Kenya Power

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020





Gas Insulated Switchgear (GIS) is a compact way to encapsulate electrical equipment such as switches and high voltage circuits breakers in a sub station, confining them to small spaces and enabling them to be operated more efficiently

VISION

Energy solutions provider of choice.

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

MISSION

Powering people for better lives by innovatively securing business sustainability.

By striving to provide world-class products and services that delight our customers and transform lives as we ensure viability of our business.

CORE VALUES

- We put our customers first as they matter most
- We work together as one team to achieve our goals
- We are passionate about powering the nation
- We believe in integrity and delivering on our promises
- We strive for excellence in all that we do
- We are accountable to our customers and stakeholders

Kenya Power

CONTENT

ABOUT THIS REPORT

The Kenya Power and Lighting Company Plc Annual Report and Financial Statements covers the period 1st July 2019 to 30th June 2020. This Report will be considered for adoption by shareholders at the 99th Annual General Meeting to be held on 1st April 2021. The Report is prepared under the guidance of the Board of Directors who are accountable for the accuracy and completeness of its content.

Report Guidelines

In preparation of this Report, the Board seeks to provide an objective view of the business performance and disclosure of any material matter for consideration by shareholders. The content development process is guided by applicable legal and regulatory requirements including the Companies Act 2015, International Financial Reporting Standards (IFRS), Public Audit Act 2015, the Code of Corporate Governance for State Corporations (Mwongozo Code), the Capital Markets Act and applicable regulations namely; the Capital Markets Authority's Code of Corporate Governance Practices for Issuers of Securities to the Public 2015, Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations 2002 (as amended), as well as Global Best Practice.

Scope of the Report

This Report gives an overview of our financial, operational, business sustainability and governance performance for the year ended 30th June 2020. In addition, the Report articulates our corporate governance framework.

Material Issues

Material issues are those that are likely to impact the ability to achieve our goals and objectives and the sustainability of our business. This Report contains potential key matters that were identified through a broad range of processes, from engagement with our stakeholders to our own internal processes such as risk management and considering international trends. Material events up to the date of publishing this Report have been incorporated.

Feedback

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

CORPORATE INFORMATION

DIRECTORS

Ms. Vivienne Yeda	Chairman -Appointed on 13 November 2020
Amb (Eng) Mahboub Mohamed	Ceased to be Chairman on 13 November 2020
Mr. Bernard Ngugi	Managing Director & CEO
Eng. Jared Othieno	Was Acting Managing Director & CEO until 28th October 2019
Mr. Adil Khawaja	Resigned on 13 July 2020
Hon. Amb. Ukur Yattani	Cabinet Secretary, National Treasury
Dr. Eng. Joseph Njoroge	Principal Secretary, Ministry of Energy
Mr. Wilson Mugung'ei	Resigned on 13 July 2020
Mr. Kairo Thuo	Resigned on 13 July 2020 and elected on 13 November 2020
Mrs. Brenda Engomo	Resigned on 13 July 2020
Hon. Zipporah Kering	Resigned on 13 July 2020
Mrs. Beatrice Gathirwa	Alternate Director to Cabinet Secretary, National Treasury
Eng. Isaac Kiva	Alternate to Principal Secretary, Ministry of Energy
Eng. Abulrazaq Ali	Appointed on 20 July 2020 and elected on 13 November 2020
Eng. Elizabeth Rogo	Appointed on 20 July 2020 and elected on 13 November 2020
Ms. Caroline Kittony-Waiyaki	Appointed on 20 July 2020 and elected on 13 November 2020
Mr. Sachen Gudka	Appointed on 20 July 2020 and elected on 13 November 2020

SECRETARY

Imelda Bore
Certified Public Secretary (Kenya)
P.O. Box 30099 – 00100, Nairobi

REGISTERED OFFICE

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

BANKERS

Standard Chartered Bank Kenya Plc
Harambee Avenue
P.O. Box 20063- 00200, Nairobi

Citi N.A.
Upper Hill Road
P.O. Box 30711- 00100, Nairobi

Kenya Commercial Bank Plc
Moi Avenue
P.O. Box 30081 – 00100, Nairobi

Equity Bank Kenya Plc
Hospital Road
P.O. Box 75104 – 00100, Nairobi

The Co-operative Bank of Kenya Plc
Stima Plaza
P.O. Box 48231 – 00100, Nairobi

Commercial Bank of Africa
Ragati Road
P.O. Box 30437 – 00100, Nairobi

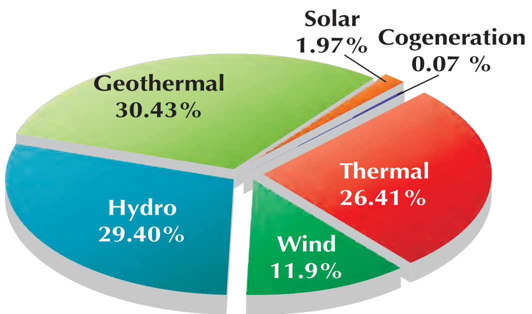
Stanbic Bank Plc
Kenyatta Avenue
P.O. Box 30550 – 00100, Nairobi

Absa Bank Kenya Plc
Absa Headquarters, Waiyaki Way
P.O. Box 30120 – 00100, Nairobi

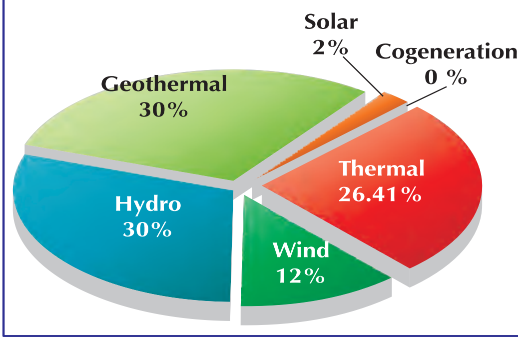
PRINCIPAL AUDITOR	The Auditor General Anniversary Towers P.O. Box 30084 – 00100, Nairobi
DELEGATED AUDITOR	Ernst & Young LLP Kenya Re Towers, Upper Hill Off Ragati Road P.O. Box 44286 – 00100, Nairobi
PRINCIPAL LEGAL ADVISOR	Hamilton Harrison & Mathews Advocates Delta Office Suites, Waiyaki Way P.O. Box 30333 – 00100, Nairobi

BUSINESS HIGHLIGHTS

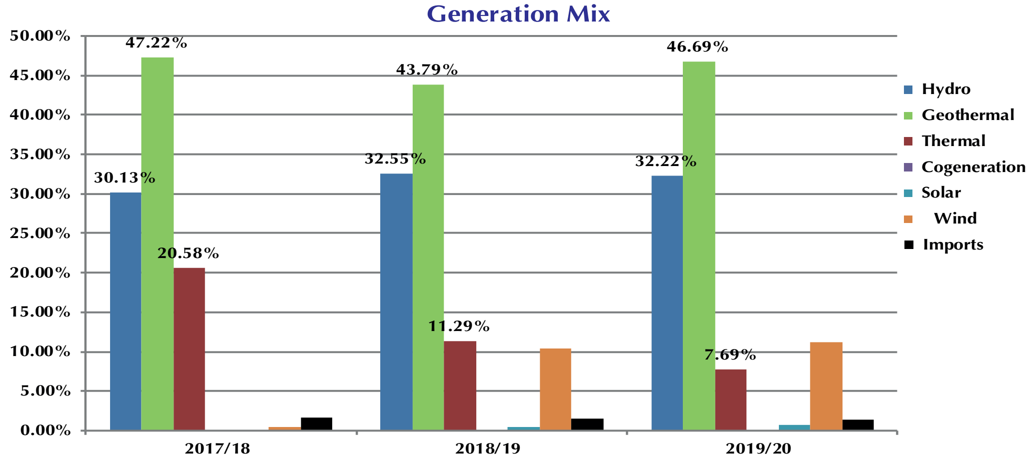
Installed Capacity (MW) JUNE 2020



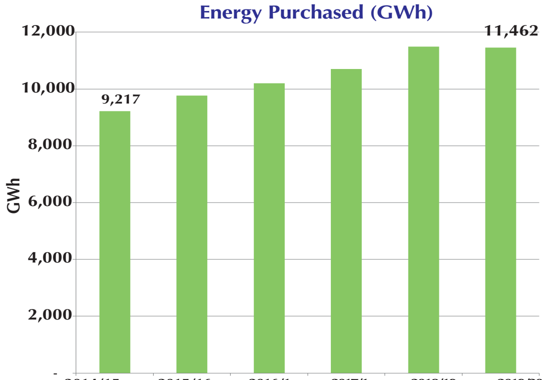
Contribution to Effective Capacity



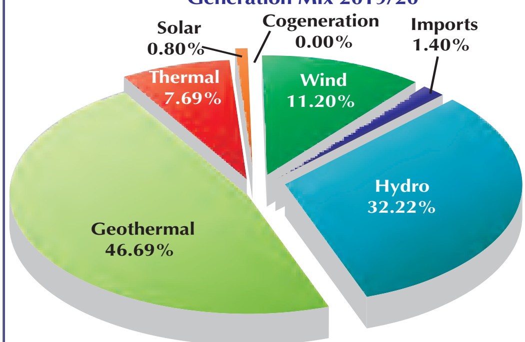
Generation Mix



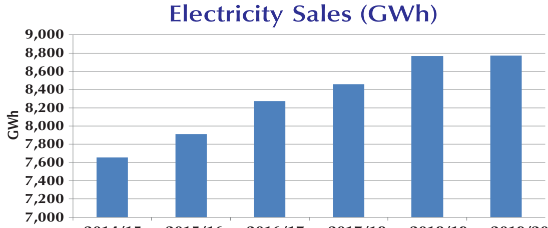
Energy Purchased (GWh)



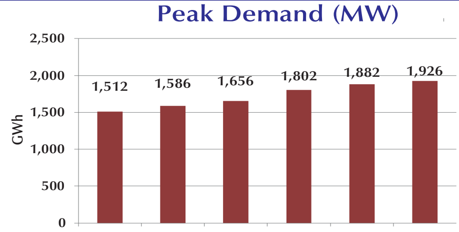
Generation Mix 2019/20



Electricity Sales (GWh)



Peak Demand (MW)



A section of the 220-66-11 kV Nairobi City Centre Gas Insulated Substation.

BOARD PROFILE

Ms. Vivienne Yeda, OGW, LL.B, LL.M, MBA

Chairman of the Board of Directors

Ms. Vivienne Yeda was appointed the Chairman of the Board on 13th November 2020. Vivienne is the Director General, East African Development Bank. She holds a Master of Business Administration (ECU), Master of Laws (LLM) from the University College London, and a Bachelor of Laws (LLB Hons.) from the University of Nairobi. She is an expert in Foreign Relations Law, International Economic Law, Business operations, and Financial transactions in public and private sector operations including project finance and structured finance. Vivienne is fifty-seven years old. She joined the Board on 20th July 2020.

Mr. Bernard Ngugi, MCIPS, MKISM, CPA (K), CPS (K), MBA, B. Com (Accounting)

Managing Director & CEO

Mr. Bernard Ngugi was appointed the Managing Director and Chief Executive Officer of the Company with effect from 28th October 2019. Mr. Ngugi has over thirty-one years' experience in the Company with expertise in financial and revenue accounting, internal audit and supply chain management. Mr. Ngugi is fifty-eight years old. He holds a Master of Business Administration in Finance and Bachelor of Commerce in Accounting from University of Nairobi. He is a Certified Public Accountant of Kenya and a member of the Institute of Certified Public Accountants of Kenya. He is also a Certified Secretary and a member of the Institute of Certified Secretaries of Kenya.

Additionally, he holds a Graduate Diploma from the Chartered Institute of Purchasing and Supplies and is a member of the Kenya Institute of Supplies Management. Prior to his appointment, he was the Company's General Manager, Supply Chain.

Amb. Ukur Yatani, B.A. (Econ.), MA (Econ.), MPA

Cabinet Secretary, The National Treasury

Ambassador Ukur Yatani is the Cabinet Secretary, National Treasury, a position he has held since 14th January 2020. Prior to this appointment, he was the Cabinet Secretary for Labour and Social Protection, a position he held for two years. Mr. Yatani is fifty-four years old. He has previously served as the pioneer Governor of Marsabit County, Member of Parliament for North Horr constituency and Assistant Minister for Science and Technology. He has also served as Kenya's Ambassador to Austria with Accreditation to Hungary and Slovakia and Permanent Representative to the United Nations in Vienna. Further to this, he has held senior leadership positions at various diplomatic and international agencies such as: International Atomic Energy Agency (IAEA), United Nations Organization on Drugs and Crimes (UNODC), United Nations Industrial Development Organization (UNIDO), Vice Chairperson of United Nations Convention Against Transnational Organized Crime (UNTOC) and Vice President of Convention on Crime Prevention and Criminal Justice (CCPJ).

He has a Master of Arts in Public Administration and Public Policy degree from University of York, United Kingdom; and a Bachelor of Arts in Economics degree, Egerton University, Kenya. Amb. Yatani has over 30 years, experience in public administration, politics, diplomacy and governance.

Dr. Eng. Joseph Njoroge, CBS, PhD, MBA, BSc. (Eng.), R. Cons. Eng., MIET, FIEK

Principal Secretary, Ministry of Energy

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

Eng. Abdulrazaq Ali, BSc. (Civ. Eng.), MSc. (Civ. Eng.), MBA, R. Eng., FIEK

Eng. Abdulrazaq Ali holds a Master's Degree in Civil Engineering, a Master of Business Administration and Bachelor's Degree in Civil Engineering. He has over 35 years' experience in public service having served in the Kenya Government as a deputy and chief executive of various state corporations, and later as the Permanent Secretary in the ministries of Transport and Trade. Eng. Ali is a registered Consulting Engineer with the Engineers Board of Kenya and is a fellow of the Institution of Engineers of Kenya. He is also an associate of the Chartered Institute of Arbitrators (UK). He is sixty-six years old. Eng. Ali joined the Board on 20th July 2020.

Ms. Caroline Kittony-Waiyaki, LLB, Dip. (Law)

Ms. Caroline Kittony-Waiyaki is an Advocate of the High Court of Kenya with a Bachelor of Laws (LLB) degree from the University of East Anglia, and a Post-Graduate Diploma in Law from the Kenya School of Law. She is a Senior Partner at Kittony Waiyaki Advocates and has over 30 years of experience in civil and commercial practice in the areas of Conveyance, Civil and Commercial Practice Intellectual Property, International Corporate Finance and Public Private Partnerships, Project Development, Joint Ventures, Mergers, Acquisitions and Energy Law. She is a registered trustee with Capital Market Authority, Commissioner of Oaths, Notary Public and Patent Agent. She is fifty-five years old. Caroline joined the Board on 20th July 2020.

Eng. Elizabeth Rogo, BSc, B. Eng

Eng. Elizabeth Rogo is the Founder & Chief Executive Officer of TSAVO Oilfield Services and has over 20 years' international experience in Engineering, Operations, Project Management, Consultancy, Business Development and Management in Oil and Gas (onshore and offshore) for global companies including BJ Services, Baker Hughes and Weatherford International. Areas of operations include Canada, USA, Europe and Africa. She holds a BSc. from Mount Saint Vincent University and a Bachelor of Engineering from Dalhousie University both in Halifax, Nova Scotia, Canada. Eng. Rogo was recently appointed the President for the Africa Energy Chamber (East Africa). She is fifty-eight years old. Eng. Rogo joined the Board on 20th July 2020.

Mr. Sachen Gudka, BSc. (Econ.), Chartered Accountant

Mr. Sachen Gudka holds a Bachelor of Science degree in Economics from the London School of Economics, and is a Chartered Accountant by profession, having qualified with Price Waterhouse in London. He is now the Chairman, Chief Executive Officer and Director of a diverse group of printing companies in Kenya including Chrome Partners Limited, The Print Exchange Limited, Skanem Interlabels Nairobi Limited, Armor East Africa Imaging Supplies Limited and Flexo World Limited. The group exports printed material to over 15 countries and is an authorized label supplier for major multinational and national companies as well as UK and European retailers. He served as Chairman of the Kenya Association of Manufacturers, and is the Vice Chairman of Comesa Business Council and a Director of the Kenya Private Sector Alliance. He is fifty-five years old. Gudka joined the Board on 20th July 2020.

Mr. Kairo Thuo, LLB (Hons), CPA (K), CPA (T), ACII

Mr. Kairo Thuo is a consultant and a founder partner of Viva Africa Consulting LLP and Viva Africa Consulting Limited. He is both a lawyer and accountant by profession. He attended Strathmore and the University of Nairobi where he graduated with LLB (Hons) and is a CPA-K and CPA-T holder. He was previously responsible for establishing and running the Tax Transaction Advisory Group at Deloitte and Touche and was the Director of the unit.

He has developed extensive experience in all areas of taxation in Kenya, Uganda, Rwanda and Tanzania and has also been involved in the tax matters involving other countries in Africa. His experience involved all areas of legal, finance and taxation and was also involved in establishment of specialized tax service lines in direct and indirect taxation including customs, international tax and transfer pricing. He has conducted numerous tax and legal training seminars in Kenya and Tanzania and specific tax and legal workshops for various clients in Kenya. He was recently recognised by KRA in the annual taxpayers' awards for contribution towards tax education and by the IFC for outstanding tax advice contribution in the Kenya and Uganda Railways concession process. He is forty-six years old. He joined the Board on 13th November 2020.

Mrs. Beatrice Gathirwa, B. Com, MBA, CPA(K)

Alternate Director, Cabinet Secretary, National Treasury

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

Eng. Isaac Kiva, OGW, BSc. (Eng.), R. Eng., MIEK

Alternate Director, Principal Secretary Ministry of Energy

Eng. Isaac Kiva is currently the Secretary for Renewable Energy at the Ministry of Energy. Eng. Kiva has wide experience in public sector management, having held senior Government positions for over 20 years. He holds a Bachelor of Science degree in Electrical Engineering from the University of Nairobi. He is a registered Professional Engineer with the Engineers Board of Kenya and a member of the Institution of Engineers of Kenya. He is also a gold member of the Association of Energy Professionals (East Africa). He is fifty-three years old. Eng. Kiva joined the Board on 16th December 2009 as an Alternate Director to the Principal Secretary Ministry of Energy.

Ms. Imelda Bore, LL.B, LL.M, Dip(Law), H.Dip (HR), CPS(K), AMCIArb

General Manager, Legal Services, Regulatory Affairs & Company Secretary

Ms. Imelda Bore was appointed to the position in December 2019 after acting from July 2018 and is the Secretary to the Board of Directors. She is an Advocate of the High Court of Kenya with over 15 years, post admission experience, a Commissioner for Oaths and a Notary Public. She is a law graduate from Moi University and the holder of a Masters Degree in Law (LLM) (Public Finance) from the University of Nairobi. Additionally, she holds a Diploma in Law from the Kenya School of Law and a Higher Diploma in Human Resource Management. Imelda joined Kenya Power in November 2008 having previously worked at State Law Office as a Litigation Counsel. She is an active member of the Law Society of Kenya, a Certified Public Secretary (ICPS (K) and an associate member of the Chartered Institute of Arbitrators.

Wind generation, a renewable source of energy, constitutes more than 11% of the installed capacity.

Company technicians carrying out maintenance work on our distribution lines.

EXECUTIVE MANAGEMENT

Managing Director & CEO,
Bernard Ngugi
MCIPS, MKISM, CPA (K), CPS (K), MBA (Finance), B.Com (Accounting)

General Manager, Business Strategy
Martin John Mutuku
MPhil (Econ.), BA (Econ.) MKIM, BSMP

General Manager, Legal, Regulatory Affairs & Company Secretary
Imelda Bore
LL.B, LL.M, Dip(Law), H.Dip (HR), CPS(K), AMCIArb

General Manager, Infrastructure Development
Eng. Aggrey Machasio
BSc. (Elec. Tech.), R. Eng., MIEK, MIEEE

General Manager, Regional Co-ordination
Eng. Peter Njenga
BSc (Elec. Eng.), MBA, R. Eng.

General Manager, Network Management
Eng. Charles Mwaura
BSc. (Elec. Eng.), MBA, Reg. Eng., MIEK

General Manager, Commercial Services & Sales
Eng. Rosemary Oduor
BTech. (Elec & Comms.), MBA, R. Eng.

General Manager, ICT
Robert Mugo
BSc. (Elec. Eng.), MBA, AMP

Director, Institute of Energy Studies & Research
Dr. Jeremiah Kiplagat
BSc. (Appropriate Tech.), MSc. (Tech.), PhD (Engineering), MET

General Manager, Supply Chain & Logistics
Dr. John Ngeno
Bcom, Msc Procurement, PhD Business Management

General Manager, Human Resource & Administration
Cecilia Kalungu-Uvyu
Bsc, MBA, MCIPD

Ag. General Manager Finance
CPA Stephen Vikiru
Bcom (Finance), MBA, CPA(K)

General Manager, Internal Audit
Charles Cheruiyot
B.Com (Accounting), MBA, CIA (US), CPA (K)

Ms. Vivienne Yeda, OGW, LL.B, LL.M, MBA
Chairman of the Board of Directors

CHAIRMAN'S REPORT

Dear Shareholders,

It is a great honour to have been appointed the Chairman of the Board of Directors of Kenya Power, a Company with a great heritage and at the forefront in providing an essential service for socio-economic development of our country. As we reflect on our performance for the year, it is also a time to review our strategies to address challenges affecting our business performance.

As we step into a century of service to our customers, the Board is privileged to guide the business turnaround strategy at such a time as this, and chart the course for the Company to be the energy solutions provider of choice.

The year under review was characterised by operational and financial challenges in the Company, which were aggravated by the outbreak of the COVID-19 pandemic in the second half of the financial year. The Government instituted safety measures to contain the spread of the virus including restriction of movements which led to constrained business activities. This adversely impacted the country's economic growth, with Gross Domestic Product (GDP) contracting by 5.7 percent in the second quarter of 2020.

The safety measures together with the negative GDP growth, affected the Company's electricity sales and revenue collection. Electricity sales decreased by an average of 14.8% in the last quarter of the year. In addition, revenue collection from electricity consumers was affected as customers were unable to meet their bill payment obligations on time resulting in an increase of electricity debt by Shs. 3,849 million. The total revenue amounted to Shs. 133,258 million compared to Shs. 133,141 million the previous year, representing a marginal increase of 0.09%.

System losses remained relatively high at 23.46% due to technical and commercial factors arising from the expanded transmission and distribution network as well as increased electricity pilferages. The Company has instituted various measures while leveraging on technology to curb electricity theft and reduce technical losses.

The current take-or-pay pricing model for Power Purchase Agreements factors in fixed capacity charges or deemed energy generation which have been unfavourable to our business in the absence of anticipated demand growth. In the last five trading periods, electricity sales grew at an average of 3.9% against a 6% growth projected in the approved retail tariff. The unrealised sales have consistently resulted into lower-than-expected revenues leading to eroded financial performance for the Company. This is further compounded by the continued delay in review of the retail tariffs that reflect actual revenue requirements.

Business Performance

During the year, basic revenue increased by Shs 3,743 million from Shs 112,429 million the previous year to Shs 116,172 million. This increase is mainly attributable to improved average yield due to increased consumption by domestic customers by 6% and consumption by Small and Medium Enterprises (SMEs) customer segment by 0.9%. However, the revenue growth was eroded by a reduction in the Commercial and Industrial customers' consumption by 3.5%.

Non-fuel power purchase costs increased from Shs 70,878 million the previous year to Shs 74,445 million, mainly due to depreciation of the Shilling against major foreign currencies. Fuel costs decreased to Shs 11,061 million from Shs 18,289 million the previous year due to reduced usage of thermal energy sources by 32%, from 1,298 GWh the previous period to 882 GWh.

Transmission and distribution costs increased to Shs 47,834 million from Shs 41,043 million due to higher allowance for expected credit losses, provisions for obsolete and slow-moving inventories following review of the estimation methodology by the Board. However, the Company continued to adopt measures aimed at managing operational costs during the year.

Other operating income decreased by Shs 1,199 million, from Shs 8,586 million from the previous year to Shs 7,387 million, due to a reduction in deferred income from amortization of capital contributions. On the other hand, finance costs increased by Shs 2,162 million, from Shs 10,315 million to Shs 12,477 million mainly caused by increased unrealised foreign exchange differences due to volatility of the Kenya shilling against major foreign currencies.

The Company recorded a loss before tax of Shs 7,042 million, a decline from the previous year's profit before tax of Shs 334 million.

Dividends

The Board of Directors does not recommend payment of a dividend on ordinary shares for the year ended 30th June 2020.

> "The total revenue amounted to Shs. 133,258 million **compared to Shs. 133,141 million the previous year, representing a marginal increase of 0.09%"**

Future Outlook

The Company has initiated a business turnaround and transformation strategy to expeditiously improve on financial and operational aspects of our business, while balancing social responsibilities to enhance business sustainability.

The turnaround strategy is underpinned by four key focus areas for rapid results: growing sales, improving revenue collection efficiency, increasing business operational efficiency and enhancing cost efficiency.

We have initiated the process of reviewing the generation expansion programme with the aim of ensuring that the cost of power remains competitive for the benefit of our customers and to enhance the Company's financial sustainability.

Board Changes

On 13th of November 2020, I was appointed the Chairman of Board of Directors.

I wish to take this opportunity to thank members of the Board for having confidence in me to lead this ship to prosperity. My appreciations to the previous Chairman Eng. Amb. Mahboub Mohammed and Board members who diligently served the Company during their tenure.

Thank you, shareholders, for your confidence in us and electing this Board during the last Annual General Meeting held on 13th November 2020. We reiterate our commitment to turning around the Company towards profitability and enhancing shareholder value.

Vivienne Yeda, OGW
Chairman, Board of Directors

RIPOTI YA MWENYEKITI

Wapendwa, Wanahisa,

Ni heshima kubwa kuteuliwa kuwa Mwenyekiti wa Bodi ya Wakurugenzi ya Kenya Power, Kampuni iliyo na urithi mkubwa na katika mstari wa mbele katika kutoa huduma muhimu kwa maendeleo ya kijamii na kiuchumi ya nchi yetu. Tunapotafakari juu ya utendaji wetu kwa mwaka, pia ni wakati wa kukagua mikakati yetu ya kushughulikia changamoto zinazoathiri utendaji wetu wa biashara.

Tunapoingia katika karne, mpya ya huduma kwa wateja wetu, Bodi imebahatika kuongoza mkakati wa kubadilisha biashara kwa wakati kama huu, na majadiliano yatakayowezesha kampuni hii kuwa mtoaji wa suluhisho la nishati wa kipekee .

Mwaka uliopita ulikuwa na changamoto za kiutendaji na kifedha katika Kampuni, ambazo zilichochewa na kuzuka kwa janga la COVID-19 katika nusu ya pili ya mwaka wa fedha. Serikali iliweka hatua za usalama kuzuia kuenea kwa virusi ikiwa ni pamoja na kuzuia harakati za usafiri ambazo zilisababisha shughuli ngumu za biashara. Hii iliathiri vibaya ukuaji wa uchumi wa nchi, na Pato la Taifa (GDP) likapungua kwa asilimia 5.7 katika robo ya pili ya 2020.

Hatua za usalama pamoja na ukuaji mbaya wa Pato la Taifa, ziliathiri uuzaji wa umeme wa Kampuni na ukusanyaji wa mapato. Mauzo ya umeme yalipungua kwa wastani wa 14.8% katika robo ya mwisho ya mwaka. Kwa kuongezea, ukusanyaji wa mapato kutoka kwa watumiaji wa umeme uliathiriwa kwani wateja hawakuweza kutimiza majukumu yao ya malipo ya bili kwa wakati na kusababisha ongezeko la deni la umeme kwa Sh.3,849 milioni. Uuzaji wa umeme wa Kampuni uliongezeka kidogo na 0.09%mwaka huu ikilinganishwa na ukuaji wa 3.4% ulishuhdiwa mwaka uliopita.

Upotezaji wa nguvu za umeme ulibaki kuwa juu sana kwa 23.46% kutukana za kiufundi na za kibiashara zinazotokana na mtandao uliopanuka wa usambazaji na pia kuongezeka kwa wizi wa umeme. Kampuni imeanzisha hatua kadhaa wakati wa kutumia teknolojia ili kudhibiti wizi wa umeme na kupunguza upotezaji wa stima.

Njia ya sasa ya kuchukua-au-kulipa ya mikataba ya ununuzi was nguvu za umeme imezingatia kuongeza bei ya uwekezaji (capacity changes). Njia hii haiwezi kusaidia kikamilifu bila kutilia maanani ukuaji wa mahitaji ya nguvu za umeme ilivyo tarajiwa. Katika vipindi vitano vya mwisho vya biashara, mauzo ya umeme yalikua kwa wastani wa 3.9% dhidi ya ukuaji wa 6% uliotarajiwa katika ushuru ulioidhinishwa wa rejareja. Mauzo ya umeme yaliyo punguka yamesababisha mapato ya chini kuliko yanayotarajiwa na kusababisha utendaji wa kifedha uliodhoofishwa kwa Kampuni. Hii inachangiwa zaidi na ucheleweshaji wa kuonge zewa kwa ushuru wa rejareja unaotimiza mahitaji halisi ya mapato.

Utendaji wa Biashara

Katika mwaka, mapato ya kimsingi yaliongezeka kwa Sh milioni 3,743 kutoka Sh milioni 112,429 mwaka uliopita hadi Sh milioni 116,172. Hii inahusishwa hasa na kuboreshwa kwa wastani wa mavuno kwa sababu ya kuongezeka kwa matumizi kwa wateja wa nyumbani kwa 6% na matumizi ya sehemu ya wateja wa Biashara Ndogo na za Kati (SMEs) kwa 0.9%. Walakini, ukuaji wa mapato ulifutwa na kupungua kwa matumizi ya wateja wa Kibiashara na Viwanda kwa 3.5%.

Gharama za ununuzi wa umeme bila bei ya wa mafuta ziliongezeka kutoka Sh milioni 70,878 mwaka uliopita hadi Sh milioni 74,445, haswa kutokana na kushuka kwa thamani ya Shilingi dhidi ya sarafu kuu za kigeni. Gharama za mafuta zilipungua hadi Shilingi milioni 11,061 kutoka Shilingi milioni 18,289 mwaka uliopita kwa sababu ya kupunguzwa kwa matumizi ya nishati ya joto na 37%, kutoka 1,298 GWh kipindi cha awali hadi 822 GWh.

Gharama za usafirishaji na usambazaji ziliongezeka hadi Sh milioni 47,834 kutoka Shilingi milioni 41,043 kwa sababu ya mabadliliko ya uhasibu wa uwekezaji mkopo unaotarajiwa, vifungu vya hesabu zilizopitwa na wakati na kufuatia polepole kufuatia njia mpya ya kukadiria iliyofanywa na Bodi. Walakini, Kampuni iliendelea kupitisha hatua zinazolenga gharama za uendeshaji wa shuguhli za kibiashara.

Mapato mengine ya uendeshaji yalipungua kwa Shilingi milioni 1,199, kutoka Sh milioni 8,586 kutoka mwaka uliopita hadi Sh milioni 7,387, kwa sababu ya kupunguzwa kwa mapato yaliyoahirishwa kutokana na upunguzaji wa michango ya raslimali. Kwa upande mwingine, gharama za kifedha ziliongezeka kwa Sh milioni 2,162, kutoka Sh milioni 10,315 hadi Sh milioni 12,477 yaliyo sababishwa na kuongezeka kwa tofauti za fedha za kigeni ambazo hazijatekelezwa kwa sababu ya tete ya shilingi ya Kenya dhidi ya sarafu kuu za kigeni.

Kampuni ilirekodi hasara kabla ya ushuru ya Sh milioni 7,042, kupungua kutoka kwa faida ya mwaka uliopita kabla ya ushuru wa Sh milioni 334.

Gawio

Bodi ya Wakurugenzi haipendekezi kulipwa gawio kwa hisa za kawaida kwa mwaka ulioishia 30 Juni 2020.

Muonekano wa Baadaye

Kampuni imeanzisha mkakati wa kugeuza biashara na mkakati wa mabadiliko ili kuboresha haraka mambo ya kifedha na utendaji wa biashara yetu, wakati huo huo ikishughulikia majukumu ya kijamii ili kuimarisha uendelevu wa biashara.

Mkakati umewekwa wa mabadiliko una osisitizwa na nguzo nne muhimu ya kulenga matokeo ya haraka: kuongezeka kwa mauzo, kuboresha ufanisi wa ukusanyaji mapato, kuongeza ufanisi wa utendaji wa biashara na kuongeza ufanisi wa gharama.

Tumeanzisha mchakato wa kukagua mpango wa upanuzi wa knjia uanzilishi wa nishati kwa lengo la kunakiki kuwa gharama ya umeme inabaki kuwa ya ushindani kwa faida ya wateja wetu na kuimarisha uendelevu wa kifedha wa Kampuni.

Mabadiliko katika Bodi

Mnamo tarehe 13 Novemba 2020, niliteuliwa kuwa Mwenyekiti wa Bodi ya Wakurugenzi.

Ninachukua nafasi hii kuwashukuru wajumbe wa Bodi kwa kuwa na imani na mimi kuongoza meli hii kwa mafanikio. Shukrani zangu kwa Mwenyekiti aliyenitangulia Eng. Amb. Mahboub Mohammed na wajumbe wa Bodi ambao walitumikia Kampuni kwa bidii wakati wa uongozi wao.

Asante, wanahisa, kwa imani yenu kwetu na kuichagua Bodi hii wakati wa Mkutano Mkuu wa Mwaka uliofanyika tarehe 13 Novemba 2020. Tunawahakikishia kujitolea kwetu kugeuza Kampuni kuelekea faida na kuongeza thamani ya wanahisa.

Vivienne Yeda, OGW
Mwenyekiti, Bodi ya Wakurugenzi.

Mr. Bernard Ngugi, MCIPS, MKISM, CPA (K), CPS (K), MBA, B. Com (Accounting)
Managing Director & CEO

MANAGING DIRECTOR & CEO'S REPORT

Dear Shareholders,

We began the year with high expectations and a tenacious determination to reverse negative trends in our business, and improve the Company's operations for enhanced overall performance. Our main focus areas were and continue to be improving sales, enhancing revenue collection, reducing system losses and managing costs. Indeed, our half year business performance portrayed an upward trajectory with the Company's profitability standing at Shs 1,139 million.

However, the positive gains were eroded in the second half of the year with the onset of the COVID-19 pandemic which affected the business environment. As power uptake was adversely affected with the demand dropping significantly. Consequently, the Company invoked the Force Majeure (FM) clauses in accordance with respective Power Purchase Agreements (PPAs) between the Company and generators, with a view of sharing the arising cost burden due to drastic reduction in power demand caused by the pandemic. The negotiations on Force Majeure were still ongoing at the close of the year.

During the year, the peak demand rose by only 44MW, from 1,882MW in the previous year to 1,926MW registered in February 2020. On the other hand, the effective generation capacity increased to 2,708MW from 2,630MW the previous year, mainly due to commissioning of Olkaria V 158MW, geothermal capacity and retirement of 77.846MW after expiry of the PPAs for Iberafrica 56.346MW thermal and Mumias Sugar 21.5MW cogeneration capacity.

Considering the lower-than-expected demand growth, the Company is pursuing rescheduling of planned generation capacity projects to maintain an optimal power demand-supply balance.

Meter reading and revenue collection activities were also hindered by the effects of Covid-19. Restricted access to customer premises, widespread closure of Small and Medium Enterprises (SMEs) and reduced customer payments led to an increase in overdue debt by Shs 3,849 million during the financial year.

Our business continuity measures helped to de-escalate the adverse effects of the pandemic and prevent further deterioration, allowing gradual recovery of demand. Despite the safety restrictions, the Company deployed effective emergency response strategies to ensure steady supply of power to our customers including critical facilities across the country.

Nonetheless, by the end of the financial year, we registered no sales growth. Similarly, total revenues remained largely unchanged.

Below are the performance highlights of the Company during the year, based on our focus areas in line with our Corporate Strategy.

1. Improving Sales

Our business growth is primarily hinged on expanding electricity sales and selling all what we buy from generators.

During the year under review, we embarked on a mission to ensure that supply to all our customers is metered and the metering installations are in good working condition. This process involved replacement of faulty meters and installation of meters to projects implemented under the Rural Electrification Programme.

In the period, we connected a total of 500,397 customers largely through the Last Mile Connectivity project. Under phase one and two of the project financed by the African Development Bank (AfDB), we connected 57,251 and 76,266 customers respectively. We also extended supply to 49,104 customers under World Bank (International Development Agency) component of the project. These efforts contributed to an increase in our customer base to 7,576,145 in line with our sales strategy.

A stable and reliable network for our business is essential in sustaining steady power supply to our customers and improving electricity sales growth. As such, we carried out various network reinforcement projects which entailed reconductoring sections of power lines, building new substations and upgrading existing substations to enhance capacity, provide flexibility of the network and address overloads. Notable substation reinforcement projects completed during the year included five 33/11kV substations namely Kapsowar, Kiamutugu, Mosocho, Aldai and Kagumo. We also completed construction of power lines from the new 220/66 kV Kenyatta University substation to serve customers in Ruaraka and Ruiru in the period.

To further enhance reliability in the lower voltage lines of 11kV and 33 kV, the Company initiated the use of thermal vision cameras. The cameras are used to identify loose joints detected by variation in temperature to initiate timely repairs and avoid breakdowns. In addition, we completed the deployment of the Live Line Maintenance Programme across all our business regions with deployment of a total of 31 teams to operate 11kV – 33kV distribution networks with 4 teams to maintain the 66kV networks. With the Live-Line teams operational, we have witnessed a reduction in planned outages as we are able to carry out a sizeable percentage of our maintenance without switching off supply.

In the year, we rolled out a network Okoa Transformer Programme, a network maintenance initiative conceived by the Company the previous year to improve quality of power supply to customers and minimise on lost sales arising from outages. The programme will entail an audit of all low voltage transformers in the network to identify areas for preventive maintenance and reinforcing sections of the grid to enhance its robustness.

2. Enhancing Revenue Collection

Improved efficiency in revenue collection is critical in improving the cash flow position of the Company thereby ensuring financial sustainability. During the year the Company implemented various initiatives geared at improving revenue collection and reducing outstanding electricity bills.

To enhance high level of accountability, meter readers, revenue collectors and installation inspectors were assigned to specific Company business zones all year round under the Know-Your-Meter (KYM) campaign. The campaign was complemented by deployment of extra workforce drawn from office-based staff countywide to enhance our field presence. Installation inspection was done targeting both post-paid and prepaid meters in order to reduce commercial losses. A total of 1,124,934 meters were inspected during the period.

Additionally, the Company set up a Field Enforcement Unit (FEU) to combat theft of electricity for enhanced revenue collection. The team was mandated to follow up on outstanding customer payments as well as identify and address billing inconsistencies on flagged customer accounts. The team started its operations in Nairobi and will be expanded to all county business units in the next financial year.

A total of Shs 607 million was recovered under the KYM and FEU activities. The heightened field presence activities will be sustained going forward for improved revenue collection.

Further, the Company appointed key account managers during the year to handle revenue collection activities from various categories of customers including Ministries, Government agencies and County Governments.

3. Reducing System Losses

Improving system efficiency is a top priority as the rising system losses are of great concern. Reduced system losses would have immediate positive impact on our sales, revenue and business sustainability. Looking back over the recent years, system losses have increased concurrently with the rapid growth in the Company's electricity network and number of customers.

The high and medium voltage line network has expanded from a total of 56,611km to 84,681km in the last seven years. The low voltage network has also expanded from 73,594km to 243,207km over the period. Additionally, our customer base has increased from 2.3 million to 7.6 million over the same period. Subsequently, given the expansive network and growing customer base, system losses have increased from 18.68% to 23.46% over the seven-year period. This is therefore, an opportunity for improvement, but also a threat to our business if not addressed with urgency.

