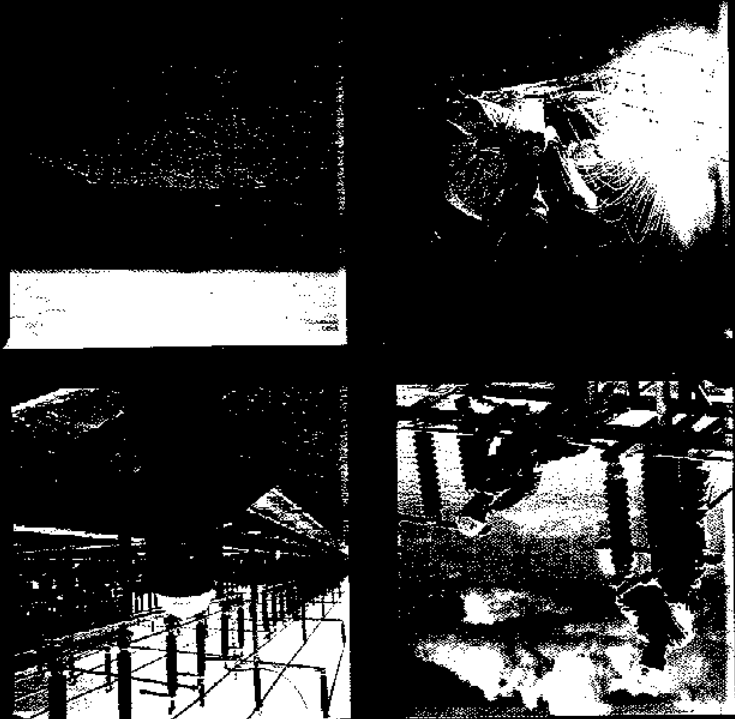


Annual Report & Accounts 2002/2003

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The Kenya Power & Lighting
Co. Ltd.



CORPORATE VISION

To achieve world class status as a quality service business enterprise so as to be the first choice supplier of electrical energy in a competitive environment.

CORPORATE MISSION

To efficiently transmit and distribute high quality electricity throughout Kenya at cost effective tariffs; to achieve the highest standards of customer service; and to ensure the Company's long term technical and financial viability.

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Kenya State Corporation Limited
2. I hereby certify that the above is a true and correct copy of the Board of Directors

BOARD OF DIRECTORS



*Seated (l-r) - Fidesius M Nyaga, Patrick M Nyoike, Eng. Alfred W Sambu, Eng. Jasper O Oduor, Dr. Susan M Musyoka
Standing (l-r) - Laurencia K Njagi (Mrs)*, Ng'ang'a Munny, Edwin Wasunna, Tom D Oduor, Samuel Maluki**, Solomon Kitungu,
Swaleh S Imu, Eng. Ngugi Kiuna*

* Company Secretary

** Non-Director representing the Inspectorate of State Corporations

2007/0997

CORPORATE INFORMATION

Directors

Eng. Alfred W Sambu
Eng. Jasper O Oduor
Joseph M Magari ✓
Patrick M Nyoike ✓
Edwin Wasunna ✓
Dr. Susan M Musyoka
Tom D Owuor, MBS, OGW ✓
Fidesius M Nyaga
Swaleh S Imu ✓
Eng. Ngugi Kiuna ✓
Solomon Kitungu
Ng'ang'a Munyu

Chairman
Managing Director

Alternate to Joseph M Magari
Alternate to Patrick M Nyoike

Secretary

Laurencia K Njagi (Mrs)
P O Box 30099
Nairobi

0721 987715

Registered Office

Stima Plaza
Kolobot Road
P O Box 30099
Nairobi

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Main Bankers

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

Kenya Commercial Bank Limited
Moi Avenue
P O Box 30081
Nairobi

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

Stanbic Bank Kenya Limited
Kenyatta Avenue
P O Box 30550
Nairobi

Auditors

Deloitte & Touche
"Kirungu", Ring Road
Westlands
P O Box 40092
Nairobi

For the Controller and Auditor General

Principal Legal Advisors

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

MANAGEMENT TEAM

Managing Director	Eng. Jasper Oduor, B.Sc. (Eng.) (Hons.), R. Eng., MIEK
Deputy Managing Director	Eng. Julius M Riungu, B.Sc. (Eng.) (Hons.), R. Eng., C. Eng., MIEE, MIEK
Company Secretary	Laurencia K Njagi, LLB (Hons.), Dip. in Law, CPS (K)
Chief Managers	
Distribution and Customer Service	Richard Muiru, BSc. (Eng), MSc. (Eng.)
Energy Transmission	Eng. Benson Muriithi, B.Sc. (Eng.) (Hons.), R.Eng.
Information Technology and Telecommunications	Eng. Johnson Ole Nchoe, B.Sc. (Eng.), (Hons.), R. Eng.
Finance	Zachary Ayieko, B.Com (Hons.), CPA (K)
Task Force Leader, Financial and Technical Losses Reduction Project	Jonathan Ciano, B.Com (Hons.), CPA (K)
Human Resources & Administration	Ben Chumo, BA (Hons.)
Planning, Research and Performance Monitoring	Eng. David M Mwangi, B.Sc. (Eng.) (Hons.), R. Eng., MIEK

repaying the holders of the Redeemable Non-Cumulative Preference Shares and of any other shares entitled to rank *pari passu* with them, the full amount paid up or credited as paid up thereon, and, subject as aforesaid, such surplus assets shall belong to and be divided among the holders of Ordinary Shares of the Company;

- v. The holders of the Redeemable Non-cumulative Preference Shares shall not be entitled to receive notice of, or attend, or vote at any general meeting of the Company;
 - vi. The Company may at any time apply the profits or moneys of the Company which may be lawfully applied for the purpose in the redemption of the Redeemable Non-cumulative Preference Shares either in whole or in part. The power of redemption may be exercised by the Board acting on behalf of the Company upon giving of ninety days notice of the proposed redemption to the holders of the Redeemable Non-cumulative Preference Shares.
- c. By substituting the following new Article for Article 10: "Without prejudice to any special rights previously conferred on the holders of any shares or class of shares, any share in the Company may be issued with or have attached thereto such preferred, deferred or other special rights or such restrictions,

shall apply to the Company to the extent that any securities of the Company are in part or in whole immobilised or dematerialised or are required by the regulations or rules issued under the CD Act to be immobilised or dematerialised in part or in whole, as the case may be. Any provisions of these Articles that are inconsistent with the CD Act or any regulations or rules issued or made pursuant thereto shall be deemed to be modified to the extent of such inconsistencies in their application to such securities. For the purposes of these Articles, immobilisation and dematerialization shall be construed in the same way as they are construed in the CD Act.

19B: Where any securities of the Company are forfeited pursuant to these Articles after being immobilised or dematerialised, the Company shall be entitled to transfer such securities to a securities account designated by the Board for this purpose."

By Order of the Board

Laurencia K Njagi (Mrs)
Company Secretary
P. O. Box 30099
Nairobi, Kenya
24th November, 2003

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE EIGHTY-SECOND ANNUAL GENERAL MEETING of the Company will be held at Stima Members' Club, Thika Road, Nairobi, on Tuesday, 23rd December 2003 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 30th June 2003, 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 Magari, Permanent Secretary, Treasury, who was appointed by the Board on 5th February 2003, to fill a casual vacancy created by the resignation of Mr. Joseph K. Kinyua, 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. Patrick M Nyoike, Permanent Secretary, Ministry of Energy, who was appointed by the Board on 5th February 2003, to fill a casual vacancy created by the resignation of Prof. Wilfred Mwangi, 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. Edwin Wasunna, who was appointed by the Board on 8th April 2003, to fill a casual vacancy, retires in accordance with Article 128 of the Memorandum and Articles of Association of the Company and, being eligible, offers himself for election;

(iv) Mr. Swaleh S Imu, who was appointed by the Board on 8th April 2003, to fill a casual vacancy, retires in accordance with Article 128 of the Memorandum and Articles of Association of the Company and, being eligible, offers himself for election;

(v) Dr. Susan M Musyoka, who was appointed by the Board on 8th April 2003, to fill a casual vacancy, retires in accordance with Article 128 of the Memorandum and Articles of Association of the Company and, being eligible, offers herself for election;

(vi) Eng. Ngugi Kiuna, who was appointed by the Board on 8th April 2003, to fill a casual vacancy, retires in accordance with Article 128 of the Memorandum and Articles of Association of the Company and, being eligible, offers himself for election;

(vii) Mr. T D Owuor, who 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.

(viii) Eng. Alfred W Sambu, who was appointed by the Board on 28th March 2003, to fill a casual vacancy, retires in accordance with Article 128 of the Memorandum and Articles of Association of the Company and, being eligible, offers himself for election;

5. To authorise the Directors to fix their remuneration.

6. To note that the audit of the Company's books of accounts will 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, and to authorise the Directors to fix the Auditors' remuneration

SPECIAL BUSINESS

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

1. "That the authorised share capital of the Company be, and is hereby, increased from Kenya Shillings Two Billion (Shs.2,000,000,000) to Kenya Shillings Eighteen Billion (Shs.18,000,000,000) by the creation of Eight Hundred Million (800,000,000) preference shares of Kenya Shillings Twenty (Shs.20) each, to be called Redeemable Non-cumulative Preference Shares, to which shall be attached the special rights, terms and privileges following, that is to say:

a. The Redeemable Non-cumulative Preference Shares shall, each time that Directors of the Company declare a dividend on the Ordinary Shares, have a right to a non-cumulative preferential dividend at the rate of 7.85% per annum reviewable in 2009/10 on the capital for the time being paid up or credited as paid up thereon;

1. Kusoma iliani ya kuitisha Mkutano huo.
2. Kuzipokea, na kujidhinisha taarifa za Kampuni za hesabu za fedha zilizo dhini kwa mwaka uliomalizika tarehe 30 Juni 2003, kwa pamoja na taarifa za ukaguzi wa fedha kutoka kwa Mwenyekiti, mkurugenzi na mkaguzi wa fedha.
3. Kuthibitisha kwamba Wakurugenzi hawapendekezi malipo ya mgawo wa hisa katika Hisa ya Kawaida ya mwaka.
4. Kuwachagua Wakurugenzi.

(i) Bwana Joseph Magari, Katibu wa Wizara ya Fedha ambaye aliteuliwa na Halmashauri tarehe 5 Februari mwaka 2003, kujaza nafasi iliyoachwa wazi kutokana na kujiuzulu kwa Bwana Joseph K. Kinyua, anastaafu kwa mujibu wa kifungu nambari 128 cha Mkataba na Sheria za Kampuni na kwa kutimu kwake anagombea uchaguzi.

(ii) Bwana Patrick M. Nyoike, Katibu wa Wizara ya Kazi, ambaye aliteuliwa na Halmashauri tarehe 5 Februari mwaka 2003, kujaza nafasi iliyoachwa wazi kutokana na kujiuzulu kwa Prof. Wilfred Mwangi anastaafu kwa mujibu wa kifungu nambari 128 cha Mkataba na Sheria za Kampuni na kwa kutimu kwake anagombea uchaguzi.

(iii) Bwana Edwin Wasunna, ambaye aliteuliwa na Halmashauri tarehe 8 Aprili mwaka 2003, kujaza nafasi anastaafu kwa mujibu wa kifungu nambari 128 cha Mkataba na Sheria za Kampuni na kwa kutimu kwake anagombea uchaguzi.

(iv) Bwana Swaleh Imu, ambaye aliteuliwa na Halmashauri tarehe 8 Aprili mwaka 2003, kujaza nafasi anastaafu kwa mujibu wa kifungu nambari 128 cha Mkataba na Sheria za Kampuni na kwa kutimu kwake anagombea uchaguzi.

(v) Dr. Susan Musyoka, ambaye alichaguliwa na Halmashauri tarehe 8 Aprili mwaka 2003, kujaza nafasi anastaafu kwa mujibu wa kifungu nambari 128 cha Mkataba na Sheria za Kampuni na kwa kutimu kwake anagombea uchaguzi.

(vii) Bwana T.D Owuor, ambaye anastaafu kwa zamani kwa mujibu wa kifungu nambari 120 cha Mkataba na Sheria za Kampuni na kulokana na kutimu kwake anagombea uchaguzi.

(viii) Mhandisi Alfred Sambu, ambaye aliteuliwa na Halmashauri tarehe 28 Machi mwaka 2003, kujaza nafasi anastaafu kwa mujibu wa kifungu nambari 128 cha Mkataba na Sheria za Kampuni na kwa kutimu kwake anagombea uchaguzi.

5. Kuwaruhusu wakurugenzi kuidhinisha malipo yao.

6. Kujitishwa kuwa vitabu vya hesabu vya kampuni vitakaguliwa na Mkaguzi Mkuu wa Serikali ama kampuni ya ukaguzi wa vitabu atakayoichagua kulingana na kifungu cha 11 cha Sheria inayosiimania mashirika ya serikali, kama kilivyorekabishwa mwaka 2000, na kifungu 29(1)(b) cha Sheria ya Mweka Hazina na ya Ukaguzi na kuwaruhusu wakurugenzi kuidhinisha malipo ya wakaguzi vitabu.

SHUGHULI MAALUMU

Kuzingatia, na kama itataa, kupitisha maaazimio yafuatayo kama Maazimio Maalum.

1. Kwamba mtaji wa hisa wa Kampuni ulio dhini hushwa uongezwe kutoka Shilingi Bilioni Mbili (Shs 2,000,000,000) hadi Shilingi Bilioni Kumi na Nane (Shs 18,000,000,000) kupitia kutengezwa kwa hisa ziada Milioni mia nane (800,000,000) za Shilingi Ishirini (Shs. 20) kwa kila hisa ambazo zitajulikana kama hisa ziada zinazoweza kununuliwa tena ambazo zimeambatanishwa haki na manufaa yafuatayo:

a. Hisa hizo zitakuwa kila wakati Wakurugenzi wa Kampuni wanapotangaza mgawo wa hisa katika faida inayosambazika katika hisa za kawaida, basi wana haki ya kuweka kiwango cha asilimia 7.85 cha mgawo wa hisa kisichokuwa cha kujaza kwa mwaka kwa wakati huo aambacho kitalipwa ama kutolewa kwa mkopo kwa jinsi kinavyoiipwa.

b. Kiwango cha asilimia 7.85 cha marupurupu ya hisa zinazofikiwa kimbele kitaongezwa au kupunguzwa na Halmashauri na wenye hisa hizo mwaka 2009/10 kulingana na hali ya soko za hisa wakati huo.

reduction of capital involving a return of capital, the surplus assets thereof shall be applied in the first instance in repaying the holders of the Existing Cumulative Preference Shares, in the second instance in repaying the holders of the Redeemable Non-cumulative Preference Shares and of any other shares entitled to rank *pari passu* with them, the full amount paid or credited as paid up thereon, and, subject as aforesaid, the balance of such surplus assets shall belong to and be divided among the holders of Ordinary Shares of the Company;

e. The holders of the Redeemable Non-cumulative Preference Shares shall not be entitled to receive notice of, or attend, or vote at any general meeting of the Company;

f. The Company may at any time apply the profits or monies of the Company which may be lawfully applied for the purpose in the redemption of the Redeemable Non-cumulative Preference Shares either in whole or in part. The power of redemption may be exercised by the Board acting on behalf of the Company upon giving of ninety days notice of the proposed redemption to the holders of the Redeemable Non-Cumulative Preference Shares.

2. The Board shall be, and is hereby, authorised to review the Non-cumulative preferential dividend rate of 7.85% with the holders of the Redeemable Non-cumulative Preference Shares in the 2009/10 financial year of the Company, taking into account the operating and market dynamics prevailing then and fix the rate so agreed.

3. Subject to the Capital Market Authority's approval, the Board shall be, and it is hereby, authorised to issue the Redeemable Non-Cumulative Preference Shares to such persons, and to be paid for the Redeemable

(1,000,000) 4% Cumulative Preference Shares of Kenya Shillings Twenty (Shs.20) each and Ninety Seven Million Eight Hundred and Fifty Thousand (97,850,000) Ordinary Shares of Kenya Shillings Twenty (Shs.20) each."

b. By re-numbering the existing Article 9 as 9(A) and adding the following at the end of the new Article 9(A):

"Provided that nothing in this Article shall apply to the holders of the Redeemable Non-cumulative Preference Shares".

c. By inserting the following new Article 9(B) after the new Article 9(A):

"The following special rights and privileges shall apply to the holders of the Redeemable Non-Cumulative Preference Shares:

i. The Redeemable Non-cumulative Preference Shares shall, each time that Directors of the Company declare a dividend from the distributable profits, have a right to a non-cumulative preferential dividend at the rate of 7.85% per annum on the capital for the time being paid up or credited as paid up thereon;

ii. The non-cumulative preferential dividend rate of 7.85% shall be reviewed either upwards or downwards by the Board and holders of the Redeemable Non-cumulative Preference Shares in 2009/10 financial year taking into account the operating and market dynamics then;

iii. The Redeemable Non-Cumulative Preference Shares shall rank for dividend next after the 4% and 7% Cumulative Preference Shares existing as at the date of the meeting at which this resolution is passed (the Existing Preference Shares), and in

- c. Hisa hizo zitasimama kwa mgawo wa hisa ujao baada ya hisa mjazo hizo za asilimia 4 na asilimia 7 zinasosalia kufikia tarehe ya mkutano wa kupitisha azimio hili (Hisa Mjazo zilizopo), na kwa umuhimu wa Hisa za kawaida za Kampuni za wakati huu.
- d. Itokeapo kufungwa kwa Kampuni ama itokeapo kupunguzwa kwa mtaji kutokana na pato la mtaji, ziada ya asilimali itasimamia kwanza malipo kwa wenye hisa mjazo zilizopo na kisha isimamie malipo ya wenye hisa ziada zinazoweza kununuliwa tena na pia kwa hisa zingine zozote walizo nazo, kwa kiasi kamili kilipwacho na kisha kiasi kibakiacho cha ziada ya asilimali hiyo kitapewa na kugawiwa wenye hisa za kawaida za Kampuni.
- e. Wenye hisa hizo zinazoweza kununuliwa tena hawatakuwa na haki ya kupokea ilani ya ama kuhudhuria au kupiga kura katika mkutano wowote mkuu wa Kampuni.
- f. Kampuni itaweza kwa wakati wowote ule uwao kutumia faida ama fedha za Kampuni ambazo zitaweza kutumika kisheria katika upatikanaji wa hisa hizo zinazoweza kununuliwa tena zikiwa kwa kiasi kamili au sehemu yake. Uwezo huo wa upatikanaji inao Halmashauri kwa niaba ya Kampuni kupitia ilani ya siku saba ya hisa hizo zilizokusudiwa kwa walio nazo hisa hizo.
2. Halmashauri itaweza, na inaruhusiwa kuchunguza upya kiwango cha marupurupu cha asilimia 7.85 pamoja na wenye hisa za mjazo zinazoweza kununuliwa mwaka 2009 na 2010 kulingana na hali ya soko la hisa na kuweka kiwango kitachokubalika.
3. Chini ya idhiniho la Mamlaka inayosimamia Masoko ya Hisa, Halmashauri itaweza na hapa ina kibali cha kutoa hisa za kununulika tena za mgao wa ziada kwa watu hao watakozinuua na zilipiwe hisa hizo kwa namna ambayo Kampuni itahisi inafaa.
4. Kwamba kwa mujibu wa kifungu nambari 13 cha sheria za Kampuni (Ibara ya 486), sheria za Kampuni zifanyiwe marekebisho kwa namna ifuatayo.
- a. Kwa kugeuza kifungu cha 8 kwa kifungu hiki kipya: "Mtaji wa hisa wa Kampuni ni Shilingi bilioni kumi na nane (Shs 18,000,000,000) zikigawanywa kwa milioni mia nane (800,000,000) ambazo ni asilimia 7.85 ya Hisa mjazo zinazoweza kununuliwa tena za Shilingi Ishirini (shs.20) kwa kila hisa., Hisa mia tatu hamsini elfu (350,000,000) za asilimia 7 zinazoweza kununuliwa tena, za shilingi ishirini(Shs.20) hisa Milioni moja, mia nane elfu (1,800,000) ambazo ni asilimia 4 za malimbikizo za shilingi ishirini (Shs 20) na hisa Milioni tisainne na saba, mia nane hamsini elfu (.97,850,000) ambazo ni hisa za kawaida za Shilingi Ishirini (Shs.20) kwa kila hisa."
- b. Kwa kubadilisha kifungu cha 9 kuwa 9(A) na kuongeza maneno ifuatayo mwisho wa kifungu kipya cha 9(A):- "Iwe kwamba kifungu hiki cha sheria hakitahusisha hisa za ununuzi wa hiani zisizokuwa za mjazo wa faida"
- c. Kuweka kifungu kipya cha sheria kifuatacho cha ibara 9(B) baada ya ibara 9(A): Haki na fursa zifuatazo zitahusishwa wenye hisa zisizokuwa za malaiambiakizo zinazoweza kununuliwa tena:
- i. Hisa hizo zisizokuwa za malimbikizo zitakuwa kila mara Wakurugenzi wa Kampuni wanapotangaza mgawo wa hisa katika faida inayosambazika katika hisa za kawaida, basi wana haki ya kuweka kiwango cha asilimia 7.85 cha mgawo wa hisa kisichokuwa cha malimbikizo kwa mwaka kwa wakati huo aambacho kitaliipwa ama kutolewa kwa mkopo kwa jinsi kinavyolipwa;
- ii. Kiwango cha asilimia 7.85 cha marupurupu ya hisa zinazofikiliwa kimbele kitaongezwa au kupunguzwa na Halmashauri na wenye hisa hizo mwaka 2009/10 kulingana na hali ya soko za hisa wakati huo.iii. Hisa hizo zisizokuwa za malimbikizo zitasimama kwa mgawo wa hisa ujao baada ya hisa mjazo hizo za asilimia 4 na asilimia 7 zinasosalia kufikia tarehe ya mkutano wa kupitisha azimio hili (Hisa zilizopo za kununulika kwaari), na kwa umuhimu wa Hisa za kawaida za Kampuni za wakati huu.
- iii. Itokeapo kufungwa kwa Kampuni ama itokeapo kupunguzwa kwa mtaji kutokana na pato la mtaji, ziada ya asilimali itasimamia kwanza malipo kwa wenye hisa za mjazo wa hiani zilizopo na kisha isimamie malipo ya wenye hisa ziada zisizokuwa za malimbikizo ambazo zinaweza kununuliwa tena na pia kwa hisa zingine zozote walizo nazo, kwa kiasi kamili kilipwacho na kisha kiasi kibakiacho cha ziada ya asilimali hiyo kitapewa na kugawiwa wenye hisa za kawaida za Kampuni.
- iv. Wenye hisa hizo zisizokuwa za malimbikizo zinazoweza kununuliwa tena hawatakuwa na haki ya kupokea ilani ya ama kuhudhuria au kupiga kura katika mkutano wowote mkuu wa Kampuni.

