

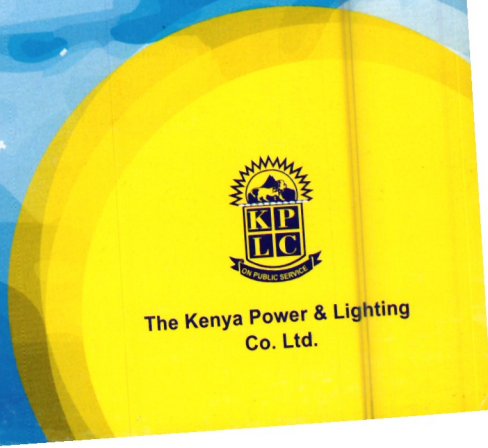
PARLIAMENT
OF KENYA
LIBRARY

ANNUAL REPORT & ACCOUNTS

2 0 0 5

2 0 0 4

657-3
KPLC



The Kenya Power & Lighting
Co. Ltd.

Our 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.

Our 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.

Our Core Values Signify:

- Customer service
- Teamwork
- Results
- People
- Empowerment
- Innovation
- Professionalism
- Equal opportunity
- Ethics/integrity
- Social responsibility
- Environment

www.kplc.co.ke

KENYA NATIONAL ASSEMBLY
Accession: 10013231

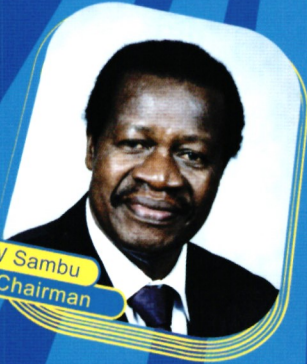
Call No: 657-3 KPLC



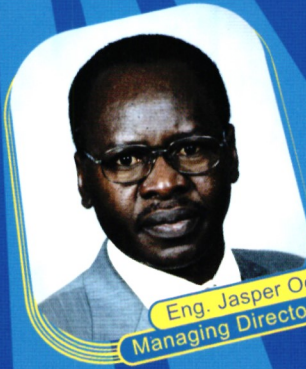
CONTENTS

Board of Directors	2
Corporate Information	3
Biographies of Directors	4
Management Team	5
Notice of the Annual General Meeting	6
Ilani ya Mkutano	7
Chairman's Review	8
Mtazamo wa Mwenyekiti	10
Statement of the Managing Director	12
Taarifa ya Mkurugenzi Mkuu	17
Memorandum to the Shareholders	22
Taarifa kwa Wenyekiti	23
Corporate Social Responsibility Report	24
Ripoti ya Jukumu Letu la kimashirika kwa Jamii	26
Corporate Governance Statement	28
Taarifa ya Usimamizi wa Kimashirika	32
Report of the Directors	36
Ripoti ya Wakurugenzi	37
Statement of Directors' Responsibilities	38
Taarifa ya Wajibu wa Wakurugenzi	38
Report of the Controller and Auditor-General	39
Taarifa ya Mkaguzi Mkuu wa Uhasibu	40
Income Statement	41
Balance Sheet	42
Statement of Changes in Equity	43
Cash Flow Statement	44
Notes to the Financial Statements	45
Statistical Information	64

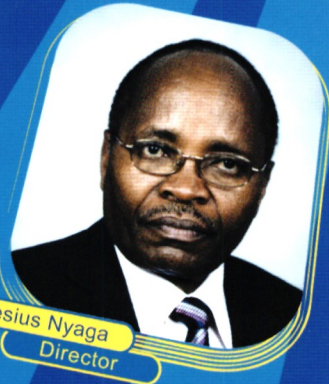
BOARD OF DIRECTORS



Eng. Alfred W Sambu
Chairman



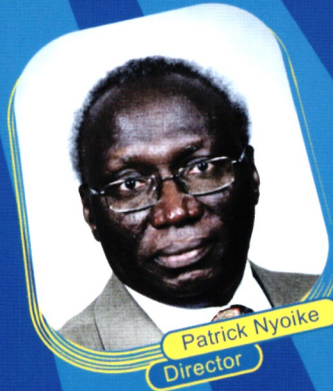
Eng. Jasper Oduor
Managing Director



Fidesius Nyaga
Director



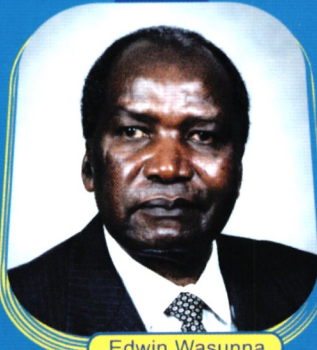
Joseph Kinyua
Director



Patrick Nyoike
Director



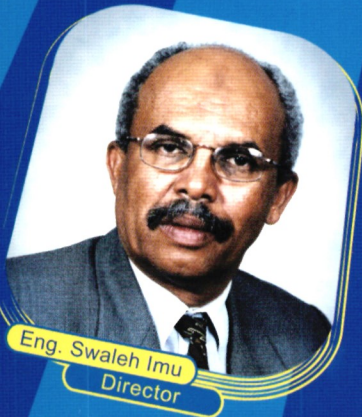
Ngugi Kiuna
Director



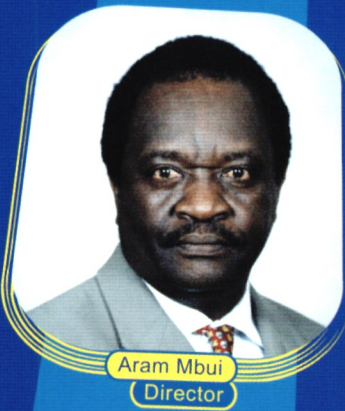
Edwin Wasunna
Director



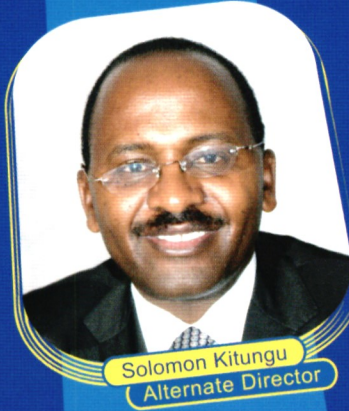
Dr. Susan Musyoka
Director



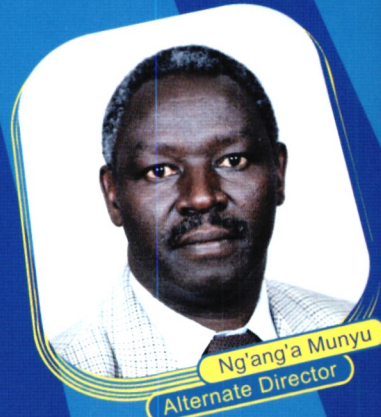
Eng. Swaleh Imu
Director



Aram Mbui
Director



Solomon Kitungu
Alternate Director



Ng'ang'a Munyu
Alternate Director

DIRECTORS' BIOGRAPHIES

THE BIOGRAPHIES OF DIRECTORS HOLDING OFFICE AS AT THE DATE OF THIS REPORT ARE SHOWN BELOW:-

1. Eng. Alfred Wekesa Sambu, BSc (Eng.), R. Eng., MIEE, MIEK - Board Chairman

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

2. Eng. Jasper Omondi Oduor, BSc (Eng.), R. Eng., MIEK - Managing Director

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

3. Mr. Patrick Mwaura Nyoike, BSc (Econ), B.Phil (Math)

Mr. Patrick Nyoike is the Permanent Secretary, Ministry of Energy. He was born in 1947 and holds Bachelors degrees in mathematics and economics. He has 30 years experience in public service. Prior to his appointment as Permanent Secretary in 2003, he was the Chief Economist and Co-ordinator of World Bank funded projects in the Ministry of Energy.

4. Mr. Joseph Kinyua, BSc (Econ), MA (Econ)

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

5. Mr. Ngugi Kiuna, BSc (Eng.)

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

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

Dr. Susan Musyoka was born in 1956. She holds a Bachelors degree in medicine and surgery and a Masters degree in public health. She has over 20

years experience in medical health practice and community leadership.

7. Mr. Edwin Wasunna, BSc (Eng.)

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

8. Eng. Swaleh Salim Imu, MSc (Power Eng.), R. Eng., MIEK

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

9. Mr. Fidesius Muchira Nyaga, BA (Econ & Acc), CPA(K), CPS (K), FCIS

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

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

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

11. Mr. Solomon Kitungu, BSc (Econ), MA (Econ) - Alternate Director to Mr. Joseph Kinyua

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

12. Mr. Ng'ang'a Munyu, BSc, MSc - Alternate Director to Mr. Patrick Nyoike

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

MANAGEMENT TEAM

Managing Director

Eng. Jasper Oduor, BSc (Eng.), R. Eng., MIEK

Company Secretary

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

Chief Manager, Distribution and Customer Service

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

Chief Manager, Energy Transmission

Eng. Richard Muiru, BSc (Eng.), MSc (Eng.), R. Eng., MIEK

Chief Manager, Information Technology and Telecommunications

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

Chief Manager, Finance

Zachary Ayieko, BCom, CPA (K)

Chief Manager, Restructuring, Change and Special Projects

Jonathan Ciano, BCom, CPA (K)

Chief Manager, Human Resources & Administration

Ben Chumo, BA

Chief Manager, Planning, Research and Performance Monitoring

Eng. David M Mwangi, BSc (Eng.) R. Eng., MIEK

Chief Manager, Nairobi Region

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

Regional Manager, Coast

Joseph Masibo, BSc (Eng.)

Regional Manager, West

Eng. Joseph K. Njoroge, BSc (Eng.), MBA, R. Eng., C. Eng., MIEE, MIEK

Regional Manager, Mount Kenya

Rosemary K. Gitonga, BSc (Eng.)



NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE EIGHTY-FOURTH ANNUAL GENERAL MEETING of Members of the Company will be held at Stima Members' Club, Thika Road, Nairobi, on Friday 2nd December 2005 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 2005, together with the Chairman's, Directors' and Auditors' Reports thereon.
3. To approve payment of a first and final dividend of 7.5% or Shs. 1.50 per ordinary share of Shs.20, subject to withholding tax where applicable, in respect of the year ended 30th June 2005.
4. To elect Directors:
 - (i) Mr. Patrick M. Nyoike retires by rotation in accordance with Article 120 of the Memorandum and Articles of Association of the Company and, being eligible, offers himself for re-election;
 - (ii) Eng. Alfred Sambu retires by rotation in accordance with Article 120 of the Memorandum and Articles of Association of the Company and, being eligible, offers himself for re-election;
 - (iii) Dr. Susan M. Musyoka retires by rotation in accordance with Article 120 of the Memorandum and Articles of Association of the Company and, being eligible, offers herself for re-election.
5. To approve, subject to authority of the Capital Markets Authority being obtained, transfer by Kenya Electricity Generating Company Limited (KenGen) of its 7.85% redeemable, non-cumulative preference shares numbering 613,007,950 held in the Company, to the Government of Kenya.
6. To ratify the Directors' fees for the year ended 30th June 2005.
7. Auditors:

To note that the audit of the Company's books of accounts will continue to be undertaken by the Controller and Auditor-General or an audit firm appointed by him in accordance with Section 11 of the State Corporations Act, (as amended by the Miscellaneous Law Amendment Act, 2002) and Sections 14 and 39 (i) of the Public Audit Act 2003.
8. To authorise the Directors to fix the Auditors' remuneration.

By Order of the Board



Laurencia K. Njagi
Company Secretary
P.O. Box 30099-00100
Nairobi, Kenya
10th November, 2005

NOTES:

A member entitled to attend and vote at the above meeting may appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company. A Form of Proxy is enclosed with this booklet. To be valid, the Form of Proxy must be duly completed and lodged at the registered office of the Company, Stima Plaza, or posted in time to be received not later than 11.00 a.m. on 30th November 2005.

ILANI YA MKUTANO MKUU WA KILA MWAKA

ILANI IMETOLEWA KWAMBA MKUTANO MKUU WA THEMANINI NA NNE WA KILA MWAKA wa wanachama wa kampuni utafanywa katika Stima Club, barabara ya Thika, Nairobi ijumaa tarehe 2 Desemba, 2005 saa tano asubuhi kujadili yafuatayo:-

1. Kusoma ilani ya kuitisha mkutano.
2. Kupokea, kujadilia na kuidhinisha taarifa za ukaguzi wa vitabu vya hesabu kwa kipindi kilichomalizikia tarehe 30, Juni 2005 pamoja na Mtazamo wa Mwenyekiti, Ripoti ya Wakurugenzi na Taarifa ya Mkaguzi Mkuu wa Uhasibu.
3. Kuidhinisha malipo ya mgao wa kwanza na wa mwisho wa faida wa shilingi 1.50 kwa kila hisa ya kawaida ya shilingi 20 inayotozwa ushuru katika kipindi kilichomalizikia tarehe 30 Juni, 2005.
4. Kuwachagua wakurugenzi:-
 - (i) Bwana Patrick M. Nyoike anajiuzulu kuambatana na kifungu cha 120 cha kanuni za mkutano na vifungu vya kanuni za Kampuni na yuko huru kujiwasilisha ili kuchaguliwa tena.
 - (ii) Mhandisi Alfred Sambu anajiuzulu kuambatana na kifungu cha 120 cha kanuni za mkutano na vifungu vya kanuni za Kampuni na yuko huru kujiwasilisha ili kuchaguliwa tena.
 - (iii) Daktari Susan M. Musyoka anajiuzulu kuambatana na kifungu cha 120 cha kanuni za mkutano na vifungu vya kanuni za Kampuni na yuko huru kujiwasilisha ili kuchaguliwa tena.
5. Kuidhinisha baada ya idhini kutolewa na Halmashauri ya usimamizi wa Masoko ya Hisa, kuhamishwa kwa hisa za asilimia 7.85 za Kampuni ya KenGen zinazoweza kufidiwa, zipatazo 613,007,950 zinazomilikiwa na kampuni hadi kwa serikali.
6. Kuratibu malipo ya wakurugenzi kwa kipindi kilichomalizikia tarehe 30 Juni, 2005.
7. Wakaguzi wa hesabu:

Kufahamu kwamba ukaguzi wa vitabu vya uhasibu vya kampuni utaendelea kufanywa na Mkaguzi mkuu wa hesabu au Kampuni ya ukaguzi wa vitabu aliyoteua kuambatana na kifungu cha 11 cha sheria ya mashirika ya serikali, (kama ilivyorekebisha na sheria ya marekebisho madogo ya mwaka 2002) na vifungu nambari 14 na 39 [i] vya sheria ya ukaguzi wa vitabu vya hesabu za umma ya mwaka 2003.
8. Kuwaidhinisha wakurugenzi kuweka malipo ya wakaguzi wa vitabu vya hesabu.

Kwa agizo la Halmashauri



Laurencia K. Njagi

Katibu wa Kampuni

P.O. BOX 30099-00100

NAIROBI, KENYA

10 Novemba, 2005

KUMBUKA:

Mwanachama anayeruhusiwa kuhudhuria na kupiga kura kwenye mkutano uliotajwa hapo juu huenda akamteua wakala mmoja au zaidi kuhudhuria na kupiga kura badala yake. Wakala si lazima awe mwanachama wa Halmashauri ya Kampuni. Fomu ya wakala inapatikana pamoja na kijitabu hiki. Ili ikubaliwe, fomu ya wakala lazima ikamilishwe na kuandikishwa kwenye ofisi ya usajili ya kampuni, Stima Plaza, au itumwe kwa wakati ufao na kupokewa hapo tarehe 30 Novemba, 2005 kabla ya saa tano asubuhi.



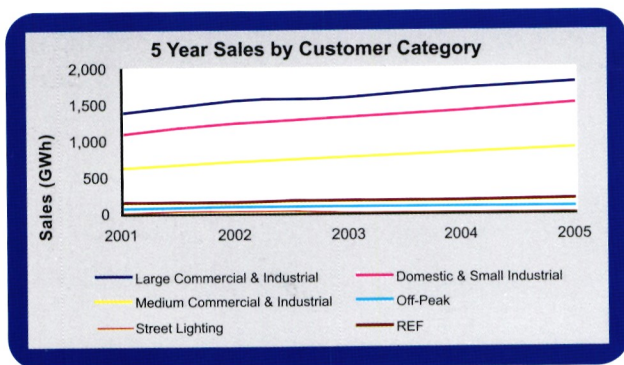
Eng. Alfred Sambu

CHAIRMAN'S REVIEW

GENERAL OVERVIEW

I am delighted to present the results of yet another successful trading year - 2004/05 - during which the Company more than doubled its pre-tax profit to Shs.1,979 million, compared to Shs.874 million in 2003/04.

The impressive performance is attributable to increase in sales, improvement in operational efficiency and



reduction in bulk power purchase costs. Electricity sales grew by 7% from 3,940 GWh the previous year to 4,215 GWh, mainly due to improved economic performance whereby the real gross domestic product (GDP) grew from 2.6% in 2003 to 4.3% in 2004. System losses reduced by 0.85% from 18.8% the previous year to 18.05% during the year under review. Power Purchase costs also decreased by Shs.822 million, due to further reduction of the Iberafrica Power (EA) Limited bulk tariff and expiry

of the Power Purchase Agreement (PPA) with Westmont Power (Kenya) Limited in September 2004.

FINANCIAL PERFORMANCE

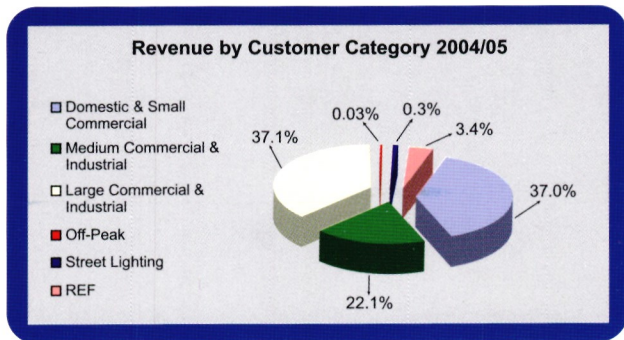
Electricity revenue during the financial year increased by Shs.1,452 million to Shs.21,755 million from Shs.20,303 million the previous year. This was attributable to an increase in unit sales and improvement in operational efficiency. Fuel cost recoveries increased by 118% from Shs.3,020 million to Shs.6,586 million due to higher fuel prices at the international market and increased generation from fuel based plant.

The further reduction of Iberafrica Power (EA) Limited bulk tariff by 13% from late August 2004 and expiry of the contract with Westmont Power (Kenya) Limited in September 2004 resulted in decrease of non-fuel power purchase costs by Shs.822 million to Shs.11,673 million from Shs.12,495 million the previous year. Fuel costs increased by Shs.3,642 million to Shs.6,685 million from Shs.3,043 million the previous year, due to increased thermal generation as well as higher fuel prices at the international market.

Transmission and distribution costs increased by Shs.1,342 million to Shs.8,813 million compared to Shs.7,471 million incurred the previous year. The increase in the year was mainly attributable to higher provisions for bad and doubtful debts (Shs.233 million); obsolete stocks (Shs.332 million); staff costs, including

CHAIRMAN'S REVIEW

salary arrears for unionisable staff (Shs.548 million); and system operations and maintenance costs (Shs.162 million).



The total operating costs, therefore, increased by 18% from Shs.23,010 million in the previous year, to Shs.27,172 million.

The net financing income increased from Shs.18 million in the previous year to Shs.138 million, due to higher bank deposits and improved interest rates.

Taxation

After providing for a deferred tax charge of Shs.709 million, the Company recorded a net profit of Shs.1,270 million compared to Shs.458 million the previous year.

The Company has no liability in respect of corporation tax during the year owing to accumulated tax losses. Value Added Tax (VAT) charged on electricity sales during the year was Shs.4,394 million, up from Shs.3,624 million the previous year, while Pay As You Earn (PAYE) increased to Shs.851 million from Shs.651 million. Customs Duty and VAT paid on imported goods amounted to Shs.376 million compared to Shs.123 million in 2003/04. The Company's total contribution in form of taxes to the exchequer, therefore, was Shs.5,621 million during the year.

Dividend

The Directors recommend to members payment of a first and final dividend of 7.5% or Shs.1.50 per every ordinary share of Shs.20 subject to withholding tax where applicable for the year.

Tribute

Finally, I wish to record my gratitude to my fellow directors, management and staff of the Company for their relentless commitment to achieving corporate goals during the year in review. I also thank our valued customers for their support and loyalty and assure them of our determination to continually improve the quality of our services.

Eng. Alfred Sambu
CHAIRMAN



We shall continue to rely on our skills to deliver quality service to our customers:
Fixing a damaged underground cable in Nairobi's Central Business District.

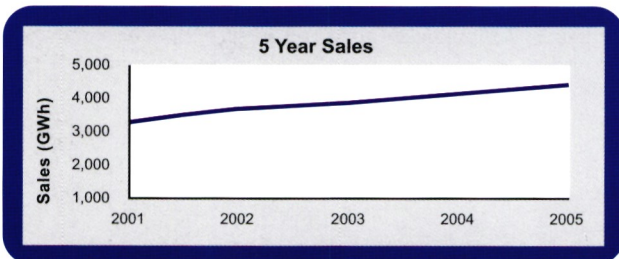


Eng. Alfred Sambu

MTAZAMO WA MWENYEKITI

MTAZAMO KWA JUMLA

Nina furaha kuwasilisha matokeo ya mwaka mwingine wa biashara wenye mafanikio – 2004/05 – ambamo Kampuni iliongeza faida yake kabla ya ushuru kwa zaidi ya mara mbili na kufikia shilingi milioni 1,979 ikilinganishwa na shilingi milioni 874 katika mwaka wa 2003/04.



Utendaji huu wa kuvutia unatokana na ongezeko katika mauzo, kuimarika kwa ubora wa utendaji kazi na kupunguka kwa gharama za kununua umeme wa jumla. Mauzo ya umeme yaliongezeka kwa asilimia 7 kutoka 3,940 GWh mwaka uliopita hadi 4,215 GWh, sababu kuu ikiwa ni kuimarika kwa hali ya uchumi ambapo mapato ya jumla ya nchi (GDP) yaliongezeka kutoka asilimia 2.6 katika mwaka wa 2003 hadi asilimia 4.3 katika mwaka wa 2004. Kiasi cha umeme unaopotea kupitia kwa mitambo kilipunguka kwa asilimia 0.85 kutoka asilimia 18.8 mwaka uliopita hadi asilimia 18.05 katika mwaka unaokaguliwa. Gharama za kununua umeme pia zilipunguka kwa shilingi milioni 822 kwa sababu ya kupunguka kwa gharama ya jumla ya umeme katika kampuni ya Iberafrica Power (EA) Limited na kumalizika kwa mkataba wa kununua umeme na

kampuni ya Westmont Power (Kenya) Limited mwezi wa Septemba mwaka wa 2004.

UTENDAKAZI WA KIFEDHA

Mapato ya umeme katika mwaka wa fedha yaliongezeka kwa shilingi milioni 1,452 na kufikia shilingi milioni 21,755 kutoka shilingi milioni 20,303 mwaka uliopita. Hii ilitokana na ongezeko katika mauzo na kuimarika kwa ubora wa utendaji kazi. Gharama kutokana na mafuta iliongezeka kwa asilimia 118 kutoka shilingi milioni 3,020 hadi shilingi milioni 6,586 kutokana na ongezeko la bei ya mafuta katika soko la kimataifa na pia ongezeko katika uzalishaji kupitia kwa mitambo inayotumia mafuta.

Kupunguzwa zaidi kwa bei ya umeme na kampuni ya Iberafrica Power (EA) Limited kwa asilimia 13 kutoka mwishoni mwa mwezi Agosti mwaka wa 2004 na kumalizika kwa mkataba na kampuni ya Westmont Power (Kenya) Limited mwezi wa Septemba mwaka wa 2004 kulipelekea kupunguka kwa gharama ya kununua umeme usiotokana na mafuta kwa shilingi milioni 822 na kufikia shilingi milioni 11,673 kutoka kwa shilingi milioni 12,495 katika mwaka uliopita. Gharama ya mafuta iliongezeka kwa shilingi milioni 3,642 na kufikia shilingi milioni 6,685 kutoka shilingi milioni 3,043 katika mwaka uliotangulia, kutokana na ongezeko la uzalishaji kutokana na mafuta na vile vile ongezeko la bei ya mafuta katika soko la kimataifa.

