



Kenya Power

Annual Report and Financial Statements

30th June 2021

Towards Sustainable Growth



The East African Power
& Lighting Co. Ltd.
Thika Branch - 1958



Energy solutions provider of choice

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



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



- 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



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ABOUT THIS REPORT

The Kenya Power and Lighting Company Plc Annual Report and Financial Statements covers the period 1st July 2020 to 30th June 2021. This Report will be considered for adoption by shareholders at the 100th Annual General Meeting to be held on 3rd December 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 and Disclosures 2002 as well as global best practice.

SCOPE OF THE REPORT

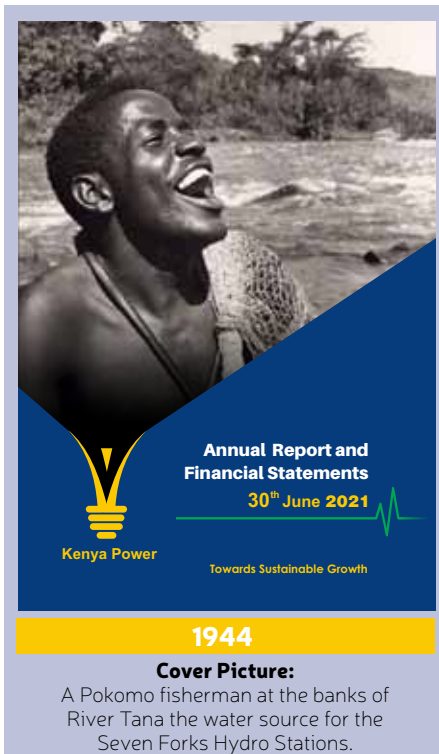
This Report gives an overview of our financial, operational, business sustainability and governance performance for the year ended 30th June 2021. In addition, the Report articulates our corporate governance framework.

MATERIAL ISSUES

Material issues are those that are likely to impact on our 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

Vivienne Yeda	- Chairman -Appointed on 13 November 2020
Amb (Eng) M Mohamed	- Ceased to be Chairman on 13 November 2020
Mr. Benard Ngugi	- Resigned on 3 August 2021 as the Managing Director & CEO
Eng. Rosemary Oduor	- Appointed on 3 August 2021 as Ag. Managing Director & CEO
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
Caroline Kittony-Waiyaki	- Appointed on 20 July 2020 and elected on 13 November 2020
Sachen Gudka	- Appointed on 20 July 2020 and elected on 13 November 2020
Mr. Kairo Thuo	- Resigned on 13 July 2020 and elected on 13 November 2020
Hon. Amb. Ukur Yattani	- Cabinet Secretary (CS), National Treasury
Dr. Eng. Joseph Njoroge	- Principal Secretary, Ministry of Energy
Mr. Humphrey Muhu	- Alternate Director to Cabinet Secretary, National Treasury
Eng. Isaac Kiva	- Alternate to Principal Secretary, Ministry of Energy
Mr. Bernard Ndungu	- Replaced on 25 June 2021 as the Alternate Director to CS, National Treasury
Mrs. Beatrice Gathirwa	- Replaced on 17 March 2021 as the Alternate Director to CS, National Treasury
Mr. Adil Khawaja	- Resigned on 13 July 2020
Mr. Wilson Mugung'ei	- Resigned on 13 July 2020
Mrs. Brenda Engomo	- Resigned on 13 July 2020
Hon. Zipporah Kering	- Resigned on 13 July 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

NCBA Bank Kenya Plc

Mara Rd. Upperhill
P.O. Box 44599 – 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



PRINCIPAL LEGAL ADVISOR

Hamilton Harrison & Mathews Advocates
Delta Office Suites, Waiyaki Way
P.O. Box 30333 – 00100, Nairobi



DELEGATED AUDITOR

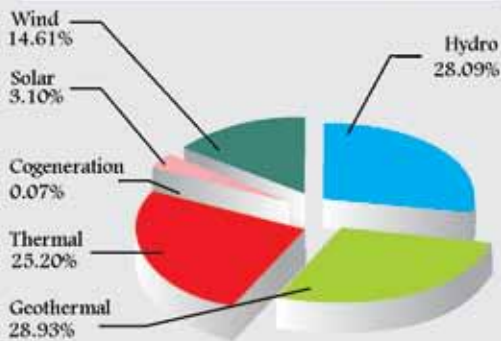
Ernst & Young LLP
Kenya Re Towers, Upper Hill
Off Ragati Road
P.O. Box 44286 – 00100, Nairobi

BUSINESS HIGHLIGHTS

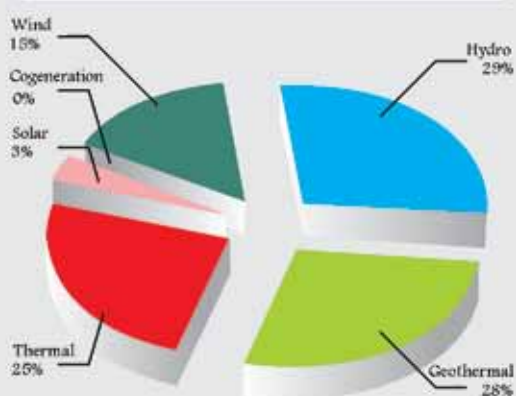
Three year generation mix trend



Installed Capacity (MW) JUNE 2021

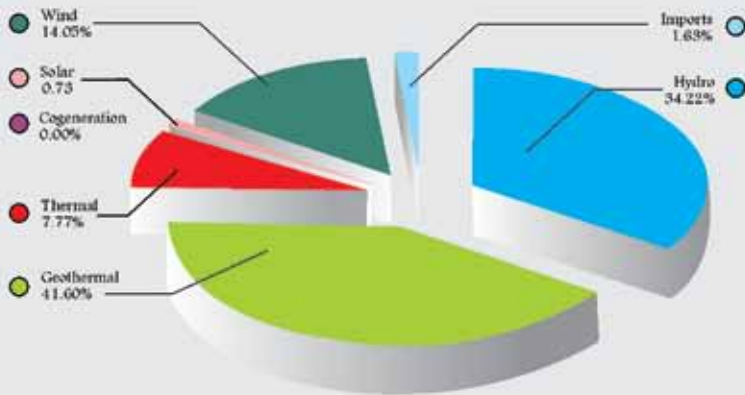


Contribution to Effective Capacity





Generation Mix 2020/21



Electricity Sales (GWh)



Peak Demand (MW)





132 kV line structure
and 33kV line across Ruiru at the
start of long rains - 1963.

A page from the Minutes of the first meeting of the Board of Directors
of the Mombasa Electric Light and Power Company Limited held at
East Africa House, Mombasa on 7 October 1908

Minutes of the first Meeting
of Directors held at East Africa
House (on October 7th 1908 at 9 a. m.)
of the Mombasa Electric Light and
Power Company Limited.

Present

1. A. S. W. Anderson
2. B. J. Mayer
3. Sai Sath Sevanje, alternate for General
Sevanje and Wusfall Sevanje
4. Sulamhussein, alternate for Jaffer-
shan S. Jomral.
5. Rasheed bin Sood

Chairman.

6. Mr Anderson on behalf of
Anderson and Mayer as Secretaries
It was resolved that A. S. W. An-
derson be and is hereby appointed as
Chairman of the Board of Directors
until otherwise determined.

Secretaries

It was resolved that Anderson
and Mayer be and are hereby appoi-
ned Secretaries of the Company pro
tem. Without Salary, one week's
Notice on either side to terminate
the engagement.

Seal

It was resolved that the following
impression be and is hereby adopted
as the Common Seal of the Company



BOARD PROFILE



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

Chairman of the Board of Directors

Vivienne Yeda was appointed the Chairman of the Board of Directors on 13th November 2020. Vivienne joined the Board on 20th July 2020. She 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.



**Eng. Rosemary Oduor, BTech.
(Elec & Comms.), MBA, R. Eng.**

Ag. Managing Director & CEO

Eng. Rosemary Oduor was appointed as the Acting Managing Director and CEO on 3rd August 2021. She holds a Master of Business Administration from the University of Nairobi and a Bachelor of Technology Degree in Electrical and Communications Engineering from Moi University.

Eng. Rosemary has wide experience in engineering and management having joined the Company in 1991 and served in various senior positions including General Manager in charge of Commercial Services & Sales. She is a registered Professional Engineer with the Engineers Board of Kenya.



**Amb. UkurYatani, B.A. (Econ.),
MA (Econ.), MPA**

***Cabinet Secretary,
The National Treasury***

Ambassador Ukur Yatani was appointed to the position of Cabinet Secretary, National Treasury on 14th January 2020. He holds 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 from Egerton University, Kenya. He has over 30 years, experience in public administration, politics, diplomacy and governance and has served variously as Cabinet Secretary for Labour and Social Protection, 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, he has held senior leadership positions in International Atomic Energy Agency (IAEA), United Nations Organization on Drugs and Crimes (UNODC), United Nations Industrial Development Organization (UNIDO), United Nations Convention Against Transnational Organized Crime (UNTOC) and Convention on Crime Prevention and Criminal Justice (CCPJ).



Maj. Gen (Rtd) Dr. Gordon Kihalangwa, CBS, 'ndc' (K), 'ensp' (RSA), 'psc' (K)

Maj. Gen (Rtd) Dr. Gordon Kihalangwa joined the Ministry of Energy as the Principal Secretary from the State Department for Public Works in October 2021. He holds a PhD, a Master's degree in International Studies and Diplomacy from Washington International University (WIU) in the United States of America, as well as Diplomas in Strategic Studies, and International Studies from the University of Nairobi (UoN).

He has also served as Principal Secretary, State Department for Immigration and Citizen Services, Ministry of Interior and Coordination of National Government, and as Director for Immigration Services.

Prior to joining the Civil Service, he worked in the Military where he rose to the rank of Major General and was appointed Assistant Chief of General Staff in-charge of Personnel and Logistics. He is an Alumni of the National Defence College (K), National Defence College 'ensp' (RSA), and Defence Staff College (K).



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

Eng. Abdulrazaq Ali joined the Board on 20th July 2020. He 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 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).



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

Caroline Kittony-Waiyaki joined the Board on 20th July 2020. She 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.



Eng. Elizabeth Rogo, BSc, B. Eng

Eng. Elizabeth Rogo joined the Board on 20th July 2020. She holds a Bachelor of Science from Mount Saint Vincent University and a Bachelor of Engineering from Dalhousie University both in Halifax, Nova Scotia, Canada. She is the Founder and 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. Eng. Rogo was recently appointed the President for the Africa Energy Chamber (East Africa).



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

Sachen Gudka joined the Board on 20th July 2020. He 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 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. He has 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.



**Kairo Thuo, LLB (Hons), CPA (K), CPA
(T), ACII**

Kairo Thuo was elected to the Board on 13th November 2020. He is a lawyer and accountant by profession and holds a Bachelor of Laws (LLB Hons.) from the University of Nairobi and is a CPA-K and CPA-T. He is a consultant and founder partner of Viva Africa Consulting LLP and Viva Africa Consulting Limited and was previously responsible for establishing and running the Tax Transaction Advisory Group at Deloitte and was the Director of the unit. He has extensive experience in legal, finance, corporate structuring and strategy, and taxation. He is a Director of NCBA Bank, ICEA-Lion Life, ICEA-Lion General, and a member of The Capital Markets Authority Law Reform Panel and KEPISA Tax Reform Panel.



**Humphrey Muhi, BSc. (Math & Stat.),
B. Phil (Econ.), MA (Econ)**

***Alternate Director to the Cabinet Secretary,
National Treasury***

Humphrey Muhi joined the Board on 25th June 2021 as Alternate Director to the Cabinet Secretary, the National Treasury. He holds a Master of Arts in Economics from the University of Nairobi, a Bachelor of Science (Mathematics & Statistics) from Kenyatta University, Bachelor of Philosophy (Economics) and a Diploma in Financial Management from KCA University. Mr. Muhi is an Economist with over 30 years' experience in various Government ministries and departments.



**Eng. Benson Mwakina, HSC;
M (Energy & Resources); MBA (E); BSc
(Elect. Eng.); PE; MIEK, M.AEPEA**

***Alternate Director to the Principal
Secretary, Ministry of Energy***

Eng. Benson Mwakina joined the Board on 19th October, 2021 as an Alternate Director to the Principal Secretary, Ministry of Energy. He is the Director of Renewable Energy at the Ministry of Energy and heads the Alternative Energy Technologies Department. He holds a Master of Energy & Technologies degree from Habin Bin Khalifa University in Qatar, an MBA(E) from JKUAT, and a BSc degree in Electrical & Electronics Engineering from the University of Nairobi.

He has worked with the Nairobi City Council as Chief Electrical Engineer, the Ministry of Nairobi Metropolitan Development as Principal Superintending Engineer, and the Ministry of Energy as Senior Principal Superintending Engineer.

Eng. Mwakina is a registered Professional Engineer with the Engineer's Board of Kenya, a Member of the Institution of Engineers of Kenya, and a corporate member of the Association of Energy Professionals of East Africa.



**Imelda Bore, LL.B, LL.M, Dip(Law),
H. Dip (HR), CPS(K), AMCI Arb**

***General Manager, Legal Services,
Regulatory Affairs & Company Secretary***

Imelda Bore was appointed as Secretary to the Board in July 2018 in an acting capacity before being confirmed in December 2019.

She holds a Master of Laws (LLM) (Public Finance) from the University of Nairobi, a Bachelor of Laws (LLB) from Moi University, a Diploma in Law from the Kenya School of Law, and a Higher Diploma in Human Resource Management. 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. Imelda joined Kenya Power in November 2008 having previously worked at the State Law Office as a Litigation Counsel. She is an active member of the Law Society of Kenya, a Certified Secretary CPS (K) and an associate member of the Chartered Institute of Arbitrators.



Members of the Board, Directors Caroline Kittony-Waiyaki and Eng. Elizabeth Rogo are joined by GM, Regional Coordination Eng. Peter Njenga, for the launch of a Last Mile Connectivity Project in Trans Nzoia County.

EXECUTIVE MANAGEMENT



Ag. Managing Director & CEO,
Eng. Rosemary Oduor
BTech. (Elec & Comms.),
MBA, R. Eng.



Ag. General Manager, Business
Strategy
John Ihuthia
Bachelor of Commerce (Hons)



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



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



General Manager,
Regional Coordination
Eng. Peter Njenga
BSc (Elec. Eng.), MBA, R. Eng.,
MIEK



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



Ag. General Manager
Commercial Services & Sales
Peter Wambua
BTech. (Elec & Comms.)



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)





Thika Road 220/66 kV Gas Insulated Substation (GIS) commissioned during the year.

A woman with short dark hair, wearing a black blazer over a yellow top, stands in front of a wooden bookshelf. She is holding a tablet computer. The bookshelf behind her contains several books, including titles by Leslie Thomas, James Herbert, and Portent, and a stack of economics books. A vase with yellow flowers is on a shelf to the right. The background also features a decorative metal lattice on the left.

MESSAGE FROM THE CHAIRMAN

We are committed to building on the recent achievements to continuously improve our operations and products, ensure efficiency, financial stability and viability, and offer world class services to our customers.



Esteemed Shareholders,

Kenya Power will mark a century of service to the Kenyan people on 6th January 2022. As we prepare to mark this important milestone, we are at a defining moment in the history of our Company. The centenary gives us an opportunity to make requisite adjustments, and investments and to spur the Company into a more sustainable and dynamic 21st century partner.

Since inception, the Company has undergone major transformations, changes which underpin much of our vision for the future. As we commemorate this significant milestone, we are keenly aware of the strategic importance of this great Company to the Kenyan economy.

Our role in lighting up the country, powering industries, and enabling the growth of key economic sectors including the electrification of Special Economic zones, hospitals and housing schemes under the Big Four Agenda, contributes to improving the quality of peoples' lives, a role that we are determined to continue fulfilling in the next 100 years and beyond.

During the last AGM we made a number of commitments to our shareholders, stakeholders, and customers.

We are pleased that we have not increased the electricity tariff and are working consciously to ensure that the cost of power is reduced. We are also pleased to report that our efforts in the last ten months have begun to bear fruit.

Profit Before Tax

In the year under review, the Board enforced the implementation of a turn-around strategy to guide the Company's return to sustainable profitability and growth. The strategy is premised on improving customer experience, enhancing sales growth, stepping up revenue collection, prudent cost management, and reducing system losses. Underpinning this strategy was the hyper-vigilant implementation of a robust performance management framework that was anchored on results, as well as reward and consequence.

As a result, the business, despite operating in a tough macro-economic environment, recorded a historic 216% YoY growth in profit before tax of Kshs.8.2 billion compared to a loss before tax of Kshs.7.04



billion. The strong performance was mainly driven by growth in sales and revenue, as well as a double digit reduction in costs and expenses.

Accelerating Reforms

The Board of Directors determined that the continuing unbalanced approach to power purchase agreements posed a systemic risk to the sector and the economy as a whole, while exposing customers to very high electricity bills.

The Board also recommended the implementation of a number of initiatives key among them the review of the entire energy purchase value chain with a special focus on the procurement and management of Power Purchase Agreements (PPAs) and the seamless coordination of the institutions within the Energy Sector. The Board of Directors further recommended that all future PPAs be aligned to the Least Cost Power Development Plan (LCPDP) to meet electricity demand at minimum generation cost.

As a consequence, we sought Government intervention which culminated in the formation of the Presidential Taskforce on the Review of Power Purchase Agreements constituted by His Excellency President Uhuru Kenyatta vide Gazette Notice No.3076 of 29th March 2021.

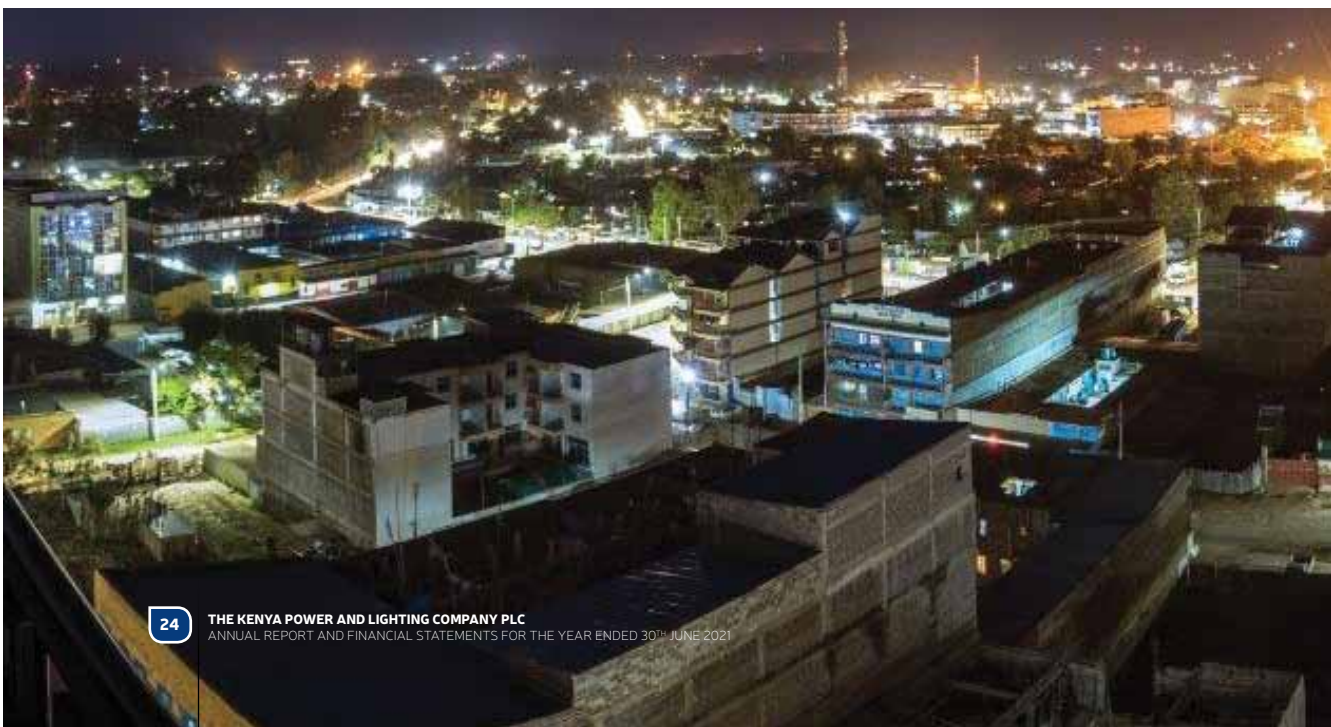
A major outcome of the recommendations of the Taskforce report is a Presidential directive that the end user tariff undergoes a 33% reduction by 25th

December 2021 to increase access to electricity, and enhance Kenya's competitiveness as a manufacturing and business hub.

