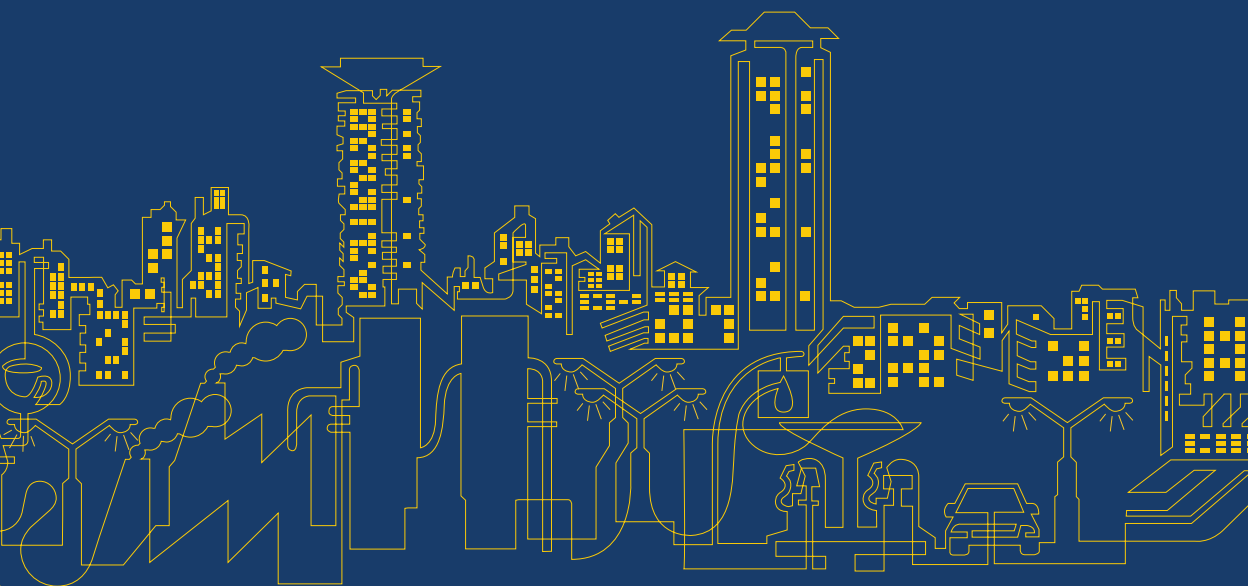




Kenya Power

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**



ALIGN. GROW. TRANSFORM.

OUR VISION

Providing world-class power that delights our customers

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

OUR MISSION

Powering people for better lives

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



CORE VALUES

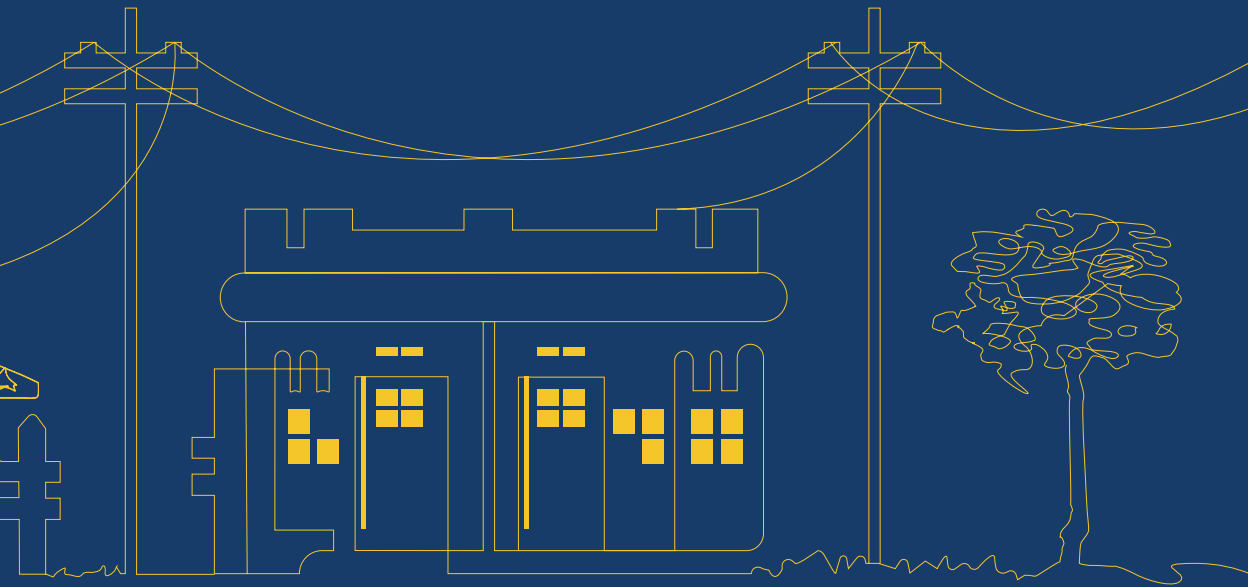
We put our customers first
as they matter most

We work together
as one team to achieve our goals

We are passionate
about powering the nation

We believe in integrity
and delivering on our promises

We strive for excellence
in all that we do



ABOUT THIS REPORT

This is our report to shareholders for the trading period ended 30th June 2017 to be adopted at the 96th Annual General Meeting of the Company. The report is prepared under the direction of the Board of Directors who are accountable for veracity and completeness of its content.

In preparation of this report, the Board seeks to provide an objective view of the business performance and disclosure of any material matters for consideration by shareholders. The content development process is guided by legal and regulatory requirements including the Companies Act 2015, International Financial Reporting Standards (IFRS), Public Audit Act 2015, the Code of Corporate Governance for State Corporations

(Mwongozo Code), the Capital Markets Act Cap 485A as well as global best practice.

This report contains highlights on our trading performance, strategic focus areas in the medium term and operational performance during the year. In addition, the report articulates our corporate governance framework and commitment to sustainability including details of corporate social investment initiatives undertaken in the period.

Feedback

We appreciate your feedback on this report for improvement in future reporting. Please forward suggestions to integratedreport@kplc.co.ke.

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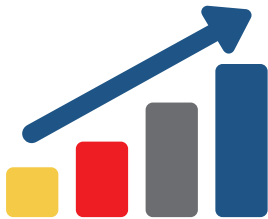
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BUSINESS HIGHLIGHTS



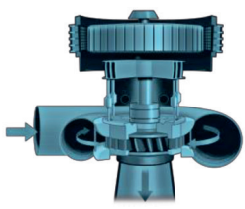
GROWTH IN SALES
Electricity sales grew by 4.5% from 7,912 GWh to 8,272 GWh



INCREASED REVENUE
Basic electricity revenue grew from Shs 87 billion to Shs 92 billion, a 6% increase.



ELECTRICITY DEMAND GROWTH
Electricity demand grew by 4.4% from 1,586 MW to 1,656 MW



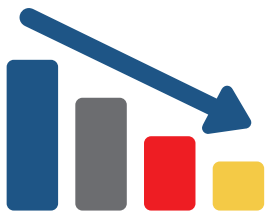
INCREASING GENERATION CAPACITY
15 MW of new capacity installed bringing the installed capacity to 2,333MW



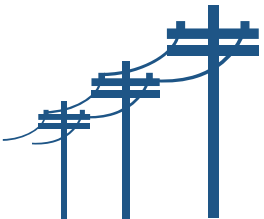
CONNECTING MORE CUSTOMERS
Number of customers grew from 4,806,373 to 6,182,282



NET PROFIT
Net profit grew from Shs 7,196 million to Shs 7,266 million



LOSS REDUCTION
System losses reduced to 18.9% from 19.4%



NETWORK EXPANSION
Extended high and medium voltage lines by 5,565 km from 68,493 km to 74,058 km



Lighting Up Kenya

This year, we raised the national electricity access to 70.3% giving access to safe and reliable electricity for socio-economic development thereby improving the quality of lives in the country.

Align. Grow. Transform.

CORPORATE INFORMATION

DIRECTORS	Hon. Kenneth Marende	- Chairman
	Kenneth Tarus, PhD	- Managing Director and CEO
	Mr. Henry Rotich	- Cabinet Secretary, the National Treasury
	Dr. Eng. Joseph Njoroge	- Principal Secretary, Ministry of Energy and Petroleum
	Mr. Wilson Mugung'ei	- Director
	Mr. Adil Khawaja	- Director
	Mr. Kairo Thuo	- Director
	Mrs. Brenda Eng'omo	- Director
	Mrs. Beatrice Gathirwa	- Alternate Director to Cabinet Secretary, the National Treasury
	Eng. Isaac Kiva	- Alternate Director to Principal Secretary, Ministry of Energy and Petroleum

COMPANY SECRETARY Beatrice Meso
 Certified Public Secretary (Kenya)
 P.O. Box 30099 - 00100, Nairobi

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

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

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

DELEGATED AUDITOR PricewaterhouseCoopers
 Certified Public Accountants (Kenya)
 PwC Tower
 Waiyaki Way/ Chiromo Road, Westlands
 P.O. Box 43963 - 00100, Nairobi

LEGAL ADVISOR Hamilton Harrison & Mathews Advocates
 Delta Office Suites, Waiyaki Way
 P.O. Box 30333 - 00100, Nairobi



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

Hon. Kenneth Marende (61 years) joined the Board of Directors of the Company on 19th December 2014 and was appointed the Chairman of the Board on 5th January 2015. Hon. Marende is an Advocate of the High Court of Kenya with over 35 years standing. He is a former President of the Commonwealth Parliamentary Association (CPA) and a former Speaker of the Kenya National Assembly as well as Chairman of the Parliamentary Service Commission. Hon. Marende holds a Bachelor's Degree in Law from the University of Nairobi and a Post Graduate Diploma in Law from the Kenya School of Law. He was awarded a Doctor of Letters Degree by Maseno University in 2011 and an Honorary Doctor of Philosophy of Humanities Degree by United Graduate College, USA, in July 2010. Hon. Marende is also a director of Kenmar Limited.



Kenneth Tarus, B.Com (Hons), MBA, PhD (Finance), CPA (K) – Managing Director and CEO

Dr. Kenneth Tarus (47 years) is the Company's Managing Director and CEO. Dr. Tarus holds a Doctor of Philosophy degree in Business Administration (Finance) from Kabarak University, an MBA and a Bachelor of Commerce degree from University of Nairobi. He is a Certified Public Accountant and a Member of the Kenya Institute of Management. He previously held the position of General Manager in charge of Finance in the Company. He was appointed Acting Managing Director and CEO of the Company in January 2017 following the retirement of Dr. Ben Chumo and appointed to the position in 1st August 2017. Dr. Tarus has extensive work experience in management and accounting having held senior positions in various organisations and in the energy sector.



Mr. Henry Rotich, B.A. (Econ.), MA (Econ.), MPA – Cabinet Secretary, the National Treasury

Mr. Henry Rotich (48 years) is the Cabinet Secretary for the National Treasury. He holds a Master's Degree in Economics and a Bachelor's Degree in Economics (First Class Honours), both from University of Nairobi. He also holds a Master's Degree in Public Administration (MPA) from Harvard University. Prior to this appointment, Mr. Rotich was the head of Macroeconomics at the Treasury, Ministry of Finance, since March 2006. Under this capacity, he was involved in formulation of macroeconomic policies that ensured an affordable and sustainable path of public spending aimed at achieving the Government's development priorities. Prior to joining the Ministry of Finance, Mr. Rotich worked at the Research Department of the Central Bank of Kenya from 1994. Between 2001 and 2004, he was attached to the International Monetary Fund (IMF) local office in Nairobi as an economist.



Dr. Eng. Joseph Njoroge, CBS, PhD, MBA, BSc (Eng.), R. Cons. Eng., C. Eng., MIET, FIEK - Principal Secretary, Ministry of Energy and Petroleum

Dr. Eng. Joseph Njoroge (59 years) is the Principal Secretary, Ministry of Energy and Petroleum. He was the Managing Director of the Company from June 2007 until he was appointed to his current position in May 2013. He holds a Doctor of Philosophy Degree, MBA in Strategic Management and First Class Honours Degree in Electrical Engineering all from University of Nairobi. He is a Registered Consulting Engineer, a Chartered Engineer, a Member of the Institution of Engineering and Technology (UK) and a Fellow of the Institution of Engineers of Kenya. He is also a member of the Institute of Directors of Kenya and a trainer in Corporate Governance. He has wide experience in power engineering and management of the power sector, having joined the Company in 1980 and serving in various senior positions prior to his appointment as Principal Secretary, Ministry of Energy and Petroleum.



Mr. Wilson Mugung'ei, B.A (Math.), MBA (Finance)

Mr. Wilson Mugung'ei (51 years) has over 20 years' experience in investment banking and fund management. Mr. Mugung'ei has progressive experience in investment environments and in various capacities notably in operations management and dealership in stockbrokerage. He holds a Bachelor of Arts degree in Mathematics from Kenyatta University and Global Executive Master of Business Administration from United States International University. He is also a director of Quadrix Capital Management Limited and Seriani Asset Managers Limited. He joined the Board on 19th December 2014.



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

Mr. Adil Khawaja (46 years) joined the Board on 19th December 2014. He specializes in commercial law, corporate law, real estate law, energy, oil and gas, commercial litigation and arbitration. He has over 23 years of dispute resolution experience and vast experience in real estate and finance work. He has undertaken many complex company restructurings, mergers and acquisitions, bank security work and bank regulatory work, schemes of arrangement for banks and other companies. Mr. Khawaja holds a Bachelor of Law Degree from University of Sheffield and is an advocate of High Court of Kenya. He is also the chairman of KCB Bank Kenya Limited and serves as a director in several other private companies.



Mr. Kairo Thuo, LLB (Hons), Dip. (Law), CPA (K)

Mr. Kairo Thuo (42 years) holds Bachelor of Laws degree from the University of Nairobi and is a Certified Public Accountant of Kenya, CPA (K). He is the founding partner at Viva Africa Consulting which specialises on consultancy in tax, legal and financial. Prior to joining Viva Africa Consulting he was responsible for establishing and running the Tax Transaction Advisory group for Deloitte & Touche and was director of the unit. Mr. Kairo has extensive experience in all areas of taxation, transaction advisory and legal structuring in Kenya, Uganda, Rwanda, Tanzania. He is the non-executive director of NIC Bank, ICEA-Lion Asset Management and Special Economic Zones Authority. He joined the Board on 23rd December 2016.



**Mrs. Brenda Eng'omo, B.A (Development Studies),
Diploma in Education**

Mrs. Brenda Eng'omo (32 years) holds a Bachelor's degree in Developmental Studies from Mt. Kenya University and a Diploma in Education from Kenya Science Teachers College. She has experience in Project Management and currently works as Programme Project Officer for Hunger Safety Net in Turkana North and Kibish Sub County in Turkana County. She previously worked as a high school teacher. She is the Chairperson of Kataboi Girls Secondary School in Turkana County. She joined the Board on 23rd December 2016.



**Eng. Isaac Kiva, OGW, BSc (Eng.), R. Eng.,
MIEK - Alternate Director, Ministry of Energy and Petroleum**

Eng. Isaac Kiva (49 years) is currently the Secretary for Renewable Energy at the Ministry of Energy and Petroleum. Eng. Kiva has wide experience in public sector management, having held senior Government positions for over 20 years. He is a registered Professional Engineer with the Engineers Board of Kenya and a member of the Institution of Engineers of Kenya. Eng. Kiva joined the Board on 16th December 2009 as an Alternate Director to the Permanent Secretary Ministry of Energy and Petroleum.



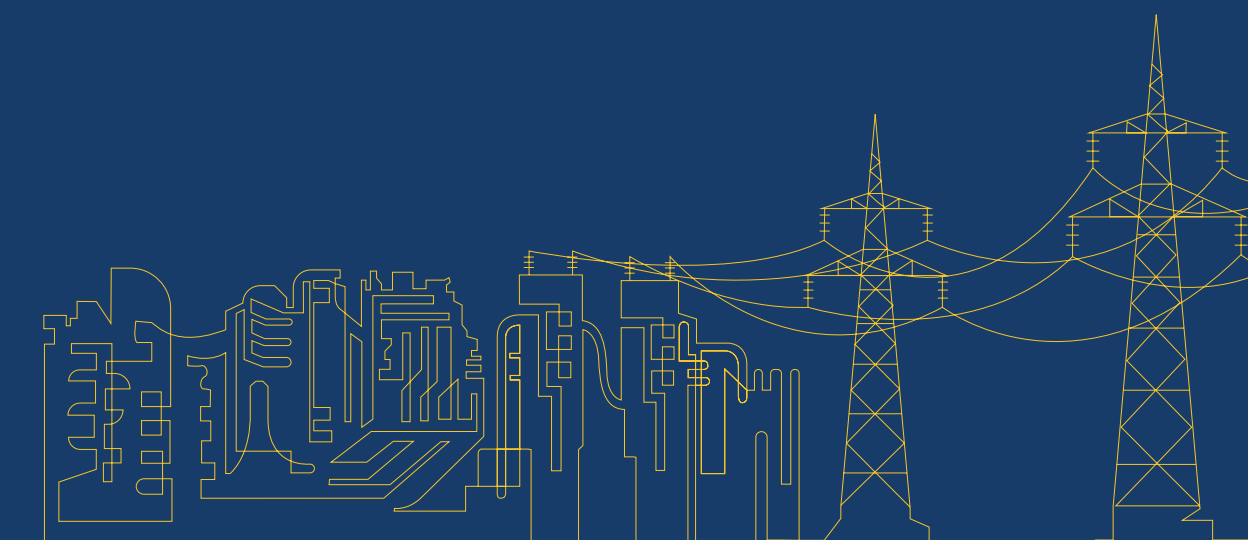
Mrs. Beatrice Gathirwa, Bcom, MBA, CPA(K) - Alternate Director, the National Treasury

Mrs. Beatrice Gathirwa (61 years) is a Senior Deputy Accountant General/Director of National Assets and Liabilities Management Investment in the Directorate of Public Investment and Portfolio Management in the National Treasury. She Holds a Masters of Business Administration, Moi University, Bachelors of Commerce (Accounting Option), University of Nairobi and a Certified Public Accountant (K). She has over 30 years experience in the Public Sector. Mrs. Beatrice Gathirwa joined the Board on 5th May 2017 as Alternate Director to The National Treasury.



Beatrice Meso, LL.B, LL.M, Dip (Law), MBA, CPS(K), MCI Arb - General Manager, Corporate Affairs and Company Secretary

Beatrice Meso is the Secretary to the Board of Directors. She holds a Master of Laws (LL.M), Bachelor of Laws (LL.B Hons) and Master of Business Administration (MBA) degrees from the University of Nairobi. She also holds Post Graduate Diploma in Law from the Kenya School of Law and is an advocate of the High Court of Kenya, a Certified Public Secretary, an Arbitrator, a Commissioner for Oaths and a Notary Public. She has proficiency in public and private sector administration, governance, policy formulation and implementation, company secretarial practice, legal and regulatory matters and in electricity trade.



Enhancing Grid Capacity

As part of grid expansion this year, we continued to build, upgrade and complete various substation projects; reliably increasing our services to more Kenyan homes and businesses across the country.

Align. Grow. Transform.

EXECUTIVE MANAGEMENT

Managing Director and CEO
Kenneth Tarus, PhD
(Finance), B.Com (Hons),
MBA, CPA (K)



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



General Manager, Corporate
Affairs & Company Secretary
Beatrice Meso,
LL.B, LL.M, Dip (Law), MBA,
CPS(K), MCI Arb



General Manager,
Infrastructure Development
Eng. Stanley Mutwiri,
BSc (Eng.),
MBA, P.Cons, Eng., FIEK,
MIET, MIEEE, MCIPS



Head, Connectivity
Implementation
Joshua Mutua,
Bsc (Eng.)



General Manager,
Network Management
Eng. Daniel Tare,
BTec (Eng.), MBA, Intl.
Dip. (Project Mgt.),
R.Eng., MIEK



General Manager,
Street Lighting
Eng. Benson Muriithi,
BSc (Eng.),
MBA, R. Eng., MIEK



General Manager, Customer
Service & Ag. General
Manager, Regional
Coordination
Eng. Peter Mwachigi,
BTech (Eng.),
R. Eng., MIEK EMBA,
PM Diploma, MKIM



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



Director, Kenya Power
International Ltd
Dr. Jeremiah Kiplagat,
PhD (Engineering),
M.Sc, B.Sc



General Manager,
Supply Chain
Bernard Ngugi,
MCIPS, MKISM, CPA(K),
CPS(K), MBA(Finance),
B.Com(Acct)



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



Ag. General Manager,
Finance
Harun Karisa,
B.Com(Accounting),
CPA(K)



General Manager,
Internal Audit
Charles Cheruiyot,
CIA, CPA(K), MBA,
BCom(Accounting)



REGIONAL MANAGERS

Regional Manager,
Nairobi North
Eng. Charles Mwaura



Regional Manager,
Nairobi South
Eng. Aggrey Machasio



Regional Manager,
Nairobi West
Phineas Marete



Regional Manager,
Coast
Eng. Hezekiah Mwalwala



Regional Manager,
Central Rift
Eng. Geoffrey Muli



Regional Manager,
North Rift
Kimutai Bett



Regional Manager,
South Nyanza
David Mugambi



Regional Manager,
Western
Dan Obiero

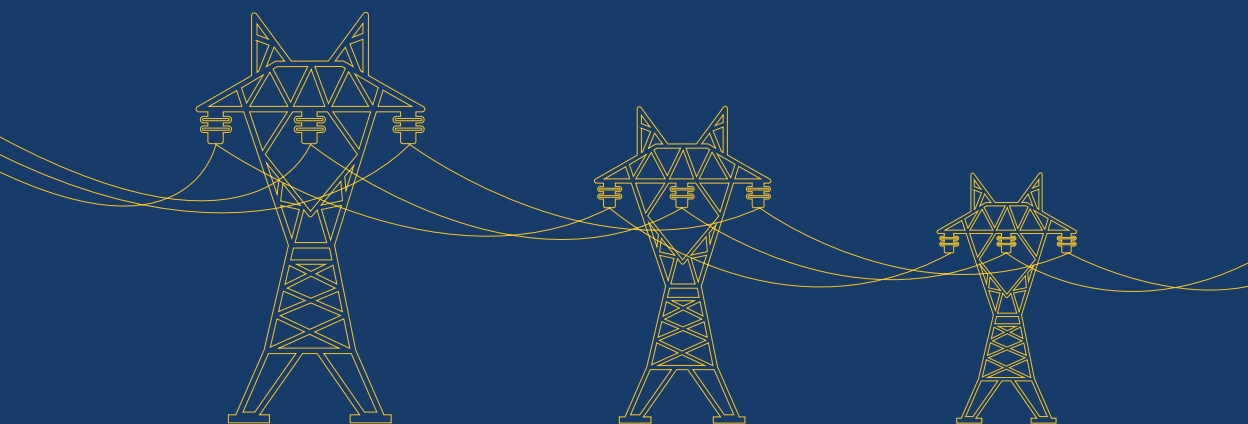


Regional Manager,
North Eastern
Eng. Daniel Kamau



Regional Manager,
Mt. Kenya
Eng. Kenneth Chege





Network Modernisation

We have upgraded and modernised our existing infrastructure including our power lines to provide grid flexibility, enhance stability and improve accessibility.

Align. Grow. Transform.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE NINETY-SIXTH ANNUAL GENERAL MEETING of Shareholders of the Company will be held at Safari Park Hotel, Thika Road, Nairobi, on Friday 1st December 2017 at 11.00 a.m. to transact the following business:

1. To read the Notice convening the Meeting and note the presence of a quorum.
2. To receive, consider and adopt the Company's Audited Financial Statements for the year ended 30th June 2017, together with the Chairman's, Directors' and Auditors' reports thereon.
3. To approve payment of a first and final dividend of Shs 0.50 per ordinary share, subject to withholding tax where applicable, in respect of the year ended 30th June 2017.
4. To elect Directors:
 - (i) Mr. Adil Khawaja 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) Hon. Kenneth Marende 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) To elect one new director to fill the vacancy in the Board.
5. In accordance with the provisions of Section 769 of the Companies Act 2015, the following directors being members of the Board Audit and Risk Committee will be required to be elected to continue to serve as members of the said Committee:
 - (i) Mr. Kairo Thuo
 - (ii) Mrs. Brenda Eng'omo
 - (iii) Mr. Wilson Mugung'ei
 - (iv) Mrs. Beatrice Gathirwa
6. To approve payment of fees to non-executive Directors for the year ended 30th June 2017.
7. 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 by him in accordance with Section 23 of the Public Audit Act 2015.
8. To authorise the Directors to fix the Auditors' remuneration.
9. To consider any other business for which due notice has been given.

By Order of the Board



Beatrice Meso
Company Secretary
19th October 2017

NOTE:

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

ILANI YA MKUTANO MKUU WA KILA MWAKA

ILANI INATOLEWA HAPA KWAMBA MKUTANO MKUU WA KILA MWAKA WA TISINI NA SITA wa Wenye-hisa wa Kampuni utaandaliwa katika Safari Park Hotel, Thika Road, Nairobi, mnamo Ijumaa, Desemba 1, 2017 saa 5.00 asubuhi kuendesha shughuli zifuatazo:

1. Kusoma Ilani ya kuandaa Mkutano na kutambua kuwepo kwa idadi ya kutosha ya wanachama kuendesha shughuli.
2. Kupokea, kuchunguza na kuidhinisha taarifa za Kifedha za Kampuni zilizokaguliwa kwa mwaka uliomalizika Juni 30, 2017 pamoja na ripoti za Mwenyekiti, Wakurugenzi na Wahasibu.
3. Kuidhinisha malipo ya kwanza na ya mwisho ya mgao wa Shs 0.50 kwa kila hisa ya kawaida, baada ya kuondoa ushuru wa kushikilia inakohitajika, kuhusiana na mwaka uliomalizika Juni 30, 2017.
4. Kuchagua Wakurugenzi:
 - (i) Bw. Adil Khawaja anastaafu kwa mzunguko kwa mujibu wa Kipengee 120 cha Katiba ya Kampuni na kwa kuwa anahitimu, ajitokeza kwa uchaguzi tena.
 - (ii) Mhe. Kenneth Marende anastaafu kwa mujibu wa Kipengee cha 120 cha Katiba ya Kampuni na kwa kuwa anahitimu, ajitokeza kwa uchaguzi tena.
 - (iii) Kuchagua mkurugenzi mmoja mpya kujaza pengo katika Bodi.
5. Kwa mujibu wa Sehemu ya 769 Sheria ya Kampuni ya 2015, Wakurugenzi wafuatao ambao watakuwa wanachama wa Kamati ya Bodi kuhusu Uhasibu na Hatari za Kibiashara watahitajika kuchaguliwa kuendelea kuhudumu kama wanachama wa Kamati hiyo:
 - (i) Bw. Kairo Thuo
 - (ii) Bi. Brenda Eng'omo
 - (iii) Bw. Wilson Mugung'ei
 - (iv) Bi. Beatrice Gathirwa
6. Kuidhinisha malipo ya Wakurugenzi wasio na Mamlaka kwa mwaka uliomalizika Juni 30, 2017.
7. Wahasibu:

Kutambua kuwa ukaguzi wa vitabu vya hesabu vya Kampuni utaendelea kufanywa na Mhasibu Mkuu wa Serikali au taasisi ya uhasibu atakayoteua kwa mujibu wa Sehemu ya 23 ya Sheria ya Uhasibu wa Umma 2015.
8. Kuidhinisha Wakurugenzi kuamua malipo ya Wahasibu.
9. Kuangalia shughuli zozote zile ambazo ilani ifaayo imetolewa.

Kwa Amri ya Bodi



Beatrice Meso
Katibu wa Kampuni
Oktoba 19, 2017

MAELEZO:

Mwanachama aliye na haki ya kuhudhuria na kupiga kura katika mkutano uliotajwa hapo juu anaweza kuteua mwakilishi mmoja au zaidi kuhudhuria, na katika upigaji kura, kupiga kwa niaba yake. Si lazima mwakilishi awe mwanachama wa Kampuni. Fomu ya Uwakilishi imeambatanishwa kwenye ripoti hii. Ili kuwa halali, Fomu ya Uwakilishi ni lazima ijazwe kikamilifu na kuwasilishwa kwa Afisi ya Katibu wa Kampuni, Stima Plaza, Nairobi au kutumwa kwa posta ili kupokelewa saa 48 kabla ya mkutano kuanza. Mwanachama anaweza kutuma Fomu ya Uwakilishi kupitia barua pepe shares@kplc.co.ke katika muda unaotarajiwa.



**Hon. Kenneth Marende, EGH
Chairman, Board of Directors**

CHAIRMAN'S STATEMENT

A Company can live up to its vision and soar to greater heights of prosperity when its key stakeholders, more so its shareholders, stand solidly behind it. Good performance begets value, reputation and prosperity, driven by the people who make it happen. Shareholders, you are the foundation for this success, and we appreciate your sustained contributions as we grow the Company.

Once again, I am pleased to present the Company's annual report and financial statements for the year ended 30th June 2017 during which we recorded good performance in a challenging business environment.

1. Economy and the operating environment

The macroeconomic environment at both global and domestic level influences our business performance. This is attributable to a bi-directional relationship that exists between electricity consumption and economic growth. In 2016, the global economy expanded by 2.9 per cent with the Eastern Africa region registering an average growth rate of 5.3 percent. In the same period, Kenya's Gross Domestic Product (GDP) expanded by 5.8 percent up from 5.7 percent the previous year, mainly supported by growth in the tourism, agriculture and manufacturing sectors. There was a general slowdown of the economy notably in the fourth quarter of the financial year largely due to inadequate rains experienced in most parts of the country exacerbated by the political environment in the electioneering period.

Our business operates in a regulated environment with diverse stakeholder interests. The Company's commercial operations are supported by a regulatory paradigm with a retail tariff that permits recovery of costs and a fair return on investment. However, the current retail tariff which was due for review in the year remained unchanged, evoking unfavorable impact on network expansion projects and other business operations.

During the financial year, the Energy Bill 2015 was tabled in both the National Assembly and the Senate and presented for assent by the

President. However, further amendments were recommended to this Bill which is expected to repeal the Energy Act 2006 when approved, and result in significant impacts on the operating environment in the electricity subsector. Some of the salient issues in the Bill which touch on our business include opening the electricity market for competition, compensation to consumers for losses incurred during outages and open access in power distribution infrastructure.

2. Trading performance

During the year under review, our electricity sales grew by 4.5 percent to 8,272 GWh from 7,912GWh the previous year. This growth was mainly attributed to increased sales in the Industrial and Commercial consumer category, a 6.5 percent rise in sales under the Domestic customer category as a result of enhanced connectivity, and improved system efficiency. Sales from Industrial and Commercial customer category increased by 3.8 percent, corresponding with the modest growth in the manufacturing sector which expanded by 3.5 percent due to reduced cost of production and increased volume output in the year.

Revenue from electricity sales excluding foreign exchange adjustment and fuel cost recoveries increased by 5.6 percent to Shs. 91,952 million from Shs. 87,081 million realised the previous year.

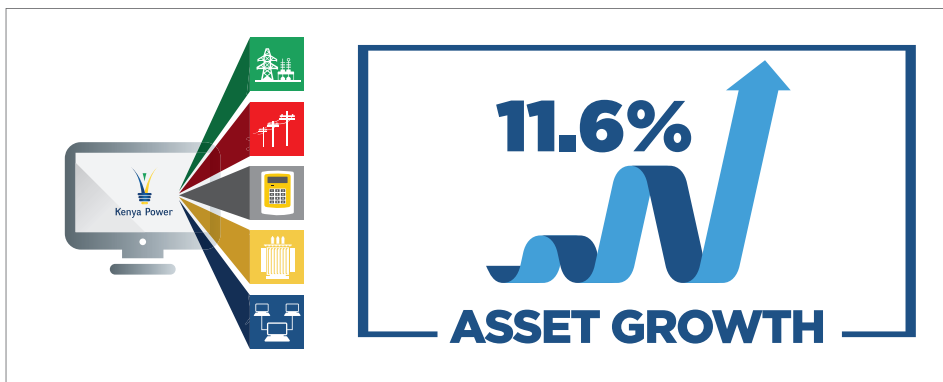
Power purchase costs, excluding fuel and foreign exchange costs, decreased by Shs 784 million from Shs 51,400 million the previous year, to Shs 50,616 million. This is attributable to a reduction in units purchased from the hydro generation due to poor hydrology and reduced geothermal generation in the year. The units purchased from hydro power sources and geothermal reduced by 13.2 percent from 3,787GWh to 3,341GWh and 3.4 percent from 4,609GWh to 4,451GWh, respectively.

Fuel cost increased by Shs 9,434 million from Shs 12,690 million the previous year to Shs 22,124 million due to increased usage of thermal sources during the year. The units generated

from thermal plants increased by 66.9 percent, from 1,297GWh the previous year to 2,165GWh.

Transmission and distribution costs increased by 16.6 percent from Shs 28,651 million to Shs 33,417 million in the year. The rise was attributed to higher operational and maintenance costs on the expanded electricity network facilities, depreciation due to increased capital investment and the rising cost of doing business.

Finance income decreased to Shs 46 million during the year compared to Shs 965 million realised the previous period, because of reduced bank balances. On the other hand, finance costs decreased by Shs 160 million during the year to Shs 5,651 million compared to Shs 5,811 million the previous year. The reduction is attributable to restructuring of our loan portfolio in the last financial year.



Our capital asset base grew by 11.6 percent from Shs 247,532 million the previous year, to Shs 276,367 million. This growth was associated with new capital investments in the period aimed at improving quality of power supply, network expansion and accelerated connection of new customers.

3. Net profit

The Company recorded a net profit before tax of Shs 10,912 million during the year compared to Shs 12,083 million the previous year. The reduction was mainly attributed to increase in transmission and distribution costs by Shs 4,765 million and decreased finance income.

4. Dividend payable

The Directors recommend to shareholders, a first and final dividend of Shs 0.50 (previous year - Shs 0.50) per ordinary share for the year ended 30th June 2017, subject to withholding tax where applicable, to shareholders registered in the books of the Company at the close of business on 30th November 2017. If approved, the dividend will be paid on or about 31st January 2018.

5. Board changes

During the year, Mr. Kairo Thuo and Mrs. Brenda Eng'omo were elected as directors of the Company on 23rd December 2016 to replace Mrs. Jane Nashida and Mr. Macharia Kariuki who retired as directors. In the same year, Mrs. Susan Chesinya resigned as a director on 5th May 2017 to pursue other interests, while Mrs. Beatrice Gathirwa replaced Mr. Joseph Kariuki as alternate Director to the Cabinet Secretary, the National Treasury on 5th May 2017.

Dr. Kenneth Tarus was appointed as Acting Managing Director and CEO on 7th January 2017 following the retirement of Dr. Ben Chumo, and confirmed to the position on 1st August 2017.

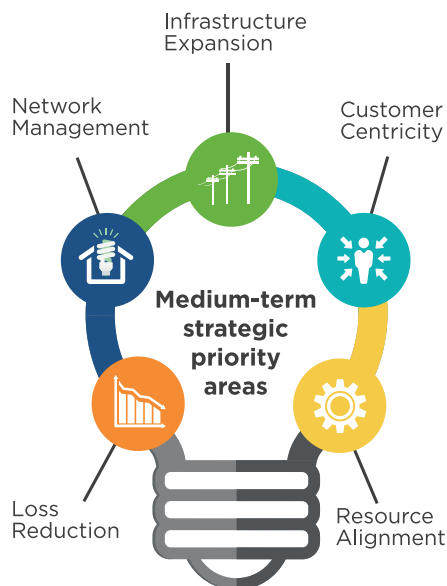
As I welcome the incoming Directors, I sincerely thank my former colleagues for diligently serving the Company during their term in office and wish them well in their personal endeavours.

6. Moving forward

As we look into the future, it is important to reflect on the tremendous gains we have made in the last five years. In line with our business growth strategy, we have invested heavily in network expansion and modernisation projects to improve service delivery and accelerate customer connectivity to grow sales. Consequently, our assets have doubled and our customer base tripled within the period.

As a lead sector player, we have continued to align, grow and transform our business in a dynamic and complex business environment. However, we are cognisant of the macroeconomic challenges in the business environment largely characterised by sluggish growth in manufacturing, mining and other key sectors of the economy that drive growth in electricity consumption. We also acknowledge existence of regulatory uncertainties in the electricity subsector relating to retail tariff review, energy policy shifts and generation expansion. Towards this, we remain focused on our business goals as we engage with policy stakeholders and adapt where necessary as conditions evolve.

Going forward, our medium term corporate strategy is centred on five priority areas: infrastructure development, effective network management, customer focus, loss reduction and resource alignment for efficiency. In addition, we will leverage on the goodwill from our stakeholders including government and development partners to foster business growth and increase returns to shareholders as we work towards achieving our corporate mission of powering our people for better lives.



Thank you

I wish to extend my sincere appreciation to all our shareholders, business partners, esteemed customers, my colleagues in the Board, the Executive Management team and our employees for the unwavering support and confidence in the Company.■

Hon. Kenneth Marende, EGH
Chairman, Board of Directors
19th October 2017

TAARIFA YA MWENYEKITI

Kampuni yaweza kutimiza maono yake na kufikia mafanikio ya juu zaidi wadau wake muhimu, hasa wanahisa, wanapoiunga mkono kwa dhati. Mafanikio hukuza thamani, sifa na ustawi wa Kampuni, na kuendeshwa na wale waliochangia kuyakuza. Wanahisa, nyinyi ndio nguzo ya mafanikio haya, na tunawashukuru sana kwa mchango wenu wa dhati tunapoendelea kukuza Kampuni.

Kwa mara nyingine, nafurahi kuwasilisha ripoti ya kila mwaka ya utendakazi wa Kampuni na taarifa za fedha kwa mwaka uliokamilika Juni 30, 2017 kipindi ambacho tulishuhudia mafanikio mazuri licha ya mazingira yenye kubadilika ya kibiashara.

1. Uchumi na mazingira ya kazi

Mazingira ya kiuchumi katika viwango vya kimataifa na kitaifa huathiri mafanikio yetu kibiashara. Hii inatokana na uhusiano uliopo baina ya matumizi ya umeme na ukuaji wa uchumi. Mwaka 2016, uchumi wa kimataifa ulikua kwa asilimia 2.9 huku kanda ya Afrika Mashariki ikishuhudia ukuaji wastani wa asilimia 5.3. Katika kipindi hicho, Pato Kuu la Taifa (GDP) la Kenya lilimarika kwa asilimia 5.8 kutoka asilimia 5.7 mwaka awali, husu sana kutokana na ukuaji katika sekta za utalii, kilimo na utengenezaji bidhaa. Ukuaji wa uchumi ulididimika kiasi hasa katika robo ya nne ya mwaka wa fedha hususan kwa sababu ya mvua duni iliyoshuhudiwa maeneo mengi ya taifa, na kutoneshwa hata zaidi na hali ya siasa wakati wa kampeni za uchaguzi.

Biashara yetu inahudumu katika mazingira yanayodhibitiwa kisheria kwa kuzingatia maslahi mbalimbali ya wadau. Operesheni za kibiashara za kampuni huendeshwa na msururu wa sheria zinazojumuisha ada ya wateja rejareja inayotoa fursa ya kulipia gharama zilizotumika na kuzalisha faida kiasi kutokana na uwekezaji uliowekwa. Hata hivyo, ada ya sasa kwa wateja rejareja ambayo ilifaa kufanyiwa marekebisho imesalia ilivyo, na kuathiri miradi ya upanuzi na shughuli zingine za kibiashara.

Wakati wa mwaka wa fedha, Mswada wa Kawi 2015 uliwasilishwa katika Bunge la kitaifa na Seneti na kupelekwa kwa Rais ili kutiwa saina. Hata hivyo, marekebisho zaidi

yalipendekezwa kufanyiwa Mswada huo ambao unatarajiwa kufutulia mbali Sheria ya Kawi 2006 utakapoidhinishwa, na kuleta mabadiliko muhimu kwenye mazingira ya kazi katika sekta ndogo ya umeme. Baadhi ya masuala kipaumbele katika Mswada huo yanagusia biashara yetu ikiwemo kuruhusu ushindani wa wazi katika soko la umeme, fidia kwa wateja wanapopatwa na hasara umeme unapokuwa mwingi kupita kiasi na kuruhusu ushindani wa wazi katika utoaji vifaa vya kusambaza umeme.

2. Utendakazi

Katika mwaka unaoangaziwa, mauzo ya umeme yaliongezeka kwa asilimia 4.5 hadi 8,272GWh kutoka 7,912GWh mwaka awali. Ukuaji huu ulitokana hususan na ongezeko la mauzo kwa Wateja wa Viwanda na Mashirika ya Kibiashara, ongezeko la asilimia 6.5 la mauzo kwa Wateja wa Matumizi ya Nyumbani kwa sababu ya ongezeko la watu wanaopata umeme, na kuimarishwa kwa utendakazi wa mifumo. Mauzo kwa Wateja wa Viwanda na Mashirika ya Kibiashara yaliongezeka kwa asilimia 3.8 kushabihiana na ukuaji wa kadri katika sekta ya utengenezaji bidhaa iliyokua kwa asilimia 3.5 kutokana na kupungua kwa gharama ya uzalishaji na ongezeko la idadi ya bidhaa zilizoundwa katika mwaka huo.

Mapato kutoka kwa mauzo ya umeme bila kuzingatia ubadilishanaji wa sarafu za kigeni na gharama ya mafuta, yaliongezeka kwa asilimia 5.6 hadi Shs 91,952 milioni kutoka Shs 87,081 milioni mwaka awali.

Gharama ya ununuzi wa umeme, bila kuzingatia gharama ya mafuta na ubadilishanaji wa sarafu za kigeni, ilipungua kwa Shs 784 milioni kutoka Shs 51,400 milioni mwaka awali, hadi Shs 50,616 milioni. Hii inatokana na kupungua kwa vipimo vya umeme vilivyoununuliwa kutokana na uzalishaji wa umeme kupitia maji katika mwaka uliopita na kupungua kwa uzalishaji wa umememvuke katika kipindi hicho. Kiwango cha umememaji kilichonunuliwa kilipungua kwa asilimia 13.2 kutoka 3,787GWh hadi 3,341GWh. Nacho kiwango cha umemejoto kilichonunuliwa kikipungua kwa asilimia 3.4 kutoka 4,609GWh hadi 4,451GWh.

Gharama ya mafuta ilipanda kwa Shs 9,434milioni kutoka Shs.12,690 milioni mwaka awali hadi Shs 22,124 milioni kwa sababu ya ongezeko la matumizi ya vyanzo vya umemejoto mwaka huo. Umeme uliozalishwa kutoka kwa viwanda vya umemejoto uliongezeka kwa asilimia 66.9 kutoka 1,297GWh mwaka awali hadi 2,165GWh.

Gharama za usambazaji zilipanda kwa asilimia 16.6 kutoka Shs 28,651 milioni hadi Shs 33,417 milioni. Ongezeko hilo lilichangiwa na gharama ya juu ya operesheni na utunzi wa vifaa vya upanuzi, kupungua kwa thamani ya vifaa kwa sababu ya ongezeko la ununuzi wa vifaa na kuongezeka kwa gharama ya kuendesha biashara.

Mapato ya kifedha yalipungua hadi Shs 46 milioni wakati wa mwaka huo ikilinganishwa na Shs 965 milioni mwaka awali, kwa sababu ya kupungua kwa masalio ya fedha katika benki. Kwa upande mwingine, gharama za kifedha zilipungua kwa Shs 160 milioni katika mwaka huo hadi Shs 5,651 milioni ikilinganishwa na Shs 5,811 milioni mwaka awali. Hilo lilichangiwa na mabadiliko tuliyofanyia mikopo yetu katika mwaka wa fedha uliopita.

Mali zetu za kudumu ziliongezeka kwa asilimia 11.6 kutoka Shs 247,532 milioni mwaka awali hadi Shs 276,367 milioni. Ukuaji huu ulitokana na ununuzi wa vifaa vipya katika kipindi hicho uliolenga kuimarisha ubora wa umeme tunaotoa, upanuzi wa mifumo na kuimarisha kasi ya idadi ya wateja wapya wanaopata umeme.

3. Faida halisi

Kampuni ilipata faida halisi ya Shs 10,912 milioni kabla kutozwa ushuru katika mwaka unaoangaziwa ikilinganishwa na Shs 12,083 milioni mwaka awali. Kupungua kwa faida hiyo kulitokana hususan na ongezeko la gharama za usambazaji kwa Shs 4,765 milioni na kupungua kwa mapato ya kifedha.

4. Mgawo wa faida

Wakurugenzi wanapendekeza kwa wanahisa, mgawo wa faida kwa awamu moja na ya

mwisho wa Shs 0.50 (mwaka awali ulikuwa Shs 0.50) kwa kila hisa ya kawaida kwa mwaka uliokamilika Juni 30, 2017, kutegemea ushuru unaotozwa na serikali utakapohitajika, kwa wanahisa walioandikishwa kwenye sajili ya Kampuni kufikia Novemba 30, 2017. Ukiidhinishwa, mgawo huo utalipwa siku ama mnamo Januari 31, 2018.

5. Mabadiliko katika Bodi ya Usimamizi

Katika mwaka huo wa fedha, Bw. Kairo Thuo na Bi. Brenda Eng'omo walichaguliwa kama wakurugenzi wa Kampuni mnamo Desemba 23, 2016 ili kuchukua pahali pa Bi. Jane Nashida na Bw. Macharia Kariuki waliostaafu kama wakurugenzi. Mwaka huo huo, Bi. Susan Chesinya alijiuzulu kama mkurugenzi Mei 5, 2017 huku Bi. Beatrice Gathirwa akichukua nafasi ya Bw. Joseph Kariuki kama Mkurugenzi wa zamu wa Waziri wa Fedha, Mei 5, 2017.

Dkt Kenneth Tarus aliteuliwa kama Kaimu Meneja Mkurugenzi na Afisa Mkuu Mtendaji (CEO) Januari 7, 2017 kufuatia kustaafu kwa Dkt Ben Chumo, na wadhifa huo kuthibitishwa Agosti 1, 2017.

Ninapowakaribisha wakurugenzi wapya, nawashukuru sana wenzangu walioondoka kwa kujitolea vilivyo kuhudumia Kampuni na kuwatakiya kila la heri katika mkondo waliochukua.

6. Kwenda mbele

Tunapopiga darubini siku za usoni, ni muhimu kutafakari mafanikio tuliyopata katika miaka mitano iliyopita. Kufuatana na mkakati wetu wa ukuaji, tumewekeza pakubwa katika upanuzi wa huduma na miradi ya kisasa ili kuimarisha utoaji huduma na kuzidisha kasi ya idadi ya wateja wapya wanaopata umeme ili kuongeza mauzo. Hivyo basi, rasilimali zetu zimeimarika maradufu na idadi ya wateja kuongezeka mara tatu katika kipindi hicho.

Kama mhusika mkuu katika sekta, tumeendelea kurekebisha, kukuza na kufanya mageuzi katika biashara yetu katika mazingira haya yenye

kubadilika. Hata hivyo, tunafahamu changamoto za kiuchumi zinazokumba mazingira ya kibiashara zinazotokana pakubwa na ukuaji polepole katika sekta za utengenezaji bidhaa, uchimbaji madini na sekta zinginezo muhimu za uchumi ambazo huchangia kuzidisha matumizi ya umeme. Vile vile, tunatambua kuwepo kwa mashaka ya kisheria katika sekta ndogo ya umeme kuhusiana na marekebisho ya ada inayotozwa wateja rejareja, mabadiliko katika sera ya kawi na upanuzi katika uzalishaji. Kuhusiana na hayo, tumeendelea kuzingatia malengo yetu ya kibiashara huku tukishauriana na waundaji sera na kufanya mabadiliko yanapohitajika jinsi matakwa yanavyozidi kujitokeza.