Gharama ya upitishaji na usambazaji umeme iliongezeka kwa shilingi milioni 1,342 na kufikia shilingi milioni 8,813

MTAZAMO WA MWENYEKITI

ikilinganishwa na shilingi milioni 7,471 zilizotumika mwaka uliotangulia. Ongezeko hili katika mwaka lilichangiwa zaidi na kutengwa kwa kiasi kikubwa zaidi cha fedha ili kusimamia madeni yasiolipwa na yasiokuwa na uhakika wa kulipwa (Shilingi milioni 233); vifaa kuukuu (shilingi milioni 332); gharama ya wafanyi kazi yakiwemo masalio ya mishahara kwa wafanyi kazi walio sajiliwa katika chama cha wafanyi kazi (shilingi milioni 548) utaratibu wa utendaji kazi na gharama za ufundi wa mitambo na ukarabati (shilingi milioni 162).

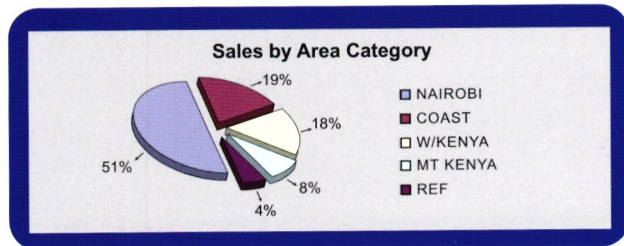
Gharama ya kuhudumu kwa jumla hivyo basi iliongezeka kwa asilimia 18 kutoka shilingi milioni 23,010 mwaka uliopita hadi shilingi milioni 27,172.

Mapato halisi ya kuendeleza shughuli za Kampuni yaliongezeka kutoka shilingi milioni 18 katika mwaka uliotangulia hadi shilingi milioni 138 kutokana na ongezeko la pesa zinazowekwa kwenye benki na kuimarika kwa viwango vya riba.

Ushuru

Baada ya kutoa matozo ya ushuru yalio hairishwa ya shilingi milioni 709, Kampuni ilirekodi faida ya shilingi milioni 1,270 ikilinganishwa na shilingi milioni 458 mwaka uliotangulia.

Kampuni haiwajibiki kulipa kodi ya shirika kutokana na malimbikizi ya hasara za kiushuru za miaka ya hapo awali. Kodi ya VAT iliotozwa kwa mauzo ya umeme katika mwaka ilipanda hadi shilingi milioni 4,394 kutoka shilingi milioni 3,624 mwaka uliotangulia, ili hali kodi ya kulipa kulingana na mapato (PAYE) iliongezeka na kufikia shilingi milioni 851 kutoka shilingi milioni 651.



Ushuru wa forodha na kodi ya VAT ililipwa kwenye vifaa vilivyo agizwa kutoka nje ilifikia kiwango cha shilingi milioni 376 ikilinganishwa na shilingi milioni 123 katika mwaka wa 2003/04. Mchango wa ushuru wa jumla wa Kampuni kwa serikali hivyo basi ulikuwa shilingi milioni 5,621 katika mwaka.

Mgao wa Faida

Wakurugenzi wanapendekeza kwa wanachama malipo ya mgao wa kwanza na wa mwisho wa asilimia 7.5 au shilingi 1.50 kwa kila hisa ya kawaida ya shilingi 20 kulingana na ushuru wa riba unaostahili kwenye mwaka.



Installation of new equipment at Kiganjo substation has increased its capacity to serve more customers.

Shukurani

Mwisho, ningependa kutoa shukurani zangu kwa wakurugenzi wenzangu, wasimamizi na wafanyakazi wa Kampuni kwa kujitolea kwao katika kuafikia malengo ya shirika katika mwaka unaokaguliwa.

Pia nawashukuru wateja wetu tunaowathamini kwa kutuunga mkono na kwa imani yao na tunawahakikisha juhudi zetu za kuendelea kuboresha ubora wa huduma zetu.

Eng. Alfred Sambu
MWENYEKITI



Eng. Jasper Oduor

STATEMENT OF THE MANAGING DIRECTOR

Implementation of our defined corporate strategies aimed at improving performance remained at the centerstage of our operations during the year under review. The core strategies include enhancement of sales; improvement of quality of supply through reinforcement and upgrade of the electricity supply network and customer service; and reduction of system losses. Our strategies for achieving these objectives are outlined below:

THE ELECTRICITY NETWORK

The Energy Sector Recovery Project (ESRP)

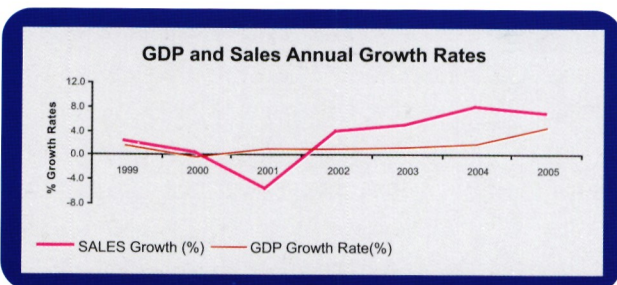
(I) DISTRIBUTION SYSTEM REINFORCEMENT AND UPGRADE

Implementation of the US\$153 million Distribution System Reinforcement and Upgrade component of the ESRP, which is aimed at improving the efficiency, reliability and quality of supply, as well as increasing access to electricity, commenced during the year under review. An Agence française de Développement (AFD) credit of about US\$ 25 million will finance system reinforcement



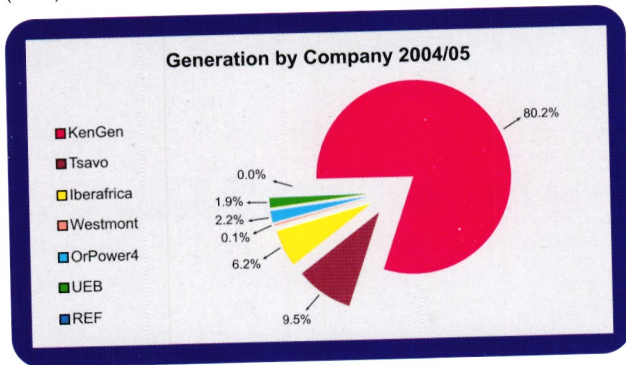
Marketing electricity: A cheque for Shs.6.623 million is handed over to KPLC for electrification of Machakos Town Constituency, utilising funds from the Constituency Development Fund.

projects in Coast Region and the Ruaraka, Cathedral, Athi River and Kituru sub-stations in Nairobi region. A US\$75 million European Investment Bank (EIB) credit will finance the Supervisory Control and Data Acquisition (SCADA) /Energy Management System (EMS) radio system upgrade for Mt. Kenya and works on 132 kV sub-stations at Lanet, Naivasha, Lessos in Central Rift Valley, Makutano and Kamburu in central and eastern Kenya, respectively. Works on four sub-stations at Westlands, Ngong Road, Karen and Nairobi South in Nairobi region will be financed by a



STATEMENT OF THE MANAGING DIRECTOR

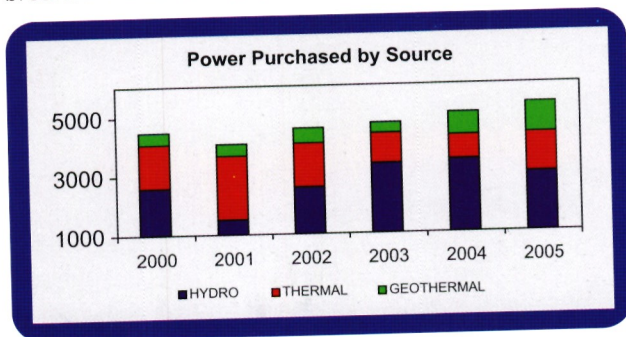
Norwegian Development Fund (NDF) credit of US\$12 million; while an International Development Association (IDA) credit of US\$80 million will finance reinforcement



of the low voltage network, reconductoring of various lines, upgrade of some 33/11kV sub-stations, installation of capacitors, change of circuit breakers and autoreclosers and procurement of about 400,000 energy meters and other materials.

KPLC will contribute US\$25 million towards the project to finance institutional and capacity building; feasibility studies and engineering, and distribution system reinforcement and upgrade, including upgrade of the SCADA/EMS. To provide requisite support in the implementation of the distribution system reinforcement and upgrade, Norconsult AS of Norway was contracted in July 2005 as engineering supervisor, while Fichtner GmbH and Company KG of Germany was appointed in September 2005 as engineering consultant for the SCADA/EMS system.

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



(ii) INSTITUTIONAL AND CAPACITY BUILDING

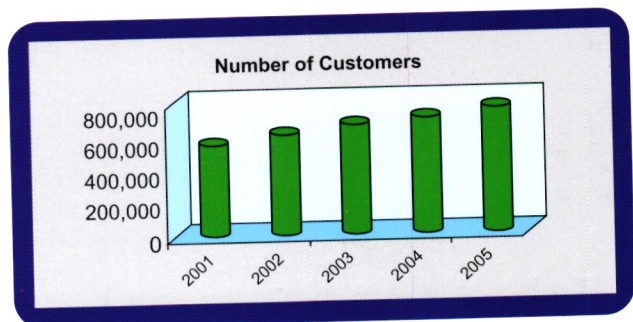
Under this component of the ERSP, a comprehensive corporate recovery programme will be implemented by a management contractor (MC) under a two-year contract

aimed at accelerating the Company's performance and ensuring its sustainability. The MC is expected to be a reputable firm with a track record of international expertise and will be required to achieve defined performance targets on reduction of system losses, power interruptions and voltage fluctuations; increased connection of new customers; improvement in revenue collection and operational efficiency; and enhancement of management, administrative and technical capacity of staff. The MC is expected to provide four experts comprising a general manager and three deputies to be in charge of distribution and customer service, finance and corporate services, and transmission functions.

Nexant Inc. of the United States of America was engaged in May 2005 as a transaction advisor in the procurement of the MC. The procurement process is in progress and the MC is expected to be on board by February 2006.

Transmission

During the year under review, a total of Shs.285 million was invested in the reinforcement and expansion of the power transmission system. In West Region, contracts for construction of 132 kV lines to connect the 60 MW Sondu Miriu Hydro Power Station to the national grid were



awarded. Construction work was expected to commence in October 2005, to be completed within 30 months. The project is being undertaken by Kinden Corporation of Japan and is financed by the Japanese Government.

Musaga sub-station, also in West Kenya Region, was reinforced at a cost of Shs.89 million. In Mt. Kenya region, Kiganjo 32/33 kV substation was reinforced at a cost of Shs.61 million to meet the growing demand and improve the quality of supply in the adjacent areas.

Meanwhile, plans are underway to upgrade Kisumu, Muhoroni, Lessos and Chemosit sub-stations in West Region at a total cost of Shs.490 million in order to increase their transformation capacity. Other transmission lines and sub-station projects planned in the short to medium term to reduce system losses and to improve distribution system voltages include

STATEMENT OF THE MANAGING DIRECTOR

construction of the 132 kV Kamburu-Meru (115 km) and Chemosit-Kisii lines at a total cost of Shs.1.5 billion, and Sondu-Kisumu (50 km) at a cost of Shs.240 million; and rehabilitation of Lanet and Naivasha 132kV sub-stations at estimated cost of Shs.400 million.

Distribution

Quality of supply in Nairobi's Embakasi, Industrial Area and Nairobi West areas improved following installation of a 45 MVA 66/11 kV transformer at Embakasi sub-station along Mombasa Road, and construction of four 11kV



Managing Director, Eng. Jasper Oduor (left), and Matthias Schnurrer of Fichtner GmbH and Company KG of Germany sign an engineering contract for the SCADA/ EMS system.

feeders from the station, all at a cost of Shs.83 million. A Shs.52million 23 MVA substation was also installed at the National Social Security Fund (NSSF) Nyayo Embakasi Estate, facilitating connection of additional customers in the area, including the new Coca Cola plant .

THE ADDITIONAL CAPACITY WILL BE SOURCED FROM THE FOLLOWING PLANTS:

Project	Type	Capacity (MW)	Estimated
1 KenGen New GT	GT	70	Aug-06
2 Eburru Geothermal	Geothermal	2.5	Nov-06
3 Sondu-Miriu	Hydro	60	Jul-07
4 Kiambere rehabilitation	Hydro	20	Jul-07
5 Kindaruma 3rd Unit	Hydro	20	Jul-07
6 Redevelopment of Tana	Hydro	10	Jul-07
7 Kipevu Combined Cycle	Combined Cycle	60	Jul-07
8 KenGen Joint Venture Wind Turbine	Wind Turbine	30	Jul-07
9 Embakasi I IPP	MSD	80	Sep-07
10 Olkaria II 3rd Unit	Geothermal	35	Apr-08
11 Orpower 4	Geothermal	35	Apr-08
Total		422.5	

During the year, Kikuyu sub-station was upgraded and one new feeder created and three others reconducted from the station, all at a cost of Shs.40 million. As a result of reconductoring of the Kiambu network, the Cianda sub-station, which was completed the previous year, became fully operational and is now providing quality supply to customers who were experiencing low voltage problems beyond Kiambu town. It also enabled transfer of loads from the overloaded Ruaraka sub-station, thereby improving the quality of power supply to the area. The total cost of this reinforcement is Shs.37 million. Works to install a 23 MVA 66/33 kV and two other 23 MVA 66/11 kV transformers at Ruiru sub-station are in progress at an estimated cost of Shs.87 million.

In Mt. Kenya, Ndarugu 33/11 kV substation was uprated and re-commissioned, while reinforcement works commenced at Makuyu and Nyaga 33/11 kV substations.

GENERATION CAPACITY

During the year, the generation capacity adequately met energy demand. The maximum daily peak demand recorded was 884 MW compared to 830 MW the previous year, an increase of 6.5%, against an effective generation capacity of 1,032 MW, leaving a reserve capacity margin of 14%.

To meet the fast growing demand for electricity, an additional 423 MW of power capacity will be installed in the country between July 2006 and July 2008 in line with the Government's National Power Development Plan. Out of this, KenGen will develop 307 MW, and private sector investors 115 MW.

STATEMENT OF THE MANAGING DIRECTOR

The plants are at various stages of implementation and the Government has given authority to KenGen to develop a 70 MW gas turbine plant to be commissioned by August 2006 and to KPLC to contract for the development of the Embakasi 80 MW diesel plant by an independent power supplier, which is to be completed by September 2007.

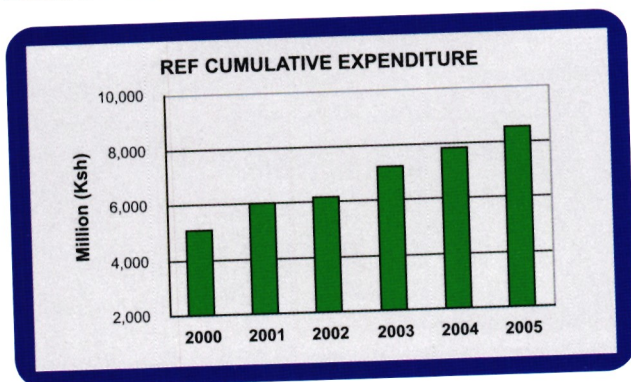
Additionally, a project to import electricity from Tanzania with possible funding from the Dutch government is at an advanced stage of preparation. The project involves construction of a 330 kV 260 km transmission line between Arusha and Nairobi. Power imports from the Southern African Power Pool will be possible when Tanzania interconnects with Zambia.

East African Power Master Plan

Consultants engaged in March 2003 by the East African Community Secretariat to prepare a least cost power plan for Kenya, Uganda and Tanzania, have submitted their final report, which recommends an integrated planning approach to development of power generation projects that promote regional power trade. Discussions on the modalities of joint implementation of such projects continue.

CUSTOMER SERVICE

The Company has continued to explore ways of enhancing customer convenience in electricity bills payments. During the year, we developed an electronic bill query system, branded E-Bill, which was launched in August 2005. The system enables customers to access their account balances electronically. Development of a facility whereby customers can access their account balances through mobile phone telephone short message texts (SMS) is at an advanced stage. The facility will become operational by December 2005.



Further, the electricity paypoints of Jogoo Road and Eastleigh in Nairobi, and Nakumatt Nyali, were put online, enabling timely updating of customers' accounts, while work on an electricity prepaid system commenced during the year. A pilot programme is expected to be implemented in Nairobi in early 2006. The system will facilitate efficient management of electricity bills by customers and collection of revenue upfront, reducing the attendant costs and inconvenience of monthly meter reading.

A new paypoint was opened at Nakumatt Nyali in Mombasa, bringing services closer to customers as well as enhancing revenue collection. Arrangements also commenced to decongest Electricity House, Nairobi, by extending the Customer Service Centre by one floor, which is now operational.

STRATEGIC BUSINESS PLAN

The five-year corporate strategic business plan was updated for the period 2004/05 to 2008/09 after taking account of the 2003/04 performance, as well as significant changes in the economic outlook and other aspects of the business operating environment. Also factored into the updated strategic plan are revisions made to generation outlook and to various strategic initiatives to improve business and operational performance. Of particular focus is accelerated new customer connectivity, improved power supply quality, reduced system losses, sustenance of financial viability, and enhanced resource productivity.

The plan has updated the investment programme for transmission and distribution network expansion that is linked to customer growth targets, the anticipated generation capacity and energy mix associated with the Least Cost Power Development Plan, as well as to the financial projections of the Company.

Performance Contracts

The first Government-KPLC performance contract expired in June 2005 and the Directorate of Personnel Management is carrying out the performance rating of the Company. The Company signed a new performance contract with the Government in June 2005 for financial year 2005/06, under which it is expected to achieve a number of targets including connection of 150,000 new customers, reduction of system losses and breakdowns, costs containment, improvement of profitability, quality of supply and revenue collection.

RURAL ELECTRIFICATION

A total of Shs.670 million was spent on various projects under the government's Rural Electrification Programme (REP) during the year. This brought the cumulative

STATEMENT OF THE MANAGING DIRECTOR

capital expenditure since inception of the programme in 1973 to Shs.8,497 million. The amount spent during the year included Shs.274 million and Shs.12 million spent on the French and Spanish funded projects, respectively, while another Shs.67 million was spent on the Stabex projects. A total of Shs.1,046 million was collected from the Rural Electrification Levy during the year compared to Shs.1,008 million the previous year.

The number of customers connected under the programme grew by 9.4% to 101,793 compared to 93,083 the previous year. Units sold increased by 10% from 149 million to 164 million, and revenue realised grew by 24% from Shs.978 million the previous year to Shs.1,208 million.

Construction works for electricity supply to coffee factories under Stages 2 and 3 of Phase I of the Coffee Factories Rural Electrification Programme (COFREP) was completed. Survey and design works for factories short-listed for COFREP Phase II and service line connections for the 32 schemes covered under Phase II of the Spanish funded distribution system expansion programme continued during the year.

Construction of schemes identified for electrification under the Euros 9.1 million French funded distribution system expansion project was completed and service line connections commenced during the year.

HUMAN RESOURCES

The Company aims at retaining highly competent, motivated professional staff in order to meet corporate goals. Great importance is attached to staff training and development as a means of ensuring that employees have requisite competencies to perform their jobs. On-the-job-training is the foundation upon which all other types of training must depend, and we acknowledge the role our experienced staff play in training their colleagues. During the year, staff attended courses/workshops locally and overseas.

Following introduction of performance contracting by the Government, management staff signed contracts with targets, which were the basis of a performance appraisal exercise at the end of the year. The Company also undertook a job evaluation exercise covering both management and unionisable jobs. The subsequent report will be used to develop a grading structure for employee performance review and career development, and a fair, equitable pay structure.

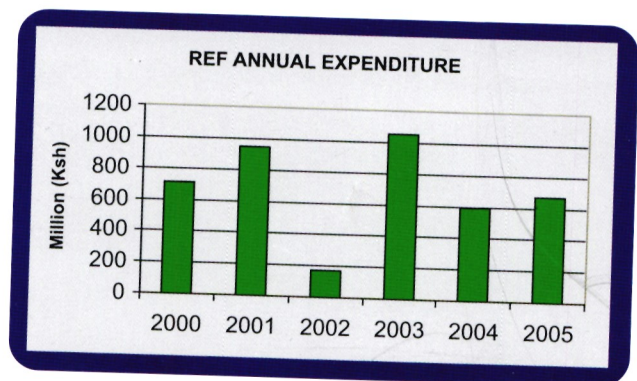
The Company had a staff complement of 6,130 employees compared to the previous year's 6,216 comprising permanent, contract and temporary employees. As at 30th June 2005, the customer to staff ratio was 120:1, compared

to 110:1 the previous year. Industrial relations remained cordial throughout the year. The 2003, 2004, 2005, and 2006 Collective Bargaining Agreements were negotiated and successfully implemented during the year.

INFORMATION COMMUNICATION TECHNOLOGY (ICT) SERVICES

Information Communication Technology (ICT) continued to give vital business support to the business during the year.

A project to replace and expand the supervisory control and data acquisition/energy management system (SCADA/EMS) and associated telecommunication network, using the latest technology, commenced with the signing of a contract for engineering services for the project. This project will take



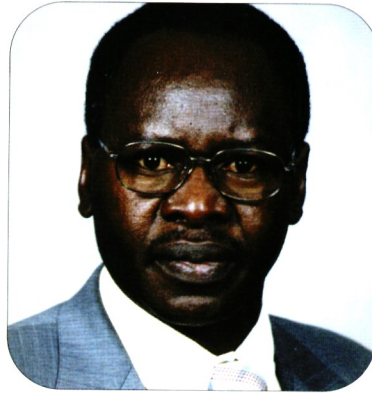
into account future needs and wider area coverage of the system, including regional interconnection and power trading. Upgrade of the telecommunication backbone will include installation of a fibre optic network on the transmission network countrywide. This will improve communication for system operations as well as offer a business opportunity for the Company in the telecommunication service industry.

Installation of a new enterprise resource planning server during the year improved the management of human resources, stores, finance and accounting processes.

CONCLUSION

Our future holds great promise. As we continue on an accelerated growth path, we look forward to continue co-operating with our customers, shareholders and partners in our efforts to improve our services and profitability. We shall continue to rely and improve on our strengths and competencies to deliver quality service to our customers, and maximum return to our shareholders.


Eng. Jasper Oduor
MANAGING DIRECTOR



Eng. Jasper Oduor

TAARIFA YA MKURUGENZI MKUU

Utekelezaji wa hatua za Kampuni zilizoлезewa zilionuia kuimarisha matokeo ziliendelea kuzingatiwa kwenye utendakazi wetu katika kipindi cha mwaka kilicho chini ya uchunguzi. Hatua muhimu ni pamoja na kuimarisha mauzo; kuimarisha ubora wa ugawaji kupitia kuboreshwa kwa laini na mitambo ya kusambaza umeme na huduma kwa wateja; na pia kupunguza hasara za kampuni. Hatua zetu za kufikia malengo haya zimelezewa hapo chini:

MFUMO WA UMEME

Mradi wa Ufufuzi wa Sekta ya Kawi (ESRP)

(I) MFUMO WA KUBOresha NA KUIMARISHA UGAWAJI

Utekelezaji wa kuboresha na kuimarisha mitambo ya ugawaji umeme utakogharimu dola milioni 153 wenye lengo la kuimarisha usambazaji bora na wakutegemewa wa umeme na vile vile kuongeza upatikanaji wa umeme ulianzishwa wakati wa kipindi kilichokuwa chini ya uchunguzi. Mkopo wa shirika la Agence Francaise de development AFD wa karibu dola milioni 25 utafadhili miradi ya kuimarisha mfumo wa kusambaza umeme katika eneo la Pwani na vituo vidogo vya Ruaraka, Cathedral, Athi River na Kitisuru katika eneo la Nairobi. Mkopo wa benki ya Uwekezaji ya Ulaya EIB utafadhili ununuzi wa mitambo ya usimamizi wa mfumo ya mawasiliano ya redio kwa eneo la Mlima Kenya na vile vile kazi katika vituo vidogo vya 132kV vya Lanet, Naivasha, Lessos Mkoani Rift Valley ya kati, Makutano

na Kamburu mkoani kati na mashariki. Kazi kwenye vituo vinne vidogo vya Westlands, Barabara ya Ngong, Karen na Nairobi South katika eneo la Nairobi itafadhiliwa kwa mkopo wa shirika la ufadhili wa kimaendeleo la Norway NDF wa dola milioni 12; ilhali mkopo wa Chama cha Kimataifa cha Maendeleo IDA wa dola milioni 80 utafadhili shughuli ya kuboresha laini na mitambo ya volti za kiwango cha chini, kurekebisha laini mbali mbali za umeme na kuimarisha vituo vidogo vyenye kilo-volti 33/11 za umeme, kuweka mitambo ya kapasita, kubadili vikatiza umeme wakati wa hitilafu za umeme na zile za kurudisha umeme pamoja na ununuzi wa mita elfu 400 za umeme na vifaa vingine.

