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## BOARD OF DIRECTORS



Eng. Alfred W. Sambu  
*Chairman*



Patrick M. Nyoike  
*PS Min. of Energy*



Joseph Kinyua  
*PS Min. of Finance*



Dr. Susan M. Musyoka



Eng. Jasper O. Oduor  
*Managing Director*



Edwin Wasunna



Fidesius M. Nyaga



Eng. Swaleh S. Imu



Ngugi Kiuna



Aram M. Mbui



Ng'ang'a Munyu\*



Solomon Kitungu\*

\* Alternate Directors

## CORPORATE INFORMATION

### Directors

Eng. Alfred W Sambu	Chairman
Eng. Jasper O Oduor	Managing Director
Joseph Kinyua	Appointed on 8 October 2004
Patrick M Nyoike	
Edwin Wasunna	
Dr. Susan M Musyoka	
Aram M Mbui	Appointed on 12 October 2004
Fidesius M Nyaga	
Eng. Swaleh S Imu	
Ngugi Kiuna	
Joseph Magari	Resigned on 4 July 2004
Tom D Owuor	Resigned on 8 October 2004
Solomon Kitungu	Alternate to Joseph Kinyua
Ng'ang'a Munyu	Alternate to Patrick M Nyoike

### Secretary

Laurencia K Njagi  
P O Box 30099-00100  
Nairobi

### Registered Office

Stima Plaza  
Kolobot Road  
P O Box 30099-00100  
Nairobi

### Main Bankers

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

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

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

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

### Auditors

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

### Principal Legal Advisers

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

## DIRECTORS' PROFILES

The profiles of directors holding office as at the date of this Report are shown below:-

**1. Eng. Alfred Wekesa Sambu, B.Sc. (Eng.), R. Eng., MIEE, MIEK - Board Chairman**

Eng. Sambu was born in 1944. He holds a Bachelor of Science degree in electrical engineering and has experience in both public and private sectors. He worked in the telecommunications industry for the former East African Community for over 10 years, rising to the position of Chief Long Range Planning & Resource Co-ordinator in charge of World Bank funded projects; and in private sector for over five years as commercial director of International Aerodio, and thereafter in private business.

**2. Eng. Jasper Omondi Oduor, B.Sc. (Eng.), R. Eng., MIEK - Managing Director**

Eng. Jasper Oduor was appointed Managing Director of the Company in February 2003. He was born in 1953 and holds a Bachelor of Science degree in electrical engineering. His wealth of experience spans over 26 years in the power sector. He joined the Company in 1981, and rose through the ranks until his appointment as Managing Director.

**3. Mr. Patrick Mwaura Nyoike, B.Sc., B.Phil**

Mr. Patrick Nyoike is the Permanent Secretary, Ministry of Energy. He was born in 1947 and holds Bachelors degrees in mathematics and economics. He has 30 years experience in public service. Prior to his appointment as Permanent Secretary, he was the Chief Economist and Coordinator of World Bank funded projects in the Ministry of Energy.

**4 Mr. Joseph Kinyua, B.Sc. (Econ), MA (Econ)**

Mr. Joseph Kinyua, who was born in 1951, is the Permanent Secretary to the Treasury. He has Bachelors and Masters degrees in economics. Mr. Kinyua has wide experience in financial and public sector management, having worked in senior positions with the International Monetary Fund, the Central Bank of Kenya and in Government.

**5 Mr. Ngugi Kiuna, B.Sc., (Eng)**

Mr. Ngugi Kiuna was born in 1949. He holds a Bachelor of Science degree in mechanical engineering and has a wealth of experience spanning over 30 years in private sector management. Mr. Kiuna is the managing director of Johnson Diversey E.A. Ltd.

**6. Dr. Susan Mbinya Musyoka, MB, CHB, MPH**

Dr. Susan Musyoka was born in 1956. She holds a Bachelors degree in medicine and surgery and a Masters

degree in public health. She has over 20 years experience in medical health practice and community leadership.

**7 Mr. Edwin Wasunna, B.Sc., (Eng)**

Mr. Wasunna was born in 1938 and holds a Bachelor of Science degree in electrical engineering. He has over 30 years experience in the power sector. Mr. Wasunna worked in senior management positions in the Company until 1997, when he was appointed managing director of Kenya Electricity Generating Company Limited (KenGen), a position he held until 2002.

**8 Eng. Swaleh Salim Imu, M.Sc., R. Eng., MIEK**

Eng. Swaleh Imu was born in 1948. He holds a Master of Science degree in power engineering and has a wealth of experience gained over 28 years working in KPLC, KenGen and Kenya Pipeline Company Limited.

**9 Mr. Fidesius Muchira Nyaga, BA, CPS (K), FCIS, ACCA, CPA**

Mr. Nyaga was born in 1944. He holds a Bachelor of Arts degree in accounting and economics and is a Certified Public Accountant and Secretary with over 30 years experience in financial management.

**10. Mr. Aram Mutema Mbui, BSc, (Eng.) Mem. ASAE: MKIM**

Mr. Mbui was born in 1953. He holds a Bachelor of Science degree in mechanical engineering and has post-graduate training in irrigation engineering. Mr. Mbui worked for over ten years in public and private sectors and is Managing Director of Rift Valley Machinery Services Limited. He has served as chairman of the Society of Agricultural Engineers and is currently the National Chairman of the Federation of Kenya Employers (FKE).

**11 Mr. Ng'ang'a Munyu, B.Sc., M.Sc. - Alternate Director to Mr. Patrick Nyoike**

Mr. Ng'ang'a Munyu was born in 1957. He has Bachelors and Masters degrees in science. Mr. Munyu has a wealth of experience spanning over 21 years as a planner in the Ministry of Energy.

**12 Mr. Solomon Kitungu, B.Sc. (Econ), MA (Econ) - Alternate Director to Mr. Joseph Kinyua**

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

## MANAGEMENT TEAM

### Managing Director

Eng. Jasper Oduor, B.Sc. (Eng.), R. Eng., MIEK

### Deputy Managing Director

Eng. Julius M Riungu, B.Sc. (Eng.), R. Eng., C. Eng., MIEEE, MIEK

### Company Secretary

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

### Chief Manager, Distribution and Customer Service

Eng. John Ombui, B.Sc. (Eng.), MBA, R. Eng, MIEEE

### Chief Manager, Energy Transmission

Richard Muiru, B.Sc. (Eng), M.Sc. (Eng.)

### Chief Manager, Information Technology and Telecommunications

Eng. Johnson ole Nchoe, B.Sc. (Eng.), R. Eng.

### Chief Manager, Finance

Zachary Ayieko, BCom, CPA (K)

### Chief Manager, Restructuring, Change and Special Projects

Jonathan Ciano, BCom, CPA (K)

### Chief Manager, Human Resources & Administration

Ben Chumo, BA

### Chief Manager, Planning, Research and Performance Monitoring

Eng. David M Mwangi, B.Sc. (Eng.) R. Eng., MIEK

### Chief Manager, Nairobi Region

Eng. Benson Muriithi, B.Sc. (Eng.) R. Eng.

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT THE EIGHTY-THIRD ANNUAL GENERAL MEETING** of the Company will be held at Stima Members' Club, Thika Road, Nairobi, on Friday, 10<sup>th</sup> December 2004 at 11:00 a.m. to transact the following business:-

1. To read the Notice convening the Meeting.
2. To receive, consider and adopt the Company's audited financial statements for the year ended 30<sup>th</sup> June 2004, together with the Chairman's, Directors' and Auditors' Reports thereon.
3. To note that the Directors do not recommend payment of a dividend on Ordinary Stock for the year.
4. To elect Directors:
  - (i) Mr. Joseph Kinyua, Permanent Secretary, Treasury, who was appointed by the Board on 8<sup>th</sup> October, 2004, to fill a casual vacancy created by the resignation of Mr. Joseph Magari, retires in accordance with Article 128 of the Memorandum and Articles of Association of the Company and, being eligible, offers himself for election;
  - (ii) Mr. Aram Mbui, who was appointed by the Board on 12<sup>th</sup> October, 2004 to fill a casual vacancy created by the resignation of Mr. Tom Owuor, retires in accordance with Article 128 of the Memorandum and Articles of Association of the Company and, being eligible, offers himself for election;
  - (iii) Mr. Fidesius Muchira Nyaga retires by rotation in accordance with Article 120 of the Memorandum and Articles of Association of the Company and, being eligible, offers himself for re-election;
  - (iv) Eng. Swaleh Salim Imu 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;


- (v) Mr. Edwin Wasunna retires by rotation in accordance with Article 120 of the Memorandum and Articles of Association of the Company and, being eligible, offers himself for re-election.

5. Auditors:

To note that the audit of the Company's books of accounts will continue to be undertaken by the Controller and Auditor-General or an audit firm appointed by him in accordance with Section 11 of the State Corporations Act, (as amended by the Miscellaneous Law Amendment Act, 2002) and Section 29(1)(b) of the Exchequer and Audit Act.

6. To authorise the Directors to fix the Auditors' remuneration.

**By Order of the Board**



**Laurencia K Njagi**

**Company Secretary**

**P. O. Box 30099-00100**

**Nairobi, Kenya**

**12<sup>th</sup> November, 2004**

**NOTES:**

A member entitled to attend and vote at the above meeting may appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company. A Form of Proxy is enclosed with this booklet. To be valid, the Form of Proxy must be duly completed and lodged at the registered office of the Company, Stima Plaza, or posted in time to be received not later than 11.00 a.m. on 8<sup>th</sup> December, 2004.

## ILANI YA MKUTANO MKUU WA MWAKA

Tangazo linatolewa kuwa mkutano mkuu wa themanini na tatu wa kila mwaka wa Kampuni utafanywa katika ukumbi wa Stima Members Club barabara ya kwenda Thika, Nairobi, mnamo Ijumaa tarehe 10 mwezi wa kumi na mbili (Desemba) mwaka 2004 saa tano asubuhi kutekeleza shughuli zifuatazo: -

1. Kusoma tangazo la kuita mkutano.
2. Kupokea, kujadili na kuzikubali taarifa za kifedha za kampuni zilizokaguliwa za mwaka uliomalizika tarehe 30 mwezi wa sita (Juni) mwaka 2004, pamoja na Ripoti za Mwenyekiti, Wakurugenzi na Wakaguzi.
3. Kuthibitisha kwamba Wakurugenzi hawapendekezi malipo ya mgawo wa hisa za kawaida za mwaka.
4. Kuwachagua Wakurugenzi.
  - (i) Bw. Joseph Kinyua, Katibu wa Kudumu katika Wizara ya Hazina ya serikali, ambaye aliteuliwa na Halmashauri tarehe 8 Oktoba mwaka 2004, kujaza nafasi iliyoachwa wazi kutokana na kujiuzulu kwa Bw. Joseph Magari, anastaafu kulingana na kifungu 128 cha mkataba na Sheria za Kampuni na kwa kutimu kwake anagombea uchaguzi.
  - (ii) Bw. Aram Mbui, aliyeteuliwa na Halmashauri tarehe 12 Oktoba mwaka 2004, kujaza nafasi iliyoachwa wazi kutokana na kujiuzulu kwa Bw. Tom Owuor, anastaafu kulingana na kifungu 128 cha mkataba na Sheria za Kampuni na kwa kutimu kwake anagombea uchaguzi.
  - (iii) Bw. Fidesius Muchira Nyaga anastaafu kwa zamu kulingana na kifungu 120 cha mkataba na Sheria za Kampuni na kwa kutimu kwake anagombea uchaguzi.
  - (iv) Eng. Swaleh Imu anastaafu kwa zamu kulingana na kifungu 120 cha mkataba na Sheria za Kampuni na kwa kutimu kwake anagombea uchaguzi.

- (v) Bw. Edwin Wasunna anastaafu kwa zamu kulingana na kifungu 120 cha mkataba na Sheria za Kampuni na kwa kutimu kwake anagombea uchaguzi.

5. Wakaguzi Hesabu:  
Kufahamu kwamba ukaguzi wa vitabu vya hesabu vya kampuni utaendelea kufanywa na Msimamizi na Mkaguzi Mkuu ama na kampuni ya ukaguzi iliyoteuliwa na yeye kulingana na Sehemu ya 11 ya Sheria za Mashirika ya Umma, (kama ilivyorekebisha na Sheria ya Miscellaneous Law Amendment Act 2002) na sehemu ya 29 (1)(b) ya sheria ya Exchequer and Audit Act.
6. Kuwaruhusu Wakurugenzi kukadiria malipo ya wakaguzi hesabu.

### Kwa Amri ya Halmashauri



**Laurencia K Njagi**  
**Katibu wa Kampuni**  
**S L P 30099 – 00100**  
**Nairobi, Kenya**

**Novemba 12, 2004**

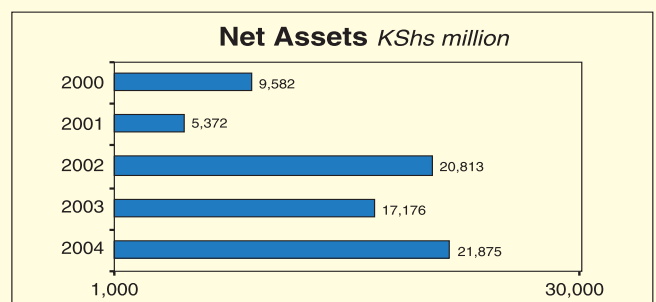
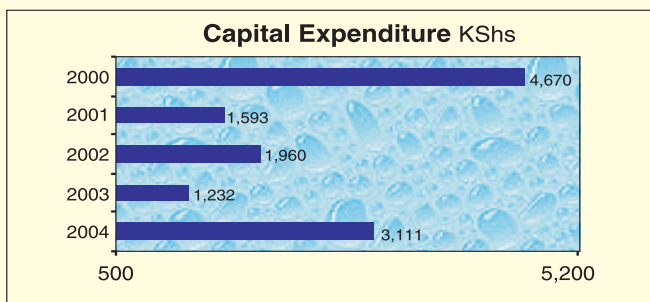
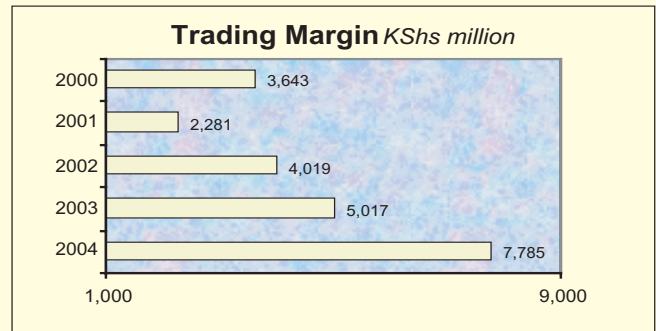
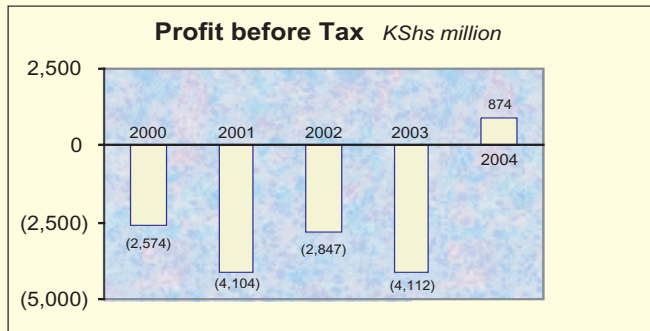
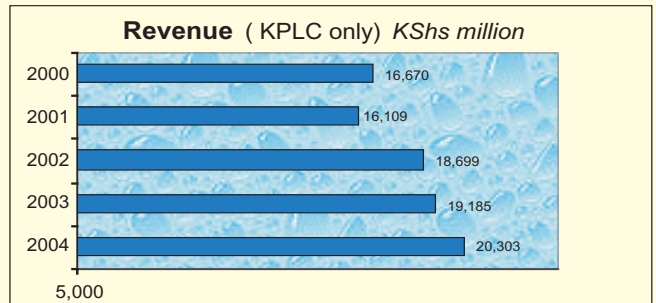
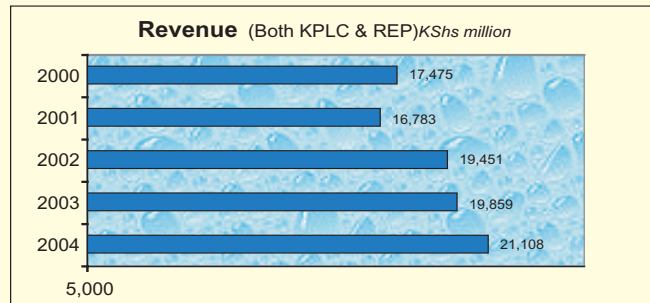
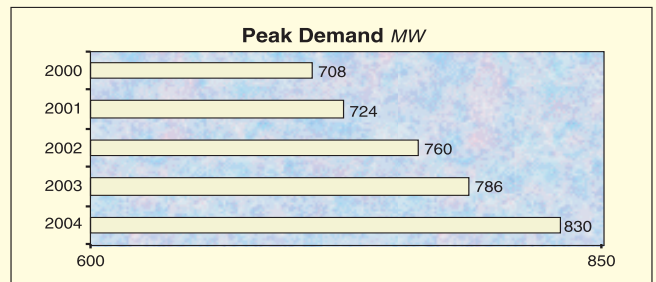
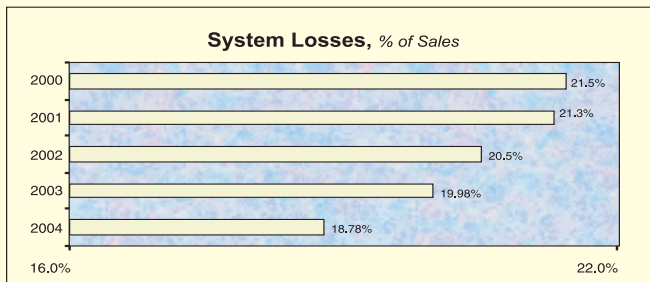
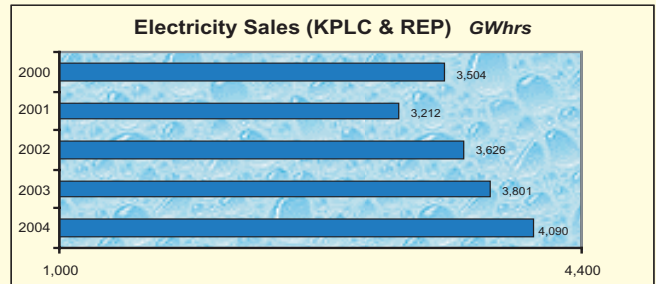
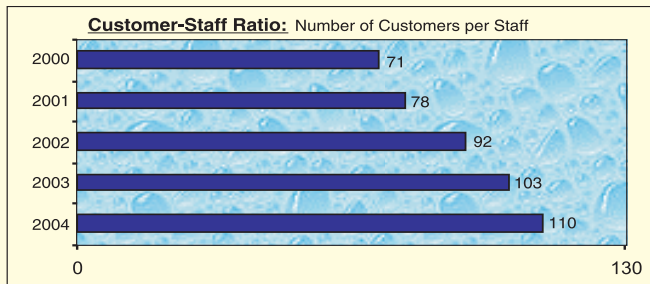
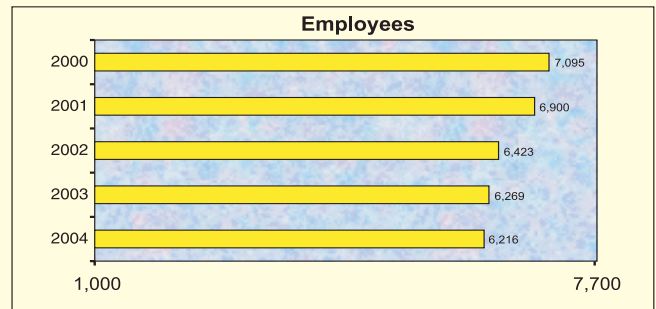
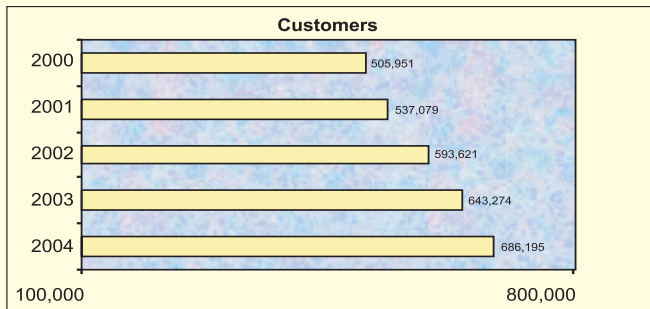
### MAELEZO:

Mwana Chama ambaye ana uwezo wa kuhudhuria na kupiga kura katika mkutano huu anaruhusiwa kuteua wakala mmoja ama zaidi kuhudhuria na, wakati wa kupiga kura, apige kura badala yake. Mwakilishi sio lazima awe mwanachama wa Kampuni.

Fomu ya uwakilishi iko ndani ya kijitabu hiki. Ili iwe halali, fomu ya uwakilishi ni lazima ikamilishwe na ipelekwe katika ofisi ilikosajiliwa kampuni, Stima Plaza, ama itumwe kwa njia ya posta ili iweze kufika kabla ya saa tano asubuhi tarehe 8 Desemba, 2004.



## KEY RESULTS AND STATISTICS





### GENERAL OVERVIEW

## Creating shareholder value

I am pleased to present the trading results for the 2003/2004 financial year, in which the Company recorded a profit before tax of Shs. 874 million compared to the loss of Shs. 4,112 million in the 2002/2003 financial year.

This turnaround is attributable to gains realised from strategic recovery measures under implementation aimed at achieving shareholder value and meeting customer expectations. These strategies include re-negotiation and rationalisation of bulk power tariffs; reduction of system losses; network reinforcement and improvement of quality of supply; securing of adequate power capacity to meet demand and costs containment.

In this regard, the rationalisation and further reduction of the bulk tariffs with KenGen and Iberafrica, respectively, lowered the costs of power purchases during the year. This contributed to improvement of the trading margin, which had been eroded since 1999, from 19% in the previous year to 35% in the year under review. Further, the conversion of KenGen and Government debts of Shs.12,260 million and Shs.3,639 million, respectively, into non-cumulative redeemable preference shares, has restored the hitherto depleted capital base, in addition to reducing financing costs.

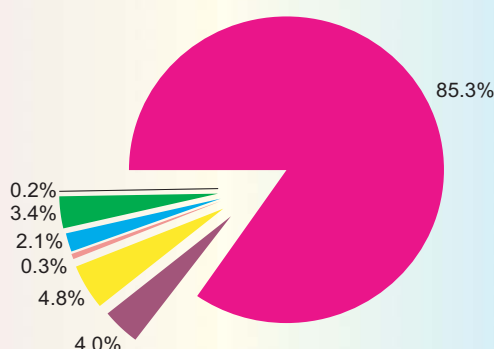
The Board has continued to build on other milestones in order to improve the performance of the Company. In this respect, ongoing electricity network reinforcement and improvement of quality of supply initiatives realised reduction in system losses by 1.28% during the year under review. In addition, adequate generation capacity to meet demand supported a 7.8% sales growth from 3,654 million units in the previous year to 3,940 million units in the year under review.

During the year, the Government negotiated a concessionary credit from the World Bank of US\$80 million under the Energy Sector Recovery Project. Out of this amount, US\$41.3 million has been on-lent to KPLC to finance upgrade and reinforcement of the distribution system with a view to improving the efficiency, reliability and quality of supply to existing



**Eng. Alfred Sambu**

**Generation by Company 2003/04**



electricity customers, as well as increasing access to electricity in urban and peri-urban areas. The other objectives of the Energy Sector Recovery Project are enhancement of the policy, institutional and regulatory environment for sector development, and support of efficient expansion of power generation capacity. Other development partners who have expressed commitment to participate in the financing of the Project include the European Investment Bank (EIB), Agence française de Développement (AFD) and the Nordic Development Fund (NDF). Negotiations between the Government and these lenders have been concluded for further concessionary credit amounting to US\$107 million.

In order to accelerate the full recovery of the Company, the Board will utilise part of the World Bank credit to procure a management services contractor by July 2005 to provide management assistance for a period of two to three years. The contractor will be a reputable firm with international experience in prudent utility management, and will be expected to achieve defined negotiated targets.

Some of the gains expected to be realised by the end of the completion of the distribution system upgrade project in 2008/9 include: connection of about 400,000 new customers; reduction of system losses to about 14.5%; improvement of availability of the 220kV and 132kV lines to at least 97% and, reduction of low voltage monthly breakdowns to no more than 4,000.

## FINANCIAL PERFORMANCE

### From loss to profit

Electricity revenue during the financial year increased by Shs.1,118 million to Shs.20,303 million from Shs.19,185 million the previous year. This was attributable to an increase in unit sales and improvement in operational efficiency. Fuel cost recoveries decreased by 23% from Shs.3,945 million to Shs.3,020 million due to reduced generation from fuel based

plant as a result of increased generation from hydro and geothermal sources during the year.

The reduction of KenGen bulk tariff by 25% effective 1<sup>st</sup> July 2003 and Iberafrica Power (EA) by a further 11% from 1<sup>st</sup> September 2003 resulted in decrease of non-fuel power purchase costs by Shs.1,482 million to Shs.12,495 million from Shs.13,977 million the previous year. Fuel costs decreased by Shs.1,094 million to Shs.3,043 million from Shs.4,137 million the previous year.