Kuendelea mbele, mkakati wetu wa kipindi cha kati unalenga maeneo matatu makuu: ukuzaji miundomsingi, usimamizi bora wa huduma, kumfaa mteja, kupunguza hasara na kuambatanisha rasilimali na matumizi mema

ili kuwa na utendakazi mwafaka. Vile vile, tutatumia nia njema ya wadau ikiwemo serikali na wafadhili kusaka ukuaji wa kibiashara na kuzidisha faida kwa wanahisa huku tunapojizatiti kutimiza lengo letu la kampuni la kutoa umeme kwa wananchi ili wapate maisha bora.

Shukrani

Ningependa kutoa shukrani zangu za dhati kwa wanahisa wote, washirika wa kibiashara, wateja wetu wapendwa, wanachama wenzangu katika Bodi, Wasimamizi Wakuu na wafanyakazi wetu kwa imani na kuunga mkono vilivyo Kampuni.■



Mhe. Kenneth Marende, EGH
Mwenyekiti, Bodi ya Wakurugenzi
Oktoba 19, 2017



Kenneth Tarus, PhD
Managing Director and CEO

MANAGING DIRECTOR AND CEO'S STATEMENT

I am glad for the opportunity to share with you the major highlights on our achievements, commitments and goals during the year, this being my first report to shareholders as the Managing Director and CEO. I was appointed to head the Company in the middle of the financial year in acting capacity and subsequently confirmed to the position in the current financial year. I wish to thank the Board for having confidence in me and for the opportunity to serve the Company. Together with my management team and staff, we are committed to work with passion to enhance efficiency and performance for the growth and continued prosperity of the Company as highlighted in this report.

1. Performance overview

In the period under review, we focused on three major objectives that are prioritised in our medium-term strategic plan: improving power supply quality and reliability, increasing electricity access through a sustained connectivity drive, and reducing energy losses. These are core areas which not only determine how our business performs but also generate value and increase satisfaction to our customers. Our commitment towards achieving these goals is indeed demonstrated by the substantial investments in infrastructure expansion and modernisation projects over the last three years.

In line with the Company's strategy, we continued extending our network coverage by building new substations and power lines across the country, and upgrading and modernising the existing infrastructure by adopting system control technologies for improved technical and operational efficiency. Consequently, we registered significant improvements in power supply reliability and quality. To secure the market and grow revenue, we sustained connection of over one million new customers during the period. This initiative also complements our country's development goals.

1.1 Network modernisation

One of our key infrastructure improvement projects under implementation during the year was the USD562 million Kenya Electricity Modernisation Project (KEMP) funded by the Company and the World Bank. Key objectives of the project are

to increase electricity access, enhance reliability and, consequently, improve the Company's financial position. The project entails improving service delivery through upgrading the Company's Supervisory Control and Data Acquisition/Energy Management System (SCADA/EMS), enhancing flexibility of the distribution system and improving our network maintenance programmes. In addition, the project includes a smart metering component targeting large and medium size power consumers as a revenue protection measure. KEMP also complements the Last Mile Connectivity project being implemented by the Company through providing financing for the connection of new customers.

During the year, various projects financed by the Company under KEMP were ongoing including construction of 36 substations and associated lines in various parts of the country, and upgrade of the Kipevu 132/33kV substation. The upgrade of the Kipevu substation is aimed at stabilising electricity supply in Mombasa Island and parts of North Coast. In addition, construction of the new Thika Road 220/66kV substation to stabilise power in Nairobi West and Nairobi North regions continued during the year.



The new gas insulated substation at Juja Road, Nairobi.

Further, we continued implementation of the new Nairobi underground cabling project financed by the Exim Bank of China at a Shs 13 billion loan, with 80% of the works completed by the end of the period under review. The project entails development of 16 kilometres of 220kV electricity

transmission cable from Embakasi to the Nairobi Central Business District and construction of a Gas Insulated Substation (GIS) at Landi Mawe in Industrial Area. It also involves construction of a total of 31 kilometres of 66 kV power lines emanating from the GIS substation to six strategically

located Nairobi substations: Likoni Road, Muthurwa, City Square, Cathedral, Nairobi West and Parklands. This project will improve quality and reliability of power supply, reduce system losses, minimise load transfers and create alternative supply points for system operation flexibility.



Laying of underground cable at Langata, Nairobi.

1.2 Expanding our footprint

In the year under review, a total of 1,357,539 customers were connected growing our customer base by 28.1 percent to 6,182,282, which raised the national electricity access rate to 70.3 percent. This growth was achieved by intensive implementation of various connectivity strategies mainly through the Last Mile Connectivity Project and the electrification project targeting informal settlements and low income areas. We plan to sustain the rapid pace of electricity connections in our quest to achieve a customer base of 9 million and attain universal access by the year 2020.

1.3 Towards a resilient network

Best practice in power network operations and management prescribe adequate preventive maintenance, and prompt detection and resolution of technical

faults. Electricity systems, therefore, require continual investments to keep them in optimal operating condition to serve the business efficiently. In the year under review, we spent over Shs 41 billion on system improvement projects that enhanced service delivery and contributed to improved revenue.

We deployed our Business Intelligence system to identify the top 20 feeders and 40 substations that are most problematic across the country, and prioritised them for proactive maintenance to minimise power interruptions. Other network improvement initiatives carried out in the year include intensifying wayleave trace maintenance on medium and low voltage lines and mapping out of hotspot areas with frequent outages and undertaking focused maintenance aimed at eliminating the incidences.

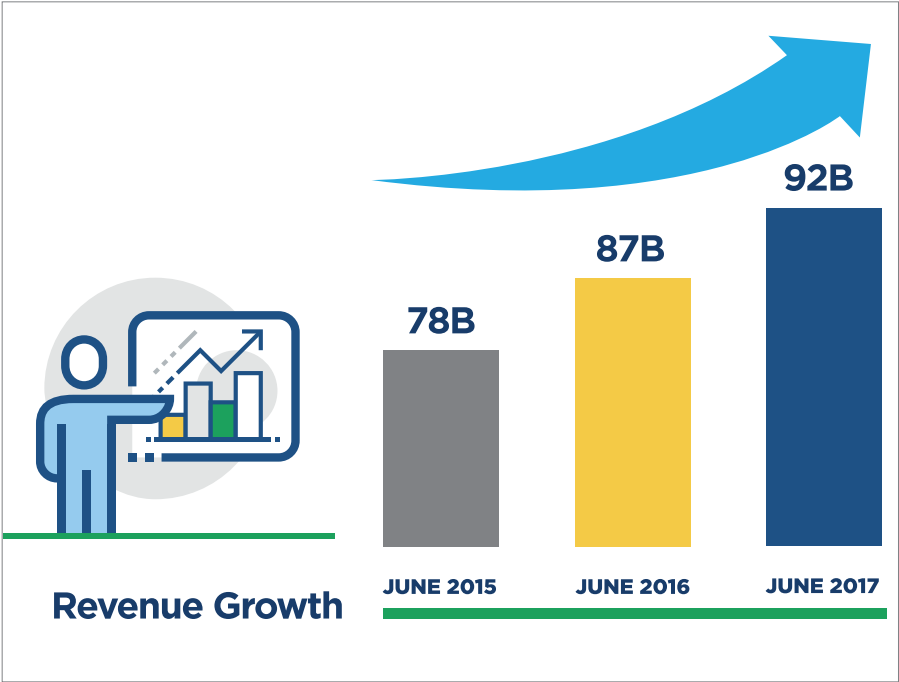
We also constructed additional high and medium voltage feeders totaling 5,565 kilometer in circuit length to further enhance flexibility of the network, ease load transfers and reduce technical losses.

The network network enhancement projects implemented contributed to remarkable improvements in quality of power supply as demonstrated by a 28 percent reduction in the average number of outages per month from a high of 27,274 to 19,588 recorded during the year.

1.4 Secure and grow revenue

Revenue growth is fundamental to the

sustainability of our business. To grow our revenue, we are pursuing multiple strategies to increase and supplement electricity sales. These include growing our customer base, enhancing efficiency, promoting productive use of electricity, diversifying our revenue streams and seeking cost reflective tariffs for our customers. In this regard, our basic electricity revenue has been on an upward trend in the last three years, having grown from Shs 78 billion as at June 2015 to Shs 92 billion by June 2017, representing a 15.2 percent increase. Revenue contribution from our Fibre Optic Business grew by 22 percent, from Shs 276 million to Shs 336 million over the same period.



We recognise that among the key determining factors in securing future revenues in the dynamic business environment is our ability to consolidate effective metering and revenue protection measures. For this reason, we have adopted metering solutions that enhance customer

convenience while protecting our revenues. Since adoption of prepaid metering in 2009, our prepaid customer accounts had grown to 4,008,019 as at the end of the financial year, representing 65 percent of the total customer accounts. In the last three years, we have migrated our Large Power and

Small and Medium Commercial customers to the advanced and more versatile smart meters. By the end of the year, a total of 15,376 smart meters had been installed in the two customer segments. We are also making every effort to ensure that our postpaid customers settle their bills on time as we provide diverse and convenient payment options. As such, our average monthly revenue collection rate for billed postpaid accounts stood at 98 percent in the year, one of the best performance in the region.

2. Resource alignment for efficiency

In our endeavour to enhance service delivery to customers and improve our bottom line, we adopted feeder based approach to network management. The strategy involves alignment and optimisation of human and capital resources to enhance accountability, efficiency and productivity. The feeder-based approach is anchored on the resource alignment theme in our corporate strategic plan. This approach complements the devolved business structure at the regional and county level designed to take our services closer to customers.

The new feeder management concept is a paradigm shift in our business operations where members of staff are assigned a cluster of feeders for maintenance, connectivity, customer care operations and commercial cycle activities. It involves mapping and grouping of meters, which were previously based on geographical locations, and aligning them to feeder clusters to ease revenue collection and energy management activities. The operationalisation of the feeder based business unit programme is being carried out across all the ten regions

and has been integrated into the performance contracting process for ownership. Staff sensitisation on the concept commenced during the year under review.

3. Commitment to sustainable operations

We are building on the successes in our core business areas in the recent past to align, grow and transform our business for long-term sustainability, creating value for our customers, shareholders and other stakeholders.

As part of our initiative towards securing the Company's long-term viability, we are adopting a reporting mechanism that will entrench sustainability pillars in our business strategies and processes. In this regard, we are developing a comprehensive sustainability framework that will provide guidelines for the introduction, development and maintenance of proactive financial, social and environmental management processes and procedures. Our target is to publish the first sustainability report in the financial year ending June 2018.

In conclusion, I wish to thank the Board of Directors and all stakeholders for their support throughout the period under review. I also thank all our employees for the hard work and commitment in the mission to provide power for better lives.■



Kenneth Tarus, PhD
Managing Director and CEO
19th October 2017

TAARIFA YA MENEJA MKURUGENZI NA AFISA MKUU MTENDAJI (CEO)

Niko na furaha kupata fursa ya kuwaeleza mafanikio, majukumu na malengo makuu yam waka, hii ikiwa ripoti yangu ya kwanza kwa wanahisa kama Meneja Mkurugenzi na Afisa Mkuu Mtendaji. Niliteuliwa kama kaimu afisa mkuu wa Kampuni katikati ya mwaka wa fedha na kisha wadhifa huo kuthibitishwa katika mwaka wa sasa wa fedha. Ningependa kushukuru Bodi kwa imani yao kwangu na kwa fursa ya kuhudumia Kampuni. Pamoja na kundi la wasimamizi wakuu na wafanyakazi, tumejitolea kuchapa kazi kwa dhati ili kuimarisha utendakazi utakaoleta ukuaji na ufanisi wa Kampuni kama ilivyoangaziwa katika ripoti hii.

1. Utendakazi

Katika kipindi husika, tuliangazia malengo matatu makuu yaliyowekwa kipaumbele katika mkakati wetu wa kipindi cha kati: kuimarisha ubora na upatikanaji wa umeme tunaotoa, kueneza zaidi umeme kupitia kampeni ya kuzidisha idadi ya watu wanaopata umeme, na kupunguza hasara ya kawi. Haya ni masuala muhimu ambayo hubaini utendakazi wa biashara yetu na vile vile hukuza thamani na kuwafanya wateja wetu kutoshelezwa hata zaidi. Kujitolea kwetu kutimiza malengo haya ni ishara ya uwekezaji mkubwa uliofanywa katika upanuzi wa miundomsingi na miradi ya kisasa katika miaka mitatu iliyopita.

Kuambatana na mkakati wa Kampuni, tuliendelea kupanua huduma zetu kwa kujenga vituo vipya vidogo vya mitambo pamoja na nyaya za kusambaza umeme kote nchini, kuimarisha na kuleta usasa katika miundomsingi iliyopo kwa kuweka teknolojia za kudhibiti mifumo ili kuimarisha utendakazi wa kiufundi na operesheni zetu. Kutokana na hayo, tulishuhudia mafanikio makubwa katika upatikanaji na ubora wa umeme tunaotoa. Kudhibiti soko na kukuza mapato, tuliendelea na mpango wa kutoa umeme kwa wateja wapya milioni moja katika kipindi hicho, na hivyo pia kuendeleza mapengo ya ustawi wa taifa.

1.1 Kuweka vifaa vya kisasa

Moja ya miradi yetu muhimu ya kuimarisha miundomsingi iliyotekelezwa katika mwaka unaoangaziwa ni mradi wa umeme wa Kenya Electricity Modernisation Project (KEMP)

wa dola za Marekani (USD)562 milioni, unaofadhiliwa na Kampuni pamoja na Benki ya Dunia. Malengo makuu ya mradi huo ni kuzidisha kiwango cha kuenea kwa umeme nchini, kuimarisha upatikanaji ili umeme uwe wa kutegemewa na, hivyo, kuimarisha mafanikio ya Kampuni. Mradi huo unanua kuimarisha utoaji huduma kwa kuimarisha usimamizi wa kawi kupitia mfumo wa Supervisory Control and Data Acquisition/ Energy Management System (SCADA/ EMS), kuimarisha mfumo wa usambazaji ili kuwa rahisi kufanya mabadiliko ya umeme, na kuimarisha mikakati yetu ya kutunza umeme. Vile vile, mradi huo unajumuisha mita za kisasa za umeme zitakazotolewa kwa wateja wanaotumia umeme kwa kiwango kikubwa na kati kama mbinu ya kulinda mapato. KEMP pia itashirikishwa pamoja na mradi wa kueneza umeme mashinani wa Last Mile Connectivity (LMC), kwa kutoa ufadhili utakaowezesha wateja wapya kupata umeme.

Miradi inayoendelea katika KEMP inajumuisha ujenzi wa vituo 36 vidogo vya mitambo katika maeneo mbalimbali nchini na nyaya husika inafadhiliwa na Kampuni. Kituo cha Kipevu 132/33kV pia kilikuwa kikifanyiwa ukarabati katika mwaka huo wa fedha huku ufadhili ukitoka kwa Kampuni kupitia mradi huo huo, ili kutoa umeme wa kudumu kwa kisiwa cha Mombasa na Kaskazini mwa Pwani. Fauka ya hayo, kituo kipya cha mitambo cha Thika 220/66kV ambacho pia ufadhili wake ulitoka kwa Kampuni kupitia KEMP kilijengwa ili kutoa umeme wa kudumu kwa maeneo ya Magharibi na Kaskazini mwa Nairobi.

Utekelezaji wa mradi mpya wa kujenga kebo ya umeme chini ya ardhi Nairobi, unaofadhiliwa na Benki ya Exim ya China kwa Shs 13 bilioni, uliendelea huku asilimia 80 ya kazi ikiwa imekamilikia kufikia mwisho wa mwaka wa fedha unaongaziwa. Mradi huo unahusu ujenzi wa kilomita 16 za kebo ya 220kV ya kusambaza umeme kutoka Embakasi hadi katikati mwa jiji la Nairobi. Pia kuna ujenzi wa kilomita 31 za

nyaya za umeme za 66 kV kutoka kituo cha mitambo cha GIS hadi vituo vingine sita vidogo vya mitambo mjini Nairobi: Likoni Road, Muthurwa, City Square, Cathedral, Nairobi West na Parklands. Mradi huu utaimarisha ubora na upatikanaji wa umeme, utapunguza hasara za kimitambo, utapunguza kuhamishwa kila mara kwa umeme kutoka kebo moja hadi nyingine na kutoa njia mbadala za usambazaji ili kuwezesha mitambo kufanya mabadiliko ya umeme kwa urahisi.

1.2 Kuzidisha idadi ya wateja

Katika mwaka unaoangaziwa, jumla ya watu 1,357,539 walipata umeme na kuimarisha idadi ya wateja wetu kwa asilimia 28.1 hadi 6,182,282, jambo ambalo pia liliimarisha kiwango cha watu walio na umeme hadi asilimia 70.3. Ukuaji huu uliafikiwa kupitia kampeni shupavu hususan mradi wa LMC, na mradi wa kuweka umeme katika mitaa ya mabanda na makazi ya wananchi wenye mapato ya chini. Pia tunapanga kuendeleza kampeni ya kutoa umeme kwa haraka kwa wateja wapya katika juhudi za kutimiza lengo letu la kuwa na wateja 9 milioni na kutoa umeme kwa wananchi wote kufikia mwaka 2020.

1.3 Kukuza mitambo thabiti ya kutoa umeme

Kanuni za usimamizi bora wa huduma za kutoa umeme zinaagiza kuwepo kwa mikakati kabambe ya kuzuia, na kutambua pamoja na kusuluhisha kwa haraka matatizo yoyote ya kiufundi yatakayoibuka. Mitambo ya umeme, kwa hivyo, inahitaji uwekezaji wa kudumu kuiweka shwari ili kutumikia biashara vilivyo. Katika mwaka unaoangaziwa, tulitenga Shs 49.5 bilioni kwa miradi ya kuimarisha mitambo, ambayo nayo iliimarisha utoaji huduma zetu na kuchangia kuzidisha mapato.

Tulianzisha mfumo shupavu wa kibiashara kwa jina Business Intelligence kutambua nyaya kuu 20 za kusambaza umeme na vituo vidogo 40 vya mitambo vinavyokumbwa na matatizo ya mara kwa mara kote nchini, na kuziorodhesha ili kufanyiwa utunzi na hivyo kupunguza visa vya umeme kupotea. Hatua

zingine za kuimarisha vifaa vya umeme zilizochukuliwa katika mwaka huu wa fedha ni pamoja na kuimarisha utunzi wa maeneo kunakopitia nyaya za kusambaza umeme wa kadri na kiwango cha chini, na kutambua maeneo hatari ambayo hushuhudia visa vya kupotea kwa umeme mara kwa mara na kisha kufanya utunzi ili kuzuia kutokea kwa visa hivyo. Vile vile, tumejenga nyaya zaidi za kusambaza umeme wa kiwango cha juu na kadri za urefu wa 5,565 kuwezesha utendakazi rahisi wa mitambo, kurahisisha shughuli ya kuhamisha umeme kutoka kebo moja hadi nyingine, na kupunguza hasara za kiufundi.

Miradi iliyotekelezwa ya kuimarisha mitambo ilileta mabadiliko makuu katika ubora wa umeme kama ilivyoashiriwa na kupungua kwa asilimia 28 ya visa vya kupotea kwa umeme kila mwezi, kutoka visa 27,274 hadi 19,588 katika mwaka huo wa fedha.

1.4 Kulinda na kukuza mapato

Ukuaji wa mapato ni muhimu katika kudumisha biashara yetu. Kukuza mapato yetu, tunatekeleza mbinu mbalimbali kuzidisha mapato na kuzalisha mapato ya ziada. Mbinu hizi ni pamoja na kuongeza idadi ya wateja, kuimarisha utendakazi, kupigia debe matumizi bora ya umeme, kusaka mbinu tofauti za kupata mapato, na kutumia ada zinazodhihirisha matumizi halisi ya umeme kwa wateja wetu. Kuhusiana na hayo, mapato yetu ya kimsingi ya umeme yamekuwa yakiongezeka katika miaka mitatu iliyopita, kutoka Shs 78 bilioni Juni 2015 hadi Shs 92 bilioni Juni 2017, kuashiria ongezeko la asilimia 15.2. Mapato yaliyotokana na huduma za kebo ya Fibre Optic yaliongezeka kwa asilimia 22 kutoka Shs 276 milioni hadi Shs 336 milioni katika kipindi sawa.

Tunatambua kuwa miongoni mwa masuala makuu yatakayotuwezesha kupata mapato siku za usoni katika mazingira haya mazito ya biashara, ni katika uwezo wetu wa kutumia mita bora za kubaini matumizi kamili ya umeme na pia kulinda mapato. Kwa sababu hii, tumeweka mita zilizoz

rahisi kwa wateja huku zikilinda mapato yetu. Tangu kuanza kutumika kwa mita zilizolipiwa ada mbele mnamo 2009, idadi ya wateja wetu waliofungua akaunti za ada iliyolipiwa mbele imeongezeka hadi 4,008,019 kufikia mwisho wa mwaka wa fedha na kuwakilisha asilimia 65 ya jumla ya akaunti zote za wateja. Katika miaka mitatu iliyopita, tumewahamisha Wateja wa Biashara zinazotumia Umeme Mwingi na Wateja wa Biashara zinazotumia Umeme wa Kadri na Chini hadi katika matumizi ya mita bora za kisasa. Kufikia mwisho wa mwaka, jumla ya mita 15,376 za kisasa zilikuwa zimewekwa katika biashara za wateja hao. Vile vile, tunafanya kila juhudi kuhakikisha wateja ambao hulipa ada baada ya kutumia umeme wanakamilisha bili zao kwa wakati unaofaa tunaposaka mbinu zingine tofauti na rahisi za malipo. Kutokana na hilo, kiwango chetu cha ukusanyaji mapato wastani ya mwezi kwa akaunti za wateja wanaolipa bili zao baada ya matumizi ya umeme, ilikuwa asilimia 98 mwaka huo na kuwa moja ya matokeo mazuri zaidi katika kanda.

2. Kuambatanisha rasilimali na matumizi mwafaka

Katika juhudi zetu za kuimarisha utoaji huduma kwa wateja na kuhakikisha biashara inadumu, tulianza kutumia mfumo mbadala wa kusimamia mitambo ya umeme. Mfumo huo unahusu kuambatanisha rasilimali na wafanyakazi kwa matumizi bora ili kuimarisha uwajibikaji, utendakazi bora na uzalishaji. Mfumo huu umejumuishwa kwenye mkakati mkuu wa kampuni. Zaidi ya hayo, mbinu hii inaenda sambamba na mfumo wa ugatuzi wa huduma za kampuni katika kanda na kaunti unaonua kupeleka huduma karibu kabisa mashinani kwa wateja wetu.

Mfumo huu mpya wa usimamizi unaashiria mabadiliko katika operesheni zetu ambapo wafanyakazi hupewa jukumu la kusimamia makundi ya mitambo ili kuitunza, kuwekea wateja wapya umeme, kutoa huduma za wateja na kuendesha shughuli za kibiashara. Unahusu juhudi za kutambua na kupanga katika makundi

mita, ambazo awali zilipangwa kulingana na maeneo ya kijiografia, ili kuziambatanisha na mitambo ya kusambaza umeme kurahisisha shughuli ya ukusanyaji mapato na usimamizi wa kawi. Utekelezaji wa mpango huu unaoangazia mitambo ya kusambaza umeme unaendesha katika kanda zote kumi na umejumuishwa katika shughuli ya utayarishaji kandarasi za umiliki. Shughuli ya kuhamasisha wafanyakazi kuhusu mfumo huu ilianza kutekelezwa katika mwaka wa fedha unaoangaziwa.

3. Kujitolea kukuza biashara ya kudumu

Tunajijenga katika misingi ya ufanisi ambao umeshuhudiwa siku za hivi karibuni katika malengo yetu makuu ya kibiashara ili kuambatanisha, kukuza na kufanyia mageuzi biashara yetu kwa manufaa ya siku zijazo, kuwaletea manufaa wateja, wanahisa na wadau wetu.

Kama sehemu ya juhudi zetu za kuhakikisha kampuni inakuwa na ufanisi siku zijazo, tumeanza kutumia mbinu ya kutoa ripoti zitakazotumika kukuza nguzo thabiti katika mikakati na taratibu zetu za kibiashara. Kufuatana na hilo, tunaunda mfumo kabambe wa kudumu utakaotoa mwongozo ili kuwezesha utangulizi, ukuzaji na utunzi wa mipangilio na taratibu za kifedha, kijamii na kimazingira. Lengo letu ni kuchapisha ripoti ya kwanza katika mwaka wa fedha unaokamilika Juni 2018.

Kuhitimisha, ningependa kushukuru Bodi ya Wakurugenzi na wadau wote kwa uungwaji mkono wao katika kipindi kinachoangaziwa. Pia ningependa kuwashukuru wafanyakazi wote kwa bidii na kujitolea kwao kutimiza lengo letu la kutoa umeme ili kuwapa wananchi maisha mazuri.■



Kenneth Tarus, PhD
Meneja Mkurugenzi na Afisa Mkuu Mtendaji
Oktoba 19, 2017



Growing Our Customer Base

Our sustainability is deeply entrenched in widening our presence in homes across Kenya and offering value to our customers. To attain this, we have progressively grown our customer base by connecting over a million customers for the second year running.

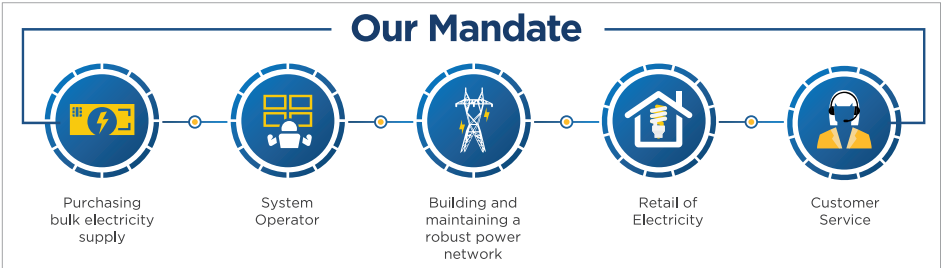
Align. Grow. Transform.

STRATEGIC FOCUS

1. Market structure and business model

Kenya's electricity market is coordinated by the Ministry of Energy and Petroleum and regulated by the Energy Regulatory Commission with players in generation, transmission and distribution spheres. As the main off-taker, the Company purchases electrical energy from power generating companies through power purchase agreements (PPAs) approved by ERC for transmission and distribution to customers.

The Company currently operates a "Cost of Service" business model in which the utility's commercial operations are supported by a regulatory framework over a tariff period that permits the recovery of fixed costs and a fair rate of return on investments. The model is designed to provide sufficient funds for business sustainability and supporting universal access to electricity while generating profit for shareholders.



2. Strategic priorities

Our corporate strategic plan is a road map for achieving our business goals by leveraging on our resources and competitive advantage to enhance shareholder value. The current plan (2016-2021) aims at positioning the Company at the center of social economic development of the country as it continues to work towards providing reliable and competitively-priced power to all. The plan champions strategic themes of infrastructure expansion, network management, customer centricity, loss reduction, and resource alignment.

2.1 Infrastructure expansion

A robust infrastructure network is the bedrock of growth to our business. It plays a critical role in effectively serving existing customers through improved power supply quality as well as providing capacity to support the growing customer base. Within the planning horizon, we envision a modern, efficient and economically responsive infrastructure network that guarantees reliable electricity supply to our customers. In the year under review, we continued to intensify capital investments in expanding and upgrading the network capacity, increasing accessibility to the grid, enhancing flexibility and reducing technical losses.

2.2 Network management

To remain competitive and ensure sustainability, we continue to pursue strategies to improve quality and reliability of power supply for effective and efficient service delivery to customers. In this regard, we are implementing key initiatives including automation of the distribution network, live-line maintenance programme, system reinforcement projects, use of aerial bundled cables and undergrounding of medium and low voltage feeders. These initiatives support our journey towards a resilient and intelligent grid which will enable us to measure, analyse, predict, protect and control the network efficiently.

2.3 Customer centricity

Real growth in business is driven by understanding customer behavior, expectations, needs and creating processes that culminate in a cultural change to delight customers. As such, we strive to maintain a positive customer experience by embracing the right internal and customer-facing strategies, processes and initiatives to improve customer satisfaction in a progressively dynamic market. We continue to listen and act on customer insights which inform our strategies on enhancing

connectivity, improving power supply quality, easing cost of doing business and developing innovative customer-oriented products.



Electrification project in Madogo village, Garissa County.

2.4 Loss reduction

Electricity utilities experience both technical and commercial losses along the value chain from the generation front to the retail end. Technical losses are inherent in the process of transmitting and distributing electrical energy because power networks consume and lose a proportion of the energy transported. Commercial losses occur due to electricity pilferages, faulty meters and inaccuracies in meter reading. Reduction in energy losses leads to increase in the trading margin which ultimately improves our financial sustainability.

The Company is working towards reducing system losses from double to single digit over time to improve the energy balance, reduce energy purchase costs and consequently increase revenues. To achieve

this, we are investing in system management tools and bulk digital metering solutions that allow data gathering to effectively understand and monitor consumer behavior, network impact and control energy usage. In addition, we are adopting appropriate modern and more efficient cost saving technologies such as smart metering, feeder metering, and outdoor metering.

2.5 Resource alignment

Strategic resource alignment is the process and the result of linking an organisation's resources with its strategy and business environment. This involves deployment of available resources, both human and financial, efficiently to maximize returns. A dynamic business environment calls for adaptive strategies that align resources towards realisation of business objectives.

The Company is focusing on improving the productivity of our human capital through capacity building, enhancement of employee welfare and implementation of talent management programme. Other approaches include realigning our organisational culture to strategy, development of leadership capability, implementation of staff retention strategies and provision of suitable work environment. In addition, we are aligning our financial resources to identified priority investment areas with an aim of improving our operational efficiency, optimising revenue gain and diversifying the business for improved profitability.■

MKAKATI MKUU

1. Muundo wa Soko na Biashara

Sekta ya utoaji umeme Kenya inaendeshwa na Wizara ya Kawi na Mafuta na kudhibitiwa na Tume ya Kudhibiti Kawi (ERC) ikijumuisha wahusika katika nyanja ya uzalishaji kawi na usambazaji. Kampuni hununua umeme kutoka kwa viwanda vya uzalishaji kupitia Mikataba ya Ununuzi wa Umeme (PPAs) iliyoidhinishwa na ERC ili kueneza kwa wateja.

Kampuni kwa sasa hutekeleza muundo wa biashara kwa jina “Gharama ya Huduma” ambapo gharama za operesheni hulipwa kuambatana na mfumo wa kisheria unaotoza ada kwa kipindi fulani na hivyo kutoa fursa ya kufidia gharama za kudumu na kupata faida kiasi kutokana na uwekezaji. Muundo huu unanua kuchangisha fedha za kutosha kuhakikisha kampuni inadumu na pia kuunga mkono maono ya utoaji umeme kwa kila mwananchi huku ukizalisha faida kwa wanahisa.

2. Mkakati mkuu

Mkakati wetu mkuu unaeleza jinsi ya kutimiza malengo ya biashara kwa kutumia rasilimali na ushindani wetu kuimarisha thamani ya wanahisa. Mkakati wa sasa (2016-2021) unanua kuweka Kampuni katika kitovu cha ustawi wa uchumi wa jamii huku ikiendelea kujizatiti kutoa huduma za umeme za bei nafuu na zenye kutegemewa na watu wote. Mpango huo unalenga hususan upanuzi wa miundomsingi, usimamizi bora wa mitambo, kuthamini wateja, kupunguza hasara, na kuambatanisha rasilimali na matumizi mema.

2.1 Upanuzi wa miundomsingi

Mfumo kabambe wa miundomsingi ni nguzo kuu ya kukuza biashara. Huchangia pakubwa katika kutoa huduma mwafaka kwa wateja kupitia utoaji huduma bora za umeme na pia kuwezesha ongezeko la idadi ya wateja wapya. Katika mipango ya Kampuni, tunatazamia kuwa na mfumo mwafaka, wa kisasa na unaozingatia hali ya uchumi, ulio na hakikisho la kuwapa wateja umeme wa kutegemewa. Katika mwaka wa fedha unaozingatiwa tuliendelea kuwekeza rasilimali katika upanuzi na uimarishaji wa mitambo ya umeme, kuimarisha fursa ya

watu zaidi kuunganishwa kwenye mtandao wa usambazaji umeme, kuimarisha uwezo wa mitambo kufanya mabadiliko ya umeme kwa urahisi, na kupunguza hasara za kiufundi.

2.2 Usimamizi bora wa mitambo

Kusalia katika ushindani na kuhakikisha Kampuni inadumu, tunazidi kutekeleza mikakati itakayoimarisha ubora na upatikanaji wa huduma za umeme ili kuhakikisha tunatoa huduma bora na mwafaka kwa wateja. Kutokana na hilo, tunatekeleza miradi muhimu ikiwemo kutumia mitambo ya kisasa inayojiendesha katika mfumo wa usambazaji umeme, mpango wa kutunza nyaya zenye umeme, miradi ya kuimarisha mifumo, matumizi ya kebo za juu zilizofunikwa na vipitishi vya umeme, na kuweka chini ardhini kebo za kusambaza umeme. Miradi hii inatusaidia katika juhudi zetu za kuwa na mfumo wa mitambo thabiti na shupavu utakaotuwezesha kukadiria, kutathmini, kubashiri, kulinda na kudhibiti mitambo hiyo kwa njia mwafaka.

2.3 Kuthamini wateja

Ukuaji halisi wa biashara huchangiwa na ufahamu wa mienendo, matarajio na mahitaji ya wateja, na kuunda mipango itakayoleta mabadiliko ya desturi ili kuwapendeza wateja. Kwa hivyo, tunajizatiti kudumisha huduma bora kwa wateja kwa kuweka mikakati, taratibu za kazi na miradi mwafaka ili kuwatosheleza wateja. Tunazidi kusikiza na kushughulikia maoni ya wateja ambayo huchangia mno katika uundaji wa mipango yetu ya kuimarisha idadi ya watu wanaopata umeme, kuimarisha ubora wa umeme tunaotoa, kupunguza gharama ya kuendesha biashara na kubuni bidhaa zinazomlenga mteja.

2.4 Kupunguza hasara

Kampuni za kusambaza umeme hukumbana na hasara za kiufundi na kibiashara katika mchakato mzima kuanzia hatua ya uzalishaji hadi usambazaji. Hasara za kiufundi hutokea

wakati wa usambazaji kwa sababu mitambo ya umeme hutumia na kupoteza kiwango fulani cha kawi inayosafirishwa. Hasara zika kibiashara hutokana na wizi wa umeme, mita mbovu na kukosa kusoma mita kwa usahihi. Kupunguza hasara za kawi huchangia kuimarisha huduma na hatimaye hupiga jeki hali yetu ya kifedha.

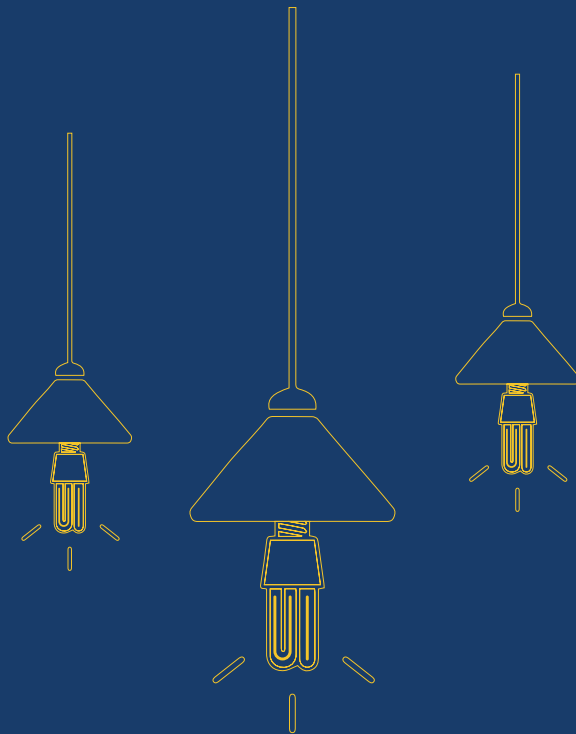
Kampuni inajizatiti kupunguza hasara hizi na hivyo kuimarisha matumizi ya kawi, kupunguza gharama za kununua kawi na mwishowe kuzidisha mapato. Kutimiza hayo, tumewekeza katika vifaa vya usimamizi bora wa mitambo na matumizi ya mita za kidijitali zinazorahisisha ukusanyaji data ili kuelewa na kufuatilia vyema mienendo ya wateja, athari kwa mitambo na kudhibiti matumizi ya kawi. Isitoshe, tumeanza kutumia teknolojia mwafaka za kisasa zinazopunguza pakubwa gharama za matumizi, kama vile mita za kisasa, mita kwenye mitambo ya kusambaza umeme, na mita za nje ili kuwawezesha wahudumu wetu kusoma data kwa urahisi na pasipo kuwasumbua wateja.

2.5 Kuambatanisha rasilimali na matumizi

Kuambatanisha rasilimali na matumizi yake ni shughuli ya kuelekeza rasilimali za shirika

ziwe sambamba na mipango na mazingira ya kibiashara. Hii inahusu matumizi mwafaka ya rasilimali zilizopo, kifedha na wafanyakazi, ili kupata faida ya juu iwezekanavyo. Mazingira yenye kubadilika ya biashara yanahitaji mikakati iliyo rahisi kubadilika itakayoelekeza rasilimali kuwekezwa katika shughuli zitakazochangia kutimiza malengo ya biashara.

Kampuni inalenga kuimarisha utendakazi wa wafanyakazi wetu kwa kukuza uwezo wao wa kuchapa kazi, kuimarisha maslahi yao, na kutekeleza mpango wa usimamizi bora wa talanta na ujuzi. Juhudi zingine ni pamoja na kuambatanisha upya desturi za shirika na mikakati yetu, kukuza uwezo wa uongozi, kutekeleza mikakati ya kudumisha wafanyakazi na kukuza mazingira mwafaka ya kufanya kazi. Vile vile, tunaambatanisha rasilimali zetu za kifedha na maeneo kipaumbele ya uwekezaji kwa lengo la kuimarisha utendakazi wa operesheni zetu, kufikia upeo wa mapato na kupanua biashara ili kuunda bidhaa za aina nyingine ili kuongeza faida yetu.■



Keeping the Lights On

Investments in network projects has led to improved quality and reliability of power supply as demonstrated by a 28 percent reduction in the average number of outage incidences during the period.

Align. Grow. Transform.

OPERATIONAL PERFORMANCE

1. Investing in our people

Our employees are the Company's most precious resource and are key to the success of our business. It is therefore of paramount importance to continually invest in our human capital as an effective way of promoting business growth. Our employee sourcing and retention strategy includes offering competitive remuneration packages, tailored skills development and capacity building, recognition and reward programmes, and improving work environment.

Employee productivity progressively improved during the period under review. Our staff to customer ratio improved from 1:439 the previous year to 1:547 by 30th June 2017 with a total workforce of 11,295 serving 6,182,282 customers. Management employees continued to be on the performance contracting regime in the period under review. Their performance was reviewed periodically and measures put in place to enhance productivity. To promote performance excellence, employees who delivered in their performance contracts were recognised during the year.

The Company increased service outlets and renovated various offices towards enhancing employee productivity and customer satisfaction in the period. This included improvement in service delivery by opening emergency offices and improving stores yards in various towns. In addition, we progressed on renovation of regional headquarter buildings in Kisumu and Nakuru and Electricity House in Nairobi. We further initiated refurbishment and improvements works in our workshops and depots to enhance their functionality and value.

To bolster leadership and managerial capacity in the business, the Company implemented leadership development and cultural change programmes by benchmarking with top notch renowned institutions directly and through e-learning. Other specialised tailor made technical programmes such as live-line training were also implemented to ensure availability and sustainability of needed technical skills. Management also spearheaded executive, team coaching as well as targeted mentorship programmes across the business.

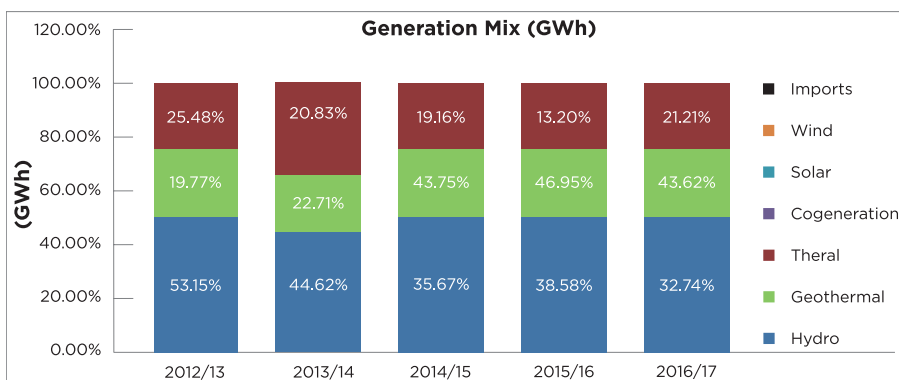
The Company continued to roll out a talent and succession management programme to ensure availability of a robust talent pipeline in all critical areas of the business as the older generation of employees gradually exit. This approach include strategic resourcing of young talent in critical positions such as Trainee Engineers to be taken through talent and succession pipeline.

To continually motivate and harness the potential of human capital in the business, management implemented salary reviews for management staff following approval from Salaries and Remuneration Commission (SRC) during the year. Union represented employees had their terms also reviewed following implementation of a new Collective Bargaining Agreement (CBA).

2. Balanced Growth 2.1 Energy to meet demand

Our strategy to maintain a diversified generation capacity mix and adequate reserve margin enabled us to withstand a period characterised by poor hydrology occasioned by inadequate rains. The country's two main water reservoirs, Turkwel and Masinga, were gradually depleted to lows of 1,106 and 1,036 meters above sea level (masl) compared to required operational minimum levels of 1,105masl and 1,037masl respectively. Unlike in the past when such occurrences would adversely affect our supply capability, we were able to utilise enhanced geothermal capacity complemented with thermal generation to meet demand thereby avoiding load shedding and procurement of expensive emergency power.

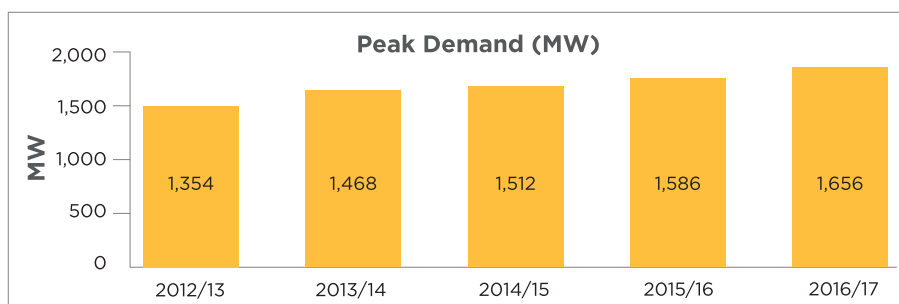
In the period under review, geothermal accounted for 44 percent of the total energy purchased or 4,451GWh while hydro provided 3,341GWh equivalent to 33 percent. The contribution from thermal power plants to the total energy mix increased to 21 percent up from 13 percent the previous year. The proportion of imports, sourced mainly from Uganda, increased to 1.8 percent from 0.7 percent the previous year.



A total 317.5MW of new generation capacity was installed during the year of which 15 MW was integrated to the national grid. This capacity comprised 10MW of Geothermal from KenGen Olkaria Wellheads in Naivasha and 5MW of hydro from Teremi GenPro in Bungoma county. As at the end of the year under review two hydro plants, developed by the Kenya Tea Development Authority, Chania and Gura with capacities of 0.5MW and 2MW respectively were undergoing commissioning tests. Additionally, 300MW wind power was installed at Loiyangalani in Marsabit county by Lake Turkana Wind Power. The plant will be connected to the national grid after

completion of a 324 kilometre transmission line by the Kenya Electricity Transmission Company. The additional renewable energy capacity will further diversify our generation mix to enhance supply security and meet the growing demand.

Electricity demand grew by 4.4 percent from 1,586 MW the previous year to 1,656 MW in the year under review against an installed and effective capacity of 2,333 MW and 2,259 MW respectively. The current demand supply level provides a reasonable reserve margin for contingency planning and cater for electricity demand growth in the short term.



2.2 Growing our customer base

The sustainability of our business is anchored on entrenching our presence in the electricity market and increasing desired and perceived value of service to our customers. Towards this, we continued to zealously grow our customer base and venture into new frontiers by connecting over

a million customers for the second year running. The connectivity drive is aimed at increasing revenue to sustain our business and promote socio economic development.

The Last Mile Connectivity Project which was rolled out in the previous year to accelerate electricity access continued

to be implemented in the period. The project is funded by the Government with support from various development partners including the African Development Bank (AfDB), the World Bank, the French Development Agency (AFD) and the European Investment Bank. The Last Mile project predominantly targets customers living in rural and peri-urban areas to improve livelihoods and accelerate economic growth

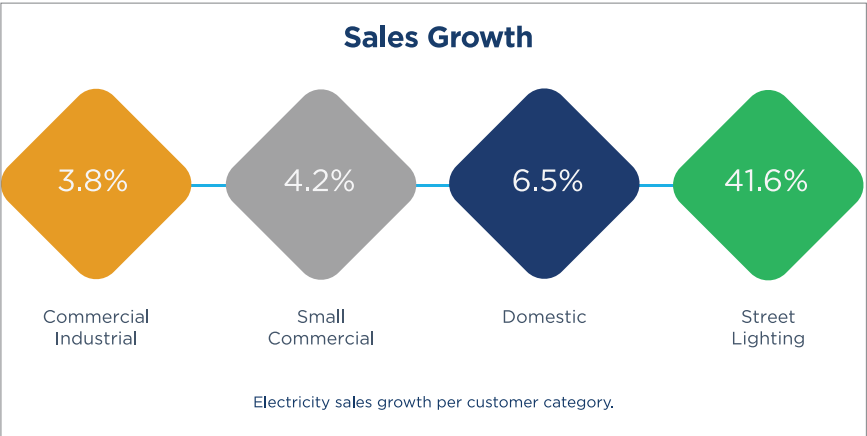
at the micro-economic level. Towards this end, the Government has secured funding from development partners totaling Shs 65 billion targeting connection of 1.2 million customers over the next three years. During the period under review, a total of 49,813 customers were connected in the initial phase under the AfDB financing.



Rural homesteads connected to electricity under the Last Mile project in Kilifi County.

2.3 Increasing electricity sales

During the year, electricity sales grew by 4.5 percent to 8,272 GWh from 7,912 GWh the previous year. This growth resulted from increased sales in our various customer categories: Domestic at 6.5 percent; Small Commercial at 4.2 percent; Commercial Industrial at 3.8 percent and Street Lighting at 41.6 percent. The sales growth rate was slightly higher than the previous year of 3.4 percent.