We initiated enabler projects to reduce the system losses, as part of our road map to enhance both system and business efficiency. These initiatives premised on accurate measurement of losses to facilitate optimisation of resources include:-

Border Metering Project: The project involves metering of power supply to our respective business regions and counties. On completion of the project, we shall be able to narrow down on points in the system experiencing higher losses and take the necessary action. The Regional border metering was completed during the year with plans ongoing to commence County border metering.

Feeder Metering Project: So far, a total 1,184 out of 1,225 feeders have been metered to enable the determination of the amount of electricity units dispatched by the feeder. This is required to compute the energy balance against energy billed to customers connected to the feeder.

Metering of Distribution Transformers: We are progressing this metering to enable us to zero-in on areas around distribution transformers where losses occur.

Field Commercial Cycle Activities: The activities involves meter inspection, meter installation and meter reading aimed at reducing leakages down to the zonal level. The inspections target large power accounts, SMEs and ordinary meters in feeders with high losses with a focus on customers with zero consumption, non-vending meter, and in high-rise buildings.

Roll out of Smart Meters for all Large Power and SMEs: In the year, we procured Advanced Metering Infrastructure equipment in preparation of rollout of smart metering technology to over 55,000 SMEs to improve billing efficiency and reduce commercial losses. The Company also targets to replace all meters for the remaining 1,000 large power customers with smart meters.

4. Cost Management

The Company is focused on managing costs at all levels of our operations for improved business efficiency. These include finance, power purchase, capital expenditure and, transmission and distribution costs.

During the year, we scaled down implementation of projects to only Vital Maintenance programmes, with the aim to prudently manage capital expenditure. In addition, to control our transmission and distribution costs, we instituted measures to manage staff costs, office expenses, overtime, training and other recurrent expenditures. Further, the Company closely monitored implementation of all budget items to avoid overruns.

The Company initiated measures to refinance our short-term debt to term loans. This is aimed at reducing cash flow pressures and reduce interest payable. In addition, the Company began negotiations with financiers and development partners to restructure the existing commercial debts.

> "In the period, we connected a total of 500,397 customers largely **through the Last Mile Connectivity project.** "

5. Improving Customer Experience

In order to inculcate a customer-centric culture, we introduced the use of Net Promoters Score (NPS) which measures the willingness of customers to recommend Company products or services. NPS also gauges customers' overall satisfaction with a Company's products or services and the customers' loyalty to the brand.

In a recent NPS survey, our customers expressed the need for the Company to improve on issues relating to inaccurate billings, frequent outages, slow response to emergency calls and unsatisfactory customer service through failure to comprehensively address customer complaints. Indeed, we agree that these are critical issues that require urgent interventions. To address the concerns raised, the Company is implementing various initiatives aimed at resolving these issues to improve our customer experience:-

Improving our Customer Touch Points: The Company's National Contact Center is the nerve center that receives and directs customer queries and feedback to operational teams for action. Acknowledging the important role that the National Contact Centre plays in enhancing customer experience, we are implementing key reforms to transform this critical communication hub between the Company and customers. These reforms include expansion and resourcing of the existing infrastructure, retraining customer facing staff for business continuity and better customer service.

Self Service Modules: In the year under review, we deployed a new telephone short code number 97771 to make it easy for customers to communicate with the Company. We also launched two self-service modules namely quick code *977# and my Power App to create a faster and convenient way in which customers interact with the Company. Through the platforms, our customers are now able to independently carry out various transactions including post-paid bill payment, electricity token purchases and incident reporting among others.

Additionally, the self-service modules enable customers to submit their meter readings, make bill balance queries, report bill complaints and register for E-Bill service. This solution has helped to minimise estimation of bills and reduce customer complaints on billing. Further, customers can apply for new electricity connection from a recently launched online application portal.

In the period under review, we carried out several customer outreach programmes and awareness campaigns to address customer issues and create awareness on the available self-service platforms.

Enhancing Reliability of Customer Service Systems: The Company has installed Network Operations Control (NOC), a new system to monitor the ICT infrastructure on a 24-hour basis. Since installation, NOC has considerably improved responses to faults and incidences thereby enhancing system availability for critical business systems for improved customer satisfaction.

6. Improving Service Delivery at the County Level

During the year, we reviewed our operational structure at the county level to empower them as standalone business units with the aim of making them profit centers and taking services closer to our customers. Previously, decision-making and allocation of resources were done from the regional offices, a situation that impeded operational efficiency and employee accountability. The new county structure promotes ownership, inculcates a business mindset and enhances our field presence for improved service delivery.

The new county structure is divided into sectors and zones for ease of meter reading and revenue collection. Counties are further clustered into distribution areas to make it easier for network management teams to efficiently operate and maintain the network for delivery of quality and reliable power supply. The regional office ensures counties within their operational boundaries are well supported and resourced to operate effectively and profitably. To operationalize the new structure, the Company internally filled all positions for the County Business Managers and realigned staff to sectors, zones and distribution areas. The structure was successfully rolled out in Nairobi and Kiambu counties during the year before it was extended to other counties.

7. Conclusion

We are on a mission to transform Kenya Power into an efficient and respected Company, trusted by customers to deliver exemplary service, and valued by shareholders as a worthwhile investment. In this regard, we are establishing an efficient business ecosystem through continual improvement of processes, building a robust electricity network: leveraging technology and innovative solutions to meet customers' current and emerging needs.

In addition, empowering counties as semi-autonomous business units will entrench accountability in our business operations, enhance efficiency, and take services closer to our customers.

I wish to appreciate all our customers and assure them of our commitment to improve our services and to meet their expectations. I call upon our employees, to step up the zeal in serving our customers, guided by our internal clarion call "Tunza Customer, Kuza Biashara" which is aligned to our culture change strategy we must embed a spirit of customer centricity, to win stakeholder support and nurture brand loyalty as we position the business on a growth trajectory into a brighter future.

I would like to thank the Board of Directors for the strategic support and guidance.

To all our stakeholders, we say *"asante sana"*.

Bernard Ngugi
Managing Director & CEO

Wapendwa Wanahisa,

Tulianza mwaka tukiwa na matarajio makubwa na dhamira ya uthabiti wa kubadili mwelekeo katika biashara yetu, na kuboresha shughuli za Kampuni kwa utendaji bora wa jumla. Sehemu zetu kuu za kulenga zilikuwa na zinaendelea kuwa, kuboresha mauzo, kuongeza ukusanyaji wa mapato, kupunguza upotezaji wa mfumo na kudhibiti gharama. Kwa kweli, utendaji wetu wa biashara wa nusu mwaka ulionyesha mwelekeo wa juu na faida ya Kampuni ilifikia kiasicha Sh 1,139 milioni.

Walakini, maendelo haya katika nusu ya pili ya mwaka na mwanzo wa janga la COVID-19 ambalo yaliathiri mazingira ya biashara. Kutokana na athari za janga la Covid-19, ununuzi wa umeme uliathiriwa vibaya na upungufu wa mahitaji. Kwa sababu hiyo, Kampuni iliomba vifungu vya *Force Majeure* (FM) kulingana na Makubaliano ya Ununuzi wa Nguvu za (PPAs) kati ya Kampuni na wazalishaji, kwa nia ya gawana mzigo wa gharama unaotokana na kupungua kwa mahitaji ya umeme yaliyosababishwa na janga hilo. Mazungumzo haya bado yalikuwa yakiendelea mwishoni mwa mwaka.

Katika mwaka, mahitaji ya kilele yaliongezeka kwa 44MW tu, kutoka 1,882MW mwaka uliopita hadi 1,926MW iliyosajiliwa mnamo Februari 2020. Kwa upande mwingine, uwezo wa uzalishaji uliongezeka hadi 2,708MW kutoka 2,630MW mwaka uliopita, haswa kwa sababu ya kuzidua Olkaria V 158MW uwezo wa jotoardhi na kustaafu kwa 77.846MW baada ya kumalizika kwa PPAs na Iberafrica 56.346MW ya mafuta na 21.5MW Mumias Sugar.

Kwa kuzingatia ukuaji wa mahitaji ya chini kuliko iliviyo tarajiwa, Kampuni inafuwatilia upangaji upya wa miradi ya uwezo wa uzalishaji iliyopangwa kwa nia ya kudumisha usawa wa usambazaji wa mahitaji ya nguvu za umeme.

Shughuli za kusoma mita na ukusanyaji wa mapato pia ziliathiriwa na athari za Covid-19. Vikwazo fya kuigia katika majengo ya wateja, kufungwa kwa wafanyabiashara ndogondogo na wa kati (SMEs) na kupunguza malipo ya wateja kulisababisha kuongezeka kwa deni lililochelewa kwa Sh milioni 3,849 wakati wa mwaka wa fedha.

Hatua zetu za mwendelezo wa biashara zilisaidia kupunguza athari mbaya za janga hilo na kuzuia kuzorota zaidi, ikiruhusu kukua kwa kwa mahitaji. Licha ya vizuizi vya usalama, Kampuni ilitumia mikakati madhubuti ya kukabiliana na dharura ili kuhakikisha usambazaji wa nguvu za umeme kwa wateja wetu pamoja na maeneo muhimu kote nchini.

Walakini, hadi mwisho wa mwaka wa kifedha, hatukusajili ukuaji wowote wa mauzo. Vivyo hivyo, mapato ya jumla yalibaki bila kubadilika.

Ufuatao ni muhtasari wa utendaji wa kazi mwaka huu, kulingana na mkakati wetu wa Kampuni:

1. Kuboresha Mauzo

Ukuaji wa biashara yetu kimsingi unategemea kupanua mauzo ya umeme na kuuza umeme wote tunayonunua kutoka kwa wazalishaji. Katika mwaka huu wa ukaguzi, tulianzisha dhamira ya kuhakikisha kuwa usambazaji kwa wateja wetu wote umepimwa na mitambo iko katika hali nzuri ya kufanya kazi. Hii ilihusisha ubadilishaji wa mita mbovu na uwekaji wa mita kwa miradi iliyotekelezwa chini ya Programu ya Umeme Vijijini.

Katika kipindi hicho, tuliunganisha jumla ya wateja 500,397 kwa kiasi kikubwa kupitia mradi wa *last mile connectivity* . Chini ya awamu ya kwanza na pili ya mradi uliofadhiliwa na Benki ya Maendeleo ya Afrika (AfDB), tuliunganisha wateja 57,251 na 76,266 mtawaliwa. Tulipanua pia usambazaji kwa wateja 49,104 chini ya sehemu ya mradi wa Benki ya Dunia (Shirika la Maendeleo ya Kimataifa). Jitihada hizi zilichangia kuongezeka kwa wateja wetu hadi 7,576,145 kulingana na mkakati wetu wa mauzo.

Mtandao thabiti na wa kuaminika kwa biashara yetu ni muhimu kutosheleza usambazaji wa nguvu kwa wateja wetu na kukuza ukuaji wa mauzo ya umeme. Kwa hivyo, tulifanya miradi anuwai ya uimarishaji wa mtandao ambayo ilijumuisha sehemu za kuboresha laini za umeme, kujenga vituo vipya na kuboresha vituo vidogo vilivyopo ili kuongeza uwezo, kubadilika kwa mtandao na kupunguza mzigo. Miradi mashuhuri ya kuongeza nguvu iliyokamilishwa mwaka huu ilikuwa pamoja na vituo vitano vya 33/11kV ambavyo ni Kapsowar, Kiamutugu, Mosocho, Aldai na Kagumo. Pia tumekamilisha ujenzi wa laini mbili za umeme kutoka kituo kipya cha Chuo Kikuu cha Kenyatta cha 220/66 kV ili kuhudumia wateja huko Ruaraka na Ruiru katika kipindi hicho.

Ili kuimarisha zaidi laini za chini za *voltage* ya 11kV na 33 kV, Kampuni ilianzisha utumiaji wa kamera za maono ya joto. Kamera hizi hutumiwa kutambua viungo vilivyo huru vinavyotambuliwa na tofauti ya joto na hivyo kuanzisha ukarabati kwa wakati unaofaa ili kuepuka uharibifu. Kwa kuongezea, tulikamilisha kupelekwa kwa Programu ya marekebisho ya *Live Line* katika maeneo yetu yote ya biashara na kupelekwa kwa jumla ya timu 31 za kuendesha mitandao ya usambazaji ya 11kV - 33kV na timu 4 kudumisha mitandao ya 66kV. Pamoja na timu za *Live-Line* kufanya kazi, tumeshuhudia kupungua kwa usitishaji wakusambaza kwa umeme wakati wa urekebishangi was nyaya kwani tunaweza kutekeleza asilimia kubwa ya ukarabati bila kuzima stima.

Mwaka huu, tulianzisha mradi wa Okoa *Transformer Programme,* mpango wa kerekebisha mtandao uliopuniwa na Kampuni mwaka uliopita ili kuboresha ubora wa usambazaji wa umeme kwa wateja na kupunguza mauzo yaliyopotea yanayotokana na kukatika kwa usabazaji. Mpango huo utajumuisha ukaguzi wa transfoma zote zenye viwango vidogo cha umeme kwenye mtandao ili kubaini maeneo ya matengenezo ya kinga na kuimarisha sehemu za gridi ya taifa ili kuongeza uimara wake.

2. Kuongeza Ukusanyaji wa Mapato

Ufanisi ulioboreshwa katika ukusanyaji wa mapato ni muhimu katika kuboresha nafasi ya mtiririko wa fedha wa Kampuni na hivyo kuhakikisha uendelevu wa kifedha. Kampuni ilitekeleza mipango mbali mbali inayolenga kuboresha ukusanyaji wa mapato na kupunguza madeni za umeme.

Ili kuongeza uwajibikaji wa hali ya juu, wasomaji wa mita, watoza mapato na wakaguzi wa usanikishaji walipewa maeneo maalum ya kibiashara ya Kampuni mwaka mzima chini ya kampeni ya *Know-Your-Meter* (KYM). Kampeni hiyo ilikamilishwa na kupelekwa kwa wafanyikazi wa ziada walitolewa katika idara na afisi mbambali za kumpuni ili kukuza upwepo wetu nyanjani Ukaguzi wa usanikishaji ulifanywa ukilenga mita zote ili kupunguza hasara za kibiashara. Jumla ya mita 1,124,934 zilikaguliwa.

Kwa kuongeza, Kampuni ilianzisha Kitengo cha kupambana na wizi wa umeme(*Field Enforcement Unit*) ili kuberesha ukusanyaji mapato. Timu hiyo ilipewa jukumu la kufuatilia malipo bora ya wateja na vile vile kutambua na kushughulikia kutofautiana kwa malipo kwenye akaunti za wateja zilizotambuliwa. Timu hiyo ilianza shughuli zake Nairobi na itapanuliwa kwa vitengo vyote vya kaunti katika mwaka ujao wa fedha.

Jumla ya Sh milioni 607 zilipatikana chini ya shughuli za KYM na FEU. Shughuli zilizoongezeka za uwepo nyajani zitaendelezwa mbele kwa ukusanyaji bora wa mapato.

Kwa kuongezea, Kampuni iliteua mameneja muhimu wa akaunti wakati wa mwaka kushughulikia ukusanyaji mapato kutoka kwa anuwai ya wateja pamoja na Wizara, Wakala wa Serikali na Serikali za Kaunti.

3. Kupunguza Hasara za Mfumo

Kuboresha ufanisi wa mfumo umepewa kipaumbele kwa kuwa hasara inayotokana na upotezaji wa mfumo inatua wasiwasi. Kupungua kwa upotezaji wa mfumo utakuwa na hathari chanya kwa mapato na uendelevu wa biashara. Kuangalia nyuma katika miaka ya hivi karibuni, upotezaji wa mfumo umeongezeka wakati huo huo na ukuaji wa haraka wa mtandao wa umeme wa kampuni na idadi ya wateja.

Mtandao wa laini na umepanuka kutoka jumla ya 56,611km hadi 84,681km katika miaka saba iliyopita. Mtandao wa voltage ndogo pia umepanuka kutoka 73,594km hadi 243,207km kwa kipindi hicho. Kwa kuongezea, msingi wetu wa wateja umeongezeka kutoka milioni 2.3 hadi milioni 7.6 katika kipindi hicho hicho. Baadaye, kutokana na mtandao mpana na kuongezeka kwa wateja hasara kutokana na upotezaji wa mfumo umeongezeka kutoka 18.68% hadi 23.46% katika kipindi cha miaka saba. Kwa hivyo hii ni fursa ya kuboreshwa, lakini pia ni tishio kwa biashara yetu ikiwa haitafanyiwa kazi kwa haraka.

Tulianzisha miradi ya kuwezesha kupunguza upotezaji wa mfumo, kama sehemu ya ramani yetu ya barabara ili kuongeza ufanisi wa mfumo na biashara. Mipango hii inategemea kipimo sahihi cha hasara ili kuwezesha utumiaji wa rasilimali.

Mradi wa Upimaji katika Mipaka: Mradi unajumuisha upimaji wa umeme kwa maeneo yetu ya biashara na kaunti. Baada ya kukamilisha mradi huo, tutaweza kupunguza maeneo kwenye mfumo yanayo pata hasara kubwa na kuchukua hatua zinazohitajika. Upimaji katika mpaka ya mikoa ulikamilishwa mwaka huu na mipango endelea kuanza upimaji wa mipaka ya Kaunti.

Mradi wa Upimaji wa Line za Stima: Hadi sasa, jumla ya laini 1,184 kati ya 1,225 zimepimwa ili kuwezesha kuamua kiwango cha vitengo vya umeme uilivyotumwa kwa kila feeder. Hii inahitajika kuhesabu usawa wa nishati dhidi ya umeme unayotozwa kwa wateja waliounganishwa na feeder.

Upimaji wa Transfoma ya Usambazaji: Tunaendeleza upimaji huu ili kutuwezesha kutambua maeneo katika transfoma za usambazaji ambapo hasara hutokea nyanjani.

Shughuli za Kibiashara Nyajani: Hii shughuli inahusisha ukaguzi wa mita, upimaji wa mita, usomaji wa mita unaolenga kupunguza uvujaji wa kimaeneo. Ukaguzi unalenga akaunti kubwa za umeme, SMEs na mita za kawaida katika feeders zilizo na hasara kubwa kwa kuzingatia wateja ambao hawa tumie umeme na majengo ya juu.

Kuweka Mita za Smart kwa wateja Wote Wakubwa na SMEs: Katika mwaka, tulinunua vifaa vya Miundombinu ya kiwango cha juu kwa kuandaa utoaji wa teknolojia ya upimaji wa kidigitali kwa zaidi ya bihashara ndongo ndogo (SMEs) 55,000 ili kuboresha ufanisi wa utozaji na kupunguza hasara ya kibiashara. Kampuni pia inalenga kubadilisha mita zote kwa wateja wakubwa wa umeme na kuwawe kea mita za kidigitali.

4. Uthibiti wa Gharama

Kampuni inazingatia kuthibiti gharama katika ngazi zote za shughuli zetu ili kuboresha ufanisi wa biashara. Hizi ni pamoja na fedha, ununuzi wa umeme, matumizi ya mtaji na, gharama za usafirishaji na usambazaji.

Mwaka huu, tulipunguza utekelezaji wa miradi ila kwa mipango muhimu tu ya ukarabati, kwa lengo la kuthibiti matumizi ya mtaji. Kwa kuongezea, kudhibiti gharama za usafirishaji na usambazaji, tulianzisha hatua za kudhibiti gharama za wafanyikazi, gharama za ofisi, malipo ya muda wa ziada, mafunzo na matumizi mengine ya kawaida.

Kampuni ilianzisha hatua za kurekebisha deni letu la muda mfupi kwa mkopo wa muda. Hii inakusudia kupunguza shinikizo za mtiririko wa fedha na kupunguza riba inayolipwa. Kwa kuongezea, Kampuni ilianza mazungumzo na wafadhili na washirika wa maendeleo kurekebisha madeni ya kibiashara yaliyopo.

5. Kuboresha Uzoefu wa Wateja

Ili kukuza utamaduni unaozingatia mteja, tulianzisha utumiaji wa alama ya *net promoter score* (NPS) ambayo inapima utayari wa wateja kupendekeza bidhaa au huduma za kampuni. NPS pia inapima kuridhika kwa jumla kwa wateja na bidhaa au huduma za kampuni na uaminifu wa wateja.

Katika uchunguzi wa hivi karibuni wa NPS, wateja wetu walionyesha hitaji la Kampuni kuboresha maswala yanayohusiana na malipo yasiyo sahihi, kukatika kwa umeme kwa mara kwa mara, kujibu polepole simu za dharura na huduma ya wateja isiyoridhisha kwa kukosa kushughulikia malalamiko ya wateja. Hakika, tunakubali kuwa haya ni maswala muhimu ambayo yanahitaji hatua za haraka. Katika azma yetu ya kushughulikia shida zilizoibuliwa, Kampuni inatekeleza mipango mbali mbali inayolenga kutatua masuala haya ili kuboresha uzoefu wetu wa wateja.

Kuimarisha Maeneo Yetu ya Kutangamana na Wateja: Kituo cha Mawasiliano cha Kitaifa cha Kampuni ni kituo cha neva kinachopokea na kuelekeza maswali ya wateja na maoni kwa timu za utendaji nyanjani. Kutambua jukumu muhimu ambalo Kituo cha Mawasiliano cha Kitaifa kinachukua katika kukuza uzoefu wa wateja, tunatekeleza mageuzi muhimu kubadilisha kituo hiki muhimu cha mawasiliano kati ya Kampuni na wateja. Marekebisho haya ni pamoja na upanuzi na uwezeshaji wa miundombinu iliyopo, kutoa mafunzo kwa wafanyikazi wanao tangama na wajeja ili kutoa huduma bora kwa wateja.

Moduli za Huduma ya Kibinafsi: mwaka huu wa ukaguzi, tulizidua nambari mpya ya simu fupi nambari 97771 ili kurahisisha wateja kuwasiliana na Kampuni. Tulizindua pia moduli mbili za huduma za kibinasi ambazo ni nambari ya haraka * 977# na MyPower app to kutoa njia ya haraka na rahisi ambayo wateja hutangamana na Kampuni. Kupitia majukwaa, wateja wetu sasa wanaweza kujitegemea kufanya miamala anuwai ikiwa ni pamoja na malipo ya bili ya baada ya kulipwa, ununuzi wa *token* za umeme na kuripoti matukio kati ya mengine.

Kwa kuongezea, moduli za huduma za kibinafsi zinawezesha wateja kuwasilisha usomaji wao wa mita, kufanya maswali ya usawa wa bill zao, kuripoti malalamiko na kujiandikisha kwa huduma ya E-Bill. Hii imesaidia kupunguza makadirio ya bili na kupunguza malalamiko ya wateja juu ya malipo. Kwa kuongezea, wateja wanaweza omba kuunganishiwa umeme kutoka kwa lango lililozinduliwa hivi karibuni kupitia tovuti yetu.

Katika kipindi kinachoangaliwa, tulifanya mipango kadhaa ya kuwafikia wateja na kampeni za uhamasishaji kushughulikia maswala ya wateja na kuwaelimisha juu ya majukwaa ya huduma za kibinafsi zinazopatikana.

Kuimarisha Uaminifu wa Mifumo ya Huduma za Wateja: Kampuni imeweka Udhibiti wa Uendeshaji wa Mitandao (NOC), mfumo mpya wa kuchunguza miundombinu ya ICT kwa masaa 24. Tangu usanikishaji, NOC imeboresha majibu kwa makosa na matukio na hivyo kuongeza upatikanaji wa mfumo kwa mifumo muhimu ya biashara kwa kuridhika kwa wateja.

6. Kuboresha Utoaji wa Huduma katika Ngazi ya Kaunti

Mwaka huu, tulibadili utendakazi wetu katika counti ili kuzipa nguvu kama sehemu za kibiashara kwa lengo la kuzifanya vituo vya faida na huduma karibu na wateja wetu. Hapo awali, uamuzi na ugawaji wa vyanzo vilifanywa kutoka ofisi za mkoa, hali ambayo ilizuia ufanisi wa utendaji na uwajibikaji wa mfanyakazi. Muundo mpya wa kaunti unakuza umiliki, unasisitiza mawazo ya biashara na inaboresha uwepo wetu wa nyanjani kwa kuboreshwa kwa utoaji wa huduma.

Muundo mpya wa kaunti umegawanywa katika sekta na kanda kwa urahisi wa kusoma mita na ukusanyaji wa mapato. Kaunti zinajumuishwa zaidi katika maeneo ya usambazaji ili kurahisisha timu za usimamizi wa mtandao kufanya kazi vizuri na kudumisha mtandao wa utoaji wa umeme bora na wa kuaminika. Ofisi ya mkoa inahakikisha kaunti zilizo ndani ya mipaka yao ya kiutendaji zinaungwa mkono vizuri na zina vifaa vya kufanya kazi kwa ufanisi na kwa faida. Ili kutekeleza muundo mpya, Kampuni ilijaza nafasi zote za Wasimamizi wa Biashara wa Kaunti na wafanyikazi waliowekwa tena kwa sekta, kanda na maeneo ya usambazaji. Muundo ulifanikiwa kutekelezwa katika kaunti za Nairobi na Kiambu wakati mwaka huu kabla ya kupanuliwa kwa kaunti zingine.

7. Hitimisho

Tuko kwenye dhamira ya kubadilisha Kenya Power kuwa Kampuni yenye ufanisi na inayoheshimiwa, inayoaminiwa na wateja kutoa huduma ya mfano, na kuthaminiwa na wanahisa kama ya uwekezaji mzuri. Katika suala hili, tunaanzisha mazingira bora ya biashara kupitia uboreshaji endelevu wa michakato, kujenga mtandao thabiti wa umeme, na kutumia teknolojia na suluhisho za ubunifu ili kukidhi mahitaji ya wateja ya sasa na yanayojitokeza.

Kwa kuongezea, kuziwezesha kaunti kama sehemu za biashara zenye uhuru-nusu kutaimarisha uwajibikaji katika shughuli zetu za biashara, kuongeza ufanisi na kubeleka huduma karibu na wateja wetu.

Tuna thamini wateja wetu wote na kuwahakikishia kujitolea kwetu kuboresha huduma zetu na kutimiza matarajio yao. Natoa wito kwa wafanyikazi wetu, kuongeza bidii katika kuwahudumia wateja wetu, wakiongozwa na wito wetu wa ndani “Tunza Wateja, Kuza Biashara” ambao umewekwa kwa mkakati wetu wa mabadiliko ya utamaduni kupachika umakini wa mteja, kushinda msaada wa wadau na kukuza uaminifu wa chapa yetu tunapoweka biashara kwenye njia ya ukuaji katika siku zijazo za baadaye.

Napenda kuishukuru Bodi ya Wakurugenzi kwa msaada wa kimkakati na mwongozo.

Kwa wadau wetu wote, tunasema asante sana.

Bernard Ngugi
Mkurugenzi Mkuu na Afisa Mkuu Mtendaji

CORPORATE GOVERNANCE REPORT

1. Composition and Appointment of the Board

The Code of Governance for State Corporations (*Mwongozo*) which the Company ascribes to requires a maximum of nine Directors. In this regard, our current Board is composed of six Independent Non- Executive Directors including the Chairman; two Non-Independent Directors representing The National Treasury and the Ministry of Energy; and one Executive Director who is also the Managing Director and Chief Executive Officer. The constitution of our Board takes into consideration diversity in gender, age, ethnicity and culture.

The appointment to Board is guided by Memorandum and Articles of Association of our Company. The Company's Article 120 stipulates that at every Annual General Meeting (AGM), at most one third of the Board members retire by rotation and are eligible for re-election based on first in first out basis. Whereas Article 123 indicates that if for any reason a vacancy occurs in the Board, the Directors may appoint a person to fill in the vacancy temporarily until the next AGM when he or she is expected to stand down but is eligible for election.

2. Board Commitment

We are committed to building a strong corporate governance system underpinned by ethically driven business structures, procedures and processes. Good governance practice enables us to achieve our mandate, create shareholder value and meet stakeholder expectations as we steer the Company towards sustainable growth.

We remain steadfast in complying with statutory and regulatory requirements as outlined in the Companies Act 2015, the Capital Markets Authority's Code of Corporate Governance Practices for Issuers of Securities to the Public 2015, Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations and the Code of Governance for State Corporations among others.

Our operations are defined in the Board Charter which clearly outlines the roles, responsibilities and functions for the Board members and its committees. We are also guided by the Company's Memorandum and Articles of Association and Code of Conduct which sets out rules that govern the conduct of individual Directors in order to enable the Board to operate effectively in the best interests of the Company.

The Board is devoted to providing leadership that advocates for transparency, accountability, ethics and integrity as pillars of good corporate governance. We will continue to strengthen our internal controls and enterprise risk management and promote a culture of integrity to support the Company in achieving our strategic and financial objectives.

3. Responsibilities of the Board

The following are the key roles and responsibilities of the Board:

- **i.** The stewardship of the Company and in discharging its obligations, it assumes responsibility for oversight, strategy, risk management, compliance and control, stakeholder relations and timely and accurate disclosures.
- **ii.** Establishing sound system of internal control for the Company.
- **iii.** Overseeing the corporate governance framework.
- **iv.** Adoption of strategic plans and policies; monitoring the operational performance; establishing policies and processes that ensure integrity of the Company's internal controls; and risk management.
- **v.** Establishing clear roles and responsibilities in discharging its fiduciary and leadership functions.
- **vi.** Ensuring that Management actively cultivates a culture of ethical conduct and sets the values to which the Company will adhere.
- **vii.** Ensuring that the strategies adopted promote the sustainability of the Company.
- **viii.** Establishing policies and procedures for effective operations of the Company.
- **ix.** Establishing appropriate staffing and remuneration policies for all employees as required.
- **x.** Ensuring compliance with all applicable laws, regulations, governance codes, guidelines and regulations and establish systems to effectively monitor and control compliance across the Company.

4. Current Board Committees

Audit Committee
Members

1. Sachen Gudka (Chair)
2. Caroline Kittony-Waiyaki
3. Beatrice Gathirwa
4. Elizabeth Rogo

Finance & Risk Committee
Members

1. Kairo Thuo (Chair)
2. Abdulrazaq Ali
3. Beatrice Gathirwa
4. MD & CEO

Technical Committee (Ad-hoc) Committee
Members

1. Abdulrazaq Ali (Chair)
2. Elizabeth Rogo
3. Beatrice Gathirwa
4. MD & CEO

Corporate Governance Committee
Members

1. Caroline Kittony (Chair)
2. Abdulrazaq Ali
3. Isaac Kiva
4. MD & CEO

Strategy & Innovation Committee
Members

1. Elizabeth Rogo (Chair)
2. Isaac Kiva
3. Kairo Thuo
4. Sachen Gudka
5. MD & CEO

SHAREHOLDERS AND OTHER STAKEHOLDERS

BOARD OF DIRECTORS

Provides strategic direction and leadership aligned to the Company's value system to ensure the sustainability of the business.

Board Committees

- **Strategy & Innovation**
- **Corporate Governance**
- **Finance & Risk**
- **Technical (Ad-hoc)**
- **Audit**

EXECUTIVE COMMITTEE(Headed by MD & CEO)

Considers policies, strategic measures for optimal business performance, monitors performance and makes recommendations to the Board and exercises executive control of day to day operations of the Company.

GENERAL MANAGERS

(Reports to the Managing Director and Chief Executive Officer)

- Business Strategy
- Legal, Regulatory Affairs & Company Secretary
- Network Management
- Infrastructure Development
- Commercial Services & Sales
- Regional Coordination
- Information Comm. & Technology
- Institute of Energy Studies & Research
- Supply Chain & Logistics
- Human Resource & Administration
- Finance

Internal Audit

REGIONAL, COUNTY AND DEPARTMENTAL MANAGERS

(Coordinates diverse Company business functions)

5. Board Work Plan, Membership and Meetings

The Board recognizes that the development of a workplan with clearly defined annual goals is critical for effective management and execution of Board agenda. The work plan details out scheduled meetings and agenda and is circulated ahead of Board meetings.

During the year, the Board held 14 meetings to consider key issues relating to business performance, strategy and sustainability.

Board membership and meetings for the year ended 30th June 2020

Board Member	Board Position	14 Meetings
Amb. (Eng.) Mahboub Mohamed	Chairman	14/14
Mr. Henry Rotich	Cabinet Secretary, The National Treasury	-
Dr. Eng. Joseph Njoroge	Principal Secretary, Ministry of Energy	1/1
Mr. Bernard Ngugi	Managing Director & CEO (Joined in Oct. 2019)	9/9
Mr. Wilson Mugung'ei	Member	13/14
Mr. Adil Khawaja	Member	11/14
Mr. Kairo Thuo	Member	13/14
Mrs. Brenda Eng'omo	Member	13/14
Hon. Zipporah Kering	Member	14/14
Eng. Isaac Kiva	Alternate PS, Ministry of Energy	14/14
Mrs. Beatrice Gathirwa	Alternate to CS, The National Treasury	12/14
Eng. Jared Othieno	Ag. MD & CEO (Left in Oct.2019)	5/5

Note:

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

6. Board Evaluation

In order to improve on performance of the Board, we undertook annual Board evaluation assisted by the State Corporations Advisory Committee (SCAC). The Board achieved a score of 95% and an action plan was developed focusing on areas that require improvement. The assessment is aimed at improving members' individual and collective performance for continuous growth and sustainability of the Company.

7. Governance Audit

The Board conducted a Governance Audit during the year with the aim of ensuring that the Company complied with relevant areas of corporate governance. The action points have been development and will be implemented in the current financial year.

8. Insider Trading Policy

The Board is in the process of reviewing of insider trading policy and the same will be communicated to all employees of the Company. The Board wish to report that there were no insider dealings for the year ended 30 June 2020.

9. Board Capacity Development

The Board of Directors prepare a training calendar where specific training needs are identified and scheduled. During the year, Directors attended various capacity building programmes focusing on leadership, risk management, governance, finance and other relevant areas.

10. Board Committees

There were four committees during the year established to enhance efficiency and effectiveness of the Board: Audit; Strategy & Investment; Corporate Governance & Nomination; and Finance and Risk. An ad hoc committee may be constituted by the Board to consider specific issues outside the mandate of existing committees.

The membership, responsibilities and attendance of Board committees in the year ended 30th June 2020 is summarised below:

Audit Committee

Responsibility	Members	Meetings (6)
Assist the Board in fulfilling its obligations and oversight responsibility for: • Financial and corporate performance, • Financial disclosures and accounting practices, • Internal controls and internal and external audit processes.	**Chairman:** Kairo Thuo	6/6
	Members:	
	Wilson Mugung'ei	4/6
	Brenda Eng'omo	5/6
	Beatrice Gathirwa	6/6
	In attendance:	
	Bernard Ngugi (Joined in Oct. 2019)	2/2
	Jared Othieno (Left in Oct. 2019)	4/4
Composition The Committee comprises four non-executive Directors and regularly invites the Managing Director and CEO, and General Manager Internal Audit to its meetings. External auditors are also invited to attend the meetings when necessary.		

Strategy & Investment Committee

Responsibility	Members	Meetings (4)
Considering and making recommendations to the Board regarding: • Company's strategic direction. • Company's investment decisions.	**Chairman:** Wilson Mugung'ei	4/4
	Members:	
	Zipporah Kering	4/4
	Isaac Kiva	4/4
	Kairo Thuo	3/4
	Adil Khawaja	1/4
	Bernard Ngugi (Joined in Oct. 2019)	3/3
	Jared Othieno (Left in Oct. 2019)	1/1
Composition The Committee comprise 6 members and regularly invites General Managers in charge of Finance and Business Strategy to its meetings.		

Corporate Governance & Nomination Committee

Responsibility	Members	Meetings (4)
Assist the Board in overseeing Human Resource issues in the Company and : • Evaluating the Board's performance, • Nominations to the Board, • Recommending to the Board of directors who will serve in each standing committee, • Succession planning for the Chair, MD & CEO and the senior management.	**Chairman:** Brenda Eng'omo	4/4
	Members:	
	Adil Khawaja	4/4
	Zipporah Kering	4/4
	Isaac Kiva	3/4
	Bernard Ngugi (Joined in Oct. 2019)	3/3
Composition The Committee comprises 5 members and regularly invites the General Manager in charge of Human Resource and Administration to the its meetings.		

Finance & Risk Committee

Responsibility	Members	Meetings (2)
To oversee: • Financial performance and issues impacting on the financial structure of the Company. • Enterprise Risk Management.	**Chairman:** Adil Khawaja	2/2
	Members:	
	Zipporah Kering	2/2
	Isaac Kiva	2/2
	Beatrice Gathirwa	1/2
	Bernard Ngugi (Joined in Oct. 2019)	1/1
	Jared Othieno (Left in Oct. 2019)	1/1
Composition The Committee comprises 5 members and regularly invites the General Manager Finance to its meetings to provide information and clarifications.		

11. Accountability and Audit

The Statement of Directors Responsibility is set out on page 56 and the Independent Auditors report is on page 57.

12. Directors' Remuneration

Directors are entitled to sitting allowances for meetings attended as guided by government set limits for state corporations. Directors' fees are approved by shareholders during the Annual General Meeting and paid annually in accordance with Government's guidelines for all state corporations. Where applicable, Directors are entitled to a sitting allowance, lunch allowance (to compensate for lunch, being provided), accommodation allowance and mileage reimbursement. The Chairman of the Board is paid a monthly honorarium.

It is proposed that in the financial year ended 30th June 2020, each non-executive Director be paid a total of Shs 600,000 or on pro rata basis for period served. Details of Directors' emoluments during the year are shown on page 53 in the financial statements.

13. Directors' Shareholding

None of the Directors owned more than 1 percent of the shareholding during the year as shown in the table below.

Director	Shares
Joseph Njoroge	68,333
Bernard Ngugi	5,850
Wilson Mugung'ei	1,537
Total	**75,720**

14. Enterprise Risk Management

The Company has implemented an Enterprise Risk Management approach across the business in line with the Mwongozo Code and ISO 31000, aimed at managing risks that impact the achievement of its strategic objectives. Top-level accountability rests with the Board of Directors and Management who, in their roles, maintain oversight of the corporate risk profile. The respective functional heads are tasked with embedding the risk management process in their respective operations.

During the year, the key areas of exposure that required immediate interventions to ensure the going concern of the Company are highlighted as follows:

Financial Risks: Kenya experienced an economic down turn across most sectors in the year ended, mostly fueled by the far-reaching impacts of the WHO-declared Covid-19 Pandemic. These effects, coupled with enhanced reporting and provision standards, have adversely reverberated across the Company's financial risks and performance indicators. The outlook indicates slow economic recovery in the near-to-midterm thus the Company expects to continue experiencing these adverse impacts despite the ongoing mitigations to stem the same.

Compliance (Legal & Regulatory) Risks: Regulations in support of the Energy Act 2019 are also expected to be finalized in the near-to-midterm. The Company is particularly cognisant of the 'Reliability, Quality of Supply and Quality of Service Regulations' which will, inter alia, stipulate fines and compensation for defaults in supply or service. There is also a likelihood of an increase in litigation attributed to by public liability arising from billings, trespass and public safety.

Sovereign/Political Risks: As the country draws closer to the next general elections, the business environment is likely to be affected since the product we serve relates directly to the social well-being of the general public. Electricity access is regularly quoted as a political milestone; thus it is expected that there will be significant push towards realisation of this goal.