Transmission and distribution costs decreased by Shs.1,320 million to Shs.7,471 million compared to Shs.8,791 million

incurred the previous year. The decrease in the year was mainly attributable to lower provisions than in the previous year for pension deficit by Shs.605 million, bad debts by Shs.343 million and stocks by Shs.379 million.

The total operating costs, therefore, decreased by 14% from Shs.26,905 million in the

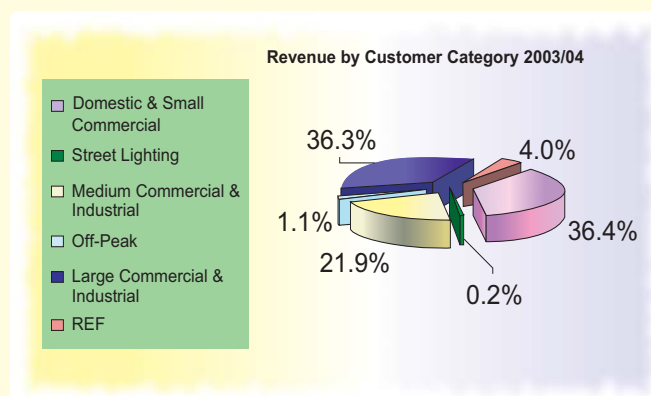
previous year, to Shs.23,010 million. The net financing costs decreased from Shs.1,384 million in the previous year to a net income of Shs.18 million as a result of reduced borrowing attributable to higher generation of funds and conversion of overdue KenGen and Government debts of Shs.15,899 million into preference shares.

### Taxation

The Company recorded a net profit of Shs.458 million compared to a loss of Shs.3,051 million the previous year after taking into account a deferred tax charge of Shs.416 million.

### Dividend

The Company's revenue reserves have an accumulated deficit of Shs.3,663 million resulting from the losses made over the previous four financial years. Further, under the Energy Sector Recovery Project, the Company is expected to contribute at least 25% of the total capital expenditure requirements from internally generated funds. In view of these factors, the Directors do not propose payment of a dividend on Ordinary Stock for the year.



### THE ELECTRICITY NETWORK & CAPACITY STATUS

## Adequate power and network improvements

#### Overview

Investment in the transmission and distribution systems was since the early 1990s constrained by inadequate funding, resulting in an overloaded and weak system, with attendant higher system losses. To redress the situation, the Company has identified and prioritised areas of the transmission and distribution network that require reinforcement and upgrading and has secured funds for the distribution projects. Negotiations are ongoing with various lenders for the transmission projects.

During the year under review, the combined efforts to improve profitability and quality of supply culminated in reduced system losses by 1.28% from 19.98% the previous year to 18.7%. The Company is taking further measures to reduce the losses by at least 1.5% in 2004/05 and 1% per annum thereafter, up to 14.5%. These measures are expected to yield additional revenue of Shs.200 million per annum for every percentage point of loss reduced.

#### Transmission Projects

##### *Kiambere-Nairobi 220kV line and associated sub-stations*

The transmission of power from the Seven Forks hydro stations has improved following construction of the 148 km Kiambere-Nairobi 220 kV line and associated sub-stations, which was completed in February 2004. The total cost of the project was US\$14.3 million, out of which the East African Development Bank (EADB) financed US\$7.35 million while the balance was financed from the Company's internal resources.



*EADB and KPLC officials peruse details of the new Kiambere-Nairobi transmission line. It has enhanced security of supplies to Nairobi.*

##### *Olkaria-Nairobi 220 kV line and associated sub-stations*

Construction of a 117km 220kV double circuit line and a 3km 132kV single circuit line and associated sub-stations under the Olkaria II Geothermal Power Project were completed during the year. The 220kV line is transmitting power from the Olkaria II geothermal power plant to the new 180MVA 220/66kV Nairobi North Substation. The project also included linking the Nairobi North Substation to the existing Dandora 220/132kV substation, which has improved the quality of supply in the Limuru, Kikuyu and Kitisuru areas.

##### *Future Transmission Projects*

The Naivasha and Lanet 132kV transmission substations will be upgraded and rehabilitated under the Energy Sector Recovery Project with a view to improving the reliability of the Lessos-Nairobi 132kV transmission line which links West Kenya to the national grid. Meanwhile, discussions with various financiers for funding of other prioritised transmission projects are underway.

#### Distribution

During the year, the Matasia (in Ngong) and Cianda (in Kiambu) 66/11kV distribution substations were constructed at a cost of Shs. 200 million. This has improved the quality of electricity supply in the Ngong/Ongata Rongai and the Runda/Kiambu/Githunguri areas, respectively.

*More power for National Grid: A section of Olkaria-Nairobi transmission line transferring power from Olkaria II.*



*Investment in modern distribution networks will improve quality of supply and customer satisfaction.*

As part of other system improvement efforts, construction of the Nairobi North 66kV line feed-outs and the Nakuru-Nyahururu 33kV interconnector commenced during the year at a cost of Shs.310 million and Shs.99 million, respectively.

### **Planned distribution projects**

Under the Energy Sector Recovery Project, the Company will undertake an extensive distribution system upgrade and reinforcement at an estimated cost of US\$ 153 million.

The scope of the distribution component covers upgrade, reinforcement and extension of the distribution network, construction of new substations, installation of a radio system and upgrade of the Supervisory Control and Data Acquisition (SCADA) system.

Twenty-seven of the foregoing projects will be in Nairobi, 17 projects will be in the Coast Region, 12 projects will be in Western Kenya Region and five projects will be in Mount Kenya Region.

Also included in the project is the purchase of 400,000 energy meters to support the Company's accelerated electricity connection campaign targeting an additional 150,000 customers annually. To facilitate the programme, a new connection policy has also been

formulated. The policy establishes a revolving fund and seeks to harmonise connection charges with a view to making them more affordable.

Implementation of these projects is expected to commence early in the next financial year.

## **Power Capacity Status**

### **Supply and Demand**

Generation capacity remained adequate to meet energy demand throughout the year under review. The maximum daily peak demand recorded during the year was 830 MW compared to 785 MW the previous year, against a generation capacity of 1,142 MW. This translates to a reserve generation margin of 38%.

### **KenGen Sondu Miriu 60MW Hydro Power Project**

Construction work on phase two of the project, which had been delayed by suspension of funds, commenced in October 2004 following resumed lending by the Japanese Government. The second phase will cost Shs.9.4 billion and is expected to be completed in about three years.

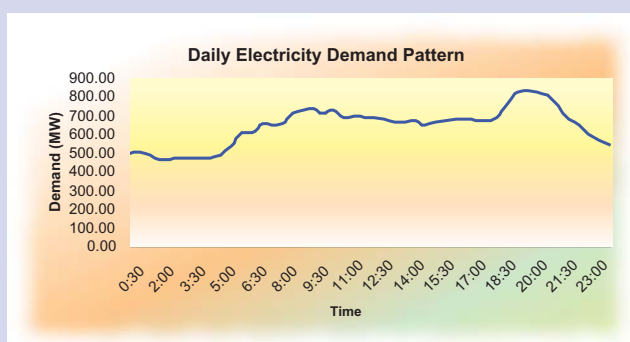
## **Regional Interconnection**

### **Overview**

Kenya is actively involved in various initiatives aimed at accessing existing and potential regional power pools. The objectives of such pools are: optimisation of the usage of energy resources available in the region; efficient co-ordination of various initiatives in power production and transmission as well as power exchanges in the region;

reduction of electricity production costs; and creation of a conducive environment for investments in the power industry.

These initiatives are summarised as follows:





### *Southern African Power Pool (SAPP)*

The Government is keenly evaluating the possibility of accessing power from the Southern African Power Pool (SAPP) and the report of a feasibility study funded jointly by the governments of Tanzania and Kenya for a 270 km transmission line between Arusha and Nairobi was submitted in November 2002. A report has also been completed for a study commissioned by the governments of Tanzania and Zambia for a 330kV transmission line between the two countries and for the strengthening of Tanzania's network to facilitate power transfer across Tanzania. It is expected that the bidding process for a co-developer for the project will commence before the end of 2004; while the intergovernmental agreement and establishment of a project company to implement the project is expected to be in place by June 2005. The project will be implemented in two stages at an estimated cost of US\$ 660 million. The two phases, each of which will facilitate transfer of 100 MW of power, will be completed by 2007 and 2012, respectively.

### *Other Regional Initiatives*

Among these are:

*East African Power Master Plan:* Consultants were engaged in March 2003 by the East African Community Secretariat to prepare a least cost power plan for Kenya, Uganda and Tanzania. Phase I of the study, which comprised load forecast and resource assessment, has been completed. Phase II, which will optimise the generation and transmission expansion has commenced and is expected to be completed in 2005. The Joint Energy Committee of the East African Community has agreed on cross border electrification to support social and economic activities at the border towns of the three countries. Towns expected to benefit from electricity supplied from any of the states are: Isebania (Kenya)/Sirari (Tanzania); Namanga (Kenya)/Namanga (Tanzania); Lunga-Lunga (Kenya)/Horohoro (Tanzania); Taveta (Kenya)/ Holili (Tanzania); Lwakhakha (Kenya)/Lwakhakha (Uganda); Mutukula (Uganda)/Mutukula (Tanzania) and, Kikagati (Uganda)/Murongo (Tanzania).

Already, the border towns of Lunga-Lunga and Vanga in Kwale District, Kenya, have been supplied with electricity from the town of Horohoro in Tanzania. The project was implemented under the Rural Electrification Programme at a cost of Shs.84.2 million, compared to the estimated Shs.143 million it would have cost to supply the towns from the Kenyan side.

*Nile Basin Initiative:* Ten member countries within the Nile catchment area and the Nile River Basin are exploring power trade options, which include the possibility of interconnecting Ethiopia and Kenya. The two countries are expected to start discussions soon, followed by a feasibility study on the initiative.



*Power from across: Vanga in Kenya has been electrified from Tanzania.*

## CUSTOMER SERVICE

### Applying best practices

#### *A New Customer Connection Policy*

During the year, the Company developed a new market friendly and customer-focused connection policy aimed at reducing costs and accelerating connections to new customers and improving sales and profitability. The new policy is consistent with the Government's policy of increasing electricity access to the population, in addition to promoting equity and creating consistency of connection charges for new customers.

The salient features of the new connection policy include: reduction and standardisation of certain categories of connection charges; enhanced proactive marketing targeted at viable group schemes; distribution network optimisation; extension of existing lines to new and viable potential sites; and facilitating initial customers to recover connection costs paid from subsequent customers.

In order to reduce costs to initial customers, applicants are encouraged to apply for electricity in groups and are each charged a uniform rate based on the master plan of the group requirements. Construction of the necessary reticulation work commences when at least half of the group applicants

pay their contributions. The Company has set up a revolving fund with an initial amount of Shs.700 million to finance construction of viable group schemes, which is recovered from customers as they pay. Additional financial support for the customer connection initiative is expected under the Energy Sector Recovery Project.

### New Service Centres

Two new customer service offices were established in Molo and Naivasha towns during the year to bring services closer to the customers as well as enhance revenue collection.

## BUSINESS PLANNING

### We know where we're going

A five-year corporate business plan for the period 2003/04 to 2007/08 was launched during the year. This is a strategic planning document based on the corporate mission and vision that expresses corporate goals in terms of quantitative medium term performance targets for all categories of operational functions. The plan specifies in detail the optimum strategies that have been adopted and applied to corporate business processes to achieve the desired impact on corporate performance taking into account past performance and SWOT analysis. Of core consideration is supply quality, customer service and resource productivity improvement strategies to achieve sustained improvement in corporate financial performance.

The plan outlines an investment programme for transmission and distribution network expansion that is linked to customer growth targets, the anticipated generation capacity and

energy mix associated with the Least Cost Power Development Plan, as well as to the financial performance projections of the company.

As a "rolling" document, the plan will be updated annually so as to take into account significant events and developments in the power sub-sector and operating environment.

### Performance Contracts

The Government has introduced performance contracts in the management of state corporations, aimed at improving their governance and performance. The Company was selected as one of 16 state corporations to spearhead the implementation on a pilot basis because it already had a strategic plan with clear targets. The contract became effective from 1<sup>st</sup> October, 2004. It defines the relationship between the Government and the Company and articulates agreed targets against which the performance will be evaluated. The Government will develop performance incentives for boards of state corporations which meet the agreed targets, while, as a shareholder, it will have the right to call for removal of non-performing director(s) by the shareholders.

## RURAL ELECTRIFICATION

### Power across the nation

The Company continues to implement the Rural Electrification Programme (REP) on behalf of the Government. During the year under review, Shs.598 million was spent on various rural electrification projects. This included Shs.358 million and Shs.36 million spent on the French and Spanish funded projects, respectively. Another Shs.20 million was expended on the second and third stages of Stabex Phase I. This brought the cumulative capital expenditure since inception of the programme in 1973 to Shs.7,827 million. Meanwhile, Shs.1,008 million was collected from the Rural Electrification Levy during the year compared to Shs.955 million the previous year.

The number of customers connected under the REP increased by 6.8% to 93,083 compared to 87,175 the previous year. Units sold also increased by 1.4% from 147 million to 149 million, while revenue realised decreased by 2.8% from Shs.1,006 million the previous year to Shs.978 million.

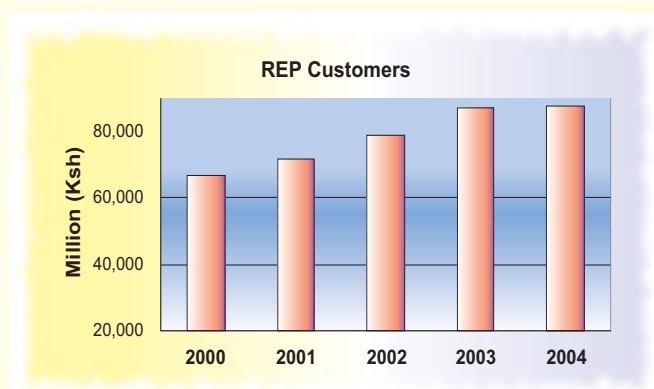


*Corporate performance will be enhanced following signing of a performance contract between the Government and the Company.*

Construction works for electricity supply to coffee factories under the second and third stages of Phase I of the Coffee Factories Rural Electrification Programme (COFREP) were at advanced stages of completion by the end of the financial year. Survey and design works for factories shortlisted for Phase 2 also commenced during the year.

Implementation of 32 schemes covered under Phase 2 of the Spanish funded programme amounting to US\$ 10.255 million was completed during the year and service line connections continued to be undertaken.

Construction of schemes identified for electrification under the French funded project amounting to 9.1 million Euros continued during the year and is targeted to be completed in the next financial year.

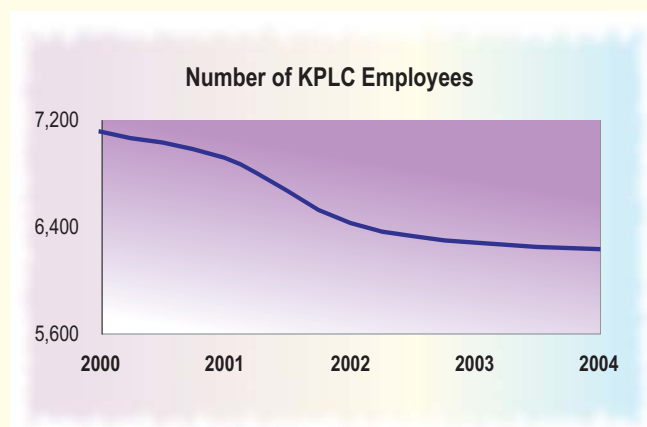


### HUMAN RESOURCES

## Our most valuable asset

The human resource continues to be a valuable asset in achieving the company's business objectives, targets, customer satisfaction and shareholder expectations. Consequently, the Company's work ethics are founded on team-work, staff empowerment, innovation, professionalism, equal opportunity and integrity.

During the year under review, the Company had a staff complement of 6,216 employees compared to the previous year's 6,269 comprising permanent, contract and temporary employees. As at 30th June 2004, the customer to staff ratio stood at 110:1 compared to 104:1 the previous year.



The company aims at maintaining highly competent, motivated and professional staff in order to meet corporate goals. In this regard, staff were trained locally and overseas to among others, improve productivity and create awareness of changing business trends.

Other than a trade dispute registered by the trade union and resolved amicably in March 2004, industrial relations remained cordial throughout the period under review.

### INFORMATION COMMUNICATION TECHNOLOGY (ICT) SERVICES

## Vital support for our business

ICT continued to provide vital business support to the Company. The installation of a new billing server during the year improved the billing process considerably. Currently, 98% of cash collection is receipted on-line, while bills processing has doubled from 4,000 to 8,000 bills per hour. Installation of a new high-speed laser printer during the year improved printing of bills from 92 to 130 bills per minute.

#### Telecommunications

During the year, operational communication between the National Control Centre in Nairobi and the Olkaria Power Complex improved following commissioning of fibre optic communication equipment.

The Company also plans to replace and expand its Supervisory Control and Data Acquisition/Energy Management System (SCADA/EMS) and associated telecommunication network, using the latest technology. This will take account of future needs and wider area coverage by



the system, including regional interconnection and power trading. Towards this goal, a feasibility study was carried out during the year, aimed at formulating an optimal development plan for the upgrade/expansion and replacement of the SCADA/EMS under the Energy Sector Recovery Project.

### CORPORATE SOCIAL RESPONSIBILITY

## Going beyond the call of duty

At KPLC, we are aware of the potential that our business has in making significant and positive impact on the society we operate in. While we are involved in the business of providing quality and reliable electricity, we are also conscious of the challenges that face our business including issues of poverty, fraud, waste, safety, health and environment.

We know that the success of our business rests upon our recognition of the needs of the society in which we do business and our continued support to this society, including our employees, to meet their social, welfare and economic needs. Our commitment in this respect is summarised as follows:

#### Environment

As a major consumer of wood products, we are committed to conservation of forests as well as reforestation. Towards this, KPLC has established a tree planting programme within Timboroa Forest in Uasin Gishu District in collaboration with the Forest Department. To support this initiative, the Company has established a tree seedling nursery along

Sosiani River near Eldoret town with over 75,000 seedlings. So far, over 50 hectares of land has been reforested under this programme, in addition to thousands of tree seedlings donated in the past three years to neighbouring communities. KPLC has also donated over 700 used treated poles to the Bill Woodley Mt. Kenya Trust to fence over 20 km round the mountain forest to assist in reducing human-animal conflict on the slopes of Mt. Kenya, as well as preserving the natural habitat of the mountain.

#### Education

In recognition of the important role of education in the Society, KPLC has since June 2003 provided attachment to students from various institutions of higher learning. So far, 57 students have completed attachment programmes in the Company's various departments. Further, the Company set up a Shs.480,000 endowment fund at Starehe Boys Centre in 1998, whose proceeds support two needy students at the school each year. During the year, the Company also donated used computers to schools in Migori District to enhance learning in information technology.

#### Community Service

KPLC partners with various organisations to provide financial and material support to worthy causes. Over the years we have supported the Nyeri and Eldoret hospices; Dr. Barnados, Dagoretti and Nyumbani children's homes; the Kenya Association for the Deaf; Operation Smile; Wema Centre and Lions Club Hearing Centre in Mombasa, among others. Since 1998, KPLC has also supported the Heart to Heart Foundation and the Dettol Heart Run in their efforts to raise funds for the treatment of children from disadvantaged backgrounds suffering from heart problems. KPLC staff have raised thousands of shillings by participating in the annual runs. Further, in response to the current famine facing thousands of Kenyans, staff and the Company donated Shs.1.6 million towards the National famine relief fund. In addition, KPLC regularly maintains the busy Kolobot Road adjacent to its headquarters, Stima Plaza, in the Parklands area of Nairobi.

#### Public Information

As a responsible corporate citizen, the Company maintains open channels of communication with stakeholders. Such interaction and sharing of information builds mutual understanding between the company, employees and of society. In this context, close and regular interaction is encouraged among management and other staff to discuss



*As a responsible corporate citizen, KPLC engages in afforestation programmes to improve the environment.*

business operations as well as issues touching on staff welfare. Interaction with other stakeholders is maintained through a multi-pronged countrywide education programme through the company's established customer service network, the print and electronic media, meetings organised by government officials and with various interest groups; and through participation in Agricultural Society of Kenya (ASK) shows, among others.

### *Ethics and Integrity*

Recognising that our success as a business enterprise can only be guaranteed by people's trust in our company, we are committed to ensuring that our actions and decisions are guided by high ethical standards and integrity. To support our anti-corruption programme, over 100 staff have been trained in public service integrity assurance and a Corruption Prevention Information and Reporting Office has been set up at Electricity House, Nairobi, in conjunction with the Kenya Anti-Corruption Authority. The office receives complaints and reports concerning incidences of corruption touching on KPLC.

### *Employees*

The welfare of our staff is an integral part of our human resource policy. Consistent with this, we maintain various staff welfare schemes including health, pension, group life and last expense insurance covers. We also operate a unique Orphans' Trustees Programme under which benefits of employees who die in service are administered as a fund to facilitate education of the children and upkeep of the dependants, until they attain the age of 18 years. As at 30th June 2004, the programme maintained 326 orphans.

### *HIV/AIDS*

HIV/AIDS continues to pose a major challenge to business and the Kenyan economy. KPLC, therefore, considers management and containment of HIV/AIDS pandemic as an important aspect of human resource policy. The Company operates a medical scheme under which staff and their dependants, including HIV/AIDS patients, are treated.



*Human face: Staff of the company support initiatives to improve lives of the less privileged in society.*

## FUTURE PROSPECTS

### Poised for continued success

Satisfying our customers' requirements and creating shareholder value remain our cherished goals. As we look into the future, our resolve is to remain focussed to achieve these goals through reduction of system losses, network reinforcement and expansion of our customer base. I, therefore, wish to state that with the current financial performance, and support from development partners and commitment of our staff to meet corporate goals, there is very strong indication that the Company is poised for sustained profitability.

### *Tribute*

I pay tribute to my colleagues in the Board, the Government, our development and business partners and to all staff of the Company for their relentless efforts which have resulted in the turnaround of the Company. In conclusion, I wish to affirm the commitment of the Board and staff of KPLC to meeting and surpassing our customers' and shareholders' expectations.

**ENG. ALFRED SAMBU**  
CHAIRMAN

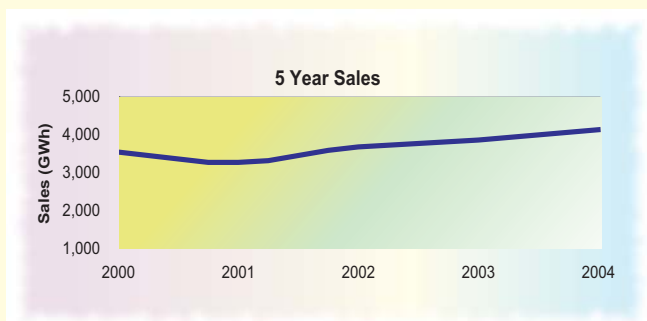
### KWA UJUMLA

## Kuongeza thamani kwa mwenye hisa

Ninafuraha kuwakabidhi matokeo ya biashara ya mwaka wa fedha 2003/2004 ambapo Kampuni ilipata faida kabla ya kutoa kodi ya Shilingi Milioni 874 ikilinganishwa na hasara ya Shilingi Milioni 4,112 katika mwaka wa fedha wa 2002/2003.

Mabadiliko haya mazuri yamesababishwa na faida iliyotokana na mbinu kabambe za kurekebisha tendakazi za Kampuni ili kufanikisha lengo la kuongeza thamani ya mwenye hisa na kufikia matarajio ya wateja. Mbinu hizi zinahusisha kujadilia upya bei za jumla za gharama za umeme; upunguzaji umeme unaopotea; kuimarisha mtandao na kuendeleza ubora wa umeme unaosambazwa; kuhakikisha kuna umeme wa kutosheleza mahitaji na kudhibiti gharama.

Katika muktadha huu, upunguzaji zaidi wa bei za jumla ya umeme kutoka kampuni ya KenGen na ile ya Iberafrica, ulipunguza gharama za umeme katika mwaka. Hii ilichangia kuongeza nafasi ya kujipatia faida ambayo ilikuwa imezorota tangu mwaka 1999, kutoka asilimia 19 katika mwaka uliotangulia hadi asilimia 35 katika mwaka tunaouchunguza. Zaidi ya hayo, kubadilishwa kwa madeni ya kampuni ya KenGen ya Shilingi Milioni 12,260 na yale ya serikali ya Shilingi Milioni 3,639 kuwa hisa maalum zisizolimbikizika, zinazoweza kukombolewa, kumerudisha katika hali nzuri msingi wa mali ambao hapo awali ulikuwa



umepunguka, mbali na kupunguza gharama za kugharamia shughuli za kampuni. Halmashauri imetumia matukio mengine muhimu ili kuboresha utendaji kazi wa kampuni. Katika muktadha huu, shughuli za uimarishaji wa mtandao wa umeme zinazoendelea na mikakati ya usambazaji umeme bora umefanikisha upunguzaji wa umeme unaopotea mitamboni kwa kiwango cha asilimia 1.28 katika mwaka tunaouchunguza. Zaidi ya hayo, kupatikana kwa umeme wa kutosheleza mahitaji kulisababisha ukuaji wa mauzo kwa asilimia 7.8 kutoka kiwango cha vipimo milioni 3,654 mwaka uliotangulia hadi vipimo milioni 3,940 katika mwaka tunaouchunguza.

