914	1,096
Imports								
UETCL			99	15	13	25	29	37
TANESCO			0.3	0.4	0.5	1.0	1.2	1.1
Total Imports			99	15	13	26	30	38
SYSTEM TOTAL	1,473	1,416	5,347	5,697	6,169	6,385	6,489	6,692
SUMMARY OF KEY STATISTICS								
SALES⁴ - KPLC System (GWh)			4,200	4,391	4,771	5,036	5,155	5,318
- REP System (GWh)			164	165	221	240	250	279
- Export to Uganda (GWh)			15	24	73	46	27	26
- Export to Tanesco (GWh)			0	0	0	0	0	1
TOTAL SALES (GWh)			4,379	4,580	5,065	5,322	5,432	5,624
System Losses (GWh) ⁴			968	1,117	1,104	1,062	1,057	1,068
System Peak Demand (MW) ⁵			899	920	987	1,044	1,072	1,107
System Load Factor			68.4%	70.9%	71.5%	69.5%	69.1%	68.8%
Sales % of Energy Purchased			81.9%	80.4%	82.1%	83.4%	83.7%	84.0%
Losses as % of Energy Purchased			18.1%	19.6%	17.9%	16.6%	16.3%	16.0%
Annual Growth: - Energy Purchased			6.2%	6.6%	8.3%	3.5%	1.6%	3.1%
- KPLC Sales			6.6%	4.5%	8.7%	5.6%	2.4%	3.2%
- REP Sales			9.3%	0.6%	33.9%	8.6%	4.2%	11.6%

NOTES:

1. Contracted output from the station under normal operating conditions.
2. Westmont was retired in August 2004 upon expiry of the supply contract with KPLC.
3. Aggreko's capacity has been down graded to 60MW due to improved hydrology.
4. System losses comprise of technical and non-technical losses.
5. The Demand shown includes the export demand.

Statistical Information

Table 2: Regional Maximum Demand (MW)

REGION	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Nairobi	453	481	522	548	568	588
Coast	152	164	179	180	199	195
West Kenya	176	178	195	212	217	246
Mt. Kenya	86	90	100	113	118	113
TOTAL SYSTEM (SIMULTANEOUS)	899	920	987	1,044	1,072	1,107
% INCREASE P.A.	6.5%	2.3%	7.3%	5.7%	2.7%	3.2%

Table 3 : KPLC Sales in GWh by Customer Category *

TARIFF	TYPES OF CUSTOMERS COVERED BY THIS TARIFF	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
DC	Domestic	956	1,028	1,113	1,255	1,254	1,290
SC	Small Commercial	522	522	558	590	823	823
B	Commercial (Medium) and and Industrial(Medium)	885	901	985	996	N/A	N/A
C	Commercial (Large) and Industrial(Large)	1,776	1,877	2,054	2,108	N/A	N/A
CI	Commercial and Industrial	0	0	0	0	3,020	3,153
IT	Off-peak	53	54	50	74	43	36
SL	Street lighting	8	9	11	13	15	16
	TOTAL	4,200	4,391	4,771	5,036	5,155	5,318
	% INCREASE P.A.	6.6%	4.5%	8.7%	5.6%	2.4%	3.2%

*Due to Tariff categories review with effect from July 2008, the sales have been reviewed to reflect the same.

Table 4 : Total Unit Sales by Region in GWh

REGION	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Nairobi	2,234	2,371	2,595	2,782	2,898	3,014
Coast	808	844	908	929	979	1,027
West Kenya	792	805	872	902	867	853
Mt. Kenya	366	371	396	423	411	424
KPLC Sales	4,200	4,391	4,771	5,036	5,155	5,318
R.E.P. Schemes	164	165	221	240	250	279
Export Sales**	15	24	73	46	27	27
TOTAL	4,379	4,580	5,065	5,322	5,432	5,624
%INCREASE P.A.	7.1%	4.6%	10.6%	5.1%	2.1%	3.5%

** Exports from 2007/08 were to Uganda from Aggreko via KPLC.

Statistical Information

Table 5 : Regional Sale of Electricity in GWh for Category “DC” Domestic Load

REGION	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Nairobi	622	666	719	808	800	804
Coast	165	178	194	214	214	227
West Kenya	112	122	132	152	156	167
Mt. Kenya	57	62	68	81	84	92
TOTAL	956	1,028	1,113	1,255	1,254	1,290
% INCREASE P.A.	7.1%	7.6%	8.3%	12.8%	-0.1%	2.9%