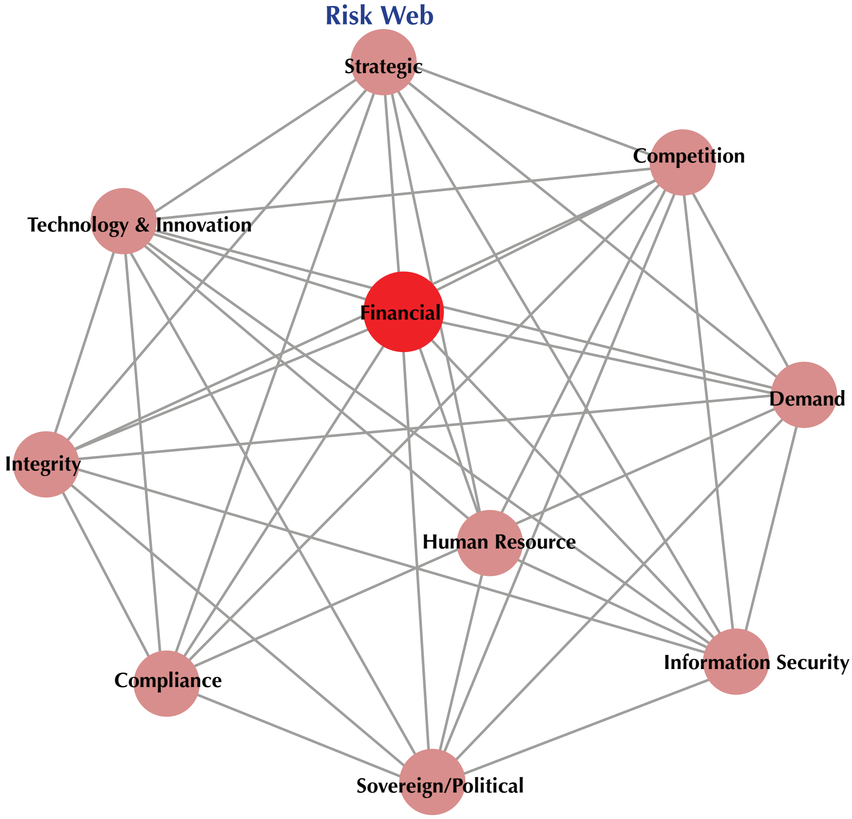
Operational Risks: Electricity theft and illegal connections continue to feature on the Company's risk profile as evidenced by increased system (commercial) losses. Additional resources and campaigns have been deployed to mitigate this exposure. Implementation of additional initiatives is required to sustain the gains made.

Emerging Risks: Self-generation and perceived high cost of electricity have potential to reduce energy uptake from the grid in the backdrop of increasing national generation capacity. This can affect the Company's market-share and electricity.

Company Risk Web

The risk interconnection map shows the top 10 risks the Company faced during the year. It indicates the impact, likelihood, and their respective interconnections. The risk rating is represented by the size of the circular node, the risk severity by the respective node shading and the degree of correlation by the thickness of interconnecting lines.

Risk Web



15. Internal Controls

The Company has a policy to maintain an Internal Audit function that undertakes Internal Audit work throughout the Company. The Internal Audit function offers independent, objective assurance and consulting services designed to add value and improve the Company's operations. It helps accomplish our objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance process. This is with the aim to enhance and protect the organizational value by providing risk-based and objective assurance, advice and insight.

16. Ethics and Code of Conduct

The Board, Management and staff are required to conduct themselves with Integrity and professionalism in accordance with the Company's Code of Conduct and Ethics. The Code defines our ethical standards and holds us accountable for our business conduct. It is a resource for helping us to align our conduct and practices with our values. This is key in ensuring that we do the right thing and are accountable at all times, while adhering to our standards and principles as we interact with customers, communities and other stakeholders.

During the year under review, the Company continued to entrench a strong ethical conduct through training and sensitisation of staff, corruption risk assessments and enforcement of prevention measures.

In addition, the Company has put in place various mechanisms for receiving complaints and making follow-ups on allegations and cases of unethical conduct. Objective analysis of reported cases is done and appropriate action instituted to control and mitigate the risk. The mobile application and short code *977# are viable instruments in helping customers and other stakeholders to navigate the challenges including staff identifications and misconduct among other issues.

17. Shareholding Structure

The Company complies with the rules and regulations of the Capital Market Authority and the principles of disclosure and transparency as provided under Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations, Nairobi Securities Exchange Listing Rules and the Companies Act 2015.

The top 20 major shareholders as at 30th June 2020 were as follows:

No.	Name of Shareholder	Ordinary (Nominal Value Shs. 2.50 Each)	4% Pref. (Nominal Value Shs. 20/= Each)	7% Pref. (Nominal Value Shs. 20/= Each)	Total	%
1	THE NATIONAL TREASURY	977,641,695	656,808	193,531	978,492,034	50.086
2	STANDARD CHARTERED NOMINEES RESD A/C KE11450	32,518,589	-	-	32,518,589	1.665
3	STANDARD CHARTERED NOMINEES NON-RESD A/C KE11794	24,076,800	-	-	24,076,800	1.232
4	KENYA COMMERCIAL BANK NOMINEES LIMITED A/C 915B	22,887,288	-	-	22,887,288	1.172
5	STANDARD CHARTERED NOMINEES NON-RESD. A/C KE9053	20,959,975	-	-	20,959,975	1.073
6	THE JUBILEE INSURANCE COMPANY OF KENYA LIMITED	20,315,096	59,828	17,160	20,392,084	1.044
7	STANDARD CHARTERED NOMINEES RESD A/C KE11401	19,250,681	-	-	19,250,681	0.985
8	SURESH NARAN RATNA VARSANI	17,221,225	-	-	17,221,225	0.882
9	NARAN KHIMJI AND VIRJI KHIMJI HIRANI	17,080,964	-	-	17,080,964	0.874
10	NIC CUSTODIAL SERVICES A/C 245	16,000,000	-	-	16,000,000	0.819
11	KENYA COMMERCIAL BANK NOMINEES LIMITED A/C 915A	15,333,260	-	-	15,333,260	0.785
12	MAHENDRA KUMAR KHETSHI SHAH	13,458,000	-	-	13,458,000	0.689
13	STANBIC NOMINEES LIMITED A/C R5551484	12,400,226	-	-	12,400,226	0.635
14	STANBIC NOMINEES LTD A/C NR1030682	10,954,012	-	-	10,954,012	0.561
15	RAMABEN SUMANTRAI PURSOTTAM PATEL & SUMANTRAI PURSOTTAM MANGALBHAI PATEL	10,397,300	-	-	10,397,300	0.532
16	STANDARD CHARTERED KENYA NOMINEES LTD A/C KE002333	8,920,415	-	-	8,920,415	0.457
17	KENYA COMMERCIAL BANK NOMINEES LIMITED A/C 816B	8,551,279	-	-	8,551,279	0.438
18	NIC CUSTODIAL SERVICES A/C 077	8,273,199	-	-	8,273,199	0.423
19	JOHN NJUGUNA NGUGI	7,987,800	-	-	7,987,800	0.409
20	STANDARD CHARTERED NOMINEES NON-RESID A/C 9342	7,380,954	-	-	7,380,954	0.378

No.	Name of Shareholder	Ordinary (Nominal Value Shs. 2.50 Each)	4% Pref. (Nominal Value Shs. 20/= Each)	7% Pref. (Nominal Value Shs. 20/= Each)	Total	%
SUB - TOTAL		1,271,608,758	716,636	210,691	1,272,536,085	65.137
OTHER SHAREHOLDERS		679,858,287	1,083,364	139,309	681,080,960	34.863
TOTAL ISSUED SHARES		**1,951,467,045**	**1,800,000**	**350,000**	**1,953,617,045**	**100.00**

Shares distribution of Ordinary Shareholders as at 30th June 2020

Range	No. of Shareholders	Shares
<1,000	14,463	4,502,564
1001–10,000	11,142	36,418,077
10,001–50,000	3,039	66,172,012
50,001–100,000	616	44,145,848
Over 100,000	934	1,800,228,544
Total	**30,194**	**1,951,467,045**

Shares distribution of 4 percent Preference Shareholders as at 30th June 2020

Range	No. of Shareholders	Shares
<1,000	362	64,209
1001–10,000	57	152,792
10,001–50,000	13	327,184
50,001–100,000	2	133,564
Over 100,000	3	1,122,251
Total	**437**	**1,800,000**

Shares distribution of 7 percent Preference Shareholders as at 30th June 2020

Range	No. of Shareholders	Shares
<1,000	81	21,862
1001–10,000	15	44,141
10,001–50,000	3	86,432
50,001–100,000	1	57,617
Over 100,000	1	139,948
Total	**101**	**350,000**

Vivienne Yeda, OGW
Chairman, Board of Directors

1. Muundo na Uteuzi wa Bodi

Kanuni za Utawala kwa Mashirika ya Serikali (Mwongozo) ambazo Kampuni linazingatia inahitaji upeo wa Wakurugenzi tisa. Katika suala hili, Bodi yetu ya sasa Wakurugenzi sita Wasio Watendaji linajumuisha ikiwa ni pamoja na Mwenyekiti; Wakurugenzi wawili wasio wa Kujitegemea wanaowakilisha Hazina ya Kitaifa na Wizara ya Nishati; na Mkurugenzi Mtendaji mmoja ambaye pia ni Mkurugenzi Mkuu na Afisa Mtendaji Mkuu. Katiba ya Bodi yetu inazingatia utofauti katika jinsia, umri, kabila na utamaduni.

Uteuzi wa Bodi unaongozwa na Mkataba na Nakala za Chama cha Kampuni yetu. Kifungu cha 120 cha Kampuni kinasema kwamba katika kila Mkutano Mkuu wa Mwaka (AGM), karibu theluthi moja ya wajumbe wa Bodi wanastaafu kwa kuzunguka na wanastahili kuchaguliwa. Ingawa Kifungu cha 123 kinathibitisha kwamba ikiwa kwa sababu yoyote nafasi wazi katika Bodi, Wakurugenzi wanaweza kuteua mtu kujaza nafasi hiyo kwa muda hadi Mkutano Mkuu ujao wakati atatarajiwa kujiuzulu lakini ako huru kuchaguuliwa tena.

2. Kujitolea kwa Bodi

Tumejitolea kujenga mfumo thabiti wa utawala wa ushirika unaoungwa mkono na miundo ya biashara inayoendeshwa kimaadili, taratibu na michakato. Utaratibu mzuri wa utawala unatuwezesha kufikia agizo letu, kuunda thamani ya wanahisa na kukidhi matarajio ya wadau tu kuwezesha Kampuni kukuza ukuaji endelevu.

Tuko thabiti kwa kufuata kanuni za za kisheria na kisheria kama ilivyoainishwa katika Sheria ya Makampuni ya 2015, Kanuni za Mamlaka ya Masoko ya Mitaji ya Utawala wa Kampuni kwa Watoaji wa Dhamana kwa Umma 2015, Masoko ya Mitaji (Usalama) (Ofa za Umma, Orodha na Utangazaji) Kanuni na sheria za Utawala kwa Mashirika ya Serikali kati ya zingine.

Shughuli zetu zimeainishwa katika Hati ya Bodi ambayo inaelezea wazi majukumu, wafilo kwa wajumbe wa Bodi na kamati zake. Tunaongozwa pia na Mkataba wa Kampuni na Nakala za Chama na Kanuni za Maadili ambazo zinaweka sheria zinazosimamia mwenendo wa kila mkurugenzi ili kuiwezesha Bodi kufanya kazi kwa ufanisi kwa masilahi bora ya Kampuni.

Bodi imejitolea kutoa uongozi unaotetea uwazi, uwajibikaji, maadili na uadilifu kama nguzo za utawala bora wa kampuni. Tutaendelea kuimarisha udhibiti wetu wa ndani na udhibiti wa hatari za kibiashara na kukuza utamaduni wa uadilifu kusaidia Kampuni katika kufanikisha mkakati wetu, malengo ya kifedha.

3. Wajibu wa Bodi

Yafuatayo ndio majukumu muhimu ya Bodi:

- **i.** Usimamizi wa Kampuni na katika kutekeleza majukumu yake, inachukua jukumu la usimamizi, mkakati, udhibiti wa hatari, kibiarasha na kudhibiti, uhusiano wa wadau na kutua taarfa sahihi za kampuni.
- **ii.** Kuanzisha mfumo sahini wa udhibiti wa ndani katika Kampuni.
- **iii.** Kusimamia mfumo wa utawala wa ushirika.
- **iv.** Kupitishwa kwa mipango mkakati na sera; kufuatilia utendaji wa kazi; kuanzisha sera na michakato ambayo inahakikisha uadilifu wa udhibiti wa ndani uwajibikaji wa kampuni; na udhibili wa hatari.
- **v.** Kuanzisha majukumu wazi na majukumu katika kutekeleza majukumu yake na uongozi.
- **vi.** Kuhakikisha kuwa usimamizi unakuza kikamilifu utamaduni wa maadili na unaweka maadili ambayo Kampuni itazingatia.
- **vii.** Kuhakikisha kuwa mikakati iliyopitishwa inakuza uendelevu wa Kampuni.
- **viii.** Kuanzisha sera na taratibu za utendaji mzuri wa Kampuni.
- **ix.** Kuanzisha sera zinazofaa za wafanyikazi na malipo kwa wafanyikazi wote kama inavyotakiwa.
- **x.** Kuhakikisha kufuata sheria zote zinazotumika, kanuni za utawala, miongozo na kuanzisha mifumo ya kusimamia na kudhibiti ufanisi katika Kampuni.

4. Mpango Kazi wa Bodi, Uanachama na Mikutano

Bodi inatambua kuwa maendeleo ya mpango wa kazi na malengo yaliyofafanuliwa wazi ya kila mwaka ni muhimu kwa usimamizi mzuri na utekelezaji wa ajenda za Bodi. Mpango wa kazi unafafanua mikutano na ajenda iliyopangwa na inasambazwa kabla ya mikutano ya Bodi.

Mwaka huu, Bodi ilifanya mikutano 14 kuzingatia maswala muhimu yanayohusiana na utendaji wa biashara, mkakati na uendelevu.

Uanachama wa bodi na mikutano kwa mwaka ulioishia 30 Juni 2020

Wajumbe wa bodi	Nafasi katika bodi	Mikutano 14
Balozi. (Mhandisi.) Mahboub Mohamed	Mwenyekiti	14/14
Bw. Henry Rotich	Waziri, Wizara ya Fedha	-
Dkt. Mhandishi. Joseph Njoroge	Katibu mkuu, wizara ya kawi	1/1
Bw. Bernard Ngugi	Mkurugenzi mkuu & mkurugenzi mtendaji (alijiunga Oct.2019)	9/9
Bw. Wilson Mugung'ei	Mjumbe	13/14
Bw. Adil Khawaja	Mjumbe	11/14
Bw. Kairo Thuo	Mjumbe	13/14
BI. Brenda Eng'omo	Mjumbe	13/14
Mweshimiwa. Zipporah Kering	Mjumbe	14/14
Mhandisi. Isaac Kiva	Katibu, Wizara ya Kawi	14/14
Bi. Beatrice Gathirwa	Mwakilishi wa Waziri wa Fedha	12/14
Mhandisi. Jared Othieno	Kaimu mkurugenzi mkuu na mkurugunzi mtendaji (aliondoka Oct.2019)	5/5

Kumbuka:

Hakuna uhusiano baina ya watu kati ya Wajumbe wa Bodi yetu.

5. Tathmini ya Bodi

Ili kuboresha utendaji wa Bodi, tulifanya tathmini ya kila mwaka ya Bodi ikisaidiwa na Kamati ya Ushauri ya Mashirika ya Serikali (SCAC). Bodi ilipata alama ya 95% na mpango wa utekelezaji ulibuniwa kila ukizingatia maeneo ambayo yanahitaji kuboreshwa. Tathmini hiyo inakusudia kuboresha utendaji wa mtu mmoja mmoja na wa umoja kwa ukuaji endelevu na kuimanka kwa Kampuni.

6. Ukaguzi wa Utawala

Bodi ilifanya Ukaguzi wa Utawala wakati wa mwaka kwa lengo la kuhakikisha kuwa Kampuni inatii maeneo husika ya utawala wa ushirika. Sehemu za utekelezaji zimekuwa maendeleo na zitatekelezwa katika mwaka wa fedha wa sasa.

7. Sera ya Biashara ya ndani

Bodi iko katika mchakato wa kukagua sera ya biashara ya ndani na hiyo itafahamishwa kwa wafanyikazi wote wa Kampuni. Bodi inataka kuripoti kwamba hakukuwa na kiizi wandani kwa mwaka ulioishia 30 Juni 2020.

8. Ukuzaji wa Uwezo wa Bodi

Bodi ya Wakurugenzi huandaa kalenda ya mafunzo ambapo mahitaji maalum ya mafunzo yanatambuliwa na kupangwa. mwaka, Wakurugenzi walihudhuria programu anuwai za kuwajengea uwezo zinazozingatia uongozi, udhibitiwa hatari, utawala, fedha na maeneo mengine husika.

9. Kamati za Bodi

Kulikuwa na kamati nne wakati wa mwaka iliyoundwa ili kuongeza ufanisi na mambo utendaji bora wa Bodi: Ukaguzi; Mkakati na Uwekezaji; Utawala wa Kampuni na Uteuzi; na Fedha na Hatari. Kamati ya muda inaweza kuundwa na Bodi ili kuzingatia masuala maalum nje ya mamlaka ya kamati zilizopo. Uanachama, majukumu na mahudhurio ya kamati za Bodi katika mwaka ulioishia 30 Juni 2020 imefupishwa hapa chini:

Ukaguzi

Majukumu	Bodi	Mikutano (6)
Kusaidia Bodi kutimiza majukumu yake na jukumu la usimamizi kwa: • Utendaji wa kifedha na ushirika, • Utoaji wa fedha na mazoea ya uhasibu, • Udhibiti wa ndani na michakato ya ukaguzi wa ndani na nje.	**Mwenyekiti:** Kairo Thuo	6/6
	Wanachama:	
	Wilson Mugung'ei	4/6
	Brenda Eng'omo	5/6
	Beatrice Gathirwa	6/6
	Kuhudhuria:	
	Bernard Ngugi (Alijiunga Oktoba 2019)	2/2
	Jared Othieno (Kushoto mnamo Oktoba 2019)	4/4
Muundo Kamati inajumuisha Wakurugenzi wanne wasio watendaji na hualika mara kwa mara Mkurugenzi Mtendaji na Meneja Mkuu wa Ukaguzi wa ndani wa Mikutano yake. Wakaguzi kwa nje pia wanaalikwa kuhudhuria mikutano inapohitajika.		

Mkakati & Kamati ya Uwekezaji

Majukumu	Bodi	Mikutano (4)
Kuzingatia na kutoa mapendekezo kwa Bodi kuhusu: • Mweleke wa kimkakati wa Kampuni • Maamuzi ya uwekezaji wa Kampuni	**Mwenyekiti:** Wilson Mugung'ei	4/4
	Wanachama:	
	Zipporah Kering	4/4
	Isaac Kiva	4/4
	Kairo Thuo	3/4
	Adil Khawaja	1/4
	Bernard Ngugi (Alijiunga Okt. 2019)	3/3
	Jared Othieno(aliondoka Okt. 2019)	1/1
Muundo Kamati inajumuisha wanachama 6 na huwaalika mara kwa mara Wasimamizi Wakuu wanaosimamia Mkakati wa Fedha na Biashara kwenye mikutano yake.		

Kamati ya Utawala na Uteuzi

Majukumu	Bodi	Mikutano (4)
Kusaidia Bodi katika Kusimamia masuala ya Rasilimali Watu katika Kampuni: • Kutathmini utendaji wa Bodi, • Uteuzi kwa Bodi, • Kupendekeza kwa Bodi ya wakurugenzi ambao watahudumu katika kila kamati ya kudumu, • Kupanga mpangilio wa Mwenyekiti, MD & Mkurugenzi Mtendaji na uongozi wa juu.	**Mwenyekiti:** Brenda Eng'omo	4/4
	Wanachama:	
	Adil Khawaja	4/4
	Zipporah Kering	4/4
	Isaac Kiva	3/4
	Bernard Ngugi (Alijiunga Oktoba 2019)	3/3
Muundo Kamati inajumuisha wanachama 5 na hualika mara kwa mara Meneja Mkuu anayesimamia Rasilimali Watu na Utawala kwenye mikutano yake.		

Kamati ya Fedha na Hatari

Majukumu	Bodi	Mikutano (2)
Kusimamia • Utendaji wa kifedha na masuala yanayoathiri muundo wa kifedha wa Kampuni Usimamizi wa Hatari za Kibiashara.	**Mwenyekiti:** Adil Khawaja	2/2
	Wanachama:	
	Zipporah Kering	2/2
	Isaac Kiva	2/2
	Beatrice Gathirwa	1/2
	Bernard Ngugi (Alijiunga Oktoba 2019)	1/1
	Jared Othieno (Aliondoka Oktoba 2019)	1/1
Muundo Kamati inajumuisha wajumbe 5 na mara kwa mara hualika Meneja Mkuu wa Fedha kwenye mikutano yake ili kutoa habari na ufafanuzi.		

10. Uwajibikaji na Ukaguzi

Taarifa ya Wajibu wa Wakurugenzi imewekwa kwenye ukurasa 56, na ripoti ya Wakaguzi huru iko kwenye ukurasa 57 .

11. Mshahara wa Wakurugenzi

Wakurugenzi wanastahili kupata posho za mikutano waliohudhuriwa kulinga serikali na urotibu wa kwa mashirika ya serikali. Ada ya wakurugenzi inakubaliwa na wanahisa wakati wa Mkutano Mkuu wa Mwaka na hulipwa kila mwaka kulingana na miongozo ya Serikali kwa mashirika yote ya serikali. Inapoweza kutumika, Wakurugenzi wanastahiki posho ya kukaa, posho ya chakula cha mchana (kufidia chakula cha mchana kinachotolewa), posho ya malazi na malipo ya mileage. Mwenyekiti wa Bodi analipwa heshima ya kila mwezi.

Inapendekezwa kuwa katika mwaka wa kifedha uliomalizika tarehe 30 Juni 2020, kila Mkurugenzi asiye mtendaji alipwe jumla ya Sh 600,000 au kwa msingi wa pro rata kwa muda uliotumika. Maelezo ya fidia za Wakurugenzi wakati wa mwaka imeonyeshwa kwenye ukurasa 53 katika taarifa za kifedha.

12. Hisa ya Wakurugenzi

Hakuna Wakurugenzi aliyemiliki zaidi ya asilimia 1 ya hisa katika mwaka kama inavyoonyeshwa kwenye jedwali hapa chini.

Hisa za Mkurugenzi

Mkurugenzi	Hisa
Joseph Njoroge	68,333
Bernard Ngugi	5,850
Wilson Mugung'ei	1,537
jumla	**75,720**

13. Usimamizi wa Hatari za Biashara

Kampuni imetekeleza mbinu ya Usimamizi wa Hatari katika biashara yote kulingana na **Mwongozo Code na ISO 31000,** inayolenga kudhibiti hatari zinazoathiri kufanikiwa kwa malengo yake ya kimkakati. Uwajibikaji wa kiwango cha juu uko mikono mwa Bodi ya Wakurugenzi na usimamiaji ambao, katika majukumu yao, wanasimamia usimamizi wa wasifu wa hatari ya ushirika. Vichwa vya kazi husika vina jukumu la kupachika mchakato wa kudhibiti hatari katika shughuli zao. Katika mwaka, maeneo muhimu ya mfiduo ambayo yanahitaji hatua za haraka ili kuhakikisha wasiwasi wa Kampuni unaangaziwa kama ifuatavyo:

Hatari za kifedha: Kenya ilipata kushuka kwa uchumi katika sekta nyingi katika mwaka uliomalizika, ikichochewa sana na athari kubwa za Janga la Covid-19 lililotangazwa na WHO. Athari hizi, pamoja na viwango vya utoaji wa taarifa vilivyoimarishwa, zimeripotiwa vibaya katika hatari za kifedha za Kampuni na viashiria vya utendaji. Mtazamo unaonyesha kupona polepole kwa uchumi katika kipindi cha karibu na katikati kwa hivyo Kampuni inatarajia kuendelea kupata athari hizi mbaya licha ya uwepo mipango za kudhibiti hivi karibuni.

Utekelezaji (Sheria na Udhibiti) Hatari: Kanuni za kuunga mkono Sheria ya Nishati ya 2019 pia zinatarajiwa kukamilika hivi karibuni. Kampuni inatambua haswa Sheria ya 'Uaminifu, Ubora wa Ugavi na Ubora wa Huduma' ambayo, pamoja na mambo mengine, itaainisha faini na fidia ya kasoro ya usambazaji au huduma. Kuna uwezekano pia wa kuongezeka kwa madai yanayosababishwa na dhima ya umma inayotokana na malipo, makosa na usalama wa umma.

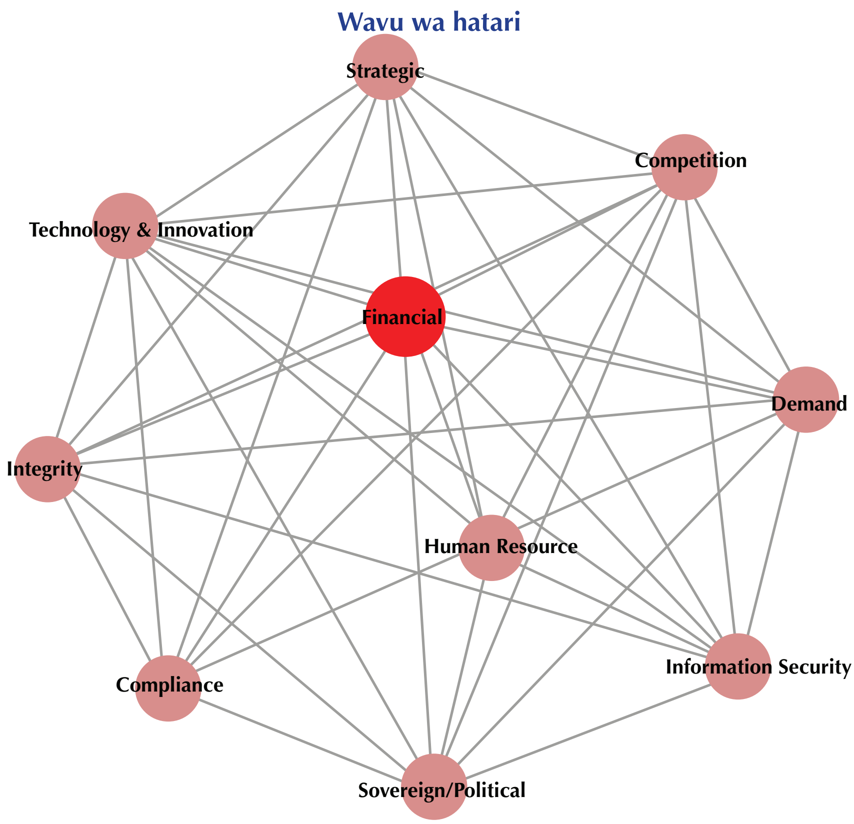
Mtawala /Kisiasa: Wakati nchi inakaribia uchaguzi mkuu ujao, mazingira ya biashara yanaweza kuathiriwa kwani bidhaa tunayohudumia inahusiana moja kwa moja na ustawi wa kijamii wa umma kwa jumla. Upataji wa umeme unanukuliwa mara kwa mara kama hatua ya kisiasa; kwa hivyo inatarajiwa kuwa kutakuwa na msukumo mkubwa kuelekea utekelezwaji wa lengo hili.

Hatari za Uendeshaji: Wizi wa umeme na unganisho haramu vinaendelea kuonekana kwenye wasifu wa Kampuni kama inavyothibitishwa na kuongezeka kwa upotezaji wa mfumo (wa kibiashara). Rasilimali na kampeni za ziada zimepelekwa kupunguza mfiduo huu. Utekelezaji wa mipango ya ziada inahitajika ili kupata mafanikio yaliyopatikana.

Hatari zinazojitokeza: Kuzaa kibinafsi na kuona gharama kubwa za umeme zina uwezo wa kupunguza matumizi ya nishati kutoka gridi ya kuongezeka kwa uwezo wa kizazi cha kitaifa. Hii inaweza kuathiri soko-hisa na umeme wa Kampuni.

Wavu wa Hatari ya Kampuni

Ramani ya unganisho la hatari inaonyesha hatari 10 za juu ambazo Kampuni ilikabiliwa na mwaka. Inaonyesha athari, uwezekano, na unganisho lao. Ukadiriaji wa hatari unawakilishwa na saizi ya node ya mviringo, ukali wa hatari na kivuli cha nodi husika na kiwango cha uwiano na unene wa mistari inayounganisha.



14. Udhibiti wa ndani

Kampuni ina sera ya kudumisha kazi ya Ukaguzi wa ndani ambao hufanya kazi ya Ukaguzi wa ndani katika Kampuni yote. Kazi ya Ukaguzi wa ndani hutoa huduma huru, dhamana ya dhumuni na huduma za ushauri iliyoundwa ili kuongeza thamani na kuboresha shughuli za Kampuni. Inasaidia kutimiza malengo yetu kwa kuleta utaratibu, utaratibu wenye nidhamu wa kutathmini na kuboresha ufanisi wa usimamizi wa hatari, udhibiti na mchakato wa utawala. Hii ni kwa lengo la kuongeza na kulinda thamani ya shirika kwa kutoa uhakikisho wa msingi wa hatari na dhamira, ushauri na ufahamu.

15. Maadili na kanuni za kampuni

Bodi, idasimamizi na wafanyikazi wanahitajika kufanya kazi kwa Uadilifu na weledi kulingana na Kanuni za Maadili na Maadili ya Kampuni. Kanuni hufafanua viwango vyetu vya maadili na inatuwajibisha kwa mwenendo wetu wa biashara. Ni rasilimali ya kutusaidia kuoanisha mwenendo na mazoea yetu na maadili yetu. Hii ni muhimu katika kuhakikisha kuwa tunafanya jambo linalofaa na tunawajibika wakati wote, huku tukizingatia viwango na kanuni zetu tunaposhirikiana na wateja, jamii na wadau wengine.

Katika mwaka ulioangaziwa, Kampuni iliendelea kusisitiza maadili thabiti kupitia mafunzo na uhamasishaji wa wafanyikazi, tathmini ya hatari za rushwa na utekelezaji wa hatua za kuzuia.

Kwa kuongezea, Kampuni imeweka utaratibu anuwai wa kupokea malalamiko na kufanya ufuatiliaji juu ya madai na kesi za mwenendo mbaya. Uchambuzi wa malengo ya kesi zilizoripotiwa hufanyika na hatua sahihi zinawekwa kudhibiti na kupunguza hatari. Matumizi ya rununu na nambari fupi * 977# ni nyenzo zinazofaa katika kusaidia wateja na wadau wengine kushughulikia changamoto hizo ikiwa ni pamoja na utambuzi wa wafanyikazi na utovu wa nidhamu kati ya maswala mengine.

16. Muundo wa Hisa

Kampuni inatii sheria na kanuni za Mamlaka ya Soko la Mitaji na kanuni za ufichuzi na uwazi kama inavyotolewa chini ya Masoko ya Mitaji (Dhamana) (Kanuni za Utoaji wa Hesabu za umma, Orodha na Utangazaji), Sheria za Orodha ya Kubadilishana Usalama wa Nairobi na Sheria ya Kampuni ya 2015.

Wanahisa wakuu 20 bora mnamo 30 Juni 2020 walikuwa kama ifuatavyo:

No.	Jina la mwanahisa	Kawaida (Thamani ya Jina Shs. 2.50 kila moja)	4% pendwa (Shs. 20/= kila moja)	7% pendwa. (Shs. 20/= kila moja)	Jumla	Asilimia
1	THE NATIONAL TREASURY	977,641,695	656,808	193,531	978,492,034	50.086
2	STANDARD CHARTERED NOMINEES RESD A/C KE11450	32,518,589	-	-	32,518,589	1.665
3	STANDARD CHARTERED NOMINEES NON-RESD A/C KE11794	24,076,800	-	-	24,076,800	1.232
4	KENYA COMMERCIAL BANK NOMINEES LIMITED A/C 915B	22,887,288	-	-	22,887,288	1.172
5	STANDARD CHARTERED NOMINEES NON-RESD. A/C KE9053	20,959,975	-	-	20,959,975	1.073
6	THE JUBILEE INSURANCE COMPANY OF KENYA LIMITED	20,315,096	59,828	17,160	20,392,084	1.044
7	STANDARD CHARTERED NOMINEES RESD A/C KE11401	19,250,681	-	-	19,250,681	0.985
8	SURESH NARAN RATNA VARSANI	17,221,225	-	-	17,221,225	0.882
9	NARAN KHIMJI AND VIRJI KHIMJI HIRANI	17,080,964	-	-	17,080,964	0.874
10	NIC CUSTODIAL SERVICES A/C 245	16,000,000	-	-	16,000,000	0.819
11	KENYA COMMERCIAL BANK NOMINEES LIMITED A/C 915A	15,333,260	-	-	15,333,260	0.785
12	MAHENDRA KUMAR KHETSHI SHAH	13,458,000	-	-	13,458,000	0.689
13	STANBIC NOMINEES LIMITED A/C R5551484	12,400,226	-	-	12,400,226	0.635
14	STANBIC NOMINEES LTD A/C NR1030682	10,954,012	-	-	10,954,012	0.561
15	RAMABEN SUMANTRAI PURSOTTAM PATEL & SUMANTRAI PURSOTTAM MANGALBHAI PATEL	10,397,300	-	-	10,397,300	0.532

No.	Jina la mwanahisa	Kawaida (Thamani ya Jina Shs. 2.50 kila moja)	4% pendwa (Shs. 20/= kila moja)	7% pendwa. (Shs. 20/= kila moja)	Jumla	Asilimia
16	STANDARD CHARTERED KENYA NOMINEES LTD A/C KE002333	8,920,415	-	-	8,920,415	0.457
17	KENYA COMMERCIAL BANK NOMINEES LIMITED A/C 816B	8,551,279	-	-	8,551,279	0.438
18	NIC CUSTODIAL SERVICES A/C 077	8,273,199	-	-	8,273,199	0.423
19	JOHN NJUGUNA NGUGI	7,987,800	-	-	7,987,800	0.409
20	STANDARD CHARTERED NOMINEES NON-RESID A/C 9342	7,380,954	-	-	7,380,954	0.378
Idadi ndogo		**1,271,608,758**	**716,636**	**210,691**	**1,272,536,085**	**65.137**
Wanahisa wengine		**679,858,287**	**1,083,364**	**139,309**	**681,080,960**	**34.863**
Jumla ya hisa zilizotolewa		**1,951,467,045**	**1,800,000**	**350,000**	**1,953,617,045**	**100.00**

Kufumushiwa kwa Wanahisa wa Kawaida tarehe 30 Juni 2020

Kiwango	Idadi ya wanahisa	Hisa
Chini ya 1,000	14,463	4,502,564
1001–10,000	11,142	36,418,077
10,001–50,000	3,039	66,172,012
50,001–100,000	616	44,145,848
Zaidi ya 100,000	934	1,800,228,544
Jumla	**30,194**	**1,951,467,045**

Kufumushiwa kwa Wanahisa wa asilimia 4 mnamo 30 Juni 2020

Kiwango	Idadi ya wanahisa	Hisa
Chini ya 1,000	362	64,209
1001–10,000	57	152,792
10,001–50,000	13	327,184
50,001–100,000	2	133,564
Zaidi ya100,000	3	1,122,251
Jumla	437	1,800,000

Kufumushiwa kwa Wanahisa wa asilimia 7 mnamo 30 Juni 2020

Kiwango	Idadi ya wanahisa	Hisa
Chini ya 1,000	81	21,862
1001–10,000	15	44,141
10,001–50,000	3	86,432
50,001–100,000	1	57,617
Zaidi ya 100,000	1	139,948
Jumla	**101**	**350,000**

Vivienne Yeda, OGW
Mwenyekiti, Bodi ya Wakurugenzi

BUSINESS SUSTAINABILITY

The global health crisis experienced with the outbreak of COVID-19 pandemic brought about the need for organisational agility in response to adverse challenges that can threaten business continuity. The pandemic is a clear demonstration of why sustainability and preparedness for any emerging risks should be at the fore of every business.

Our sustainability strategy entails managing and coordinating environmental, social and financial aspects of our business. This strategies aims at ensuring that we are a responsible, ethical, financially stable and progressive Company. We continued to implement measures geared towards ensuring sustainability of our business along the three strategic pillars.

1. Environmental Sustainability

In the process of transmitting and distributing electricity to our customers, our power network traverses through diverse environmental ecosystems, forests and grasslands which pave way for the electricity infrastructure. In addition, our business depends on the environment in various ways including wooden poles for power distribution and water for hydro power generation. The Company therefore promotes programmes that help conserve the environment.

Tree planting

During the year, we planted 20,000 seedlings on Company-owned land throughout the country and an additional 10,000 seedlings were planted in South Nyanza region in partnership with the Kenya Forest Service.

Use of concrete poles

To minimize effects on the environment, the Company has in the last seven years incrementally used concrete poles in place of wooden poles for power line construction. A total of 34,455 concrete poles were procured during the year. The procured number of concrete poles will enable us save equivalent number of trees. Concrete poles are more durable and complement wooden poles in expansion of the network and connecting more customers. This helps to reduce deforestation and maintains forest cover hence mitigating climate change.

Solar PV for off-grid stations

The Company continued with the implementation of hybridization project for existing off-grid diesel generation plants through introduction of solar photovoltaic (PV) generation to reduce on thermal power in the energy mix. This project is in line with our decarbonization initiative which aims at enhancing uptake of clean renewable energy. Retrofitting of the initial 23 diesel generation plants continued with funding of 33 million Euros by French Development Agency (AFD). A further 26 solar mini-grids have been commissioned by Rural Electrification and Renewable Energy Corporation (REREC) in collaboration with the Company. The newly commissioned 60kW solar - 40kW diesel hybrid plants in off-grid areas will reduce the carbon footprint, and help protecting the environment.

Environmental Assessments and Compliance

In compliance with environmental regulations, the Company conducts environmental and social impact assessments for all new infrastructure projects. In addition, we conduct environmental audits and monitoring for existing projects to ensure that they continue to be environmentally sustainable.

De-carbonising the Energy Mix

Decarbonisation of the energy mix is one of the initiatives identified in our Corporate Strategic Plan. The Company has progressively improved the energy mix by dispatching more hydro, geothermal, wind and solar energy, thus lowering the contribution from fossil oil-fired thermal plants. During the year, renewable energy sources supplied 93% of the energy purchased.

2. Social Sustainability

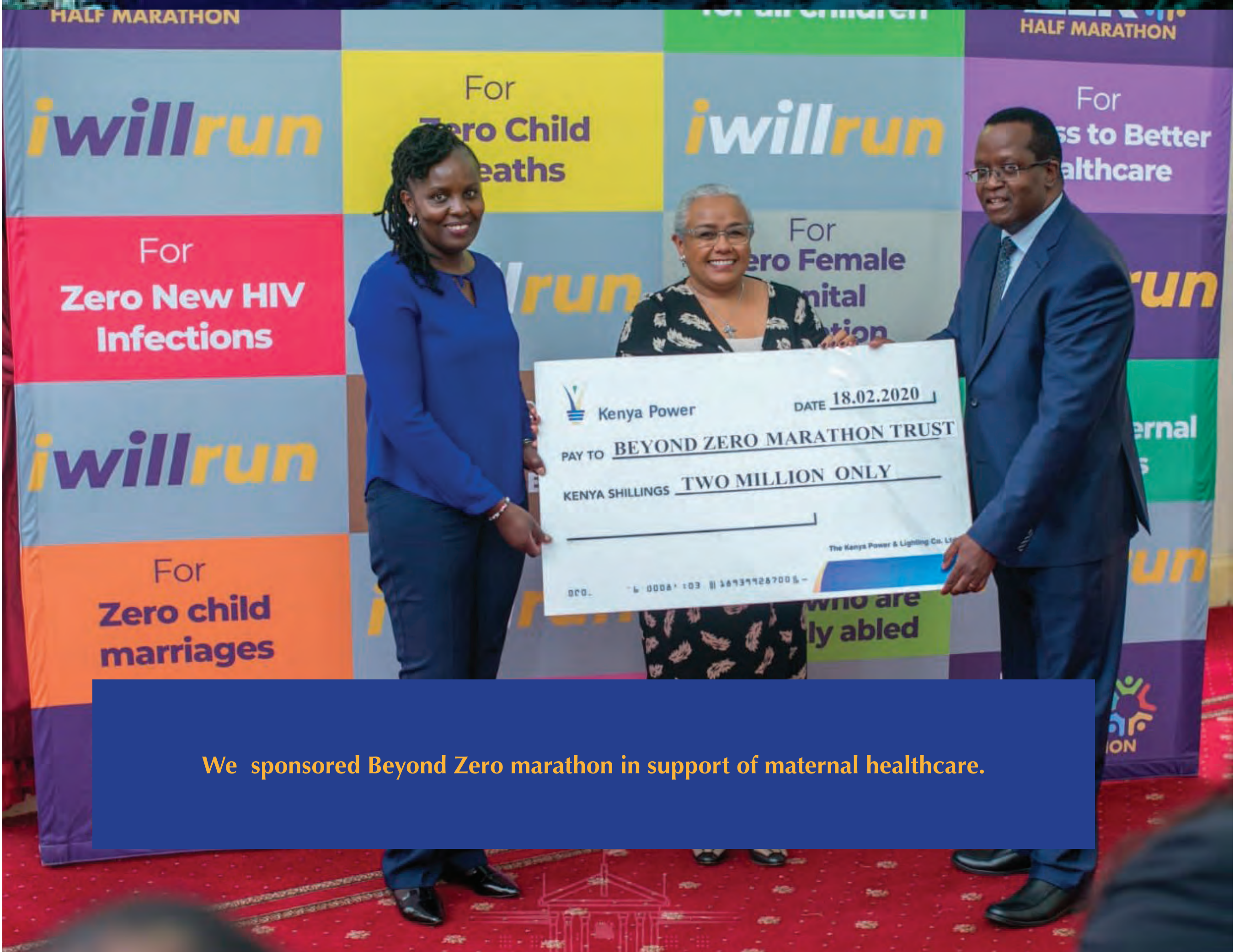
(i) Promoting a Safety Culture

The safety of our employees, customers and the general public is of great concern to the Company as we transact our business. In the period, we reviewed our electrical safety rules to align them with the dynamic business environment and regulatory changes. In addition, we have updated our safety procedures to accommodate safety exposures with the adoption of new technology such as Live Line equipment and Gas Insulated Substations (GIS).