Katika mwaka, serikali ilipatiwa mkopo wa maridhiano wa Dola Milioni 80 za Marekani chini ya mradi wa kufufua sekta ya kawi. Kutoka kwenye kiasi hiki, KPLC ilikopeshwa Dola Milioni 41.3 ili kugharamia ustawishaji na uimarishaji wa mfumo wa usambazaji kwa nia ya kuendeleza utendaji kazi na ubora wa uwasilishaji wa umeme kwa wateja, bali pia na kuongeza uwezo wa upatikanaji wa umeme katika maeneo ya miji na vitongoji vyake. Malengo mengine ya mradi wa kufufua sekta ya kawi ni kuendeleza sera, hali za utaratibu wa ukuzaji wa sekta na kusaidia kuongeza uwezo wa uzalishaji umeme kwa njia bora. Washiriki wenzetu katika ustawi ambao wameonyesha nia ya kutaka kushiriki katika kugharamia mradi



Eng. Alfred Sambu

huu ni European Investment Bank (EIB), Agence Francaise de Developpement (AFD) na shirika la Nordic Development Fund (NDF). Majadiliano na wafadhili hawa ili kupatikana mkopo zaidi wa Dola Milioni 107 za Marekani, yamekamiliika.

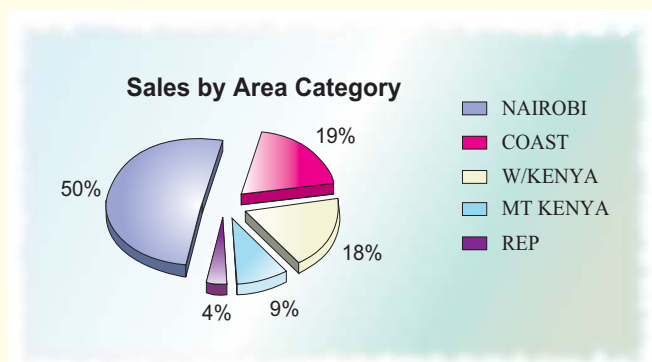
Ili kuharakisha kurejeshwa kikamilifu kwa hali nzuri ya kampuni, Halmashauri itatumia sehemu ya mkopo wa Benki ya Dunia (World Bank) kupata ajenti wa huduma za usimamizi kufikia mwezi Julai 2005, ili kutoa usaidizi wa usimamizi kwa kipindi cha miaka miwili hadi mitatu. Ajenti huyo atakuwa ni shirika linaloaminika lililo na ujuzi na sifa za kimataifa katika usimamizi wa mashirika ya umeme, na atatarajiwa kufikia malengo maalum yatakayowekwa.

Baadhi ya faida inayotarajiwa kufikia mwisho wa kukamilishwa kwa mradi wa kustawisha mfumo wa usambazaji katika mwaka 2008/9 ni: kuunganishwa kwa wateja wapya 400,000; upunguzaji wa umeme unaopotea mitamboni kwa kiwango cha hadi asilimia 14.5; kuendeleza upatikanaji wa laini za 220kV na 132kV kwa angalau asilimia 97, na kupunguza uharibikaji wa laini za kusambaza umeme kila mwezi usiozidi visa 4,000.

### MATOKEO YA KIFEDHA

## Hasara hadi faida

Mapato ya nguvu za umeme katika mwaka wa fedha yaliongezeka kwa Shilingi Milioni 1,118 hadi Shilingi Milioni 20,303 kutoka Shilingi Milioni 19,185 mwaka uliotangulia. Hii ilitokana na ongezeko la mauzo na uimarishaji wa utendaji kazi. Fedha za kugharamia mafuta zilipungua kwa Shilingi Milioni 3,945 hadi Shilingi Milioni 3,020 kutokana na kupunguka kwa matumizi ya mitambo inayotumia mafuta kuzalisha nguvu za umeme, kwa sababu ya hali nzuri iliyowezesha uzalishaji zaidi wa nguvu za umeme kutokana na maji, katika mwaka.



*New fleet: Working tools are continually being renewed to improve customer service.*

Kupunguka kwa bei ya jumla ya umeme kutoka kwa kampuni ya KenGen kwa kiwango cha asilimia 25 kuanzia Julai Mosi 2003 na yale ya kampuni ya Ibrafrica Power (EA) kwa kiwango kingine cha asilimia 11 kuanzia Septemba Mosi 2003, kulisababisha upungukaji wa gharama za ununuzi usio wa mafuta kwa Shilingi Milioni 1,482 hadi Shilingi Milioni 12,495 kutoka Shilingi Milioni 13,977 mwaka uliotangulia. Gharama za mafuta zilipungua kwa Shilingi Milioni 1,094 hadi Shilingi Milioni 3,043 kutoka Shilingi Milioni 4,137 mwaka uliotangulia.

Gharama ya usafirishaji na usambazaji umeme ilipungua kwa Shilingi Milioni 1,320 hadi Shilingi Milioni 7,471 ikilinganishwa na Shilingi Milioni 8,791 zilizotumika mwaka uliotangulia. Upunguaji huu katika mwaka ulisababishwa na kiasi cha chini kilicho onyeshwa cha upungufu wa pensheni kuliko kile cha mwaka uliotangulia cha Shilingi Milioni 605, madeni yasiyolipwa ya Shilingi Milioni 343 na vifaa kwa Shilingi Milioni 379.

Kwa hivyo, gharama ya jumla ya uendeshaji kazi ilipungua kwa asilimia 14 kutoka Shilingi Milioni 26,905 mwaka uliotangulia, hadi Shilingi Milioni 23,010. Gharama halisi ya fedha za kuendeleza shughuli za kampuni ilipungua kutoka Shilingi Milioni 1,384 mwaka uliotangulia hadi pato halisi la Shilingi Milioni 18, kutokana na kupunguka kwa ukopaji kuliko sababishwa na uzalishaji wa juu wa pesa na ugeuzaji wa madeni yaliyochelewa kulipwa ya kampuni ya KenGen na Serikali ya Shilingi Milioni 15,899 kuwa hisa maalum.

### Kodi

Kampuni iliandikisha faida tupu ya Shilingi Milioni 458 ikilinganishwa na hasara ya Shilingi Milioni 3,051 mwaka uliotangulia baada ya kutia maanani malipo ya kodi yaliyo ahirishwa ya Shilingi Milioni 416.



## Mgao wa faida

Fedha za akiba za kampuni zina upungufu uliolimbikizwa wa Shilingi Milioni 3,663 kutokana na hasara iliyopatikana katika miaka minne ya fedha iliyotangulia. Zaidi ya hayo, Kampuni inatarajiwa kulipia asilimia 25 ya fedha zitakazotumiwa kwa mpango wa kuzindua sekta ya kawi kutoka kwa mauzo yake. Kutokana na hayo, Wakurugenzi hawapendekezi mgao wa faida wa hisa za kawaida za mwaka.

## MTANDAO WA UMEME NA HALI YA UWEZO WAKE

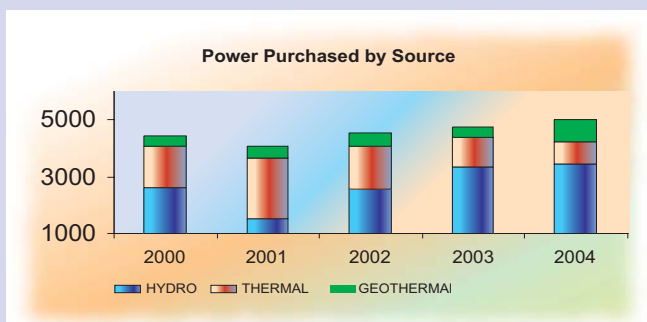
### Umeme wa kutosha na ustawishaji wa mtandao

#### Maelezo kwa ujumla

Uwekaji rasimali katika mfumo wa usafirishaji na usambazaji ulitazika tangu miaka ya mwanzo mwanzo ya 1990 kwa ukosefu wa fedha za kutosha, nakufanya kuwepo kwa mtandao hafifu ulio na wateja kupita kiasi, unao sababisha upoteaji wa umeme mwingi mitamboni.

Kurekebisha hali hii, kampuni imeyatambua na kuyapa kipao mbele maeneo na sehemu za usafirishaji na usambazaji umeme za mtandao zinazohitaji kuimarishwa na kustawishwa na tayari imepata pesa za miradi hiyo ya usambazaji.

Katika mwaka tunaouchunguza, juhudi za pamoja za kuongeza upataji faida na ubora wa umeme unaotolewa zimesababisha kupungua kwa upoteaji wa umeme mitamboni kwa asilimia 1.28 kutoka asilimia 19.98 mwaka uliotangulia hadi asilimia 18.7. Kampuni inachukua hatua zaidi kupunguza hasara hii kwa angalau asilimia 1.5 katika mwaka 2004/05 na asilimia moja kila mwaka hadi kufikia asilimia 14.5. Hatua hizi zinatarajiwa kuleta mapato ya ziada ya Shilingi Milioni 200 kwa mwaka kila asilimia moja ya hasara inayopunguzwa.



*Materials and equipment for various projects were received in Company stores.*

#### Miradi ya usafirishaji umeme

##### Laini ya Kiambere-Nairobi ya 220kV na vituo vyake

Usafirishaji wa umeme kutoka vituo vya kuzalisha umeme vikitumia maji vya Seven Forks umeimarika kufuatia ujenzi wa laini ya kilomita 148 ya Kiambere-Nairobi ya 220kV. Gharama ya jumla ya mradi huu ilikuwa Dola za Marekani Milioni 14.3, ambapo East African Development Bank ilichangia Dola Milioni 7.35 za Marekani na pesa zilizosalia zililipwa kutoka mfuko wa kampuni.

##### Laini ya Olkaria-Nairobi ya 220kV na vituo vyake

Ujenzi wa laini ya 220kV ya saketi mbili ya kilomita 117 na ile ya saketi moja ya kilomita 3 pamoja na vituo vyake vidogo chini ya mpango wa mradi wa nguvu za mvuke wa Olkaria II ulikamilishwa katika mwaka.

Laini ya 220kV husafirisha umeme kutoka kituo hicho cha Olkaria II hadi kwenye kituo kidogo kipa cha Nairobi North cha 180MVA, 220/66kV. Mradi huu pia ulihusisha uunganishaji wa kituo kidogo cha Nairobi North na kile kilichopo cha Dandora 220/132kV na umeimarisha ubora wa usambazaji umeme katika maeneo ya Limuru, Kikuyu na Kitisuru.

##### Miradi mingine iliyopangwa ya usafirishaji umeme

Vituo vidogo vya Naivasha na Lanet 132kV vitafanyiwa ukarabati na kupandishwa cheo chini ya mpango wa ufufuzi wa sekta ya kawi kwa nia ya kupunguza hasara ya kiufundi na kuimarisha utegemeaji wa laini ya kusafirisha umeme ya Lessos-Nairobi 132kV ambayo huunganisha magharibi mwa Kenya kwa mtandao wa umeme wa kitaifa.

Kwa sasa majadiliano na wafadhili yanaendelea ili kugharamia miradi mingine ya usafirishaji umeme.

### Usambazaji

Katika mwaka, vituo vidogo vya usambazaji umeme vya Matasia (iliyoko Ngong) na Cianda (iliyoko Kiambu) vya 66/11kV vilijengwa kwa gharama ya Shilingi Milioni 200. Hii imeimarisha sana ubora wa umeme unaosambazwa katika maeneo ya Ngong/Ongata Rongai na yale ya Runda, Kiambu na Githurai.

Kama sehemu nyingine ya juhudi za uimarishaji mitambo, ujenzi wa laini za kutoa umeme Nairobi North za 66kV na ile ya Nakuru-Nyahururu 33kV Interconnector ulianza katika mwaka kwa gharama ya Shilingi Milioni 310 kwa mradi wa kwanza na Shilingi Milioni 99 kwa mradi wa pili.

### Miradi ya usambazaji iliyopangwa

Chini ya mpango wa ufufuzi wa sekta ya kawi, kampuni itajitolea kufanya mradi mkubwa wa kustawisha na kuimarisha mtandao wa usambazaji umeme kwa gharama ya Dola Milioni 153 za Marekani.

Mradi huu utahusisha: ustawishaji, uimarishaji na upanuzi wa mtandao wa usambazaji, ujenzi wa vituo vidogo vipya na ustawishaji wa mfumo wa SCADA ama Supervisory Control and Data Acquisition.

Ishirini na saba ya miradi hii itakuwa katika eneo la Nairobi, 17 itakuwa katika eneo la pwani, 12 itakuwa katika eneo la magharibi mwa Kenya na 5 itakuwa katika eneo la Mlima Kenya.

Kilichohusishwa kwenye mradi pia ni ununuzi wa mita za umeme kusaidia kampeini ya kampuni inayoendelea ya kuongeza idadi ya wateja wa umeme inayolenga kuwasilisha umeme kwa wateja 150,000 kila mwaka. Ili kufanikisha mpango huu, sera mpya ya uunganishaji umeme imetayarishwa. Sera hii inajaribu kuona jinsi inavyoweza kufanya gharama ya kuunganishiwa umeme kuwa nafuu zaidi.

Utekelezaji wa miradi hii unatarajiwa kuanza mapema katika mwaka ujao wa fedha.

### Hali ya uwezo wa mtandao

#### Ugawaji na mahitaji

Kiwango cha uzalishaji umeme kilitosheleza mahitaji ya kawi

katika kipindi chote cha mwaka tunaouchunguza. Kiwango cha juu cha mahitaji cha kila siku kilichoandikishwa katika mwaka kilikuwa megawati 830 kikilinganishwa na kile cha megawati 785 mwaka uliotangulia, dhidi ya uwezekano wakuzalisha megawati 1,142. Hii inamaanisha akiba ya uzalishaji wa asilimia 38.

### Mradi wa KenGen wa megawati 60, wa Sondu Miriu

Kazi ya ujenzi ya awamu ya pili ya mradi huu, ambayo ilikuwa imecheleweshwa kufuatia kusimamishwa kwa muda kwa fedha, ulianza mnamo mwezi Oktoba 2004 kufuatia kuanza tena kupewa mikopo na serikali ya Japan. Awamu ya pili itagharimu Shilingi Bilioni 9.4 na inatarajiwa kukamilishwa katika kipindi cha miaka mitatu.

### Uunganishaji umeme na nchi zingine

#### Maelezo kwa ujumla

Nchi ya Kenya inashiriki kikamilifu katika shughuli mbali mbali zinazolenga ushirikiano wa matumizi ya umeme. Malengo ya ushirikiano wa pamoja kama huu ni kutumia kikamilifu



*Power producer and distributor: The chairmen of KPLC and KenGen, Eng. Alfred Sambu (left), and Mr Titus Mbathi exchange views during a visit to Olkaria II Power Station.*

matumizi ya raslimali za kawi ya nguvu ya umeme zinazopatikana katika nyanja za uzalishaji na usafirishaji wa umeme pamoja na ubadilishanaji wa umeme katika eneo hili, upunguzaji wa gharama za uzalishaji umeme na uanzishaji wa hali nzuri kwa uwekaji wa raslimali katika sekta ya nguvu za umeme. Shughuli hizi zimeorodheshwa kwa muhtasari hapa chini: -

### Southern African Power Pool (SAPP)

Serikali inachunguza kwa makini uwezekano wa upatikanaji wa nguvu za umeme kutoka Southern African Power Pool

(SAPP), na ripoti ya uchunguzi wa uwezekano uliogharamiwa kwa pamoja na serikali za Tanzania na Kenya kwa ujenzi wa laini ya usafirishaji umeme ya kilomita 270 kati ya Arusha na Nairobi, iliwasilishwa mwezi wa Novemba 2002. Ripoti pia imekamilishwa ya uchunguzi ulioagizwa na serikali za Tanzania na Zambia kwa ujenzi wa laini ya usafirishaji umeme kati ya nchi hizo mbili na kwa kuimarisha mtandao wa umeme wa Tanzania uweze kusafirisha umeme kupitia nchini Tanzania. Inatarajiwa kwamba shughuli za kutoa zabuni kwa mwendelezaji mshiriki wa mradi huu itaanza kabla ya mwisho wa mwaka 2004, ilhali maafikiano baina ya serikali zinazohusika kuhusu uanzishaji wa kampuni ya kuutekeleza mradi yatakuwa tayari kufikia mwezi Juni 2005.

Mradi huu utatekelezwa katika awamu mbili kwa gharama ya Dola Milioni 660 za Marekani. Kila mojawapo awamu hizi mbili ambazo zitakamilishwa kufikia mwaka 2007 na mwaka 2012 zitawezesha usafirishaji wa megawati 100 za umeme.

### Miradi mingine ya eneo hili

*Mpango Mkuu wa Umeme wa Afrika Mashariki:* Washauri walijiriwa mwezi wa Machi 2003 na afisi ya jumua ya Afrika Mashariki kutayarisha mpango wa nguvu za umeme utakao gharimu kiasi kidogo zaidi kwa nchi za Kenya, Uganda na Tanzania.

Awamu ya kwanza ya uchunguzi huo uliohusisha ukadiriaji wa kiasi cha umeme na uwezo umekamilishwa. Awamu ya pili ambayo itaboresha upanuzi wa uzalishaji na usambazaji umeshaanza na unatarajiwa kukamilishwa mwaka 2005. Kamati ya jumua ya Afrika Mashariki inayoshugulikia umeme imekubaliana uunganishaji wa umeme katika miji ya mipakani ili kusaidia shughuli za kijamii na maswala ya kiuchumi. Miji ya mipakani inayotarajiwa kunufaika kutokana na umeme unaotolewa na nchi yeyote ile ni Isebania (Kenya)/Sirari



*Several programmes to support the less fortunate have received financial and material assistance from the Company.*

(Tanzania); Namanga (Kenya)/Namanga (Tanzania); Lunga-Lunga (Kenya)/Horohoro (Tanzania); Taveta (Kenya)/Holili (Tanzania); Lwakhakha (Kenya)/Lwakhakha (Uganda); Mutukulu (Uganda)/Mutukulu (Tanzania), na Kikagati (Uganda)/Murongo (Tanzania).

Tayari, miji ya mipakani ya Lunga-Lunga na Vanga katika wilaya ya Kwale, Kenya, inapata umeme kutoka mji wa Horohoro ulioko Tanzania. Mradi huu ulitekelezwa chini ya mpango wa kusambaza umeme katika sehemu za mashambani, kwa gharama ya Shilingi Milioni 84.2, ikilinganishwa na Shilingi Milioni 143 ambazo zingetumiwa kusafirisha umeme kutoka upande wa Kenya.

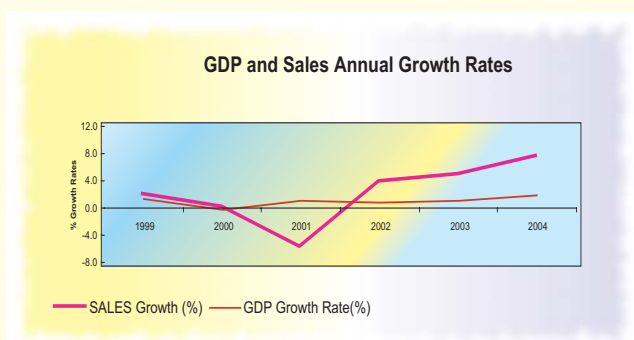
*Mpango wa Nile Basin:* Nchi kumi wanachama zilizondani ya eneo la Nile Catchment na Nile River Basin zinachunguza uwezekano wa biashara ya ununuzi na uuzaji umeme ikianza na uunganishaji wa Kenya na Ethiopia. Mazungumzo ya pande mbili kuhusu uwezekano wa kuunganisha nchi hizi mbili yanatarajiwa kuanza hivi punde, yakifuatiwa na uchunguzi wa uwezekano wa uunganishaji.

### KUHUDUMIA WATEJA

## Kutumia mbinu bora

### Sera mpya za kuunganisha wateja wapya

Wakati wa kipindi hicho, kampuni ilianzisha sera mpya za uunganishaji zinazolenga kupunguza gharama na kuharakisha uunganishaji wa wateja wapya, kuongeza mauzo na faida. Sera hii mpya ni sawa na ile ya serikali ya kuongeza fursa ya umeme





kufikia watu na kusaidia usawa, na kuanzisha kuweka usawazishaji wa malipo ya uunganishaji kwa wateja wapya.

Mambo muhimu yanayojitokeza katika sera hii mpya yanahusisha: upunguzaji na usawazishaji wa aina fulani ya matozo ya uunganishaji; kuongeza mbinu za uuzaji zinazolenga vikundi maalum; zidisha ubora wa mtandao wa usambazaji; upanuzi wa laini za sasa hadi maeneo mengine yenye uwezekano mkubwa, na kusaidia wateja wa kwanza kurudisha sehemu ya gharama waliolipa ya kuunganishiwa kutoka kwa wale wa nyuma.



*Access to electricity for rural communities will be promoted through innovative and affordable customer schemes.*

Ili kupunguza gharama kwa wanaotanguliza maombi, watu wanahimiza kutuma maombi yao ya kuunganishiwa umeme kupitia kwa vikundi na watatowza kiwango sawa kwa kila mtuma maombi, kwa kutegemea mpango mkuu wa mahitaji ya kikundi. Ujenzi wa mtandao unaohitajika utanza wakati angalau nusu ya kikundi cha watuma maombi wanapolipa michango yao. Kampuni imeanzisha mfuko wenye kiasi cha kuanzia cha Shilingi Milioni 700 ili kugharamia ujenzi wa mipango inayofaa ya vikundi, ambayo itarudishwa na wateja wanapo endelea kulipa. Misaada mingine ya fedha kwa mpango huu wa uunganishaji kwa wateja unatarajiwa chini ya mradi wa ufufuzi wa sekta ya kawi.

### Ofisi mpya za huduma

Ofisi mbili mpya za huduma kwa wateja zilianzishwa katika miji ya Naivasha na Molo wakati wa kipindi cha mwaka ili kuleta huduma karibu na wateja na pia kuongeza ukusanyaji wa mapato.

## KUPANGA BIASHARA

### Tunajua tunakoelekea

Kielelezo cha mpango wa miaka mitano wa biashara ya Kampuni katika kipindi cha mwaka wa 2003/04 hadi 2007/08 kilitolewa mwaka huu. Hii ni stakabathi ya mpango maalum wa dhamira na maono ya Kampuni inayoonyesha malengo ya utendaji kazi katika nyanja zote za shughuli zake. Mpango huu unaonyesha kwa undani mbinu ambazo zimechukuliwa na

kutekelezwa kwenye biashara ya kampuni katika kuimarisha utendaji kazi ikilinganishwa na utendaji kazi wa hapo awali na uchambuzi wa nguvu, udhaifu, nafasi na shuruti zinazokabili Kampuni. La muhimu zaidi ni hali bora ya usambazaji umeme,

huduma kwa wateja na uimarishaji wa mbinu za utendaji kazi ili kuimarisha hali ya kifedha ya kampuni.

Kielelezo hiki kinaonyesha mpango wa uwekaji rasimali katika upanuzi wa mitandao ya usafirishaji na usambazaji wa umeme ili kulingana na ukuaji wa wateja; ongezeko linalotarajiwa la uzalishaji zaidi wa umeme lililokadiriwa kwenye kielelezo cha uzalishaji umeme

kwa gharama nafuu, na pia makisio ya kifedha ya kampuni.

Kielelezo hiki kitarekebisha kila mwaka ili kujumuisha matukio na mabadiliko katika sekta ndogo ya umeme na maeneo mengine yanayohusika.

### Mikataba ya utendaji kazi

Serikali imeanzisha mikataba ya utendaji kazi katika usimamizi wa mashirika 16 ya kiserikali inayolenga kuimarisha usimamizi na utendaji kazi. Kampuni hii ilituliwa kuanzisha majaribio ya utekelezaji wa mikataba hii kutokana hali yake ya kipekee ya kuwa na mipango maalum iliyo na malengo hususan. Mikataba hii iliyoanza kutekelezwa mnamo tarehe 1 Oktoba 2004, inaonyesha uhusiano kati ya serikali na kampuni, na pia malengo yaliokubaliwa ambayo yatatumiwa kukadiria utendaji kazi wake. Serikali itatoa vifuta jasho kwa Halmashauri za mashirika ya kiserikali yatakayoafikia malengo yaliowekwa, na wakati huo huo kama mwenye hisa, itakuwa na haki ya kutoa mwito kwa wenye hisa wengine, kutolewa kwa wakurugenzi wasiotekeleza wajibu wao ipasavyo.