The Board of Directors has embarked on a multifaceted strategy to transform KPLC into a profitable commercial entity that is agile, efficient and customer-led, capable of delivering efficient and cost-effective electricity to all customers.

To this end, we are rolling out a transformation strategy aimed at sustainably growing the business by continuously empowering our people, and streamlining our processes to make them more responsive to customer needs. As a consequence, significant focus will be placed on improving the accuracy of our billing system by investing in more robust IT infrastructure, and enhancing our internal processes. We will also run a cost efficient operation by ensuring that we operate within set budgets, streamline the supply chain, live within our means and deploy strict internal controls to seal potential areas of leakages.

We will also review the procurement and asset disposal processes to anchor them on the principles of value for money, international standards, high quality, professionalism and accountability. To this end, we will commission a forensic audit to identify areas of possible leakages to facilitate the implementation of remedial measures as part of the business reform and restructuring process. The audit report will also be used to enhance the robustness of our supply chain processes.



Underpinning these initiatives will be a strong diversification agenda, and a culture of innovation and high performance.

As we pursue these internal initiatives, we are engaging with our sister agencies in the sector, under the guidance of our parent ministry, to achieve synergies in our operations. This will enable the sector to deliver on its core mandate which is to provide Kenyans with clean, affordable, reliable and quality power. In addition, we will also work collaboratively with other stakeholders in the public and private sectors.

Ultimately, we are all united by the common goal to contribute to Kenya's social and economic growth as espoused by the shared value principle because when the economy grows, the sector will commensurately reap dividends.

Dividend

The ongoing reforms, spearheaded by the Board, are geared towards delivering sustainable profitability for the business and ultimately guaranteeing a steady growth in shareholder value in the short term. However, for the year ended 30th June 2021, we do not recommend the payment of a dividend to shareholders to strengthen the Company's financial position and improve our growth prospects.

Appreciations

We wish to acknowledge and appreciate the immense and unequivocal goodwill and leadership that has been demonstrated by His Excellency the President as we undertake these important and transcendental reforms.

We would also like to appreciate the support offered by the Cabinet sub-committee on KPLC led by the Cabinet Secretary for Interior and Coordination of National Government Dr. Fred Matiang'i, the National Treasury led by the Cabinet Secretary Hon. Ukur Yatani, the Ministry of Energy led by Amb. Dr. Monica Juma, the Attorney General Justice (Rtd) Hon P. Kihara Kariuki, our shareholders, customers, partners and staff.

We are committed to building on the recent achievements to continuously improve our operations and products, ensure efficiency, financial stability and viability, and offer world class services to our customers.



Vivienne Yeda, OGW
Chairman, Board of Directors



Nanyuki Town skyline at
8.00pm.



MANAGING
DIRECTOR & CEO'S
REPORT

*As we begin the next chapter
of the Kenya Power growth journey,
our main focus will be to delight
our customers by going above
and beyond the call of duty.*



Dear Shareholders,

Since inception, the Company has made enormous strides and achieved notable milestones from two generators serving a few customers in Mombasa and Nairobi, to an extended grid covering over 86,000 kilometres of high and medium voltage lines interconnecting 8.4 million customers in villages, towns and cities across the country.

In the last five years, the country has recorded one of the fastest connectivity rates in the world and our presence today is felt in every part of the country with over 70 percent of Kenyan households having access to electricity.

In the course of our journey, we have gone through major corporate milestones including the listing of the Company's shares in the Stock Exchange in 1954, the transitioning from The East Africa Power and Lighting Company Limited in 1983, and the unbundling of the sector which started in 1997 to pave way for the creation of separate entities to manage generation, transmission, distribution and rural electrification.

Another significant event was the 27-month La Nina drought, at the turn of the century, that resulted in reduced water levels in hydropower stations leading to unprecedented levels of power rationing. More recently, the Company was impacted by the COVID-19 pandemic which in addition to affecting local and global economies, disrupted our operations and curtailed electricity demand.

Despite the tough macroeconomic environment occasioned by the pandemic, we rolled out a turnaround strategy which led to a return to profitability during the year. The turnaround strategy is premised on five key focus areas: improving customer experience, growing sales, enhancing revenue collection, reducing system losses, and managing costs.

Business Performance Highlights

The Company recorded a profit before tax of Shs.8.198 billion for the period under review compared to a loss before tax of Shs.7.042 billion the previous year, an increase of 216.4 %. The positive growth is attributable to an increase in sales and a decrease in operating, and finance costs.



Revenue from electricity sales increased by Shs.9.755 billion to Shs.125.925 billion, an increase of 8.4%. The increase in electricity revenue is mainly attributable to a growth in unit sales by 400 GWh from 8,171 GWh the previous year to 8,571 GWh.

Operating costs decreased by Shs.7.973 billion to Shs.39.861 billion while finance costs went down to Shs.9.05 billion.

Non-fuel power purchase costs increased by 2.1% from Shs.74.445 billion the previous year to Shs.76.037 billion due to an increase in units purchased from 9,853 GWh the previous year to 10,399 GWh as a result of higher electricity demand. Fuel power purchase costs on the other hand remained relatively unchanged at Shs.11.184 billion compared to Shs.11.061 billion the previous year.

Operating expenses reduced from Shs.47.834 billion to Shs.39.861 billion, a reduction of 17%. The reduction was mainly driven by lower provisions for trade and other receivables, slow and non-moving inventories and; effective cost management and resource optimisation initiatives implemented during the year.

Finance costs registered a 27.5% reduction from Shs.12.477 billion to Shs.9.05 billion due to a decrease in loans and overdrafts as a result of a Shs.20.263 billion repayment of commercial loans which included the partial conversion of overdrafts into a term loan.

Looking Ahead

Kenya Power is currently experiencing a major paradigm shift that could arguably be classified as one of the most significant transitions in our history. Following the recommendations of the Presidential Taskforce, and based on stakeholder feedback, as well as ongoing developments on the energy front, the business is reinventing itself to become more responsive to customer needs.

In the immediate term, we are focusing on building on the gains made in each of the five focus areas to sustain the growth momentum.

We will therefore grow sales by connecting more customers, accelerating the pace of connectivity and increasing usage among existing customers.

We will continue deploying prudent cost management practices without compromising the quality of service we offer our customers.

We will step up revenue protection activities to enhance system efficiency by cracking down on illegal connections in partnership with the National Government, deploying the use of data analytics to curb electricity theft by commercial customers, intensifying inspections to address meter bypasses, and by expediting the replacement of faulty meters. In addition, we are increasing smart meter coverage for large power and small commercial customers.

We are also reviewing our customer life management cycle to enhance our responsiveness to our customers' existing and emerging needs. We will also enhance our network's reliability through proactive network maintenance, the deployment of Live Line technology, and by scaling up network automation.

In the medium to long term, the Company is exploring the lit fibre business, to increase the penetration of internet connectivity, particularly in the rural areas. The Company's extensive fibre network presently offers dark fibre services to the country's major ISPs to facilitate the provision of internet services to the end buyer in the retail and enterprise segments across the country and neighbouring countries.

We are positioning ourselves to drive the e-mobility agenda to increase the adoption of the environmentally friendly electric vehicles and motorcycles. We are working closely with the Government to enact laws that will subsidise the cost of these vehicles and the attendant infrastructure such as storage and charging points.

We are also positioning ourselves to drive the e-mobility agenda to increase the adoption of the environmentally friendly electric vehicles and motorcycles.

As we begin the next chapter of the Kenya Power growth journey, our main focus will be to delight our customers by going above and beyond the call of duty.



Eng. Rosemary Oduor
Ag. Managing Director & CEO



Live Line maintenance team at work.



UJUMBE KUTOKA KWA MWENYEKITI

Tumejitolea kuendeleza mafanikio ya hivi majuzi ili kuendelea kuboresha shughuli na bidhaa zetu, kuhakikisha ufanisi, uthabiti wa kifedha na uthabiti, na kutoa huduma za kiwango cha kimataifa kwa wateja wetu.

Waheshimiwa Wanahisa,

Kampuni ya umeme ya Kenya Power itaadhimisha karne ya huduma kwa watu wa Kenya mnamo tarehe 6 Januari 2022. Tunapojitayarisha kuadhimisha hatua hii muhimu, tuko katika wakati mahususi katika historia ya Kampuni yetu. Miaka 100 inatupa fursa ya kufanya marekebisha yanayohitajika, na uwekezaji na kuichochea Kampuni kuwa mshirika endelevu na mahiri zaidi wa karne ya 21.

Tangu kuanzishwa, Kampuni imepitia mabadiliko makubwa, mabadiliko ambayo yanaweka msingi wa maono yetu ya siku zijazo. Tunapoadhimisha hatua hii muhimu, tunafahamu vyema umuhimu wa kimkakati wa Kampuni hii kuu kwa uchumi wa Kenya.

Jukumu letu katika kuangaza nchi, kuwezesha viwanda, na kuwezesha ukuaji wa sekta muhimu za kiuchumi ikiwa ni pamoja na kusambaza umeme katika maeneo Maalum ya Kiuchumi, hospitali na miradi ya makazi chini ya Ajenda Nne Kuu, inachangia kuboresha ubora wa maisha ya watu, jukumu ambalo tumeazimia kuendelea kutimiza katika miaka 100 ijayo na zaidi.

Wakati wa mkutano mkuu wa mwaka tulitoa ahadi kadhaa kwa wanahisa wetu, washikadau na wateja wetu.

Tunafurahi kwamba hatujaongeza bei ya umeme na tunafanya kazi kwa uangalifu ili kuhakikisha kuwa gharama ya umeme inapunguzwa. Pia, tunayo furaha kuripoti kwamba juhudi zetu katika miezi kumi iliyopita zimeanza kuzaa matunda.

Faida kabla ya Ushuru

Katika mwaka unaoangaziwa, Bodi ilitekeleza utekelezaji wa mkakati wa kubadilisha mwelekeo wa Kampuni ili kurudisha faida na ukuaji endelevu. Mkakati huo unalenga kuboresha uzoefu wa wateja, kuimarisha ukuaji wa mauzo, kuongeza ukusanyaji wa mapato, usimamizi wa gharama kwa uangalifu na kupunguza upotevu wa mfumo. Msingi wa mkakati huu ulikuwa utekelezaji wa umakinifu wa mfumo thabiti wa usimamizi wa utendaji ambao uliegemezwa kwenye matokeo, pamoja na mapato na athari.

Kwa hivyo, biashara, licha ya kufanya kazi katika mazingira magumu ya uchumi mkuu, ilirekodi

ukuaji wa kihistoria wa 216% ya ukuaji wa mwaka katika faida kabla ya ushuru wa Shilingi 8.2 bilioni ikilinganishwa na hasara kabla ya ushuru ya Shilingi 7.04 bilioni. Utendaji mzuri ulichangiwa zaidi na ukuaji wa mauzo na mapato, pamoja na kupunguzwa kwa tarakimu mbili kwa gharama na gharama.

Kuharakisha Mageuzi

Bodi ya Wakurugenzi iliamua kwamba kuendelea kwa mbinu zisizo na usawa katika mikataba ya ununuzi wa umeme kulileta hatari ya kimfumo kwa sekta na uchumi kwa ujumla, huku kukiwaweka wateja kwenye bili kubwa sana za umeme.

Bodi pia, ilipendekeza utekelezaji wa mipango kadhaa muhimu miongoni mwao mapitio ya mkondo mzima wa thamani ya ununuzi wa nishati kwa kuzingatia manunuzi na usimamizi wa Mikataba ya Ununuzi wa Umeme (PPAs) na uratibu wa kutosha wa taasisi ndani ya Sekta ya Nishati. Bodi ya Wakurugenzi ilipendekeza zaidi kwamba PPA zote za siku zijazo ziambatanishwe na Mpango wa Uendelezaji Umeme wa Gharama ya chini (LCPDP) ili kukidhi mahitaji ya umeme kwa gharama ya chini zaidi ya uzalishaji.

Kutokana na hayo, tuliomba uingiliaji kati wa Serikali ambao ulifikia kilele chake kupitia kuundwa kwa Kikosi Kazi cha Rais kuhusu Mapitio ya Makubaliano ya Kununua umeme yaliyoundwa na Mheshimiwa Rais Uhuru Kenyatta kupitia Notisi ya Gazeti Na.3076 la tarehe 29 Machi 2021.

Matokeo kuu ya mapendekezo ya ripoti ya Kikosi Kazi ni agizo la Rais kwamba ushuru wa watumiaji wa mwisho utapunguzwa kwa 33% ifikapo tarehe 25 Desemba 2021 ili kuongeza ufikiaji wa umeme, na kuimarisha ushindani wa Kenya kama kitovu cha utengenezaji na biashara.

Bodi ya Wakurugenzi imeanza mkakati wa aina mbalimbali wa kubadilisha KPLC kuwa taasisi ya kibishara yenye faida ambayo ni ya haraka, yenye ufanisi na inayoongozwa na mteja, yenye uwezo wa kusambaza umeme wa ufanisi na wa gharama nafuu kwa wateja wote.

Kwa hivyo, tunaanzisha mkakati wa mabadiliko unalenga kukuza biashara kwa uendeleu na kuendelea kuwawezesha watu wetu, kurahisisha

Michakato yetu ili kuwafanya kuitikia zaidi mahitaji ya wateja. Kwa hivyo, mkazo mkubwa utawekwa katika kuboresha usahihi wa mfumo wetu wa utozaji malipo kwa kuwekeza katika miundombinu thabiti zaidi ya kiteknolojia ili kuimarisha michakato yetu ya ndani. Pia, tutaendesha utendakazi kwa gharama nafuu kwa kuhakikisha kwamba tunafanya kazi ndani ya bajeti zilizowekwa, kusambaza ugavi, kuishi kulingana na uwezo wetu na kuweka udhibiti mkali wa ndani ili kuziba maeneo yanayoweza kuvuja.

Pia tutapatia taratibu za ununuzi na uondoaji wa mali ili kuziweka kwenye kanuni za thamani ya fedha, viwango vya kimataifa, ubora wa juu, weledi na uwajibikaji. Ili kufikia lengo hili, tutaagiza ukaguzi wa kitaalamu ili kubainisha maeneo ya uwezekano wa kuvuja ili kuwezesha utekelezaji wa hatua za kurekebisha kama sehemu ya mageuzi ya biashara na mchakato wa urekebishaji. Ripoti ya ukaguzi pia itatumika kuimarisha uthabiti wa michakato yetu ya ugavi.

Msingi wa mipango hii itakuwa ajenda dhabiti ya mseto, na utamaduni wa uvumbuzi na utendakazi wa hali ya juu.

Tunapofuatilia mipango hii ya ndani, tunashirikiana na mashirika mengine katika sekta hii, chini ya mwongozo wa huduma yetu kuu, ili kufikia maelewano katika shughuli zetu. Hii itawezesha sekta hiyo kutekeleza jukumu lake kuu ambalo ni kuwapa Wakenya nguvu safi, nafuu, za kutegemewa na zenye ubora. Aidha, pia tutafanya kazi kwa ushirikiano na wadau wengine katika sekta ya umma na binafsi.

Hatimaye, sote tumeunganishwa na lengo moja la kuchangia ukuaji wa kijamii na kiuchumi wa Kenya kama inavyothibitishwa na kanuni ya thamani ya pamoja kwa sababu uchumi unapokua, sekta hiyo itapata faida zinazolingana.

Gawio

Marekebisho yanayoendelea, yanayoongozwa na Bodi, yanalenga kuleta faida endelevu kwa biashara na hatimaye kuhakikisha ukuaji thabiti wa thamani ya wanahisa katika muda mfupi. Hata hivyo, kwa mwaka uliomalizika tarehe 30 Juni 2021, hatupendekezi malipo ya gawio kwa wenyehisa ili kuimarisha hali ya kifedha ya Kampuni na kuboresha matarajio yetu ya ukuaji.

Shukrani

Tunataka kutambua na kuthamini nia njema na uongozi usio na shaka ambao umeonyeshwa na Mheshimiwa Rais tunapofanya mageuzi haya muhimu na yale yanayovuka mipaka.

Pia, tungependa kushukuru uungwaji mkono unaotolewa na kamati ndogo ya Baraza la Mawaziri kuhusu kampuni ya KPLC inayoongozwa na Waziri wa Mambo ya Ndani na Uratibu wa Serikali ya Kitaifa Dkt. Fred Matiang'i, Hazina ya Kitaifa inayoongozwa na Katibu wa Baraza la Mawaziri Mhe. Ukur Yatani, Wizara ya Nishati inayoongozwa na Amb. Dkt. Monica Juma, Mwanasheria Mkuu wa Serikali Mhe Jaji (Mst) P. Kihara Kariuki, wanahisa wetu, wateja, washirika na wafanyakazi wetu.

Tumejitolea kuendeleza mafanikio ya hivi majuzi ili kuendelea kuboresha shughuli na bidhaa zetu, kuhakikisha ufanisi, uthabiti wa kifedha na uthabiti, na kutoa huduma za kiwango cha kimataifa kwa wateja wetu.



Vivienne Yeda, OGW
Mwenyekiti, Bodi ya Wakurugenzi.



Rais Uhuru Kenyatta, akizindua mradi wa Last Mile Connectivity, Kieni East, Nyeri County.





RIPOTI YA MKURUGENZI
NA AFISA MTENDAJI
MKUU

Tunapoanza sura inayofuata ya safari ya ukuaji wa Kenya Power, lengo letu kuu litakuwa kuwafurahisha wateja wetu kwa kufanya zaidi ya majukumu yao.



Ndugu Wanahisa,

Tangu kuanzishwa, Kampuni imepiga hatua kubwa na kupata mafanikio makubwa kutoka kwa jenereta mbili zinazohudumia wateja wachache huko Mombasa na Nairobi, hadi eneolililopanuliwa linayojumuisha zaidi ya kilomita 86,000 za njia za umeme za juu na za kati zinazounganisha wateja milioni 8.4 katika vijiji, miji na miji kote nchini.

Katika miaka mitano iliyopita, nchi imerekodi mojawapo ya viwango vya kasi zaidi vya uunganisho duniani na uwepo wetu leo unaonekana katika kila sehemu ya nchi huku zaidi ya asilimia 70 ya nyumba za Kenya zikipata umeme.

Katika safari yetu, tumepitia hatua muhimu za kibiashara ikiwa ni pamoja na kuorodheshwa kwa hisa za Kampuni katika Soko la Hisa mwaka 1954, mabadiliko kutoka The East Africa Power and Lighting Company Limited mwaka 1983, na kutenganishwa kwa sekta iliyoanzamwaka 1997 ili kuandaa njia kwa ajili ya kuundwa kwa taasisi tofauti za kusimamia uzalishaji, usafirishaji, ugawaji na usambazaji wa umeme vijijini.