(ii) Safety awareness Campaigns:

During the year, we enhanced public electrical safety awareness campaigns with the aim of sensitising the public on safe use of electricity. Reduction of both public and staff accidents is beneficial to the Company because it reduce and liability to the Company. We conducted public safety campaigns through various mediums including community sensitization forums, school talks, trade fairs and multi-sectoral consultative committees. We also conducted training for staff and contractors covering key areas of statutory safety compliance, general health, first aid, fire protection and operational safety.

Obalwanda School in Homabay County, where one of our projects involved construction of a workshop for children living with disabilities.



We sponsored Beyond Zero marathon in support of maternal healthcare.

(iii) Corporate Social Investment

Our Corporate Social Investment (CSI) Policy affirms our commitment to sustain good relationships with communities in which we operate in. Our CSI strategy aims at contributing to the wellbeing of our communities, winning their support, and fostering loyalty and goodwill for business continuity.

We implemented our CSI plan during the year which covered key support areas in promoting education, social welfare and environmental conservation.

Promoting Education: Over the years we have invested heavily in promoting education through provision of learning facilities and school fees for bright and disadvantaged students. During the year, we supported underprivileged in Starehe Boys and Starehe Girls Centers through our endowment plan. We also invested in construction and renovation of classrooms at Chesitia Primary School in Trans Nzoia County and Masumbi Primary School in Siaya County. In addition, we funded the electrification of Kiminini Primary School in Trans Nzoia County.

Under our Wezesha Jamii Programme, where employees are given an opportunity to propose and champion community-based projects, we funded various disability and education projects across the country during the year.

Some of the key projects that were funded through the Wezesha Jamii Programme include completion of a workshop for children living with disability at Obalwanda School in Homabay County; construction and renovation of classrooms at Kyome Primary School in Makueni County and Kenet Early Childhood Education and Primary School in Baringo County and Funannyata Primary School in Marsabit County. In addition, we funded the construction of ablution block for Ruiru Primary School in Nakuru County Solai, and provided school desks for Moyeni Primary School in Kwale County among others.

Supporting Social Welfare: Our programmes to support social welfare activities included funding of Primadona Foundation in support of their rehabilitation programme for vulnerable children in Makueni County. The Company also supported Faf Kalala village in Garissa County to install a water pump for their borehole. During the same period, we sponsored Little Sisters of the Poor who support elderly and underprivileged people from different communities.

Promoting Health: We supported Jaramogi Oginga Odinga Teaching and Referral Hospital in Kisumu to purchase a Cardiotocograph machine which is used in maternal healthcare. We also contributed towards the 2020, Beyond Zero annual Marathon whose proceeds go towards supporting maternal healthcare across the country.

3. Financial Sustainability

Ensuring financial sustainability is one of the key objectives in our Corporate Strategic Plan. Key initiatives to ensure financial sustainability include growing electricity sales and revenue with special focus on large power consumers managing costs, enhancing system efficiency, improving customer experience and business competitiveness.

Supplying electricity to customers at least cost ensures electricity remains affordable. Contributes to business sustainability as customers obtain more value and default less on their bills. Cost-reflective tariffs are however, necessary for financial sustainability of our business.

As the system operator, we aim at maximising use of renewable energy and therefore, minimize use of the expensive thermal plants. Renewable energy enables stabilisation of electricity prices compared to thermal energy which is prone to variations due to fluctuations in global fuel prices.

Bernard Ngugi
Managing Director & CEO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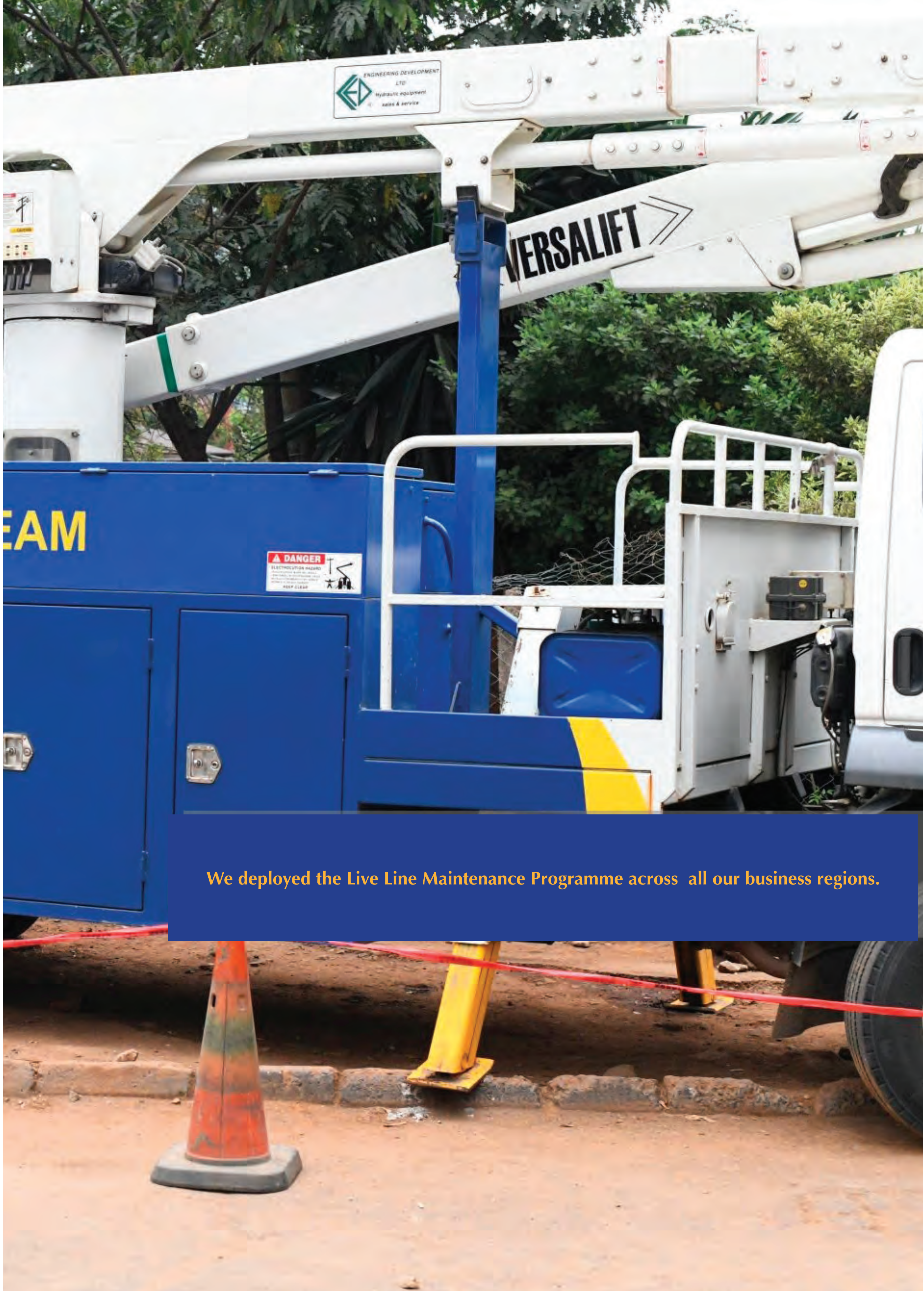
Kenya Power



We deployed the Live Line Maintenance Programme across all our business regions.

DIRECTORS' REPORT

The Directors submit their report together with the audited financial statements of the Kenya Power and Lighting Company Plc (the "Company") for the year ended 30 June 2020, which disclose the state of affairs of the Company.

BUSINESS REVIEW

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

The Company operated in a unique and challenging environment over the financial year under review, this was due to the COVID-19 pandemic which had a significant impact on the business. During the fourth quarter (April to June 2020), demand for electricity dropped significantly due to the close down of most industries and businesses in compliance with the government containment measures against the spread of the virus.

At the height of the pandemic, electricity consumption declined by an average 14.8% in the fourth quarter, resulting in a reduction of revenues of approximately Shs 5.6 billion between April and June 2020. Further, the socio-economic impact arising from the COVID-19 pandemic led to an increase in the level of outstanding receivables by Shs 3.9 billion due to inability of customers to pay for electricity consumption in time. The Company deliberately did not disconnect customers for non-payment of bills during this period. This increase in overdue receivables had an impact on the level of provisions for doubtful debts.

Foreign exchange fluctuation also impacted negatively on the operating results due to the significant foreign exchange exposure in the Company's borrowings as well as outstanding power purchase balances for independent power producers, the local currency also fluctuated significantly against the US Dollar and the Euro.

The performance of the business was impacted significantly by the allowance for expected credit losses, provision for obsolete, slow- moving and non- moving inventories and the volatile depreciation of the Kenya Shilling against the dollar. The reported loss was after adjusting the following items amounting to Shs 10,453 million;

Nature of expense	Notes	Shs Million	Reason for increase
Provision for trade and other receivables	9 (d)	3,268	Increase in receivables as a result of non-payment of bills due to effects of the COVID-19 pandemic.
Increase of provision for inventories due to the change in estimation of provision of slow and non-moving inventories	20	3,654	Enhanced impairment of inventories due to a change in estimation by the Board of Directors, where all inventories over 3 years is fully impaired.
Unrealised foreign exchange differences	11 (b)	3,531	Increase in unrealized foreign exchange losses due to the depreciation of the Shs from 102/1USD in June 2019 to over 106/1USD in June 2020.
Total provisions & unrealised foreign exchange loss		10,453	Impact on the profit or loss resulting to a loss before tax of Shs 7,042 million.

During the year under review, the Company's top management was substantively reconstituted following a competitive recruitment process. A new MD & CEO was recruited along with General Managers and thus constituting a robust executive committee to drive the business.

The new leadership team realigned its focus and the Company's resources towards the key areas of; system efficiency, sales growth, revenue collection, cost management and customer experience.

The following initiatives were implemented towards achieving the desired results in the key focus areas;

- Roll out of the County business structure under which each County operates as a business unit and is further segmented into distribution areas and zones to enhance accountability and improve customer experience.
- The launch of live-line maintenance technology where customers remain on supply during planned system maintenance hence increasing up-time and sales.
- Aggressive electricity installation inspection campaign to identify and resolve faulty meters and non-metered connections.
- Optimization of internal resources by use of Company owned facilities and releasing of office -based staff for revenue collection and inspection campaigns.

BUSINESS REVIEW (CONTINUED)

- Launch of deferred payment option for premium customer applications for connection to spur growth in unit sales.
- Aided collection by the National Treasury, of overdue electricity debt owed by government departments and entities.

Foreign exchange fluctuation also impacted negatively on the operating results due to the significant foreign exchange exposure in the Company's borrowings as well as outstanding power purchase balances for independent power producers. The local currency also fluctuated significantly against the US Dollar and the Euro.

There was a 0.9 % growth Small and Medium-sized Entities (SME) category while the large power customer segment declined by 3.5 %; these are the main demand drivers of the business and were greatly affected by the COVID-19 pandemic. Strategic installations including health facilities and companies that supply water experienced increase in outstanding electricity debt, these could not be disconnected for non-payment due to the importance of the services they provide. The Company continues to engage with these entities for settlement of the arrears.

The retail tariff application for the fourth tariff control period remains pending as submitted to the Energy and Petroleum Regulatory Authority (EPRA) and the Company is optimistic that a review taking into consideration the revenue requirements of the sector and the need for affordability to the customer, will be finalized promptly.

The Company continues to reposition itself in the energy market in the face of emerging alternative sources driving grid defection and is laying out strategies to reclaim its position as the energy solution provider of choice.

RESULTS FOR THE YEAR

	2020	**2019**
	Shs'000	Shs'000
(Loss)/Profit before income tax	(7,042,014)	333,614
Income tax credit /(expense)	6,102,532	(72,061)
(Loss)/Profit for the year	(939,482)	261,553

DIVIDEND

A dividend of Shs 1.93 million (2019: Shs 1.93 million) is payable on the cumulative preference shares and has been recognised in the statement of profit or loss and other comprehensive income under finance costs.

No interim dividend was paid in 2020 (2019: Nil). The Directors do not recommend payment of final dividend for the year 2020 (2019: Nil).

DIRECTORS

The current Directors are as shown on page 4.

STATEMENT AS TO DISCLOSURE TO THE COMPANY'S AUDITOR

With respect to each Director at the time this report was approved:

(a) There is, so far as the Director is aware, no relevant audit information of which the Company's auditor is unaware; and

(b) The Director has taken all the steps that the Director ought to have taken as a Director so as to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

TERMS OF APPOINTMENT OF THE AUDITOR

The Auditor General is responsible for the statutory audit of the Company's financial statements in accordance with Section 35 of the Public Audit Act, 2015 (the "Act"). Section 23(1) of the Act empowers the Auditor General to appoint other auditors to carry out the audit on his behalf. Accordingly, Ernst & Young LLP were appointed to carry out the audit for the year ended 30 June 2020 and report to the Auditor-General.

BY ORDER OF THE BOARD

Imelda Bore
Company Secretary
25 February 2021

INFORMATION NOT SUBJECT TO AUDIT

Remuneration of the Company's Board is set within the Government limits for state corporations.

Statement of Company's policy on Directors' remuneration

During the year, there was no change to the Board remuneration. The current policy as guided by the Government through the State Corporations Advisory Committee (SCAC) will apply in subsequent years until the same is revised. The Company does not have any share options or long-term incentives plans. There was no compensation for past Directors, or any sum paid to third parties in respect of a Director's services.

The only executive Director is the Managing Director and Chief Executive Officer. He has performance targets for the year which apply to the Board. Non-Executive Directors' remuneration is fixed by SCAC.

Contract of service

The Non-Executive Directors are not under contract but are subject to retirement by rotation at the Annual General Meeting (AGM). Mr. Bernard Ngugi was appointed as the Managing Director & CEO and Executive Director of the Company on 28 October 2019 to replace Eng. Jared Othieno who was the Acting Managing Director & CEO and Executive Director since 17 July 2018.

Statement of voting at general meeting

During the last AGM held on 13 November 2020 the shareholders unanimously approved the Directors' fee of Shs 600,000 per year per Director on a pro-rata basis.

Summary of the remuneration policy

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

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

Directors' remuneration

Below is a summary of entitlement per Board Member:

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

* Chairman was provided with a Company car during the year.

INFORMATION SUBJECT TO AUDIT

For the financial years ended 30 June 2020 and 30 June 2019, the Directors' fees and remuneration are as below:

	Salary/ honoraria	Fees	Expense allowances	Total
	Shs'000	Shs'000	Shs'000	Shs'000
Year ended 30 June 2020				
Executive Director				
Bernard Ngugi- MD&CEO	6,774	-	1,122	7,896
Jared Othieno- Ag. MD&CEO	1,879	-	1,097	2,976
Non-Executive Directors				
Mahboub Mohamed – Chairman	960	600	1,916	3,476
Adil Khawaja	-	600	792	1,392
PS, National Treasury	-	600	-	600
PS, Energy - Joseph Njoroge	-	600	164	764
Wilson Mugung'ei	-	600	2,189	2,789
Kairo Thuo	-	600	1,298	1,898
Brenda Engomo	-	600	2,487	3,087
Zipporah Kering	-	600	2,896	3,496
Beatrice Gathirwa	-	-	1,344	1,344
Isaac Kiva	-	-	1,376	1,376
	9,613	4,800	16,681	31,094
Year ended 30 June 2019				
Executive Director				
Executive Director				
Kenneth Tarus- Former MD&CEO	3,880	-	2,969	6,849
Jared Othieno- Ag. MD&CEO	7,825	-	4,530	12,355
Non-Executive Directors				

INFORMATION SUBJECT TO AUDIT (CONTINUED)

Year ended 30 June 2019				
Executive Director				
Executive Director				
Kenneth Tarus- Former MD&CEO	3,880	-	2,969	6,849
Jared Othieno- Ag. MD&CEO	7,825	-	4,530	12,355
Non-Executive Directors				
Mahboub Mohamed – Chairman	960	350	1,129	2,439
Adil Khawaja	-	600	678	1,278
CS, National Treasury – Henry Rotich – Replaced in July 2019	-	600	-	600
PS, Energy - Joseph Njoroge	-	600	188	788
Wilson Mugung'ei	-	600	2,605	3,205
Kairo Thuo	-	600	1,674	2,274
Brenda Engomo	-	600	1,669	2,269
Zipporah Kering	-	350	6,865	7,215
Beatrice Gathirwa	-	-	2,326	2,326
Isaac Kiva	-	-	2,490	2,490
	12,665	4,300	27,123	44,088

BY ORDER OF THE BOARD

Imelda Bore
Company Secretary
25 February 2021

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

The Kenyan Companies Act, 2015 requires the Directors to prepare financial statements for each financial year that give a true and fair view of the financial position of the Company as at the end of the financial year and of its profit or loss for that year. It also requires the Directors to ensure that the Company keeps proper accounting records that: (a) show and explain the transactions of the Company; (b) disclose, with reasonable accuracy, the financial position of the Company; and (c) enable the Directors to ensure that every financial statement required to be prepared complies with the requirements of the Companies Act, 2015.

The Directors accept responsibility for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015. They also accept responsibility for:

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

In preparing the financial statements, the Directors have assessed the Company's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation in Note 2 (a) of the financial statements.

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

Approved by the Board of Directors on **25 February. 2021** and signed on its behalf by:

Vivienne Yeda **Chairman, Board**	**Mr. Sachen Gudka** **Chairman, Audit Committee**	**Mr. Bernard Ngugi** **Managing Director and CEO**

REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR GENERAL

Enhancing Accountability

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON THE KENYA POWER AND LIGHTING COMPANY PLC FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Opinion

The accompanying financial statements of The Kenya Power and Lighting Company PLC set out on pages 67 to 134, which comprise of the statement of financial position as at 30 June, 2020, statement of profit or loss and other comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, have been audited on my behalf by Ernst and Young LLP, auditors appointed under Section 23 of the Public Audit Act, 2015. The auditors have duly reported to me the results of their audit and on the basis of their report, I am satisfied that all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit were obtained.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Kenya Power and Lighting Company PLC as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Companies Act, 2015 and the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of The Kenya Power and Lighting Company PLC Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter

1. Material Uncertainty Relating to Going Concern

I draw attention to Note 2(a) to the financial statements which discloses that the Company recorded a loss before tax of Kshs.7,042,014,000 for the year ended 30 June, 2020 (2019: profit before tax of Kshs.333,614,000). Further, according to the same note the Company reported current liabilities of Kshs.117,475,761,000, which exceeded its current assets of

Kshs.42,626,939,000 by Kshs.74,848,822,000 (2019: Kshs.70,969,861,000), as at 30 June, 2020. The Company has reported negative working capital position for the fourth consecutive year. As disclosed by the Board and Management in the past and current financial statements, strategic initiatives have been undertaken to improve the financial results of the Company. However, these initiatives appear not to have yielded the intended results as at 30 June, 2020. These conditions indicate that a material uncertainty exists, which may cast significant doubt on the Company's ability to continue as a going concern.

2. Capacity Charge on Power Purchase Agreements

The financial statements reflect cost of sales of Kshs.87,499,392,000, as disclosed under Note 8 to the financial statements. Included in these power purchase costs is Kshs.47,495,000,000, which relates to capacity charge as per Power Purchase Agreements (PPAs). These charges, which account for 54% of the total cost of sales are significant and, considering their fixed nature, may have adversely affected the Company's performance resulting in losses. Management indicated that plans are underway to re-negotiate downwards the capacity charges on the existing PPAs. In addition, Management indicated that plans are underway to align the commercial operation dates of the PPAs in the pipeline with the Company's medium-term power demand such that there is no excess power generation. However, until these strategies are implemented, the Company will continue bearing the high fixed capacity charges.

My opinion is not qualified with respect to these matters.

Key Audit Matters

Key audit matters are those matters which, in my professional judgment, are of most significance in the audit of the financial statements. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. For each matter below, a description of how the audit addressed the matter is provided in that context.

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

Key Audit Matter	How the Audit Addressed the Key Audit Matter
1. Change in Estimation of Slow Moving and Non-moving Inventories As at 30 June, 2020, the carrying amount of inventories amounted to Kshs.4,831,372,000 after considering allowance for obsolete, slow moving and non-moving inventories of Kshs.3,914,831,000, as disclosed under Note 20 to the financial statements.	• Obtained and reviewed the Board resolution to approve the change in estimation of slow moving and non-moving inventories. • Reviewed the previous inventories policy

Report of the Auditor-General on The Kenya Power and Lighting Company PLC for the year ended 30 June, 2020

2

Subsequent to year end, the Board of Directors approved a change in the estimation of slow-moving inventories whereby inventories with an ageing of more than three (3) years are currently considered for full impairment compared to the previous estimation of five (5) years. The factors which necessitated this change in estimation are disclosed under Note 20. The total adjustment for the year due to this change is approximately Kshs.3,200,000,000. The assessment process in deter mining allowance for the inventories was complex and involved significant judgement of expected future technological obsolescence of inventories and economic conditions which might have an impact on the procurement and usage projections. These judgments include Management's expectations of forecast inventory usage, procurement lead time and plans to dispose of inventories which are slow-moving, non-moving or obsolete.	manual to understand the factors which resulted to the above- mentioned change. • Assessed the process, methods and assumptions used to develop the provision for slow moving, non-moving or obsolete items. • Observed physical inventory counts at major locations to ascertain the condition of inventories and performed testing, on a sample of items, to assess the cost basis and net realisable value of disposable inventories and evaluated the adequacy of provision for slow moving and obsolete inventories as at 30 June, 2020. • Reviewed the inventory report to identify slow moving or obsolete inventories. • Tested the reliability of the underlying data used by Management to calculate the inventory obsolescence provisions, typically an aged inventory analysis showing last movements by re-performing the ageing calculation driven by the system. I also tested the accuracy of the results and calculation by assessing the calculation criteria and recalculating the provision for a sample of inventories.
2. Provision for Expected Credit Losses (ECL) on Electricity Receivables and Credit Risk IFRS 9 Financial Instruments was adopted by the Company on 1 July, 2018. This standard requires the Company to recognize ECL on financial instruments. I focused on ECL for electricity receivables due to the materiality of these balances and the associated allowances for ECL. As disclosed under Note 9 (d) to these financial statements, the Management had recognised an allowance for ECL for electricity receivables of Kshs.3,157,789,000 as at 30 June, 2020. In addition, the compliance with IFRS in this area involves significant judgement and estimates	Obtained an understanding of the implementation process of IFRS 9, including understanding the process for estimating the ECL. • Tested the key controls over the administration of the expect ed credit loss model. • Tested the accuracy and completeness of the data used for the ECL model. • Selected a sample of electricity receivables and performed procedures to determine accuracy for exposures assessed.

to be made by Management. The most significant areas where I identified greater levels of management judgement were: • Determining the criteria for a significant increase in credit risk ('SICR') • The application of future macro-economic variables reflecting a range of future conditions; • Techniques used to determine the Probability of Default ('PD') and Loss Given Default (' LGD'); Relevant disclosures are included under Note 3(j), 4(b), 6(a), 9(d), and 21(b) to the financial statements which give a description of the accounting policies, credit risk management and analysis of the expected credit losses for electricity receivables.	• Analysed the expected credit loss models against IFRS 9 guidelines. • For forward looking assumptions used, discussions were held with Management and corroborated using both internal and publicly available information; and Assessed the disclosures included in these financial statements and assessed their compliance with the requirements of IFRS.

Other Information

The other information comprises the Chairman's Statement and the Managing Director & Chief Executive Officer's Statement, which I obtained prior to the date of this report, and the rest of the other information in the Annual Report which is expected to be made available to me after that date, but does not include the financial statements and my auditor's report thereon. The Directors are responsible for the other information. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

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

When I read the rest of the other information in the annual report and I conclude that there is a material misstatement therein, I am required to communicate the matter to the Board of Directors.

Other Matter

Unresolved Prior Year Matter

As reported during the previous audit report, a review of procurement processes had revealed that the Company had executed a contract with a local firm for the provision of creative, production and media buying services at a cost of Kshs.55,890,600 in January, 2018. The services were procured through Direct Procurement contrary to Article 227 of the Constitution of Kenya and Section 103(1) of the Public Procurement and Asset Disposal Act, 2015.

Management has not given satisfactory explanation to justify the choice of this procurement method.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Non-Compliance with the Unclaimed Financial Assets Act, 2011

As reported in the prior year, the Company held in their books unremitted qualifying financial assets amounting to Kshs1,292,074,000 (2019: Kshs.922,000,000), included under other payables of Kshs.11,762,903,000 (2019: Kshs.10,319,188,000), as disclosed under Note 28 to the financial statements. These assets include deposit refunds, unidentified receipts, unpaid customer electricity deposits, unpaid wayleaves compensation, unclaimed dividends, and stale cheques, which ought to have been reported and submitted to the Unclaimed Financial Assets Authority (UFAA), as required by the Unclaimed Financial Assets Act, 2011. According to the Act, failure to comply attracts a penalty of 25% of the assets held, in addition to a daily penalty of between Kshs.7,000 and Kshs.50,000 for each day a report is late in submission.

Management has however indicated that various measures have subsequently been taken to comply with the requirements of the Act, including remitting Kshs.88,000,000 of the outstanding balances to the Unclaimed Financial Assets Authority.

2. Non-Compliance with the Capital Markets Authority Listing Rules

As reported in prior years, the first schedule of the Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations, 2002 (Amended 2016) sets out the minimum requirements for a company at the time of listing, as well as continuing obligations of the listed company. The first schedule provides that the listed company must have prepared financial statements for the latest accounting period on a going concern basis and that the related audit report must not contain any qualification or emphasis of matter in this regard. However, the audit opinion on the Company's financial statements includes emphasis of matter.

In addition, the Company must not be in breach of its loan covenants, particularly in regard to the maximum debt capacity and should have adequate working capital. However, the Company's current liabilities of Kshs.117,475,761,000 exceeded its current assets of Kshs.42,626,939,000 by Kshs.74,848,822,000 (2019: Kshs.70,969,861,000), resulting to negative working capital, and a current ratio of 0.36:1 for various loans, which was below the current ratio of 1:1 threshold set out in the respective loan covenants.

Consequently, the Management is in breach of the regulation.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance, were not effective.

Basis for Conclusion

1. System Inefficiency

During the year ended 30 June, 2020, Management reported 76.6% efficiency, resulting to system losses of 23.47%. However, the industry regulator, Energy and Petroleum Regulatory Authority (EPRA) has approved for the Management to recover from consumers, system losses of up to a limit of 19.99%. The Company therefore incurred losses, which were above the limit approved by EPRA as recoverable from consumers, therefore negatively impacting the financial performance of the Company.

In the circumstances, I am unable to confirm the effectiveness of internal control measures put in place to mitigate the losses, including governance.

2. Long Outstanding Accounts Receivables

As disclosed under Note 21(b) to the financial statements, the statement of financial position reflects gross trade and other receivables of Kshs.58,101,223,000. Included in this balance, which relates to the current portion of the total receivables, are trade receivables of Kshs.25,193,650,000. Further, this figure includes Kshs.12,495,084,000 or 50% of the total receivables, which were outstanding for a period of more than ninety (90) days. Management indicates that measures have been put in place to enhance collection of amounts owed to the Company. However, until these measures yield results, the Company will continue holding long outstanding receivables, which have a negative impact on its liquidity.

Further, as disclosed under Note 21(b) and 36(b)(ii) to the financial statements, the statement of financial position reflects gross amounts due from the Government amounting to Kshs.16,563,693,000 (2019: Kshs.11,953,850,000 (restated). This balance, which relates to management of the Rural Electrification Scheme on behalf of the Government, is long outstanding and has accumulated over the years. Further, it is not clear why it has taken a significantly long period to recover the outstanding amounts which are at risk of becoming unrecoverable and impaired over time.

In the circumstances, I am unable to confirm the effectiveness of internal control measures put in place to collect outstanding debts including governance.

3. Long Outstanding Trade Payables

As disclosed under Note 28(b) to the financial statements, the statement of financial position reflects current trade and other payables of Kshs.88,479,128,000. Included in this balance are trade payables of Kshs.1,379,725,000, which have been long outstanding. Management attributes the non-payment to financial challenges which the Company has been going through. Further, Management indicates that the Company requested for a moratorium on dividends payable to the Government, as part of initiatives under The National Treasury taskforce on sustainability of the Company, and the sector at large. However, until the rescue initiatives bear results, the Company will continue holding long outstanding payables, which may result to discontentment of financiers and suppliers, who may hold back any further financing and supply of goods and services to the Company.

In the circumstances, I am unable to confirm the effectiveness of internal control measures put in place to manage debts including governance.

4. Weaknesses in Information Technology (IT) Systems

The Management has implemented a number of IT systems for its various operations. However, an audit review revealed that the Management had an inadequate Disaster Recovery Plan (DRP). The Management indicated that they were in the process of updating the Information and Communication Technology (ICT) policy to address the current gaps identified. Further, the audit review revealed control weaknesses in the change and access controls.

In view of the above, it was not possible to confirm the existence of effective internal controls and related risk management including governance.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Companies Act, 2015, except for the matters under the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources and Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, I report based on the audit that:

(i) In my opinion, the information given in the report of the Directors on pages 2 to 4 is consistent with the financial statements.

(ii) In my opinion, the auditable part of the Directors' remuneration report on pages 5 to 7 has been properly prepared in accordance with the Kenyan Companies Act, 2015.

Responsibilities of Management and Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to liquidate the Company or to cease operations.

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

The Board of Directors is responsible for overseeing the financial reporting process, reviewing the effectiveness of how the Company monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution, and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level, the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.

- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

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

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

Nancy Gathungu
AUDITOR-GENERAL

Nairobi

25 February, 2021

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 Shs'000	2019 Shs'000
Revenue from contracts with customers	7(a)	133,258,602	133,140,887
Cost of sales	8	(87,499,392)	(90,152,296)
Gross profit		**45,759,210**	**42,988,591**
Net operating expenses			
Network management	9(a)	(11,118,760)	(10,805,536)
Commercial services	9(b)	(6,659,415)	(7,674,136)
Administration	9(c)	(26,788,609)	(21,129,390)
Expected credit losses on financial assets	9(d)	(3,267,687)	(1,434,364)
		(47,834,471)	**(41,043,426)**
Operating income		(2,075,261)	1,945,165
Other income	7(b)	7,387,487	8,585,791
Operating profit		**5,312,226**	**10,530,956**
Finance income	11(a)	123,188	117,900
Finance costs	11(b)	(12,477,428)	(10,315,242)
(Loss)/Profit before income tax		(7,042,014)	333,614
Income tax credit/(expense)	13(a)	6,102,532	(72,061)
(Loss)/Profit for the year		(939,482)	261,553
Basic and diluted earnings per share (Shs)	14	(0.48)	0.13
(Loss)/Profit for the year		**(939,482)**	**261,553**
Other comprehensive income:			
Items that will not be subsequently reclassified to profit or loss			
Remeasurement of the retirement benefit asset	32	(527,414)	(1,664,694)
Deferred income tax relating to remeasurement of the retirement benefit asset	27	131,854	499,408
Other comprehensive loss		(395,560)	(1,165,286)
Total comprehensive loss for the year		**(1,335,042)**	**(903,733)**

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

ASSETS	Notes	2020 Shs'000	2019 Shs'000
Non-current assets			
Property and equipment	16	276,859,904	277,066,960
Leasehold land	17	667,014	883,126
Intangible assets	18	2,380,739	3,491,263
Retirement benefit asset	32	527,328	1,103,011
Trade and other receivables	21(a)	1,010,805	1,239,626
Right of use asset	19	1,194,630	-
		282,640,420	**283,783,986**
Current assets			
Inventories	20	4,831,372	9,834,900
Trade and other receivables	21(b)	33,815,005	30,110,660
Current income tax	13(c)	96,271	71,108
Short-term deposits	22(a)	442,741	409,465
Bank and cash balances	22(b)	3,441,550	4,284,496
		42,626,939	**44,710,629**
TOTAL ASSETS		**325,267,359**	**328,494,615**
EQUITY AND LIABILITIES			
Equity attributable to owners			
Ordinary share capital	23	4,878,667	4,878,667
Share premium	24	22,021,219	22,021,219
Retained earnings	25	27,996,913	29,330,976
TOTAL EQUITY		**54,896,799**	**56,230,862**
Non-current liabilities			
Deferred income tax	27	20,590,805	26,886,643
Deferred income	26	12,900,609	15,103,027
Trade and other payables	28(a)	23,487,673	21,935,192
Lease liabilities	29	915,480	-
Borrowings	30	94,957,232	92,615,401
Preference shares	31	43,000	43,000
		152,894,799	**156,583,263**
Current liabilities			
Trade and other payables	28(b)	88,502,706	81,196,162
Deferred income	26	3,041,221	3,935,632
Provisions	33	1,034,557	813,331
Lease liabilities	29	314,948	-
Borrowings	30	15,004,361	18,768,015
Dividends payable	34	806,222	811,045
Overdraft	22(b)	8,771,746	10,156,305
		117,475,761	**115,680,490**
TOTAL EQUITY AND LIABILITIES		**325,267,359**	**328,494,615**

The financial statements on pages 67 to 134 were approved and authorised for issue by the Board of Directors on **25th February. 2021** and were signed on its behalf by:

Vivienne Yeda	**Mr. Sachen Gudka**	**Mr. Bernard Ngugi**
Chairman, Board	**Chairman, Audit Committee**	**Managing Director and CEO**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020

	Notes	Ordinary share capital (Note 23) Shs'000	Share premium (Note 24) Shs'000	Retained earnings (Note 25) Shs'000	Total Shs'000
Year ended 30 June 2019					
Balance at 1 July 2018					
As restated		4,878,667	22,021,219	33,722,537	60,622,423
Changes on application of IFRS 9		-	-	(3,487,828)	(3,487,828)
Profit for the year		-	-	261,553	261,553
Other comprehensive loss		-	-	(1,165,286)	(1,165,286)
Total comprehensive income for the year		-	-	(903,733)	(903,733)
At 30 June 2019		**4,878,667**	**22,021,219**	**29,330,976**	**56,230,862**
Year ended 30 June 2020					
Balance at 1 July 2019		4,878,667	22,021,219	29,330,976	56,230,862
Initial application of IFRS 16	2(b)	-	-	979	979
Loss for the year		-	-	(939,482)	(939,482)
Other comprehensive loss		-	-	(395,560)	(395,560)
Total comprehensive loss for the year		-	-	(1,335,042)	(1,335,042)
At 30 June 2020		**4,878,667**	**22,021,219**	**27,996,913**	**54,896,799**

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

Cash flows from operating activities	**Notes**	**2020** **Shs '000**	**2019** **Shs '000**
Cash generated from operations	35(a)	31,497,107	35,085,640
Income tax paid	13(c)	(87,034)	(176,540)
Interest received	35(g)	120,938	118,020
Gratuity paid	33	(60,644)	(120,196)
Repayment of interest portion of lease liabilities	29	(152,489)	-
Interest paid	35(d)	(7,756,667)	(8,067,893)
Net cash generated from operating activities		23,561,211	26,839,031
Cash flows from investing activities			
Purchase of property and equipment	35(h)	(16,195,490)	(19,978,300)
Purchase of intangible assets	18	(112,111)	(974,990)
Prepayment of operating lease	17	-	(99,120)
Proceeds from disposal of property and equipment	35(e)	66,787	104,896
Net cash used in investing activities		(16,240,814)	(20,947,514)
Cash flows from financing activities			
Repayment of borrowings	35(b)	(12,400,318)	(13,132,712)
Proceeds from borrowings	35(b)	14,632,483	9,559,072
Repayment of principal portion of lease liabilities	29	(248,040)	-
Dividends paid to owners of the Company	35(f)	(6,753)	(52,892)
Net cash generated from/(used) in financing activities		1,977,372	(3,626,532)
Net increase in cash and cash equivalents		9,297,769	2,264,985
Cash and cash equivalents at 01 July		(5,426,474)	(7,603,146)
Effect of foreign exchange rate changes on cash and cash equivalents		37,186	(88,313)
Cash and cash equivalents at 30 June	35(c)	3,908,481	(5,426,474)

1. GENERAL INFORMATION

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

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

Stima Plaza

Kolobot Road, Parklands

P.O. Box 30099 – 00100, Nairobi.

2. BASIS OF PREPARATION

The financial statements are prepared on a going concern basis and in compliance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and the requirements of the Kenyan Companies Act, 2015. They are presented in Kenya Shillings, which is also the functional currency (see Note 3 (i) below), rounded to the nearest thousand (Shs'000), except where otherwise indicated.

The financial statements comprise a profit and loss account (statement of profit or loss), statement of comprehensive income, balance sheet (statement of financial position), statement of changes in equity, statement of cash flows, and notes. Income and expenses, excluding the components of other comprehensive income, are recognised in the profit and loss account. Other comprehensive income is recognised in the statement of comprehensive income and comprises items of income and expense (including reclassification adjustments) that are not recognised in the profit and loss account as required or permitted by IFRS. Reclassification adjustments are amounts reclassified to the profit and loss account in the current period that were recognised in other comprehensive income in the current or previous periods. Transactions with the owners of the Company in their capacity as owners are recognised in the statement of changes in equity.

(a) Going concern assessment

The Company recorded a loss before tax of Shs 7,042 million for the year ended 30 June 2020 (2019: Profit before tax of Shs 334 million) and had net current liabilities of Shs 74,849 million at 30 June 2020 (2019: Shs 70,970 million). These conditions indicate the existence of a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern and, therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business. The Company's performance was affected by the following factors together with other factors discussed under the business review section to these financial statements :

- The Covid-19 pandemic resulted in the closing down and scaling down of key electricity consumers thereby largely contributing to only a marginal increase in sales of Shs 117 million against a growth plan of Shs 32,965 million.
- Debt collection from electricity customers was a challenge as customers were unable to meet their bill payment obligations in time due to the effects of Covid-19 resulting to an increase in receivables by Shs 3,849 million. This led to a further strain on the Company's liquidity position.
- High system losses at 23.46% occasioned by rapid growth in the distribution network without commensurate growth in electricity demand resulting in underutilized grid assets leading to increased technical losses.
- The take or pay pricing model for Power Purchase Agreements (PPAs) with Independent Power Producers which resulted in fixed capacity charges that are unfavourable in the absence of demand growth and during declining demand like this period of the Covid-19 pandemic.
- Delays in restructuring of the retail tariff to reflect the electricity purchases, transmission and distribution costs.
- Aggressive connectivity and grid reinforcement programmes that were necessitated by the Government's target of achieving universal access by 2022. This resulted in utilization of internal funds and medium-term commercial debts to fund these long-term projects without corresponding revenue inflows.

