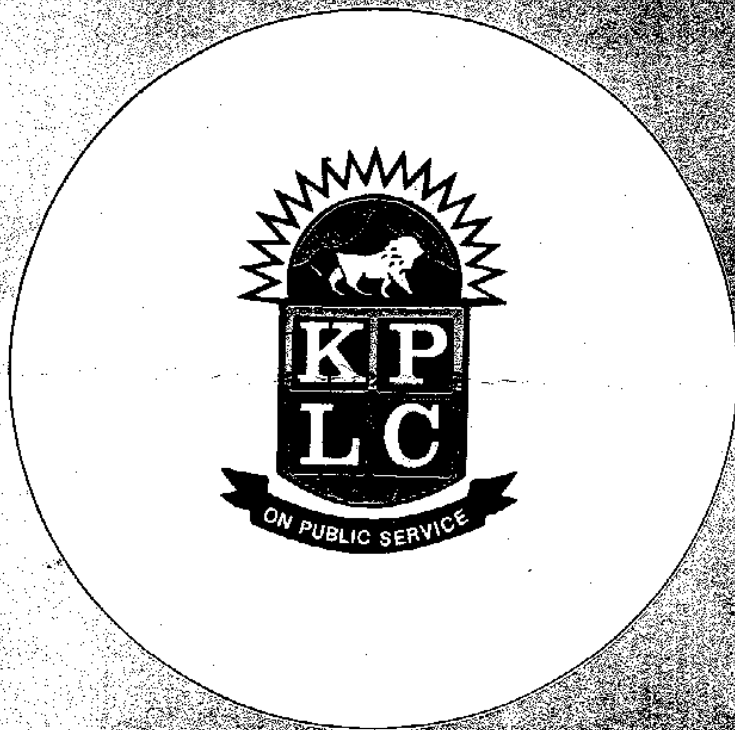


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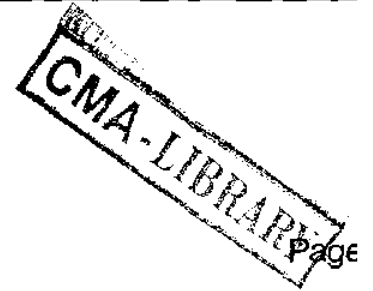
Report and Accounts for the year ended 30th June, 1988

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**The sixty-seventh Report
and Accounts of
The Kenya Power and Lighting Company Limited**

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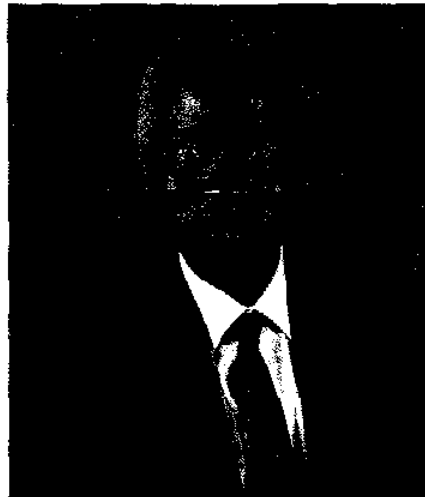
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Board of directors



L.G. Sagini
Chairman



S.K. Gichuru
Managing Director



C.N. Mutitu



C.S. Mbindyo



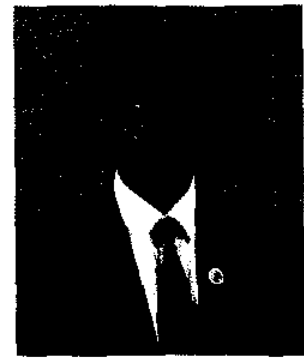
J.F. Kahumbu



S.O.J. Ambundo



Prof. B.W. Ogana



Prof. R.J. Akello



G.M. Nyaki



J.K. Njoroge (Alternate)



M. Muturi (Alternate)

2007/0965

Board of directors

Directors

L.G. SAGINI, E.G.H. (*Chairman*)

S.K. GICHURU, M.B.S.

C.N. MUTITU

C.S. MBINDYO

J.F. KAHUMBU

J.F.K. BARMASAI (*up to March, 1988*)

S.O.J. AMBUNDO

M.M. MWENDAR (*up to March, 1988*)

PROF. B.W. OGANNA

PROF. R.J. AKELLO

G.M. NYAKI (*from 13th May, 1988*)

Alternate Directors

J.K. NJOROGE

M. MUTURI

Secretary and Registered Office

J.N. KIMANI

Electricity House, Harambee Avenue, Nairobi

Bankers

THE STANDARD CHARTERED BANK KENYA LIMITED

Harambee Avenue, Nairobi.

Authorised Auditors

GILL & JOHNSON

Certified Public Accountants (Kenya) Nairobi.

Management

Managing Director

S.K. GICHURU, M.B.S., C.P.S.

Deputy Managing Director

L. KEITANY, B.Sc., R.Eng., C.Eng., F.I.E.E.

Chief Distribution Manager

E.D. WASUNNA, B.Sc. (Eng.)

Chief Generation Manager

N.K. GICHUKI, B.Sc. (Hons.), R.Eng., M.I.E.K.

Company Secretary

J.N. KIMANI, C.P.S.

Finance Manager

J.A. KILACH, C.P.A. (K)

Administration Manager

D.M. ROTICH, C.P.S.

Transport & Supplies Manager

P. MOINDI, R.Eng., B.Sc. (Eng.), C.Eng., M.I.E.E.

Commercial Manager

P.M. OKWANY, B.A. (Oxon.), R.Eng., M.I.E.K., A.M.I.E.E.

Corporate Planning Manager

M.A. GUPTA, B.E., M.I.E.

Personnel Manager

H.K. KARANJA

Notice of meeting

NOTICE IS HEREBY GIVEN that the SIXTY-SEVENTH ANNUAL GENERAL MEETING of Members will be held at the Head Office of the Company, 8th Floor Electricity House, Harambee Avenue, Nairobi, on Friday, the 24th February, 1989, at 12.00 noon to transact the ordinary business of the Company.

By Order of the Board

J.N. KIMANI
Secretary

Nairobi
Kenya
2nd February, 1989

A member entitled to attend and vote at the above meeting is entitled to 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, a form of proxy must be duly completed and must be lodged at the Registered Office of the Company or posted in time to reach there not later than 12.00 noon on Wednesday 22nd February, 1989.

Chairman's review

As the presentation of this review comes a few weeks after the national celebrations of our country's Silver Jubilee and the Tenth Anniversary of the Nyayo Era, I consider it appropriate to take this opportunity to review the performance of the power industry over the last 25 years.

At the time of our attaining independence in 1963, electricity supply was confined mainly to a few privileged urban communities and white settler farmers who were within close proximity of the urban areas. Demand was a meagre 75MW supplied from a few isolated diesel stations with installed capacity of 99 MW. Energy sales stood at 387 million Kwh which was available only to 61,000 consumers. The total length of the transmission and distribution network was 4,300 kilometres.

Consistent with the commitment of the independent government to distribute equitably the benefits of development and prosperity to the majority of Kenyans, a strategy of extensive provision of electricity to the hitherto unsupplied population was adopted. This trend gathered momentum with time and at the time of the death of the Founder Father of the Nation, the late Mzee Jomo Kenyatta in 1978, the power industry had recorded a tremendous growth. Electricity sales had risen to a staggering 1300 million Kwh representing a growth of 236 per cent. The length of the power lines had increased to 10,810 kilometres, an increase of 150 per cent. Demand had increased to 256MW — a growth of 240 per cent. To meet this demand, the installed capacity was increased by the commissioning of Kindaruma (44 MW), Kamburu (94 MW) Gitaru (145 MW) power stations and the expansion by 90MW of Kipevu Power Station bringing the total installed capacity to 466 MW.

Following H.E. President Daniel Arap Moi's succession in a peaceful transition in 1978, and due mainly to continued stability and dynamic leadership, the country continued to experience substantial economic growth which in turn generated steadily increasing demand in electricity. Besides, the Nyayo Government placed greater emphasis on the rural electrification programme through substantial financial contribution from the Government and friendly donor countries. The Company also doubled its financial contribution towards the programme. This is in full realisation that over 80 per cent of our people live in the rural areas and also form the backbone of our economy. Since independence, 110 projects at a cost of Shs.600 million have been completed. Out of these projects, 79 have been completed at a cost of Shs.460 million in the last ten years.

The combined effect of these measures resulted in an increase in demand to 460MW, which was six times that at independence. The number of consumers had increased by 293 per cent to 240,000, while energy sales rose to 2,372 million Kwh — a growth of 513 per cent since independence.