Tukio jingine muhimu lilikuwa ukame wa La Nina wa miezi 27, mwanzoni mwa karne hii, ambao ulisababisha kupungua kwa viwango vya maji katika vituo vya kuzalisha umeme na kusababisha viwango vya juu vya mgao wa umeme. Hivi majuzi, Kampuni iliathiriwa na janga la COVID-19 ambalo pamoja na kuathiri uchumi wa ndani na kimataifa, lilitatiza utendakazi wetu na kupunguza mahitaji ya umeme.

Licha ya hali ngumu ya mazingira ya kiuchumi iliyosababishwa na janga hili, tulianzisha mkakati wa mabadiliko ambao ulisababisha kurudi kwa faida katika mwaka huo. Mkakati wa mabadiliko unategemea maeneo matano muhimu: kuboresha uzoefu wa wateja, kuongezeka kwa mauzo, kuimarisha ukusanyaji wa mapato, kupunguza hasara za mfumo, na kudhibiti gharama.

Vidokezo vya Utendaji wa Biashara

Kampuni ilirekodi faida kabla ya ushuru ya Shilingi 8.198 bilioni kwa kipindi tunachotathminiwa

ikilinganishwa na hasara ya Shilingi 7.042 bilioni kabla ya ushuru mwaka uliopita, ongezeko la 216.4%. Ukuaji chanya unachangiwa na ongezeko la mauzo na kupungua kwa uendeshaji, na gharama za kifedha.

Mapato kutokana na mauzo ya umeme yaliongezeka kwa Shilingi 9.755 bilioni hadi Shilingi 125.925 bilioni, sawa na ongezeko la 8.4%. Ongezeko la mapato ya umeme limechangiwa zaidi na ukuaji wa mauzo ya vitengo kwa Gigawati 400 kwa lisali moja Kotoka Gigawati 8,171 kwa lisali moja mwaka uliopita hadi 8,571 kwa lisali moja.

Gharama za uendeshaji zilipungua kwa Shilingi 7.973 bilioni hadi Shilingi 39.861 bilioni wakati gharama za kifedha zilishuka hadi Shilingi 9.05 bilioni.

Gharama za ununuzi wa nishati isiyo ya mafuta ziliongezeka kwa asilimia 2.1 kutoka Shilingi bilioni 74.445 mwaka uliopita hadi Shilingi bilioni 76.037 kutokana na ongezeko la vitengo vilivyonunuliwa kutoka Gigawati 9,853 kwa kila lisali moja mwaka uliotangulia hadi Gigawati 10,399 kila lisali moja kutokana na mahitaji makubwa ya umeme. Gharama za ununuzi wa nishati ya mafuta kwa upande mwingine hazijabadilika hadi kufikia Shilingi 11.184 bilioni ikilinganishwa na Shilingi bilioni 11.061 mwaka uliopita.

Gharama za uendeshaji zimepunguzwa kutoka Shilingi bilioni 47.834 hadi Shilingi bilioni 39.861, punguzo la asilimia 17%. Upunguzaji huu ulichangiwa zaidi na masharti ya chini ya biashara na mapato mengine, hesabu za polepole na zisizohamishika na; usimamizi bora wa gharama na mipango ya uboreshaji wa rasilimali iliyotekelezwa katika mwaka huo.

Gharama za fedha zilisajili punguzo la 27.5% kutoka Shilingi bilioni 12.477 hadi Shilingi bilioni 9.05 kutokana na kupungua kwa mikopo na mkopo wa muda mfupi kutoka benki kama matokeo ya ulipaji wa mikopo ya kibiashara ya Shilingi billioni 20.263 ambazo ni pamoja na ubadilishaji wa sehemu ya mkopo wa muda mfupi kutoka benki kuwa mkopo wa muda mrefu.

Kuangazia Mbele

Kampuni ya Kenya Power kwa sasa inakabiliwa na mabadiliko makubwa ya kimtazamo ambayo

bila shaka yanaweza kuainishwa kama mojawapo ya mabadiliko muhimu zaidi katika historia yetu. Kufuatia mapendekezo ya Kikosi Kazi cha Rais, na kwa kuzingatia maoni ya washikadau, pamoja na maendeleo yanayoendelea kuhusu masuala ya nishati, biashara inajipanga upya ili kuitikia zaidi mahitaji ya wateja.

Katika muda wa sasa, tunaangazia kuendeleza mafanikio yaliyopatikana katika kila moja ya maeneo matano yaliyolengwa ili kuendeleza kasi ya ukuaji.

Kwa hivyo tutakuza mauzo kwa kuunganisha wateja zaidi, kuharakisha kasi ya kuunganishwa na kuongeza matumizi kati ya wateja waliopo.

Tutaendelea kutumia mbinu za busara za usimamizi wa gharama bila kuathiri ubora wa huduma tunayowapa wateja wetu.

Tutaongeza shughuli za ulinzi wa mapato ili kuongeza ufanisi wa mfumo kwa kukabiliana na uunganishaji haramu kwa ushirikiano na Serikali ya Kitaifa, kupeleka matumizi ya uchanganuzi wa data ili kudhibiti wizi wa umeme unaofanywa na wateja wa kibiashara, kuimarisha ukaguzi ili kushughulikia njia za kupitisha mita, na kuharakisha kukarabatiwa kwa mita mbovu. Kwa kuongezea, tunaongeza ufikiaji wa mita mahiri kwa nguvu kubwa na wateja wadogo wa kibiashara.

Pia, tunakagua mzunguko wetu wa usimamizi wa maisha ya wateja ili kuboresha uitikiaji wetu kwa mahitaji yaliyopo na yanayojitokeza ya wateja wetu. Pia, tutaimarisha kutegemewa kwa mtandao wetu kupitia urekebishaji dhabiti wa mtandao, utumiaji wa

teknolojia ya Live Line, na kwa kuufaanya mtandao kuwa wa kujiendesha.

Katika muda wa kati hadi mrefu, Kampuni inachunguza biashara ya nyuzinyuzi, ili kuongeza kupenya kwa muunganisho wa intaneti, haswa katika maeneo ya vijijini. Mtandao mpana wa nyuzi wa Kampuni kwa sasa unatoa huduma za nyuzi giza kwa Watoa Huduma za Intaneti wakuu nchini ili kuwezesha utoaji wa huduma za intaneti kwa mnunuzi wa mwisho katika sehemu za rejareja na biashara kote nchini na nchi jirani.

Tunajiweka katika nafasi nzuri ya kuendesha ajenda ya uhamaji ili kuongeza kupitishwa kwa magari na pikipiki za umeme ambazo ni rafiki wa mazingira. Tunashirikiana kwa karibu na Serikali kutunga sheria zitakazopunguza gharama za magari hayo na miundombinu ya wahudumu kama vile sehemu za kuhifadhia na kulipia.

Pia tunajiweka katika nafasi nzuri ya kuendesha ajenda ya usafiri unaotumia umeme ili kuongeza kupitishwa kwa magari ya umeme na pikipiki ambazo ni rafiki wa mazingira.

Tunapoanza sura inayofuata ya safari ya ukuaji wa Kenya Power, lengo letu kuu litakuwa kuwafurahisha wateja wetu kwa kufanya zaidi ya majukumu yao.



Eng. Rosemary Oduor
Kaimu. Mkurugenzi Mtendaji & Mkurugenzi
Mtendaji.



Preventive maintenance works (Okoa Transformer initiative).

OPERATIONAL PERFORMANCE

Below are the highlights of the Company's business performance for the year ended 30th June 2021. The report gives a reflection of the key business focus areas given considerable attention during the year, in line with the Company's turnaround strategic initiatives:

1. Improving Customer Experience

Customer experience is key to building a strong brand. In working towards improved customer satisfaction, the Company continues to implement programmes across all customer touch points to enhance service delivery. Priority areas include enhancing power reliability, expediting connectivity, quick resolution of complaints, improving communication, and creating customer convenience.

1.1 Enhancing Supply Reliability

A reliable and stable power supply network enhances customer satisfaction and assures the Company of sustained sales for improved business performance. In this regard, the Company implemented projects geared towards increasing distribution capacity by installing additional 512.5MVA in both new and reinforcement substation projects.

The new substations include the recently commissioned Thika Road 400MVA 220/66 kV GIS transmission substation aimed at stabilizing supply to our industrial customers and educational institutions along Thika Road. Other projects completed during the period include Mikinduri and Nkuene in Meru County, Kisii East in Kisii County,


Mtondia in Kilifi County, Ortum in West Pokot, Kaloleni and Kokotoni in Kwale County, and Muirungi in Nyeri County.

In addition, the Company upgraded five existing substations in Bungoma, Bomet, Nakuru, Machakos and Vihiga counties to increase their ability to support growing electricity demand in the areas. Further, the Company extended the medium voltage network by 536.47 kilometres to facilitate the implementation of connectivity projects and stabilise supply to existing customers.

Automating the Network to improve operations

Quick fault location, isolation and restoration of power supply are critical in ensuring reliability of power supply and enhancing customer satisfaction. As the network expands, effective management of incidences becomes complex. To address this, we installed the Advanced Distribution Management System (ADMS) project commencing with Nairobi County and parts of Kajiado, Kiambu and Machakos counties. The project entails the installation of automatic power line isolators and control equipment which are manned and operated remotely from the Company's Regional Control Centres.

As at end of the year, out of the envisaged 830 automatic isolators, we had installed 700 isolators on 280 feeders in the targeted areas. As a result, customer outage times have reduced leading to improved customer satisfaction and growth in sales in covered



areas. In addition, we are able to quickly transfer customers to alternative feeders when incidences occur hence minimising unserved energy. The project is expected to be completed by the end of June 2022.

Remote operation of substations enables the Company to have real-time visibility of the entire network, monitor status, isolate faults, determine load requirements for specific areas and expeditiously restore power supply in case of technical hitches. The Company has invested in network automation through the Supervisory Control and Data Acquisition (SCADA) project implemented at various levels including energy dispatch and transmission and distribution. SCADA offers an automated platform to enable remote access and control of our substations' and network from the National and Regional Control Centres.

In the year, we extended the system to cover an additional 68 substations bringing the total automated substations to 244 out of the current 294 transmission and primary substations. Adoption of SCADA has helped in improving service delivery by enhancing flexibility in power distribution operations and enabling efficiency in network management.

Live-Line Maintenance Project

We also completed the implementation of the Live-Line Maintenance project established to enhance maintenance practices to ensure reliability of electricity supply. The work entailed the acquisition of

specialised vehicles, tools and equipment; skilling of the Live-Line technical staff; and the establishment of a testing laboratory at Ruaraka in Nairobi, the first of its kind in East and Central Africa. The laboratory enables the Company to test and certify Live Line work tools and equipment which saves the Company Shs 36 million annually in services previously outsourced.

Under the project, we have deployed 34 teams with a total of 232 technical staff around major towns across the country. The teams are able to carry out maintenance on our high and medium voltage networks without switching off customers. Live-Line maintenance has significantly reduced planned interruptions by avoiding a total of 24,283 hours of interruptions in the year under review thus raising Customer satisfaction levels. Continuous supply also contribute to improved system efficiency.

Applications to Enhance Network Operations

The Know Your Network (KYN) app was developed to facilitate the inspection and maintenance of the Company's network installations. The application can be installed on any smart device including mobile phones, and enables real-time monitoring of inspection and maintenance works done. The KYN app has also helped in controlling network maintenance processes and ensuring compliance to the standards. In addition, the app acts as a control tool to ensure that technical teams identify the root cause of transformer failures before replacements.

Customer Average Interruption Duration Index

As a result of the implementation of various projects aimed at ensuring reliability of electricity supply, the average duration customers were off supply, as measured by the Customer Average Interruption Duration Index (CAIDI), reduced from 4.52 hours the previous year to 4.03 hours. By expeditiously addressing network outages and improving our system reliability in general, we managed to improve our sales by 34GWh, which is approximately Shs. 360 million in revenues.

Fast-tracking Connectivity

The Company is in the process of updating and documenting all pending connectivity work and has put in place measures to ensure new applications are executed within the Customer Service Charter timelines.

Pending work is being assigned to County Business Managers with clear targets and timelines. Necessary arrangements have also been made to ensure all the relevant materials are in place to support the connections. To speed up the process, the Company has engaged Labour and Transport contractors to fast track the implementation of projects requiring line extensions.

For new application, the Company has launched an online platform that is tracked to ensure implementation.

1.2 Enhancing Customer Communication and Convenience

Over the years, the Company has heavily invested in emerging technologies that have improved efficiency and created convenience by bringing services closer to our customers. The previous year, we deployed a short code 97771 and USSD *977# to enhance services to our customers. The 97771 premium service presents a unified channel of communication with our

customers for both voice and SMS, whereas *977# is a self-service tool that provides an interactive way of enabling the customer transact business with us. Uptake of these platforms has been on the rise with over 2 million registered users so far and a volume of over 15.8 million transactions in the period.

During the year, the Company opened an alternative National Contact Center within Nairobi to ensure seamless response to customer queries. In addition, remote contact facilities were established in satellite towns around Nairobi, to decongest the workplace as a Covid-19 prevention measure while continuing to offer service to our customers. At the same time, we completed the operationalisation of the County structure which commenced the previous year to take our services closer to customers.

In addition, the Company completed the construction of banking halls, commercial and emergency offices in Adams Arcade, Nyamira, Nkubu, Busia, Makutano and Kiritiri. Other completed constructions and refurbishments included the Machakos, Nyahururu, Ruiru, Roysambu and Lodwar offices, the Nakuru Depot, IESR hostels, E-house Nairobi, and the Kiganjo warehouse.

We also held several customer outreach programmes and awareness campaigns to address customer issues and educate them on the available self-service platforms.

2. Sales Growth

In line with our sales growth strategy, we connected a total of 716,206 new customers compared to 500,397 connected the previous year. Our business development efforts, supported by increased presence in the counties, enabled us to connect 418,935 out of which 260,551 were connected under the Last Mile Connectivity Project. This increased the total number of customers to 8,278,203 as at the end of June 2021.

Consumption by the new customers contributed an additional 122 GWh to electricity sales, translating to Shs. 2.6 billion in revenues. The revenues from the new customers comprised 37% from Commercial and Industrial customers, 34% from Ordinary Lifeline Customers (consuming less than 100 monthly units), 16% from Ordinary customers (consuming more than 100 monthly units), 11% from Small Commercial customers, and 2% from Street-Lighting.

To further grow our sales, we sustained the transformer failure reduction programme which led to a drop in transformer failure rate from 6.2% the previous year to 5.14% during the year. This was achieved through proactive maintenance works on distribution substations and the low voltage network, and the standardisation of processes in replacing faulty transformers.

3. Enhancing Revenue Collection

Translating electricity sales into revenue earnings for the Company is paramount in ensuring optimal financial performance of the business. For the Company to meet its financial obligations and carry out strategic investments for growth, it is imperative that we collect all billed amounts. Overdue bills, therefore, hinder the financial health of the business thereby limiting the sustainability of the Company.

The ongoing Advanced Metering Infrastructure (AMI) project comprises the installation of smart meters, establishment of seven Meter Data Control Centres and a Meter Data Management Software which enables the Company to have remote meter visibility for monitoring and fraud detection. Successful implementation of the project will enhance revenue protection for Commercial and Industrial, and SME customers, improve customer satisfaction by ensuring billing integrity, reduce operational costs and improve revenue collection through remote disconnections and reconnections. We have so far installed 54,419 smart meters in SME customer premises and are planning to install a further 67,000 by the end of FY2021/2022.

In an analysis done on 10th September 2021 on 36,674 installations, which had billed

consecutively for two months, the business had recovered approximately 12.66 GWhs. Sales grew by 18% and debt age improved from 34.21 days to 31.4 days.

We also developed, Q-Field, an application to support revenue collection initiatives. This is a web based tool that can be accessed securely via a mobile phone. The application has brought efficiency since the revenue collector can access the debt list online and our field staff do not need to compile a report since the supervisor can track real time performance aggregated per region, county, sector and zone.

We continued with intensified inspection of customer installations to check the integrity of our meters and recover lost units and uncollected revenue.

We recently engaged four Private Debt Collectors to assist in pursuing long outstanding debts.

In the year under review, the Company brought on board four private debt collectors, to complement internal debt collection efforts while the remaining four will be procured in FY2021/2022. The private debt collectors have been tasked with collecting overdue debt that is over 180 days old, and has remained uncollected despite repeated efforts by the internal teams to recover it. Of this debt, 60% is domiciled with domestic customers, 20% SMEs and 10% Commercial.

4. War on Energy Losses

System losses, which are the difference between the total amount of energy procured and amount sold, eat into our electricity sales thereby affecting our financial performance. They include technical losses, which are inherent in every power system and occur in the transmission and distribution process, and commercial losses arising from meter tampering and bypasses, and other illegal activities on the network.

During the year, we continued to implement projects to reduce technical and commercial losses which were rolled out during the previous year. The ongoing projects include regional metering (100%), feeder metering (95%), county

metering (33%) and transformer metering. These projects will enable identification of high loss feeders to enable targeted remedial action.

The Company also initiated a feeder optimisation programme to improve quality of power supply and minimise losses arising from overloaded electrical system. The programme entails analysis of electrical loading levels in substations and feeders with a view of balancing loads and maximising utilisation of the existing infrastructure.

To further step up the war on energy losses, the Company launched a loss reduction initiative dubbed 'The War Room' in February 2021 to spearhead system loss reduction initiatives. A raft of measures instituted by the War Room team included ensuring timely metering of customers, fast-tracking replacement of faulty meters, targeted inspection of meters to establish their integrity, addressing postpaid billing and prepaid meter vending issues, and preventing electricity theft through meter bypasses and illegal connections. In addition, we also carried out a preventive maintenance programme targeting identified transformers.

From these efforts, we managed to flatten system losses, which had risen to 25.21% in the first half of the year to 22.7% in the second half, culminating in an overall system efficiency of 76.05% as at end of June 2021. The Company made great strides in addressing billing anomalies, faulty meters and unmetered supplies. In addition, we carried out preventive maintenance works on 58% of our distribution transformers under the Okoa Transformer Initiative.

The Company has over the years seen increased illegal connections, meter bypasses and faulty meters among others, which have contributed to increase in system losses. Notably, it is estimated that the Company loses about 80% of expected revenue due to illegal connections in the informal settlements of Mathare, Mukuru and Kibera.

Illegal electricity connections cause overloads on transformers which compromise the quality and reliability of power supply to legally connected customers while posing safety concerns since

they do not adhere to globally acceptable standards. In addition, they deny the Company revenue required to invest in the network and finance critical business operations.

To reverse the trend, we partnered with Community Based Organisations (CBOs) in these settlements. Under the partnership, the CBOs will act as the Company's ambassadors and report on issues affecting customers. Kenya Power will continue to carry out network maintenance and ensure that all customers in informal settlements are properly metered.

5. Cost Optimisation

A sustainable business requires adequate cost recovery strategies to remain a going concern. The Company is building on the improved financial results to transform the business in the long term. Greater focus will be given to revenue collection leading to value realization for all stakeholders and business sustainability. Instituting modern metering solutions couples tight controls at various levels as well as rolling intensified and effective revenue collection strategies to minimize leakages prudent are among the key measures. This together with prudent cash management, improved working capital and debt restructuring are expected to contribute to sustainable profitability.

To this end we enhanced the implementation of cost management and resource optimisation initiatives identified in the previous year which led to lower operating costs. Expected credit losses reduced as a result of enhanced revenue collection activities, buoyed by Government support in the collection of overdue debts from state entities including counties.

We also rolled out stock reduction and optimisation strategies to reduce stock holding. At the close of the last financial year, Kenya Power's entire stockholding stood at Kshs. 9.6 billion out of which 50% constituted critical materials, such as meters, cables and transformers, which are used in day to day operations to construct new lines, maintain the network, and connect new customers.

The balance, comprises strategic and slow moving items, such as sub-station transformers and related equipment, which are critical for network operations, as well as non-moving items, which we are repurposing and reusing within the network.