The Board and management are undertaking a number of key strategic initiatives to improve the financial results of the Company going forward. These include;

2. BASIS OF PREPARATION (continued)

(a) Going concern assessment (continued)

(i) To grow revenues and increase the profitability of the Company;

- Restructuring of business operations by adopting a County Business structure which is expected to enhance business performance and efficiency.
- The Company will pursue an optimal balance between generation and electricity demand by engaging the key stakeholders. In addition, the company will intensify sales growth through increased connectivity targeting premium customers by offering deferred payment arrangements and accelerated connection times.
- Active engagement with the regulator (EPRA) and other stakeholders on the critical need for a cost reflective tariff including review of allowed system losses to reflect the grid dynamics.

(ii) To reduce system losses and operating expenses;

- Through ongoing system upgrades, Advanced Metering Infrastructure (AMI) and energy balancing, the company expects to achieve reduction in system losses from the current 23.46% to the allowable level of 19.9%, as determined by the regulator by 2025.
- The Company has put in place more stringent expenditure controls and cost management measures.
- The Company is also engaging the Government to consider reviewing the take-or- pay pricing model for Power Purchase Agreements (PPAs) with independent Power Producers which results in fixed capacity charges.

(iii) To improve the liquidity position;

- As at the end of the year, the company has a total debt portfolio standing at Shs118,730 million, comprising of Shs 65,470 million commercial debt and Shs 53, 260 million on-lent debt.
- The on-lent debts are guaranteed by the Government and hence payable to the Government. Through a letter dated 30 June 2020, the Company successfully petitioned the Government to grant moratorium for payment of principal and interest on Government On-Lent loans amounting to Shs 5,700 million until July 2021 and waive any penalties arising from the deferment of these payments for a period of one year. This will enable the Company to meet its operational obligations until the situation returns to normalcy.
- The Government of Kenya (GOK) is reviewing KPLC's existing commercial facilities with objective to retire expensive ones through engagement on favourable terms with International Partners.
- The Company has also obtained waivers for breach of the current ratio for the third consecutive year and is cognisant of the fact that achieving the covenanted position on the ratios may be infeasible in one year. KPLC has thus initiated discussions with key lenders on a potential review of the covenants as well as seeking on-lent debt repayment moratorium to provide leverage for commercial debt restructuring discuss. The strategy of the Company is to pursue restructuring of short-term commercial facilities (overdrafts) into medium-term facility. Towards this objective, the company has managed to obtain bank term loans amounting to Shs 6,750 million terming a bigger portion of the existing bank overdraft position. This will see a reduction in finance costs and ease the cash flow strain.
- KPLC is also actively engaging the Government to ensure budget reallocation to Government institutions to ensure electricity bills owed by these institutions are settled. In addition, the Company is petitioning the Government to release funds owed to KPLC for the management, operations and maintenance of the RES network.
- Capital expenditure has been restricted to critical projects.
- The State and energy sector public organisations through the Ministry of Energy (MOE), have been requested to ease pressure on supplier dues payable by KPLC i.e. the amount to be settled on a payment plan including a moratorium on dues payable.

Despite the challenging operating environment, the Company continues to receive immense support from its major stakeholders. The Company obtained a one-year moratorium from the National Treasury on the repayment of Government On-Lent Loans due to the National Exchequer. The Energy and Petroleum Regulatory Authority (EPRA) increased the allowable system losses from 14.9% to 19.9% with effect from July 2020; this will help in cushioning the Company against the high system losses.

The management is confident that the ongoing initiatives and invaluable support from key stakeholders will place the Company on a revenue growth trajectory in the short run and improve its working capital.

2. BASIS OF PREPARATION (CONTINUED)

(a) Going concern assessment (continued)

The Board of Directors wishes to assure all stakeholders of its commitment to the stated initiatives that will ensure business continuity and excellence in the delivery of services to our customers.

Based on the above, the Directors consider it appropriate to prepare the financial statements on the basis of accounting policies applicable to a going concern. This basis of preparation presumes that the company will realize its assets and discharge its liabilities in the ordinary course of business.

(b) Changes in accounting policy and disclosures

(i) New standards, amendments, interpretations and improvements

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 July 2019. The Company has not early adopted any other standard, interpretation or amendment that has been issued but not yet effective. A list of the standards and amendments is below:

- IFRS 16 Leases
- IFRIC Interpretation 23 Uncertainty over Income Tax Treatments
- Prepayment Features with Negative Compensation – Amendments to IFRS 9
- Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
- AIP IFRS 3 Business Combinations – Previously held Interests in a joint operation
- AIP IFRS 11 Joint Arrangements – Previously held Interests in a joint operation
- AIP IAS 12 Income Taxes – Income tax consequences of payments on financial instruments classified as equity
- AIP IAS 23 Borrowing Costs – Borrowing costs eligible for capitalization

The nature and the impact of the new standards, amendments and interpretations which are relevant to the Company are described below:

IFRS 16, 'Leases'

The Company adopted IFRS 16 with a date of transition of 1 July 2019, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. It introduces significant changes to lessee accounting by removing distinction between operating and finance lease and requiring recognition of right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

The Company has adopted IFRS 16 Leases retrospectively from July 2019. As permitted by the transitional provisions of IFRS 16, the Company elected not to restate comparative figures. This means that the Company will not restate comparative information but will recognise the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application and the comparative information provided continues to be accounted for in accordance with the Company's previous accounting policy.

The Company has chosen to grandfather the definition of all its leases. This means that if a contract had been defined as a lease prior to application of IFRS 16, the Company will not reassess the leases to determine if they are indeed a lease per the definition of IFRS 16. The same will apply for contracts that had not been defined as lease, in which case IFRS 16 will not apply.

The Company also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Relied on its assessment of whether leases are onerous immediately before the date of initial application.

2. BASIS OF PREPARATION (CONTINUED)

(b) Changes in accounting policy and disclosures (continued)

(i) New standards, amendments, interpretations and improvements (continued)

IFRS 16, 'Leases' (continued)

- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application.
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

Based on the above, as at 1 July 2019:

- Right-of-use assets of Shs 1,303,412,000 were recognised and presented in the statement of financial position.
- Lease liabilities of Shs 1,302,014,000 were recognized and presented in the statement of financial position.
- The adoption of IFRS 16 had an impact of Shs 978,693 on the Company's retained earnings and Shs 419,440 on deferred tax (Note 27).

Impact on the statement of financial position (increase/(decrease))

	30 June 2019	Impact of adoption of IFRS 16	1 July 2019/30 June 2020	Increase/ (Decrease)
	Shs '000	Shs '000	Shs '000	Shs '000
Assets				
Right of use assets (Note 19)	-	1,303,412	1,303,412	1,303,412
Liabilities				
Deferred tax liability (Note 27)	-	(419)	(419)	(419)
Lease liabilities (Note 29)	-	(1,302,014)	(1,302,014)	(1,302,014)
Net impact on equity	**-**	**979**	**979**	**979**

Impact on the statement of profit or loss (increase/(decrease))

	Impact of adoption of IFRS 16	30 June 2020
Lease expense	Shs '000	Shs '000
Interest expense on lease liabilities (Note 29)	152,489	152,489
Depreciation on right of use assets (Note 19)	285,237	285,237
Net impact on profit	**437,726**	**437,726**

When measuring lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate at 1 July 2019. An incremental borrowing rate of 13% has been applied as the discount rate based on the average lending rate in the Kenyan market on the date of initial application. A single discount rate has been used for the entire portfolio of leases.

Where applicable, initial direct costs was incorporated in the measurement of the right of use asset at commencement of the lease.

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as of 30 June 2019, as follows:

2. BASIS OF PREPARATION (CONTINUED)

(b) Changes in accounting policy and disclosures (continued)

(i) New standards, amendments, interpretations and improvements (continued)

Assets	Shs '000
Undiscounted operating lease commitments at 30 June 2019	1,313,833
Weighted average incremental borrowing rate at 1 July 2019	13%
Discounted operating lease commitments at 1 July 2019	1,302,014
Lease liabilities at 1 July 2019 (Note 29)	1,302,014

IFRIC Interpretation 23 Uncertainty over Income Tax Treatments

In June 2017, the IASB issued IFRIC Interpretation 23 Uncertainty over Income Tax Treatments (the Interpretation) which clarifies application of the recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatments.

Scope

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

Key requirements

The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately.
- The assumptions an entity makes about the examination of tax treatments by taxation authorities.
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates .
- How an entity considers changes in facts and circumstances?.

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available.

Impact.

Upon adoption of this interpretation, the Company considered whether it has any uncertain tax positions. The Company determined, based on its tax compliance that it is probable that its tax treatments will be accepted by the taxation authorities. The Interpretation did not have a significant impact on the financial statements of the Company as it does not have any uncertain tax positions that require provision or disclosure.

(ii) New standards, amendments, interpretations and improvements Standards that are not yet effective and have not been early adopted

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are listed below. The Company intends to adopt these standards, if applicable, when they become effective:

Effective for annual periods beginning on or after 1 January 2020

- Conceptual Framework for Financial Reporting to replace its 2010 conceptual framework. For the IASB, the revised conceptual framework has been in effect since its publication date. Early application is permitted.
- Definition of Material – Amendments to IAS 1 and IAS 8
- Definition of a Business – Amendments to IFRS 3
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7

2. BASIS OF PREPARATION (CONTINUED)

(b) Changes in accounting policy and disclosures (continued)

(ii) New standards, amendments, interpretations and improvements Standards that are not yet effective and have not been early adopted (continued)

Effective for annual periods beginning on or after 1 June 2020

- Covid-19-Related Rent Concessions-Amendments to IFRS 16

Effective for annual periods beginning on or after 1 January 2021

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform – Phase 2

Effective for annual periods beginning on or after 1 January 2022

- Reference to the conceptual framework -Amendments to IFRS 3
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
- AIP IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter
- AIP IFRS 9 Financial Instruments – Fees in the '10% test for derecognition of financial liabilities
- AIP IAS 41 Agriculture – Taxation in fair value measurements

Effective for annual periods beginning on or after 1 January 2023

- Classification of Liabilities as Current or Non-current - Amendments to IAS 1
- IFRS 17 Insurance Contracts

Effective date postponed indefinitely

- Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

None of the standards and interpretations listed above are expected to have a significant impact on the Company's financial statements when they become effective.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Revenue

(i) Electricity sales

The Company's contracts with the consumer and business customers cover the electricity sales. There is only one performance obligation, which is to stand-ready to supply electricity to the customer. The transaction price generally includes both a fixed monthly fee and a variable fee that depends on the customer tariff category as determined by the Energy and Petroleum Regulatory Authority (EPRA). The fixed and variable components are recognised based on the fees chargeable from the customer. If automated meter reading is not available, the electricity consumption between the last meter reading and end of the month is estimated.

Electricity sales revenue is recognised when customers on post-paid metering are billed for the power consumed. The billing is done for each monthly billing cycle based on the units consumed as read on the customers' electricity meters and the approved consumer tariffs. Unbilled revenue is included in electricity receivables, net of provision for expected credit losses, to the extent that it is considered recoverable. Electricity sales revenue for customers on prepaid metering is recognised when customers purchase electricity units and then adjusted for the estimated amount of unconsumed power based on the consumption rate over a period of time.

(ii) Fuel cost charge

The Company recognises revenue relating to fuel costs charge in the month of approval by the Energy and Petroleum Regulatory Authority (EPRA). The billing to customers is based on their individual consumption in the month and applied as a charge per KWh. Fuel costs recoveries comprise the actual amounts billed to the customers.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Revenue (Continued)

(iii) Foreign exchange adjustment

Foreign exchange payments, arising from exchange rate differences not factored in the retail tariffs, are recognised and charged to the consumers of power to recover the losses in the foreign exchange rates. The net foreign currency costs are passed on to the customers as a charge per KWh, which is approved each month by the EPRA.

The recovery of fuel costs and the foreign exchange costs is based on supplier invoices and factors in the ERC's target loss factor in transmission and distribution. For the year ended 30 June 2020, the target loss factor was 14.9%.

(iv) Deferred revenue

The Company has used a weighted average approach to determine the amount of revenue to defer and recognise in the subsequent period(s).

Historical value of transactions and the current month's value of transactions is obtained over each day of the current month.

The historical data is then used to obtain the average number of tokens purchased in a month that is to be applied to the current month's (June 2020) data to obtain the revenue to be deferred.

(b) Other income

(i) Finance revenue

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

(ii) Rental income

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

(iii) Capital contribution

When the connection provides the customer with a material right to supply of electricity, the connection is allocated to deferred income (contract liabilities) when the customer is connected to the electricity network. The deferred income is recognised in profit or loss within revenue on a straight-line basis over the estimated customer life/relationship period of 5 years as the connection provides the customer with a material right of renewal that extends the revenue recognition period beyond the initial contractual period. A period of 5 years was determined after considering, inter alia, assumptions about the life cycle of the distribution network used to supply electricity to customers.

(iv) Fibre optic income

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

(c) Power purchase costs

Power purchase costs are recognised at the actual amounts charged to the Company by the suppliers of power. These comprise:

(i) Non-fuel costs

These include capacity charges, energy cost and steam charges.

(ii) Foreign exchange costs

These relate to the net foreign currency losses incurred by Kenya Electricity Generating Company Plc (KenGen) which are charged to the Company in accordance with the Power Purchase Agreements (PPAs) and the net foreign currency losses incurred by the Company in the settlement of foreign currency denominated invoices from independent power producers (IPPs).

(iii) Fuel costs

These comprise the cost of fuel incurred in the generation of electricity and invoiced by suppliers.

The recharge of power purchase costs relating to customers under the Rural Electrification Scheme (RES) is covered in Note 3 (s).

(d) Inventories

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Property and equipment

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

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

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

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

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

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

Capital work in progress

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

(f) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for the Company's intangible assets are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the profit or loss in the expense category consistent with the function of the intangible asset.

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

(g) Income tax expense

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Income tax expense (Continued)

Deferred income tax

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

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

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

Current and deferred income tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

(h) Leases

Policy applicable before 1 July 2019

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

Company as a lessee

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

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

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

Company as a lessor

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

Policy applicable from 1 July 2019

A contract is or contains a lease if it conveys the right to control the use of an identifiable asset for a period of time in exchange for a consideration.

Company as a lessee

For a contract that contains a lease component and additional lease and non-lease components such as the lease of an asset and provision of a maintenance services, the Company shall allocate the consideration payable on the basis of the relative stand-alone prices, which shall be estimated if observable prices are not readily available.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. These two items will be separately disclosed on the statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Leases (Continued)

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability plus any initial direct costs and adjusted for any lease incentives, payments at or prior to commencement of the lease and restoration obligations.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term.

The Lease liability is initially measured at the present value of the lease payments payable over the lease term discounted using the incremental borrowing rate. The incremental borrowing rate is the rate the Company would have to borrow funds necessary (over similar term, with similar security), to obtain similar value asset, in similar economic environment.

The lease liability is subsequently remeasured to reflect changes in the lease term, the assessment of a purchase option, the amounts expected to be payable under residual value guarantees or future lease payments resulting from a change in an index or a rate used to determine those payments.

Company as a lessor

When the Company acts as a lessor, it determines at lease inception whether the lease is a finance lease or an operating lease. Leases where the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases.

The Company recognises operating lease payments as income on a straight-line basis.

(i) Functional currency

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

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

(j) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The Company adopted IFRS 9 Financial Instruments with a date of transition of 1 July 2018.

The Company classifies its financial assets into the 'amortised cost' classification category based on the cash flow characteristics of the asset and the business model assessment. All financial liabilities are classified as subsequently measured at amortised cost. This is demonstrated in the following table.

	Description of financial asset/financial liability	IFRS 9 Classification
	Short-term deposits (Note 22 (a))	Amortised cost
	Cash and bank balances (Note 22 (b))	Amortised cost
	Overdraft (Note 22(b))	Amortised cost
	Trade and other receivables (Note 21 (a) and (b))	Amortised cost
	Lease liabilities (Note 29)	Amortised cost
	Borrowings (Note 30)	Amortised cost
	Dividends payable (Note 34)	Amortised cost
	Trade and other payables (Note 28(a) and (b))	Amortised cost
	Preference shares (Note 31)	Amortised cost

Classification and measurement

The Company recognises financial assets when it becomes a party to the contractual rights and obligations in the contract.

The classification requirements for debt instruments are described below;

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Financial instruments (continued)

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the entity considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Subsequent measurement

Based on the business model and the cash flow characteristics, the Company classifies its debt instruments into amortised cost or fair value categories for financial instruments. Movements in fair value are presented in either profit or loss or other comprehensive income (OCI), subject to certain criteria being met.

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Trade receivables are amounts due from customers for electricity supplied. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. A provision for impairment of receivables is established using an ECL model in line with the requirements of IFRS 9 as outlined in the next section below. The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is charged to profit or loss.

Financial assets at fair value through OCI (debt instruments)

- The Company measures debt instruments at fair value through OCI if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Company does not have any financial assets classified as debt instruments at fair value through OCI.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Financial instruments (continued)

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Company does not have any financial assets classified as equity instruments at fair value through OCI.

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

The Company does not have any financial assets classified under this category.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; Or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

The Company assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its debt instrument assets carried at amortised cost and FVOCI. The Company recognises a loss allowance for such losses at each reporting date.

The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Financial instruments (continued)

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

(ii) Definition of default

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without considering any collateral held by the Company).

Except for amounts where the counterparty is the Government or related public sector entities or Government Business Entities, the Company considers that default has occurred when a financial asset is more than 90 days past due

The Company writes off debt only when there is objective evidence that the debt will not be recovered and after it has exhausted its collection avenues.

(iii) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above.

As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

The Company recognises an impairment gain or loss in profit or loss or other comprehensive income for all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account.

Financial liabilities

Financial liabilities are classified as subsequently measured at amortised cost, except for financial liabilities at fair value through profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

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

(k) Borrowing costs

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Borrowing costs (continued)

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

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

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

(l) Provisions

Provisions are recognised when:

- the Company has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

(m) Impairment of non-financial assets

The Company reviews the carrying amounts of its tangible and intangible assets, to determine whether there is any indication that those assets have suffered an impairment loss at reporting date, or when there are indications of impairment. If any such indication exists, the recoverable amount of the asset is estimated, and an impairment loss is recognised in profit or loss whenever the carrying amount of the asset exceeds its recoverable amount. An asset's recoverable amount is the higher of the asset's or cash-generating unit's (CGU's) fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Where it is not possible to estimate the recoverable amount of an individual asset, the Directors estimate the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment of transmission and distribution lines

A decline in the value of the transmission and distribution lines could have a significant effect on the amounts recognised in the financial statements. Management assesses the impairment of the lines whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors that are considered important which could make an impairment review necessary include the following:

i. Significant decline in the market value beyond that which would be expected from the passage of time and normal use.

ii. Evidence from internal reporting which indicates that the performance of the asset is, or will be, worse than expected.

iii. Significant changes with adverse effect on the Company have taken place during the period, or will take place in the near future, in the technology or market environment in which the Company operates, or in the market to which an asset is dedicated.

iv. Evidence is available of the obsolescence or physical damage of an asset.

v. Significant changes with an adverse effect on the Company have taken place during the period or are expected to take place in the near future, which impact the manner or the extent to which an asset is used. These changes include plans to discontinue or restructure.

vi. The operation to which an asset belongs to or an asset is disposed before the previously expected date.

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

(n) Employees' benefits

(i) Company's defined contribution scheme

The Company employees are eligible for retirement benefits under a defined contribution scheme. Payments to the defined contribution scheme are charged to the statement of profit or loss as incurred.

(ii) Company's defined benefit scheme

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Employees' benefits (continued)

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

For defined benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as service costs (including current service cost, past service cost, as well as gains and losses on curtailments and settlements), net interest expense or income and remeasurement.

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

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

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

(iii) Statutory defined contribution pension scheme

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

(o) Operating segments

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

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

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

(p) Earnings per share

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

(q) Dividends

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

(r) Government grants

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Recharge of costs to Rural Electrification Scheme

The Rural Electrification Scheme (RES) was established in 1973 by the Government of Kenya following an agreement between the Government and East African Power & Lighting Company (now The Kenya Power and Lighting Company Plc (KPLC). The Scheme was established with the specific objective of extending electricity to the rural areas

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

The power purchase costs recharge is calculated as a proportion of RES electricity unit sales to gross electricity unit sales. The distribution costs recharge is calculated based on 2% and 4% of the total high voltage and low voltage assets respectively in the books of RES at the close of the financial year.

Customer service costs recharge is calculated as a proportion of RES metered customers to total number of metered customers. Administration costs recharge are calculated based on the proportion of RES electricity unit sales to gross electricity unit sales.

(t) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the accounting policies adopted by the Company, the Directors make certain judgements and estimates that may affect the amounts recognised in the financial statements. Such judgements and estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the current circumstances. However, actual results may differ from those estimates. The judgements and estimates are reviewed at each financial reporting date to ensure that they are still reasonable under the prevailing circumstances based on the information available, and any revisions to such judgements and estimates are recognised in the year in which the revision is made.

The effects of COVID-19 have resulted in certain judgements and estimates being significant in the current period when they had not been in the past. This is due to the uncertainty introduced by the effects of the pandemic, such as collection risk for customers which would then have an effect on impairment losses on trade and other receivables.

(a) Significant judgements made in applying the Company's accounting policies

The judgements made by the Directors in the process of applying the Company's accounting policies that have the most significant effect on the amounts recognised in the financial statements include:

i. Whether it is probable that future taxable profits will be available against which temporary differences can be utilised;

ii. Classification of financial assets: whether the business model in which financial assets are held has as its objective the holding of such assets to collect contractual cash flows or to both collect contractual cash flows and sell the assets; and whether the contractual terms of financial assets give rise on specified dates to cash flows that are solely payments of principal and interest; and whether credit risk on financial assets has increased significantly since initial recognition.

(b) Key sources of estimation uncertainty

The key assumptions about the future, and other sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amount of assets and liabilities within the next financial year include;

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

(b) Key sources of estimation uncertainty (Continued)

Deferred prepaid revenue

Revenue from prepaid customers is recognised when the customer purchases the tokens, before the customer actually consumes the electricity. The amount of unused tokens to be adjusted at year end is estimated based on historical customer trends.

Further details on deferred prepaid revenue are disclosed in Note 28(b).

Impairment losses on trade and other receivables

When measuring expected credit losses (ECL), the Company uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the Company would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Further details on impairment losses on trade receivables are disclosed in Note 21(d).

Provisions

The Company faces exposure to claims and other liabilities. The claims and other liabilities normally take time to be determined and therefore significant judgement is required in assessing the likely outcome and the potential liabilities for such matters.

Further details on provisions are disclosed in Note 39.

Deferred income tax assets

Deferred income tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Details of the carrying value of recognised tax losses at 30 June 2020 are provided in Note 27.

Pension and other post-employment benefits

The cost of defined benefit pension plans and other post-employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Details of the defined benefit asset at 30 June 2020 are provided in Note 32.

Useful lives of property and equipment

The Company's management determines the estimated useful lives and related depreciation charges for its property and equipment. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down obsolete items of property and equipment that have been abandoned or sold.

Further details on useful lives of property and equipment are provided in Note 16.

Estimating the incremental borrowing rate (After 01 January 2019)

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ('IBR') to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay'. The Company estimates the IBR using observable inputs (such as market interest rates). This estimate is effective from 1 January 2019.

Further details on the IBR are disclosed in Notes 2 (b) (i), 3 (h) and 29.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

(b) Key sources of estimation uncertainty (Continued)

Determination of the lease term for lease contracts with renewal and termination options

(Company as a lessee)

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation of the leased asset).

Further details on determination of lease term are disclosed in Note 3(h).

Property lease classification – Company as lessor

The Company has entered into fibre optic leases on its property portfolio. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the property portfolio and the present value of the minimum lease payments not amounting to substantially all of the fair value of the fibre optic, that it retains substantially all the risks and rewards incidental to ownership of these properties and accounts for the contracts as operating leases.

Amortisation of capital contribution

Capital contribution is the amount contributed by new customers and relates to assets such as cables used in connecting the customer. Management assumes a useful life of five years for capital contribution assets and therefore amortizing them over 5 years. An amortisation period of 5 years is used after considering, inter alia, assumptions about the life cycle of the distribution network used to supply electricity to customers.

Further details on amortisation of capital contribution are disclosed in Note 26.

Provision for slow moving inventories

Provision for inventories is based on the aged report obtained from the system. This is also determined through physical verification of the inventories during stock counts and also based on experience and the usage of the products.

Further details on provisions for slow moving inventories are disclosed in Note 20.

5. OPERATING SEGMENTS

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

2020	Nairobi Region Shs'000	West Kenya Region Shs'000	Coast Region Shs'000	Mount Kenya Region Shs'000	Total Shs'000
Revenue	64,082,659	24,566,371	23,041,594	21,567,978	133,258,602
Energy purchases	(48,124,666)	(15,749,890)	(15,749,891)	(7,874,945)	(87,499,392)
Operating expenses	(19,500,981)	(14,048,119)	(6,318,723)	(7,966,648)	(47,834,471)
Other income	2,927,106	2,016,523	979,563	1,464,295	7,387,487
Operating profit	(615,882)	(3,215,115)	1,952,543	7,190,680	5,312,226
Interest income					123,188
Finance costs					(12,477,428)
Income tax credit					6,102,532
Loss for the year					(939,482)
Assets	107,553,023	112,892,716	46,195,415	58,626,205	325,267,359
Liabilities	136,249,768	58,541,685	46,830,761	28,748,346	270,370,560
Capital expenditure (including intangible assets)	9,390,380	3,273,215	2,873,215	1,536,608	17,073,418
Depreciation/amortisation	7,877,967	4,882,121	2,390,622	2,718,783	17,869,493

5. OPERATING SEGMENTS (CONTINUED)

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

2019	Nairobi Region Shs'000	West Kenya Region Shs'000	Coast Region Shs'000	Mount Kenya Region Shs'000	Total Shs'000
Revenue	64,088,743	24,076,277	23,295,195	21,680,672	133,140,887
Energy purchases	(49,583,764)	(16,227,414)	(16,227,414)	(8,113,704)	(90,152,296)
Operating expenses	(16,644,859)	(11,857,081)	(5,732,722)	(6,808,764)	(41,043,426)
Other income	3,290,001	2,427,341	1,100,844	1,767,605	8,585,791
Operating profit	1,150,121	(1,580,877)	2,435,903	8,525,809	10,530,956
Interest income					117,900
Finance costs					(10,315,242)
Income tax expense					(72,061)
Profit for the year					261,553
Assets	123,654,066	107,615,641	40,193,316	56,541,903	328,004,926
Liabilities	155,763,817	51,638,192	38,689,645	25,682,410	271,774,064
Capital expenditure (including intangible assets)	7,493,017	4,890,798	6,623,048	2,526,489	21,533,352
Depreciation/amortisation	7,887,644	4,519,121	2,311,089	2,535,502	17,253,356

5. OPERATING SEGMENTS (CONTINUED)

The Company's core business in the four regions (reporting segments) continues to be the transmission, distribution and retail of electricity. There is no distinguishable component of the Company that is engaged in providing an individual service that is subject to risks and returns that are different from those of other business segments.

The information on property and equipment details at net carrying amount is shown below:

2020	Land and buildings*	Lines	Machinery	Motor vehicles	Furniture equipment and other	Intangible assets	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Transmission	434,701	21,181,473	1,726	-	-	-	21,617,900
Distribution	10,386,942	206,308,474	937,491	1,903,840	15,325,225	2,380,739	237,242,711
Total	10,821,643	227,489,947	939,217	1,903,840	15,325,225	2,380,739	258,860,611
2019							
Transmission	415,368	20,008,761	26,802	-	121,062	-	20,571,993
Distribution	9,364,654	206,387,458	739,110	1,272,422	18,012,218	3,491,263	239,267,125
Total	**9,780,022**	**226,396,219**	**765,912**	**1,272,422**	**18,133,280**	**3,491,263**	**259,839,118**

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

6. FINANCIAL RISK AND CAPITAL MANAGEMENT

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

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

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

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

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

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

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

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

(a) Credit risk

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

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

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

Management assesses the credit quality of each counterparty, taking into account its financial position, past experiences and other factors. Individual risk limits are set based on internal ratings in accordance with limits set by management. The utilisation of credit limits is regularly monitored.

The tables below detail the credit quality of the Company's financial assets as well as the Company's maximum exposure to credit risk by credit risk rating grade:

6. FINANCIAL RISK AND CAPITAL MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

	Notes	Gross carrying amount	Loss allowance	Net amount
30 June 2020		Sh'000	Sh'000	Sh'000
Electricity receivables	21(b)	27,399,426	(15,495,920)	11,903,506
Prepaid fixed charge receivable	21(b)	2,726,096	(2,726,096)	-
Other receivables		25,799,315	(5,237,657)	20,561,658
Short-term deposits	22(a)	449,260	(6,519)	442,741
Bank balances	22(b)	3,458,368	(17,671)	3,440,697
		59,832,465	**(23,483,863)**	**36,348,602**
30 June 2019				
Electricity receivables	21(b)	23,550,199	(12,338,131)	11,212,068
Prepaid fixed charge receivable	21(b)	2,804,844	(2,804,844)	-
Other receivables		23,977,300	(4,993,437)	18,983,863
Short-term deposits	22(a)	419,205	(9,740)	409,465
Bank balances	22(b)	4,296,526	(26,130)	4,270,396
		55,048,074	**(20,172,282)**	**34,875,792**

The customers under the fully performing category are paying their debts.

The loss allowance represents the debt that is fully provided for in line with the expected credit loss model.

Trade receivables

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for various customer segments with similar loss patterns. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses.

The provision rates are based on days past due for various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Company's electricity receivables and other receivables using a provision matrix:

Total exposure at 30 June

	0-30 Shs'000	31-90 Shs'000	>90 Shs'000	2020 Shs'000
Electricity receivables	9,484,601	3,622,097	14,292,728	27,399,426
Prepaid fixed charge receivable	-	-	2,726,096	2,726,096
Other receivables	7,820,450	3,146,784	14,832,081	25,799,315
Short term deposits	449,260	-	-	449,260
Bank balances	3,458,368	-	-	3,458,368
Total	**21,212,679**	**6,768,881**	**31,850,905**	**59,832,465**

6. FINANCIAL RISK AND CAPITAL MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

	0-30 Shs'000	31-90 Shs'000	>90 Shs'000	2019 Shs '000
Electricity receivables	9,297,711	2,856,782	11,395,706	23,550,199
Prepaid fixed charge receivables	-	-	2,804,844	2,804,844
Other les	18,381,947	973,614	4,621,739	23,977,300
Short term deposits	419,205	-	-	419,205
Bank balances	4,296,526	-	-	4,296,526
Total	32,395,389	3,830,396	18,822,289	55,048,074

Total impairment at 30 June

	0-30 Shs'000	31-90 Shs'000	>90 Shs'000	2020 Shs'000
Electricity receivables	544,820	1,573,209	13,377,891	15,495,920
Prepaid fixed charge receivables	-	-	2,726,096	2,726,096
Other receivables	1,600,477	643,998	2,993,183	5,237,658
Short term deposits	6,519	-	-	6,519
Bank balances	17,671	-	-	17,671
Total	**2,169,487**	**2,217,207**	**19,097,170**	**23,483,864**

	0-30 Shs'000	31-90 Shs'000	>90 Shs'000	2019 Shs'000
Electricity receivables	477,765	1,129,479	10,730,887	12,338,131
Prepaid fixed charge receivables	-	-	2,804,844	2,804,844
Other receivables	583,808	833,322	3,576,307	4,993,437
Short term deposits	9,740	-	-	9,740
Bank balances	26,130	-	-	26,130
Total	**1,097,443**	**1,962,801**	**17,112,038**	**20,172,282**

Expected credit loss rate at:	0-30 days	31-90 days	>90 days
30 June 2020	6%	44%	94%
30 June 2019	5%	43%	93%

Management of credit risk

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

Management of electricity receivables

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

6. FINANCIAL RISK AND CAPITAL MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

Management of electricity receivables (continued)

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

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

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

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

The Company evaluates the concentration of risk with respect to electricity receivables as low, as its customers are located in all regions in Kenya and electricity is supplied to different classes of customers including individual households, private industries, companies and Government institutions. The total cumulative provision for impairment of electricity receivables at 30 June 2020 was Shs 15,496 million (2019: Shs 12,338 million).

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

- Disconnections,
- Increased internal debt management capacity,
- Use of debt collectors,
- Focus on early identification and letters of demand higher security deposits.

(b) Liquidity risk

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

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

The Company's liquidity management process includes:

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

The table below summarises the maturity profile of the Company's financial liabilities based on the remaining period using 30 June 2020 as a base period to the contractual maturity date and the undiscounted cash flows:

6. FINANCIAL RISK AND CAPITAL MANAGEMENT (CONTINUED)

(b) Liquidity risk (Continued)

	On demand	Less than 3 months	3 -12 months	1-5 years	>5 years	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
At 30 June 2020						
Borrowings	-	8,771,746	15,004,361	51,618,306	66,845,024	142,239,437
Trade and other payables	245,936	53,011,234	19,246,258	2,071,972	25,508,797	100,084,197
Lease liabilities	-	-	443,048	981,130	493,463	1,917,641
Dividends payable	806,222	-	-	-	-	806,222
	1,052,158	**61,782,980**	**34,693,667**	**54,671,408**	**92,847,284**	**245,047,497**
At 30 June 2019						
Borrowings	-	10,156,305	18,768,015	45,849,627	46,765,774	121,539,721
Trade and other payables	309,412	67,748,962	12,648,099	2,172,108	19,763,085	102,641,666
Dividends payable	811,045	-	-	-	-	811,045
	1,120,457	**77,905,267**	**31,416,114**	**48,021,735**	**66,528,859**	**224,992,432**

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

6. FINANCIAL RISK AND CAPITAL MANAGEMENT (CONTINUED)

(c) Market risk

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

(i) Currency risk

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

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

Currency	Appreciation/ (depreciation) of exchange rate	Effect on loss/profit before tax Shs million	Effect on equity Shs million
Year 2020			
US$	+/-2%	+/-2,017	+/-1,412
Euro	+/-2%	+/- 330	+/- 231
Year 2019			
US$	+/- 2%	+/-2,045	+/-1,432
Euro	+/- 2%	+/- 286	+/- 200

Management of currency risk

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

(ii) Commodity or price risk

Commodity or price risk arises from the fuel that is used for the generation of electricity.

Exposure due to commodity risk is managed by passing the cost of fuel used in generation to customers. In addition, the Company has well-established credit control procedures that monitor activity on customer accounts and allow for remedial action should the customer not comply with payment terms. These procedures include the issue of a notice of disconnection of supply, an internal collection process; follow up of the customer by telephone or in person, negotiations of mutually acceptable payment arrangements and letters of demand. Non-payment will result in disconnection of supply and the customer's account being closed. The legal collection process is pursued thereafter.

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

(iii) Interest rate risk

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

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

Management of interest rate risk

To manage the interest rate risk, the Company monitors the changes in interest rates in the currencies in which loans and borrowings are denominated. Additionally, the Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. Based on the various scenarios, the Company also manages its fair value interest rate risk by using floating –to- fixed interest rate swaps, where applicable.

6. FINANCIAL RISK AND CAPITAL MANAGEMENT (CONTINUED)

(c) Market risk (continued)

Sensitivity analysis

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

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on loans and borrowings. With all other variables held constant, the Company's profit before tax is affected through the impact on floating rate borrowings, as follows:

	Change in interest rate	Effect on loss/profit before tax	Effect on equity
		Shs' 000	Shs' 000
2020			
	1%	870,000	652,500
	5%	4,352,000	3,264,000
2019			
	1%	927,000	648,900
	5%	4,636,000	3,245,200

The assumed movement in interest rate is based on the currently observable market environment.

Capital management

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

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 30 June 2020 and 30 June 2019.

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

	2020 Shs million	2019 Shs million
Interest-bearing loans and borrowings (Note 35 (b))	118,733	111,383
Cash and cash equivalents (Note 35(b))	(3,884)	5,462
Net debt	114,849	116,845
Equity	54,896	56,231
Gearing ratio	**209%**	**208%**

In order to achieve this overall objective, the Company's capital management, among other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. Further information on compliance of debt covenants is disclosed in Note 30 (d).

No changes were made in the objectives, policies or processes for managing capital during the years ended 30 June 2020 and 30 June 2019.

6. FINANCIAL RISK AND CAPITAL MANAGEMENT (CONTINUED)

(c) Market risk (continued)

Fair values of financial assets and liabilities

The management assessed that the fair values of the Company's financial instruments approximate their carrying amounts.

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

None of the financial instruments is carried at fair value.

7. REVENUE

IFRS 15 Revenue from contracts with customers requires disclosure to reflect the nature, timing, amount and uncertainty of its revenue within its disclosure requirements. The Company has determined that the disaggregation using the below segments and the nature of revenues is appropriate for its circumstances.

(a) Revenue from contracts with customers	2020 Shs'000	2019 Shs'000
Electricity sales*		
Post-paid	98,354,629	95,753,392
Prepaid	17,817,855	16,675,792
Foreign exchange adjustment	923,648	859,690
Fuel cost charge	16,162,470	19,852,013
	133,258,602	133,140,887

*All electricity sales are recognised at point in time.

(b) Other income		
Amortisation of capital contribution (Note 26)	5,517,821	6,438,529
Miscellaneous sales	727,741	1,156,202
Fibre optic leases	524,407	492,865
Transmission line maintenance revenue	58,058	73,269
Recovery from Last Mile customers	211,892	128,670
Reconnection charges	252,393	194,526
Rent	95,175	101,730
	7,387,487	8,585,791

8. COST OF SALES

	2020 Shs'000	2019 Shs'000
Non-fuel costs (8(a))	74,445,008	70,878,036
Foreign exchange costs	1,993,882	985,704
Fuel costs (8(b))	11,060,502	18,288,556
	87,499,392	**90,152,296**

(a) Non-fuel costs

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

	2020 Shs'000	2019 Shs'000
KenGen*	41,017,077	36,895,402
OrPower 4 Inc.	12,462,373	12,585,395
Lake Turkana Wind Power	12,241,957	11,053,459
Iberafrica Power (E.A.) Company Limited	1,929,822	2,991,839
Rabai Power Limited	2,626,167	2,482,406
Thika Power Limited	2,076,340	2,142,951
Tsavo Power Company Limited	2,320,006	2,180,835
Gulf Power Limited	1,949,688	1,994,909
Triumph Power Generating Company Limited	2,403,840	2,583,674
Uganda Electricity Transmission Company Limited	1,923,341	1,161,866
Regen-Terem	311,883	193,681
Gura	177,082	94,683
Mumias Sugar Company	21,931	-
Ethiopia Electricity Power Company	35,847	15,844
Power Technology Solutions Limited	18,361	11,636
Chania Power Limited	12,316	4,082
Biojoule Kenya Limited	3,105	2,766
Imenti Tea Factory	6,668	1,997
Garissa Solar Power Plant	535,624	335,299
Strathmore University	7,602	2,093
Tanzania Electric Supply Company Limited	9	28
	82,081,039	76,734,845
Less:		
Foreign exchange surcharge	(1,993,882)	(985,704)
Recharged to RES	(5,642,149)	(4,871,105)
	74,445,008	**70,878,036**

KenGen*- included in Non-fuel costs for KenGen are Capacity charges totalling to Shs 25,590 million (2019: Shs 21,825 million), Steam charges totalling 5,554 million (2019: 5,883 million), Energy charges totalling Shs 8,761 million (2019: Shs 8,012 million) and foreign exchange costs totalling Shs 1,112 million (2019: Shs 1,176 million).