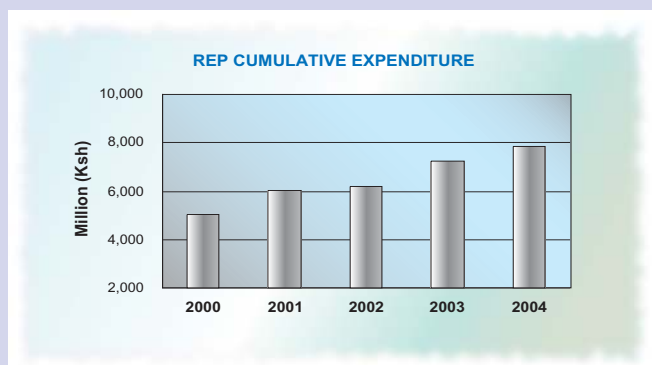
## USAMBAZAJI UMEME MASHAMBANI

### Umeme kote nchini

Kampuni inaendelea kutekeleza mpango wa usambazaji umeme mashambani kwa niaba ya Serikali. Katika mwaka unaochuguzwa, Shilingi Milioni 598 zilitumiwa katika miradi mbali mbali ya usambazaji umeme mashambani. Hii ilijumuisha

Shilingi Milioni 358 na Shilingi Milioni 36 zilizotumiwa kwenye miradi iliyofadhiliwa na serikali za Ufaransa na Uhispania, mtawalia. Shilingi Milioni 20 zingine zilitumika kwenye hatua ya 2 na ya 3 katika awamu ya kwanza ya mradi wa Stabex. Hii ilifanya jumla ya pesa zilizotumika tangu kuanzishwa kwa mpango huu mnamo mwaka wa 1973 kuwa Shilingi Milioni 7,827. Wakati huo huo Shilingi Milioni 1,008 zilikusanywa kutoka kwa ada ya usambazaji umeme mashambani katika mwaka unaochuguzwa ikilinganishwa na Shilingi Milioni 955 zilizokusanywa mwaka uliotangulia.

Idadi ya wateja waliopata umeme chini ya mpango wa usambazaji umeme mashambani iliongezeka kwa asilimia 6.8 na kufikia 93,083 ikilinganishwa na 87,175 katika mwaka uliotangulia. Vipimo vya umeme uliouzwa pia viliongezeka kwa



asilimia 1.4 kutoka vipimo 147 hadi milioni 149, ilihali mapato yaliopatikana yalipunguka kwa asilimia 2.8 kutoka Shilingi Milioni 1,006 mwaka uliotangulia hadi Shilingi Milioni 978.

Kazi ya ujenzi wa mitambo ya kusambaza umeme katika viwanda vya kahawa vilivyo katika hatua ya 2 na 3 ya awamu ya kwanza ya mpango wa usambazaji umeme mashambani katika viwanda vya kahawa (COFREP) ilikuwa katika hatua za mwisho kufikia mwisho wa mwaka wa makadirio ya pesa za serikali. Usorovea na uchoraji ramani wa viwanda vilivyowekwa kwenye orodha ya awamu ya pili pia ulianza mwaka huo.

Utekelezaji wa miradi 32 iliokuwa kwenye awamu ya pili ya mpango uliofadhiliwa na Uhispania kwa gharama ya Dola Milioni 10.255 za Marekani ulikamilika katika mwaka, na kazi ya ujenzi wa laini za kuunganisha wateja ukaendelea.

Ujenzi kwenye miradi iliyotengwa kusambaziwa umeme chini ya mpango unaofadhiliwa na Ufaransa kwa gharama ya Euro Milioni 9.1 uliendelea katika mwaka na unatarajiwa kumalizika

katika mwaka ujao wa makadirio ya pesa za serikali.

### WAFANYI KAZI

## Raslimali yetu kuu

Wafanyi kazi huwa raslimali muhimu katika kuafikia malengo ya kibiashara ya Kampuni, kuridhisha wateja na matarajio ya wenye hisa. Hivyo basi, msingi wa maadili ya utendaji kazi wa Kampuni unatokana na ushirikiano kazini, uimarishaji wa hali ya wafanyi kazi, ufumbuzi, utaalumu, nafasi sawa na uadilifu.

Kampuni huwa na dhamira ya kuendelea kuwa na wafanyi kazi wenye ujuzi wa hali ya juu, motisha na utaalumu ili kuafikia malengo yake. Hivyo basi, wafanyi kazi walipewa mafunzo humu nchini na katika nchi za nje ili kuimarisha uzalishaji na kupata ufahamu wa mienendo ya kibiashara inayozidi kubadilika.

Katika mwaka unaochuguzwa, Kampuni ilikuwa na wafanyi kazi 6,216 ikilinganishwa na wafanyi kazi 6,269 katika mwaka uliotangulia wakiwemo wafanyi kazi wa kudumu, wafanyi kazi wa mkataba na wale wa muda. Kufikia tarehe 30 Juni 2004, idadi ya wateja kwa wafanyi kazi ilikuwa 110:1 ikilinganishwa na idadi ya 104:1 katika mwaka uliotangulia.

Mbali na mzozo mmoja wa wafanyi kazi uliowasilishwa na chama cha wafanyi kazi na ambao ulisuluhishwa kwa njia ya amani mnamo Machi 2004, uhusiano wa viwandani umekuwa mzuri katika mwaka wote unaokaguliwa.

### HUDUMA ZA TEKNOLOJIA YA MAWASILIANO (ICT)

## Nguzo muhimu kwenye biashara yetu

Huduma za teknolojia ya mawasiliano zimekuwa zikitoa nguzo muhimu ya kibiashara kwa Kampuni. Kuwekwa kwa mashine mpya ya kutayarisha bili katika mwaka kuliimarisha utayarishaji wa bili kwa kiwango kikubwa. Kwa sasa, asilimia 98 ya pesa zinazopokelewa huwa ni kupitia kwa mitambo ya kompyuta, ilihali ushugulikiaji wa bili umeongezeka maradufu kutoka bili 4,000 hadi 8,000 kwa kila saa. Kuwekwa kwa mtambo mpya wa kupiga chapa kwa haraka katika mwaka kuliimarisha upigaji chapa wa bili kutoka bili 92 hadi bili 130 kwa kila dakika.

## Mawasiliano Kwa Njia Ya Simu

Katika mwaka huo, mawasiliano ya kikazi kati ya kituo cha kitaifa cha ugawaji wa umeme kilichoko Nairobi na mitambo ya umeme ya Olkaria yaliimarika kufuatia kuwekwa kwa mashine ya mawasiliano yenye teknolojia ya fibre optic.

Kampuni pia inadhamiria kubadilisha na kupanua mtambo wake wa usimamizi wa udhibiti na ukusanyaji habari pamoja na usimamizi wa kawi (SCADA/EMS) pamoja na mitambo mingine ya mawasiliano ya simu ikitumia teknolojia ya kisasa. Hii itashughulikia mahitaji ya siku zijazo na pia uunganishaji wa nchi jirani na biashara ya umeme. Katika kuafikia lengo hili, utafiti wa kubainisha uwezekano ulifanywa kwenye mwaka unaokaguliwa kwa madhumuni ya kubuni mpango hususan wa ustawi ili kuimarisha na kupanua na vile vile kubadilisha mfumo wa (SCADA/EMS) chini ya mradi wa ufufuzi wa sekta ya kawi.

## UAJIBIKAJI WA KAMPUNI KATIKA JAMII

### Zaidi ya mwito wa kazi

Katika kampuni ya KPLC tunaewa uwezo biashara yetu iliyo nao katika kuleta mabadiliko yenye manufaa kwenye jamii tunamohudumu. Huku tukiwa katika shughuli za kutoa umeme wa hali ya juu na yenye kutegemewa, tunaewa pia changamoto inayokumba jamii yetu yakiwemo maswala ya umaskini, ulaghai, usalama, afya na mazingira.

Tunajua kuwa kufaulu kwa juhudi zetu kunategemea sisi kutambua mahitaji ya jamii tunamohudumu na kusaidia jamii hii, wakiwemo waajiriwa wetu, katika kukimu mahitaji ya kijamii na ya kiuchumi. Uajibikaji wetu katika hali hii, kwa muhtasari, ni kama ifuatavyo:

### Mazingira

Kama watumizi wakuu wa bidhaa za mbao, tumejitolea kuhifadhi misitu na vile vile kupanda miti. Kwa mujibu huu,



KPLC imeanzisha mpango wa kupanda miti kwenye msitu wa Timboroa katika wilaya ya Uasin Gishu ikishirikiana na Idara ya Misitu. Katika kupiga jeki mpango huu, Kampuni imeanzisha bustani ya miche kwenye mto Sosiani karibu na mji wa Eldoret ambapo kuna miche zaidi ya 75,000. Kufikia sasa, zaidi ya hekta 50 zimepandwa miti chini ya mpango huu, mbali na maelfu ya miche ambayo imekuwa ikitolewa kwa miaka mitatu iliyopita kwa jamii jirani. KPLC pia imetoa zaidi ya vingi 700 vilivyotiwa kemikali kwa wakfu wa Mlima Kenya wa Bill Woodley ili kuweka ua la zaidi ya kilomita 20 kuzunguka mlima huo kwa minajili ya kusaidia kupunguza mgongano kati ya binadamu na wanyama pori na pia kuhifadhi mazingira ya mlima huo.

### Elimu

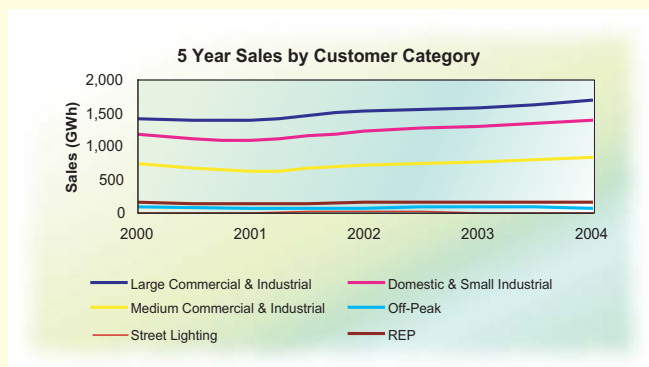
Katika kutambua umuhimu wa mchango wa elimu kwenye jamii, KPLC imekuwa ikitoa nafasi za mafunzo ya uzoefu wa kazi kwa wanafunzi wa vyuo vikuu mbali mbali kuanzia Juni 2003. Kufikia sasa, wanafunzi 57 wamekamilisha mafunzo hayo katika idara mbali mbali za Kampuni. Aidha, Kampuni ilianzisha wakfu wa Shilingi 480,000 katika shule ya wavulana ya Starehe mnamo mwaka 1998 unaogharamia elimu ya wanafuzi wawili kutoka jamii masikini kila mwaka. Katika mwaka tunaozungumzia, Kampuni pia ilitoa mchango wa kompyuta kwa shule katika Wilaya ya Migori ili kuboresha elimu ya teknolojia ya habari.

### Huduma Kwa Jamii

KPLC hushirikiana na mashirika mbali mbali katika kutoa usaidizi wa kifedha na vifaa pale usaidizi unapohitajika. Katika miaka iliyopita, tumekuwa tukitoa usaidizi kwa vituo vya wagonjwa wasioweza kutibiwa vya Nyeri na Eldoret; vituo vya watoto yatima vya Dr. Barnados, Dagoteri na Nyumbani Children's Home; chama cha viziwi cha Kenya, Operation Smile, Kituo cha Wema na kile cha Lions Club Hearing Centre



*The Company donated computers to schools in Migori to promote instruction in technology based subjects.*



jijini Mombasa, baadhi ya vituo vingine. KPLC pia imesaidia Heart to Heart Foundation na Dettol Heart Run katika juhudi za kutibu watoto kutoka jamii masikini walio na matatizo ya moyo. Wafanyi kazi wa KPLC wamekuwa wakichangisha maelfu ya pesa kwa kushiriki kwenye mbio za kila mwaka za taasisi hizi.

Zaidi ya hayo, kutokana na ukame unaokumba maelfu ya wakenya kwa wakati huu, wafanyi kazi pamoja na Kampuni walitoa mchango wa Shilingi Milioni 1.6 kwa hazina ya wakfu wa kitaifa wa ukame. Aidha, KPLC hukarabati mara kwa mara barabara yenye shughuli nyingi ya Kolobot, iliyoko kwenye makao yake makuu, Stima Plaza, katika eneo la Parklands, Nairobi.

## Mawasiliano kwa Uma

Kama kampuni inayowajibika, KPLC wakati wote huweka wazi njia za mawasiliano na washika dau wetu. Uhusiano kama huu na ubadilishanaji habari huleta maelewano kati ya kampuni yetu, wafanyi kazi na jamii ambamo tunahudumu. Katika muktadha huu, uhusiano wa karibu na wa mara kwa mara unapendekezwa baina ya wasimamizi na wafanyi kazi wengine wa Kampuni ili kujadili maswala ya kikazi na maslahi ya wafanyi kazi. Uhusiano na washika dau wengine hudumishwa kupitia kwa mpango kabambe wa elimu kote nchini kupitia kwa mtandao uliopo wa huduma kwa wateja, vyombo vya habari, mikutano inayotayarishwa na maafisa wa serikali na mashirika mengine; na kwa kuhusika katika maonyesho ya kilimo ya Kenya ya ASK, baadhi ya mengine.

## Maadili na Uaminifu

Huku tukitambua kwamba kufaulu kwetu kama shirika la kibiashara kunaweza kuhakikishiwa tu kutokana na imani ya watu kwa kampuni yetu, tumejitolea kuona kwamba matendo yetu yanaongozwa na maadili mema na uaminifu. Katika kuunga mkono mpango wetu wa kupambana na ufisadi, zaidi ya wafanyi kazi 100 wamepewa mafunzo ya uadilifu katika

utoaji wa huduma za uma, na afisi ya kuzuia ufisadi na kupokea habari zake imefunguliwa katika jumba la Electricity House, Nairobi, kwa ushirikiano wa tume ya kupambana na ufisadi. Afisi hii hupokea malalamishi au habari kuhusu matukio ya visa vya ufisadi vinavyohusu KPLC.

## Wafanyi Kazi

Hali bora ya wafanyi kazi wetu ni swala muhimu katika sera yetu ya wafanyi kazi. Hivyo basi, sisi huwa na miradi ya maslahi ya wafanyi kazi ikiwemo miradi ya afya; pensheni; bima za maisha na za wakati wa mwisho. Sisi pia huwa na mradi wa watoto yatima ambapo marupurupu ya wafanyi kazi wanao aga dunia wakiwa kazini huelekezwa katika elimu na malezi ya watoto wao na wengine waliokuwa wakiwategemea hadi wanapofikisha umri wa miaka kumi na nane. Kufikia tarehe 30 Juni 2004, mradi huu ulikuwa ukiwashughulikia watoto yatima 326.

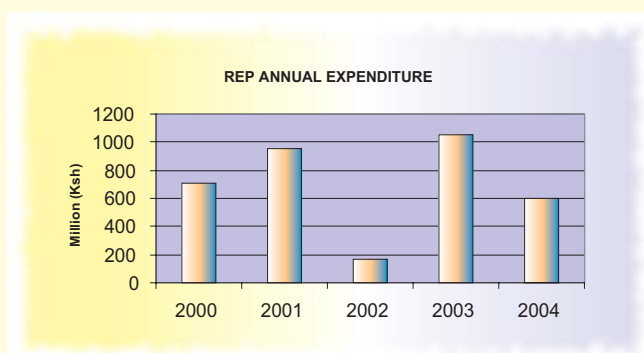
## Ukimwi

Ukimwi unaendelea kuwa kikwazo kikubwa kwa biashara na uchumi wa Kenya. Hivyo basi, KPLC huchukulia utunzaji na udhibiti wa janga la ukimwi kama swala muhimu katika sera yake ya wafanyi kazi. Kampuni pia huwa na mpango wa kimatibabu ambapo wafanyi kazi na wanaowategemea, wakiwemo wagonjwa wa ukimwi hutibiwa.

## MTAZAMO WA SIKU ZIJAZO

## Tumejiandaa kwa ufanisi zaidi

Kukimu mahitaji ya wateja wetu na kubuni thamani kwa mwenye hisa kutabaki kuwa malengo yetu muhimu. Huku tukiangalia katika siku zijazo, kauli yetu ni kuendelea kuwa na mwelekeo dhabiti ili kuafikia malengo haya kwa kupunguza umeme unaopotea mitamboni, kuimarisha mtandao na kuongeza idadi ya wateja wetu. Kwa hivyo ningependa kusema kwamba matokeo ya kifedha tulionao kwa sasa, usaidizi



tuliopata kutoka kwa wafadhili na kujitolea kwa wafanyi kazi wetu kuafikia malengo yaliowekwa, kunaonyesha dalili kubwa kwamba Kampuni imejiandaa kuendelea kuongeza faida.

#### **Pongezi**

Ngingependa kupongeza wenzangu kwenye Halmashauri, Serikali, washiriki wenzetu katika ustawi na biashara na wafanyi kazi wote wa Kampuni kwa juhudi zao ambazo zimeirudisha kwenye faida. Kwa kumalizia, ninatoa ahadi kwamba

Halmashauri na wafanyi kazi wa KPLC wamejitolea kuafikia na hata kuzidisha matarajio ya wateja wetu na wenye hisa kwa maendeleo zaidi



**MHANDISI ALFRED SAMBU**

MWENYEKITI





## REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements for the year ended 30 June 2004 which show the state of the company's affairs.

### ACTIVITIES

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

### RESULTS

The results of the Company for the year are set out on page 39.

### DIVIDENDS

A dividend of KShs.1,930,000 payable on the cumulative preference shares has been recognised in the income statement as finance costs. The directors do not recommend payment of a dividend on the ordinary shares in respect of the year ended 30 June 2004, due to accumulated losses and capital expenditure requirements.

### CAPITAL EXPENDITURE

During the year, a total of KShs.3,235million was spent on property and equipment. Capital contributions received from customers amounting to KShs.124million have been netted off against costs of the assets resulting in a net capital cost to the company of KShs.3,111million. Net capital work-in

progress as at 30 June 2004 amounted to KShs.5,264million (2003: KShs.3,369million).

### DIRECTORS

The members of the board of directors are shown on pages 2 and 3.

### AUDITORS

The Controller and Auditor-General is responsible for statutory audit of the company's books of account in accordance with Section II of the State Corporation Act, as amended by the Statute Law (Miscellaneous Law Amendments Act), 2002. Section 29(1)(b) of the Exchequer and Audit Act empowers the Controller and Auditor-General to nominate other auditors to carry out the audit on his behalf.

Ernst & Young were nominated by the Controller and Auditor-General to carry out the audit for the year ended 30 June 2004.

BY ORDER OF THE BOARD



**Laurencia K Njagi**  
Secretary  
Nairobi  
6<sup>th</sup> October, 2004

## TAARIFA YA WAKURUGENZI

Wakurugenzi wanawasilisha ripoti yao pamoja na taarifa za hesabu ya pesa zilizokaguliwa katika mwaka uliomalizika tarehe 30 Juni 2004 ambazo zinaonyesha hali ya kampuni.

### SHUGHULI

Shughuli kuu ya kampuni inazidi kuwa usafirishaji, usambazaji na uzaji wa reja reja wa umeme unao nunuliwa kwa jumla kutoka kwa kampuni ya uzalishaji umeme ya Kenya, yaani KenGen, wazalishaji umeme wa kibinafsi (IPPs) na kampuni ya usafirishaji umeme ya Uganda (UETCL).

### MATOKEO

Matokeo ya mwaka ya kampuni yako katika ukurasa wa 39.

### MARUPURUPU YA FAIDA

Marupurupu ya faida ya Shilingi 1,930,000 kwa hisa maalum yamenakiliwa kwenye taarifa ya mapato kama matumizi. Wakurugenzi hawapendekezi kulipwa kwa marupurupu ya faida kwenye hisa za kawaida katika mwaka uliomalizika tarehe 30 Juni 2004 kutokana na hasara iliyorundikana.

### MATUMIZI YA FEDHA KWA VIFAA NA MAJENGO

Katika mwaka tunaozungumzia, jumla ya Shilingi Milioni 3,235 zilitumiwa kwa mali na vifaa. Fedha zilizopokelewa kutoka kwa wateja zilizofikia kiasi cha Shilingi Milioni 124 zimetolewa kwa kiasi kilichotumika kwa mali na kubakishia kampuni Shilingi

Milioni 3,111. Kazi iliyokuwa ikiendelea tarehe 30 Juni mwaka 2004 ilikuwa ya kiasi cha Shilingi Milion 5,264 (2003: Shilingi Milioni 3,369).

### WAKURUGENZI

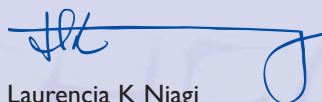
Wakurugenzi walioko wameonyeshwa katika ukurasa wa pili na wa tatu.

### WAKAGUZI

Msimamizi na Mkaguzi Mkuu ana wajibika kisheria kufanya ukaguzi wa vitabu vya hesabu ya matumizi ya pesa kulingana na kifungu cha 11 cha sheria za mashirika ya kiserikali kama ilivyorekebisha kwenye sheria za serikali, 2002. Kifungu cha 29(1)(b) cha Wizara ya Fedha na sheria ya ukaguzi inampa uwezo Msimamizi na Mkaguzi Mkuu kuteua wakaguzi wengine ili kufanya ukaguzi kwa niaba yake.

Ernst & Young waliteuliwa na Msimamizi na Mkaguzi Mkuu kufanya ukaguzi kwa mwaka uliomalizika tarehe 30 Juni 2004.

KWA AMRI YA HALMASHAURI



Laurencia K Njagi

Katibu

Nairobi

Oktoba 6, 2004





# CORPORATE GOVERNANCE STATEMENT

## CORPORATE GOVERNANCE

Corporate governance is the process and structure used to direct and manage business affairs of the Company towards enhancing prosperity and corporate accounting with the ultimate objective of realising shareholders' long term value while taking into account the interest of other stakeholders. The directors are responsible for the corporate governance practices of the Company. This Statement sets out the main practices in operation during the year under review, unless otherwise indicated.

The Company is committed to business integrity and professionalism in all its activities. As part of this commitment the Board fully supports issues articulated by the Capital Markets Authority so as to bring the level of governance in line with international trends.

## BOARD OF DIRECTORS

Information on directors is shown on page 4.

The Board of Directors has ten members comprising the Managing Director and nine non-executive directors, including the Chairman. As a state corporation, a representative of the Inspectorate of State Corporations attends Board meetings. The non-executive directors are independent within the meaning of the Capital Markets Authority's Guidelines on Corporate Governance.

The separate roles of the Chairman and Managing Director are practised. The Chairman is primarily responsible for the running of the Board and ensuring that it is supplied in a timely manner with sufficient information to enable it to discharge its duties. The Managing Director is responsible for recommending business plans and the budget to the Board, implementing approved corporate strategies and day to day administration of the Company.

The primary responsibilities of the Board include: establishment of short and long term goals of the Company and strategic plans to achieve those goals; ensuring preparation of the annual and half year financial statements; review and approval of the annual budgets for the financial performance of the Company; monitoring performance periodically; managing risks by ensuring that the company has implemented adequate systems of internal controls together with appropriate monitoring of compliance activities; and

working with management to realise shareholders' value.

Agreed procedures are in place for all directors to receive appropriate training and to take independent professional advice if necessary. New directors are also well inducted by provision of necessary information pertinent to the Company's business, meetings with Management and training. Towards this, directors were trained on corporate governance by the Centre for Corporate Governance during the year to enhance their skills. The directors are highly qualified with a variety of skills required to direct the Company. A profile of directors showing their professional qualifications and experience is contained elsewhere in this Report.

The Board meets at least once a month or more often in accordance with requirements of the business. The Board held a total of 24 meetings during the year, which were very well attended.

## BOARD COMMITTEES

The Board had the following standing and adhoc Committees in place during the year:

### *Audit Committee*

The Audit Committee was constituted in 1999 and its mandate redefined in April 2003, to accord with Capital Markets Guidelines on Corporate Governance. The Committee comprises three non-executive directors and is chaired by a non-executive director. The members of the Committee during the period under review were:

Mr.T.D. Owuor (Chairman)  
Mr. E. Wasunna  
Mr. N. Kiuna

Mr. Samuel Maluki, representing the Inspectorate of State Corporations, attends the meetings. The Committee routinely invites the Managing Director, Internal Audit Manager and at times the external auditors to attend the meetings.

Its responsibilities include but are not limited to:

- (i) examination of quarterly, half year and annual financial statements,
- (ii) discussion with the external auditor before commencement of the audit,

- (iii) consideration of issues identified by the external auditors in the Management Letter;
- (iv) consideration of audit fees for recommendations to the board, and
- (vi) review of the function, operations and findings of the Internal Audit Department.

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

### **Staff and Remuneration Committee**

The Board has in place a fully operational Staff & Remuneration Committee whose mandate includes determining the terms and conditions of service of the Managing Director and staff and approval of recommendations for appointment and disciplinary issues of staff.

The members who served in the Committee were as follows:

1. Eng. A Sambu (Chairman)
2. Dr. S. Musyoka
3. Mr. E. Wasunna
4. Mr. P. Nyoike
5. Mr. J. Kinyua
6. Eng. J. Oduor

When appropriate, the Committee invites other members of the Board to its meetings. The Committee held 14 meetings during the year.

### **Central Tender Committee**

There is a Tender Committee established pursuant to the requirements of the Exchequer and Audit Act (Public Procurement Regulations) 2001, whose chief function includes approval of award of tenders of goods and services with a value exceeding Shs.500,000.