In order to meet the growth during the Nyayo decade the installed capacity was increased by 640 per cent to 732MW from 99MW at independence. To achieve this great effort has been made to develop indigenous sources of energy, especially in geothermal and also in hydro power generation. This effort has seen the commissioning of Olkaria Geothermal Power Station (45), Masinga Power Station (40MW), Kiambere Power Station (144MW) and further expansion of Kipevu Power Station by 30MW.

Major transmission lines and substations were also commissioned. These were the 220kV Kamburu-Rabai line, 132kV lines in Western Kenya, Masinga to Nanyuki and Rabai to Kilifi, together with the associated transformation substations. These major transmission lines together with the development of distribution lines increased the total length of the power lines to 17,300 kilometres, a growth of 302 per cent since independence.

The implementation of these projects has called for substantial investments both by the Government and the power industry through your Company. The Company has contributed, through development surcharge, about Shs.3,000 million, of which Shs.2,400 million has been made during the first ten years of the Nyayo Era.

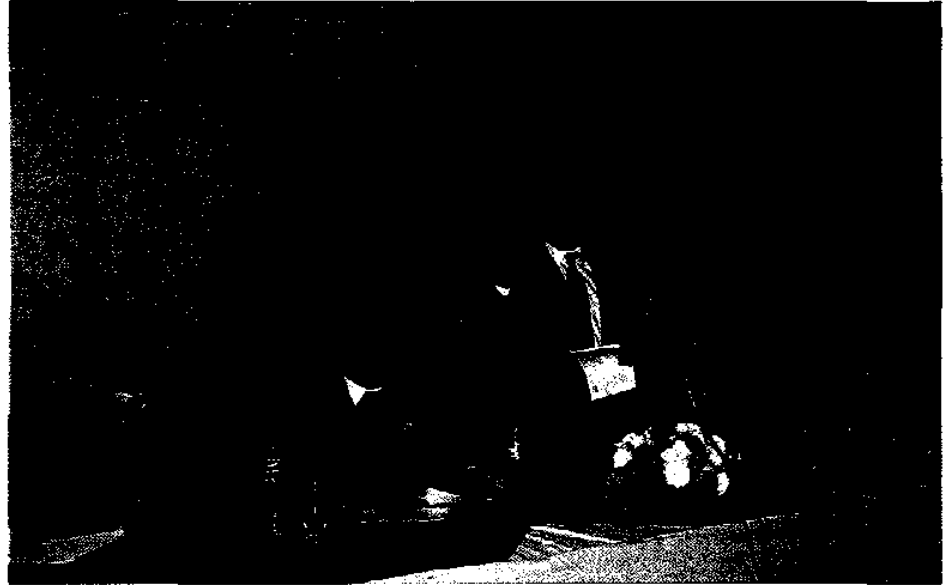
Chairman's Review



Our stand during the Mombasa A.S.K. Show had the privilege of being visited by H.E. President Daniel T. Arap Moi and H.E. Ali Hassan Mwinyi of Tanzania. They were conducted round the stand by the Managing Director, Mr. S.K. Gichuru. Also present was the Chairman, Mr. Lawrence Sagini.

Chairman's review

In addition, your Company has been contributing significantly to the National revenue in the form of taxes and dividends to the Treasury. Since 1963 about Shs.2,000 million has been paid to the Government in the way of taxes, out of which Shs.1,400 million was remitted during the Nyayo Era. Similarly, Shs.170 million has been paid to the Treasury as dividends with Shs.90 million during the last ten years.



Staff welfare: The Minister for Energy, Mr. Nicholas Biwott addressing staff during a Long Service Awards and Accident Free Bonus ceremony. He was accompanied by the Minister for National Guidance and Political Affairs, Mr. James Njiru.

1987/88 Financial year

Inspired by the characteristic political stability and the steady economic growth which prevailed during the period, we continued to strive to give of our best to provide power to turn the wheels of development of our nation.

The performance of the power industry is significantly dependent on the timing and amount of the rainfall experienced in the catchment of the Tana River as this in turn determines the extent to which the thermal plant is utilized to supplement the hydro and geothermal generation and therefore the total cost of generation.

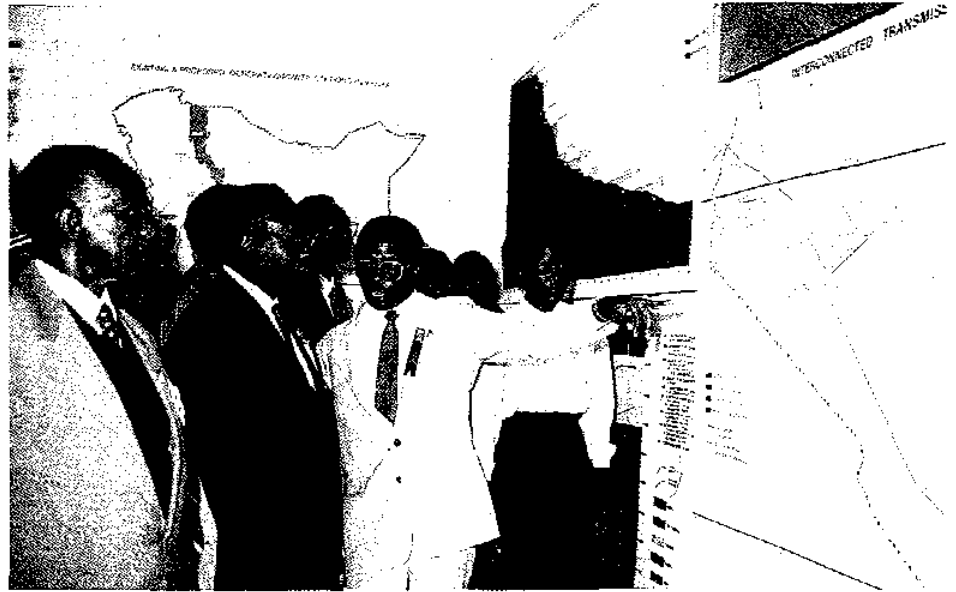
The short rains were 60% below average while the long rains, though heavy arrived late in the Tana River Catchment. There was also a shortfall in anticipated generation from Kiambere Power Station due to problems in the initial commissioning stages. Consequently an additional expenditure of Shs.66.7 million was incurred on fuel due to stepped up thermal generation between October, 1987, to March, 1988. In addition, due to outage of Kipevu thermal machines for rehabilitation from April, 1988, a further expenditure of Shs.14.6 million was incurred on generation from the gas turbines. The combined effect of all these was an increase of the cost of fuel for generation from the projected Shs.206.1 million to Shs.287.4 million.

Chairman's review

The total operating expenditure for the year amounted to Shs.2,213,000. Your Company earned a total revenue of Shs.2,434,600,000 an increase of 21% over that for the preceeding period of Shs.2,005,753,000. Out of this, an amount of Shs.130,991,000 was on account of growth in sales, while Shs.297,856,000 was attributable to the combined effect of the tariffs increases implemented in 1987 and 1988. The net trading result for the period is a profit before taxation of Shs.162,067,000.

Accounts

Energy sales during the period increased by 131,650,000 units from 2,204,933,000 Kwh in 1986/87 to 2,336,583 Kwh representing growth of 6%. Revenue earned from sales increased by Shs.428,847,000 from Shs.2,005,753,000 to Shs.2,434,600,000 representing an increase of 21%. This increase is attributable to the 6% growth in energy sales and the effect on the period under review of the implementation of the respective tariff increases in 1987 and 1988.



The Vice-President and Minister for Home Affairs and National Heritage Dr. Josphat Karanja, being shown a model of the electricity inter-connected transmission network in the Country during the Eldoret Show by the Managing Director, Mr. S.K. Gichuru, On the Vice-President's right is the Chairman of Kabarnet Town Council, Councillor Philemon Chelagat. The Vice-President was accompanied by Cabinet Ministers, Senior A.S.K. and government officials.

Operating expenditure, on the other hand, rose from Shs.1,780,976,000 in 1986/87 to Shs.2,213,277,000 an increase of Shs.432,301,000. This substantial increase in operating expenditure is partly attributed to an increase of debt service by Shs.92,672,000 from Shs.374,383,000 to Shs.467,055,000 and fuel cost by Shs.88,241,000 from Shs.199,198,000 in 1986/87 to Shs.287,439,000. In addition, Development Surcharge paid to the Kenya Power Company Limited and Kerio Valley Development Authority for the financing of Olkaria Geothermal and Turkwell Gorge Projects increased by Shs.75,126,000 from Shs.342,275,000 to Shs.417,401,000.

Chairman's review

The implementation of the stages II and III of the Ramtu recommendations on employees remunerations, together with the general increase in operating expenditure form the rest of the additional expenditure amounting to Shs.176,262,000. This includes an amount of Shs.44,936,000 in respect of operational expenses of the Bulk Supply Companies.