8 COST OF SALES (CONTINUED)

(b) Fuel costs

	2020 Shs'000	2019 Shs'000
KenGen	4,145,435	10,478,560
Rabai Power Limited	2,191,772	1,327,974
Uganda Electricity Transmission Company Limited	-	2,700,469
Thika Power Limited	654,770	1,360,733
Iberafrica Power (E.A.) Company Limited	682,433	995,115
Tsavo Power Company Limited	1,656,985	1,486,892
Off grid power stations	2,114,909	1,803,529
Gulf Power Limited	238,318	857,503
Triumph Power Generating Company Limited	192,287	320,955
	11,876,909	21,331,730
Less:		
Recharged to RES	(816,407)	(3,043,174)
	11,060,502	**18,288,556**

The fuel cost is a pass though cost. During the year a recovery of Shs 16,162 million (2019: Shs 19,852 million) was made.

(c) Units purchased

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

	2020 GWh	2019 GWh
KenGen	8,237	8,276
OrPower 4 Inc	1,076	1,285
Rabai Power Limited	252	120
Lake Turkana Wind Power	1,238	1124
Thika Power Limited	50	107
Tsavo Power Company Limited	152	131
Iberafrica Power (E.A.) Company Limited	55	74
Uganda Electricity Transmission Company Limited	156	168
Gulf Power Limited	18	38
Off grid power stations	60	58
Triumph Power Generating Company Limited	15	16
Regen-Terem	32	20
Gura	21	12
Garissa Solar Power Plant	91	60
Ethiopia Electricity Power Company	5	2
Chania Power Limited	1	-
Imenti Tea Factory	1	-
Power Technology Solutions Limited	2	1
	11,462	11,492
Less:		
Recharged to RES	(788)	(726)
	10,674	**10,766**

8 COST OF SALES (CONTINUED)

Types of interconnected power sources;

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

	2020 GWh	2019 GWh
Geothermal	5,352	5,033
Hydro	3,693	3,741
Thermal	822	1,240
Wind	1,284	1,192
Net imports	160	170
Others	151	116
	11,462	11,492
Less:		
Recharged to RES	(788)	(726)
	10,674	**10,766**

The Company transmits excess units generated by Aggreko Limited to Uganda Electricity Transmission Company Limited (UETCL) and Tanzania Electricity Supply Company Limited (TANESCO), whereas UETCL and TANESCO transmit back their excess power to the Company at the same charge rate as that billed to them. The two transactions have been effected in the accounts to give the net quantity.

9. NET OPERATING EXPENSES

(a) Network management

	2020 Shs'000	2019 Shs'000
Salaries and wages	4,837,679	3,404,825
Depreciation	5,244,767	5,396,792
Wheeling charges – KETRACO*	2,668,667	2,613,861
Loss on disposal of fixed assets	956,068	767,027
Consumable goods	1,257,122	766,170
Staff welfare	80,136	70,842
Transport and travelling	(861,122)	(152,337)
Office expenses	1,528	2,331
Other costs	760,245	753,062
Net recharge of distribution and transmission costs to RES	(3,826,330)	(2,817,037)
	11,118,760	**10,805,536**

* These are fees levied by KETRACO for the use of their transmission lines to transport electricity from the generators. The amount is determined by EPRA.

9. NET OPERATING EXPENSES (CONTINUED)

(b) Commercial services

	2020 Shs'000	2019 Shs'000
Salaries and wages	4,424,060	5,260,045
Depreciation	4,253,780	4,244,356
Advertising and public relations	131,560	208,446
Staff welfare	29,863	4,367
Transport and travelling	286,656	215,198
Consumable goods	15,182	25,980
Office expenses	12,760	24,827
Other costs	17,542	35,370
Net recharge of customer service costs to RES	(2,511,988)	(2,344,453)
	6,659,415	**7,674,136**

(c) Administration

	2020 Shs'000	2019 Shs'000
Salaries and wages	8,229,108	7,434,055
Depreciation	6,837,343	6,255,769
Staff welfare	1,538,253	1,690,193
Depreciation- ROU asset	285,237	-
Amortisation of intangible assets and operating lease prepayment	1,248,366	1,356,283
Repairs and maintenance	1,709,301	891,729
Security and surveillance	859,931	911,106
Transport and travelling	657,034	642,652
Office expenses	140,739	141,938
Bank charges	376,218	561,080
Rents	-	417,165
Licenses	7,710	176,508
Insurance	262,782	276,237
Public relations	31,788	(33,276)
Company electricity expenses	154,458	219,307
Training expenses and consumer services	137,685	24,097
Other consumable goods	135,890	85,356
Increase /(decrease) in leave obligation (Note 33(a))	53,892	(50,230)
Increase in gratuity and leave allowance provisions (Note 33 (b))	227,978	230,829
Consultancy fees	43,346	62,437
Directors' emoluments	31,094	44,088
Auditor's remuneration	19,600	40,214
Other Directors' expenses	21,250	21,275
Allowance for inventories (Note 20)	3,654,490	61,099
Expense relating to leases of low-value assets (Note 19)	16,870	12,867
Other costs*	1,365,589	1,007,567
Retirement benefit plan debits/(credits) (Note 32)	48,269	(152,575)
	28,094,221	22,327,770
Recharge of administration costs to RES**	(1,305,612)	(1,198,380)
	26,788,609	**21,129,390**

*Other costs mainly relate to prepaid vendor commission, tax penalties, wayleaves, representation, AGM costs, local authority taxes, utilities and contracted services which includes cleaning, service maintenance contracts among others.

** Recharges to RES relate to operating costs apportioned to RES based on the predetermined formula developed by the Government of Kenya.

9. NET OPERATING EXPENSES (CONTINUED)

(d) Expected credit losses on financial assets

	2020 Shs'000	2019 Shs'000
Provision for electricity debtors (Note 21(d))	3,157,789	1,264,412
Provision for other receivables, bank deposits and bank balances and guarantees	188,646	376,959
Writeback of provisions for prepaid fixed charge	(78,748)	(169,684)
Imperial Bank deposits write-back**	-	(37,323)
Increase in expected credit losses	**3,267,687**	**1,434,364**

**A full provision of Shs 322 million was made in the year ended 30 June 2016 for amount deposited with Imperial Bank Limited. No recovery was made in the year 2020 (2019: Shs 37 million). Imperial Bank was placed under receivership in 2015.

10. EMPLOYEE BENEFITS

	2020 Shs'000	2019 Shs'000
Salaries and wages	17,577,452	16,677,589
Recharge of recurrent expenditure to capital jobs*	(1,091,611)	(1,639,182)
NSSF employer contributions	25,502	26,314
Pension costs – defined contribution	931,235	914,010
Salaries and wages	17,442,578	15,978,731
Pension credit - defined benefit scheme (Note 32)	48,269	(152,575)
	17,490,847	15,826,156
Increase /(decrease) in leave pay provision (Note 33 (a))	53,892	(50,230)
Increase in gratuity and leave allowance provisions (Note 33 (b))	227,978	230,829
	17,772,717	**16,006,755**

* Recharge of recurrent expenditure to capital jobs relates to the labour and transport costs incurred by staff on capital jobs.

11. NET FINANCE COSTS

(a) Finance income

	2020 Shs'000	2019 Shs'000
Interest income on bank and other deposits	123,188	117,900

(b) Finance costs

Interest incurred on:		
Loans	(6,509,201)	(7,126,180)
Bank overdrafts	(1,323,654)	(1,083,429)
Lease liabilities (Note 29)	(152,489)	-
Unrealised foreign exchange differences on loans	(3,531,264)	(1,001,441)
Late payment of invoices	(707,305)	(527,302)
Time value of money of RES receivable (Note 21 (b))	(251,585)	(574,960)
Dividends on cumulative preference shares	(1,930)	(1,930)
	(12,477,428)	(10,315,242)

12. EXPENSES BY NATURE

The profit before income tax is arrived at after charging/(crediting):

	2020 Shs'000	2019 Shs'000
Employee benefits (Note 10)	17,772,717	16,006,755
Depreciation of property and equipment (Note 16)	16,335,890	15,896,918
Finance costs (Note 11(b))*	12,477,428	10,315,242
Expected credit losses on financial assets (Note 9 (d))**	3,267,687	1,434,364
Amortisation of intangible assets (Note 18)	1,222,635	1,326,543
Loss on disposal of property and equipment (Note 35 (e))	956,068	767,027
Rent expense	-	417,165
Movement in leave provision (Note 33 (a))	53,892	(50,230)
Movement in gratuity and leave allowance provision (Note 33 (b))	227,978	230,829
Amortisation of leasehold land (Note 17)	25,731	29,740
Directors' emoluments:		
- Fees (Note 36 c (ii))	4,800	4,300
- Other (Note 36 c (ii))	26,294	39,788
Other Directors' expenses	14,756	21,275
Auditor's remuneration (Note 9 (c))	19,600	40,214
Movement in provision for inventories (Note 20)***	3,654,490	61,099
Retirement benefit credit (Note 32)	48,269	(152,575)

* Finance costs include unrealised foreign exchange losses Shs 3,531 million (2019: Shs 1,001 million) arising from the depreciation of the Shs from 102/1USD in June 2019 to over 106/1USD in June 2020.

12. EXPENSES BY NATURE (CONTINUED)

** Increase in provisions for electricity receivables is attributed to non-payment of bills due to effects of the COVID-19 pandemic.

*** Enhanced impairment of inventories due to a change in estimation of slow moving and non- moving inventories as disclosed in Note 20 to these financial statements.

13. (a) INCOME TAX (CREDIT)/EXPENSE

	2020 Shs'000	2019 Shs'000
Statement of profit or loss		
Income tax		
Current income tax	61,871	95,313
Deferred income tax		
Adjustment in respect of deferred tax for previous year (Note 27)	3,792	-
Movement for the year (Note 27)	(6,168,195)	(23,252)
Tax (credit)/charge	(6,102,532)	72,061

(b) Reconciliation Of Income Tax (Credit)/Expense

Reconciliation of the income tax (credit)/expense and the accounting (loss)/profit multiplied by the statutory income tax rate for 2019 and 2020:

	2020 Shs'000	2019 Shs'000
(Loss)/profit before income tax	(7,042,014)	333,614
Tax calculated at the statutory income tax rate of 25% (2019: 30%)	(1,760,503)	100,084
Tax effect of adjustments on taxable income:		
Expenses not deductible for tax purposes	136,499	121,252
Effect of tax rate changes	(4,482,320)	-
Prior year under provision for deferred tax	3,792	-
Income not subject to tax	-	(244,588)
Current income tax on separate sources of income	-	95,313
Income tax (credit)/expense	**(6,102,532)**	**72,061**

(c) Current income tax recoverable

	2020 Shs'000	2019 Shs'000
At start of year	71,108	(10,119)
Tax paid	87,034	176,540
Tax charge	(61,871)	(95,313)
At end of year	**96,271**	**71,108**

14. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on continuing operations attributable to the ordinary equity holders of the Company. There were no discontinued operations during the year. There were no potentially dilutive ordinary shares as at 30 June 2020 and 2019. Diluted earnings per share is therefore the same as basic earnings per share.

The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:

	2020 Shs'000	2019 Shs'000
(Loss)/Profit for the year attributable to owners of the Company	(939,482)	261,553

The total number of shares and the weighted average number of shares for the purpose of calculating the basic and diluted earnings are as follows:

	2020	2019
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	1,951,467,045	1,951,467,045

Earnings per share is calculated by dividing the profit attributable to owners of the Company by the number of ordinary shares.

	2020	**2019**
Basic earnings per share (Shs)	(0.48)	0.13
Diluted earnings per share (Shs)	(0.48)	0.13

15. DIVIDENDS PER SHARE

Proposed dividends are accrued after they have been ratified at an Annual General Meeting. At the Annual General Meeting to be held before 31 March 2021, the Directors will not recommend payment of dividend in respect of the year ended 30 June 2020 (2019: Shs Nil).

There was no interim dividend paid in the year (2019: Shs Nil).

16. PROPERTY AND EQUIPMENT

2020	Freehold land and buildings Shs'000	Transmission lines Shs'000	Distribution lines Shs'000	Machinery Shs'000	Motor vehicles Shs'000	Furniture equipment Shs'000	Work in Progress Shs'000	Total Shs'000
Cost								
At 1 July 2019	10,365,003	30,783,724	251,030,892	984,496	6,857,536	48,710,507	21,602,231	370,334,389
Work in progress additions	-	-	-	-	-	-	16,961,308	16,961,308
Transfers from work in progress	1,530,247	2,222,574	9,883,146	219,392	913,679	2,748,576	(17,517,614)	-
Disposals	-	-	(1,311,995)	-	-	-	-	(1,311,995)
At 30 June 2020	11,895,250	33,006,298	259,602,043	1,203,888	7,771,215	51,459,083	21,045,925	385,983,702
Depreciation								
At 1 July 2019	1,468,107	10,774,963	44,643,434	218,584	5,585,114	30,577,227	-	93,267,429
Charge for the year	272,514	1,049,862	9,128,535	46,087	282,261	5,556,631	-	16,335,890
Disposals	-	-	(479,521)	-	-	-	-	(479,521)
At 30 June 2020	1,740,621	11,824,825	53,292,448	264,671	5,867,375	36,133,858	-	109,123,798
Net carrying amount								
At 30 June 2020	10,154,629	21,181,473	206,309,595	939,217	1,903,840	15,325,225	21,045,925	276,859,904

The Company has not pledged any of its assets as collateral for liabilities and any other restrictions on title.

16 PROPERTY AND EQUIPMENT (CONTINUED)

2019	Freehold land and buildings	Transmission lines	Distribution lines	Machinery	Motor vehicles	Furniture equipment	Work in progress	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Cost								
At 1 July 2018	8,551,278	30,375,238	233,085,476	731,414	7,008,973	44,579,305	27,197,531	351,529,215
Transfer to leasehold	(198)		-	-	-	-	-	(198)
Work in progress additions	-	-	-	-	-	-	20,459,242	20,459,242
Transfers from work in progress	1,814,654	408,486	19,287,071	253,082	159,548	4,131,701	(26,054,542)	-
Disposals	(731)	-	(1,341,655)	-	(310,985)	(499)	-	(1,653,870)
At 30 June 2019	10,365,003	30,783,724	251,030,892	984,496	6,857,536	48,710,507	21,602,231	370,334,389
Depreciation								
At 1 July 2018	1,229,966	9,749,819	36,533,968	183,426	5,484,776	24,970,378	-	78,152,333
Transfer from leasehold	133		-	-	-	-	-	133
Charge for the year	238,008	1,025,144	8,611,918	35,158	379,342	5,607,348	-	15,896,918
Disposals	-	-	(502,452)	-	(279,004)	(499)	-	(781,955)
At 30 June 2019	1,468,107	10,774,963	44,643,434	218,584	5,585,114	30,577,227	-	93,267,429
Net carrying amount	**8,896,896**	**20,008,761**	**206,387,458**	**765,912**	**1,272,422**	**18,133,280**	**21,602,231**	**277,066,960**

The Company has not pledged any of its assets as collateral for liabilities and any other restrictions on title.

17. LEASEHOLD LAND

	2020 Shs'000	2019 Shs'000
Cost		
At start of year	978,409	879,292
Additions	-	99,120
Transfer from freehold	-	198
Disposal	(212,509)	(201)
	765,900	**978,409**
Amortisation		
At start of year	(95,283)	(65,869)
Charge for the year	(25,731)	(29,740)
Transfer to freehold	-	133
Charge on disposals	22,128	193
At end of year	(98,886)	(95,283)
Net carrying amount	**667,014**	**883,126**

18. INTANGIBLE ASSETS

Cost		
At start of year	7,762,728	6,787,738
Additions	112,111	974,990
Disposal	(37,985)	-
At end of year	7,836,854	7,762,728
Amortisation		
At start of year	(4,271,465)	(2,944,922)
Charge for the year	(1,222,635)	(1,326,543)
Charge on disposals	37,985	-
At end of year	(5,456,115)	(4,271,465)
Net carrying amount	**2,380,739**	**3,491,263**

19. RIGHT-OF-USE (ROU) ASSET

	2020 Shs'000	2019 Shs'000
Cost		
Balance on adoption of IFRS 16 (Note 2 (b) (i))	1,303,412	-
Additions	176,455	-
At end of year	1,479,867	-
Depreciation		
Charge for the year	(285,237)	-
At end of year	(285,237)	-
Net carrying amount	**1,194,630**	**-**

As a lessee, the Company leases spaces for sub-stations, offices and banking halls, depots, stores and IT equipment among others. The Company also has certain leases of office equipment with low value. The Company applies the ''lease of low-value assets' recognition exemptions for these leases.

19. RIGHT-OF-USE (ROU) ASSET (CONTINUED)

The following are the amounts recognized in profit or loss:

	2020 Shs '000	2019 Shs '000
Depreciation expense of right-of-use assets (Note 19)	285,237	-
Interest expense on lease liabilities (Note 29)	152,489	-
Expense relating to leases of low-value assets ((Note 9 (c))	16,870	12,867
	454,596	**12,867**

The Company had total cash outflows for leases of Shs 400,530,000 in 2020 (2019: Shs 417,165,000). The Company also had non-cash additions to right-of-use assets and lease liabilities of Shs 176,455,000 in 2020 (2019: Shs Nil). The future cash outflows relating to leases that have not yet commenced are disclosed in Note 40.

20. INVENTORIES

	2020 Shs'000	2019 Shs'000
General stores	4,167,240	5,007,732
Transformers	1,658,087	2,125,130
Conductors and cables	2,192,433	2,072,382
Meters and accessories	30,156	2,913
Poles	292,557	522,006
Fuel and oil	289,066	242,168
Motor vehicle spares	103,848	109,828
Engineering spares	12,816	13,082
	8,746,203	**10,095,241**
Provision for impairment	(3,914,831)	(260,341)
	4,831,372	9,834,900
Movements in the provisions for inventories were as follows:		
At start of year	(260,341)	(199,242)
Write off	-	-
Additional provision (Note 9(c))*	(3,654,490)	(61,099)
At end of year	**(3,914,831)**	**(260,341)**

General stores, engineering spares, fuel and oil, transformers and motor vehicle spares are carried at weighted average cost.

* The Company's Board of Directors approved a change in estimation of the provisioning of slow and non-moving inventories, from a five-year period to a three-year period. This resulted in full impairment for all inventories aged between 3 to 5 years amounting to Shs 3,213 million.

The change in estimation was necessitated by the following factors;

- The high stock holding level of materials beyond the current level of connectivity
- requirements, annual connectivity numbers having reduced from over 1 million to less than half a million.
- The increasing risk of technological obsolescence of materials and equipment which are held as strategic spares and critical connectivity materials.
- A significant component of connectivity projects is now under last-mile which is funded by government and implemented on a turn-key basis hence eliminating the need for high levels of stock holding.
- Improving efficiency in the supply chain processes leading to shorter lead times as well as the use of framework contracts for critical materials and strategic spares.

20. INVENTORIES (CONTINUED)

The Board is of the view that the three-year period is appropriate and is an optimal balance between the delivery lead times for materials and equipment, and reasonable periods for the utilisation given the dynamic utility operating environment.

The movement in provision of inventories due to change in estimation is analysed as follows;

	5 Years (previous estimation)	3 Years (new estimation)	Impact of the change in estimation
	Shs Million	Shs Million	Shs Million
Opening balance at 01 July 2019	260	260	-
Specific provision	(294)	(138)	(156)
Slow Moving	(407)	(3,776)	3,369
Total provision at 30 June 2020	**(701)**	**(3,914)**	**3,213**
Increase during the year	(441)	(3,654)	3,213

21. TRADE AND OTHER RECEIVABLES

(a) Non-current - Trade and other receivables

	2020	2019
	Shs'000	Shs'000
Prepayments-loan origination fee*	1,010,805	1,239,626

*This relates to arrangement costs charged upfront on long term loans extended by Standard Chartered Bank and Rand Merchant Bank. The fee is amortised over the tenure of the loans.

(b) Current - Trade and other receivables

	2020	2019
Electricity receivables (Note 21(c))	27,399,426	23,550,199
Receivable from Government of Kenya-RES recurrent losses****** (Note 36 (b) (ii))	16,563,693	11,953,850
Prepayments-loan origination fee	1,279,834	1,472,470
Receivable from Government of Kenya**** (Note 36 (b) (ii) and Note 37)	559,560	1,403,965
VAT recoverable (Note 36 (b) (ii))	819,446	1,948,120
Due from Ketraco**	1,576,156	1,510,433
Staff receivables	784,323	742,683
Stima loan deferred payment customers *	214,793	229,194
Rural Electrification Authority current account (Note 36 (b) (ii))	248,564	248,564
GPOBA prepaid debtors***	53,195	110,508
Energy Regulatory Levy	-	138,518
Nuclear electricity project	-	110
KEMP IDA grant	51,435	-
Other *****	8,550,798	7,513,418
Gross trade and other receivables	58,101,223	50,822,032
Provision for credit losses (Note 21(d))	(23,459,673)	(20,136,412)
Impairment of RES receivable	(826,545)	(574,960)
Net trade and other receivables	**33,815,005**	**30,110,660**

21. TRADE AND OTHER RECEIVABLES (CONTINUED)

	2020	2019
	Shs'000	Shs'000
(b) Current - Trade and other receivables		
Movement in impairment of RES receivable is as follows;		
At start of year	574,960	-
Increase during year (Note 11 (b))	251,585	574,960
At end of year	**826,545**	**574,960**

Trade and other receivables are non – interest bearing.

* Deferred payment customers balances represent debts outstanding under the Stima Loan Revolving Fund Programme which was established in 2010 to facilitate credit access to the low-income segments of the market for the purpose of electricity connection. It is funded by Agence Francaise de Development (AFD).

** This represents amounts due from Ketraco for local costs incurred in the construction of Sondu Miriu transmission and distribution line and repayments in relation to 0.75% Japan Bank for International Corporation loan that was transferred to Ketraco in 2018 upon signing of the Novation agreement.

***GPOBA prepaid debtors relate to the Global Partnership on Output Based Assistance (GPOBA) project for customers with prepaid meters. This project aims to provide safe, legal and affordable electricity to informal settlements. In 2015, the Company entered into an arrangement with the World Bank's International Development Association (IDA), which acts as an administrator of GPOBA. Under the agreement, the Company pre-invests its own resources to provide electricity to informal settlements after which IDA reimburses the Company for every connection done under this project.

The facility comprised a USD 10 million IDA loan and USD 5.15 million grant to be used as a subsidy for eligible electricity connections, allowing low income households to pay Shs 1,160 per connection. The receivable amount of Shs 53,195,000 (2019: Shs 110,508,000) is due from customers who received electricity connection under this project. The Company automatically recovers Shs 100 from these customers every month towards the Shs 1,160 awarded to each customer.

****Receivable from Government of Kenya (GoK) relates to subsidies due to the Company to enhance universal access to electricity through connectivity to the national grid. The Shs 559,560,000 (2019: Shs 1,403,965,000) receivable from the GoK is part of a larger commitment by the GoK, to be financed partly through support from the World Bank and the African Development Bank to enhance universal access to electricity. During the year, the Company received Shs 1,096,750,000 as disbursements of which Shs 844,405,000 was used to offset the debt and Shs 252,345,000 was fully utilized to grant accounting versus capital connect new customers.

***** Mainly include non-commercial clients, prepaid fixed charge, Integrated Customer Service (ICS) debtors and last mile debtors. Included in other receivables is an amount of Shs 250,967,000 (2019: Shs 250,967,000) deposited in Imperial Bank Limited which was placed under receivership in 2015. No recovery was made in the year 2020 (2019: Shs 37,323,000). The rest of the balance is fully provided for.

****** KPLC is the management agent for RES on behalf of Ministry of Energy (MOE). The Schemes of RES are generally sub-economic since their operational and maintenance costs exceed their revenue. The resultant accumulated deficit is recoverable from the Government of Kenya (GOK) as stipulated in the 1973 Mercado agreement signed between KPLC and the GOK through the MOE

21. TRADE AND OTHER RECEIVABLES (CONTINUED)

(c) Electricity receivables

	<30 days Shs'000	30-90 days Shs'000	>90 days Shs'000	Total Shs'000
2020				
Gross	9,484,601	3,622,097	14,292,728	27,399,426
Impairment	(544,820)	(1,573,209)	(13,377,891)	(15,495,920)
Net	**8,939,781**	**2,048,888**	**914,837**	**11,903,506**
2019				
Gross	9,297,711	2,856,782	11,395,706	23,550,199
Impairment	(477,765)	(1,129,479)	(10,730,887)	(12,338,131)
Net	**8,819,946**	**1,727,303**	**664,819**	**11,212,068**

The increase in the gross carrying amount of electricity receivables by Shs 3,849 million up from 2019 is attributed to low collections mainly due to the effects of Covid-19 which resulted in an increase in expected credit losses on electricity receivables by Shs 3,158 million. Information about the credit exposure is disclosed in Note 6 (a).

(d) Movement in the expected credit losses for trade and other receivables is as follows;

	Electricity receivables Shs'000	Prepaid fixed charge Shs'000	Other receivables Shs'000	Total Shs'000
2020				
At start of year	(12,338,131)	(2,804,844)	(4,993,437)	(20,136,412)
Additional provision (Note 9 (d))	(3,157,789)	-	(244,220)	(3,402,009)
Write back	-	78,748	-	78,748
Write offs	-	-	-	-
At end of year (Note 21(b))	**(15,495,920)**	**(2,726,096)**	**(5,237,657)**	**(23,459,673)**
2019				
At start of year	(9,732,944)	(2,974,528)	(1,300,248)	(14,007,720)
Impact of IFRS 9 adjusted through retained earnings	(1,524,891)	-	(3,376,341)	(4,901,232)
Additional provision (Note 9 (d))	(1,264,412)	-	(354,171)	(1,618,583)
Write back	-	169,684	37,323	207,007
Write offs	184,116	-	-	184,116
At end of year (Note 21(b))	**(12,338,131)**	**(2,804,844)**	**(4,993,437)**	**(20,136,412)**

22. SHORT-TERM DEPOSITS, BANK AND CASH BALANCES

	2020 Shs'000	2019 Shs'000
(a) Short-term deposits		
Housing Finance Company of Kenya Limited	446,648	416,593
The Co-operative Bank of Kenya Limited	2,612	2,612
	449,260	419,205
Expected credit losses- adjusted through retained earnings	-	(6,565)
Expected credit losses- charge for the year	(6,519)	(3,175)
	442,741	**409,465**

The average effective interest rate on the short-term deposits for the year ended 30 June 2020 was 7.09% (2019: 6.94%).

Movement in the expected credit losses is as follows;

	2020 Shs'000	2019 Shs'000
At start of year	9,740	6,565
(Decrease)/increase in provision	(3,221)	3,175
At end of year	**6,519**	**9,740**
(b) Bank and cash balances		
Cash at bank	3,458,368	4,296,526
Cash on hand	853	14,100
	3,459,221	4,310,626
Expected credit losses	(17,671)	(26,130)
	3,441,550	4,284,496
Overdraft	(8,771,746)	(10,156,305)
	(5,330,196)	**(5,871,809)**
Movement in the expected credit losses is as follows;		
At start of year	26,130	21,480
(Decrease)/increase in provision	(8,459)	4,650
At end of year	**17,671**	**26,130**

23. SHARE CAPITAL

Authorised:		
2,592,812,000 ordinary shares of Shs 2.50 each	6,482,030	6,482,030
Issued and fully paid:		
1,951,467,045 ordinary shares of Shs 2.50 each	4,878,667	4,878,667

24. SHARE PREMIUM

The share premium arose from the redemption of the 7.85% redeemable non-cumulative preference shares and a rights issue in the year 2011 at a price of Shs 207.50 giving rise to a share premium of Shs 14,367 million.

A further premium was received from the rights issue of 488,630,245 ordinary shares of Shs 2.50 each at a price of Shs 19.50, hence resulting to a share premium of Shs 17 per share or a total share premium of Shs 8,307 million. The transaction costs amounting to Shs 653 million were netted off against the share premium.

25. RETAINED EARNINGS

The retained earnings balance represents the amount available for distribution to the shareholders of the Company.

26. DEFERRED INCOME

Deferred income relates to capital contributions received from electricity customers for the construction of electricity assets. The amounts are amortised through profit or loss on a straight-line basis over the useful life of the related asset used to provide the ongoing service.

	2020 Shs'000	2019 Shs'000
At start of year	19,038,659	21,701,530
Additional contributions	2,420,992	3,775,658
Recognised as income (Note 7(b))	(5,517,821)	(6,438,529)
At end of year	**15,941,830**	**19,038,659**
Maturity analysis:		
Non-current	12,900,609	15,103,027
Current	3,041,221	3,935,632
At end of year	15,941,830	19,038,659

27. DEFERRED INCOME TAX

At start of year	26,886,643	28,904,087
Credit to other comprehensive income	(131,854)	(499,408)
Impact of IFRS 9 Day 1 adjustment	-	(1,494,784)
Impact of IFRS 16 Day 1 adjustment (Note 2 (b) (i))	419	-
Effect of tax rate changes (Note 13 (a))	(4,482,321)	-
Charge to profit or loss (Note 13 (a))	(1,682,082)	(23,252)
At end of year	**20,590,805**	**26,886,643**

Deferred income tax balance is analysed as follows

2020	At July 2019 Shs'000	Impact of adoption of IFRS 16 Shs'000	(Credited)/ Charged to profit or loss Shs'000	Credited to OCI Shs'000	Effect of tax rate changes Shs'000	At 30 June 2020 Shs'000
Deferred income tax liabilities						
Property and equipment	49,287,504	-	(380,546)	-	(8,214,584)	40,692,374
Unrealised foreign exchange loss	(1,985,027)	-	(888,006)	-	330,838	(2,542,195)
Right of use asset			298,658			298,658
Retirement benefit asset	330,902	-	(12,067)	(131,854)	(55,149)	131,832
	47,633,379	**-**	**(981,961)**	**(131,854)**	**(7,938,895)**	**38,580,669**

27. DEFERRED INCOME TAX (CONTINUED)

Deferred income tax assets						
Lease liabilities	-	-	(308,376)	-	-	(308,376)
Provisions	(6,566,764)	419	(1,971,714)	-	1,091,559	(7,446,500)
Tax losses	(14,190,088)	-	1,590,085	-	2,365,015	(10,234,988)
	(20,756,852)	419	(690,005)	-	3,456,574	(17,989,864)
Tax charge on excess accelerated capital allowances (current year)	10,116	-	(10,116)	-	-	-
Net deferred income tax liabilities	**26,886,643**	**419**	**(1,682,082)**	**(131,854)**	**(4,482,321)**	**20,590,805**

2019	**At July 2018 Restated Shs'000**	**Impact of adoption of IFRS 9 Shs'000**	**(Credited)/ charged to profit or loss Shs'000**	**Credited to OCI Shs'000**	**At 30 June 2019 Shs'000**
Deferred income tax liabilities					
Property and equipment	50,395,688	-	(1,108,184)	-	49,287,504
Unrealised foreign exchange loss	(1,959,270)	-	(25,757)	-	(1,985,027)
Retirement benefit asset	784,538	-	45,772	(499,408)	330,902
	49,220,956	-	(1,088,169)	(499,408)	47,633,379
Deferred income tax assets					
Provisions	(4,621,793)	(1,494,784)	(450,187)	-	(6,566,764)
Tax losses	(15,750,825)	-	1,560,737	-	(14,190,088)
	(20,372,618)	(1,494,784)	1,110,550	-	(20,756,852)
Tax charge on excess accelerated capital allowances (current year)	55,749	-	(45,633)	-	10,116
Net deferred income tax liabilities	**28,904,087**	**(1,494,784)**	**(23,252)**	**(499,408)**	**26,886,643**

As at 30 June 2020, the Company had accumulated tax losses amounting to Shs 40,940 million (2019: Shs 47,230 million).

28. TRADE AND OTHER PAYABLES

(a) Non-current liabilities

	2020 Shs'000	2019 Shs'000
Capital contribution - on-going projects**	8,358,690	7,806,971
Customer deposits*	6,059,632	6,062,498
Capital contributions-projects not commenced	4,880,854	4,729,896
Deferred creditor (Fibre optic)	272,588	409,462
RES current account - capital (Note 36 (b) (iii))	237,634	159,351
Donor funded revolving fund	164,463	164,553
Electrification of health facilities	441,659	-
Sub-Station Installation-GOK Funded Account	1,425,000	900,000
Nuclear electricity project	11,917	-
Other payables	1,635,236	1,702,461
	23,487,673	**21,935,192**

*Customer deposits are held as a non-current liability because the Company will continue to offer services to the customers for the foreseeable future and the customers are not expected to discontinue their use of electricity in the short run. In addition, the customer deposits are a security for the electric meters supplied to the customer for long-term electricity supply.

**Capital contributions for on-going projects relate to customer contributions for capital works not completed.

(b) Current liabilities

	2020 Shs'000	2019 Shs'000
KenGen (Note 36 (e))	24,008,924	19,257,959
Other suppliers' accounts	9,061,370	12,036,011
Other electricity suppliers	20,578,626	21,146,774
Other payables	11,762,904	10,319,188
RES current account - Last Mile Project (Note 36 (b) (iii))	3,824,511	4,902,232
RES – intercompany (Note 36 (b) (iii))	264,686	489,689
Rural Electrification Authority Levy** ((Note 36 (b) (iii)))	11,365,662	7,177,160
KEMP IDA grant***	-	475,155
Ketraco wheeling charge (Note 36 (f))	5,921,975	3,863,672
Ministry of Finance (Note 36 (b) (iii))	875,041	875,041
Prepaid revenue****	245,936	309,412
Street lighting project (Note 36 (b) (iii) and Note 37)	203,078	23,328
Energy Regulatory Levy	94,964	-
Aggreko	197,667	192,058
Deferred creditor (Fibre optic)	73,784	60,185
	88,479,128	81,127,864
Provision for impairment (Note 28 (c))	23,578	68,298
	88,502,706	**81,196,162**

**The Rural Electrification Authority Levy relates to levy charge for Feb 2018 to June 2020 to be remitted to the Rural Electrification Authority on collection.

*** The Company receives funding from the World Bank through Credit No.5587-KE to support electrification projects. The total amount received as at 30 June 2020 was Shs 11,128,491,000 (2019: Shs 7,958,684,000) and Shs 11,179,926,000 (2019: Shs 7,483,529,000) has been spent on the projects.

**** Prepaid revenue represents unearned income on prepaid meters. Based on historical trends, management derives an estimate of the value of prepaid power units not consumed as at the end of the financial year.

Non-current trade and other payables are non-interest bearing.

28. TRADE AND OTHER PAYABLES (CONTINUED)

(c) Movement in the provision for impairment for the Company guaranteed staff loans is as follows;

	2020 Shs'000	2019 Shs'000
At start of year	68,298	53,335
(Decrease)/increase in provision	(44,720)	14,963
At end of year (Note 28 (b))	**23,578**	**68,298**

29. LEASE LIABILITIES

Lease liabilities include the net present value of the fixed lease payments discounted using the incremental borrowing rate. On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under IAS 17 leases.

	2020 Shs'000	2019 Shs'000
Balance on adoption of IFRS 16 (Note 2 (b) (i))	1,302,014	-
Additions for the year	176,454	-
Interest charge (Note 11(b))	152,489	-
Payment of interest	(152,489)	-
Payment of principal	(248,040)	-
	1,230,428	-

The carrying amount of the current portion is Shs 314,948,000 while the non-current portion is Shs 915,480,000

The maturity analysis of undiscounted lease liabilities is disclosed in Note 6 (b).

30. BORROWINGS

	Currency	Interest rate	End date	2020	2019
				Shs'000	Shs'000
Commercial borrowings					
Standard Chartered Bank Loan	USD	4.15% + Libor	23/06/2026	29,360,236	32,000,187
Standard Chartered Bank Loan	Shs	CBR + 4%	23/06/2023	9,108,000	12,144,000
Rand Merchant Bank Long-term Loan	USD	5.75% + Libor	30/06/2021	2,485,523	4,773,921
Equity Bank USD Medium Term Loan	USD	4.5% + Libor	30/09/2025	4,905,065	5,567,022
Stanbic Loan	Shs	1.5% + CBR	14/09/2020	2,000,000	2,000,000
Rand Merchant Bank Medium Term Loan	USD	7.95%	26/09/2025	6,835,187	7,160,881
Stanbic Medium Term Loan	USD	5.25% + Libor	31/12/2019	-	352,100
Standard Chartered Bank Money Market Loan	Shs	12% (cbr+4%)	30/05/2021	800,000	800,000
GOK/Agence Francaise De development	EUR	2.5% + Libor	31/12/2030	1,201,400	1,163,056
				56,695,411	**65,961,167**
On-lent borrowings					
GOK/IDA Kenya Electricity Expansion Project	USD	3.00%	01/03/2035	13,007,200	12,491,475
GOK/CHINA EXIM BANK (USD 109,414,646)	USD	3.00%	28/08/2034	14,019,010	11,192,932
GOK/IDA 3958 & 4572 KE ESRP	USD	4.50%	01/09/2029	9,372,266	9,456,396
GOK/NORDEA	EUR	3.00%	15/09/2026	2,433,911	2,356,230
GOK/EIB 23324 KE ESRP	EUR	3.97%	20/07/2025	2,071,649	2,370,171
GOK/Agence Francaise de Development	EUR	4.50%	30/03/2025	1,270,712	1,341,988
GOK/ Nordic Development Fund 435 ESRP	EUR	4.50%	15/09/2026	488,069	545,183
KPLC/AFD Revolving Fund Loan	EUR	2.70%	31/07/2034	2,679,122	348,917
GOK/EIB – Olkaria Loan	EUR	4.00%	25/11/2019	-	109,535
GOK/IDA 5587 KE LOAN	USD	2.00%	15/11/2052	2,692,981	1,275,653
GOK/IDA 2966 KE loan	Shs	7.70%	30/06/2022	188,349	188,349
GOK/AFD Transformer Densification	EUR	3.20%	31/07/2034	856,398	694,331
Accrued interest (Note 35 (b))				4,186,515	3,051,089
				53,266,182	**45,422,249**
Total borrowings				**109,961,593**	**111,383,416**

30. (a) BORROWINGS (CONTINUED)

	2020 Shs'000	2019 Shs'000
Total borrowings	109,961,593	111,383,416
Less: amounts repayable within 12 months	(15,004,361)	(18,768,015)
Non-current	**94,957,232**	**92,615,401**

(d) Analysis of borrowings by currency

	Shs Shs' 000	USD Shs' 000	Euros Shs' 000	Total Shs' 000
2020				
Loans	23,118,051	75,842,282	11,001,260	109,961,593
2019				
Loans	18,183,438	84,270,567	8,929,411	111,383,416

(e) Maturity of borrowings

	2020 Shs'000	2019 Shs'000
Due within 1 year	15,004,361	18,768,015
Due between 1 and 2 years	15,218,333	13,451,696
Due between 2 and 5 years	32,310,132	32,397,931
Due after 5 years	47,428,767	46,765,774
	109,961,593	**111,383,416**

(f) Compliance with debt covenants

During the year, the Company met all its loan repayment obligations. The Company was in compliance with all financial covenants during the year except for the Current Ratio covenant relating to the below borrowings from Standard Chartered Bank, Rand Merchant Bank and Agence Francaise de Development. This covenant compares the current assets with the current liabilities.

	Current Shs'000	Non-current Shs'000	Total Shs'000
Standard Chartered Bank USD 350m loan	3,961,302	25,398,934	29,360,236
Standard Chartered Bank USD 150m loan	3,036,000	6,072,000	9,108,000
Rand Merchant Bank USD Long-term Loan	2,485,523	-	2,485,523
Rand Merchant Bank USD Medium Term Loan	1,242,761	5,592,426	6,835,187
Agence Francaise de Development	60,070	1,141,330	1,201,400
	10,785,656	**38,204,690**	**48,990,346**

	Covenant requirement	As per the financial statements
For Standard Chartered Bank, Rand Merchant Bank and AFD		
Current assets (Shs'000)		43,035,765
Current liabilities (Shs'000)		117,631,460
Current ratio	**1**	**0.37**

30. BORROWINGS (CONTINUED)

(f) Compliance with debt covenants (continued)

Paragraph 74 of IAS 1 'Presentation of financial statements' requires the reclassification of the non-current portion of borrowings with covenant breaches to current. This reclassification has not been performed in the financial statements because the Company obtained waivers before the end of the reporting period, 30 June 2020 which gave consent of extension of the breach from 30 June 2020 to 30 June 2021.