Table 6 : Regional Sale of Electricity in GWh for Category “SC” Small Commercial Load

REGION	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Nairobi	245	244	263	271	400	402
Coast	79	79	85	91	127	132
West Kenya	120	126	134	143	187	183
Mt. Kenya	79	73	76	85	109	106
TOTAL	522	522	558	590	823	823
% INCREASE P.A.	9.7%	-0.1%	6.9%	5.7%	39.5%	-0.1%

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

REGION	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Nairobi	4.3	7.0	6.8	5.5	0	0
Coast	0.5	0.4	0.3	0.3	0	0
West Kenya	15.6	18.0	17.7	15.7	0	0
Mt. Kenya	17.7	22.0	17.5	15.9	0	0
TOTAL	38	47	42	37	0	0
% INCREASE P.A.	0.7%	24.5%	-10.8%	-11.6%	-100%	0%

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

REGION	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Nairobi	459	472	524	536	0	0
Coast	133	129	139	139	0	0
West Kenya	154	159	173	175	0	0
Mt. Kenya	64	69	74	78	0	0
TOTAL	811	829	910	928	0	0
% INCREASE P.A.	7.6%	2.2%	9.8%	2.0%	0%	0%

Statistical Information

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

REGION	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Nairobi	13	13	20.8	12.5	0	0
Coast	9	5	5.5	12.8	0	0
West Kenya	3	3	3.8	3.0	0	0
Mt. Kenya	2	3	2.6	2.2	0	0
TOTAL	27	24	32.7	30.5	0	0
% INCREASE P.A.	7.7%	-12.1%	36.3%	-6.7%	0%	0%

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

REGION	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Nairobi	2	1	0.03	0.00	0	0
Coast	0	0	0.02	0.20	0	0
West Kenya	0	0	0	0	0	0
Mt. Kenya	0	0	0	0	0	0
TOTAL	2.0	1.0	0.05	0.20	0	0
% INCREASE P.A.	100.0%	-48.8%	-95.0%	300.0%	0%	0%

Table 11 : Regional Sale of Electricity in GWh for Category “CI1” Large Commercial & Industrial Load (415V)

REGION	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Nairobi	250	271	283	293	757	752
Coast	93	106	109	105	214	218
West Kenya	134	123	147	143	312	333
Mt. Kenya	95	94	104	102	160	166
TOTAL	572	594	643	643	1,443	1,469
% INCREASE P.A.	4.2%	3.9%	8.2%	0.0%	124.5%	1.8%

Table 12 : Regional Sale of Electricity in GWh for Category “CI2” Large Commercial & Industrial Load (11kV)

REGION	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Nairobi	0	0	0	0	598	652
Coast	0	0	0	0	182	192
West Kenya	0	0	0	0	99	102
Mt. Kenya	0	0	0	0	52	58
TOTAL	0	0	0	0	931	1,003
% INCREASE P.A.	0%	0%	0%	0%	100%	7.8%

Statistical Information

Table 13 : Regional Sale of Electricity in GWh for Category “CI3” Large Commercial & Industrial Load (33kV)

REGION	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Nairobi	0	0	0	0	0	3
Coast	0	0	0	0	149	147
West Kenya	0	0	0	0	64	65
Mt. Kenya	0	0	0	0	3	1
TOTAL	0	0	0	0	216	215
% INCREASE P.A.	0%	0%	0%	0%	100%	-0.4%

Table 14 : Regional Sale of Electricity in GWh for Category “CI4” Large Commercial & Industrial Load (66kV)

REGION	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Nairobi	0	0	0	0	272	326
Coast	0	0	0	0	0	0
West Kenya	0	0	0	0	0	0
Mt. Kenya	0	0	0	0	0	0
TOTAL	0	0	0	0	272	326
% INCREASE P.A.	0%	0%	0%	0%	100%	19.7%

Table 15 : Regional Sale of Electricity in GWh for Category “CI5” Large Commercial & Industrial Load (132kV)

REGION	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Nairobi	0	0	0	0	20	31
Coast	0	0	0	0	90	106
West Kenya	0	0	0	0	48	2
Mt. Kenya	0	0	0	0	0	0
TOTAL	0	0	0	0	158	140
% INCREASE P.A.	0%	0%	0%	0%	100%	-11.5%