The members of this Committee include two non-executive directors and the managing director as shown below:

1. Mr. F.M. Nyaga (Chairman)
2. Eng. J. Oduor
3. Eng. Swaleh S. Imu
4. Mr. Ng'ang'a Munyu (for Mr. Patrick Nyoike)

Other members are senior management staff spelt out in the Procurement Regulations.

The Central Tender Committee held a total of 33 meetings during the year in line with business requirements.

### **Adhoc Board Committee on IPP Negotiations**

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

- |                     |            |
|---------------------|------------|
| Mr. F. M. Nyaga     | (Chairman) |
| Eng. S. Imu         |            |
| Mr. Ngugi Kiuna     |            |
| Mr. Patrick Nyoike  |            |
| Mr. Solomon Kitungu |            |

The Committee routinely invites management staff with relevant expertise to its meetings.

The committee held a total of 15 meetings during the year.

### **Inter-Ministerial Committee on Governance Practices**

Members of the Staff & Remuneration Committee were part of a Government Committee under the Department of Governance and Ethics looking into investigations of corruption and mismanagement in the Company during the previous regime and held 14 meetings during the year.

## **DIRECTORS' REMUNERATION**

Details of directors' remuneration are set out in the report on page 48. There did not exist any arrangement to which the Company is a party, whereby directors might acquire benefits by means of the acquisition of the Company's shares. There were no directors' loans at any time during the year.

## **INTERNAL CONTROLS**

The Company has systems and processes to ensure requisite controls, physical security of assets and reporting of accurate and up-to-date information. A comprehensive accounting system is also in place.

## **COMMUNICATION WITH SHAREHOLDERS**

The Company places a great deal of importance on

communication with its shareholders and publishes in the local dailies its financial statements on half year and annual basis. The full report and financial statements are distributed to all shareholders on an annual basis.

## MAJOR SHAREHOLDERS

The Company files with CMA and NSE a monthly report on the top 10 major shareholders.

**As at 30th June 2004 these were as follows:**

No.	Name	No. of Shares	Holding %
1	PS. Treasury	32,853,268	40.42
2	Board of Trustees. N.S.S.F.	8,557,468	10.53
3	Barclays (Kenya) Nominees	8,469,306	10.42
4.	Jubilee Insurance Co. Ltd	2,076,817	2.55
5	UAP Provincial Insurance Co. Ltd	2,037,211	2.51
6	Karim Jamal	1,823,566	2.24
7	Kestrel Capital Nominees Ltd	1,771,476	2.18
8	Paul Wanderi Ndung'u	1,536,773	1.89
9	Madison Insurance Company Ltd	993,212	1.22
10	Phoenix of E.A. Assurance Co. Ltd	764,068	0.94

## TAARIFA YA USIMAMIZI WA KAMPUNI

Uongozi wa shirika ni jinsi na muundo unaotumika kuongoza na kusimamia shughuli za kampuni kwelekea kuzidisha ustawi kwa nia kuu ya kufanikisha thamani ya kudumu ya hisa ilhali ikitia maanani maslahi ya washika dau wengine. Wakurugenzi wanawajibika kwa shughuli za kiusimamizi za kampuni. Taarifa hii inaonyesha utekelezaji muhimu unaotumika katika kipindi cha mwaka kinachochunguzwa, isipokuwa iwe imeonyeshwa vinginevyo.

Kampuni inazingatia na kuheshimu uadilifu wa kibiashara na utaalamu katika shughuli zake zote. Kama sehemu ya kujitolea huku, halmashauri inaunga mkono kwa dhati maswala yaliyoelezwa na Halmashauri ya Capital Markets nchini ili kuweka viwango vya uongozi kuwa sambamba na mwelekeo wa kimataifa.

## HALMASHAURI YA WAKURUGENZI

Habari kuhusu Wakurugenzi imeonyeshwa kwenye ukurasa 4

Halmashauri ya Wakurugenzi ina wanachama kumi akiwemo Mkurugenzi Mkuu na Wakurugenzi wengine tisa wasio watendaji akiwemo Mwenyekiti. Kama shirikia la serikali, mwakilishi wa Mkaguzi wa Mashirika ya serikali huhudhuria vikao vya halmashauri. Wakurugenzi wasio watendaji wako huru kulingana na mwongozo wa halmashauri ya masoko ya rasimali kuhusu uongozi wa Mashirika. Wajibu uliotenganishwa wa Mwenyekiti na Mkurugenzi Mkuu unatambuliwa. Mwenyekiti kimsingi anawajibika na kuendesha shughuli za halmashauri na kuhakikisha kwamba bodi inapata kwa wakati ufao habari za kutosha kuiwezesha kutimiza wajibu wake. Mkurugenzi Mkuu naye jukumu lake ni kupendekeza kwa halmashauri mipango ya biashara na bajeti, kutekeleza mikakati ya halmashauri iliyopitishwa na usimamizi wa kila siku wa shughuli za kampuni.

Wajibu mkuu wa bodi ya wakurugenzi, unahusisha uanzishaji wa malengo ya muda mrefu na ya muda mfupi ya kampuni na uanzishaji wa mbinu kabambe za kuafikia malengo hayo; kuhakikisha matayarisho ya taarifa za fedha za kila mwaka na za kila nusu mwaka; ukaguzi na kuidhinisha bajeti za kila mwaka za kampuni kwa kuonyesha hali ya kifedha ya kampuni; kufuatilia utendaji wa kampuni kila baada ya kipindi fulani; Usimamizi wa bima za kampuni kwa kuhakikisha kwamba kampuni inatekeleza mifumo inayofaa ya udhibiti wa ndani

pamoja na ufuatiliaji madhubuti wa shughuli za ukubalifu; na kufanya kazi pamoja na wasimamizi kufanikisha thamani ya hisa. Utaratibu uliokubaliwa umetayarishwa kwa wakurugenzi wote kupewa mafunzo yanayofaa na kuchukuwa ushauri wakitaalamu wakibinafsi kukiwepo na jaha. Kufuatia haya, wakurugenzi walipewa mafunzo kuhusu usimamizi wa mashirika katika kituo cha mafunzo cha Centre for Corporate Governance, wakati wa kipindi cha mwaka.

Halmashauri hukutana angalau mara moja kwa mwezi au mara kwa mara kulingana na mahitaji ya kazi. Halmashauri ilikuwa na vikao 24 vilivyohudhuriwa sawa sawa, katika kipindi cha mwaka.

## KAMATI ZA HALMASHAURI

Halmashauri ilikuwa na kamati zifuatazo katika kipindi cha mwaka.

### *Kamati ya Ukaguzi*

Kamati ya Ukaguzi ilianzishwa mwaka 1999 na uwezo wake ukaelezwana tena mwezi Aprili 2003, kulingana na mwongozo wa Halmashauri ya Capital Markets kuhusu usimamizi wa Mashirika.

Kamati hii inahusisha wakurugenzi watatu wasio watendaji na mwenyekiti wake ni Mkurugenzi asiye mtendaji. Wanachama wa kamati hii katika kipindi tunacho kichunguza walikuwa:

Bw. T.D. Owuor (Mwenyekiti)

Bw. E. Wasunna

Bw. N. Kiuna

Bw. Samuel Maluki, anayewakilisha Mkaguzi wa Mashirika ya Serikali, huhudhuria mikutano. Kamati kwa kawaida humualika Mkurugenzi Mkuu, Meneja Mkaguzi wa Ndani (Internal Audit Manager) na wakati mwingine wakaguzi wa nje kuhudhuria mikutano.

Wajibu wake unahusisha yafuatayo lakini hauzuiwi na hoja:

- (i) Uchunguzi wa taarifa za fedha robo mwaka, nusu mwaka na za kila mwaka,
- (ii) Mashauriano na mkaguzi wa nje kabla kuanza kwa ukaguzi,
- (iii) Kufikiria maswala yaliyotambuliwa na wakaguzi wa nje katika barua ya wasimamizi,
- (iv) Kufikiria ada ya wakaguzi kwa kupendekeza kwa bodi, na

- (v) Kuchunguza upya shughuli, utendaji kazi na matokeo ya ukaguzi wa idara ya ukaguzi ya ndani.

Kamati ilikuwa na idadi ya vikao kumi katika kipindi cha mwaka

### ***Kamati ya Ujira na Wafanyakazi***

Halmashauri ina kamati ya ujira na wafanyakazi ambayo inafanya kazi kikamilifu; ambayo uwezo wake unahusisha uamuzi wa masharti na mapatano ya huduma ya Mkurugenzi Mkuu na wafanyakazi na kutoa idhini ya mapendekezo ya kuajiri na maswala ya nidhamu ya wafanyakazi.

Wanachama walio hudumu kwenye kamati hiyo ni wafwatao:-

1. Eng. A. Sambu (Mwenyekiti)
2. Dr. S. Musyoka
3. Bw. E. Wasunna
4. Bw. P. Nyoike
5. Bw. J. Kinyua
6. Eng. J. Oduor

Kama kuna haja, kamati hualika wanachama wengine wa halmashauri kwenye mikutano yake.

Kamati hii ilifanya vikao 14 katika kipindi cha mwaka.

### ***Kamati kuu ya Zabuni***

Kuna kamati ya zabuni ilioanzishwa kuambatana na mahitaji ya sheria ya pesa za serikali na ukaguzi (Public Procurement Regulations) 2001, na ambayo jukumu lake kuu ni pamoja na kupitisha zabuni za bidhaa na huduma ambazo thamani yake inazidi shilingi 500,000.

Wanachama wa kamati hii hujumuisha wakurugenzi wawili wasio watendaji na mkurugenzi mkuu kama ilivyoonyeshwa hapa chini.

1. Bw. F.M. Nyaga (Mwenyekiti)
2. Eng. J. O. Oduor
3. Eng. S. Imu
4. Bw. Ng'ang'a Munyu (Kwa niaba ya Bw. P. Nyoike)

Wanachama wengine ni maafisa wakuu wasimamizi waliotajwa kwenye sheria za utoaji zabuni.

Kamati kuu ya zabuni ilifanya mikutano 33 kwenye mwaka unaokaguliwa kuambatana na mahitaji ya biashara.

### ***Kamati ya Dharura ya Halmashauri Kwenye Majadiliano na Watoaji Wa Kibinafsi Wa Umeme (IPP)***

Halmashauri iliunda kamati mnamo Mwezi Mei 2003 kujadili tena makubaliano ya ununuzi umeme na watoaji wa kibinafsi wa umeme. Wanachama wa kamati hii ni pamoja na:

- Bw. F.M. Nyaga (Mwenyekiti)  
Eng. S. Imu  
Bw. Ngugi Kiuna  
Bw. Patrick Nyoike  
Bw. Solomon Kitungu

Kamati kwa kawaida huwaalika maafisa wa usimamizi walio na ujuzi unaohitajika kwenye mikutano yake. Kamati ilifanya jumla ya mikutano 15 kwenye mwaka.

### ***Kamati ya Utendaji wa Maongozi***

Wanachama wa Kamati ya Ujira na Wafanyakazi walishiriki kwenye kamati ya serikali chini ya idara inayoshugulikia muongozo na mienendo inayostahili, ambayo inachunguza mada ya ufasidi na uongozi mbaya kwenye Kampuni siku za hapo awali. Kamati hii ilifanya mikutano 14 katika mwaka.

## **MARUPURUPU YA WAKURUGENZI**

Maelezo kamili kuhusu marupuru ya wakurugenzi kwenye ripoti hii yako katika kurasa 48. Hakukua na mpango wowote ambapo Kampuni ilikubali kwamba wakurugenzi wangeweza kunufaika kwa kuchukua hisa za Kampuni. Pia, hakukuwa na mikopo ya wakurugenzi wakati wowote wa mwaka.

## **USIMAMIZI UDHIBITI WA KAMPUNI**

Kampuni ina mifumo na njia za kuhakikisha udhibiti wa mahitaji, usalama wa rasimali na uwasilishaji wa habari sahihi na za punde. Pia kuna mfumo kabambe wa uhasibu.

## MAWASILIANO NA WENYE HISA

Kampuni inachukulia kwa umuhimu mkubwa mawasiliano na wenye hisa wake na huchapisha kwenye magazeti ya humu nchini taarifa zake za fedha za nusu mwaka na kila mwaka. Ripoti kamili na hesabu husambazwa kwa wenye hisa wote kila mwaka.

## WENYE HISA WAKUU

Kampuni hutoa ripoti kwa CMA na NSE kila mwezi ya wenye hisa wake kumi bora.

**Kufikia tarehe 30 Juni 2004, wenye hisa hawa walikuwa:**

No.	Name	No. of Shares	Holding %
1	PS. Treasury	32,853,268	40.42
2	Board of Trustees. N.S.S.F.	8,557,468	10.53
3	Barclays (Kenya) Nominees	8,469,306	10.42
4.	Jubilee Insurance Co. Ltd	2,076,817	2.55
5	UAP Provincial Insurance Co. Ltd	2,037,211	2.51
6	Karim Jamal	1,823,566	2.24
7	Kestrel Capital Nominees Ltd	1,771,476	2.18
8	Paul Wanderi Ndung'u	1,536,773	1.89
9	Madison Insurance Company Ltd	993,212	1.22
10	Phoenix of E.A. Assurance Co. Ltd	764,068	0.94

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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



Director  
6 October, 2004



Director  
6 October, 2004

## TAARIFA YA MAJUKUMU YA WAKURUGENZI

Sheria ya kampuni ya Kenya inahitaji wakurugenzi kutayarisha taarifa za fedha kwa kila mwaka wa fedha ambazo huonyesha hali ya kweli na ya haki ya jinsi hali ilivyo katika Kampuni mwishoni wa mwaka wa fedha na matokeo ya oparesheni zake kwa mwaka huo. Inahitaji pia wakurugenzi kuhakikisha kwamba Kampuni ina weka kumbu kumbu sahihi za taarifa za matumizi ya fedha ambazo zinaonyesha barabara hali yake ya kifedha. Wanawajibika pia kulinda mali yake.

Wakurugenzi wanakubali uajibikaji kwenye taarifa za fedha za kila mwaka ambazo zimetayarishwa kwa kuzingatia sera za uhasibu zinazofaa zikiambatana na maamuzi na makadirio ya haki na hekima, sambamba na kanuni za kimataifa za utayarishaji wa taarifa za fedha na kwa namna inayohitajika kwenye sheria ya kampuni ya Kenya. Wakurugenzi wana maoni kwamba taarifa za fedha hutoa ukaguzi wa kweli wa hali ya kifedha ya Kampuni na matokeo ya oparesheni zake. Wakurugenzi pia hukubali uajibikaji wa uhifadhi wa kumbu kumbu za hesabu ya matumizi ya pesa ambazo huenda zikategemewa wakati wa kutayarisha taarifa za fedha, na vile vile mifumo ifaayo ya kudhibiti matumizi ya fedha za Kampuni.

Wakurugenzi hawana ufahamu wa jambo lolote linaloonyesha kuwa Kampuni haitaweza kuendeleza shuguli zake za kibiashara kwa miezi kumi na miwili ijayo kutoka tarehe ya taarifa hii.



Mkurugenzi  
Oktoba 6, 2004



Mkurugenzi  
Oktoba 6, 2004



# REPORT OF THE CONTROLLER AND AUDITOR-GENERAL ON THE FINANCIAL STATEMENT OF KPLC

The financial statements on pages 39 to 61 for the year ended 30 June 2004, which have been prepared on the basis of the accounting policies set out on pages 43 to 45, have been audited on my behalf by the auditors appointed under Section 39 of the Public Audit Act, 2003. The auditors have obtained all the information and explanations which they considered necessary for the audit except as noted below under the basis of opinion. The financial statements are in agreement with the books of account.

## **Respective responsibilities of directors and the independent auditors**

As stated on page 36, the directors are responsible for the preparation of the financial statements which give a true and fair view of the state of the affairs of the company and of its operating results. My responsibility is to express an independent opinion on these financial statements based on my audit.

## **Basis of opinion**

Except as discussed in the following paragraph, the audit was planned and performed with a view to obtaining reasonable assurance as to whether financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statements presentation. I believe that my audit provides a reasonable basis for my opinion.

On 10 March 2003, the Minister for Energy commissioned a Technical and Financial Audit Committee on the Company to review and investigate certain aspects of the Company including procurement and asset disposals. The Committee completed its work and has already issued its Report. However, the Report is the subject of a court order dated 31 March 2004, prohibiting among other things, its implementation, including institution of investigations, pending the hearing of the court case. The outcome of the case is subject to the determination of the court. In view of this restriction, the Report has not been taken into account in my audit.

## **Opinion**

Except for the observation above, in my opinion, proper books of account have been kept by the company and the financial statements, give a true and fair view of the state of affairs of the company at 30 June 2004, and of its profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act.

**Evan N Mwai**

*Controller and Auditor-General*

Nairobi

6 October 2004

## TAARIFA YA WAKAGUZI WA FEDHA KWA WANACHAMA WA KAMPUNI YA KENYA POWER & LIGHTING

Taarifa za fedha zilizoko kwenye ukurasa wa 39 hadi 61 za mwaka uliomalizika tarehe 30 Juni 2004 ambazo zimetayarishwa kwa kuzingatia sera za uhasibu zilizoko kwenye ukurasa wa 43 hadi 45 zimekaguliwa kwa niaba yangu na wakaguzi walioteuliwa chini ya kifungu cha 39 sheria ya ukaguzi wa pesa za uma, 2003. Wakaguzi wamepata habari na maelezo yote wanayochukulia kuwa muhimu kwa ukaguzi japo, kama ilivyogusiwa hapa chini kwa misingi ya maoni. Taarifa za fedha zina uiano na vitabu vya uhasibu.

### Uajibikaji wa wakurugenzi na wakaguzi wa kibinafsi

Kama ilivyotajwa kwenye ukurasa wa 36, wakurugenzi wanawajibika kutayarisha taarifa za fedha ambazo zinaonyesha hali ya kweli na haki ya kampuni na matokeo ya opresheni zake. Wajibu wangu ni kutoa maoni yangu kuhusu taarifa za fedha kwa msingi wa ukaguzi wangu.

### Msingi wa maoni

Ila, kama ilivyojadiliwa kwenye kifungu kifwatacho, ukaguzi ulipangwa na kufanywa kwa nia ya kupata hakikisho kwamba taarifa za fedha hazina vipengele ambavyo sio vya kweli. Ukaguzi unahusisha uchunguzi, kwa majaribio, ushahidi unaodhulinisha ukweli kwenye taarifa za fedha. Ukaguzi pia unahusisha uchunguzi wa sera za uhasibu zilizotumiwa na makadirio yanayofanywa na wakurugenzi na vile vile kutathmini taarifa yote ya fedha kwa ujumla. Naamini kwamba ukaguzi wangu unatoa msingi mwema wa maoni yangu.

Mnamo tarehe 10 Machi 2003, Waziri wa Kawi alianzisha kamati ya ukaguzi kwenye Kampuni ili kuangalia tena na kuchunguza maswala kadha ya Kampuni, yakiwemo maswala ya ununuzi na uuzaji wa mali ya Kampuni. Kamati hii ilikamilisha kazi yake na tayari imewasilisha ripoti yake. Hata hivyo, amri ya korti ya tarehe 31 Machi 2004 ilisimamisha, baadhi ya mambo mengine, utekelezaji wa ripoti hiyo pamoja na uchunguzi hadi kusikizwa kwa kesi. Matokeo ya kesi yatategemea uamuzi wa korti. Kutokana na haya, ripoti hii haijajumuishwa kwenye ripoti yangu.

### Maoni

Mbali na maswala niliyo gusia hapo juu, kwa maoni yangu, vitabu sahihi vya hesabu ya matumizi ya pesa vimewekwa na kampuni na taarifa za fedha zinaonyesha kwa ukweli na haki hali ya mambo yalivyo katika kampuni kufikia tarehe 30 Juni 2004, na mapato na matumizi ya pesa kwa mwaka huo kuambatana na kanununi za kimataifa za utayarishaji wa taarifa za fedha na kwa namna inayohitajika kwenye sheria ya kampuni.

### Evan N Mwai

*Msimamizi na Mkaguzi Mkuu*

Nairobi

Oktoba 6 2004



# INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2004

		2004 KShs'000	2003 KShs'000
	Note		
<b>REVENUE</b>			
Electricity sales		20,302,734	19,185,376
Fuel cost recoveries		3,020,349	3,945,406
Other income		23,323,083	23,130,782
		542,831	1,045,501
Total revenue		23,865,914	24,176,283
<b>OPERATING EXPENSES</b>			
Power purchase costs	3(a)	12,495,344	13,977,450
Fuel costs	3(b)	3,043,479	4,136,552
Distribution and customer service	4(a)	3,773,992	4,654,512
Energy transmission	4(b)	1,347,710	1,092,054
Administration	4(c)	2,349,362	3,044,153
Total operating expenses		23,009,887	26,904,721
<b>OPERATING PROFIT / (LOSS)</b>	5	856,027	(2,728,438)
<b>FINANCE INCOME/(COSTS) - NET</b>	7	17,657	(1,383,755)
<b>PROFIT/(LOSS) BEFORE TAXATION</b>		873,684	(4,112,193)
<b>TAX (CHARGE)/CREDIT</b>	8(b)	(415,877)	1,060,838
<b>PROFIT/(LOSS) FOR THE YEAR</b>		457,807	(3,051,355)
<b>EARNINGS/(LOSS) PER SHARE - BASIC</b>	9	KShs.5.79	(KShs.38.56)
<b>- DILUTED</b>	9	KShs.5.79	(KShs.38.56)

# BALANCE SHEET

AS AT 30 JUNE 2004

		2004 KShs'000	2003 KShs'000
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property and equipment	10	20,599,403	19,011,871
Prepaid leases on land	11	132,147	132,202
Unquoted investment	12	4,300	4,300
Deferred tax	13	1,523,834	1,803,024
Loan receivable	14	-	21,679
Deposits	15	351,886	325,262
		22,611,570	21,298,338
<b>CURRENT ASSETS</b>			
Loan receivable	14	22,360	116,444
Inventories	16	1,709,252	1,809,774
Trade and other receivables	17	5,691,908	6,626,859
Taxation recoverable	8(a)	158,725	150,914
Short term deposits	18	276,589	860,485
Bank and cash balances		1,824,677	544,147
		9,683,511	10,108,623
Total assets		32,295,081	31,406,961
<b>EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Ordinary share capital	19	1,582,560	1,582,560
Preference shares	20	15,899,250	-
Reserves	21	9,409	(585,085)
		17,491,219	997,475
<b>NON CURRENT LIABILITIES</b>			
Trade and other payables	22	2,447,355	2,439,603
Borrowings	23	3,769,347	5,494,863
Due to KenGen	24	-	10,351,144
Preference shares	25	43,000	43,000
		6,259,702	18,328,610
<b>CURRENT LIABILITIES</b>			
Trade and other payables	22	6,040,226	8,911,180
Retirement benefits obligation	26	1,743,618	1,577,017
Borrowings	23	373,954	1,206,317
Dividends payable	27	386,362	386,362
		8,544,160	12,080,876
Total equity and liabilities		32,295,081	31,406,961

The financial statements on pages 39 to 61 were approved by the Board of Directors on 6th October, 2004 and were signed on its behalf by:

Eng. Alfred Sambu	)	
	)	Directors
Eng. Jasper Oduor	)	

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2004

	Ordinary share capital KShs'000	Preference share capital KShs'000	Revaluation reserves KShs'000	Accumulated deficit KShs'000	Total KShs'000
At 1 July 2002					
As previously stated	1,582,560	-	4,309,935	(2,376,327)	3,516,168
Adjustments (note 28)	-	-	-	395,975	395,975
As restated	1,582,560	-	4,309,935	(1,980,352)	3,912,143
Transfer of excess depreciation	-	-	(455,626)	455,626	-
Deferred tax credit on excess depreciation	-	-	136,687	-	136,687
Loss for the year	-	-	-	(3,051,355)	(3,051,355)
<b>At 30 June 2003</b>	<b>1,582,560</b>	<b>-</b>	<b>3,990,996</b>	<b>(4,576,081)</b>	<b>997,475</b>
At 1 July 2003					
As previously stated	1,582,560	-	3,990,996	(4,954,664)	618,892
Adjustments (note 28)	-	-	-	378,583	378,588
As restated	1,582,560	-	3,990,996	(4,576,081)	997,475
Transfer of excess depreciation	-	-	(455,626)	455,626	-
Deferred tax on excess depreciation	-	-	136,687	-	136,687
Preference shares allotted	-	15,899,250	-	-	15,899,250
Profit for the year	-	-	-	457,807	457,807
<b>At 30 June 2004</b>	<b>1,582,560</b>	<b>15,899,250</b>	<b>3,672,057</b>	<b>(3,662,648)</b>	<b>17,491,219</b>



# CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2004

		2004 KShs'000	2003 KShs'000
	Note		
<b>CASH GENERATED FROM OPERATIONS</b>	29(a)	2,037,554	1,693,277
Interest received		41,173	95,804
Interest paid		(19,295)	(280,498)
Preference dividends paid		(1,930)	(373)
Taxation paid		(7,811)	(10,129)
Cash generated from operating activities		2,049,691	1,498,081
<b>INVESTING ACTIVITIES</b>			
Purchase of property and equipment, net of capital contributions		(2,371,312)	(1,231,937)
Proceeds from disposal of property and equipment		82,088	38,913
Loan receivable repayments		115,763	120,386
<b>Net cash used in investing activities</b>		(2,173,461)	(1,072,638)
<b>FINANCING ACTIVITIES</b>			
Loans received	29(b)	1,800,474	780,198
Repayment of amounts borrowed	29(b)	(681,802)	(700,250)
Net cash generated from financing activities		1,118,672	79,948
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>		994,902	505,391
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>		1,106,364	600,973
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	29(c)	2,101,266	1,106,364

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

## I. ACCOUNTING POLICIES

### (a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), which comprise standards and interpretations approved by the International Accounting standard Board (IASB) and International Accounting Standards and Standing Interpretations Committee interpretations approved by International Accounting Standards Committee (IASC) that remain in effect.