Through a letter from Standard Chartered Bank dated 24 June 2020, the lender communicated consent of extension of the breach from 30 June 2020 to 30 June 2021.

Through a letter from Rand Merchant Bank dated 24 June 2020, the lender communicated that the breach would be condoned from 30 June 2020 to 30 June 2021 while reserving the rights under the facility agreement.

Through a letter from Agence Francaise de Development Bank dated 29 June 2020, the lender communicated that it agreed to waive its right to declare the Event of Default solely with respect to the said non-compliance with the Current Ratio anticipated as 30th June 2020 for a 12-month period.

31. PREFERENCE SHARES

	2020 Shs'000	2019 Shs'000
Authorised, issued and fully paid:		
350,000 - 7% cumulative preference shares of Shs 20 each	7,000	7,000
1,800,000 - 4% cumulative preference shares of Shs 20 each	36,000	36,000
	43,000	**43,000**

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

32. RETIREMENT BENEFIT ASSET

The Company operates a funded defined benefit plan (the "DB Scheme") for its employees that is established under irrevocable trust. The DB Scheme was closed to new members and future accrual of service as from 1 July 2006. Currently, no contributions are payable by employees to the DB Scheme and the Company is on a contribution holiday. DB Scheme assets are invested in a variety of asset classes comprising of government securities, fixed and time deposits, corporate bonds, equities and offshore investments. A separate defined contribution scheme (the "DC Scheme") was setup in respect of service from 1 July 2006. The contributions to the DC Scheme are accounted separately in the Company's statement of profit or loss.

The benefits provided by the DB Scheme are based on a formula taking into account years and complete months of service with the employer since joining the scheme to the closing date. Under the DB Scheme, the employees are entitled to retirement benefits varying between 3 and 5 percent of final pensionable emoluments on attainment of the retirement age.

The DB Scheme is governed by the Retirement Benefits Act, 1997. This requires that an actuarial valuation be carried out at least every three years for the DB Scheme. The most recent actuarial valuation of the DB Scheme was carried out at 31 December 2019 using the Projected Credit Method, by an independent qualified actuary. For the purposes of calculating the actuarial liability under the Scheme as at 30 June 2020, the Company engaged the services of an actuary, Zamara Actuaries, Administrators & Consultants Ltd. The Actuary "rolled forward" the results of the actuarial valuation as at 31 December 2019 to 30 June 2020.

The Company is exposed to the following actuarial risks:

(i) Investment risk

The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan assets is below this rate, it will create a plan deficit. Currently, the plan has a relatively balanced investment in investment properties, government securities, equity investments, corporate bonds and short-term deposits. Due to the long-term nature of the DB Scheme liabilities, management considers it appropriate that a reasonable portion of the plan assets should be invested in equity securities and in real estate to leverage the return generated by the DB Scheme.

32. RETIREMENT BENEFIT ASSET (CONTINUED)

(ii) Interest risk

A decrease in bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.

(iii) Longevity risk

Benefits in the DB Scheme are payable on retirement, resignation, death or ill-health retirement. The actual cost to the Company of the benefits is therefore subject to the demographic movements of employees.

(iv) The benefits are linked to salary and consequently have an associated risk to increases in salary.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2020	2019
Discount rate	13.0%	12.9%
Expected rate of return on assets	13.0%	12.9%
Future salary increases	5.0%	5.0%
Retirement age	60 years	60 years

The updated position arising from the Company's obligation in respect of its DB Scheme is as follows:

The current service costs and the net interest expense for the year are included in administration expenses in profit or loss (Note 9(c)).

The measurement of the defined benefit liability is included in other comprehensive income. The amounts recognised in profit or loss and other comprehensive income in respect of the defined benefit plan are as follows:

	2020 Shs'000	2019 Shs'000
Current service cost	179,011	159,290
Interest cost on defined benefit obligation	1,737,236	1,668,672
Interest income on plan assets	(2,378,443)	(2,302,198)
Interest on the effect of the asset ceiling	510,465	321,661
Net expense/(income) recognised in profit or loss (Note 10)	**48,269**	**(152,575)**
Net actuarial gains	(158,232)	(501,762)
Return on plan assets (excluding amount in interest cost)	1,525,329	1,146,156
Changes in effect of asset ceiling (excluding amounts in interest cost)	(839,683)	(1,020,300)
Recognised in other comprehensive income	527,414	1,664,694
Total Net actuarial losses	**1,054,828**	**1,288,788**

32. RETIREMENT BENEFIT ASSET (CONTINUED)

The amount included in the statement of financial position arising from the Company's obligation in respect of its defined benefit retirement plan is as follows:

	2020 Shs'000	2019 Shs'000
Fair value of plan assets	18,535,455	19,192,751
Present value of funded defined benefit obligation	(14,380,254)	(14,132,649)
	4,155,201	5,060,102
Limit on defined benefit asset	(3,627,873)	(3,957,091)
Present value of funded defined benefit asset	**527,328**	**1,103,011**

The reconciliation of the amount included in the statement of financial position is as follows:

	2020 Shs'000	2019 Shs'000
Net asset at the start of the year	1,103,011	2,615,130
Net income recognised in profit or loss (Note 9(c))	(48,269)	152,575
Amount recognised in other comprehensive income	(527,414)	(1,664,694)
Present value of funded defined benefit asset	**527,328**	**1,103,01**

Movement in the present value of defined benefit funded obligations in the current year is as follows:

	2020 Shs'000	2019 Shs'000
At start of year	14,132,649	14,167,143
Current service cost	179,011	159,290
Interest cost on obligation	1,737,236	1,668,672
Actuarial loss	(158,232)	(501,762)
Benefits paid	(1,510,410)	(1,360,694)
At end of year	**14,380,254**	**14,132,649**

Movement in the fair value of defined benefit scheme assets is as follows;

At start of year	(19,192,751)	(19,397,402)
Interest income on plan assets	(2,378,443)	(2,302,199)
Return on plan assets, excluding amount in interest income	1,525,329	1,146,156
Benefits paid	1,510,410	1,360,694
Prior year understatement for asset values	-	-
At end of year	**(18,535,455)**	**(19,192,751)**

The fair value of the plan assets at the end of the reporting period for each category, are as follows:

	2020 Shs'000	2019 Shs'000
Property	7,365,747	7,359,495
Debt instruments	6,300,879	6,741,088
Equity instruments	3,609,567	3,183,251
Others	1,259,262	1,908,917
Total scheme assets	**18,535,455**	**19,192,751**

32. RETIREMENT BENEFIT ASSET (CONTINUED)

The fair values of the above equity and debt instruments are determined based on quoted market prices in active markets whereas the fair values of properties are not based on quoted market prices in active markets. This treatment has been implemented during the current and prior years.

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

Sensitivity analysis

A sensitivity analysis was performed on the model and if all other key assumptions remained unchanged while the discount decreased by 1%, the result would have been Shs 865 million increase in the retirement benefit asset.

33. PROVISIONS

This is estimated provision for monetary liability for employees' accrued annual leave entitlement and present value of employee gratuity benefits.

	2020 Shs'000	2019 Shs'000
At start of year	397,770	448,000
Increase /(decrease) in provisions (Note 10)	53,892	(50,230)
At end of year	**451,662**	**397,770**
(b) Gratuity and leave allowance provision		
At start of year	415,561	304,928
Gratuity paid during the year	(60,644)	(120,196)
Increase in provisions (Note 10)	227,978	230,829
At end of year	582,895	415,561
Total provisions	**1,034,557**	**813,331**

34. DIVIDENDS PAYABLE

Dividends payable on ordinary shares	**806,222**	**811,045**

These relate to unclaimed dividends payable to different ordinary shareholders.

The movement in the dividend payable account is as follows:

	2020 Shs'000	2019 Shs'000
At start of year	811,045	862,007
Declared during the year	1,930	1,930
Paid during the year	(6,753)	(52,892)
At end of year	**806,222**	**811,045**

35. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of operating profit to cash generated from operations

	2020 Shs'000	2019 Shs'000
Profit before tax	(7,042,014)	333,614
Depreciation of property and equipment (Note 16)	16,335,890	15,896,918
Amortisation of intangible assets (Note 18)	1,222,635	1,326,543
Amortisation of leasehold land (Note 17)	25,731	29,740
Amortisation of ROU (Right-of-use) asset (Note 19)	285,237	-
Amortisation of capital contribution (Note 7 (b))	5,517,821	6,438,529
Loss on disposal of property and equipment (Note 35 (e))	956,068	767,027
Finance income (Note 11 (a))	(123,188)	(117,900)
Finance costs (Note 11 (b))	12,362,124	10,403,555
Interest expense on lease liabilities (Note 11 (b))	152,489	-
Movement in deferred income recognised as income (Note 26)	920,708	398,675
Movement in provision for leave pay, gratuity and leave allowance (Note 33)	281,870	180,599
Movement in provisions for credit losses on short-term deposits (Note 22 (a))	(3,221)	3,175
Movement in provisions for credit losses on bank balances ((Note 22 (b))	(8,459)	4,650
Movement in provisions for credit losses on trade and other receivables (Note 9 (d))	3,279,367	1,227,460
Movement in provision for slow moving inventories (Note 20)	3,654,490	61,099
Retirement benefit plan credits (Note 9 (c))	48,269	(152,575)
Unrealised foreign exchange losses on cash and cash equivalents	(37,186)	88,313
Working capital changes:		
Inventories	1,349,038	(150,614)
Trade and other receivables	(7,493,914)	(1,447,380)
Deferred income	(9,535,358)	(9,500,075)
Trade and other payables	9,348,710	9,294,287
Cash generated from operations	**31,497,107**	**35,085,640**

(b) Analysis of changes in borrowings

At start of year	111,383,416	112,717,342
Proceeds	14,632,483	9,559,072
Repayments	(12,400,318)	(13,132,712)
Repayment of previous year's accrued interest	(3,051,089)	(1,892,742)
Foreign exchange losses	3,982,332	1,081,367
Accrued interest (Note 30 (a))	4,186,515	3,051,089
At end of year	118,733,339	111,383,416
Net debt reconciliation		
Cash and bank balances (Note 22 (b))	3,441,550	4,284,496
Short-term deposits (Note 22 (a))	442,741	409,465
Overdrafts (Note 22 (b))	(8,771,746)	(10,156,305)
Borrowings (Note 30)	(109,961,593)	(111,383,416)
Net debt	**(114,849,048)**	**(116,845,760)**
Net debt reconciliation		
Cash, bank balances and short-term deposits	3,884,291	4,693,961
Gross debt – fixed interest rates	(64,085,750)	(64,739,435)
Gross debt – variable interest rates	(54,647,589)	(56,800,286)
Net debt	**(114,849,048)**	**(116,845,760)**

35. NOTES TO THE STATEMENT OF CASH FLOWS (CONTINUED)

(c) Analysis of cash and cash equivalents

	2020 Shs'000	2019 Shs'000
Short-term deposits (Note 22 (a))	449,260	419,205
Cash and bank balances (Note 22(b))	3,459,221	4,310,626
Bank overdraft	-	(10,156,305)
	3,908,481	**(5,426,474)**

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

(d) Analysis of interest paid

	2020 Shs'000	2019 Shs'000
Interest on loans (Note 11(b))	6,509,201	7,126,180
Overdraft interest (Note 11(b))	1,323,654	1,083,429
Late payment interest (Note 11 (b))	707,305	527,302
	8,540,160	8,736,911
Interest on loans capitalised	351,933	489,329
Accrued interest brought forward (Note 30 (a))	3,051,089	1,892,742
Accrued interest carried forward (Note 30 (a))	(4,186,515)	(3,051,089)
Interest paid	**7,756,667**	**8,067,893**

(e) Proceeds of disposal of property and equipment

Proceeds from disposal of property and equipment	66,787	104,896
Less: disposed assets at net book value	(1,022,855)	(871,923)
Loss on disposal of property and equipment	**(956,068)**	**(767,027)**

(f) Analysis of dividends paid

At start of year	811,045	862,007
Preference dividends - 4% and 7% cumulative preference shares	1,930	1,930
At end of year	(806,222)	(811,045)
Dividends paid	**6,753**	**52,892**

35. NOTES TO THE STATEMENT OF CASH FLOWS (CONTINUED)

(g) Analysis of interest received

	2020	2019
	Shs'000	Shs'000
Interest received on bank and other deposits (Note 11 (a))	123,188	117,900
Accrued interest brought forward	2,404	2,524
Reversal of previous years' accrued interest	-	-
Accrued interest carried forward	(4,654)	(2,404)
Interest received	**120,938**	**118,020**

(h) Purchase of property and equipment

	2020	2019
Work in progress additions (Note 16)	16,961,308	20,459,242
Exchange (loss)/gain on loans for on-going projects capitalised	(413,885)	8,387
Interest expense on loans capitalised (Note 35 (d))*	(351,933)	(489,329)
Property and equipment purchased	16,195,490	19,978,300

*The Company capitalises interest on qualifying projects quarterly at the average cost of debt of 6.31% (2019: 6.3%).

36. RELATED PARTY TRANSACTIONS AND BALANCES

The Government of Kenya is the principal shareholder in The Kenya Power & Lighting Company Plc (KPLC) holding a 50.1% equity interest. The Government also holds 70% and 100% of the equity interest in Kenya Electricity Generating Company Plc (KenGen) and Kenya Electricity Transmission Company (KETRACO), respectively. The Company is related to KenGen and KETRACO through common control. During the year, the following transactions were carried out with related parties:

(a) The Company had no individually significant transactions carried out on non-market terms.

(b) Other transactions that are collectively significant are detailed as follows:

	2020	2019
	Shs'000	Shs'000
(i) Ministries		
Electricity sales to Government Ministries	3,474,454	4,035,215
Electricity sales to strategic parastatals	1,998,679	2,383,375

(ii) Outstanding balances at the year-end included in trade and other receivables:

	2020	2019
	Shs'000	Shs'000
Receivable from Government of Kenya-RES recurrent losses (Note 21 (b))	16,563,693	11,953,850
Receivable from Government of Kenya (Note 21 (b))	559,560	1,403,965
VAT recoverable (Note 21 (b))	819,446	1,948,120
Ministries	941,130	466,834
Strategic parastatals	639,188	489,538
Rural Electrification Authority current account (Note 21 (b))	248,564	248,564
Ministry of Energy and other sector entities	158,393	154,766
EPRA levy (Note 21 (b))	-	138,518
	19,929,974	**16,804,155**

36. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Other transactions that are collectively significant are detailed as follows: (continued)

Outstanding balances at the year-end included in trade and other payables:

	2020 Shs'000	2019 Shs'000
RES current account - Last Mile (Note 28 (b))	3,824,511	4,902,232
Rural Electrification Authority levy (Note 28 (b))	11,365,662	7,177,160
Ministry of Finance (Note 28 (b))	875,041	875,041
Government of Kenya - Street lighting project (Note 28 (b))	203,078	23,328
RES – intercompany (Note 28 (b))	264,686	489,689
RES – capital (Note 28 (a))	237,634	159,351
	16,770,612	13,626,801
Net amount owed by Government of Kenya	**3,159,362**	**3,177,354**

The tariffs applicable to Government institutions are the same as those charged to other ordinary customers.

(c) Staff

	2020 Shs'000	2019 Shs'000
(i) Advances to staff included in trade and other receivables	462,195	511,414

The Company advances loans to staff at an interest charge of 12% (2019: 12%). The loans are mainly classified into salary, motorcycle, laptop and domestic appliances loans. The outstanding amounts are recovered from payroll on a monthly basis. The repayment period is between 12 to 36 months.

(ii) Key management compensation	2020 Shs'000	2019 Shs'000
Short-term employee benefits	5,699	11,493
Termination benefits	23,742	21,394
	29,441	**32,887**

Short-term employee benefits include those relating to the Managing Director and Chief Executive Officer who is also a Director which are disclosed below:

	2020 Shs'000	2019 Shs'000
Fees for services as Director		
Non-Executive Directors (Note 12)	4,800	4,300
Other emoluments		
Salaries and other short-term employment benefits:		
Non-Executive Directors (Note 12)	26,294	39,788
Executive Directors and key management staff	29,441	32,887
	55,735	72,675
	60,535	**76,975**

36. RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Rural Electrification Scheme (RES)

The Company continued to manage the RES under the Rural Electrification Programme (REP), on behalf of the Government of Kenya.

The Rural Electrification Programme (REP) was established in 1973 by the Government of Kenya following an agreement between the Government and East African Power & Lighting Company Limited, the predecessor to The Kenya Power & Lighting Company Plc. The programme was established with the specific objective to extend electricity to the sub-economic rural areas. In order to intensify the expansion of these sub-economic regions, the Government has established the Rural Electrification Authority (REA). However, KPLC continues to operate and maintain the whole network, in addition to implementing projects for the Authority on contract basis.

The Company has entered into a Mutual Co-operation and Provision of Services Agreement with REA to operate and maintain lines owned by REA. In return, the Company will retain revenues generated from RES customers to cover maintenance costs incurred by the Company. However, the Company continues to invoice the Government for the expenditure incurred to complete on-going projects.

The REP is funded by the Government of Kenya. Any property acquired by REP remains the property of the Government of Kenya. KPLC only acts as a management agent on behalf of the Government. The balances due to RES are disclosed in Note 36 (b) (ii) and (iii).

	2020 Shs'000	2019 Shs'000
(e) KenGen		
Electricity purchases (before allocation to RES)	45,217,399	47,373,962
Amounts due to KenGen on electricity purchases (Note 28 (b))	24,008,924	19,257,959
Electricity sales	322,294	232,829
Amounts due from KenGen on account of electricity sales	273,731	237,887
(f) KETRACO		
KETRACO wheeling charge (Note 28(b))	5,921,975	3,863,672
Funding for assets		
KEEP/KETRACO 132KV Transmission lines	47,208	47,208
KEEP/KETRACO 132/33KV substations	44,996	44,996
2.5% Exim Bank Loan for the construction of Kamburu-Meru line	-	-
Interest paid on repayment of 2.5% Exim Bank Loan	27,695	27,695
Amount due from Ketraco on account of local costs*	567,642	567,642
Amount due from Ketraco on 0.75% JICA loan (inclusive of interest)	221,272	221,272
Operations and Maintenance costs for Transmission lines	667,343	601,620
	1,576,156	**1,510,433**

*These are local costs incurred by KPLC in the construction of Kisii Chemosit and Kamburu-Meru lines.

36. RELATED PARTY TRANSACTIONS (CONTINUED)

(g) KPLC Staff Retirement Benefits Scheme

The Company rents property owned by the staff retirement benefits scheme for office space. Rent paid to the scheme in the year amounted to Shs 152 million (2019: Shs 167 million). The outstanding balance to the retirement benefit scheme as at 30 June 2020 was Shs nil million (2019: Shs nil million).

The year-end outstanding balances with related parties are interest free and settlement occurs in cash.

37. GOVERNMENT GRANT

The Company received grants from the Government of Kenya to subsidize electricity connectivity and to finance street lighting projects. The grants amounted to Shs 1,976,750,000 (2018: Shs 2,678,625,000)

The movement in the grant accounts in the current year is as follows:

	2020 Shs'000	2019 Shs'000
Connectivity		
At start of year	1,403,965	2,598,787
Disbursements received during the year	(1,096,750)	(1,137,500)
Utilised during the year	300,800	-
New connections during the year	(48,455)	(57,322)
At end of year	**559,560**	**1,403,965**
Street lighting		
At start of year	23,328	285,741
Disbursements received during the year	880,000	1,541,125
Utilised during the year	(700,250)	(1,803,538)
At end of year (Note 28 (b))	**203,078**	**23,328**

The connectivity amount of Shs 559 million (2019: Shs 1,403 million) receivable for connectivity projects has been disclosed under trade and other receivables, while Shs 203 million (2019: Shs 23 million) for street lighting is accounted for under trade and other payables.

38. CAPITAL COMMITMENTS

The capital commitments relate to the ongoing capital projects which have been approved and are at various stages of implementation.

	2020 Shs'000	2019 Shs'000
Authorised and contracted for	57,423,768	62,431,552
Less: amount incurred and included in work-in-progress	(22,694,246)	(25,770,129)
	34,729,522	36,661,423

39. CONTINGENT LIABILITIES

Cases filed against the Company are being handled by advocates appointed by the Company.

The Directors, based on professional advice and previous High Court rulings, are of the opinion that significant loss may arise from these matters.

The following is a highlight of the significant claims against the Company: -

Litigation and claims

(i). HCC No. 275 of 2010 – The plaintiff is seeking damages and interest for loss occasioned by KPLC as a result of disconnection;

(ii). HCC No. 166 of 2016 – The plaintiff is seeking payment of interest and demurrage charges under three separate contracts for the supply of transformers.

(iii). HCC No. E091 of 2020 - The plaintiff is seeking compensation from KPLC for breach of contract;

(iv). Employment and Labour Relations Case No. Court 17 of 2019 (Formerly High Court Civil Case Number 74 of 2003) - The plaintiffs are former KPLC's employees who have filed the suit claiming amounts allegedly owed to them following cessation of their employment on diverse dates from 30th June 2001 to 19th March 2002;

39. CONTINGENT LIABILITIES (CONTINUED)

Litigation and claims (continued)

(v). ELC No. 87 of 2012 - This is a claim for compensation by the Plaintiff against KPLC alleging that the Company supplied electricity to squatters on his land;

(vi). ELC No.114 of 2010 (Central Registry), ELC No.615 of 2010 (O.S) & ELC No.795 of 2007 - The Plaintiff is seeking orders for power lines to be removed from the suit premises and compensation from alleged trespass;

(vii). High Court Civil Case No. E049 OF 2018 - KPLC has been sued for breach of contract and the plaintiff is seeking compensation for the breach;

(viii). ELC No. 336 of 2014 (formerly HCC No. 478 of 2005) - These are land owners who granted wayleaves to KPLC over their land but are seeking additional compensation for the wayleaves granted.

(ix). Court case no. ELC No. 007 of 2020 – This is a claim for trespass where the plaintiffs are seeking for compensation and removal of KPLC's electricity lines.

(x). Court case no. Civil Appeal No. E247 of 2020 - This is a claim for trespass where the plaintiffs are seeking for compensation and removal of KPLC's electricity lines.

(xi). Court case no. Civil Appeal No. E248 of 2020 - This is a claim for trespass where the plaintiffs are seeking for compensation and removal of KPLC's electricity lines.

(xii). Court case Civil Appeal No. 34 of 2020 - This is a claim on breach of contract where the applicant is seeking compensation for breach.

Other claims lodged against the Company relate to civil suits which have arisen in the normal course of business.

40. FUTURE RENTAL COMMITMENTS UNDER OPERATING LEASES

As lessee:

The total future minimum lease payments due to third parties under non-cancellable operating leases as at 30 June are shown below;

	2019 Shs'000
Not later than 1 year	231,677
Later than 1 year and not later than 5 years	544,620
More than 5 years	537,536
	1,313,833

As lessor:

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

	2020 Shs'000	2019 Shs'000
Not later than 1 year	74,908	369,937
Later than 1 year and not later than 5 years	350,083	200,377
More than 5 years	139,227	89,739
	564,218	**660,053**

As a lessor, the Company has entered into commercial property leases on its property and it retains all the significant risks and rewards of ownership of these properties and therefore accounts for the contracts as operating leases.

41. WORLD BANK FINANCING

(a) KEEP Loan (IDA Credit No. 4743-KE)

The Company received funding from the World Bank through Credit No.4743-KE to support electricity expansion projects. Summary information on transactions under KEEP Loan during the two years ended 30 June 2020 and 2019 were as follows:

	2020 Shs'000	2019 Shs'000
Balance at the beginning of the year	4,303	4,107
Amounts received during the year	-	-
Net interest income	189	196
Expenditure during the year	-	-
Balance at the end of the year	**4,492**	**4,303**

The closing balances shown above are included in cash and cash equivalents and represent balances on the World Bank funded Special Account No.0550297294333 held at Equity Bank Limited. Included in the long-term borrowings is an amount of Shs 13,007,200,043 (US$ 122,107,651) (2019: Shs 12,491,474,914 (US$ 122,107,651) in respect of the amounts disbursed under the loan to date. The proceeds of the World Bank loan have been expended in accordance with the intended purpose as specified in the loan agreement.

(b) KEMP (IDA Credit No. 5587-KE) LOAN

The Company received funding from the World Bank through Credit No.5587-KE to support electricity modernization projects. Summary information on transactions under KEMP Loan during the two years ended 30 June 2020 and 2019 were as follows:

	2020 Shs'000	2019 Shs'000
At start of year	145,609	57,932
Amounts received during the year	254,152	219,073
Net interest income	4,822	4,540
Expenditure during the year	(246,627)	(135,936)
Balance at the end of the year	**157,956**	**145,609**

The closing balances shown above are included in cash and cash equivalents and represent balances in the World Bank funded Special Account No. 1400266765947 held at Equity Bank Limited. Included in the long-term borrowings is an amount of Shs 2,692,981,469 (US$ 25,280,894) (2019: Shs 1,275,653,422 (US$ 12,469,938) in respect of the amounts disbursed under the loan to date. The proceeds of the World Bank through Credit No.5587-KE have been expended in accordance with the intended purpose as specified in the loan agreement.

(c) KEMP (IDA Credit No. 5587-KE) GRANT

The Company received funding from the World Bank through Credit No.5587-KE to support electrification projects. Summary information on transactions under KEMP Grant during the two years ended 30 June 2020 and 2019 were as follows:

	2020 Shs'000	2019 Shs'000
At start of year	468,752	150,498
Amounts received during year	123,492	1,132,796
Net interest income	7,282	10,684
Expenditure during year	(463,216)	(825,226)
Balance at end of year	**136,310**	**468,752**

41. WORLD BANK FINANCING (continued)

(c) KEMP (IDA Credit No. 5587-KE) GRANT (continued)

The closing balances shown above are included in cash and cash equivalents and represent balances on the World Bank funded Special Account No1400266766088 held at Equity Bank Limited. The proceeds of World Bank grant have been expended in accordance with the intended purpose as specified in the loan agreement.

42. EUROPEAN INVESTMENT BANK (EIB) FINANCING

The Company received financial support from EIB for Grid development. Included in the long-term borrowings is an amount of Shs 2,071,648,429 (Euro 17,243,476) (2019: Shs 2,370,171,221 (Euro 20,378,679) in respect of the outstanding loan balance. The proceeds of the European Investment Bank loan have been expended in accordance with the intended purpose as specified in the loan agreement.

43. EVENTS AFTER THE REPORTING DATE

As disclosed in the auditor's report, and Note 20 to these financial statements, on 29 December 2020, the Board of Directors approved a change in the estimation of slow moving, and non-moving Inventories. The total adjustment for the year due to this change in estimation is Shs 3,213 million.

The Directors are not aware of any other material events after the reporting date that would require adjustment to, or disclosure in, these financial statements.

In the last seven years our high and medium voltage line network has expanded from a total of 56,611 kilometres to 84,681 kilometres.

TEN YEAR FINANCIAL AND STATISTICAL RECORDS

For year ended	30th June 2011	30th June 2012	30th June 2013	30th June 2014	30th June 2015	30th June 2016	30th June 2017	30th June 2018(Restated)	30th June 2019	30th June 2020
UNITS SOLD (GWh)	5,816	6,001	6,175	6,790	7,130	7,385	7,717	7,905	8,173	8,171
Average yield of units sold (cents)	1,257.81	1,594.11	1,439.83	1,552.22	1,497.38	1,467.50	1,564.63	1,661.97	1,629.03	1,630.87
	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000
Revenue from sale of electricity	73,154,021	95,662,427	88,909,626	105,395,714	106,763,525	108,374,612	120,742,270	131,378,974	133,140,887	133,258,602
Operating Profit	7,084,377	7,810,450	8,941,540	14,922,404	15,839,478	16,930,645	13,652,536	11,917,723	10,530,956	5,312,226
TAXATION (CHARGE)/ CREDIT	(2,035,185)	(3,889,577)	(3,124,780)	(4,021,363)	(4,821,617)	(4,885,834)	(2,376,214)	(1,699,641)	(72,061)	6,102,532
NET PROFIT AFTER TAXATION BEFORE FINANCE INCOME/ COSTS	5,049,192	3,920,873	5,816,760	10,901,041	11,017,861	12,044,811	11,276,322	10,218,082	10,458,895	11,414,758
Finance Income	171,477	489,182	111,546	104,208	1,380,968	964,957	46,004	100,000	117,900	123,188
Finance Costs	(999,173)	208,991	(2,480,659)	(4,008,832)	(4,964,942)	(5,811,275)	(6,039,971)	(7,047,526)	(10,315,242)	(12,477,428)
Preference dividends (gross)	(1,930)	(1,930)	(1,930)	(1,930)	(1,930)	(1,930)	(1,930)	(1,930)	(1,930)	(1,930)
NET PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	4,219,566	4,617,116	3,445,717	6,994,487	7,431,957	7,196,563	5,280,425	3,268,626	261,553	(939,482)

For year ended	30th June 2011	30th June 2012	30th June 2013	30th June 2014	30th June 2015	30th June 2016	30th June 2017	30th June 2018(Restated)	30th June 2019	30th June 2020
ORDINARY DIVIDENDS (GROSS)	(1,002,763)	(563,757)	-	(390,293)	(975,733)	(975,733)	(585,440)	(975,734)	-	-
OTHER COMPREHENSIVE INCOME	-	(127,397)	1,266,758	989,821	(1,995,966)	(168,673)	(740,849)	(68,486)	(1,165,286)	(395,560)
RETAINED PROFIT FOR THE YEAR	3,216,803	3,925,962	4,712,475	7,594,015	4,460,258	6,052,157	3,954,136	2,224,406	(903,733)	(1,335,042)
FUNDS GENERATED FROM OPERATIONS										
Profit/(Loss) for the year after dividends	3,216,803	3,925,962	4,712,475	7,594,015	4,460,258	6,052,157	3,954,136	2,224,406	(903,733)	(1,335,042)
Depreciation	3,847,007	4,563,658	5,632,642	6,797,745	7,943,421	9,434,511	11,951,350	15,284,953	17,253,356	17,869,493
	7,063,810	8,489,620	10,345,117	14,391,760	12,403,679	15,486,668	15,905,486	17,509,359	16,349,623	16,534,451
CAPITAL EMPLOYED										
Fixed Assets less depreciation	84,590,569	106,377,165	146,094,184	168,155,851	196,301,330	233,714,593	262,347,609	273,376,882	277,066,960	276,859,904
Intangible assets	-	169,520	258,716	1,410,044	1,418,599	2,602,033	2,593,483	3,842,816	3,491,263	2,380,739
Prepaid leases on land	131,764	131,709	131,653	131,598	131,543	868,519	868,463	813,423	883,126	667,014

For year ended	30th June 2011	30th June 2012	30th June 2013	30th June 2014	30th June 2015	30th June 2016	30th June 2017	30th June 2018(Restated)	30th June 2019	30th June 2020
Investment	1,298,506	1,171,109	-	-	-	-	-	-	-	-
Other non current assets	-	-	-	817,423	8,372,135	5,079,411	4,133,291	4,001,887	2,342,637	2,732,763
Net current assets/(Liabilities)	7,020,165	(3,223,754)	(1,147,158)	1,563,870	20,463,293	(2,793,900)	(17,535,199)	(56,012,987)	(70,969,861)	(74,848,822)
	93,041,004	104,625,749	145,337,395	172,078,786	226,686,900	239,470,656	252,407,647	226,022,021	212,814,125	207,791,598
FINANCED BY:										
Ordinary shareholders' equity	39,606,376	43,022,772	47,149,807	54,743,822	57,969,656	59,379,481	63,333,617	60,622,423	56,230,862	54,896,799
Non cumulative preference shares	-	-	-	-	-	-	-	-	-	
Cumulative preference shares	43,000	43,000	43,000	43,000	43,000	43,000	43,000	43,000	43,000	43,000
Deferred Income	7,472,912	12,362,327	16,087,747	18,680,714	16,612,332	18,154,796	19,562,051	16,999,103	15,103,027	12,900,609
Loan capital	19,757,132	21,512,025	42,886,311	53,141,442	99,289,403	105,017,783	111,075,216	96,929,050	92,615,401	94,957,232
Deferred taxation	6,500,449	11,862,140	15,442,569	19,848,236	24,699,789	26,702,741	28,683,216	28,904,087	26,886,643	20,590,805
Non current liability	19,661,135	15,823,485	23,727,961	25,621,572	28,072,720	30,172,855	29,710,547	22,524,358	21,935,192	24,403,153
	93,041,004	104,625,749	145,337,395	172,078,786	226,686,900	239,470,656	252,407,647	226,022,021	212,814,125	207,791,598

For year ended	30th June 2011	30th June 2012	30th June 2013	30th June 2014	30th June 2015	30th June 2016	30th June 2017	30th June 2018(Restated)	30th June 2019	30th June 2020
CAPITAL EXPENDITURE	24,713,898	25,949,832	40,578,337	27,208,068	41,567,840	48,815,284	41,516,132	28,668,423	21,533,352	17,073,419
Average cost of units sold (cents)	1,160.33	1,496.28	1,347.16	1,450.92	1,365.10	1,339.41	1,493.09	1,627.34	1,607.31	1,656.27
Profit for the year before taxation as a Percentage of average capital employed	7.61%	7.47%	6.15%	8.67%	6.99%	7.07%	5.41%	5.27%	4.95%	2.56%
ORDINARY DIVIDENDS RATES	18%	20%	0%	20%	20%	20%	20%	0%	0%	0%
Earnings per share	2.16	2.36	1.76	3.58	3.81	3.69	2.71	1.67	0.13	(0.48)
Customers/employees ratio	205	199	223	260	333	439	615	615	643	723
Sales (KWh) per employee	680,774	584,374	590,922	641,076	657,446	663,343	682,800	719,094	743,473	779,750

TABLE 1: POWER SYSTEM OPERATION STATISTICS FOR 5 YEARS

COMPANY	Capacity (MW) as at 30.06.2020		Energy Purchased GWh				
	Installed	Effective1 / Contracted2	2015/16	2016/17	2017/18	2018/19	2019/20
KenGen							
Hydro:							
Gitaru	225.0	216.0	862	775	724	869	879
Kamburu	94.2	90.0	434	384	321	399	350
Kiambere	168.0	164.0	996	938	751	1,026	905
Kindaruma	72.0	70.5	208	183	179	193	203
Masinga	41.2	40.0	127	169	107	199	48
Tana	25.7	20.0	109	71	96	96	133
Turkwel	106.0	105.0	426	402	458	545	426
Sondu Miriu	60.7	60.0	419	282	388	258	509
Sangóro	21.2	20.0	140	90	129	82	166
Small Hydros	11.7	11.2	63	44	33	42	19
Hydro Total	826	797	3,784	3,339	3,186	3,707	3,636
Thermal:							
Kipevu I Diesel	73.5	60	129	211	238	197	80
Kipevu III Diesel	120	115	181	512	584	490	162
Muhoroni GT	60	56	1	108	65	67	37
Garissa & Lamu	0	0	12	0	0	0	0
Garissa Temporary Plant (Aggreko)	0	0	19	0	0	0	0
Thermal Total	254	231	342	832	888	754	279
Geothermal:							
Olkaria I (units 1, 2 & 3)	45.0	44.0	331	195	247	285	291
Olkaria II	104.5	101.0	814	791	832	796	583
Eburru Hill	2.4	2.1	10	0	6	10	7
OW37, OW 37 kwg 12, OW 37 kwg 13 and OW 39 Olkaria Mobile Wellheads2	22.0	17.5	16	89	127	129	118
OW43 Olkaria Mobile Wellheads	14.0	10.0	75	74	66	66	56
OW905,OW914 ,OW915 and OW 919 Olkaria Mobile Wellheads3	52.5	42.5	266	309	325	297	285
Olkaria IV	149.8	140.0	976	852	1,132	1,095	1,006
Olkaria I (4 units& 5)	150.5	140.0	1055	968	1,133	1,069	985
Olkaria V	172.3	158.0					945
Geothermal Total	713	655	3,542	3,279	3,868	3,747	4,276
Wind							
Ngong	25.5	25.5	56.7	63.2	47.5	67.4	46.6

COMPANY	Capacity (MW) as at 30.06.2020		Energy Purchased GWh				
	Installed	Effective1 / Contracted2	2015/16	2016/17	2017/18	2018/19	2019/20
KenGen Total	1,818	1,708	7,725	7,513	7,989	8,276	8,237
Government of Kenya (Rural Electrification Programme)							
Off-grid Diesel	31.9	21.5	39.9	40.8	46.9	57.6	60.1
Off-grid Solar	2.3	1.9	0.00	0.00	0.00	0.00	0.00
Off-gridWind	0.6	0.0	0.79	0.54	0.12	0.06	0.33
Total Offgrid	35	23	41	41	47	58	60
Independent Power Producers (IPP) - Thermal & Geothermal							
Iberafrica Diesel	52.5	52.5	128	252	186	74	55
Mumias - Cogeneration			0	0	4	0.0	0.0
OrPower 4 -Geothermal I,II&III	121.0	121.0	937	925	942	1,038	873
OrPower 4 -Geothermal (the 4th plant)	29.0	29.0	129	247	244	247	202
Tsavo	74.0	74.0	39	121	196	131	152
Rabai Power	90.0	88.6	536	606	562	120	252
Imenti Tea Factory (Feed-in Plant)	0.283	0.283	0.7	0.3	0.6	0.3	1.0
Thika Power	87.0	87.0	70	168	215	107	50
Gikira small hydro	0.514	0.514	1.9	0.9	1.4	1.1	1.8
Gulf Power	80.32	80.32	8	61	80	37	18
Triumph Diesel	83.0	83.0	81.8	83	28	16	15
Biojoule Kenya Limited	2.0	2.0	0	0.7	0.4	0.3	0.3
Regen-Terem	5.00	5.00	0	1	18	20	32
Gura	2.00	2.00	0	0	17	12	21
Chania	0.50	0.50	0	0	0.8	0.3	1.1
Strathmore	0.25	0.25	0	0	0.02	0.15	0.14
Lake Turkana Wind Power	310.0	300.0	0	0	0	1,124	1,237
IPP Total	937	926	1,934	2,466	2,495	2,930	2,913
Emergency Power Producers(EPP)							
Aggreko Power	0	0.0	50	0	0	0	0
EPP Total	0	0	50	0	0	0	0
REA Garissa Solar Plant							
REA Garissa	50	50	0	0	0	60	91
REA Garissa Total	50	50	0	0	0	60	91
Imports							
UETCL			65	180	168	168	156
TANESCO			0.0	0.0	0.0	0.0	0.0
EEU (MOYALE)			2.6	3.4	3.0	1.8	4.5
Total Imports			67	184	171	170	161
SYSTEM TOTAL	2,840	2,708	9,817	10,204	10,702	11,493	11,462
SUMMARY OF KEY STATISTICS							

COMPANY	Capacity (MW) as at 30.06.2020		Energy Purchased GWh				
	Installed	Effective1 / Contracted2	2015/16	2016/17	2017/18	2018/19	2019/20
SALES - KPLC System (GWh)			7,330	7,701	7,881	8,147	8,152
- REP System (GWh)			537	549	554	595	603
- Export to Uganda (GWh)			43	20	22	27	18
- Export to Tanesco (GWh)			2	2	2	0.01	0.00
TOTAL SALES (GWh)			7,912	8,272	8,459	8,769	8,773
System Losses (GWh)4			1,905	1,932	2,244	2,724	2,689
System Peak Demand (MW)5			1,586	1,656	1,802	1,882	1,926
System Load Factor			70.6%	70.3%	67.8%	69.7%	67.9%
Sales % of Energy Purchased			80.6%	81.1%	79.0%	76.3%	76.5%
Losses as % of Energy Purchased			19.4%	18.9%	21.0%	23.7%	23.5%
Annual Growth: - Energy Purchased			5.8%	3.9%	4.9%	7.4%	-0.3%
-Total Sales			3.3%	4.5%	2.3%	3.7%	0.0%
-KPLC Sales			3.4%	5.1%	2.3%	3.4%	0.1%
-REP Sales			2.3%	2.2%	1.0%	7.4%	1.3%
-System Peak Demand			4.9%	4.4%	8.8%	4.4%	2.3%
Notes:							
1)PPA Effective Capacity - Contracted Capacity for the Power Plant on Energy PPA							
2)PPA Contracted Capacity – Contracted Capacity for the Power Plant on Capacity PPA							
3) OW37, OW 37 kwg 12, OW 37 kwg 13 and OW 39 Olkaria Mobile Wellheads are centrally metered at OW 37							
4) OW905,OW914 ,OW915 and OW 919 Olkaria Mobile Wellheads are metered at OW 914 and OW 915							
5) System losses comprise of technical and non-technical losses.							
6) The peak demand shown includes export to Uganda.							