- v. Kampuni itaweza kwa wakati wowote ule uwao kutumia faida ama fedha za Kampuni ambazo zitaweza kutumika kisheria katika upatikanaji wa hisa hizo zisizokuwa za malimbikizo zinazoweza kurunuliwa tena zikiwa kwa kiasi kamili au sehemu yake. Uwezo huo wa upatikanaji inao Halmashauri kwa njaba ya Kampuni kupitia ilani ya siku saba ya hisa hizo zisizokuwa za malimbikizo zilizokusudiwa kwa walio nazo hisa hizo.
- c. Kwa kuweka kifungu kipya kifuatacho mahala pa kifungu cha sheria nambari 10: "Bila kuingiliwa haki zozote maalumu ambazo hapo awali zilipewa wamiliki wa hisa zozote ama hizo za aina yoyote, hisa yoyote katika Kampuni inaweza kutolewa pamoja na ama kuwa na sheria hiyo iliyombataniwa ama haki zozote maalumu ama makatazo ama kwa mahusiano na mgao wa hisa, kura, kurejeshwa kwa mtaji ama kama itakavyokuwa ikjazimiwa na Kampuni mara kwa mara".
- d. Kwa kuongeza kifungu hiki kwa Sheria ya 10B: "Iwe kwamba kifungu hiki cha sheria hakitahusisha hisa za ununuzi wa hiari zisizokuwa za mjazo wa faida".
- e. Kwa kugeuza Kifungu cha sheria nambari 14 kwa kifungu kipya kifuatacho. "Kulingana na kuwepo kwa kifungu hiki cha sasa, hisa za Kampuni ambazo hazijitolewa zitakuwa mikononi mwa Halmashauri, ambayo itatoa, ama kuzikabidhi kwa watu, kwa wakati na mazingatio ya kanuni na masharti yanayoamuliwa na Halmashauri, lakini iwe hakuna hisa yoyote inayotolewa kwa bakshishi isipokuwa kwa mujibu wa sehemu ya 48 ya kifungu hicho cha Sheria".
- f. Kwa kuingiza vitungu viwili vya sheria vifuatavyo baada ya kifungu nambari 19.

19A Pasi na kuachwa kwa Kifungu chochote cha Sheria kilichopo hapa, matoleo ya Sheria kuu ya Dhamana ya mwaka 2000 (CD) yanayorekebisha mara kwa mara yataihusisha Kampuni kwa misingi kwamba dhamana zote za Kampuni zinafanyiwa marekebisho hayo ama zote ama kwa sehemu fulani kama inavyohitajika na masharti ama kanuni za ubatilishaji chini ya sheria hiyo ya (CD) inayofanyiwa marekebisho kwa sehemu yake moja au yote kama inavyopasa kuwa. Toleo lolote la vifungu hivi vya sheria ambayo haitaambatana na sheria hii ya CD litahitajika kufanyiwa marekebisho kulingana na kutolingana kwake katika dhamana hizo. Kwa malengo ya vifungu hivi vya

sheria, marekebisho hayo yatafanywa kwa misingi ya jinsi yalivyoundwa chini ya sheria hiyo ya CD.

19B Itokeapo kwamba dhamana zozote za Kampuni zimeachwa kwa ajili ya kufuatwa kwa vifungu hivi vya sheria baada ya kubatilishwa na kufanyiwa marekebisho, Kampuni itapewa uwezo wa kuhamisha dhamana hizo hadi katika akaunti ya dhamana itakayofunguliwa na Halmashauri kwa lengo hilo.

Chini ya Agizo la Halmashauri

Bi. Laurencia K Njagi
Katibu wa Kampuni
SLP 30099
Nairobi, Kenya
Tarehe 24 Novemba, 2003

VIDOKEZO:

Mwanachama ambaye ana uwezo wa kuhudhuria na kupiga kura katika mkutano huo uliotajwa hapo juu ataweza kumchagua mshirika wake mmoja au wawili kuhudhuria mkutano huo na kupiga kura badala yake. Mshirika wake huyo sio lazima awe mwanachama wa Kampuni. Fomu ya mshirika imeambataniwa na kijitabu hiki ili iweze kufanya kazi fomu hiyo sharti ijazwe kikamilifu na kurejeshwa katika Ofisi ya Kampuni iliyosajiliwa, katika jumba la Stima Plaza, ama itumwe kwa njia ya Posta kwa wakati mwafaka iweze kufika kabla ya saa tano asubuhi siku ya Jumatatu, tarehe 22 Desemba, 2003.

CHAIRMAN'S REVIEW



Eng. Alfred Sambu

GENERAL OVERVIEW

Strategic initiatives instituted in 2001/02 to return your Company to profitability remained at the centre stage of the Company's operations during the year under review, albeit at a slower pace due to necessary consultations with relevant stakeholders, which were affected by management changes after change of Government in December, 2002. I am, however, pleased to report that despite the challenging operating environment, significant achievements have now been made which will have a material positive impact on the Company's performance commencing the current financial year. In this regard, the rationalisation of the bulk tariff with KenGen exercise was completed and approved by the Government in September, 2003. This is expected to lower the costs of power purchases substantially, and improve the trading margin of the Company, which has been eroded since 1999. In a related exercise, a fundamental agreement was reached with KenGen and Government to convert the debts owed to them as at 30th June, 2003, of Shs.12,260 million and Shs.3,639 million respectively, into Redeemable Non-cumulative Preference Shares with a coupon interest rate of 7.85% reviewable in 2009/10. This will, in addition to restructuring the balance sheet, realise considerable savings in financing costs.

Other strategic measures aimed at steering your Company back to profitability already outlined to stakeholders including procurement of adequate power capacity; review and rationalisation of bulk power tariffs with other suppliers; reduction of system losses, enhancement of customer base and financial restructuring; staff right sizing; network reinforcement and improvement of quality of supply are all being vigorously addressed by way of re-defining them and focusing on areas which can deliver rapid results. It is the intention of the Board to build on the milestones so far realised to ensure turn around of the performance of your Company within the current financial year.

FINANCIAL PERFORMANCE

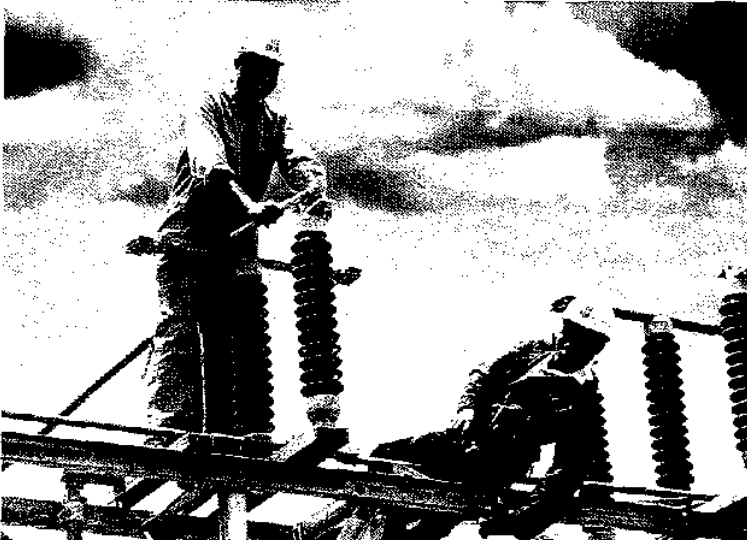
Trading Results

Electricity revenue during the financial year increased to Shs.19,185 million from Shs.18,699 million recorded in the previous year, an increase of Shs.486 million. The increase was due to rise in unit sales and improvement in operational efficiency. The fuel cost recoveries decreased from Shs.6,108 million in the previous year to Shs.3,945 million. This was attributa-

ble to reduced thermal generation resulting from improved hydro-generation. Other income decreased by Shs.439 million from Shs.2,545 million to Shs.2,106 million mainly due to lower proceeds realised from disposal of non-core assets compared to the previous year.

Non-fuel power purchase costs increased by Shs.798 million to Shs.14,513 million from Shs.13,715 million the previous year, mainly due to increase in units purchased. Fuel cost decreased by Shs.2,804 million to Shs.4,270 million from Shs.7,074 million the previous year. The reduced fuel cost is attributable to reduced thermal generation, resulting from improved hydro-generation. The recovered fuel revenue is, however, a pass-through cost and does not constitute an income to the Company.

Transmission and distribution costs amounted to Shs.9,182 million. This compares with Shs.8,135 million incurred the previous year before restructuring costs of Shs.978 million. The increase was mainly attributable to higher provisions for pension deficit (Shs.527 million), bad debts (Shs.232 million) and depreciation (Shs.469 million) than in the previous year.



A technical team at work on a sub-station

The total operating costs before the restructuring costs decreased by 3% from Shs.28,924 million in the previous year to Shs.27,965 million. The lower operating costs are attributable to reduction in fuel costs. Financing costs increased from Shs.300 million in the previous year to Shs.1,384 million as a result of interest on KenGen debt of Shs.660 million and on-lent Government of Kenya loans arrears of Shs.441 million.

The loss before taxation, therefore, rose by Shs.1,263 million from Shs.2,849 million in the previous year to Shs.4,112 million.

Taxation

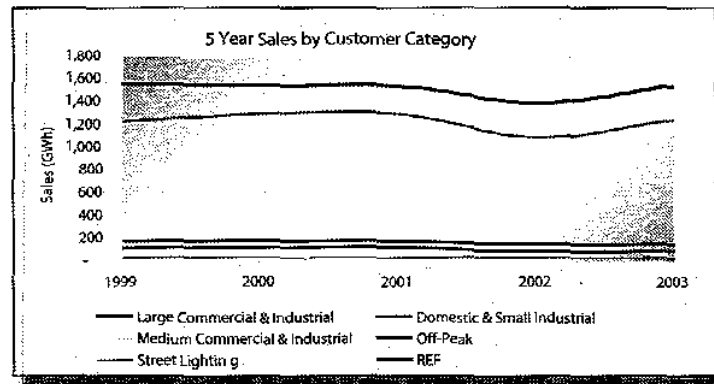
As a result of the trading loss recorded during the period, and after providing for a deferred tax credit of Shs.1,215 million, the Company recorded a net loss of Shs.2,897 million compared to Shs.1,879 million the previous year.

Dividend

Due to the unfavourable trading results, the Directors do not propose a dividend on Ordinary Stock for the year.

STRATEGIC RECOVERY INITIATIVES

The Board and Management have, in conjunction with relevant stakeholders, redefined the strategies for



implementation aimed at turning round the Company to profitability within the shortest time possible. These strategic measures focus on prioritised key challenges, which have substantially contributed to the continued adverse trading performance of the Company, and which, when achieved, will yield rapid maximum gains. The measures include renegotiations of bulk tariffs with power suppliers, reduction of system losses, expansion of customer base, enhancement of power generation capacity and financial restructuring.

Review of Bulk Tariffs

The Company continued negotiating bulk tariff reductions with its bulk power suppliers including KenGen, OrPower4 inc., Westmont Power and Iberafrica. Negotiations with KenGen resulted in a tariff reduction of KSh.0.60 per kWh commencing 1st July, 2003, which has been approved by Government and awaits approval of

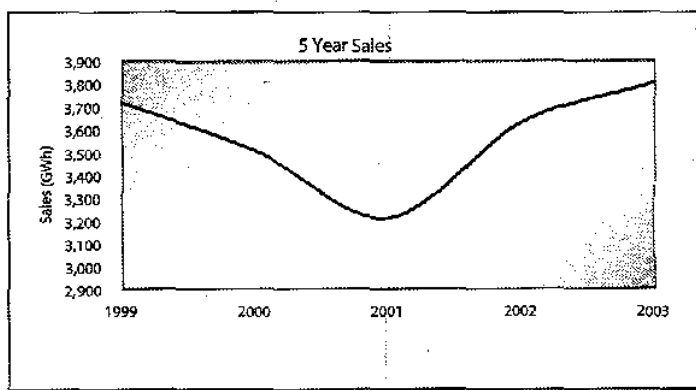
the Electricity Regulatory Board. This reduction is expected to reduce overall cost of bulk power purchases by about Shs.2,250 million annually. Negotiations with the other three suppliers are still in progress and it is expected they will be concluded within the current financial year.

System Loss Reduction

During the year under review, system losses were reduced by 0.52% from 20.5% in 2001/02 to 19.98% in 2002/03. The Company is taking measures to accelerate system losses reduction programme by 3% in 2003/04, 1.5% in 2004/05 and 1% per annum thereafter. Towards this, a System Reduction Team has been established to focus on the co-ordination and implementation of the identified initiatives, which include, intensified customer installations inspections, implementation of major system reinforcement schemes, optimisation of relevant information system, and installation of grid meters to facilitate segregation of transmission and distribution losses. These measures will yield revenue of Shs.200 million per annum for every percentage point of loss reduced.

Distribution Network Reinforcement and Improvement of Quality of Supply

The Company has identified and prioritised projects worth US\$109 million to be implemented over the next five years in order to expand distribution





Transformer repair and service team based at Isiolo Road Workshop, Nairobi

capacity to meet new demand. The World Bank and other financing agencies have been approached for funding of the project.

In addition, the Company intends to reduce power outages from the current level of 11,000 per month to 6,000 by end of 2003/04 and further to 3,000 per month in 2004/05. The measures towards this end include clearance of power lines wayleave traces, changing of rotten or leaning poles, and stepped up routine maintenance of the network. Reduction of power outages will realise about Shs.70 million additional revenue per annum.

Expansion of Customer Base

In order to enhance the revenue base, increase profitability and improve national access to electricity, the Company has set itself a target of connecting a minimum of 150,000 new customers per year for the next four years. This compares with an annual average growth of 40,000 customers achieved over the last three years. In this regard, the Company has revised its connection policy to speed up connection of new electricity supply applicants, and to encourage group schemes to reduce costs to individual applicants. The Company is also seeking financiers to fund the required heavy financial outlays. The customer expansion initiative is expected to

yield average additional revenue of Shs.900 million annually.

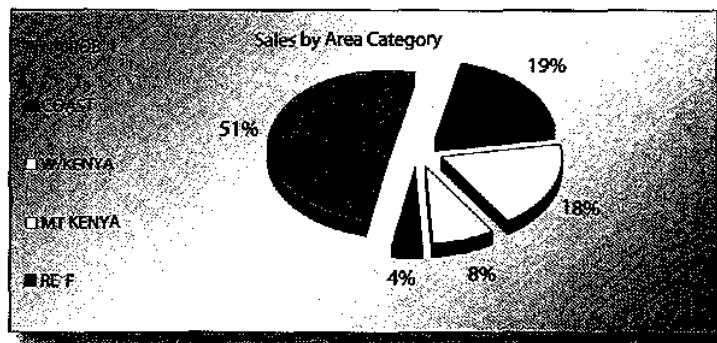
Enhanced Power Capacity

There is adequate capacity to meet demand. The maximum daily peak demand recorded in the year under review was 785MW compared to 760MW the previous year. The demand currently stands at 815MW. Due to favourable water flows into the hydropower stations and availability of thermal plant, the generation capacity stood at 1,051MW in the interconnected system to meet the demand, leaving a reserve generation margin of 34%.

Following agreement reached in 1996 between the Government of Kenya, World Bank and other development partners, the Government undertook to restructure the Power Sub sector by, among others, introducing private sector participation in development of

generation projects through competitive bidding. Consequently, your Company entered into power purchase agreements with four Independent Power Producers (IPPs) namely, Iberafrica Power (E A) Limited (56MW), Westmont Power (Kenya) Limited (44MW), Tsavo Power Company Limited (74MW) and OrPower4 Inc. (48MW). Although the IPPs have satisfactorily contributed to the reduction of the power generation shortfall, the cost of electricity from their plants has been high mainly due to the cost of their capital investment and perceived high country risk. Negotiations with the bulk power suppliers are in progress with a view to reducing the tariffs to sustainable levels.

As part of strategies of providing affordable electricity, the Government has expressed commitment to assisting KenGen to mobilise cheaper financial resources for the



development of future power generation capacity. Kenya's vast geothermal resource estimated at 2000MW has been established to be the least cost source of electricity for the country. Accordingly, the Government has indicated willingness to supporting KenGen in geothermal resource appraisal work and development of future power plants.

Financial Restructuring

Owing to the financial loss suffered by the Company resulting from the severe drought that ravaged the country from 1999 to early 2001 resulting in power rationing of unprecedented levels, the Company owed KenGen Shs.12,260 million and the Government Shs.3,639 million as at 30th June, 2003. The Government, KenGen and the Company have agreed on measures that will partly strengthen the capital base of the Company in addition to providing the needed financial relief during the recovery period. These measures, which have been approved by the Cabinet are :

- (i) formal approval of waiver by KenGen of the late payment interest penalties of Ksh.1,182 million levied on overdue electricity debt in 2001/02. The waiver had been approved in principle by the Government in October, 2002 and incorporated in the Company's accounts of 2001/02 ; and
- (ii) subject to approval by the Shareholders and the Capital Markets Authority, conversion of Ksh.12,260 million owed to KenGen by the Company into 7.85% redeemable non-cumulative preference shares. The rate of 7.85%, which was determined following a professional empirical valuation by Dyer and Blair Investment Bank Ltd., will be reviewed upwards or downwards in

2009 and 2010, taking into account the operating conditions and market dynamics prevailing at the time. The debt of Ksh.3,639 million owed by KPLC to the Treasury will, subject to the approvals aforementioned being obtained, be also converted into preference shares with similar rights and privileges as those of KenGen. The new preference shares will, however, not have voting rights. The restructuring of this debt will enable the Company to save about Shs.1.1 billion in interest charges annually.

RESTRUCTURING OF THE POWER SUB-SECTOR

Privatization of the Power Industry

The Government-appointed National Economic Research Associates (NERA) of UK completed the Power market design and pre-privatisation study aimed at recommending suitable structure of the Power Sub sector. The report was discussed by stakeholders in June 2003 and the final report, incorporating the stakeholders comments, is expected to be completed by December 2003.

Interconnection to the Southern African Power Pool (SAPP)

As reported the previous year, the governments of Kenya, Tanzania and Zambia plan to implement a project to interconnect the three countries. Once

implemented the project will facilitate Kenya's importation of power from the Southern Africa Power Pool (SAPP). A feasibility study for a 250 km transmission line between Arusha and Nairobi was completed and final report submitted in November 2002.

Meanwhile, a feasibility study for a 670 km 330kV line between Pensulo in Zambia and Mbeya in Tanzania and internal reinforcement in Tanzania is in progress. The Government is looking at modalities of implementing this project to facilitate power imports from the SAPP.

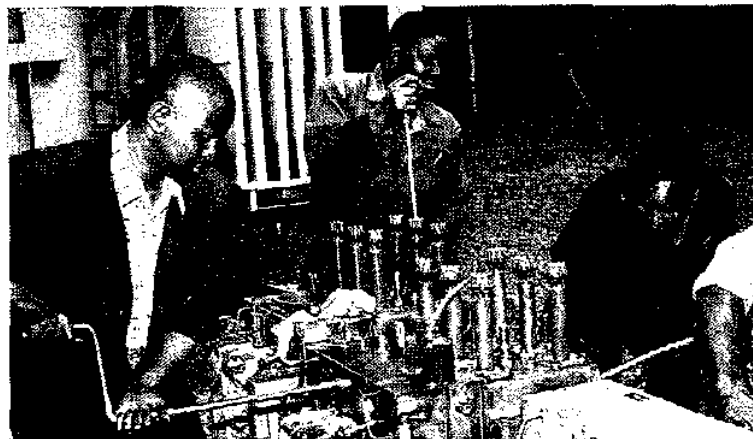
National Energy Policy Document

A new National Energy Policy document is in the final stages of preparation under the co-ordination of the Ministry of Energy. The policy is expected to provide a more investor-friendly fiscal, regulatory and legal regime of the sector so as to attract private investors, lower costs of future power projects, increase exploitation of indigenous resources and drastically improve access to electricity in the country.

CORE BUSINESS ACTIVITIES

Transmission and Distribution

Transmission and distribution maintenance works aimed at improving the quality and reliability of supply to customers and reducing system losses



Emergency response unit at work

continued to be undertaken during the year. The works included replacing damaged conductors and rotten poles, upgrading of low voltage supply network, clearance of wayleaves traces and maintenance of distribution transformers. As part of the system improvement exercise, Rabai 11kV board, Kikuyu substation building, Mbaraki 33kV line, Parklands to Cathedral 66kV cable and Nairobi North 66kV feed outs were among the projects completed in the year at a total cost of Shs 168 million.

Further, construction work at the Matasia and Cianda 66/11kV substations commenced during the year. These projects, estimated to cost Shs. 266 million are aimed at reducing technical losses in the Ngong/Ongata Rongai areas and the Runda / Kiambu / Githunguri areas, respectively.

Transmission Developments

Kiambere-Nairobi 220kV line and associated sub-stations

Implementation works on the 148 km Kiambere - Nairobi 220 kV line and associated sub-stations by KEC International of India, continued during the year with funding from the East African Development Bank (EADB) amounting to US\$7.35 million. The project is expected to be completed by December 2003. When completed, the project will improve the transmission of power from the hydro stations to Nairobi.

Olkaria-Nairobi 220 kV line and associated sub-stations

The 117 km 220kV double circuit line alongside associated sub-stations under the Olkaria II Geothermal Power Project which was being implemented by KenGen on behalf of your Company the previous year is expected to be completed by December 2003. The 3 km 132 kV line section between Olkaria I and Olkaria II was completed and energised in April 2003. KEC of India and Siemens AG of Germany are



Line construction in progress

constructing the lines and the sub-stations, respectively, at an estimated total cost of US\$ 17.1 million. The 220kV line will transmit power from the newly commissioned Olkaria II Geothermal power plant to the new Nairobi North 180MVA 220/66kV sub-station and linked to the existing Dandora 220/132kV substation.

Right of Way Limitations

Implementation of both the Kiambere-Nairobi and Olkaria -Nairobi 220 kV lines projects has been hampered by challenges caused by lack of easement from land owners. This resulted in slippage of the implementation programmes and project cost overruns.

Customer Service

In its endeavours to enhance customer satisfaction by taking services closer to customers, the company continued to consolidate the newly created structure for regions established under the business organisation restructuring. In addition, the existing company pay points and those

operated on our behalf by our business partners such as banks and post offices, continued to be improved. New KPLC customer service offices were established in Molo and Naivasha towns during the year. This is aimed at enhancing customer convenience and revenue collection.

Enhancement of Customer Growth

Strategies to enhance customer growth, energy sales and revenue through proactive marketing and speeding up of the customer creation process were designed and implemented. Information on the new supply application process was disseminated to prospective customers through newly designed pamphlets, posters and Agricultural Society of Kenya (ASK) Shows, among other channels. The Company's annual target for new connections is 150,000 customers, starting from year 2003/2004.

Public Relations

The Company continued to foster good relations with its stakeholders and customers in various ways aimed at increasing awareness and understanding of its business. Messages on billing and payments, electricity fraud, anti-corruption, safety and energy efficiency were disseminated through public education and promotional campaigns. Likewise, relevant corporate and energy sector information was channelled through news and features programmes, print and electronic media as well as in brochures, pamphlets, posters, electricity bills and at events such as ASK Shows.

Rural Electrification

The Company continued to implement the Rural Electrification Programme (REP) on behalf of the Government. An amount of Shs.1,057 million was spent during the year. This included Shs.902 million spent on

Phases I and II of the Spanish funded projects and Shs 44 million on stages 2 and 3 of Phase I of Stabilisation of Exports (Stabex) Projects. This brought the cumulative capital expenditure since inception of the programme in 1973 to Shs. 7, 230 million. An amount of Shs 955 million was collected from the Rural Electrification Levy during the year compared to Shs 889 million the previous year.

Implementation of 32 schemes covered under Phase I of the Spanish funded programme amounting to US\$ 10.255 million continued to be undertaken during the year.