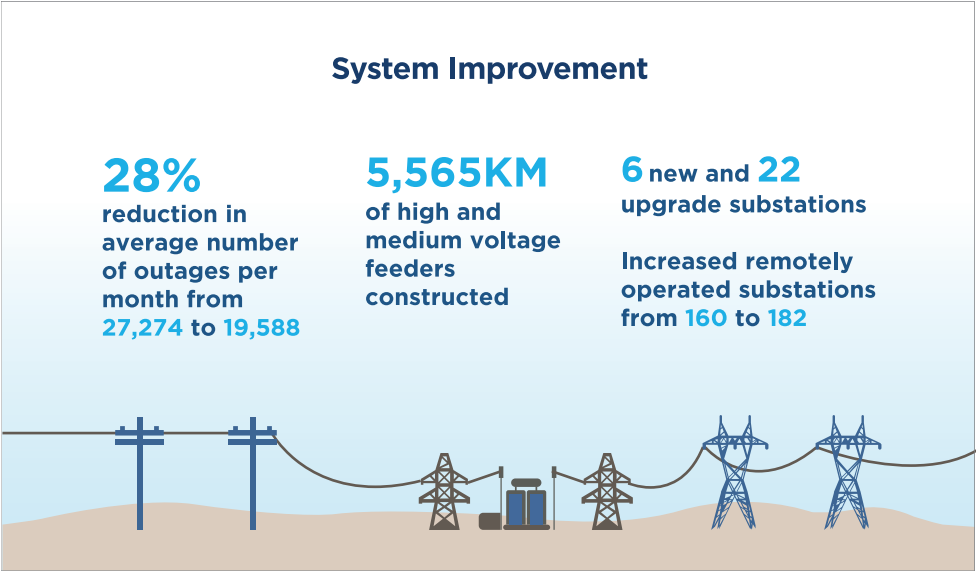
The sales growth rate was however, below the expected level mainly affected by a lag in consumption by newly connected domestic customers but are expected to consume more as they acquire electrical appliances. In addition, industrial consumption which constitutes 51 percent of our annual electricity sales grew marginally due to susceptibility to the macroeconomic environment largely affected by low growth in the manufacturing sector of the economy. Increased adoption of energy

efficient technologies by customers also contributed to the general slow growth in electricity consumption.

As part of our measures to protect revenue, we carried out countywide inspection of non-vending prepaid meters to establish reasons behind non-purchase of electricity tokens by the customers since the meters were installed. As at end of the year, 57 percent of the meters had been inspected leading to revenue recovery of Shs 11.2 million.

3. Improve network performance
3.1 Investing in the grid

During the year under review, a number of critical grid expansion projects were completed. A total of 6 new and 22 upgrade substations were completed enhancing the transformation capacity by 633 MVA which is adequate to serve over 200,000 standard households. In addition, 5,565 kilometers of new medium voltage lines were constructed during the year.



On-going capital projects

Programmes / Projects	Objectives	Expected Outcomes	Scope	Status as at 30th June 2017
Network expansion				
KEMP 36 Substations and associated lines financed by Kenya Power	Capacity enhancement	Increase in capacity to absorb new generation	575.5 MVA of installed capacity, 1,109km of MV lines	Ongoing
Nairobi CBD 220/66kV Substation financed by China-EXIM bank	Stability of power supply in Nairobi City	Reduced outages, stable voltages, improved quality of supply	220/66kV substation 400MVA, 16km 220kV underground	Substation completed, underground cabling ongoing
Network upgrade 66kV underground lines for Nairobi financed by China-EXIM bank	Network upgrade and reinforcement	Reliability of supply, reduction of power outages	2 substations, (92MVA), 25km of 66kV underground lines	Ongoing
Thika Road 220/66kV Substation financed by Kenya Power	Stability of power in Nairobi West and North areas	Reduced outages, stable voltages, improved quality of supply	220/66kV substation 400MVA, 66kV lines	Ongoing
Kipevu 132/33kV substation rehabilitation financed by Kenya Power	Stability of supplies in Mombasa Island and parts of North Coast	Reduced outages, alternatives supplies, improved quality and reliability	Installation of 11kV & 33kV Gas Insulated Switchgear (GIS) and outgoing feeders	Ongoing
Network modernisation				
Live Line Maintenance financed by WB	Improve quality of supply, reduce outage time	Reduced interruptions, live line maintenance work	Procurement of live line maintenance tools; set up of live line laboratory	12 teams operational under phase I, Phase II 24 teams undergoing training
Upgrade SCADA/EMS and Automation financed by WB	Reduction of operational costs, system flexibility	Automated operations, reduction of outages	60 upgrade substations to SCADA	Ongoing
Distribution System Enhanced Flexibility financed by WB	System flexibility, reduce time of interruptions	Automated distribution and enhanced flexibility	Installation of 1,000 automatic load break switches	Procurement switches and accessories in progress
Loss reduction				
Revenue Protection through automatic metering financed by WB	Reduce non-technical losses, protect revenues	Permanently protected revenues and accurate billing	Installation of AMI for 44,300 large and medium consumers	Procurement of meters and accessories in progress
Electricity access				
Last Mile Phase 1 AfDB	Increase connectivity and electricity access	Increased number of customers	314,200 new customers	A total of 49,813 new customers connected

Programmes / Projects	Objectives	Expected Outcomes	Scope	Status as at 30th June 2017
Last Mile Phase 2- WB	Increase connectivity and electricity access	Increased number of customers	296,000 new customers	Project implementation ongoing
Last Mile Phase 2 AfDB	Increase connectivity and electricity access	Increased number of customers	255,000 new customers	Procurement of contractors in progress
Last Mile Phase 3- AFD/EU/EIB	Increase connectivity and electricity access	Increased number of customers	296,649 new customers	Procurement of supervision contractor in progress
Transformer Densification-AFD	Increase connectivity and electricity access	Increased number of transformers	1,000 transformers	Project implementation ongoing
<i>KEMP-Kenya Electricity Modernisation Programme</i> <i>WB-World Bank</i> <i>AFD-French Development Agency</i> <i>AfDB-African Development Bank</i> <i>EIB-European Investment Bank</i>		<i>EU-European Union</i> <i>UG-Underground</i> <i>SCADA/EMS- Supervisory Control & Data Acquisition/Energy Management System</i> <i>CBD-Central Business District</i> <i>AMI-Automatic Metering Infrastructure</i>		

3.2 Solar power for off-grid areas

The Kenya Off-Grid Solar Access Project (K-OSAP) is a Public Private Partnership project initiated jointly by the Government and the World Bank, to increase access to energy services in underserved counties in Kenya. The project, which commenced during the year, supports development of solar hybrid power supply complemented by water projects in 14 least electrified counties. The beneficiary counties are: Garissa, Isiolo, Kilifi, Kwale, Lamu, Mandera, Marsabit, Narok, Samburu, Taita Taveta, Tana River, Turkana, Wajir, and West Pokot.

K-OSAP targets to connect 1.3 million households located beyond the reach of the national grid and the existing mini-grids. The Company will be the main generation off-taker, network operator and retailer in 86 remote sites identified by the project. The project will be financed by the World Bank to the tune of Shs. 16 billion.

3.3 Flexible and stable network

In the period under review, we achieved a System Average Interruption Frequency Index (SAIFI) of 3.78 per customer per month against a target of 4 and Customer Average Interruption Duration Index

(CAIDI) of 5.66 hours against a target of 6 hours. SAIFI measures the number of interruptions experienced per customer in a month while CAIDI evaluates the length of time taken to restore supply to a customer. These indices were corroborated by the June 2017 Customer Satisfaction Survey findings which indicated that the frequency of outages had indeed declined to the delight of customers.

The improvement in performance is as a result of implementation of various network management strategies to improve quality and reliability of power supply. The strategies include carrying out reinforcement works on overloaded circuits and transformers, and undertaking focused maintenance work on identified network hotspots. Further, we built additional distribution lines and interlinks for flexibility and ease load transfers to keep the lights on for customers during maintenance.

As the power network expands, monitoring, control and management becomes increasingly complex. In this regard, the Company continued the rollout of the Supervisory Control and Data Acquisition (SCADA) energy management system to

enable automation and enhance system flexibility through remote operations. In the year, we increased remotely operated substations from 160 to 182 after completing upgrade works on 12 substations. The SCADA project includes the second phase of the distribution automation project for Coast Region which was completed during the period. The project will contribute to effective management of the power network and improve sales through reduced outage durations.

Other initiatives implemented during the year involved maintenance targeting feeders associated with frequent supply interruptions, intensified wayleave trace maintenance, focused distribution transformer maintenance, distribution network automation and operationalisation of the Live-Line maintenance on medium voltage power lines.

3.4 Guarding our assets

As we expand the network and increase our footprint across the country, vandalism remains a challenge to our business as it contributes to supply interruptions which inconvenience our customers and reduce electricity sales. Through sustained operations and heightened surveillance of our network installations, we registered reduced incidences in vandalism cases

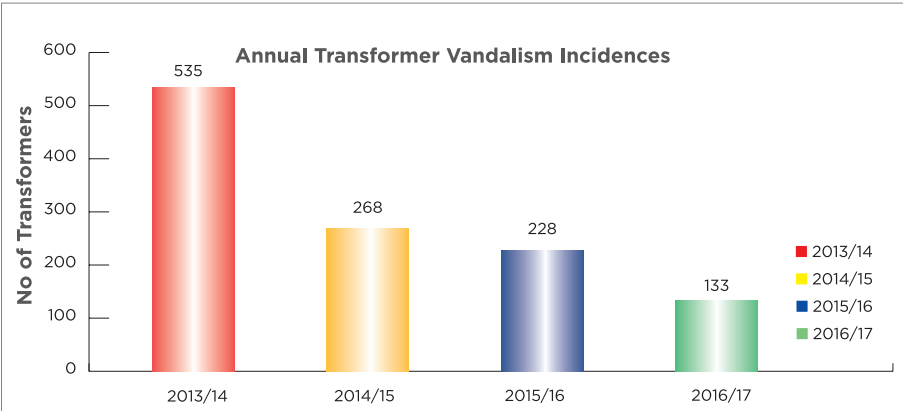
on transformers, conductors and power accessories during the year.



Recovery of a vandalised transformer in Kiambu County.

Consequently, the number of transformers vandalised reduced from to 222 the previous year to 133 in the year under review representing a 40 percent reduction.

In addition, we enhanced surveillance on other critical Company assets and increased application of modern technology in detection and deterrence of crime including installation of CCTV cameras. These interventions have resulted in a reduction in the number of incidences to 14 down from 27 the previous year in these installations. Further, in collaboration with National Counter Terrorism Centre, our employees were taken through Counter Terrorism Security Awareness training to raise the levels of security preparedness.



4. Supporting a 24-hour economy

We continued with the implementation of the National Public Lighting project initiated by the Government in 2014 to create an enabling environment for a 24-hour economy. The project, implemented at a cost of Shs 10.3 billion as at the end of the year, involves providing adequate public lighting to strategic industrial locations, residential areas, commercial centers, roads, railway and public transport facilities across the country.

The provision of adequate public lighting has helped improve security by deterring criminal activities, protecting property and

enhancing sense of personal safety. Successful implementation of the National Public Lighting project yielded a 41.6 percent growth in electricity sales under the Street Lighting customer category during the year.

As at the end of the period under review, we had installed a total of 74,099 lanterns spread across the country including all county headquarters and major urban centres. The implementation of the project will continue to cover more towns and public areas.



Street lights at Moi Avenue, Mombasa.

5. Enhancing efficiency

During the year our overall system efficiency improved to 81.1 percent up from 80.6 percent the previous year translating to approximately Shs 700 million in revenue gains. The improvement is largely attributed to focused network maintenance efforts, line reinforcements, and effective metering solutions, smart, outdoor and feeder metering.

We continued to implement smart metering solutions for large power and small commercial customer segments in the same period. The

smart metering project also targets domestic customers consuming more than 500 units per month. The project is aimed at ensuring accurate and timely customer billing while securing our revenue and enhancing efficiency through remote monitoring and operation of meters. Smart meters have capability to generate real time tamper alerts which are sent through SMS and email for action. Customers can also access their meter readings and consumption pattern data from any location through the internet. This measure will also help reduce commercial losses leading to improved sales and revenue.

As at end of the year, we had installed a total of 5,967 outdoor smart meters in large power customer premises. In addition, 9,409 smart meters were installed under pilot project for domestic customers covering parts of Nairobi estates including Rosslyn, Runda, Saika and Uhuru as well as the Central Business District and Kariobangi Light Industries areas. The Company targets to install 55,000 smart meters for customers with consumption over 500 units per month in the next phase.

In addition, we are deploying an information technology system to help manage system losses. In this regard, we have acquired an Energy Balance Module (EBM) software to help identify areas with high losses within our power network. As at the end of the year, a total of 300 feeders had been modeled in the system to enable energy balancing. We are in the process of metering 10,000 distribution transformers starting with areas that have the highest losses as guided by the EBM.

6. Simplify, engage and delight

Our efforts to simplify electricity connection process has resulted in the reduction in average connection time for new customers which contributed to improving the country's business environment. Consequently, Kenya rose 21 places in the World Bank's Ease of Doing Business annual global ranking from position 113 the previous year to 92 in the year under review. In particular, the Ease of Getting Electricity Indicator which is one of the key measure in the survey, stands at an average of 106 days down from 127 days in the previous year.

During the year, we initiated a number of activities to create awareness about our products with the aim of growing electricity demand and enhancing customer experience. These initiatives include a television cookery show dubbed 'Pika Na Power' to promote use of electrical appliances for cooking. Further, as part of customer awareness campaigns, we continued to sensitise customers about our products and services through different

engagement fora. Customers were sensitized on safety, prepaid token vending, registration for E-bill and how to identify fraudsters who masquerade as Company employees. Feedback from the 2017 Customer Satisfaction Survey indicate the need for continued awareness creation initiatives.



Strategic engagements with our customers help foster good relations which is critical for the sustainability of our business. During the year, we held various meetings with key customers notably in Nairobi, North Rift and Coast regions. The meetings involved large power customers drawn from various member organisations such as Kenya Association of Manufacturers, Kenya National Chamber of Commerce and Industry, Kenya Association of Hotel Keepers and Caterers, and residents' associations.

One of the successful initiatives from these engagements was the creation of WhatsApp social media communication groups for large power customers and residents' associations. These platforms facilitate information sharing, speedy resolution of customer complaints and improved interaction between our staff and customer.

In our endeavour to delight customers, we regularly conduct Customer Satisfaction

surveys to establish their satisfaction levels and experience with our brand and products. During the year under review, we registered an overall customer experience index of 67.8 percent with major drivers being improved communication with customers, enhanced banking hall experience and improved power restoration. In addition, implementation of projects geared towards improving power supply quality and reliability helped improve the power reliability satisfaction driver from 69.4 percent to 76.7 percent. Further, power restoration satisfaction driver improved from 54.2 percent to 61 percent.

7. Technology for business transformation

The Company embarked on roll out of the Integrated Customer Management System (InCMS) in the year under review. InCMS is an advanced customer management system that efficiently integrates customer service applications such as billing, new meter applications, customer payment systems and debt management on one platform. The web based InCMS system supports remote access and operations using various platforms including mobile devices thus creating flexibility in operations and management while enhancing interactions with our customers.

Availability of timely and accurate data provides the basis for sound business management decisions. This is more so in this era of big data and Internet of Things where information is generated from diverse sources

and managed by various custodians. Towards this, we operationalised the Enterprise Data Warehouse (EDW) and Business intelligence (BI) system, a technology driven system for data mining, analysis and presentation of actionable information. The system provides historical, current and predictive view of business operations using data that is chartered in a data warehouse. In addition, the system displays real time information on selected key performance indicators to management.

We continued to extend our fibre network across our administrative regions to enhance system communication and improve business processes. The project involves establishing a stable cross-border fibre connection with Tanzania through Namanga and alternative links with Uganda through Busia as well as a north-bound link to Kapenguria in West Pokot. With increased long distance fibre optic links, we installed high speed fibre optic hardware as part of improving corporate data, video surveillance and alternative links to radio repeaters. In addition, we installed Gig-Ethernet backbone connecting all regional offices and office nodes within all major substations to the National Control and Stima Plaza to increase data transfer rate between users and servers. All these upgrade works are beneficial to our internal operations and provide additional business opportunities to lease dark fibre to clients.■

UTENDAKAZI

1. Kuwekeza katika wafanyakazi wetu

Wafanyakazi wetu ndio rasilimali muhimu zaidi kwa Kampuni na ni nguzo kuu kwa ustawi wa biashara. Kwa hivyo, ni muhimu kabisa kuendelea kuwekeza katika wahudumu wetu kama njia mwafaka ya kuleta ukuaji wa biashara. Utaratibu wetu wa kusaka na kudumisha wafanyakazi inajumuisha masuala kama vile mishahara mizuri, ukuzaji ujuzi maalum na uwezo wa kuchapa kazi, miradi yaa kutambua na kutuza wahudumu bora, na kuimarisha mazingira ya kazi.

Kiwango cha utendakazi cha wafanyakazi kiliimarika hatua kwa nyingine katika mwaka wa fedha unaoangaziwa. Mgawo baina ya wahudumu na wateja uliimarika kutoka 1:439 mwanzoni mwa mwaka hadi 1:547 kufikia Juni 30, 2017 huku jumla ya wafanyakazi 11,295 wakiwa wamehudumia wateja 6,182,282. Wafanyakazi wanaoshikilia nyadhifa za usimamizi waliendelea kuhudumu kwa kandarasi za utendakazi. Utendakazi wao ulitathminiwa kila baada ya muda fulani na mikakati ikawekwa kuimarisha hilo. Kukuza utendakazi bora zaidi, wahudumu waliotimiza kikamilifu matakwa yao kuambatana na kandarasi za kazi walitambuliwa katika mwaka huo.

Kampuni iliongeza vituo vya kuwahudumia wateja na kufanyia ukarabati ofisi mbalimbali ili kuimarisha utendakazi wa wafanyakazi na kuwatosheleza wateja. Mikakati hiyo ilijumuisha kuimarisha utoaji huduma kwa kufungua ofisi za masuala ya dharura na kuimarisha kumbi za kuwahudumia wateja katika miji mbalimbali. Vile vile, Kampuni iliendelea kukarabati ofisi kuu za kanda mjini Kisumu, Nakuru na jumba la Electricity House mjini Nairobi. Pia tulianza shughuli ya kukarabati katika karakana na mabohari yetu ili kuimarisha utendakazi na thamani ya mali hizo.

Kuimarisha uongozi na usimamizi wa biashara, Kampuni ilitekeleza mipango ya kukuza uongozi na kuleta mabadiliko ya desturi kwa kulinganisha na viwango vya ubora vya taasisi zingine maarufu ulimwenguni moja kwa moja ama kupitia elimu ya kidijitali (e-learning). Mipango mingine maalum ya kiufundi kama vile mafunzo

jinsi ya kushughulikia nyaya zenye umeme, pia ilitekelezwa kuhakikisha ujuzi wa kiufundi unaohitajika unapatikana na kudumishwa. Pia tulianzisha miradi ya kuimarisha utangamano miongoni mwa wasimamizi wakuu, wafanyakazi kwa jumla na kukuza walezi.

Kampuni iliendelea kutekeleza mradi wa kutambua talanta na urithi wa nyadhifa za usimamizi ili kuhakikisha kuna msururu wa wafanyakazi wenye talanta na ujuzi wa kutosha katika maeneo yote muhimu ya kazi huku wahudumu wakongwe wanapoendelea kustaafu. Mpango huo unajumuisha mbinu za kusaka chipukizi wenye talanta na ujuzi katika nyadhifa muhimu kama vile Wahandisi Wanagenzi, ambao wataelekezwa katika desturi zitakazowatarisha kwa urithi.

Kuendelea kuwapa motisha na kutumia vilivyo ujuzi wa wafanyakazi kukuza biashara, maafisa wakuu walifanya marekebisho katika malipo ya wafanyakazi wanaoshikilia nyadhifa za usimamizi baada ya kupokea idhini kutoka kwa Tume ya Mishahara na Marupurupu (SRC) mwaka huo. Malipo ya wafanyakazi waliojiunga na vyama vya wafanyakazi pia yalirekebishwa kufuatia utekelezaji wa Mkataba mpya wa Makubaliano ya Malipo (CBA).

2. Ukuaji sawa

2.1 Kawi itakayotimiza mahitaji

Mpango wetu wa kuwa na vyanzo mbalimbali vya uzalishaji kawi na kudumisha hifadhi ya kutosha ulituwezesha kukabiliana na kipindi kilichoshuhudia viwango vya chini vya maji kutokana na mvua duni zilizonyesha. Maji katika hifadhi mbili kubwa, Turkwel na Masinga, yalipungua maji hadi mita 1,106 na 1,036 matawalia kutoka sakafu ya bahari (sea level) ikilinganishwa na viwango vya chini zaidi vinavyohitajika ili kuzalisha umeme: 1,105m na 1,037m mtawalia kutoka sakafu ya bahari. Tofauti na awali ambapo hali ama hiyo ingeathiri mno uzalishaji umeme, tulitumia kawi inayozalishwa kutokana na mvuke na kawi inayozalishwa kutokana na joto ili kutimiza mahitaji ya umeme ya wateja na hivyo kuzuia kukatiza uzalishaji umeme ama kununua umeme wa dharura kwa bei ghali.

Katika kipindi kinachoangaziwa, umeme uliotokana na mvuke ulichangia asilimia 44 ya jumla ya kawi iliyonunuliwa, ama 4,451 GWh. Kawi iliyozalishwa kutokana na nguvu za maji ilitoa 3,341 GWh za umeme ama asilimia 33. Mchango wa kawi inayotokana na joto iliongezeka hadi asilimia 21 ya kawi yote iliyozalishwa, kutoka asilimia 13 mwaka awali. Kiwango cha kawi iliyonunuliwa kutoka nje, ambayo kwa wingi ilitoka nchi jirani ya Uganda, iliongezeka hadi asilimia 1.8 kutoka asilimia 0.7 mwaka awali.

Jumla ya MegaWati (MW) 317.5 za kawi mpya ziliundwa mwaka huo huku 15 MW zikiongezwa kwenye mtandao wa kitaifa wa mitambo ya kusambaza umeme. Kiwango hiki kilijumuisha 10 MW za kawi ya mvuke kutoka kiwanda cha KenGen Olkaria Wellheads mjini Naivasha, 5 MW za kawi ya maji kutoka kiwanda cha Teremi GenPro katika Kaunti ya Bungoma. Viwanda viwili vya maji Chania, 0.5MW Gura, 2MW vilivyotengenezwa na Halmashauri ya Ustawi wa Maji Chai (KTDA) katika Murang'a na Nyeri viliendelea kufanyiwa majaribio kabla ya uzinduzi katika mwaka uliomalizika. Vile vile, 300 MW za kawi inayozalishwa kutokana na upepo ziliundwa katika kiwanda cha Loiyangalani, Kaunti ya Marsabit, cha shirika la Lake Turkana Wind Power. Kiwanda hicho kitaunganishwa kwa mtandao wa kitaifa wa mitambo ya kusambaza umeme baada ya kukamilika kwa ujenzi wa kebo ya kilomita 324 ya kubeba umeme, ujenzi unaofanywa na kampuni ya Kenya Electricity Transmission Company. Fursa ya kuwepo kwa kawi inayoweza kutumika tena (renewable) itapanua aina za kawi tunazozalisha nchini na hivyo kuimarisha uwezo wetu wa kutoa umeme wa kudumu na vile vile kutimiza mahitaji ya wateja yanayozidi kuongezeka.

Mahitaji ya umeme yaliongezeka kwa asilimia 4.4 kutoka MW 1,586 mwaka uliotangulia hadi MW 1,656 mwaka uliopita ikilinganishwa na kiwango cha uzalishaji cha MW2,333 na MW2,259 mtawalia. Kiwango cha sasa cha uzalishaji na usambazaji kinatoa akiba kiasi kwa mahitaji ya dharura na kutosheleza mahitaji ya ziada ya umeme kwa kipindi kifupi.

2.2 Kuongeza idadi ya wateja wetu

Misingi ya kudumu kwa biashara yetu inapatikana katika uwezo wetu wa kuzidisha mgawo wa soko tunaomiliki na kuimarisha ubora wa huduma wanazotaka wateja wetu. Kuhusiana na hilo, tulijizatiti vilivyo kukuza idadi ya wateja na kuendeleza mpango wetu kabambe wa kutoa umeme kwa wateja wapya milioni moja. Mpango huo uliokuwa ukiendeshwa kwa mwaka wa pili mfululizo, unanuia kuzidisha kiwango cha mapato tunayokusanya na kukuza ustawi wa uchumi wa jamii.

Mradi wa Last Mile Connectivity Project ulioanza kutekelezwa mwaka awali ili kuharakisha shughuli ya kutoa umeme kwa wananchi, uliendelezwa katika kipindi kinachoangaziwa. Mradi huo unafadhiliwa na Serikali ya Kitaifa kwa ushirikiano na wafadhili wengine ikiwemo benki ya African Development Bank (AfDB), Benki ya Dunia, shirika la French Development Agency (AFD) na shirika la the European Investment Bank. Mradi huo wa LMC unawalenga hasa wananchi wanaoishi mashambani na makazi duni mijini ili kuimarisha maisha yao na kuchezea ukuaji wa uchumi miongoni mwa wananchi hao wa pato la chini. Serikali imepata ufadhili wa jumla ya Shs 65 bilioni zitakazotumika kuwqapa umeme wateja wapya 1.2 milioni katika miaka mitatu ijayo. Katika mwaka wa fedha unaoangaziwa na ripoti hii, jumla ya wateja wapya 49,813 walipokea umeme kwenye awamu ya kwanza ya mradi huo iliyofadhiliwa na benki ya AfDB.

2.3 Kuimarisha mauzo ya umeme

Katika mwaka huo wa fedha, mauzo ya umeme yaliongezeka kwa asilimia 4.5 hadi 8,272 GWh kutoka 7,912 GWh mwaka awali. Ukuaji huu ulitokana na ongezeko la mauzo miongoni mwa viwango mbalimbali vya wateja wetu: umeme unaotumiwa nyumbani ulikuwa asilimia 6.5; umeme unaotumiwa na biashara ndogo ulikuwa asilimia 4.2; umeme unaotumiwa na viwanda ulikuwa asilimia 3.8; umeme unaotumiwa na taa za barabarani ulikuwa asilimia 41.6 Kiwango

cha ongezeko la mauzo hayo kilikuwa juu kiasi kuliko mwaka awali wa asilimia 3.4.

Kiwango cha ongezeko la mauzo, hata hivyo, kilikuwa chini ya matarajio yetu hususan kutokana na kudidimia kiasi kwa matumizi ya umeme na wateja wapya wa nyumbani, lakini inatazamiwa kuwa wataendelea kutumia umeme mwingi zaidi wakinunua vifaa vyaa nyumbani vinavyotumia umeme. Vile vile, mauzo ya umeme wa viwandani ambayo ulichangia asilimia 51 ya mauzo ya mwaka mzima ulipanda kwa kiasi tu. Hii ilitokana na kuathirika kwa urahisi kwa mazingira ya uchumi wa kitaifa hususan kwa sababu ya kudorora kwa sekta ya utengenezaji bidhaa. Hatua ya wateja kuanza kutumika kwa teknolojia zinazotumia vyema zaidi kawi pia ilichangia ukuaji mdogo katika matumizi ya umeme.

Kama sehemu ya juhudi za kulinda mapato yetu, tulifanya uchunguzi kote nchini kubaini kwanini wateja walio na mita za kulipia ada mbeleni hawanunui tena umeme tangu mita hizo kuwekwa. Kufikia mwisho wa mwaka, asilimia 57 ya mita hizo zilikuwa zimechunguzwa na kusababisha kupatikana kwa mapato ya Shs 11.2 milioni.

3. Kuimarisha utendakazi wa mitambo
 3.1 Kuwekeza katika mtandao wa mitambo ya kusambaza umeme

Katika mwaka unaoangaziwa, miradi kadha ya kadha ya kupanua mtandao wa mitambo ya kusambaza umeme ilitekelezwa. Jumla ya vituo vipya 6 vidogo na vituo 22 vidogo vilivyofanyiwa ukarabati vilikamilika na hivyo kuzidisha kiwango cha umeme kilichosambazwa kwa 638 MVA, ambazo zinatoshia kuhudumia nyumba zaidi ya 200,000. Vile vile, kilomita 5,565 za nyaya zinazobeba umeme wa kadri ziliundwa mwaka huo.

Miradi inayoendelea ya mtaji mkubwa

Miradi	Malengo	Matokeo yanayotarajiwa	Upeo	Hali kufikia Juni 30, 2017
Upanuzi wa mtandao wa mitambo ya umeme				
KEMP Vituo vidogo 36 vya mitambo na nyaya zake Unafadhiliwa na Kenya Power	Kuimarisha uwezo wa kusambaza umeme	Kuzidisha uwezo wa kubeba umeme zaidi	Uwezo wa kubeba 575.5 MVA Kilomita 1109 za nyaya za MV	Unaendelea
Kituo kidogo cha mitambo cha 220/66kV katikati mwa Nairobi Unafadhiliwa na China-EXIM bank	Utoaji huduma thabiti kwa jiji la Nairobi	Kupungua kwa visa vya umeme kupotea, umeme thabiti, utoaji huduma bora	Kituo kidogo cha 220/66kV chenye uwezo wa 400MVA Kebo ya chini ardhini ya kilomita 16 na uwezo wa 220kV	Kituo kidogo kimekamilika Kebo ya chini ardhini inaendelea
Kuimarisha mtandao wa mitambo ya umeme Kebo ya chini ardhini ya 66kV kwa jiji la Nairobi Unafadhiliwa na China-EXIM bank	Kuimarisha na kustawisha mtandao wa mitambo ya umeme	Huduma za kutegemewa, kupungua kwa visa vya umeme kupotea	Vituo vidogo 2 (92MVA) Kebo za kilomita 25km chini ardhini zenye uwezo wa 66kV	Unaendelea

Miradi	Malengo	Matokeo yanayotarajiwa	Upeo	Hali kufikia Juni 30, 2017
Kituo kidogo cha mitambo cha 220/66kV cha Thika Road Unafadhiliwa na Kampuni	Huduma thabiti Magharibi na Kaskazini mwa Nairobi	Kupungua kwa visa vya kupotea kwa umeme, kiwango thabiti cha umeme, huduma bora	Kituo kidogo cha 220/66kV chenye uwezo wa 400MVA Kebo za 66kV	Unaendelea
Ukarabati wa kituo kidogo cha mitambo cha 132/33kV cha Kipevu Unafadhiliwa na Kampuni	Huduma thabiti katika kisiwa cha Mombasa na Kaskazini mwa Pwani	Kupungua kwa visa vya kupotea kwa umeme, umeme mbadala, huduma bora na za kutegemewa	Kuwekwa kwa swichi ya 11kV & 33kV ya Gas Insulated Switchgear (GIS) pamoja na mitambo ya kusambaza umeme (feeders)	Unaendelea
Kuimarisha mtandao wa mitambo ya umeme kuwa ya kisasa				
Utunzi wa nyaya zenye umeme Unafadhiliwa na Benki ya Dunia	Kuimarisha ubora wa huduma, kupunguza muda ambao umeme utachukua kabla kurejea	Kupungua kwa hitilafu za mitambo, shughuli za kutunza nyaya zenye umeme	Ununuzi wa vifaa vya kutunza nyaya zenye umeme Kuunda maabara ya nyaya zenye umeme	Makundi 12 yameanza shughuli katika awamu ya I Makundi 24 ya awamu ya II yanapokea mafunzo
Kuimarisha SCADA/EMS na kuweka vifaa vinavyojiendesha Unafadhiliwa na Benki ya Dunia	Kupungua kwa gharama za operesheni, wepesi wa mtandao kukubali mabadiliko	Operesheni zinazojiendesha, kupungua kwa visa vya umeme kutoweka	Vituo vidogo 60 vya ziada vyaongezwa kwa SCADA	Unaendelea
Kuimarishwa kwa mfumo wa usambazaji umeme ili kuwa rahisi kukubali mabadiliko Unafadhiliwa na Benki ya Dunia	Mfumo ulio mwepesi kukubali mabadiliko, kupungua kwa visa vya hitilafu za mitambo	Mitambo ya usambazaji umeme inayojiendesha na mfumo ulio rahisi kufanyiwa marekebisha	Kuwekwa kwa swichi 1,000 zinazojiendesha za kudhibiti umeme (load break switches)	Ununuzi wa swichi na vifaa unaendelea
Kupunguza hasara				
Kulinda mapato kupitia mita za kisasa zinazojiendesha Unafadhiliwa na Benki ya Dunia	Kupunguza hasara zisizo za kiufundi, linda mapato	Mapato yaliyolindwa na kuwepo kwa bili sahihi	Kuweka mita za AMI kwa wateja 44,300 wanaotumia umeme mwingi na kadri	Ununuzi wa mita na vifaa unaendelea
Upatikanaji umeme				

Miradi	Malengo	Matokeo yanayotarajiwa	Upeo	Hali kufikia Juni 30, 2017
Awamu 1 ya Last Mile Unafadhiliwa na benki ya AfDB	Kuimarisha idadi ya watu wanaopata umeme	Ongezeko la idadi ya wateja	Wateja wapya 314,200	Jumla ya wateja 49,813 wapya wamepata umeme
Awamu 2 ya Last Mile Unafadhiliwa na Benki ya Dunia	Kuimarisha idadi ya watu wanaopata umeme	Ongezeko la idadi ya wateja	Wateja wapya 296,000	Utekelezaji mradi unaendelea
Awamu 2 ya Last Mile Unafadhiliwa na benki ya AfDB	Kuimarisha idadi ya watu wanaopata umeme	Ongezeko la idadi ya wateja	Wateja wapya 255,000	Utekelezaji mradi unaendelea
Awamu 3 ya Last Mile Unafadhiliwa na AFD/EU/EIB	Kuimarisha idadi ya watu wanaopata umeme	Ongezeko la idadi ya wateja	Wateja wapya 296,649	Shughuli ya kusaka mwanakandarasi wa kusimamia mradi inaendelea
Kuongeza idadi ya transfoma Unafadhiliwa na benki ya AfDB	Kuimarisha idadi ya watu wanaopata umeme	Ongezeko la idadi ya transfoma	Transfoma 1,000	Utekelezaji mradi unaendelea

KEMP-Kenya Electricity Modernisation Programme
WB-World Bank
AFD-French Development Agency
AfDB-African Development Bank
EIB-European Investment Bank

EU-European Union
UG-Underground
SCADA/EMS- Supervisory Control & Data Acquisition/Energy Management System
CBD-Central Business District
AMI-Automatic Metering Infrastructure

3.2 Umeme unaotokana na miyale ya jua katika maeneo ya yasiyo na umeme

Mradi wa kutoa umeme wa jua katika maeneo yasiyo na umeme, Kenya Off-Grid Solar Access Project (K-OSAP), ni mradi wa pamoja wa Serikali ya Kitaifa na Benki ya Dunia unaonua kuimarisha uttoaji huduma za kawi katika kaunti zisizo na huduma hizo nchini Kenya. Mradi huo, ulioanza kutekelezwa katika mwaka wa fedha unaoangaziwa, unafadhili utoaji vifaa vya kuzalisha umeme wa jua katika kaunti 14 zisizo na huduma za umeme. Kaunti hizi ni pamoja na Garissa, Isiolo, Kilifi, Kwale, Lamu, Mandera, Marsabit, Narok, Samburu, Taita Taveta, Tana River, Turkana, Wajir, na Pokot Magharibi.

K-OSAP inalenga kutoa umeme kwa nyumba 1.3 milioni ambazo hazijaunganishwa kwenye mtandao wa kitaifa wa mitambo ya kusambaza umeme wala mitandao midogo iliyopo. Kampuni itakuwa mpokeaji wa kawi itakayozalishwa, msimamizi wa mtandao wa usambazaji umeme huo na mtoaji umeme husika katika maeneo 86 ya mbali yaliyotambuliwa. Mradi huo utafadhiliwa na Benki ya Dunia kwa gharama ya Shs 16 bilioni.

3.3 Huduma thabiti za kutegemewa

Katika mwaka unaoangaziwa, tulitumia mbinu mbili za kubaini visa vya kupotea kwa umeme na muda uliochukua kabla umeme kurejea. Mbinu ya System

Average Interruption Frequency Index (SAIFI) ilirekodi visa 3.78 vya kupotea kwa umeme vilivyoripotiwa na wateja katika kipindi cha mwezi mmoja, dhidi ya visa 4 vilivyotazamiwa kuripotiwa kwa mwezi. Nayo mbinu ya Customer Average Interruption Duration Index (CAIDI) ilipata kuwa wateja walisubiri muda wa saa 5.66 kabla umeme kurejea, dhidi ya saa 6 zilizotazamiwa. Vipimo hivyo vilithibitishwa na matokeo ya Utafiti wa Kutathmini Kiwango cha Kuridhika cha Wateja uliofanywa Juni 2017 ambao ulionyesha kuwa idadi ya visa vya kupotea kwa umeme ilikuwa imepungua.

Matokeo hayo yalitokana na utekelezaji wa mikakati mbalimbali ya usimamizi bora wa mitambo ya umeme ili kuimarisha ubora na upatikanaji wa umeme. Mikakati hiyo inajumuisha shughuli za kukarabati saketi na transfoma zilizoshindwa kuhimili umeme kupita kiasi, na kufanya utunzi wa mitambo katika maeneo inayokumbwa na matatizo ya kiufundi. Vile vile, tuliweka nyaya za ziada za usambazaji na unganishi ili kurahisisha shughuli ya kuhamisha umeme kutoka kebo moja hadi nyingine na hivyo kuhakikisha wateja wanapata umeme hata wakati nwa shughuli za ukarabati.

Huduma za umeme zinapoongezeka, shughuli ya utathmini, udhibiti na usimamizi inakuwa nzito zaidi. Hivo, Kampuni iliendelea kutekeleza mfumo wa usimamizi bora wa kawi kwa jina Supervisory Control and Data Acquisition (SCADA) ili kuwezesha kutumika kwa mitambo ya kisasa inayojiendesha na hivyo kutoa fursa ya kuendesha operesheni za mitambo hiyo kutoka mbali. Mwaka huo huo, tulizidisha idadi ya vituo vidogo vinavyoweza kuendesha kutoka mbali kutoka 160 hadi 182 baada ya kukamilika kwa shughuli ya ukarabati katika vituo vidogo 12. Mradi wa SCADA unajumuisha awamu ya pili ya kuweka mitambo ya kisasa inayojiendesha katika ukanda wa Pwani, shughuli ambayo ilikamilika katika kipindi kinachoangaziwa katika ripoti hii. Mradi huo utachangia pakubwa katika usimamizi bora wa mitambo na kuimarisha mauzo kwani

kutakuwa na visa vichache vya kutoweka kwa umeme.

Miradi mingine iliyotekelezwa katika mwaka huo wa fedha ilihusu shughuli za kutunza mitambo ya kusambaza umeme ambayo hukumbwa na hitilafu za mara kwa mara, kuimarisha utunzi wa maeneo kunakopitia nyaya za kusambaza umeme, kutunza transfoma za kusambaza umeme, kuendelea kuweka mitambo ya kisasa inayojiendesha katika mfumo wa usambazaji umeme na kuanza utunzi wa nyaya zenye umeme wa kiwango cha kadri.

3.4 Kulinda mali zetu

Tunapopanua huduma zetu na kuongeza idadi ya wateja kote nchini, visa vya wizi wa vifaa vingali changamoto sugu kwa biashara yetu kwani huchangia kutoweka kwa umeme na hivyo kuwaletaka bughudha wateja wetu jambo ambalo hupunguza mauzo yetu ya umeme. Kupitia misako ya mara kwa mara na ulinzi mkali wa mitambo yetu, tulishuhudia kupungua kwa visa vya wizi wa transfoma, vipitishi umeme na vifaa vingine katika mwaka huo wa fedha. Idadi ya visa vya wizi wa transfoma ilipungua kutoka 222 mwaka awali hadi 133 mwaka wa fedha unaoangaziwa, hii ikiwa ni asilimia 40 ya kupungua kwa visa hivyo.

Aidha, tuliimarisha ulinzi wa mali zingine muhimu za Kampuni na kuzidi kutumia teknolojia za kisasa za kubaini na kuzuia uhalifu ikiwemo kuweka kamera za CCTV. Hatua hizi zimechangia kupungua kwa idadi ya visa kutoka 27 mwaka awali hadi 14 katika mwaka unaoangaziwa. Vile vile, kwa ushirikiano na Kituo cha Kitaifa cha Kupambana na Ugaidi, wafanyakazi wetu wapokea mafunzo kuhusu usalama na ugaidi ili kuimarisha ujuzi wao wa usalama.

4. Kusaidia uchumi wa saa 24

Tuliendelea na utekelezaji wa Mradi wa Kitaifa wa Kuweka taa maeneo ya umma ulioanzishwa na Serikali mnamo 2014 kutoa mazingira bora kwa biashara kuendelea kwa saa 24. Mradi huo unaotekelezwa kwa gharama ya

Shs 10.3 bilioni kufikia mwisho wa mwaka, unahusisha kuweka umeme katika maeneo muhimu ya kiviwanda, vituo vya kibiashara, makazi, barabarani, vituo vya reli na vituo vya magari ya usafiri kote nchini.

Utoaji umeme wa kutosha umesaidia kuimarisha usalama kwa kuzuia visa vya uhalifu, kulinda mali na kufanya raia kujihisi salama. Utekelezaji ulifaulu wa Mradi wa Kitaifa wa Usambazaji Umeme maeneo ya Umma ulisaidia kuongeza mauzo ya umeme kwa asilimia 41.6 chini ya mpango wa kusambaza umeme barabarani katika mwaka uliomalizika.

Kufikia mwisho wa mwaka unaoangaziwa, tulikuwa tumeweka taa 74,099 kote nchini zikiwemo makao makuu ya kaunti na vituo vikubwa vya kibiashara. Utekelezaji wa mpango huu utaendelea katika miji zaidi na maeneo ya umma.

5. Kuimarisha ufanisi

Katika mwaka uliomalizika, ufanisi wa mitambo yetu uliimarika kutoka asilimia 81.1 kutoka asilimia 80.6 katika mwaka uliotangulia na hivyo nyongeza ya mapato ya Shs 700 milioni. Kuimarika huku kulitokana na jitihada za kukarabati mtandao wetu wa umeme na kuweka mita zinazofanya kazi na mita za kielektroniki na zile za nje.

Tuliendelea kweka mita za kisasa kwa wateja wakuu kwa wadogo katika kipindi hicho. Mita hizo za kisasa pia zitapelekwa wa wateja wa nyumbani wanaotumia zaidi ya vipimo 500, kwa mwezi. Mradi huu unalenga kuhakikisha kuwa wateja wanatumiwa bili zifaa na kwa wakati ufao ili kuongeza mapato na kufuatilia kwa mbali matumizi ya umeme ya wateja wetu. Mita hizo za kisasa zina uwezo wa kutupasha habari endapo kutakuwa na jaribio la kuzivuruga. Hii ni kupitia ujumbe wa SMS au baruapepe. Wateja pia wanaweza kufuatilia vipimo vya umeme walivyotumia kutoka eneo lolote kupitia kwa intaneti. Hatua hii pia itasaidia kupunguza hasara na hivyo kuongeza mauzo na mapato.

Kufikia mwisho wa mwaka, tulikuwa tumeweka mita za kisasa 5,967 katika makazi ya wateja

wanaotumia umeme mwingi. Isitoshe, mita 9,409 za kisasa ziliwekwa chini ya mpango wa majaribio kwa wateja wa nyumbani katika mitaa ya jiji la Nairobi ikiwemo, Runda, Rosslyn, Saika na Uhuru pamoja na maeneo ya katikati mwa mwa jiji na Kariobangi Light Industries. Kampuni inalenga kuweka mita 55,000 kwa wateja wanaotumia zaidi ya vipimo 500 kwa mwezi katika awamu nyingine.

Vile vile, tutapeleka mfumo mpya wa teknolojia ya mawasiliano kusiaid kupunguza hasara ya umeme kwenye mtandao wetu.

Kwa mintaarafu hii, tumenunua mitambo ya Energy Balance Module (EBM) kutusaidia kutambua maeneo yanayokumbwa na hasara ya umeme kwenye mtandao wetu. Kufukia mwisho wa mwaka, jumla ya vituo vidogo 300 vilikuwa vimeunganishwa na mitambo ili kudhibiti umeme. Tumo njiani kuweka mita kwa transfoma za usambazaji 10,000 tukianza na maeneo ambapo tunapata hasara kubwa ya umeme kama tutakavyoongozwa na EBM.

6. Rahisisha, jadiliana na furahisha

Juhudi zetu za kurahisha utaratibu wa kuunganishwa na umeme zimesaidia kupunguza kipindi cha wastani cha kusambazia wateja wapya umeme hali iliyoboresha mazingira ya kibiashara. Hivyo basi, Kenya ilipanda ngazi 21 kwenye mizani ya Benki ya Dunia ya kuangazia urahisi wa kuendesha Biashara ikilinganishwa na nafasi ya 113 hadi 92 katika kipindi tunachoangazia. Hasa, kiashirio cha urahisi wa kupata umeme ambacho ni kiungo muhimu kwenye uchunguzi huo, kimo katika siku 106 kutoka 127 mwaka uliotangulia.

Katika mwaka uliomalizika, tulianzisha shughuli mbalimbali za kuhamasisha umma kuhusu bidhaa zetu kwa lengo la kuongeza mahitaji ya umeme na kuridhisha wateja. Shughuli hizo ni pamoja na kipindi cha televisheni cha upishi 'Pika Na Power' kukuza matumizi ya vifaa vya umeme katika upishi. Vilevile, kama sehemu ya kampeni za kuhamasisha wateja kuhusu bidhaa na huduma zetu, tuliendelea kutumia majukwaa tofauti. Wateja walielimishwa kuhusu usalama, kujinunulia kadi za umeme, kujisajili kutumiwa

simu kwa njia ya simu na namna ya kutambua walaghai wanaojifanya wafanyikazi wa Kampuni. Maoni kutoka uchunguzi wa kuridhika kwa wateja 2017 yaonyesha shughuli zaidi za kutoa uhamasisho zinahitajika.

Kutangamana na wateja wetu husaidia kukuza uhusiano mwema ambao ni kiungo muhimu katika uendelezaji wa biashara yetu. Katika mwaka uliomalizika, tuliandaa mikutano tofauti na wateja muhimu hasa maeneo ya Nairobi, North Rift na Pwani. Mikutano hiyo ilihusisha wateja wakubwa kutoka vyama washirika kama vile Kenya Association of Manufacturers, Kenya National Chamber of Commerce and Industry, Kenya Association of Hotel Keepers and Caterers, na vyama vya wakazi.

Mojawapo ya ufanisi wa shughuli hii ni kuundwa kwa makundi kwenye mtandao wa WhatsApp kwa wateja wakubwa na vyama vya wakazi. Majukwaa haya hutoa nafasi ya kugawana habari, na kutatua kwa haraka malalamishi ya wateja na kunboresha uhusiano wa wafanyikazi wetu na mteja.

Katika jitihada zetu za kufurahisha wateja, huwa tunafanya uchunguzi wa maka kwa mara kuhusu kuridhika kwa wateja na ufahamu wao wa kampuni na bidhaa zetu.

Katika mwaka uliomalizika, tulipata asilimia 67.8 ya kuridhishwa kwa wateja kutokana na kuimarisha mawasiliano na wateja, kuboresha huduma katika eneo la kufanyia malipo na kuboresha kasi ya kurudisha umeme unapokatika. Isitoshe, utekelezaji wetu wa miradi inayolenga kuimarisha usambazaji umeme na kuufanya kuwa wa kutegemewa ulisaidia kuimarisha vipimo vya kuridhika kwa wateja kutoka asilimia 69.4 hadi asilimia 76.7.

Pia kipimo cha kuridhika kwa wateja kuhusu kurejeshwa kwa umeme kuliimarika kutoka asilimia 54.2 hadi asilimia 61.

uliomalizika. InCMS ni mfumo wa kiwango cha juu ambao unaunganisha huduma zote za wateja kama vile bili, maombi ya mita mpya, malipo ya wateja na kufuatilia madeni kwenye jukwaa moja.

Mfumo huu ambao hutumia mtandao wa intaneti unasaidia kusoma mita na kuwasiliana na wateja kutoka mbali kwa kutumia vifaa tofauti kama vile simu za mkononi na kurahisha operesheni zetu na usimamizi huku tukiimarisha utangamano wetu na wateja.