The trading results for the year reflect an operating income of Shs.221,323,000 (year ended 30.6.87 — Shs.224,777,000). This represents a decrease of 1.53% attributable to the high operating expenses during the period. Interest receivable amounted to Shs.6,219,000 (year ended 30.6.87 — Shs.18,913,000) while interest payable was Shs.24,347,000 (year ended 30.6.87 — Shs.10,783,000). The Kenya shilling continued to depreciate against the foreign currencies resulting in a loss of Shs.41,128,000 (year ended 30.6.87 — Shs.51,156,000) on foreign loan repayments. The net effect of these transactions reflect a profit for the period before taxation of Shs.162,067,000.

Taxation

Taxation has been provided for in the accounts at Shs.69,097,000 (year ended 30.6.87 — Shs.55,966,000) leaving a net profit after taxation of Shs.92,970,000 compared with Shs.125,785,000 during the year ended 30.6.87. In accordance with Legal Notice No.123 of June, 1972, a consumption Tax of one cent per Kilowatt-hour on electricity sold continued to be collected from consumers and paid to the Treasury. This yielded Shs.23,370,000 (year ended 30.6.87 — Shs.22,050,000) Withholding Tax paid to the Income Tax Department in respect of professional and management fees paid to non-residents amounted to Shs.1,990,000 while P.A.Y.E. deducted at source from Company employees' remuneration yielded Shs.60,249,000 (year ended 30.6.87 — Shs.31,488,000). Payment to Customs and Excise Department in respect of imported spares, machinery and equipment amounted to Shs.134,981,000.

Dividends

Preference dividends were paid on their due dates. Your Directors recommend a dividend of 13 per cent to be paid to the Ordinary Stockholders registered in the books of the Company at the close of business on 12th January, 1989. Out of the total dividends paid and payable, the Treasury, being the major stockholder is entitled to Shs.12,516,000. These payments, together with Corporation Tax estimated at Shs.45,000,000 (year ended 30.6.87 — Shs.78,000,000) bring the Company's direct contribution to the national revenue to Shs.278,106,000 (year ended 30.6.87 — Shs.272,008,000). The Company also made contributions to the Treasury amounting to Shs.901,000 (year ended 30.6.87 — Shs.4,812,000) in the form of various taxes on behalf of the Bulk Supply Companies.

During the period, dividends paid to Preference Stock absorbed Shs.1,930,000. The dividend of 13 per cent on the Ordinary Stock will absorb a further Shs.22,859,000.

Chairman's review

Net Profit

After the transfer of Shs.28,000,000 to Taxation Equalisation Reserve, the balance of the net profit amounting to Shs.40,181,000 will be carried forward resulting in retained profits carried forward to 1988/89 of Shs.479,021,000.

Industrial Relations

The Company continued to enjoy excellent industrial relations throughout the period.

A revised Collective Bargaining Agreement for the terms and conditions of service unionisable staff was implemented at the beginning of the review period retrospectively from January, 1987. Under the agreement the unionisable staff were awarded enhanced salaries, medical, house and other allowances. Besides, a job evaluation exercise for this category of members of staff is currently in progress.



The Chairman, Mr. Lawrence Sagini, speaking at a Long Service and Accident Free Bonus ceremony. Those present included (left to right) the Managing Director, Mr. S.K. Gichuru and the Minister for Energy, Mr. Nicholas Biwott. Also present were the company's directors.

Personnel and Training

The Company had an average labour force of 6914 compared to 5999 the previous period. A total of 835 new employees joined the workforce, among them 4 graduate engineers, 21 technicians and 91 craftsmen. A total of 124 employees left the Company, representing a labour turnover of 1.6% compared to the previous year's 1.8%.

Consistent with our policy to train and develop indigenous manpower, we continue to accord high priority to staff training. To this end a sum of Shs.32 million was spent on training 523 employees at the Company's Training School while management development training for 20 employees was provided both locally and overseas at a total cost of Shs.1,051,408.

In my previous review, I reported that a Shs.35 million contract had been awarded for the construction of extensions to the training school facilities. The work made satisfactory progress and the project is now substantially completed. Once completed, the institute's capacity will increase from 276 to 500 students with improved office and other accommodation facilities.

Chairman's review

Welfare

We continued to support and encourage sports to promote our employees mental and physical health and prepare them for participation in the national and international sporting events. Among the major events we organised were the Inter-Area Sports championships held in Kisumu in October, 1987, and the Inter-Area Athletics championships held in Mombasa in June, 1988.

Ten of our employees participated in various events and performed commendably during the 4th All Africa Games.

We honoured a total of 141 employees throughout the Company in recognition of their long service with the Company. Of these, 16 had served for 35 years, 69 for 30 years and 56 had completed 20 years of service.

Your Company continued with the exercise of public education on safety and energy conservation through participation in shows, the inhouse *Stima* Magazine, sponsored radio programmes and the press.

We participated for the first time in the Kapenguria and Chepkorio shows and won prizes in both.

Development

Geothermal

In my previous review I reported on the status of the various project works being pursued for further development of the geothermal resource. I am pleased to observe that all the works made very good progress and were nearing completion at the end of the period.



Taking electricity to the people through the Rural Electrification Programme continues to be high on the Company's order of priorities. Except Hola, all the other District Headquarters have now been electrified. Plans for electrification of Hola District Headquarters are at an advanced stage.

Chairman's review

Construction of the water system was completed and has since been commissioned. Evaluation of the tenders was also completed and the contract for drilling of eight geothermal wells at Eburru awarded to Messrs. Foraky-Foramines of Belgium, at a cost of Shs.102 million. Drilling has since commenced and is scheduled to be completed after 18 months.

The exploratory drilling at Olkaria North East Sector culminated in the establishment of over 60MW of geothermal generation potential. It has, therefore, been decided to exploit the sector initially by the development of a 60MW power station. Discussions are at an advanced stage with the World Bank on the implementation and funding arrangements.

Proposals for consultancy services for carrying out the project feasibility study were therefore invited from four international companies. Following evaluation of the proposals, Messrs. Ewbank Preece in association with Geothermal Energy New Zealand Limited (Genzl), Watermeyer-Legge-Piesold and Uhlman (WLP), and Virkir were appointed consultants. The 2 x 30MW power project is expected to be completed around 1993.

Kiambere

As stated in my last review on the timing of the project completion, the Power Station came on stream in January, 1988, injecting into the system at times up to the full capacity of 144MW. The operation of the station has been interrupted at times by a few teething problems which are being attended to.

System Control Project

This project made satisfactory progress and the prospects of commissioning the overall project on programme in 1990 still hold good. When completed the project is expected to enhance load management and efficient operation of the power system.

Rehabilitation of Kipevu

At the end of the last review period, implementation of the rehabilitation work was a Stage III of the project which entailed awards of the contracts and execution of the works. All the contracts were awarded and work under most of them is virtually completed.

Turkwell Hydro-Electric Project

Considerable progress was made in all fronts in the project implementation during the period. Civil works was substantially completed on site access roads, airstrip, coffer dam, diversion tunnel and access, cable and junction galleries. Good progress was made on the civil works on the arch dam, powerhouse and the 220kV Turkwell-Lessos Line, as was the case with the manufacture of electro-mechanical equipment.

Although slight delays were experienced in a few sections of the project, it is expected that the projected completion date of January, 1991, will be met. This was one of the projects inaugurated by His Excellency the President as part of our nation's Silver Jubilee Celebrations.

Nairobi 220/66KV Bulk Supply Reinforcement

As indicated in my previous review, the main contracts under this project were let early in the year.

The contract for the supply of equipment, installation and commissioning was awarded to Messrs. Stromberg OY of Finland at a total price of Shs.293 million while the civil works contract was awarded to Messrs. Foundation Skanska KIMCO at a total price of Shs.48 million.

Chairman's Review

The project has been funded mostly through bilateral financing arrangements comprising a substantial grant and soft loan from Finland and also through export credits from Sweden and Spain. Once completed, the installations are expected to improve security of supply and facilitate reinforcement of the transformation system.

At the time of going to press, the financing agreements and the supply contracts for the Bulk Supply Reinforcement Project were in the final stages of formal execution, while the civil works were nearing completion.

Kiambere — Nairobi 220KV Transmission Line Project

In order to further enhance security of supplies to Nairobi area and to facilitate full utilisation of Kiambere Hydro Power Station, a transmission line is proposed to be constructed from Kiambere to the new Embakasi Substation currently under construction.

Messrs. Ewbank Preece Power and Water Limited in association with Messrs. Watermeyer, Legge, Piesold and Uhlman were appointed consultants for the project and have already submitted a feasibility report.