Following evaluation of Stage 1 of Phase I of the Coffee Factories Rural Electrification Programme (COFREP), which is financed from the European Union's Stabex Fund, and the reassessment of the earlier list of schemes to be implemented under this programme, 51 factories out of the original 53 factories were approved for electrification under combined Stage 2 and 3 of the project. Design work, survey and wayleaves acquisitions were completed during the previous year, and construction works commenced during the year under review.

Tenders for construction works for schemes identified for electrification under the French funded project amounting to Euros 9.1 million were opened, evaluated and approved during the year. Consequently, Alstom/ABB Consortium were



Corporate citizenship for charity

appointed as the main contractors and construction works will commence during the 2003/2004 financial year.

The number of customers under the programme increased by 10% to 87,175 compared to 79,391 the previous year. Units sold increased by 15% from 128 million to 147 million, while revenue realized increased by 3% from Shs.979 million the previous year to Shs.1,006 million.

Human Resources

The Company continued to harness the potential in the human capital during the period under review. In spite of the austerity measures in place, the Company exposed staff to training opportunities both locally and

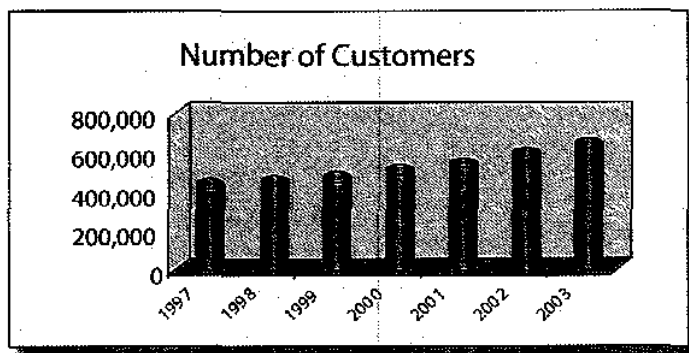
overseas in order to, among others, improve productivity and increase awareness of the changing customer expectations.

Sound industrial relations with employees through the Kenya Electrical Trades and Allied Workers Union (KETAWU) continued to be fostered. In this respect, joint meetings were held with the Union to enhance and sustain the mutually beneficial relationship.

During the period under review, the Company held a staff complement of 6,269 as compared to the previous year's 6,423 comprising permanent, contract and temporary employees. A number of 154 employees left the Company through normal attrition. As at 30th June, 2003, the customer staff ratio stood at 104:1 compared to 91:1 during the previous year.

Information Communication Technology (ICT) Services

The Company recognises the invaluable contribution of ICT in supporting its operations and rendering cost effective service to its customers and other stakeholders. In this respect, the Company continued to



maintain a high level of availability of ICT systems. In the light of limited resources, the development of ICT systems focussed on cost effective in-house solutions.

GENERATION CAPACITY ENHANCEMENT

Olkaria III 48MW Geothermal Independent Power Producer Project

The Olkaria III 48MW Geothermal Project is being developed by OrPower4 Inc. on a build- own- operate basis under a Power Purchase Agreement signed with your Company in November 1998. The first phase of the project with a plant capacity of 8MW was commissioned into operation in July 2000 and an additional 4MW was installed in December 2000. Negotiations are ongoing with OrPower4 Inc. to pave way for development of Phase II of the project with a plant capacity of 36MW, which is expected to be commissioned into commercial operation in 2005. Construction of the 220kV line to connect the plant to the Olkaria II sub-station progressed well.

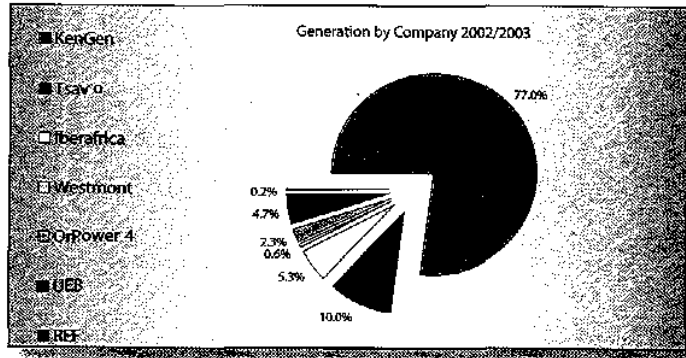
KenGen Projects

Olkaria II 64MW Geothermal Power Project

The Olkaria II 64MW Geothermal Power Project was commissioned in November 2003. This Project will inject additional 64MW into the grid.

Sondu Miriu 60MW Hydro Power Project

Construction work on the project continued to be adversely affected by



the suspension of funds by the project lenders due to environmental and social impact issues, which are being addressed by the concerned stakeholders. The project includes a 50 km 132kV transmission line from the power station to the Company's Kisumu 132/33kV sub-station.

FUTURE OUTLOOK

For the last four years, the trading performance of your Company was adversely affected by lack of adequate generation capacity, high cost of bulk electricity purchases and a depressed economy where real GDP growth was -0.3% in 2000, 1.1% in 2001 and 0.9% in 2002.

Currently, there is adequate generation capacity to meet present demand while implementation of the committed generation projects will secure future demand. As the measures implemented so far have already started showing positive results, coupled with projected recovery of the economy where GDP is expected to grow by 1.4% in 2003, directors are optimistic about prospects of your Company returning to profitability in the current financial year.

CONCLUSION

I wish to thank my colleagues in the Board and staff for their hard work and commitment to our strategic recovery initiatives during a period when the Company operated under a very challenging environment. On behalf of your Board, I would also like to thank the Government and KenGen for the tremendous support extended to your Company during the year, which will aid in the recovery process.

ENG. ALFRED SAMBU
CHAIRMAN

TATHMINI KUTOKA KWA MWENYEKITI



Eng. Alfred Sambu

TATHMINI KWA UJUMLA

Mikakati ya harakati iliyoanzishwa mnamo 2001/02 kuirejesha Kampuni yenu katika hali ya utengezaji wa faida iliendelea kutiliwa mkazo katika shughuli za Kampuni hii katika kipindi hiki cha mwaka ninachokifanyia tathmini, ingawa sio kwa kasi kutokana na kuwepo kwa mashauriano yaliyostahili kwa pamoja na washika dau wahusika, ambayo yaliathiriwa na kuingia kwa serikali mpya mnamo Desemba, 2002. Hata hivyo nina fahari kusema kwamba licha ya mikabala migumu katika utekelezaji kazi, mafanikio ya kimsingi yalipatikana ambayo yalikuwa na athari nzuri katika tendakazi za Kampuni hii mwanzoni mwa mwaka huu wa matumizi ya fedha. Kwa muktadha huo basi, usawazishaji wa kiwango kikubwa cha ushuru kwa pamoja na Kampuni yetu tanzu ya utoaji nguvu za umeme ya KenGen ulikamilishwa na kuidhinishwa na kuidhinishwa na serikali mnamo mwezi Septemba, 2003. Hilo linatarajiwa litapunguza gharama za huduma za umeme kwa kiwango kikubwa na hivyo kuimarisha viwango vya kibiashara vya Kampuni hii, ambavyo vilizorota sana tangu mwaka wa 1999.

Katika shughuli nyingine kama hiyo, makubaliano ya kimsingi kwa pamoja na Kampuni ya KenGen na serikali, kwa ajili ya kulipa deni la Shilingi Milioni 12, 260 lililokuwa likidaiwa na

Kampuni hiyo, yaliafikiwa, kufikia tarehe 30 Juni, 2003, na serikali nayo kwa upande wake kulipwa kima cha shilingi Milioni 3,369 za hisa zisizokuwa na malimbikizi zikiwa na kiwango cha riba cha asilimia 4. Pamoja na hayo muwiano mpya wa hesabu za gharama na matumizi utawezesha kuwekwa kwa akiba ya kutajika katika kugharamia matumizi.

Hatua zingine za kimipango zilizokusudiwa kuirejesha Kampuni yenu katika hali ya utengezaji faida ambayo tayari imewasilishwa kwa washika dau ikiwa ni pamoja na uwezo wa upatikanaji wa nguvu za umeme za kutosha, kuchunguzwa na kusawazishwa kwa viwango vikubwa vya ushuru, kupunguzwa kwa viwango vya hasara, kuimarishwa kwa misingi ya kuwahudumia wateja na kugharamia shughuli za marekebisho, kuhakikisha kuna idadi ifaayo ya wafanyakazi, kuimarishwa kwa mtandao na kuimarishwa kwa utoaji wa huduma bora - ni mambo ambayo yanashughulikiwa kikamilifu kupitia kufanuliwa upya pamoja na kuzingatwa zaidi kwa yale ambayo yanaweza kuleta matokeo bora haraka. Halmashauri imenuia kuendeleza

mbele ufanisi ambao tayari umepatikana kufikia sasa ili kuhakikisha uimarishaji wa tendakazi katika kampuni yenu unapatikana katika kipindi hiki cha mwaka cha matumizi ya fedha.

MATOKEO YA SHUGHULI ZA KIFEDHA

Matokeo ya Kibiashara

Mapato kutokana na utoaji wa huduma za nguvu za umeme wakati wa kipindi hiki cha mwaka cha matumizi ya fedha yaliongezeka hadi Shilingi milioni 19,185 kutoka Shilingi milioni 18,699 zilizopatikana katika kipindi cha mwaka kilichotangulia, ikiwa ni nyongeza ya pato ya Shilingi milioni 486. Nyongeza hiyo ilitokana na kuongezeka kwa mauzo pamoja na kuimarika kwa ubora wa tendakazi. Kiwango cha kupunguza gharama ya utumizi wa mafuta ya petroli kilipungua kutoka Shilingi milioni 6,108 mwaka uliotangulia hadi Shilingi milioni 3,945. Hii ilitokana na kupunguzwa kwa utoaji wa umeme kutoka kwa nguvu za ardhi kutokana na kuimarishwa kwa utoaji wa kawi hiyo kutoka kwa nguvu za maji.



Forging partnerships with financiers from the East African Development Bank

Mapato mengine yalipungua kwa Shilingi milioni 439 kutoka Shilingi milioni 2,545 hadi Shilingi milioni 2,106 hasa hasa kutokana na kiwango cha chini cha mapato kutokana na kuachwa kwa utumizi wa rasilimali zisizokuwa za kimsingi ikilinganishwa na mwaka uliotangulia.

Gharama za ununuzi wa umeme usiotokana na utumizi wa mafuta ya petroli zilipanda kwa Shilingi milioni 798 hadi Shilingi milioni 14,513 kutoka Shilingi milioni 13,715 mwaka uliotangulia hasa kutokana na kuongezeka kwa kiwango cha umeme kilichonunuliwa.

Gharama ya mafuta ya petroli ilipungua kwa Shilingi milioni 2,804 hadi Shilingi milioni 4,270 kutoka Shilingi milioni 7,074 mwaka uliotangulia. Hali hiyo ilitokana na kupunguzwa kwa utoaji wa umeme kutokana na nguvu za joto, kutokana na kuimarishwa kwa utoaji kutokana na nguvu za maji. Hata hivyo mapato yaliyopatikana kutokana na hilo ni ya kupunguza gharama na hayamo katika mapato ya jumla ya Kampuni.

Gharama ya usambazaji ilifikia Shilingi milioni 9,182 million. Hii inalinganishwa na Shilingi milioni 8,135 zilizotumika mwaka uliotangulia kabla ya kupatikana kwa gharama za uimarishaji upya kwa Shilingi milioni 978.

Ongezeko hilo la gharama lilitokana na ongezeko la gharama ya malipo kwa waliostaafu (Shilingi milioni 527), madeni yasiyolipwa (Shilingi milioni 232) na kupungua kwa thamani (Shilingi milioni 469) zaidi ya ilivyokuwa mwaka uliotangulia.

Kiwango cha jumla cha gharama ya tendakazi kabla ya gharama za uimarishaji upya kilipungua kwa asilimia 3 kutoka Shilingi milioni 28,924 katika mwaka uliotangulia hadi Shilingi milioni 27,965 Gharama hiyo ya chini ya tendakazi ilitokana na kupunguzwa kwa gharama ya mafuta ya petroli na wafanyakazi.

Gharama za kifedha ziliongezeka kutoka Shilingi milioni 300 katika mwaka uliotangulia hadi Shilingi milioni 1,384 kutokana na kiwango cha riba cha deni la Kampuni ya KenGen cha Shilingi milioni 660 na malimbikizi ya mikopo ya serikali ya Kenya ya Shilingi milioni 441.

Hasara kabla ya ushuru kwa hivyo iliongezeka kwa Shilingi milioni 1,263 kutoka Shilingi milioni 2,849 katika mwaka uliotangulia hadi Shilingi milioni 4,112 -.

Ushuru

Kutokana na hasara ya kibiashara iliyopatikana katika kipindi hiki, na baada ya kuongeza kiwango cha mkopo wa kugharamia ushuru cha Shilingi milioni 1,215 Kampuni ilikuwa na kiwango cha jumla cha hasara cha Shilingi milioni 2,897 ikilinganishwa na kiwango cha Shilingi milioni 1,879 mwaka uliotangulia.

Mgao wa Hisa

Kutokana na matokeo ya kibiashara yasiyondhisha, Wakurugenzi hawapendekezi mgao wa hisa katika hisa za kawaida za mwaka.

MIKAKATI NA MIPANGO YA UFUFUZI

Wana-Halmashauri na wasimamizi wa Kampuni kwa ushirikiano na washika dau wanaohusika wamefafanua upya mipango unayokusudiwa kutekelezwa kwa ajili ya kuigeuza Kampuni iwe katika hali ya utengezaji faida zaidi kwa muda mfupi zaidi iwezekanavyo. Hatua hizi zinalinga mikabala muhimu ambayo imechangia pakubwa katika matokeo ya kibiashara ya Kampuni hii, na kama zikifaulu hatua hizo basi kutakuwa na matokeo ya kuridhisha.

Hatua hizo zinaambatanisha kujishauri kuhusu kiwango cha juu cha ushuru kati ya Kampuni na watoaji wa vifaa vya umeme, kupunguzwa kwa hasara ya kimfumo, kuimarishwa kwa



Transformer quality inspection

misingi ya utoaji wa huduma kwa wateja, kuimarishwa kwa utoaji wa nguvu za umeme na kufanywa upya kwa mfumo wa wa kifedha.

Kuchunguzwa kwa bei ya jumla ya umeme

Kampuni iliendelea kufanya mashauri kuhusu kupunguzwa kwa bei ya jumla ya umeme na watoaji wakuu wa umeme ikiwa ni pamoja na Kampuni za KenGen, OrPower4 Inc., Westmont Power na Iberafrica. Mashauriano na Kampuni ya KenGen yalipelekea kupunguzwa kwa ushuru kwa kima cha KSh.0.60 kwa kWh kuanzia tarehe 1 Julai, 2003, ambacho kimeidhinishwa na serikali na kinasubiri idhinisho kutoka kwa Halmashauri inayosimamia utoaji wa umeme. Hatua hiyo inatarajiwa kupunguza kiwango cha jumla cha gharama ya ununuzi wa umeme kwa takriban Shilingi milioni 2,250 kwa mwaka. Mashauriano na watoaji hao wengine watatu wakuu yangali yanaendelea na inatarajiwa kwamba yatakamilishwa katika kipindi hiki cha mwaka cha matumizi ya fedha.

Kupunguza Hasara Kupitia Urekebishaji Wa Vifaa

Wakati wa kipindi hiki cha mwaka hasara zilipungua kwa asilimia 0.52 kutoka asilimia 20.5 katika kipindi cha mwaka 2001/02 hadi asilimia 19.98 katika kipindi cha mwaka 2002/03.

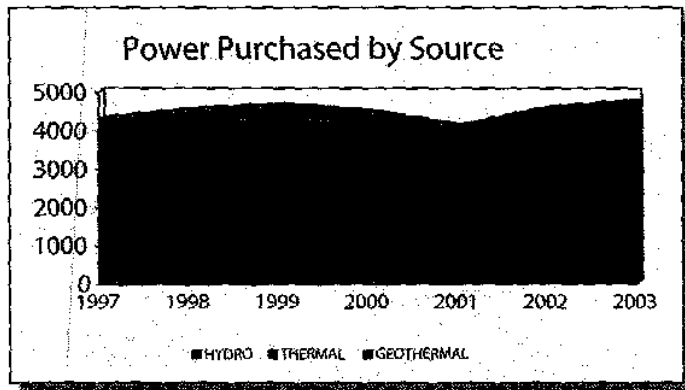
Kampuni inachukua hatua za kuimarisha mifumo ya kupunguza hasara kwa kiwango cha asilimia 3 katika kipindi cha mwaka 2003/04, asilimia 1.5 katika kipindi cha mwaka 2004/05 na asilimia 1 kwa mwaka baada ya hapo.

Kwa kuafikia lengo hilo, kundi maalumu la kutekeleza hatua hizo limebuniwa ili kushughulikia kwa kina ushirikishaji na utekelezaji wa harakati zilizotambuliwa, ambazo ni pamoja na kuimarishwa kwa vituo vya ukaguzi wa utoaji wa huduma kwa wateja, utekelezaji wa mifumo ya uimarishaji wa tendakazi, uimarishaji wa mifumo ya utoaji ufaao wa mawasiliano na uwekaji wa mita za usambazaji wa kiwango cha umeme kinachotolewa ili kudhibiti hasara katika usambazaji. Hatua hizi zinatarajiwa kuongeza mapato ya shilingi milioni 200 kwa mwaka kwa kila asilimia ya hasara itakayopunguzwa.

Kuimarishwa kwa Mtandao wa Usambazaji pamoja na kuimarishwa kwa ubora wa bidhaa

Kampuni imetambua na kuipa umuhimu miradi ya gharama ya takriban Dola 109 za Marekani ambayo inatarajiwa kutekelezwa katika kipindi cha miaka mitano ijayo kwa ajili ya kuimarisha uwezo wa usambazaji wa umeme ili kukidhi utashi wa bidhaa hiyo unaozidi kuongezeka. Benki ya Dunia imewasiliwa pamoja na mashirika mengine ya kifedha kugharamia miradi hiyo.

Pamoja na hayo, Kampuni ina mipango ya kupunguza kiwango cha utoaji cha sasa cha 11,000 kwa mwezi hadi 6,000 kufikia mwishoni mwa kipindi cha mwaka 2003/04 na kufikia



kiwango cha 3,000 kwa mwezi katika kipindi cha mwaka 2004/05. Hatua hizo kitaafikiwa kupitia uimarishaji wa nyaya za usambazaji na kubadilisha vifaa vilivyochakaa pamoja na milingoti isiyoweza tena kudhibiti usambazaji na ukaguzi wa mara kwa mara wa mtandao mzima wa usambazaji. Hatua hiyo itaongeza mapato kwa takriban Shilingi milioni 70 kwa mwaka.

Kuimarishwa kwa misingi ya Huduma kwa Wateja

Kwa ajili ya kuimarisha mapato ya kimsingi, kuongeza upatikanaji wa faida na kuimarisha upatikanaji wa huduma za umeme katika taifa, Kampuni imejiandaa kulenga utoaji wa huduma za umeme kwa kiwango cha chini cha wateja wapya 150,000 kwa mwaka katika kipindi cha miaka 4 ijayo. Hii inalinganishwa na kuongezeka kwa kadiri kwa wateja 40,000 kwa mwaka kama ilivyoweza kufanyika katika kipindi cha miaka mitatu iliyopi-

ta. Kutokana na lengo hilo, Kampuni imepanga upya mikakati yake ya uunganishaji wa huduma ili kuimarisha uunganishaji kwa wateja wapya na pia kuhimiza uunganishaji wa makundi katika hali ya kupunguza gharama za uunganishaji kwa mtu mmoja mmoja. Kampuni inatafuta ufadhili wa kifedha kutoka kwa Benki ya Dunia, Benki ya Maendeleo Afrika Mashariki, na wafadhili wengine kwa ajili ya kutimiza lengo hilo. Mipango hiyo ya kuimarisha huduma kwa wateja inatarajiwa kuongeza kwa kadiri kiasi cha ziada cha mapato cha shilingi milioni 900 kwa mwaka.

Kuimarishwa Uwezo wa Utoaji wa Umeme

Kuna utoaji wa kutosha wa nguvu za umeme kuukidhi utashi uliopo.

Kiwango cha juu zaidi cha utashi wa kila siku uliokuwepo katika kipindi hiki cha mwaka kilikuwa Mega-wati 785 MW ikilinganishwa na kiwango cha



Enhancing customer education and public awareness at the Nairobi ASK Show



Final checks on electrical equipment before installation

Mega-wati 760 mwaka uliotangulia. Utashi wa sasa ni Mega-wati 815. Kutokana na kiwango cha kuridhisha cha maji katika vituo vya utoaji umeme kutokana na nguvu za maji pamoja na kuwepo kwa kiwanda cha utoaji wa umeme kutokana na nguvu za joto.

Uwezo wa utoaji ulikuwa Mega-wati 1,051 katika mfumo uliunganishwa wa utoaji wa kawi kwa ajili ya kuukidhi utaji wa nguvu za umeme na hivyo kubakisha kiwango cha asilimia 34 cha umeme kilichowekwa akiba.

Kufuatia makubaliano yaliyoafikiwa mnamo 1996 kati ya serikali ya Kenya, Benki ya Dunia na washirika wengine wa maendeleo, Serikali ilijitokeza kuimarisha upya sekta ndogo ya utoaji wa umeme kupitia ushirikishaji wa sekta ya watu binafsi katika ustawishaji wa miradi ya utoaji kupitia mashindano katika sekta hiyo ndogo.

Kufungamana na hayo Kampuni yenu ililingia katika mikataba ya ununuzi wa umeme kati yake na watoaji wanne huru wa umeme ambao ni Iberafrica Power E.A. Limited (Mega-wati 56), Westmont Power Kenya Limited (Mega-wati 44), Tsavo Power Company Limited (Mega-wati 74) na OrPower4 Inc. (Mega-wati 48). Ingawa watoaji hao wamechangia pakubwa katika kupunguzwa kwa utoaji wa umeme gharama ya umeme kutoka vituo vyao imekuwa kubwa kutokana na gharama zao za mtaji wa

uwekezaji pamoja na uwezekano mkubwa wa kupata hasara.

Mashauriano na watoaji wengine wakubwa yanaendelea kwa lengo la kupunguza viwango vya ushuru.

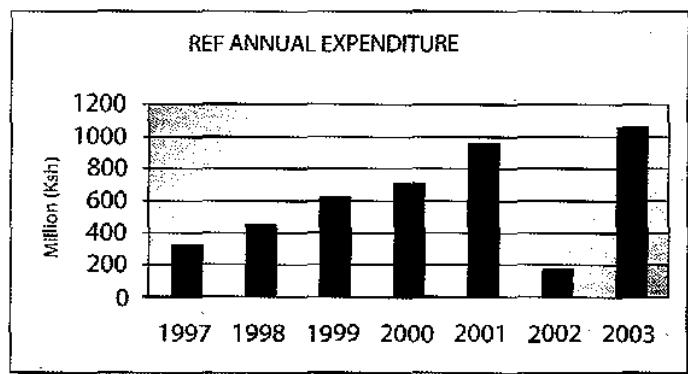
Kama sehemu ya kutoa huduma za umeme ambazo wananchi wataweza kuzimudu, serikali imeelezea kujitolea kwake katika kuisaidia Kampuni ya Kenya Electricity Generation Company Ltd (KenGen) ili kutumia rasilimali za gharama nafuu katika uimarishaji wa siku zijazo wa utoaji wa nguvu za umeme. Uwezo mkubwa wa Kenya katika utoaji wa umeme kupitia nguvu za ardhi unaokisiwa kuwa Mega-wati 2000MW umewekwa katika orodha ya utoaji huo usiokuwa wa gharama ya juu kwa ajili ya nchi hii. Vile vile Serikali imeelezea kujitolea kwake katika kuisaidia Kampuni hiyo ya KenGen katika ustawishaji wa rasilimali za utoaji wa umeme kutokana na nguvu za ardhi kwa ajili

ya ulmarishaji wa vituo hivyo vya umeme kwa utoaji wa kawi hiyo kwa siku zijazo.