Kampuni ya KPLC itatoa dola milioni 25 kufadhili mradi huu ili kuimarisha uhodari wa kazi, utafiti na shughuli za uhandisi na kuimarisha mfumo wa usambazaji pamoja na kuzindua mtandao wa kusimamia mitambo ya umeme na mawasiliano (SCADA/EMS). Ili kusaidia katika mfumo huo wa kuboresha na kuimarisha ugawaji umeme, kampuni ya Norcosult AS ya Norway ilipewa kandarasi mwezi Julai mwaka 2005 kama msimamizi wa uhandisi ilhali kampuni ya Fichtner iliteuliwa mwezi Septemba mwaka 2005 kuwa kampuni ya ushauri wa kiuhandisi kwa mfumo huu wa kuimarisha mtandao wa SCADA/EMS.

Baadhi ya manufaa yanayotarajiwa kupatikana wakati

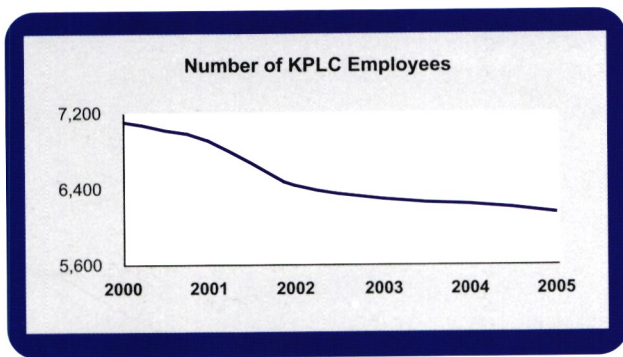
TAARIFA YA MKURUGENZI MKUU

wa kukamilishwa kwa mradi wa mfumo huu wa ugawaji na usambazaji umeme ni pamoja na kuwaunganishia umeme wateja wapatao elfu 400, kupunguza upotevu wa umeme kwa karibu asilimia 14.5; kuimarisha upatikanaji wa laini za umeme za kilo-volti 220 na 132 kwa asilimia 97 na kupunguza ukatizaji umeme kwenye laini za umeme hadi chini ya mara elfu 4 kila mwezi.

(ii) KUIMARISHA UHODARI WA KAMPUNI NA KAZI

Mradi wa ufufuzi wa kampuni utatekelezwa na mwanakandarasi atakayesimamia chini ya kandarasi ya muda wa miaka miwili kwa lengo la kuongeza utendakazi wa kampuni na kuhakikisha unadumishwa. Mwanakandarasi huyo anatarajiwa kuwa kampuni iliyo na rekodi nzuri ya utaalim wa kimataifa na itahitajika kufikia malengo yaliyonuiwa katika kupunguza upoteaji wa umeme, kukatizwa katizwa kwa umeme na kupanda na kushuka kwa kiwango cha volti za umeme; kuongeza idadi ya wateja wapya wanaounganishwa umeme, kuimarisha ukusanyaji mapato na utendakazi bora na kuimarisha usimamizi pamoja na maarifa ya wafanyikazi wa kiufundi na utawala. Mwanakandarasi huyo anatarajiwa kutoa wataalam wanne akiwemo maneja mkuu na manaibu watatu watakaohusika na huduma za ugawaji na wateja, fedha na huduma za Kampuni na shughuli za usambazaji umeme.

Kampuni ya Nexant ya Marekani ilipewa kandarasi mwezi Mei mwaka 2005 kama mshauri katika kumpata mwanakandarasi. Mpango huo unaendelea kwa sasa na mwanakandarasi anatarajiwa kupatikana mwezi februari mwaka 2006.



Usambazaji

Wakati wa kipindi cha mwaka kilichokuwa chini ya uchunguzi, jumla ya shilingi milioni 285 ziliwekezwa katika uimarishaji na upanuzi wa mfumo wa usambazaji umeme. Katika eneo la magharibi, kandarasi za ujenzi wa laini ya 132kV za umeme kuunganisha kituo cha umeme cha Sondu Miriu cha Megwatti 60 hadi kwa laini za usambazaji za kitaifa zilitolewa. Kazi ya ujenzi ilitarajiwa kuanza mwezi Oktoba mwaka 2005 na kukamilishwa katika

muda wa miezi 30. Mradi huu unatekelezwa na shirika la Kinden la Japan na unafadhiliwa na serikali ya Japan.

Kituo kidogo cha Musaga pia katika eneo la magharibi mwa Kenya kiliimarishwa kwa gharama ya shilingi milioni 89. Katika eneo la Mlima Kenya kituo kidogo cha Kiganjo cha kilo-volti 32/33 za umeme kiliimarishwa kwa gharama ya shilingi milioni 61 ili kukabiliana na ongezeko la mahitaji. Wakati huo huo, mipango iko tayari kuziongeza nguvu ya kuwahudumia wateja zaidi, vituo vya Kisumu, Muhoroni, Lessos na Chemosit zilizoko eneo la Magharibi mwa Kenya kwa gharama ya shilingi milioni 490. Laini na vituo vingine vitakavyojengwa hivi karibuni kupunguza upotevu wa umeme na kuboresha kiwango cha volti kwenye laini za ugawaji ni pamoja na ujenzi wa laini ya 132kV ya kilomita 115 kutoka Kamburu hadi Meru na liani ya Chemosit hadi Kisii, zitakazo gharimu shilingi bilioni 1.5. Zingine ni laini ya kilomita 50 kutoka Sondu hadi Kisumu itakayo gharimu shilingi milioni 240 na ukarabati wa vituo vya 132kV vya Lanet na Naivasha utakao gharimu shilingi milioni 400.

Ugawaji

Ubora wa huduma za umeme katika maeneo ya Embakasi, Nairobi, Viwandani na Nairobi Magharibi iliimarika kufuatia kuwekwa kwa transfoma yenye uwezo wa MVA 45 66/11 kV katika kituo kidogo cha Embakasi kwenye barabara ya Mombasa, na ujenzi wa laini nne za 11kV kutoka kwa kituo hicho, zote kwa gharama ya shilingi milioni 83. Kituo kidogo cha shilingi milioni 52 chenye uwezo wa MVA 23 pia kilijengwa kwenye mtaa wa NSSF Embakasi na kuwezesha uunganishaji wa wateja zaidi katika eneo hilo, ukiwemo mtambo mpya wa Coca Cola.

Katika mwaka huo, kituo kidogo cha Kikuyu kiliongezwa nguvu na laini inyingine ikajengwa, hadi zingine tatu zikakarabatiwa katika kituo hicho, zote kwa gharama ya shilingi milioni 40. Kutokana na kuimarishwa kwa mtandao wa Kiambu, kituo kidogo cha Cianda kilicho kamilika mwaka uliotangulia, kilianza kufanya kazi kikamilifu na kwa sasa kinatoa huduma bora za umeme kwa wateja waliokuwa wakipata shida ya viwango vidogo vya voltage kupita mji wa Kiambu.

Pia kuliwezesha kuhamisha umeme wa wateja wengine kutoka kituo cha Ruaraka kilichokuwa kimezidiwa hivyo basi kuimarisha huduma za umeme katika eneo hilo. Gharama ya jumla ya shughuli hii ni shilingi milioni 37. Kazi ya kuweka transfoma yenye uwezo wa 23 MVA 66/33 kV na zingine mbili zenye uwezo wa 233 MVA 66/11 kV katika kituo kidogo cha Ruiru inaendelea kwa

TAARIFA YA MKURUGENZI MKUU

gharama inayotarajiwa kuwa shilling milioni 87.

Katika eneo la Mlima Kenya, kituo kidogo cha Ndarugu chenye uwezo wa 33/11 kV kiliongezwa nguvu na kufunguliwa rasmi tena, ili hali shughuli ya kuongeza nguvu vituo vidogo vya Makuyu na Nyaga vyenye uwezo wa 33/11 kV ilianza.

KIWANGO CHA UZALISHAJI

Katika mwaka huo, kiwango cha uzalishaji kiliweza kuafikia mahitaji ya kawi. Kiwango cha juu zaidi cha mahitaji cha kila siku kilichorekodiwa ni Megawati 884 ikilinganishwa na Megawati 830 mwaka uliotangulia, ongezeko la asilimia 6.5, dhidi ya kiwango dhabiti cha uzalishaji cha Megawati 1,032 kinachaoacha hifadhi ya kiwango cha asilimia 14.

Ili kuafikia mahitaji ya umeme yanayo kua kwa kasi, Megawati 423 za ziada zitaongezwa nchini kati ya Mwezi July 2006 na July 2008 kuambatana na mpango wa serikali wa ustawi wa kitaifa. Kutoka kwa hii, kampuni ya KenGen itatoa Megawati 307 na wawekezaji wa kibinafsi Megawati 115.

UZALISHAJI WA ZIADA UTAPATIKIANA KUTOKA KWA MITAMBO IFUATAYO:

	Mradi	Aina	Kiwango (MW)	Tarehe
1	KenGen New GT	GT	70	Aug-06
2	Eburru Geothermal	Geothermal	2.5	Nov-06
3	Sondu-Miriu	Hydro	60	Jul-07
4	Kiambere rehabilitation	Hydro	20	Jul-07
5	Kindaruma 3rd Unit	Hydro	20	Jul-07
6	Redevelopment of Tana	Hydro	10	Jul-07
7	Kipevu Combined Cycle	Combined Cycle	60	Jul-07
8	KenGen Joint Venture Wind Turbine	Wind Turbine	30	Jul-07
9	Embakasi I IPP	MSD	80	Sep-07
10	Olkaria II 3rd Unit	Geothermal	35	Apr-08
11	Orpower 4	Geothermal	35	Apr-08
	Total		422.5	

Mitambo hii iko katika hatua mbali mbali za utekezaji na serikali imeipa KenGen mamlaka ya kutengeneza mtambo wa gesi wenye Megawati 70 utakao funguliwa rasmi mwezi Agosti 2006 na KPLC kutoa mkataba wa uzalishaji umeme wa kibinafsi katika utengenezaji wa mtambo wa Embakasi wa Megawati 80 wenye kutumia diseli utakao kamilika mwezi Septemba 2007.

Zaidi ya hayo, mradi wa kuagiza umeme wa Tanzania, kupitia kwa uwezekano wa udhamini wa serikali ya Uholanzi uko katika hatua za mwisho za matayarisho. Mradi huo unajumuisha ujenzi wa laini ya kilomita 260 za kusafirisha umeme ya 330kV kati ya Arusha na Nairobi.

Uagizaji umeme kutoka kwa mnada wa umeme wa Afrika Kusini utawezekana pale Tanzania itakapounganisha laini zake na zile za Zambia.

Mpango Mkuu Wa Umeme Wa Afrika Mashariki

Washauri waliopewa kazi mwezi Machi 2003 na Halmashauri ya Jumuiya ya Afrika Mashariki ili kutayarisha mpango wa umeme wa gharama ya chini kwa nchi za Kenya, Uganda na Tanzania wamewasilisha ripoti yao ya mwisho, inayo pendekeza mipango iliyo changanywa katika utayarishaji wa miradi ya uzalishaji umeme inayo kuza biashara ya umeme katikwa eneo hili. Mazungumzo juu ya mikakati ya utekezaji pamoja wa miradi kama hiyo inaendelea.

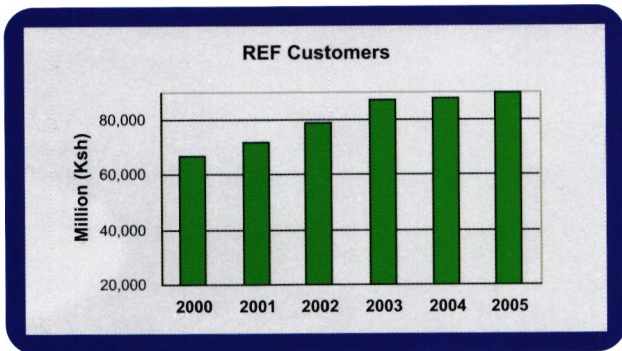
HUDUMA KWA MTEJA

Kampuni imeendelea kutafuta njia za kumwezesha mteja kulipia umeme anaotumia kwa njia bora na rahisi zaidi. Wakati wa kipindi hicho, tulianzisha mtindo wa kuulizia bili za umeme kwa njia ya barua pepe (e-mail) inayoitwa E-Bill ambayo ilizinduliwa rasmi mwezi Agosti 2005. Mtindo huu huwawezesha wateja kuona akaunti zao na kujua malipo ya umeme waliotumia kwa njia hii ya mtandao. Ustawishaji mtambo wa kuwawezesha wateja kujua malipo

TAARIFA YA MKURUGENZI MKUU

ya umeme kwenye akaunti zao kupitia ujumbe mfupi wa simu za mkono (SMS) umefikia kiwango cha juu. Mtambo huu utanza kufanyakazi kufikia desemba 2005.

Kadhalika vituo vya kulipia umeme vya Barabara ya Jogoo na Eastleigh mjini Nairobi na Nakumatt Nyali viliunganishwa kwenye mtandao wa internet ili kuwezesha malipo ya wateja kuingia kwa akaunti zao



mara moja ilhali kazi ya kutayarisha mfumo wa kulipia umeme kimbele kabla ya kuutumia ilianza wakati wa kipindi hicho. Mradi wa majaribio unatarajiwa kutekelezwa mjini Nairobi mapema mwaka 2006. Mfumo huu utarahisisha usimamizi bora zaidi wa malipo ya umeme kwa wateja na ukusanyaji bora wa mapato na pia kupunguza gharama na usumbufu wa kila mwezi wa usomaji mita za umeme. Kituo kipya cha malipo kilifunguliwa katika Nakumatt ya Nyali huko Mombasa na kuleta huduma karibu na wateja na vile vile kuimarisha ukusanyaji mapato. Matayarisho pia yalianza ya kupunguza msongamano katika jumba la Electricity House, Nairobi kwa kuongezea sehemu ya malipo kwa orofa moja.

MPANGO MAKHSUSI WA KIBIASHARA

Mpango wa makhsusi wa kampuni wa kibiashara wa muda wa miaka mitano uliimarishwa kwa kipindi cha mwaka 2004/05 hadi kipindi cha mwaka 2008/09 baada ya kuzingatia matokeo ya utendakazi ya kipindi cha mwaka 2003/04 na vile vile mabadiliko muhimu katika mtazamo wa kiuchumi na nyanja nyingine za mazingira ya uendeshaji biashara. Pia yaliyozingatiwa kwenye mpango huu ni marekebisho yaliyofanywa ili kuendeleza mtazamo mpya na kuimarisha juhudi mbali mbali za biashara hii na utendakazi. Yale yaliyozingatiwa zaidi ni kuharakisha uunganishaji umeme kwa wateja wapya, kuimarisha ubora wa ugawaji umeme, kupunguza upoteaji wa umeme na kudumisha upatikanaji fedha na kuimarisha ujuzi wa wafanyakazi.

Mpango huu umeimarisha mradi wa uwekezaji kwa upanuzi wa usambazaji na ugawaji umeme uliolenga kuongeza kiwango cha wateja na kiwango cha uwekezaji kwenye

miradi ya umeme pamoja na matarajio ya kifedha ya Kampuni.

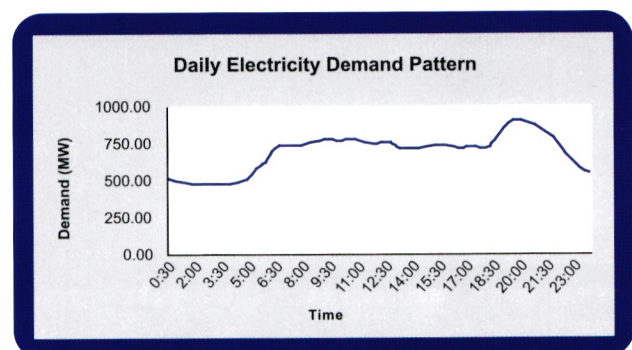
KANDARASI ZA UTENDAKAZI

Kandarasi ya kwanza ya utendakazi kati ya serikali na Kampuni ya KPLC ilimalizika mwezi Juni 2005 na Idara ya usimamizi wa wafanyakazi wa Umma inakadiriya utendakazi wa kampuni. Kampuni ilitia saina kandarasi mpya ya utendakazi na serikali mwezi Juni 2005 kwa kipindi cha matumizi ya pesa cha mwaka 2005/06 ambapo inatarajiwa kufikia malengo kadhaa yakiwemo uunganishaji umeme kwa wateja wapya wapatao elfu 150, kupunguza upoteaji umeme na kuharibika kwa mitambo yake, kupunguza gharama, kuimarisha faida, kugawa umeme kwa njia bora na kuimarisha ukusanyaji mapato.

USAMBAZAJI UMEME MAENEO YA MASHAMBANI

Jumla ya shilingi milioni 670 zilitumiwa kwenye miradi mbali mbali chini ya mradi wa serikali wa kustawisha umeme maeneo ya mashambani wakati wa kipindi hicho. Hii ilileta matumizi yote tangu kuanzishwa kwa mradi huu mwaka wa 1973 hadi shilingi milioni 8,497. Kiasi cha pesa kilichotumiwa wakati huo ni pamoja na shilingi milioni 274 na shilingi milioni 12 kwa miradi iliyofadhiliwa na Ufaransa na Uhispania, ilhali shilingi nyingine milioni 67 zilitumiwa kwa miradi ya hazina ya kimataifa ya ustawishaji ya kilimo, Stabex. Jumla ya shilingi milioni 1,046 zilikusanywa kutokana na ushuru wa umeme wa maeneo ya mashambani katika mwaka huo ikilinganishwa na shilingi milioni 1,008 mwaka uliotangulia.

Idadi ya wateja waliounganishwa umeme chini ya mradi huu iliiongezeka kwa asilimia 9.4 hadi wateja 101,793 ikilinganishwa na wateja 93,083 mwaka uliotangulia. Viwango vya umeme uliouzwa viliongezeka kwa asilimia



10 kutoka milioni 149 hadi milioni 164 na mapato yakaongezeka kwa asilimia 24 kutoka shilingi milioni 978 mwaka uliotangulia hadi shilingi milioni 1,208.

Kazi ya ujenzi kwa ugawaji umeme hadi kwenye viwanda vya kahawa chini ya sehemu ya 2 na 3 za

TAARIFA YA MKURUGENZI MKUU

awamu ya kwanza ya mradi wa ustawishaji umeme katika maeneo ya mashambani ya viwanda vya kahawa ilikamilishwa. Usoroveya na kazi ya mchoro kwa viwanda vilivyoorodheshwa kwa awamu ya pili ya mradi huo na uunganishaji wa umeme kwenye miradi 32 chini ya awamu ya pili ya mradi wa upanuzi wa ugawaji umeme uliofadhiliwa na Uhispania uliendelea mwaka huo.

Ujenzi wa mipango iliyotambuliwa kwa ustawishaji umeme chini ya mradi wa upanuzi wa kugawa umeme uliofadhiliwa na Ufaransa kwa kiasi cha Euro milioni 9.1 ulikamilishwa na uunganishaji laini za umeme ukaanza wakati huo.

WAFANYIKAZI

Kampuni inanuia kudumisha wafanyikazi wenye ujuzi wa hali ya juu ili kukabiliana ipasavyo na malengo ya Kampuni. Umuhimu zaidi unazingatiwa katika kuwapa mafunzo wafanyikazi na kuwastawisha kama njia ya kuhakikisha kwamba wafanyikazi wanauwezo unaohitjika wa kufanya kazi zao. Kuhusu utoaji mafunzo kwa wafanyikazi wakiwa kazini tunazingatia msingi unaotegemewa sana kwa aina yote ya mafunzo na tunaheshimu jukumu ambalo wafanyikazi wetu wenye ujuzi wanatekeleza katika kuwapa mafunzo wafanyikazi wenzao. Katika mwaka huo wafanyikazi walihudhuria mafunzo na warsha humu nchini na huko ng'ambo.

Kufuatia kuanzishwa kwa kandarasi za utendakazi na serikali, wafanyikazi wasimamizi walitia saina kandarasi kwa malengo maalum ambayo ndiyo msingi wa shughuli za utendakazi wao mnamo mwisho wa mwaka. Kampuni ilikuwa na jumla ya wafanyikazi 6,130 ikilinganishwa na mwaka uliotangulia kwa idadi ya wafanyikazi 6,216 wakiwemo wale wa kudumu, wanaofanya kwa kandarasi na vibarua. Kufikia tarehe 30 Juni 2005, kiwango cha wateja dhidi ya wafanyikazi kilikuwa 120:1, ikilinganishwa na kiwango cha 110:1 mwaka uliotangulia. Uhusiano baina ya wafanyikazi na wasimamizi wa kampuni uliendelea kuwa mzuri mwaka mzima. Mikataba ya mwaka 2003,2004, 2005 na 2006 ya kampuni na wafanyikazi ilijadiliwa na kufaulu kutekelezwa katika mwaka huo.

HUDUMA ZA TEKNOLOJIA YA MAWASILIANO YA HABARI ICT

Teknolojia ya mawasiliano ya habari ICT iliendelea kutoa msaada muhimu wa kibiashara kwa shughuli za Kampuni katika mwaka huo.

Mradi wa kuweka upya mtambo wa usimamizi wa shuguli za usafirishaji na usabazaji umeme na upokeaji habari na mfumo wa mawasiliano ya simu kwa kutumia teknolojia ya kisasa ulianza kwa kutiwa saina kwa

kandarasi ya huduma za kiuhandisi kwa mradi huo. Mradi huo utatilia mkazo mahitaji ya siku zijazo na huduma kwa eneo kubwa kwenye mfumo huo, ikiwa ni pamoja na uunganishaji umeme kutoka mataifa ya eneo hili na biashara ya umeme. Kustawisha mawasiliano muhimu ya simu yatakuwa pamoja na kuweka waya za teknolojia ya fiber optic katika mfumo wa usafirishaji umeme kote nchini. Hii itaimarisha uendeshaji mfumo wa mawasiliano na vile vile kutoa nafasi ya biashara kwa kampuni katika sekta ya huduma ya mawasiliano ya simu.

Kuwekwa kwa mtambo mpya wa huduma za mtandao mwaka huo kuliimarisha usimamizi wa wafanyikazi, mipango ya ununuzi bidhaa, fedha na uhasibu.



MWISHO

Kuna matumaini makubwa katika siku zetu zijazo. Huku tunapoendelea na shughuli za ukuaji, tunatazamia kuendelea kufanyakazi na wateja wetu, wenyehisa na washirika katika juhudi zetu ili kuimarisha huduma zetu na faida yetu. Tutaendelea kutegemea na kuimarisha nguvu zetu na uwezo wetu ili kutoa hudua bora kwa wateja wetu na kuwaletea mapato wenyehisa wetu.

Eng. Jasper Oduor
MKURUGENZI MKUU

MEMORANDUM TO THE SHAREHOLDERS

1. OBJECTIVES

This Memorandum seeks to provide information on the proposed transfer by Kenya Electricity Generating Company Limited (KenGen) of its 7.85% redeemable non-cumulative preference shares to the Government of Kenya so as to enable shareholders make a decision on the resolution for the approval of the transfer during the Annual General meeting scheduled to be held on 2nd December, 2005.

2. BACKGROUND

In September 2003, a number of measures were initiated by the Government to assist in the recovery of the Company. These initiatives included waiver by KenGen of accrued late payment penalty interests amounting to Shs.1.2 billion, reduction of KenGen bulk tariff from Shs.2.36/kWh to 1.76/kWh and conversion of debts of Shs.12,260 million and Shs.3,639 million owed by the Company as at 1st July, 2003, to KenGen and the Government, respectively, to preference shares.

The debt conversion was approved by the shareholders during the Annual General meeting held on 23rd December, 2003 and by the Capital Markets Authority. The debt conversion was effected and 613,007,950 shares issued to KenGen while 181,954,541 shares were issued to the Government.

3. RIGHTS OF THE SHARES

The shares are non-cumulative, have no voting rights and are redeemable at the option of the Company. They also have an interest coupon rate of 7.85%, which will be reviewed in 2009/10 and a five-year memorandum on dividend payment.

4. IMPACT OF THE DEBT EQUITY CONVERSION

The debt-equity conversion strengthened the capital base of the company while providing financial relief during the recovery period.

5. KENGEN'S INITIAL PUBLIC OFFER AND TRANSFER OF THE SHARES

KenGen is currently in the process of making an Initial Public Offer (IPO). As part of the programme, KenGen and the Government have agreed that the 7.85% preference shares held by KenGen in the Company be transferred to the Government. The transfer will be on the same terms and conditions and will not have any financial impact on the Company.

6. SHAREHOLDERS' APPROVAL

The transfer requires approval by the shareholders and the Capital Markets Authority.