Negotiations are in hand with the Government of West Germany, for the financing of the construction cost of the transmission line estimated at Shs.450 million, through Kreditanstalt Fur Wiederaufbau. This work is projected to be completed by 1991.

Office Building

Construction of the eight-storey office block at Mombasa continued during the period and all the structural work to the eighth floor was completed. Most of the rest of the project aspects are receiving final touches to the finishes. Judging from the present progress, completion is expected by June, 1989.

Rural Electrification

A total of Shs.136,916,000 was spent on the Rural Electrification Programme during the year.

The Government contributed Shs.20,950,000, while materials and equipment worth Shs.67,274,000 were received from various donor agencies. The Company contributed Shs.48,692,000 towards the fund. A total of 34 schemes were constructed and completed and construction of another 66 were in progress. At the end of the review period, the total number of schemes in operation had risen to 64 from 46 the previous year while the number of consumers connected increased to 10,725 from 8,736 as of June, 1987. This represents a growth of 23%. Units sold went up to 33,470,000 from 25,006,000 representing growth from the preceding corresponding period of 34%. The revenue realised grew by 52% from Shs.26,700,000 to Shs.40,604,000. Operating expenditure on the other hand amounted to Shs.72,323,000 with the resultant loss of Shs.31,719,000.

Chairman's Review



During the year under review our Company in liaison with the Provincial Administration set up a K.A.N.U. membership registration centre at Electricity House, Nairobi. Over 3,000 people who included our company staff based at the headquarters registered as party members. Arrangements had also been made for the registration of staff outside the head office through our area offices.

Directorate

Only a few changes occurred on the Board during the period.

Messrs. Morris M. Mwendar and Joel F. Barmasai who had served on the Board since December, 1981, and June, 1984, respectively resigned in March, 1988. Gilbert Nyaki was appointed a director in May, 1988.

Staff

This review would be incomplete without paying tribute to our employees at all levels throughout the Company for their dedication to work. Without their commitment to service, the success which I have reported on could have been impossible to achieve.

On your behalf, I thank them all.

L.G. SAGINI, E.G.H.
Chairman

Report of the Directors

The Directors submit their report together with the audited accounts for the year ended 30th June, 1988.

Results

	Shs '000	Shs. '000
The profit for the year before taxation amounted to		162,067
Deduct:		
Provision for taxation	69,097	
Dividends for the year on		
350,000 7% Cumulative Preference Stock		
Units (gross) paid	490	
1,800,000 4% Cumulative Preference Stock		
Units (gross) paid	<u>1,440</u>	<u>71,027</u>
		91,047

The Directors recommend a first and final dividend of 13% on 8,792,000 Ordinary Stock		
Units for the year absorbing		<u>22,856</u>
Leaving a profit for the year of		68,187
Deduct transfer to Taxation Equalisation Reserve		<u>28,000</u>
Retained profit for the year		40,187
Balance brought forward		<u>438,840</u>
Balance carried forward		<u><u>479,027</u></u>

Activities

The principal activity of the Company continued to be the distribution and sale of electricity in the country from energy purchased from the Bulk Supply Companies and from the Company's own generating stations. Unit sales of electricity for the year amounted to 2,337 million kilowatt-hours.

Capital Expenditure

During the year, a total of Shs. 243,614,000 was spent on fixed assets. Capital contributions received from consumers amounted to Shs. 75,296,000 resulting in a net capital cost to the Company of Shs. 168,318,000. Net capital work-in-progress as at 30th June, 1988, amounted to Shs. 440,484,000.

Directorate

Messrs. J.F.K. Barmasai and M.M. Mwendar ceased to be members of the Board in February, 1988. Mr. G.M. Nyaki was appointed a director of the Company with effect from 13th May, 1988.

In accordance with Regulation 128 of the Company's Articles of Association, Mr. G.M. Nyaki retires and, being eligible, offers himself for re-election.

In accordance with Regulation 120 of the Company's Articles of Association, Mr. S.O.J. Ambundo, Prof. B.W. Ogana and Prof. R.J. Akello retire by rotation and, being eligible, offer themselves for re-election.

Auditors

Messrs. Gill & Johnson will continue to act in accordance with section 159 (2) of the Companies Act and subject to Section 29 (2) (b) of the Exchequer and Audit (Amendment) Act, 1985.

By Order of the Board

Nairobi, Kenya
12th October, 1988

J.N. KIMANI
Secretary

Certificate of
the Auditor
General
(Corporations)

**CERTIFICATE OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE
ACCOUNTS OF KENYA POWER AND LIGHTING COMPANY LIMITED FOR THE
YEAR ENDED 30TH JUNE, 1988**

The Accounts of Kenya Power and Lighting Company Limited for the year ended 30th June, 1988, have been examined on my behalf by the Company's authorised auditors in accordance with Section 29 (2) (b) of the Exchequer and Audit Act, (Cap 412). The authorised auditors have reported to me the results of the audit and on the basis of their report I am satisfied that all the information and explanations which were required for the purpose of the audit were obtained. Proper books of account have been kept and the Accounts, which have been prepared under the historical cost basis, are in agreement therewith and comply with the Companies' Act.

In my opinion, the Accounts, when read together with the notes thereon, give a true and fair view of the state of affairs of the Company as at 30th June, 1988 and of its profit and source and application of funds for the year ended on that date.

A.J. OKOTH
AUDITOR-GENERAL (CORPORATIONS)

1st February, 1989.

Revenue Account And Statement of Retained Earnings

for the year ended 30th June, 1988

	Notes	1988 Shs'000	1987 Shs'000
REVENUE		2,434,600	2,005,753
OPERATING EXPENSES	2	<u>2,213,277</u>	<u>1,780,976</u>
OPERATING INCOME		221,323	224,777
EXCHANGE LOSS	3	<u>41,128</u>	<u>51,156</u>
NET OPERATING INCOME		180,195	173,621
INTEREST	4	<u>18,128</u>	<u>(8,130)</u>
PROFIT BEFORE TAXATION		162,067	181,751
TAXATION	5	<u>69,097</u>	<u>55,966</u>
PROFIT AFTER TAXATION		<u>92,970</u>	<u>125,785</u>
DIVIDENDS	6	24,789	24,789
TRANSFER TO TAXATION EQUALISATION RESERVE	9	<u>28,000</u>	<u>42,000</u>
		<u>52,789</u>	<u>66,789</u>
PROFIT RETAINED FOR THE YEAR	9	<u>40,181</u>	<u>58,996</u>
EARNINGS PER ORDINARY STOCK UNIT (SHS)	7	<u>10.36</u>	<u>14.09</u>
STATEMENT OF RETAINED PROFITS			
As previously stated		473,763	405,417
Prior year adjustment (net)	18	<u>(34,923)</u>	<u>(25,573)</u>
As restated		438,840	379,844
Retained profit for the year		<u>40,181</u>	<u>58,996</u>
Retained profit carried forward		<u>479,021</u>	<u>438,840</u>

Balance Sheet

30th June, 1988

	Notes	1988 Shs'000	1987 Shs'000
SHARE CAPITAL	8	218,840	218,840
RESERVES	9	<u>955,805</u>	<u>887,624</u>
SHAREHOLDERS' FUNDS		1,174,645	1,106,464
DEFERRED LIABILITIES	10	76,620	103,413
LOAN CAPITAL	11	<u>1,264,117</u>	<u>1,279,444</u>
CAPITAL EMPLOYED		<u>2,515,382</u>	<u>2,489,321</u>
Represented by:			
FIXED ASSETS	12	<u>2,556,888</u>	<u>2,340,392</u>
INVESTMENT IN SUBSIDIARIES	13	<u>—</u>	<u>3,250</u>
CURRENT ASSETS			
Stocks		738,930	523,684
Due from subsidiary		—	47,488
Debtors	14	595,897	396,754
Short term investments	15	1,874	122,000
Bank and cash balances	16	<u>56,404</u>	<u>34,623</u>
		<u>1,393,105</u>	<u>1,124,549</u>
CURRENT LIABILITIES			
Bank overdraft	16	183,974	98,046
Creditors	17	1,167,768	785,814
Taxation	5	50,838	60,968
Due to subsidiary		6,010	—
Dividends — payable		3,162	11,183
— proposed		<u>22,859</u>	<u>22,859</u>
		<u>1,434,611</u>	<u>978,870</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(41,506)</u>	<u>145,679</u>
NET ASSETS		<u>2,515,382</u>	<u>2,489,321</u>

The accounts on pages 18 to 27 were approved by the Board of Directors on 12th October, 1988 and were signed on its behalf by:

L.G. SAGINI)	Directors
)	
)	
S.K. GICHURU)	