Uwepo wa data sahihi kwa wakati ufaao huwezesha maamuzi muhimu ya kibiashara kufanywa. Hali hii ipo hasa enzi hizi za data nyingi na intaneti ambapo taarifa inatolewa kupitia vyanzo mbalimbali na kusimamiwa na watu tofauti. Kutokana na hili, tulianza kutumia mifumo ya Enterprise Data Warehouse (EDW) na Business Intelligence (BI), mfumo wa teknolojia wa kusaka data, kuchanganua na kuwasilisha taarifa inayoweza kutumika. Vile vile, mitambo huonyesha papo hapo maelezo kuhusu vigezo muhimu vya usimamizi.

Tuliendelea kupanua mtandao wetu wa faida katika maeneo yote tunakohudumu ili kuimarisha mawasiliano na kuboresha taratibu za kibiashara. Mradi huo unahusisha ujenzi wa mtandao wa faiba kuunganisha Tanzania kupitia Namanga na njia mbadala ya Uganda kupitia Busia pamoja na njia ya eneo la kaskazini hadi Kapenguria, West Pokot. Kutokana na kuongezeka kwa nyaya za faiba, tuliweka vifaa vya kuwezesha intaneti yenye kasi kama sehemu ya kuimarisha data ya mashirika, kufuatilia kwa njia ya video na mbinu mbadala za kutumia redio. Vile vile, tuliweka mitambo mikubwa ya Gig-Ethernet kuunganisha afisi zote za kimaeneo na kiunganishi cha afisi zetu katika vituo vyote vikubwa na Kituo cha Kitaifa na Stima Plaza ili kuongeza kiwango cha kusambaza data kati ya watumiaji na mitambo yetu. Uboreshaji huu wote una manufaa kwa operesheni zetu za ndani na kutoa nafasi zaidi za kibiashara ili kukodisha faiba kwa wateja.■

7. Teknolojia kwa mabadiliko ya kibiashara

Kampuni ilianzisha mfumo wa kushughulikia wateja kwa pamoja Integrated Customer Management System (InCMS) katika mwaka



Last Mile Connectivity Project

As part of our “Universal Access to electricity by 2020” agenda we’ve joined hands with the Government and development partners in the implementation of the Last Mile Connectivity Project. The Project provides subsidised connection costs for customers in rural and peri-urban areas thereby improving livelihoods.

Align. Grow. Transform.

SUSTAINABILITY REPORTING

Business sustainability is increasingly becoming an integral part of corporate strategy that guarantees a company's long-term viability. A sustainable business effectively manages its financial, social and environmental risks, obligations and opportunities. Sustainability reporting, therefore, entails measurement, disclosure and accountability to both internal and external stakeholders towards sustainable development objectives.

Sustainability reporting builds a company's trust by enhancing transparency about non-financial performance that can help to reduce reputational risks, opens dialogue with all stakeholders and demonstrate leadership, openness and accountability. In addition, internal management and decision-making processes can be examined and improved, leading to cost reductions by measuring and monitoring key identified issues. It also offers comprehensive analysis of strengths and weaknesses leading to more robust and wide-ranging organisational visions and strategies.

The Company is working towards adopting

sustainability reporting and entrenching sustainability pillars in our business strategy and processes according to international best practice. In this regard, we are developing a comprehensive sustainability framework which will provide guidelines for the introduction, development and maintenance of proactive financial, social and environmental management processes and procedures. Our inaugural sustainability report will be published in the current financial year.

Our sustainability reporting framework will be anchored in Global Reporting Initiative (GRI) guidelines which identifies three thematic factors for electric companies: economic, environmental and social. The framework will spell out overarching issues to the sector which include electric utility regulation and market structure, stakeholder engagements and contracting and supply chain practices. We will adopt a comprehensive materiality assessment in each sustainability factors to identify priority issues and their importance to stakeholders and impact on our business.

Some of the material issues to be considered in the sustainability framework are included in the matrix below:

Sustainability Highlights	Measures
Economic/Financial	(i) Investments in expansion and maintenance of network infrastructure (ii) Procurement of power generation capacity (iii) System efficiency (iv) Electricity pricing (v) Electricity demand management (vi) Technology and innovations (vii) Supply quality and reliability (viii) Sector regulation and market structure (ix) Legal and regulatory compliance (x) Contracting and supply chain practices
Environmental	(i) Environmental emissions from generation plants (ii) Infrastructure impact on flora and fauna (iii) Network aesthetics/visual impact (iv) Contribution to climate change (v) Demand side management
Social	(i) Availability and reliability of power supply (ii) Access to and affordability of electricity (iii) Employee and public safety/health (iv) Corporate Social Investment (v) Employee development (vi) Employee practices/ethics (vii) Consistency with community goals and values (vii) Stakeholder engagement

Our goal is to elevate sustainability in the Company's corporate governance by embedding it in our operational processes going forward, sustained by open reporting on sustainability strategies, goals and accomplishments. The report will inform us on areas of performance improvements as identified in the sustainability goals across the entire value chain including power generation, transmission, distribution and retail of electricity.■

RIPOTI KUHUSU UENDELEWU WA KIBIASHARA

Uendelevu wa kibiashara unazidi kuwa sehemu muhimu ya mkakati wa kampuni kuhakikisha hali ya baadaye ya Kampuni. Biashara endelevu husimamia fedha zake vizuri, hudhibiti hatari za kijamii na kimazingira pamoja na kutimiza malengo yake na matarajio ya kibiashara. Hivyo, ripoti kuhusu uendelevu wa biashara hujumuisha kupima, kutangaza na uwajibikaji kwa washikadau wote nje na ndani ya kampuni ili kuunda malengo ya maendeleo ya kudumishwa.

Ripoti kuhusu uendelevu wa kibiashara hukuza imani ya Kampuni kwa kuimarisha uwazi kuhusu matokeo yasiyohusisha fedha na hivyo kuiwezesha kusaidia kupunguza kuchafuka kwa sifa zake, kufungua milango ya mazungumzo na wahusika wote na kudhihirisha uongozi, uwazi na uwajibikaji. Isitoshe, tararibu za usimamizi wa ndani na za kufanya maamuzi zinaweza kuchunguzwa na kuboreshwa, na hivyo kupunguza gharama kwa kupima na kufuatilia masuala muhimu yaliyotambuliwa. Pia inatoa uchanganyuzi wa uwezo na udhaifu na hivyo kuwezesha uundaji wa mikakati kabambe katika usimamizi.

Kenya Power inalenga kukumbatia ripoti kuhusu uendelevu na kudumisha nguzo za uendelezaji katika mkakati wetu wa biashara na taratibu kwa mujibu wa viwango vya kimataifa vya ubora. Kufuatia hali hii. Kampuni inaunda mfumo mahususi kuhusu uendelezaji ambao utatoa mwongozo kwa uzinduzi, ustawi na utunzaji wa kanuni za usimamizi wa fedha, kijamii na kimazingira. Ripoti yetu ya kwanza kuhusu uendelevu itachapishwa katika kipindi cha sasa cha matumizi ya fedha.

Mfumo wetu wa kuripoti uendelevu utajikita katika miongozo ya Global Reporting Initiative (GRI) ambayo inatambua mada tatu kuu kwa kampuni za umeme: Uchumi, mazingira na jamii. Mfumo huo utaangazia maswala muhimu yanayoathiri sekta ikiwa ni pamoja na sheria za uzalishaji umeme na muundo wa soko, mikataba na wahusika na taratibu za kupeana kandarasi na ununuzi. Tutakumbatia tathmini kabambe katika fani zote kuhusu uendelevu kutambua masuala ya kupewa kipaumbele na umuhimu wao kwa washikadau na athari zao kwa biashara zetu..

Baadhi ya masuala muhimu yatakatuliwa maanani kwenye mfumo huo yamo kwenye jedwali ifuatayo:

Maelezo kuhusu uendelevu	Hatua
Uchumi/Kifedha	(i) Uwekezaji katika upanuzi na utunzaji wa mtandao wetu (ii) Ununuzi wa mitambo ya kuongeza uzalishaji umeme (iii) Ufanisi wa mitambo (iv) Bei ya umeme (v) Usimamizi wa mahitaji ya umeme (vi) Teknolojia na ubunifu (vii) Ubora wa usambazaji na utegemeaji (viii) Usimamizi wa sekta na muundo wa soko (ix) Uzingatiaji wa sheria na kanuni (x) Taratibu za utoaji tenda na uagizaji
Mazingira	(i) Uchafuzi wa mazingira kutoka kwa viwanda vyetu (ii) Athari ya muundomsingi kwa mimea na wanyama (iii) Mvuto wa mtandao/athari ya mvuto (iv) Mchango wetu kwa mabadiliko ya hali ya anga
Jamii	(i) Uwepo wa umeme na wa kutegemewa (ii) Usambazaji wa umeme nafuu (iii) Wafanyikazi na usalama wa umma/afya (iv) Uwekezaji katika uwajibikaji kwa jamii (v) Ustawi wa wafanyikazi (vi) Utendakazi wa wafanyikazi na maadili (vii) Kuzingatia kwa dhati malengo na maadili ya jamii (viii) Kushirikisha washikadau

Lengo letu ni kukuza uendelevu katika maongozi ya Kampuni kwa kuishirikisha katika taratibu zetu za utendakazi siku za usoni, kwa kuweka wazi mikakati yetu ya uendelevu, malengo na mafanikio. Ripoti itatufanulia kuhusu nyanja ambazo zinapasa

kuimarishwa kama ilivyotambuliwa kwenye malengo ya uendelevu ikiwa ni pamoja na uzalishaji wa umeme, usambazaji na ugavi wa umeme na uuzaji wa umeme kwa wateja wadogo pamoja na nyanja zingine za kibiashara.



Diversified Generation Mix

We have diversified the generation mix to mitigate the overdependence on one source of energy, thus improving reliability, reducing generation costs and improve our bottom line in the long-term.

Align. Grow. Transform.

CORPORATE GOVERNANCE REPORT

Commitment to good corporate governance is fundamental in ensuring sustainable shareholder value and meeting stakeholder expectations. Our structures, procedures and processes are anchored on accountability, transparency, responsibility and fairness which are the tenets of good corporate governance. Through the Board of Directors, the Company's stewardship remains steadfast in complying with statutory requirements as outlined in the Companies Act 2015, Capital Markets Authority Corporate Governance Guidelines and the Code of Governance for State Corporations (Mwongozo Code 2015) among others.

1. The Board of Directors

The Company's Board is constituted in accordance with the provisions of our Articles of Association which provide for a maximum of ten directors. However, in line with the guidelines of the Code of Governance for State Corporations which we ascribe to, the Board is composed of nine members of which six are Independent Non- Executive Directors including the Chairman, two are Non-Independent Directors and one an Executive Director who is also the Managing Director and Chief Executive Officer. Constitution of the Board considers diversity in gender, age, ethnicity and culture. In addition, the current Board of Directors has diverse skills and experience in the fields of law, engineering, economics, investment advisory, finance, community development as well as business management.

The Directors' biographies are shown on pages 7 to 10.

At every Annual General Meeting (AGM), at least one third of the Board members retire by rotation and are eligible for re-election. The Directors to retire in each occasion shall be those who have served longest since their last election. If for any reason a vacancy occurs in the Board, the Directors may appoint a person to fill in the vacancy temporarily until the next AGM when he or she is expected to stand down but is eligible for election.

1.1 The Board Charter and Manual

The charter defines the Board's roles and responsibilities as well as functions and structures in a way that supports the members in carrying out their strategic oversight functions. It helps the Board in directing the Company to maximise the long-term value of service provided for all stakeholders. The Board manual spells out important governance arrangements including the following:

- (i) Appointment, skills requirement, gender mix and capacity development for Directors;
- (ii) Articulation of, and commitment to, respect of the rights of the shareholders;
- (iii) Functions and responsibilities of the Board, the Chairman, Managing Director and Chief Executive Officer, and the Company Secretary;
- (iv) Conduct of Board and Committee meetings;
- (v) Directors' Code of Conduct; and
- (vi) Terms of reference for all Board Committees.

1.2 Responsibilities of the Board

The responsibility of driving good governance and stewardship of the Company is vested in the Board of Directors supported by Board committees and the Company Secretary. The Board, through its committees provides strategic direction while the Managing Director and Chief Executive Officer assisted by the Executive Management Committee is accountable to the Board for implementing the strategy. The Chairman is responsible for providing leadership to the Board as well as ensuring that the Board is supplied with timely and sufficient information to enable it discharge its duties effectively.

Board members are expected to be responsible, prudent and skilful while carrying out their fiduciary duties on behalf of the Company.

The roles and responsibilities of the Board as set out in the Board Charter include:

- (i) Establishing the Company's strategic direction and priorities, and adopting business plans proposed by management for the achievement of the strategic objectives.
- (ii) Monitoring and evaluating the implementation of strategies, policies, management performance criteria and business plans.
- (iii) Providing oversight in financial reporting to shareholders and communication to stakeholders.
- (iv) Ensuring availability of adequate resources for the achievement of the Company's objectives.

(iv) Safeguarding our Company assets by instituting appropriate internal control systems.

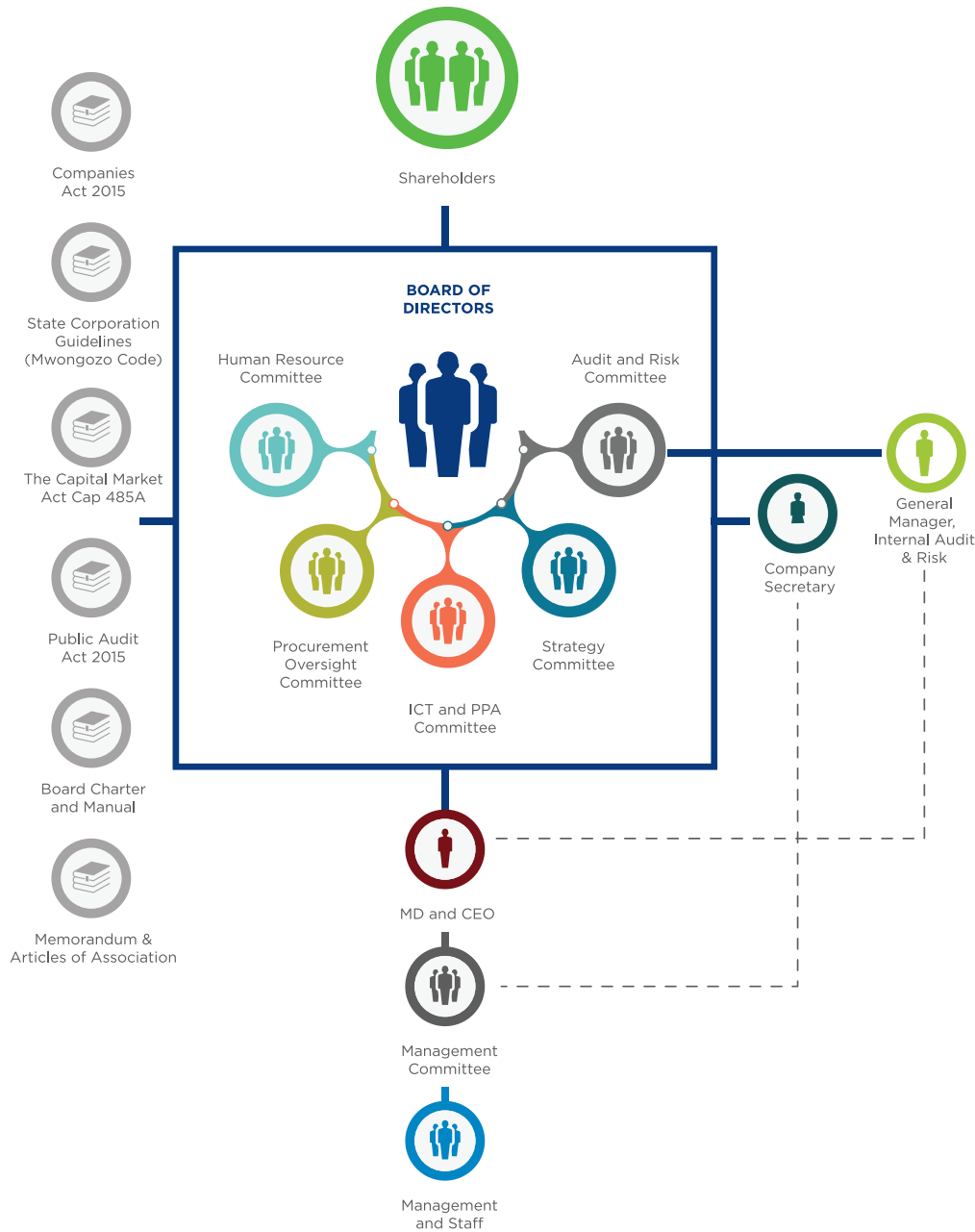
(v) Reviewing succession planning for the management and making senior executive appointments, organisational changes and remuneration issues.

(vi) Overseeing business affairs of the Company in light of emerging risks and opportunities.

(vii) Ensuring the Company complies with all relevant laws, regulations and codes of best business practices.

The Board provides oversight to Management and ensures that the staff operate within the Code of Conduct and Ethics, Public Officers and Ethics Act, and the Mwongozo Code for State Corporations.

1.3 Governance Framework



1.4 Board work plan and meetings

A work plan that contains an annual schedule of meetings of the Board and its committees is prepared in advance. The Chairman, in conjunction with the Managing Director and Chief Executive Officer and the Company Secretary, sets the agenda for each Board meeting which is circulated at least ten days prior to meeting.

In the year under review, the Board held a total of 15 meetings to consider pertinent issues relating to strategy, business performance and sustainability of the Company.

Board and committee membership

Name of the Director	Board Position	Board Committees				
		Strategy	Human Resource	Procurement Oversight	ICT & PPA	Audit & Risk
Hon. Kenneth Marende	Chairman	-	-	-	-	-
Mr. Henry Rotich	CS, The National Treasury	-	√	√	-	√
Dr. Eng. Joseph Njoroge	PS, Ministry of Energy and Petroleum	√	√	-	√	-
Dr. Kenneth Tarus	Managing Director & CEO	√	√	√	√	-
Mr. Wilson Mugung'ei	Member	√	-	√(Chair)	-	√
Mr. Adil Khawaja	Member	√ (Chair)	-	-	√(Chair)	-
Mr. Kairo Thuo	Member	-	√	√	-	√(Chair)
Mrs. Brenda Eng'omo	Member	√	√ (Chair)	-	-	√
Eng. Isaac Kiva	Alternate to Dr. Eng. Joseph Njoroge	-	-	-	-	-
Mrs. Beatrice Gathirwa	Alternate to Mr. Henry Rotich	-	-	-	-	-

Note:

There are no inter-se relationships between our Board Members.

Board and committee meetings attendance

Total No. of meetings	Board meetings	Board Committee Meetings				
		Strategy	Human Resource	Procurement Oversight	ICT & PPA	Audit & Risk
	15	2	6	14	6	8
Hon. Kenneth Marende	15/15	-	1/1 (By invitation)	2/2 (By invitation)	-	-
Dr. Ken Tarus	8/8	2/2	3/3	7/7	3/3	4/4
Mr. Wilson Mugung'ei	15/15	2/2	3/3	14/14	-	8/8
Mr. Adil Khawaja	14/15	2/2	-	-	4/6	-
Mr. Kairo Thuo	8/8	-	3/3	7/7	-	4/4
Mrs. Brenda Eng'omo	8/8	2/2	3/3	-	-	4/4
Eng. Isaac Kiva	14/15	2/2	6/6	-	5/6	-
Mrs. Beatrice Gathirwa	2/2	-	-	-	-	-
Dr. Ben Chumo	7/7	-	3/3	7/7	3/3	4/4
Mr. Macharia Kariuki	7/7	-	-	7/7	3/3	4/4
Mrs Susan Chesinya	7/7	-	3/3	10/10	2/2	6/6
Mrs. Jane Nashida	7/7	-	-	7/7	3/3	4/4
Mr. Joseph Kariuki	13/13	-	3/3	8/8	5/5	-

Notes:

Mrs Brenda Eng’omo and Mr. Kairo Thuo were elected as directors during the Annual General Meeting held on 23rd December 2016 to replace Mr. Macharia Kariuki and Mrs. Jane Nashida respectively. Mrs. Susan Chesinya resigned as a director on 5th May 2017.

Mrs. Beatrice Gathirwa replaced Mr. Joseph Kariuki as alternate Director to Mr. Henry Rotich on 5th May 2017.

Dr. Ben Chumo retired as Managing Director and CEO on 7th January 2017 and was replaced by Dr. Kenneth Tarus on the same date.

1.5 Board Evaluation

The Board undertakes an annual self-assessment to improve its members’ individual and collective performance for continuous growth and sustainability of the Company. The evaluation covers the Board as a whole, its committees, individual members, the Chairman, the Managing Director and Chief Executive Officer, and the Company Secretary.

During the year, the Board carried out a self evaluation exercise assisted by the State Corporations Advisory Committee. An action plan was developed from the evaluation focusing on areas that require improvement.

1.6 Key Board decisions

In the course of the financial year, the Board made key decisions relating to the following:

- (i) Succession planning by appointing the Company's senior management including the Managing Director and Chief Executive officer.
- (ii) Reviewed and approved the Five-Year Corporate Strategic Plan to refocus on our strategic objectives and priorities in line with the changing business environment.
- (iii) Sustainable asset creation through approval of capital budget for infrastructure development worth Shs 52 billion.
- (iv) Approval of new power purchase agreements to secure adequacy of supply.
- (v) Ensuring financial sustainability by approving the Company's financing requirements, budget and procurement plan for the next financial year and the annual accounts results.
- (vi) Reviewed and approved the Collective Bargaining Agreement for the Company's unionisable employees for the period 2017-2021.

1.7 Board capacity development

To ensure that all directors remain informed, continual training and updates based on

skills and competency requirements are conducted. A detailed induction programme is conducted for newly appointed Directors to enhance their understanding of the nature of our Company's business operations, performance and strategy. Each year the Board prepares a training calendar where specific training needs are identified and scheduled. During the year, Directors attended various capacity building programmes focusing on leadership, governance, finance and other relevant areas.

1.8 Board Committees

To enhance efficiency and effectiveness, the Board constituted 5 standing committees with clearly defined terms of reference relating to key areas of our business. The committees operate on delegated authority without diluting the Board's accountability. Members to the committees are appointed taking into consideration the necessary skills and experience.

All Board Committees are chaired by an independent non-executive director. When deemed necessary, the Board can constitute an ad hoc committee to consider specific issues which are not under the mandate of existing committees. The Company Secretary is the secretary to all the Board committees except the Audit and Risk Committee where the General Manager, Internal Audit performs this function.

The roles of the various Board committees are as below:

Committee	Roles
Audit and Risk The Committee comprises four non-executive Directors and regularly invites the Managing Director and CEO, and General Manager Finance to its meetings. When necessary, external auditors are invited to attend the meetings.	(i) Reviewing quarterly, half-yearly and annual financial statements before submission to the Board, (ii) Assessing the qualifications and recommending engagement of external auditors and their audit fees, (iii) Reviewing the performance, objectivity, and independence of external auditors, (iv) Consideration of audit findings by the external auditors, (v) Monitoring and reviewing the effectiveness of the Company's internal audit function, (vi) Reviewing the Company's internal control and risk management systems, and (vii) Ensuring adherence to the code of ethics and integrity in financial transactions of the Company.
Strategy The Committee regularly invites General Managers in charge of Finance, Business Strategy and Customer Service to their meetings.	(i) Advising the Board on strategies to enhance performance of the Company. (ii) Reviewing the Five-Year Corporate Strategic Plan, corporate budget and oversees the annual implementation of the Company's strategy. (iii) Monitoring major projects under implementation and directing strategies for improving customer service vi) Overseeing the Company's financial management.
Human Resource The General Manager in charge of Human Resource and Administration is invited to the Committee's meetings.	(i) Appointment of and setting up terms and conditions of service for the Managing Director, (ii) Establishing human resource policies and corporate organisational structure; (iii) Appointment, promotion and disciplinary issues of senior staff; (iv) Establishing remuneration structure for the staff; (v) Developing succession plan for senior staf, and (vi) Reviewing performance of the staff pension scheme.
Procurement Oversight The General Manager, Supply Chain is regularly invited to the Committee meetings.	(i) Overseeing the Company's procurement processes on behalf of the Board to ensure compliance with the law and the Company's annual procurement plan. (ii) Reviewing and recommending the annual procurement plan to the Board. (iii) Overseeing procurement of goods and services with a value of Shs 50 million and above.
ICT and Power Purchase Agreement (PPA) Management is invited to Committee meetings to provide information and make clarifications.	(i) Providing oversight in the negotiation of power purchase agreements between the Company and bulk power producers, (ii) Ensuring PPAs safeguard the interest of shareholders and customers and achieve cost-effective power purchase costs, (iii) Reviewing the Company's Information Communication and Technology (ICT) policy, (iv) Evaluating ICT security issues and internal controls, (v) Ensuring adoption of ICT systems that support Company business, minimise risks and achieve maximum benefits from the investments.

1.9 Accountability and audit

The Board prepares annual financial statements which reflect a true and fair view of the Company's financial position as at the end of each fiscal year. The Board of Directors ensures that suitable accounting policies supported by reasonable and prudent judgments and estimates are consistently applied. Directors also ensure

that financial statements for each trading year are audited.

During the year, the Board ensured that the Company maintained proper, reasonable and accurate accounting records showing and explaining the transactions and financial position of the Company in compliance with the Companies Act 2015 and the prescribed accounting standards.

1.10 Directors' Remuneration

During every Board meeting, Directors are entitled to a sitting allowance, lunch allowance (in lieu of lunch being provided), accommodation allowance and mileage reimbursement where applicable within government set limits for state corporations. The Chairman receives a monthly honorarium. Directors' fees are paid annually upon approval by shareholders during the Annual General Meeting in accordance with Government's guidelines for all state corporations.

It is proposed that in the financial year ended 30th June 2017, each non-executive Director be paid a total of Shs 600,000 or on pro rata basis for the period served. During the year, there were no Directors' loans.

Details of Directors' emoluments during the year are shown on pages 101 to 103 in the financial statements.

1.11 Directors' Shareholding

During the year, none of the Directors owned more than one percent of shareholding. The directors shareholding is as shown in the table below:

Director	Shares
Dr. Eng. J. Njoroge	68,333
Mr. W. Mugung'ei	1,537
Total	69,870

2. Enterprise Risk Management and Internal Controls

Enterprise Risk Management (ERM) is an integral part of our business process. The concept is embedded in our Company's strategy setting and integrated in its operations. The ERM framework communicates the importance of risk management to all members of staff and their key roles in managing risks with Management and the Board laying out their mandate within the policy.

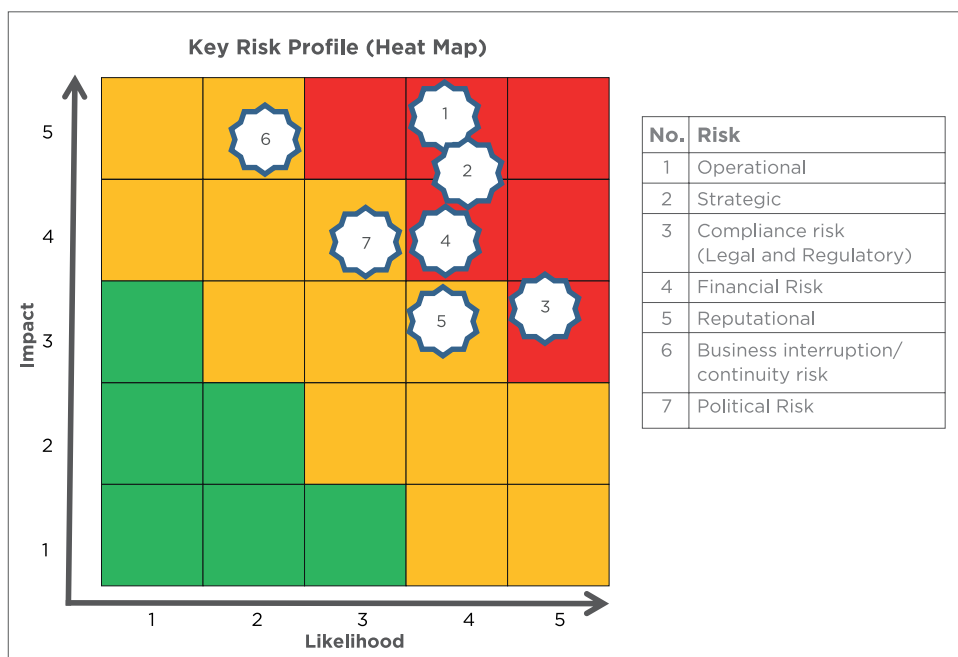
The Board exercises oversight on ERM through its Audit and Risk Committee which receives and considers the Quarterly ERM reports. The reports give a status update of the corporate risks the Company faces at the point in time and the risk mitigation measures that have been implemented by Management.

During the year under review, the ERM framework and the Business Continuity and Crisis Management (BCCM) framework was reviewed by an external consultant. The aim of the review was to update both ERM and BCCM frameworks in line with industry best practices on risk management and Mwongozo, the Code of Governance for State Corporations. Within the ERM framework, the Company's risk appetite statement was prepared and quantification ongoing as at end of the financial year.

The Company's key risks and mitigation strategies in the foregoing period as per the ERM framework and Section 2.7 of the Mwongozo code, are:

	Risk Category	Description	Risk Treatment measures (Mitigations)
1	Cost of electricity and employee relations	The risk that operations are inefficient and ineffective in realizing the goals of the Company's business model in satisfying customers and achieving the organisation's quality, cost and time performance objectives.	<ul style="list-style-type: none"> (i) Timely review of retail tariffs to ensure they are cost reflective. (ii) Implementation of an optimized generation, transmission and distribution expansion. (iii) Encourage regular engagements with staff at all levels. (iv) Maintaining effective labor relations through communication. (v) Ensuring collective bargaining agreements are negotiated as per agreed timelines. (vi) Regular training for customer service staff on communication, presentation, culture, leadership at all corporate levels.
2	Demand and competition	The risk that the Company will make inappropriate strategic choices, unable to successfully implement selected strategies, or changes will arise which invalidate strategies e.g. competitors, changes in resource costs (human, material, financial), demographic change, macro-economic change, economic policy, technological innovations (actual/prospective), cultural change, industry consolidation or fragmentation, changes in marketing practices and channels and consumer behavior.	<ul style="list-style-type: none"> (i) Enhancing system reliability through improved network infrastructure. (ii) Enhancing customer connectivity. (iii) Least cost based generation capacity expansion. (iv) Improving service delivery to retain customers. (v) Imposing wheeling charges on producers. (vi) Enhancing supervision of outsourced parties and contractors. (vii) Prescribing punitive measures for unlawful activities for deterrence.
3	Legal and regulatory	The risk of material loss, reputational damage or liability arising from failure to comply with the requirements of the regulators or related codes of best practice that oversee the conduct of regulated businesses in the sector that the Company operates.	<ul style="list-style-type: none"> (i) Adhering to legal and regulatory guidelines and developing proper compliance policies. (ii) Advocating for appropriate policies. (iii) Enhancing communication with regulatory bodies. (iv) Adopting alternative dispute resolution mechanisms.
4	Financial	The risk that cash flows and financial risks are not managed cost-effectively to maximize cash availability, reduce uncertainty of currency, interest rate, credit and other financial risks, or move cash funds quickly and without loss of value to wherever they are needed most.	<ul style="list-style-type: none"> (i) Maintaining optimal cash reserve at all times. (ii) Endeavouring to obtain financing at lowest possible cost. (iii) Using of float to fixed interest rate swaps (where applicable) (iv) Using of financial instruments such as collateral. (v) Enhancing revenue collection and protection initiatives.

	Risk Category	Description	Risk Treatment measures (Mitigations)
5	Reputational	The risk arising from negative perception on the part of customers, counterparties, shareholders, investors, debt-holders, market analysts, other relevant parties or regulators that can adversely affect the Company's ability to maintain existing, or establish new, business relationships and continued access to sources of funding.	<ul style="list-style-type: none"> (i) Improving service delivery to enhance customer satisfaction. (ii) Instituting preventive and corrective measures on staff misconduct, upholding ethical standards. (iii) Managing both internal and external information to safeguard the Company's image. (iv) Public campaigns to enhance public image.
6	Business interruption/continuity	Business interruptions stemming from network failure, incapacitation of staff, the unavailability of raw materials, information technologies, skilled labor, facilities or other resources, that may threaten the Company's capacity to continue operations over a period of time.	<ul style="list-style-type: none"> (i) Continuous improvement and maintenance of the network infrastructure. (ii) Full implementation of the BCCM policy.
7	Political	The risk of losses occurring as a result of political events.	<ul style="list-style-type: none"> (i) Ensuring adherence to the strategic plan of the Company. (ii) Ensuring the use of marginal costing as the basis for power planning (Generation, Transmission and Distribution). (iii) Using risk management instruments.



Some of the emerging risks the Company is facing are possible cyber-attacks on our ICT infrastructure and terrorism activities which pose considerable threats to our installations. Some provisions of the 2015 Energy Bill pose a risk to the Company and could have an impact on the overall corporate risks mainly on strategy, regulation and business operation.

The Board of Directors will continually work towards improving integration of our Enterprise Risk Management Framework to the Company's overall governance, strategy, management, values and culture. In addition, the Board is obligated to maintain a sound system of internal controls to safeguard shareholders' investments and provide reasonable assurance that risks to the achievement of our objectives remain at acceptable levels.

3. Ethical Standards

The Company's Board and Management recognise that a strong ethical culture is paramount in the realisation of the Company's corporate Vision. In this regard, we have in place an Integrity and Ethics programme to entrench a strong ethical culture of doing the right thing

among staff and key stakeholders in both operations and decision making.

Our employees are guided by the Code of Conduct and Ethics which is a reference point for value-based decision making which guides employees on expected behaviour. The Code of Conduct and Ethics is the main tool that enables us to consolidate and strengthen a culture of integrity and openness so as to achieve our vision and facilitate a sustainable business.

In the period under review, the Code of Conduct and Ethics was revised in accordance with the Leadership and Integrity Act, 2012 and The Mwongozo Code for State Corporations. The reviewed document was approved by the Ethics and Anti-Corruption Commission (EACC). We continued to implement activities as required under the Performance Contracting Guidelines on Corruption Eradication indicator issued by the EACC. The EACC guidelines require all institutions to maintain a high standard of ethical culture by combating and eradicating all forms of corruption and unethical conduct.

In addition, we carried out training and sensitisation programmes to embed the right ethical culture among staff and other stakeholders. A leadership forum was organised for all Senior Management Staff in all regions to discuss issues on ethics and integrity in the Company and identify sustainable ways of combating all forms of corruption and unethical behaviour. The Company has also identified, trained and certified 61 Integrity Assurance Officers who have taken up their active roles in championing ethics and integrity in their various divisions and regions and report quarterly to EACC.

We encourage whistle blowing through mechanisms such as our hotline number 0718999000 or through the online corruption reporting platform on our website www.kplc.co.ke. This is intended to address organisational accountability, transparency and individual responsibility. Individuals who report items in good faith are protected.

4. Shareholder Relations

The Company maintains active communication with shareholders and engagements with investors to enhance investor relations. In this regard, we broadcast our half-year and full year trading results through the media, publish annual reports and financial statements as well as hold regular investor briefings. In addition, we convene an Annual General Meeting (AGM) where shareholders engage the Company Directors and Management on matters relating to the Company's operations, performance and strategies. Our shareholders are notified at least 21 days before the AGM to enable them review the proposed agenda and prepare to attend. An absent shareholder may appoint a proxy to attend and vote on his or her behalf during the AGM. An investor relations online tab is available on the Company's website at www.kplc.co.ke to provide business information to shareholders.

5. Organisational Structure

The Company's management is structured into 13 functional Divisions for optimal business operations and effective delivery of service to our customers. Each division is headed by a General Manager who reports to the Managing Director and Chief Executive Officer. The divisions have various departments headed by Managers who coordinate diverse corporate business functions. The business is further organised into 10 administrative regions under Regional Managers. Further, the Company has devolved its crucial functions to 46 county business units each headed by a County Business Manager.

6. Executive Management Committee

The Management Committee is the Company's executive body headed by the Managing Director and Chief Executive Officer. The committee, which comprises all divisional heads, assists the Managing Director and Chief Executive Officer in guiding the overall direction of the business and exercising executive control of the Company's day to day operations. Further, the committee considers policies and strategic measures for optimal business performance, monitors performance and makes recommendations to the Board. The Managing Director and CEO provides the pivotal link between the Executive Management and the Board.

7. Shareholding Profiles

We are committed to the adherence of rules and regulations of the Capital Market Authority and complied with the principles of disclosure and transparency provided under Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations, Nairobi Securities Exchange Listing Rules and the Companies Act 2015.

The top 20 shareholders of the company as well the breakdown of shareholding structure are provided in the tables below.

The top 20 major shareholders as at 31st August 2017 were as follows:

No.	Name of Shareholder	Ordinary (KShs. 2.50 each)	4 percent Pref. (KShs. 20 each)	7 percent Pref. (KShs. 20 each)	Total	Percentage
1	PERMANENT SECRETARY TO THE TREASURY	977,641,695	656,808	193,531	978,492,034	50.086
2	STANDARD CHARTERED KENYA NOMINEES LTD A/C KE20510	36,233,521	-	-	36,233,521	1.855
3	STANDARD CHARTERED NOMINEES RESD A/C KE11450	32,518,589	-	-	32,518,589	1.665
4	STANDARD CHARTERED KENYA NOMINEES LTD A/C KE002012	30,616,600	-	-	30,616,600	1.567
5	STANDARD CHARTERED NOMINEES NON-RES. A/C KE9053	24,848,575	-	-	24,848,575	1.272
6	KENYA COMMERCIAL BANK NOMINEES LIMITED A/C 915B	22,887,288	-	-	22,887,288	1.172
7	STANDARD CHARTERED NOMINEES RESD A/C KE11401	21,296,581	-	-	21,296,581	1.090
8	KENYA COMMERCIAL BANK NOMINEES LIMITED A/C 915A	20,370,288	3,550	750	20,374,588	1.043
9	THE JUBILEE INSURANCE COMPANY OF KENYA LIMITED	20,255,753	59,828	17,160	20,332,741	1.041

No.	Name of Shareholder	Ordinary (KShs. 2.50 each)	4 percent Pref. (KShs. 20 each)	7 percent Pref. (KShs. 20 each)	Total	Percentage
10	STANDARD CHARTERED NOMINEES NON-RESID A/C KE11794	19,281,800	-	-	19,281,800	0.987
11	STANBIC NOMINEES LTD A/C R57601	12,601,082	-	-	12,601,082	0.645
12	CO-OP CUSTODY A/C 4003	12,400,226	-	-	12,400,226	0.635
13	STANBIC NOMINEES LTD A/C NR1030682	10,954,012	-	-	10,954,012	0.561
14	OLD MUTUAL LIFE ASSURANCE COMPANY LTD	10,261,291	-	-	10,261,291	0.525
15	STANDARD CHARTERED NOMINEES A/C 9098AP	10,154,106	-	-	10,154,106	0.520
16	EQUITY NOMINEES LIMITED A/C 00078	8,951,061	-	-	8,951,061	0.458
17	STANDARD CHARTERED KENYA NOMINEES LIMITED, KE18492	8,750,000	-	-	8,750,000	0.448
18	STANDARD CHARTERED KENYA NOMINEES LTD A/C KE002333	8,420,415	-	-	8,420,415	0.431
19	NIC CUSTODIAL SERVICES A/C 077	7,874,999	-	-	7,874,999	0.403
20	JOHN NJUGUNA NGUGI	7,737,800	-	-	7,737,800	0.396
Sub - Totals		1,304,055,682	720,186	211,441	1,304,987,309	66.799
Other Shareholders		647,411,363	1,079,814	138,559	648,629,736	33.201
Total Issued Shares		1,951,467,045	1,800,000	350,000	1,953,617,045	100.00

Shares distribution of Ordinary Shareholders as at 31st August 2017

Range	No. of Shareholders	Shares
<1,000	12,974	4,111,249
1001-10,000	10,752	33,895,847
10,001-50,000	2,506	52,905,622
50,001-100,000	462	32,677,044
Over 100,000	809	1,827,877,283
Totals	27,503	1,951,467,045

Shares distribution of 4 percent Preference Shareholders as at 31st August 2017

Range	No. of Shareholders	Shares
<1,000	362	65,475
1001-10,000	55	152,792
10,001-50,000	13	325,918
50,001-100,000	2	133,564
Over 100,000	3	1,122,251
Totals	435	1,800,000

Shares distribution of 7 percent Preference Shareholders as at 31st August 2017

Range	No. of Shareholders	Shares
<1,000	82	21,927
1001-10,000	15	44,076
10,001-50,000	3	86,432
50,001-100,000	1	57,617
Over 100,000	1	139,948
Totals	102	350,000



Hon. Kenneth Marende, EGH
Chairman, Board of Directors
19th October 2017

RIPOTI YA MAONGOZI YA KAMPUNI

Kujitolea kwa maongozi bora ya kampuni ni muhimu katika kuhakikisha thamani kwa wenyehisa na kutekeleza matarajio ya wenyehisa. Mipangilio, taratibu na michakato yetu imejikita katika uwajibikaji, uwazi na haki ambazo ni nguzo kuu katika maongozi bora ya Kampuni. Kupitia kwa Bodi ya Wakurugenzi, usimamizi wa Kampuni bado ni imara katika kuzingatia mahitaji yote ya kisheria kama yalivyofafanuliwa kwenye Sheria ya Kampuni 2015, miongozo ya Mamlaka ya Soko la Mtaji kuhusu Maongozi Bora (Mwongozo Code 2015) miongoni mwa nyingine..

1. Bodi ya Wakurugenzi

Bodi ya Kampuni imeundwa kwa mujibu wa Katiba yetu ambayo inaruhusu jumla ya Wakurugenzi wasiozidi kumi. Hata hivyo, sambamba na miongozo kuhusu Kanuni za Usimamizi kwa Mashirika ya Umma ambayo tunakumbatia, Bodi ina jumla ya wanachama tisa ambapo sita kati yao ni Wakurugenzi Huru akiwemo Mwenyekiti, Wakurugenzi wawili wasio na Mamlaka wasio huru na Mkurugenzi mmoja mwenye mamlaka ambaye pia ni Mkurugenzi Mkuu na Afisa Mkuu Mtendaji. Uundaji wa Bodi huzingatia utofauti katika jinsia, umri, makabila na utamaduni. Isitoshe, Bodi ya sasa ya Wakurugenzi ina mkusanyiko wa vipawa na tajiriba katika nyanja za sheria, uhandisi, uchumi, ushauri kuhusu uwekezaji, fedha, ustawi wa kijamii pamoja na usimamizi wa biashara.

Wasifu wa Wakurugenzi umo kwenye kurasa 7 hadi 10.

Katika kila Mkutano Mkuu wa Kila Mwaka (AGM) angalau theluthi moja ya wanachama wa Bodi hustaafu kwa mzunguko na hujitokeza kwa uchaguzi. Wakurugenzi wa kustaafu kwa wakati mmoja ni wale waliohudumu kwa muda mrefu tangu uchaguzi wa mwisho. Iwapo kwa sababu yoyote ile kutakuwa na nafasi katika Bodi, Wakurugenzi wanawza kuteua mtu kujaza nafasi hiyo kwa muda hadi AGM nyingine ambapo ataweza kujitokeza kwa uchaguzi.

1.1 Mkataba na Mwongozo wa Bodi

Mkataba wa hufafanua majukumu na wajibu pamoja na kazi na muundo wao kwa namna ambayo inasaidia wanachama kutekeleza kazi yao kuu ya usimamizi. Inasaidia Bodi

katika kuelekeza Kampuni kupata thamani kubwa kwa huduma zinazotolewa kwa wahusika wote. Mwongozo wa Bodi unafafanua mipangilio muhimu ya usimamizi ikiwemo:

- (i) teuzi, vipaji vinavyohitajika, mchanganyiko wa kijinsia na mafunzo kwa Wakurugenzi;
- (ii) Kutetea na kujitolea kuheshimu haki za wenyehisa;
- (iii) Kazi na majukumu ya Bodi, Mwenyekiti, Mkurugenzi Mkuu na Afisa Mkuu Mtendaji, na Katibu wa Kampuni;
- (iv) Uendeshaji wa Mikutano ya Bodi na ya Kamati mbalimbali;
- (v) Mwongozo wa Utendakazi wa Wakurugenzi; na
- (vi) Majukumu mbalimbali ya Kamati zote za Bodi.

1.2 Majukumu ya Bodi

Jukumu la kuhakikisha usimamizi bora wa Kampuni limetwikwa Bodi ya Wakurugenzi kwa ushirikiano na kamati za Bodi na Katibu wa Kampuni. Bodi kupitia kwa kamati zake hutoa mwongozo kabambe huku Mkurugenzi Mkuu na Afisa Mkuu Mtendaji akisaidiwa na Kamati Kuu ya Wasimamizi inawajibika kwa Bodi katika utekelezaji wa mkakati huo. Mwenyekiti anawajibika kutoa mwelekeo kwa Bodi pamoja na kuhakikisha kuwa Bodi ina maelezo ya kutosha na kwa wakati ufaao kuiwezesha kutekeleza majukumu yake ipasavyo.

Wanachama wa Bodi wanatarajiwa kuwajibika, kuwa na busara na weledi huku wakitekeleza majukumu yao kwa niaba ya Kampuni.

Majukumu na wajibu wa Bodi kama yalivyofafanuliwa kwenye Mkataba wa Bodi ni pamoja na:

- (i) Kutoa mwelekeo ufaao kuhusu malengo ya Kampuni na kukumbatia mipango ya kibiashara inayopendekezwa na wasimamizi kufanikisha malengo muhimu.

- (ii) Kufuatilia na kutathmini utekelezaji wa mikakati, sera, vigezo vya utendakazi wa wasimamizi na mipango ya kibiashara
- (iii) Kusimamia uandalizi wa ripoti ya kifedha kwa wenyehisa na mawasiliano na washikadau.
- (iv) Kuhakikisha rasilimali za kutosha kufanikisha malengo ya Kampuni.
- (v) Kulinda vifaa vya Kampuni yetu kwa kuweka vidhibiti vya kutosha vya ndani.
- (vi) Kutathmini mpangilio wa urithi kwa wasimamizi na kufanya uteuzi wa maafisa wa ngazi za juu, mabadiliko katika shirika na masuala ya mishahara.
- (vii) Kusimamia masuala ya kibiashara ya Kampuni kwa kuzingatia hatari zinazoibuka na nafasi zilizopo za kibiashara.
- (viii) Kuhakikisha Kampuni inazingatia sheria zote, kanuni na miongoo ifaayo ya kibiashara.

Bodi inatoa mwongozo kwa wasimamizi na kuhakikisha wafanyikazi wanahudumu chini ya Mwongozo wa Utendakazi na Maadili; Sheria ya Maadili ya Maafisa wa Umma, na Mwongozo Code kwa Mashirika ya Serikali.

1.3 Mpangilio wa Kazi ya Bodi na Mikutano

Mpangilio wa kazi ambao unajumuisha ratiba ya kila mwaka ya mikutano ya Bodi na kamati zake inaandaliwa mapema. Mwenyekiti, kwa ushirikiano na Mkurugenzi Mkuu na Afisa Mkuu Mtendaji na Katibu wa Kampuni huandaa ajenda ya kila mkutano wa Bod ambayo husambazwa angalau siku kumi kabla ya mkutano huo.

Katika mwaka uliomalizika, Bodi iliandaa jumla ya mikutano 15 kushughulikia maswala muhimu kuhusiana na mikakati, matokeo ya kibiashara na uendeleu wa kibiashara.