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

### (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. The following specific recognition criteria must be met before revenue is recognised:-

#### (i) Sale of electricity

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

#### (ii) Interest

Revenue is recognised as interest accrues taking into account the effective yield on the assets.

#### (iii) Dividends

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

#### (iv) Rental income

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

### (c) Inventories

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

### (d) Property and equipment

Property and equipment are stated at cost or as professionally valued less accumulated depreciation. The frequency of revaluations depends upon the

movements in the fair values of the items of property and equipment but limited to a period of not more than five years. Revaluation surplus arising from the revaluations of property and equipment is dealt with in the revaluation reserves. A decrease in carrying amount arising on the revaluation is charged in the income statement to the extent that it exceeds the balances, if any, held in the revaluation reserve relating to a previous revaluation of that asset. Additions to power distribution lines during the year are capitalised net of customers' contributions.

No depreciation is provided on freehold land. Depreciation on other assets is calculated to write off their cost or valuation of property and equipment to their residual values on a straight-line basis over their expected useful lives.

The depreciation rates used are:

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

Excess depreciation, representing the additional depreciation based on revalued amounts over depreciation based on historical costs, is transferred annually from revaluation to revenue reserves.

### (e) Taxation

Current taxation is provided on the basis of the results for the year as shown in the financial statements, adjusted in accordance with tax legislation.

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

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the unused tax losses and unused tax credits can be utilised.

# NOTES TO THE FINANCIAL STATEMENTS (cont.)

FOR THE YEAR ENDED 30 JUNE 2004

## I. ACCOUNTING POLICIES (cont.)

### (f) Leases

Leases of assets under which all the risks and benefits of ownership are effectively retained by the company as the lessor are classified as operating leases. Payments made by the company under operating leases are charged to the income statement on the straight-line basis over the term of lease.

Payments made to acquire leasehold land are treated as prepaid operating leases and are amortised on the straight line basis over the term of lease.

Assets acquired under finance leases and hire purchase agreements are capitalised at the dates of the agreements. The interest element of each instalment is charged to the income statement at the time each instalment falls due.

### (g) Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into Kenya Shillings at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rates ruling at the date of the transaction. Exchange gains and losses arising during the period of construction of a project are capitalised as part of the cost of the project. Other exchange gains and losses are dealt with in the income statement.

### (h) Financial instruments

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

#### Trade receivables

Trade receivables are recognised and carried at original invoice amounts less allowances for any uncollectable amounts.

#### Borrowings

Interest bearing loans and overdrafts are initially recorded at cost, being the fair value of consideration received, net of issue costs associated with the borrowing. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue cost, and any discount or premium on settlement. Finance charges, including premiums payable on settlement or redemption, are accounted for on an

accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period they arise. Loan interest accruing during the construction of a project is capitalised as part of the cost of the project.

#### Trade payables

Trade payables are stated at their nominal value.

#### Investments

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

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

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

#### Redeemable preference shares

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

### (i) Leave accrual

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

### (j) Impairment

At each balance sheet date, the company reviews the carrying amounts of its financial assets, tangible and intangible assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amounts of the asset is estimated and an impairment loss is recognised in the income statement whenever the carrying amount of the asset exceeds its recoverable amount.

# NOTES TO THE FINANCIAL STATEMENTS (cont.)

FOR THE YEAR ENDED 30 JUNE 2004

## I. ACCOUNTING POLICIES (cont.)

### (k) Retirement benefits obligations

The company operates a defined benefit pension scheme, in addition to a statutory defined contribution scheme. Payments to the defined contribution retirement benefit plans are charged as an expense as they fall due. For the defined benefit retirement plans, the cost of providing benefits is determined using the projected unit credit method. Actuarial gains and losses are recognised as income or expense when cumulative unrecognised actuarial gains or losses exceed 10 per cent of the higher of the defined benefit obligation and the fair value of plan assets. These gains or losses are recognised over the expected average remaining working lives of the participating employees.

### (l) Segment information

The company business is organised by regions, comprising Nairobi, Mount Kenya, Coast and West Kenya. Business segment is by region as the company deals in only supply of electricity. There are no inter-segment sales. Segment results include revenue and expenses directly attributable to a segment. Segment assets and liabilities comprise those operating assets and liabilities that are directly attributable to the segment or can be allocated to the segment on a reasonable basis. Capital expenditure represents the total cost incurred during the year to acquire segment assets that are expected to be used during more than one period (property and equipment).

## 2 (a) PRIMARY SEGMENT INFORMATION - GEOGRAPHICAL SEGMENTS

For management purposes, the company is currently organised into four operating regions. These regions are the basis on which the company reports its primary segment information. The four regions comprise Nairobi, Coast, West Kenya and Mount Kenya. The table below shows the company's revenue, expenses, segment assets, segment liabilities, capital expenditure and depreciation by the geographical area.

	Nairobi Region KShs'000	West Kenya Region KShs'000	Coast Region KShs'000	Mount Kenya Region KShs'000	2004 Total KShs'000	2003 Total KShs'000
Electricity revenue	12,516,492	4,325,012	4,370,194	2,111,385	23,323,083	23,130,782
Other income	272,033	150,584	106,179	42,611	571,407	2,105,792
Energy purchases	(8,235,576)	(2,952,376)	(2,952,376)	(1,398,494)	(15,538,822)	(18,114,002)
Other expenses	(2,025,189)	(1,331,877)	(718,780)	(674,121)	(4,749,967)	(5,494,694)
Head office expenses	(1,471,382)	(516,756)	(516,756)	(244,780)	(2,749,674)	(4,356,316)
Segment results	1,056,378	(325,413)	288,461	(163,399)	856,027	(2,728,438)
Net finance income/ (costs)					17,657	(1,383,755)
Taxation					(415,877)	1,060,838
Profit/(loss) after taxation					457,807	(3,051,355)
Other information						
Assets	17,988,147	5,749,680	5,771,109	2,786,145	32,295,081	31,028,378
Liabilities	16,643,688	5,632,514	5,880,443	2,546,467	30,703,112	30,409,486
Capital expenditure	1,780,911	550,642	538,706	240,943	3,111,202	1,231,937
Depreciation	832,858	303,922	262,775	118,841	1,518,396	1,569,572

## 2 (b) SECONDARY SEGMENT INFORMATION - BUSINESS SEGMENTS

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

	Freehold land and buildings KShs'000	Transmission lines KShs'000	Distribution lines KShs'000	Motor Machinery KShs'000	Furniture equipment and other KShs'000	Total KShs'000
Transmission	6,732	9,686,146	-	-	87,444	9,789,969
Distribution	645,894	-	3,885,325	3,601	741,933	5,545,290
Total	652,626	9,686,146	3,885,325	3,601	829,377	15,335,259

# NOTES TO THE FINANCIAL STATEMENTS (cont.)

FOR THE YEAR ENDED 30 JUNE 2004

## 3. POWER PURCHASES

### 3(a) Power purchase costs

The power purchases were sourced from the following companies: -

	2004 KShs'000	2003 KShs'000
KenGen	7,798,510	8,943,560
Uganda Electricity Transmission Company Limited	750,571	967,038
Tsavo Power Company Limited	1,664,291	1,786,552
Iberafrica Power (EA) Company Limited	1,182,174	1,360,397
Orpower 4 Inc	762,423	722,080
Westmont Power Kenya Limited	786,281	733,208
	12,944,250	14,512,835
Less charged to Rural Electrification Programme	(448,906)	(535,385)
	<b>12,495,344</b>	<b>13,977,450</b>

### 3(b) Fuel costs

KenGen	1,232,574	1,206,453
Tsavo Power Company Limited	566,385	1,583,330
Iberafrica Power (EA) Company Limited	1,300,834	1,257,912
Westmont Power Kenya Limited	53,022	222,398
	3,152,815	4,270,093
Less charged to Rural Electrification Programme	(109,336)	(133,541)
	<b>3,043,479</b>	<b>4,136,552</b>

### 3(c) Units purchased

Interconnected power purchases by utility source is analysed as follows in gigawatt-hours(GWh):

	2004 GWh	2003 GWh
KenGen	4,294	3,667
Uganda Electricity Transmission Company Limited	171	222
Tsavo Power Company Limited	200	473
Iberafrica Power (EA) Company Limited	240	251
Orpower 4 Inc	105	109
Westmont Power Kenya Limited	15	29
	5,025	4,751
Less supplied to Rural Electrification Programme	(174)	(175)
	<b>4,851</b>	<b>4,576</b>



# NOTES TO THE FINANCIAL STATEMENTS (cont.)

FOR THE YEAR ENDED 30 JUNE 2004

## 3. POWER PURCHASES (cont.)

### 3(d) Type of interconnected power sources

The interconnected power sources by type of generation are analysed as follows in GWh:

	2004 GWh	2003 GWh
Hydro	3,428	3,352
Geothermal	787	386
Thermal	810	1,013
	5,025	4,751
Less supplied to Rural Electrification Programme	(174)	(175)
	<b>4,851</b>	<b>4,576</b>

## 4. OTHER OPERATING COSTS

### 4(a) Distribution and customer service

	2004 KShs'000	2003 KShs'000
Salaries and wages	2,302,764	2,415,455
Staff welfare	194,192	170,867
Other consumable goods	317,717	368,925
Depreciation	412,647	417,845
Transport and travelling	205,686	188,700
Write (backs)/offs	(37,701)	373,627
Office expenses	187,178	150,431
Obsolete stock provision	13,620	338,436
Advertising and public relations	17,790	31,056
Repairs and maintenance	109,342	150,241
Development	2,727	1,863
Other costs	48,030	47,066
	<b>3,773,992</b>	<b>4,654,512</b>

### 4(b) Energy transmission

	2004	2003
Salaries and wages	283,251	122,333
Depreciation	922,707	903,075
Transport and travelling	90,866	53,942
Advertising	-	401
Office expenses	9,783	2,699
Other costs	41,103	9,604
	<b>1,347,710</b>	<b>1,092,054</b>

# NOTES TO THE FINANCIAL STATEMENTS (cont.)

FOR THE YEAR ENDED 30 JUNE 2004

## 4. OTHER OPERATING COSTS (Cont.)

### 4(c) Administration

	2004 KShs'000	2003 KShs'000
Salaries	779,251	852,968
Staff welfare	175,294	143,099
Insurance	205,575	233,184
Other consumable goods	43,718	49,243
Transport and travelling	155,821	147,412
Training expenses and consumer services	26,486	13,811
Other costs	444,255	435,014
Depreciation	183,042	248,707
Other office expenses	195,634	228,692
Pension deficit and leave provisions	219,434	835,140
Bank charges and other financial costs	158,155	158,287
REP credit	(237,303)	(301,404)
	<b>2,349,362</b>	<b>3,044,153</b>

## 5. OPERATING PROFIT/(LOSS)

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

Staff costs (Note 6)	3,809,830	4,453,110
Depreciation	1,518,341	1,569,572
Provision for bad and doubtful debts	(31,290)	315,493
Directors' emoluments:		
- Fees	1,140	870
- Others	22,312	11,012
Auditors' remuneration	6,950	6,950
Amortisation	55	55
Gain on disposal of property and equipment	(76,759)	(31,254)
Rent payable	109,214	122,318
Rent receivable	(41,788)	(34,385)

## 6. STAFF COSTS

	KShs'000	KShs'000
Salaries and wages	3,352,555	3,390,756
National Social Security Fund contributions	14,541	14,553
Pension costs – company contribution	223,300	212,661
Leave provision	52,833	62,766
Provision for actuarial losses (note 26)	166,601	772,374
	<b>3,809,830</b>	<b>4,453,110</b>

The average number of employees during the year was:-

Permanent employees	5,105	5,288
Contract employees	1,111	981
	<b>6,216</b>	<b>6,269</b>

# NOTES TO THE FINANCIAL STATEMENTS (cont.)

FOR THE YEAR ENDED 30 JUNE 2004

## 7. FINANCE INCOME/(COSTS) - NET

Interest receivable:

On bank and other deposits  
Iberafrica Power (EA) Ltd loan

2004  
KShs'000

2003  
KShs'000

39,495

73,438

9,775

22,366

49,270

95,804

Exchange gains  
Exchange losses on loans

38,520

25,485

(64,715)

(40,085)

Net foreign exchange losses

(26,195)

(14,600)

Interest payable:

Loans  
Bank overdrafts  
KenGen debt  
Dividends on preference shares

(7,363)

(626,781)

(5,387)

(176,248)

9,262

(660,000)

(1,930)

(1,930)

(5,418)

(1,464,959)

17,657

(1,383,755)

## 8. TAXATION

(a) Balance sheet  
At the beginning of the year  
Paid during the year

150,914

140,785

7,811

10,129

158,725

150,914

(b) Profit and loss account  
Current taxation based on the adjusted profit /(loss) for the year at 30%  
Deferred tax charge/(credit)

-

-

415,877

(1,060,838)

415,877

(1,060,838)

(c) Reconciliation of tax expense/(credit) to the expected tax based on accounting profit/(loss):-

Profit/(loss) before taxation

873,684

(4,112,193)

Tax at the applicable tax rate of 30%

262,105

(1,233,658)

Tax effect of expenses not deductible for tax purposes

153,772

172,820

Tax charge/(credit)

415,877

(1,060,838)

## 9. EARNINGS/(LOSS) PER SHARE

The earnings/(loss) per share is calculated on the profit/(loss) after tax of KShs. 457,807,000 (2003- KShs. 3,051,355,000) and the number of shares in issue during the year of 79,128,000 (2003:- 79,128,000). The diluted earnings/(loss) per share is the same as the basic loss per share as there were no dilutive potential ordinary shares.

# NOTES TO THE FINANCIAL STATEMENTS (cont.)

FOR THE YEAR ENDED 30 JUNE 2004

## 10. PROPERTY AND EQUIPMENT

	Freehold land and buildings KShs'000	Transmission lines KShs'000	Distribution lines KShs'000	Machinery KShs'000	Motor vehicles KShs'000	Furniture, equipment and other KShs'000	Total KShs'000
<b>COST OR VALUATION</b>							
At 1 July 2003	1,064,415	11,011,747	5,364,709	12,736	1,268,459	4,057,961	22,780,027
Additions	832	419,023	288,832	1,846	147,214	358,431	1,216,178
Disposals	-	-	(8,361)	-	(37,826)	-	(46,187)
At 30 June 2004	1,065,247	11,430,770	5,645,180	14,582	1,377,847	4,416,392	23,950,018
Comprising							
At cost	1,065,247	1,203,014	5,645,180	14,582	1,377,847	4,416,392	13,722,262
At valuation-2002	-	10,227,756	-	-	-	-	10,227,756
	1,065,247	11,430,770	5,645,180	14,582	1,377,847	4,416,392	23,950,018
<b>DEPRECIATION</b>							
At 1 July 2003	382,961	908,769	1,542,515	10,892	1,122,171	3,169,967	7,137,275
Charge for the year	29,660	836,710	223,299	89	11,535	417,048	1,518,341
Eliminated on disposals	-	-	(6,814)	-	(34,043)	-	(40,857)
Reallocations	-	(855)	855	-	-	-	-
At 30 June 2004	412,621	1,744,624	1,759,855	10,981	1,099,663	3,587,015	8,614,759
<b>NET BOOK VALUE</b>							
At 30 June 2004	652,626	9,686,146	3,885,325	3,601	278,184	829,377	15,335,259
Work in progress							5,264,144
							20,599,403
At 30 June 2003	681,454	10,102,978	3,822,194	1,844	146,288	887,994	15,642,752
Work in progress							3,369,119
							19,011,871

Capital work in progress relates to construction works at Olkaria substation and electricity transmission and distribution lines spread across the country.

No depreciation has been charged in arriving at the results for the year in respect of certain fully depreciated assets with a cost of KShs.2,998,658,332 (2003-KShs.2,575,488,003). If depreciation had been charged during the year on the cost of these assets at normal rates, it would have amounted to KShs.576,754,471 (2003-KShs.507,813,449).

The transmission lines were revalued by Mott MacDonald, Registered Valuers (London) as at 30 June 2002 on a depreciated replacement cost basis.

# NOTES TO THE FINANCIAL STATEMENTS (cont.)

FOR THE YEAR ENDED 30 JUNE 2004

## 10. PROPERTY AND EQUIPMENT (cont.)

### NET BOOK VALUE (COST BASIS)

	Land and buildings KShs'000	Transmission lines KShs'000	Distribution lines KShs'000	Machinery KShs'000	Motor vehicles KShs'000	Furniture, equipment and other KShs'000	Total KShs'000
At 30 June 2004	652,626	4,439,489	3,885,325	3,601	278,184	829,377	10,088,602
Work in progress							5,264,144
							<b>15,352,746</b>
At 30 June 2003	681,454	4,401,554	3,822,194	1,844	146,288	887,994	9,941,328
Work in progress							3,369,119
							<b>13,310,447</b>

## 11. PREPAID LEASES ON LAND

### COST

At 30 June 2003 and 2004	133,694
--------------------------	---------

### AMORTISATION

At 1 July 2003	1,492
Amortisation for the year	55
At 30 June 2004	1,547

### NET BOOK VALUE

At 30 June 2004	132,147
At 30 June 2003	132,202

## 12. UNQUOTED INVESTMENT

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

## 13. DEFERRED TAX

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

	2004 KShs'000	2003 KShs'000
Deferred tax assets:		
Tax losses	(4,187,386)	(4,828,117)
Provisions	(1,165,305)	(1,094,241)
	(5,352,691)	(5,922,358)
Deferred tax liabilities:		
Accelerated capital allowances	2,210,660	2,375,428
Unrealised exchange gains	44,456	33,478
Revaluation surplus	1,573,741	1,710,428
	3,828,857	4,119,334
	<b>(1,523,834)</b>	<b>(1,803,024)</b>



# NOTES TO THE FINANCIAL STATEMENTS (cont.)

FOR THE YEAR ENDED 30 JUNE 2004

## 13. DEFERRED TAX (Continued)

Movement on the deferred tax account is as follows:

	2004 KShs'000	2003 KShs'000
At 1 July	(1,803,024)	(605,499)
Credit to revaluation reserve	(136,687)	(136,687)
Income statement charge/(credit) (note 8(b))	415,877	(1,060,838)
<b>At 30 June</b>	<b>(1,523,834)</b>	<b>(1,803,024)</b>

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

## 14. LOAN RECEIVABLE

	2004 KShs'000	2003 KShs'000
Due from Iberafrica Power (E.A) Limited	22,360	138,123
Receivable within one year	(22,360)	(116,444)
<b>Non current</b>	<b>-</b>	<b>21,679</b>

Amount due from Iberafrica Power (E.A) Limited represents the outstanding balance of US\$ 280,900 (Sh 22,359,640) on loan advanced to Iberafrica Power (E.A) Limited in September 1997 repayable in equal monthly instalments by 26<sup>th</sup> August 2004. The initial principal amount advanced was US\$ 7,500,000. This loan is recovered through monthly power purchases and earns interest at a rate of 11% per annum.

## 15. DEPOSITS

	2004 KShs'000	2003 KShs'000
Standard Chartered Bank Kenya Limited		
US\$ 2,386,007 (2003-US\$ 2,381,315)	189,926	176,962
The Co-operative Bank of Kenya Limited		
US\$ 2,034,673 (2003-US\$ 2,000,000)	161,960	148,300
	<b>351,886</b>	<b>325,262</b>

The average effective interest rate on the deposits as at 30 June 2004 was 2 % (2003 - 2 %) per annum.

The above deposits denominated in foreign currency represent amounts held by the company's bankers as security for guarantees issued by the bankers on behalf of the company. These are in respect of standby letters of credit issued by the company to fulfil a contractual agreement under a power supply agreement.

## 16. INVENTORIES

	2004 KShs'000	2003 KShs'000
General stores	776,385	998,067
Engineering spares	21,143	22,713
Fuel and oil	77,202	104,249
Transformers	642,777	596,941
Motor vehicle spares	55,909	72,568
Goods in transit	135,836	15,236
	<b>1,709,252</b>	<b>1,809,774</b>

# NOTES TO THE FINANCIAL STATEMENTS (cont.)

FOR THE YEAR ENDED 30 JUNE 2004

## 17. TRADE AND OTHER RECEIVABLES

	2004 KShs'000	2003 KShs'000
Electricity customers	3,649,965	4,579,591
Rural Electrification Programme schemes	1,395,068	1,426,365
Prepayments	186,821	264,145
Recoverable fuel costs	261,837	332,657
Other receivables	198,217	24,101
	<b>5,691,908</b>	<b>6,626,859</b>

Rural Electrification Programme balance represents amounts owed to the company by the Government of Kenya on account of Rural Electrification Programme as disclosed in note 30.

## 18. SHORT TERM DEPOSITS

	2004 KShs'000	2003 KShs'000
Maturing within 3 months:		
Housing Finance	269,890	266,872
Co-operative Bank of Kenya Limited	6,699	549,545
CFC Bank Limited	-	44,068
	<b>276,589</b>	<b>860,485</b>

The average effective interest rate on the short-term deposits as at 30 June 2004 was 2 % (2003 -3 %).

## 19. SHARE CAPITAL

	2004 KShs'000	2003 KShs'000
Ordinary share capital		
Authorised:		
97,850,000 ordinary shares of KShs. 20 each	1,957,000	1,957,000
Issued and fully paid:		
<b>79,128,000 ordinary shares of KShs. 20 each</b>	<b>1,582,560</b>	<b>1,582,560</b>

## 20. PREFERENCE SHARES

This amount relates to debts due to the Government of Kenya (KShs.3,639 million) and KenGen (KShs. 12,260 million) converted into redeemable 7.85% Non-cumulative preference shares during the year.

The amounts have been included under equity because the preference shares will be redeemable at the option of the company.

## 21. RESERVES

	2004 KShs 000	2003 KShs 000
Accumulated deficit	(3,662,648)	(4,576,081)
Revaluation reserve	3,672,057	3,990,996
	<b>9,409</b>	<b>(585,085)</b>

The revaluation reserve was as result of revaluation of transmission lines as shown in note 10.

# NOTES TO THE FINANCIAL STATEMENTS (cont.)

FOR THE YEAR ENDED 30 JUNE 2004

## 22. TRADE AND OTHER PAYABLES

	2004 KShs'000	2003 KShs'000
KenGen	1,385,037	3,443,580
Customers' deposits	2,063,408	1,760,257
Capital contributions	383,948	679,346
Suppliers' accounts	1,822,620	2,894,613
Rural Electrification Programme Levy	1,798,479	1,520,324
Electricity Regulatory Board Levy	39,218	32,389
Provision for leave	297,080	244,247
Other payables and accruals	697,791	776,027
	8,487,581	11,350,783
Less: Non refundable and payable after one year	(2,447,355)	(2,439,603)
	<b>6,040,226</b>	<b>8,911,180</b>

The amount due to KenGen represents the balance outstanding for power purchase costs.

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

Rural Electrification Programme Levy represents levies collected by the company from electricity customers on behalf of the Government.

## 23. BORROWINGS

### 23(a) Balances

The year end balances are analysed as follows:

	2004 KShs'000	2003 KShs'000
5.0% Kenya Government/Canadian loan 1990-2020	-	679,994
6.125% Kenya Government/Swiss mixed credit 1996-2005 (CHF 3,312,013)	208,738	192,670
2.6% Indosuez Bank, Belgium 1991-2004 (BEF 8,698,560)	20,796	53,434
10.0% Kenya Government/Finnish loan 1988-2003	-	11,206
Kenya Government/European Investment Bank Olkaria loan (Euro 30,431,451) (2005 – 2020)	2,934,913	1,244,728
7.5% Kenya Government/Escrow loan	-	222,450
4% East Africa Development Bank (Kiambere – Nairobi 220KVA line – USD 4,790,250) 2003-2007	381,304	354,020
4% FMO (Kipevu – Rabai line – USD 5,250,000)-(2003-2007)	417,900	500,513
0.75% Kenya Government/IDA 2966 KE loan	163,463	5,671
11% National Industrial Credit Bank Limited loan (2003 – 2004)	-	75,543
10% Standard Chartered Bank (K) Limited loan - 2003	-	300,000
4.615% Bamburi Cement Limited loan-2003	4,800	24,000
Accrued interest	11,387	27,193
	4,143,301	3,691,422
Due to Government of Kenya	-	2,711,490
Bank overdrafts	-	298,268
Total borrowings	4,143,301	6,701,180
Less: amounts repayable within 12 months	373,954	1,206,317
<b>Non current</b>	<b>3,769,347</b>	<b>5,494,863</b>

# NOTES TO THE FINANCIAL STATEMENTS (cont.)

FOR THE YEAR ENDED 30 JUNE 2004

## 23. BORROWINGS (Continued)

Details of security for loans and overdrafts;

East African Development Bank Limited, FMO, National Industrial Credit Bank Limited, Standard Chartered Bank Limited and Bamburi Cement Limited loans are guaranteed by letters of negative pledge. All other loans are guaranteed by the Government of Kenya. Bank overdraft facilities with Standard Chartered Bank Kenya Limited, Kenya Commercial Bank Limited and The Co-operative Bank of Kenya Limited are secured by letters of negative pledge.