Statement of Source and Application of Funds

for the year ended 30th June, 1988

	30.6.88	30.6.87
	Shs'000	Shs'000
SOURCE OF FUNDS		
Profit before taxation	162,067	181,751
Adjustments for items not involving the movement of funds:		
Depreciation	132,426	118,275
Surplus on disposal of fixed assets	(8,641)	(8,815)
Loss on exchange — Loan capital	<u>37,299</u>	<u>50,742</u>
Total funds generated from operations	323,151	341,953
Funds from other sources		
Proceeds on liquidation of a subsidiary	3,250	—
Proceeds on disposal of fixed assets	8,923	10,432
Loans received:		
PK Banken	75,431	—
Canadian Loan	2,069	29,957
Canadian Line of Credit Loan	—	1,698
Swiss Mixed Credit Loan	10,635	4,753
Finnish Loan	—	3,087
Kenya National Assurance Company Limited	—	12,000
J. Henry Schroder Wagg & Co. Limited	<u>1,517</u>	<u>117,114</u>
	<u>424,976</u>	<u>520,994</u>
APPLICATION OF FUNDS		
Repayment of Loan Capital	46,917	21,132
Capital expenditure	349,204	410,748
Taxation paid	79,227	47,004
Dividends paid	24,789	2,176
Deferred liability	<u>26,793</u>	<u>2,701</u>
	<u>526,930</u>	<u>483,761</u>
NET (OUTFLOW)/INFLOW OF FUNDS	<u>(101,954)</u>	<u>37,233</u>
REPRESENTED BY MOVEMENTS IN WORKING CAPITAL		
Increase in stocks	215,246	117,856
Increase in debtors	199,143	146,115
Increase in creditors	(278,572)	(209,292)
(Decrease)/increase in subsidiary balances	<u>(53,498)</u>	<u>22,511</u>
	82,319	76,990
Liquid funds:		
Increase in bank and cash balances	21,781	11,051
Decrease in short term investments	(120,126)	(13,000)
Increase in overdraft	<u>(85,928)</u>	<u>(37,808)</u>
	<u>(101,954)</u>	<u>37,233</u>

Notes to the Accounts

for the year ended 30th June, 1988

1. ACCOUNTING POLICIES

a) Basis of accounting

The company prepares its accounts on the historical cost basis of accounting.

(b) Revenue

Revenue represents the total income from the sale of electricity billed during the year and excludes government tax.

(c) Interest

Interest receivable is brought into the Revenue Account as it accrues. During the period of the construction of a project, the related loan interest payable is capitalised as part of the cost of the project. Other interest payable is brought into the Revenue Account as it accrues.

(d) Stocks

Stocks are valued at average cost less a provision for obsolescence.

(e) Depreciation

Depreciation is provided in accordance with the requirements of the Electric Power Act. This writes down the cost of the fixed assets to residual value by equal annual instalments over their estimated useful lives. No depreciation is provided on additions during the year.

(f) Taxation

The Company provides for taxation based on the profit for the year. No provision is made for deferred taxation but the Company sets aside an amount in the Taxation Equalisation Reserve equivalent to a deferred tax charge.

(g) Foreign currencies

All balances in foreign currencies at the Balance Sheet date are translated at rates ruling on that date. During the period of construction, gains and losses are capitalised as part of the cost of the project. Other foreign currency gains and losses are charged to the Revenue Account.

(h) Fixed assets

The additions during the year are capitalised net of Consumers' contributions.

Notes to the Accounts (Continued)

	1988 Shs'000	1987 Shs'000
2. Operating Expenses		
Operating and administration	625,452	508,531
Fuel costs	287,439	199,198
Cost of Bulk Supply:		
Ascertained cost	748,069	610,461
Development surcharge	417,401	342,275
Auditors' remuneration	1,650	1,500
Directors' remuneration:		
Fees	341	327
Other emoluments	499	409
Depreciation of fixed assets	132,426	118,275
	<u>2,213,277</u>	<u>1,780,976</u>
3. Exchange Loss		
Loan capital	37,299	50,742
Bank and cash balances	1,276	414
Others	2,553	—
	<u>41,128</u>	<u>51,156</u>
4. Interest		
Interest receivable on bank and other deposits	(6,219)	(18,913)
Interest payable on long term borrowing	24,347	10,783
	<u>18,128</u>	<u>(8,130)</u>
5. Taxation		
Revenue Account.		
Based on the profit for the year at 45%	72,976	70,350
Overprovision in previous years.	(3,879)	(14,384)
	<u>69,097</u>	<u>55,966</u>
Balance Sheet		
Provision based on the profit for the year	72,976	70,350
Tax on the prior year adjustment	(28,573)	(20,923)
Prior years' taxation not yet agreed	6,435	11,541
	<u>50,838</u>	<u>60,968</u>
6. Dividends		
Dividends are shown gross and comprise:		
On Preference Stock Units — paid	1,930	1,930
On Ordinary Stock Units	22,859	22,859
	<u>24,789</u>	<u>24,789</u>

Notes to the Accounts (Continued)

	1988 Shs'000	1987 Shs'000
7. Earnings per Ordinary Stock Units		
The calculation is based on:		
Profit after taxation	92,970	125,785
Preference dividends paid	<u>(1,930)</u>	<u>(1,930)</u>
	<u>91,040</u>	<u>123,855</u>
Ordinary Stock Units	<u>8,792,000</u>	<u>3,792,000</u>
8. Share capital		
	1988	1987
	Authorised Shs'000	Issued and fully paid Shs'000
	Authorised Shs'000	Issued and fully paid Shs'000
350,000 7% Cumulative Preference Stock Units of Shs 20 each	7,000	7,000
1,800,000 4% Cumulative Preference Stock Units of Shs 20 each	36,000	36,000
8,792,000 Ordinary Stock Units of Shs.20 each	175,840	175,840
1,558,000 Ordinary Shares of Shs 20 each	<u>31,160</u>	<u>—</u>
	<u>250,000</u>	<u>250,000</u>
9. Reserves		
	Balance at 30.6.87 Shs'000	Transfers during the year Shs'000
	Balance at 30.6.88 Shs'000	
Capital Reserve	12,304	—
Revenue Reserves:		
General	147,480	—
Taxation equalisation	289,000	28,000
Retained profit	<u>438,840</u>	<u>40,181</u>
	<u>887,624</u>	<u>68,181</u>
10. Deferred Liabilities		
	1988 Shs'000	1987 Shs'000
Due to Tana River Development Company Limited and payable in three and a half years ending 1991	82,533	106,114
Due to The Kenya Power Company Limited and payable in six and a half years ending 1994	<u>20,880</u>	<u>24,092</u>
	103,413	130,206
Less amounts repayable within one year included in creditors	<u>26,793</u>	<u>26,793</u>
	<u>76,620</u>	<u>103,413</u>

Notes to the Accounts (Continued)

11. Loan Capital	1988 Stg. £	1988 Shs'000	1987 Stg. £	1987 Shs'000
SECURED				
Commonwealth Development Corporation				
9½% 'A' Debenture Stock 1975/1991	168,786	5,227	202,245	5,324
9% 'A' Debenture Stock 1975/1991	769,255	23,824	923,578	24,315
8½% 'A' Debenture Stock 1975/1991	167,063	5,174	200,982	5,291
7½% 'E' Debenture Stock 1979/1988	<u>150,000</u>	<u>4,645</u>	<u>300,000</u>	<u>7,898</u>
	<u>1,255,104</u>	<u>38,870</u>	<u>1,626,805</u>	<u>42,828</u>
14% Kenya National Assurance Company Limited 1987/2001		10,800		11,600
		<u>49,670</u>		<u>54,428</u>
UNSECURED				
8% Kenya Government/Finnish Loan 1982/1996		13,046		14,581
10% Kenya Government/Finnish Loan 1988/2002		32,826		33,958
10% Kenya Government/Canadian Loan 1988/2000 (Can. \$81,529,265)		1,005,840		1,003,771
10% Kenya Government/Canadian Line of Credit 1988/2000 (Can. \$3,999,905)		49,354		49,354
7.12% Swiss Mixed Credit Loan 1984/1990 (Sw. Fr. 471,837)		5,651		7,659
6.38% Swiss Mixed Credit Loan 1987/1993 (Sw. Fr. 2,390,798)		28,634		19,952
7.75% Best and Crompton Deferred Supply Credit 1984/1990 (US\$562,064)		10,165		12,943
7.75% Best and Crompton Deferred Services Credit 1984/1990 (US\$287,682)		5,203		6,625
8.8% J. Henry Schroder Wagg & Co. Limited 1987/1997 (Stg. £3,938,008)		121,960		117,114
3% PK Banken Loan 1990/1999 (US\$4,316,916)		<u>78,070</u>		<u>—</u>
		1,400,419		1,320,385
Less loan repayments due within one year included in creditors		<u>136,302</u>		<u>40,941</u>
		<u>1,264,117</u>		<u>1,279,444</u>