Embedding a High Performance Culture

Underpinning the turnaround strategy is the transformation of Kenya Power into a high

performance, and results oriented organization. To achieve this, we deployed a robust performance management framework anchored on results, and supported it with a culture change programme which is currently under implementation. We also undertook a review of our Human Resource instruments, in collaboration with the State Corporations Advisory Committee (SCAC), and we will be rolling out an enhanced staff structure within FY2021/2022.



Crackdown on illegal connections and electricity theft.

CORPORATE GOVERNANCE REPORT

1. Board Changes

Eng. Rosemary Oduor was appointed the Acting Managing Director and CEO of the Company with effect from 3rd August 2021 to replace Mr. Bernard Ngugi.

Maj. Gen (Rtd) Dr. Gordon Kihalangwa was appointed the Permanent Secretary, Ministry of Energy in October 2021 to replace Dr. Eng. Joseph Njoroge who moved to the Ministry of Transport. Eng. Isaac Kiva ceased to be the Alternate Director Ministry of Energy on 19th October, 2021 and was replaced by Eng. Benson Mwakina.

2. Brief History of Kenya Power

The Kenya Power and Lighting Company Plc was incorporated on 6th January 1922 as The East African Power and Lighting Company Limited after merger of two companies, the Nairobi Electric Power and Lighting Company Limited and the Mombasa Electric Light and Power Company Limited under the Companies Act. The Company later changed the name to The Kenya Power and Lighting Company Limited on 11th October, 1983. The Company had initial seven subscriber shareholders. Kenya Power was among the first companies to list at the Nairobi Securities Exchange in 1954.

3. Board Stewardship

Good corporate governance practices ensure the delivery of sustainable value to our shareholders as well as meeting the needs of our stakeholders. This is done through the adoption of ethically driven business structures, procedures and processes. Our Board being the core of the Company's governance structure is committed to the principles of best practice in governance. The Board draws its powers and authority from relevant laws of Kenya, and the Company's Memorandum and Articles of Association.

The primary responsibility of the Board is to provide leadership, oversight and stewardship of the Company while acting in utmost good faith in discharging its duties. The Board sets and oversees the overall policy, broad strategy and framework for the Company and monitors the execution progress.

4. Board Composition and Diversity

The Board is composed of diverse and seasoned professionals in the field of business management, engineering, finance, accounting, legal, policy, and banking with extensive knowledge and understanding in various sectors. Their combined experience is leveraged to help inform Kenya Power's strategic direction for improved business performance.

The 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.

5. Corporate Governance Compliance

The Board complies with statutory and regulatory requirements as spelt out in the Companies Act 2015, the Capital Markets Authority’s Code of Corporate Governance Practices for Issuers of Securities to the Public 2015 (CMA Code), 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. The Board has also in place the 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 interest of the Company.

6. Governance Structure



7. Board Work Plan, Membership and Meetings

The Board prepares an annual work plan with clearly defined goals which is critical for effective management and execution of the meetings. The meetings' agenda and papers to be considered are circulated in good time to allow for adequate preparations.

The summary of Board and Committees attendance is provided as below:

Board and Committees Attendance

Board Members	Full Board	Board Committees				
		Strategy & Innovation	Corporate Governance	Finance & Risk	Audit Committee	Technical (Adhoc) Committee
	No. of Meetings/Attendance					
	28	29	9	10	17	5
Vivienne Yeda	25/28	17/20 ¹	-	10/10	-	-
Mr. Bernard Ngugi (Resigned as MD & CEO on 3 rd August 2021)	28/28	29/29	9/9	10/10	10/17	5/5
Eng. Elizabeth Rogo	25/28	Chair 29/29	-	-	17/17	5/5
Abdulrazaq Ali	24/28	-	5/9	8/10	-	Chair 5/5
Mr. Kairo Thuo (Joined on 13 th November 2020)	10/16	9/15 ²	-	Chair 2/2	-	-
Caroline Kittony-Waiyaki	25/28	-	Chair 9/9	-	17/17	-
Sachen Gudka	25/28	24/29	-	-	Chair 17/17	-
Mrs. Beatrice Gathirwa - Alternate Director, The National Treasury (Left on 17 th March 2021)	18/20	-	-	7/10	12/12	4/4
Bernard Ndungu - Alternate Director, The National Treasury (Left on 25 th June 2021)	5/6	-	-	-	1/1	-
Dr. Eng. Joseph Njoroge	2/2	-	-	-	-	-
Eng. Isaac Kiva - Alternate Director, Ministry of Energy	27/28	19/29	9/9	-	-	-
Amb. (Eng.) Mahboub Mohamed (was Chairman until 13.11.2020)	12/12	-	-	-	-	-

Note:

1. Vivienne Yeda became the Chairman of the Board of Directors on 13th November 2020
2. Kairo Thuo joined the Board on 13th November 2020

8. Board Committees

The Board has established four Committees to enhance its efficiency and effectiveness. Appointment to these Board committees takes into consideration diversity of the members, skills, expertise and experience required to handle respective functions. The committees operate in accordance with specified terms of reference.

In addition, an Adhoc (Technical) Committee was constituted by the Board during the year to consider specific technical issues. The Company Secretary is the secretary to the Board and its committees except the Audit Committee where the General Manager, Internal Audit performs this function.

The current membership and responsibilities of Board committees is summarized below:

Board Committees	Strategy & Innovation	Corporate Governance	Finance & Risk	Audit	Adhoc (Technical)
Mandate	Company's strategic direction, Innovations and investment decisions.	Governance and compliance oversight, overseeing Human Resource issues, Board nomination & Evaluation.	Financial performance and issues impacting on the financial structure of the Company and Enterprise Risk Management.	Oversight on financial reporting, audit process, internal controls & compliance.	Considers the existing and emerging challenges in technical matters, review Company processes and standards.
Chair	Eng. Elizabeth Rogo	Caroline Kittony	Kairo Thuo	Sachen Gudka	Abdulrazaq Ali
Members	<ul style="list-style-type: none"> • Kairo Thuo • Sachen Gudka • MD & CEO • Eng. Benson Mwakina 	<ul style="list-style-type: none"> • Abdulrazaq Ali • Eng. Benson Mwakina • MD & CEO 	<ul style="list-style-type: none"> • Abdulrazaq Ali • Humphrey Muhu • MD & CEO 	<ul style="list-style-type: none"> • Caroline Kittony • Humphrey Muhu • Elizabeth Rogo 	<ul style="list-style-type: none"> • Elizabeth Rogo • Humphrey Muhu • MD & CEO
Invitation	<ul style="list-style-type: none"> • GMs- Business Strategy, Finance, Supply Chain and ICT • Inspectorate of State Corporations (Rep.) 	<ul style="list-style-type: none"> • GM, HR & Admn • Inspectorate of State corporations (Rep.) 	<ul style="list-style-type: none"> • GM, Finance • Inspectorate of State corporations (Rep.) 	<ul style="list-style-type: none"> • MD & CEO • GM, Internal Audit • Inspectorate of State Corporations (Rep.) 	<ul style="list-style-type: none"> • All GMs as required • Inspectorate of State corporations (Rep.)

9. Board Capacity Development

Each year the Board of Directors prepare a training calendar where specific training needs are identified and scheduled. The trainings focus on leadership, risk management, governance, finance and other relevant areas. A detailed induction programme is conducted for newly appointed Directors to enhance their understanding of the nature of business operations, performance and strategies.

10. Board Evaluation

The Board undertakes an annual self-assessment for continuous growth and development of individual members and to enhance collective performance. During the year, the Board undertook the annual evaluation assisted by the State Corporations Advisory Committee (SCAC) and achieved a score of 95.44%. An action plan was developed focusing on areas that require improvement.

11. Governance Audit

The Board continued to implement the corporate governance audit recommendations from the audit done the previous year. This is to ensure that the Company complies with relevant areas of corporate governance.

12. Internal Controls

The Company remains committed to continuously providing timely and objective assurance to enhance internal controls, risk management, promote accountability, transparency and good governance to support the business and enhance organisational value. To this end the Company has in place an Internal Audit function which is mandated to provide independent assurance on the Company's risk management, governance and internal control processes. The function periodically appraises the Board Audit committee on key audit findings and recommendations.

To enhance compliance with the International Auditing standards and ensure that the Company copes and remains current to the changing environment, the Internal Audit function underwent an External Quality Assessment during the year by an independent consultant which is done after every five years.

13. Ethics and Code of Conduct

The Company has demonstrated a consistent commitment to implement all the requirements under the Leadership and Integrity Act, 2012 and the Corruption Eradication Guidelines as directed by the Ethics and Anti-Corruption Commission. The Company has put in place an ethics and Integrity programme to mainstream a strong ethical culture of doing the right thing among staff and other key stakeholders in order to achieve our goals.

In accordance with the 17th Cycle Performance Contracting guidelines on Corruption eradication issued by the Ethics and Anti-Corruption Commission, the Company continued to undertake all activities as required towards maintaining high standards of ethical culture by combating and eradicating all forms of corruption and unethical conduct. A key requirement under these guidelines is for the Company to conduct a Corporate Corruption Risk assessment and put in place adequate mitigation plans. It is envisaged that through this assessment, the Board, Management and Staff will be fully aware of the ethics risks that may prevent achievement of strategic objectives and thus prioritize the implementation of mitigation plans.

In addition, the Company encourages Whistleblowing on practices that are in conflict with the Code, regulations, policies, standards and the rule of law. This is intended to enhance transparency, accountability and individual responsibility. Reporting channels such as corruption reporting boxes, Hotline number 0718999000 or through online reporting platform on the website www.kplc.co.ke have been put in place. All reporting and correspondence on Whistleblowing are absolutely confidential and users are expected to report in a responsible and ethical manner. This is intended to enhance transparency, accountability and individual responsibility. Individuals who report in good faith are protected.

14. Accountability and Audit

The Statement of Directors Responsibility is set out on page 70, the Independent Auditors report is on page 71 and the Company's business review is outlined on page 64.

15. Directors' Emoluments

Directors' fees are approved by shareholders during Annual General Meetings and paid annually in accordance with Government's guidelines for all state corporations. Directors are entitled to a

sitting allowance and, where applicable, 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 2021, 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 66 in the financial statements.

16. Directors' Shareholding

None of the Directors owned more than 1 percent of the shareholding.

Directors shareholding as at 30th June 2021 is as shown below.

Director	Shares
Joseph Njoroge	68,333
Bernard Ngugi	772,650
Total	840,983

17. Enterprise Risk Management

In pursuit of our core mandate of providing quality and reliable power to customers and the associated strategic objectives, the Company faces various risks which may impede the achievement of set business goals. Good corporate governance dictates that the Company's leadership is obligated to consider and mitigate all risks that may affect its performance and going concern. This top-level accountability is intended to improve the risk management culture across the Company, ultimately ensuring optimal utility of available resources and increased productivity.

During the year the key risk exposures that required interventions to ensure the going concern of the Company are as follows:

Financial Risk: The Company's financial risk and performance indicators was adversely affected by the Covid-19 pandemic, high provisions, cost of power purchase and accruing debt. It is projected that there will be a financial recovery in the near-to-midterm if the Company implements the necessary mitigation measures and initiatives to stem the challenges.

Compliance Risk: Regulations in support of the Energy Act 2019 are expected to be finalized in the near-to-midterm. The operationalization of this Act will introduce new areas of compliance including quality of service, capture and submission of grid performance, undertaking of electrical work, licensing among others. The additional regulations coupled with increasingly litigious business environment will raise the Company's legal risk profile.

Operational Risk: The Company is cognisant of the impact of cyber risks should they materialise within its processing systems. As such, security infrastructure has been put in place and is frequently reviewed to ensure system security, along with an ICT Business Continuity Plan to ensure continuity of operations with minimal interruptions. Efforts to reduce customer downtimes are in place including devolving services further down (sectors and zones), in addition to preventative and targeted maintenance routines.

Commercial losses arising from electricity theft and illegal connections continue to threaten the Company's going concern. Efforts to stem these vices are in place, including the ongoing 'War Room' initiative that employs data analytics to map out hot spots for the pilferage with the aim of reducing losses.

Strategic Risk: Full implementation of the Company's Strategic Plan was hampered by several factors including: adverse business conditions, changes in Company leadership, inadequate cascade and communication of strategy, and shifting strategic priorities due to frequent changes in leadership.

Reputational Risk: Sources of customer dissatisfaction often cite perceived high electricity prices and connection costs; delays in connection upon payment and delays in response to customer queries/issues. In addition, the Company's public safety performance has been dented by electrical accidents and incidents some of which have led to public outrage, inquiries and litigations. These issues, among others, have persistently shaped negative perceptions against the Company.

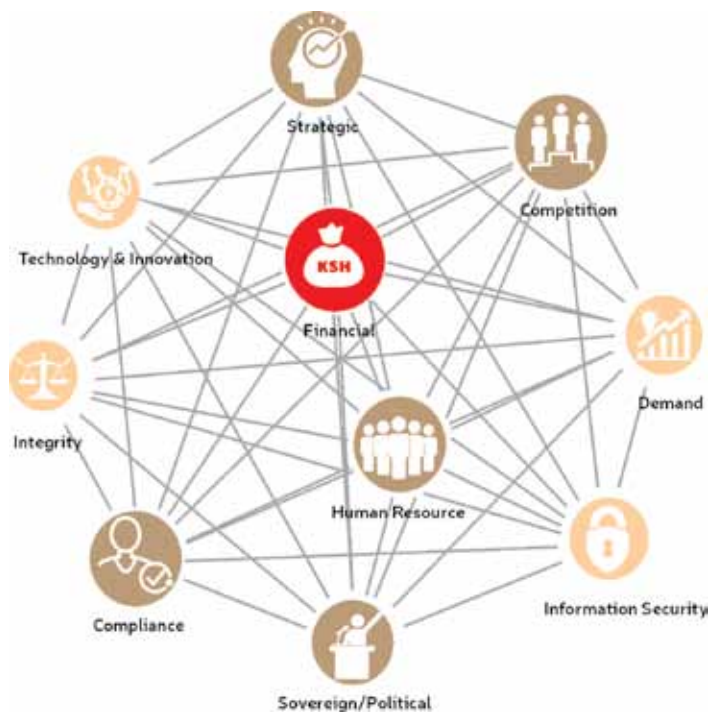
Emerging Risk and Opportunities

Green Energy: The conversation on global warming has increased use of renewable energy sources and the re-engineering of business processes with the intention of reducing the carbon footprint. The resultant outcome is rising grid defections aided by the decreasing cost of renewable energy sources and delayed/lack of access to the national grid. Overtime, may eat into the Company's market-share and the mission to be the energy solutions provider of choice.

An opportunity lies in the green energy space should the Company pursue e-mobility and thereby increase electricity demand. This would entail championing electric modes of transport and use of clean renewable energy from the grid.

Sustainable Business: The global push to ensure sustainable (both fiscal and environmental) business practices may require the Company to re-evaluate its policies and processes. An example is the loss (reduction) of key customers who are scaling down grid energy demand to comply with their international policy.

Company Risk Web



18. Communication with Shareholders

The Company maintains various communication channels with the shareholders. Shareholders have access to our offices for any assistance. In addition, the Company invites shareholders to attend Annual General Meetings. During the year under review, the Company held virtual Annual General Meetings on 13th November 2020 and 1st April 2021 where shareholders were given a chance to send their questions which were subsequently responded to and posted on the website www.kplc.co.ke.

19. Shareholding Structure

Below is a list of the major shareholders and analysis as at 30th June 2021.

Top twenty shareholders as at 30th June 2021 were as follows:

No	Name of the Shareholder	Ordinary Shares (Shs. 2.50 each)	4% Cum. Pref. (Shs. 20/= each)	7% Cum. Pref. (Shs. 20/= each)	Total	Percentage
1	The National Treasury	977,641,695	656,808	193,531	978,492,034	50.086
2	Standard Chartered Nominees Resd A/C KE 11450	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	Hirani, Naran Khimji & Hirani, Virji Khimji	23,845,264	-	-	23,845,264	1.221
5	Kenya Commercial Bank Nominees Limited A/C 915B	22,887,288	-	-	22,887,288	1.172
6	NIC Custodial Services A/C 245	21,790,300	-	-	21,790,300	1.115
7	Varsani, Suresh Naran Ratna	17,221,225	-	-	17,221,225	0.882
8	Shah, Mahendra Kumar Khetshi	13,958,000	-	-	13,958,000	0.714
9	Standard Chartered Nominees Resd A/C KE 11401	12,513,581	-	-	12,513,581	0.641
10	Stanbic Nominees Limited A/C R5551484	12,400,226	-	-	12,400,226	0.635
11	Patel, Sumantrai Pursottam Mangalbai & Patel, Ramabehn Sumantrai Pursottam	10,397,300	-	-	10,397,300	0.532
12	Nyoro, Samson Ndindi	9,116,800	-	-	9,116,800	0.467
13	Standard Chartered Kenya Nominees Ltd A/C KE002333	8,920,415	-	-	8,920,415	0.457
14	Stanbic Nominees Limited AC R7551918	8,551,279	-	-	8,551,279	0.438
15	Ruhari, Nehemia Ikuah	8,000,055	-	-	8,000,055	0.409
16	Kaleb Investments Limited	7,986,700	-	-	7,986,700	0.409
17	NIC Custodial Services A/C 077	7,196,799	-	-	7,196,799	0.368
18	Parmar, Atul	7,180,100	-	-	7,180,100	0.368
19	Tapioca Limited	7,112,500	-	-	7,112,500	0.364
20	Co-op Custody Account 4006	7,052,500	-	-	7,052,500	0.361
Sub - Totals		1,240,367,416	656,808	193,531	1,241,217,755	63.534
Other Shareholders		711,099,629	1,143,192	156,469	712,399,290	36.466
Total Issued Shares		1,951,467,045	1,800,000	350,000	1,953,617,045	100.00

Distribution of Ordinary Shares as at 30th June 2021

Range	No. of Shareholders	Shares
<1,000	14,680	4,597,079
1001–10,000	11,293	37,102,816
10,001–50,000	3,116	67,776,787
50,001–100,000	679	48,547,150
100,001–1000,000	838	240,304,577
Over 1,000,000	152	1,553,138,636
Total	30,758	1,951,467,045

Distribution of 4 percent Cumulative Preference Shares as at 30th June 2021

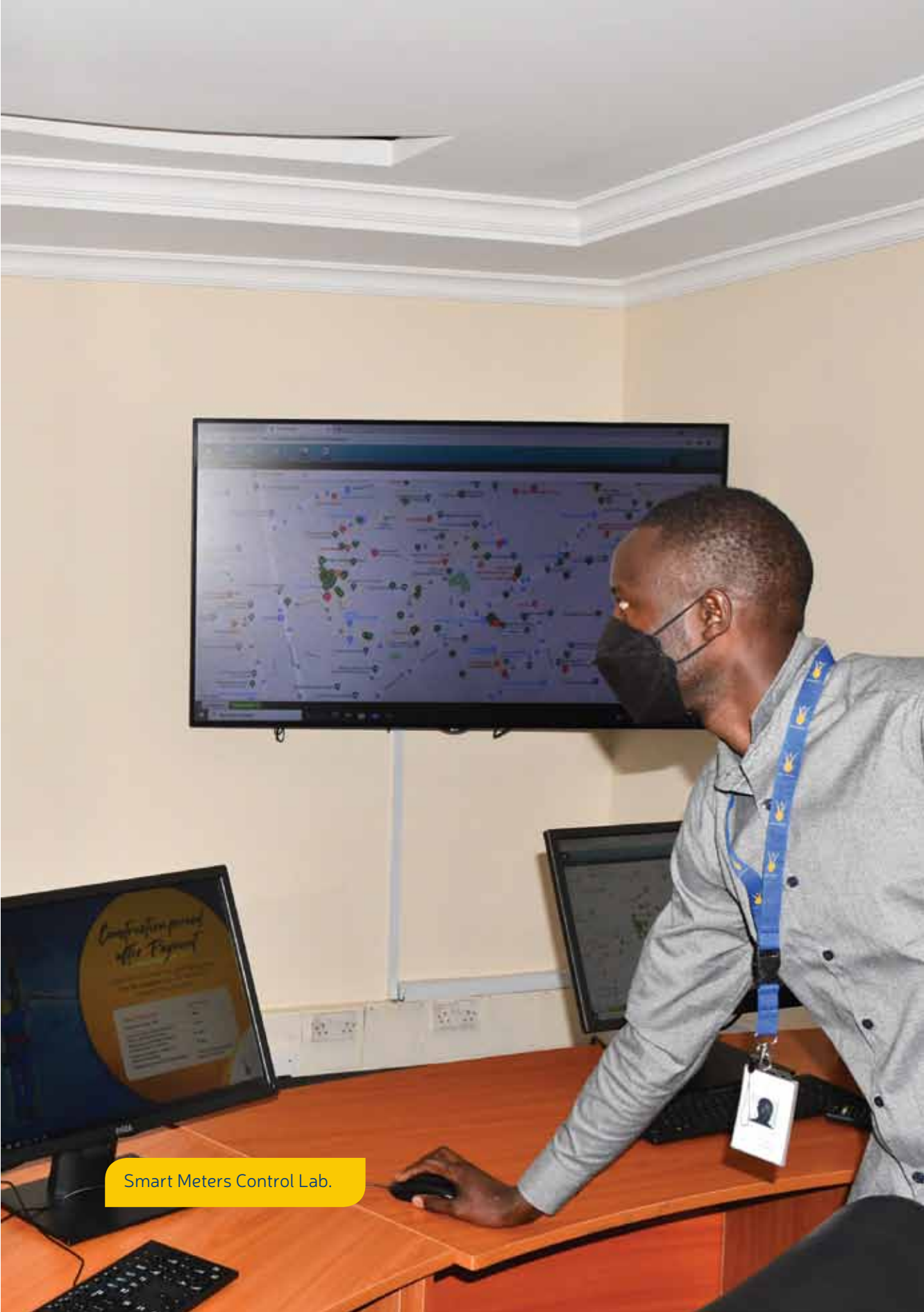
Range	No. of Shareholders	Shares
<1,000	361	63,609
1001–10,000	57	153,392
10,001–50,000	13	327,184
50,001–100,000	2	133,564
Over 100,000	3	1,122,251
Total	436	1,800,000

Distribution of 7 percent Cumulative Preference Shares as at 30th June 2021

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



Smart Meters Control Lab.