Table 16 : Regional Sale of Electricity in GWh for Category “IT” Off-Peak Load

REGION	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Nairobi	50.2	51.0	47	60	40	34
Coast	0.7	1	1	5	0	1
West Kenya	1.2	1	1	5	1	1
Mt. Kenya	1.5	1	1	4	1	1
TOTAL	53	54	50	74	42	37
% INCREASE P.A.	-2.9%	1%	-7.8%	48.7%	-43.2%	-14.5%

Statistical Information

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

REGION	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Nairobi	5.6	6.1	7.0	8.5	10.0	11.2	11.4
Coast	0.6	0.5	0.6	0.9	1.3	2.2	2.8
West Kenya	0.5	0.5	0.9	1.0	0.8	1.0	1.3
Mt. Kenya	0.5	0.5	0.7	0.7	0.9	1.0	1.1
TOTAL	7.2	7.7	9.2	11.1	13.0	15.4	16.6
% INCREASE P.A.	5.3%	8.0%	18.9%	20.7%	17.1%	18.5%	7.8%

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

REGION	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Nairobi	28	31	32	42	47.7	52.0	55.3
Coast	8	9	9	14	14.5	16.0	18.3
West Kenya	75	83	85	113	120.7	125.0	134.8
Mt. Kenya	38	40	39	52	57.1	57.1	70.5
TOTAL	150	164	165	221	240.0	250.1	278.9
% INCREASE P.A.	2.0%	9.1%	0.8%	33.9%	8.6%	4.2%	11.5%

Table 19 : Number of Customers by Region

AS AT 30th JUNE							
REGION	2004	2005	2006	2007	2008	2009	2010
Nairobi	331,108	355,673	388,202	445,595	505,414	595,010	669,129
Coast	85,017	90,796	98,790	109,645	121,864	139,245	157,731
West Kenya	112,753	118,734	130,044	149,606	168,608	200,266	235,291
Mt. Kenya	63,875	68,148	74,489	86,436	103,143	127,390	150,433
KPLC Customers	592,753	633,351	691,525	791,282	899,029	1,061,911	1,212,583
R.E.P. Customers	93,442	101,793	110,724	133,047	161,354	205,287	251,056
TOTAL	686,195	735,144	802,249	924,329	1,060,383	1,267,198	1,463,639
% INCREASE P.A.	6.7%	7.1%	9.1%	15.2%	14.7%	19.5%	15.5%

Statistical Information

Table 20 : Number of Customers by Tariff Category

TARIFF	MAIN TYPE OF CUSTOMERS COVERED BY THIS TARIFF	AS AT 30TH JUNE					
		2005	2006	2007	2008	2009	2010
DC only	Domestic KPLC REP	482,812 65,439	534,743 72,794	626,099 91,672	724,283 114,820	873,764 150,964	1,017,266 189,850
DC & IT	Domestic KPLC REP	50,843 325	52,338 338	54,284 358	55,573 367	57,678 1,002	54,076 949
SC only	Small Commercial KPLC REP	93,021 35,874	97,236 37,412	103,617 40,752	111,446 46,010	124,251 53,185	134,601 60,008
SC & IT	Small Commercial KPLC REP	1,162 80	1,146 75	1,150 185	1,149 71	1,167 72	1,248 178
B0	Irrigation Load KPLC REP	226 2	225 2	213 3	196 3	0 0	0 0
B1	Medium Commercial and Industrial KPLC REP	2,863 46	3,291 78	3,208 53	3,412 55	0 0	0 0
B2	Medium Commercial and Industrial KPLC	66	68	65	68	0	0
B3	Medium Commercial and Industrial KPLC	4	2	2	4	0	0
CI1	Large Commercial KPLC REP	287 1	305 1	317 2	321 2	2,250 37	2,373 43
CI2	Large Commercial and Industrial KPLC	142	155	168	177	233	255
CI3	Large Commercial and Industrial KPLC	16	18	18	16	23	26
CI4	Large Commercial and Industrial KPLC	0	1	1	1	14	16
CI5	Large Commercial and Industrial KPLC	1	1	1	1	13	15
IT only	Off-peak KPLC REP	734 8	705 10	677 8	659 9	631 9	622 8
SL	Street lighting KPLC REP	1,178 14	1,291 14	1,462 14	1,723 17	1,887 18	2,085 20
	TOTAL (KPLC)	633,355	691,525	791,282	899,029	1,061,911	1,212,583
	TOTAL (R.E.P.)	101,789	110,724	133,047	161,354	205,287	251,056
	GROSS TOTAL	735,144	802,249	924,329	1,060,383	1,267,198	1,463,639
	% INCREASE P.A.	7.1%	9.1%	15.2%	14.7%	19.5%	15.5%