Mifumo mipya ya Kifedha

Kutokana na hasara ya kifedha kati ka Kampuni hii iliyosababishwa na hali ya ukame iliyoikumba nchi hii kutoka mwaka wa 1999 hadi mapema mwaka wa 2001 na kupelekea kutolewa kwa huduma za umeme kwa mgawo, Kampuni hii ilikuwa ikidaiwa na Kampuni ya KenGen kiasi cha Shilingi milioni 12,260 huku Serikali ikidai kiasi cha Shilingi milioni 3,639 kufikia tarehe 30 Juni, 2003. Serikali, Kampuni ya KenGen na Kampuni hii imekubaliana kuhusu hatua ambazo zitaimarisha msingi wa mtaji wa Kampuni hii pamoja na utoaji wa fedha zinazohitajika wakati wa kipindi cha ufufuzi. Hatua hizo ambazo zimeidhinishwa na Baraza la Mawaziri ni:

- (i) idhinisho rasmi la msamaha kutoka kwa Kampuni ya KenGen katika ulipaji wa kuchelewa wa fidia za riba wa Shilingi milioni 1,182 kutokana na deni lililopita muda wake wa kulipwa katika kipindi cha mwaka 2001/02. Msahama huo uliidhinishwa rasmi na serikali mnamo Octoba, 2002 na kuwekwa katika akaunti za Kampuni za kipindi cha mwaka 2001/02; na
- (ii) ikisubiriwa idhinisho kutoka kwa washika dau na Mamlaka inayosimamia masoko ya Hisa, kugeuzwa



kwa deni la Kampuni ya KenGen la Shilingi milioni 12,280 kuwa asilimia 7.85 ya hisa zisizokuwa za malimbikizi zinazoweza kununuliwa tena kwa malipo nafuu.

Kiwango hicho cha asilimia 7.85 kilichoafikiwa kufuatia uchunguzi wa kitaalamu uliofanywa na Dyer & Blair Investment Bank Ltd, kitapunguzwa ama kuongezwa katika kipindi cha 2009/2010 kwa mujibu wa kanuni za soko za wakati huo.

Deni la Shilingi milioni 3,639 linalodaiwa Kampuni hii ya KPLC na Hazina Kuu ya Serikali kama idhinisho hilo likipatikana pia litageuzwa kuwa hizo hizo za malipo nafuu katika misingi ya haki na manufaa kama ile iliyowekewa Kampuni ya KenGen. Hata hivyo hisa hizo hazitapewa haki ya kupigiwa kura.

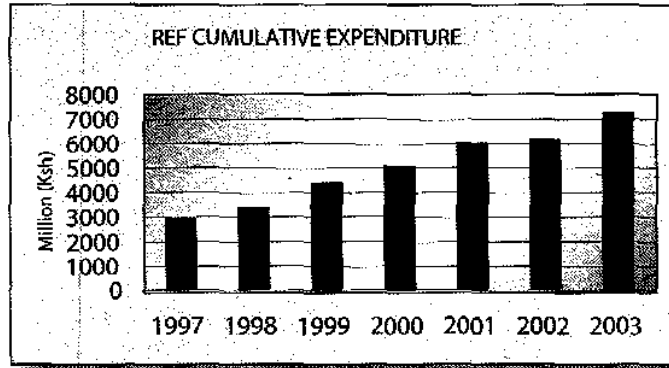
Hata hivyo hizo kuhusu madeni hayo zitaiwezesha Kampuni hii kuweka akiba ya takriban Shilingi bilioni moja nutka moja katika makato ya riba kwa mwaka.

UIMARISHAJI MPYA WA SEKTA NDOGO YA UTOAJI WA UMEME

Ubinafisishaji wa biashara ya umeme

Kampuni ya kitaifa ya utafiti wa kiuchumi ya Uingereza (NERA) iliyoteuliwa na serikali ilikamiliisha utafiti wake wa kuhusu mfumo wa soko na ubinafisishaji uliokusudiwa uimarishaji wa sekta hii ndogo.

Taarifa hiyo ilijadiliwa na washika dau mnamo mwezi Juni 2003 na taar-



ifa ya amwisho iliyo na maoni ya washika dau inatarajiwa kukamilishwa kufikia mwezi Desemba 2003.

Uunganishaji na Mtandao wa Kusini mwa Afrika wa utoaji wa Umeme (SAPP)

Kama ilivyotangazwa katika kipindi cha mwaka kilichopita, Serikali za Kenya, Tanzania na Zambia zina mpango wa kutekeleza mradi wa uunganishaji wa mataifa hayo matafu.

Mradi huo ukishatekelezwa utaiwezesha Kenya kuagiza nguvu za umeme kutoka kwa mtandao wa utoaji wa umeme wa mataifa ya Kusini mwa Afrika (SAPP).

Utafiti ulifanywa kuhusu mtandao wa kilometa 250 kati ya Arusha na taarifa ya mwisho kutolewa mnamo mwezi Novemba 2002.

Wakati huo huo utafiti kuhusu mtandao wa kilometa 670 wa laini ya kV330 kati ya Pensulo huko Zambia na Mbeya Tanzania pamoja na uimarishaji wa utoaji huko Tanzania unaendelea kufanywa hivi sasa.

Serikali inachunguza uwezekano wa kutekeleza mradi huu ili kuwezesha ununuzi wa umeme kutoka kwa mtandao wa Kusini mwa Afrika.

Hati ya Kitaifa ya Maongozi kuhusu Kawi

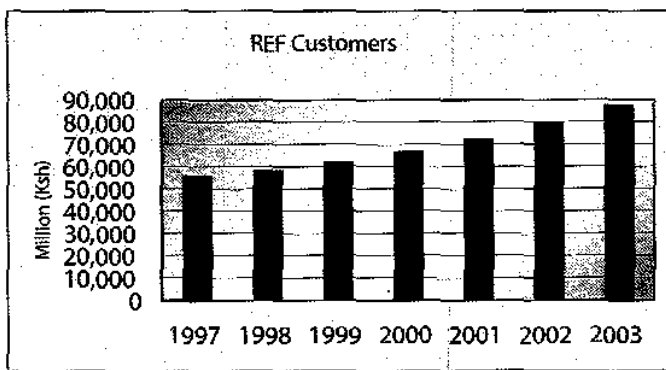
Hati mpya ya kitaifa kuhusu kawi inakaribia kukamiliishwa kupitia ushirikishaji wa wizara ya kawi.

Maongozi hayo yanatarajiwa kuleta mazingira bora zaidi ya kudhibitika kifedha na kisheria katika sekta hiyo ili kuwavutia wawekezaji wa kibinafsi, kupunguza gharama za miradi ya siku zijazo katika utoaji wa umeme, kuongeza utumizi wa rasilimali za kiasili za utoaji wa umeme na kuimarisha kwa kiwango kikubwa zaidi upatikanaji wa nguvu za umeme humu nchini.

SHUGHULI ZA KIBIASHARA ZA KIMSINGI

Utoaji na Usambazaji

Utoaji na usambazaji katika misingi ya kuimarisha ubora wa huduma za kuaminika kwa wateja pamoja na kupunguza hasara zinazotokana na kuharibika kwa vifaa vya usambazaji ni miongoni mwa miradi iliyoshughulikiwa kwa kina katika kipindi hiki cha mwaka. Miradi hiyo ilikuwa ni pamoja na kurekebisha vifaa vilivyoharibika ikiwa ni pamoja na milingoti ya kupitishia nyaya za umeme, kurekebisha mitambo ya usambazaji na kufanya ukaguzi wa mara kwa mara wa vifaa muhimu.



Kama sehemu ya uimarishaji huo, vituo vifuatavyo vilishughulikiwa.

Rabai kv11, kituo kidogo cha Kikuyu, laini ya Mbaraki ya kv33, Parklands - Mtandao wa Cathedral wa kv66, Kituo cha Nairobi North cha kv 66, ambapo miradi hiyo ilikamilishwa katika kipindi hiki cha mwaka kwa gharama ya Shilingi milioni 168, Pamoja na hayo kazi ya ujenzi wa vituo vidogo vya Matasia na Cianda vya kv66/11 ilianza kwa gharama ya Shilingi milioni 266. Miradi hii ilikusudiwa kupunguza hasara za kiufundi katika maeneo ya Ngong/Ongata Rongai na Runda/Kiambu / Githunguri mtawalia.

Maendeleo ya Usambazaji

Laini ya Kiambe -Nairobi kv220 pamoja na vituo vyake vidogo

Kazi ya utekelezaji wa laini hiyo pamoja na vituo vyake vidogo iliendelea kutekelezwa na Kampuni ya Kimataifa ya KEC ya India kupitia ufadhili wa Benki ya Maendeleo ya Afrika Mashariki (EADB) kwa gharama ya Dola milioni 7.35. Mradi huo unatarajiwa kukamilishwa kufikia mwezi Desemba 2003. Utakapokamilika, mradi huo utaimarisha usambazaji wa umeme kutoka vituo vya mabwawa hadi Nairobi.

Laini ya Olkaria-Nairobi kv220 na vituo vyake vidogo

Laini hiyo ya kilometa 117 ya vituo viwili vya kv 220 pamoja na vituo vyake vidogo chini ya mradi wa

Olkaria II wa nguvu za ardhi ambao ulikuwa ukitekelezwa na Kampuni ya KenGen kwa niaba ya Kampuni yenu unatarajiwa kukamilishwa kufikia mwezi Desemba 2003. Sehemu ya laini ya kilometa 3 kati ya Olkaria I na Olkaria II ilikamilishwa na kuanzishwa mnamo mwezi Aprili 2003. Kampuni ya KEC ya India na Siemens AG ya Ujerumani zinajenga laini hizo na vituo vyake vidogo mtawalia kwa gharama ya takriban dola milioni 17.1. Laini hiyo ya Kv220 itasambaza umeme kutoka kwa mradi mpya wa umeme kutokana na nguvu za ardhi wa Olkaria II hadi katika kituo kidogo kipa cha Nairobi North cha MVA180MVA Kv220/66 na kisha kuunganishwa katika kituo kidogo cha Dandora cha kv 220/132kv.

Matatizo ya nafasi za utekelezaji

Utekelezaji wa miradi ya laini za Kiambere-Nairobi na Olkaria -Nairobi kv220 umetazitwa na matatizo ya kutotaa nafasi kwa urahisi miongoni mwa wenye ardhi kunakokusudiwa kupitia miradi hiyo. Hii ilisababisha kukwama kwa shughuli za utekelezaji na kuongezeka kwa gharama.

Huduma kwa Mteja

Katika juhudi zake za kuwaridhisha wateja wake kupitia kuwafikishia karibu zaidi wananchi huduma za umeme, Kampuni hii ilendelea kuambatanisha mfumo mpya ulioratibiwa chini ya kustawisha biashara za kimaeneo. Pamoja na hayo, vituo vya

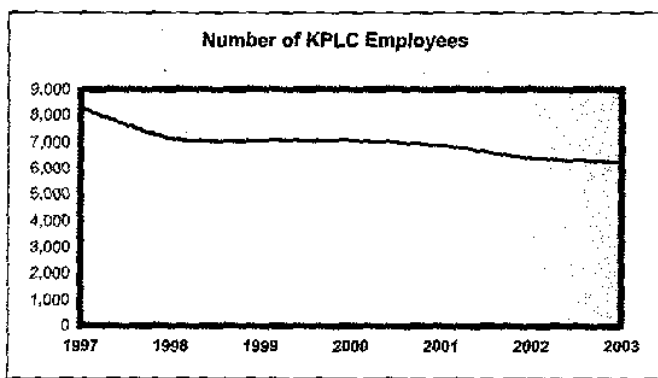
Kampuni vilivyopo vya kulipia huduma za umeme na vile vinavyosimamiwa kwa niaba yetu na washirika wetu wa kibiashara kama vile Benki na Posta viliendelea kuimarishwa. Ofisi mpya za Kampuni ya za kuwahudumia wateja zilijengwa huko Molo na Naivasha katika kipindi hiki cha mwaka. Hii ilikusudiwa kuwahudumia wateja kwa njia bora zaidi na pia kudhibiti ukusanyaji wa mapato.

Kuimarisha Ongezeko la Wateja

Mipango ya kuimarisha ongezeko la wateja, uuzaji zaidi wa kawi na mapato mapato zaidi kupitia uimarishaji wa mbinu za soko na za kubuni wateja zaidi iliandaliwa na kutekelezwa. Utoaji wa maelezo kuhusu upatikanaji wa huduma kwa wateja wakusudiwa ulifanywa kupitia vijitabu vya maelezo vilivyosanifiwa upya pamoja na mabango kuhusu shughuli zetu na pia ushiriki wetu katika maonyesho ya Kilimo ya chama cha (ASK) miongoni mwa mbinu nyinginezo. Kampuni ina malengo ya kupata wateja wanya 150,000 kuanzia kipindi cha mwaka cha 2003/2004.

Uhusiano wa Umma

Kampuni iliendelea kudumisha uhusiano mwema na washirika wake pamoja na wateja wake kupitia njia tofauti tofauti zilizokusudiwa kutoa hamasisho la kuzielewa vizuri zaidi shughuli zake. Ujumbe tofauti tofauti kuhusu ulipaji wa bili, athari za wizi wa stima na matokeo yake, harakati za kumaliza ufisadi, usalama na utoaji bora zaidi wa huduma za umeme ulitolewa kupitia elimu ya umma na kampeni za matangazo. Pia habari zifaazo kuhusu sekta ya kawi na mashirika zilitolewa kupitia vipindi vya habari na makala maalumu katika vituo vya utangazaji, magazeti na machapisho ya vijikaratasi na vijitabu na pia katika nakala za bili za umeme na vibanda vya Kampuni hii katika maonyesho kama vile maonyesho mbalimbali ya chama cha ASK kote nchini.

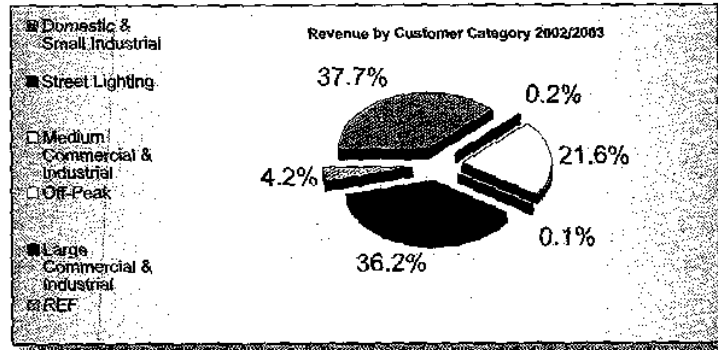


Usambazaji wa Umeme katika sehemu za Mashambani

Kampuni iliendelea kutekeleza mpango wa usambazaji wa umeme katika sehemu za mashambani (REP) kwa niaba ya serikali. Shilingi milioni 1,057 zilitumika kwa ajili hiyo katika kipindi hiki cha mwaka. Hii ilikuwa ni pamoja na shilingi milioni 902 zilizotumika katika awamu ya kwanza na ya pili ya miradi iliyodhaminiwa na Uhispaniaa na Shilingi milioni 44 za mkondo wa pili na wa tatu wa awamu ya kwanza ya miradi ya uimarishaji wa uuzaji wa bidhaa katika nchi za kigeni (Stabex). Hii ilipelekea upatikanaji wa mtaji wa malimbikizo ya utumizi tangu kuanzishwa kwa mpango huo mnamo 1973 hadi kufikia shilingi milioni 7,230. Shilingi milioni 955 zilikusanywa kutoka kwa mapato ya ushuru wa usambazaji wa umeme katika sehemu za mashambani katika kipindi hiki cha mwaka ikilinganishwa na shilingi milioni 889 zilizokusanywa mwaka uliotangulia.

Utekelezaji wa miradi 32 chini ya awamu ya kwanza ya mpango uliodhaminiwa na Uhispania wa kima cha Dola milioni 10.255 uliendelea kufanyika katika kipindi hiki cha mwaka.

Kufuatia utathmini wa mkondo wa kwanza wa awamu ya kwanza ya mpango wa usambazaji wa umeme katika viwanda vya kahawa katika sehemu za mashambani (COFREP), ambao ulidhaminiwa na hazina ya Stabex ya Jumuiya ya Ulaya pamoja



na kuchunguzwa upya kwa orodha ya awali ya miradi iliyokusudiwa kutekelezwa chini ya mpango huo, viwanda 51 kati ya viwanda 53 vilidhinishwa kupelekewa umeme chini ya mkondo wa pili na wa tatu wa miradi huo. Kazi ya usanifu, usoroveya na upatikanaji wa vifaa ilikamilishwa mwaka uliotangulia na kazi ya ujenzi ikaanza katika kipindi hiki cha mwaka.

Zabuni za kazi za ujenzi kwa ajili ya miradi iliyotambuliwa kuhusiana na usambazaji huo wa umeme chini ya miradi uliodhaminiwa na Ufaransa kwa gharama ya Sarafu Ulaya milioni 9.1 zilipokelewa na kuchunguzwa na kuidhinishwa katika kipindi hiki cha mwaka.

Kampuni ya ujenzi ya, M/s Alstom /ABB Consortium iliteuliwa kuwa mjenzi mkuu ambapo kazi ya ujenzi itaanza katika kipindi cha mwaka 2003/2004 wa matumizi ya fedha.

Idadi ya wateja chini ya mpango huo iliongezeka kwa asilimia 10 hadi wateja 87,175 ikilinganishwa na wateja 79,391 mwaka uliotangulia.

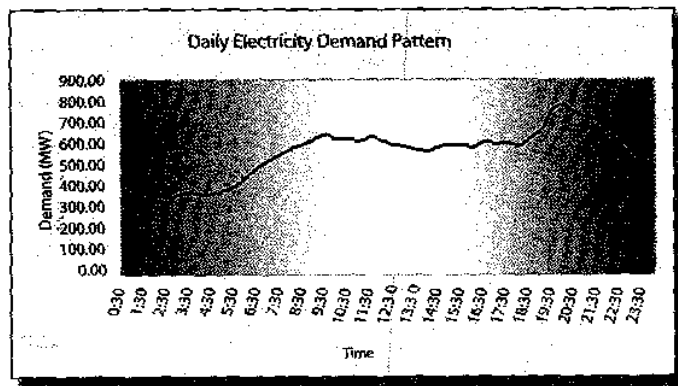
Kiasi cha umeme kilichouzwa kiliongezeka kwa asilimia 15 kutoka milioni 128 hadi milioni 147, huku mapato yaliyokusanywa yakiongezeka kwa asilimia 3 kutoka shilingi milioni 979 mwaka uliotangulia hadi shilingi milioni 1,006.

Wafanyikazi

Kampuni iliendelea kuimarisha mtaji wa wafanyikazi katika kipindi hiki cha mwaka. Licha ya hatua za kudhibiti idadi ya wafanyikazi ambayo inatekelezwa kwa sasa, Kampuni iliwapa mafunzo tofauti tofauti wafanyikazi hapa nchini na ng'ambo pia ili kuimarisha utoaji wa huduma miongoni mwa mengine ikiwa ni pamoja na kuimarisha uhamasishaji kuhusu kuyabadili matarajio ya mteja.

Kampuni iliendelea kuimarisha uhusiano mwema na wafanyikazi wake kupitia chama cha wafanyikazi wa shughuli za umeme (KETAWU). Kufungamana na hilo, mikutano ya pamoja kati ya Kampuni hii na chama hicho ilifanywa kwa ajili ya kudumisha uhusiano huo mwema kwa ajili ya maslahi kwa pande zote mbili.

Wakati wa kipindi hiki cha mwaka, Kampuni hii ilikuwa na jumla ya wafanyikazi 6,269 ikilinganishwa na wafanyikazi 6,423 mwaka uliotangulia wakiwemo walio na ajira za kudumu, walio chini ya kandarasi na vibarua. Wafanyikazi 154 waliacha kufanyia kazi Kampuni hii kupitia sababu za kawaida. Kufikia tarehe 30 Juni, 2003, kiwango cha wafanyikazi



kilikuwa 104 kwa moja ikilinganishwa na kiwango cha 91 kwa moja mwaka uliotangulia..

Huduma ya Teknolojia ya Habari na Mawasilii (ICT)

Kampuni inatambua umuhimu wa mchango wa huduma hizo katika utekelezaji wa shughuli zake na kutoa huduma zisizokuwa za gharama ya juu sana kwa wateja wake pamoja na washika dau wengine.

Kuambatana na hilo, Kampuni hii iliendelea kudhibiti kuwepo kwa vifaa na mifumo ya hali ya juu ya huduma hizo za ICT.

Kutokana na uhaba wa rasilimali, uwekaji wa mifumo hiyo ulitekelezwa kwa gharama ya chini kupitia usaidizi mkubwa kutoka kwa wafanyikazi.

UJIMARISHAJI WA UWEZO KATIKA UTOAJI WA NGUVU ZA UMEME

Mradi Huru wa Umeme Kutokana na Nguvu ardhi Wa Olkaria III wa Mega -wati 48

Mradi huo unastawishwa na Kampuni ya OrPower4 Inc chini ya mpango wa kujisimamia mwenyewe wa makubaliano ya ununuzi wa umeme uliotelewa saina kati ya Kampuni hiyo na Kampuni ya KPLC mnamo mwezi Novemba 1998.

Awamu ya kwanza ya mradi huo ulio na uwezo wa kila kiwanda kutoa Mega- wati 8 ulizinduliwa mwezi Julai 2000 kisha nyongeza ya utoaji wa Mega-wati 4 ikapatikana mwezi Desemba 2000. Mashauriano na Kampuni ya OrPower 4 Inc. yanaendelea kwa ajili ya kutayarisha awamu ya pili ya mradi huo kwa uwezo wa kutoa Mega- wati 36,na inatarajiwa utazinduliwa na kuanza kufanya kazi kibiasharaa mnamo mwaka wa 2005.

Ujenzi wa laini ya kV 220 kuunganisha kituo hicho na kituo kidogo cha Olkaria II utiendelea vyema.



A sealed pay deal for unionisable employees

Miradi ya Kampuni ya KenGen

Mradi wa Olkaria wa Mega-wati II 64 za umeme unaotokana na nguvu za ardhi.

Mradi wa Olkaria wa Mega-wati II 64 wa umeme unaotokana na nguvu za ardhi ulianzishwa mnamo mwezi Novemba 2003. Mradi huu utatoa Mega-wati 64 zaidi za umeme katika kiwango kinachotolewa.

Mradi wa Sondu Miru wa kutoa Mega-wati 60 za umeme unaotokana na nguvu za maji. Kazi ya ujenzi wa mradi huo iliendelea kuathiriwa sana na kusimamishwa kwa fedha kutoka kwa wafadhili wa mradi huo kutokana na masuala ya kimazingira na kijamii ambayo yanashughulikiwa na washika dau wahusika.

Mradi huo unaambatanisha usambazaji wa umeme wa kilometa 50 za kV 132 za umeme kutoka kituo cha umeme hadi katika kituo kidogo cha Kisumu cha kV 132/33.