TAARIFA KWA WENYEHISA

1. MALENGO

Taarifa hii inatoa habari kuhusu pendekezo la kuhamisha hisa asilimia 7.85 za kampuni ya kutoa umeme ya KenGen hadi kwa serikali ili kuwawezesha wenyehisa kufanya uamuzi kuhusu azimio la kuidhinisha kuhamishwa huko wakati wa mkutano mkuu wa kila mwaka uliopangwa kufanywa tarehe 2 Desemba 2005.

2. UTANGULIZI

Mnamo mwezi Septemba 2003, hatua kadhaa zilianzishwa na serikali kusaidia kuifufua kampuni. Juhudi hizi ni pamoja na kufutiliwa mbali kwa malipo na kampuni ya KenGen yaliyotokana na kuchelewa kulipwa kwa malimbikizi ya riba yaliyofikia shilingi bilioni 1.2, kupunguzwa kwa kiwango cha bei ya umeme unaotolewa na kampuni ya KenGen kutoka shilingi 2.36/kWh hadi shilingi 1.76 Kwh na kubadilishwa kwa madeni ya shilingi milioni 12, 260 na shilingi milioni 3,639 ambayo kampuni ilikuwa inadaiwa kufikia tarehe 1 Julai 2003 na kampuni ya KenGen na serikali, kuwa hisa.

Kubadilishwa kwa deni hilo kuliidhinishwa na wenyehisa wakati wa mkutano mkuu wa kila mwaka uliofanywa tarehe 23 Desemba 2003 na Halmashauri ya usimamizi wa masoko ya hisa. Kubadilishwa kwa deni hilo kulitekelezwa na hisa 613,007,950 zikakabidhiwa kampuni ya KenGen ilhali hisa 181,954,541 zikakabidhiwa serikali.

3. HAKI YA HISA KUPIGIWA KURA

Hisa hizi hazina haki ya kupigiwa kura na zinaweza kufidiwa kulingana na Kampuni ipendavyo. Pia zina faida ya kopuni ya asilimia 7.85 itakayochunguzwa wakati wa kipindi cha mwaka 2009/10 na taarifa ya muda wa miaka mitano kuhusu malipo ya mgao wa faida.

4. ATHARI ZA KUBADILI DENI

Kubadili deni kuliimarisha mtaji wa kampuni na kutoa unafuu wa kifedha wakati wa kipindi cha ufufuzi.

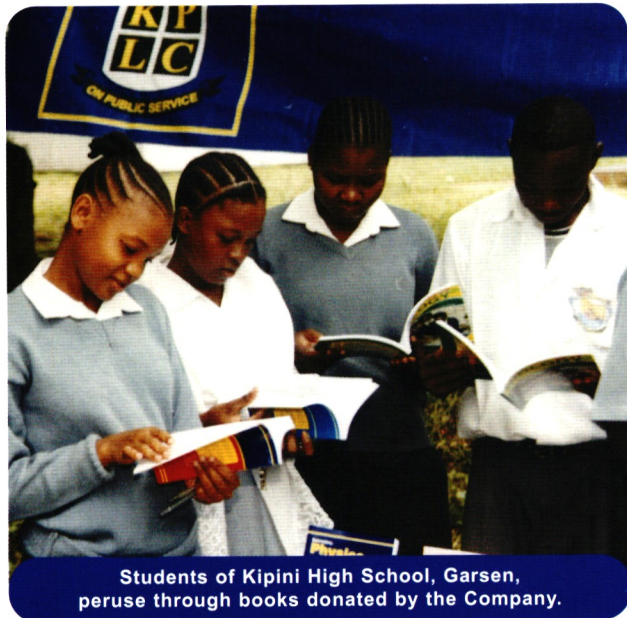
5. HISA ZA KAMPUNI YA KENGEN ZILIZOTOLEWA KUZIWA UMMA NA KUHAMISHWA KWA HISA ZAKE HADI KWA SERIKALI

Kampuni ya KenGen kwa wakati huu inafanya mpango wa kutoa hisa zake kwa uuzaji kwa umma. Kama sehemu ya mradi huo, KenGen na serikali zimekubaliana kwamba hisa asilimia 7.85 zinazomilikiwa na KenGen kwenye Kampuni zitahamishwa kwa serikali. Kuhamishwa huko kutakuwa kwenye masharti na kanuni sawa na hakutakuwa na athari zozote za kifedha kwa kampuni.

6. IDHINISHO LA WENYEHISA

Kuhamishwa kwa hisa kunahitajika kuidhinishwa na wenyehisa na Halmashauri ya usimamizi wa masoko ya hisa - CMA.

As a corporate citizen, we are conscious that our business success depends on the goodwill of the society in which it operates. The Company's Board of Directors and management believe in adding value to Kenyan communities by investing in their economic and social



Students of Kipini High School, Garsen, peruse through books donated by the Company.

development. This is achieved through a structured continuous Corporate Social Responsibility (CSR) programme, aimed at addressing some of the social, environmental and economic challenges facing Kenyan communities. Our CSR is integrated in our business strategies, operational practices, and our human resources policies. The CSR activities carried out during the year under review are outlined below.

We Support Education

We recognise that education is a cornerstone of social and economic development. Indeed our business relies on highly skilled manpower. We, therefore, continue to support education initiatives and during the period under review, we participated in a project by the Kenya Secondary Schools Revolving Fund by donating textbooks worth Shs.54,300 to Garsen and Kipini High Schools in Tana River District. Further, our Shs.480,000 endowment fund at Starehe Boys Centre has supported two needy students at the school each year since 1998. In addition, the Company continues to provide professional attachment for students from various institutions of higher learning. Since its inception in 2003, more than 250 students have gone through the attachment programme, attaining valuable professional exposure first-hand.

We Serve Our Communities

We remain committed to serving the less fortunate members of society. During the year under review, we

supported the International Women's Aids Run and Dettol Heart Run, in which staff participated, while the company made donations of Shs.60,000 and Shs.75,000, respectively. Rachuonyo flood victims fund, set up to assist victims of serious flooding following heavy rains in Rachuonyo, received Shs.50,000.

The Company encourages staff to donate their time and expertise towards charitable causes, and staff spent time doing chores at various children's homes during the December festive season in 2004. They also donated money, foodstuffs and clothes to other similarly needy causes. Their efforts were complemented by the company with a contribution of Shs.60,000. Missionaries of Charity in Huruma, Nairobi, benefited from a donation of Shs.100,000, which was awarded to KPLC by Standard Chartered Bank, in recognition of our long association with the bank.

During the year, the Company also supported three charity golf tournaments in Nairobi and Mombasa. The company contributed Shs.70,000 towards a charity golf tournament organised by the Lions Club of Nairobi, Karen, and supported a golf tournament at Nyali Club, Mombasa and Muthaiga Club in Nairobi to the tune of Shs.80,000. During the golf functions, company staff interacted with customers and other members of the public with whom they shared relevant information, as well as marketing electricity.

The Environment

The Company strives to achieve high environmental standards. As a matter of practice, environmental impact assessments are carried out prior to implementation of all major projects and mitigation measures implemented. An environmental audit to determine the impact of our operations on the environment commenced during the year, and the report is awaited for implementation.

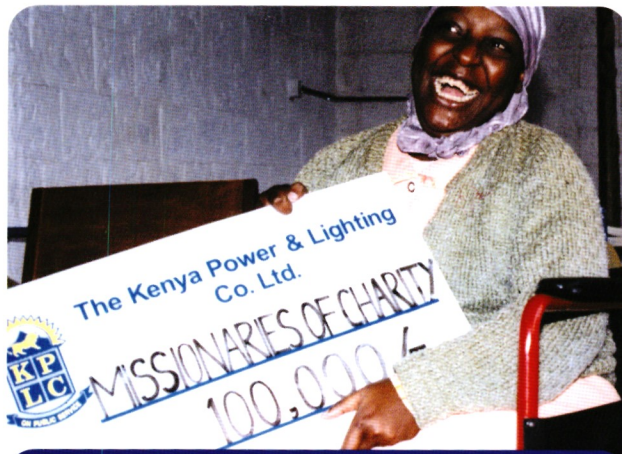
Also, as a major consumer of wood products, afforestation and conservation of forests is an integral part of our activities. The Company maintains a tree-planting programme within various forests in Uasin Gishu district in collaboration with the Forest Department. The programme is supported by a tree seedling nursery along Sosiani River near Eldoret town, which was established in 1999. Seedlings from the nursery are donated to people in the neighbouring communities. Our support to the Bill Woodley Mount Kenya Trust continues and during the year under review, we donated some 400 used poles to be used in fencing the Aberdare National Park.

To support the ongoing efforts to beautify Aga Khan

Walk in Nairobi's Central Business District, where Electricity House, our largest regional office is situated, we contributed Shs.300,000 to the Nairobi Central Business District Association (NCBDA) towards the project, which is expected to be completed in 2006.

Information is Power

In an effort to create mutual understanding between our Company and our stakeholders, including our customers and the general public, we carried out print and electronic media campaigns as well as holding public meetings do disseminate information pertinent to our business including



Our Shs.100,000 donation to the Missionaries of Charity brought a smile to this young lady's face

safety, conservation of power, wayleaves infringement and applying for new electricity supply, among others. We also supported three soccer matches involving Harambee Stars, the national team, by financing airtime worth Shs.397,2000 on national television and radio. The sponsorship gave the company an additional opportunity to air short documentaries on electrical safety. Other mass media campaigns involved messages on emergency telephone numbers, paypoints, and the E-Bill account query facility. Corporate information was regularly shared with staff through the established internal communications systems including team briefing, as well as with the public through news releases and notices in the press. Additionally, the Company maintains a comprehensive website: www.kplc.co.ke, which contains an extensive data of corporate information, and which complements other information that is available in print format.

Our Staff

(i) Welfare

We believe that staff are our most valuable asset and that taking care of their welfare is the key to fully unlocking our extensive human capital. In this regard, the company ensures equity in remuneration of employees, which includes the social aspects of housing allowance; group life insurance policy, medical allowances for employees and their dependants; subsidised electricity, car, cooker, fridge and bicycle loans, all at low interest rates.

At the same time, our orphans trustee scheme, under which benefits of employees who die in service are administered as a fund to ensure that the children of the deceased are educated and provided for until they attain the age of 18 years, continues.

(ii) We Encourage Dialogue

The Company encourages open dialogue and participation in the company's affairs by employees. This is made possible through various well established channels including departmental meetings, internal e-mail, team briefing, regular meetings, team-building initiatives and staff publications.

(iii) HIV/AIDS

Recognising the challenge that the HIV/Aids pandemic poses to the family unit, national economy and our business, we are dedicated to promoting and protecting the fundamental human rights of all persons, including those living with HIV/AIDS. The tenet is amplified through the Company's HIV/AIDS programme, whose initiatives are aimed at educating staff on all aspects of the pandemic with the objectives of minimising its impact on the organisation. Our concern goes beyond the staff members to their families and community at large. Staff and their immediate family who are beneficiaries of our medical scheme and who are HIV/AIDS-positive can seek medical attention through the Company's established medical scheme, through which they can also receive anti-retroviral medicine.

Eng. A. Sambu
CHAIRMAN

Eng. Jasper Oduor
MANAGING DIRECTOR

Kama mwanashirika tunafahamu kwamba ufanisi wetu wa kibiashara unategemea ukarimu wa jamii inayotuzunguka. Halmashauri ya wakurugenzi wa Kampuni, na wasimamizi wanaamini katika kuongeza thamani ya jamii za wakenya kwa kukuza na kuendeleza maendeleo yao ya kijamii na kiuchumi. Haya yanafanikishwa kupitia mpango wetu



A member of staff receives her certificate from Chief Manager, Human Resources & Administration, Mr Ben Chumo, after completing her ISO training.

maalum unaoendelea wa jamii, unaolenga kutatua baadhi ya maswala nyeti ya kijamii, ya kimazingira na ya kiuchumi yanayo kabili jamii za wakenya. Mpango wa jukumu letu kwa mashirika na jamii umejumuishwa kwenye mikakati yetu ya kibiashara, utendaji kazi wetu, na sera za wafanyakazi wetu.

Shughuli za uajibikaji wa kimashirika na kijamii zilizotekelezwa katika mwaka unaochunguzwa zimeelezwa hapo chini.

Tunafadhili Elimu

Tunatambua kwamba elimu ndio msingi wa maendeleo ya kijamii na kiuchumi. Kwa kweli biashara yetu hutegemea wafanyakazi wenye ujuzi mkubwa. Kwa hivyo sisi huendelea kufadhili miradi ya elimu na katika kipindi kinacho chunguzwa, tulishiriki kwenye mpango unaoendeshwa na shule za upili kwa kutoa msaada wa vitabu vya kusomea vya thamani ya shilingi 54,300/- kwa shule za Garsen na Kipini High School zilizoko wilaya ya Tana River. Tukiongezea, mfuko wetu wa shilingi 480,000/- wa kufadhili wanafunzi kutoka kwenye jamii masikini katika shule ya Starehe Boys Centre umesaidia kutoa karo za wanafunzi wawili kila mwaka tangu mwaka 1998. Kuongezea hayo, kampuni inaendelea na mpango wake wa kutoa nafasi kwa wanafunzi kutoka vyo tofauti vya masomo ya juu kupata ujuzi wa kitaaluma. Tangu kuanzishwa kwake, katika mwaka 2003, zaidi ya wanafunzi 250 wamenufaika kupitia mpango huu kwa kupata ujuzi muhimu kutoka kwa wataalamu.

Tunahudumia Jamii

Msimamo wetu bado ni ule ule wa kujitolea kuhudumia wale wasio bahatika katika jamii. Katika mwaka unaochunguzwa, tulisaidia mbio za kimataifa za kusaidia ukimwi, za International Womens' Aids Run pamoja na Dettol Heart Run, ambapo wafanyakazi wetu walishiriki, ili hali kampuni ilitoa mchango wake wa shilingi 60,000/- na shilingi 75,000/- mtawalia. Mfuko wa manusura wa mafurikio ya Rachuonyo ulioanzishwa kusaidia manusura wa mafuriko mabaya kufuatia mvua kubwa ulipata shilingi 50,000/-

Kampuni inahimiza wafanya kazi wake kujitolea wakati wao na utalamu wao kusaidia vyama vya kusaidia wanao hitaji misaada, na wafanya kazi wakajitolea kufanya kazi katika makao ya watoto wasiojiweza, wakati wa msimu wa sherehe za mwezi Desemba mwaka 2004. Pia walitoa misaada ya pesa, vyakula na nguo kwa miradi mingine kama hiyo ya kusaidia wasiojiweza. Juhudi zao zilipata usaidizi wa kampuni wa mchango wa shilingi 60,000/-. Missionaries of Charity wa Huruma mjini Nairobi walinufaika kwa mchango wa shilingi 100,000/- pesa zilizokuwa zimepewa KPLC na benki ya Standard Chartered, kwa kutambua uhusiano wake wa mda mrefu na benki hiyo.

Katika mwaka, kampuni ilichangia mashindano matatu ya mchezo wa gofu mjini Nairobi na Mombasa. Kampuni ilitoa msaada wa shilingi 70,000/- kusaidia shindano la kuchangisha pesa la mchezo wa gofu, lililotayarishwa na Lions Club ya Nairobi, Karen, na ikisaidia shindano la mchezo wa gofu Katika Nyali Club, Mombasa na Muthaiga Club mjini Nairobi kwa mchango wa shilingi 80,000. Wakati wa tamasha za mchezo wa gofu, wafanya kazi wa kampuni walijumuika na wateja pamoja na wananchi wengine ambapo walitumia fursa hiyo kubadilishana habari na kuuza umeme.

Mazingira

Kampuni inajitahidi kufikia viwango vya juu vya hali ya kimazingira. Kama kawaida ya utendaji, ukadiriaji wa jinsi mazingira yanavyoweza kuathiriwa hufanywa kabla ya utekelezaji wa miradi mikubwa na hatua za kupunguza athari hutekelezwa. Ukaguzi wa kimazingira huonyesha jinsi shughuli zetu zinavyo athiri mazingira ulianza katika mwaka na ripoti ya ukaguzi huu inasubiriwa kwa utekelezaji.

Pia, kama mtumiaji mkubwa wa bidhaa za mbao, upandaji na uhifadhi wa misitu ni sehemu muhimu ya shughuli zetu. Kampuni huendelea miradi ya upandaji miti katika misitu mbalimbali wilayani Uasin Gishu ikishirikiana na idara ya misitu. Mradi huu unaungwa mkono na bustani la miche ya miti kando kando ya mto Sosiani karibu na mji wa Eldoret ulioanzishwa mwaka 1999. Miche ya miti

inayotoka katika bustani hii hutolewa kwa watu wa jamii jirani bila malipo. Tumeendelea kusaidia mfuko wa dhamana wa shirika la Bill Woodley Mount Kenya Trust, na katika mwaka tunao chunguza, tumetoa msaada wa nguzo za umeme zilizotumika 400 zitumike kwa ujenzi wa ua la hifadhi ya kitaifa la wanyama wa Aberdare National Park.



Our most valuable asset: KPLC staff step out majestically during a Labour Day parade.

Kusaidia juhudi zinazo endelea za kurembesha Aga Khan Walk katika eneo la katikati la jiji la Nairobi, ambako Electricity House, ofisi yetu kuu ya kimkoa ilipo, tulitoa mchango wetu wa shilingi elfu 300 kwa chama cha ushirikiano wa Nairobi Central Business District – (NCBDA) kusaidia mradi huu, ambao unatarajiwa kukamilishwa katika mwaka 2006.

Kuwa na Habari ni Uwezo

Katika juhudi za kuanzisha maelewano ya pande mbili baina ya Kampuni yetu na washika dau wetu wakiwemo wateja wetu pamoja na umma, tulifanya kampeni ya matangazo kupitia magazeti, redio na Televisheni pamoja, na mikutano ya umma ili kueneza habari zinazohusiana na Kampuni yetu na hasa usalama, uhifadhi wa umeme, uingiliaji wa maeneo yaliyotengwa kwa kupitishia waya za umeme, na utumaji wa maombi ya kutaka umeme, miongoni mwa mengine. Pia tulisaidia mechi tatu zinazo husu timu yetu ya taifa Harambee Stars, kwa kulipa shilingi 397,200 kusimamia gharama ya kupeperusha mechi hizi hewani kupitia kwenye radio na Televisheni. Ufadhili huu uliipa Kampuni fursa nyengine ya kuonyesha filamu fupi kuhusu matumizi salama ya umeme. Kampeni nyingine kupitia vyombo vya habari zilihusisha ujumbe kuhusu nambari za simu za dharura, vituo vya malipo na huduma ya kuulizia kuhusu bili za umeme kupitia barua pepe itwayo E-Bill.

Habari za Kampuni kwa kawaida huenezwa kwa wafanya kazi kupitia utaratibu maalum wa mawasiliano ya ndani unaohusisha utoaji taarifa kwa vikundi vya wafanyi kazi, pamoja na umma kupitia taarifa za habari na notisi kwenye magazeti. Kuongezea hayo Kampuni inahifadhi anwani ya mtandao wa internet. www.kplc.co.ke, ambao una habari nyingi kuhusu Kampuni, na ambao huongezea habari

nyingine kama hizo zilizochapishwa.

Wafanyakazi Wetu

(i) Ustawi wa wafanyakazi

Tunaamini kwamba wafanya kazi wetu ndio rasilimali yetu kuu na kwamba kushughulikia maslahi yao ndio ufunguo wa kufungua shehena yetu kuu ya rasilimali ya kibinadamu. Kuhusu suala hili, kampuni inahakikisha usawa katika ujira wa wafanya kazi, inayo husisha hali za marupurupu ya nyumba, hati ya bima ya maisha ya kikundi, marupurupu ya matibabu kwa wafanya kazi na wanao wategemea; ruzuku ya umeme, mikopo ya gari, jiko la umeme, friji na baisikeli, yote kwa viwango vya chini vya riba.

Wakati huo huo, mpango wetu wa kudhamini mayatima, ambapo chini ya mpango huu marupurupu ya wafanyakazi wanao aga dunia wakiwa bado wangali kazini husimamiwa kama hazina, kuhakikisha kwamba watoto wa marehemu wanaelimishwa na kupewa usaidizi hadi wafikiapo umri wa miaka 18, bado unaendelea.

(ii) Tunahimiza mazungumzo

Kampuni inahimiza mazungumzo ya wazi na kushiriki kwa wafanyakazi katika shughuli za Kampuni. Haya yawezekana kupitia njia thabiti zilizowekwa kama mikutano ya kiidara, barua pepe za ndani, taarifa kwa vikundi, mikutano ya mara kwa mara, juhudi za ujenjaji moyo wa kufanya kazi pamoja na machapisho ya habari kwa wafanya kazi.

(iii) Ukimwi

Kwa kutambua athari za janga la ukimwi na madhara yake kwa familia, uchumi wa nchi na biashara yetu, tumejitolea kutangaza na kulinda haki za kimsingi za binadamu za watu wote, wakiwemo wale wanaoishi na ugonjwa wa ukimwi. Kanuni hii imetiliwa mkazo kupitia kwa mpango wa Kampuni wa ukimwi, ambao unalenga kuelimisha wafanyakazi wa Kampuni kuhusu sura zote za ugonjwa huu kwa nia ya kupunguza athari za ugonjwa huu kwa Kampuni. Kuhusika kwetu si kwa wafanya kazi wetu tu, bali hata familia zao na jamii yote kwa ujumla. Wafanya kazi wetu na familia zao ambao wanafadhiliwa na mpango wetu wa tiba na wana virusi vya ukimwi wanaweza kutafuta matibabu kupitia kwa mpango wetu kabambe wa tiba, ambapo kupitia humo wanaweza pia kupokea dawa za anti-retroviral za ukimwi.

Eng. A. Sambu
MWENYEKITI

Eng. Jasper Oduor
MKURUGENZI MKUU

CORPORATE GOVERNANCE STATEMENT

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

Directors and management of the Company regard corporate governance as pivotal to the success of the business and are unreservedly committed to ensuring that good corporate governance is practiced so that the Company remains a sustainable and viable business of global stature. As part of this commitment, the Board fully supports best practices in corporate governance and has adhered to the Guidelines on Corporate Governance developed by the Capital Markets Authority (CMA), so as to bring the level of governance in line with international standards. We confirm that we comply with the CMA's Guidelines on Corporate Governance.

BOARD OF DIRECTORS

The Board consists of a non-executive Chairman, Managing Director and eight non-executive Directors. As a state corporation, a representative of the Inspectorate of State Corporations attends Board meetings. The non-executive directors are independent within the meaning of the CMA's Guidelines on Corporate Governance.

The directors' biographies are on page 4. Directors possess a broad range of skills, qualifications and experience required to direct the Company.

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

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

Details of the directors fees for the non-executive directors and remuneration of the Managing Director are on page 51.

RESPONSIBILITIES

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

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

Directors have full access to the advice and services of the Company Secretary. They are also entitled to obtain independent professional advice on any matter at Company's expense, should they deem this necessary.

To enable the Board to function effectively, the Board is given full and timely access to relevant information. New directors are also well inducted through provision of necessary information pertinent to the Company's business, meetings with Management and training so as to enhance their understanding of the Company's legislative framework, its governance processes and the nature of the business and operations of the Company. Continuous training is provided. Towards this, two directors were trained on corporate governance at the Centre for Corporate Governance, while three others attended conferences on energy overseas during the year.

The Board meets at least once a month or more often in accordance with requirements of the business. The Board work plan and calendar of meetings is prepared annually in advance. Adequate notice is given for each Board meeting and directors receive detailed papers on issues to be discussed in good time before the meeting. The Board held a total of 32 meetings during the year, which were very well attended.

Board Committees

A number of standing committees exist in order to assist the Board and management fulfill their responsibilities. Adhoc committees are constituted to deal with pertinent

CORPORATE GOVERNANCE STATEMENT

issues as they arise. Each committee operates within the ambit of defined terms of reference assigned to it by the Board.

During the year, the Board had the following standing and adhoc committees.

Audit Committee

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

- Mr. N. Kiuna (Chairman)
- Mr. E. Wasunna
- Mr. A. Mbui

Mr. S. Maluki, representing the Inspectorate of State Corporations, attends the meetings. The Committee routinely invites the Managing Director, Chief Manager, Finance, and the Internal Audit Manager to its meetings. The external auditors are invited to attend the meetings whenever necessary.

The Committee's responsibilities include:

- examination of quarterly, half-year and annual financial statements,
- discussion with the external auditor before commencement of the annual audit,
- consideration of issues identified by the external auditors,
- consideration of audit fees for recommendation to the Board; and
- review of the function, operations and findings of the Internal Audit Department, and
- review of risk management strategies in ensuring business continuity and survival.