Uanachama wa Bodi na Kamati

Jina la Mkurugenzi	Cheo katika Bodi	Mikutano ya Bodi				
		Mikakati	Masuala ya wafanyikazi	Ununuzi	ICT na PPA	Uhasibu
Mhe. Kenneth Marende	Mwenyekiti	-	-	-	-	-
Bw. Henry Rotich	Waziri, Hazina Kuu	-	✓	✓	-	✓
Dkt. Mha. Joseph Njoroge	Katibu, Wizara ya Kawi na Mafuta	✓	✓	-	✓	-
Dkt. Kenneth Tarus	Mkurugenzi Mkuu na Afisa Mkuu Mtendaji	✓	✓	✓	✓	-
Bw. Wilson Mugung'ei	Mwanachama	✓	-	✓ (Mwenyekiti)	-	✓
Bw. Adil Khawaja	Mwanachama	✓ (Mwenyekiti)	-	-	✓ (Mwenyekiti)	-
Bw. Kairo Thuo	Mwanachama	-	✓	✓	-	✓ (Mwenyekiti)

Jina la Mkurugenzi	Cheo katika Bodi	Mikutano ya Bodi				
		Mkakati na Huduma za Wateja	Masuala ya wafanyikazi	Ununuzi na usimamizi	ICT na PPA	Uhasibu
Bi. Brenda Eng'omo	Mwanachama	✓	✓ (Mwenyekiti)	-	-	✓
Mha. Isaac Kiva	Mbadala kwa Mha Dkt Joseph Njoroge	-	-	-	-	-
Bi. Beatrice Gathirwa	Mbadala kwa Bw Henry Rotich	-	-	-	-	-

Maelezo

Hakuna uhusiano baina ya Wanachama wa Bodi yetu.

Mahudhurio ya Mikutano ya Bodi na Kamati

	Bodi	Mikakati	Masuala ya wafanyikazi	Ununuzi	ICT na PPA	Uhasibu
Jumla ya mikutano	15	2	6	14	6	8
Mhe. Kenneth Marende	15/15	-	1/1 (Kwa mwaliko)	2/2 (Kwa mwaliko)	-	-
Dkt. Ken Tarus	8/8	2/2	3/3	7/7	3/3	4/4
Bw. Wilson Mugung'ei	15/15	2/2	3/3	14/14	-	8/8
Bw. Adil Khawaja	14/15	2/2	-	-	4/6	-
Bw. Kairo Thuo	8/8	-	3/3	7/7	-	4/4
Bi. Brenda Eng'omo	8/8	2/2	3/3	-	-	4/4
Mha. Isaac Kiva	14/15	2/2	6/6	-	5/6	-
Bi. Beatrice Gathirwa	2/2	-	-	-	-	-
Dkt. Ben Chumo	7/7	-	3/3	7/7	3/3	4/4
Bw. Macharia Kariuki	7/7	-	-	7/7	3/3	4/4
Bi. Susan Chesiyna	7/7	-	3/3	10/10	2/2	6/6
Bi. Jane Nashida	7/7	-	-	7/7	3/3	4/4
Mr. Joseph Kariuki	13/13	-	3/3	8/8	5/5	-

Maelezo:

Bi. Brenda Eng'omo na Bw. Kairo Thuo walichaguliwa kama Wakurugenzi kwenye mkutano Mkuu wa Kila Mwaka ulioandaliwa Desemba 23, 2016 kuchukua mahali pa Bw. Macharia Kariuki na Bi. Jane Nashida mtawalia. Bi. Susan Chesiyna alistaafu kwa Bodi mnamo Mei 5, 2017.

Bi. Beatrice Gathirwa alichukua mahali pa Bw. Joseph Kariuki kama Mkurugenzi mbadala wa Bw. Henry Rotich mnamo Mei 5, 2017.

Dkt. Ben Chumo alistaafu kutoka wadhifa wa Mkurugenzi Mtendaji mnamo Januari 7, 2017 na nafasi yake ilitwaliwa na Dkt. Kenneth Tarus siku hiyo hiyo.

1.4 Utathmini wa Bodi

Bodi hujifanyia utathmini kwa lengo la kuboresha utendakazi na ustawi wa Kampuni.

Utathmini huo huhusisha Bodi nzima, kamati zake, wajumbe wake, Mwenyekiti, Mkurugenzi Mtendaji, Mkurugenzi Mkuu na Katibu wa Kampuni.

Mwaka huu, shughuli ya kutathmini ilifanywa na Kamati ya Ushauri kwa Mashirika ya Serikali (SCAC) ambapo bodi ilifanye vyema. Ratiba ya mipango iliandaliwa kwa kuzingatia maeneo yanayohitaji kuboreshwa zaidi.

1.5 Maamuzi Muhimu ya Bodi

Katika kipindi hicho cha mwaka wa matumizi ya fedha, Bodi ilifanya maamuzi kwa kuzingatia yafuatayo:

- (i) Mpango wa upokezanaji wa mamlaka kwa kuteua wasiamizi wakuu ambao ni Mkurugenzi Mtendaji na Mkurugenzi Mkuu.
- (ii) Bodi ilitathmini na kuidhinisha Mpango wa Miaka Mitano wa Kampuni kwa kuzingatia mabadiliko ya mazingira ya kibiashara.
- (iii) Kuanzisha rasilimali za kudumu kwa kuidhinisha ya bajeti KShs.52 bilioni kwa ajili ya miundomsingi.
- (iv) Kuidhinisha mikataba ya uzalishaji umeme kuhakikisha kuna umeme wa kutosha.
- (v) Kuhakikisha kuna fedha za kutosha kwa kuidhinisha mahitaji ya kifedha ya kampuni, bajeti na mpango wa uagizaji bidhaa kwa ajili ya mwaka ujao wa matumizi ya fedha.

(vi) Kutathmini na kuidhinisha mkataba wa maelewano na chama cha wafanyakazi wa Kampuni katika kipindi cha 2017-2021.

1.6 Uendelezaji wa mafunzo kwa Bodi

Kuhakikisha kuwa wakurugenzi wote wanakuwa na ufahamu, kutakuwa na mafunzo kuhusiana na ujuzi unaohitajika. Kuna utaratibu mwafaka wa mafunzo wanayopitia Wakurugenzi wapya ili kuwawezesha kuelewa kwa kina mazingira ya biashara, shughuli zinazofanywa, utendakazi na mpango wa kibiashara wa Kampuni.

Kila mwaka, Bodi huandaa ratiba ya mafunzo kwa kuzingatia ujuzi na ufahamu unaohitajika.

Mwaka huu, Wakurugenzi walihudhuria mafunzo mbalimbali kuhusu uongozi, utawala, kifedha na masuala mengineyo muhimu.

1.7 Kamati za Bodi

Kuhakikisha utendakazi mwafaka, bodi iliunda kamati 5 zinazohusika na vitengo mbalimbali vya kibiashara. Kamati zinahudumu kulingana na mamlaka zilizopewa na Bodi. Wajumbe wa kamati hizo wanateuliwa kwa kuzingatia kufuzu kwao, ujuzi na tajriba.

Kamati zote za Bodi zinaongozwa na mkurugenzi wa huru wa kujitegemea. Inapobidi, Bodi inaweza kubuni kamati ya muda kushughulikia suala la dharura ambalo halishughulikiwi na kamati zilizopo. Katibu wa Kampuni ndiye katibu wa kamati zote za Bodi isipokuwa Kamati ya Ukaguzi wa Fedha, Mkurugenzi Mtendaji wa Ukaguzi wa Fedha hutekeleza jukumu hilo.

Kamati za Bodi hutekeleza majukumu kama ifuatavyo:

Kamati	Majukumu
Kamati ya Ukaguzi wa Fedha. Kamati hii inajumuisha Wakurugenzi wanne na kila mara hualika Mkurugenzi Mkuu na Mkurugenzi Mtendaji wa Fedha katika vikao vyake inapolazimu	(i) Kutathmini ripoti za kifedha za robo na nusu ya mwaka kabla ya kuziwasilisha kwa Bodi, (ii) Kutathmini kuhitimu na kupendekeza kuhusishwa kwa wakaguzi wa hesabu kutoka nje na kiasi cha ada inayohitajika, (iii) Kuchunguza utendakazi, ujuzi na kujitegemea kwa wakaguzi wa hesabu wa kampuni za kibinafsi, (iv) Kutekeleza mapendekezo ya wakaguzi wa nje, (v) Kuchunguza na kutathmini kitengo cha ndani cha ukaguzi wa hesabu za kifedha, (vi) Kutathmini mifumo ya ukaguzi wa hesabu na kuzuia hasara (vii) Kuhakikisha fedha zinatumiwa kwa uwazi na kuzingatia maadili.
Kamati ya Mipango. Kamati hii hujumuisha wajumbe watano na Wakurugenzi Watendaji wa Fedha, Mipango ya Kibiashara, na Huduma kwa Wateja hualikwa katika vikao vya kamati hii	(i) Kushauri Bodi kuhusu jinsi ya kuboresha bisahara ya Kampuni. (ii) Kutathmini na kurekebisha Mipango ya Miaka Mitano ya Kampuni, bajeti na kusimamia utekelezaji wa mipango ya Kampuni. (iii) Kusimamia miradi inayotekelezwa na kuboresha huduma kwa wateja (iv) Kusimamia matumizi ya fedha za Kampuni
Kamati ya Usimamizi wa Wafanyakazi. Wakurugenzi Watendaji wa Uajiri wa Wafanyakazi na Usimamizi hualikwa katika vikao.	(i) Kuteua na kutoa masharti ya kazi kwa Mkurugenzi Mtendaji, (ii) Sera za uajiri wa wafanyakazi; (iii) Uteuzi, kupandisha vyeo na kuadhibu wafanyakazi; (iv) Mpangilio wa Mishahara kwa wafanyakazi; (v) Mpango wa upokezanaji mamlaka kwa maafisa wakuu (vi) Kutathmini utendakazi na pensheni.
Kamati ya Kandarasi. Mkurugenzi Mtendaji wa Uagizaji na Usambazaji wa Bidhaa na Huduma hualikwa katika vikao	(i) Kusimamia uagizaji wa bidhaa kwa niaba ya Bodi na kuhakikisha kuwa sheria inazingatiwa. (ii) Kutathmini na kupendekeza mipango ya uagizaji kwa Bodi. (iii) Kusimamia uagizaji wa bidhaa na huduma za thamani ya KSh50 milioni na zaidi.
Kamati ya (Teknolojia na Mawasiliano (ICT) na Mikataba ya Ununuzi wa Umeme (PPA). Usimamizi unaalikwa katika vikao kutoa taarifa na ufafanuzi kuhusu yenye utata	(i) Kutoa ushauri kuhusiana na mikataba ya ununuzi wa umeme baina ya Kampuni na kampuni za kuzalisha kawi, (ii) Kuhakikisha mikataba ya PPA inazingatia masilahi ya washkadamu na wateja na kupunguza gharama ya umeme, (iii) Kutathmini sera ya kampuni kuhusiana na Teknolojia ya Mawasiliano (ICT), (iv) Kutathmini usalama wa ICT, (v) Kuhakikisha kuwa mitambo ya ICT inayotumiwa na Kampuni inasaidia kuboresha biashara, kupunguza hasara na kuleta faida.

1.8 Uwazi na Ukaguzi

Bodi huandaa taarifa za kifedha kila mwaka. Taarifa hizo huenyesha hali halisi ya kifedha ya Kampuni kila mwisho wa mwaka wa matumizi ya fedha.

Bodi ya Wakurugenzi inahakikisha kuwa sera kuhusiana na matumizi ya fedha zinatunika. Wakurugenzi pia wanahakikisha taarifa za kifedha zinakaguliwa na wataalamu kila mwaka

Katika mwaka huu, Bodi ilihakikisha kwamba rekodi za kifedha ni sahihi, zinaonyesha hali halisi ya kifedha ya Kampuni na zinaambatana na Sheria kuhusu Kampuni ya 2015.

1.9 Mishahara, Marupurupu ya Wakurugenzi

Baada ya kila kikao cha Bodi, Wakurugenzi hulipwa marupurupu ya kuhudhuria kikao, mlo, malazi na mafuta kulingana na utaratibu uliowekwa na serikali.

Mwenyekiti hulipwa marupurupu kila mwezi. Ada ya Wakurugenzi hulipwa kila mwaka baada ya kuidhinishwa na washikadau katika Kikao Kikuu cha Kila Mwaka (AGM) kwa mujibu wa utaratibu wa serikali.

Inapendekezwa kuwa katika kipindi cha mwaka wa matumizi ya fedha uliomalizika Juni 30, 2017, kila mkurugenzi wa kujitegemea alipwe kiasi cha KSh. 600,000 kwa kipindi alichohudumu. Katika mwaka uliopita, hakuna Mkurugenzi aliyekuwa na mkopo.

Maelezo ya kina kuhusiana na mishahara na marupurupu ya Wakurugenzi katika mwaka uliopita yameonyeshwa katika ukurasa wa 101 hadi 103 katika taarifa ya kifedha.

1.10 Wakurugenzi wenye hisa

Mwaka uliopita, hakuna Mkurugenzi aliyemiliki hisa zaidi ya asilimia 1. Hisa za wakurugenzi ni kama ifuatavyo:

Mkurugenzi	Hisa
Dr. Eng. J. Njoroge	68,333
Mr. W. Mugung'ei	1,537
Jumla	69,870

2. Udhhibiti wa Hasara na Masuala ya Ndani

Udhhibiti wa Hasara katika Biashara (ERM) ni suala muhimu katika biashara. ERM ilijumuishwa katika mipango ya Kampuni na kutekelezwa katika shughuli za kila siku. ERM husaidia katika mawasiliano ya umuhimu wa kudhibiti hasara kwa wafanayakazi na kuwaelezea majukumu yao katika kuepuka hasara au hatari zinazoweza kutokea.

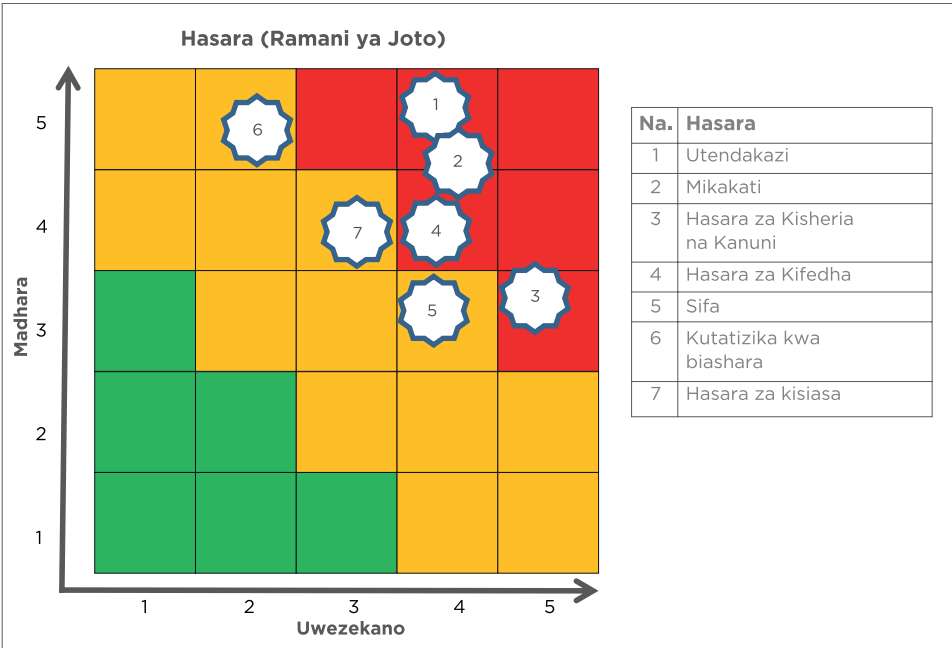
Bodi inasimamia utekelezwaji wa ERM kupitia Kamati ya Ukaguziambayo hupokea na kutathmini ripoti ya ERM kila baada ya miezi mitatu. Ripoti hiyo hutoa taarifa kuhusu hasara au changamoto zinazokumba Kampuni na mikakati iliyowekwa kuziepuka.

Mwaka uliopita, ERM na Mpango wa Ustawishaji wa Biashara na Udhhibiti wa Mizozo (BCCM) ilitathminiwa na wataalamu wa nje. Lengo la utathmini wa mipango ya ERM na BCCM ilikuwa kuhakikisha kuwa inaambatana na Mwongozo wa serikali kuhusiana na usimamizi wa Mashirika ya Umma.

Changamoto na mikakati iliyowekwa ya utatuzi katika mwaka wa mataumizi ya fedha uliopita kwa mujibu wa Kifungu cha 2.7 cha Mwongozo wa serikali, ni:

	Kitengo cha Hatari/ Changamoto	Maelezo	Mikakati ya Utatuzi (Suluhisho)
1	Utendakazi- Hatari ya Gharama ya umeme & Uhusiano wa wa Wafanyakazi	Hatari kuhusiana na utendakazi kutoafikia malengo ya kampuni, mpango wa biashara, huduma duni kwa wateja na viwango vya ubora, gharama ya juu na muda uliowekwa na Kampuni.	<ul style="list-style-type: none"> (i) Kutathmini mara kwa mara ada inayotozwa wateja (ii) Kutekeleza mipango ya upanuzi wa uzalishaji na usambazaji wa umeme. Kuhimiza mawasiliano na wafanyakazi mara kwa mara. (iii) Kuweka mikakati ya mawasiliano ifaayo ya wafanyakazi kuwasilisha malalamishi au mapendekezo yao (iv) Kuhakikisha mikataba na vyama vya wafanyakazi inatiwa saina na kutekelezwa bila kucheleweshwa. (v) Mafunzo ya mara kwa mara kwa wafanyakazi wanaohudumia wateja. Wafanyakazi wanastahili kuwa na ujuzi kuhusu mawasiliano na uongozi kulingana na viwango vya mashirika ya umma.
2	Changamoto ya Mikakati	Kuna hatari ya kampuni kutoweka mipango ifaayo hivyo kushindwa kutekeleza vyema. Kwa mfano, washindani wakibadili mbinu na kupunguza gharama, kubadili maeneo ya kufanya biashara, sera za kiuchumi, ubunifu wa teknolojia, mabadiliko katika tabia za wateja, usambazaji wa huduma na bidhaa	<ul style="list-style-type: none"> (i) Kuboresha miundomsingi. (ii) Kuhakikisha wateja wanapewa huduma za kuaminika. (iii) Kupunguza gharama na kupanua uzalishaji umeme. (iv) Uboreshaji wa huduma bila kupoteza wateja. (v) Kuhakikisha gharama za ziada zinalipwa na wazalishaji na wala si wateja. (vi) Kusimamia watoaji wa huduma kutoka nje na wanakandarasiwateja (vii) Kuweka adhabu kali dhidi ya wanaokiuka sheria kwa kutatiza utoaji wa huduma
3	Sheria na Kanuni	Hatari ya kupotea kwa vifaa, kuharibu sifa ya Kampuni au hasara inayotokana na uzembe wa kuzingatia sheria na kanuni za kudhibiti sekta	<ul style="list-style-type: none"> (i) Kuzingatia sheria na kubuni sera kuhusu jinsi ya kuzitekeleza (ii) Kubuni sera zifaazo za kuhakikisha sheria na masharti (iii) Kuboresha mawasiliano na na bodi za kudhibiti sekta. Kuweka njia mbadala za kusuluhisha mizozo.
4	Kifedha	Hatari kuwa matumizi ya fedha: yanaongeza gharama ya biashara, Yanapunguza fedha zilizopo, ongezeko la riba, kupungua kwa thamani.	<ul style="list-style-type: none"> (i) Hakikisha hifadhi ina fedha za kutosha wakati wote. Kupata ufadhili kwa riba za chini, (ii) Kuweka mikakati kabambe ya kukusanya mapato
5	Sifa	Hasara zinazotokana na zinazotokana na sifa mbovu ya kundi la wateja, washikadau, wawekezaji, kampuni, wafanyakazi, kutatizika mara kwa mara kwa huduma	<ul style="list-style-type: none"> (i) Boresha huduma ili kuwaridhisha wateja. (ii) Kuweka mikakati ya kurekebisha makosa yanayofanywa na wafanyakazi wanaokiuka maadili. (iii) Kudhibiti taarifa za nje na ndani kwa lengo la kulinda sifa ya kampuni.

	Kitengo cha Hatari/ Changamoto	Maelezo	Mikakati ya Utatuzi (Suluhisho)
6	Kutatizika kwa Biashara	Kutatizika mara kwa mara kwa biashara kutokana na uharibifu wa miundomsingi, kukwama kwa mitandao, uzembe wa wafanyakazi, ukosefu wa malighafi, kukwama kwa mitambo ya teknolojia na mambo mengineyo yanayoweza kukwamisha utoaji wa huduma kwa kipindi fulani	(i) Kukarabati miundomsingi mara kwa mara (ii) Kutekeleza kikamilifu sera ya BCCM.
7	Kisiasa	Hasara zinazotokana na matukio ya kisiasa	(i) Hakikisha Mipango ya Kampuni inafuatwa na kutekelezwa kikamilifu. (ii) Kuhakikisha kuwa gharama ya uzalishaji na usambazaji wa umeme inazingatia maeneo. (iii) Matumizi ya mbinu za kukabiliana na hasara



Baadhi ya hatari zinazokabili Kampuni ni udukuzi wa mitambo ya ICT na ugaidi ambao unaweza kusababisha uharibifu wa mitambo na nyaya za kusambaza umeme.

Baadhi ya vifungu vya mswada wa Kawi wa 2015 pia huenda vikaathiri vibaya mipango una operesheni za kibiashara.

Bodi ya Wakurugenzi itahakikisha kuwa Mipango ya Kupunguza Hasara inajumuishwa kikamilifu katika utawala, usimamizi na operesheni za kila siku. Bodi ina jukumu la kuweka miundomsingi ya ndani kuhakikisha kuwa rasilimali za wenye hisa ziko salama katika viwango vyote

3. Maadili

Bodi ya Usimamizi inatambua kuwa maadili ni muhimu kwa kampuni kuafikia malengo yake.

Tuko na programu mwafaka ya kuhakikisha kuwa maadili yanazingatiwa miongoni mwa wafanyakazi na washikadau wengineo muhimu katika maeneo ya operesheni na kufanya maamuzi.

Wafanyakazi wetu wanaongozwa na Mfumo wa Nidhamu na Maadili ambao hutumiwa katika kufanya maamuzi. Maadili hayo pia ndiyo yanatoa mwongozo kwa tabia ya wafanyakazi.

Maadili hayo ndiyo yanatuwezesha kuboresha utamaduni wa uadilifu na uwazi.

Kipindi kilichopita, Mfumo wa Nidhamu na Maadili ulitathminiwa upya ili kuhakikisha kuwa unaambatana ba Sheria kuhusu Maadili ya Uongozi ya 2012 na Mwongozo wa serikali kuhusu Maadili ya Mashirika ya Umma.

Mwongozo huo wa Nidhamu na Maadili uliotathminiwa, uliidhinishwa na Tume ya Maadili na Kupambana na Ufisadi (EACC). Tulitekeleza shughuli zetu kwa kuzingatia Mwongozo wa Utendakazi na Utoaji wa Kandarasi ili Kuangamiza Ufisadi uliotolewa na Tume ya Maadili na Kukabiliana na (EACC). Mwongozo huo wa EACC unahitaji kuwa taasisi za umma kuweka mfumo thabiti wa nidhamu na maadili ili kukabiliana na ufisadi.

Tulitoa mafunzo na programu za kuhamaisha wafanyakazi na washikadau kuzingatia nidhamu na maadili.

Mafunzo kuhusu uongozi bora yalitolewa kwa Maafisa wa Ngazi ya Juu ambapo suala la nidhamu na maadili yalijadiliwa kwa kina na kubainisha mbinu za kukabiliana na ufisadi na tabia zinazokiuka maadili.

Kampuni pia imebainisha maafisa 61 waliohitimu katika utathmini wa maadili. Maafisa hao tayari wameanza kutekeleza majukumu katika maeneo yao na wanaandaa ripoti kila baada ya miezi mitatu na kuipeleka kwa tume ya EACC.

Tunahimiza utoaji wa taarifa kuhusiana na utovu wa maadili kupitia nambari 0718999000 au kuripoti ufisadi kupitia tovuti ya www.kplc.co.ke. Hii inalenga kuhakikisha kuwa uwazi na uwajibikaji unazingatiwa.

4. Wenye-hisa

Kampuni imekuwa ikifanya mawasiliano ya mara kwa mara na wenye-hisa na wawekezaji wengineo. Mawasiliano hayo yanalenga kuleta uhusiano mwema.

Tunatangaza taarifa za kifedha ya baada ya miezi sita na mwaka mmoja kupitia vyombo vya habari. Kadhalika, tunafanya vikao vya kila mara pamoja na Kikao Kikuu cha kila Mwaka (AGM) ambapo wawekezaji wanatangamana na Wakurugenzi wa Kampuni na kujadili masuala yanayohusiana na operesheni na mipango ya kampuni.

Wenye-hisa wanafahamishwa siku 21 kabla ya mkutano wa AGM ili kuwapa muda wa kutosha kukagua ajanda zinazotarajiwa kujadiliwa.

Mwenye-hisa ambaye hawezi kuhudhuria kikao hicho anaweza kuteua mwakilishi ambaye atampigia kura wakati wa kufanya maamuzi.

Taarifa kwa wenye-hisa pia zinapatika katika tovuti ya www.kplc.co.ke

5. Mfumo wa Kampuni

Kampuni imegawanywa katika idara 13 ili kurahisisha utendakazi na utoaji wa huduma kwa wateja wetu. into Kila idara inaongozwa na Meneja anayeripoti kwa Mkurugenzi Mtendaji na Mkurugenzi Mkuu. Idara hizo pia zina vitengo mbalimbali vinavyosimamiwa na mameneja. Biashara pia imegawanywa katika maeneo 10 nchini ambayo yanasimamiwa na Mameneja wa Kanda. Kadhalika, Kampuni imegatua huduma zake kwa kaunti 46 ambazo zinasimamiwa na Mameneja wa Kaunti.

6. Kamati Kuu ya Usimamizi

Kamati Kuu ya Usimamizi inaongozwa na Mkurugenzi Mtendaji na Mkurugenzi Mkuu.

Kamati Kuu ya Usimamizi inayojumuisha wakuu wote wa idara, inasaidia Mkurugenzi Mtendaji na Mkurugenzi Mkuu kuendesha shughuli za kila siku za Kampuni. Kamati Kuu ya Usimamizi inatathmini sera na mipango ya kampuni na kutoa mapendekezo kwa Bodi.

Mkurugenzi Mtendaji na Mkurugenzi Mkuu wanaunganisha Kamati Kuu ya Usimamizi na Bodi.

7. Taarifa za WenyeHisa

Tumezingatia sheria na kanuni za Mamlaka ya Ubadilishanaji Hisa (CMA) na tumetimiza kanuni za uwazi na ufichuzi kwa mujibu wa Sheria ya Ubadilishanaji wa Hisa katika Soko la Nairobi, Kanuni za Kujisajili na Kampuni ya 2015.

Wawekezaji 20 walio na idadi ya juu ya hisa kufikia August 31, 2017 ni kama ifuatavyo:

Nambari	Jina la mwenyehisa	Kawaida ya (KShs 2.50 kwa hisa)	Asilimia 4 ya upendeleo (KShs. 20 kwa hisa)	Asilimia 7 ya upendeleo (KShs. 20 kwa hisa)	Jumla	Asilimia
1	KATIBU WIZARA YA FEDHA	977,641,695	656,808	193,531	978,492,034	50.086
2	STANDARD CHARTERED KENYA NOMINEES LTD A/C KE20510	36,233,521	-	-	36,233,521	1.855
3	STANDARD CHARTERED NOMINEES RESD A/C KE11450	32,518,589	-	-	32,518,589	1.665
4	STANDARD CHARTERED KENYA NOMINEES LTD A/C KE002012	30,616,600	-	-	30,616,600	1.567
5	STANDARD CHARTERED NOMINEES NON-RESID. A/C KE9053	24,848,575	-	-	24,848,575	1.272

Nambari	Jina la mwenyehisa	Kawaida ya (KShs. 2.50 kwa hisa)	Asilimia 4 ya upendeleo (KShs. 20 kwa hisa)	Asilimia 7 ya upendeleo (KShs. 20 kwa hisa)	Jumla	Asilimia
6	KENYA COMMERCIAL BANK NOMINEES LIMITED A/C 915B	22,887,288	-	-	22,887,288	1.172
7	STANDARD CHARTERED NOMINEES RESD A/C KE11401	21,296,581	-	-	21,296,581	1.090
8	KENYA COMMERCIAL BANK NOMINEES LIMITED A/C 915A	20,370,288	3,550	750	20,374,588	1.043
9	THE JUBILEE INSURANCE COMPANY OF KENYA LIMITED	20,255,753	59,828	17,160	20,332,741	1.041
10	STANDARD CHARTERED NOMINEES NON-RESD A/C KE11794	19,281,800	-	-	19,281,800	0.987
11	STANBIC NOMINEES LTD A/C R57601	12,601,082	-	-	12,601,082	0.645
12	CO-OP CUSTODY A/C 4003	12,400,226	-	-	12,400,226	0.635
13	STANBIC NOMINEES LTD A/C NR1030682	10,954,012	-	-	10,954,012	0.561
14	OLD MUTUAL LIFE ASSURANCE COMPANY LTD	10,261,291	-	-	10,261,291	0.525
15	STANDARD CHARTERED NOMINEES A/C 9098AP	10,154,106	-	-	10,154,106	0.520
16	EQUITY NOMINEES LIMITED A/C 00078	8,951,061	-	-	8,951,061	0.458

Nambari	Jina la mwenyehisa	Kawaida ya (KShs. 2.50 kwa hisa)	Asilimia 4 ya upendeleo (KShs. 20 kwa hisa)	Asilimia 7 ya upendeleo (KShs. 20 kwa hisa)	Jumla	Asilimia
17	STANDARD CHARTERED KENYA NOMINEES LIMITED, KE18492	8,750,000	-	-	8,750,000	0.448
18	STANDARD CHARTERED KENYA NOMINEES LTD A/C KE002333	8,420,415	-	-	8,420,415	0.431
19	NIC CUSTODIAL SERVICES A/C 077	7,874,999	-	-	7,874,999	0.403
20	JOHN NJUGUNA NGUGI	7,737,800	-	-	7,737,800	0.396
Jumla		1,304,055,682	720,186	211,441	1,304,987,309	66.799
Wenyehisa wengine		647,411,363	1,079,814	138,559	648,629,736	33.201
Jumla ya hisa zilizotolewa		1,951,467,045	1,800,000	350,000	1,953,617,045	100.00

Mgao wa hisa za Kawaida kufikia Agosti 31, 2017

Kati ya	Idadi ya wenyehisa	Hisa
<1,000	12,974	4,111,249
1001-10,000	10,752	33,895,847
10,001-50,000	2,506	52,905,622
50,001-100,000	462	32,677,044
Over 100,000	809	1,827,877,283
Jumla	27,503	1,951,467,045

Mgao wa wenyehisa za upendeleo za asilimia 4 kufikia Agosti 31, 2017

Kati ya	Idadi ya wenyehisa	Hisa
<1,000	362	65,475
1001-10,000	55	152,792
10,001-50,000	13	325,918
50,001-100,000	2	133,564
Over 100,000	3	1,122,251
Jumla	435	1,800,000

Mgao wa wenyehisa za upendeleo za asilimia 7 kufikia Agosti 31, 2017

Kati ya	Idadi ya Wenyehisa	Hisa
<1,000	82	21,927
1001-10,000	15	44,076
10,001-50,000	3	86,432
50,001-100,000	1	57,617
Zaidi ya 100,000	1	139,948
Jumla	102	350,000



Mhe. Kenneth Marende, EGH
Mwenyekiti, Bodi ya Wakurugenzi
Oktoba 19, 2017

CORPORATE SOCIAL INVESTMENT REPORT

We appreciate that our ability as a Company to accomplish corporate sustainability is directly proportional to the utmost goodwill and the steadfast support of all our stakeholders. Central in that compendium of diverse stakeholders are the communities in whose environment we operate our business. Our ultimate aspiration and goal is to be an organisation that cares and demonstrates value for what is important to society and to the environment, in addition to meeting our financial and economic responsibilities to all stakeholders.

We understand that a strategic, successful, and holistic approach to CSI will eventually enhance our corporate reputation, promote a positive image of the Company as an ideal corporate citizen, and provide an enduring opportunity for us to keep our employees engaged - all important ingredients for improved performance and our ability to attract and retain talent.

Pursuant to this understanding on the significance of CSI, we have a policy that aims at guiding our social investment initiatives towards success. Through this policy, the Company dedicates 1% of its after-tax profits towards CSI programmes and activities. These programmes are further delineated to focus on key support areas of education, environment, sports and other general social welfare activities.

1. **Prioritising education**

During the year under review, we implemented various infrastructure projects that concentrated on creating an environment conducive to teaching and learning in schools. The reconstruction of two primary schools in Machakos County and the construction of an Early Childhood Development (ECD) school in Uasin Gishu County are the three major projects the Company supported in the year.



MD and CEO with a pupil during the launch of classroom blocks built by the Company at Katulu Primary School, Machakos County.

The reconstruction projects were carried out in Katulu and Muvwana Primary Schools, both in Machakos County. The projects included development of additional classrooms in the schools and the electrification of the schools through the Last Mile Connectivity Project. A total of Shs 8.9 million was spent on reconstruction work, a contribution that bore immediate results since the schools' progress reports after completion of the projects registered improved grades and increased in pupil population.

The ECD project, to which the Company contributed Shs 1.4 million, was implemented in partnership with St. Mary's Tachasis ECD school in Moiben, Uasin Gishu County. The funds went towards the expansion of the school into a pre-primary institution through construction of

two standard classrooms; purchase of desks for the classrooms; and construction of toilets for the pupils. Prior to that, the entire school population, including the teachers, was using one semi-permanent toilet.

In support of our effort to promote education, during the year under review, bilateral and multi-lateral development agencies such as United States Agency for International Development (USAID) and United Nations Development Program (UNDP) expressed interest in supporting a scholarship programme in conjunction with the Company. Endowment funds are a sustainable way to maintain such a scholarship and mentorship programmes. The donor support will be used as a revolving fund with the yield utilised to support the programme.



A member of staff engages attendees of the 'Bring-Your Daughter -To -Work' event sponsored by the Company.

As part of the mentorship programme, the Company organised the inaugural 'Bring-Your-Daughter-to-Work' day that involved employees exposing their school-going daughters to the workplace. The programme is aimed at promoting interest in engineering as a career amongst young girls. The programme will also support the creation of initiatives such as Energy Clubs, open days, and innovation competitions in high schools where winners are sponsored for academic trips among other eye-opening experiences. The programme will also include mentorship for young women engineers.

2. Protecting the environment

During the year, we supported various activities aimed at protecting the environment. One of the environmental causes that we supported was the sponsorship of the Maasai Mara Marathon, held in partnership with Green Africa Foundation, in which the Company donated Shs 1 million. The aim of the marathon is to raise fund for conservation of the Mara ecosystem in Narok County while, at the same time, harnessing sporting talent and athletic potential in the region.

Similarly, the Company contributed Shs 1 million to support the 2017 edition of the Rhino Charge, a motorsport event that is organised annually to raise funds for the conservation and protection of Kenya's mountain range ecosystems and water towers.

3. Promoting health

The general physical and mental wellbeing of individual members of the society is a fundamental aspect of every community. The Company promotes programmes that support needy members of the community in which we operate. During the year under review, the Company partnered with Gundua Foundation, a non-governmental organisation which focuses on fighting cancer by raising public awareness on the disease for early diagnosis and treatment. The Company contributed Shs 1 million towards the cancer awareness public campaign. We will dedicate additional resources to support similar initiatives in future to help save lives from the scourge in various parts of the country.

Further, the Company partnered with Dr. Ribeiro Primary School in marking the World Cerebral Palsy Day. The school is located near our Company Head Office in Parklands, Nairobi and accommodates more than one hundred children who suffer from cerebral palsy, a neurological condition marked by impaired muscle coordination or other disabilities that typically affect the brain before or after birth. Towards this, the Company contributed Shs 500,000 towards expansion of the school's

Cerebral Palsy Unit, which will enable the school to accommodate more children. The school was the first in Nairobi to enroll children with cerebral palsy.

4. Supporting sports

Sporting activities are not just for recreation but also form an integral part towards our general wellbeing. By supporting sports, we contribute to our communities directly. Sports activities make profound and positive impact on individuals, communities, and the society at large.

Western Stima Football Club, which plays in the Kenya Premier League, is sponsored by the Company. Majority of the club players are not employees of the Company but through the club, they earn income and develop their sporting careers. The Company also supports other clubs and sporting activities countrywide. This include sponsorship of corporate golf tournaments in Nairobi's Muthaiga and Karen golf clubs, and Nyali and Vipingo Ridge in Coast Region. In the year, the Company also supported various athletic events which include the Tegla Lorupe Peace Race which took place in Kapenguria, West Pokot County. The race, themed "Run for Peace", was organised to open opportunities for different communities to interact with each other and build mutual relations. The race is held to encourage peaceful coexistence and voluntary surrender of illicit weapons among the Karamajong, Pokot, Marakwet, and Turkana communities.



Company staff participating in a CSI event.

5. Social welfare for communities

In addition to our programmes focusing on education, health, environment and sports, we also support numerous general programmes within the communities. These welfare programmes often focus on social and humanitarian causes across our different areas of operation. During the year, for example, we supported Joyful Women Organisation (JoyWo), a transformative organisation dedicated to the holistic empowerment of women. JoyWo is a micro-finance institution with presence in all counties whose aim is to advance loans to women with little or no education and assist them start off and sustain suitable business enterprises to improve their lives. We contributed Shs 5 million to the JoyWo fundraiser which was held during the period under review.

6. Reviewed CSI Policy

In the year under review, we reviewed our CSI policy to align and implement programmes that will support corporate objectives, endear ourselves to the community in which we operate, and ensure sustainability. Going forward, we will devote significant CSI resources towards providing education sponsorships to the less privileged students in secondary and tertiary institutions, support electrification of community boreholes in arid and semi-arid areas to grow energy demand, and ensure employee participation in general social welfare programmes.■

RIPOTI KUHUSU UWEKEZAJI WA KAMPUNI KATIKA JAMII

Tunashuruku kwamba uwezo wetu kama Kampuni kutimiza uendelezaji wa shirika hili ni sambamba na uungwaji mkono wa wetu na washikadau wetu. Muhimu katika mkusanyiko huu wa washikadau ni jamii ambapo tunaendesha biashara yetu. Azima na shabaha yetu kuu ni kuwa shirika linalojali na kudhihirisha thamani yake kwa kile kilicho muhimu kwa jamii na mazingira, pamoja na kutosheleza majukumu yake ya kifedha na kiuchumi kwa washikadau wote.

Katika moyo huu tunasisitiza umuhimu wa kuweka mipango yetu ya Uwekezaji wa Kampuni katika Jamii (CSI) chini ya uangalizi mkubwa na kudumisha mahitaji ya jamii katika mikakati yetu. Tunafahamu kwamba, mbinu ya kimkakati, iliyofaulu ya ujumla kuhusu CSI hatimaye itainua sifa yetu kama shirika na kukuza mvuto wa Kampuni kama raia anayewajibika, na kutoa fursa ya kudumu kuwezesha wafanyikazi wetu kujishughulisha na jamii- vyote ambavyo ni viungo muhimu kwa matokeo bora na uwezo wetu kuvutia na kudumisha wafanyikazi wenye vipawa.

Kufuatia uelewa huu kuhusu umuhimu wa CSI, tuna sera ambayo inalenga kutoa mwongozo kwa mipango yetu ya uwekezaji na kufanikisha miradi hiyo. Kupitia sera hii, Kampuni hutenga asilimia 1 ya faida yake baada ya ushuru kwa mipango na shughuli za CSI. Miradi hii pia imegawanywa kuangazia fani muhimu za elimu, mazingira, michezo na shughuli zingine za ujumla za maslahi ya kijami.

1. Kupea elimu kipaumbele

Katika mwaka uliokamilika, tulitekeleza miradi tofauti ya muundomsingi ambayo ilijikita katika kubuni mazingira yafaayo kwa mafunzo na elimu shuleni. Miradi mitatu muhimu ambayo Kampuni ilifadhili katika mwaka uliomalizika ni ukarabati wa shule mbili za msingi katika kaunti ya Machakos na ujenzi wa shule ya mafunzo ya chekechea (ECD) katika kaunti ya Uasin Gishu.

Ukarabati huo wa miradi ulifanywa katika Shule za Msingi za Katulu na Muvwana, zote katika kaunti ya Machakos. Miradi hiyo ilihusisha ujenzi wa madarasa zaidi katika shule hizo na usambazaji wa umeme katika shule hizo chini ya mpango wa Last Mile Project. Sh 8.9 milioni zilitumika katika ujenzi huo, mchango ambao ulizalisha matunda ya moja kwa moja kwa

kuwa ripoti kuhusu matokeo ya mitihani katika shule hizo yaliimarika na idadi ya wanafunzi kuongezeka.

Mradi wa ECD ambao Kampuni ilichangia Sh1.4milioni, ulitekelezwa kwa ushirikiano na shule ya chekechea ya St. Mary's Tachasis, Moiben, katika kaunti ya Uasin Gishu. Fedha zilitumika katika upanuzi wa shule kupokea wanafunzi wa shule ya malezi kupitia ujenzi wa madarasa mawili ya kisasa; ununuzi wa madawati kwa madarasa hayo; na ujenzi wa vioo vine vya wavulana na vine vya wasichana. Kabla ya hapo, shule nzima, wakiwemo walimu, walikuwa wanatumia choo kimoja cha mawe na udongo.

Katika juhudi zetu za kuinua elimu, katika mwaka uliomalizika, mashirika ya kitaifa na ya kimataifa ya kutoa misaada kama vile United States Agency for International Development (USAID) na United Nations Development Program (UNDP) yalielezea nia yao ya kusaidia mpango wa kutoa msaada wa masomo kwa ushirikiano na Kampuni. Mfuko majaliwa ni njia ya kudumu ya kuendeleza msaada kama huo na mpango wa ushauri. Msaada wa wafadhili utatumika kama hazina inayozunguka huku mavuno yakitumika kusaidia mpango huo.

Kama sehemu ya mpango huu, Kampuni iliandaa 'Siku- ya Kumleta- Binti Yako- Kazini' ambapo wafanyikazi waliwaonyesha mabinti zao wanaosoma mazingira ya kazi. Mpango huo unalenga kuchochea hamu ya wasichana hao kusomea uhandisi kama taaluma.

Mpango huo pia unalenga kusaidia vikundi shuleni kama vile Vilabu vya Kawi, siku za kutangamano, na mashindano ya uvumbuzi katika shule za upili ambapo washindi wanafadhiliwa kwa ziara nje ya nchi miongoni mwa shughuli nyingine za kujielimisha zaidi. Mpango huo pia utahusisha utoaji ushauri kwa wahandisi wanawake chipukizi.

2. Kutunza mazingira

Katika mwaka uliomalizika, shughuli zinazonuia kutunza mazingira zilifadhiliwa kupitia mashindano ya marathoni na mbio fupi.

Mojawapo ya miradi ambayo tulisaidia kwa mchango wa Sh1milioni, ni mbio za Maasai Mara Marathon. Lengo kuu la mbio hizo, pamoja na kuchangisha fedha za kutunza mazingira katika mbuga ya Mara katika kaunti ya Narok, ni kuimarisha uhamasishaji wa washikadau kuhusu mazingira hayo, wakati huo huo kukuza talanta za wanariadha katika eneo hilo.

Vile vile, Kampuni ilitoa Sh1milioni kusaidia mashindano ya The Rhino Charge 2017, mashindano ya magari yanayoandaliwa kila mwaka kuchangisha pesa za kuhifadhi na kutunza mazingira katika maeneo ya milima Kenya. Katika mwaka uliokamilika, Kampuni pia ilishirikiana na Green Africa Foundation kusaidia mradi wa kukuza miche ya miti.

3. Kuinua afya

Afya, ustawi wa jumla wa kimwili na kiakili wa watu binafsi katika jamii, ni nguzo muhimu katika jamii. Kampuni inasaidia miradi inayosaidia watu wenye mahitaji karibu na maeneo tunakoendesha biashara. Katika mwaka uliokamilika, Kampuni ilishirikiana na Gundua Foundation, shirika lisilo la kiserikali linalojishughulisha na kupambana na saratani kwa kuhamasisha umma kuhusu ugonjwa huo. Utafiti unaonyesha kuwa ni Wakenya wachache wanafahamu kuwa utambuzi wa mapema na matibabu ya saratani huzuia kuenea kwake na hivyo, kunaweza kuokoa maisha.

Kampuni ilichangia Sh1milioni kwa kampeni hii ya umma. Kampuni inajitolea kusaidia kampeni za kila mwaka za uhamasisho kwa kuwa utambuzi wa mapema wa ugonjwa huo unafanikisha tiba.

Kampuni pia ilishirikiana na Dr. Riberio Parklands School, Nairobi, katika kuadhimisha Siku ya Kupooza Ubongo Duniani. Shule hiyo inahudumia zaidi ya watoto 100 walio na matatizo ya kupooza akili, hali ya kiakili ambapo neva haziambatani na upungufu mwingine unaoathiri akili kabla na baada ya kuzaliwa. Katika mwaka uliomalizika, Kampuni pia ilichangia Sh500,000 kwa upanuzi wa kitengo cha Cerebral Palsy Unit, shuleni humo, na hivyo kuwezesha shule hiyo kuhudumia watoto zaidi. Shule ya Msingi ya Dr. Ribeiro Parklands ndiyo

ya kuanza Nairobi kuchukua watoto waliopooza akili.

4. Kusaidia Michezo

Shughuli za michezo sio tu za burudani lakini pia ni kiungo muhimu kwa afya na ubora wa mtu. Kwa kusaidia michezo, tunachangia moja kwa moja kwa jamii zetu; michezo hutoa nafasi kwa washiriki kujenga nguvu za kimwili na kuongeza uwezo wa kiakili. Michezo huwa na ahari kubwa kwa watu binafsi, jumua na jamii pana kwa jumla.

Klabu cha Soka cha Western Stima, kinachoshiriki katika Ligi Kuu ya Premia Kenya, kinafadhiliwa kiasi na Kampuni. Wengi wa wachezaji wa klabu hicho si wafanyikazi wa Kampuni, lakini kupitia kwa klabu hicho, hujipatia riziki na kustawisha taaluma zao kama wanamichezo. Kampuni pia inasaidia vilabu vingine na shughuli za michezo nchini.

Katika mwaka uliomalizika, Kampuni pia ilisaidia mashindano mbalimbali ya mbio. Hasa, Kampuni ilisaidia mbio za Tegla Lorupe Peace Race zilizofanyika Kapenguria, kaunti ya West Pokot. Mbio hizo zenye mada “Kimbia kwa Amani,” ziliandaliwa kutoa nafasi kwa jamii tofauti kujumuika pamoja na kukuza mahusiano baina ya pande zote. Mbio hizo zinaandaliwa kuhamasisha wakazi kuhusu umuhimu wa kuishi pamoja kwa Amani na kusalimisha kwa hiari silaha haramu miongoni mwa jamii za Karamajong, Pokot, Marakwet, na Turkana.

5. Miradi ya kustawisha jamii

Pamoja na miradi yetu inayolenga elimu, afya, mazingira, na spoti, pia tunafadhili miradi kadha kwa jumla katika jamii hizo. Miradi hii hasa hulenga maslahi ya kijamii katika maeneo tofauti tunakohudumu. Katika mwaka uliomalizika, kwa mfano, tulisaidia Joyful Women Organisation (JoyWo), shirika lililojitolea kuinua wanawake. JoyWo ni shirika la kifedha linalohudumu katika kaunti zote 47 ambalo hulenga kutoa mikopo kwa wanawake walio na elimu ya chini na kuwasaidia kuanzisha biashara zifaazo kuboresha maisha yao. Kampuni ilitoa Sh5,000,000 kwa mchango wa JoyWo ulioandaliwa katika kipindi tunachoangazia.