MTIZAMO WA SIKU ZIJAZO

Tangu miaka minne iliyopita shughuli za kibiashara za kampuni yenu ziliathiriwa pakubwa kwa upande wa vifaa kutokana na uhaba wa uwezo wa kutosha wa utoaji, gharama ya juu ya huduma ya umeme na kuzorota kwa uchumi ambapo kiwango cha ukuaji wa pato la kitaifa GDP kilikuwa asilimia -0.3 mnamo mwaka wa 2000,asilimia 1.1 mnamo mwaka 2001 na asilimia 0.9 mnamo mwaka wa 2002.

Kwa sasa kuna utoaji wa kutosha wa umeme kumudu utashi uliopo sasa huku utekelezaji wa miradi iliyoanzishwa ya utoaji wa umeme ukitegemewa kumudu utashi wa umeme wa siku zijazo. Kutokana na kuanza kuonyesha matokeo bora kwa hatua zilizochukuliwa, pamoja na matarajio ya kukwamuka kwa uchumi ambapo pato la taifa GDP linatarajiwa kukua kwa asilimia 1.4 mnamo mwaka wa 2003, wakurugenzi wana matumaini kuhusu malengo ya kampuni yenu ya kurejea katika utengezaji wa faida katika mwaka wa sasa wa matumizi ya fedha.

MWISHO

Ningependa kuwashukuru wana-Halmashauri wenzangu pamoja na wafanyikazi kutokana na juhudi zao na kujitolea kazini kutekeleza harakati zetu za kujikwamua wakati Kampuni yetu ilipokuwa ikitekeleza shughuli zake chini ya mikabala migumu. Kwa niaba ya Halmashauri yenu, ningependa pia kuishukuru Serikali na Kampuni tanzu ya KenGen kutokana na usaidizi mkubwa kwa Kampuni yenu katika shughuli zake za mwaka,ambao utasaidia katika harakati za ufufuzi.

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 2003.

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).

Appointments	Date
J O Oduor	5 February 2003
P Nyoike (Alternate M Nganga)	5 February 2003
J Magari (Alternate S Kitungu)	5 February 2003
A Sambu	28 March 2003
E Wasunna	8 April 2003
N Kiuna	8 April 2003
S Imu	8 April 2003
S Musyoka	8 April 2003

RESULTS

	Sh'000
Loss before taxation	4,112,193
Taxation credit	(1,214,917)
Net loss for the year transferred to revenue reserve	<u>2,897,276</u>

DIVIDENDS

A dividend of Sh 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.

In accordance with Article 128 of the Articles of Association of the Company, Messrs. A Sambu, J Magari, P Nyoike, E Wasunna, S Imu, N Kiuna and S Musyoka retire and, being eligible, offer themselves for election.

In accordance with Regulation 120 of the Articles of Association of the Company, T D Owuor retires by rotation and, being eligible, offers himself for re-election.

CAPITAL EXPENDITURE

During the year, a total of Sh 1,667 million was spent on property and equipment. Capital contributions received from customers amounted to Sh 435 million resulting in a net capital cost to the company of Sh 1,232 million. Net capital work-in progress as at 30 June 2003 amounted to Sh 3,369 million compared to Sh 3,341 million in the previous year.

AUDITORS

The responsibility for auditing the Company's books of account reverted to the Controller and Auditor General in accordance with Section II of the State Corporation Act, as amended by the Statute Law (Miscellaneous Law Amendments Act), 2002. The audit will subsequently be undertaken by the Controller and Auditor General or an audit firm nominated by him under Section 29(1)(b) of the Exchequer and Audit Act.

Deloitte & Touche were nominated by the Controller and Auditor General to carry out the audit for the year ended 30 June 2003.

DIRECTORS

The present members of the board of directors are shown on page 2 and changes since last year are as follows:

Resignations	Date
S Gichuru	5 February 2003
J Kinyua (Alternate P Gakuru)	5 February 2003
W M Mwangi (Alternate B M Nzioki)	5 February 2003
D Afande	28 March 2003
S O J Ambundo	8 April 2003

BY ORDER OF THE BOARD

Laurencia K Njagi (Mrs)
Secretary
Nairobi
24th November 2003

TAARIFA YA WAKURUGENZI

Wakurugenzi wanawasilisha taarifa yao pamoja na taarifa za ukaguzi wa kifedha kwa kipindi cha mwaka kilichomalizika tarehe 30 Juni 2003.

SHUGHULI

Shughuli ya kimsingi ya Kampuni inaendelea kubakia kuwa utoaji, usambazaji na uuzaji wa umeme kwa kiwango kikubwa kutoka Kampuni ya (KenGen), watoaji wengine huru wa umeme (IPPs) na Kampuni ya utoaji wa Umeme ya Uganda (UETCL).

MATOKEO

	Sh'000
Hasara kabla ushuru	4,112,193
Mkopo wa ushuru	(1,214,917)
Kiwango cha jumla cha hasara kilichogeuzwa kuwa akiba ya mapato	2,897,276

MGAO WA HISA

Mgao wa hisa wa Shilingi 1,930,000 zinazoweza kulipwa katika hisa za malimbikizi umetambuliwa kama gharama za kifedha katika taarifa ya mapato. Wakurugenzi hawapendekezi mgao wa hisa wa hisa za kawaida za kipindi hiki cha mwaka.

MATUMIZI YA MTAJI

Wakati wa kipindi hiki cha mwaka, jumla ya shilingi milioni 1,667 zilitumika katika ununuzi wa mali na vifaa.

Michango ya mtaji kutoka kwa wateja ilifikia Shilingi milioni 435 katika jumla ya gharama ya mtaji kwa Kampuni ya kima cha Shilingi milioni 1,232. Kiwango cha jumla cha mtaji kilichokuwa kikitumika kufikia tarehe 30 Juni 2003 kilikuwa ni Shilingi milioni 3,369 ikilinganishwa na kiwango cha Shilingi milioni 3,341 mwaka uliotangulia.

WAKURUGENZI

Wanachama wa sasa wa Halmashauri ya wakurugenzi wameorodheshwa katika ukrasa wa pili huku mabadiliko tangu mwaka uliopita ikiwa ni kama ifuatavyo:

Waliostaafu	Tarehe
S Gichuru	5 Februari 2003
J Kinyua (Mwakilishi - P Gakunu)	5 Februari 2003
W M Mwangi (Mwakilishi - B M Nzioki)	5 Februari 2003
D Afande	28 Machi 2003
S O J Ambundo	8 Aprili 2003

Walioteuliwa	Tarehe
J O Oduor	5 Februari 2003
P Nyoike (Mwakilishi - M Nganga)	5 Februari 2003
J Magari (Mwakilishi - S Kitungu)	5 Februari 2003
A Sambu	28 Machi 2003
E Wasunna	8 Aprili 2003
N Kiuna	8 Aprili 2003
S Imu	8 Aprili 2003
S Musyoka	8 Aprili 2003

Kwa mujibu wa Kifungu cha sheria za Kampuni nambari 128, A Sambu, J Magari, P Nyoike, E Wasunna, S Imu, N Kiuna na S Musyoka wanastaafu na kwa kutimu kwao wanagombea tena uchaguzi.

Kwa mujibu wa sehemu nambari 120 ya sheria za Kampuni, T D Owor anastaafu kwa zamu na kutokana na kutimu kwake anagombea tena uchaguzi.

WAKAGUZI WA FEDHA

Wajibu wa kukagua vitabu vya fedha vya Kampuni uliwekwa tena chini ya Msimamizi na Mkaguzi mkuu wa fedha kwa mujibu wa sehemu II ya sheria za Mashirika ya Umma kama ilivyofanyiwa marekebisho mnamo 2002. Ukaguzi wa fedha utafanywa na Msimamizi na Mkaguzi mkuu wa Fedha au Kampuni ya ukaguzi wa Fedha aliyoteua chini ya sehemu 29(1)(b) ya sheria za Hazina Kuu ya Serikali na ukaguzi wa fedha.

Kampuni ya Deloitte & Touche iliteuliwa na Msimamizi na Mkaguzi Mkuu wa fedha kufanya ukaguzi wa fedha kwa kipindi cha mwaka kilichomalizika tarehe 30 Juni 2003.

CHINI YA AGIZO LA HALMASHAURI

Bi. Laurencia K Njagi
Katibu
Nairobi
24th November 2003

STATEMENT OF DIRECTORS' RESPONSIBILITIES TAARIFA YA MAJUKUMU YA WAKURUGENZI

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The 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 at any time 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 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.

Eng. Alfred W Sambu

Eng. Jasper O Oduor

} Directors

28th October, 2003

TAARIFA YA MAJUKUMU YA WAKURUGENZI

Sheria ya Kampuni inawataka wakurugenzi kutayarisha taarifa za kifedha kila mwaka wa matumizi ya fedha ambazo zitaonyesha uhalisi wa hali ya shughuli za Kampuni kufikia mwishoni mwa mwaka wa matumizi ya fedha na pia matokeo ya shughuli za tendakazi za Kampuni kwa kipindi hicho cha mwaka.

Pia wakurugenzi wanatakiwa kuweka taarifa za ukaguzi wa kifedha ambazo zinaonyesha kwa uhakika hali ya kifedha ya Kampuni. Pia wanawajibika kullinda mali ya Kampuni.

Wakurugenzi hukubali jukumu la taarifa za kifedha za mwaka ambazo zimetayarishwa kupitia maongozi ya uhasibu yafaayo kwa misingi ya makadirio yaliyo na uamuzi wa uhakika kulingana na viwango vya kimataifa vya utoaji wa taarifa za kifedha na pia katika hali ya kuzingatia sheria za Kampuni. Ni maoni ya wakurugenzi kwamba taarifa za kifedha zinaonyesha uhalisi wa hali ya kifedha ya Kampuni pamoja na matokeo ya shughuli zake. Zaidi ya hayo, wakurugenzi wanakubali jukumu la uhifadhi wa taarifa ambazo huenda zikategemewa katika utayarishaji wa taarifa za kifedha pamoja na kuwa na mifumo ya kutosha ya usimamizi wa ndani wa kifedha.

Hakuna kilichowafikia wakurugenzi kuonyesha kwamba Kampuni haitabakia kwa hali ilioko kutoka tarehe ya taarifa hii hadi miezi 12 ijayo.

CORPORATE GOVERNANCE

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 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 Market Authority so as to bring the level of Governance in line with International trends.

We confirm that the Rules and Regulations as issued by both the Nairobi Stock Exchange (NSE) and the Capital Markets Authority (CMA) govern us.

BOARD OF DIRECTORS

The Board of Directors has ten members comprising the Managing Director and nine non-executive directors, including the Chairman. All the non-executive directors are independent within the meaning of the Combined Code. The Board meets at least once a month or more often in accordance with requirements of the business.

The separate roles of the Chairman and Managing Director are acknowledged. 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 co-ordinating the running of the business and implementing corporate strategy. Agreed procedures are in place for all directors to receive appropriate training and to take independent professional advice if necessary. All the non-executive directors of the Board are independent of management and free from any business or other relationships which could materially interfere with the exercise of their independent judgement.

Further details of directors are given on page 2.

The Board meets at least once a month or more often in accordance with requirements of the business. It has a formal schedule of matters reserved to it, which include definition of corporate strategies, policy plans and objectives, review of monthly corporate performance, approval of quarterly, annual and interim results, annual budgets, disposals, and material agreements and commitments.

DIRECTORS' REMUNERATION

Details of directors' remuneration are set out in the report on pages 42. There did not exist any arrangement to which

the Company is a party, whereby directors might acquire benefits by means of the acquisition of Company's shares. There were no directors' loans at any time during the year.

The Board has instituted the following Committees, which meet regularly under the terms of reference defined by the Board.

AUDIT COMMITTEE

The Board constituted an Audit Committee in 1999. This committee meets at least three times a year and is chaired by a non-executive director. Its responsibilities include but are not limited to review of routine financial information, annual budgets, examination of quarterly, half year and annual financial statements, review of operations and major findings of the Internal Audit function and liaison with External Auditors.

FINANCE AND REMUNERATION COMMITTEE

The Board has in place a fully operational Finance & Remuneration Committee whose mandate includes determining remuneration of the managing director and senior management staff, approval of recommendations for appointment of senior management staff, and recommending to the Board the remuneration of non executive directors.

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 responsibilities include approval of award of tenders of goods and services with a value exceeding Shs.500,000, which meets twice monthly or when necessary. The members of this committee include the Managing Director and three non-executive directors. Other members are senior management staff as spelt out in the Procurement Regulations aforementioned.

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.

ACCOUNTABILITY AND AUDIT

Directors' responsibilities in relation to financial statements
The Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of

the Company for that period. The directors are responsible for ensuring that suitable accounting policies are consistently applied supported by reasonable and prudent judgements and estimates, and those applicable accounting standards are followed.

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

COMMUNICATION WITH SHARE HOLDERS

The Company places great 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 accounts are distributed to all shareholders each year. The Company also complies with obligations contained in Nairobi Stock Exchange's Listing Rules, Capital Markets Authority Act and Company Act.

MAJOR SHARE HOLDERS

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

These are as follows;

Name	No of Shares	%
1. Permanent Secretary to the Treasury	32,853,268	40.42
2. National Social Security Fund	8,553,168	10.81
3. Barclays (Kenya) Nominees Ltd.	4,275,007	5.40
4. Kestrel Capital Nominees Ltd	3,256,574	4.12
5. Jubilee Insurance Co. Ltd	1,937,029	2.45
6. UAP Provincial Insurance Ltd.	1,726,547	2.18
7. Apollo Insurance Co. Ltd.	1,365,659	1.73
8. Co-operative Bank of Kenya Ltd.	1,221,757	1.54
9. Khetshi Dharamshi & Company Ltd	1,074,879	1.35
10. Paul Wanderi	1,058,600	1.24

MWONGOZO WA MASHIRIKA

MWONGOZO WA MASHIRIKA

Usimamizi wa mashirika ni mfumo na utaratibu unaotumiwa kuongoza na kusimamia masuala ya kibiashara ya Kampuni kwa lengo la kuimarisha ustawi na uhasibu wa mashirika ili kudumisha thamani ya muda mrefu ya washika dau huku yakizingatiwa maslahi ya washika dau wengine.

Kampuni inazingatia uadilifu wa kibiashara na utaalamu katika shughuli zake zote.

Kwa mazingatio hayo Halmashauri inaunga mkono kikamilifu masuala yaliyoelezewa na Mamlaka ya Masoko ya Hisa katika kuleta kiwango cha usimamizi unaoambatana na viwango vya kimataifa.

Tunathibitisha kwamba sheria na kanuni kama zilivyotolewa na Soko la Hisa la Nairobi (NSE) na Mamlaka ya Masoko ya Hisa (CMA) zinatungoza..

HALMASHAURI YA WAKURUGENZI

Halmashauri ya Wakurugenzi ina wanachama kumi akiwemo Maneja Mkurugenzi na wakurugenzi wengine tisa wasiokuwa na mamlaka makubwa ikiwa ni pamoja na mwenyekiti. Wakurugenzi hao wana uhuru kwa mujibu wa maadili ya ushirikishwaji. Halmashauri hukutana mara moja kwa mwezi ama zaidi ya mara moja kulingana na zinavyohitajika shughuli za Kampuni.

Majukumu tofauti ya Mwenyekiti na Maneja Mkurugenzi yanatambuliwa. Mwenyekiti anaiongoza kimsingi Halmashauri na kuhakikisha kwamba inapata maelezo ya kutosha kwa wakati ufaao kuiwezesha kutekeleza kazi zake. Maneja Mkurugenzi anawajibika kushirikisha utendaji kazi wa Kampuni na kutekeleza maongozi. Taratibu zimepangwa kuwapa wakurugenzi mafunzo yanayostahili pamoja na kupokea ushauri wa kitaalamu inapohitajika. Wakurugenzi wote wasiokuwa na mamlaka makubwa ni wakurugenzi huru katika usimamizi na hawahusiki katika shughuli zozote zile ambazo zinaweza kutatiza kwa hali na mali utoaji wa maamuzi yao huru.

Maelezo zaidi kuhusu wakurugenzi yapo katika ukurasa wa 2.

Halmashauri ina ratiba rasmi ya masuala iliyoachiwa mamlaka ambayo ni pamoja na ufafanuzi wa maongozi ya shirika, mipango ya maongozi na malengo, tathmini ya kila mwezi ya shughuli za Kampuni, idhiniho la matokeo ya miezi minne na ya mwaka moja, makadirio ya matumizi ya fedha, matoleo na makubaliano kuhusu vifaa na malengo.

MISHAHARA YA WAKURUGENZI

Maelezo zaidi kuhusu mishahara ya wakurugenzi yapo katika taarifa katika kurasa 42.

Hakuna mpangilio wowote ambao unaambataanisha Kampuni ambapo wakurugenzi wanaweza kupata manufaa yao kupitia uchukuaji wa hisa za Kampuni.

Hakukuwa na mikopo yoyote ya wakurugenzi wakati wowote wa kipindi hiki cha mwaka. Halmashauri imebuni Kamati zifuatazo, ambazo hukutana mara kwa mara chini ya masharti na maadili ya Halmashauri.

KAMATI YA UKAGUZI WA FEDHA

Halmashauri ilibuni Kamati ya ukaguzi mnamo 1999. Kamati hii hukutana kwa uchache mara tatu kwa mwaka ikiiongozwa na Mkurugenzi asiyekuwa na mamlaka makubwa. Miongoni mwa majukumu yake ni pamoja na kuchunguza taratibu za utoaji wa habari za kifedha, bajeti za mwaka, kukagua taarifa za kifedha za miezi minne ya kwanza, nusu mwaka na za mwaka huku pia ikichunguza shughuli za Kampuni pamoja na mambo muhimu yaliyogunduliwa katika ukaguzi wa ndani wa fedha za Kampuni na kuwasiliana na wakaguzi wa fedha kutoka nje.

KAMATI YA FEDHA NA MISHAHARA

Halmashauri ina Kamati kamili ya masuala ya fedha na mishahara ambayo mamlaka yake ni kuweka kiwango cha mishahara wa mkurugenzi mkuu pamoja na wasimamizi wakuu, kuidhinisha mapendekezo ya kuteuliwa kwa wasimamizi wakuu na kupendekeza kwa Halmashauri mishahara ya wakurugenzi wasiokuwa na mamlaka makuu.

KAMATI KUU YA UTOAJI ZABUNI

Kuna Kamati ya kusimamia zabuni ambayo ilibuniwa kufuatia masharti kutoka kwa Hazina Kuu ya Serikali na pia chini ya mazingatio ya sheria ya ukaguzi wa fedha (chini ya sheria ya ununuzi wa mali ya umma), ya mwaka 2001. Majukumu yake makuu ni pamoja na kuidhinisha utoaji wa tenda za kutoa huduma na ununuzi wa bidhaa ya thamani ya zaidi ya Shilingi 500,000, ambayo hukutana mara mbili kwa mwezi ama wakati wowote inapohitajika. Washiriki wa Kamati hii ni pamoja na Maneja Mkurugenzi na wakurugenzi watatu wasiokuwa na mamlaka makubwa. Wanachama wengine ni maafisa wakuu wasimamizi wa Kampuni chini ya sheria za ununuzi wa mali kama ilivyotajwa hapo juu.

USIMAMIZI WA NDANI

Kampuni ina mifumo na taratibu kudhibiti mali ya Kampuni pamoja na ulinzi wa mali hiyo na utoaji wa habari sahihi kwa wakati ufaao. Pia kuna mfumo kamili wa uhasibu unaotekelezwa.

UWAJIBIKAJI NA UKAGUZI WA FEDHA

Majukumu ya Mkurugenzi kuhusiana na taarifa za kifedha

Sheria ya Kampuni inahitajia wakurugenzi kutayarisha taarifa za kifedha kwa kila mwaka wa matumizi ya fedha ambazo zinatoa mwenendo halisi wa Kampuni wakati wa kumalizika kwa mwaka wa matumizi ya fedha pamoja na hali ya faida ama hasara katika kipindi hicho cha mwaka. Wakurugenzi wanawajibika kuhakikisha kwamba maongozi ya uhasibu yafaayo yanatumika kila wakati yakiongozwa na maamuzi ya haki pamoja na makadirio na kwamba viwango vya uhasibu vinavyoweza kutumika vinafuatwa.

Wakurugenzi wanawajibika kuhakikisha kwamba Kampuni inaweka kumbukumbu zifaazo za uhasibu ambazo zinatoa maelezo sahihi wakati wowote ule kuhusu msimamo wa kifedha wa Kampuni na kuwawezesha kuhakikisha kwamba

taarifa za kifedha zinaambatana na sheria za Kampuni. Pia wana wajibika kwa ujumla kusimamia mfumo wa usimamizi wa ndani kwa ajili ya kulinda rasilimali za Kampuni na kuzuia na kutambua pia vitendo vya udanganyifu ama mikataba mingine isiyokuwa ya kawaida.

MAWASILIANO NA WENYE HISA

Kampuni inazingatia umuhimu mkubwa katika suala zima la mawasiliano na wenye hisa na huchapisha magazetini taarifa za kifedha za Kampuni za nusu mwaka na za mwaka mzima. Taarifa kamili ya uhasibu hupewa wenye hisa wote kila mwaka.

Pia Kampuni huzingatia majukumu ya kisheria kutoka kwa Soko la Hisa la Nairobi, Mamlaka ya Masoko ya Hisa na sheria za Kampuni.

WENYE HISA WAKUU

Kampuni huweka taarifa ya kila mwezi katika Soko la Hisa la Nairobi na Mamlaka ya Masoko ya Hisa ambayo ina orodha ya majina ya wenye hisa 10 wakuu.

Orodha hiyo ni kama ifuatavyo:

Jina	Idadi ya Hisa	Asilimia
1. Katibu wa Wizara ya Fedha	32,853,268	40.42
2. Hazina ya NSSF	8,553,168	10.81
3. Barclays (Kenya) Nominees Ltd.	4,275,007	5.40
4. Kestrel Capital Nominees Ltd	3,256,574	4.12
5. Jubilee Insurance Co. Ltd	1,937,029	2.45
6. UAP Provincial Insurance Ltd.	1,726,547	2.18
7. Apollo Insurance Co. Ltd.	1,365,659	1.73
8. Co-operative Bank of Kenya Ltd.	1,221,757	1.54
9. Khetshi Dharamshi & Company Ltd	1,074,879	1.35
10. Paul Wanderi	1,058,600	1.24

REPORT OF THE AUDITORS TO THE MEMBERS OF THE KENYA POWER & LIGHTING COMPANY LIMITED

We have audited the financial statements on pages 34 to 56 and have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

Respective responsibilities of directors and auditors

As described on page 28, the directors are responsible for the preparation of the financial statements. Our responsibility is to express an opinion on those financial statements based on our audit.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material mis-statement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the directors, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, proper books of account have been kept by the Company and the financial statements, which are in agreement therewith, give a true and fair view of the state of affairs of the Company at 30 June 2003 and of its loss and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act.

Emphasis of matter

We draw attention to the disclosures in Note 2 to the financial statements regarding the going concern basis of the financial statements and the strategic measures that directors and management are pursuing to help the Company return to profitability. Because of the significance of the matter, we consider it important to bring it to your attention but our opinion is not qualified in this respect.

Deloitte & Touche
28th October, 2003

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

Tumefanyia ukaguzi taarifa za kifedha katika ukasa wa 34 hadi ukasa wa 56 na kupata maelezo na matarajio ambayo, kwa ufahamu wetu na jinsi tunavyoamini, yalihatijika kwa ajili ya ukaguzi wetu.