The Committee held a total of 8 meetings during the year.

Staff and Remuneration Committee

The Board has in place a fully operational Staff & Remuneration Committee whose mandate includes recommending to the Board terms and conditions of service of the Managing Director and staff and recommendations for appointment and disciplinary issues of senior staff. The Committee also recommends to the Board, adoption of human resources policies and corporate organisational structure to support the Company's business.

The members who served in the Committee were as follows:

- Eng. A Sambu - Chairman
- Dr. S. Musyoka
- Mr. E. Wasunna
- Mr. P. Nyoike
- Mr. J. Kinyua
- Eng. J. Oduor

When appropriate, the Committee invites other members of the Board to its meetings.

The Committee held 8 meetings during the year.

Central Tender Committee

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

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

- Mr. F.M. Nyaga - Chairman
- Eng. J.O. Oduor
- Eng. S.S. Imu
- Mr. N. Munyu (for Mr. P. Nyoike)

Other members are senior management staff spelt out in the Procurement Regulations. The Central Tender Committee held a total of 36 meetings during the year in line with business requirements.

Board Strategy Committee

The Board Strategy Committee was constituted in February 2005 to devise strategies that would facilitate the Board to give guidance and strategic direction to management. Its members are:-

- Mr. A Mbui - Chairman
- Mr. N. Kiuna
- Mr. E. Wasunna
- Eng. S. S. Imu

The Committee held 3 meetings during the year.

Committee on IPP Negotiations

The Board constituted a committee in May 2003 to re-negotiate the power purchase agreements with the independent power producers. Its members are:

- Mr. F. M. Nyaga - Chairman
- Eng. S. S. Imu
- Mr. N. Kiuna
- Mr. P. Nyoike
- Mr. S. Kitungu

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

The committee held a total of 7 meetings during the year.

Inter-Ministerial Committee on Governance Practices

Members of the Staff & Remuneration Committee were part of a Government Committee set up in 2003 under the Department of Governance and Ethics following up investigations of alleged corruption and mismanagement in the Company during the previous regime. The Committee held 4 meetings during the year.

Performance Contracting Committee

The Performance Contracting Committee was constituted in August 2004 to undertake the negotiations with the Government on Performance Contracting where the Company was selected among the 16 pioneering parastatals to enter into Performance Contracting with the Government.

Members constituting the Committee are:-

- Mr. A. Sambu - Chairman
- Mr. E. Wasunna
- Eng. J. Oduor

The committee held a total of 19 meetings during the year.

Management Services Contractor Steering Committee

Some members of the Board were members of a Government Steering Committee set up during the year to oversee the procurement process of a management services contractor.

The committee held 10 meetings during the year.

DIRECTORS' REMUNERATION

Details of directors' remuneration are set out in the report on page 51. Non-executive directors are paid a monthly fee. However, during the current financial year, the directors' fees will be paid annually after approval by shareholders, following guidelines by the Government to this effect. Directors are also paid sitting allowance for every meeting attended, lunch allowance (in lieu of lunch being provided), accommodation allowance and mileage reimbursement where applicable, all in line with the ceilings approved for state corporations by the Government. Additionally, the Chairman is paid a monthly honorarium. There did not exist any arrangement to which the Company is a party, whereby directors might acquire benefits by means of the acquisition of the Company's shares.

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

INTERNAL CONTROLS

The directors acknowledge their responsibility as set out on page 38 for the Company's system of internal financial control, including taking reasonable steps to ensure that the systems are being maintained. Internal control systems are designed to meet the particular needs of the Company, and the risks to which it is exposed with procedures intended to provide effective internal financial control. However, such a system can only provide reasonable, but not absolute, assurance against material misstatement.

Directors' Shareholding

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

Ethical Standards

The Company ascribes to the ethical standards prescribed by the Public Officer Ethics Act. This requires all employees to conduct business with integrity.

ACCOUNTABILITY AND AUDIT

Directors' responsibilities in relation to financial statements

Company law requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company as at the end of the financial year, and of the profit or loss of the Company for that period. The directors are responsible for ensuring that suitable accounting policies are consistently applied, supported by reasonable and prudent judgments and estimates and those applicable accounting standards are followed.

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

COMMUNICATION WITH SHAREHOLDERS

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

The full report and accounts are distributed to all shareholders on an annual basis. All shareholders are entitled to attend the Annual General Meeting which is

CORPORATE GOVERNANCE STATEMENT

posted at least 21 clear days before the Annual General Meeting. The shareholders are given the opportunity to ask questions on any matter relating to the business of the Company.

MAJOR SHAREHOLDERS

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

As at 30th June 2005 these were as follows:

No.	Name	No. of Shares	Holding %
1	P.S. Treasury	32,853,268	40.42
2	Board of Trustees. N.S.S.F.	8,557,468	10.53
3	Barclays (Kenya) Nominees	5,541,938	6.82
4	Stanbic Nominees	3,000,603	3.69
5	Jubilee Insurance Co. Ltd.	2,854,034	3.51
6	Kestrel Capital Nominees Ltd.	1,774,019	2.18
7	Cooperative Bank of Kenya Nominees	1,206,207	1.48
8	Kenya Commercial Bank Nominees	1,018,893	1.25
9	Madison Insurance Company Ltd.	993,212	1.22
10	Alimohamed Adam	864,050	1.06



Eng. A. Sambu
CHAIRMAN



Eng. Jasper Oduor
MANAGING DIRECTOR

Usimamizi wa shirika ni mpango na mfumo unaotumiwa kuelekeza na kusimamia shughuli za kibiashara za Kampuni katika kuleta ufanisi na uajibikaji wa kishirika kwa lengo kuu la kuafikia thamani ya muda mrefu ya wenye hisa na wakati huo huo kujali maslahi na washika dau wengine. Wakurugenzi wanawajibika katika sera za Kampuni za usimamizi wa kimashirika. Taarifa hii inatoa sera kuu zinazo tumika kwenye shughuli za Kampuni katika kipindi cha mwaka unaochunguzwa, isipokuwa iwe imeelezwa vingine.

Wakurugenzi na wasimamizi wa Kampuni wanachukulia usimamizi wa kimashirika kama muhimu zaidi katika ufanisi wa biashara na huwa wamejitolea katika kuhakikisha kwamba usimamizi mzuri wa kimashirika unatumika ili Kampuni izidi kuleta mapato bora na kudumisha shughuli zake za kibiashara duniani. Kama mhusika katika kujitolea huku, Bodi inaunga mkono kwa dhati sera nzuri katika usimamizi wa kimashirika na inafuata Mwongozo wa Usimami wa Kimashirika uliotayarishwa na Halmashauri ya Usimamizi ya Masoko ya Hisa (CMA), ili kuweka kiwango cha usimamizi katika viwango vya kimataifa. Tuna dhibitisha kwamba tanaafikiana na mwongozo huu wa CMA katika Usimamizi wa Kimashirika.

HALMASHAURI YA WAKURUGENZI

Halmashauri ina mwenyekiti asiye mwendeshaji, mkurugenzi mwendeshaji na wakurugenzi wanane wasio waendeshaji. Kama shirika na serikali, mwakilishi wa idara ya wakaguzi wa mashirika ya serikali anahudhuria mikutano ya halmashauri. Wakurugenzi wasio waendeshaji wako huru kama inavyomaanishwa kwenye mwongozo wa usimamizi wa mashirika wa CMA

Wasifu wa wakurugenzi uko kwenye ukurasa wa 4. Wakurugenzi ni wataalamu walioelimika na wana ustadi unaohitajika kwa kuendesha Kampuni.

Angalau theluthi moja ya wanachama wa halmashauri wanahitajika wajitolee kuchaguliwa tena kila mwaka wakati wa mkutano mkuu wa kila mwaka. Mkurugenzi yeyote aliyeteuliwa katika mwaka anahitajika kustaafu na atafute kuchaguliwa tena kwenye mkutano wa kila mwaka unaofuata.

Shughuli za kibiashara na washiriki wote, wakurugenzi au washiriki wao hufanywa kwa njia wazi. Wakurugenzi wanahitajika kufishua shughuli zozote ambazo wana uhusiano nazo na ambazo zinaweza kuleta mgongano na uamuzi wao wakati wa kupiga kura. Wanatakiwa kujitoa kwenye kura wakati wa maswala haya yanapofadiliwa. Habari kuhusu malipo ya wakurugenzi kwa wakurugenzi wasiowatendaji na marupurupu ya mkurugenzi mkuu yako katika ukurasa 51.

MAJUKUMU

Majukumu tofauti ya mwenyekiti na mkurugenzi mkuu yanadamishwa. Mwenyekiti anawajibika kusimamia uendeshaji wa Halmashauri na kuhakikisha kwamba halmashauri yake inapokea habari za kutosha kwa wakati ufaao ili kuweza kutekeleza kazi zake. Mkurugenzi mkuu anaajibika kutoa mapendekezo ya mipango ya shughuli za kibiashara na bajeti kwa Halmashauri, utekelezaji wa hatua za Kampuni zilizopitishwa na shughuli za kila siku za usimamizi. Majukumu ya kimsingi ya Halmashauri ni pamoja na kuanzisha malengo ya muda mfupi na muda mrefu ya Kampuni na mipango makhsusi ili kufikia malengo hayo; kuhakikisha matayarisho ya taarifa za kifedha za kila mwaka na nusu mwaka; kuidhinisha na kuchunguza bajeti za kila mwaka; kupanga na kuchunguza mara kwa mara sehemu muhimu za utendakazi na usimamizi; kukabiliana na hatari za usimamizi kwa kuhakikisha kwamba Kampuni ina mifumo ya kutosha ya uthibiti pamoja na uchunguzi ufaao wa shughuli na usimamizi ili kupata thamani ya wenye-hisa.

Wakurugenzi wanapata kikamilifu ushauri na huduma za katibu wa kampuni. Pia wanafaa kupata ushauri wa kutaalam kuhusu swala lolote kwa kugharamiwa na Kampuni iwapo ni muhimu kufanya hivyo.

Ili kuiwezesha Halmashauri kufanyakazi yake ipasavyo, inapewa muda wa kutosha na kupata habari muhimu. Wakurugenzi wapya pia wanahamasishwa kwa kupata habari muhimu za shughuli za Kampuni na kupitia mikutano na mameneja wa usimamizi na mafunzo ili kuimarisha ufahamu wao kuhusu sheria za Kampuni, usimamizi wake na hali ya shughuli zake za kibiashara na utendakazi. Mafunzo yanatolewa mara kwa mara. Kufuatia hatua hii, wakurugenzi wawili walipewa mafunzo kuhusu usimamizi wa kampuni katika kituo cha mafunzo ya usimamizi wa mashirika, ilhali wengine watatu walihudhuria mikutano kuhusu kawi huko ng'ambo katika mwaka huo.

Halmashauri hukutana mara moja kwa mwezi au mara kwa mara kuambatana na mahitaji ya shughuli za kibiashara za Kampuni. Mpango wa kikazi wa Halmashauri na kalenda ya mikutano hutayarishwa mapema kila mwaka. Ilani ya kutosha hutolewa kwa kila mkutano wa Halmashauri na wakurugenzi hupokea makaratasi yenye maelezo zaidi kuhusu maswala yatakayojadiliwa kwa wakati unaofaa kabla ya mkutano. Halmashauri ilifanya jumla ya mikutano 32 katika mwaka huo ambayo ilihudhuriwa vyema.

Kamati Za Halmashauri

Kamati kadhaa zimebuniwa ili kusaidia Halmashauri na wasimamizi kutimiza majukumu yao. Kamati za dharura hubuniwa ili kushughulikia maswala yanayozuka. Kila kamati huendesha shughuli zake katika muda na masharti yaliyoelezewa na Halmashauri hii.

Katika mwaka huo, halmashauri ilikuwa na kamati zifuatazo za dharura.

Kamati Ya Ukaguzi

Kamati ya ukaguzi ilibuniwa mwaka wa 1999 na jukumu lake kueleza upya mnamo mwezi April mwaka 2003 kuambatana na mwongozo wa Halmashauri ya masoko ya Hisa kuhusu usimamizi wa mashirika. Kamati hii inawajumuisha wakurugenzi watatu wasiokuwa watekelezi na inaongozwa na mkurugenzi asiyekuwa mtekelezi. Wanachama wa kamati hii katika kipindi kilichokuwa chini ya uchunguzi walikuwa:

- Bwana N. Kiuna [Mwenyekiti]
- Bwana E. Wasunna
- Bwana A. Mbui

Bwana S. Maluki anahudhuria mikutano kuwakilisha idara ya ukaguzi wa mashirika ya serikali. Kamati hii mara kwa mara huwaalika Mkurugenzi mkuu, Meneja mkuu wa fedha na Meneja wa ukaguzi wa Kampuni kwenye mikutano yake. Wakaguzi kutoka nje wanaalikwa kuhudhuria mikutano inapokuwa muhimu kufanya hivyo.

Majukumu ya kamati ni pamoja na:

- i] kuchunguza taarifa za kifedha za kila mwaka, nusu mwaka na robo mwaka
- ii] kujadiliana na mkaguzi wa pesa kutoka nje kabla ya kuanza kwa ukaguzi wa pesa wa kila mwaka,
- iii] kuchunguza maswala yaliyotambuliwa na wakaguzi wa pesa kutoka nje,
- iv] kuchunguza malipo ya ukaguzi wa pesa ili kupendekeza kwa halmashauri, na
- v] kuchunguza shughuli, utendakazi na matokeo ya ukaguzi wa pesa wa kampuni na
- vi] kuchunguza hatua za kukabiliana na hatari inayoweza kukumba biashara na kuhakikisha inaendelea na kustawi. Kamati ilifanya jumla ya mikutano minane katika mwaka huo.

Kamati Ya Marupurupu Na Wafanyikazi

Halmashauri ina kamati ya wafanyikazi na marupurupu ambayo jukumu lake ni pamoja na kupendekeza kwa Halmashauri masharti na kanuni za huduma ya

Mkurugenzi mkuu na wafanyikazi na mapendekezo kwa uteuzi na maswala ya nidhamu ya wafanyikazi wa ngazi za juu. Kamati hii pia hupendekeza kwa Halmashauri kuafikiwa kwa maongozi ya wafanyikazi na utaratibu wa ngazi za shirika ili kusaidia shughuli za biashara za Kampuni.

Wanachama waliohudumu katika kamati hii ni kama wafuatavyo:

- Eng. A Sambu - Mwenyekiti
- Dr. S. Musyoka
- Bwana E. Wasunna
- Bwana P. Nyoike
- Bwana J. Kinyua
- Eng. J. Oduor

Inapolazimu kamati huwaalika wanachama wengine wa Halmashauri kwenye mikutano yake. Kamati ilifanya mikutano minane katika mwaka huo.

Kamati Kuu Ya Zabuni

Kamati kuu ya zabuni ilibuniwa kulingana na mahitaji ya sheria ya hazina kuu na mkaguzi mkuu wa pesa ya mwaka 2001 ambayo jukumu lake kuu ni pamoja na kuidhinisha utoaji zabuni za bidhaa na huduma kwa thamani isiyozidi shilingi elfu 500.

Wanachama wa kamati hii ni pamoja na wakurugenzi watatu wasiokuwa watekelezi na Mkurugenzi mkuu kama inavyoonyeshwa hapo chini:

- Bwana F.M. Nyaga – Mwenyekiti
- Eng. J.O.Oduor
- Eng. S.S. Imu
- Bwana N. Munyu [kwa niaba ya Bwana P. Nyoike]

Wanachama wengine ni maafisa wakuu wa usimamizi wa Kampuni kama ilivyoielezwa katika sheria ya ununuzi wa bidhaa. Kamati kuu ya utoaji zabuni ilifanya jumla ya mikutano 36 katika mwaka huo kuambatana na mahitaji ya shughuli za biashara.

Kamati Ya Mbinu Makhsusi Ya Halmashauri

kamati ya mbinu makhsusi ya Halmashauri ilibuniwa mnamo mwezi Februari mwaka 2005 kuandaa mbinu ambazo zitairahisishia Halmashauri kutoa mwongozo na mwelekeo muhimu kwa wasimamizi. Wanachama wake ni:-

- Bwana A. Mbui – Mwenyekiti
- Bwana N. Kiuna
- Bwana E. Wasunna
- Eng. S. S. Imu

Kamati hii ilifanya mikutano mitatu katika mwaka huo.

Kamati Ya Mashauriano Kuhusu Kampuni Za Kibinafsi Za Utoaji Nguvu Za Umeme (IPP)

Halmashauri ilibuni kamati hii mwezi Mei mwaka 2003 kufanya upya mashauri ya mikataba ya ununuzi wa umeme na kampuni za kibinafsi za utoaji nguvu za umeme. Wanachama wake ni:-

- Bwana F.M. Nyaga – Mwenyekiti
- Eng. S. S. Imu
- Bwana N. Kiuna
- Bwana P. Nyoike
- Bwana S. Kitungu

Kamati mara kwa mara iliwaalika maafisa wa usimamizi wa Kampuni wenye utaalam muhimu kwenye mikutano yake.

Kamati hii ilifanya jumla ya mikutano 7 katika mwaka huo.

Kamati Ya Wizara Mbali Mbali Kuhusu Sera Za Usimamizi

Kamati ya wafanyikazi na marupurupu ilikuwa sehemu ya kamati ya serikali iliyobuniwa mwaka wa 2003 chini ya idara ya usimamizi na maadili ya kikazi kufuatilia uchunguzi wa madai ya ufisadi na matumizi mabaya ya pesa katika kampuni wakati wa utawala uliotangulia. Kamati hii ilifanya mikutano 4 katika mwaka huo.

Kamati Ya Utendakazi

Kamati ya utendakazi ilibuniwa mnamo mwezi Agosti mwaka 2004 kufanya mashauri na serikali kuhusu masharti ya utendakazi ambapo kampuni ilichaguliwa kuwa miongoni mwa mashirika 16 makuu ya serikali kuandikiana masharti ya utendakazi na serikali.

Wanachama wa kamati hii ni:-

- Eng. A. Sambu – Mwenyekiti
- Bwana E. Wasunna
- Eng. J. Oduor

Kamati hii ilifanya jumla ya mikutano 19 katika mwaka huo.

Kamati Ya Huduma Za Usimamizi

Wanachama wa Halmashauri hii walikuwa wanachama wa kamati ya kushugulikia huduma za usimamizi iliyobuniwa mwaka huo kutafuta mhudumu wa usimamizi wa Kampuni. Kamati hii ilifanya mikutano 10 katika mwaka huo.

MARUPURUPU YA WAKURUGENZI

Maelezo zaidi ya marupurupu ya wakurugenzi yako kwenye taarifa kwenye kurasa 51. Wakurugenzi wasiokuwa watekelezi wanalipwa malipo ya kila mwezi. Hata hivyo wakati wa kipindi cha sasa cha matumizi ya pesa malipo ya wakurugenzi yatalipwa kila mwaka baada ya kuidhinishwa na wenyehisa, kufuatia sera za serikali kuhusu marupurupu haya. Wakurugenzi pia wanalipwa

marupurupu ya kufanya vikao kwa kila mkutano wanaohudhuria, marupurupu ya mankuli ya mchana [badala ya kupata mankuli], marupurupu ya malazi na kulipiwa gharama za usafiri ipasavyo, yote hayo kuambatana na makubaliano yaliyoidhinishwa kwa mashirika ya serikali. Mwenyekiti analipwa marupurupu ya uwenyekiti ya kila mwezi. Hakuna makubaliano yoyote na kampuni kwamba wakurugenzi huenda wakapata marupurupu kwa njia ya ununuzi wa hisa za Kampuni.

Hakukuwa na mikopo ya Wakurugenzi katika kipindi chote cha mwaka huo.

UTHIBITI WA NDANI YA KAMPUNI

Wakurugenzi wanafahamu jukumu lao kama ilivyoelezwa kwenye ukurasa 38 kwa mfumo wa uthibiti wa kifedha, ikiwa ni pamoja na kuchukua hatua mwafaka za kuhakikisha kwamba mifumo ya Kampuni inadumishwa. Mifumo ya uthibiti wa ndani ya Kampuni imenuiwa kutimiza mahitaji maalum ya kampuni na hatari inazokabiliana nazo katika taratibu zinazonuiwa kutoa uthibiti ufaao wa kifedha. Hata hivyo mfumo kama huu unaweza tu kutoa hakikisho bora ingawa sio kamili dhidi ya kukosekana kwa taarifa muhimu.

Uenyehisa wa wakurugenzi

Hakuna mkurugenzi anayemiliki hisa kama mtu binafsi zilizozidi asilimia 1 ya jumla ya hisa za Kampuni.

Viwango vya Kimaadili

Kampuni inazingatia viwango vya kimaadili vinavyoelezwa kwenye sheria ya maadili ya maafisa wa umma. Hii inawahitaji wafanyikazi kufanya shughuli zao kwa uadilifu.

UWAJIBIKAJI NA UKAGUZI WA PESA

Wajibu wa wakurugenzi kuhusiana na taarifa za kifedha

Sheria ya kampuni inawahitaji wakurugenzi kutayarisha taarifa za kifedha kwa kila kipindi cha mwaka cha matumizi ya pesa zinazotoa ukweli na hali halisi ya shughuli za Kampuni kufikia mwisho wa kipindi cha mwaka cha matumizi ya pesa na faida au hasara iliyopata Kampuni wakati wa kipindi hicho. Wakurugenzi wanawajibika kuhakikisha kwamba sera nzuri za uhasibu zinatumiwa kila mara kusaidia maamuzi na makisio na viwango vya uhasibu vinavyofaa kufuatwa.

Wakurugenzi wanawajibika kuhakikisha kwamba Kampuni inaweka kumbukumbu za uhasibu zinazoonyesha kwa uhakika hali ya kifedha ya kampuni na kuwawezesha kuhakikisha kwamba taarifa za kifedha zinaambatana na sheria ya Kampuni. Pia wana jukumu la ujumla la kuthibiti mifumo ya kulinda mali za Kampuni na kuzuia na kugundua njia za wizi na kasoro nyinginezo.

TAARIFA YA USIMAMIZI WA KIMASHIRIKA

MAWASILIANO NA WENYEHISA

Kampuni inachukulia umuhimu mkubwa mawasiliano na wanahisa wake na kuchapisha taarifa zake za fedha kwenye magazeti ya humu nchini baada ya kila nusu mwaka na mwaka mzima. Matokeo pia yanapatikana katika anwani yetu ya mtandao: www.kplc.co.ke

Ripoti kamili na hesabu hutolewa kwa wanahisa wote kila mwaka. Wanahisa wote wana haki ya kuhudhuria mkutano mkuu wa kila mwaka ambao hutangazwa siku 21 kabla ya mkutano huo mkuu wa kila mwaka. Wanahisa wanapewa fursa ya kuuliza maswali yoyote kuhusu biashara ya Kampuni.

WENYEHISA WAKUU

Kampuni hutuma ripoti ya wanahisa 10 walio mbele kila mwezi kwa CMA na Soko la Hisa la Nairobi.

Kufikia tarehe 30 Juni 2005, walikuwa hawa wafutao

Orodha	Jina	Idadi ya Hisa	Asilimia ya umiliki
1	P.S. Treasury	32,853,268	40.42
2	Board of Trustees. N.S.S.F.	8,557,468	10.53
3	Barclays (Kenya) Nominees	5,541,938	6.82
4.	Stanbic Nominees	3,000,603	3.69
5	Jubilee Insurance Co. Ltd.	2,854,034	3.51
6	Kestrel Capital Nominees Ltd.	1,774,019	2.18
7	Cooperative Bank of Kenya Nominees	1,206,207	1.48
8	Kenya Commercial Bank Nominees	1,018,893	1.25
9	Madison Insurance Company Ltd.	993,212	1.22
10	Alimohamed Adam	864,050	1.06



Eng. A. Sambu
MWENYEKITI



Eng. Jasper Oduor
MKURUGENZI MKUU

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 JUNE 2005

The directors are happy to submit their report together with the audited financial statements for the year ended 30 June 2005 which show the state of the company's affairs.

ACTIVITIES

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

RESULTS

The results of the Company for the year are set out on page 41.

DIVIDENDS

A dividend of KShs.1.93 million payable on the cumulative preference shares has been recognised in the income statement as finance costs.

Subject to the approval of the shareholders, the directors recommend a dividend for the year of 7.5% or Shs.1.50 per ordinary share of Shs.20, amounting to Shs.119 million, subject to withholding tax where applicable. The dividend will be paid to shareholders registered on the Company's Register at the close of business on 7th November 2005. The Register of Members will be closed for one day only on 8th November 2005 to facilitate preparation of dividend warrants.