6. Sera mpya ya CSI

Katika mwaka uliomalizika, tulipitia upya sera yetu ya CSI kuianisha na kutekeleza mipango yetu ambayo itaendeleza malengo yetu kama shirika, kutufanya tukumbatiwe katika jamii tunaohudumu, na kuhakikisha uendelezaji wa biashara. Kuendelea mbele, tutatenga kiasi kikubwa cha fedha za CSI kutoa ufadhili wa elimu kwa wanafunzi kutoka familia maskini katika shule za upili na vyuo, kusaidia kusambaza umeme kwa visima vya kijamii katika maeneo kame nay ale yasiyotumika kikamilifu kuongeza mahitaji ya umeme, na kushiriki kwa ujumla miradi ya ustawi wa kijamii.■



Sustainable Business Operations

We are building on the successes in our core business areas to align, grow and transform our business for long-term sustainability, creating value for our customers, shareholders and all stakeholders.

Align. Grow. Transform.

DIRECTORS' REPORT

The directors submit their report together with the audited financial statements of the Kenya Power and Lighting Company Limited (the "Company") for the year ended 30 June 2017, which disclose the state of affairs of the Company.

BUSINESS REVIEW

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

RESULTS FOR THE YEAR

	2017 Shs'000	2016 Restated Shs'000
Profit before income tax	10,912,442	12,082,397
Income tax expense	(3,646,311)	(4,885,834)
Profit for the year transferred to retained earnings	7,266,131	7,196,563

DIVIDEND

A dividend of Shs 1.93 million (2016: Shs 1.93 million) is payable on the cumulative preference shares and has been recognised in the statement of profit or loss and other comprehensive income under finance costs (Note 10(b)).

No interim dividend was paid in 2017 (2016: Shs 390,293,000). Subject to the approval of the shareholders, the directors recommend the payment of final dividend of Shs 976 million (2016: Shs 976 million) for the year representing a full dividend of Shs 0.50 (2016: Shs 0.50) per issued ordinary share.

DIRECTORS

The current Board of Directors are as shown on page 6.

Mr. Kairo Thuo and Mrs. Brenda Eng'omo were elected as directors of the Company on 23rd December 2016 to replace Mrs. Jane Nashida and Mr. Macharia Kariuki who retired as directors.

Dr. Ben Chumo ceased to be the Managing Director & CEO of the Company on 7th January 2017 and was replaced by Dr. Kenneth Tarus who served in acting capacity until confirmation of his appointment as Managing Director and Chief Executive Officer on 1st August 2017.

Mrs. Susan Chesiyna resigned as a director on 5th May 2017. While Mrs. Beatrice Gathirwa replaced Mr. Joseph Kariuki as alternate Director to the Cabinet Secretary, National Treasury on 5th May 2017.

AUDITORS

The Auditor General is responsible for the statutory audit of the Company's financial statements in accordance with Section 35 of the Public Audit Act, 2015. Section 23(1) of the Act empowers the Auditor General to appoint other auditors to carry out the audit on his behalf. Accordingly, PricewaterhouseCoopers were appointed to carry out the audit for the year ended 30 June 2017 and report to the Auditor-General.

BY ORDER OF THE BOARD



Beatrice Meso
Company Secretary
19 October 2017

DIRECTORS' REMUNERATION REPORT

INFORMATION NOT SUBJECT TO AUDIT

The Kenya Power and Lighting Company Limited Board remuneration is set within the Government limits for state corporations.

Statement of company's policy on directors' remuneration

During the year, there was no decision made on Board remuneration nor any change to the previous terms. The current policy as guided by the Government through the State Corporations Advisory Committee (SCAC) will apply in subsequent years until the same is revised. The Company does not run any share options or long term incentives. There was no compensation for past directors or any sum paid to third parties in respect of a director's services.

The only executive director is the Managing Director and Chief Executive Officer. He has performance targets for the year which apply to the Board. Non-executive directors' remuneration is not pegged on performance and is fixed by SCAC.

Contract of service

The non-executive directors are not under contract but are subject to retirement by rotation in Annual General Meeting (AGM). The Managing Director and Chief Executive Officer is on a three years renewable contract from 1st August 2017 to 1st August 2020.

Statement of voting at general meeting

During the AGM held on 23rd December 2016, the shareholders unanimously approved the directors' remuneration of Shs 600,000 per year per director on a pro-rata basis.

Summary of the remuneration policy

The following are highlights of the Board remuneration policy for the Company:

1. During every Board or Committee meeting, Directors are entitled to a sitting allowance, lunch allowance (in lieu of lunch being provided), accommodation allowance and mileage reimbursement at Automobile Association of Kenya rates.
2. The Chairman receives a monthly honorarium.
3. Directors' fees are paid annually upon approval by shareholders during the Annual General Meeting in accordance with Government's guidelines for all state corporations.
4. Non-executive directors are paid a total of Shs 600,000 or on pro rata basis for period served.
5. The remuneration for executive directors is as per the negotiated employment contracts.
6. The Company will not propose to make any changes in the remuneration level during the current financial year.
7. There are no directors' loans in the Company's loans.
8. There are no directors' shares schemes in the Company's loans.
9. A sitting allowance is paid to each non-executive Director for attending a duly convened and constituted meeting of the Board or of any of the committees.
10. An allowance is paid to non-executive directors for any day of travel away from his regular station in order to attend to duties of the Company.
11. Medical insurance cover is provided to all non-executive directors for their individual medical requirements covering both out-patient and in-patient services.

DIRECTORS' REMUNERATION REPORT

Directors' remuneration

Below is a summary of entitlement per Board Member:

Type of payment	Chairman	Member
Honoraria	Shs 80,000	N/A
Sitting allowance (per sitting)	Shs 20,000	Shs 20,000
Telephone – airtime for mobile phone per month	Shs 20,000	N/A
Transport allowance/mileage	N/A	AA rates
Lunch allowance	Shs 2,000	Shs 2,000
Director's fees per annum on prorata basis	Shs 600,000	Shs 600,000
Director's bonus	N/A	N/A
Accommodation allowance outside Nairobi	Shs 18,200	Shs 18,200

INFORMATION SUBJECT TO AUDIT

For the financial years ended 30 June 2017 and 30 June 2016, the directors' fees and remuneration are as below:

	Salary	Fees	Expense allowances	Total
	Shs'000	Shs'000	Shs'000	Shs'000

Year ended 30 June 2017

Executive Director

Ben Chumo	4,857	-	2,020	6,877
Kenneth Tarus	4,536	-	1,485	6,021

Non-executive directors

Kenneth Marende – (Chairman)	960	600	1,514	3,074
Adil Khawaja	-	600	355	955
Beatrice Gathirwa	-	-	98	98
Brenda Eng'omo	-	-	934	934
CS Treasury	-	600	-	600
Isaac Kiva	-	-	1,448	1,448
Joseph Kariuki	-	-	1,716	1,716
Jane Nashida	-	889	1,767	2,656
Kairo Thuo	-	-	931	931
Macharia Kariuki	-	889	1,437	2,326
PS Joseph Njoroge	-	600	130	730
Susan Chesinya	-	316	4,542	4,677
Wilson Mugung'ei	-	600	1,390	1,990
	10,353	5,094	19,767	35,214

DIRECTORS' REMUNERATION REPORT

Directors' remuneration (continued)

	Salary Shs'000	Fees Shs'000	Expense allowances Shs'000	Total Shs'000
Year ended 30 June 2016				
Executive Director				
Ben Chumo	8,593	-	3,713	12,306
Non-executive directors				
Kenneth Marende - (Chairman)	960	400	2,011	3,371
Adil Khawaja	-	400	1,036	1,436
PS Treasury	-	600	-	600
Isaac Kiva	-	-	1,300	1,300
Joseph Kariuki	-	-	1,592	1,592
Jane Nashida	-	600	3,569	4,169
Macharia Kariuki	-	600	2,864	3,464
Joseph Njoroge	-	600	162	762
Susan Chesinya	-	-	2,645	2,645
Wilson Mugung'ei	-	400	2,026	2,426
Theodorah Kilukumi	-	888	1,674	2,562
	9,553	4,488	22,592	36,633

BY ORDER OF THE BOARD



Beatrice Meso
Company Secretary
19 October 2017

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Kenyan Companies Act 2015 requires the directors to prepare financial statements for each financial year that give a true and fair view of the financial position of the Company as at the end of the financial year and of its profit or loss for that year. The directors are responsible for ensuring that the Company keeps proper accounting records that are sufficient to show and explain the transactions of the Company; disclose with reasonable accuracy at any time the financial position of the Company; and that enables them to prepare financial statements of the Company that comply with prescribed financial reporting standards and the requirements of the Kenyan Companies Act 2015. They are also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities

The directors accept responsibility for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner

required by the Kenyan Companies Act 2015. They also accept responsibility for:

- i. Designing, implementing and maintaining internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error;
- ii. Selecting suitable accounting policies and then applying them consistently; and
- iii. Making judgements and accounting estimates that are reasonable in the circumstances.

In preparing the financial statements, the directors have assessed the Company's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. 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.

The directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibility.

Approved by the board of directors on 19 October 2017 and signed on its behalf by:



Mr. Adil Khawaja
Director



Mr. Kairo Thuo
Chairman, Audit and Risk Committee



Kenneth Tarus, PhD
Managing Director and CEO

REPUBLIC OF KENYA

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P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYA POWER AND LIGHTING
COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

The accompanying financial statements of Kenya Power and Lighting Company Limited ("the Company") set out on pages 111 to 175, which comprise the statement of financial position as at 30 June 2017, statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows for the year ended, and a summary of significant accounting policies and other explanatory information, have been audited on my behalf by PricewaterhouseCoopers, auditors appointed under Section 23 of the Public Audit Act, 2015. 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.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Kenya Power and Lighting Company Limited as at 30 June 2017, and of its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the requirements of the Kenyan Companies Act, 2015.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). I have fulfilled my other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audit of the financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters were those matters that, in my professional judgement, were of most significance in the audit of the financial statements of the current year. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Report of the Auditor-General on the Financial Statements of Kenya Power and Lighting Company Limited for the year ended 30 June 2017

Promoting Accountability in the Public Sector

For each matter below, a description of how the audit addressed the matter is provided in that context.

I have fulfilled the responsibilities described in auditor's responsibilities for the audit of the financial statements section of the report, including in relation to these matters. Accordingly, the audit included the performance of procedures designed to respond to the assessment of the risks of material misstatement of the financial statements. The results of the audit procedures, including the procedures performed to address the matters below, provide the basis for my audit opinion on the accompanying financial statements.

No.	Key Audit Matter	How the audit addressed the key audit matter
1.	<p>Revenue Recognition</p> <p>The Company's financial accounting and reporting systems are heavily dependent on complex information systems and applications. Specifically, the calculation, recording and financial reporting of transactions and balances related to electricity revenue is significantly dependent on IT automated systems and processes.</p> <p>Revenue recognised is dependent on a complex tariff methodology and units consumed. The respective tariffs, used to bill each class of customers, are approved by the Energy Regulatory Commission (ERC).</p> <p>There is a risk that automated accounting procedures and related IT dependent manual controls are not designed and operated effectively.</p> <p>The audit focused on the following aspects of the information systems and application relevant to accounting and financial reporting controls:</p> <ul style="list-style-type: none"> • Logical access and security including segregation of duties; • Controls over changes to programs and system developments; and • Automated application controls relating to accounting calculation and financial reporting. 	<p>I assessed and tested the design and operating effectiveness of the controls over the integrity of the IT systems that are relevant to financial accounting and reporting.</p> <p>I examined controls over program development and changes, access to programs and data and IT operations, including compensating controls where required.</p> <p>I also carried out tests of certain aspects of the security of the Company's IT systems including logical access management and segregation of duties.</p> <p>I checked whether the tariffs are appropriately set up in the relevant systems, that consumption is correctly captured and that the system computations are accurate.</p>

Report of the Auditor-General on the Financial Statements of Kenya Power and Lighting Company Limited for the year ended 30 June 2017

2.	<p>Valuation of Trade and other Receivables</p> <p>Trade and other receivables are a significant asset in the statement of financial position of the Company comprising balances with varying risks of non-recoverability as shown in notes 5 (a) and 20 of the financial statements.</p> <p>There is uncertainty relating to the recoverability of certain trade and other receivables. As a result, the directors make subjective judgements in estimating the impairment provision for trade and other receivables.</p> <p>The audit focused on the following:</p> <ul style="list-style-type: none"> • the completeness and accuracy of the aging of electricity receivables included in the provision computation; • the adequacy of the provision for credit losses for trade and other receivables; and • obtaining third party confirmations of the outstanding debt amounts for significant debtors. Where such confirmations were not received, we considered alternative evidence such as payments received after year-end. 	<ul style="list-style-type: none"> • the duration of outstanding debt; • developments in the year including correspondence with the debtors where applicable; • existing regulation impacting recoverability of the debt; • the appropriateness and reasonableness of assumptions applied by management taking into account our knowledge of other practices and the past payment history; and • the completeness and accuracy of the financial statements disclosures.
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Other Information

The directors are responsible for the other information. The other information comprises the Report of Directors as required by the Companies Act, 2015, and the statement of Directors' responsibilities which I obtained prior to the date of this report, and the annual report which is expected to be made available to me after that date. The other information does not include the financial statements and the auditor's report thereon.

My opinion on the financial statements does not cover other information and I do not express an audit opinion or any form of assurance thereon.

In connection with the audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or the knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Report of the Auditor-General on the Financial Statements of Kenya Power and Lighting Company Limited for the year ended 30 June 2017

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

The Directors are also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

Auditor-General's Responsibilities for the Audit of the Financial Statements

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report which includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decision of users taken on the basis of these financial statements.

As part of an audit in accordance with ISSAIs, I exercise professional judgment and maintain professional skepticism through the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence which is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of the accounting policies used and the reasonableness of the accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions which may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, to draw attention in the auditor's report to the related disclosures in the financial statements, or if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements.

I communicate with the directors regarding, among others, the planned scope and timing of the audit and significant audit findings, including any significant deficiency in internal control that are identified during the audit.

I also provide the directors with a statement that I have complied with the relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated to the directors, I determine those matters which were of most significance in the audit of the financial statements of the current period, and are therefore the key audit matters. These matters are described in my auditor's report unless the law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Kenyan Companies Act, 2015 I report to you based on the audit, that;

- I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of my audit;
- In my opinion, proper books of account have been kept by the Company, so far as appears from the examination of those books;

Report of the Auditor-General on the Financial Statements of Kenya Power and Lighting Company Limited for the year ended 30 June 2017

- iii. The Company's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account;
- iv. In my opinion, the information given in the report of the directors on page 100, is consistent with the financial statements; and
- v. In my opinion the auditable part of the directors' remuneration report on page 101 to 103 has been prepared in accordance with the Kenyan Companies Act, 2015.



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

Nairobi

19 October 2017

Report of the Auditor-General on the Financial Statements of Kenya Power and Lighting Company Limited for the year ended 30 June 2017

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2017 Shs'000	2016 Restated Shs'000
Revenue			
Electricity sales	6(a)	91,951,629	87,080,812
Foreign exchange adjustment		6,682,693	8,782,073
Fuel cost charge	7(b)	22,107,948	12,511,727
		120,742,270	108,374,612
Power purchase cost			
Non-fuel costs	7(a)	(50,615,823)	(51,399,414)
Foreign exchange cost		(6,199,227)	(6,175,191)
Fuel costs	7(b)	(22,123,712)	(12,690,427)
		(78,938,762)	(70,265,032)
Gross profit		41,803,508	38,109,580
Net operating expenses			
Network management	8(a)	(11,160,746)	(9,496,734)
Commercial services	8(b)	(4,745,831)	(4,324,176)
Administration	8(c)	(17,510,093)	(14,829,842)
		(33,416,670)	(28,650,752)
Operating income		8,386,838	9,458,828
Other operating income	6(b)	8,130,398	7,469,887
Operating profit		16,517,236	16,928,715
Interest income	10(a)	46,004	964,957
Finance costs	10(b)	(5,650,798)	(5,811,275)
Profit before income tax		10,912,442	12,082,397
Income tax expense	12(a)	(3,646,311)	(4,885,834)
Profit for the year		7,266,131	7,196,563
Basic and diluted earnings per share (Shs)	13	3.72	3.69
Profit for the year		7,266,131	7,196,563
Other comprehensive income:			
<i>Items that will not be subsequently reclassified to profit or loss</i>			
Remeasurement of the retirement benefit asset	30	(1,058,356)	(240,962)
Deferred income tax relating to remeasurement of the retirement benefit asset	26	317,507	72,289
Other comprehensive loss		(740,849)	(168,673)
Total comprehensive income for the year		6,525,282	7,027,890

The notes on page 115 to 175 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

		2017	2016	2015
ASSETS	Note	Shs'000	Restated Shs'000	Restated Shs'000
Non-current assets				
Property and equipment	15	264,589,481	235,467,263	196,301,330
Operating lease prepayment	16	131,438	131,494	131,543
Intangible assets	17	2,593,483	2,602,033	1,418,599
Recoverable foreign exchange adjustment	18(c)	6,520,949	6,068,423	5,165,067
Retirement benefit asset	30	2,531,782	3,263,150	3,207,068
		276,367,133	247,532,363	206,223,607
Current assets				
Inventories	19	9,626,293	11,895,271	11,660,097
Trade and other receivables	20(a)	51,278,804	32,566,951	25,823,284
Recoverable foreign exchange adjustment	18(c)	798,716	23,123	348,432
Current income tax	12(c)	44,358	21,419	-
Short term deposits	21(a)	596,169	3,842,355	4,272,357
Bank and cash balances	21(b)	2,941,754	1,660,698	23,958,305
		65,286,094	50,009,817	66,062,475
TOTAL ASSETS		341,653,227	297,542,180	272,286,082
EQUITY AND LIABILITIES				
Equity attributable to owners				
Ordinary share capital	22	4,878,667	4,878,667	4,878,667
Share premium	23	22,021,219	22,021,219	22,021,219
Reserves	24	43,061,769	37,121,927	31,069,770
TOTAL EQUITY		69,961,655	64,021,813	57,969,656
Non-current liabilities				
Deferred income tax	26	32,472,173	29,217,030	24,699,789
Deferred income	25	19,562,051	18,154,796	16,612,332
Trade and other payables	27(a)	33,281,165	30,172,855	28,072,720
Borrowings	28	111,075,216	105,017,783	99,289,403
Preference shares	29	43,000	43,000	43,000
		196,433,605	182,605,464	168,717,244
Current liabilities				
Trade and other payables	27(b)	53,974,414	35,298,171	26,328,349
Current income tax	12(c)	-	-	180,432
Deferred income	25	4,944,572	5,953,273	5,401,248
Leave pay provision	31	346,903	544,369	1,098,003
Borrowings	28	10,940,906	8,850,929	12,310,981
Dividends payable	32	362,839	268,161	280,169
Overdraft	21(b)	4,688,333	-	-
		75,257,967	50,914,903	45,599,182
TOTAL EQUITY AND LIABILITIES		341,653,227	297,542,180	272,286,082

The financial statements on pages 111 to 175 were approved and authorised for issue by the Board of Directors on 19 October 2017 and were signed on its behalf by:



Mr. Adil Khawaja
Director



Mr. Kairo Thuo
Chairman, Audit and Risk Committee



Kenneth Tarus, PhD
Managing Director and CEO

STATEMENT OF CHANGES IN EQUITY

	Ordinary share capital	Share premium	Retained earnings	Total
	Shs'000	Shs'000	Shs'000	Shs'000
At 1 July 2014 – as previously reported	4,878,667	22,021,219	32,304,194	59,204,080
Restatement of deferred income tax (Note 39)	-	-	(1,234,424)	(1,234,424)
As restated 30 June 2015	4,878,667	22,021,219	31,069,770	57,969,656
At 1 July 2015	4,878,667	22,021,219	31,069,770	57,969,656
Profit for the year as previously reported	-	-	7,556,163	7,556,163
Restatement of deferred income tax (Note 39)	-	-	(359,600)	(359,600)
As restated	-	-	7,196,563	7,196,563
Other comprehensive income	-	-	(168,673)	(168,673)
Total comprehensive income for the year	-	-	7,027,890	7,027,890
Final dividend paid - 2015	-	-	(585,440)	(585,440)
Interim dividend paid - 2016	-	-	(390,293)	(390,293)
As restated 30 June 2016	4,878,667	22,021,219	37,121,927	64,021,813
At 1 July 2016	4,878,667	22,021,219	37,121,927	64,021,813
Profit for the year	-	-	7,266,131	7,266,131
Other comprehensive income	-	-	(740,849)	(740,849)
Total comprehensive income for the year	-	-	6,525,282	6,525,282
Final dividend paid - 2016	-	-	(585,440)	(585,440)
At 30 June 2017	4,878,667	22,021,219	43,061,769	69,961,655

The prior year adjustment relates to correction of an error in the deferred income tax liability computation (Note 26).

The notes on page 115 to 175 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

		2017	2016
	Note	Shs '000	Shs '000
Cash flows from operating activities			
Cash generated from operations	33(a)	34,333,258	32,208,462
Income tax paid	12(c)	(96,600)	(498,155)
Interest received	33(g)	33,811	965,491
Interest paid	33(d)	(6,910,645)	(6,998,756)
Net cash generated by operating activities		27,359,824	25,677,042
Cash flows from investing activities			
Purchase of property and equipment	33(h)	(38,838,985)	(47,363,482)
Purchase of intangible assets	17	(729,705)	(1,614,474)
Proceeds from disposal of property and equipment	33(e)	48,727	135,087
Net cash used in investing activities		(39,519,963)	(48,842,869)
Cash flows from financing activities			
Repayment of borrowings	33(b)	(4,680,019)	(53,567,980)
Proceeds from borrowings	33(b)	10,672,294	54,995,870
Dividends paid to owners of the company	33(f)	(492,692)	(989,671)
Net cash generated from financing activities		5,499,583	438,219
Net decrease in cash and cash equivalents		(6,660,556)	(22,727,608)
Cash and cash equivalents at the beginning of the year		5,503,054	28,230,662
Effects of foreign exchange rate fluctuations on deposits		7,092	-
Cash and cash equivalents at the end of the year	33(c)	(1,150,410)	5,503,054

The notes on page 115 to 175 are an integral part of these financial statements.

NOTES

1. General information

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

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

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

2. Significant accounting policies

(a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

For the Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account is presented by the statement of profit or loss and other comprehensive income in these financial statements

Changes in accounting policy and disclosures

New and amended standards adopted by the Company

Standard	Effective date	Executive summary
Amendments to IAS 1,'Presentation of financial statements' disclosure initiative	1 January 2016	In December 2014 the IASB issued amendments to clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.
Amendment to IAS 16, 'Property, plant and equipment' and IAS 38,'Intangible assets', on depreciation and amortisation.	1 January 2016	In this amendment the IASB has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.

NOTES (CONTINUED)

2. Significant accounting policies (continued)

(a) Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

New and amended standards not yet adopted by the Company

Standard	Effective date	Executive summary
IFRS 9 - Financial Instruments (2009 & 2010) <ul style="list-style-type: none"> Financial liabilities Derecognition of financial instruments Financial assets General hedge accounting 	Annual periods beginning on or after 1 January 2018 (published July 2014)	This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.
Amendment to IFRS 9 - 'Financial instruments', on general hedge accounting	Annual periods beginning on or after 1 January 2018	<p>The IASB has amended IFRS 9 to align hedge accounting more closely with an entity's risk management. The revised standard also establishes a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in IAS 39.</p> <p>Early adoption of the above requirements has specific transitional rules that need to be followed. Entities can elect to apply IFRS 9 for any of the following:</p> <ul style="list-style-type: none"> The own credit risk requirements for financial liabilities. Classification and measurement (C&M) requirements for financial assets. C&M requirements for financial assets and financial liabilities. The full current version of IFRS 9 (that is, C&M requirements for financial assets and financial liabilities and hedge accounting). The transitional provisions described above are likely to change once the IASB completes all phases of IFRS 9.
IFRS 15 - Revenue from contracts with customers.	Annual periods beginning on or after 1 January 2018 (published May 2014)	The FASB and IASB issued their long awaited converged standard on revenue recognition on 29 May 2014. It is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of good or service transfers to a customer.

NOTES (CONTINUED)

2. Significant accounting policies (continued)

(a) Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

New and amended standards not yet adopted by the Company (continued)

Standard	Effective date	Executive summary
Amendment to IFRS 15 – Revenue from contracts with customers.	Annual periods beginning on or after 1 January 2018 (published April 2016)	The IASB has amended IFRS 15 to clarify the guidance, but there were no major changes to the standard itself. The amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of these areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.
IFRS 16 – Leases	Annual periods beginning on or after 1 January 2019 – earlier application permitted if IFRS 15 is also applied. (published January 2016)	<p>This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.</p> <p>For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard.</p> <p>At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.</p> <p>IFRS 16 supersedes IAS 17, 'Leases', IFRIC 4, 'Determining whether an Arrangement contains a Lease', SIC 15, 'Operating Leases – Incentives' and SIC 27, 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.</p>

NOTES (CONTINUED)

2. Significant accounting policies (continued)

(a) Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

New and amended standards not yet adopted by the Company (continued)

Standard	Effective date	Executive summary
Amendment to IAS 12 – Income taxes	Annual periods beginning on or after 1 January 2017 (published Feb 2016)	The amendment was issued to clarify the requirements for recognising deferred tax assets on unrealised losses. The amendment clarifies the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. It also clarifies certain other aspects of accounting for deferred tax assets. The amendment clarifies the existing guidance under IAS 12. It does not change the underlying principles for the recognition of deferred tax assets.
Amendment to IAS 7 – Cash flow statements	Annual periods beginning on or after 1 January 2017 (published Feb 2016)	In January 2016, the International Accounting Standards Board (IASB) issued an amendment to IAS 7 introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment responds to requests from investors for information that helps them better understand changes in an entity's debt. The amendment will affect every entity preparing IFRS financial statements. However, the information required should be readily available. Preparers should consider how best to present the additional information to explain the changes in liabilities arising from financing activities.
IFRIC 23, 'Uncertainty over income tax treatments'	Annual periods beginning on or after 1 January 2019 Published 7 June 2017)	IFRIC 23 provides a framework to consider, recognise and measure the accounting impact of tax uncertainties. The Interpretation provides specific guidance in several areas where previously IAS 12 was silent. The Interpretation also explains when to reconsider the accounting for a tax uncertainty. Most entities will have developed a model to account for tax uncertainties in the absence of specific guidance in IAS 12. These models might, in some circumstances, be inconsistent with IFRIC 23 and the impact on tax accounting could be material. Management should assess the existing models against the specific guidance in the Interpretation and consider the impact on income tax accounting.

NOTES (CONTINUED)

2. Significant accounting policies (continued)

(a) Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

(b) Revenue

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

(i) *Electricity sales*

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

(ii) *Fuel cost charge*

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

(iii) *Foreign exchange adjustment*

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

Other income

(i) *Finance revenue*

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

(ii) *Dividends*

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

(iii) *Rental income*

Rental income is recognised on the straight line basis over the lease term.²

(iv) *Deferred income*

This represents capital contributions received from customers. Contributions paid by electricity customers relating to the construction of regular distribution assets and funding for electrification are credited to profit or loss as part of other income on a straight-line basis over the expected useful lives of the related assets. Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the Functional Currency'). The financial statements are presented in Kenya Shillings in thousands (Shs) which is the Company's Functional Currency.

(v) *Fibre optic income*

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

(c) Inventories

Inventories are stated at the lower of cost and net realisable value after due regard for obsolete and slow moving stocks. The cost of inventories comprises purchase price, import duties, transport and handling charges and is determined on a weighted average price. Net realisable value is the price at which the inventory can be realised in the normal course of business after allowing for the costs of realisation.

NOTES (CONTINUED)

2. Significant accounting policies (continued)

(d) Property and equipment

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

recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

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

Buildings	The greater of 2% and 1/the unexpired period of the lease
Transmission and distribution lines	2.5 - 20%
Machinery	2.85 - 6.66%
Motor vehicles	25%
Furniture, equipment and fittings	6.66 - 20%
Computers and photocopiers	30%

The asset's residual values, estimated useful lives and methods of depreciation are reviewed at the end of each reporting period with the effect of any changes in estimate accounted for prospectively. An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from the recognition of an item of property and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset at the disposal date) is included in profit or loss for the year. This does not apply to assets acquired by the Company on sale and leaseback transactions.

basis as other property assets, commences when the assets are ready for their intended use.

At the end of each accounting period, the Company conducts impairment tests where there are indications of impairment of an asset.

Capital work in progress

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

(e) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

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

NOTES (CONTINUED)

2. Significant accounting policies (continued) (e) Intangible assets (continued)

The amortisation period and the amortisation method for the Company's intangible assets 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 profit or loss in the expense category consistent with the function of the intangible asset.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from unforeseeable changes of such intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised. Currently, intangible assets comprise software and have an estimated useful life of five years.

(f) Income tax expense

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

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

Deferred income tax

Deferred income tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding

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

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

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

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

NOTES (CONTINUED)

2. Significant accounting policies (continued)

(g) Leases

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

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

Company as a lessee

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

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

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

Company as a lessor

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

income. Contingent rents are recognised as revenue in the period in which they are earned.

(h) Foreign currencies

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

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

(i) Financial instruments

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

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

NOTES (CONTINUED)

2. Significant accounting policies (continued)

(i) Financial instruments (continued)

Financial assets

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

(a) Loans and receivables

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

Impairment of financial assets

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

Objective evidence of impairment could include:

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

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

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

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

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

NOTES (CONTINUED)

2. Significant accounting policies (continued)

(i) Financial instruments (continued)

Financial assets (continued)

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

In respect of available-for-sale debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Derecognition of financial assets

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

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

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

Financial liabilities

Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. The assessment is done from the issuer's perspective.

Equity instruments

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

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

Other financial liabilities

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

NOTES (CONTINUED)

2. Significant accounting policies (continued)

(i) Financial instruments (continued)

Financial liabilities (continued)

Derecognition of financial liabilities

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

Onerous contracts

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

Offsetting of financial instruments

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

(j) Borrowing costs

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

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

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

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

(k) Leave provision

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

(l) Impairment of assets

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 profit or loss whenever the carrying amount of the asset exceeds its recoverable amount. An asset's recoverable amount is the higher of the asset's or cash-generating unit's (CGU's) fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Where it is not possible to estimate the recoverable amount of an individual asset, the directors estimate the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment of transmission and distribution lines

A decline in the value of the transmission and distribution lines could have a significant effect on the amounts recognised in the financial statements. Management assesses the impairment of the lines whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

NOTES (CONTINUED)

2. Significant accounting policies (continued)

(l) Impairment of assets (continued)

Impairment of transmission and distribution lines (continued)

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) Evidence is available of the obsolescence or physical damage of an asset.
- (v) Significant changes with an adverse effect on the Company have taken place during the period, or are expected to take place in the near future, which impact the manner or the extent to which an asset is used. These changes include plans to discontinue or restructure the operation to which an asset belongs or to dispose of an asset before the previously expected date.

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

(m) Retirement benefits

(i) Company's defined contribution scheme

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

(ii) Company's defined benefit scheme

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

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

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

The retirement benefit asset recognised in the Company's statement of financial

NOTES (CONTINUED)

2. Significant accounting policies (continued)

(m) Retirement benefits (continued)

(ii) *Company's defined benefit scheme (continued)*

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

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

(iii) *Statutory defined contribution pension scheme*

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

(n) Operating segments

The Company's business is organised by regions (reporting segments) comprising Nairobi, Mount Kenya, Coast and Western. Business administration is by geographic region as the Company deals in only supply of electricity. There are no inter-region sales. The Chief Operating Decision Maker (CODM) is the Executive Management Committee.

Regions derive their revenues from the distribution and retail of electricity purchased in bulk by the head office. Region assets and liabilities comprise those operating assets and liabilities that are directly attributable to the region or can be allocated to the region on a reasonable basis.

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

(o) Earnings per share

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

(p) Dividends

Dividends on ordinary shares are charged to reserves in the period in which they are declared. Proposed dividends are not accrued for until ratified in an Annual General Meeting.

(q) Government grants

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

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

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

NOTES (CONTINUED)

2. Significant accounting policies (continued)

(r) Recharge of costs to Rural Electrification Scheme

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

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

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

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

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

(s) Cash and cash equivalents

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

(t) Comparatives

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

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 2 above, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors

that are considered to be relevant. Actual results may differ from these estimates.

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

(a) Critical judgements in applying accounting policies

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

Lease commitments – Company as lessor

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

Lease commitments - Classification of leases of land as finance or operating leases

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

- The lease transfers ownership of the asset to the lessee by the end of the lease term; the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised;
- The lease term is for the major part of the economic life of the asset even if title is not transferred;

NOTES (CONTINUED)

3. Critical accounting judgements and key sources of estimation uncertainty (continued)

(a) Critical judgements in applying accounting policies (continued)

- At the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and

The leased assets are of such a specialised nature that only the lessee can use them without major modifications.

The Company also considers indicators of situations that individually or in combination could also lead to a lease being classified as a finance lease. Examples of such indicators include:

- If the lessee can cancel the lease, the lessor's losses associated with the cancellation are borne by the lessee;
- gains or losses from the fluctuation in the fair value of the residual accrue to the lessee (for example, in the form of a rent rebate equalling most of the sales proceeds at the end of the lease); and
- the lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent.

Deferred income tax assets

Deferred income 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. Details of the carrying value of recognised tax losses at 30 June 2017 are provided in Note 26.

Pension and other post-employment benefits

The cost of defined benefit pension plans and other post-employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. Details of

the defined benefit asset at 30 June 2017 are provided in Note 30.

Electricity deposits

Money received from electricity customers as deposit is split between current and non-current liabilities based on the expected pattern of refund to customers. A significant portion of the deposit is considered to be non-current as the Company will continue to offer services to the customers for the foreseeable future and the customers are not expected to discontinue their use of electricity in the short run. The current portion of the customer deposits liability has been arrived at based on the historical average of refunds made in the past 3 years. In addition, the customer deposits also serve as security for the electric meters supplied to the customer for long term electricity supply.

Revenue recognition

Prepaid electricity revenue includes an assessment of electricity supplied to customers between the date of the last meter reading and the year end. Electricity sales revenue attributable to units consumed but not billed to customers at the end of the reporting period is estimated using historical consumption patterns taking into account the total electricity usage by the customers.

(b) Key sources of estimation uncertainty

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

Pensions

Actuarial assumptions are made in valuing future defined benefit obligation and are updated periodically. The principal assumption relates to the discount rate, the expected rates of return on assets, future salary increases, mortality rates and future pension increase. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. See note 30 for further details.

NOTES (CONTINUED)

4. Operating segments

For management purposes, the Company is currently organised into four administrative regions (reporting segments). These regions are the basis on which the Company reports its primary information. The four regions comprise Nairobi, Coast, Western and Mount Kenya. The table below shows the Company's revenue, expenses, assets and liabilities per region. The table also shows capital expenditure and depreciation by region for the year. There are no inter-segment sales and all revenue is from external customers. Energy purchase and head office expenses are apportioned to various regions based on percentage unit sales.

2017	Nairobi Region	West Kenya Region	Coast Region	Mount Kenya Region	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Revenue	60,161,334	20,956,628	20,984,964	18,639,344	120,742,270
Other operating income	3,315,122	2,371,413	785,512	1,658,351	8,130,398
Energy purchases	(43,416,319)	(14,208,977)	(14,208,977)	(7,104,489)	(78,938,762)
Operating expenses	(15,060,084)	(8,412,268)	(4,440,209)	(5,504,109)	(33,416,670)
Operating profit	5,000,053	706,796	3,121,290	7,689,097	16,517,236
Interest income					46,004
Finance costs					(5,650,798)
Income tax expense					(3,646,311)
Profit for the year					7,266,131
Assets	139,569,828	102,000,604	41,407,353	58,675,442	341,653,227
Liabilities	149,370,850	51,344,440	45,547,035	25,446,874	271,709,199
Capital expenditure (including intangible assets)	17,584,490	11,789,655	4,679,309	7,462,678	41,516,132
Depreciation/amortisation	5,587,068	3,216,875	1,490,938	1,671,007	11,965,888

NOTES (CONTINUED)

4. Operating segments (continued)

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

2016	Nairobi Region	West Kenya Region	Coast Region	Mount Kenya Region	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Revenue	55,014,835	18,626,527	18,801,373	15,931,877	108,374,612
Other income	3,389,599	2,008,653	700,949	1,370,686	7,469,887
Energy purchases	(37,079,351)	(12,881,460)	(12,637,797)	(7,666,424)	(70,265,032)
Operating expenses	(13,225,028)	(6,381,262)	(3,919,166)	(5,125,296)	(28,650,752)
Operating profit	8,100,055	1,372,458	2,945,359	4,510,843	16,928,715
Interest income					964,957
Finance costs					(5,811,275)
Income tax expense (restated)					(4,885,834)
Profit for the year (restated)					7,196,563
Assets	108,458,594	93,768,407	39,981,862	55,333,317	297,542,180
Liabilities	127,742,909	45,331,852	36,457,840	22,393,742	231,926,343
Capital expenditure (including intangible assets)	19,645,288	16,184,354	5,842,929	8,757,187	50,429,758
Depreciation/amortisation	4,365,955	2,602,789	1,080,216	1,385,600	9,434,560

NOTES (CONTINUED)

4. Operating segments (continued)

The Company's core business in the four regions (reporting segments) continues to be the transmission, distribution and retail of electricity. There is no distinguishable component of the Company that is engaged in providing an individual service that is subject to risks and returns that are different from those of other business segments. The information on property and equipment details at net book values is shown below:

2017	Land and buildings*	Lines	Machinery	Motor vehicles	Furniture equipment and other	Intangible assets	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Transmission	458,586	10,812,475	28,323	-	216,954	-	11,516,338
Distribution	4,663,527	168,031,726	481,098	1,484,567	16,765,301	2,593,483	194,019,702
Total	5,122,113	178,844,201	509,421	1,484,567	16,982,255	2,593,483	205,536,040
2016							
Transmission	615,302	9,767,946	41,365	-	727,470	-	11,152,083
Distribution	3,254,020	141,779,112	453,388	1,547,559	11,325,934	2,602,033	160,962,046
Total	3,869,322	151,547,058	494,753	1,547,559	12,053,404	2,602,033	172,114,129

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

NOTES (CONTINUED)

5. Financial risk and capital management

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

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

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

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

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

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

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

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

(a) *Credit risk*

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

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

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

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

NOTES (CONTINUED)

5. Financial risk and capital management (continued)

(a) Credit risk (continued)

	Neither past due nor impaired	Past due but not impaired <90 days	Impaired > 90 days	Total
	Shs '000	Shs '000	Shs '000	Shs '000
At 30 June 2017				
Electricity receivables	12,013,601	665,736	4,036,472	16,715,809
Stima loan	263,102	-	79,071	342,173
Other receivables	16,610,747	15,359,151	971,339	32,941,237
Less provisions	-	-	(5,086,882)	(5,086,882)
Net trade and other receivables	28,887,450	16,024,887	-	44,912,337
Short term deposits	596,169	-	-	596,169
Bank balances	2,925,817	-	-	2,925,817
	32,409,436	16,024,887	-	48,434,323
At 30 June 2016				
Electricity receivables	11,702,218	702,866	3,754,000	16,159,084
Stima loan	65,884	407,752	79,071	552,707
Other receivables	3,394,418	12,238,451	413,384	16,046,253
Less provisions	-	-	(4,246,455)	(4,246,455)
Net trade and other receivables	15,162,520	13,349,069	-	28,511,589
Short term deposits	3,842,355	-	-	3,842,355
Bank balances	1,640,245	-	-	1,640,245
	20,645,120	13,349,069	-	33,994,189

The customers under the fully performing category are paying their debts as they fall due. Past due amounts are those beyond the maximum established credit period and represents slow but paying customers. The receivable balance continues to be serviced even though this is not done on the contractual dates. Treasury and finance departments are actively following up on these receivables. In addition, the Company holds deposits or a bank guarantee, depending on the electricity load supplied which acts as collateral. The fair value of the collateral held by the Company as security and other credit enhancements amounted to Shs 7,418 million (2016: Shs 7,494 million) Note 27(a).

Management of credit risk

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

Management of electricity receivables

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

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

The main classes of electricity receivables are industrial, government ministries, local authorities, parastatals, commercial and

5. Financial risk and capital management (continued)

(a) Credit risk (continued)

Management of electricity receivables (continued)

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

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

Progress on the collection process is reviewed on a regular basis and if it is evident that the

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

The Company evaluates the concentration of risk with respect to electricity receivables as low, as its customers are located in all regions in Kenya and electricity is supplied to different classes of customers including individual households, private industries, companies and Government institutions. The total cumulative provision for impairment of electricity receivables at 30 June 2017 was Shs 4,036 million (2016: Shs 3,754 million). Refer to Note 20(d).

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

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

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

	30 June 2017	30 June 2016
Electricity receivables	Shs'000	Shs'000
Large power users	6,801,218	7,686,125
Ordinary customers	4,522,089	3,181,427
Parastatals	1,042,206	1,243,834
Local authorities	121,603	27,541
Ministries	105,995	86,314
Exports	86,226	179,843
	12,679,337	12,405,084

NOTES (CONTINUED)

5. Financial risk and capital management (continued)

(a) Credit risk (continued)

*Management of Stima Loan receivables
Shs 342,173,000 (2016: Shs 552,707,000)*

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

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

Stima Loan customers are grouped into delinquency levels, according to their credit profiles to help in monitoring customer repayment performance. Delinquency level one have balances that are one month in arrears, delinquency level two are two months in arrears, delinquency level three being customers in three months arrears and subsequently delinquency level four and five are customers that are in arrears from four months on to twenty four months respectively.

Non – performing loans are assessed on the probability of recovery based on the customers' delinquency level. A provision of Shs 79 million has been recognised for loans which have been outstanding for more than 24 months as at 30 June 2017. Refer to Note 20 (d).

(b) Liquidity risk

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

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

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

NOTES (CONTINUED)

5. Financial risk and capital management (continued)

(c) *Liquidity risk (continued)*

The table below summarises the maturity profile of the Company's financial liabilities based on the remaining period using 30 June 2017 as a base period to the contractual maturity date:

	On demand	Less than 3 months	3 -12 months	1-5 years	>5 years	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
At 30 June 2017						
Borrowings	-	-	23,481,422	73,425,238	55,241,387	152,148,047
Trade and other payables	302,499	52,042,906	6,779,341	2,702,122	30,466,730	92,293,598
Dividends	362,839	-	-	-	-	362,839
	665,338	52,042,906	30,260,763	76,127,360	85,708,117	244,804,484
At 30 June 2016						
Borrowings	-	1,061,433	14,251,480	76,209,981	55,434,560	146,957,454
Trade and other payables	969,231	28,381,967	7,131,571	1,291,954	27,379,241	65,153,964
Dividends	268,161	-	-	-	-	268,161
	1,237,392	29,443,400	21,383,051	77,501,935	82,813,801	212,379,579

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

NOTES (CONTINUED)

5. Financial risk and capital management (continued)

(d) *Market risk*

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

(i) *Currency risk*

Currency risk arises primarily from purchasing imported goods and

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

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

Currency	Appreciation/ (depreciation) of exchange rate	Effect on profit before tax and equity Shs million
Year 2017		
US\$	5%(-5%)	+/-4,480
Euro	5%(-5%)	+/- 437
JPY	5%(-5%)	+/- 54
Chinese ¥	5%(-5%)	+/-118
Year 2016		
US\$	5%(-5%)	+/-4,240
Euro	5%(-5%)	+/- 379
JPY	5%(-5%)	+/- 59
Chinese ¥	5%(-5%)	+/-122

Management of currency risk

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

(ii) *Commodity or price risk*

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

Management of commodity risk

Exposure due to commodity risk is managed by passing the cost of fuel

used in generation to customers. In addition the Company has well-established credit control procedures that monitor activity on customer accounts and allow for remedial action should the customer not comply with payment terms. These procedures include the issue of a notice of disconnection of supply, an internal collection process; follow up of the customer 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 customer's account being closed. The legal collection process is pursued thereafter.

NOTES (CONTINUED)

5. Financial risk and capital management (continued)

(c) Market risk (continued)

(ii) Commodity or price risk (continued)

Management of commodity risk (continued)

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

policy. The analysis has been performed on the same basis as the prior year.

At 30 June 2017, an increase/decrease of 5 basis points (2016: 5 basis points) would have resulted in a decrease/increase in a profit before tax of Shs 5,090 million (2016: Shs 4,801 million).

(iii) Interest rate risk

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

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

Management of interest rate risk

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

Sensitivity analysis

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

	Change in currency rate	Effect on profit before tax and equity
2017		Shs' 000
	1%	1,018,000
	5%	5,090,000
2016		
	1%	960,000
	5%	4,801,000

(e) Capital management

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

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 30 June 2017 and 30 June 2016.

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

NOTES (CONTINUED)

5. Financial risk and capital management (continued)

(d) Capital management (continued)

	2017 Shs million	2016 Shs million
Interest-bearing loans and borrowings (Note 28)	122,016	113,869
Less cash and cash equivalents (Note 33(c))	1,151	(5,503)
Net debt	123,167	108,366
Equity	69,962	64,022
Gearing ratio	176%	169%

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

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

The Company uses Power System Development Planning process, which forecasts long-term growth in electricity demand; evaluates the alternative means to meet and manage that demand and comes up with a Least Cost Power Development Plan. The planning process determines a

forward electricity cost curve (the Long Run Marginal Cost), which will give an indication of the size of the price increases that the Company requires in order to be sustainable over the medium and long term. Adjustment of the tariffs for the electricity business is regulated and is subject to the process laid down by the Energy Regulatory Commission (ERC).

The electricity business is currently in a major expansion phase driven by a rise in demand and Government policy. The funding of additional transmission and other distribution capacity is to be obtained from cash generated by the business, Government support and funds borrowed from local and international lending institutions. The adequacy of electricity tariffs allowed by ERC and the level of Government support are key factors in the sustainability of the Company. The debt to equity ratio plays an important role in the credit ratings given to the Company which in turn influence the cost of funding. The

NOTES (CONTINUED)

Company's policy is to fund capital expansion programme jointly through its own resources and long-term borrowings.

5. Financial risk and capital management (continued)

(f) *Fair values of financial assets and liabilities*

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

	Carrying amount		Fair value	
	2017	2016	2017	2016
	Shs'000	Shs'000	Shs'000	Shs'000
Financial assets				
Trade and other receivables	44,301,842	25,149,004	44,301,842	25,149,004
Short term deposits	596,169	3,842,355	596,169	3,842,355
Bank and cash balances	2,941,754	1,660,698	2,941,754	1,660,698
Financial liabilities				
Borrowings	122,016,122	113,868,712	122,016,122	113,868,712
Trade and other payables	87,422,905	65,471,026	87,422,905	65,471,026
Bank overdraft	4,688,333	-	4,688,333	-

Trade and other receivables are evaluated regularly to assess the likelihood of impairment. Based on this evaluation, allowances are taken to account for the expected losses on these receivables. As at 30 June 2017, the carrying amounts of such receivables, net of allowances, approximates their fair value.

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

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.

None of the financial assets is carried at fair value.