Majukumu ya wakurugenzi na wakaguzi wa fedha

Kama ilivyoelezwa katika ukasa wa 28, wakurugenzi wanawajibika na utayarishaji wa taarifa za kifedha. Ni wajibu wetu kutoa maoni kuhusu taarifa hizo za kifedha kwa misingi ya ukaguzi wetu.

Msingi wa maoni

Tulifanya ukaguzi wetu kwa mujibu wa viwango vya kimataifa vya ukaguzi. Viwango hivyo vinatuhitajia kupanga na kutekeleza ukaguzi huo kwa ajili ya kupata hakikisho la kimsingi endapo taarifa hizo hazina habari za kupotosha. Ukaguzi unaambataanisha kuchunguza ushahidi unaotetea viwango vya fedha vilivyoko katika taarifa hizo, kukadiriya kanuni za uhasibu zilizotumika na makadirio yaliyofanywa na wakurugenzi pamoja na kutathmini mfumo kwa jumla wa taarifa ya fedha. Tunaamini kwamba ukaguzi wetu unatoa kielelezo cha kimsingi cha maoni yetu.

Maoni

Kwa maoni yetu, vitabu vifaavyo vya hesabu za pesa vimewekwa na Kampuni na taarifa za kifedha zinazolingana na vitabu hivyo zinatoa uhalisi wa haki ulivyo kuhusiana na Kampuni hii kufikia tarehe 30 Juni, 2003, na hasara zake na usambazaji wa masurufu yake kwa kipindi hiki cha mwaka uliomalizika kwa mujibu wa viwango vya kimataifa vya utoa-ji wa taarifa za uhasibu na zinaambatana na sheria za Kampuni.

Shinikizo

Tunazingatia maafikiano katika kidokezo cha pili katika taarifa za kifedha kuhusiana na hali ya kibiashara ya kampuni yaliyomo katika taarifa hizo za kifedha pamoja na mipango na hatua mwafaka zinazochukuliwa na wakurugenzi na wasimamizi kuisaidia Kampuni hii kuwa katika hali ya kutengeza faida. Kutokana na umuhimu wa suala lenyewe, tunazingatia kwamba ni muhimu kuwafahamisha kuhusu suala hilo lakini maoni yetu hayafuzu kuingia katika muktadha huu.

Deloitte & Touche
28 Oktoba, 2003

INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2003

	Note	2003 Sh'000	2002 Sh'000
REVENUE			
Electricity sales		19,185,376	18,699,495
Fuel cost recoveries		3,945,406	6,108,154
		<hr/>	<hr/>
		23,130,782	24,807,649
Other income (net)		2,105,792	2,545,394
		<hr/>	<hr/>
Total revenue		25,236,574	27,353,043
		<hr/>	<hr/>
OPERATING EXPENSES			
Power purchase costs	4(a)	14,512,835	13,714,890
Fuel costs	4(b)	4,270,093	7,073,866
Distribution and customer service		4,723,574	4,563,480
Energy transmission		1,094,444	624,436
Administration	5	3,364,066	2,947,457
Restructuring costs	6	-	978,426
		<hr/>	<hr/>
Total operating expenses		27,965,012	29,902,555
		<hr/>	<hr/>
OPERATING LOSS	7	(2,728,438)	(2,549,512)
FINANCE COSTS - NET	9	(1,383,755)	(299,604)
		<hr/>	<hr/>
LOSS BEFORE TAXATION		(4,112,193)	(2,849,116)
TAXATION CREDIT	10	1,214,917	969,563
		<hr/>	<hr/>
NET LOSS FOR THE YEAR		(2,897,276)	(1,879,553)
		<hr/> <hr/>	<hr/> <hr/>
LOSS PER SHARE - BASIC	11	(Sh 36.61)	(Sh 23.75)
		<hr/> <hr/>	<hr/> <hr/>
- DILUTED	11	(Sh 36.61)	(Sh 23.75)
		<hr/> <hr/>	<hr/> <hr/>

BALANCE SHEET

30 JUNE 2003

	Note	2003 Sh'000	2002 Sh'000
ASSETS			
Non current assets			
Property and equipment	12	19,011,871	19,357,165
Operating lease prepayments	13	132,202	132,257
Unquoted investment	14	4,300	4,300
Deferred taxation	15	1,325,306	110,389
Loan receivable	16	21,679	109,785
Deposits	17	325,262	187,500
		<u>20,820,620</u>	<u>19,901,396</u>
Current assets			
Loan receivable	16	116,444	148,724
Inventories	18	1,809,774	2,394,723
Trade and other receivables	19	6,725,994	6,905,673
Taxation recoverable		150,914	140,785
Short term deposits	20	860,485	1,579,178
Bank and cash balances		544,147	282,616
		<u>10,207,758</u>	<u>11,451,699</u>
Total assets		<u>31,028,378</u>	<u>31,353,095</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	21	1,582,560	1,582,560
Revaluation reserves		3,990,996	4,309,935
Revenue reserves/(deficit)		(4,954,664)	(2,376,327)
Shareholders' funds		<u>618,892</u>	<u>3,516,168</u>
Non current liabilities			
Trade and other payables	22	2,439,603	2,260,991
Borrowings	24	5,494,863	5,049,326
Due to KenGen	25	10,351,144	10,351,144
Preference shares	26	43,000	43,000
		<u>18,328,610</u>	<u>17,704,461</u>
Current liabilities			
Trade and other payables	22	8,911,180	6,971,548
Retirement benefit obligation	23	1,577,017	804,643
Borrowings	24	1,206,317	1,969,913
Dividends payable	27	386,362	386,362
		<u>12,080,876</u>	<u>10,132,466</u>
Total equity and liabilities		<u>31,028,378</u>	<u>31,353,095</u>

The financial statements on pages 34 to 56 were approved by the Board of Directors on 28th October, 2003 and were signed on its behalf by:

Eng. Alfred W Sambu }
 Eng. Jasper O Oduor } *Directors*

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2003

	Share capital Sh'000	Revaluation reserves Sh'000	Revenue reserves/ (deficit) Sh'000	Total Sh'000
At 1 July 2001	1,582,560	-	(496,774)	1,085,786
Surplus on revaluations during the year	-	6,157,050	-	6,157,050
Deferred tax on the revaluation surplus	-	(1,847,115)	-	(1,847,115)
Net loss for the year	-	-	(1,879,553)	(1,879,553)
	<u>1,582,560</u>	<u>4,309,935</u>	<u>(2,376,327)</u>	<u>3,516,168</u>
At 30 June 2002	1,582,560	4,309,935	(2,376,327)	3,516,168
At 1 July 2002	1,582,560	4,309,935	(2,376,327)	3,516,168
Transfer of excess depreciation	-	(455,626)	455,626	-
Deferred tax on excess depreciation	-	136,687	(136,687)	-
Net loss for the year	-	-	(2,897,276)	(2,897,276)
	<u>1,582,560</u>	<u>3,990,996</u>	<u>(4,954,664)</u>	<u>618,892</u>
At 30 June 2003	1,582,560	3,990,996	(4,954,664)	618,892

The capital and general reserves disclosed in the prior year accounts relating to provisions for taxation, development expenditure and debenture redemption have been reclassified to revenue reserves. The provisions are no longer necessary.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2003

		2003	2002
	Note	Sh'000	Sh'000
Cash generated from operations	28(a)	1,693,277	3,570,213
Interest received		95,804	56,448
Interest paid		(280,498)	(363,190)
Preference dividends paid		(373)	(68)
Taxation paid		(10,129)	(5,363)
Cash generated from operating activities		<u>1,498,081</u>	<u>3,258,040</u>
INVESTING ACTIVITIES			
Purchase of property and equipment, net of capital contributions		(1,231,937)	(1,959,535)
Proceeds of disposal of property and equipment		38,913	458,572
Loan receivable repayments		120,386	88,814
Net cash used in investing activities		<u>(1,072,638)</u>	<u>(1,412,149)</u>
FINANCING ACTIVITIES			
Repayment of Commercial paper		-	(653,000)
Loans received	28(b)	780,198	1,144,204
Repayment of amounts borrowed	28(b)	(700,250)	(951,988)
Cash generated from / (used in) financing activities		<u>79,948</u>	<u>(460,784)</u>
INCREASE IN CASH AND CASH EQUIVALENTS		<u>505,391</u>	<u>1,385,107</u>
CASH AND CASH EQUIVALENTS AT 1 JULY		<u>600,973</u>	<u>(784,134)</u>
CASH AND CASH EQUIVALENTS AT 30 JUNE	28(c)	<u><u>1,106,364</u></u>	<u><u>600,973</u></u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2003

1 ACCOUNTING POLICIES

The financial statements are prepared in accordance with International Financial Reporting Standards.

The principal accounting policies remain unchanged from the previous year and are set out below;

(a) Basis of accounting

The financial statements are prepared under the historical cost convention as modified for the revaluation of certain property, plant and equipment.

(b) Revenue

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

(c) Interest

Interest payable and receivable are recognised on the accruals basis. Loan interest accruing during the construction of a project is capitalised as part of the cost of the project.

(d) Inventories

Inventories are stated at average cost less provision for obsolescence. The cost of inventories comprise purchase price, import duties, transport and handling charges.

(e) 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.

(f) Depreciation

No depreciation is provided on freehold land. Depreciation on other assets is calculated to write off the 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 over 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 reserve to revenue reserves.

(g) 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, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values 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.

(h) 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.

(i) Foreign currencies

Assets and liabilities which are denominated in foreign currencies are translated into Kenya shillings at the rates of exchange ruling on the balance sheet date. Transactions during the year which are expressed in foreign currencies are translated at the rates of exchange ruling on the dates of the transactions. 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.

(j) 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 carried at anticipated realisable value as reduced by appropriate allowances for estimated irrecoverable amounts.

Bank borrowings

Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. 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.

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. Gains and losses arising from changes in fair value are included in income statement for the period.

(k) Leave pay provision

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

(l) 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.

(m) Segmental reporting

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).

(n) Retirement benefits obligations

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to State-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the company's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit plan.

For defined benefit retirement plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from those that would have been determined at the balance sheet date. Actuarial gains and losses that exceed 10 per cent of the greater of the present value of the Company's defined benefit obligation and the fair value of plan assets are amortised over the expected average remaining working lives of the participating employees. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the amended benefits become vested.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

2 GOING CONCERN

As at 30 June 2003, the Company had an accumulated revenue deficit of Sh 4.9 billion, a situation which has been caused by losses made by the company over the last four years, as a result of adverse trading conditions arising from the effects of increase in power costs and the drought that ravaged the country between 1999 and 2001. Over the past 20 months, the directors and management have been pursuing various strategic measures to turn around the company and return it to profitability. The measures that are being pursued include development of enhanced power capacity, restructuring of the company's operations to reduce operating costs and renegotiating bulk power purchase tariffs with suppliers in order to improve the company's trading margins. So far, developments already achieved include reduction in power purchase costs as follows:

* Iberafrica Power (EA) Company Limited reduced its capacity charge from US\$ 395 to US\$ 255/kWh/year from April 2002, on the understanding that the current power purchase agreement will be renewed when it expires on 26 August 2004. The directors are currently negotiating for a further tariff reduction.

* KenGen reduced its unit price from Sh 2.36 per kWh to Sh 1.76 per kWh with effect from 1 July 2003.

In addition, subject to approval by the shareholders and the Capital Markets Authority an amount of Sh 12,260 million interest bearing debt owed to KenGen and Sh 3,639

interest bearing loan owed to the GOK will be converted to preference shares. (see note 35).

The measures implemented so far have already started yielding positive results and the directors are, therefore,

optimistic about the prospects of a return to profitability in the foreseeable future.

In view of the foregoing, the directors have prepared the financial statements on the going concern basis.

3a. 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 are located in 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 Sh'000	West Kenya region Sh'000	Coast region Sh'000	Mount Kenya region Sh'000	2003 Total Sh'000	2002 Total Sh'000
Electricity revenue	12,196,153	4,378,395	4,434,839	2,121,395	23,130,782	24,807,649
Other income	1,214,216	370,240	386,377	134,959	2,105,792	2,545,394
Energy purchases	(9,878,039)	(3,795,723)	(3,325,085)	(1,784,081)	(18,782,928)	(20,788,756)
Other expenses	(2,658,250)	(1,344,798)	(845,214)	(646,432)	(5,494,694)	(5,383,977)
Head office expenses	(1,953,746)	(735,237)	(666,184)	(332,223)	(3,687,390)	(3,729,822)
Segment results	(1,079,666)	(1,127,123)	(15,267)	(506,382)	(2,728,438)	(2,549,512)
Financing cost					(1,383,755)	(299,604)
Taxation					1,214,917	969,563
Loss after taxation	=====	=====	=====	=====	(2,897,276)	(1,879,553)
Other information						
Assets	16,822,720	5,771,749	5,678,039	2,755,870	31,028,378	31,353,095
Liabilities	16,421,985	5,473,075	5,835,373	2,679,053	30,409,486	27,836,927
Capital expenditure	606,552	252,818	251,395	121,172	1,231,937	1,959,535
Depreciation	849,941	275,683	319,762	124,186	1,569,572	1,101,236

3b. 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 will therefore not be applicable.

4a. POWER PURCHASE COSTS

	2003 Sh'000	2002 Sh'000
Kenya Electricity Generating Company Limited (KenGen)	8,943,560	7,982,527
Uganda Electricity Transmission Company	967,036	882,236
Tsavo Company Limited	1,786,552	1,557,068
Iberafrika Power (E.A) Company Limited	1,360,397	1,818,027
Orpower 4 Inc	722,080	695,997
Westmont Power Kenya Limited	733,208	771,596
Mumias Sugar Company Limited	-	7,439
	<u>14,512,835</u>	<u>13,714,890</u>
	=====	=====

4b. FUEL COSTS

	2003 Sh'000	2002 Sh'000
Kenya Electricity Generating Company Limited (KenGen)	1,206,453	2,243,885
Tsavo Company Limited	1,583,330	1,400,630
Iberafrika Power (E.A) Company Limited	1,257,912	1,727,914
Westmont Power Kenya Limited	222,398	1,454,550
Emergency Power Plants	-	246,887
	<u>4,270,093</u>	<u>7,073,866</u>
	=====	=====

4c. UNITS PURCHASED

	2003 MW	2002 MW
Kenya Electricity Generating Company Limited (KenGen)	3,657	3,230
Uganda Electricity Transmission Company	222	172
Tsavo Company Limited	473	550
Iberafrika Power (E.A) Company Limited	251	348
Orpower 4 Inc	109	103
Westmont Power Kenya Limited	29	149
Mumias Sugar Company Limited	-	1
	<u>4,741</u>	<u>4,553</u>
	=====	=====

5 ADMINISTRATION

	2003 Sh'000	2002 Sh'000
Salaries	852,968	949,124
Staff welfare	143,099	216,196
Insurance	233,184	102,895
Consumable goods	49,243	54,688
Transport and travelling	147,412	160,884
Training expenses and consumer services	13,811	19,016
Depreciation allocated to administration	248,707	336,944
Office expenses	228,692	206,424
Pension deficit and leave pay provisions	835,140	307,764
Bank and other related charges	158,287	184,117
Other costs	453,523	409,405
	<u>3,364,066</u>	<u>2,947,457</u>

6 RESTRUCTURING COSTS

This represents redundancy and other benefits paid to staffs who were retrenched in 2002.

	2003 Sh'000	2002 Sh'000
--	----------------	----------------

7 OPERATING LOSS

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

Staff costs (Note 8)	4,453,110	4,108,521
Depreciation	1,569,572	1,101,236
Provision for bad and doubtful debts	315,493	83,290
Directors' emoluments - fees	870	780
- other	11,012	8,065
Auditors' remuneration	6,950	6,655
Amortisation	55	86
Profit on disposal of property and equipment	(31,254)	(456,599)
Rent payable	122,318	119,962
Rent receivable	(124,346)	(113,876)
	<u>4,453,110</u>	<u>4,108,521</u>

8 STAFF COSTS

Salaries and wages	3,390,756	3,551,879
National Social Security Fund contributions	14,553	12,413
Pension costs - company contribution	212,661	236,465
Leave pay provision	62,766	39,164
Provision for actuarial losses	772,374	268,600
	<u>4,453,110</u>	<u>4,108,521</u>

The average number of employees during the year was:	No.	No.
Permanent employees	5,288	5,470
Contract employees	981	953
	<u>6,269</u>	<u>6,423</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2003 Sh'000	2002 Sh'000
9 FINANCE COSTS		
Interest receivable:		
On bank and other deposits	(73,438)	(21,964)
Iberafrika Power (EA) Ltd loan	(22,366)	(34,484)
	<u>(95,804)</u>	<u>(56,448)</u>
Exchange gain on trading	(25,485)	(69,100)
Exchange losses on loans	40,085	92,490
	<u>14,600</u>	<u>23,390</u>
Interest payable:		
On loans	626,781	130,820
On bank overdrafts	176,248	172,526
On KenGen debt	660,000	-
On commercial paper	-	27,386
Dividends on preference shares	1,930	1,930
	<u>1,464,959</u>	<u>332,662</u>
	<u>1,383,755</u>	<u>299,604</u>
	=====	=====
10 TAXATION		
(a) Current taxation based on the adjusted loss for the year at 30%	-	-
Deferred taxation credit (note 15)	(1,214,917)	(969,563)
	<u>(1,214,917)</u>	<u>(969,563)</u>
	=====	=====
(b) Reconciliation of tax credit to the expected tax based on accounting loss:		
Loss before taxation	(4,112,193)	(2,849,116)
	=====	=====
Tax at the applicable tax rate of 30%	(1,233,658)	(854,734)
Tax effect of expenses not deductible for tax purposes	18,741	13,794
Tax effect of revenues that are not taxable	-	(128,623)
	<u>(1,214,917)</u>	<u>(969,563)</u>
	=====	=====

11 LOSS PER SHARE

The loss per share is calculated on the loss after taxation of Sh 2,897,276,000 (2002 - Sh 1,879,553,000) and the number of shares in issue during the year of 79,128,000 (2002 - 79,128,000). The diluted loss per share is the same as the basic loss per share as there were no dilutive potential ordinary shares.

12 PROPERTY AND EQUIPMENT

	Freehold land and buildings Sh'000	Transmission lines Sh'000	Distribution lines Sh'000	Machinery Sh'000	Motor vehicles Sh'000	Furniture, equipment and other Sh'000	Total Sh'000
COST OR VALUATION							
At 1 July 2002	1,056,512	10,227,756	4,976,183	12,736	1,327,129	4,043,510	21,643,826
Additions	7,903	783,991	397,723	-	-	14,451	1,204,068
Disposals	-	-	(9,197)	-	(58,670)	-	(67,867)
At 30 June 2003	1,064,415	11,011,747	5,364,709	12,736	1,268,459	4,057,961	22,780,027
Comprising							
At cost	1,064,415	783,991	5,364,709	12,736	1,268,459	4,057,961	12,552,271
At valuation-2002	-	10,227,756	-	-	-	-	10,227,756
	1,064,415	11,011,747	5,364,709	12,736	1,268,459	4,057,961	22,780,027
DEPRECIATION							
At 1 July 2002	351,490	93,759	1,337,015	10,803	1,158,876	2,675,968	5,627,911
Charge for the year	31,471	815,010	212,905	89	16,098	493,999	1,569,572
Eliminated on disposals	-	-	(7,405)	-	(52,803)	-	(60,208)
At 30 June 2003	382,961	908,769	1,542,515	10,892	1,122,171	3,169,967	7,137,275
NET BOOK VALUE							
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
At 30 June 2002	705,022	10,133,997	3,639,168	1,933	168,253	1,367,542	16,015,915
Work in progress							3,341,250
							19,357,165

12 PROPERTY AND EQUIPMENT (continued)

Included in property and equipment are fully depreciated assets with a value of Sh 2,575,488,003 (2002 - Sh 1,716,942,822) whose normal annual depreciation charge would have been Sh 507,813,449 (2002 - Sh 328,636,720).

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

NET BOOK VALUE (COST BASIS)

	Land and buildings Sh'000	Transmission lines Sh'000	Distribution lines Sh'000	Machinery Sh'000	Motor vehicles Sh'000	Furniture, equipment and other Sh'000	Total Sh'000
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
							<u>13,310,447</u>
At 30 June 2002	705,022	3,976,947	3,639,168	1,933	168,253	1,367,542	9,858,865
Work in progress							3,341,250
							<u>13,200,115</u>

13 OPERATING LEASE PREPAYMENTS

	Leasehold land Sh'000
COST	
At 30 June 2002 and 30 June 2003	133,694
AMORTISATION	
At 1 July 2002	1,437
Amortisation for the year	55
At 30 June 2003	1,492
NET BOOK VALUE	
At 30 June 2003	132,202
At 30 June 2002	132,257

14 UNQUOTED INVESTMENT

The investment is stated at cost 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.

15 DEFERRED TAXATION

Deferred taxation is calculated on all temporary differences under the liability method using the enacted rate of 30%. The net deferred tax asset at 30 June is attributable to the following items:

	2003 Sh'000	2002 Sh'000
Asset:		
Tax losses	(4,828,117)	(3,964,580)
Provisions	(616,523)	(365,981)
	<u>(5,444,640)</u>	<u>(4,330,561)</u>
Liability:		
Accelerated capital allowances	2,375,428	2,356,836
Unrealised exchange differences	33,478	16,221
Revaluation surplus	1,710,428	1,847,115
	<u>4,119,334</u>	<u>4,220,172</u>
	<u>(1,325,306)</u>	<u>(110,389)</u>
Movement on the deferred tax account is as follows:		
At 1 July	(110,389)	(987,941)
Income statement credit (note 10(a))	(1,214,917)	(969,563)
Debit to revaluation reserve	-	1,847,115
Net asset at 30 June	<u>(1,325,306)</u>	<u>(110,389)</u>

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

16 LOAN RECEIVABLE

	2003 Sh'000	2002 Sh'000
Due from Iberafira Power (E.A) Limited Receivable within one year	138,123 (116,444)	258,509 (148,724)
Non current	<u>21,679</u>	<u>109,785</u>

Due from Iberafira power (E.A) Limited represents the outstanding balance of US\$ 1,862,756 (Sh 138,123,357) on loan advanced to Iberafira power (E.A) Limited in September 1997 repayable in equal monthly instalments by 30 September 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% p.a.

17 DEPOSITS

	2003 Sh'000	2002 Sh'000
Standard Chartered Bank Kenya Limited (US\$ 2,386,007, 2002- US\$ 2,378,538)	176,962	187,500
Co-operative Bank of Kenya Limited (US\$ 2,000,000)	148,300	-
	<u>325,262</u> =====	<u>187,500</u> =====

The average effective rate on the deposits as at 30 June 2003 was 2 % (2002 - 2 %).

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

18 INVENTORIES

	2003 Sh'000	2002 Sh'000
General stores	998,067	1,518,765
Engineering spares	22,713	27,214
Fuel and oil	104,249	83,034
Transformers	596,941	687,487
Motor vehicle spares	72,568	69,855
Goods in transit	15,236	8,368
	<u>1,809,774</u> =====	<u>2,394,723</u> =====

19 TRADE AND OTHER RECEIVABLES

Electricity customers	4,579,591	5,281,623
Rural Electrification Schemes	1,426,365	671,914
Prepayments	264,145	399,145
Recoverable fuel costs	332,657	333,318
Other receivables	123,236	219,673
	<u>6,725,994</u> =====	<u>6,905,673</u> =====

Rural Electrification Scheme balance represents amounts owed to the Company by the Government of Kenya on account of Rural Electrification Schemes as disclosed in note 29.