Kenya Power has partnered with the National Youth Service to collect the data of all prepaid and postpaid meters countrywide so as to update the database to enhance internal efficiencies.



BUSINESS SUSTAINABILITY

As Kenya Power prepares to mark a century of service to Kenya, we have taken deliberate action to balance the impact of our core business, which is to transmit, distribute and retail clean, affordable and reliable electricity, on the environment and the communities within which we operate.

1. Financial Sustainability

1.1 Meeting Power Demand

The Company has played an instrumental role in transitioning the Kenyan power sector from a power deficient system to a system with adequate generation. This has been the case from the year 2016 when the system overcame overreliance on hydro generation sources and continued to consistently pursue a diversification expansion path. Today, the country generation mix comprises over 92% renewable/green energy.

During the year, peak demand rose by 68MW, from 1,926MW the previous year to 1,994MW registered in June 2021. The contracted generation capacity increased to 2,828 MW from 2,685 MW following the addition of renewable energy sources.

1.2 Stable Electricity Pricing

The cost of electricity has a bearing on total demand. As the system operator, Kenya Power strives to maintain the cost of generation at the lowest possible level to avoid burdening consumers.


1.3 Regional integration

Interconnections facilitate the optimal utilization of power infrastructure that is shared with neighboring countries to guarantee availability. Three interconnection projects are in progress with three neighboring countries, Ethiopia, Tanzania and Uganda which are already interconnected through the initial line built in the 1950s.

1.4 Driving E-mobility

In the last few years, the phenomenon of electric motorization or e-mobility has grown exponentially. The e-mobility phenomenon is primarily being driven by the adoption of progressive green energy policies, as the world rallies to save the planet from further environmental degradation due to human activity.

Advancements in various e-mobility technologies, particularly on the battery front are also a big contributor to the growing influence of e-mobility.



As Kenya's only electricity off-taker, and with our goal being to become the energy solutions provider of choice, the opportunity presented by electric motorization is substantive enough to be a dial mover for the business.

The E-Mobility programme, currently in the pilot phase, will spearhead the adoption of zero emissions' electric buses, cars, and two and three wheelers in Kenyan market.

To this end, we partnered with the United Nations Environment Programme (UNEP) to lead the implementation of the Electric Mobility Programme in Kenya which saw us pilot 25 electric motorcycles within our business operations. This allowed us to carry out terrain testing and assess the capability of the batteries to determine the feasibility of the electric bikes.

To drive e-mobility agenda we plan to develop appropriate infrastructure, and build our internal capacity to enable the business to support the use of electric vehicles in our transport system. We are also planning to set up charging facilities across the country, and will make use of our existing workshops to provide after sales services such as mechanical support.

2. Social Pillar

In delivering service to customers and powering the Nation, Kenya Power works through people and communities.

2.1 Supporting Education

Education plays a significant role in catalysing economic development and providing a pool of human resources required to nurture a culture of innovation and spur growth. Investing in education is investing in the future of the country. At Kenya Power, we have over the years prioritised programmes that support education of marginalised children since we understand the role of education as a powerful tool to enable disadvantaged communities lift themselves up economically and socially.

We have set up a Shs. 30 million Kenya Power Endowment Fund to support students in Starehe Boys Centre and Starehe Girls Center. The fund is part of the Company's investment of over Shs.100 million, in education, in the last 10 years. We have also constructed of classrooms, rehabilitated learning facilities and supporting school feeding programmes across the country

Engineering is Kenya Power's backbone, to ensure a continuous availability of male and female engineers we have partnered with Institute of Engineers of Kenya to mentor high school students so as to motivate them to take up engineering courses.

2.2 Empowering Communities

We have supported the electrification of boreholes in Machakos, Homa Bay and Baringo counties among others. We have also donated used poles to various communities to construct school fences or hay barns. In addition, we have sponsored several art projects and exhibitions for children living in Kibera.

We have also partnered with organisations which support vulnerable children, the elderly, persons living with disability, and the economically disadvantaged.

To promote good health care initiatives, we have sponsored free medical camps in Murang'a and Machakos that benefited 3,000 people. We have also supported the Standard Chartered Marathon, Mater Heart Run and Beyond Zero Marathons and sponsored several charity cup tournaments to promote healthy living and nurture young people through sports. We have also distributed sanitary towels to needy students in Baringo county.

In line with legal requirements the Company reserves 30% of its annual procurement budget for youth, women and persons with disability and tenders valued at Kshs. 1,209.8 million awarded during the year under review.

2.3 Enhancing Public Safety

To reduce safety related incidents the Company stepped up safety awareness campaigns targeting employees, customers and the general public. Safety training and awareness for staff was conducted and routine inspections of worksites as well as tools and equipment done to ensure compliance with safe operating procedures. The Company also participated in the development of the National road safety policy, and the review of electrical safety rules.

We also partnered with the National Government Administration Officers (NGAO) and conducted public electrical safety sensitisation workshops in 26 out of 47 counties within the year. Other activities conducted included fire safety and burns awareness forums, staff sensitization on safety measures to enable them to act as safety ambassadors in their communities, branding of vehicles with safety messages, engaging the mass media and schools sensitization programs.

3. Environmental Pillar

Continued environmental degradation can completely destroy the various aspects of the environment such as biodiversity, ecosystems, natural resources, and habitats. As such, Kenya Power supports diverse programmes and initiatives that promote the environment.

3.1 Dispatch of Clean Energy

The Company prioritises dispatch of clean energy to contribute to the reduction of greenhouse gas emissions which have adverse effects on the environment. These renewable energy sources, in addition to being sustainable, are economical and readily available. In the last five years, we have significantly reduced the uptake of thermal (fossil fuels) power in favor of renewable sources of electricity such as solar, wind, hydro and geothermal.

Our quest for clean energy has seen us reduce thermal uptake to a low of 7.69 percent, while we have increased uptake of geothermal to 46.69%, wind to 11.2% and Solar at 0.8% while hydroelectricity stood at 32.22 percent as at end of June 2021.

To increase the adaptation of hybridisation through the use of solar photovoltaic generation to further reduce consumption of thermal power, 21 solar minigrids were constructed and commissioned in off grid counties. We have secured funding for the construction of a further 100 Solar Minigrids.

3.2 Greening Kenya

The Company is also a strong player in environmental conservation. We have worked with the Kenya Forest Service and other local partners to support environmental initiatives such as water system clean ups and tree planting programmes around the country's water catchment areas. To achieve these, we have partnered with several organisations that protect the environment such as the Rhino Ark, Bill Woodley Mount Kenya Trust, Chemususu Dam Marathon, Amboseli Safari Festival and KenGen Great Dams Race among others. In the year, we launched an employee-driven environmental conservation programme christened Kijani Tree Planting campaign under which we planted a further 18,300 trees seedlings on our company land in various parts of the country during the year. The Company has planted 261,500 trees across the country in the last 10 years.

Additionally, the Company has been at the forefront of advocating for water harvesting in schools and health centers in arid areas by putting up roof gutters and providing tanks for water storage in dry areas to supplement conventional water supply.

3.3 Assessments for Environmental Sustainability

In compliance with environmental regulations, the Company conducts Environmental screening and Environmental and Social Impact assessments for all new infrastructure projects. In the year, we concluded a total of four Environmental and Social Impact Assessments, and 41 Environmental and Social screenings for projects. We also conducted eight environmental audits and inspections of existing facilities, and monitored ongoing projects to ensure that they are environmentally compliant.

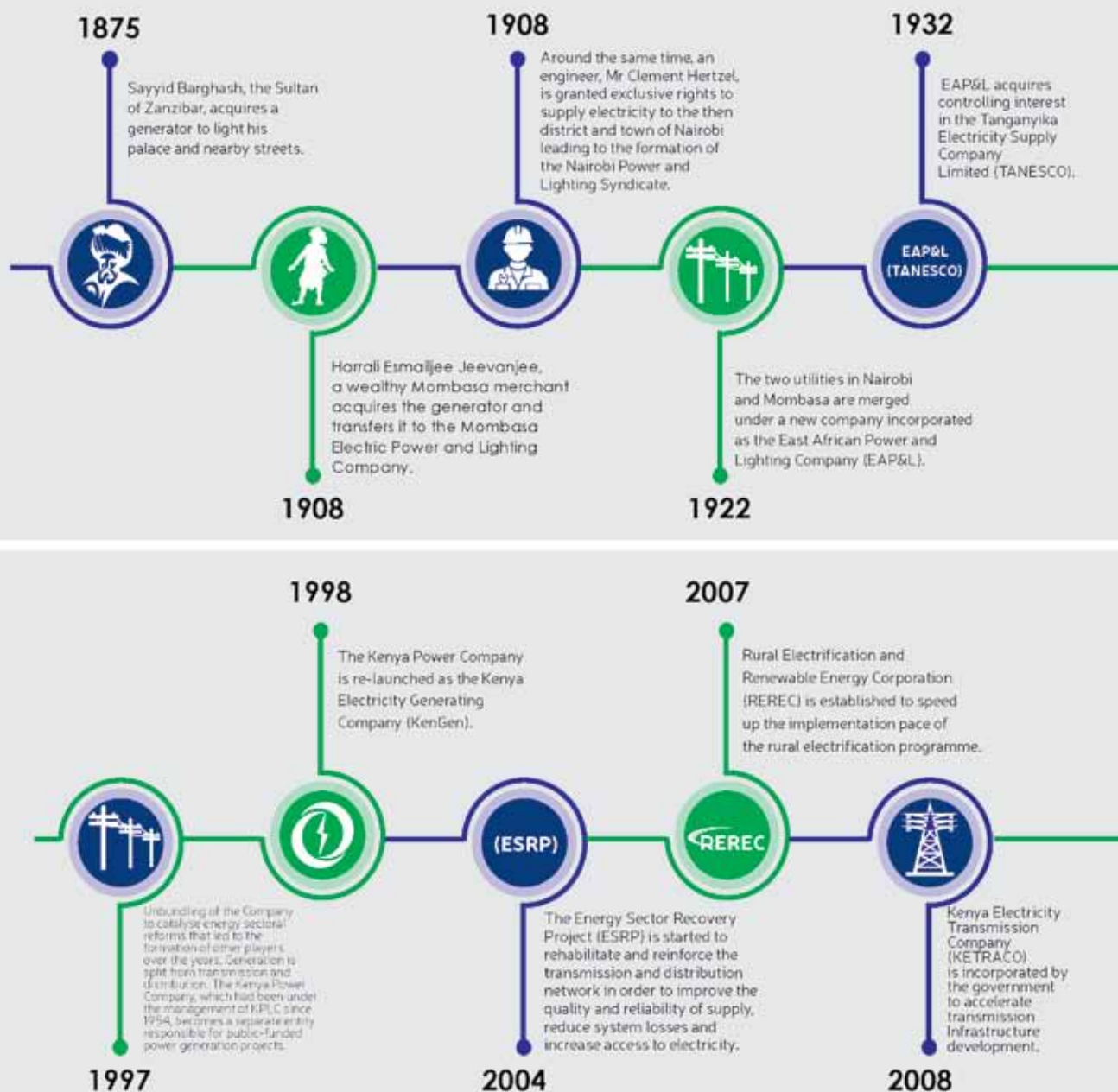
3.4 Protection of Wildlife

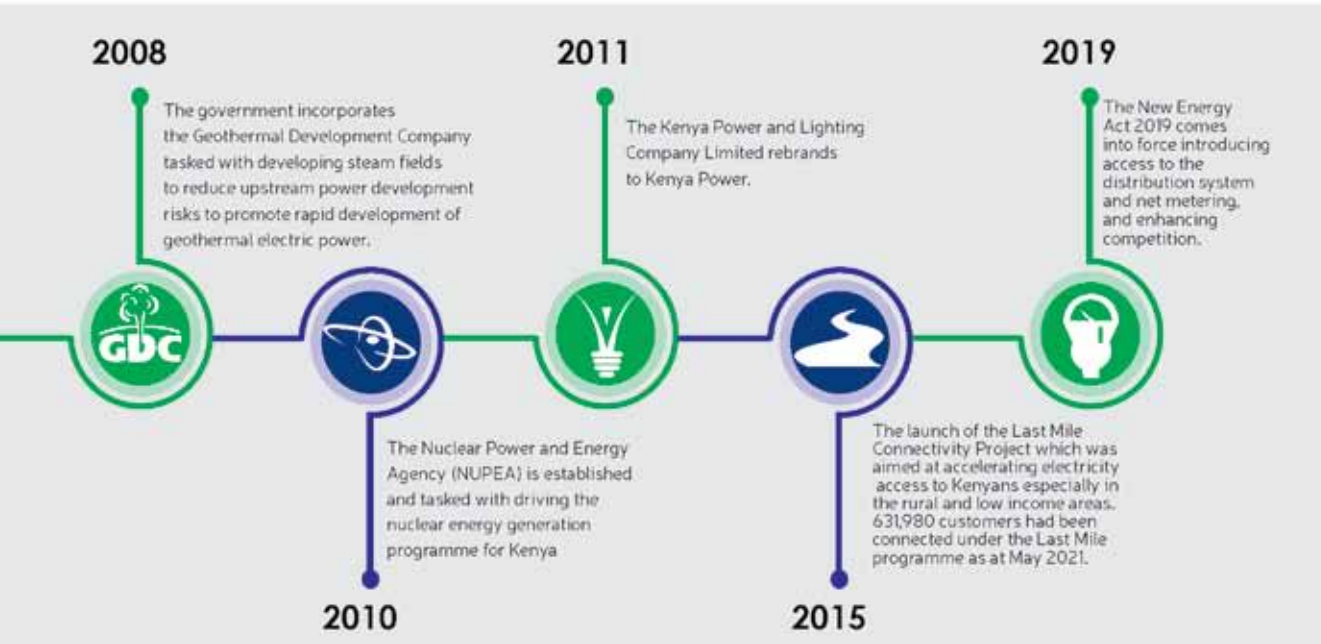
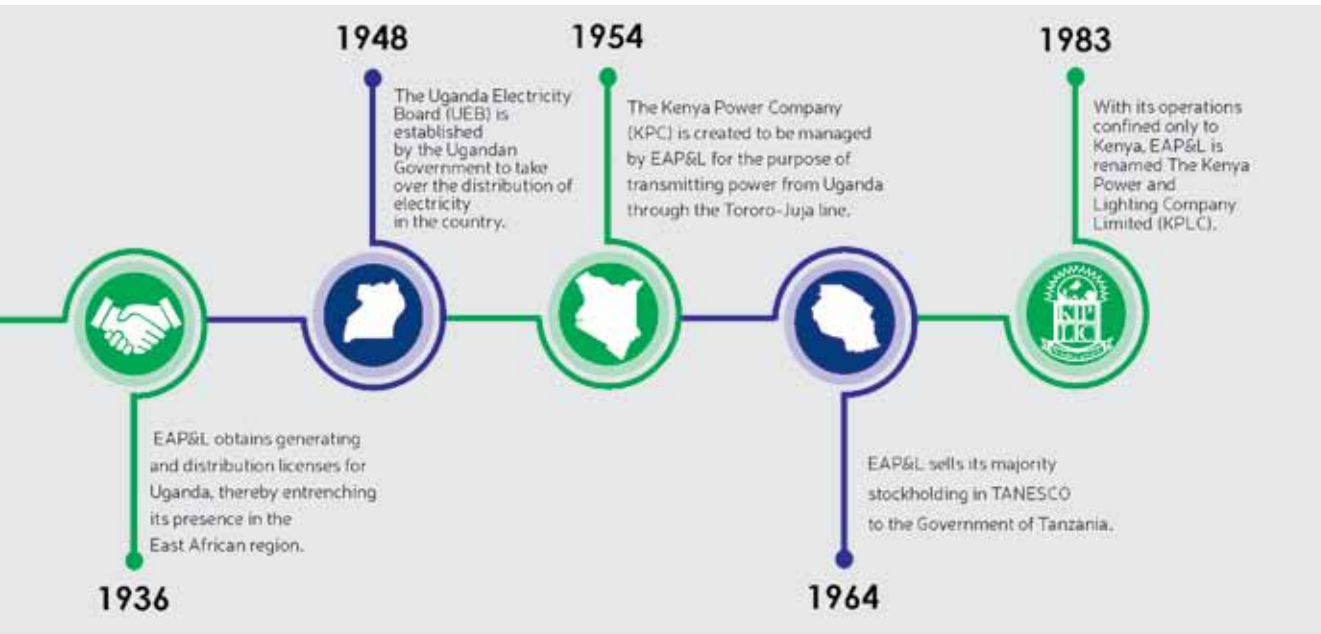
The Company has been working in conjunction with the Colobus Conservation Trust in the protection and conservation of the endangered monkey species in Diani, Kwale County. The Company has contributed since 2008 on the conservation through various avenues including but not limited to ring fencing transformers to deter monkeys from accessing energized transformers, trimming trees to create clear and accessible paths and deploying the use of insulated cable in areas inhabited by the colobus monkeys.

We have also invested over Shs.10 million to raise and hoist transformers higher in sections of our electricity network within Nakuru National Park, Soysambu Conservancy, Naivasha Game and Naivasha Wildlife Training Institute to prevent electrocution of giraffes.

The conversion of our National Control Substation in Nairobi to an enclosed Gas Insulated Substation has helped to reduce electrocution incidences of Marabou Stork birds. In addition, we rebuilt a section of 33kV power line in Kinangop to allow Crested African Crane birds in the area maneuver easily us eliminating electrocutions previously experienced. The Company has also installed reflective balls on the Magadi power line to minimise flamingos being electrocuted due to collisions.