CAPITAL EXPENDITURE

During the year, a total of Shs 2,206 million was spent on property and equipment. Capital contributions received from customers amounting to Shs 359 million have been netted off against costs of the assets resulting in a net

capital cost to the Company of Shs 1,847 million. Net capital work-in progress as at 30 June 2005 amounted to Shs 1,923 million (2004: Shs.5,264 million).

DIRECTORS

The members of the board of directors who served during the year are shown on page 2.

In accordance with Regulation 120 of the Articles of Association of the Company, Mr. Patrick M. Nyoike, Eng. Alfred Sambu and Dr. Susan M. Musyoka retire by rotation and, being eligible, offer themselves for re-election.

APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 6th October 2005.

AUDITORS

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

Ernst & Young were nominated by the Controller and Auditor-General to carry out the audit for the year ended 30 June 2005.

BY ORDER OF THE BOARD



Secretary

Nairobi

10th November 2005

Wakurugenzi wanafuraha kutoa ripoti yao pamoja na taarifa za fedha zilizokaguliwa za mwaka unaomalizika Juni 30 2005 inayoonyesha hali ya shughuli za Kampuni.

SHUGHULI ZA KAMPUNI

Biashara kuu ya kampuni bado ni usafirishaji, ugawaji na uzaji wa rejareja wa umeme ulionunuliwa kwa jumla kutoka kwa kampuni ya uzalishaji umeme ya Kenya (KenGen), wazalishaji umeme wa kibinafsi (IPPs), kampuni ya usafirishaji umeme ya Uganda (UETCL) na kampuni ya ugawaji umeme ya Tanzania (TANESCO).

MATOKEO YA BIASHARA

Matokeo ya biashara ya kampuni yanachapishwa kwenye ukurasa 41.

MGAO WA FAIDA

Mgao wa shilingi milioni 1.93 za Kenya za kulipwa kwa hisa maalum limbikizi imetambuliwa kwenye taarifa za mapato kama gharama za fedha.

Pendekezo hili linategemea kupitishwa kwake na wenye hisa. Wakurugenzi wanapendekeza mgao wa mwaka wa ashilimia 7.5 au shilingi 1.50 kwa kila hisa ya kawaida ya shilingi 20, kufikia shilingi milioni 119 ambazo zitatozwa ushuru panapohaja. Mgao wa faida utalipwa kwa wenyehisa waliosajiliwa kwenye rejesta ya Kampuni kufikia mwisho wa siku ya biashara mnamo tarehe 7 Novemba 2005. Rejesta ya wanachama itafungwa kwa siku moja mnamo tarehe 8 Novemba 2005 ili kuwezesha matayarisho ya hati za mgao.

MATUMIZI YA FEDHA

Katika mwaka, jumla ya shilingi milioni 2,206 zilitumika kwa rasilimali na vifaa. Mchango wa pesa uliopokelewa kutoka kwa wateja wa kiasi cha 359 milioni umetolewa

kutoka kwa kiasi kilichotumika kwa mali na kubakishia Kampuni gharama ya shilingi milioni 1,847. Miradi ya Kampuni inayoendelea kufikia tarehe za June 2005 zilifikia shilingi milioni 1,923 (2004: shilingi milioni 5,264)

WAKURUGENZI

Wanachama wa halmashauri ya wakurugenzi walio huduma katika mwaka wameonyeshwa kwenye ukurasa wa 2.

Kuambatana na kifungu 120 cha sheria na kanuni za kampuni, Bwana Patrick M. Nyoike, Eng. Alfred Sambu na Dr Susan M. Musyoka – wanastaafu kwa zamu na kwa vile wanakubaliwa, wanajitolea kuchaguliwa tena.

KUKUBALIWA KWA TAARIFA ZA FEDHA

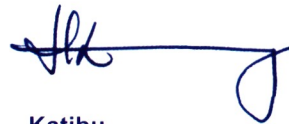
Taarifa za fedha ziliidhinishwa na halmashauri ya wakurugenzi mnamo tarehe 6 Oktoba 2005.

WAKAGUZI

Mkaguzi mkuu anawajibika kwa ukaguzi wa vitabu vya kampuni vya uhasibu wa pesa kuambatana na sehemu 14 na 39(i) za uhasibu wa pesa za uma, za 2003 kuteua wakaguzi wengine kufanya ukaguzi kwa niaba yake.

Ernst & Young waliteuliwa na mkaguzi mkuu kufanya ukaguzi kwa mwaka uliomalizika Juni 30 2005.

KWA AMRI YA HALMASHAURI



Katibu
Nairobi
10 Novemba 2005

STATEMENT OF DIRECTORS' RESPONSIBILITIES
ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

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

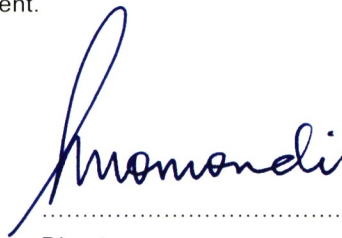
The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Kenyan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

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



.....
Director

6th October 2005



.....
Director

6th October 2005

TAARIFA YA WAJIBU WA WAKURUGENZI
KUHUSU TAARIFA ZA KIFEDHA KWA KIPINDI KILICHOMALIZIKIA TAREHE 30 JUNI 2005

Sheria ya kampuni hapa Kenya inawahitaji wakurugenzi kutayarisha taarifa za kifedha kwa kila kipindi cha matumizi ya pesa kinachoeleza ukweli na hali halisi ya shughuli za Kampuni kufikia mwisho wa kipindi cha matumizi ya pesa na matokeo ya uendeshaji shughuli za Kampuni mwaka huo. Pia inawahitaji wakurugenzi kuhakikisha kuwa Kampuni inaweka kumbukumbu za uhasibu zinazoelezea hali halisi ya kifedha ya kampuni. Pia wanawajibika kulinda mali za Kampuni.

Wakurugenzi wanakubali kuwajibika kwa taarifa za kifedha za kila mwaka ambazo zimetayarishwa kwa kutumia sera zifaazo za uhasibu kwa maamuzi muhimu yanayoambatana na viwango vya kifedha vya kimataifa na kama inavyohitajiwa na sheria ya kampuni ya Kenya. Wakurugenzi wana maoni kwamba taarifa za kifedha zinatoa ukweli wa hali halisi ya kifedha ya shughuli za Kampuni na matokeo ya utendakazi. Wakurugenzi kadhalika wanakubali kuwajibika kwa kuweka kwa kumbukumbu za uhasibu ambazo huenda zikategemewa katika kutayarisha taarifa za kifedha na vile vile kuweko na mfumo wa ndani wa uthibiti wa kifedha.

Hakuna kinachowafahamisha wakurugenzi kwamba Kampuni haitaendelea na shughuli zake za kibiashara kwa kipindi cha miezi kumi na miwili ijayo kuanzia tarehe ya taarifa hii.



.....
Mkurugenzi

6 Oktoba 2005



.....
Mkurugenzi

6 Oktoba 2005

The financial statements on pages 41 to 62 for the year ended 30 June 2005 which have been prepared on the basis of the accounting policies set out on pages 45 to 47, have been audited on my behalf by M/s Ernst & Young, appointed under Section 39 of the Public Audit Act, 2003. The auditors have duly reported to me the results of their audit and on the basis of their report, I am satisfied that all the information and explanations which to the best of my knowledge and belief were necessary for the purpose of the audit were obtained. The financial statements are in agreement with the books of account.

Respective responsibilities of the Directors and the Controller and Auditor-General

As stated on page 38, the directors are responsible for the preparation of financial statements which give a true and fair view of the state of the affairs of the Company and of its operating results. My responsibility is to express an independent opinion on the financial statements based on the audit.

Basis of opinion

The audit was conducted in accordance with the International Standards on Auditing. Those standards require that the audit be planned and performed with a view to obtaining reasonable assurance that the

financial statements are free from material misstatement. An audit includes an examination, on a test basis, of evidence supporting the amount and disclosures in the financial statements. It also includes an assessment of the accounting policies used and significant estimates made by the directors, as well as an evaluation of the overall presentation of the financial statements. I believe the audit provides a reasonable basis for my opinion.

Opinion

In my opinion, proper books of account have been kept and the financial statements, give a true and fair view of the state of the financial affairs of the Company as at 30 June 2005, and of its profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act, Cap 486 of the laws of Kenya.



E. N. Mwai
Controller and Auditor-General
Nairobi

6th October 2005

Taarifa za kifedha kwenye kurasa 41 hadi 62 kwa kipindi cha mwaka kilichomalizikia tarehe 30 Juni 2005 ambazo zimetayarishwa kwa kuzingatia sera za uhasibu zilizoko kwenye kurasa 45 hadi 47 zimefanyiwa ukaguzi kwa niaba yangu na kampuni ya M/s Ernst & Young iliyoteuliwa chini ya kifungu nambari 39 cha sheria ya ukaguzi wa pesa za umma, mwaka 2003. Wakaguzi wamenipa matokeo ya ukaguzi wao na kwa kuzingatia taarifa yao, nimeridhika kwamba habari zote na maelezo ambayo nimefahamu na kuamini yalikuwa ni muhimu kwa shughuli ya ukaguzi yalifanywa. Taarifa za kifedha zinawiana na vitabu vya uhasibu.

Majukumu mbali mbali ya wakurugenzi na Mkaguzi Mkuu wa Uhasibu

Kama ilivyoelezwa kwenye ukurasa 38, wakurugenzi wanawajibika kutayarisha taarifa za kifedha zinazoelezea hali halisi ya shughuli za Kampuni na matokeo ya shughuli zake. Jukumu langu ni kutoa maoni yangu ya kibinafsi kuhusu taarifa za kifedha kwa kuzingatia ukaguzi wangu.

Msingi wa Maoni

Ukaguzi ulifanywa kuambatana na viwango vya kimataifa vya ukaguzi. Viwango hivyo vinahitaji kwamba ukaguzi upangwe na kutekelezwa kwa lengo la kupata

hakikisho kuwa taarifa za kifedha ni za uhakika. Ukaguzi ni pamoja na kuchunguza, ukweli wa kuunga mkono kiasi cha pesa na maelezo ya taarifa hizo za kifedha. Pia ni pamoja na kukadiria sera za uhasibu uliotumiwa na makisio yaliyofanywa na wakurugenzi na vile vile kutahmini taarifa hizo za kifedha. Nina amini ukaguzi huu unaelezea wazi maoni yangu.

Maoni

Katika maoni yangu vitabu vya uhasibu vimewekwa vilivyo na taarifa za kifedha zinaonyesha hali halisi ya shughuli za kifedha za kampuni kufikia tarehe 30 Juni 2005 na faida na mtiririko wa pesa kwa kipindi cha mwaka kilichomalizika kuambatana na viwango vya kimataifa vya taarifa za kifedha na sheria ya kampuni Cap 486 ya sheria za Kenya.



E.N. Mwai

Mkaguzi Mkuu wa Uhasibu
Nairobi

6 Oktoba 2005

INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2005

		2005 KShs'000	2004 KShs'000
	Note		
REVENUE			
Electricity sales	1(b)	21,755,274	20,302,734
Fuel cost recoveries		<u>6,586,082</u>	<u>3,020,349</u>
		28,341,356	23,323,083
Other income		<u>671,526</u>	<u>542,831</u>
Total revenue		<u>29,012,882</u>	<u>23,865,914</u>
OPERATING EXPENSES			
Electricity purchase costs	3(a)	11,673,441	12,495,344
Fuel costs	3(b)	6,684,953	3,043,479
Distribution and customer service	4(a)	4,294,613	3,773,992
Energy transmission	4(b)	1,405,359	1,347,710
Administration	4(c)	<u>3,113,213</u>	<u>2,349,362</u>
Total operating expenses		<u>27,171,579</u>	<u>23,009,887</u>
OPERATING PROFIT	5	1,841,303	856,027
FINANCE INCOME - NET	7	<u>137,973</u>	<u>17,657</u>
PROFIT BEFORE TAXATION		1,979,276	873,684
DEFERRED TAXATION	8(b)	<u>(709,003)</u>	<u>(415,877)</u>
PROFIT FOR THE YEAR		<u>1,270,273</u>	<u>457,807</u>
EARNINGS PER SHARE - BASIC (KShs.)	9	<u>16.05</u>	<u>5.79</u>
- DILUTED (KShs.)	9	<u>16.05</u>	<u>5.79</u>
DIVIDENDS PER SHARE (KShs.)		<u>1.50</u>	<u>-</u>

BALANCE SHEET

30 JUNE 2005

	Note	2005 KShs'000	2004 KShs'000
ASSETS			
Non-current assets			
Property and equipment	10	20,856,199	20,599,403
Prepaid leases on land	11	132,092	132,147
Unquoted investment	12	4,300	4,300
Deferred tax	13	951,518	1,523,834
Deposits	14	340,684	351,886
		<u>22,284,793</u>	<u>22,611,570</u>
Current assets			
Loan receivable	15	-	22,360
Inventories	16	2,155,335	1,709,252
Trade and other receivables	17	5,863,524	5,691,908
Taxation recoverable	8(a)	179,097	158,725
Short term deposits	18(a)	3,817,003	276,589
Bank and cash balances	18(b)	1,537,731	1,824,677
		<u>13,552,690</u>	<u>9,683,511</u>
Total assets		<u>35,837,483</u>	<u>32,295,081</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary share capital	19	1,582,560	1,582,560
Preference shares	20	15,899,250	15,899,250
Reserves	21	1,416,369	9,409
Total equity		<u>18,898,179</u>	<u>17,491,219</u>
Non-current liabilities			
Trade and other payables	22	3,063,741	2,447,355
Borrowings	23	3,248,936	3,769,347
Preference shares	24	43,000	43,000
		<u>6,355,677</u>	<u>6,259,702</u>
Current liabilities			
Trade and other payables	22	7,902,742	5,743,146
Retirement benefits obligation	25	1,850,418	1,743,618
Provision for leave pay obligation		357,963	297,080
Borrowings	23	447,697	373,954
Dividends payable	26	24,807	386,362
		<u>10,583,627</u>	<u>8,544,160</u>
Total equity and liabilities		<u>35,837,483</u>	<u>32,295,081</u>

The financial statements on pages 41 to 62 were approved for release by the board of directors on 6th October 2005 and were signed on its behalf by:

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2005

	Ordinary share capital KShs'000	Amounts pending allotment KShs'000	Revaluation reserves KShs'000	Accumulated deficit KShs'000	Proposed dividends KShs'000	Total Shs'000
At 1 July 2003						
As previously stated	1,582,560	-	3,990,996	(4,954,664)	-	618,892
Adjustments (note 27)	-	-	-	378,583	-	378,583
As restated	1,582,560	-	3,990,996	(4,576,081)	-	997,475
Transfer of excess depreciation	-	-	(455,626)	455,626	-	-
Deferred tax credit on excess depreciation	-	-	136,687	-	-	136,687
Preference shares allotted	-	15,899,250	-	-	-	15,899,250
Profit for the year	-	-	-	457,807	-	457,807
At 30 June 2004	<u>1,582,560</u>	<u>15,899,250</u>	<u>3,672,057</u>	<u>(3,662,648)</u>	-	<u>17,491,219</u>
At 1 July 2004	1,582,560	15,899,250	3,672,057	(3,662,648)	-	17,491,219
Transfer of excess depreciation	-	-	(455,626)	455,626	-	-
Deferred tax on excess depreciation	-	-	136,687	-	-	136,687
Profit for the year	-	-	-	1,270,273	-	1,270,273
Proposed dividends for the year	-	-	-	(118,692)	118,692	-
At 30 June 2005	<u>1,582,560</u>	<u>15,899,250</u>	<u>3,353,118</u>	<u>(2,055,441)</u>	<u>118,692</u>	<u>18,898,179</u>

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2005

	Note	2005 KShs'000	2004 KShs'000
CASH GENERATED FROM OPERATIONS	28(a)	5,634,277	2,037,554
Interest received		159,572	41,173
Interest paid		(63,919)	(19,295)
Dividends paid		(363,485)	(1,930)
Taxation paid		<u>(20,372)</u>	<u>(7,811)</u>
Cash generated from operating activities		<u>5,346,073</u>	<u>2,049,691</u>
INVESTING ACTIVITIES			
Purchase of property and equipment, net of capital contributions		(1,846,965)	(2,371,312)
Proceeds from disposal of property and equipment		6,501	82,088
Loan receivable repayments		<u>22,360</u>	<u>115,763</u>
Net cash used in investing activities		<u>(1,818,104)</u>	<u>(2,173,461)</u>
FINANCING ACTIVITIES			
Loans received	28(b)	32,914	1,800,474
Repayment of amounts borrowed	28(b)	<u>(307,415)</u>	<u>(681,802)</u>
Net cash (used in)/ generated from financing activities		<u>(274,501)</u>	<u>1,118,672</u>
INCREASE IN CASH AND CASH EQUIVALENTS		3,253,468	994,902
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		<u>2,101,266</u>	<u>1,106,364</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	28(c)	<u>5,354,734</u>	<u>2,101,266</u>

1 ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

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

(b) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. The following specific recognition criteria must be met before revenue is recognised:-

(i) Sale of electricity

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

(ii) Interest

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

(iii) Dividends

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

(iv) Rental income

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

(c) Inventories

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

(d) Property and equipment

Property and equipment are stated at cost or as professionally valued less accumulated depreciation. The frequency of revaluations depends upon the movements in the fair values of the items of property and equipment but are 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 surplus account. A decrease in carrying amount arising on the revaluation is charged in the income statement to the extent that it exceeds the balances, if any, held in the revaluation reserve relating to a previous revaluation of that asset. Additions to power distribution lines during the year are capitalised net of customers' contributions.

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

The depreciation rates used are:

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

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

(e) Taxation

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

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

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

(f) Leases

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

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

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

(g) Foreign currencies

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

(h) Financial instruments

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

Trade receivables

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

Borrowings

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

Trade payables

Trade payables are stated at their nominal value.

Investments

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

At subsequent reporting dates, debt securities that the Company has expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment loss

recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

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

Redeemable preference shares

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

(i) Leave accrual

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

(j) Impairment

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

(k) Retirement benefits obligations

The Company operates a defined benefit pension scheme, in addition to a statutory defined contribution scheme. Payments to the defined contribution retirement benefit plans are charged as an expense as they fall due.

For the defined benefit retirement plans, the cost of providing benefits is determined using the projected unit credit method.

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

(l) Segment information

The Company business is organised by regions, comprising Nairobi, Mount Kenya, Coast and West Kenya. Business segment is by region as the company deals in only supply of electricity. There are no inter-segment sales.

Segment results include revenue and expenses directly attributable to a segment.

Segment assets and liabilities comprise those operating assets and liabilities that are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

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

2(a) PRIMARY SEGMENT INFORMATION - GEOGRAPHICAL SEGMENTS

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

	Nairobi Region KShs'000	West Kenya Region KShs'000	Coast Region KShs'000	Mount Kenya Region KShs'000	Total 2005 KShs'000	2004 KShs'000
Electricity revenue	15,148,206	5,327,804	5,345,278	2,520,067	28,341,355	23,323,083
Other income	353,547	116,572	80,592	54,218	604,929	571,407
Energy purchases	(9,729,949)	(3,488,095)	(3,488,095)	(1,652,255)	(18,358,394)	(15,538,823)
Other expenses	(2,883,277)	(1,428,710)	(904,747)	(882,196)	(6,098,930)	(4,749,967)
Head office expenses	(1,403,258)	(503,055)	(503,055)	(238,289)	(2,647,657)	(2,749,673)
Segment results	1,485,269	24,516	529,973	(198,455)	1,841,303	856,027
Net finance income					137,973	17,657
Taxation					(709,003)	(415,877)
Profit after taxation					1,270,273	457,807
Other information						
Assets	19,475,792	6,562,536	6,658,339	3,113,745	35,810,412	32,295,081
Liabilities	17,545,379	6,314,725	5,999,581	2,950,801	32,810,486	30,703,112
Capital expenditure	893,438	266,173	300,490	386,864	1,846,965	3,111,202
Depreciation/ amortisation	862,946	227,407	232,275	114,088	1,436,716	1,518,396

2(b) SECONDARY SEGMENT INFORMATION - BUSINESS SEGMENTS

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

	Freehold land and buildings KShs'000	Lines KShs'000	Machinery KShs'000	Motor vehicles KShs'000	Furniture equipment and other KShs'000	Total KShs'000
Transmission	146,396	12,695,398	-	7,236	76,951	12,925,981
Distribution	615,750	3,918,284	3,612	362,543	1,107,048	6,007,237
Total	762,146	16,613,682	3,612	369,779	1,183,999	18,933,218

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

3 POWER PURCHASE COSTS

(a) Power purchase costs

The power purchases were sourced from the following companies: -

	2005 KShs'000	2004 KShs'000
KenGen	7,792,265	7,798,510
Uganda Electricity Transmission Company Limited	449,896	750,571
Tsavo Power Company Limited	1,814,000	1,664,291
Iberafrica Power (E.A) Company Limited	1,119,260	1,182,174
Orpower 4 Inc	797,157	762,423
Westmont Power Kenya Limited	136,153	786,281
Tanzania Electric Supply Company Limited	783	-
	<u>12,109,514</u>	<u>12,944,250</u>
Less recharged to Rural Electrification Programme	(436,073)	(448,906)
	<u>11,673,441</u>	<u>12,495,344</u>

(b) Fuel costs

KenGen	2,927,154	1,232,574
Tsavo Power Company Limited	1,840,600	566,385
Iberafrica Power (E.A) Company Limited	2,166,923	1,300,834
Westmont Power Kenya Limited	-	53,022
	<u>6,934,677</u>	<u>3,152,815</u>
Less recharged to Rural Electrification Programme	(249,724)	(109,336)
	<u>6,684,953</u>	<u>3,043,479</u>

(c) Units purchased

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

	2005 GWh	2004 GWh
KenGen	4,279	4,294
Uganda Electricity Transmission Company Limited	99	171
Tsavo Power Company Limited	508	200
Iberafrica Power (E.A) Company Limited	330	240
Orpower 4 Inc	115	105
Westmont Power Kenya Limited	3	15
	<u>5,334</u>	<u>5,025</u>
Less recharged to Rural Electrification Programme	(192)	(141)
	<u>5,142</u>	<u>4,884</u>

(d) Type of interconnected power sources

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

Hydro	2,967	3,428
Geothermal	1,034	787
Thermal	1,333	810
	<u>5,334</u>	<u>5,025</u>
Less recharged to Rural Electrification Programme	(192)	(141)
	<u>5,142</u>	<u>4,884</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

4 OTHER OPERATING COSTS

(a) Distribution and customer service

	2005 KShs'000	2004 KShs'000
Salaries and wages	2,328,798	2,302,764
Staff welfare	201,876	194,192
Other consumable goods	327,199	317,717
Depreciation	420,071	412,647
Transport and travelling	384,774	205,686
Bad debts write offs/(backs)	151,906	(37,701)
Office expenses	150,702	187,178
Obsolete stock provision	245,285	13,620
Advertising and public relations	26,921	17,790
Repairs and maintenance	16,323	109,342
Business development	2,631	2,727
Other costs	38,127	48,030
	<u>4,294,613</u>	<u>3,773,992</u>

(b) Energy transmission

Salaries and wages	358,347	283,251
Depreciation	908,457	922,707
Transport and travelling	109,060	90,866
Office expenses	1,378	9,783
Other costs	28,117	41,103
	<u>1,405,359</u>	<u>1,347,710</u>

(c) Administration

Salaries and wages	1,118,003	779,251
Staff welfare	212,010	175,294
Insurance	189,787	205,575
Other consumable goods	162,425	43,718
Transport and travelling	155,261	155,821
Training expenses and consumer services	36,824	26,486
Other costs	568,817	444,255
Depreciation	108,185	183,042
Other office expenses	237,712	195,634
Provision for non commercial bad debts	55,194	-
Pension deficit and leave provisions	227,683	219,434
Bank charges and other financial costs	151,719	158,155
Recharge of administration costs to RES	(110,407)	(237,303)
	<u>3,113,213</u>	<u>2,349,362</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

5 OPERATING PROFIT

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

	2005	2004
	KShs'000	KShs'000
Staff costs (Note 6)	4,172,251	3,809,830
Depreciation	1,436,661	1,518,341
Provision/ (recoveries) for bad and doubtful debts	151,906	(31,290)
Directors' emoluments:		
- Fees	2,678	1,140
- Other	27,670	22,312
Auditors' remuneration	6,950	6,950
Amortisation	55	55
Loss/(gain) on disposal of property and equipment	13,535	(76,759)
Rent payable	102,174	109,214
Rent receivable	<u>(43,343)</u>	<u>(41,788)</u>

6 STAFF COSTS

Salaries and wages	3,703,491	3,352,555
National Social Security Fund contributions	14,101	14,541
Pension costs – company contribution	226,976	223,300
Leave provision	60,883	52,833
Provision for actuarial losses (note 22)	166,800	166,601
	<u>4,172,251</u>	<u>3,809,830</u>

The average number of employees during the year was:-

Permanent employees	4,988	5,105
Contract employees	1,142	1,111
	<u>6,130</u>	<u>6,216</u>

7 FINANCE INCOME - NET

Interest receivable:

On bank and other deposits	190,468	39,495
Iberafrica Power (EA) Ltd loan	310	9,775
	<u>190,778</u>	<u>49,270</u>
Exchange gains on loans	36,281	38,520
Exchange losses on deposits	(26,327)	(64,715)
Net foreign exchange gains / (losses)	<u>9,954</u>	<u>(26,195)</u>

Interest payable:

Loans	(59,440)	(7,363)
Bank overdrafts	(1,389)	(5,387)
KenGen debt	-	9,262
Dividends on preference shares	(1,930)	(1,930)
	<u>(62,759)</u>	<u>(5,418)</u>
	<u>137,973</u>	<u>17,657</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

	2005 KShs '000	2004 KShs '000
8 TAXATION		
(a) Balance sheet		
At the beginning of the year	158,725	150,914
Paid during the year	20,372	7,811
	<u>179,097</u>	<u>158,725</u>
(b) Profit and loss account		
Current taxation based on the adjusted profit for the year at 30%	-	-
Deferred tax charge	709,003	415,877
	<u>709,003</u>	<u>415,877</u>
(c) Reconciliation of tax expense to the expected tax based on accounting profit:-		
Profit before taxation	1,979,276	873,684
Tax at the applicable tax rate of 30%	593,783	262,105
Tax effect of expenses not deductible for tax purposes	115,220	153,772
Tax charge	<u>709,003</u>	<u>415,877</u>

9 EARNINGS PER SHARE

The earnings per share is calculated on the profit after tax of KShs.Shs.1,270,273,000 (2004-KShs.Shs.457,807,000) and the number of ordinary shares in issue during the year of 79,128,000 (2004: - 79,128,000).