### 23(b) Analysis of borrowings by currency:

	Borrowings in KShs KSh'000	Borrowings in US\$ KShs'000	Borrowings in CHF KShs'000	Borrowings in BEF KShs'000	Borrowings in EURO KShs'000	Borrowings Total KShs'000
2004						
Loans	168,263	808,764	210,499	20,862	2,934,913	4,143,301
2003						
Loans	3,823,517	1,088,564	192,670	53,433	1,244,728	6,402,912
Bank overdrafts	298,268	-	-	-	-	298,268
	4,121,785	1,088,564	192,670	53,433	1,244,728	6,701,180

### 23(c) Maturity of borrowings

	2004 KShs'000	2003 KShs'000
Due within 1 year	373,954	1,206,317
Due between 1 and 2 years	869,601	941,113
Due between 2 and 5 years	816,951	982,003
Due after 5 years	2,082,795	3,571,747
	<b>4,143,301</b>	<b>6,701,180</b>

## 24. DUE TO KENGEN

Amounts due on power purchase account	-	8,081,442
Accrued development surcharge	-	1,841,207
Accrued interest/penalties	-	428,495
	<b>-</b>	<b>10,351,144</b>

During the year, the amount owing to KenGen as at 30 June 2003 of KShs.10,351,144,000 was converted to preference share capital.

## 25. PREFERENCE SHARES

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

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

# NOTES TO THE FINANCIAL STATEMENTS (cont.)

FOR THE YEAR ENDED 30 JUNE 2004

## 26. RETIREMENT BENEFITS OBLIGATION

The company operates a defined retirement benefits scheme for its employees. The scheme is administered by an in-house team and is funded by contributions from both companies and their employees. AIG Global Investment (EA) Company Limited and Co-op Trust Investment Services Limited jointly manage the scheme's funds.

Under the plan, the employees are entitled to retirement benefits varying between 2 and 3 percent of final pensionable emoluments on attainment of the retirement age of 55.

Amounts recognised in income in respect of the defined benefits plan are as follows:

	2004 KShs'000	2003 KShs'000
Net actuarial losses	166,601	236,910
Transitional liability	-	535,464
	<b>166,601</b>	<b>772,374</b>

The charge for the year has been included in staff costs (note 6).

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

	2004 KShs'000	2003 KShs'000
Present value of funded obligations	7,713,400	7,713,400
Unrecognised actuarial losses	(2,274,582)	(2,441,183)
Fair value of plan assets	(3,695,200)	(3,695,200)
	<b>1,743,618</b>	<b>1,577,017</b>
Movement in the net liability in the current year were as follows:		
At beginning of the year	1,577,017	804,643
Amounts charged to income	166,601	772,374
<b>At 30 June</b>	<b>1,743,618</b>	<b>1,577,017</b>

Key assumptions used:

	2004	2003
Rate of interest	10%	10%
Expected return on plan assets	10%	10%
Expected rate of salary increases	8%	8%
Future pension increases:		
- Post 31/12/99 service	0%	0%
- Pre 31/12/99 service	3%	3%

The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligations under the Scheme are limited to specific contributions legislated from time to time and are currently at KShs200 per employee per month.



# NOTES TO THE FINANCIAL STATEMENTS (cont.)

FOR THE YEAR ENDED 30 JUNE 2004

## 27. DIVIDENDS PAYABLE

These relate to accumulated dividends payable to the Government of Kenya on ordinary shares.

## 28. PRIOR YEAR ADJUSTMENTS

	2004 KShs'000	2003 KShs'000
Gain on disposal of properties (a)	(99,136)	(99,136)
Deferred tax (b)	477,719	495,111
	<b>378,583</b>	<b>395,975</b>

- (a) Reversal of gain on disposal of houses recognised in year 2001/02, which was subsequently cancelled. The amount has been adjusted against the opening reserves of the year ended 30 June 2003.
- (b) Effect of computation of deferred tax on accumulated general bad debts provision. In restating the results of the year ended 30 June 2003, the loss for the year has been increased by KShs.17,892,000 and the opening accumulated losses credited by KShs 495,111,000.

## 29. NOTES TO THE CASH FLOW STATEMENT

### 29(a) RECONCILIATION OF OPERATING PROFIT/(LOSS) TO CASH GENERATED FROM OPERATIONS

	2004 KShs'000	2003 KShs'000
Operating profit/(loss)	856,027	(2,728,438)
Depreciation	1,518,341	1,569,572
Amortisation	55	55
Gain on disposal of property and equipment	(76,759)	(31,254)
Net exchange gains	52,469	25,485
Operating profit /(loss) before working capital changes	<b>2,350,133</b>	<b>(1,164,580)</b>
Decrease in inventories	100,522	584,949
Decrease in trade and other receivables	943,049	179,679
(Decrease)/increase in trade and other payables	(1,496,127)	1,458,617
Increase in staff retirement benefits scheme	166,601	772,374
Movement in non current deposits	(26,624)	(137,762)
Cash generated from operations	<b>2,037,554</b>	<b>1,693,277</b>

### 29(b) ANALYSIS OF CHANGES IN LOANS

(Excluding Government loans)

At beginning of the year	3,664,229	3,544,196
Receipts	1,800,474	780,198
Repayments	(681,803)	(700,250)
Loans converted to preference shares	(927,600)	-
Exchange losses	276,614	40,085
Accrued interest	11,387	27,193
At end of the year	<b>4,143,301</b>	<b>3,691,422</b>

# NOTES TO THE FINANCIAL STATEMENTS (cont.)

FOR THE YEAR ENDED 30 JUNE 2004

## 29. NOTES TO THE CASH FLOW STATEMENT (cont.)

### 29(c) ANALYSIS OF CASH AND CASH EQUIVALENTS

	2004 KShs'000	2003 KShs'000
Short term deposits	276,589	860,485
Bank and cash balances	1,824,677	544,147
Bank overdrafts	-	(298,268)
	<b>2,101,266</b>	<b>1,106,364</b>

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.

## 30. RELATED PARTY TRANSACTIONS

The Government of Kenya is the principal shareholder in The Kenya Power and Lighting Company Limited and also holds 100% of the equity interest in Kenya Electricity Generating Company Limited (KenGen). The company is, therefore, related to Kenya Electricity Generating Company Limited through common control.

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

### 30(a) Government of Kenya

	2004 KShs'000	2003 KShs'000
Electricity sales		
Electricity sales to Government ministries	944,173	856,123
Outstanding balances included in trade debtors	<b>456,335</b>	<b>1,041,028</b>

The tariffs applicable to Government institutions are similar to other ordinary customers.

Rural Electrification Programme

During the year, the company continued to manage the Rural Electrification Schemes (RES) on behalf of the Government of Kenya.

The Rural Electrification Programme (REP) was established in 1973 by the Government of Kenya following an agreement between it and East African Power & Lighting Company (now The Kenya Power & Lighting Company Limited). The programme was established with the specific objective to extend electricity to the sub economic rural areas.

The REP is funded by several donors through the Government of Kenya. Any property acquired by REP remains the property of the Government. KPLC only acts as a management agent on behalf of the Government.

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

	2004 KShs'000	2003 KShs'000
Electricity sales	978,112	1,006,188
Expenditure	(1,681,129)	(1,932,378)
Net deficit	<b>(703,017)</b>	<b>(926,190)</b>
Assets	<b>7,065,903</b>	<b>6,694,435</b>

The balance outstanding in the current account with the Government of Kenya is disclosed in note 17 under trade and other receivables.

Other details relating to transactions and balance with the Government of Kenya are disclosed in note 22.

# NOTES TO THE FINANCIAL STATEMENTS (cont.)

FOR THE YEAR ENDED 30 JUNE 2004

## 30. RELATED PARTY TRANSACTIONS (Continued)

### 30(b) KenGen

	2004 KShs'000	2003 KShs'000
Electricity purchases	9,030,824	10,150,013
Accrued interest on loan	(9,262)	660,000

Transactions with KenGen are at arm's length and in the normal course of business. Outstanding balances between the company and KenGen and interest rates applicable as at 30 June 2004 are disclosed in notes 22 and 24.

### 30(c) KPLC Staff Retirement Benefits Scheme

The company uses property owned by the staff retirement benefits scheme for office accommodation. Rent paid during the year in this regard amounted to KShs.40,000,000 (2003-KShs. 40,000,000).

## 31. RISK MANAGEMENT POLICIES

The financial risk management objectives and policies are as outlined below:

### Credit risk

The company's credit risk is primarily attributable to its trade receivable and bank deposits. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

The credit risk on trade receivables is limited as the company is a monopoly in the distribution of electricity which is a basic necessity for the consumer. In addition, the company has no significant concentration of credit risk, with exposure spread over a large number of customers.

The credit risk on liquid funds with financial institutions is also low, because the counter parties are banks with high credit-ratings.

### Interest rate risk

The interest rate risk exposure arises mainly from interest rate movements on the company's borrowings. To manage the interest rate risk, management has endeavoured to only sign and obtain borrowings from institutions that offer contracts with fixed interest rates. At year-end, borrowings with no fixed interest rates were minimal.

### Liquidity risk

The risk that the company will encounter difficulty in raising funds to meet commitments associated with financial instruments has been and continues to be addressed by management through debt rescheduling, conversion of loan into equity and re-negotiating with energy suppliers for tariff reductions.

### Currency risk

The foreign currency risk arises due to change in exchange rates. 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.

## 32. FAIR VALUE

It is considered that there is no material difference between the fair value and carrying value of the company's financial assets and liabilities where fair value details have not been presented.

# NOTES TO THE FINANCIAL STATEMENTS (cont.)

FOR THE YEAR ENDED 30 JUNE 2004

## 33. CAPITAL COMMITMENTS

Authorised and contracted for  
Less: Amount incurred and included in work in progress

Less: Capital contributions received from customers

2004 KShs'000	2003 KShs'000
3,929,322	4,324,834
(1,474,194)	(2,614,463)
2,455,128	1,710,371
(514,700)	(808,221)
<b>1,940,428</b>	<b>902,150</b>

## 34. CONTINGENT LIABILITIES

Bank guarantees  
Claims on the company

229,940	200,000
5,955,570	1,348,270
<b>6,185,510</b>	<b>1,548,270</b>

Included in the claims on the company are: -

- (i) KShs.1.355 billion relating to a claim by Tana & Athi River Development Authority (TARDA) for Masinga and Kiambere power stations lease hire charges for the period prior to 1998. The dispute is in court. However, the court recommended that the matter be resolved through arbitration. No arbitrator has been appointed. The Ministry of Energy has written to the Ministry of Regional Development advising that the matter be settled administratively within the Government.
- (ii) Some employees whose employment was terminated in the previous years went to court seeking additional compensation on termination from the company. The advice from the external lawyers is that the prospects of the plaintiffs succeeding are minimal.
- (iii) Other claims on the company relate to civil suits lodged against the company by various parties in the normal course of business.

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

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

# NOTES TO THE FINANCIAL STATEMENTS (cont.)

FOR THE YEAR ENDED 30 JUNE 2004

## 35. OPERATING LEASE COMMITMENTS

### AS LESSEE:

The total future minimum lease payments due to third parties under non-cancellable operating leases are as follows:

	2004 KShs'000	2003 KShs'000
Not later than 1 year	137,696	101,285
Later than 1 year and not later than 5 years	337,408	56,275
	<b>475,104</b>	<b>157,560</b>

### AS LESSOR

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

	2004 KShs'000	2003 KShs'000
Not later than 1 year	23,980	37,611
Later than 1 year but not later than 5 years	29,164	80,154
	<b>53,144</b>	<b>117,765</b>

## 36. COMPARATIVES

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year. In particular, the comparative figures have been adjusted to take into account the effect of the prior year adjustments.

## 37. INCORPORATION

The company is incorporated in Kenya under the Kenyan Companies Act.

## 38. CURRENCY

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

# TEN YEAR FINANCIAL AND STATISTICAL RECORDS

for the year ended	30th June 1995	30th June 1996	30th June 1997	30th June 1998	30th June 1999
<b>UNITS SOLD (Millions)</b>	3,017	3,269	3,406	3,498	3,564
Average yield of units sold (cents)	429.49	456.58	495.98	516.67	516.91
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Revenue from sale of electricity	12,957,798	14,925,761	16,893,149	18,073,232	18,422,731
<b>PROFIT/(LOSS) for the Year</b> before exceptional item	1,499,803	1,512,042	2,160,099	2,005,343	1,721,924
Exceptional item	-	-	-	-	-
<b>PROFIT/(LOSS) for the Year before taxation</b>	1,499,803	1,512,042	2,160,099	2,005,343	1,721,924
TAXATION CHARGE/(CREDIT)	416,872	395,752	606,071	658,612	416,662
<b>NET PROFIT/(LOSS) AFTER TAXATION</b>	1,082,931	1,116,290	1,554,028	1,346,731	1,305,262
Preference dividends (gross)	(1,930)	(1,930)	(1,930)	(1,930)	(1,930)
<b>NET PROFIT/(LOSS) ATTRIBUTABLE TO ORDINARY SHAREHOLDERS</b>	1,081,001	1,114,360	1,552,098	1,344,801	1,303,332
ORDINARY DIVIDENDS (gross)	(35,168)	(140,672)	(422,016)	(422,016)	(633,024)
<b>RETAINED PROFIT/(LOSS) FOR THE YEAR</b>	1,045,833	973,688	1,130,082	922,785	670,308
<b>FUNDS GENERATED FROM OPERATIONS</b>					
Profit/(Loss) for the year	1,045,833	973,688	1,130,082	922,785	670,308
Depreciation	203,058	335,430	406,484	579,494	748,424
	1,248,891	1,309,118	1,536,566	1,502,279	1,418,732
<b>CAPITAL EMPLOYED</b>					
Fixed Assets less depreciation	4,523,340	4,770,730	6,587,490	7,548,159	9,136,366
Prepaid leases on land	-	-	-	-	-
Loan to KenGen	298,056	233,731	146,242	80,871	-
Investment	4,300	4,300	4,300	4,300	4,300
Other non current assets	-	-	-	-	-
Net current assets/(Liabilities)	(107,367)	354,322	(340,480)	(389,532)	694,474
	4,718,329	5,363,083	6,397,552	7,243,798	9,835,140
<b>FINANCED BY:</b>					
Ordinary shareholders' equity	2,903,426	3,877,114	5,007,196	5,060,357	5,730,665
Preference shares allotted	-	-	-	-	-
Preference capital	43,000	43,000	43,000	43,000	43,000
Loan capital (secured)	5,200	4,400	-	-	-
Loan capital (unsecured)	1,766,703	1,438,569	1,347,356	1,153,273	1,239,483
Deferred taxation	-	-	-	987,168	1,207,550
Non current liability	-	-	-	-	1,614,442
	4,718,329	5,363,083	6,397,552	7,243,798	9,835,140
<b>CAPITAL EXPENDITURE</b>	979,782	588,611	2,223,312	1,542,191	2,351,083
Average cost of units sold(cents)	386	427	459	471	464
PROFIT/(LOSS) for the year before taxation as a percentage of average capital employed	34.40%	30.00%	36.73%	29.40%	20.16%
ORDINARY DIVIDENDS RATES	20%	40%	40%	40%	40%
Earnings per share (Shs)	122.95	21.12	29.42	17	16.47
Consumers/employees ratio	41.79	49.62	51.52	63.20	66.57
Sales (KWHr) per employee	348,488	398,999	411,402	488,070	501,972



# TEN YEAR FINANCIAL AND STATISTICAL RECORDS

FOR THE YEAR ENDED 30 JUNE 2004

30th June 2000	30th June 2001	30th June 2002	30th June 2003	30th June 2004	for the year ended
3,365	3,091	3,498	3,654	3,940	<b>UNITS SOLD (Millions)</b>
700.28	911.95	709.20	633.03	591.96	Average yield of units sold (cents)
Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	
23,564,466	28,188,525	24,807,649	23,130,782	23,323,083	Revenue from sale of electricity
(4,155,863)	(4,103,984)	(1,868,760)	(4,110,263)	875,614	<b>PROFIT/(LOSS) for the Year</b>
1,581,594	-	(978,426)	-	-	Exceptional item
(2,574,269)	(4,103,984)	(2,847,186)	(4,110,263)	875,614	<b>PROFIT/(LOSS) for the Year before taxation</b>
(966,287)	(1,229,203)	(969,563)	(1,060,838)	415,877	TAXATION CHARGE/(CREDIT)
(1,607,982)	(2,874,781)	(1,877,623)	(3,049,425)	459,737	<b>NET PROFIT/(LOSS) AFTER TAXATION</b>
(1,930)	(1,930)	(1,930)	(1,930)	(1,930)	Preference dividends (gross)
(1,609,912)	(2,876,711)	(1,879,553)	(3,051,355)	457,807	<b>NET PROFIT/(LOSS) ATTRIBUTABLE TO ORDINARY SHAREHOLDERS</b>
(158,256)	-	-	-	-	ORDINARY DIVIDENDS (gross)
(1,768,168)	(2,876,711)	(1,879,553)	(3,051,355)	457,807	<b>RETAINED PROFIT/(LOSS) FOR THE YEAR</b>
					<b>FUNDS GENERATED FROM OPERATIONS</b>
(1,768,168)	(2,876,711)	(1,879,553)	(3,051,355)	457,807	Profit/(Loss) for the year
926,201	1,138,686	1,101,236	1,569,572	1,518,341	Depreciation
(841,967)	(1,738,025)	(778,317)	(1,481,783)	1,976,148	
					<b>CAPITAL EMPLOYED</b>
12,022,675	12,343,789	19,357,165	19,011,871	20,599,403	Fixed Assets less depreciation
-	132,343	132,257	132,202	132,147	Prepaid leases on land
-	-	-	-	-	Loan to KenGen
4,300	4,300	4,300	4,300	4,300	Investment
-	-	187,500	325,262	351,886	Other non current assets
(2,445,301)	(7,108,211)	1,319,233	(1,972,253)	1,139,350	Net current assets/(Liabilities)
9,581,674	5,372,221	21,000,455	17,501,382	22,227,086	
					<b>FINANCED BY:</b>
3,962,497	1,085,785	3,516,168	997,475	1,591,969	Ordinary shareholders' equity
-	-	-	-	15,899,250	Preference shares allotted
43,000	43,000	43,000	43,000	43,000	Preference capital
-	-	-	-	-	Loan capital (secured)
1,268,999	2,258,632	5,049,326	5,494,863	3,769,347	Loan capital (unsecured)
241,263	(987,940)	(110,389)	(1,803,024)	(1,523,835)	Deferred taxation
4,065,915	2,972,744	12,612,135	12,790,747	2,447,355	Non current liability
9,581,674	5,372,221	21,110,240	17,523,061	22,227,086	
4,669,768	1,593,319	1,959,535	1,231,937	3,111,203	<b>CAPITAL EXPENDITURE</b>
803	1,027	866	736	584	Average cost of units sold(cents)
-26.52%	-54.89%	-21.50%	-21.28%	4.41%	PROFIT/(LOSS) for the year before taxation as a percentage of average capital employed
0%	0.00%	0.00%	0.00%	0.00%	ORDINARY DIVIDENDS RATES
(20.35)	(36.35)	(23.75)	(38.56)	5.79	Earnings per share (Shs)
71.31	71.22	98.25	104.00	110.00	Consumers/employees ratio
474,278	473,064	537,444	582,868	635,177	Sales (KWHr) per employee

# SIX YEAR STATISTICAL ANALYSIS

TABLE 1: POWER SYSTEM OPERATION STATISTICS FOR 6 YEARS

COMPANY	Capacity (MW) GWh as at 30.06.2004		UNITS IN GWh						Avg. Annual Growth over the Last 5Yrs	
	Installed	Effective <sup>1</sup>	1998/99 <sup>2</sup>	1999/00	2000/01	2001/02	2002/03	2003/04		
KenGen Hydro										
Tana	14.4	10.4	82	63	71	76	65	65	8.9%	
Wanjii	7.4	7.4	35	46	47	52	51	34		
Kamburu	94.2	94.0	410	247	181	330	470	470		
Gitaru	225.0	216.0	789	734	364	665	945	938		
Kindaruma	40.0	40.0	240	157	81	162	224	221		
Small Stations	6.3	6.3	21	19	20	23	25	28		
Masinga	40.0	40.0	223	142	28	127	206	230		
Kiambere	144.0	144.0	1,037	813	292	703	999	1,010		
Turkwel	106.0	106.0	436	214	240	264	136	263		
KenGen Hydro Total	677.3	664.1	3,274	2,435	1,325	2,402	3,120	3,259		
KenGen Thermal										
Kipevu Steam	63.0	28.0	141	199	126	94	83	56	23.0%	
Kipevu I (75MW Diesel)	73.5	70.0	0	393	449	268	144	279		
Fiat - Nairobi South	13.5	10.0	15	30	35	1	0	-0.02		
Kipevu GTs	60.0	60.0	191	384	274	77	20	4		
Garissa & Lamu	4.2	3.2	11	10	10	11	12	13		
Total	214.2	171.2	358	1,015	894	451	260	352		
KenGen Geothermal										
Olkaria I	45.0	45.0	390	381	340	377	277	266	23.5%	
Olkaria II	70.0	70.0	0	0	0	0	0	417		
KenGen Thermal Total	115.0	115.0	391	381	340	377	277	682		
KenGen Wind										
Ngong	0.4	0.4	0.4	0.1	0.1	0.0	0.3	0.4	7.5%	
Government of Kenya Thermal										
REP Stations	5.1	4.6	11	10	10	10	10	10	-1.4%	
Independent Power Producers Thermal										
Iberafrika	56.0	56.0	275	294	348	348	251	240	6.9%	
Westmont	43.5	43.5	188	169	277	149	29	15		
Tsavo <sup>3</sup>	74.0	74.0	0	0	7	550	473	200		
Mumias	0.0	0.0	0	0	6	1	0	0		
IPP Thermal Total	173.5	173.5	463	463	638	1,048	753	455		
Independent Power Producers Geothermal										
OrPower <sup>4</sup>	13.0	13.0		2	89	103	109	105	6.2%	
Emergency Power Producers <sup>4</sup>										
Aggreko	0.0	0.0			303	0	0	0		
Cummins	0.0	0.0			174	0	0	0		
Deutz	0.0	0.0			111	0	0	0		
EPP Total	0.0	0.0			587	0	0	0		
Uganda (Imports)	30.0	0.0	140	155	198	172	222	171		
GROSS GENERATION	1,228.4	1,141.7	4,637	4,461	4,081	4,564	4,750	5,035		
AUXILIARY CONSUMPTION			35	0	0	0	0	0		
SYSTEM LOSSES <sup>5</sup>			884	957	869	936	949	946		
SALES - KPLC SYSTEM			3,564	3,366	3,091	3,498	3,654	3,940		
- REP SYSTEM			153	138	121	130	147	150		
TOTAL SALES			3,717	3,504	3,212	3,628	3,801	4,090		
SYSTEM PEAK DEMAND (MW)			734	708	724	760	786	830		
System Load Factor			72.2%	71.9%	64.4%	69.0%	69.4%	69.4%		
Sales % of Net Generation			80.8%	78.5%	78.7%	79.5%	80.0%	81.2%		
Losses as % of Net Generation			19.2%	21.5%	21.3%	20.5%	20.0%	18.8%		
Annual growth - GENERATION			2.7%	-3.8%	-8.5%	10.6%	4.1%	6.0%		
- SALES KPLC			1.9%	-5.6%	-8.2%	11.5%	4.5%	7.8%		
- SALES REP			4.6%	-9.8%	-12.7%	6.2%	12.9%	2.0%		

## Notes:

- 1) Maximum output from the station under normal operating conditions.
- 2) The power station statistics for Year 1998/99 are units generated.
- 3) Tsavo Power Company commenced testing in June 2001 and was fully commissioned in September 2001.
- 4) Emergency Power Producers were retired in June 2001.
- 5) System losses comprise of technical and non-technical losses.

The 5 year growth rates for the energy purchased, demand and sales are not entirely representative of the normal situation due to intense power rationing for the years 1999/00 and 2000/01.