TIMELINE OF KENYA POWER'S KEY MILESTONES





Our History in Pictures



1944

A Pokomo fisherman at the banks of River Tana the water source for the Seven Fork stations.



1946

Ratan Singh of EAPL Co. Ltd, Supervises Africans who are working on lighting on Lower Kabete Road.



1956

Newly installed street lights on Valley Road.



1957

Hale Power Scheme - by stander looks from Hale Bridge toward place where intake works will be constructed on Pangani River.



1955

Transportation of 25 ton stator from Mombasa. The convey reached Nairobi late at right on 24th January 1955.

A pokomo boy at the banks of River Tana the water source for the Seven Fork stations.

1944



Construction of a 132,000 volt overhead Powerline running from Tororo to Juja, a distance of 250 miles. Total cost of the line was 3.8 million pounds.



Part of River Road at night, showing how the new lights illuminate the whole of the road surface - June 20th 1956.

1956





1970

Transmission line South West of Voi as seen from tower 21/4 - 19th April 1970.



Lower Kabete Road between Malborough and Brookside Drive benefited by the erection of 12 400 watt mercury lanterns of the Dioptron type.



1963

132 kv structure and 33kv line across Ruiru at the start of long rains.



1965

A new house showing a line of EAPL poles in Riruta Town.



1958

The East African Power & Lighting Co. Ltd. Thika Branch.

Hollerith electrical calculator for complicated mathematical problems. System installed in 1955.

1955



"TESMEC" Tensioning Gear in Operation June 1970

1970



Workers in a Coffee curing factory 1944.

1944



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 2021, which disclose the state of affairs of the Company.

Business Review

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

The year under review was marked by the Company's gradual recovery from the direct impact of the COVID-19 pandemic. Following the easing of restrictions put in place to manage the COVID-19 pandemic, the economy began opening up with increasing industrial activities including the opening up of the hospitality, education and horticultural sectors, which are major electricity consumers. The resultant effect was an increase in the unit sales by 5% from 8,171GWh to 8,571GWh. Basic electricity revenue increased by 8%.

During the year, new independent directors were appointed to the Company's Board of directors following the resignation of four former directors. The directors were subsequently elected at the Annual General meeting held in November 2020 and a new Chairman of the Board, Ms. Vivienne Yeda, appointed following the retirement of Amb. (Eng.) Mahboub Mohamed.

The Company outlined the major areas of focus to drive the financial recovery initiative. These included enhancing system efficiency (Loss reduction), growing sales, intensified revenue collection, cost management and improving working capital through commercial debt restructuring. The consolidated impact of these initiatives resulted in the improved business performance as depicted in the summary financial performance below.

Over the period, profit before tax grew by 216% from a loss before tax of Shs 7.042 billion reported in June 2020, to a profit before tax of Shs 8.198 billion. The main drivers for the rise in profit before tax were;

- growth in sales - Increase in unit sales achieved through recovery of lost units through rebilling as well as new connections and additional load for existing customers. The units sold increased from 8,171GWh in 2020 to 8,571GWh in 2021.
- lower provisions for trade and other receivables – this followed enhanced revenue collection campaigns as well as enhancement of security deposits and guarantees.
- lower provision for slow and non-moving inventories – after the change in the provisioning policy in the previous year and alternative utilization of the slow-moving stocks.
- decrease in unrealized foreign exchange losses – due to lower volatility of the foreign exchange rates as compared to the previous year.
- lower operating costs – as a result of enhanced cost management and resource optimization.

As the country continues to deal with the impact of the COVID-19 pandemic, the Government has laid out plans to vaccinate a significant section of the adult population and already workers in critical sectors of the economy including Health, Security and Education have been vaccinated. This vaccination drive is envisaged to be a precursor to the full re-opening of the economy.

The Company is currently focusing on its financial recovery strategy as it seeks to reposition itself in the dynamic energy market in the face of emerging alternative energy sources, customer grid defections, changing laws and regulations as well as the changing customer needs and preferences.

Results for the year

	2021 Shs'000	2020 Shs'000
Profit/(Loss) before income tax	8,197,656	(7,042,014)
Income tax (expense)/credit	(6,707,968)	6,102,532
Profit/(Loss) for the year	1,489,688	(939,482)

Dividend

A dividend of Shs 1.93 million (2020: 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 2021 (2020: Nil). The Directors do not recommend payment of final dividend for the year 2021 (2020: Nil).

Directors

The current Directors are as shown on page 4.

Statement as to disclosure to the Company's auditor

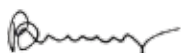
With respect to each Director at the time this report was approved:

- there is, so far as the Director is aware, no relevant audit information of which the Company's auditor is unaware; and
- 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 2021 and report to the Auditor-General.

BY ORDER OF THE BOARD



Imelda Bore
Company Secretary
29 October 2021

DIRECTORS' REMUNERATION REPORT

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). Eng. Rosemary Oduor was appointed as the Ag. Managing Director & CEO and Executive Director of the Company on 3 August 2021 to replace Mr. Bernard Ngugi who was the Managing Director & CEO and Executive Director since 28 October 2019.

Statement of voting at general meeting

During the last AGM held on 1 April 2021 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 outpatient 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*	Automobile Association of Kenya (AAK) 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

* The Chairman is provided with a Company car.

DIRECTORS' REMUNERATION REPORT (CONTINUED)

Information subject to audit

For the financial years ended 30 June 2021 and 30 June 2020, the Directors' fees and remuneration are as below:

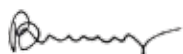
	Salary/ honoraria Shs'000	Fees Shs'000	Expense allowances Shs'000	Total Shs'000
Year ended 30 June 2021				
Executive Director				
Bernard Ngugi- MD&CEO	9,120	-	2,210	11,330
Non-Executive Directors				
Ms Vivienne Yeda - Chairman	608	600	1,668	2,876
Mahboub Mohamed– Former Chairman	320	200	726	1,246
PS, National Treasury	-	600	-	600
PS, Energy - Joseph Njoroge	-	600	110	710
Abulrazaq Ali	-	600	1,488	2,088
Kairo Thuo	-	400	500	900
Elizabeth Rogo	-	600	2,345	2,945
Caroline Kittony	-	600	1,812	2,412
Sachen Gudka	-	600	1,826	2,426
Beatrice Gathirwa	-	-	1,467	1,467
Isaac Kiva	-	-	1,682	1,682
Bernard Ndungu	-	-	140	140
	10,048	4,800	15,974	30,822

	Salary/ honoraria Shs'000	Fees Shs'000	Expense allowances Shs'000	Total 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

DIRECTORS' REMUNERATION REPORT (CONTINUED)

	Salary/ honoraria Shs'000	Fees Shs'000	Expense allowances Shs'000	Total Shs'000
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

BY ORDER OF THE BOARD



Imelda Bore
Company Secretary
29 October 2021

STATEMENT OF DIRECTORS' 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 29 October 2021 and signed on its behalf by:



Vivienne Yeda
Chairman, Board



Mr. Sachen Gudka
Chairman, Audit Committee



Eng. Rosemary Oduor
Ag. Managing Director and CEO

REPORT OF THE AUDITOR-GENERAL

REPUBLIC OF KENYA

Telephone: +254 (20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON THE KENYA POWER AND LIGHTING COMPANY PLC FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazetted notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Opinion

The accompanying financial statements of The Kenya Power and Lighting Company PLC set out on pages 83 to 164, which comprise of the statement of financial position as at

Report of the Auditor-General on The Kenya Power and Lighting Company PLC for the year ended 30 June, 2021

30 June, 2021, the statement of profit or loss and other comprehensive income, the 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, 2021, 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's current liabilities of Kshs.116,114,111,000 exceeded its current assets of Kshs.49,634,944,000 by Kshs.66,479,167,000 (2020: Kshs.74,848,822,000). The Company has remained in a negative working capital position for the fifth consecutive year. The Board of Directors and Management in the past and in the year under review, indicated strategic initiatives that were being undertaken to improve the financial results of the Company. However, these initiatives appear not to have yielded the intended results as at 30 June, 2021. As further stated in Note 2(a), this condition, along with other matters as set forth in Note 2(a), indicates existence of material uncertainty that 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.94,220,014,000, as disclosed under Note 8 to the financial statements. Included in these power purchase costs is Kshs.49,237,105,566, which relates to capacity charge as per Power Purchase Agreements (PPAs). These charges, which account for 52% of the total cost of sales are significant and, considering their fixed nature, may have adversely affected the Company's performance during the year. In the previous financial year, the Management

Report of the Auditor-General on The Kenya Power and Lighting Company PLC for the year ended 30 June, 2021

indicated that plans were underway to re-negotiate downwards the capacity charges on the existing PPAs but there were no revisions during the year under review. In addition, Management indicated that plans were underway to align the commercial operation dates of the PPAs in line 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.

In addition, the capacity charge cost for Independent Power Producers (IPPs) during the year under review was higher than the cost of the energy purchased clearly indicating the IPPs were operating below their capacity resulting in payment for idle capacity which negatively impacts on the profitability or sustainability of the Company.

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 My Audit Addressed the Key Audit Matter
<p>Provision for Expected Credit Losses on Trade and Other Receivables</p> <p>As at 30 June, 2021, the Company's gross current trade and other receivables amounted to Kshs.62,597,075,000, as disclosed in Note 21(b) to the financial statements.</p> <p>The Company recognized an allowance for expected credit losses on these trade and other receivables of Kshs.23,884,517,000 in accordance with IFRS 9 - 'Financial Instruments'.</p> <p>Focus was given to the Expected Credit Losses (ECL) due to the materiality of these balances and the associated allowances for ECL. In addition, compliance with IFRS in this</p>	<p>We performed the following Procedures: -</p> <ul style="list-style-type: none"> i. Obtained an understanding of the Company's process for estimating the ECL; ii. Tested the key controls over the administration of the expected credit loss model; iii. Tested the accuracy and completeness of the Company's data used for the ECL model; iv. Analysed the expected credit loss models against IFRS 9 guidelines;

Key Audit Matter	How My Audit Addressed the Key Audit Matter
<p>area involves significant judgement and estimates to be made by the Company.</p> <p>The most significant areas identified with greater levels of management judgement included:</p> <ul style="list-style-type: none"> i. Determining the criteria for Significant Increase in Credit Risk (SICR). ii. Application of future macro-economic variables reflecting a range of future conditions; and iii. Techniques used to determine the Probability of Default (PD) and Loss Given Default (LGD). <p>Relevant disclosures were included in Notes 3(j), 4(b), 6(a), 9(d) and 21(b) to these financial statements which give a description of the accounting policies, credit risk management and analysis of the expected credit losses for trade and other receivables.</p>	<ul style="list-style-type: none"> v. Selected a sample of trade and other receivables and performed procedures to determine the reasonableness of the impairment assessed based on the model; vi. For forward looking assumptions used by the Company, we held discussions with Management and corroborated the assumptions using both internal and publicly available information; and vii. Assessed the disclosures included in the financial statements, including 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.

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. Impairment Loss on Stalled Projects

The statement of profit or loss and other comprehensive income and Note 9(a) to the financial statements reflects network management expense of Kshs.10,237,382,000 which includes an impairment loss on capital Work-In-Progress (WIP) totalling Kshs.205,561,000. The impairment was in respect of projects that had part of the contract sum paid for but had no activity for the last three years. Management indicated that part of the impaired amount totalling Kshs.159,195,364 related to fraudulent payments made to contractors and which was subject of a court case against former employees of the Company.

In the circumstances, the objectives for which these projects were intended to achieve remains unattained and the Company may not have obtain value for money incurred on the projects.

2. Comparative Cost of Power Purchase-Kenya Electricity Generating Company PLC and The Independent Power Producers

Analysis of electricity units purchased during the year under review against the cost of purchase revealed a disparity between the cost of power procured from Kenya Electricity Generating Company Plc and the power procured from Independent Power Producers (IPPs). Records availed by the Company shows Kenya Electricity Generating Company PLC supplied a total of 8,443 Gigawatt hours (GWh) or 70% of the total power purchased while the IPPs supplied the remaining 3,688GWh (30%). However, the cost of the total power purchased from Kenya Electricity Generating Company PLC was Kshs.44,805,190,000 which was only 44%, compared to the purchase cost of power from IPPs totalling Kshs.56,345,169,000 or 56%. The analysis clearly shows that it cost KPLC an average of Kshs.5.3 per Kilowatt hours (KWh) of power purchased from Kenya Electricity Generating Company PLC while it cost the Company an average of Kshs.15.3 per KWh of power from the Independent Power Producers. It was noted that the effective unit cost of power purchased from some Independent Power Producers was as high as Kshs.195 per KWh, 136 per KWh and 118 per KWh while the same was sold at an average of Kshs.15.66 per KWh. The Company, therefore, entered into very expensive contracts with Independent Power Producers (IPPs) and was in some instances selling power below the cost price.

Report of the Auditor-General on The Kenya Power and Lighting Company PLC for the year ended 30 June, 2021

Further analysis of the payments in respect of power purchased showed that the capacity charge component of the energy paid to Independent Power Producers was always more than the charge for actual energy supplied and, especially for three Independent Power Producers, whose ratio of capacity charge to energy procured was as high as 110:1, 99:1 and 30:1 times respectively. The fuel cost paid to these firms was similarly higher than the cost of energy/power procured.

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

As reported in the prior years, the Company held in their books unremitted qualifying financial assets amounting to Kshs.691,000,000 (2020: Kshs.1,292,074,000), included under other payables of Kshs.2,269,799,000 (2020: Kshs.1,635,236,000), 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 submission of financial assets totalling Kshs.143,030,237 to the Unclaimed Financial Assets Authority.

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

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 entity. 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 an emphasis of matter.

In addition, the Regulations provide that 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, as was similarly reported in the prior years, the Company's current liabilities of Kshs.116,114,111,000 exceeded current assets of Kshs.49,634,944,000 by Kshs.66,479,167,000 resulting in a negative working capital of a similar margin.

Consequently, the Management is in breach of the regulations.

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

Report of the Auditor-General on The Kenya Power and Lighting Company PLC for the year ended 30 June, 2021

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. Power Losses in the System

Note 7(a) to the financial statements reflects electricity sales of Kshs.105,348,505,000 and Kshs.20,578,339,000 in postpaid and prepaid sales respectively. A review of units of electricity purchased against units sold revealed a total of 12,102GWh purchased from power producers out of which, 9,203GWh was sold to customers resulting in a loss variance of 2,899GWh or 23.95% which translates to approximately Kshs.39,667,708,000 using the average sale price for the 9,203GWh sold.

The industry regulator, Energy and Petroleum Regulatory Authority (EPRA) approved for the Company to recover from consumers system losses of up to 19.9% (approximately Kshs.32,959,807,000) that is deemed to be normal loss. The excess of 4.05% above the allowed loss (23.95-19.9) translates to a loss of approximately Kshs.6.707 billion had the same energy been sold to the consumers. The loss variance of 23.95% was attributed to systems inefficiencies arising from commercial or technical operations. These losses contribute to high power charges to the consumers since the industry regulator allows the Company to charge up to 19.9% of the power losses to consumers.

The difference/excess of 4.05% power loss above the approved recovery rate of 19.9% constitutes unaccounted for power which though the cost is not passed on to the consumers, it increases the operating costs of the Company.

Management explained that the difference between the actual system losses of 23.95% and the allowed system losses of 19.9% is borne by the Company without any billing impact to the customers/consumers. This loss has, however, been persistent for the last four years.

2. Failure to Observe Guidelines on Board of Directors Meetings

The Office of the President in a circular referenced OP/CAB.9/1A dated 11 March, 2020 provided that Board meetings should be restricted to a minimum of four (4) as provided for in the State Corporations Act and capped at a maximum of six (6) for each financial

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year or as maybe specified in the enabling legal instruments. The same principle should apply to respective Committees of the Board.

The Circular further requires that any extra Board meeting (including Special Board meetings) above the maximum number specified shall require a justification by the Board as well as the source of funds and the implications thereof, which request shall be submitted for approval to the relevant Cabinet Secretary, in consultation with the State Corporations Advisory Committee. However, during the year under review, the Board of Directors held ninety (90) meetings translating to a Board meeting every four days hence becoming operational in nature. Out of the 90 Board meetings, twenty-one (21) were full Board meetings and sixty-nine (69) were held by Board Committees.

Although the justification for approval request to the Cabinet Secretary was submitted and granted, the source of funds and the cost implication due to the high number of extra meetings was not factored as there were no approved budget reallocation.

3. Weaknesses in Information Technology (IT) Systems

The Management has implemented several IT systems for its various operations. However, an audit review of the systems revealed that user activity monitoring process did not include critical elements such as review of privileged accounts with access to the applications and databases, review of issuance of access to the applications commensurate to job designation, while review for dormancy for one application was not done. Further, several inactive user accounts in one application had not been disabled despite exceeding the prescribed dormancy period.

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

4. Long Outstanding Trade and Other Receivables

As disclosed under Note 21(b) to the financial statements, the statement of financial position reflects gross trade and other receivables of Kshs.62,507,075,000. Included in this balance is an amount of Kshs.418,461,268 (analysed in progress reports in Annexure 1) which had been outstanding for more than 150 days. Management indicated that measures had 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.

In the circumstances, it has not been possible to confirm the effectiveness of internal controls measures put in place to collect outstanding debts.

5. Implementation of Last Mile Connectivity Project

The Company implements the Last Mile Connectivity Project under a financing agreement signed between the Government of Kenya and the African Development Bank (AfDB).

A number of weaknesses and governance lapses in implementation of the project were observed as follows:

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- (i) Lack of public participation by the communities targeted in the project which led to lack of project ownership by members of the public thus hampering implementation.
- (ii) There was no evidence of engagement with key regulatory, oversight and stakeholder agencies such as the Energy and Petroleum Regulatory Authority (EPRA) and Rural Electrification and Renewable Energy Corporation (REREC) an omission which can lead to duplication of projects.
- (iii) Documents that are key to procurement of services and works including feasibility studies and surveys, progress reports for projects, technical specifications, bills of quantities and architectural drawings, and environmental and social impacts assessment reports were not provided for audit review.
- (iv) The Company procured consultancy services for supervision and management of civil works and installation of meters at a cost of Kshs.274,380,500. However, site visits by the audit team revealed no evidence of consultants' personnel's presence at those sites, raising doubt on whether they had been deployed as per the contract.
- (v) The project had received a total of Kshs.28,272,249,380 representing 63% of the approved loan amount of Kshs.44,797,955,760. However, documents in respect of disbursement and payments to contractors were not provided for audit verification. In addition, although the project had a projection of connecting 525,796 customers by the end of the project, only 213,432 had been connected representing 41% of the projection yet disbursement was at 63%.
- (vi) Single prepaid meters procured from a Chinese Company at a cost of US\$.10,073,000 (Kshs.1,086,373,050) and installed at customers premises were not vending even though they had been activated by the contractor thereby implying that customers were purchasing tokens but the Consumer Interface Units (CIU) were not picking the tokens and thus had no access to power. Other meters had taken as far as three years without vending.