Notes to the Accounts (Continued)

12 Fixed Assets

	Land and buildings Shs'000	Trans- mission lines Shs'000	Plant and machinery Shs'000	Motor vehicles Shs'000	Furniture equipment and others Shs'000	Total Sh'000
Cost						
1st July, 1987	305,337	1,648,394	479,544	198,357	262,548	2,894,180
Prior period adjustment	—	—	—	—	(12)	(12)
Reallocation	7,187	(1,056)	(6,131)	—	—	—
Additions	26,618	43,123	37,625	8,597	52,355	168,318
Disposals	—	(1,650)	—	(298)	(16)	(1,964)
30th June, 1988	<u>339,142</u>	<u>1,688,811</u>	<u>511,038</u>	<u>206,656</u>	<u>314,875</u>	<u>3,060,522</u>
Depreciation						
1st July, 1987	80,567	325,701	186,547	103,605	116,954	813,374
Charge for the year	10,103	58,999	17,208	24,774	21,342	132,426
On disposals	—	(1,439)	—	(229)	(14)	(1,682)
30th June, 1988	<u>90,670</u>	<u>383,261</u>	<u>203,755</u>	<u>128,150</u>	<u>138,282</u>	<u>944,118</u>
Net Book Value						
30th June, 1988	<u>248,472</u>	<u>1,305,550</u>	<u>307,283</u>	<u>78,506</u>	<u>176,593</u>	2,116,404
Work-in-progress						<u>440,484</u>
						<u>2,556,888</u>
30th June, 1987	<u>224,770</u>	<u>1,322,693</u>	<u>292,997</u>	<u>94,752</u>	<u>145,594</u>	2,080,806
Work-in-progress						<u>259,586</u>
						<u>2,340,392</u>

	1988 Shs'000	1987 Shs'000
13. Investment in subsidiaries		
Shares at cost	<u>—</u>	<u>3,250</u>

The Company has not consolidated its wholly owned subsidiary, Power Company Insurance Consultants Limited because the Directors consider the amounts involved to be insignificant. The profits attributable to the holding Company not dealt with in these accounts were:

	1988 Shs'000	1987 Shs'000
Reserves at 1st July	7,289	5,612
Retained profit for the year	<u>59</u>	<u>1,677</u>
Reserves at 30th June	<u>7,348</u>	<u>7,289</u>

The Insurance Act which came into effect on 1st January, 1987 precludes Power Company Insurance Consultants Limited from trading. The Company is, therefore, in the process of being wound up.

The other subsidiary company, Everest Limited was liquidated during the year and all its assets transferred to The Kenya Power and Lighting Company Limited.

Notes to the Accounts (Continued)

14. Debtors	1988 Shs'000	1987 Shs'000
Electricity consumers	517,571	371,153
Others	<u>78,326</u>	<u>25,601</u>
	<u>595,897</u>	<u>396,754</u>

Included in other debtors is Shs 47,191 (1987 Shs.75,274) due from officers of the Company.

15. Short Term Investments	1988 Shs'000	1987 Shs'000
Treasury bills	—	20,000
Other deposits	<u>1,874</u>	<u>102,000</u>
	<u>1,874</u>	<u>122,000</u>

16. Bank Overdraft

The bank has a right of set off against deposits and current accounts balances held by them.

17. Creditors	1988 Shs'000	1987 Shs'000
Tana River Development Company Limited	206,947	126,912
The Kenya Power Company Limited	59,041	125,895
Kerio Valley Development Authority	37,500	—
Tana and Athi Rivers Development Authority	168,589	—
Loans repayable within one year	136,302	40,941
Consumers' deposits	96,608	85,192
Others	<u>462,781</u>	<u>406,874</u>
	<u>1,167,768</u>	<u>785,814</u>

18. Development Surcharge Olkaria Geothermal Project

According to the terms of the financing for the Olkaria Geothermal Project of The Kenya Power Company Limited, the Company has agreed to finance part of the project by a development surcharge. This is included in the cost of Bulk Supply in note 2.

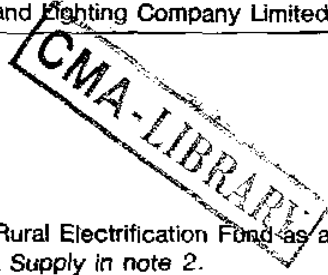
	1988 Shs'000	1987 Shs'000
Total estimated development surcharge	<u>999,381</u>	<u>828,545</u>
Paid at 1st July	602,937	489,777
Paid during the year	<u>139,709</u>	<u>113,160</u>
Paid at 30th June	<u>742,646</u>	<u>602,937</u>
Future development surcharge	<u>256,735</u>	<u>225,608</u>

Kiambere Hydroelectric Project

Under the financing plan for the Kiambere Hydroelectric Project which is being developed by Tana and Athi Rivers Development Authority, the Company has agreed to finance part of the project by a development surcharge which is included in the cost of Bulk Supply in note 2.

	1988 Shs'000	1987 Shs'000
Total estimated development surcharge	<u>660,000</u>	<u>660,000</u>
Paid at 1st July	516,811	384,811
Paid during the year	<u>132,000</u>	<u>132,000</u>
Paid at 30th June	<u>648,811</u>	<u>516,811</u>
Future development surcharge	<u>11,189</u>	<u>143,189</u>

Notes to the Accounts (Continued)

**Rural Electrification Fund**

The Company has contributed Shs.129,188,000 towards Rural Electrification Fund as a development surcharge. This is included in the cost of Bulk Supply in note 2.

Included in this sum is an annual contribution of Shs.17 000,000 in accordance with the Memorandum of Understanding of 18th June, 1985 between the Governments of Kenya and Canada in respect of Kipevu Rehabilitation. The balance of Shs.112,188,000 is the Company's contribution in respect of other projects. Of this, Shs. 63,496,000 (attributable tax Shs.28,573,000) relates to prior periods and has therefore been charged against retained earnings by way of a prior year adjustment.

Turkwell Gorge Project

According to the financing structure of Turkwell Gorge Project, which is being undertaken by Kerio Valley Development Authority, the Company is required to finance part of the project by a development surcharge. This is included in the cost of bulk supply in note 2.

	1988 Shs'000	1987 Shs'000
Estimated development surcharge	<u>480,000</u>	<u>480,000</u>
Paid at 1st July	40,000	—
Paid during the year	<u>80,000</u>	<u>40,000</u>
Paid at 30th June	<u>120,000</u>	<u>40,000</u>
Future development surcharge	<u>360,000</u>	<u>440,000</u>
	1988 Shs'000	1987 Shs'000
19. Capital Commitments.		
Authorised but not contracted for:		
Trainees' hostel	13,041	—
Power system control (see note below)	—	385,000
Others	<u>67,823</u>	<u>171,427</u>
	<u>80,864</u>	<u>556,427</u>
Authorised and contracted for	1,137,165	443,036
Less amount incurred and included in Work-in-progress	<u>233,548</u>	<u>191,311</u>
	903,617	251,725
Less capital contributions received	<u>21,174</u>	<u>31,184</u>
	<u>882,443</u>	<u>220,541</u>

Note: The capital commitment in respect of the power system control has been taken over by the Kenya Power Company Limited.

20. Contingent Liabilities

	1988 Shs'000	1987 Shs'000
Bank guarantees	4,660	2,759
Customs and Excise	—	5,685
Claims by contractors	<u>754</u>	<u>465</u>
	<u>5,414</u>	<u>8,909</u>