## SIX YEAR STATISTICAL ANALYSIS

**TABLE 2: AREA MAXIMUM DEMAND(MW)**

REGION	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	Avg. Annual Growth over the Last 5 Yrs
Nairobi	400	408	401	385	405	427	2.6%
Coast	134	147	140	158	145	141	
Central Rift	52	51	50				
West Kenya	79	77	75	158	157	166	
Mt. Kenya	45	43	47	76	78	81	
North Rift	33	31	35				
<b>TOTAL SYSTEM (SIMULTANEOUS)</b>	<b>734</b>	<b>708</b>	<b>724</b>	<b>760</b>	<b>786</b>	<b>830</b>	
<b>% INCREASE P.A.</b>	<b>1.8%</b>	<b>-3.5%</b>	<b>2.2%</b>	<b>5.0%</b>	<b>3.4%</b>	<b>5.6%</b>	

**TABLE 3: SALE OF ELECTRICITY IN GWh SHOWN IN DIFFERENT CATEGORIES OF CUSTOMERS**

TARIFF	TYPES OF CUSTOMERS COVERED BY THIS TARIFF	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	Avg. Annual Growth over the Last 5 Yrs
A	Domestic and Small Commercial	1,270	1,158	1,064	1,215	1,283	1,376	2%
B	Commercial (Medium) and Industrial(Medium)	680	724	609	696	748	819	4%
C	Commercial (large) and Industrial (large)	1,513	1,398	1,361	1,513	1,557	1,683	2%
D	Off-peak	92	74	51	55	59	55	-8%
E	Street lighting	9	11	7	19	7	7	22%
	<b>TOTAL</b>	<b>3,564</b>	<b>3,366</b>	<b>3,091</b>	<b>3,498</b>	<b>3,654</b>	<b>3,940</b>	<b>2%</b>
	<b>% INCREASE P.A.</b>	<b>1.9%</b>	<b>-5.6%</b>	<b>-8.2%</b>	<b>13.1%</b>	<b>4.5%</b>	<b>7.8%</b>	

**TABLE 4: AREA TOTAL UNIT SALES IN GWh**

REGION	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	Avg. Annual Growth over the Last 5 Yrs
Nairobi	1,981	1,884	1,684	1,806	1,923	2,075	2.3%
Coast	696	638	648	688	708	759	
Central Rift	205	202	183				
West Kenya	386	375	318	685	702	741	
Mt. Kenya	159	143	141	319	321	365	
North Rift	137	124	117				
<b>KPLC Sales</b>	<b>3,564</b>	<b>3,366</b>	<b>3,091</b>	<b>3,498</b>	<b>3,654</b>	<b>3,940</b>	
REP Schemes	153	138	121	130	147	150	
<b>TOTAL</b>	<b>3,717</b>	<b>3,504</b>	<b>3,212</b>	<b>3,628</b>	<b>3,801</b>	<b>4,090</b>	<b>2.3%</b>
<b>%INCREASE P.A.</b>	<b>2.0%</b>	<b>-5.7%</b>	<b>-8.3%</b>	<b>13.0%</b>	<b>4.8%</b>	<b>7.6%</b>	

**Note:** As part of the on-going business restructuring, the Company's operational Areas were reduced from six to four Regions. Central Rift , North Rift and West Kenya Areas were combined to form West Kenya Region while Thika, initially a part of Nairobi, was moved to Mt Kenya Region. The data for table 2, 4 to 17 will appear in only the four (4) Regions for the Years 2001/02, 2002/03 and 2003/04.

## SIX YEAR STATISTICAL ANALYSIS

**TABLE 5: REGIONAL SALE OF ELECTRICITY IN GWh FOR CATEGORY "A0" DOMESTIC LOAD**

REGION	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	Avg. Annual Growth over the Last 5 Yrs
Nairobi	542	497	442	503	541	582	2.5%
Coast	131	131	127	132	142	153	
Central Rift	39	37	34				
West Kenya	35	35	31	87	97	104	
Mt. Kenya	39	28	27	46	51	54	
North Rift	18	20	18				
<b>TOTAL</b>	<b>804</b>	<b>748</b>	<b>679</b>	<b>768</b>	<b>831</b>	<b>892</b>	
<b>% INCREASE P.A.</b>	<b>5.6%</b>	<b>-6.9%</b>	<b>-9.3%</b>	<b>13.1%</b>	<b>8.2%</b>	<b>7.4%</b>	

**TABLE 6: REGIONAL SALE OF ELECTRICITY IN GWh FOR CATEGORY "A1" SMALL COMMERCIAL LOAD**

REGION	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	Avg. Annual Growth over the Last 5 Yrs
Nairobi	266	229	203	214	217	230	0.9%
Coast	65	57	59	67	65	70	
Central Rift	37	37	34				
West Kenya	43	39	40	105	109	114	
Mt. Kenya	36	32	33	60	59	62	
North Rift	19	16	15				
<b>TOTAL</b>	<b>466</b>	<b>410</b>	<b>385</b>	<b>446</b>	<b>450</b>	<b>476</b>	
<b>% INCREASE P.A.</b>	<b>12.6%</b>	<b>-12.1%</b>	<b>-6.1%</b>	<b>15.9%</b>	<b>0.8%</b>	<b>5.8%</b>	

**TABLE 7: REGIONAL SALE OF ELECTRICITY IN GWh FOR CATEGORY "B0" IRRIGATION LOAD**

REGION	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	Avg. Annual Growth over the Last 5 Yrs
Nairobi	30.2	39.1	21.5	4.4	5.0	4.3	-0.6%
Coast	0.7	0.7	0.6	0.4	0.4	0.5	
Central Rift	10.6	11.0	9.0				
West Kenya	1.4	1.6	0.5	11.0	13.5	15.6	
Mt. Kenya	2.1	2.1	1.2	20.3	19.0	17.7	
North Rift	0.0	0.0	0.0				
<b>TOTAL</b>	<b>45</b>	<b>54</b>	<b>33</b>	<b>36</b>	<b>38</b>	<b>38</b>	
<b>% INCREASE P.A.</b>	<b>66.1%</b>	<b>21.0%</b>	<b>-40.0%</b>	<b>10.6%</b>	<b>4.7%</b>	<b>0.7%</b>	

## SIX YEAR STATISTICAL ANALYSIS

**TABLE 8: REGIONAL SALE OF ELECTRICITY IN GWh FOR CATEGORY "B1"  
MEDIUM COMMERCIAL AND INDUSTRIAL LOAD(240V or 415V)**

REGION	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	Avg. Annual Growth over the Last 5Yrs
Nairobi	371	398	321	353	381	424	4%
Coast	104	104	93	107	124	126	
Central Rift	52	55	52				
West Kenya	43	41	36	128	133	146	
Mt. Kenya	28	28	28	54	52	58	
North Rift	29	28	26				
<b>TOTAL</b>	<b>627</b>	<b>654</b>	<b>556</b>	<b>642</b>	<b>690</b>	<b>754</b>	
% INCREASE P.A.	-0.3%	4.4%	-15.0%	15.4%	7.5%	9.3%	

**TABLE 9: REGIONAL SALE OF ELECTRICITY IN GWh FOR CATEGORY "B2"  
MEDIUM COMMERCIAL AND INDUSTRIAL LOAD(11kV or 33kV)**

REGION	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	Avg. Annual Growth over the Last 5Yrs
Nairobi	3.2	9.0	7.8	9.5	13.5	10.1	28%
Coast	2.3	2.5	3.1	3.7	5.2	11.2	
Central Rift	0.8	0.7	1.7				
West Kenya	0.6	0.9	0.7	3.0	3.1	2.7	
Mt. Kenya	0.0	0.0	0.2	0.9	1.0	1.4	
North Rift	1.3	1.3	1.3				
<b>TOTAL</b>	<b>8</b>	<b>14</b>	<b>15</b>	<b>17</b>	<b>23</b>	<b>25</b>	
% INCREASE P.A.	-10.4%	74.9%	3.8%	13.9%	34.5%	11.2%	

**TABLE 10: REGIONAL SALE OF ELECTRICITY IN GWh FOR CATEGORY "B3"  
MEDIUM COMMERCIAL AND INDUSTRIAL LOAD (66kV or 132kV)**

REGION	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	Avg. Annual Growth over the Last 5Yrs
Nairobi	0.0	0.8	4.9	0.9	0.0	0.0	92%
Coast	0.0	0.0	0.0	0.0	0.0	0.0	
Central Rift	0.0	0.0	0.0				
West Kenya	0.0	0.0	0.0	0.0	0.0	0.0	
Mt. Kenya	0.0	0.0	0.0	0.0	0.0	0.0	
North Rift	0.0	0.0	0.0				
<b>TOTAL</b>	<b>0.0</b>	<b>0.8</b>	<b>4.9</b>	<b>0.9</b>	<b>0.0</b>	<b>0.0</b>	
% INCREASE P.A.	0.0%	100.0%	539.2%	-81.3%	-100.0%	0.0%	

**TABLE 11: REGIONAL SALE OF ELECTRICITY IN GWh FOR CATEGORY "C1"  
LARGE COMMERCIAL AND INDUSTRIAL LOAD (415V)**

REGION	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	Avg. Annual Growth over the Last 5Yrs
Nairobi	204	173	190	211	218	227	4%
Coast	92	95	104	94	91	85	
Central Rift	40	39	32				
West Kenya	68	69	62	127	127	138	
Mt. Kenya	40	44	44	89	89	99	
North Rift	14	12	12				
<b>TOTAL</b>	<b>458</b>	<b>431</b>	<b>444</b>	<b>521</b>	<b>526</b>	<b>549</b>	
% INCREASE P.A.	-8.9%	-5.8%	2.9%	17.3%	1.0%	4.4%	

## SIX YEAR STATISTICAL ANALYSIS

**TABLE 12: REGIONAL SALE OF ELECTRICITY IN GWh CATEGORY "C2"  
LARGE COMMERCIAL AND INDUSTRIAL LOAD(11kV or 33kV)**

REGION	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	Avg. Annual Growth over the Last 5Yrs
Nairobi	362	327	303	303	320	370	1%
Coast	245	203	210	221	217	238	
Central Rift	21	20	19				
West Kenya	44	40	26	96	96	100	
Mt. Kenya	9	8	6	46	48	49	
North Rift	54	46	44				
<b>TOTAL</b>	<b>735</b>	<b>643</b>	<b>608</b>	<b>666</b>	<b>681</b>	<b>757</b>	
<b>% INCREASE P.A.</b>	<b>1.0%</b>	<b>-12.6%</b>	<b>-5.4%</b>	<b>9.7%</b>	<b>2.2%</b>	<b>11.1%</b>	

**TABLE 13: REGIONAL SALE OF ELECTRICITY IN GWh CATEGORY "C3"  
LARGE COMMERCIAL AND INDUSTRIAL LOAD (66kV or 132kV)**

REGION	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	Avg. Annual Growth over the Last 5Yrs
Nairobi	133	133	140	147	168	183	-2%
Coast	40	42	50	59	63	72	
Central Rift	0	0	0				
West Kenya	147	138	0	0	0	0	
Mt. Kenya	0	0	0	0	0	0	
North Rift	0	0	0				
<b>TOTAL</b>	<b>320</b>	<b>313</b>	<b>191</b>	<b>206</b>	<b>231</b>	<b>256</b>	
<b>% INCREASE P.A.</b>	<b>8.1%</b>	<b>-2.1%</b>	<b>-39.2%</b>	<b>8.1%</b>	<b>11.9%</b>	<b>11.0%</b>	

**TABLE 14: REGIONAL SALE OF ELECTRICITY IN GWh CATEGORY "C5"  
LARGE COMMERCIAL AND INDUSTRIAL LOAD (66kV OR 132kV)**

REGION	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	Avg. Annual Growth over the Last 5Yrs
Nairobi	0	0	0	0	0	0	217%
Coast	0	0	0	0	0	0	
Central Rift	0	0	0				
West Kenya	0	11	119	121	120	117	
Mt. Kenya	0	0	0	0	0	0	
North Rift	0	0	0				
<b>TOTAL</b>	<b>0</b>	<b>11</b>	<b>119</b>	<b>121</b>	<b>120</b>	<b>117</b>	
<b>% INCREASE P.A.</b>	<b>0.0%</b>	<b>100.0%</b>	<b>987.8%</b>	<b>0.9%</b>	<b>-0.5%</b>	<b>-2.5%</b>	

**TABLE 15: REGIONAL SALE OF ELECTRICITY IN GWh FOR CATEGORY "D0" OFF- PEAK LOAD**

REGION	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	Avg. Annual Growth over the Last 5Yrs
Nairobi	62.4	69.0	46.6	48.6	53.3	51.0	-8%
Coast	15.3	1.6	1.1	1.4	1.3	1.0	
Central Rift	3.5	1.0	0.9				
West Kenya	4.2	0.8	0.8	2.7	2.1	1.7	
Mt. Kenya	4.6	0.9	0.9	2.7	1.9	1.4	
North Rift	2.3	0.5	0.5				
<b>TOTAL</b>	<b>92</b>	<b>74</b>	<b>51</b>	<b>55</b>	<b>59</b>	<b>55</b>	
<b>% INCREASE P.A.</b>	<b>4.3%</b>	<b>-20.2%</b>	<b>-31.1%</b>	<b>9.1%</b>	<b>5.8%</b>	<b>-6.0%</b>	



## SIX YEAR STATISTICAL ANALYSIS

**TABLE 16: REGIONAL SALE OF ELECTRICITY IN GWh FOR CATEGORY "E0" STREET LIGHTING**

REGION	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	Avg. Annual Growth over the Last 5Yrs
Nairobi	7.5	8.8	4.9	4.6	5.4	5.6	0.4%
Coast	0.7	1.8	1.0	0.7	0.5	0.6	
Central Rift	0.4	0.4	0.3				
West Kenya	0.2	0.0	0.1	0.5	0.5	0.5	
Mt. Kenya	0.2	0.2	0.2	0.4	0.4	0.5	
North Rift	0.3	0.2	0.1				
<b>TOTAL</b>	<b>9.3</b>	<b>11.3</b>	<b>6.6</b>	<b>6.2</b>	<b>6.8</b>	<b>7.2</b>	
% Increase P.A.	-13.5%	21.7%	-41.6%	6.5%	10.1%	5.3%	

**TABLE 17: REGIONAL REP UNIT SALES IN GWh**

REGION	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	Avg. Annual Growth over the Last 5Yrs
Nairobi	41	40	35	25	26	28	0.1%
Coast	15	14	11	8	7	8	
Central Rift	20	19	16				
West Kenya	35	28	20	65	69	75	
Mt. Kenya	19	17	17	32	45	38	
North Rift	23	20	20				
<b>TOTAL</b>	<b>153</b>	<b>138</b>	<b>121</b>	<b>130</b>	<b>147</b>	<b>150</b>	
% Increase P.A.	4.6%	-9.8%	-12.7%	8.1%	12.8%	2.0%	

**TABLE 18: REGIONAL TOTAL NUMBER OF CUSTOMERS**

REGION	AS AT 30th JUNE						Avg. Annual Growth over the Last 5Yrs
	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	
Nairobi	230,074	250,553	270,580	286,004	308,056	331,108	8%
Coast	67,815	68,230	71,153	74,659	81,138	85,017	5%
Central Rift	32,059	35,048	37,066				
West Kenya	33,268	34,667	35,858	98,112	106,438	112,753	39%
Mt. Kenya	31,470	33,076	33,454	55,905	60,467	63,875	17%
North Rift	16,549	17,707	17,250				
<b>KPLC Customers</b>	<b>411,235</b>	<b>439,281</b>	<b>465,361</b>	<b>514,680</b>	<b>556,099</b>	<b>592,753</b>	<b>8%</b>
REP Customers	61,436	66,670	71,718	78,941	87,175	93,442	9%
<b>TOTAL</b>	<b>472,671</b>	<b>505,951</b>	<b>537,079</b>	<b>593,621</b>	<b>643,274</b>	<b>686,195</b>	<b>8%</b>
% Increase P.A.	4.4%	7.0%	6.2%	10.5%	8.4%	6.7%	

## SIX YEAR STATISTICAL ANALYSIS

**TABLE 19: NUMBER OF CUSTOMERS IN TERMS OF TARIFF CATEGORY**

TARIFF	MAIN TYPE OF CUSTOMERS COVERED BY THIS TARIFF	AS AT 30th JUNE						Avg. Annual Growth over the Last 5 Yrs
		1999	2000	2001	2002	2003	2004	
A0 only	Domestic KPLC REP	290,687 36,737	315,327 41,214	334,381 44,370	380,240 50,340	413,303 55,545	444,785 59,750	8.9% 10.2%
A0 & D0	Domestic KPLC REP	42,878 256	44,316 265	46,994 285	46,140 284	49,266 316	50,290 319	3.3% 4.6%
A1 only	Small Commercial KPLC REP	72,025 24,196	73,828 24,964	78,289 26,876	81,974 28,164	86,923 31,080	90,727 33,190	4.7% 6.6%
A1 & D0	Small Commercial KPLC REP	1,193 121	1,076 100	1,141 108	937 67	1,124 160	1,134 82	-0.2% 8.5%
B0	Irrigation Load KPLC REP	265 8	266 7	233 2	225 3	247 2	251 2	-0.8% -13.5%
B1	Medium Commercial and Industrial KPLC REP	2,326 98	2,485 91	2,330 54	2,512 56	2,591 48	3,006 76	5.5% -0.01%
B2	Medium Commercial and Industrial KPLC	20	40	40	47	58	61	29.2%
B3	Medium Commercial and Industrial KPLC	0	3	3	1	1	1	6.7%
C1	Large Commercial KPLC REP	282 5	245 3	263 3	282 2	279 1	269 1	-0.6% -24.7%
C2	Large Commercial and Industrial KPLC	140	125	128	124	126	135	-0.5%
C3	Large Commercial and Industrial KPLC	19	14	14	16	19	19	1.3%
C5	Large Commercial and Industrial KPLC	0	1	1	1	1	1	0%*
D0 only	Off-peak KPLC REP	806 15	659 14	523 13	645 13	1,056 12	918 9	7.0% -9.3%
E0	Street lighting KPLC REP	594 0	896 12	1,021 7	1,536 12	1,105 11	1,156 13	18.4% 27.9%
	<b>TOTAL (KPLC)</b>	<b>411,235</b>	<b>439,281</b>	<b>465,361</b>	<b>514,680</b>	<b>556,099</b>	<b>592,753</b>	<b>7.6%</b>
	<b>TOTAL (REP)</b>	<b>61,436</b>	<b>66,670</b>	<b>71,718</b>	<b>78,941</b>	<b>87,175</b>	<b>93,442</b>	<b>8.8%</b>
	<b>GROSS TOTAL</b>	<b>472,671</b>	<b>505,951</b>	<b>537,079</b>	<b>593,621</b>	<b>643,274</b>	<b>686,195</b>	<b>7.8%</b>
	<b>% INCREASE P.A.</b>	<b>4.4%</b>	<b>7.0%</b>	<b>6.2%</b>	<b>10.5%</b>	<b>8.4%</b>	<b>6.7%</b>	

\* Tariff C5 was introduced in the course of Yr 1999/00 hence the growth rate has been computed for four (4) financial years.

## SIX YEAR STATISTICAL ANALYSIS

**TABLE 20: REVENUE (KShs 'MILLION) BY CUSTOMER CATEGORY**

TARIFF	MAIN TYPE OF CUSTOMERS COVERED BY THIS TARIFF	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	Avg. Annual Growth over the Last 5 Yrs
A	Domestic, small commercial and small industrial	6,627	8,989	10,368	10,023	8,841	8,885	7.2%
B	Commercial and industrial (medium)	4,077	5,426	5,939	4,910	5,220	5,329	6.7%
C	Commercial (large) Industrial (large)	7,014	8,576	11,382	9,682	8,743	8,816	6.2%
D	Off-peak	365	385	420	106	276	272	19.7%
E	Street Lighting	47	95	80	87	51	51	10.7%
	<b>SUB-TOTAL</b>	<b>18,130</b>	<b>23,471</b>	<b>28,189</b>	<b>24,808</b>	<b>23,131</b>	<b>23,323</b>	
	<b>OTHERS*</b>	<b>293</b>	<b>93</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
	<b>TOTAL (KPLC)</b>	<b>18,423</b>	<b>23,564</b>	<b>28,189</b>	<b>24,808</b>	<b>23,131</b>	<b>23,323</b>	<b>5.9%</b>
	<b>REP</b>	<b>851</b>	<b>1,086</b>	<b>1,141</b>	<b>979</b>	<b>1,011</b>	<b>978</b>	<b>3.7%</b>
	<b>GROSS TOTAL</b>	<b>19,274</b>	<b>24,650</b>	<b>29,329</b>	<b>25,787</b>	<b>24,142</b>	<b>24,301</b>	<b>5.8%</b>
	<b>%INCREASE P.A.</b>	<b>2.1%</b>	<b>27.9%</b>	<b>19.0%</b>	<b>-12.2%</b>	<b>-6.4%</b>	<b>0.7%</b>	

**Note: Others is inclusive of foreign exchange and fuel cost adjustments for the periods 1998/99 and 1999/00. In the subsequent years, these adjustments are included in the customer categories revenue.**

**TABLE 21: STAFF ANALYSIS**

	AS AT 30th JUNE						Avg. Annual Growth over the Last 5 Yrs
	1999	2000	2001	2002	2003	2004	
Nationality							
Citizen	7,099	7,094	6,900	6,423	6,269	6,216	-2.6%
Non Citizen	1	1	0	0	0	0	
<b>Total</b>	<b>7,100</b>	<b>7,095</b>	<b>6,900</b>	<b>6,423*</b>	<b>6,269*</b>	<b>6,216*</b>	<b>-2.9%</b>
<b>% INCREASE P.A.</b>	<b>-0.9%</b>	<b>-0.1%</b>	<b>-2.7%</b>	<b>-6.9%</b>	<b>-2.4%</b>	<b>-2.4%</b>	
Gender							
Male	5,963	5,896	5,704	5,326	5,181	5,156	-2.8%
Female	1,137	1,199	1,196	1,097	1,088	1,060	-1.3%
<b>Ratio - Male/Female</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	
Job							
Technical	4,615	3,768	4,204	3,937	3,887	3,854	-3.1%
<b>% of total staff</b>	<b>65.0%</b>	<b>53.1%</b>	<b>60.9%</b>	<b>61.3%</b>	<b>62.0%</b>	<b>62.0%</b>	
Non Technical	2,485	3,327	2,696	2,486	2,382	2,362	0.4%
<b>% of total staff</b>	<b>35.0%</b>	<b>46.9%</b>	<b>39.1%</b>	<b>38.7%</b>	<b>38.0%</b>	<b>38.0%</b>	

**\* The staff numbers shown in Years 2002, 2003 & 2004 includes both permanent and casual staff unlike in previous years where only the permanent staff were reported.**

## SIX YEAR STATISTICAL ANALYSIS

**TABLE 22: TRANSMISSION AND DISTRIBUTION LINES, CIRCUIT LENGTH IN KILOMETERS**

VOLTAGE	AS AT 30th JUNE						Avg. Annual Growth over the Last 5 Yrs
	1999	2000	2001	2002	2003	2004	
220 kV	877	877	885	941	941	1,323	7.1%
132 kV	1,997	1,997	2,032	2,032	2,035	2,035	
66 kV	574	576	580	580	580	600	
40 kV	126	126	126	58	58	58	
33 kV	4,516	4,639	4,795	5,265	5,430	5,973	
11 kV	10,029	10,397	10,593	13,788	13,879	15,267	
<b>TOTAL</b>	<b>18,120</b>	<b>18,612</b>	<b>19,011</b>	<b>22,664</b>	<b>22,923</b>	<b>25,256</b>	
<b>% INCREASE P.A.</b>	<b>3.8%</b>	<b>2.7%</b>	<b>2.1%</b>	<b>19.2%</b>	<b>1.1%</b>	<b>10.2%</b>	

**TABLE 23: TRANSFORMERS IN SERVICE, TOTAL INSTALLED CAPACITY IN MVA**

	AS AT 30th JUNE						Avg. Annual Growth over the Last 5 Yrs
	1999	2000	2001	2002	2003	2004	
<b>Generation Substations</b>							7.6%
11/220kV	293	293	388	388	388	472	
11/132kV	431	431	675	675	675	675	
11/66kV	90	90	90	90	90	90	
11/33kV	263	263	263	263	279	279	
11/40kV	5	5	5	5	5	5	
3.3/11/40kV	8	8	8	8	8	8	
3.3/40kV	4	4	4	4	4	4	
3.3/33kV	4	4	4	4	4	4	
<b>TOTAL</b>	<b>1,098</b>	<b>1,098</b>	<b>1,437</b>	<b>1,437</b>	<b>1,453</b>	<b>1,537</b>	
<b>Transmission Substations</b>							1.8%
132/220kV	540	540	540	540	540	540	
220/132kV	730	730	730	730	730	810	
220/66kV	180	180	180	180	180	360	
132/66kV	375	375	375	375	375	255	
132/33kV	554	577	637	637	637	637	
<b>Total</b>	<b>2,379</b>	<b>2,402</b>	<b>2,462</b>	<b>2,462</b>	<b>2,462</b>	<b>2,602</b>	
<b>Distribution Substations</b>							3.3%
66/11kV	631	675	675	675	675	743	
66/33kV	38	61	61	61	61	67	
40/11kV	17.5	11	11	11	11	11	
33/11kV	497	512	512	512	512	563	
<b>TOTAL</b>	<b>1,184</b>	<b>1,259</b>	<b>1,259</b>	<b>1,259</b>	<b>1,259</b>	<b>1,384</b>	
<b>Distribution Transformers</b>							6.2%
11/0.415kV and 33/0.415kV	<b>2,079</b>	<b>2,181</b>	<b>2,411</b>	<b>2,531</b>	<b>2,546</b>	<b>2,801</b>	