Statistical Information

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

TARIFF	MAIN TYPE OF CUSTOMERS COVERED BY THIS TARIFF	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
DC	Domestic, Small Commercial Small Industrial	6,481	8,092	9,718	10,867	16,493	21,109
SC		3,905	4,650	5,858	6,481	12,078	17,974
B (Old Tariff)	Commercial and Industrial (Medium)	6,509	7,338	7,607	8,054	0	0
C (Old Tariff)	Commercial (large) Industrial (large)	10,891	13,294	14,225	14,810	0	0
CI		-	-	-	-	36,014	36,603
IT	Off-peak	472	320	298	442	314	263
SL	Street Lighting	83	95	132	198	271	415
	TOTAL	28,341	33,789	37,838	40,852	65,170	76,364
	Export**	92	178	106	-51	38	216
	TOTAL KPLC	28,433	33,967	37,944	40,801	65,208	76,580
	R.E.P.	1,208	1,538	1,721	2,064	4,337	4,277
	TOTAL REVENUE	29,641	35,505	39,665	42,865	69,545	80,857
	%INCREASE P.A.	22.0%	19.8%	11.7%	8.1%	62.2%	16.3%

* In 2007/08, KPLC had no export revenues from UETCL. Exports to UETCL were from Aggrekko plants through the KPLC System.

Table 22: Staff Analysis

	AS AT 30th JUNE					
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Number of Staff in Each Region						
Central Office	704	698	736	894	1,131	1,205
Nairobi	2,372	2,405	2,438	2,387	2,329	2,378
Coast	732	743	755	776	808	839
West	1,532	1,543	1,613	1,728	1,803	1,871
Mt Kenya	790	813	857	883	944	986
Total Number of Staff*	6,130	6,202	6,399	6,668	7,015	7,279
% INCREASE P.A.	-1.4%	1.2%	3.2%	4.2%	5.2%	3.8%
Gender:						
Male	4,991	5,056	5,158	5,351	5,565	5,774
Female	1,139	1,146	1,241	1,317	1,450	1,505
Ratio- Male/Female	4.4	4.0	4.0	4.1	3.8	3.8

* All staff employed in the organization are Kenyan Citizens

Statistical Information

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

VOLTAGE	AS AT 30th JUNE					
	2005	2006	2007	2008	2009	2010
220 kV	1,323	1,323	1,323	1,323	1,331	1,331
132 kV	2,035	2,035	2,085	2,085	2,112	2,211
66 kV	600	630	632	632	649	655
40 kV	58	58	29	29	29	0
33 kV	6,570	7,826	11,163	12,633	13,031	13,812
11 kV	16,794	18,532	21,918	23,573	24,334	25,485
TOTAL	27,380	30,404	37,149	40,274	41,486	43,494
% INCREASE P.A.	8.4%	11.0%	22.2%	8.4%	3.0%	4.9%

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

	AS AT 30th JUNE					
	2005	2006	2007	2008	2009	2010
Generation Substations						
11/220kV	472	472	472	472	544	544
11/132kV	675	675	675	675	694	694
11/66kV	90	146	146	183	121	121
11/33kV	279	279	280	280	238	238
11/40kV	5	5	5	5	0	0
3.3/11/40kV	8	8	10	10	0	0
3.3/40kV	4	4	4	4	0	0
3.3/33kV	4	4	4	4	4	4
TOTAL	1,537	1,593	1,596	1,633	1,601	1,601
Transmission Substations						
132/220kV	620	620	620	620	620	620
220/132kV	730	730	730	730	730	730
220/66kV	360	360	360	360	360	360
132/66kV	255	375	375	375	375	375
132/33kV	660	621	629	652	687	756
TOTAL	2,625	2,706	2,714	2,737	2,772	2,841
Distribution Substations						
66/11kV	743	966	1,058	1,114	1,206	1,206
66/33kV	67	77	77	77	77	90
40/11kV	11	11	11	11	11	11
33/11kV	619	666	729	750	823	934
TOTAL	1,440	1,720	1,874	1,951	2,117	2,241
Distribution Transformers						
11/0.415kV & 33/0.415kV	3,081	3,271	3,515	4,138	4,307	4,688