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:

Report of the Auditor-General on The Kenya Power and Lighting Company PLC for the year ended 30 June, 2021

- (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 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

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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

Report of the Auditor-General on The Kenya Power and Lighting Company PLC for the year ended 30 June, 2021

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.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

29 October, 2021

Report of the Auditor-General on The Kenya Power and Lighting Company PLC for the year ended 30 June, 2021

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2021 Shs'000	2020 Shs'000
Revenue from contracts with customers	7(a)	144,119,605	133,258,602
Cost of sales	8	(94,220,014)	(87,499,392)
Gross profit		49,899,591	45,759,210
Net operating expenses			
Network management	9(a)	(10,237,382)	(11,118,760)
Commercial services	9(b)	(5,765,298)	(6,659,415)
Administration	9(c)	(23,503,895)	(26,788,609)
Expected credit losses on financial assets	9(d)	(354,190)	(3,267,687)
		(39,860,765)	(47,834,471)
Operating income/(loss)		10,038,826	(2,075,261)
Other income	7(b)	7,046,092	7,387,487
Operating profit		17,084,918	5,312,226
Finance income	11(a)	162,862	123,188
Finance costs	11(b)	(9,050,124)	(12,477,428)
Profit/(Loss) before income tax		8,197,656	(7,042,014)
Income tax (expense)/credit	13(a)	(6,707,968)	6,102,532
Profit/(Loss) for the year		1,489,688	(939,482)
Other comprehensive income:			
<i>Items that will not be subsequently reclassified to profit or loss</i>			
Remeasurement of the retirement benefit asset	32	870,510	(527,414)
Remeasurement of the gratuity arrangement	33(c)	254,425	-
Deferred income tax relating to remeasurement of the retirement benefit asset and gratuity arrangement	27	(337,481)	131,854
Other comprehensive income, net of taxes		787,454	(395,560)
Total comprehensive income for the year		2,277,142	(1,335,042)
Basic and diluted earnings per share (Shs)	14	0.76	(0.48)

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

ASSETS	Notes	2021 Shs'000	2020 Shs'000
Non-current assets			
Property and equipment	16	277,305,389	276,859,904
Leasehold land	17	641,286	667,014
Intangible assets	18	1,480,429	2,380,739
Retirement benefit asset	32	1,290,133	527,328
Trade and other receivables	21(a)	794,985	1,010,805
Right of use asset	19	1,082,959	1,194,630
		282,595,181	282,640,420
Current assets			
Inventories	20	5,895,766	4,831,372
Trade and other receivables	21(b)	37,682,763	33,815,005
Current income tax	13(c)	49,494	96,271
Short-term deposits	22(a)	460,060	442,741
Bank and cash balances	22(b)	5,546,861	3,441,550
		49,634,944	42,626,939
TOTAL ASSETS		332,230,125	325,267,359
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	30,274,055	27,996,913
		57,173,941	54,896,799
Non-current liabilities			
Deferred income tax	27	27,514,730	20,590,805
Deferred income	26	11,187,465	12,900,609
Trade and other payables	28(a)	28,317,338	23,487,673
Lease liabilities	29	836,749	915,480
Borrowings	30	91,042,791	94,957,232
Preference shares	31	43,000	43,000
		158,942,073	152,894,799
Current liabilities			
Trade and other payables	28(b)	91,522,034	88,502,706
Deferred income	26	3,155,068	3,041,221
Provisions	33	821,443	1,034,557
Lease liabilities	29	279,472	314,948
Borrowings	30	15,947,497	15,004,361
Dividends payable	34	793,383	806,222
Overdraft	22(b)	3,595,214	8,771,746
		116,114,111	117,475,761
TOTAL EQUITY AND LIABILITIES		332,230,125	325,267,359

The financial statements on pages 83 to 164 were approved and authorised for issue by the Board of Directors on 29 October 2021 and were signed on its behalf by:



Vivienne Yeda
Chairman, Board



Mr. Sachen Gudka
Chairman, Audit Committee



Eng. Rosemary Oduor
Ag. MD and CEO

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021**

	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 2020				
Balance at 1 July 2019	4,878,667	22,021,219	29,330,976	56,230,862
Initial application of IFRS 16	-	-	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
Year ended 30 June 2021				
Balance at 1 July 2020	4,878,667	22,021,219	27,996,913	54,896,799
Profit for the year	-	-	1,489,688	1,489,688
Other comprehensive income	-	-	787,454	787,454
Total comprehensive income for the year	-	-	2,277,142	2,277,142
At 30 June 2021	4,878,667	22,021,219	30,274,055	57,173,941

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

		2021	2020
Cash flows from operating activities	Notes	Shs '000	Shs '000
Cash generated from operations	35(a)	37,943,657	31,497,107
Income tax paid	13(c)	(74,747)	(87,034)
Interest received	35(g)	163,493	120,938
Gratuity paid	33(c)	(66,846)	(60,644)
Repayment of interest portion of lease liabilities	29	(145,469)	(152,489)
Interest paid	35(d)	(5,353,748)	(7,756,667)
Net cash flows generated from operating activities		32,466,340	23,561,211
Cash flows from investing activities			
Purchase of property and equipment	35(h)	(18,031,630)	(16,195,490)
Purchase of intangible assets	18	(250,818)	(112,111)
Proceeds from disposal of property and equipment	35(e)	52,955	66,787
Net cash flows used in investing activities		(18,229,493)	(16,240,814)
Cash flows from financing activities			
Repayment of borrowings	35(b)	(20,262,894)	(12,400,318)
Proceeds from borrowings	35(b)	8,520,774	14,632,483
Repayment of principal portion of lease liabilities	29	(337,708)	(248,040)
Dividends paid to owners of the Company	35(f)	(14,769)	(6,753)
Net cash flows (used in)/from financing activities		(12,094,597)	1,977,372
Net increase in cash and cash equivalents		2,142,250	9,297,769
Cash and cash equivalents at the beginning of year		3,908,481	(5,426,474)
Effect of foreign exchange rate changes on cash and cash equivalents		2,602	37,186
Cash and cash equivalents at end of year	35(c)	6,053,333	3,908,481

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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

For the year ended 30 June 2021, the Company recorded a profit before tax of Shs 8.198 billion (2020: Loss before tax Shs 7.042 billion) and generated positive cash flows from operations of Shs 37.944 billion (2020: Shs 31.497 billion). However, the Company had a net current liability position of Shs 66.479 billion as at 30 June (2020: Shs 74.849 billion). The directors consider that this could represent a material uncertainty that may cast significant doubt over the Company's ability to continue as a going concern should the Company not be able to:

- Generate sufficient cashflows from operations to meet its obligations to its creditors when these obligations are due for payment given that there is overreliance on operating cashflows to finance debt repayments and capex. In addition, the plans to improve financial performance as forecasted require additional funding for capital expenditure to expand, improve and maintain the network. The Company's ability to repay trade creditors is also critical in ensuring continued availability

NOTES (CONTINUED)

2. BASIS OF PREPARATION (continued)

(a) Going concern assessment (continued)

of supplies and services from the creditors which is necessary for continued operations of the Company.

- Obtain lenders' approval of the planned debt restructuring and borrowing agreement covenant breach waivers.
- Obtain Government and/or shareholder financial support as and when required e.g., through guaranteeing commercial loans and funding from on-lent loans or equity; providing the required approvals to mobilise funding from other sources; and supporting the Company to obtain moratoria and covenant breach waivers for existing loan obligations.
- Comply with loan repayment obligations and borrowing agreement covenants and obtain the required waivers. In the absence of waivers, breach of loan repayment obligations and covenants that are not rectified within the time specified in the respective agreements, as applicable, would cause an event of default under the loan agreements. Unless covenant breach waivers and loan repayment moratoria are obtained, the debt may be called due which could materially impact the ability of the Company to meet debt repayment obligations and fund operations and critical capital expenditure. Although the Company has a history of negotiating covenant waivers and repayment moratoria, assessing the likely scale of debt repayment and covenant breaches and whether the waivers and repayment moratoria necessary to avoid the immediate repayment of debt will be forthcoming, is uncertain.

Despite the above and the challenging operating environment, the Company has made significant strides in improving its financial performance and continues to receive immense support from its major stakeholders including key suppliers, financial institutions and the Government. The Board and management expect that ongoing initiatives and invaluable support from key stakeholders will strengthen the Company's financial position and improve its performance.

Whilst the Company remains in a net current liability position, this has improved in the year as a result of the financial recovery initiatives undertaken by the Board and management.

To drive this financial recovery, the Company outlined the major areas of focus which included enhancing system efficiency (loss reduction), growing sales, intensified revenue collection, cost management and improving working capital as well as debt restructuring. These recovery measures are further discussed below.

(i) **Financial performance**

The operating performance of the Company has improved from loss before tax of Shs 7.042 billion for the year ended 30 June 2020 to profit before tax of Shs 8.198 billion for the year ended 30 June 2021. This was driven by a higher operating profit for the year ended 30 June 2021 at Shs 17.085 billion as compared to Shs 5.312 billion realised for the year ended 30 June 2020. The increase is largely as a result of increase in gross profit and decrease in operating expenses.

Expected credit losses are lower as a result of enhanced revenue collection activities buoyed by the support from the Ministry of Energy (MoE) and the National Treasury in collection of overdue debts owed by Government departments and entities.

Finance costs have also reduced in the current year to Shs 9.05 billion from Shs 12.477 billion in the previous year following a reduction in overdraft interest as a result of the partial conversion

NOTES (CONTINUED)

2. BASIS OF PREPARATION (continued)

(a) Going concern assessment (continued)

of overdraft into term loan as approved by the MoE and National Treasury. The unrealised foreign exchange losses also reduced due to stabilisation of Kenya Shilling from 102/1USD in June 2019, 106/1USD in June 2020 to 107.85/1USD in June 2021.

(ii) System efficiency (Loss reduction)

Intensified war on losses especially commercial losses through enhanced field operations to inspect meters, curtail illegal connections and replacement of faulty meters. The use of live line technology in network maintenance is reducing planned and unplanned outages.

There was a gradual improvement of the efficiency level by 1.3% in the second half of the financial year owing to the war room approach in addressing commercial losses. This was through recovery of lost units, removal of illegal connections and replacement of faulty meters.

(iii) Financial Position - Working capital and cash position

The Company's working capital position remains adverse at a negative working capital of Shs 66.479 billion, this is however an improvement of Shs 8.369 billion from a negative working capital of Shs 74.849 billion in June 2020.

The improved working capital position is as a result of the following measures;

- Improved level of monthly billing and collection of electricity revenue due to growth in sales from 8,171 GWh in 2020 to 8,571 GWh in 2021 as well as intensified installation inspection and revenue collection activities.
- Partial restructure of the overdraft of Shs 6.75 billion into a 12-year term loan with repayment moratorium of 36 months from September 2020.
- Debt repayment moratorium approved by the National Treasury amounting to Shs 5.7 billion in 2020; an extension of the moratorium to June 2022 is set to further boost the recovery from a negative working capital. This however is a temporary measure as the outstanding debt amount and interest will be repaid beginning July 2022.
- The support in collection of overdue electricity debt from County governments and National Government departments and entities has significantly improved cash collections from long outstanding debtors previously provided for and led to reduction in allowance for expected credit losses from Shs 3,268 million the previous year to Shs 354 million.
- The partial reimbursement of Shs 5 billion on account of the Rural Electrification Scheme (RES) operations and maintenance deficit contributed to improving the Company's cash position in quarter 4 (Q4)2021 and into quarter 1 (Q1) 2022.

(iv) Sales growth and revenue collection

Sales growth

Despite tariffs not changing, increase in unit sales was achieved through recovery of lost units through rebilling as well as new connections and additional load for existing customers. The units sold increased from 8,171 GWh in 2020 to 8,571 GWh in 2021 which translates to an increase in revenue of Shs 10.861 billion.

Peak demand

Peak demand also increased to reach new levels following the full recovery of demand from the impacts of the COVID-19 pandemic. This was also boosted by the increased activity in

NOTES (CONTINUED)

2. BASIS OF PREPARATION (continued)

(a) Going concern assessment (continued)

infrastructure development driving up demand for cement and other construction material whose production is energy intensive.

Revenue collection

Revenue collection continued to improve after the easing of the Government restrictions aimed at containing the spread of the COVID-19 pandemic. In Q4, the level of collection increased by 6.4% due to the aggressive revenue collection activities and the additional unit sales that led to higher monthly billing.

The above improvements are expected to continue in the foreseeable future depending on successful implementation of the Company's strategy.

(v) *Commercial debt refinancing*

The Company aims at leveraging on the debt repayment moratorium by the Government as well as the combined effect of the other financial recovery initiatives, to restructure its commercial debt with a view to achieving the following objectives:

- Sustainable annual debt service
- Improved cash flow and working capital
- Improved financial ratios
- The increased availability of cash from the extended debt tenors, and lower finance cost obligations resulting from negotiating lower interest rates on existing debt facilities, will be used to accelerate payment of outstanding trade payables.

Expressions of Interest (EOI) for the commercial debt refinancing were invited in April 2021 and Request for Proposals were issued to the bidders with a closing date of 6 August 2021.

(vi) *Other financial recovery initiatives*

To address the declining financial performance as well as the uncertainty on the Company's going concern status, the management undertook a review of the Company's investment and financial decisions over a six-year period with a view to determining the root causes of the declining financial position. The findings and recommendations of this initiative were submitted to the Ministry of Energy and subsequently to the National Treasury. This culminated in the set-up of a taskforce chaired by National Treasury and comprising of the electricity sub-sector entities as well as the Ministry of Energy and the regulator (EPRA).

The taskforce made recommendations some of which have been implemented including the granting of on-lent loan repayment moratorium to sector entities and the partial payment of the Rural Electrification schemes deficit to KPLC.

The Board initiated discussions with the Government in regard to Capacity Charges in Power Purchase Agreements (PPA). This matter had also been highlighted as an emphasis of matter in the Auditor General's report for the year ended 30 June 2020. A Presidential Taskforce to review PPAs with a view to attaining cost effective generation and enhancing sustainability of the sector entities was appointed and is currently undertaking its mandate.

NOTES (CONTINUED)

2. BASIS OF PREPARATION (continued)

(a) Going concern assessment (continued)

Preparation of financial statements on a going concern basis

The Company's management and Board wish to assure all stakeholders of its commitment to the stated initiatives that will ensure business continuity and excellence in the delivery of services to the Company's customers. For these reasons, management and the Board continue to adopt a going concern basis for the preparation of the financial statements. Accordingly, these financial statements do not include any adjustments to the carrying amount or classification of assets and liabilities that would result if the Company was unable to continue as a going concern.

(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 2020. 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:

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

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

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

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the financial statements of the Company. The Company intends to use the practical expedients in future periods if they become applicable.

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:

NOTES (CONTINUED)

2. BASIS OF PREPARATION (continued)

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

Effective for annual periods beginning on or after 1 April 2021 (*Earlier application is permitted, including in financial statements not yet authorised for issue at 31 March 2021*)

- COVID-19-Related Rent Concessions beyond 30 June 2021-Amendments to IFRS 16

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 per cent' 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
- Definition of Accounting Estimates - Amendments to IAS 8
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

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.

NOTES (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(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 2021, the target loss factor was 19.9%.

(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 2021) 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.

NOTES (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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

NOTES (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

NOTES (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

NOTES (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Leases

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.

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

NOTES (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Financial assets

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;

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

NOTES (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

NOTES (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

This 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:

NOTES (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

- 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.

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

NOTES (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

NOTES (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost (loans and borrowings)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost (loans and borrowings)

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of 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.

NOTES (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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.

NOTES (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

- (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.

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

NOTES (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

NOTES (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(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.

NOTES (CONTINUED)

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

(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;

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.

NOTES (CONTINUED)

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

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 2021 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 2021 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

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 3 (h) and 29.

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).

NOTES (CONTINUED)

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

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 Regional Managers monitor the operating results of their business units separately for the purpose of making decisions about resource allocation and performance assessment.

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.

NOTES (CONTINUED)

5. OPERATING SEGMENTS (continued)

2021	Nairobi Region Shs'000	West Kenya Region Shs'000	Coast Region Shs'000	Mount Kenya Region Shs'000	Total
Revenue	67,822,450	26,915,170	25,326,684	24,055,301	144,119,605
Energy purchases	(51,821,009)	(16,959,602)	(16,959,602)	(8,479,801)	(94,220,014)
Operating expenses	(14,887,664)	(12,254,335)	(5,285,485)	(7,433,281)	(39,860,765)
Other income	2,826,008	1,771,657	1,027,603	1,420,824	7,046,092
Operating profit	3,939,785	(527,110)	4,109,200	9,563,043	17,084,918
Finance income					162,862
Finance costs					(9,050,124)
Income tax expense					(6,707,968)
Profit for the year					1,489,688
Assets	108,851,674	115,016,903	44,414,656	63,946,892	332,230,125
Liabilities	135,660,758	60,524,741	47,086,044	31,784,641	275,056,184
Capital expenditure (including intangible assets)	10,221,545	3,580,120	3,190,047	1,670,192	18,661,904
Depreciation/amortisation	7,996,205	5,008,536	2,407,705	2,805,997	18,218,443

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.

NOTES (CONTINUED)

5. OPERATING SEGMENTS (continued)

2020	Nairobi Region Shs'000	West Kenya Region Shs'000	Coast Region Shs'000	Mount Kenya Region Shs'000	Total
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

NOTES (CONTINUED)

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 book values is shown below:

	Land and buildings* Shs'000	Lines Shs'000	Machinery Shs'000	Motor vehicles Shs'000	Furniture equipment and other Shs'000	Intangible assets Shs'000	Total Shs'000
2021							
Transmission	463,958	20,879,480	1,956	-	-	-	21,345,394
Distribution	10,950,661	203,673,670	897,083	1,469,086	15,015,077	1,480,429	233,486,006
Total	11,414,619	224,553,150	899,039	1,469,086	15,015,077	1,480,429	254,831,400
2020							
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

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

NOTES (CONTINUED)

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.

NOTES (CONTINUED)

6. FINANCIAL RISK AND CAPITAL MANAGEMENT (continued)

(a) Credit risk (continued)

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:

	Notes	Gross carrying allowance Shs'000	Loss amount Shs'000	Net amount Shs'000
30 June 2021				
Electricity receivables	21(b)	29,668,163	(15,880,115)	13,788,048
Prepaid fixed charge receivable		2,652,279	(2,652,279)	-
Other receivables		26,528,689	(5,352,123)	21,176,566
Short-term deposits	22(a)	466,784	(6,724)	460,060
Bank balances	22(b)	5,585,691	(39,688)	5,546,003
		64,901,606	(23,930,929)	40,970,677
30 June 2020				
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

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:

NOTES (CONTINUED)

6. FINANCIAL RISK AND CAPITAL MANAGEMENT (continued)

(a) Credit risk (continued)

Total exposure at 30 June

	0-30 Shs'000	31-90 Shs'000	>90 Shs'000	2021 Shs'000
Electricity receivables	11,739,564	3,384,968	14,543,631	29,668,163
Prepaid fixed charge receivable	-	-	2,652,279	2,652,279
Other receivables	6,245,745	684,180	19,598,764	26,528,689
Short term deposits	466,784	-	-	466,784
Bank balances	5,585,691	-	-	5,585,691
Total	24,037,784	4,069,148	36,794,674	64,901,606

	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 receivables	-	-	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

Total impairment at 30 June

	0-30 Shs'000	31-90 Shs'000	>90 Shs'000	Shs'000
2021				
Electricity receivables	595,405	1,494,960	13,789,750	15,880,115
Prepaid fixed charge receivables	-	-	2,652,279	2,652,279
Other receivables	1,296,228	552,459	3,503,436	5,352,123
Short term deposits	6,724	-	-	6,724
Bank balances	39,688	-	-	39,688
Total	1,938,045	2,047,419	19,945,465	23,930,929

	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	2,993,182	5,237,657
Short term deposits	6,519	-	-	6,519
Bank balances	17,671	-	-	17,671
Total	2,169,487	2,217,207	19,097,169	23,483,863

NOTES (CONTINUED)

6. FINANCIAL RISK AND CAPITAL MANAGEMENT (continued)

(a) Credit risk (continued)

	0-30 days	31-90 days	>90 days
30 June 2021	5%	44%	95%
30 June 2020	6%	44%	94%

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.

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 2021 was Shs 15,880 million (2020: Shs 15,496 million).

NOTES (CONTINUED)

6. FINANCIAL RISK AND CAPITAL MANAGEMENT (continued)

(a) Credit risk (continued)

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.