20 SHORT TERM DEPOSITS

	2003 Sh'000	2002 Sh'000
Maturing within 3 months		
Housing Finance Company of Kenya Limited	266,872	244,525
Co-operative Bank of Kenya Limited	549,545	475,200
CFC Bank Limited	44,068	-
Stanbic Bank Kenya Limited	-	859,453
	<u>860,485</u>	<u>1,579,178</u>
	=====	=====

The average effective rate on the short term deposits as at 30 June 2003 was 3 % (2002 - 7 %).

21 SHARE CAPITAL

	2003 Sh'000	2002 Sh'000
Authorised:		
97,850,000 ordinary shares of Sh 20 each	1,957,000	1,957,000
	=====	=====
Issued and fully paid:		
79,128,000 ordinary shares of Sh 20 each	1,582,560	1,582,560
	=====	=====

22 TRADE AND OTHER PAYABLES

Kenya Electricity Generating Company Limited (KenGen)	3,443,580	2,338,204
Customers' deposits	1,760,257	1,554,990
Capital contributions	679,346	706,001
Suppliers' accounts	2,894,613	2,942,446
Rural Electrification Programme Levy	1,520,324	575,427
Electricity Regulatory Board Levy	32,389	29,402
Leave pay provision	244,247	181,481
Other payables and accruals	776,027	904,588
	<u>11,350,783</u>	<u>9,232,539</u>
Less: Non refundable and payable after one year	(2,439,603)	(2,260,991)
	<u>8,911,180</u>	<u>6,971,548</u>
	=====	=====

Due to KenGen represents outstanding amounts arising from power purchases.

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 RETIREMENT BENEFIT OBLIGATION

CMA-LIBRARY

Defined Benefit Plan

The company operates a defined retirement benefits scheme for all employees. The Scheme currently covers employees of both The Kenya Power & Lighting Company Limited and Kenya Electricity Generating Company Limited. However, a split of the Scheme's assets and liabilities between the two entities is expected soon. The scheme is administered by an in house team and is funded by contributions from both companies and their employees. The scheme's funds are jointly managed by AiG Global Investment (EA) Company Limited and Co-op Trust Investment Services Limited.

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 benefit plan are as follows:

	2003 Sh'000	2002 Sh'000
Net actuarial losses	236,910	-
Transitional liability	535,464	268,600
	<u>772,374</u>	<u>268,600</u>
	=====	=====

The charge for the year has been included in staff costs (note 8):

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

Present value of funded obligations	7,713,400	5,153,398
Unrecognised actuarial losses	(2,441,183)	-
Unrecognised transitional liability	-	(535,464)
Fair value of plan assets	(3,695,200)	(3,813,291)
	<u>1,577,017</u>	<u>804,643</u>
	=====	=====

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

At 1 January	804,643	536,043
Amounts charged to income	772,374	268,600
	<u>1,577,017</u>	<u>804,643</u>
	=====	=====

Key assumptions used:

	2003	2002
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%	-
- 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 Sh 200 per employee per month.

24 (a) BORROWINGS

	2003 Sh'000	2002 Sh'000
5.0% Kenya Government/Canadian loan 1990-2020	679,994	679,994
6.125% Kenya Government/Swiss mixed credit 1996-2005 (CHF 3,507,949)	192,670	205,721
2.6% Indosuez Bank, Belgium 1991-2004 (BEF 25,388,100)	53,434	82,217
10.0% Kenya Government/Finnish loan 1988-2003	11,206	11,206
13% East Africa Development Bank Limited 2000 - 2003 Kenya Government/European Investment Bank Olkaria loan (Euro 12,341,474) (2005 - 2020)	-	150,000
7.5% Kenya Government/Escrow loan (USD 3,000,000) -2007	1,244,728	957,922
4% East Africa Development Bank (Kiambere - Nairobi 220KVA line - USD 4,774,360) 2003-2007	222,450	236,400
4% FMO (Kipevu - Rabai line - USD 6,750,000)-(2003-2007)	354,020	241,635
0.75% Kenya Government/IDA 2966 KE loan	500,513	591,000
11% National Industrial Credit Bank Limited loan (2003 - 2004)	5,671	5,671
10% Standard Chartered Bank (K) Limited Loan - 2003	75,543	82,430
4.615% Bamburi Cement Limited loan-2003	300,000	300,000
Accrued interest	24,000	-
	27,193	19,377
	<hr/>	<hr/>
Due to Government of Kenya	3,691,422	3,563,573
Bank overdrafts	2,711,490	2,194,845
	298,268	1,260,821
	<hr/>	<hr/>
Total borrowings	6,701,180	7,019,239
Less: amounts repayable within 12 months	1,206,317	1,969,913
	<hr/>	<hr/>
Non current	5,494,863	5,049,326
	=====	=====

The amount due to the Government of Kenya represents various loan instalments due and payable to the Government of Kenya which were taken over by the company from KenGen as a result of the asset transfers between KenGen and KPLC during the financial year ended 30 June 2000 under the Kenya Power Sub-Sector Reform Programme. The amount is payable over a period of 5 years from 1st July 2004 and attracts interest at the rate of 7% per annum. The average interest rate paid on bank overdrafts during the year was 14% (2002 - 15.5%).

Details of security for loans and overdrafts

East African Development Bank Limited loan, FMO loan, National Industrial Credit Bank Limited loan, Standard Chartered Bank Limited loan and Bamburi Cement Limited loan 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 Co-operative Bank of Kenya limited are secured by letters of negative pledge.

24 BORROWINGS (Continued)

(b) Analysis of borrowings by currency

	Borrowings In Ksh KSh'000	Borrowings In US\$ Ksh'000	Borrowings In CHF Ksh'000	Borrowings In BEF Ksh'000	Borrowings In EURO Ksh'000	Total Borrowings in Ksh'000
2003						
Loans	3,823,517	1,088,564	192,670	53,433	1,244,728	6,402,912
Bank overdrafts	298,268	-	-	-	-	298,268
Total borrowings	4,121,785	1,088,564	192,670	53,433	1,244,728	6,701,180
2002						
Loans	3,443,523	1,069,035	205,721	82,217	957,922	5,758,418
Bank overdraft	1,260,821	-	-	-	-	1,260,821
Total borrowings	4,704,344	1,069,035	205,721	82,217	957,922	7,019,239

(c) Maturity of borrowings

	2003 Sh'000	2002 Sh'000
Due within 1 year	1,206,317	1,969,913
Due between 1 and 2 years	941,113	140,542
Due between 2 and 5 years	982,003	1,326,740
Due after 5 years	3,571,747	3,582,044
Total	6,701,180	7,019,239

25 DUE TO KENGEN

	2003 Sh'000	2002 Sh'000
Amounts due on power purchase account	8,081,442	8,081,442
Accrued development surcharge	1,841,207	1,841,207
Accrued interest/penalties	428,495	428,495
Total	10,351,144	10,351,144

In accordance with a rescheduling agreement between the Company and KenGen, the amount due on the power purchase account is repayable over a period of 7 years from 1 July 2003 while the accrued interest and accrued development surcharge balances are repayable over a period of 10 years from 1 July 2003. The balances attract interest at the rate of 7.2% per annum from 1 July 2002. Subsequent to 30 June 2003 as disclosed in note 35, subject to the finalisation of the legal formalities, the above loans will be converted to preference shares in the Company.

26 PREFERENCE SHARES

	2003 Sh'000	2002 Sh'000
350,000 - 7% cumulative preference shares of Sh 20 each	7,000	7,000
1,800,000 - 4% cumulative preference shares of Sh 20 each	36,000	36,000
	<u>43,000</u>	<u>43,000</u>

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

27 DIVIDENDS PAYABLE

These relate to accumulated dividends payable to the Government of Kenya.

	2003 Sh'000	2002 Sh'000
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28 NOTES TO THE CASH FLOW STATEMENT

(a) RECONCILIATION OF OPERATING LOSS TO CASH GENERATED FROM OPERATIONS

Operating loss	(2,728,438)	(2,549,512)
Depreciation	1,569,572	1,101,236
Amortisation	55	86
Profit on disposal of property and equipment	(31,254)	(456,599)
Net exchange gains	25,485	69,100
	<u>(1,164,580)</u>	<u>(1,835,689)</u>
Operating loss before working capital changes	(1,164,580)	(1,835,689)
Decrease in inventories	584,949	622,348
Decrease in trade and other receivables	179,679	4,064,956
Increase/(decrease) in trade and other payables	1,458,617	(8,751,838)
Increase in staff retirement benefits scheme	772,374	268,600
(Decrease)/increase in amounts due to KenGen	-	9,389,336
Movement in non current deposits	(137,762)	(187,500)
	<u>1,693,277</u>	<u>3,570,213</u>

(b) ANALYSIS OF CHANGES IN LOANS (excluding Government loans)

At 1 July	3,544,196	3,259,490
Received	780,198	1,144,204
Repaid	(700,250)	(951,988)
Exchange losses	40,085	92,490
Accrued interest	27,193	19,377
	<u>3,691,422</u>	<u>3,563,573</u>

28 NOTES TO THE CASH FLOW STATEMENT *continued*
 (c) ANALYSIS OF CASH AND CASH EQUIVALENTS

	2003 Sh'000	2002 Sh'000
Short term deposits	860,485	1,579,178
Bank and cash balances	544,147	282,616
Bank overdrafts	(298,268)	(1,260,821)
	<u>1,106,364</u>	<u>600,973</u>
	=====	=====

For the purpose of the cash flow statement, 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.

29 RELATED PARTY TRANSACTIONS

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

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

a) Government of Kenya

	2003 Sh'000	2002 Sh'000
* Loans		
Government loans repaid	-	19,708
	=====	=====
Interest paid/accrued	516,645	-
	=====	=====
* Electricity sales		
Electricity sales to Government Ministries	856,123	870,025
	=====	=====
Outstanding balances included in trade debtors	1,041,028	741,181
	=====	=====

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

*** Rural Electrification Schemes**

During the year, the company continued to manage the rural electrification scheme on behalf of the Government of Kenya. The Rural Electrification Scheme (RES) was established in 1973 by the Government of Kenya following an agreement between the Government 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 rural areas. The rural electrification scheme is funded by several donors through the Government of Kenya. Any property acquired by RES remains the property of the Government. KPLC only acts as a management agent on behalf of the Government.

29 RELATED PARTY TRANSACTIONS (Continued)

* Rural Electrification Schemes (Continued)

The Schemes' financial details not included in these accounts are as follows:

	2003 Sh'000	2002 Sh'000
Electricity sales	1,006,188	978,787
Expenditure	1,932,378	2,103,073
Net deficit	926,790	1,124,286
Assets	6,694,435	5,776,916

The balance outstanding in the current account with the Government of Kenya is disclosed in note 19 under trade and other receivables.

Other details relating to transactions and balance with the Government of Kenya are disclosed in note 24.

b) Kenya Electricity Generating Company Limited, (KenGen)

Electricity purchases	10,150,013	10,098,493
	=====	=====
Accrued interest on loan	680,000	-
	=====	=====

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 2003 are disclosed in Notes 22 and 25.

c) KPLC Staff Retirement Benefits Scheme

The Company uses property owned by the staff retirement benefits scheme for office accommodation and rent paid during the year amounted to Sh 40,000,000 (2002 - Sh 40,000,000).

30 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 rate 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.

31 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.

	2003 Sh'000	2002 Sh'000
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32 CAPITAL COMMITMENTS

Authorised and contracted for	4,324,834	4,094,022
Less: Amount incurred and included in work in progress	(2,614,463)	(2,103,103)
	<hr/>	<hr/>
	1,710,371	1,990,919
Less: Capital contributions received from customers	(808,221)	(867,433)
	<hr/>	<hr/>
	902,150	1,123,486
	=====	=====

33 CONTINGENT LIABILITIES

Bank guarantees	200,000	239,921
Claims on the Company	1,348,270	1,284,191
	<hr/>	<hr/>
	1,548,270	1,524,112
	=====	=====

Included in the claims on the Company is Shs 1.2 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 currently in court.

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. The directors, however, do not anticipate that any liability will accrue from the pending suits.

As disclosed in Note 2, Iberafrica Power (EA) Company Limited reduced its capacity charge from US\$ 395 to US\$ 255/ kW/year from April 2002, on the understanding that the current power purchase agreement will be renewed when it expires on 26 August 2004. In the event that the power purchase agreement is not renewed, there would be a potential liability of about Sh 857 million as of 30 June 2003.

34 OPERATING LEASE COMMITMENTS

AS LESSEE:

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

	2003 Sh'000	2002 Sh'000
Not later than 1 year	101,285	119,962
Later than 1 year and not later than 5 years	56,275	156,052
	<u>157,560</u>	<u>276,014</u>

AS LESSOR

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

Not later than 1 year	37,611	36,465
Later than 1 year but not later than 5 years	80,154	132,510
Later than 5 years	-	6,567
	<u>117,765</u>	<u>175,542</u>

35 EVENT AFTER THE BALANCE SHEET DATE

Event

The Government of Kenya, at a Cabinet meeting held on 17 September 2003, approved the conversion of Sh 12,260 million (Sh 10,351 million accounted for under non current liabilities note 25 and Sh 1,909 accounted for under current liabilities note 22) due to Kenya Electricity Generating Company Limited (KenGen) and another Sh 3,639 million (accounted for under borrowings note 24) due to the Government of Kenya into preference shares in The Kenya Power & Lighting Company Limited to improve the equity position of the company.

To be classified as equity, the preference shares are expected to be non cumulative and their redemption will be at the option of the The Kenya Power & Lighting Company Limited.

Financial effect

Subsequent adjustments to account for the above changes will result in increase in equity by Sh 15,899 million and a corresponding decrease in liabilities (Sh 13,766 million non current and Sh 2,133 million current liabilities) by the equivalent amounts. The legal formalities to convert the loans to preference shares have, however, not been finalised.

36 INCORPORATION

The Company is incorporated in Kenya under the Companies Act.

37 CURRENCY

These financial statements are prepared in Kenya shillings thousands (Shs'000).

TEN YEAR FINANCIAL AND STATISTICAL RECORD

	30th June 1994	30th June 1995	30th June 1996	30th June 1997	30th June 1998
UNITS SOLD (Millions)	2,997	3,017	3,269	3,406	3,498
Average yield of units sold (cents)	309.63	429.49	456.58	495.98	516.67
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Revenue from sale of electricity	9,279,744	12,957,798	14,925,761	16,893,149	18,073,232
PROFIT/(LOSS) for the Year					
before exceptional item	763,136	1,499,803	1,512,042	2,160,099	2,005,343
Exceptional item	-	-	-	-	-
PROFIT/(LOSS) for the Year before taxation	763,136	1,499,803	1,512,042	2,160,099	2,005,343
TAXATION (CREDIT)	151,000	416,872	395,752	606,071	658,612
NET PROFIT/(LOSS) AFTER TAXATION	612,136	1,082,931	1,116,290	1,554,028	1,346,731
Preference dividends (gross)	(1,930)	(1,930)	(1,930)	(1,930)	(1,930)
NET PROFIT/(LOSS) ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	610,206	1,081,001	1,114,360	1,552,098	1,344,801
ORDINARY DIVIDENDS (gross)	-31,651	-35,168	-140,672	-422,016	-422,016
RETAINED PROFIT/(LOSS) FOR THE YEAR	578,555	1,045,833	973,688	1,130,082	922,785
FUNDS GENERATED FROM OPERATIONS					
Profit/(Loss) for the year	578,555	1,045,833	973,688	1,130,082	922,785
Depreciation	239,858	203,058	335,430	406,484	579,494
	818,413	1,248,891	1,309,118	1,536,566	1,502,279
CAPITAL EMPLOYED					
Fixed Assets less depreciation	3,747,281	4,523,340	4,770,730	6,587,490	7,548,159
Loan to KenGen	378,683	298,056	233,731	146,242	80,871
Investment	4,300	4,300	4,300	4,300	4,300
Net current assets/(Liabilities)	(129,539)	(107,367)	354,322	(340,480)	-389,532
	4,000,725	4,718,329	5,363,083	6,397,552	7,243,798
FINANCED BY:					
Ordinary shareholders' equity	1,857,593	2,903,426	3,877,114	5,007,196	5,060,357
Preference capital	43,000	43,000	43,000	43,000	43,000
Loan capital (secured)	6,000	5,200	4,400	-	-
Loan capital (unsecured)	2,094,132	1,766,703	1,438,569	1,347,356	1,153,273
Deferred taxation	-	-	-	-	987,168
Non current liability	-	-	-	-	-
	4,000,725	4,718,329	5,363,083	6,397,552	7,243,798
CAPITAL EXPENDITURE	410,642	979,782	588,611	2,223,312	1,542,191
Average cost of units sold(cents)	2 84	386	427	459	471
PROFIT/(LOSS) for the year before taxation as a percentage of average capital employed	19.16%	34.40%	30.00%	36.73%	29.40%
ORDINARY DIVIDEND RATES	18%	20%	40%	40%	40%
Earnings per share (Shs)	69.4	122.95	21.12	29.42	17
Customers/employee ratio	34.62	41.79	49.62	51.52	63.2
Sales (KW/Hr) per employee	294,227	348,488	398,999	411,402	488,070

TEN YEAR FINANCIAL AND STATISTICAL RECORD

CONTINUED

30th June 1999	30th June 2000	30th June 2001	30th June 2002	30th June 2003	
3,564	3,365	3,091	3,498	3,654	UNITS SOLD (Millions)
516.91	700.28	911.95	709.2	633.03	Average yield of units sold (cents)
Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Revenue from sale of electricity
18,422,731	23,564,466	28,188,525	24,807,649	23,130,782	
=====	=====	=====	=====	=====	
1,721,924	(4,155,863)	(4,103,984)	(1,868,760)	(4,110,263)	PROFIT/(LOSS) for the Year
-	1,581,594	-	-978,426	-	before exceptional item
-----	-----	-----	-----	-----	Exceptional item
1,721,924	(2,574,269)	(4,103,984)	(2,847,186)	(4,110,263)	PROFIT/(LOSS) for the Year before taxation
416,662	(966,287)	(1,229,203)	(969,563)	(1,214,917)	TAXATION (CREDIT)
-----	-----	-----	-----	-----	
1,305,262	(1,607,982)	(2,874,781)	(1,877,623)	(2,895,346)	NET PROFIT/(LOSS) AFTER TAXATION
(1,930)	(1,930)	(1,930)	(1,930)	(1,930)	Preference dividends (gross)
-----	-----	-----	-----	-----	
1,303,332	(1,609,912)	(2,876,711)	(1,879,553)	(2,897,276)	NET PROFIT/(LOSS) ATTRIBUTABLE TO
(633,024)	(158,256)	-	-	-	ORDINARY SHAREHOLDERS
-----	-----	-----	-----	-----	ORDINARY DIVIDENDS (gross)
670,308	(1,768,168)	(2,876,711)	(1,879,553)	(2,897,276)	RETAINED PROFIT/(LOSS) FOR THE YEAR
=====	=====	=====	=====	=====	
670,308	(1,768,168)	(2,876,711)	(1,879,553)	(2,897,276)	FUNDS GENERATED FROM OPERATIONS
748,424	926,201	1,138,686	1,101,236	1,569,572	Profit/(Loss) for the year
-----	-----	-----	-----	-----	Depreciation
1,418,732	-841,967	-1,738,025	-778,317	-1,327,704	
=====	=====	=====	=====	=====	
9,136,366	12,022,675	12,476,132	19,357,165	19,011,871	CAPITAL EMPLOYED
-	-	-	-	-	Fixed Assets less depreciation
4,300	4,300	4,300	4,300	4,300	Loan to KenGen
694,474	(2,445,301)	(7,108,211)	1,319,233	(1,873,118)	Investment
-----	-----	-----	-----	-----	Net current assets/(Liabilities)
9,835,140	9,581,674	5,372,221	20,680,698	17,143,053	
=====	=====	=====	=====	=====	
5,730,665	3,962,497	1,085,785	3,516,168	618,892	FINANCED BY:
43,000	43,000	43,000	43,000	43,000	Ordinary shareholders' equity
-	-	-	-	-	Preference capital
1,239,483	1,268,999	2,258,632	5,049,326	5,494,863	Loan capital (secured)
1,207,550	241,263	(987,940)	(110,389)	(1,325,306)	Loan capital (unsecured)
1,614,442	4,065,915	2,972,744	12,612,135	12,790,747	Deferred taxation
9,835,140	9,581,674	5,372,221	21,110,240	17,622,196	Non current liability
=====	=====	=====	=====	=====	
2,351,083	4,669,768	1,593,319	1,959,535	1,231,937	CAPITAL EXPENDITURE
464	803	1,027	866	766	Average cost of units sold(cents)
-----	-----	-----	-----	-----	PROFIT/(LOSS) for the year before taxation as a
20.16%	(26.52%)	(54.89%)	(21.50%)	(21.22%)	percentage of average capital employed
40%	10%	0.00%	0.00%	0.00%	ORDINARY DIVIDENDS RATES
16.47	(20.35)	(36.35)	(23.75)	(36.61)	Earnings per share (Shs)
66.57	71.31	71.22	98.25	113.94	Customers/employee ratio
501,972	474,278	473,064	537,444	614,206	Sales (KWHr) per employee
=====	=====	=====	=====	=====	

SIX YEAR STATISTICAL ANALYSIS

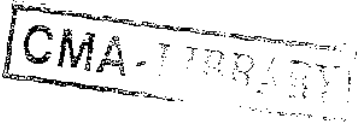


TABLE 1: POWER SYSTEM OPERATION STATISTICS FOR 6 YEARS

COMPANY	Capacity (MW) as at 30.06.2003		Units in GWh						Avg. Annual Growth over the Last 5 Yrs
	Installed	Effective	1997/98	1998/99	1999/00 ¹	2000/01 ²	2001/02 ³	2002/03 ³	
KenGen Hydro									
Tana	14.4	14.0	76	92	63	71	76	85	
Wanjii	7.4	7.4	51	35	46	47	52	51	
Kamburu	94.2	94.0	480	410	247	181	330	470	
Gitari	225.0	200.0	818	789	734	354	665	945	
Kindaruma	40.0	40.0	198	240	157	81	162	224	
Small Stations	6.2	5.4	26	21	19	20	22	25	
Masinga	40.0	40.0	204	223	142	28	127	206	
Kiambere	144.0	144.0	1023	1037	813	292	703	999	
Turkwei	106.0	106.0	384	436	214	240	264	136	
Total	677.2	640.8	3259	3274	2435	1328	2402	3120	-1.0%
KenGen Thermal									
Kipevu Steam	75.5	25.0	201	141	199	126	94	83	
Kipevu I (75MW Diesel)	75.0	70.0	0	0	393	449	288	144	
Fiat - Nairobi South	13.5	10.0	0	15	30	35	1	0	
Kipevu GTs	60.0	60.0	130	181	384	274	77	20	
Garissa & Lamu	3.9	3.5	11	11	10	10	11	12	
Total	227.9	169.5	351	358	1015	894	451	260	-6.2%
KenGen Geothermal									
Olkaria I	45.0	45.0	366	390	381	340	377	277	-6.7%
KenGen Wind									
Ngong	0.4	0.4	1	0	0	0	0	0	
Government of Kenya Thermal									
REF Stations	5.1	4.6	10	11	10	10	10	10	-1.1%
Independent Power Producers Thermal									
Iberafica	56.0	56.0	213	275	294	348	348	251	
Westmont	43.5	43.5	170	188	169	277	149	29	
Tsavo ³	74.5	74.5	0	0	0	7	550	473	
Mumias	0.0	0.0	9	0	0	6	0	0	
Total	174.0	174.0	383	463	463	638	1048	753	10.2%
Independent Power Producers Geothermal									
OrPower 4	13.0	13.0			2	89	103	109	
Emergency Power Producers⁴									
Aggreko	0.0	0.0				303	0	0	
Cummins	0.0	0.0				174	0	0	
Deutz	0.0	0.0				111	0	0	
Total	0.0	0.0				587	0	0	
Uganda (Imports)	30.0	0.0	146	140	155	198	172	222	9.6%
GROSS GENERATION	1162.6	1047.2	4516	4637	4461	4081	4564	4750	0.5%
AUXILIARY CONSUMPTION⁵			41	35	0	0	0	0	
SYSTEM LOSSES⁶			831	884	967	869	906	948	1.4%
SALES - KPLC SYSTEM			3499	3564	3366	3091	3498	3654	0.5%
- REF SYSTEM			146	153	138	121	130	147	-0.8%
TOTAL SALES			3644	3717	3504	3212	3628	3801	0.4%
SYSTEM PEAK DEMAND MW			721	734	708	724	760	786	1.4%
System Load Factor			71.5%	72.2%	71.9%	64.4%	69.0%	69.4%	
Sales % of Net Generation			81.4%	80.8%	78.5%	78.7%	79.5%	80.0%	
Losses as % of Net Generation			18.6%	19.2%	21.5%	21.3%	20.5%	20.0%	
Annual growth - GENERATION			5.1%	2.7%	-3.8%	-8.5%	10.6%	4.1%	
- SALES KPLC			2.7%	1.9%	-5.6%	-8.2%	11.5%	4.8%	
- SALES REF			-2.8%	4.6%	-9.8%	-12.7%	6.2%	12.9%	

Notes:

- 1) Maximum output from the station under normal operating conditions.
- 2) The power station statistics are units purchased.
- 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) Auxiliary units are equivalent to zero due to the transfer of ownership of the power stations to KenGen.
- 6) 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 actual situation due to intense power rationing for the years 1999/00 and 2000/01.