6½ YEARS RECORD

FINANCIAL AND STATISTICAL RECORDS

for the year ended	31st Dec. 1982	31st Dec. 1983	31st Dec. 1984
UNITS SOLD (millions)	<u>1,631</u>	<u>1,676</u>	<u>1,775</u>
Average cost of units sold (cents)	52.23	56.12	57.03
	Shs'000	Shs'000	Shs'000
REVENUE from sale of electricity	<u>1,020,384</u>	<u>1,132,093</u>	<u>1,242,953</u>
PROFIT for the year before taxation	170,073	198,974	155,412
Taxation	<u>72,684</u>	<u>22,989</u>	<u>69,000</u>
NET PROFIT AFTER TAXATION	97,389	175,985	86,412
Extraordinary items gain/(loss)	1,608	—	—
Preference dividends (gross)	<u>(1,930)</u>	<u>(1,930)</u>	<u>(1,930)</u>
NET PROFIT ATTRIBUTABLE TO ORDINARY STOCKHOLDERS	97,067	174,055	84,482
ORDINARY DIVIDENDS (gross)	<u>(16,485)</u>	<u>(21,980)</u>	<u>(21,980)</u>
PROFIT/(LOSS) FOR THE YEAR	<u>80,582</u>	<u>152,075</u>	<u>62,502</u>
NET CASH FLOW			
Profit/(loss) for the year	80,582	152,075	62,502
Depreciation	<u>40,627</u>	<u>52,377</u>	<u>96,155</u>
	<u>121,209</u>	<u>204,452</u>	<u>158,657</u>
CAPITAL EMPLOYED			
Fixed assets, less depreciation	1,437,903	1,942,321	1,952,955
Bulk supply company	47,558	—	—
Investment in subsidiaries	—	3,370	5,801
Net current assets	<u>31,154</u>	<u>13,001</u>	<u>109,524</u>
	<u>1,516,615</u>	<u>1,958,692</u>	<u>2,068,280</u>
FINANCED BY:			
Ordinary stockholders' equity	542,732	715,162	777,664
Preference capital	43,000	43,000	43,000
Loan capital (secured)	66,983	66,414	54,746
Loan capital (unsecured)	675,252	969,049	1,051,384
Deferred liability	<u>188,648</u>	<u>165,067</u>	<u>141,486</u>
	<u>1,516,615</u>	<u>1,958,692</u>	<u>2,068,280</u>
CAPITAL EXPENDITURE	583,600	536,627	108,017
PROFIT for the year before taxation as a percentage of average capital employed	15.52%	12.75%	8.3%
ORDINARY DIVIDENDS RATES	10%	12.5%	12.5%
Earnings per share (Shs)	11.58	19.80	9.61
Consumers/employees ratio	32.8	32.3	30.8
Sales (KWhr) per employee	307,679	299,480	309,554

31st Dec. 1985	30th June. 1986	30th June. 1987	30th June. 1988	
<u>1,944</u>	<u>1,035</u>	<u>2,205</u>	<u>2,337</u>	UNITS SOLD (millions)
61.64	67.55	80.76	94.70	Average cost of units sold (cents)
Shs'000	Shs'000	Shs'000	Shs'000	
<u>1,481,511</u>	<u>843,286</u>	<u>2,005,753</u>	<u>2,434,600</u>	REVENUE from sale of electricity
287,230	132,138	181,751	162,067	PROFIT for the year before taxation
<u>114,431</u>	<u>57,377</u>	<u>55,966</u>	<u>69,097</u>	Taxation
172,799	74,761	125,785	92,970	NET PROFIT AFTER TAXATION
—	—	—	—	Extraordinary items gain/(loss)
<u>(1,930)</u>	<u>(965)</u>	<u>(1,930)</u>	<u>(1,930)</u>	Preference dividends (gross)
170,869	73,796	123,855	91,040	NET PROFIT ATTRIBUTABLE TO ORDINARY STOCKHOLDERS
<u>(22,859)</u>	<u>(11,429)</u>	<u>(22,859)</u>	<u>(22,859)</u>	ORDINARY DIVIDENDS (gross)
<u>148,010</u>	<u>62,367</u>	<u>100,996</u>	<u>68,181</u>	PROFIT/(LOSS) FOR THE YEAR
148,010	62,367	100,996	68,181	NET CASH FLOW
<u>102,743</u>	<u>55,417</u>	<u>118,275</u>	<u>132,426</u>	Profit/(loss) for the year
<u>250,753</u>	<u>117,784</u>	<u>219,271</u>	<u>200,607</u>	Depreciation
1,980,634	2,049,536	2,340,392	2,556,888	CAPITAL EMPLOYED
—	—	—	—	Fixed assets, less depreciation
20,820	28,227	50,738	—	Bulk supply company
<u>160,617</u>	<u>161,536</u>	<u>98,191</u>	<u>(41,506)</u>	Investment in subsidiaries
<u>2,162,071</u>	<u>2,239,299</u>	<u>2,489,321</u>	<u>2,515,382</u>	Net current assets
925,674	988,041	1,063,464	1,131,645	FINANCED BY:
43,000	43,000	43,000	43,000	Ordinary stockholders' equity
46,467	49,591	54,428	49,670	Preference capital
1,029,025	1,052,553	1,225,016	1,214,447	Loan capital (secured)
<u>117,905</u>	<u>106,114</u>	<u>103,413</u>	<u>76,620</u>	Loan capital (unsecured)
<u>2,162,071</u>	<u>2,239,299</u>	<u>2,489,321</u>	<u>2,515,382</u>	Deferred liability
131,616	125,037	410,748	349,216	CAPITAL EXPENDITURE
13.57%	6.00%	7.68%	6.47%	PROFIT for the year before taxation as a percentage of average capital employed
13%	6.5%	13.0%	13.0%	ORDINARY DIVIDENDS RATES
19.43	8.39	14.09	10.36	Earnings per share (Shs)
29.75	28.13	26.65	31.89	Consumers/employees ratio
325,748	166,801	324,589	304,520	Sales (KWHr) per employee

Power Systems Operating Statistics for 5½ years

TABLE 1: GROSS GENERATION AND CONSUMPTION OF ELECTRICITY FOR INTERCONNECTED AND ISOLATED SYSTEM

LOCATION	Installed Capacity as at 30.6.88	Effective Capacity (MW)	ENERGY(GWhr)						Average Annual Growth Over the Last 4½ Years
			1983	1984	1985	1986	1986/87 Jan-June	1987/88	
HYDRO									
Tana (KPC)	14.4	12.4	65	59	67	33	77	82	
Wanjili (KPC)	7.4	7.4	32	34	39	18	55	46	
Kamburu (TRDC)	91.5	84.0	357	337	398	184	415	432	
Gitaru (TRDC)	145.0	145.0	723	687	776	400	836	841	
Kindaruma (TRDC)	44.0	44.0	187	172	202	102	191	223	
K.P. & L.C.	6.2	6.2	24	16	17	6	20	21	
UEB (Imports)	30.0	0.0	179	215	215	113	211	154	
Masinga (TARDA)	40.0	40.0	70	166	161	85	199	182	
Kiambere (TARDA)	144.0	140.0						211	
TOTAL HYDRO INCLUDING IMPORTS	522.5	479.0	1,637	1,686	1,875	942	2,004	2,192	6.7%
THERMAL									
Kipevu	98.0	4.0	114	174	83	59	168	208	
GEOHERMAL									
Olkaria	45.0	43.0	262	233	336	179	374	348	
GAS TURBINE									
Fiat — Nbi South	17.9	13.8			4	3	17	13	
JBE — Kipevu	30.0	30.0					27	52	
DIESEL									
Interconnected Diesel Stations	18.3	8.0		1	2	1	5	3	
INTERCONNECTED SYSTEM	731.7	577.8	2,013	2,094	2,300	1,185	2,596	2,816	7.7%
ISOLATED DIESELS	3.9	3.9	5	5	7	4	9	10	
GROSS GENERATION	735.6	581.7	2,018	2,099	2,307	1,189	2,605	2,827	7.8%
AUX CONSUMPTION SYSTEM LOSSES			29	28	27	16	28	43	
			299	281	316	127	347	412**	
SALES — KPLC SYSTEM			1,676	1,775	1,944	1,035	2,205	2,337	7.7%
— RES SYSTEM			13	15	19	11	25	35	25.2%
TOTAL SALES			1,689	1,790	1,963	1,046	2,230	2,372	7.8%
SYSTEM PEAK DEMAND MW			334	366	387	418	430	461	7.4%
System Load Factor			68.8%	65.1%	67.8%	65.3%	68.9%	69.7%	
Sales % of Net Gen.			84.9%	86.4%	86.1%	89.2%	86.5%	85.2%	
Annual growth-Gen.			3.7%	4.0%	9.9%		8.4%*	8.5%*	
— SALES			3.6%	6.0%	9.7%		8.9%*	6.4%*	

NOTE: ** Includes energy exports to UEB system estimated at 3 GWhr

* Average Annual Growth over one and a half years.

TABLE 2: AREA TOTAL MAXIMUM DEMAND (MW)

AREA	1983	1984	1985	1986 Jan-June	1986/87	1987/88	Average Annual Growth Over the Last 4½ Years
Nairobi	191	192	206	223	223	231	4.3%
Coast	69	74	78	82	89	107	10.2%
Western Kenya	41	49	60	75	77	79	15.8%
Rift Valley	19	20	23	26	26	30	10.4%
Mt. Kenya	16	16	18	19	21	22	7.0%
TOTAL SYSTEM (SIMULTANEOUS)	334	366	387	418	430	461	7.4%
% INCREASE P.A.	5.4%	9.6%	5.7%		7.3*	7.2%	

NOTE: Intermediate loads on Nairobi-Mombasa line are not included

* Average Annual Growth over one and a half years.