NOTES (CONTINUED)

6. (a) Electricity sales

	2017 Shs'000	2016 Shs'000
Large commercial and industrial customers	43,200,695	46,069,593
Small commercial customers	26,529,030	15,892,772
Domestic customers	21,879,400	24,382,041
Export and others	342,504	736,406
	91,951,629	87,080,812

(b) Other operating income

Capital contribution amortised to profit or loss (Note 25)	6,773,396	5,401,248
Miscellaneous sales	866,264	1,614,851
Fibre optic leases	336,308	276,122
Reconnection charges	154,430	177,666
	8,130,398	7,469,887

7. Power purchase costs

(a) Non-fuel costs

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

	2017 Shs'000	2016 Shs'000
KenGen	33,990,062	35,726,121
OrPower 4 Inc.	11,343,617	9,976,615
Iberafrica Power (E.A.) Company Limited	3,342,529	3,136,432
Triumph Power Generating Company Limited	2,384,967	2,084,368
Rabai Power Limited	2,306,222	2,816,491
Gulf Power Limited	2,046,992	1,866,852
Tsavo Power Company Limited	2,035,340	2,131,186
Thika Power Limited	1,621,244	2,023,828
Uganda Electricity Transmission Company Limited	1,268,119	681,460
Regen-Terem	24,474	-
Ethiopia Electricity Power Company	18,363	18,897
Aggreko	12,977	542,596
Power Technology Solutions Limited	9,743	19,171
Biojoule Kenya Limited	7,353	3,144
Mumias Sugar Company Limited	3,911	-
Imenti Tea Factory	1,706	4,879
Tanzania Electric Supply Company Limited	1,229	58
	60,418,848	61,032,098
Less foreign exchange surcharge (separately presented in profit or loss)	(6,199,227)	(6,175,191)
Less recharged to Rural Electrification Scheme	(3,603,798)	(3,457,493)
	50,615,823	51,399,414

NOTES (CONTINUED)

7. Power purchase costs (continued)

(b) Fuel costs

	2017 Shs'000	2016 Shs'000
KenGen	9,073,983	3,486,836
Rabai Power Limited	5,078,615	4,045,895
Uganda Electricity Transmission Company Limited	2,639,322	436,789
Iberafrica Power (E.A.) Company Limited	2,332,081	1,466,620
Thika Power Limited	1,750,973	1,280,080
Off grid power stations	1,472,798	909,455
Tsavo Power Company Limited	1,256,243	608,331
Triumph Power Generating Company Limited	897,062	1,142,318
Gulf Power Limited	586,794	182,361
Aggreko	83,826	894,846
	25,171,697	14,453,531
Less recharged to Rural Electrification Scheme	(3,047,985)	(1,763,104)
	22,123,712	12,690,427

A recovery of Shs 22,107,948,000 (2016: Shs 12,511,727,000) was made.

Units purchased

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

	2017 GWh	2016 GWh
KenGen	7,513	7,724
OrPower 4 Inc	1,172	1,067
Rabai Power Limited	607	536
Iberafrica Power (E.A.) Company Limited	252	128
Uganda Electricity Transmission Company Limited	180	65
Thika Power	168	70
Tsavo Power Company Limited	121	39
Triumph Power Generating Company Limited	83	82
Gulf Power Limited	61	8
Off grid power stations	41	41
Ethiopia Electricity Power Company	3	3
Aggreko	1	50
Power Technology Solutions Limited	1	2
Biojoule Biogas Power Plant	1	-
Regen-Terem	1	-
Tanzania Electric Supply Company Limited*	-	-
Imenti Tea Factory**	-	1
	10,205	9,816
Less recharged to Rural Electrification Scheme	(683)	(657)
	9,522	9,159

*Tanzania Electric Supply Company Limited supplied KWh 3,353 during the year (2016: KWh 2,029).

**Imenti Tea Factory Company Limited supplied KWh 271,370 during the year (2016: KWh 744,063).

NOTES (CONTINUED)

7. Power purchase costs (continued)

Type of interconnected power sources

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

	2017	2016
	GWh	GWh
Hydro	3,341	3,787
Geothermal	4,451	4,608
Thermal	2,165	1,297
Net imports	184	67
Others	64	57
	10,205	9,816
Less recharged to Rural Electrification Scheme	(683)	(657)
	9,522	9,159

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

8. Net operating expenses

(a) Network management

	2017	2016
	Shs'000	Shs'000
Salaries and wages	4,554,499	2,010,141
Depreciation	4,720,065	4,788,842
Wheeling charges – Ketraco*	2,011,000	2,011,000
Loss on disposal of fixed assets	625,570	510,794
Transport and travelling	545,026	207,070
Consumable goods	380,068	762,283
Staff welfare	105,919	63,597
Advertising and public relations	50,444	76,626
Office expenses	3,017	5,245
Other costs	535,994	1,010,248
Net recharge of distribution and transmission costs to Rural Electrification Scheme	(2,370,856)	(1,949,112)
	11,160,746	9,496,734

* These are fees levied by Ketraco for the use of their transmission lines to transport electricity from the generators. The amount is determined by Energy Regulatory Commission (ERC).

NOTES (CONTINUED)

8. Net operating expenses (Continued)

(b) Commercial services

	2017 Shs'000	2016 Shs'000
Salaries and wages	3,290,802	4,123,416
Depreciation	2,442,417	1,637,063
Provision for non-vending customers	289,940	-
Provision for electricity debtors (Note 20(d))	282,472	-
Transport and travelling	236,786	398,130
Office expenses	85,175	168,513
Staff welfare	74,316	41,441
Advertising and public relations	63,472	33,921
Consumable goods	29,722	37,873
Electrical materials	3,116	3,892
Repairs and maintenance	-	125,891
Other costs	7,000	-
Net recharge of customer service costs to Rural Electrification Scheme	(2,059,387)	(2,245,964)
	4,745,831	4,324,176

NOTES (CONTINUED)

8. Net operating expense (continued)

(c) Administration

	2017 Shs'000	2016 Shs'000
Salaries and wages	4,791,114	4,949,440
Depreciation	4,065,095	2,577,566
Repairs and maintenance	1,286,538	1,039,566
Staff welfare	1,234,597	1,290,290
Realised foreign exchange differences (Note 18(c))	798,716	842,691
Amortisation of intangible assets and operating lease prepayment	738,311	431,089
Office expenses	637,045	512,110
Security and surveillance	608,196	545,982
Inventories provision (Note 19)	497,733	107,504
Transport and travelling	478,831	209,436
Training expenses and consumer services	446,645	175,260
Rents	438,804	351,106
Licenses	429,836	186,540
Insurance	374,998	343,919
Bank charges	357,593	389,705
Public relations	329,127	358,981
Provision for other receivables	209,258	-
Other consumable goods	189,688	197,077
Company electricity expenses	181,226	169,175
Consultancy fees	136,758	7,006
Directors' emoluments	35,214	36,633
Other directors' expenses	62,774	15,753
Insurance claims provision	58,756	-
Auditor remuneration	15,270	17,660
Retirement benefit credits (Note 30)	(326,988)	(297,044)
Decrease in leave pay provision (Note 31)	(197,466)	(553,634)
Imperial Bank deposits (write-back)/ provision*	(34,154)	322,438
Ex-staff balances provision	-	40,488
Other costs	724,258	1,691,645
Recharge of administration costs to Rural Electrification Scheme**	(1,057,680)	(1,128,540)
	17,510,093	14,829,842

* A full provision of Shs 322,438,000 was made in the year ended 30 June 2016 for the amount deposited with Imperial Bank Limited. A recovery of Shs 34,154,000 was made in the year. Imperial Bank was placed under receivership in 2015.

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

NOTES (CONTINUED)

9. Employee benefits

	2017 Shs'000	2016 Shs'000
Salaries and wages	14,941,112	12,754,068
Recharge of recurrent expenditure to capital jobs*	(3,157,191)	(2,440,566)
NSSF employer contributions	27,137	26,648
Pension costs – defined contribution	825,364	742,847
Salaries and wages	12,636,422	11,082,997
Pension credit - defined benefit scheme (Note 30)	(326,988)	(297,044)
	12,309,434	10,785,953
Decrease in leave pay provision (Note 31)	(197,466)	(553,634)
	12,111,968	10,232,319

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

10. Net finance costs

	2017 Shs'000	2016 Shs'000
<i>(a) Interest income</i>		
Interest income on bank and other deposits	46,004	964,957
<i>(b) Finance costs</i>		
Interest incurred on:		
Loans	(5,140,349)	(5,746,607)
Bank overdrafts	(508,519)	(62,738)
Dividends on cumulative preference shares	(1,930)	(1,930)
	(5,650,798)	(5,811,275)

NOTES (CONTINUED)

11. Expenses by nature

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

	2017 Shs'000	2016 Shs'000
Employee benefits (Note 9)	12,111,968	10,232,319
Depreciation (Note 15)	11,227,577	9,003,471
Amortisation of intangible assets (Note 17)	738,255	431,040
Amortisation of operating lease prepayments (Note 16)	56	49
Directors' emoluments:		
- Fees	5,094	4,488
- Other	30,120	32,145
Other directors' expenses	62,774	15,753
Auditor remuneration	15,270	17,660
Loss on disposal of property and equipment (Note 33 (e))	625,370	510,794
Rent expense	438,804	351,106
Provision for electricity debtors (Note 20 (d))	282,472	-
Provision for inventories (Note 19)	497,733	-
(Write back)/ provision for cash deposits held in Imperial Bank	(34,154)	322,438
Write back for leave provision	(197,466)	(553,634)
Provision for other debtors (Note 20 (d))	557,955	40,488
Retirement benefit credit (Note 30)	(326,988)	(297,044)
Interest expense	5,650,798	5,811,275
Interest income	(46,004)	(964,957)
Rent income	(63,007)	(47,877)

12. (a) Income tax expense

	2017 Shs'000	2016 Restated Shs'000
Current income tax	78,232	263,284
Prior year current income tax (over)/under provision	(4,571)	33,020
Deferred income tax	3,572,650	4,589,530
	3,646,311	4,885,834

NOTES (CONTINUED)

12. (b) Income tax expense (continued)

The tax on the Company's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

	2017 Shs'000	2016 Restated Shs'000
Profit before income tax	10,912,442	12,082,397
Tax calculated at the statutory income tax rate of 30% (2016: 30%)	3,273,733	3,624,719
Tax effect of:		
Expenses not deductible for tax purposes	298,917	605,211
Prior year current income tax under provision	(4,571)	33,020
Current income tax on separate sources of income	78,232	263,284
Prior year under provision of deferred income tax (Note 26)	-	359,600
Income tax expense	3,646,311	4,885,834

Income tax expense had been restated as a result of a prior year error in deferred income tax (Note 39).

	2016 Shs'000	2015 Shs'000
As previously reported	4,526,234	4,821,817
Restatement prior period error in deferred income tax (Note 39)	359,600	1,234,424
As restated	4,885,834	6,056,241

(c) Current income tax recoverable reconciliation

At beginning of year	21,419	(180,432)
Paid during the year	96,600	498,155
Current income tax over provision (previous years)	4,571	-
Income tax paid (previous years)	-	(33,020)
Corporation tax on separate sources of income – current year	(78,232)	(263,284)
At end of year	44,358	21,419

NOTES (CONTINUED)

13. Earnings per share

The calculation of basic and diluted earnings per share is based on continuing operations attributable to the ordinary equity holders of the Company. There were no discontinued operations during the year. There were no potentially dilutive ordinary shares as at 30 June 2017 and 2016. Diluted earnings per share is therefore the same as basic earnings per share.

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

	2017	2016
	Shs'000	Restated Shs'000
Profit for the year attributable to owners of the Company	7,266,131	7,196,563

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

	2017	2016
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	1,951,467,045	1,951,467,045

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

	2017	2016
		Restated
Basic earnings per share (Shs)	3.72	3.69
Diluted earnings per share (Shs)	3.72	3.69

14. Dividends per share

Proposed dividends are accrued after they have been ratified at an Annual General Meeting. At the Annual General Meeting to be held before the end of 2017, a final dividend in respect of the year ended 30 June 2017 of Shs 0.50 (2016: Shs 0.30) for every ordinary share of Shs 2.50 par value is to be proposed.

There was no interim dividend paid in the year (2016: Shs 0.20). This will bring the total dividend for the year to Shs 0.50 (2016: Shs 0.50).

NOTES (CONTINUED)

15. Property and equipment

	Freehold land and buildings	Transmission lines	Distribution lines	Machinery	Motor vehicles	Furniture equipment	Work in progress	Total
2017	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Cost								
At 1 July 2016	4,708,940	18,187,534	164,940,451	620,045	6,112,960	28,314,850	66,086,661	288,971,441
Work in progress additions	-	-	-	-	-	-	41,023,892	41,023,892
Transfers from work in progress	1,360,689	1,663,982	33,269,916	42,447	465,515	8,529,642	(45,332,191)	-
Disposals	-	-	(906,714)	-	(15,919)	-	-	(922,633)
At 30 June 2017	6,069,629	19,851,516	197,303,653	662,492	6,562,556	36,844,492	61,778,362	329,072,700
Depreciation								
At 1 July 2016	971,112	8,419,588	23,161,339	125,292	4,565,401	16,261,446	-	53,504,178
Charge for the year	107,842	619,453	6,344,797	27,779	526,915	3,600,791	-	11,227,577
Disposals	-	-	(234,209)	-	(14,327)	-	-	(248,536)
At 30 June 2017	1,078,954	9,039,041	29,271,927	153,071	5,077,989	19,862,237	-	64,483,219
Net book value	4,990,675	10,812,475	168,031,726	509,421	1,484,567	16,982,255	61,778,362	264,589,481

NOTES (CONTINUED)

15. Property and equipment (continued)

	Freehold land and buildings	Transmission lines	Distribution lines	Machinery	Motor vehicles	Furniture equipment	Work in progress	Total
2016	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Cost								
At 1 July 2015	3,537,874	16,609,859	138,662,056	588,007	6,111,228	21,544,771	54,345,236	241,399,031
Work in progress additions	-	-	-	-	-	-	48,815,284	48,815,284
Transfers from work in progress	1,171,066	1,577,675	271,48,746	32,038	374,255	6,770,079	(37,073,859)	-
Disposals	-	-	(870,351)	-	(372,523)	-	-	(1,242,874)
At 30 June 2016	4,708,940	18,187,534	164,940,451	620,045	6,112,960	28,314,850	66,086,661	288,971,441
Depreciation								
At 1 July 2015	894,505	7,891,945	18,201,134	96,016	4,293,832	13,720,269	-	45,097,701
Charge for the year	76,607	527,643	5,221,928	29,276	606,840	2,541,177	-	9,003,471
Disposals	-	-	(261,723)	-	(335,271)	-	-	(596,994)
At 30 June 2016	971,112	8,419,588	23,161,339	125,292	4,565,401	16,261,446	-	53,504,178
Net book value								
At 30 June 2016	3,737,828	9,767,946	141,779,112	494,753	1,547,559	12,053,404	66,086,661	235,467,263

NOTES (CONTINUED)

16. Operating lease prepayment

	2017 Shs'000	2016 Shs'000
Cost		
At 1 July	133,693	133,693
Amortisation		
At 1 July	(2,199)	(2,150)
Charge for the year	(56)	(49)
At 30 June	(2,255)	(2,199)
Net book value	131,438	131,494

17. Intangible assets

Cost		
At 1 July	3,600,872	1,986,398
Additions	729,705	1,614,474
At 30 June	4,330,577	3,600,872
Amortisation		
At 1 July	(998,839)	(567,799)
Charge for the year	(738,255)	(431,040)
At 30 June	(1,737,094)	(998,839)
Net book value	2,593,483	2,602,033

Intangible assets comprise software and have an estimated useful life of five years.

18. Recoverable foreign exchange adjustment

- (a) Recoverable foreign currency exchange adjustment relates to unrealised currency exchange differences on foreign currency denominated borrowings. The electricity tariff allows the Company to bill and recover all realised foreign exchange losses relative to the base rates approved by the Energy Regulatory Commission. The amount in the statement of financial position relates to unrealised exchange differences arising on retranslation of foreign currency borrowings at the reporting date which are recoverable from electricity customers.

(b) Unrealised foreign exchange losses

	2017 Shs'000	2016 Shs'000
Exchange losses on loans	(2,581,269)	(2,318,642)
Exchange losses on loans for on-going projects capitalised	550,417	242,202
Exchange losses on loans for completed projects	(2,030,852)	(2,076,440)
Exchange gains on deposits	4,017	655,702
Net unrealised foreign exchange losses	(2,026,835)	(1,420,738)

NOTES (CONTINUED)

18. Recoverable foreign exchange adjustment (Continued)

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

	2017 Shs'000	2016 Shs'000
At beginning of year	6,091,546	5,513,499
Net movement in the unrealised exchange loss	2,026,835	1,420,738
Realised exchange loss (Note 8(c))	(798,716)	(842,691)
At end of year	7,319,665	6,091,546
Recoverable foreign exchange adjustment is further analysed as follows:		
Current - recoverable within 12 months	798,716	23,123
Non-current - recoverable after 12 months	6,520,949	6,068,423
	7,319,665	6,091,546

19. Inventories

	2017 Shs'000	2016 Shs'000
General stores	5,321,960	5,901,878
Transformers	2,049,688	2,837,888
Conductors and cables	1,696,835	2,061,142
Poles	867,961	884,359
Meters and accessories	302,240	391,798
Fuel and oil	229,750	278,641
Motor vehicle spares	100,651	129,101
Engineering spares	17,437	13,357
	10,586,522	12,498,164
Provision for impairment	(960,229)	(602,893)
	9,626,293	11,895,271
Movements in the provisions for inventories were as follows:		
At 1 July	(602,893)	(439,508)
Inventories write off	140,397	-
Additional provision (Note 8(c))	(497,733)	(163,385)
At 30 June	(960,229)	(602,893)

General stores, engineering spares, fuel and oil, transformers and motor vehicle spares are stated at weighted average cost.

NOTES (CONTINUED)

20. (a) Trade and other receivables

	2017 Shs'000	2016 Shs'000
Electricity receivables (Note 20(b))	16,715,809	16,159,084
Prepayments	2,089,680	2,153,709
Recoverable fuel costs*	10,155,749	802,762
VAT recoverable	4,276,787	1,901,651
Rural Electrification Scheme current account	-	759,429
Rural Electrification Authority current account	167,110	60,294
Staff receivables (Note 20(c) (i))	705,197	672,496
Stima loan deferred payment customers (Note 20(c)(ii)) **	342,173	552,707
Due from Ketraco***	8,593,104	5,204,858
GPOBA prepaid debtors****	610,495	1,114,756
Receivable from Government of Kenya*****	3,362,487	3,362,587
Capital contribution receivable	1,939,813	-
Rural electrification schemes- intercompany	3,554,521	238,115
Other receivables (Note 20(c) (iii))	3,852,761	3,830,958
Gross trade and other receivables	56,365,686	36,813,406
Provision for credit losses (Note 20(d))	(5,086,882)	(4,246,455)
Net trade and other receivables	51,278,804	32,566,951

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

* Recoverable fuel costs relate to fuel costs for the month of June passed on to customers to be recovered in July and unrecovered fuel cost from customers currently in a mitigation fund set up by the Energy Regulatory Commission (ERC) to be passed on a later date upon approval.

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

*** This represents amounts due from Ketraco relating to the 0.75% Japan Bank for International Cooperation debt for the

construction of Sondu Miriu transmission and distribution line which is to be transferred to Ketraco after the agreement to transfer the loan to Ketraco is executed between the relevant parties and the construction 132 KV transmission lines and substations.

****GPOBA prepaid debtors relate to the Global Partnership on Output Based Assistance (GPOBA) project for customers on prepaid meters. This project aims to provide safe, legal and affordable electricity to informal settlements. In 2015, the Company entered into an arrangement with the World Bank's International Development Association (IDA), which acts as an administrator of GPOBA. Under the agreement, the Company pre-invests its own resources to provide electricity to informal settlements after which IDA reimburses the Company for every connection done under this project.

NOTES (CONTINUED)

20. (a) Trade and other receivables (Continued)

The facility comprised a USD 10 million IDA loan and USD 5.15 million grant to be used as a subsidy for eligible electricity connections, allowing low income households to pay Shs 1,160 per connection. The receivable amount of Shs 610,495,000 is due from customers who received electricity connection under this project. The Company automatically recovers Shs 100 from these customers every month to recover the Shs 1,160 awarded to each customer.

*****Receivable from Government of Kenya (GoK) relates to subsidies

due to the Company to enhance universal access to electricity through connectivity to the national grid. The Shs 3.3 billion (2016: Shs 3.3 billion) receivable from the GoK is part of a larger commitment by the GoK, to be financed partly through support from the World Bank and the African Development Bank to enhance universal access to electricity. During the year, the Company received Shs 2,465,267,000 as disbursements and the amount was fully utilized to connect new customers.

(b) Electricity receivables

At 30 June, the aged analysis of electricity receivables was as follows:

	Total Shs'000	<30 days Shs'000	30-60 days Shs'000	60-90 days Shs'000	>90 days Shs'000
2017					
Gross	16,715,809	7,912,550	1,432,842	698,471	6,671,946
Impairment	(4,036,472)	-	-	-	(4,036,472)
Net	12,679,337	7,912,550	1,432,842	698,471	2,635,474
2016					
Gross	16,159,084	8,428,793	1,379,944	402,866	5,947,481
Impairment	(3,754,000)	-	-	-	(3,754,000)
Net	12,405,084	8,428,793	1,379,944	402,866	2,193,481

(c) Other receivables analysis

Other receivables comprise debtors' balances that have been impaired as follows;

	2017 Shs'000	2016 Shs'000
(i) Staff receivables (Note 20(a))	705,197	672,496
Allowance for doubtful staff receivables	(127,165)	(127,165)
Net staff receivables	578,032	545,331
(ii) Stima loans deferred payment customers (Note 20(a))	342,173	552,707
Allowance for doubtful Stima loans	(79,071)	(79,071)
Net Stima loans	263,102	473,636
(iii) Other receivables (Note 20(a))	3,852,743	3,830,940
Allowance for doubtful receivables	(844,174)	(286,219)
Net other receivables	3,008,569	3,544,721

All provisions for credit losses are specific.

NOTES (CONTINUED)

20. Trade and other receivables (Continued)

(d) Provisions for credit losses

	Electricity receivables Shs'000	Stima loans Shs'000	Staff receivables Shs'000	Other receivables Shs'000	Total Shs'000
2017					
At 1 July	(3,754,000)	(79,071)	(127,165)	(286,219)	(4,246,455)
Additional provision	(282,472)	-	-	(557,955)	(840,427)
At 30 June (Note 20(a))	(4,036,472)	(79,071)	(127,165)	(844,174)	(5,086,882)
2016					
At 1 July	(3,754,000)	(79,071)	(86,677)	(286,219)	(4,205,967)
Additional provision	-	-	(40,488)	-	(40,488)
At 30 June (Note 20(a))	(3,754,000)	(79,071)	(127,165)	(286,219)	(4,246,455)

21. Short term deposits, bank and cash balances

(a) Short term deposits

	2017 Shs'000	2016 Shs'000
Housing Finance Company of Kenya Limited	371,089	14,388
The Co-operative Bank of Kenya Limited	225,080	1,801,300
Kenya Commercial Bank Limited	-	2,026,667
	596,169	3,842,355

The average effective interest rate on the short-term deposits for the year ended 30 June 2017 was 6.68% (2016: 6.16%).

(b) Bank and cash balances

	2017 Shs'000	2016 Shs'000
Cash at bank	2,925,817	1,640,245
Cash on hand	15,937	20,453
	2,941,754	1,660,698
Overdraft	(4,688,333)	-
	(1,746,579)	1,660,698

Included in cash and bank is an amount of Shs 288,283,947 (2016: Shs 322,437,639) deposited in Imperial Bank Limited which was placed under receivership in 2015. During the year, a recovery of Shs 34,153,692 was made (Note 8(c)). The rest of the balance is fully provided for.

No balances were held with Chase Bank Limited.

NOTES (CONTINUED)

22. Share capital

Ordinary share capital

	2017 Shs'000	2016 Shs'000
Authorised:		
2,592,812,000 ordinary shares of Shs 2.50 each	6,482,030	6,482,030
Issued and fully paid:		
1,951,467,045 ordinary shares of Shs 2.50 each	4,878,667	4,878,667

23. Share premium

The share premium arose from the redemption of the 7.85% redeemable non-cumulative preference shares and a rights issue in the year 2011 at a price of Shs 207.50 giving rise to a share premium of Shs 14,367 million.

A further premium was received from the rights issue of 488,630,245 ordinary shares of Shs 2.50 each at a price of Shs 19.50, hence resulting to a share premium of Shs 17.00 per share or a total share premium of Shs 8,307 million. The transaction costs amounting to Shs 653 million were netted off against the share premium.

24. Reserves

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

25. Deferred income

	2017 Shs'000	2016 Shs'000
Balance at beginning of the year	24,108,069	22,013,580
Additions: Contributions from customers	5,267,029	4,647,897
Grant from Government of Kenya	1,904,921	2,847,840
Recognised as income (Note 6(b))	(6,773,396)	(5,401,248)
Balance at end of the year	24,506,623	24,108,069
Maturity Analysis		
Non-current	19,562,051	18,154,796
Current	4,944,572	5,953,273
Balance at end of the year	24,506,623	24,108,069

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

Included in the additions for the current year is an amount of Shs 1.9 billion (2016: Shs 2.8 billion) disbursed by the Government of Kenya as a grant to the Company to enhance universal access to electricity through connectivity to the national grid.

NOTES (CONTINUED)

26. Deferred income tax

Deferred income tax is calculated using the enacted income tax rate of 30% (2016: 30%). The movement on the deferred income tax account is as follows:

	2017 Shs'000	2016 Restated Shs'000
At start of year	29,217,030	24,699,789
Credit to other comprehensive income	(317,507)	(72,289)
Charge to income statement (Note 12 (a))	3,572,650	4,589,530
At end of year	32,472,174	29,217,030

Year ended 30 June 2017	01.07.2016 Shs'000	Charged/ (credited) to SCI Shs'000	Charged/ (credited) to OCI Shs'000	30.06.2017 Shs'000
Deferred income tax liabilities				
Property and equipment	43,543,918	8,461,752	-	52,005,670
Retirement benefit asset	978,945	98,096	(317,507)	759,534
	44,522,863	8,559,848	(317,507)	52,765,204
Deferred income tax assets				
Provisions	(1,714,847)	(289,842)	-	(2,004,689)
Tax losses	(13,590,986)	(4,697,356)	-	(18,288,342)
	(15,305,833)	(4,987,198)	-	(20,293,031)
Net deferred income tax liabilities	29,217,030	3,572,650	(317,507)	32,472,173

Year ended 30 June 2016	01.07.2015 Restated Shs'000	Charged/ (credited) to SCI Shs'000	Charged/ (credited) to OCI Shs'000	30.06.2016 Restated Shs'000
Deferred income tax liabilities				
Property and equipment	36,270,746	7,273,172	-	43,543,918
Retirement benefit asset	962,120	89,114	(72,289)	978,945
	37,232,866	7,362,286	(72,289)	44,522,863
Deferred income tax assets				
Provisions	(1,723,043)	8,196	-	(1,714,847)
Tax losses	(10,810,035)	(2,780,951)	-	(13,590,986)
	(12,533,078)	2,772,755	-	(15,305,833)
Net deferred income tax liabilities	24,699,789	4,589,531	(72,289)	29,217,030

As at 30 June 2016 the Company had accumulated tax losses amounting to Shs 60,961 million (2016: Shs 45,303 million) available for future relief. The deferred income tax has been restated due to a prior period error.

	2016 Shs'000	2015 Shs'000
As previously reported	27,623,006	23,465,365
Restatement due to prior period error (Note 39)	1,594,024	1,234,424
As restated	29,217,030	24,699,789

NOTES (CONTINUED)

27. Trade and other payables

	2017 Shs'000	2016 Shs'000
(a) Non-current liabilities		
Customer deposits*	7,417,883	7,493,862
Capital contributions	1,542,274	2,149,329
Capital contribution - on-going projects**	13,426,192	13,001,040
Rural Electrification Scheme current account - Last Mile Project	3,570,618	817,598
Deferred creditor (Fibre optic)	524,460	494,230
Donor funded revolving fund	4,509,763	3,917,412
Rural Electrification Scheme current account - capital	172,498	-
Ministry of Finance	328,141	656,281
Other payables	1,789,336	1,643,103
	33,281,165	30,172,855

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

** Capital contributions for on-going projects relate to customer contributions for capital works not completed.

(b) Current liabilities

	2017 Shs'000	2016 Shs'000
KenGen	15,429,222	8,303,647
Aggreko	193,934	490,544
Other electricity suppliers	12,695,623	6,876,601
Other suppliers' accounts	13,773,775	9,218,396
Rural Electrification Authority Levy*	1,634,371	755,114
Energy Regulatory Commission Levy	83,892	82,544
Ketraco wheeling charge	1,119,457	388,793
Deferred creditor (Fibre optic)	60,185	141,442
Prepaid revenue**	302,499	265,819
Street lighting project	2,875,319	4,250,939
Ministry of Finance	546,900	328,140
Other payables	5,259,237	3,492,780
Customer refunds (capacity for uncommissioned plants)	-	703,412
	53,974,414	35,298,171

*The Rural Electrification Authority Levy under current liabilities relates to levy charge for May and June 2017 to be remitted to Rural Electrification Authority on collection. Trade payables under current liabilities are non-interest bearing and are normally settled within 60 days.

**Prepaid revenue represents unearned income on prepaid meters. Based on historical trends, management derives an estimate of the value of prepaid power units not consumed as at the end of the financial year.

NOTES (CONTINUED)

28. Borrowings

(a) Balances

	2017 Shs'000	2016 Shs'000
Commercial borrowings		
Standard Chartered Bank Loan (USD 350,000,000)	36,299,095	35,385,770
Standard Chartered Bank Loan	15,180,000	15,180,000
5.75% + Libor First Rand Bank Long Term Loan (USD 94,999,999) 2014-2020	10,889,728	12,974,782
4.5% + Libor Equity Bank USD Medium Term Loan (USD 71,380,535) 2014-2015	7,380,535	8,041,283
5.25% + Libor Stanbic Medium Term Loan (USD 20,501,840) 2015-2018	2,051,972	2,898,960
11% Stanbic Loan	2,000,000	-
	73,801,330	74,480,795
On-lent borrowings		
3.0% GOK/IDA Kenya Electricity Expansion Project (USD 118,431,511)	12,282,733	9,761,720
4.5% GOK/IDA 3958& 4572 KE ESRP (USD 104,966,826) 2004-2024	10,886,288	10,996,649
GOK/ IDA 5587 Grant (USD 4,195,177) 2015-2052	430,173	123,271
7.7% Kenya Government/IDA 2966 KE loan 1997-2017	188,349	188,349
2% GOK/IDA 5587 KE LOAN (USD 1,219,000) 2015-2052	126,528	123,345
3% GOK/CHINA EXIM BANK (USD 87,498,024) 2014-2034	9,074,569	4,302,913
2.5% GOK/EXIMBANK Loan (¥154,835,394)	2,367,077	2,449,747
3.97% GOK/EIB 23324 KE ESRP (Euro 28,531,686) 2006 - 2025	3,375,607	3,513,210
4% Kenya Government/European Investment Bank - Olkaria Loan (Euro 4,708,917) 2005 - 2020	556,859	740,340
3% GOK/NORDEA (Euro 20,642,782) 2015-2026	2,405,717	758,178
4.5% GOK/Agence Francaise de Development 3008 ESRP (Euro 14,410,542) 2006 - 2024	1,704,923	1,834,265
4.5 % GOK/ Nordic Development Fund 435 ESRP (Euro 5,937,500) 2006 - 2024	702,470	736,973
0.75% Japan Bank for International Cooperation (JPY 1,166,011,721)	1,072,494	1,190,665
KPLC/AFD Revolving Fund Loan (Euro 4,000,000)	448,800	448,800
Accrued interest	2,592,205	2,219,492
	48,214,792	39,387,917
Total borrowings	122,016,122	113,868,712
Less: amounts repayable within 12 months	(10,940,906)	(8,850,929)
Non-current	111,075,216	105,017,783

Standard Chartered Bank, Equity Bank, First Rand Bank and Stanbic loans are secured by letters of negative pledge. All other loans are guaranteed by the Government of Kenya.

NOTES (CONTINUED)

28. Borrowings (Continued)

(b) Analysis of borrowings by currency

	Shs Shs' 000	US\$ Shs' 000	Chinese Yuan Shs' 000	JPY Shs' 000	Euros Shs' 000	Total Shs' 000
2017						
Loans	20,221,005	89,609,971	2,367,077	1,072,494	8,745,576	122,016,122
2016						
Loans	17,848,292	84,797,042	2,449,747	1,190,665	7,582,966	113,868,712

(c) Maturity of borrowings

	2017 Shs'000	2016 Shs'000
Due within 1 year	10,940,906	8,850,929
Due between 1 and 2 years	6,348,701	6,631,438
Due between 2 and 5 years	53,671,120	47,495,755
Due after 5 years	51,055,395	50,890,590
	122,016,122	113,868,712

29. Preference shares

Authorised, issued and fully paid:

350,000 - 7% cumulative preference shares of Shs 20 each	7,000	7,000
1,800,000 - 4% cumulative preference shares of Shs 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.

30. Retirement benefit asset

The Company operates a funded defined benefit plan (the "DB Scheme") for its employees that is established under irrevocable trust. The DB Scheme was closed to new members and future accrual of service as from 1 July 2006. Currently no contributions are payable by employees to the DB Scheme and the Company is on a contribution holiday. DB Scheme assets are invested in a variety of asset classes comprising of government securities, fixed and time deposits, corporate bonds, equities and offshore investments. A separate defined contribution scheme (the "DC Scheme") was setup in respect of service from 1 July 2006. The contributions to the DC Scheme are accounted separately in the Company's statement of profit or loss.

The benefits provided by the DB 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. Under the DB Scheme, the employees are entitled to retirement benefits varying between 3 and 5 percent of final pensionable emoluments on attainment of the retirement age.

The DB Scheme is governed by the Retirement Benefits Act, 1997. This requires that an actuarial valuation be carried out at least every three years for the DB Scheme. The most recent actuarial valuation of the DB Scheme was carried out at 31 December 2016, using the Projected Credit Method, by an independent qualified actuary, Actuarial Services (E.A.) Limited. The actuary carried out a high level actuarial estimate of the DB Scheme financial position at 30 June 2017 taking into account changes in the period then ended.

NOTES (CONTINUED)

30. Retirement benefit asset (Continued)

The Company is exposed to the following actuarial risks:

(i) Investment risk

The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan assets is below this rate, it will create a plan deficit. Currently, the plan has a relatively balanced investment in investment properties, government securities, equity investments, corporate bonds and short term deposits. Due to the long-term nature of the DB Scheme liabilities, management considers it appropriate that a reasonable portion of the plan assets should be invested in equity securities and in real estate to leverage the return generated by the DB Scheme.

(ii) Interest risk

A decrease in bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.

(iii) Longevity risk

Benefits in the DB Scheme are payable on retirement, resignation, death or ill-health retirement. The actual cost to the Company of the benefits is therefore subject to the demographic movements of employees.

(iv) The benefits are linked to salary and consequently have an associated risk to increases in salary.

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

	2017	2016
Discount rate	12.52%	14.25%
Expected rate of return on assets	12.52%	14.25%
Future salary increases	5.00%	5.00%
Retirement age	60 years	60 years

NOTES (CONTINUED)

30. Retirement benefit asset (Continued)

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

The current service costs and the net interest expense for the year are included in administration expenses in the statement of profit or loss (Note 8(c)).

The measurement of the defined benefit liability is included in other comprehensive income. The amounts recognised in the profit or loss and other comprehensive income in respect of the defined benefit plan are as follows:

	2017 Shs'000	2016 Shs'000
Current service cost	128,832	119,946
Interest cost on defined benefit obligation	1,561,142	1,433,038
Interest income on plan assets	(2,481,960)	(2,274,965)
Interest on the effect of the asset ceiling	464,998	424,937
Recognised in profit or loss (Note 9)	(326,988)	(297,044)
Net actuarial losses/(gains)	1,867,090	(437,962)
Return on plan assets (excluding amount in interest cost)	387,634	1,047,778
Changes in effect of asset ceiling (excluding amounts in interest cost)	(1,196,368)	(368,854)
Recognised in other comprehensive income	1,058,356	240,962
Total	731,368	(56,082)

The amount included in the statement of financial position arising from the Company's obligation in respect of its defined benefit retirement plan is as follows:

	2017 Shs'000	2016 Shs'000
Fair value of plan assets	19,003,066	17,925,793
Present value of funded defined benefit obligation	(13,939,502)	(11,399,492)
	5,063,564	6,526,301
Limit on defined benefit asset	(2,531,782)	(3,263,151)
Present value of funded defined benefit asset	2,531,782	3,263,150

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

	2017 Shs'000	2016 Shs'000
Net asset at the start of the year	3,263,150	3,207,068
Net income recognised in profit or loss (Note 8(c))	326,988	297,044
Amount recognised in other comprehensive income	(1,058,356)	(240,962)
Present value of funded defined benefit asset	2,531,782	3,263,150

NOTES (CONTINUED)

30. Retirement benefit asset (continued)

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

	2017 Shs'000	2016 Shs'000
Defined benefit obligation – 1 July	11,399,492	11,226,348
Current service cost	128,832	119,946
Interest cost on obligation	1,561,142	1,433,038
Actuarial loss/ (gain)	1,867,090	(437,962)
Benefits paid	(1,017,054)	(941,878)
Defined benefit obligation – 30 June	13,939,502	11,399,492

Movement in the fair value of defined benefit scheme assets:

	2017 Shs'000	2016 Shs'000
Fair value of scheme assets – 1 July	(17,925,793)	(17,640,484)
Interest income on plan assets	(2,481,960)	(2,274,965)
Actuarial loss	387,634	1,047,778
Benefits paid	1,017,053	941,878
Fair value of scheme assets – 30 June	(19,003,066)	(17,925,793)

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

	2017 Shs'000	2016 Shs'000
Equity instruments	3,030,885	3,465,870
Debt instruments	6,280,783	6,104,949
Property	7,676,282	8,620,300
Others	2,015,116	(265,326)
Total scheme (assets)	19,003,066	17,925,793

The fair values of the above equity and debt instruments are determined based on quoted market prices in active markets whereas the fair values of properties are not based on quoted market prices in active markets. This treatment has been implemented during the current and prior years.

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 Shs 200 per employee per month.

Sensitivity analysis

A sensitivity analysis was performed on the model and if all other key assumptions remained unchanged while the discount rate increased by 1% this would have resulted in an increase in the retirement benefit asset by Shs 371 million. If the discount rate had decreased by 1% the result would have been Shs 459 million decrease in the retirement benefit asset.

NOTES (CONTINUED)

31. Provision for leave pay

	2017 Shs'000	2016 Shs'000
At 1 July	544,369	1,098,003
Write back of provisions (Note 9)	(197,466)	(553,634)
At 30 June	346,903	544,369

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

32. Dividends payable

	2017 Shs'000	2016 Shs'000
Dividends payable on ordinary shares	362,839	268,161

These relate to unclaimed dividends payable to different ordinary shareholders.

The movement in the dividend payable account is as follows:

	2017 Shs'000	2016 Shs'000
At 1 July	268,161	280,169
Declared during the year	587,370	977,663
Paid during the year	(492,692)	(989,671)
At 30 June	362,839	268,161

33. Notes to the statement of cash flows

(a) Reconciliation of operating profit to cash generated from operations

	2017 Shs'000	2016 Shs'000
Operating profit	16,517,236	16,928,715
Depreciation of property and equipment (Note 15)	11,227,577	9,003,471
Amortisation of intangible assets (Note 17)	738,255	431,040
Amortisation of prepaid leases on land (Note 16)	56	49
Loss on disposal of property and equipment	625,370	510,794
Increase in deferred income	398,554	2,094,489
Decrease in provision for leave pay obligation (Note 31)	(197,466)	(553,634)
Increase in provision for electricity receivables (Note 20(d))	282,472	-
Increase in provision for other receivables	557,955	-
Increased provision for inventories	497,733	163,385
Retirement plan income (Note 8(c))	(326,988)	(297,044)
Working capital adjustments		
Decrease/ (increase) in inventories (Note 19)	2,268,978	(398,559)
Increase in trade and other receivables	(18,812,908)	(6,744,201)
Increase in recoverable foreign exchange asset	(1,228,119)	-
Increase in trade and other payables	21,784,553	11,069,957
Cash generated from operations	34,333,258	32,208,462

NOTES (CONTINUED)

33. Notes to the statement of cash flows (continued)

(b) Analysis of changes in loans

	2017 Shs'000	2016 Shs'000
At the beginning of the year	113,868,712	111,600,384
Receipts	10,672,294	54,995,870
Repayments	(4,680,019)	(53,567,980)
Repayment of previous year's accrued interest	(2,219,492)	(2,199,303)
Realised foreign exchange losses on repayment (Note 18)	(798,716)	(842,691)
Foreign exchange losses (Note 28 (a))	2,581,138	1,662,940
Accrued interest (Note 28 (a))	2,592,205	2,219,492
At the end of the year	122,016,122	113,868,712

(c) Analysis of cash and cash equivalents

Short term deposits (Note 21(a))	596,169	3,842,356
Bank and cash balances (Note 21(b))	2,941,754	1,660,698
Bank overdraft (Note 21(b))	(4,688,333)	-
	(1,150,410)	5,503,054

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 paid

	2017 Shs'000	2016 Shs'000
Interest on loans (Note 10(b))	5,140,349	5,746,607
Overdraft interest (Note 10(b))	508,519	62,738
	5,648,868	5,809,345
Interest on loans capitalised	1,634,490	1,209,600
Accrued interest brought forward (Note 28(a))	2,219,492	2,199,303
Accrued interest carried forward (Note 28(a))	(2,592,205)	(2,219,492)
Interest paid	6,910,645	6,998,756

(e) Proceeds of disposal of property and equipment

	2017 Shs'000	2016 Shs'000
Proceeds from disposal of property and equipment	48,727	135,087
Less: disposed assets at net book value	(674,097)	(645,881)
Loss on disposal of property and equipment	(625,370)	(510,794)

NOTES (CONTINUED)

33. Notes to the statement of cash flows (continued)

(f) Analysis of dividends paid

	2017 Shs'000	2016 Shs'000
Dividends payable - 1 July	268,161	280,169
Preference dividends - 4% and 7% cumulative preference shares	1,930	1,930
2016 dividends declared	585,440	585,440
2017 interim dividends declared	-	390,293
Dividends payable - 30 June	(362,839)	(268,161)
Dividends paid	492,692	989,671

(g) Analysis of interest received

Interest received on bank and other deposits	46,004	964,957
Accrued interest brought forward	112,142	112,676
Reversal of previous years' accrued interest	(113,248)	-
Accrued interest carried forward	(11,087)	(112,142)
Interest received	33,811	965,491

(h) Purchase of property and equipment

Additions to property and equipment (Note 15)	45,332,191	37,073,859
(Decrease)/additions to work in progress (Note 15)	(4,308,299)	11,741,425
	41,023,892	48,815,284
Exchange losses on loans for on-going projects capitalised (Note 10(c))	(550,417)	(242,202)
Interest expense on loans capitalised (Note 33 (d))*	(1,634,490)	(1,209,600)
Property and equipment purchased	38,838,985	47,363,482

*The Company capitalises interest on qualifying projects quarterly at the average cost of debt of 7.91% (2016: 8.09%).

34. Related party transactions

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

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

(i) Ministries

	2017 Shs'000	2016 Shs'000
Electricity sales to Government Ministries	3,272,231	3,421,738
Electricity sales to strategic parastatals	1,693,812	3,068,981

NOTES (CONTINUED)

34. Related party transactions (continued)

(ii) Outstanding balances at the year-end included in trade and other receivables:

	2017 Shs'000	2016 Shs'000
Ministries	171,797	97,485
Strategic parastatals	207,952	171,248
VAT recoverable	4,276,787	1,901,651
Receivable from Government of Kenya	3,362,487	3,362,587
Rural Electrification Scheme's current account	-	759,429
Rural Electrification Authority current account	167,110	60,294
Rural Electrification Scheme- inter-company	3,554,521	238,115
Ministry of Energy and other sector entities	154,766	154,766
	11,895,420	6,745,575

(iii) Outstanding balances at the year-end included in trade and other payables:

	2017 Shs'000	2016 Shs'000
Rural Electrification Scheme levy	1,634,371	755,114
Electricity Regulatory Commission levy	83,892	82,544
Ministry of Finance	875,041	984,421
Government of Kenya - Street lighting project	2,875,319	4,250,939
Rural Electrification Scheme - capital	172,498	-
Rural Electrification Scheme current account- Last Mile	3,570,618	817,598
	9,211,739	6,890,616
Net amount owed by Government of Kenya	2,683,681	(145,041)

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

(c) Staff

	2017 Shs'000	2016 Shs'000
Electricity sales to staff	87,145	91,151
Outstanding balances included in electricity receivables	2,435	2,456

The tariff applicable to staff is the same as that charged to other ordinary customers.

	2017 Shs'000	2016 Shs'000
(ii) Advances to staff included in trade and other receivables	578,032	545,331
(iii) Key management compensation		
Short-term employee benefits	6,470	6,230
Termination benefits	27,176	26,165
	33,646	32,395

NOTES (CONTINUED)

34. Related party transactions (continued)

Short-term employee benefits include those relating to the Managing Director and Chief Executive Officer who is also a director which are disclosed in note 11 and also below:

	2017 Shs'000	2016 Shs'000
(iv) Fees for services as director		
Non-executive directors	5,094	4,488
Other emoluments		
Salaries and other short term employment benefits:		
Executive directors and key management staff	33,646	32,395
Non-executive directors	97,988	52,386
	131,634	84,781
	136,728	89,269

(d) Rural Electrification Scheme

The Company continued to manage the Rural Electrification Scheme (RES) under the Rural Electrification Programme (REP), on behalf of the Government of Kenya.

The Rural Electrification Programme (REP) was established in 1973 by the Government of Kenya following an agreement between the Government and East African Power & Lighting Company Limited, the predecessor to The Kenya Power & Lighting Company Limited. The programme was established with the specific objective to extend electricity to the sub-economic rural areas. In order to intensify the expansion of these sub-economic regions, the Government has established the Rural Electrification Authority (REA). However, KPLC continues to operate and maintain the whole network, in addition to implementing projects for the Authority on contract basis.

The Company has entered into a Mutual Co-operation and Provision of Services Agreement with REA to operate and maintain lines owned by REA. In return, the Company will retain revenues generated from RES customers to cover maintenance costs incurred by the Company. However, the Company continues to invoice the Government for the expenditure incurred to complete on-going projects.

The REP is funded by the Government of Kenya. Any property acquired by REP remains the property of the Government of Kenya. KPLC only acts as a management agent on behalf of the Government. The balances due to RES are disclosed in note 34(b) (ii) and (iii).

(e) KenGen

	2017 Shs'000	2016 Shs'000
Electricity purchases	39,552,628	39,772,016
Amounts due to KenGen on account of electricity purchases (Note 27 (b))	15,429,222	8,303,647
Electricity sales	208,939	267,286
Loan due to KenGen - 0.75% JICA Loan (Note 28 (a))	1,072,494	1,190,665
Amounts due from KenGen on account of electricity sales	74,006	45,459

The Company is related to KenGen through common control.