The diluted earnings per share is the same as the basic earnings per share as there were no potentially dilutive potential ordinary shares outstanding as 30 June 2005.

10 PROPERTY AND EQUIPMENT

	Freehold land and buildings KShs'000	Transmission lines KShs'000	Distribution lines KShs'000	Machinery KShs'000	Motor vehicles KShs'000	Furniture, equipment and other KShs'000	Total KShs'000
COST OR VALUATION							
At 1 July 2004	1,065,247	11,430,770	5,645,180	14,582	1,377,847	4,416,392	23,950,018
Additions	139,464	3,867,793	286,160	180	135,466	625,594	5,054,657
Disposals	-	-	(62,374)	-	-	-	(62,374)
At 30 June 2005	<u>1,204,711</u>	<u>15,298,563</u>	<u>5,868,966</u>	<u>14,762</u>	<u>1,513,313</u>	<u>5,041,986</u>	<u>28,942,301</u>
Comprising							
At cost	1,204,711	5,070,807	5,868,966	14,762	1,513,313	5,041,986	18,714,545
At valuation-2002	-	10,227,756	-	-	-	-	10,227,756
	<u>1,204,711</u>	<u>15,298,563</u>	<u>5,868,966</u>	<u>14,762</u>	<u>1,513,313</u>	<u>5,041,986</u>	<u>28,942,301</u>
DEPRECIATION							
At 1 July 2004	412,621	1,744,624	1,759,855	10,981	1,099,663	3,587,015	8,614,759
Charge for the year	29,944	858,541	233,164	169	43,871	270,972	1,436,661
Eliminated on disposals	-	-	(42,337)	-	-	-	(42,337)
At 30 June 2005	<u>442,565</u>	<u>2,603,165</u>	<u>1,950,682</u>	<u>11,150</u>	<u>1,143,534</u>	<u>3,857,987</u>	<u>10,009,083</u>
NET BOOK VALUE							
At 30 June 2005	<u>762,146</u>	<u>12,695,398</u>	<u>3,918,284</u>	<u>3,612</u>	<u>369,779</u>	<u>1,183,999</u>	<u>18,933,218</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

Work in progress							1,922,981
							<u>20,856,199</u>
At 30 June 2004	652,626	9,686,146	3,885,325	3,601	278,184	829,377	15,335,259
Work in progress							5,264,144
							<u>20,599,403</u>

Capital work in progress relates to construction works of electricity distribution lines spread across the country.

No depreciation has been charged in arriving at the results for the year in respect of certain fully depreciated assets with a cost of KShs.4,233,775,276 (2004 - KShs.2,998,658,332). If depreciation had been charged during the year on the cost of these assets at normal rates, it would have amounted to KShs.815,072,506 (2004 - KShs.576,754,471).

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 KShs'000	Transmission lines KShs'000	Distribution lines KShs'000	Machinery KShs'000	Motor vehicles KShs'000	Equipment and others KShs'000	Total KShs'000
At 30 June 2005	762,146	7,904,366	3,918,284	3,612	369,779	1,183,999	14,142,186
Work in progress							1,922,981
							<u>16,065,167</u>
At 30 June 2004	652,626	4,439,489	3,885,325	3,601	278,184	829,377	10,088,602
Work in progress							5,264,144
							<u>15,352,746</u>

11 PREPAID LEASES ON LAND

	KShs'000
COST	
At 30 June 2004 and 2005	133,694
AMORTISATION	
At 1 July 2004	1,547
Amortisation for the year	55
At 30 June 2005	1,602
NET BOOK VALUE	
At 30 June 2005	132,092
At 30 June 2004	132,147

12 UNQUOTED INVESTMENT

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

13 DEFERRED TAX

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

	2005 KShs'000	2004 KShs'000
Deferred tax assets:		
Tax losses	(3,766,812)	(4,187,386)
Provisions	(857,242)	(1,165,305)
	<u>(4,624,054)</u>	<u>(5,352,691)</u>
Deferred tax liabilities:		
Accelerated capital allowances	2,178,731	2,210,660
Unrealised exchange gains	56,752	44,456
Revaluation surplus	1,437,053	1,573,741
	<u>3,672,536</u>	<u>3,828,857</u>
	<u>(951,518)</u>	<u>(1,523,834)</u>
Movement on the deferred tax account is as follows:		
At 1 July	(1,523,834)	(1,803,024)
Credit to revaluation reserve	(136,687)	(136,687)
Income statement charge (note 8(b))	709,003	415,877
At 30 June	<u>(951,518)</u>	<u>(1,523,834)</u>

The deferred taxation assets have 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 and provisions. Under the Kenya tax legislation, tax losses can be carried to perpetuity.

14 DEPOSITS

	2005 KShs'000	2004 KShs'000
Standard Chartered Bank Kenya Limited		
US\$ 2,420,116 (2004-US\$ 2,381,315)	184,440	189,926
The Co-operative Bank of Kenya Limited		
US\$ 2,083,596 (2004-US\$ 2,000,000)	156,244	161,960
	<u>340,684</u>	<u>351,886</u>

The average effective interest rate on the deposits as at 30 June 2005 was 7.5% (2004 - 2 %) per annum.

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

15 LOAN RECEIVABLE

	2005 KShs'000	2004 KShs'000
Due from Iberafrika Power (E.A.) Limited	-	22,360
Receivable within one year	-	(22,360)

Amount due from Iberafrika Power (E.A) Limited represents the outstanding balance of US\$ 280,900 (KShs 22,359,640) on loan advanced to Iberafrika Power (E.A) Limited in September 1997 repayable in equal monthly instalments by 31 August 2004. The initial principal amount advanced was US\$ 7,500,000. This loan is recovered through monthly power purchases and earns interest at a rate of 11% per annum.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

	2005 KShs'000	2004 KShs'000
16 INVENTORIES		
General stores	645,350	776,385
Engineering spares	21,685	21,143
Fuel and oil	117,648	77,202
Transformers	1,145,404	642,777
Motor vehicle spares	58,947	55,909
Goods in transit	166,301	135,836
	<u>2,155,335</u>	<u>1,709,252</u>

General stores, engineering spares, fuel and oil, transformers and motor vehicle spares are stated at weighted average cost while goods in transit are at cost.

	2005 KShs'000	2004 KShs'000
17 TRADE AND OTHER RECEIVABLES		
Electricity customers	4,010,821	3,649,965
Rural Electrification Programme schemes	-	1,395,068
Prepayments	123,868	186,821
Recoverable fuel costs	788,971	261,837
Other receivables	939,864	198,217
	<u>5,863,524</u>	<u>5,691,908</u>

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

	2005 KShs'000	2004 KShs'000
18 SHORT TERM DEPOSITS, BANK AND CASH BALANCES		
a) Short term deposits - maturing within 3 months:		
Housing Finance	203,524	269,890
Co-operative Bank of Kenya Limited	2,066	6,699
Standard Chartered Bank Limited	577,399	-
Co-operative Bank of Kenya Limited	3,034,014	-
	<u>3,817,003</u>	<u>276,589</u>

The average effective interest rate on the short-term deposits as at 30 June 2005 was 7.5% (2004 – 2 %).

b) Bank and cash balances

Bank and cash balances comprise:-

	2005 KShs'000	2004 KShs'000
Cash at bank	1,526,263	1,813,071
Cash on hand	11,468	11,606
	<u>1,537,731</u>	<u>1,824,677</u>

19 SHARE CAPITAL

Ordinary share capital

Authorised:

97,850,000 ordinary shares of KShs.20 each 1,957,000 1,957,000

Issued and fully paid:

79,128,000 ordinary shares of KShs.20 each 1,582,560 1,582,560

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

20 PREFERENCE SHARES

This amount relates to debts from the Government of Kenya (KShs.3,639 million) and KenGen (KShs.12,260 million) converted into redeemable 7.85% non-cumulative preference shares in the year 2004.

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

21 RESERVES

	2005 KShs'000	2004 KShs'000
Accumulated deficit	(2,055,441)	(3,662,648)
Proposed dividends	118,692	-
Revaluation surplus	3,353,118	3,672,057
	<u>1,416,369</u>	<u>9,409</u>

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

22 TRADE AND OTHER PAYABLES

	2005 KShs'000	2004 KShs'000
KenGen	2,387,865	1,385,037
Other electricity suppliers	1,897,029	1,553,220
Customers' deposits	2,283,256	2,063,408
Capital contributions	780,485	383,948
Other suppliers' accounts	376,874	269,400
Rural Electrification Programme Levy	1,572,401	1,798,479
Electricity Regulatory Board Levy	46,534	39,218
Other payables and accruals	1,622,039	697,791
	<u>10,966,483</u>	<u>8,190,501</u>
Less: Non refundable and payable after one year	(3,063,741)	(2,447,355)
	<u>7,902,742</u>	<u>5,743,146</u>

The amount 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

	2005 KShs'000	2004 KShs'000
23 BORROWINGS		
23(a) Balances		
6.125% Kenya Government/Swiss mixed credit 1996-2005 (CHF 2,657,971)	162,144	208,738
2.6% Indosuez Bank, Belgium 1991-2004	-	20,796
5.5% Kenya Government/European Investment Bank - Olkaria loan (Euro 30,412,614) 2005 – 2020	2,801,440	2,934,913
4% East Africa Development Bank (Kiambere – Nairobi 220KVA line – USD 3,194,971) 2003-2007	243,457	381,304
4% FMO (Kipevu – Rabai line – USD 3,750,000) 2003-2007	285,750	417,900
7.7% Kenya Government/IDA 2966 KE loan 1997-2017	163,463	163,463
4.5% GOK/IDA 3958 KE (ESRP- USD 421,017) 2004-2024	32,081	-
4.615% Bamburi Cement Limited loan-2003	-	4,800
Accrued interest	8,298	11,387
	<u>3,696,633</u>	<u>4,143,301</u>
Less: amounts repayable within 12 months	447,697	373,954
Non current	<u>3,248,936</u>	<u>3,769,347</u>

East African Development Bank Limited, FMO loan, and Bamburi Cement Limited loans are guaranteed by letters of negative pledge. All other loans are guaranteed by the Government of Kenya.

(b) Analysis of borrowings by currency

	Borrowings in KShs KSh'000	Borrowings in US\$ KShs'000	Borrowings in CHF KShs'000	Borrowings in BEF KShs'000	Borrowings in EURO KShs'000	Total Borrowings in KShs'000
2005						
Loans	163,463	569,586	162,144	-	2,801,440	3,696,633
2004						
Loans	168,263	808,764	210,499	20,862	2,934,913	4,143,301

(c) Maturity of borrowings

	2005 KShs'000	2004 KShs'000
Due within 1 year	447,697	373,954
Due between 1 and 2 years	700,750	869,601
Due between 2 and 5 years	1,171,211	816,951
Due after 5 years	1,376,975	2,082,795
	<u>3,696,633</u>	<u>4,143,301</u>

24 PREFERENCE SHARES

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

25 RETIREMENT BENEFITS OBLIGATIONS

The Company operates a defined retirement benefits scheme for all employees. The scheme is administered by an inhouse team and is funded by contributions from the Company and its employees. AIG Global Investment (EA) Company Limited and Co-optrust Investment Services Limited jointly manage the scheme's funds.

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

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

	2005	2004
	KShs'000	KShs'000
Net actuarial losses	<u>166,800</u>	<u>166,601</u>

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

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

	2005	2004
	KShs'000	KShs'000
Present value of funded obligations	7,713,400	7,713,400
Unrecognised actuarial losses	(2,107,782)	(2,274,582)
Fair value of plan assets	<u>(3,695,200)</u>	<u>(3,695,200)</u>
	<u>1,910,418</u>	<u>1,743,618</u>

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

At beginning of the year	1,743,618	1,577,017
Amounts paid	(60,000)	-
Amounts charged to income	<u>166,800</u>	<u>166,601</u>
At 30 June	<u>1,850,418</u>	<u>1,743,618</u>

Key assumptions used:

	2005	2004
	KShs'000	KShs'000
Rate of interest	10%	10%
Expected return on plan assets	10%	10%
Expected rate of salary increases	8%	8%
Future pension increases:		
- Post 31/12/99 service	0%	0%
- Pre 31/12/99 service	3%	3%

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

26 DIVIDENDS PAYABLE

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

27 PRIOR YEAR ADJUSTMENTS

	2005 KShs'000	2004 KShs'000
Profit on sale of properties (a)	-	(99,136)
Deferred tax (b)	-	477,719
	<u>-</u>	<u>378,583</u>

(a) Reversal of gain on disposal of houses recognised in the year 2001/02, which was subsequently cancelled. The amount was adjusted against the opening reserves of the year ended 30 June 2003.

(b) Effect of computation of deferred tax on accumulated general bad debts provision. In restating the results of the year ended 30 June 2003, the loss for the year was increased by KShs 17,892,000, the opening accumulated losses credited by KShs 495,111,000.

28 NOTES TO THE CASH FLOW STATEMENT

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

	2005 KShs'000	2004 KShs'000
Operating profit	1,841,303	856,027
Depreciation	1,436,661	1,518,341
Amortisation	55	55
Loss/(gain) on disposal of property and equipment	13,535	(76,759)
Net exchange (losses)/gains	(25,651)	52,469
Operating profit before working capital changes	3,265,903	2,350,133
(Increase)/decrease in inventories	(446,083)	100,522
(Increase)/decrease in trade and other receivables	(140,410)	943,049
Increase/(decrease) in trade and other payables	2,775,982	(1,548,960)
Increase in staff retirement benefits scheme	106,800	166,601
Increase in provision for leave pay obligation	60,883	52,833
Movement in non current deposits	11,202	(26,624)
Cash generated from operations	<u>5,634,277</u>	<u>2,037,554</u>

(b) ANALYSIS OF CHANGES IN LOANS

At beginning of the year	4,131,914	3,664,229
Receipts	32,914	1,800,474
Repayments	(307,415)	(681,802)
Loans converted to preference shares	-	(927,600)
Exchange (gains)/losses	(169,078)	276,614
Accrued interest	8,298	11,387
At end of the year	<u>3,696,633</u>	<u>4,143,302</u>

(c) ANALYSIS OF CASH AND CASH EQUIVALENTS

Short term deposits	3,817,003	276,589
Bank and cash balances	1,537,731	1,824,677
	<u>5,354,734</u>	<u>2,101,266</u>

For the purpose of the cash flow statement, cash and cash equivalents include short term liquid investments which are readily convertible to known amounts of cash and which were within three months to maturity when acquired; less advances from banks repayable within three months from date of disbursement or date of confirmation of the advance.

29 RELATED PARTY TRANSACTIONS

The Government of Kenya is the principal shareholder in The Kenya Power and Lighting Company Limited (KPLC) 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 control.

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

(a) Government of Kenya

	2005	2004
	KShs'000	KShs'000
Electricity sales		
Electricity sales to Government ministries	815,842	944,173
Outstanding balances included in trade debtors	<u>268,631</u>	<u>456,335</u>

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

Rural Electrification Programme

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

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

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

Rural Electrification Schemes

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

	2005	2004
	KShs'000	KShs'000
Electricity sales	1,208,301	978,112
Expenditure	1,912,469	1,681,129
Net deficit	<u>(704,168)</u>	<u>(703,017)</u>
Assets	<u>7,635,968</u>	<u>7,065,903</u>

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

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

	2005	2004
	KShs'000	KShs'000
(b) KenGen		
Electricity purchases	10,719,419	9,031,084
Accrued interest on loan	-	(9,262)
Amounts due to KenGen on account of electricity sales	<u>2,387,865</u>	<u>1,385,037</u>

Transactions with KenGen are at arm's length and in the normal course of business.

(c) KPLC Staff Retirement Benefits Scheme

The Company uses property owned by the staff retirement benefits scheme for office accommodation. Rent paid during the year in this regard amounted to KShs.40,000,000 (2004-KShs.40,000,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

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 rates were minimal.

Liquidity risk

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

Currency risk

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

31 FAIR VALUE

The directors are of the opinion 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.

32 CAPITAL COMMITMENTS

	2005 KShs'000	2004 KShs'000
Authorised and contracted for	8,341,908	3,929,322
Less: Amount incurred and included in work in progress	<u>(2,171,820)</u>	<u>(1,474,194)</u>
	6,170,088	2,455,128
Less: Capital contributions received from customers	<u>(1,225,992)</u>	<u>(514,700)</u>
	<u>(4,944,096)</u>	<u>1,940,428</u>

33 CONTINGENT LIABILITIES

Bank guarantees	441,000	229,940
Claims on the company	<u>3,973,000</u>	<u>5,955,570</u>
	<u>4,414,000</u>	<u>6,185,510</u>

Included in the claims on the company are: -

- (i) Some employees whose employment was terminated in the year 2003 went to court seeking additional compensation for termination. The advice from the external lawyers is that the plaintiffs claim cannot succeed against the Company.
- (ii) KShs.1.355 billion in 2004 relating to a claim by Tana & Athi River Development Authority (TARDA) for Masinga and Kiambere power stations lease hire charges for the period prior to 1998. During the year, the parties together with the parent ministries, Treasury and Office of the President agreed to settle the matter administratively. The Company will settle the legal costs estimated at KShs.30 million arising from the dispute. The cost has been accrued in the current financial statements
- (iii) Other claims on the Company relate to civil suits lodged against the Company by various parties in the normal course of business.

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

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

34 OPERATING LEASE COMMITMENTS

AS LESSEE:

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

	2005	2004
	KShs'000	KShs'000
Not later than 1 year	79,339	137,696
Later than 1 year and not later than 5 years	88,746	337,408
	<u>168,085</u>	<u>475,104</u>

AS LESSOR

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

	2005	2004
	KShs'000	KShs'000
Not later than 1 year	33,114	23,980
Later than 1 year but not later than 5 years	53,843	29,164
	<u>86,957</u>	<u>53,144</u>

35 COMPARATIVES

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

36 INCORPORATION

The Company is incorporated in Kenya under the Kenyan Companies Act and is domiciled in Kenya.

37 CURRENCY

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

**STATISTICAL
INFORMATION**

TEN YEAR FINANCIAL AND STATISTICAL RECORDS

For year ended	30th June 1996	30th June 1997	30th June 1998	30th June 1999	30th June 2000
UNITS SOLD (Millions)	3,269	3,406	3,498	3,564	3,365
Average yield of units sold (cents)	456.58	495.98	516.67	516.91	700.28
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Revenue from sale of electricity	14,925,761	16,893,149	18,073,232	18,422,731	23,564,466
PROFIT/(LOSS) for the Year					
before exceptional item	1,512,042	2,160,099	2,005,343	1,721,924	(4,155,863)
Exceptional item	-	-	-	-	1,581,594
PROFIT/(LOSS) for the Year before taxation	1,512,042	2,160,099	2,005,343	1,721,924	(2,574,269)
TAXATION CHARGE / (CREDIT)	395,752	606,071	658,612	416,662	(966,287)
NET PROFIT/(LOSS) AFTER TAXATION	1,116,290	1,554,028	1,346,731	1,305,262	(1,607,982)
Preference dividends (gross)	(1,930)	(1,930)	(1,930)	(1,930)	(1,930)
NET PROFIT/(LOSS) ATTRIBUTABLE TO					
ORDINARY SHAREHOLDERS	1,114,360	1,552,098	1,344,801	1,303,332	(1,609,912)
ORDINARY DIVIDENDS (gross)	(140,672)	(422,016)	(422,016)	(633,024)	(158,256)
RETAINED PROFIT/(LOSS) FOR THE YEAR	973,688	1,130,082	922,785	670,308	(1,768,168)
FUNDS GENERATED FROM OPERATIONS					
Profit/(Loss) for the year	973,688	1,130,082	922,785	670,308	(1,768,168)
Depreciation	335,430	406,484	579,494	748,424	926,201
	1,309,118	1,536,566	1,502,279	1,418,732	(841,967)
CAPITAL EMPLOYED					
Fixed Assets less depreciation	4,770,730	6,587,490	7,548,159	9,136,366	12,022,675
Prepaid leases on land	-	-	-	-	-
Loan to KenGen	233,731	146,242	80,871	-	-
Investment	4,300	4,300	4,300	4,300	4,300
Other non current assets	-	-	-	-	-
Net current assets/(Liabilities)	354,322	(340,480)	(389,532)	694,474	(2,445,301)
	5,363,083	6,397,552	7,243,798	9,835,140	9,581,674
FINANCED BY:					
Ordinary shareholders' equity	3,877,114	5,007,196	5,060,357	5,730,665	3,962,497
Preference shares allotted	-	-	-	-	-
Preference capital	43,000	43,000	43,000	43,000	43,000
Loan capital (secured)	4,400	-	-	-	-
Loan capital (unsecured)	1,438,569	1,347,356	1,153,273	1,239,483	1,268,999
Deferred taxation	-	-	987,168	1,207,550	241,263
Non current liability	-	-	-	1,614,442	4,065,915
	5,363,083	6,397,552	7,243,798	9,835,140	9,581,674
CAPITAL EXPENDITURE	588,611	2,223,312	1,542,191	2,351,083	4,669,768
Average cost of units sold (cents)	427	459	471	464	803
PROFIT/(LOSS) for the year before taxation as a percentage of average capital employed	30.00%	36.73%	29.40%	20.16%	-26.52%
ORDINARY DIVIDENDS RATES	40%	40%	40%	40%	10%
Earnings per share (Shs)	21.12	29.42	17	16.47	(20.35)
Consumers/employees ratio	49.62	51.52	63.20	66.57	71.31
Sales (KWHr) per employee	398,999	411,402	488,070	501,972	474,278