TABLE 2: REGIONAL MAXIMUM DEMAND (MW)

REGION	2015/16	2016/17	2017/18	2018/19	2019/20
Nairobi	842	831	882	913	905
Coast	315	323	344	340	337
West Kenya	364	391	414	446	445
Mt. Kenya	177	171	167	185	263
TOTAL SYSTEM (SIMULTANEOUS)	**1,586**	**1,656**	**1,802**	**1,882**	**1,926**
% INCREASE P.A.	**4.9%**	**4.4%**	**8.8%**	**4.4%**	**2.3%**

TABLE 3: KPLC SALES BY CUSTOMER

CATEGORY IN GWh	2015/16	2016/17	2017/18	2018/19	2019/20
CUSTOMER CATEGORY					
Domestic-DC	2,007	2,138	2,335	2,366	2,508
Small Commercial-SC	1,153	1,201	1,222	1,250	1,262
Commercial and Industrial-CI	4,104	4,266	4,225	4,462	4,308
Off-peak (Interruptible)-IT***	26	41	33	N/A	N/A
Street lighting-SL	40	55	66	68	76
TOTAL	**7,330**	**7,701**	**7,881**	**8,147**	**8,154**
% INCREASE P.A.	**3.4%**	**5.1%**	**2.3%**	**3.4%**	**0.1%**
***IT Tariff category no longer exists under the new tariff structure					

TABLE 4: TOTAL UNIT SALES BY REGION IN GWh

REGION	2015/16	2016/17	2017/18	2018/19	2019/20
Nairobi North	1,187	1,301	1,204	1,219	1,209
Nairobi South	1,696	1,759	1,728	1,719	1,733
Nairobi West	808	853	898	958	960
Coast	1,338	1,389	1,435	1,477	1,464
Central Rift	569	596	650	689	680
North Rift	280	269	303	288	302
South Nyanza	48	86	88	104	123
West Kenya	320	313	361	376	376
Mt Kenya	413	431	437	456	439
North Eastern	671	704	776	862	869
KPLC Sales	7,330	7,701	7,881	8,147	8,154
R.E.P. Schemes	537	549	554	595	602
Export Sales	45	22	23	27	18
TOTAL	**7,912**	**8,272**	**8,459**	**8,769**	**8,773**
%INCREASE P.A.	**3.4%**	**4.5%**	**2.3%**	**3.7%**	**0.05%**

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

REGION	2015/16	2016/17	2017/18	2018/19	2019/20
Nairobi North	395	418	306	408	435
Nairobi South	289	291	352	341	374
Nairobi West	380	405	321	443	465
Coast	328	338	371	365	384
Central Rift	168	218	280	214	225
West Kenya	163	136	102	131	172
North Rift	105	116	262	78	139
South Nyanza	31	51	106	162	69
Mt Kenya	178	203	220	232	241
North Eastern	315	328	380	386	403
TOTAL	**2,352**	**2,504**	**2,699**	**2,760**	**2,908**
% INCREASE P.A.	**8.1%**	**6.5%**	**7.8%**	**2.3%**	**5.4%**

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

REGION	2015/16	2018/19	2017/18	2018/19	2019/20
Nairobi North	214	216	231	214	208
Nairobi South	153	157	163	152	181
Nairobi West	146	154	170	172	166
Coast	171	182	162	206	191
Central Rift	163	182	169	184	176
West Kenya	114	99	80	85	108
North Rift	77	79	90	34	85
south Nyanza	19	34	54	96	47
Mt Kenya	151	161	165	162	152
North Eastern	131	132	119	139	140
TOTAL	**1,339**	**1,395**	**1,403**	**1,444**	**1,452**
% INCREASE P.A.	**-0.6%**	**4.2%**	**0.6%**	**2.9%**	**0.6%**

TABLE 7: REGIONAL SALE OF ELECTRICITY FOR CATEGORY "CI1" LARGE COMMERCIAL AND INDUSTRIAL LOAD (415V) IN GWh

REGION	2015/16	2016/17	2017/18	2018/19	2019/20
Nairobi North	236	240	237	237	220
Nairobi South	331	335	292	320	304
Nairobi West	200	212	184	213	199
Coast	216	219	160	221	225
Central Rift	203	221	213	236	232
West Kenya	82	68	58	91	70
North Rift	88	81	105	35	97
South Nyanza	21	35	49	74	45
Mt Kenya	161	154	154	138	134
North Eastern	122	126	138	168	163
TOTAL	**1,660**	**1,693**	**1,590**	**1,733**	**1,688**
% INCREASE P.A.	**3.3%**	**2.0%**	**-6.1%**	**9.0%**	**-2.6%**

TABLE 8: REGIONAL SALE OF ELECTRICITY CATEGORY "CI2" LARGE COMMERCIAL AND INDUSTRIAL LOAD(11kV) IN GWh

REGION	2015/16	2016/17	2017/18	2018/19	2019/20
Nairobi North	238	244	206	250	245
Nairobi South	514	500	441	505	489
Nairobi West	65	72	82	89	91
Coast	230	230	166	222	173
Central Rift	46	53	106	42	39
West Kenya	45	42	29	44	40
North Rift	19	20	91	18	18
South Nyanza	2	6	14	12	10
Mt Kenya	17	20	33	17	18
North Eastern	131	140	154	177	168
TOTAL	**1,307**	**1,328**	**1,321**	**1,376**	**1,291**
% INCREASE P.A.	**4.5%**	**1.6%**	**-0.5%**	**4.2%**	**-6.1%**

TABLE 9: REGIONAL SALE OF ELECTRICITY CATEGORY "CI3" LARGE COMMERCIAL AND INDUSTRIAL LOAD (33KV) IN GWh

REGION	2015/16	2016/17	2017/18	2018/19	2019/20
Nairobi North	0.0	0.0	0.1	0.0	0.0
Nairobi South	0.0	5.7	12.9	0.1	0.2
Nairobi West	4.0	11.9	28.8	37.6	37.0
Coast	140.0	158.2	110.4	178.5	199.1
Central Rift	65	75	101	98	89
West Kenya	11	16	16	32	35
North Rift	40	29	19	21	23
South Nyanza	0	0	8	0	0
Mt Kenya	0	0	24	8	3
North Eastern	0	0	0	1	3
TOTAL	**260**	**295**	**321**	**375**	**388**
% INCREASE P.A.	**-8.6%**	**13.5%**	**8.7%**	**17.1%**	**3.5%**

TABLE 10: REGIONAL SALE OF ELECTRICITY CATEGORY "CI4" LARGE COMMERCIAL AND INDUSTRIAL LOAD (66KV) IN GWh

REGION	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Nairobi North	78	83	88	81	96	87
Nairobi South	341	379	419	346	404	394
Nairobi West	34	32	34	25	32	29
Coast	0	0	0	7	0	0
Central Rift	3	3	7	11	12	7
West Kenya	0	0	0	0	0	0
North Rift	0	0	0	63	0	0
South Nyanza	0	0	0	0	0	0
Mt Kenya	0	0	0	4	10	0
North Eastern	**2**	**29**	**32**	**37**	**45**	**48**
TOTAL	**458**	**526**	**580**	**575**	**599**	**565**
% INCREASE P.A.	**-0.4%**	**14.8%**	**10.2%**	**-0.9%**	**4.3%**	**-5.7%**

TABLE 11: REGIONAL SALE OF ELECTRICITY CATEGORY "CI5" LARGE COMMERCIAL AND INDUSTRIAL LOAD (132KV) IN GWh

REGION	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Nairobi North	0	0	0	0	0	0
Nairobi South	69	72	82	69	34	18
Nairobi West	0	0	0	8	15	15
Coast	274	278	287	211	314	319
Central Rift	2	2	1	102	1	14
West Kenya	84	0	6	20	21	15
North Rift	0	0	0	14	0	0
South Nyanza	0	0	0	0	0	0
Mt Kenya	0	0	0	0	0	2
North Eastern	12	3	0	1	1	3
TOTAL	**441**	**355**	**376**	**425**	**387**	**385**
% INCREASE P.A.	**51.5%**	**-19.5%**	**6.0%**	**12.9%**	**-9.0%**	**-0.5%**

TABLE 12: REGIONAL SALE OF ELECTRICITY FOR CATEGORY "IT" OFF- PEAK LOAD IN GWh

REGION	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20****
Nairobi North	0.2	10.7	2.4	2.6	0.0	0.0
Nairobi South	0.4	0.5	2.3	5.2	0.0	0.0
Nairobi West	12.8	11.8	3.2	2.7	0.0	0.0
Coast	0.4	0.4	2.2	8.5	0.0	0.0
Central Rift	0.1	0.3	2.7	2.7	0.0	0.0
West Kenya	0.3	0.5	2.5	1.2	0.0	0.0
North Rift	0.0	0.2	1.2	5.5	0.0	0.0
South Nyanza	0.0	0.1	1.2	1.3	0.0	0.0
Mt Kenya	0.3	0.4	2.2	2.1	0.0	0.0
North Eastern	0.9	1.5	3.2	4.4	0.0	0.0
Mt Kenya	-	-	-	-	0.0	0.0
TOTAL	**15.4**	**26.4**	**23.1**	**36.3**	**0.0**	**0.0**
% INCREASE P.A.	**-46%**	**71%**	**-13%**	**57%**	**0%**	**0%**
***IT Tariff category no longer exists under the new tariff structure						

TABLE 13: REGIONAL SALE OF ELECTRICITY FOR CATEGORY "SL" STREET LIGHTING IN GWh

REGION	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Nairobi North	6.7	9.2	13.1	15.1	13.9	13.7
Nairobi South	10.0	6.7	5.6	8.4	8.6	11.8
Nairobi West	7.5	8.3	9.8	8.5	8.4	9.4
Coast	3.8	4.0	4.6	7.2	7.4	10.4
Central Rift	1.6	2.4	4.9	7.2	7.7	7.7
West Kenya	0.2	0.9	3.8	2.7	5.1	5.3
North Rift	1.1	1.2	2.4	3.2	3.0	4.5
South Nyanza	0.0	0.1	0.3	1.6	0.8	1.4
Mt Kenya	2.2	4.3	6.6	7.4	7.3	7.3
North Eastern	2.7	2.8	5.5	5.7	5.8	6.0
TOTAL	**35.7**	**39.9**	**56.5**	**66.9**	**68.1**	**77.4**
% Increase P.A.	**78.7%**	**11.6%**	**41.6%**	**18.4%**	**1.9%**	**13.7%**

TABLE 14: REGIONAL SALES OF ELECTRICITY FOR R.E.P. SCHEMES IN GWh

REGION	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Nairobi North	7	0	0	0	0	0
Nairobi South	53	49	39	38	46	38
Nairobi West	43	40	49	36	53	51
Coast	27	29	32	32	36	37
Central Rift	75	83	88	96	105	110
West Kenya	119	96	59	59	57	68
North Rift	62	50	41	50	62	64
Soutn Nyanza	0	25	61	68	56	50
Mt Kenya	82	100	117	115	118	118
North Eastern	56	64	63	62	60	65
TOTAL	**525**	**537**	**549**	**554**	**595**	**602**
% Increase P.A.	**15.6%**	**2.3%**	**2.2%**	**1.0%**	**7.3%**	**1.1%**

TABLE 15: NUMBER OF CUSTOMERS BY REGION

REGION	AS AT 30th JUNE 2019					
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Nairobi North	514,003	626,662	720,180	759,903	826,236	867,931
Nairobi South	462,108	590,731	746,961	819,603	837,062	887,771
Nairobi West	358,279	482,759	632,433	655,504	686,405	727,005
Coast	297,985	400,679	490,290	543,009	537,383	580,873
Central Rift	235,729	340,165	434,163	475,725	509,750	571,900
West Kenya	215,237	265,700	396,691	454,108	326,402	507,726
North Rift	156,858	242,328	287,296	315,735	474,362	349,635
South Nyanza	0	104,161	146,580	171,701	175,759	191,690
Mt Kenya	244,936	320,137	412,605	487,120	519,602	565,945
North Eastern	423,579	545,033	645,573	746,473	765,644	822,726
KPLC Customers	2,908,714	3,918,355	4,912,772	5,428,881	5,658,605	6,073,202
R.E.P. Customers	703,190	972,018	1,269,510	1,332,209	1,409,256	1,502,943
TOTAL	**3,611,904**	**4,890,373**	**6,182,282**	**6,761,090**	**7,067,861**	**7,576,145**
% Increase P.A.	**30.5%**	**35.4%**	**26.4%**	**9.4%**	**4.5%**	**7.2%**

TABLE 16:NUMBER OF CUSTOMERS BY TARIFF CATEGORY

TARIFF	MAIN TYPE OF CUSTOMERS COVERED BY THIS TARIFF	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
DC only	Domestic						
	KPLC	2,646,965	3,665,216	4,628,435	5,135,226	5,390,996	5,775,839
DC & IT***	REP	600,244	861,110	1,153,031	1,215,721	1,291,141	1,380,590
	Domestic						
	KPLC	57,827	38,816	57,442	53,172	N/A	N/A
	REP	898	765	957	513	N/A	N/A
SC only	Small Commercial						
	KPLC	193,327	202,477	211,655	224,276	251,614	277,989
	REP	101,608	109,588	114,893	115,412	117,705	121,794
SC & IT***	Small Commercial						
	KPLC	1,548	1,470	1,741	1,473	N/A	N/A
	REP	252	229	287	145	N/A	N/A
C11	KPLC	2,930	3,068	3,126	3,202	3,038	2,951
	REP	10	19	24	25	22	32
CI2	Large Commercial and Industrial						
	KPLC	348	378	405	527	456	480
CI3	Large Commercial and Industrial						
	KPLC	43	43	57	64	69	75
CI4	Large Commercial and Industrial						
	KPLC	31	35	41	53	50	52
CI5	Large Commercial and Industrial						
	KPLC	32	32	33	41	37	45
IT only***	Off-peak (Interruptible)						
	KPLC	794	796	791	1,110	N/A	N/A
	REP	8	13	8	10	N/A	N/A
SL	Street lighting						
	KPLC	4,869	6,024	9,046	9,845	12,345	15,771
	REP	170	294	310	275	388	527
	TOTAL (KPLC)	**2,908,714**	**3,918,355**	**4,912,772**	**5,428,989**	**5,658,605**	**6,073,202**
	TOTAL (R.E.P.)	**703,190**	**972,018**	**1,269,510**	**1,332,101**	**1,409,256**	**1,502,943**
	GROSS TOTAL	**3,611,904**	**4,890,373**	**6,182,282**	**6,761,090**	**7,067,861**	**7,576,145**
	% INCREASE P.A.	**30.5%**	**35.4%**	**26.4%**	**9.4%**	**4.5%**	**7.2%**

TABLE 17: REVENUE (Shs 'Mllion) BY CUSTOMER CATEGORY

TARIFF	MAIN TYPE OF CUSTOMERS COVERED BY TARIFF	2015/16	2016/17	2017/18	2018/19	2019/20
DC	Domestic	32,726	38,064	38,066	38,706	43,916
SC	Small Commercial	23,639	25,590	26,995	29,314	25,553
CI	Commercial Industrial	50,862	55,706	59,528	63,870	62,818
IT****	Off-peak (Interruptible)	70	625	391	47	0
SL	Street Lighting	342	414	464	658	766
	TOTAL	107,638	120,399	125,444	132,595	133,053
	Export	736	343	410	546	206
	TOTAL KPLC	108,374	120,742	125,854	133,141	133,259
	R.E.P.	9,812	10,376	11,846	10,772	10,071
	TOTAL REVENUE	**118,186**	**131,118**	**137,700**	**143,913**	**143,330**
	%INCREASE P.A.	**2.9%**	**10.9%**	**5.0%**	**4.5%**	**-0.4%**

TABLE 18: STAFF ANALYSIS

Number of Staff in Each Region					
	2015/16	2016/17	2017/18	2018/19	2019/20
Central Office	2,049	2,093	1,779	1,855	1,818
Nairobi North	851	838	852	705	
Nairobi West	922	913	918	880	
Nairobi South	845	853	837	849	
Nairobi					2,358
Coast	1,139	1,144	1,156	1,112	1,026
West Kenya	949	960	945	946	884
South Nyanza	364	418	421	465	444
Central Rift	1,051	1,079	1,157	1,154	1,124
North Rift	790	803	819	816	792
Mt Kenya	1,216	1,227	1,136	1,148	1,086
North Eastern	957	967	973	984	947
Total Number of Staff*	11,133	11,295	10,993	10,914	10,479
% INCREASE P.A.	2.7%	1.5%	-2.7%	-0.7%	-4.0%
Gender:					
Male	8,913	8,996	8,712	8,563	8,201
Female	2,220	2,299	2,281	2,351	2,280
Ratio- Male/Female	4.0	3.9	3.8	3.6	3.6

TABLE 19: TRANSMISSION AND DISTRIBUTION LINES, CIRCUIT LENGTH IN KILOMETRES

VOLTAGE	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
400 kV			96.8	1244.4	2116.4	2116.4
220 kV	1,352	1,452	1,555	1,686	1,686	1,686
132 kV	2,824	3,087	3,208	3,322	3,372	3,372
66 kV	952	977	1,000	1,168	1,187	1,187
33 kV	21,370	27,497	30,846	34,508	35,177	35,703
11 kV	32,823	35,383	37,234	38,968	39,797	40,616
Total HV and MV	59,322	68,396	73,940	80,897	83,335	84,681
415/240V or 433/250V		110,778	139,642	143,331	152,799	158,527
TOTAL	**59,322**	**179,174**	**213,582**	**224,228**	**236,134**	**243,207**
% INCREASE P.A.	**4.8%**	**15.3%**	**19.2%**	**5%**	**5%**	**3%**

TABLE 20: TRANSFORMERS IN SERVICE, TOTAL INSTALLED CAPACITY IN MVA

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Generation Substations						
33/220	88	88	88	88	388	388
15/220KV	95	95	95	95	95	95
11/220kV	1,054	1,054	1,054	1,054	1,054	1,212
33/132	45	45	45	45	95	95
15/132	175	175	175	175	175	175
11/132kV	1,035	1,035	1,095	1,095	1,095	1,095
11/66kV	291	411	411	576	576	576
11/33kV	238	238	238	238	238	238
3.3/33kV	4	4	4	4	4	4
TOTAL	3,025	3,145	3,205	3,370	3,720	3,878
Transmission Substations						
132/220 and 220/132kV	1,266	1,266	1,266	1,350	1,350	1,350
220/66kV	450	720	720	1,111	1,165	1,165
220/33 kV	69	69	69	69	69	69
132/66kV	420	420	600	600	600	600
132/33kV	939	1,229	1,721	1,721	1,743	1,743
132/11kV	-	-	-	15	15	15
TOTAL	3,144	3,704	4,376	4,866	4,942	4,942
Distribution Substations						
66/11kV	2,139	2,345	2,465	2,670	2,775	2,817
66/33kV	138	138	138	161	161	161
33/11kV	1,295	1,365	1,453	1,541	1,544	1,585
TOTAL	3,572	3,848	4,056	4,372	4,480	4,563
Distribution Transformers						
11/0.415kV and						
33/0.415kV	6,384	7,088	7,276	7,606	7,844	8,174

Machakos town skyline at dusk.


Mixa
Felicia

NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN to Shareholders that, the 99th Annual General Meeting of The Kenya Power and Lighting Company Plc will be held via electronic communication on **Thursday, 1st April 2021** at 11.00 a.m. to conduct the following business: -

1. To read the Notice convening the Meeting and note the presence of a quorum.
2. To receive, consider and adopt the Company's Audited Financial Statements for the year ended 30th June 2020, together with the Chairman's, Directors' and Auditors' Reports thereon.
3. To note that the Directors do not recommend payment of a dividend for the year ended 30th June 2020.
4. To elect Directors: -
    - i. Mr. Kairo Thuo 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. Mr. Sachen Gudka 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. Eng. Abdulrazaq Ali retires by rotation in accordance with Article 120 of the Memorandum and Articles of Association of the Company and, being eligible, offers himself for re-election.
5. In accordance with the provisions of Section 769 of the Companies Act 2015, the following Directors being members of the Board Audit Committee will be required to be elected to continue serving as members of the said Committee: -
    - i. Mr. Sachen Gudka
    - ii. Mrs. Beatrice Gathirwa
    - iii. Ms. Caroline Kittony-Waiyaki
    - iv. Eng. Elizabeth Rogo
6. To approve payment of fees to non-executive Directors for the year ended 30th June 2020.
7. Auditors:

    To note that the audit of the Company's books of accounts will continue to be undertaken by the Auditor-General Kenya, or an audit firm appointed by her in accordance with section 23 of The Public Audit Act, 2015.
8. To authorise the Directors to fix the Auditors' remuneration.
9. To consider any other business for which due notice has been given.

By Order of the Board

Imelda Bore
Company Secretary
10th March 2021

NOTES:

- i. Shareholders wishing to participate in the Annual General Meeting (AGM) should register by dialing USSD Code *483*903# on their mobile telephone and follow the various prompts on the registration process.
- ii. A Shareholder domiciled outside Kenya can send an email to Image Registrars via kplcagm@image.co.ke providing their details i.e., Name, Passport/ID No., CDS No. and Mobile telephone number requesting to be registered. Image Registrars shall register the shareholder and send them an email notification once registered.

iii. Links to register via the web portal will also be sent to all shareholders with email addresses in the Register.

iv. To complete the registration process, shareholders will need to provide their National ID/Passport Numbers which they used to purchase their shares and/or their CDSC Account Number. For assistance shareholders should dial the following helpline number: +254 709170 000/709170 040 from 9.00 a.m. to 3.00 p.m. from Monday to Friday. Shareholders outside Kenya may dial the helpline number for assistance during registration.

v. Registration for the AGM opens on 10th March 2021 at 9.00 a.m. and will close on 30th March 2021 at 11.00 a.m. Shareholders will not be able to register after this time.

vi. In accordance with Article 155 of the Company's Articles of Association, the following documents may be viewed on the Company's website www.kplc.co.ke.

(a) copy of this Notice and the Proxy Form;

(b) The Company's Annual Report & Audited Financial Statements for the year ended 30th June 2020.

vii. Any shareholder who is entitled to attend and vote at the AGM is entitled to appoint a proxy to attend and vote in his/her stead. Such proxy need not be a member of the Company. *Please visit the Company's website for further details on voting and proxy.*

A Proxy Form is provided with the Annual Report & Accounts. The Proxy Form can also be obtained from the Company's website www.kplc.co.ke or from Image Registrars Limited, Absa Towers (formerly Barclays Plaza), 5th Floor, Loita Street, P. O. Box 9287 – 00100, Nairobi, Kenya. Shareholders who do not wish to attend the AGM have an option to complete and return the Proxy Form to Image Registrars Limited, or alternatively to the Registered Office of the Company so as to arrive not less than forty-eight (48) hours before the time appointed for the Meeting.

Duly signed proxy forms may also be emailed to kplcagm@image.co.ke in PDF format. A proxy form must be signed by the appointer or his attorney duly authorized in writing. If the appointer is a body corporate, the instrument appointing the proxy shall be given under the Company's common seal or under the hand of an officer or duly authorized attorney of such body corporate.

viii. Shareholders wishing to raise any questions or clarifications regarding the AGM may do so not less than forty-eight (48) hours before the time appointed for the Meeting by:

(a) Sending their written questions by email to kplcagm@image.co.ke; or

(b) To the extent possible, physically delivering or posting their written questions with a return physical, postal or email address to the registered office of the Company or P.O. Box 30099 – 00100, Nairobi, or to Image Registrars offices at P. O. Box 9287 – 00100, Nairobi, Kenya.

(c) Shareholders must provide their full details (full names, National ID/Passport Number/CDSC Account Number) when submitting their questions or clarifications.

The Company's Directors will provide written responses to the questions received to the return physical, postal or email address provided by the Shareholder not later than twelve (12) hours before the start of the AGM. A full list of all questions received, and the answers thereto will be published on the Company's website not later than twelve (12) hours before the start of the AGM.

ix. The AGM will be streamed live via a link which shall be provided to all shareholders who will have registered to participate in the AGM. Duly registered shareholders and proxies will receive a short message service (SMS/USSD) prompt on their registered mobile numbers, twenty-four (24) hours prior to the AGM acting as a reminder of the AGM. A second SMS/USSD prompt shall be sent one (1) hour ahead of the AGM, as a reminder that the AGM will begin in one hour and providing a link to the live stream.

x. Shareholders and proxies who have registered to attend the AGM may follow the proceedings using the live stream platform, access the agenda and vote when prompted by the Chairman via the USSD prompts.

xi. Results of the resolutions voted on will be published on the Company's website that is, www.kplc.co.ke within twenty-four (24) hours following conclusion of the AGM.

ILANI YA MKUTANO MKUU WA MWAKA

ILANI INATOLEWA HAPA kwa wanahisa kuwa mkutano mkuu wa mwaka wa 99 wa The Kenya Power and Lighting Company Plc utaafanyika kupitia mawasiliano ya elektroniki **Alhamisi tarehe 1 Aprili 2021** saa tano asubuhi kutekeleza shughuli zifuatazo:-

1. Kusoma ilani ya kuitisha mkutano pamoja na kubainisha mahudhurio/kutambua uwepo wa akidi.
2. Kupokea,kuzingatia na kupitisha Taarifa za Fedha zilizokaguliwa za mwaka ulioishia Juni 30 mwaka wa 2020, ikijumuishwa na ripoti za Mwenyekiti, Wakurugenzi na wakaguzi juu yake.
3. Kutambua/kumakinika kuwa wakurugenzi hawajapendekeza malipo yoyote ya gawio kwa mwaka unaoishia tarehe 30 Juni 2020.
4. Kufanya uchaguzi wa wakurugenzi:-
   i. Bwana Kairo Thuo anastaafu kimapokezano kulingana na kifungu 120 cha Mkataba na Nakala za Uanachama wa Kampuni na, akihitimu, anajitolea kuchaguliwa tena.
   ii. Bwana Sachen Gudka anastaafu kimapokezano kulingana na kifungu 120 cha Mkataba na Nakala za Uanachama wa Kampuni na, akihitimu, anajitolea kuchaguliwa tena.
   iii. Mhandisi Abdulrazaq Ali anastaafu kimapokezano kulingana na kifungu 120 cha Mkataba na Nakala za Uanachama wa Kampuni na, akihitimu, anajitolea kuchaguliwa tena.
5. Kwa mujibu wa masharti ya Kifungu cha 769 cha Sheria ya Makampuni ya 2015, Wakurugenzi wafuatao wakiwa wanachama wa Kamati ya Ukaguzi wa Bodi watahitajika kuchaguliwa kuendelea kutumikia kama wanachama wa Kamati iliyotajwa: -
   i. Bw. Sachen Gudka
   ii. Bi. Beatrice Gathirwa
   iii. Bi. Caroline Kittony-Waiyaki
   iv. Mhandisi. Elizabeth Rogo
6. Kuidhinisha malipo ya ada kwa Wakurugenzi wasiokuwa watendaji kwa mwaka ulioishia 30 Juni 2020.
7. Wakaguzi:

   Kutambua kuwa ukaguzi wa vitabu vya hesabu za Kampuni utaendelea kufanywa na Mkaguzi Mkuu wa Hesabu Kenya, au kampuni ya ukaguzi atakayoiteua kulingana na kifungu cha 23 cha Sheria ya Ukaguzi wa Umma, 2015.
8. Kuidhinisha Wakurugenzi kuweka kiwango cha malipo ya Wakaguzi.
9. Kuzingatia biashara nyingine yoyote ambayo ilitolewa arifa inayofaa.

Kwa Agizo la Bodi

Imelda Bore
Katibu wa Kampuni
10 Machi 2021

MAELEZO:

i. Wanahisa wanaotaka kushiriki katika Mkutano Mkuu wa Mwaka wanapaswa kujiandikisha kwa kupiga kodi ya USSD * 483 * 904 # kwa simu yao ya rununu na kufuata vielekezo kadhaa juu ya mchakato wa usajili.

ii. Mwanahisa anayeishi nje ya Kenya anaweza kutuma barua pepe kwa Image Registrars kupitia kplcagm@image.co.ke huku akitoa maelezo yanayomhusu kwa mfano jina, namba ya Pasipoti / kitambulisho, namba ya CDS na nambari ya simu ya Mkononi akiomba kusajiliwa. Image Registrars itawasajili wanahisa na kuwatumia arifa ya barua pepe mara tu wanaposajiliwa.

iii. Viungo vya kujiandikisha kupitia wavuti pia vitatumwa kwa wanahisa wote walio na anwani za barua pepe kwenye Sajili.

iv. Kukamilisha mchakato wa usajili, wanahisa watahitaji kutoa Kitambulisho cha Kitaifa / Nambari za Pasipoti ambazo walitumia kununua hisa zao na/au Nambari yao ya Akaunti ya CDSC. Kwa msaada wanahisa wanapaswa kupiga nambari ifuatayo ya simu ya msaada: +254 709170 000/709170 040 kutoka 9.00 (Tatu) asubuhi hadi 3.00 (Tisa) alasiri, kuanzia Jumatatu hadi Ijumaa. Wanahisa walio nje ya Kenya wanaweza kupiga simu kwa nambari ya msaada kwa usaidizi wakati wa usajili.

v. Usajili wa Mkutano Mkuu utafunguliwa tarehe 10 Machi 2021 saa 9.00 (Tatu) asubuhi na utafungwa tarehe 30 Machi 2021 saa 11.00 (Tano) asubuhi. Wanahisa hawataweza kujiandikisha baada ya wakati huu.

vi. Kwa mujibu wa Kifungu cha 155 cha Vifungu vya Uanachama wa Viwanda, stakabadhi zifuatazo zinaweza kutazamwa kwenye tovuti ya Kampuni www.kplc.co.ke.

(a) Nakala ya Ilani hii na Fomu ya Wakala;

(b) Ripoti ya Mwaka ya Kampuni na Taarifa za Fedha zilizokaguliwa kwa mwaka ulioishia 30 Juni 2021.

vii. Mwanahisa yeyote ambaye anastahili kuhudhuria na kupiga kura kwenye Mkutano Mkuu wa Mwaka anastahili kuteua wakala kuhudhuria na kupiga kura kwa niaba yake. Wakala kama huyo sio lazima awe mwanachama wa Kampuni. Tafadhali tembelea tovuti ya Kampuni kwa maelezo zaidi kuhusu upigaji kura na wakala.

Fomu ya Wakala hutolewa pamoja na Ripoti ya Mwaka na Akaunti ya Fedha. Fomu ya Wakala pia inaweza kupatikana kutoka kwa wavuti ya Kampuni www.kplc.co.ke au kutoka Image Registrars Limited, Absa Towers (zamani Barclays Plaza), Ghorofa ya 5, Barabara ya Loita, S. L. Posta 9287 - 00100, Nairobi, Kenya. Wanahisa ambao hawataki kuhudhuria Mkutano Mkuu wanaweza kuchagua kukamilisha na kurudisha Fomu ya Wakala kwa Image Registrars Limited, au vinginevyo kwa Ofisi iliyosajiliwa ya Kampuni ili kufika chini ya masaa arobaini na nane (48) kabla ya wakati uliotengewa kwa Mkutano.

Fomu za wakala zilizotiliwa sahihi vizuri zinaweza pia kutumwa kwa barua pepe kplcagm@image.co.ke katika mfumo wa PDF. Fomu ya wakala inapaswa kutiwa saini na aliyemteua au wakili wake ikiidhinishwa kihalali kwa maandishi. Ikiwa mteule ni shirika, uteuzi wa wakala utatolewa kwa muhuri wa Kampuni au kwa mamlaka ya afisa au wakili aliyeidhinishwa kihalali na shirika hilo.

viii. Wanahisa wanaotaka kuuliza maswali yoyote au ufafanuzi kuhusu Mkutano Mkuu wanaweza kufanya hivyo si chini ya masaa arobaini na nane (48) kabla ya muda uliowekwa kwa Mkutano kupitia:

(a) Kutuma maswali yaliyoandikwa kwa barua pepe kplcagm@image.co.ke; au

(b) Kwa kadri inavyowezekana, kuwasilisha moja kwa moja au kutuma maswali yao kimaandishi huku wakionyesha anwani ya posta au barua pepe ya kutarajia majibu kwa ofisi iliyosajiliwa ya Kampuni au S.L.P 30099 - 00100, Nairobi, au kwa Ofisi za Image Registrars S.L.P. 9287 - 00100, Nairobi, Kenya.

(c) Wanahisa lazima watoe maelezo yao kamili (majina kamili, Kitambulisho cha Kitaifa / Nambari ya Pasipoti / Nambari ya Akaunti ya CDSC) wakati wa kuwasilisha maswali yao au ufafanuzi.

Wakurugenzi wa Kampuni watatoa majibu kimaandishi kwa maswali yaliyopokelewa kwa anwani ya majibu, ya posta au barua pepe iliyotolewa na Mwanahisa kabla ya saa kumi na mbili (12) kuanza kwa Mkutano Mkuu. Orodha kamili ya maswali yote yaliyopokelewa, na majibu yake yatachapishwa kwenye wavuti ya Kampuni saa kumi na mbili (12) kabla ya Mkutano Mkuu kuanza.

ix. Mkutano Mkuu wa Mwaka utapeperushwa moja kwa moja kupitia kiunga ambacho kitatolewa kwa wanahisa wote ambao watakuwa wamejiandikisha kushiriki katika Mkutano Mkuu. Wanahisa na wawakilishi waliosajiliwa watapokea huduma ya ujumbe mfupi (SMS /USSD) kwa nambari zao za simu zilizosajiliwa, masaa ishirini na nne (24) kabla ya Mkutano Mkuu wa Mwaka kama ukumbusho wa Mkutano Mkuu. Ujumbe wa pili wa SMS /USSD utatumwa saa moja (1) kabla ya Mkutano Mkuu, kama ukumbusho kwamba Mkutano Mkuu utaanza baada ya saa moja na kutoa kiunga kwa uwasilishaji wa moja kwa moja.

x. Wanahisa na wakala ambao wamejisajili kuhudhuria Mkutano Mkuu wanaweza kufuata mashauriano kwenye mkutano kupitia mfumo wa moja kwa moja, kupata ajenda na kupiga kura wakati wanachochewa na Mwenyekiti kupitia vidokezo vya USSD.

xi. Matokeo ya maazimio yaliyopigiwa kura yatachapishwa kwenye wavuti ya Kampuni ambayo ni, www.kplc.co.ke ndani ya masaa ishirini na nne (24) kufuatia kumalizika kwa Mkutano Mkuu.

PROXY FORM

The Company Secretary
Kenya Power and Lighting Company Plc
P.O. Box 30099-00100
Nairobi, Kenya

I/WE ____ CDSC No ____________________________

of P.O. Box ____ being a shareholder of the above Company.

HEREBY APPOINT ____________________________ of P.O. Box_________ and Mobile No._______________ or failing him/her the Chairman of the Meeting as my/our proxy to attend, represent and vote for me/us on my/our behalf at the Annual General Meeting (AGM) of the Company to be held electronically on 1st April 2021 at 11.00am and at any adjournment thereof.

Signed this _______________ day of ___________________________ 2021

Signature____

I/WE direct my/our proxy to vote on the following resolutions as I/WE have indicated by marking the appropriate box with an 'X'. If no indication is given, my/our proxy will vote or withhold his or her vote at his or her discretion and I/WE authorize my/our proxy to vote (or withhold his or her vote) as he or she thinks fit in relation to any other matter which is properly put before the Meeting.

Please clearly mark the box below to instruct your proxy how to vote;

Item	Business	For	Against	Withheld
1	To receive, consider and adopt the Company's Audited Financial Statements for the year ended 30th June 2020, together with the Chairman's, Directors' and Auditors' Reports thereon.			
2	**Election of Directors:**			
	(i) Mr. Kairo Thuo 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) Mr. Sachen Gudka 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) Eng. Abdulrazaq Ali 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.			
3	**Election of Board Audit Committee Members**: In accordance with the provisions of Section 769 of the Companies Act 2015, the following Directors being members of the Board Audit Committee will be required to be elected to continue serving as members of the said Committee: - (i) Mr. Sachen Gudka (ii) Mrs. Beatrice Gathirwa (iii) Ms. Caroline Kittony-Waiyaki (iv) Eng. Elizabeth Rogo			
4	To approve payment of fees to non-executive Directors for the year ended 30th June 2020.			
5	To note that the audit of the Company's books of accounts will continue to be undertaken by the Auditor-General Kenya, or an audit firm appointed by her in accordance with section 23 of The Public Audit Act, 2015.			
6	To authorise the Directors to fix the Auditors' remuneration.			

ELECTRONIC COMMUNICATIONS CONSENT FORM

Please complete in BLOCK CAPITALS

Full name of member (s): ____

Address: ____

CDSC No ____

Mobile ____

Date: ____

Signature: ____

Please tick the boxes below and return to Image Registrars at P.O. Box 9287- 00100 Nairobi,5th floor, Absa Towers (formerly Barclays Plaza), Loita Street or alternatively to the Registered Office of the Company:

Approval of Registration

I/WE approve to register to participate in the virtual Annual General Meeting to be held on 1st April 2021. ☐

Consent for use of the Mobile Number provided

I/WE would give my/our consent for the use of the mobile number provided for purposes of voting at the AGM. ☐

Notes:

1. In accordance with Section 298(1) of the Companies Act, shareholders entitled to attend and vote at the AGM are entitled to appoint a proxy to vote on their behalf. A proxy need not be a member of the Company but, if not the Chairman of the AGM, the appointed proxy will need access to a mobile telephone.

2. This proxy must be signed by the appointer or his attorney duly authorized in writing. If the appointer is a body corporate, the instrument appointing the proxy shall be under the hand of an officer or duly authorized attorney of such body corporate.

3. To be valid the form of proxy should be completed, signed and delivered (together with a power of attorney or other authority (if any) under which it is assigned or a notarized certified copy of such power or authority kplcagm@image.co.ke or delivered to Registered Office of the Company or posted to the Company Secretary P.O. Box 30099 – 00100 Nairobi, or to Image Registrars Limited, 5th Floor Absa Towers (formerly Barclays Plaza), Loita Street, P.O. Box 9287 – 00100, Nairobi, so as to be received not later than 30th March 2021 at 11.00 a.m.

4. Any person appointed as a proxy should submit his/her mobile telephone number to the Company no later than 30th March 2021 at 11.00 a.m. Any proxy registration that is rejected will be communicated to the shareholder concerned no later than 30th March 2021 at 11.00 a.m. to allow time to address any issues.

5. As a shareholder you are entitled to appoint one or more proxies to exercise all or any of your shareholder rights to attend and to speak and vote on your behalf at the meeting. The appointment of the Chairman of the meeting as proxy has been included for convenience. To appoint as a proxy any other person, delete the words "the Chairman of the Meeting or" and insert the full name of your proxy in the space provided. A proxy need not to be a shareholder of the Company.

6. Completion and submission of the form of proxy will not prevent you from attending the meeting and voting at the meeting in person, in which case any votes cast by your proxy will be excluded.

7. A "vote withheld" option has been included on the form of proxy. The legal effect of choosing this option on any resolution is that you will be treated as not having voted on the relevant resolution. The number of votes in respect of which votes are withheld will, however, be counted and recorded, but disregarded in calculating the number of votes for or against each resolution.

Kenya Power

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