NOTES (CONTINUED)

34. Related party disclosures (continued)

(f) Kenya Electricity Transmission Company Limited (Ketraco)

	2017 Shs'000	2016 Shs'000
Wheeling charge due to Ketraco	1,119,457	388,793
Funding for assets		
KEEP/KETRACO 132KV Transmission lines	2,173,192	2,015,236
KEEP/KETRACO 132/33KV substations	2,539,768	2,095,916
2.5% Exim Bank Loan for the construction of Kamburu-Meru line	2,226,953	2,449,747
Interest paid on repayment of 2.5% Exim Bank Loan	27,695	-
Amount due from Ketraco on account of local costs*	567,642	567,642
Amount due from Ketraco for 0.75% JICA loan (inclusive of interest)	1,249,249	1,323,523

*These are local costs incurred by KPLC in the construction of Kisii Chemosit and Kamburu- Meru lines. The Company is related to Ketraco through common control.

(g) KPLC Staff Retirement Benefits Scheme

The Company rents property owned by the staff retirement benefits scheme for office accommodation. Rent paid to the scheme in the year amounted to Shs 124 million (2016: Shs 104 million). The Company had no outstanding balance to the retirement benefit scheme as at 30 June 2017 (2016: none).

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

35. Government grant

The Company received grants from the Government of Kenya to subsidize electricity connectivity and to finance street lighting projects. The grants amounted to Shs 6,465,267,000.

The movement in the grant accounts in the current year was as follows:

	2017 Shs'000	2016 Shs'000
Connectivity		
At 1 July	(862,163)	-
Disbursements received during the year	2,465,267	1,138,002
Utilised during the year	(2,465,267)	(2,000,165)
At 30 June	(862,163)	(862,163)
Street lighting		
At 1 July	4,250,939	535,220
Disbursements received during the year	4,000,000	4,500,000
Utilised during the year	(5,375,620)	(784,281)
At 30 June	2,875,319	4,250,939

NOTES (CONTINUED)

35. Government grant (Continued)

The amount of Shs 862 million receivable for connectivity projects has been disclosed under trade and other receivables, while the amount of Shs 2,875 million is accounted for under trade and other payables.

The Company also received an amount of Shs 1,298,920,000 on behalf of Rural Electrification Scheme (RES) for system losses. This grant for system losses has been accounted for in the RES financial statements.

36. Capital commitments

	2017 Shs'000	2016 Shs'000
Authorised and contracted for	144,712,340	149,264,096
Less: amount incurred and included in work-in-progress	(59,457,304)	(59,966,511)
	85,255,036	89,297,585

37. Contingent liabilities

Bank guarantees	1,787,296	1,762,972
Claims on the Company	6,803,130	6,127,811
	8,590,426	7,890,783

Included in the claims on the Company are:

- (i) Christopher Lebo & 331 Others vs KPLC (2003). This case relates to termination of services by KPLC. The damages sought total to Shs 500 million.
- (ii) David Mirara Gathii & Other KPLC. This is a claim by the plaintiff for way leave amounting to Shs 175 million. The case is yet to be scheduled for hearing.
- (iii) County Government of Nairobi vs. KPLC. This is a claim by the County Government of Nairobi for poles and wayleaves charges. The estimated contingent liability is Shs 630 million.
- (iv) Nasir Maalim Arte vs. KPLC. This is a claim for wayleave & trespass to land against KPLC. The estimated contingent Liability is Shs 600 million.
- (v) Municipal Council of Kisumu vs. KPLC. This is a claim by the Municipal Council of Kisumu for poles and wayleaves charges for a period between 01/04/2001 to 26th October 2006. The estimated contingent liability is Shs 106 million.

- (vi) Other claims on the Company relate to civil suits lodged against the Company by various parties in the normal course of business with an estimated amount of Shs 4,792 million. Included in these claims are cases by Nucon Switchgears PVT Ltd and Muwa Ltd for the termination of contracts for supply of transformers.

The likely outcome of these suits could not be determined at the date of signing these financial statements.

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

NOTES (CONTINUED)

38. Future rental commitments under operating leases

As lessee:

The total future minimum lease payments due to third parties under non-cancellable operating leases are as follows:

	2017 Shs'000	2016 Shs'000
Not later than 1 year	218,814	356,912
Later than 1 year and not later than 5 years	554,108	769,654
More than 5 years	419,374	395,841
	1,192,296	1,522,407

As lessor:

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

	2017 Shs'000	2016 Shs'000
Not later than 1 year	63,901	68,401
Later than 1 year and not later than 5 years	126,281	100,263
More than 5 years	71,646	-
	261,828	168,664

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

39. Prior year adjustments

The prior year restatement relates to correction of errors in deferred income tax liability for 2015 and 2016. The errors arose from the omission of the intangible assets net book value for the years ended 30 June 2015 and 30 June 2016, deferred income tax on incorrect tax losses and the inclusion of unsupported unrealised foreign exchange gains in the computation. The impact on the changes on the total comprehensive income for the year, assets, liabilities and equity is as follows:

On the income statement for the year ended 30 June 2016:

	Shs '000
Profit for 2016 as previously reported	7,556,163
Adjustment in 2016 financial statements to restate income tax expense	(359,600)
Profit/earnings as restated	7,196,563

NOTES (CONTINUED)

39. Prior year adjustments (Continued)

The impact on the entity's earnings per share is as follows:

	2016 Restated	2016 As previously reported
Basic earnings per share (Shs)	3.69	3.87
Diluted earnings per share (Shs)	3.69	3.87

On the statement of financial position at 30 June 2016:

Total equity	Shs '000
As previously reported	65,615,837
Adjustment in 2015 financial statements to restate deferred income tax	(1,234,424)
Adjustment in 2016 financial statements to restate deferred income tax	(359,600)
As restated	64,021,813
Total liabilities	
As previously reported	231,926,343
Adjustment in 2015 financial statements to restate deferred income tax	1,234,424
Adjustment in 2016 financial statements to restate deferred income tax	359,600
As restated	233,520,367

40. World Bank Financing

(a) World Bank Credits No. 3958 and 4752-KE

The Company received financial support from the World Bank through Credit No. 3958 and 4572 - KE dated 4 August 2004 to support implementation of the Energy Sector Recovery Project. Summary information on transactions during the year are as follows:

	2017 Shs'000	2016 Shs'000
Balance at the beginning of the year	456	438
Net interest income	-	18
Expenditure during the year	(456)	-
Balance at the end of the year	-	456

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 Stanbic Bank of Kenya Limited. Included in the long term borrowings is also an amount of Shs 10,886,287,977 (US\$ 104,966,826) in respect of the amounts disbursed under the loan to date.

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

NOTES (CONTINUED)

40. World Bank Financing (Continued)

(b) KEEP Loan (IDA Credit No. 4743-KE)

The Company received funding from the World Bank through Credit No.4743-KE to support electricity expansion projects.

Summary information on transactions under KEEP Loan during the two years ended 30 June 2017 and 2016 were as follows:

	2017 Shs'000	2016 Shs'000
Balance at the beginning of the year	17,312	181,093
Amounts received during the year	170,285	646,508
Net interest income	786	8,972
Expenditure during the year	(154,194)	(819,261)
Balance at the end of the year	34,189	17,312

The closing balances shown above are included in cash and cash equivalents and represent balances on the balances in the World Bank funded Special Account No. 0550297294000 held at Equity Bank Limited. Included in the long term borrowings is an amount of Shs 12,282,733,398 (US\$ 118,431,511) in respect of the amounts disbursed under the loan to date. The proceeds of the World Bank through Credit No.4743-KE have been expended in accordance with the intended purpose as specified in the loan agreement.

41. European Investment Bank (EIB) Financing

The Company received financial support from EIB for Grid development. The Company has set aside Shs 72,945,894 Revolving Credit Fund (RCF) as per clause 6.14 of the finance contract. The proceeds of this fund will be used to facilitate new connections to the electricity network for low income customers. Summary information on special account transactions during the year are as follows:

	2017 Shs'000	2016 Shs'000
Balance at the beginning of the year	227,567	221,441
Net interest income	8,001	6,126
Balance at the end of the year	235,568	227,567

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 Stanbic Bank of Kenya Limited. Included in the long term borrowings is an amount of Shs 3,375,606,731 (Euro 28,531,686) in respect of the amounts disbursed under the loan to date. The proceeds of the European Investment Bank loan have been expended in accordance with the intended purpose as specified in the loan agreement.

TEN YEAR FINANCIAL AND STATISTICAL RECORDS

For year ended	30th June 2008	30th June 2009	30th June 2010	30th June 2011	30th June 2012	30th June 2013	30th June 2014	30th June 2015 (Restated)	30th June 2016 (Restated)	30th June 2017
UNITS SOLD (GWh)	5,082	5,182	5,345	5,816	6,001	6,175	6,790	7,130	7,385	7,723
Average yield of units sold (cents)	802.85	1,258.37	1,368.88	1,257.81	1,596.77	1,437.74	1,552.45	1,497.38	1,467.50	1,564.63
Revenue from sale of electricity	40,801,040	65,208,529	73,166,794	73,154,021	95,662,427	88,909,626	105,395,714	106,763,525	108,374,612	120,742,270
Operating Profit	3,523,970	5,676,542	5,951,392	7,084,377	7,810,450	8,941,540	14,922,404	15,839,478	16,930,645	16,519,166
TAXATION (CHARGE)/ CREDIT	(973,439)	(1,557,339)	(1,916,587)	(2,035,185)	(3,889,577)	(3,124,780)	(4,021,363)	(4,821,617)	(4,885,834)	(3,646,311)
NET PROFIT AFTER TAXATION BEFORE FINANCE INCOME/ COSTS	2,550,531	4,119,203	4,034,805	5,049,192	3,920,873	5,816,760	10,901,041	11,017,861	12,044,811	12,872,855
Finance Income	88,929	153,343	177,380	171,477	489,182	111,546	104,208	1,380,968	964,957	46,004
Finance Costs	(872,660)	(1,045,522)	(493,885)	(999,173)	208,991	(2,480,659)	(4,008,832)	(4,964,942)	(5,811,275)	(5,650,798)
Preference dividends (gross)	(1,930)	(1,930)	(1,930)	(1,930)	(1,930)	(1,930)	(1,930)	(1,930)	(1,930)	(1,930)
NET PROFIT ATTRIBUTABLE TO										
ORDINARY SHAREHOLDERS	1,764,870	3,225,094	3,716,370	4,219,566	4,617,116	3,445,717	6,994,487	7,431,957	7,196,563	7,266,131
ORDINARY DIVIDENDS (gross)	(316,512)	(633,024)	(633,024)	(1,002,763)	(563,757)	-	(390,293)	(975,733)	(975,733)	(585,440)
OTHER COMPREHENSIVE INCOME	-	-	-	-	(127,397)	1,266,758	989,821	(1,995,966)	(168,673)	(740,849)
RETAINED PROFIT FOR THE YEAR	1,448,358	2,592,070	3,083,346	3,216,803	3,925,962	4,712,475	7,594,015	4,460,258	6,052,157	5,939,842

FUNDS GENERATED FROM OPERATIONS

For year ended	30th June 2008	30th June 2009	30th June 2010	30th June 2011	30th June 2012	30th June 2013	30th June 2014	30th June 2015 (Restated)	30th June 2016 (Restated)	30th June 2017
Profit/(Loss) for the year after dividends	1,448,358	2,592,070	3,083,346	3,216,803	3,925,962	4,712,475	7,594,015	4,460,258	6,052,157	5,939,842
Depreciation	1,749,764	2,154,357	2,807,111	3,847,007	4,563,658	5,632,642	6,797,745	7,943,421	9,434,511	11,965,832
	3,198,122	4,746,427	5,890,457	7,063,810	8,489,620	10,345,117	14,391,760	12,403,679	15,486,668	17,905,674
CAPITAL EMPLOYED										
Fixed Assets less depreciation	38,925,317	49,974,859	64,310,486	84,590,569	107,548,274	146,094,184	168,155,851	196,301,330	235,467,263	264,589,481
Intangible assets	-	-	-	-	169,520	258,716	1,410,044	1,418,599	2,602,033	2,593,483
Prepaid leases on land	131,926	131,874	131,819	131,764	131,709	131,653	131,598	131,543	131,494	131,438
Investment	-	200,000	-	1,298,506	1,171,109	-	-	-	-	-
Other non current assets	-	-	-	-	-	-	817,423	8,372,135	9,331,573	9,052,731
Net current assets/(Liabilities)	2,237,136	2,702,009	1,736,355	7,020,165	(3,223,754)	(1,147,158)	1,563,870	20,463,293	(905,086)	(9,971,873)
	41,294,379	53,008,742	66,178,660	93,041,004	105,796,858	145,337,395	172,078,786	226,686,900	246,627,277	266,395,260
FINANCED BY:										
Ordinary shareholders' equity	7,982,672	9,700,722	11,593,536	39,606,376	43,022,772	47,149,807	54,743,822	57,969,656	64,021,813	69,961,655
Non cumulative preference shares	15,899,250	17,147,341	17,147,341	-	-	-	-	-	-	-
Cumulative preference shares	43,000	43,000	43,000	43,000	43,000	43,000	43,000	43,000	43,000	43,000
Deferred Income	-	-	-	7,472,912	12,362,327	16,087,747	18,680,714	16,612,332	18,154,796	19,562,051

For year ended	30th June 2008	30th June 2009	30th June 2010	30th June 2011	30th June 2012	30th June 2013	30th June 2014	30th June 2015 (Restated)	30th June 2016 (Restated)	30th June 2017
Loan capital	11,368,208	11,545,014	13,113,434	19,757,132	21,512,025	42,886,311	53,141,442	99,289,403	105,017,783	111,075,216
Deferred taxation	1,395,837	2,701,965	4,481,865	6,500,449	11,862,140	15,442,569	19,848,236	24,699,789	29,217,030	32,472,173
Non current liability	4,605,412	11,870,700	19,799,484	19,661,135	15,823,485	23,727,961	25,621,572	28,072,720	30,172,855	33,281,165
	41,294,379	53,008,742	66,178,660	93,041,004	104,625,749	145,337,395	172,078,786	226,686,900	246,627,277	266,395,260
CAPITAL EXPENDITURE	12,642,311	12,734,937	17,526,909	24,713,898	25,949,832	40,578,337	27,208,068	41,567,840	48,815,284	41,023,892
Average cost of units sold (cents)	754.88	1,171.13	1,287.63	1,160.33	1,496.28	1,347.16	1,450.92	1,365.10	1,339.41	1,455.95
Profit for the year before taxation as a percentage of average capital employed	8.53%	10.71%	8.99%	7.61%	7.38%	6.40%	8.67%	6.99%	6.86%	6.20%
ORDINARY DIVIDENDS RATES	20%	40%	40%	18%	20%	0%	20%	20%	20%	20%
Earnings per share	22.30	40.76	3.00	2.16	2.36	1.76	3.58	3.81	3.69	3.72
Customers/employees ratio	159.03	180.64	201.08	205.24	198.85	223.00	260.00	333.05	439.27	547.01
Sales (KWh) per employee	762,148	738,703	734,300	680,774	584,374	590,922	641,076	657,446	663,343	678,552

STATISTICAL TABLES

TABLE 1: POWER SYSTEM OPERATION STATISTICS FOR 5 YEARS

COMPANY	Capacity (MW) as at 30.06.2017		Energy Purchased (GW/h)				
	Installed	Effective ¹	2012/13	2013/14	2014/15	2015/16	2016/17
KenGen							
Hydro:							
Tana	20.0	20.0	108	69	108	109	71
Kamburu	94.2	90.0	520	421	358	434	384
Gitaru	225.0	216.0	1,036	830	710	862	775
Kindaruma	72.0	70.5	252	201	165	208	183
Masinga	40.0	40.0	148	206	138	127	169
Kiambere	168.0	164.0	1,129	979	718	996	938
Turkwel	106.0	105.0	545	719	551	426	402
Sondu Miriu	60.0	60.0	393	351	376	419	282
Sangóro	21.0	20.0	110	109	125	140	90
Small Hydros	11.7	11.2	57	59	60	63	44
Hydro Total	818	797	4,298	3,944	3,308	3,784	3,339
Thermal:							
Kipevu I Diesel	73.5	52.3	185.2	219.9	156.5	128.6	211.3
Kipevu III Diesel	120.0	115.0	320.7	524.2	299.0	181.4	512.1
Embakasi Gas Turbine(s)	30.0	28.0	27.3	41.3	4.1	0.6	0.2
Muhoroni Gas Turbine	30.0	27.0	-	-	-	-	108
Garissa & Lamu	-	-	26.9	27.6	11.7	12.4	-
Garissa Temporary Plant (Aggreko)	-	-	-	-	21.0	18.6	-
Thermal Total	254	222	560	813	492	342	832

COMPANY	Capacity (MW) as at 30.06.2017		Energy Purchased (GWh)				
	Installed	Effective¹	2012/13	2013/14	2014/15	2015/16	2016/17
Geothermal:							
Olkaria I	45.0	44.0	369	352	333	331	195
Olkaria II	105.0	101.0	696	712	756	814	791
Eburru Hill	2.5	2.2	9	7	11	10	0
Olkaria Mobile Wellheads OW37, OW 37 kwg 12, OW 37 kwg 13 and OW 39²	20.0	17.2	23	17	9	16	89
Olkaria Mobile Wellheads OW43	12.8	12.8	0	29	78	75	74
Olkaria Mobile Wellheads OW905,OW914 ,OW915 and OW 919³	47.8	47.8	0	7	109	266	309
Olkaria IV	140.0	140.0	0	32	1064	976	852
Olkaria I Units 4 & 5	140.0	140.0			744	1055	968
Geothermal Total	513	505	1,096	1,156	3,104	3,542	3,279
Wind							
Ngong	25.5	25.5	13.9	17.6	37.7	56.7	63.2
KenGen Total	1,610	1,550	5,968	5,931	6,943	7,725	7,513
Government of Kenya (Rural Electrification Programme)							
Thermal	26.2	17.0	26.0	29.8	35.1	39.9	40.8
Solar	0.550	0.520	0.6	0.8	0.9	0.8	0.5
Wind	0.660	0.494	0.7	0.4	0.0	0.000	0.003
Total Offgrid	27	18	27	31	36	41	41

COMPANY	Capacity (MW) as at 30.06.2017		Energy Purchased (GW/h)				
	Installed	Effective ¹	2012/13	2013/14	2014/15	2015/16	2016/17
Independent Power Producers (IPP) - Thermal & Geothermal							
Iberafrika Power I&II	108.5	108.5	592	550	198	128	252
Tsavo Power	74.0	74.0	178	152	83	39	121
Thika Power	87.0	87.0	-	454	233	70	168
Biojuole Kenya Limited	2.0	2.0	-	-	-	0	0.7
Mumias - Cogeneration	26.0	21.5	71	57	14	0	0
OrPower 4 -Geothermal I,II&III	110.0	110.0	503	851	955	937	925
OrPower 4 -Geothermal (4th plant)	29.0	29.0	-	-	-	129	247
Rabai Power	90.0	90.0	443	633	609	536	606
Imenti Tea Factory Hydro	0.3	0.3	0.7	0.1	0.5	0.7	0.3
Gikira Hydro	0.514	0.514	-	0.4	1.6	1.9	0.9
Triumph Power	83.0	83.0	-	-	4.8	81.8	83
Gulf Power	80.32	80.32	-	-	60	8	61
Regen-Terem Hydro	5.00	5.00	-	-	-	-	0.7
IPP Total	696	691	1,788	2,698	2,160	1,934	2,466
Emergency Power Producers (EPP)							
Aggreko Power	0	0.0	261	94	63	50	0.8
EPP Total	0	0	261	94	63	50	0.8
Imports							
UETCL	-	-	41	83	76	65	180
TANESCO	-	-	1.2	1.3	0.6	0.0	0.0
EEP	-	-	-	2.1	2.8	2.6	3.4
Total Imports	-	-	42	87	79	67	184
SYSTEM TOTAL	2,333	2,259	8,087	8,840	9,280	9,817	10,205

	Installed	Effective ¹	2012/13	2013/14	2014/15	2015/16	2016/17
SUMMARY OF KEY STATISTICS							
SALES - KPLC System (GWh)			6,144	6,751	7,090	7,330	7,701
- REP System (GWh)			406	454	525	537	549
- Export to Uganda (GWh)			30	37	38	43	20
- Export to Tanesco (GWh)			1	2	2	2	2
TOTAL SALES (GWh)			6,581	7,244	7,655	7,912	8,272
System Losses (GWh) ⁴			1,507	1,596	1,624	1,905	1,933
System Peak Demand (MW) ⁵			1,354	1,468	1,512	1,586	1,656
System Load Factor			68.2%	68.7%	70.1%	70.6%	70.3%
Sales % of Energy Purchased			81.4%	81.9%	82.5%	80.6%	81.1%
Losses as % of Energy Purchased			18.6%	18.1%	17.5%	19.4%	18.9%
Annual Growth: - Energy Purchased			5.4%	9.3%	5.0%	5.8%	4.0%
- KPLC Sales			4.1%	9.9%	5.0%	3.4%	5.1%
- REP Sales			1.6%	11.8%	15.6%	2.3%	2.2%

Notes:

- 1) Capacity from the plant under normal operating conditions or contracted capacity.
- 2) OW37, OW 37 kwg 12, OW 37 kwg 13 and OW 39 Olkaria Mobile Wellheads are centrally metered at OW 37
- 3) OW905,OW914 ,OW915 and OW 919 Olkaria Mobile Wellheads are metered at OW 914 and OW 915
- 4) System losses comprise of technical and non-technical losses.
- 5) The peak demand shown includes export to Uganda.

TABLE 2: REGIONAL MAXIMUM DEMAND(MW)

REGION	2012/13	2013/14	2014/15	2015/16	2016/17
Nairobi	716	768	811	842	831
Coast	261	267	249	315	323
West	273	298	309	364	391
Mt. Kenya	125	159	148	177	171
TOTAL SYSTEM (SIMULTANEOUS)	1,354	1,468	1,512	1,586	1,656
% INCREASE P.A.	9.5%	8.4%	3.0%	4.9%	4.4%

TABLE 3: KPLC SALES IN GWh BY CUSTOMER CATEGORY

TARIFF	TYPES OF CUSTOMERS COVERED BY THIS TARIFF	2012/13	2013/14	2014/15	2015/16	2016/17
DC	Domestic	1,670	1,803	1,866	2,007	2,138
SC	Small Commercial	998	1,109	1,143	1,153	1,201
CI	Commercial and Industrial	3,440	3,818	4,030	4,104	4,266
IT	Off-peak (Interruptible)	18	1	15	26	41
SL	Street lighting	18	20	35	40	55
	TOTAL	6,144	6,751	7,090	7,330	7,701
	% INCREASE P.A.	2.6%	9.9%	5.0%	3.4%	5.1%

TABLE 4: TOTAL UNIT SALES BY REGION IN GWh

REGION	2012/13	2013/14	2014/15	2015/16	2016/17
Nairobi North	-	-	1,032	1,187	1,301
Nairobi South	-	-	1,667	1,696	1,759
Nairobi West	-	-	1,059	808	853
Nairobi	3,507	3,776	-	-	-
Coast	1,134	1,256	1,312	1,338	1,389
Central Rift	-	-	456	569	596
North Rift	-	-	269	280	269
South Nyanza	-	-	0	48	86
Western	-	-	525	320	313
West	1,056	1,121	-	-	-
Mt Kenya	-	-	309	413	431
North Eastern	-	-	461	671	704
Mt Kenya	539	598	-	-	-
KPLC Sales	6,236	6,751	7,090	7,330	7,701
R.E.P. Schemes	313	454	525	537	549
Export Sales	32	39	40	45	22
TOTAL	6,581	7,244	7,655	7,912	8,272
%INCREASE P.A.	3.8%	10.1%	5.7%	3.4%	4.5%

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

REGION	2012/13	2013/14	2014/15	2015/16	2016/17
Nairobi North	-	-	413	395	418
Nairobi South	-	-	290	289	291
Nairobi West	-	-	404	380	405
Nairobi	1,010	1,177	-	-	-
Coast	272	301	306	328	338
Central Rift	-	-	139	168	218
Western	-	-	169	163	136
North Rift	-	-	101	105	116
South Nyanza	-	-	-	31	51
West	239	359	-	-	-
Mt Kenya	-	-	141	178	203
North Eastern	-	-	212	315	328
Mt Kenya	146	220	-	-	-
TOTAL	1,667	2,057	2,176	2,352	2,504
% INCREASE P.A.	9.7%	23.4%	5.8%	8.1%	6.5%

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

REGION	2012/13	2013/14	2014/15	2015/16	2016/17
Nairobi North	-	-	159	214	216
Nairobi South	-	-	164	153	157
Nairobi West	-	-	225	146	154
Nairobi	501	567	-	-	-
Coast	145	164	167	171	182
Central Rift	-	-	153	163	182
Western	-	-	163	114	99
North Rift	-	-	85	77	79
south Nyanza	-	-	0	19	34
West	270	373	-	-	-
Mt Kenya	-	-	123	151	161
North Eastern	-	-	107	131	132
Mt Kenya	142	191	-	-	-
TOTAL	1,059	1,295	1,346	1,339	1,395
% INCREASE P.A.	6.6%	22.3%	4.0%	(0.6%)	4.2%

TABLE 7: REGIONAL SALE OF ELECTRICITY FOR CATEGORY “CI1”
LARGE COMMERCIAL AND INDUSTRIAL LOAD (415V) IN GWh

REGION	2012/13	2013/14	2014/15	2015/16	2016/17
Nairobi North	-	-	175	236	240
Nairobi South	-	-	328	331	335
Nairobi West	-	-	301	200	212
Nairobi	727	790	-	-	-
Coast	211	214	208	216	219
Central Rift	-	-	154	203	221
Western	-	-	149	82	68
North Rift	-	-	80	88	81
South Nyanza	-	-	0	21	35
West	367	393	-	-	-
Mt Kenya	-	-	116	161	154
North Eastern	-	-	94	122	126
Mt Kenya	188	202	-	-	-
TOTAL	1,492	1,599	1,606	1,660	1,693
% INCREASE P.A.	0.0%	7.1%	0.5%	3.3%	2.0%

TABLE 8: REGIONAL SALE OF ELECTRICITY CATEGORY “CI2”
LARGE COMMERCIAL AND INDUSTRIAL LOAD(11kV) IN GWh

REGION	2012/13	2013/14	2014/15	2015/16	2016/17
Nairobi North	-	-	196	238	244
Nairobi South	-	-	515	514	500
Nairobi West	-	-	113	65	72
Nairobi	764	819	-	-	-
Coast	209	212	228	230	230
Central Rift	-	-	40	46	53
Western	-	-	45	45	42
North Rift	-	-	20	19	20
South Nyanza	-	-	0	2	6
West	103	107	-	-	-
Mt Kenya	-	-	8	17	20
North Eastern	-	-	85	131	140
Mt Kenya	66	78	-	-	-
TOTAL	1,142	1,216	1,251	1,307	1,328
% INCREASE P.A.	4.5%	6.5%	2.9%	4.5%	1.6%

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

REGION	2012/13	2013/14	2014/15	2015/16	2016/17
Nairobi North	-	-	10.9	0.0	0.0
Nairobi South	-	-	2.0	0.0	5.7
Nairobi West	-	-	5.0	4.0	11.9
Nairobi	5	5	-	-	-
Coast	176	168	152.2	140.0	158.2
Central Rift	-	-	37	65	75
Western	-	-	34	11	16
North Rift	-	-	43	40	29
South Nyanza	-	-	0	0	0
West	85	93	-	-	-
Mt Kenya	-	-	0	0	0
North Eastern	-	-	0	0	0
Mt Kenya	0	0	-	-	-
TOTAL	266	266	284	260	295
% INCREASE P.A.	(0.3%)	(0.1%)	6.9%	(8.6%)	13.5%

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

REGION	2012/13	2013/14	2014/15	2015/16	2016/17
Nairobi North	-	-	78	83	88
Nairobi South	-	-	341	379	419
Nairobi West	-	-	34	32	34
Nairobi	408	453	-	-	-
Coast	0	0	0	0	0
Central Rift	-	-	3	3	7
Western	-	-	0	0	0
North Rift	-	-	0	0	0
South Nyanza	-	-	0	0	0
West	0	2	-	-	-
Mt Kenya	-	-	0	0	0
North Eastern	-	-	2	29	32
Mt Kenya	0	5	-	-	-
TOTAL	408	460	458	526	580
% INCREASE P.A.	6.2%	12.7%	(0.4%)	14.8%	10.2%

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

REGION	2012/13	2013/14	2014/15	2015/16	2016/17
Nairobi North	-	-	0	0	0
Nairobi South	-	-	69	72	82
Nairobi West	-	-	0	0	0
Nairobi Total	43	60	-	-	-
Coast	134	217	274	278	287
Central Rift	-	-	2	2	1
Western	-	-	84	0	6
North Rift	-	-	0	0	0
South Nyanza	-	-	0	0	0
West	1	9	-	-	-
Mt Kenya	-	-	0	0	0
North Eastern	-	-	12	3	0
Mt Kenya Total	0	5	-	-	-
TOTAL	178	291	441	355	376
% INCREASE P.A.	8.4%	63.7%	51.5%	(19.5%)	5.8%

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

REGION	2012/13	2013/14	2014/15	2015/16	2016/17
Nairobi North	-	-	0.2	10.7	2.4
Nairobi South	-	-	0.4	0.5	2.3
Nairobi West	-	-	12.8	11.8	3.2
Nairobi	16.0	1.0	-	-	-
Coast	0.4	0.0	0.4	0.4	2.2
Central Rift	-	-	0.1	0.3	2.7
Western	-	-	0.3	0.5	2.5
North Rift	-	-	0.0	0.2	1.2
South Nyanza	-	-	0.0	0.1	1.2
West	1.1	0.0	-	-	-
Mt Kenya	-	-	0.3	0.4	2.2
North Eastern	-	-	0.9	1.5	3.2
Mt Kenya	0.5	-	-	-	-
TOTAL	18.0	1.0	15.4	26.4	23.1
% INCREASE P.A.	(58.2%)	(94.2%)	1388.4%	71.0%	(12.7%)

TABLE 13: REGIONAL SALE OF ELECTRICITY FOR CATEGORY “SL”
STREET LIGHTING IN GWh

REGION	2012/13	2013/14	2014/15	2015/16	2016/17
Nairobi North	-	-	6.7	9.2	13
Nairobi South	-	-	10.0	6.7	6
Nairobi West	-	-	7.5	8.3	10
Nairobi	15	13	-	-	-
Coast	5	4	3.8	4.0	5
Central Rift	-	-	1.6	2.4	5
Western	-	-	0.2	0.9	4
North Rift	-	-	1.1	1.2	2
South Nyanza	-	-	0.0	0.1	0
West	1	1	-	-	-
Mt Kenya	-	-	2.2	4.3	7
North Eastern	-	-	2.7	2.9	6
Mt Kenya	2	2	-	-	-
TOTAL	23.9	20.0	35.7	40.0	56.5
% Increase P.A.	49.6%	(16.5%)	78.7%	11.6%	41.6%

TABLE 14: REGIONAL SALES OF ELECTRICITY FOR R.E.P. SCHEMES IN GWh

REGION	2012/13	2013/14	2014/15	2015/16	2016/17
Nairobi North	-	-	7.3	0.0	0.0
Nairobi South	-	-	53.2	49.0	38.5
Nairobi West	-	-	43.4	39.8	49.0
Nairobi	66	109	-	-	-
Coast	22	24	27.3	29.4	32.0
Central Rift	-	-	74.9	82.8	88.2
Western	-	-	118.9	96.1	59.0
North Rift	-	-	62.1	50.1	49.0
South Nyanza	-	-	0.0	25.1	61.4
West	152	216	-	-	-
Mt Kenya	-	-	82.3	100.4	117.1
North Eastern	-	-	55.7	64.2	62.6
Mt Kenya	73	105	-	-	-
TOTAL	313	454	525	537	549
% Increase P.A.	1.5%	45.2%	15.6%	2.3%	2.2%

TABLE 15: NUMBER OF CUSTOMERS BY REGION

REGION	AS AT 30TH JUNE 2017				
	2012/13	2013/14	2014/15	2015/16	2016/17
Nairobi North	-	-	514,003	626,662	720,180
Nairobi South	-	-	462,108	590,731	746,961
Nairobi West	-	-	358,279	482,759	632,433
Nairobi	1,042,216	1,258,555	-	-	-
Coast	221,410	248,058	297,985	400,679	490,290
Central Rift	-	-	235,729	340,165	434,163
Western	-	-	215,237	265,700	396,691
North Rift	-	-	156,858	242,328	287,296
South Nyanza	-	-	0	104,161	146,580
West	368,800	438,998	-	-	-
Mt Kenya	-	-	244,936	320,137	412,605
North Eastern	-	-	423,579	545,033	645,573
Mt. Kenya	244,992	293,820	-	-	-
KPLC Customers	1,877,418	2,239,431	2,908,714	3,918,355	4,912,772
R.E.P. Customers	453,544	528,552	703,190	972,018	1,269,510
TOTAL	2,330,962	2,767,983	3,611,904	4,890,373	6,182,282
% Increase P.A.	14.3%	18.7%	30.5%	35.4%	26.4%

TABLE 16: NUMBER OF CUSTOMERS BY TARIFF CATEGORY

TARIFF	MAIN TYPE OF CUSTOMERS COVERED BY THIS TARIFF	2012/13	2013/14	2014/15	2015/16	2016/17
DC only	Domestic KPLC REP	1,633,773 367,017	1,987,330 435,749	2,646,965 600,244	3,665,216 861,110	4,628,435 1,153,031
DC & IT	Domestic KPLC REP	57,709 841	57,958 819	57,827 898	38,816 765	57,442 957
SC only	Small Commercial KPLC REP	177,664 85,399	185,529 91,647	193,327 101,608	202,477 109,588	211,655 114,893
SC & IT	Small Commercial KPLC REP	1,431 197	1,542 211	1,548 252	1,470 229	1,741 287
C11	KPLC REP	2,550 22	2,695 33	2,930 10	3,068 19	3,126 24
C12	Large Commercial and Industrial KPLC	320	333	348	378	405

TABLE 16: NUMBER OF CUSTOMERS BY TARIFF CATEGORY (CONTINUED)

TARIFF	MAIN TYPE OF CUSTOMERS COVERED BY THIS TARIFF	2012/13	2013/14	2014/15	2015/16	2016/17
CI3	Large Commercial and Industrial KPLC	33	36	43	43	57
CI4	Large Commercial and Industrial KPLC	23	24	31	35	41
CI5	Large Commercial and Industrial KPLC	22	27	32	32	33
IT only	Off-peak (Interruptible) KPLC	826	785	794	796	791
	REP	7	4	8	13	8
SL	Street lighting					
	KPLC	3,067	3,172	4,869	6,024	9,046
	REP	61	89	170	294	310
	TOTAL (KPLC)	1,877,418	2,239,431	2,908,714	3,918,355	4,912,772
	TOTAL (R.E.P.)	453,544	528,552	703,190	972,018	1,269,510
	GROSS TOTAL	2,330,962	2,767,983	3,611,904	4,890,373	6,182,282
	% INCREASE P.A.	14.3%	18.7%	30.5%	35.4%	26.4%

TABLE 17: REVENUE (Kshs 'Mllion) BY CUSTOMER CATEGORY

TARIFF	MAIN TYPE OF CUSTOMERS COVERED BY THIS TARIFF	2012/13	2013/14	2014/15	2015/16 (Restated)	2016/17
DC	Domestic	26,595	31,029	30,897	32,726	38,064
SC	Small commercial small industrial	21,582	23,864	23,490	23,639	25,590
CI	Commercial Industrial	39,627	49,269	51,097	50,862	55,706
IT	Off-peak (Interruptible)	6	23	26	70	625
SL	Street Lighting	412	392	447	342	414
	TOTAL	88,222	104,577	105,957	107,638	120,399
	Export	687	819	806	736	343
	TOTAL KPLC	88,909	105,396	106,763	108,374	120,742
	R.E.P.	6,012	7,229	8,051	9,812	10,376
	TOTAL REVENUE	94,921	112,625	114,814	118,186	131,118
	%INCREASE P.A.	(6.5%)	18.7%	1.9%	2.9%	10.9%

TABLE 18: STAFF ANALYSIS

Number of Staff in Each Region		AT 30TH JUNE				
		2012/13	2013/14	2014/15	2015/16	2016/17
	Central Office	1,495	1,563	1,863	2,049	2,093
	Nairobi North	3,355	3,396	930	851	838
	Nairobi West	-	-	1,075	922	913
	Nairobi South	-	-	951	845	853
	Coast	1,114	1,088	1,067	1,139	1,144
	Western	2,914	2,927	1,103	949	960
	South Nyanza	-	-	-	364	418
	Central Rift	-	-	1,079	1,051	1,079
	North Rift	-	-	801	790	803
	Mt Kenya	1,587	1,616	1,120	1,216	1,227
	North Eastern	-	-	856	957	967
Total Number of Staff*		10,465	10,590	10,845	11,133	11,295
% INCREASE P.A.		2.1%	1.2%	2.4%	2.7%	1.5%
Gender:						
Male		8,410	8,532	8,691	8,913	8,996
Female		2,055	2,058	2,154	2,220	2,299
Ratio- Male/Female		4.1	4.1	4.0	4.0	3.9

TABLE 19: TRANSMISSION AND DISTRIBUTION LINES, CIRCUIT LENGTH IN KILOMETERS

VOLTAGE	2012/13	2013/14	2014/15	2015/16	2016/17
220 kV	1,331	1,434	1,527	1,527	1,527
132 kV	2,436	2,513	2,527	2,874	3,239
66 kV	1,097	1,212	1,212	1,212	1,212
33 kV	16,136	20,778	21,370	27,497	30,846
11 kV	28,818	30,860	32,823	35,383	37,234
Total HV and MV	49,818	56,797	59,459	68,493	74,058
415/240V or 433/250V	-	-	-	110,778	139,642
TOTAL	49,818	56,797	59,459	179,271	213,700
% INCREASE P.A.	5.9%	14.0%	4.7%	15.2%	19.2%

TABLE 20: TRANSFORMERS IN SERVICE, TOTAL INSTALLED CAPACITY IN MVA¹

Generation Substations	2012/13	2013/14	2014/15	2015/16	2016/17
11/220kV	544	844	1,292	1,352	1,352
11/132kV	889	889	1,067	1,067	1,112
11/66kV	171	171	291	411	411
11/33kV	238	238	238	238	238
3.3/33kV	4	4	4	4	4
TOTAL	1,846	2,146	2,891	3,071	3,116
Transmission Substations					
132/220kV	620	620	620	620	620
220/132kV	730	835	1,266	1,266	1,266
220/66kV	450	450	450	720	720
220/33kV	-	46	69	69	69
132/66kV	360	360	420	420	600
132/33kV	916	916	939	1,229	1,512
TOTAL	3,076	3,227	3,764	4,324	4,787
Distribution Substations					
66/11kV	1,608	1,332	1,446	1,768	2,067
66/33kV	113	138	148	231	231
40/11kV	11	0	0	0	0
33/11kV	1,068	1,841	1,841	2,054	2,118
TOTAL	2,800	3,311	3,425	4,053	4,416
Distribution Transformers					
11/0.415kV and 33/0.415kV	6,195	6,317	6,384	7,088	7,276

Notes:

1) Data for 2013/14 to 2015/16 restated.

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PROXY FORM

THE KENYA POWER AND LIGHTING COMPANY LIMITED P.O. BOX 30099-00100, NAIROBI
ANNUAL GENERAL MEETING OF THE COMPANY TO BE HELD ON FRIDAY 1ST DECEMBER 2017

I/We _____ CDSC/Mem. No. _____ of P.O. Box _____
being (a) Member(s) of the above-named Company, HEREBY APPOINT _____
as my/our proxy to vote for me/us and on my/our behalf at the ANNUAL GENERAL MEETING of the
Company to be held on Friday, 1st December 2017 and at any adjournment thereof.
My/our proxy is to vote in favour of/against the resolutions as indicated here below:

Item	Business	For	Against
1	Adoption of audited financial statements for the year ended 30 th June 2017		
2	Approve payment of dividend		
3	Election of Directors:		
	i) Mr. Adil Khawaja		
	ii) Hon. Kenneth Marende		
4	Election of Board Audit and Risk Committee Members:		
	i) Mr. Kairo Thuo		
	ii) Mrs. Brenda Eng'omo		
	iii) Mr. Wilson Mugung'ei		
	iv) Mrs. Beatrice Gathirwa		
5	Approve payment of fees to non-executive Directors		
6	Remuneration of Auditors		

Signature _____ Dated _____ this day of _____ 2017

NOTES:

1. A member entitled to attend and vote at the meeting may appoint one or more proxies to attend and, on a poll, to vote instead of him/her. A proxy need not be a member of the Company. To be valid, the Form of Proxy must be duly completed and lodged at the office of the Company Secretary, Stima Plaza, Nairobi or posted in time to be received not less than forty-eight hours before the time appointed for holding the meeting.
2. If the appointer is a corporation or a Government office, the Proxy must be executed under its common seal or under the hand of an Officer or Attorney duly authorised in writing. Unless otherwise indicated the proxy will vote as he/she deems fit.
3. A scanned copy of the Proxy Form and a copy of shareholder's ID/Passport can be emailed to **shares@kplc.co.ke**.

Note that the duly signed proxy form should be returned with a copy of the shareholder's ID/Passport.

FOR OFFICIAL USE ONLY		
Class	No. of Shares	No. of Votes
7%		
4%		
Ordinary		
Total		

FOMU YA UWAKILISHI

THE KENYA POWER AND LIGHTING COMPANY LIMITED P.O. BOX 30099- 00100, NAIROBI
FOMU YA UWAKILISHI KWA MKUTANO MKUU WA KILA MWAKA WA KAMPUNI UTAKAOFANYIKA
IJUMAA, DESEMBA 1, 2017

Mimi/Sisi _____ CDSC/Mwanachama. No. _____ wa S.L.P _____

Nikiwa Mwanachama wa Kampuni iliyotajwa hapo juu, HII HAPA NAMTEUA _____

Kama mwakilishi wangu/wetu kunipigia kura na kwa niaba yangu/yetu kwenye MKUTANO MKUU WA KILA MWAKA wa Kampuni utakaofanyika Ijumaa, Desemba 1, 2017 na endapo utaahirishwa hapo baadaye.

Mwakilishi wangu/Wetu atapiga kura kuunga/kupiga Maazimio kama inavyoonyeshwa hapa chini:

Nambari	Shughuli	Kuunga	Kupinga
1	Kuidhinisha taarifa za kifedha zilizokaguliwa kwa mwaka uliomalizika Juni 30, 2017		
2	Kuidhinisha malipo ya mgao wa faida		
3	Uchaguzi wa Wakurugenzi:		
	i) Bw. Adil Khawaja		
	ii) Mhe. Kenneth Marende		
4	Uchaguzi wa Wanachama wa Kamati ya Bodi ya Uhasibu na Hatari za Kibiashara:		
	i) Bw. Kairo Thuo		
	ii) Bi. Brenda Eng'omo		
	iii) Bw. Wilson Mugung'ei		
	iv) Bi. Beatrice Gathirwa		
5	Kuidhinisha malipo ya Wakurugenzi wasio na Mamlaka		
6	Malipo ya Wahasibu		

Sahihi _____ Tarehe _____ siku ya _____ 2017

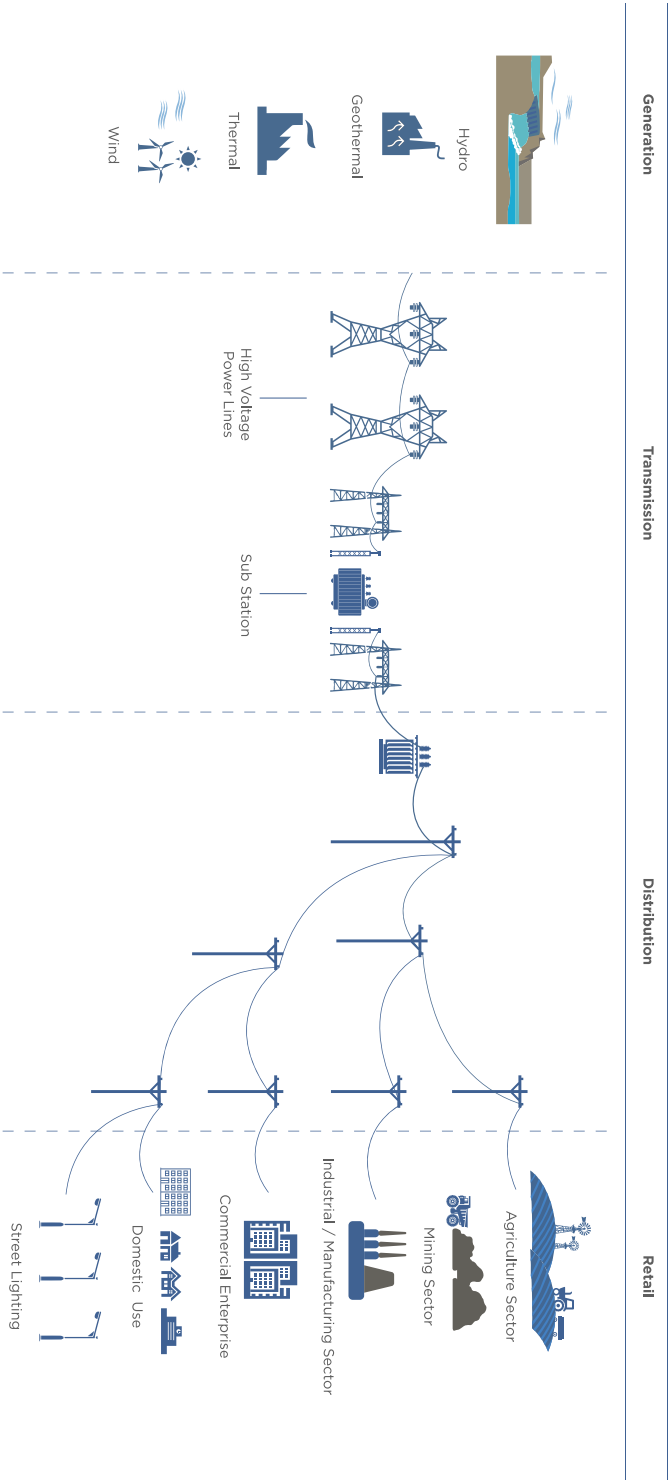
MAELEZO:

1. Mwanachama aliye na haki ya kuhudhuria na kupiga kura kwenye mkutano anaweza kuteua mwakilishi mmoja au zaidi kuhudhuria, na endapo kutakuwa na upigaji kura, kupiga kwa niaba yake. Si lazima mwakilishi awe mwanachama wa Kampuni. Ili kuwa halali, Fomu ya Uwakilishi inapasa kujazwa kikamilifu na kuwasilishwa kwa afisi ya Katibu wa Kampuni, Stima Plaza, Nairobi au kutumwa kwa posta ili kupokelewa saa 48 kabla ya kuanza kwa mkutano.
2. Ikiwa anayeteua ni shirika au afisi ya Serikali, Fomu hiyo ni lazima iwe na muhuri au ijazwe mbele ya wakili aliyeidhinishwa kwa maandishi. Isipokuwa ifafanuliwe wazi mwakilishi anaweza kupiga kura apendavyo.
3. Nakala ya Fomu ya Uwakilishi na Kitambulisho au paspoti zinaweza kutumwa kwa njia ya barua pepe shares@kplc.co.ke

Muhimu:Tafadhali kumbuka kuwa fomu ya uwakilishi iliyojazwa ni lazima irejeshwe na nakala ya kitambulisho/paspoti ya mwenyehisa.

KWA MATUMIZI RASMI PEKEE		
AINA	Idadi ya Hisa	Idadi ya Kura
7%		
4%		
Kawaida		
Jumla		

Power Sector in Kenya



Sector Players

- **KenGen**
- **Geothermal Development Company (GDC)**
- **Independent Power Producers**

- **Kenya Power**
- **Kenya Electricity Transmission Company (KETRACO)**

- **Kenya Power**
- **Rural Electrification Authority (REA)**

- **Kenya Power**