TEN YEAR FINANCIAL AND STATISTICAL RECORDS

30th June 2001	30th June 2002	30th June 2003	30th June 2004	30th June 2005	For year ended
3,091	3,498	3,654	3,940	4,215	UNITS SOLD (Millions)
911.95	709.20	633.03	591.96	672.39	Average yield of units sold (cents)
Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	
28,188,525	24,807,649	23,130,782	23,323,083	28,341,356	Revenue from sale of electricity
					PROFIT/(LOSS) for the Year
(4,103,984)	(1,868,760)	(4,110,263)	875,614	1,981,206	before exceptional item
-	(978,426)	-	-	-	Exceptional item
(4,103,984)	(2,847,186)	(4,110,263)	875,614	1,981,206	PROFIT/(LOSS) for the Year before taxation
(1,229,203)	(969,563)	(1,060,838)	415,877	709,003	TAXATION CHARGE / (CREDIT)
(2,874,781)	(1,877,623)	(3,049,425)	459,737	1,272,203	NET PROFIT/(LOSS) AFTER TAXATION
(1,930)	(1,930)	(1,930)	(1,930)	(1,930)	Preference dividends (gross)
					NET PROFIT/(LOSS) ATTRIBUTABLE TO
(2,876,711)	(1,879,553)	(3,051,355)	457,807	1,270,273	ORDINARY SHAREHOLDERS
-	-	-	-	(118,692)	ORDINARY DIVIDENDS (gross)
(2,876,711)	(1,879,553)	(3,051,355)	457,807	1,151,581	RETAINED PROFIT/(LOSS) FOR THE YEAR
					FUNDS GENERATED FROM OPERATIONS
(2,876,711)	(1,879,553)	(3,051,355)	457,807	1,151,581	Profit/(Loss) for the year
1,138,686	1,101,236	1,569,572	1,518,396	1,436,716	Depreciation
(1,738,025)	(778,317)	(1,481,783)	1,976,203	2,588,297	
					CAPITAL EMPLOYED
12,343,789	19,357,165	19,011,871	20,599,403	20,856,199	Fixed Assets less depreciation
132,343	132,257	132,202	132,147	132,092	Prepaid leases on land
-	-	-	-	-	Loan to KenGen
4,300	4,300	4,300	4,300	4,300	Investment
-	187,500	325,262	351,886	340,684	Other non current assets
(7,108,211)	1,319,233	(1,972,253)	1,139,351	2,969,063	Net current assets/(Liabilities)
5,372,221	21,000,455	17,501,382	22,227,087	24,302,338	
					FINANCED BY:
1,085,785	3,516,168	997,475	1,591,969	2,998,929	Ordinary shareholders' equity
-	-	-	15,899,250	15,899,250	Preference shares allotted
43,000	43,000	43,000	43,000	43,000	Preference capital
-	-	-	-	-	Loan capital (secured)
2,258,632	5,049,326	5,494,863	3,769,347	3,248,936	Loan capital (unsecured)
(987,940)	(110,389)	(1,803,024)	(1,523,835)	(951,518)	Deferred taxation
2,972,744	12,612,135	12,790,747	2,447,355	3,063,741	Non current liability
5,372,221	21,110,240	17,523,061	22,227,086	24,302,338	
1,593,319	1,959,535	1,231,937	3,111,203	1,846,965	CAPITAL EXPENDITURE
1,027	866	736	584	644.64	Average cost of units sold (cents)
					PROFIT/(LOSS) for the year before taxation as a
-54.89%	-21.50%	-21.28%	4.41%	8.52%	percentage of average capital employed
0.00%	0.00%	0.00%	0.00%	7.50%	ORDINARY DIVIDENDS RATES
(36.35)	(23.75)	(38.56)	5.79	16.05	Earnings per share (Shs)
71.22	98.25	107.98	110.62	119.93	Consumers/employees ratio
473,064	537,444	582,868	633,848	687,602	Sales (KWhr) per employee

TABLE 1: POWER SYSTEM OPERATION STATISTICS FOR 6 YEARS

COMPANY	Capacity (MW) as at 30.06.2005		UNITS IN GWh						Avg. Annual Growth over the Last 5 Yrs
	Installed	Effective ¹	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	
KenGen Hydro									
Tana	14.4	13.4	63	71	76	65	65	59	
Wanji	7.4	7.4	46	47	52	51	34	21	
Kamburu	94.2	88.0	247	181	330	470	470	381	
Gitaru	225.0	216.0	734	364	665	945	938	757	
Kindaruma	40.0	40.0	157	81	162	224	221	170	
Small Stations	6.3	5.6	19	20	23	25	28	23	
Masinga	40.0	40.0	142	28	127	206	230	169	
Kiambere	144.0	144.0	813	292	703	999	1010	814	
Turkwel	106.0	106.0	214	240	264	136	263	475	
KenGen Hydro Total	677.3	660.4	2,435	1,325	2,402	3,120	3,259	2,869	
KenGen Thermal									
Kipevu Steam	63.0	0.0	199	126	94	83	56	48	
Kipevu I (75MW Diesel)	73.5	70.0	393	449	268	144	279	330	
Fiat - Nairobi South	13.5	10.0	30	35	1	0.2	-0.02	3.1	
Kipevu GTs	60.0	60.0	384	274	77	20	4	97	
Garissa & Lamu	4.2	3.4	10	10	11	12	13	13	
Total	214.2	143.4	1015	894	451	260	352	491	
KenGen Geothermal									
Olkaria I	45.0	45.0	381	340	377	277	266	371	
Olkaria II	70.0	70.0	0	0	0	0	417	549	
KenGen Thermal Total	115.0	115.0	381	340	377	277	682	920	
KenGen Wind									
Ngong	0.4	0.4	0.1	0.1	0.0	0.3	0.4	0.4	
Government of Kenya Thermal									
REP Stations	5.1	4.6	10	10	10	10	10	11	
Independent Power Producers Thermal									
Iberafrica	56.0	56.0	294	348	348	251	240	330	
Westmont ²	0.0	0.0	169	277	149	29	15	3	
Tsavo ³	74.0	74.0	0	7	550	473	200	508	
Mumias	0.0	0.0	0	6	1	0	0	0	
IPP Thermal Total	130.0	130.0	463	463	638	753	455	842	
Independent Power Producers Geothermal									
OrPower 4	13.0	13.0	2	89	103	109	105	115	
Emergency Power Producers⁴									
Aggreko				303	0	0	0	0	
Cummins				174	0	0	0	0	
Deutz				111	0	0	0	0	
EPP Total				587	0	0	0	0	
Imports									
UETCL	0.0	0.0	140	198	172	222	171	99	
TANESCO	0.0	0.0	0	0	0	0	0	0.3	
Total Imports	0.0	0.0	140.4	197.8	172.0	221.7	177.1	99.0	
Total Energy Purchased	1,155.0	1,066.9	4,637	4,461	4,081	4,564	5,035	5,347	1.9%
SYSTEM LOSSES ⁵			957	869	936	936	946	968	
SALES - KPLC SYSTEM			3,366	3,091	3,498	3,654	3,940	4,200	2.3%
- REP SYSTEM			138	121	130	147	150	164	0.1%
- EXPORT TO UGANDA ⁶								15	
TOTAL SALES			3,717	3,504	3,212	3,628	4,090	4,379	2.3%
SYSTEM PEAK DEMAND (MW)			708	724	760	786	830	884	2.6%
System Load Factor			71.9%	64.4%	69.0%	69.4%	69.4%	68.4%	
Sales % of Energy Purchased			78.5%	78.7%	79.5%	79.5%	81.2%	81.9%	
Losses as % of Energy Purchased			21.5%	21.3%	20.5%	20.5%	18.8%	18.1%	
Annual growth - Energy Purchased			-3.8%	-8.5%	10.6%	11.8%	10.3%	6.2%	
- SALES KPLC			-5.6%	-8.2%	11.5%	4.5%	7.8%	6.6%	
- SALES REP			-9.8%	-12.7%	6.2%	12.9%	2.0%	9.3%	

Notes:

- 1) Maximum output from the station under normal operating conditions.
- 2) Westmont was retired in August 2004 upon expiry of its contract with KPLC.
- 3) Tsavo Power Company commenced testing in June 2001 and was fully commissioned in September 2001.
- 4) Emergency Power Producers were retired in June 2001.
- 5) System losses comprise of technical and non-technical losses.
- 6) Export to Uganda under the Energy Export arrangement commenced in February 2005.

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.

TABLE 2: AREA MAXIMUM DEMAND(MW)

REGION	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	Avg. Annual Growth over the Last 5 Yrs
Nairobi	408	401	385	405	427	453	4.1%
Coast	147	140	158	145	141	152	
Central Rift	51	50					
West Kenya	77	75	158	157	166	176	
Mt. Kenya	43	47	76	78	81	86	
North Rift	31	35					
TOTAL SYSTEM (SIMULTANEOUS)	708	724	760	786	830	884	
% INCREASE P.A.	-3.5%	2.2%	5.0%	3.4%	5.6%	6.5%	

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

TARIFF	TYPES OF CUSTOMERS COVERED BY THIS TARIFF	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	Avg. Annual Growth over the Last 5 Yrs
A	Domestic and Small Commercial	1,158	1,064	1,215	1,283	1,376	1,478	4.8%
B	Commercial (Medium) and Industrial(Medium)	724	609	696	748	819	885	
C	Commercial (large) and Industrial (large)	1,398	1,361	1,513	1,557	1,683	1,776	
D	Off-peak	74	51	55	59	55	53	
E	Street lighting	11	7	19	7	7	8	
	Export to Uganda						15	
	TOTAL	3,366	3,091	3,498	3,654	3,940	4,215	
	% INCREASE P.A.	-5.6%	-8.2%	13.1%	4.5%	7.8%	7.0%	

TABLE 4: AREA TOTAL UNIT SALES IN GWh

REGION	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	Avg. Annual Growth over the Last 5 Yrs	
Nairobi	1,884	1,684	1,806	1,923	2,075	2,234	4.8%	
Coast	638	648	688	708	759	808		
Central Rift	202	183						
West Kenya	375	318	685	702	741	792		
Mt. Kenya	143	141	319	321	365	366		
North Rift	124	117						
Export to Uganda						15		
KPLC Sales	3,366	3,091	3,498	3,654	3,940	4,215		4.8%
R.E.F. Schemes	138	121	130	147	150	164		3.9%
TOTAL	3,504	3,212	3,628	3,801	4,090	4,379		4.8%
% INCREASE P.A.	-5.7%	-8.3%	13.0%	4.8%	7.6%	7.1%		

Note: As part of the on-going business restructuring, the Company's operational Areas were reduced from six to four Regions. Central Rift, North Rift and West Kenya Areas were combined to form West Kenya Region while Thika, initially a part of Nairobi, was moved to Mt Kenya Region. The data for table 2, 4 to 17 will appear in only the four (4) Regions for the Years 2001/02, 2002/03, 2003/04 and 2004/05.

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

REGION	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	Avg. Annual Growth over the Last 5 Yrs
Nairobi	497	442	503	541	582	622	5.3%
Coast	131	127	132	142	153	165	
Central Rift	37	34					
West Kenya	35	31	87	97	104	112	
Mt. Kenya	28	27	46	51	54	57	
North Rift	20	18					
TOTAL	748	679	768	831	892	956	
% INCREASE P.A.	-6.9%	-9.3%	13.1%	8.2%	7.4%	7.1%	

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

REGION	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	Avg. Annual Growth over the Last 5 Yrs
Nairobi	229	203	214	217	230	245	5.2%
Coast	57	59	67	65	70	79	
Central Rift	37	34					
West Kenya	39	40	105	109	114	120	
Mt. Kenya	32	33	60	59	62	79	
North Rift	16	15					
TOTAL	410	385	446	450	476	522	
% INCREASE P.A.	-12.1%	-6.1%	15.9%	0.8%	5.8%	9.7%	

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

REGION	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	Avg. Annual Growth over the Last 5 Yrs
Nairobi	39.1	21.5	4.4	5.0	4.3	6.4	6.6%
Coast	0.7	0.6	0.4	0.4	0.5	0.6	
Central Rift	11.0	9.0					
West Kenya	1.6	0.5	11.0	13.5	15.6	16.9	
Mt. Kenya	2.1	1.2	20.3	19.0	17.7	21.0	
North Rift	0.0	0.0					
TOTAL	54	33	36	38	38	45	
% INCREASE P.A.	21.0%	-40.0%	10.6%	4.7%	0.7%	17.8%	

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

REGION	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	Avg. Annual Growth over the Last 5 Yrs
Nairobi	398	321	353	381	424	459	7.8%
Coast	104	93	107	124	126	133	
Central Rift	55	52					
West Kenya	41	36	128	133	146	154	
Mt. Kenya	28	28	54	52	58	64	
North Rift	28	26					
TOTAL	654	556	642	690	754	811	
% INCREASE P.A.	4.4%	-15.0%	15.4%	7.5%	9.3%	7.6%	

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

REGION	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	Avg. Annual Growth over the Last 5 Yrs
Nairobi	9.0	7.8	9.5	13.5	10.1	13	12.9%
Coast	2.5	3.1	3.7	5.2	11.2	9	
Central Rift	0.7	1.7					
West Kenya	0.9	0.7	3.0	3.1	2.7	3	
Mt. Kenya	0.0	0.2	0.9	1.0	1.4	2	
North Rift	1.3	1.3					
TOTAL	14	15	17	23	25	27	
% INCREASE P.A.	74.9%	3.8%	13.9%	34.5%	11.2%	7.7%	

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

REGION	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	Avg. Annual Growth over the Last 5 Yrs
Nairobi	0.8	4.9	0.9	0.0	0.0	2	-16.8%
Coast	0.0	0.0	0.0	0.0	0.0	0	
Central Rift	0.0	0.0					
West Kenya	0.0	0.0	0.0	0.0	0.0	0	
Mt. Kenya	0.0	0.0	0.0	0.0	0.0	0	
North Rift	0.0	0.0					
TOTAL	0.8	4.9	0.9	0.0	0.0	2.0	
% INCREASE P.A.	100.0%	539.2%	-81.3%	-100.0%	0.0%	100.0%	

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

REGION	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	Avg. Annual Growth over the Last 5 Yrs
Nairobi	173	190	211	218	227	250	5.2%
Coast	95	104	94	91	85	93	
Central Rift	39	32					
West Kenya	69	62	127	127	138	134	
Mt. Kenya	44	44	89	89	99	95	
North Rift	12	12					
TOTAL	431	444	521	526	549	572	
% INCREASE P.A.	-5.8%	2.9%	17.3%	1.0%	4.4%	4.2%	

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

REGION	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	Avg. Annual Growth over the Last 5 Yrs
Nairobi	327	303	303	320	370	392	6.0%
Coast	203	210	221	217	238	255	
Central Rift	20	19					
West Kenya	40	26	96	96	100	119	
Mt. Kenya	8	6	46	48	49	46	
North Rift	46	44					
TOTAL	643	608	666	681	757	812	
% INCREASE P.A.	-12.6%	-5.4%	9.7%	2.2%	11.1%	7.2%	

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

REGION	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	Avg. Annual Growth over the Last 5 Yrs
Nairobi	133	140	147	168	183	193	7.1%
Coast	42	50	59	63	72	76	
Central Rift	0	0					
West Kenya	138	0	0	0	0	0	
Mt. Kenya	0	0	0	0	0	0	
North Rift	0	0					
TOTAL	313	191	206	231	256	269	
% INCREASE P.A.	-2.1%	-39.2%	8.1%	11.9%	11.0%	4.9%	

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

REGION	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	Avg. Annual Growth over the Last 5 Yrs
Nairobi	0	0	0	0	0	0	1.1%
Coast	0	0	0	0	0	0	
Central Rift	0	0					
West Kenya	11	119	121	120	117	125	
Mt. Kenya	0	0	0	0	0	0	
North Rift	0	0					
TOTAL	11	119	121	120	117	125	
% INCREASE P.A.	100.0%	987.8%	0.9%	-0.5%	-2.5%	6.4%	

Note: Category C5 was introduced on 29th May 2000.

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

REGION	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	Avg. Annual Growth over the Last 5 Yrs
Nairobi	69.0	46.6	48.6	53.3	51.0	50.2	1.0%
Coast	1.6	1.1	1.4	1.3	1.0	0.7	
Central Rift	1.0	0.9					
West Kenya	0.8	0.8	2.7	2.1	1.7	1.2	
Mt. Kenya	0.9	0.9	2.7	1.9	1.4	1.5	
North Rift	0.5	0.5					
TOTAL	74	51	55	59	55	53	
% INCREASE P.A.	-20.2%	-31.1%	9.1%	5.8%	-6.0%	-2.9%	

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

REGION	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	Avg. Annual Growth over the Last 5 Yrs
Nairobi	8.8	4.9	4.6	5.4	5.6	6.1	3.2%
Coast	1.8	1.0	0.7	0.5	0.6	0.5	
Central Rift	0.4	0.3					
West Kenya	0.0	0.1	0.5	0.5	0.5	0.5	
Mt. Kenya	0.2	0.2	0.4	0.4	0.5	0.5	
North Rift	0.2	0.1					
TOTAL	11.3	6.6	6.2	6.8	7.2	7.7	
% Increase P.A.	21.7%	-41.6%	6.5%	10.1%	5.3%	8.0%	

TABLE 17: REGIONAL SALE OF ELECTRICITY IN GWh FOR R.E.P. SCHEMES

REGION	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	Avg. Annual Growth over the Last 5 Yrs
Nairobi	40	35	25	26	28	31	6.3%
Coast	14	11	8	7	8	9	
Central Rift	19	16					
West Kenya	28	20	65	69	75	83	
Mt. Kenya	17	17	32	45	38	40	
North Rift	20	20					
TOTAL	138	121	130	147	150	164	
% Increase P.A.	-9.8%	-12.7%	8.1%	12.8%	2.0%	9.1%	

TABLE 18: REGIONAL TOTAL NUMBER OF CUSTOMERS

REGION	AS AT 30th JUNE						Avg. Annual Growth over the Last 5 Yrs
	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	
Nairobi	250,553	270,580	286,004	308,056	331,108	355,673	6.4%
Coast	68,230	71,153	74,659	81,138	85,017	90,796	
Central Rift	35,048	37,066					
West Kenya	34,667	35,858	98,112	106,438	112,753	118,734	
Mt. Kenya	33,076	33,454	55,905	60,467	63,875	68,148	
North Rift	17,707	17,250					
KPLC Customers	439,281	465,361	514,680	556,099	592,753	633,351	
R.E.P. Customers	66,670	71,718	78,941	87,175	93,442	101,793	
TOTAL	505,951	537,079	593,621	643,274	686,195	735,144	
% Increase P.A.	7.0%	6.2%	10.5%	8.4%	6.7%	7.1%	

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
		2000	2001	2002	2003	2004	2005	
A0 only	Domestic	315,327	334,381	380,240	413,303	444,785	482,812	7.6%
	KPLC REP	41,214	44,370	50,340	55,545	59,750	65,439	8.1%
A0 & D0	Domestic	44,316	46,994	46,140	49,266	50,290	50,843	1.6%
	KPLC REP	265	285	284	316	319	325	2.7%
A1 only	Small Commercial	73,828	78,289	81,974	86,923	90,727	93,021	3.5%
	KPLC REP	24,964	26,876	28,164	31,080	33,190	35,874	5.9%
A1 & D0	Small Commercial	1,076	1,141	937	1,124	1,134	1,162	0.4%
	KPLC REP	100	108	67	160	82	80	-5.8%
B0	Irrigation Load	266	233	225	247	251	226	-0.6%
	KPLC REP	7	2	3	2	2	2	0%
B1	Medium Commercial and Industrial	2,485	2,330	2,512	2,591	3,006	2,863	4.2%
	KPLC REP	91	54	56	48	76	46	-3.2%
B2	Medium Commercial and Industrial KPLC	40	40	47	58	61	66	10.5%
B3	Medium Commercial and Industrial KPLC	3	3	1	1	1	4	5.9%
C1	Large Commercial	245	263	282	279	269	287	1.8%
	KPLC REP	3	3	2	1	1	1	-19.7%
C2	Large Commercial and Industrial KPLC	125	128	124	126	135	142	2.1%
C3	Large Commercial and Industrial KPLC	14	14	16	19	19	16	2.7%
C5	Large Commercial and Industrial KPLC	1	1	1	1	1	1	0.0%
D0 only	Off-peak	659	523	645	1,056	918	734	7.0%
	KPLC REP	14	13	13	12	9	8	-9.3%
E0	Street lighting	896	1,021	1,536	1,105	1,156	1,178	2.9%
	KPLC REP	12	7	12	11	13	14	14.9%
TOTAL (KPLC)		439,281	465,361	514,680	556,099	592,753	633,355	6.4%
TOTAL (R.E.P.)		66,670	71,718	78,941	87,175	93,442	101,789	7.3%
GROSS TOTAL		505,951	537,079	593,621	643,274	686,195	735,144	6.5%
% INCREASE P.A.		7.0%	6.2%	10.5%	8.4%	6.7%	7.1%	

**TABLE 20: REVENUE (KShs Million)
BY CUSTOMER CATEGORY**

TARIFF	MAIN TYPE OF CUSTOMERS COVERED BY THIS TARIFF							Avg. Annual Growth over the Last 5 Yrs
		1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	
A	Domestic, small commercial and small industrial	8,989	10,368	10,023	8,841	8,855	10,386	0.03%
B	Commercial and industrial (medium)	5,426	5,939	4,910	5,220	5,329	6,509	1.9%
C	Commercial (large) Industrial (large)	8,576	11,382	9,682	8,743	8,816	10,891	-0.9%
D	Off-peak	385	420	106	276	272	472	2.4%
E	Street Lighting	95	80	87	51	51	83	0.7%
	SUB-TOTAL	23,471	28,189	24,808	23,131	23,323	28,341	
	OTHERS*	93	0	0	0	0	0	
	TOTAL (KPLC)	23,564	28,189	24,808	23,131	23,323	28,341	0.1%
	R.E.P.	1,086	1,141	979	1,011	978	1,208	1.2%
	EXPORT						92	
	GROSS TOTAL	24,650	29,329	25,787	24,142	24,301	29,641	0.2%
	%INCREASE P.A.	27.9%	19.0%	-12.2%	-6.4%	0.7%	22.0%	

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

TABLE 21: STAFF ANALYSIS

	AS AT 30th JUNE						Growth over the Last 5 Yrs
	2000	2001	2002	2003	2004	2005	
Nationality							
Citizen	7,094	6,900	6,423	6,269	6,216	6,130	-3.2%
Non Citizen	1	0	0	0	0	0	
Total	7,095	6,900	6,423*	6,269*	6,216*	6,130*	-3.6%
%INCREASE P.A.		-0.1%	-2.7%	-6.9%	-2.4%	-2.4%	-1.4%
Gender							
Male	5,896	5,704	5,326	5,181	5,156	4,991	-3.3%
Female	1,199	1,196	1,097	1,088	1,060	1,139	-0.9%
Ratio - Male/Female	5	5	5	5	5	4	
Job							
Technical	3,768	4,204	3,937	3,887	3,854	3,678	-0.3%
% of total staff	53.1%	60.9%	61.3%	62.0%	62.0%	60.0%	
Non Technical	3,327	2,696	2,486	2,382	2,362	2,452	-5.6%
% of total staff	46.9%	39.1%	38.7%	38.0%	38.0%	40.0%	

* The staff numbers shown in Years 2002, 2003, 2004 & 2005 include both permanent and casual staff unlike in previous years where only the permanent staff were reported.

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

VOLTAGE	AS AT 30th JUNE						Avg. Annual Growth over the Last 5 Yrs
	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	
220 kV	877	885	941	941	1,323	1,323	7.6%
132 kV	1,997	2,032	2,032	2,035	2,035	2,035	
66 kV	576	580	580	580	600	600	
40 kV	126	126	58	58	58	58	
33 kV	4,639	4,795	5,265	5,430	5,973	6,570	
11 kV	10,397	10,593	13,788	13,879	15,267	16,794	
TOTAL	18,612	19,011	22,664	22,923	25,256	27,380	
% INCREASE P.A.	2.7%	2.1%	19.2%	1.1%	10.2%	8.4%	

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

	AS AT 30th JUNE						Avg. Annual Growth over the Last 5 Yrs
	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	
Generation Substations							
11/220kV	293	388	388	388	472	472	1.4%
11/132kV	431	675	675	675	675	675	
11/66kV	90	90	90	90	90	90	
11/33kV	263	263	263	279	279	279	
11/40kV	5	5	5	5	5	5	
3.3/11/40kV	8	8	8	8	8	8	
3.3/40kV	4	4	4	4	4	4	
3.3/33kV	4	4	4	4	4	4	
TOTAL	1,098	1,437	1,437	1,453	1,537	1,537	
Transmission Substations							
132/220kV	540	540	540	540	620	620	1.9%
220/132kV	730	730	730	730	810	810	
220/66kV	180	180	180	180	360	360	
132/66kV	375	375	375	375	255	255	
132/33kV	577	637	637	637	637	660	
TOTAL	2,402	2,462	2,462	2,462	2,682	2,705	
Distribution Substations							
66/11kV	675	675	675	675	743	743	2.7%
66/33kV	61	61	61	61	67	67	
40/11kV	11	11	11	11	11	11	
33/11kV	512	512	512	512	563	619	
TOTAL	1,259	1,259	1,259	1,259	1,384	1,440	
Distribution Transformers							
11/0.415kV and 33/0.415kV	2,181	2,411	2,531	2,546	2,801	3,081	5.0%

NOTES