SIX YEAR STATISTICAL ANALYSIS

TABLE 2: AREA MAXIMUM DEMAND (MW)

AREA	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	Avg. Annual Growth over the Last 5 Yrs
Nairobi	399	400	408	401	385	405	
Coast	141	134	147	140	158	145	
Central Rift	45	52	51	50			
West Kenya	77	79	77	75	158	157	
Mt. Kenya	44	45	43	47	76	78	
North Rift	35	33	31	35			
TOTAL SYSTEM (SIMULTANEOUS)	721	734	708	724	760	786	1.4%
% INCREASE P.A.	5.9%	1.8%	-3.5%	2.2%	5.0%	3.4%	

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

TARIFF	TYPES OF CUSTOMERS COVERED BY THIS TARIFF	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	Avg. Annual Growth over the Last 5 Yrs
A	Domestic, small Commercial and Industrial	1,207	1,270	1,158	1,064	1,215	1,283	0.2%
B	Commercial (Medium) and Industrial (Medium)	665	680	724	609	696	748	2%
C	Commercial (large) and Industrial (large)	1,526	1,513	1,398	1,361	1,513	1,557	1%
D	Off-peak	89	92	74	51	55	59	-9%
E	Street lighting	11	9	11	7	19	7	-5%
	TOTAL	3,498	3,564	3,366	3,091	3,498	3,654	1%
	% INCREASE P.A.	2.7%	1.9%	-5.6%	-8.2%	13.1%	4.5%	

TABLE 4: AREA TOTAL UNIT SALES (GWh)

AREA	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	Avg. Annual Growth over the Last 5 Yrs
Nairobi	1,867	1,981	1,884	1,684	1,806	1,923	
Coast	730	896	838	648	688	708	
Central Rift	223	205	202	183			
West Kenya	382	386	375	318	685	702	
Mt. Kenya	151	159	143	141	319	321	
North Rift	145	137	124	117			
KPLC Sales	3,498	3,564	3,366	3,091	3,498	3,654	0.5%
R.E.F. Schemes	146	153	138	121	130	147	-0.8%
TOTAL	3,644	3,717	3,504	3,212	3,628	3,801	0.4%
%INCREASE P.A.	2.5%	2.0%	-5.7%	-8.3%	13.0%	4.8%	

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 four (4) regions for the year 2001/02 and 2002/03

SIX YEAR STATISTICAL ANALYSIS

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

REGION	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	Avg. Annual Growth over the Last 5 Yrs
Nairobi	489	542	497	442	503	541	
Coast	153	131	131	127	132	142	
Central Rift	39	39	37	34			
West Kenya	33	35	35	31	87	97	
Mt. Kenya	29	39	28	27	46	51	
North Rift	18	18	20	18			
TOTAL	761	804	748	679	768	831	
% INCREASE P.A.	9.2%	5.6%	-6.9%	-9.3%	13.1%	8.2%	

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

REGION	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	Avg. Annual Growth over the Last 5 Yrs
Nairobi	213	266	229	203	214	217	
Coast	70	65	57	59	67	65	
Central Rift	39	37	37	34			
West Kenya	40	43	39	40	105	109	
Mt. Kenya	35	36	32	33	60	59	
North Rift	16	19	16	15			
TOTAL	414	466	410	385	446	450	
% INCREASE P.A.	-1.1%	12.6%	-12.1%	-6.1%	16.1%	0.8%	

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

REGION	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	Avg. Annual Growth over the Last 5 Yrs
Nairobi	17.2	30.2	39.1	21.5	4.4	5.0	
Coast	0.4	0.7	0.7	0.6	0.4	0.4	
Central Rift	7.3	10.6	11.0	9.0			
West Kenya	0.9	1.4	1.6	0.5	11.0	13.5	
Mt. Kenya	1.3	2.1	2.1	1.2	20.3	19.0	
North Rift	0.1	0.0	0.0	0.0			
TOTAL	27	45	54	33	36	38	
% INCREASE P.A.	-42.4%	66.1%	21.0%	-40.0%	10.7%	86.2%	

SIX YEAR STATISTICAL ANALYSIS

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

AREA	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	Avg. Annual Growth over the last 5 yrs
Nairobi	0	0	0	0	0	0	
Coast	0	0	0	0	0	0	
Central Rift	0	0	0	0			
West Kenya	0	0	11	119	121	120	
Mt. Kenya	0	0	0	0	0	0	
North Rift	0	0	0	0			
TOTAL	0	0	11	119	121	120	61%
% INCREASE P.A.	0.0%	0.0%	0.0%	987.8%	0.9%	-0.5%	

Note: Category C5 was introduced into the customer categories on 29th May 2000.

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

AREA	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	Avg. Annual Growth over the Last 5 Yrs
Nairobi	80.9	62.4	69.0	46.6	48.6	53.33	
Coast	2.7	15.3	1.6	1.1	1.4	1.30	
Central Rift	1.5	3.5	1.0	0.9			
West Kenya	1.3	4.2	0.8	0.8	2.7	2.05	
Mt. Kenya	1.4	4.6	0.9	0.9	2.7	1.88	
North Rift	0.8	2.3	0.5	0.5			
TOTAL	89	92	74	51	55	59	-9%
% INCREASE P.A.	3.0%	4.3%	-20.2%	-31.1%	9.1%	5.8%	

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

AREA	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	Avg. Annual Growth over the Last 5 Yrs
Nairobi	9.6	7.5	8.8	4.9	4.6	5.4	
Coast	0.1	0.7	1.8	1.0	0.7	0.5	
Central Rift	0.4	0.4	0.4	0.3			
West Kenya	0.1	0.2	0.0	0.1	0.5	0.5	
Mt. Kenya	0.3	0.2	0.2	0.2	0.4	0.4	
North Rift	0.2	0.3	0.2	0.1			
TOTAL	10.8	9.3	11.3	6.6	6.2	6.8	-6%
% Increase P.A.	5.9%	-13.5%	21.7%	-41.6%	6.5%	10.1%	

SIX YEAR STATISTICAL ANALYSIS

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

REGION	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	Avg. Annual Growth over the Last 5 Yrs	
Nairobi	489	542	497	442	503	541		
Coast	153	131	131	127	132	142		
Central Rift	39	39	37	34				
West Kenya	33	35	35	31	87	97		
Mt. Kenya	29	39	28	27	46	51		
North Rift	18	18	20	18				
TOTAL	761	804	748	679	768	831		0.7%
% INCREASE P.A.	9.2%	5.6%	-6.9%	-9.3%	13.1%	8.2%		

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

REGION	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	Avg. Annual Growth over the Last 5 Yrs	
Nairobi	213	266	229	203	214	217		
Coast	70	65	57	59	67	65		
Central Rift	39	37	37	34				
West Kenya	40	43	39	40	105	109		
Mt. Kenya	35	36	32	33	60	59		
North Rift	16	19	16	15				
TOTAL	414	466	410	385	446	450		-0.7%
% INCREASE P.A.	-1.1%	12.6%	-12.1%	-6.1%	16.1%	0.8%		

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

REGION	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	Avg. Annual Growth over the Last 5 Yrs	
Nairobi	17.2	30.2	39.1	21.5	4.4	5.0		
Coast	0.4	0.7	0.7	0.6	0.4	0.4		
Central Rift	7.3	10.6	11.0	9.0				
West Kenya	0.9	1.4	1.6	0.5	11.0	13.5		
Mt. Kenya	1.3	2.1	2.1	1.2	20.3	19.0		
North Rift	0.1	0.0	0.0	0.0				
TOTAL	27	45	54	33	36	38		-3%
% INCREASE P.A.	-42.4%	66.1%	21.0%	-40.0%	10.7%	86.2%		

SIX YEAR STATISTICAL ANALYSIS

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

AREA	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	Avg. Annual Growth over the Last 5 Yrs	
Nairobi	359	371	398	321	353	381		
Coast	112	104	104	93	107	124		
Central Rift	59	52	55	52				
West Kenya	45	43	41	36	128	133		
Mt. Kenya	27	28	28	28	54	52		
North Rift	29	29	28	26				
TOTAL	629	627	654	556	642	690		2%
% INCREASE P.A.	5.5%	-0.3%	4.4%	-15.0%	15.4%	7.5%		

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

AREA	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	Avg. Annual Growth over the Last 5 Yrs	
Nairobi	3.5	3.2	9.0	7.8	9.5	13.5		
Coast	2.1	2.3	2.5	3.1	3.7	5.2		
Central Rift	0.8	0.8	0.7	1.7				
West Kenya	0.6	0.6	0.9	0.7	3.0	3.1		
Mt. Kenya	0.0	0.0	0.0	0.2	0.8	1.0		
North Rift	2.2	1.3	1.3	1.3				
TOTAL	9.1	8.2	14.3	14.9	17.0	22.8		23%
% INCREASE P.A.	-34.1%	-10.4%	74.9%	3.8%	13.9%	34.5%		

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

AREA	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	Avg. Annual Growth over the last 5 yrs	
Nairobi	0.0	0.0	0.8	4.9	0.9	0.0		
Coast	0.0	0.0	0.0	0.0	0.0	0.0		
Central Rift	0.0	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	0.0				
TOTAL	0.0	0.0	0.8	4.9	0.9	0.0		
% INCREASE P.A.	0.0%	0.0%	0.0%	539.2%	-81.3%	-100.0%		

* B3 Tariff category was phased out in January 2002.

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TABLE 11: REGIONAL SALE OF ELECTRICITY IN GWh FOR CATEGORY "C1" LARGE COMMERCIAL AND INDUSTRIAL LOAD (240V or 415V)

AREA	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	Avg. Annual Growth over the Last 5 Yrs
Nairobi	232	204	173	190	211	218	
Coast	91	92	95	104	94	91	
Central Rift	46	40	39	32			
West Kenya	72	68	69	62	127	127	
Mt. Kenya	44	40	44	44	89	89	
North Rift	17	14	12	12			
TOTAL	503	458	431	444	521	526	
% INCREASE P.A.	-8.0%	-8.9%	-5.8%	2.9%	17.3%	1.0%	

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

AREA	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	Avg. Annual Growth over the Last 5 Yrs
Nairobi	334	362	327	303	303	320	
Coast	254	245	203	210	221	217	
Central Rift	26	21	20	19			
West Kenya	44	44	40	26	96	96	
Mt. Kenya	8	9	8	6	46	48	
North Rift	61	54	46	44			
TOTAL	727	735	643	608	666	681	
% INCREASE P.A.	-0.1%	1.0%	-12.6%	-5.4%	9.7%	2.2%	

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

AREA	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	Avg. Annual Growth over the Last 5 Yrs
Nairobi	115	133	133	140	147	168	
Coast	38	40	42	50	59	63	
Central Rift	0	0	0	0			
West Kenya	143	147	138	0	0	0	
Mt. Kenya	0	0	0	0	0	0	
North Rift	0	0	0	0			
TOTAL	296	320	313	191	206	231	
% INCREASE P.A.	13.4%	8.1%	-2.1%	-39.2%	8.1%	11.9%	

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

AREA	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	Avg. Annual Growth over the last 5 yrs
Nairobi	0	0	0	0	0	0	
Coast	0	0	0	0	0	0	
Central Rift	0	0	0	0			
West Kenya	0	0	11	119	121	120	
Mt. Kenya	0	0	0	0	0	0	
North Rift	0	0	0	0			
TOTAL	0	0	11	119	121	120	61%
% INCREASE P.A.	0.0%	0.0%	0.0%	987.8%	0.9%	-0.5%	

Note: Category C5 was introduced into the customer categories on 29th May 2000.

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

AREA	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	Avg. Annual Growth over the Last 5 Yrs
Nairobi	80.9	62.4	69.0	46.6	48.6	53.33	
Coast	2.7	15.3	1.6	1.1	1.4	1.30	
Central Rift	1.5	3.5	1.0	0.9			
West Kenya	1.3	4.2	0.8	0.8	2.7	2.05	
Mt. Kenya	1.4	4.6	0.9	0.9	2.7	1.88	
North Rift	0.8	2.3	0.5	0.5			
TOTAL	89	92	74	51	55	59	-9%
% INCREASE P.A.	3.0%	4.3%	-20.2%	-31.1%	9.1%	5.8%	

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

AREA	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	Avg. Annual Growth over the Last 5 Yrs
Nairobi	9.6	7.5	8.8	4.9	4.6	5.4	
Coast	0.1	0.7	1.8	1.0	0.7	0.5	
Central Rift	0.4	0.4	0.4	0.3			
West Kenya	0.1	0.2	0.0	0.1	0.5	0.5	
Mt. Kenya	0.3	0.2	0.2	0.2	0.4	0.4	
North Rift	0.2	0.3	0.2	0.1			
TOTAL	10.8	9.3	11.3	6.6	6.2	6.8	-6%
% Increase P.A.	5.9%	-13.5%	21.7%	-41.6%	6.5%	10.1%	

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TABLE 17: REGIONAL REF UNIT SALES (GWh)

AREA	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	Avg. Annual Growth over the Last 5 Yrs
Nairobi	32	41	40	35	25	26	
Coast	13	15	14	11	8	7	
Central Rift	23	20	19	16			
West Kenya	32	35	28	20	65	69	
Mt. Kenya	24	19	17	17	32	45	
North Rift	23	23	20	20			
TOTAL	146	153	138	121	130	147	-1%
% Increase P.A.	-2.7%	4.6%	-9.8%	-12.7%	8.1%	12.8%	

TABLE 18: REGIONAL TOTAL NUMBER OF CUSTOMERS

AREA	AS AT 30 TH JUNE						Avg. Annual Growth over the Last 5 Yrs
	1998	1999	2000	2001	2002	2003	
Nairobi	221,603	230,074	250,553	270,580	286,004	308,056	6%
Coast	66,678	67,815	68,230	71,153	74,659	81,138	4%
Central Rift	29,733	32,059	35,048	37,066			
West Kenya	32,399	33,268	34,667	35,858	98,112	106,438	26%
Mt. Kenya	29,665	31,470	33,076	33,454	55,905	60,467	14%
North Rift	14,907	16,549	17,707	17,250			
KPLC Customers	394,985	411,235	439,281	465,361	514,680	556,099	6%
R.E.F. Customers	57,978	61,436	66,670	71,718	78,941	87,175	7%
TOTAL	452,963	472,671	505,951	537,079	593,621	643,274	6%
% Increase P.A.	6.2%	4.4%	7.0%	6.2%	10.5%	8.4%	

SIX YEAR STATISTICAL ANALYSIS

TABLE 20: REVENUE (SHS' MILLION) IN CATEGORY OF CUSTOMERS

TARIFF	MAIN TYPE OF CUSTOMERS COVERED BY THIS TARIFF	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	Avg. Annual Growth over the Last 5 Yrs
A	Domestic, small commercial and small industrial	6,419	6,627	8,989	10,368	10,023	8,841	5.9%
B	Commercial and industrial (medium)	3,741	4,077	5,426	5,939	4,910	5,220	5.1%
C	Commercial (large) Industrial (large)	6,834	7,014	8,576	11,382	9,682	8,743	4.5%
D	Off-peak	357	365	385	420	106	276	-5.4%
E	Street Lighting	52	47	95	80	87	51	1.6%
	SUB-TOTAL	17,403	18,130	23,471	28,189	24,808	23,131	5.0%
	OTHERS	670	293	93	0	0	0	
	TOTAL (KPLC)	18,073	18,423	23,564	28,189	24,808	23,131	4.7%
	R.E.F.	804	851	1,086	1,141	979	1,011	4%
	GROSS TOTAL	18,877	19,274	24,650	29,329	25,787	24,142	5%
	%INCREASE P.A.	6.4%	2.1%	27.9%	19.0%	-12.2%	-6.4%	

Note: Others is inclusive of foreign exchange and fuel cost adjustments for the period 1995/96 to 1999/2000.

In the years 2000/01, 2001/02 and 2002/03, 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
	1998	1999	2000	2001	2002	2003	
Nationality							
Citizen	7,166	7,099	7,094	6,900	6,423	6,269	-2.5%
Non Citizen	1	1	1	0	0	0	
Total	7,167	7,100	7,095	6,900	6,423*	6,269*	-2.5%
% INCREASE P.A.	-13.4%	-0.9%	-0.1%	-2.7%	-6.9%	-2.4%	
Sex							
Male	6,078	5,963	5,896	5,704	5,328	5,181	-2.8%
Female	1,089	1,137	1,199	1,196	1,097	1,088	-0.9%
Ratio- Male/Female	6	5	5	5	5	5	
Job							
Technical	4,512	4,615	3,768	4,204	3,937	3,887	-3.4%
% of total staff	63.0%	65.0%	53.1%	60.9%	61.3%	62.0%	
Non Technical	2,655	2,485	3,327	2,696	2,486	2,382	-0.8%
% of total staff	37.0%	35.0%	46.9%	39.1%	38.7%	38.0%	

* The staff numbers shown in Year 2002 & 2003 includes both permanent and casual staff unlike in previous years where only permanent staff were supported

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
		1998	1999	2000	2001	2002	2003	
A0 only	Domestic							
	KPLC	273,532	290,687	315,327	334,381	380,240	413,303	7.3%
A0 & D0	REF	33,499	36,737	41,214	44,370	50,340	55,545	8.8%
	Domestic							
A1 only	KPLC	41,787	42,878	44,316	46,994	46,140	49,266	2.8%
	REF	228	256	265	285	284	316	4.3%
A1 & D0	Small Commercial							
	KPLC	72,332	72,025	73,828	78,289	81,974	86,923	3.8%
B0	REF	23,811	24,196	24,964	26,876	28,164	31,080	5.1%
	Small Commercial							
B1	KPLC	1,891	1,193	1,076	1,141	937	1,124	-1.2%
	REF	304	121	100	108	67	160	5.7%
B2	Irrigation Load							
	KPLC	291	265	266	233	225	247	-1.4%
B3	REF	10	8	7	2	3	2	-24.2%
	Medium Commercial and Industrial							
C1	KPLC	2,285	2,326	2,485	2,330	2,512	2,591	2.2%
	REF	81	98	91	54	58	48	-13.3%
C2	Medium Commercial and Industrial							
	KPLC	21	20	40	40	47	58	23.7%
C3	Medium Commercial and Industrial							
	KPLC	0	0	3	3	1	1	-19.7%
C4	Large Commercial							
	KPLC	286	282	245	263	282	279	-0.2%
C5	REF	7	5	3	3	2	1	-27.5%
	Large Commercial and Industrial							
D0 only	KPLC	135	140	125	128	124	128	-2.1%
	REF	0	0	0	0	0	0	
E0	Large Commercial and Industrial							
	KPLC	18	19	14	14	16	19	0.0%
E1	REF	0	0	0	0	0	0	
	Large Commercial and Industrial							
E2	KPLC	0	0	1	1	1	1	0.0%
	Off-peak							
E3	KPLC	2,383	806	659	523	645	1,056	5.6%
	REF	25	15	14	13	13	12	-4.4%
E4	Street lighting							
	KPLC	224	594	896	1,021	1,536	1,105	13.2%
E5	REF	13	0	12	7	12	11	
	TOTAL (KPLC)	394,985	411,235	439,281	465,361	514,880	556,089	6.2%
E6	TOTAL (R.E.F.)	57,978	61,438	66,670	71,718	78,941	87,175	6.4%
	GROSS TOTAL	452,963	472,671	505,951	537,079	593,821	643,274	5.6%
E7	% INCREASE P.A.	6.2%	4.4%	7.0%	6.2%	10.5%	8.4%	

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TABLE 22: TRANSMISSION AND DISTRIBUTION LINES: CIRCUIT LENGTH (KMS)

VOLTAGE	AS AT 30TH JUNE						Avg. Annual Growth over the Last 5 Yrs
	1998	1999	2000	2001	2002	2003	
220 kV	877	877	877	885	941	941	4.8%
132 kV	1,997	1,997	1,997	2,032	2,032	2,035	
66 kV	574	574	576	580	580	580	
40 kV	126	126	126	126	58	58	
33 kV	4,203	4,516	4,639	4,795	5,265	5,430	
11 kV	9,671	10,029	10,397	10,593	13,788	13,879	
TOTAL	17,448	18,120	18,612	19,011	22,664	22,923	
% INCREASE P.A.	1.0%	3.8%	2.7%	2.1%	19.2%	1.1%	

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

	AS AT 30TH JUNE						Avg. Annual Growth over the Last 5 Yrs
	1998	1999	2000	2001	2002	2003	
Generation S/Stns							5.4%
11/220kV	293	293	293	388	388	388	
11/132kV	431	431	431	675	675	675	
11/66kV	90	90	90	90	90	90	
11/33kV	217	263	263	263	263	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	
TOTAL	1,052	1,098	1,098	1,437	1,427	1,427	
Transmission S/S							0.9%
132/220kV	540	540	540	540	540	540	
220/132kV	730	730	730	730	730	730	
220/66kV	180	180	180	180	180	180	
132/66kV	375	375	375	375	375	375	
132/33kV	531	554	577	637	637	637	
Distribution S/Stns							4.1%
66/11kV	631	631	675	675	675	675	
66/33kV	15	38	61	61	61	61	
40/11kV	24	17.5	11	11	11	11	
33/11kV	452	497	512	512	512	512	
TOTAL	3,478	3,563	3,661	3,721	3,721	3,721	
Distribution TXS							4.1%
11/0.415kV and 33/0.415kV	1,961	2,079	2,181	2,411	2,531	2,546	