TABLE 3: SALE OF ELECTRICITY IN GWhr SHOWN IN DIFFERENT CATEGORIES OF CONSUMERS

TARIFF	MAIN TYPE OF CONSUMER COVERED BY THIS TARIFF	1983	1984	1985	1986 Jan-June	1986/87	1987/88	Average Annual Growth Over the Last 4½ Years
A	Domestic, small commercial and small industrial	483	514	545	292	634	678	7.8%
B	Commercial (Medium) and industrial (medium)	415	455	472	252	536	555	6.7%
C	Commercial (large) and Industrial (large)	659	681	812	434	916	982	9.3%
D	Off-peak	109	116	106	53	111	110	0.2%
E	Street lighting	10	9	9	4	9	12	5.0%
	TOTAL	1,676	1,775	1,944	1,035	2,205	2,337	7.7%
	% INCREASE P.A.	2.8%	5.9%	9.5%		8.8%*	6.0%	

NOTE: Units sold to Rural Electrification Schemes not included

* Average Annual Growth over one and half years.

TABLE 4: AREA TOTAL UNIT SALES (GWhr)

AREA	1983	1984	1985	1986		1987/88	Average Annual Growth Over the Last 4½ Years
				Jan-June	1986/87		
Nairobi	930	986	1,049	554	1,188	1,242	6.6%
Coast	400	411	440	245	499	536	6.7%
Western Kenya	206	220	269	138	306	338	11.6%
Rift Valley	85	92	99	53	117	126	9.1%
Mt. Kenya	55	66	87	45	95	95	12.9%
KPLC sales	1,676	1,775	1,944	1,035	2,205	2,337	7.7%
R.E.S. Sales	13	15	19	10	25	35	23.7%
TOTAL SALES	1,689	1,790	1,963	1,045	2,230	2,372	7.8%
% INCREASE P.A.		6.0%	9.7%		8.9%*	6.3%	

*Average Annual Growth over one and a half years.

TABLE 5: REVENUE (SHS '000) IN CATEGORY OF CONSUMERS

TYPE	MAIN TYPE OF CONSUMER COVERED BY THIS TARIFF	1983	1984	1985	1986		1987/88	Average Annual Growth Over the Last 4½ Years
					Jan-June	1986/87		
A	Domestic, small commercial and small industrial	343,794	419,686	480,299	267,045	643,296	773,850	19.8%
B	Commercial (medium) and industrial (medium)	267,098	340,899	386,223	222,515	519,363	615,769	20.4%
C	Commercial (large) and Industrial (large)	317,780	406,303	535,974	311,005	744,077	925,650	26.8%
D	Off-peak	46,553	65,922	69,855	37,556	89,351	104,178	19.6%
E	Street lighting	7,002	8,835	7,733	3,812	9,181	14,255	17.1%
	SUB-TOTAL	982,227	1,241,645	1,480,084	841,933	2,005,268	2,433,702	22.3%
	OTHERS*	149,866	1,308	1,427	1,353	485	898	
	TOTAL (KPLC)	1,132,093	1,242,953	1,481,511	843,286	2,005,753	2,434,600	18.5%
	R.E.S.	11,003	12,696	17,502	8,528	26,700	40,604	33.7%
	GROSS TOTAL	1,143,096	1,255,649	1,499,013	851,814	2,032,453	2,475,204	18.7%
	% INCREASE P.A.		11.2%	9.8%	19.4%	22.5% **	21.8%	

NOTE: *Others include sundry items such as fuel oil surcharge, red dy board meter rent, etc.

** Average Annual Growth over one and a half years.

TABLE 6: TRANSMISSION AND DISTRIBUTION LINES

VOLTAGE	TOTAL CIRCUIT LENGTH (KM)						Average Annual Growth Over the Last 4½ Years
	AS AT 31st DECEMBER			AS AT 30TH JUNE			
	1983	1984	1985	1986	1987	1988	
220kv	633	633	633	633	633	633	0.0%
132kv	1,959	1,975	1,975	1,975	1,975	1,977	0.2%
66kv	385	396	398	398	398	400	0.9%
40kv	113	113	113	113	113	113	0.0%
33kv	2,356	2,429	2,567	2,610	2,813	3,194	7.0%
11kv	6,306	6,601	6,747	6,811	7,152	7,252	3.2%
TOTAL	11,752	12,147	12,433	12,540	13,084	13,569	3.2%
% INCREASE P.A.	11.1%	3.4%	2.4%		3.5%*	3.7%	

* Average Annual Growth over one and a half years.

TABLE 7: TRANSFORMERS IN SERVICE: TOTAL INSTALLED CAPACITY IN MVA

	AS AT 31st DECEMBER			AS AT 30TH JUNE			Average Annual Growth Over the Last 4½ Years
	1983	1984	1985	1986	1987	1988	
Generation S/Stns							
11/220kv						170	
11/132kv	397	397	417	417	417	417	1.1%
11/66kv	30	30	30	30	30	30	—
11/33kv	137	137	137	137	178	217	10.8%
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	3	3	4	4	4	4	6.6%
132/220kv	270	540	540	540	540	540	16.7%
TOTAL	854	1,124	1,145	1,145	1,186	1,395	11.5%
Distribution S/Stns							
220/132kv	180	580	580	580	580	580	29.7%
132/66kv	195	195	195	195	210	210	1.7%
132/33kv	239	239	285	285	285	285	4.0%
66/11kv	323	346	369	369	369	395	4.6%
66/40kv	15	15	15	15	15	15	—
40/11kv	16	16	16	16	16	19	4.0%
33/11kv	286	294	302	325	333	358	5.1%
TOTAL	1,254	1,685	1,762	1,785	1,807	1,862	9.2%
Distribution TXS							
11/0.415kv							
33/0.415kv	931	1,005	1,056	1,092	1,173	1,300	7.7%
% INCREASE OF DISTBN TXS	6.9%	7.9%	5.1%	8.6%	11.1%	10.8%	

Principal areas of supply

ATHI RIVER
AWENDO
BUNGOMA
BUSIA
BUTERE
CHEPKORIO
CHOGORIA
EGOJI
ELBURGON
ELDAMA RAVINE
ELDORET
EMALI
EMBU
GARISSA
GILGIL
HAMISI
HOMA BAY
ISIOLO
ISHIARA
ITEN
KABARNET
KANDARA
KAJIADO
KAKAMEGA
KALOLENI
KANGUDO — TALA
KANGEMA
KARATINA
KAPSABET
KAPSAKWANY
KAPSOWAR
KAPENGURIA
KENYALLINE
KERICHO
KERUGOYA
KIAMBU
KIRITIRI
KILIFI
KIHARU
KISII
KISUMU

KINANGO
KITALE
KITUI
KUTUS
KWALE
LAMU
LIMURU
LODWAR
LONDIANI
MACALDER
MACHAKOS
MAMBRUI
MALABA
MALINDI
MANDERA
MARALAL
MARIAKANI
MTITO ANDEI
MARSABIT
MASENO
MASII
MATUU
MAUA
MAZERAS
MERU
MIGORI
MOLO
MOMBASA
MOYALE
MUMIAS
MUKURWEINI
MURANG'A
MWINGI
NAIROBI
NAIVASHA
NAKURU
NAROK
NAROMORU
NANDI HILLS
NANYUKI
NGONG
NJORO

NKUBU
NYAHURURU
NYERI
OL'KALOU
OLOITOKITOK
OYUGIS
RABAI
RONGAI
RIBE
RUIRU
RUMURUTI
SAGANA
SIAKAGO
SIAYA
SONDU
SOTIK
SULTAN HAMUD
TAMBACH
TAVETA
TENGES
THIKA
VIHIGA
VOI
WAJIR
WEBUYE
WUNDANYI
YALA

FORM OF PROXY FOR ANNUAL GENERAL MEETING

I/We,)
 of) Block
) Capitals
) Please

being (a) Member(s) of the above-named Company, HEREBY APPOINT the Chairman of the Meeting or.....

as my/our proxy to vote for me/us and on my/our behalf at the ANNUAL GENERAL MEETING of the Company to be held on Friday, the 24th day of February, 1989 and at any adjournment thereof.

My/our proxy is to vote as indicated in respect of the following Resolutions:

ORDINARY BUSINESS

- (i) The receipt and adoption of the Directors' Report and Accounts for the year ended 30th June, 1988
- (ii) The declaration of a first and final dividend on the ordinary stock.
- (iii) The re-election of retiring Directors.

	FOR	AGAINST
i		
ii		
iii		

Dated this..... day of.....1989

Signature

FOR OFFICE USE ONLY	
7%	
4%	
ORDINARY	