NOTES (CONTINUED)

6. FINANCIAL RISK AND CAPITAL MANAGEMENT (continued)

(b) Liquidity risk(continued)

The table below summarises the maturity profile of the Company's financial liabilities based on the remaining period using 30 June 2021 as a base period to the contractual maturity date and the undiscounted cash flows:

	On demand Shs'000	Less than 3 months Shs'000	3 -12 months Shs'000	1-5 Years Shs'000	>5 years Shs'000	Total Shs'000
At 30 June 2021						
Borrowings	-	3,595,214	15,943,096	49,281,231	64,943,609	133,763,150
Trade and other payables	313,078	53,999,742	30,144,511	1,932,394	19,286,942	105,676,667
Lease liabilities	-	-	279,472	1,187,035	553,006	2,019,513
Dividends payable	793,383	-	-	-	-	793,383
	1,106,461	57,594,956	46,367,079	52,400,660	84,783,557	242,252,713
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

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.

NOTES (CONTINUED)

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/Sh\$ 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 profit/ (loss) before tax Sh\$ million	Effect on equity Sh\$ million
Year 2021			
US\$	+/-1%	+/-925	+/-648
Euro	+/-3%	+/- 558	+/- 391
Year 2020			
US\$	+/-2%	+/-2,017	+/-1,412
Euro	+/-2%	+/- 330	+/- 231

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.

NOTES (CONTINUED)

6. FINANCIAL RISK AND CAPITAL MANAGEMENT (continued)

(c) Market risk (continued)

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.

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 profit/(loss) before tax Shs' 000	Effect on equity Shs' 000
2021	1%	1,010,507	707,355
	5%	5,052,533	3,536,773
2020	1%	1,057,751	740,426
	5%	5,288,754	3,702,128

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

NOTES (CONTINUED)

6. FINANCIAL RISK AND CAPITAL MANAGEMENT (continued)

(d) 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 2021 and 30 June 2020.

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.

	2021 Shs' million	2020 Shs' million
Interest-bearing loans and borrowings (Note 35 (b))	110,585	118,733
Cash and cash equivalents (Note 35(b))	(6,007)	(3,884)
Net debt	104,578	114,849
Equity	57,174	54,896
Gearing ratio	183%	209%

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 2021 and 30 June 2020.

(e) 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.

NOTES (CONTINUED)

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

	2021 Shs'000	2020 Shs'000
Electricity sales*		
• Post-paid	105,348,505	98,354,629
• Prepaid	20,578,339	17,817,855
Foreign exchange adjustment	6,333,065	923,648
Fuel cost charge	11,859,696	16,162,470
	144,119,605	133,258,602

*All electricity sales are recognised at point in time.

(b) Other income

	2021 Shs'000	2020 Shs'000
Amortisation of capital contribution (Note 26)	4,769,069	5,517,821
Miscellaneous sales	744,788	727,741
Fibre optic leases	643,021	524,407
Transmission line maintenance revenue	15,023	58,058
Recovery from Last Mile customers	223,473	211,892
Reconnection charges	552,514	252,393
Rent	98,204	95,175
	7,046,092	7,387,487

8. COST OF SALES

	2021 Shs'000	2020 Shs'000
Non-fuel costs (8(a))	76,037,298	74,445,008
Foreign exchange costs	6,998,524	1,993,882
Fuel costs (8(b))	11,184,192	11,060,502
	94,220,014	87,499,392

NOTES (CONTINUED)

8. COST OF SALES (continued)

(a) Non-fuel costs

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

	2021 Shs'000	2020 Shs'000
KenGen*	41,142,194	41,017,077
Lake Turkana Wind Power	17,337,239	12,241,957
OrPower 4 Inc.	11,895,495	12,462,373
Rabai Power Limited	2,948,796	2,626,167
Triumph Power Generating Company Limited	2,621,272	2,403,840
Tsavo Power Company Limited	2,478,619	2,320,006
Thika Power Limited	2,394,759	2,076,340
Gulf Power Limited	2,207,283	1,949,688
Uganda Electricity Transmission Company Limited	2,095,162	1,923,341
Iberafrica Power (E.A.) Company Limited	1,765,089	1,929,822
Kipeto Energy Plc	1,137,969	-
Garissa Solar Power Plant	515,181	535,624
Regen-Terem	223,630	311,883
Metumi Power Plant	118,221	-
Ethiopia Electric Utility	108,912	35,847
Gura	97,832	177,082
Power Technology Solutions Limited	19,221	18,361
Selenkei Solar Farm	14,473	-
Chania Power Limited	10,535	12,316
Hydro Project Services Peters	4,098	-
Biojoule Kenya Limited	3,599	3,105
Imenti Tea Factory	2,741	6,668
Strathmore University	1,195	7,602
Mumias Sugar Company	-	21,931
Tanzania Electric Supply Company Limited	-	9
Less:	89,143,515	82,081,039
Foreign exchange surcharge	(6,998,524)	(1,993,882)
Recharged to RES	(6,107,693)	(5,642,149)
	76,037,298	74,445,008

KenGen*- included in Non-fuel costs for KenGen are Capacity charges totalling to Shs26,883 million(2020: Shs25,590 million), Steam charge totalling 5,226 million(2020: 5,554 million), Energy charges totalling Shs7,771 million(2020: Shs 8,761 million) and foreign exchange costs totalling Shs1,262 million(2020: Shs1,112 million).

NOTES (CONTINUED)

8. COST OF SALES (continued)

(b) Fuel costs

	2021 Shs'000	2020 Shs'000
KenGen	3,662,996	4,145,435
Rabai Power Limited	2,386,223	2,191,772
Off grid power stations	2,287,744	2,114,909
Thika Power Limited	1,024,007	654,770
Tsavo Power Company Limited	1,604,704	1,656,985
Iberafrica Power (E.A.) Company Limited	504,868	682,433
Gulf Power Limited	294,349	238,318
Triumph Power Generating Company Limited	241,953	192,287
	12,006,844	11,876,909
Less: Recharged to RES	(822,652)	(816,407)
	11,184,192	11,060,502

The fuel cost is a pass through cost. During the year a recovery of Shs 11,860 million(2020: Shs 16,162 million) was made.

NOTES (CONTINUED)

8. COST OF SALES (continued)

(c) Units purchased

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

	2021 GWh	2020 GWh
KenGen	8,443	8,237
Lake Turkana Wind Power	1,559	1,238
OrPower 4 Inc	981	1,076
Rabai Power Limited	266	252
Uganda Electricity Transmission Company Limited	192	156
Tsavo Power Company Limited	183	152
Thika Power Limited	93	50
Kipeto Energy Plc	88	-
Garissa Solar Power Plant	86	91
Off grid power stations	65	60
Iberafrica Power (E.A.) Company Limited	45	55
Triumph Power Generating Company Limited	22	15
Regen-Terem	22	32
Gulf Power Limited	21	18
Metumi Power Plant	14	-
Gura	11	21
Ethiopia Electric Utility	5	5
Power Technology Solutions Limited	2	2
Chania Power Limited	1	1
Selenkei Solar Farm	1	-
Others	1	-
Imenti Tea Factory	-	1
	12,101	11,462
Less: Recharged to RES	(826)	(788)
	11,275	10,674

Types of interconnected power sources;

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

	2021 GWh	2020 GWh
Geothermal	5,034	5,352
Hydro	4,142	3,693
Wind	1,700	1,284
Thermal	940	882
Net imports	197	160
Others	88	91
	11,275	10,674

NOTES (CONTINUED)

8. COST OF SALES (continued)

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

	2021 Shs'000	2020 Shs'000
Salaries and wages	4,713,531	4,837,679
Depreciation of property and equipment	5,012,890	5,244,767
Impairment loss on WIP	205,561	-
Wheeling charges – Ketraco*	2,668,667	2,668,667
Loss on disposal of fixed assets	777,169	956,068
Consumable goods	216,807	1,257,122
Staff welfare	204,598	80,136
Transport and travelling	(181,753)	(861,122)
Office expenses	118	1,528
Other costs	813,451	760,245
Net recharge of distribution and transmission costs to RES	(4,193,657)	(3,826,330)
	10,237,382	11,118,760

*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.

(b) Commercial services

	2021 Shs'000	2020 Shs'000
Salaries and wages	4,044,577	4,424,060
Depreciation of property and equipment	3,962,642	4,253,780
Advertising and public relations	28	131,560
Staff welfare	115,406	29,863
Transport and travelling	52,795	286,656
Consumable goods	2,523	15,182
Office expenses	2,132	12,760
Other costs	66,902	17,542
Net recharge of customer service costs to RES	(2,481,707)	(2,511,988)
	5,765,298	6,659,415

NOTES (CONTINUED)

9. NET OPERATING EXPENSES (continued)

(c) Administration

	2021 Shs'000	2020 Shs'000
Salaries and wages	7,955,769	8,229,108
Depreciation of property and equipment	7,734,247	6,837,343
Staff welfare	1,178,309	1,538,253
Depreciation- ROU asset (Note 19)	331,808	285,237
Amortisation of intangible assets (Notes 18, 35 (a))	1,151,128	1,222,635
Amortisation of operating lease prepayment (Notes 17,35 (a))	25,728	25,731
Repairs and maintenance	1,270,808	1,709,301
Security and surveillance	845,826	859,931
Transport and travelling	261,723	657,034
Office expenses	114,019	140,739
Other financial expenses*	1,186,799	376,218
Licenses	235,303	7,710
Insurance	279,807	262,782
Public relations	46,497	31,788
Company electricity expenses	181,750	154,458
Training expenses and consumer services	46,939	137,685
Other consumable goods	163,240	135,890
(Decrease)/increase in leave obligation (Note 33 (a))	(167,351)	53,892
Increase in gratuity and leave allowance provisions (Note 33 (b) and Note 33 (c))	275,508	227,978
Consultancy fees	33,375	43,346
Directors' emoluments	30,822	31,094
Auditor's remuneration	22,319	21,400
Other Directors' expenses	16,198	21,250
Allowance for inventories (Note 20)	(188,853)	3,654,490
Expense relating to leases of low-value assets (Note 19)	15,903	16,870
Other costs**	1,452,405	1,363,789
Retirement benefit plan debits (Note 32)	107,706	48,269
	24,607,732	28,094,221
Recharge of administration costs to RES***	(1,103,837)	(1,305,612)
	23,503,895	26,788,609

*Other financial expenses mainly relate to bank charges, excise duty on financial services and exchange differences arising from foreign denominated transactions.

**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.

NOTES (CONTINUED)

9. NET OPERATING EXPENSES (continued)

(d) Expected credit losses on financial assets

	2021 Shs'000	2020 Shs'000
Provision for electricity debtors (Note 21(d))	308,349	3,157,789
Provision for other receivables, bank deposits and bank balances and guarantees	119,658	188,646
Writeback of provisions for prepaid fixed charge	(73,817)	(78,748)
Imperial Bank deposits write-back**	-	-
Increase in expected credit losses	354,190	3,267,687

**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 2021(2020: Nil). Imperial Bank was placed under receivership in 2015.

10. EMPLOYEE BENEFITS

	2021 Shs'000	2020 Shs'000
Salaries and wages	16,980,976	17,577,452
Recharge of recurrent expenditure to capital jobs*	(1,169,032)	(1,091,611)
NSSF employer contributions	24,572	25,502
Pension costs – defined contribution	877,361	931,235
Salaries and wages	16,713,877	17,442,578
Pension credit - defined benefit scheme (Note 32)	107,705	48,269
	16,821,582	17,490,847
(Decrease)/increase in leave pay provision (Note 33 (a))	(167,351)	53,892
Increase in gratuity and leave allowance provisions (Note 33 (b) and Note 33 (c))	275,508	227,978
	16,929,739	17,772,717

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

NOTES (CONTINUED)

11. NET FINANCE COSTS

(a) Finance income

	2021 Shs'000	2020 Shs'000
Interest income on bank and other deposits (Note 35 (g))	162,862	123,188

(b) Finance costs

	2021 Shs'000	2020 Shs'000
Interest incurred on:		
• Loans	(5,842,818)	(6,509,201)
• Bank overdrafts	(490,715)	(1,323,654)
• Lease liabilities (Note 29)	(145,469)	(152,489)
Unrealised foreign exchange differences on loans*	(1,682,612)	(3,531,264)
Interest on late payment of invoices	(773,330)	(707,305)
Time value of money of RES receivable (Note 21 (b))	(113,250)	(251,585)
Dividends on cumulative preference shares	(1,930)	(1,930)
	(9,050,124)	(12,477,428)

* Finance costs include unrealised foreign exchange losses Shs 1,683 million (2020: Shs 3,531 million) arising from the depreciation of the Shilling against the USD and EURO in which some of the loans are denominated in.

12. EXPENSES BY NATURE

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

	2021 Shs'000	2020 Shs'000
Employee benefits (Note 10)	16,929,739	17,772,717
Depreciation of property and equipment (Note 16)	16,709,779	16,335,890
Impairment loss on WIP (Note 16)	205,561	-
Finance costs (Note 11(b))	9,050,124	12,477,428
Expected credit losses on financial assets (Note 9 (d))*	354,190	3,267,687
Amortisation of intangible assets (Note 18)	1,151,128	1,222,635
Loss on disposal of property and equipment (Note 35 (e))	(773,805)	956,068
Loss on retirement of right of use (ROU) assets (Note 35 (e))	(3,364)	-
Movement in leave provision (Note 33 (a))	(167,351)	53,892
Movement in gratuity and leave allowance provision (Note 33 (b) and Note 33 (c))	275,508	227,978
Amortisation of leasehold land (Note 17)	25,728	25,731

NOTES (CONTINUED)

12. EXPENSES BY NATURE (continued)

	2021 Shs'000	2020 Shs'000
Directors' emoluments:		
- Fees (Note 36 c (ii))	4,800	4,800
- Other (Note 36 c (ii))	26,022	26,294
Other Directors' expenses	16,198	14,756
Auditor's remuneration (Note 9 (c))	22,319	21,400
Movement in provision for inventories (Note 20)	(188,853)	3,654,490
Retirement benefit debit (Note 32)	107,705	48,269

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

	2021 Shs'000	2020 Shs'000
Statement of profit or loss		
Income tax:		
Current income tax (Note 13 (c))	121,524	61,871
Deferred income tax:		
Adjustment in respect of deferred tax for previous year (Note 27)	350	3,792
Movement for the year (Note 27)	6,586,094	(6,168,195)
Tax charge/(credit)	6,707,968	(6,102,532)

(b) Reconciliation of income tax expense/(credit)

Reconciliation of the income tax expense/(credit) and the accounting profit/(loss) multiplied by the statutory income tax rate for 2020 and 2021:

	2021 Shs'000	2020 Shs'000
Profit/(loss) before income tax	8,197,656	(7,042,014)
Tax calculated at the statutory income tax rate of 27.5% (2020: 25%)	2,254,355	(1,760,504)
Tax effect of adjustments on taxable income:		
Expenses not deductible for tax purposes	129,376	136,501
Effect of tax rate changes (Note 27)	4,323,887	(4,482,321)
Prior year under provision for deferred tax (Note 27)	350	3,792
Income tax expense/(credit)	6,707,968	(6,102,532)

NOTES (CONTINUED)

(c) Current income tax recoverable

	2021 Shs'000	2020 Shs'000
At start of year	96,271	71,108
Tax paid	74,747	87,034
Tax charge (Note 13(a))	(121,524)	(61,871)
At end of year	49,494	96,271

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 2021 and 2020. 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:

	2021 Shs'000	2020 Shs'000
Profit/(loss) for the year attributable to owners of the Company	1,489,688	(939,482)

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:

	2021	2020
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.

	2021	2020
Basic earnings per share (Shs)	0.76	(0.48)
Diluted earnings per share (Shs)	0.76	(0.48)

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 30 November 2021, the Directors will not recommend payment of dividend in respect of the year ended 30 June 2021 (2020: Shs Nil).

There was no interim dividend paid in the year (2020: Shs Nil).

NOTES (CONTINUED)
16. PROPERTY AND EQUIPMENT

2021	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 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
Work in progress additions	-	-	-	-	-	-	18,187,585	18,187,585
Transfers from work in progress	930,629	841,516	7,563,443	14,885	-	5,081,772	(14,432,245)	-
Disposals	-	-	(1,302,874)	-	(143,463)	-	-	(1,446,337)
At 30 June 2021	12,825,879	33,847,814	265,862,612	1,218,773	7,627,752	56,540,855	24,801,265	402,724,950
Depreciation								
At 1 July 2020	1,740,621	11,824,825	53,292,448	264,671	5,867,375	36,133,858	-	109,123,798
Charge for the year	311,925	1,143,509	9,386,954	55,063	420,408	5,391,920	-	16,709,779
Impairment loss*	-	-	-	-	-	-	205,561	205,561
Disposals	-	-	(490,460)	-	(129,117)	-	-	(619,577)
At 30 June 2021	2,052,546	12,968,334	62,188,942	319,734	6,158,666	41,525,778	205,561	125,419,561
Net book value								
At 30 June 2021	10,773,333	20,879,480	203,673,670	899,039	1,469,086	15,015,077	24,595,704	277,305,389

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

*This relates to impairment loss on Work in Progress (WIP) relating to projects that have stalled for the last three years.

NOTES (CONTINUED)

16. PROPERTY AND EQUIPMENT (continued)

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 book value								
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.

NOTES (CONTINUED)
17. LEASEHOLD LAND

	2021 Shs'000	2020 Shs'000
Cost		
At start of year	765,900	978,409
Disposal	-	(212,509)
At end of year	765,900	765,900
Amortisation		
At start of year	(98,886)	(95,283)
Charge for the year	(25,728)	(25,731)
Charge on disposals	-	22,128
At end of year	(124,614)	(98,886)
Net book value	641,286	667,014

18. INTANGIBLE ASSETS

	2021 Shs'000	2020 Shs'000
Cost		
At start of year	7,836,854	7,762,728
Additions	250,818	112,111
Disposal	-	(37,985)
At end of year	8,087,672	7,836,854
Amortisation		
At start of year	(5,456,115)	(4,271,465)
Charge for the year	(1,151,128)	(1,222,635)
Charge on disposals	-	37,985
At end of year	(6,607,243)	(5,456,115)
Net book value	1,480,429	2,380,739

NOTES (CONTINUED)

19. RIGHT-OF-USE (ROU) ASSET

	2021 Shs'000	2020 Shs'000
Cost		
Balance on adoption of IFRS 16	-	1,303,412
At start of year	1,479,867	-
Additions	223,501	176,455
Retirements	(50,321)	-
At end of year	1,653,047	1,479,867
Depreciation		
At start of year	(285,237)	-
Charge for the year	(331,808)	(285,237)
Charge on retirements	46,957	-
At end of year	(570,088)	(285,237)
Net book value	1,082,959	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.

The following are the amounts recognized in profit or loss:

	2021 Shs'000	2020 Shs'000
Depreciation expense of right-of-use assets (Note 9 (c))	331,808	285,237
Interest expense on lease liabilities (Note 29)	145,469	152,489
Expense relating to leases of low-value assets ((Note 9 (c))	15,903	16,870
	493,180	454,596

The Company had total cash outflows for leases of Shs 483,178,000 in 2021 (2020: Shs 400,530,000). The Company also had non-cash additions to right-of-use assets and lease liabilities of Shs 223,501,000 in 2021 (2020: Shs 176,455,000). The future cash outflows relating to leases that have not yet commenced are disclosed in Note 40.

20. INVENTORIES

	2021 Shs'000	2020 Shs'000
General stores	4,194,456	4,167,240
Transformers	2,131,626	1,658,087
Conductors and cables	2,405,349	2,192,433
Metering accessories	12,466	30,156
Poles	493,204	292,557
Fuel and oil	271,669	289,066
Motor vehicle spares	100,319	103,848
Engineering spares	12,655	12,816
	9,621,744	8,746,203
Provision for impairment	(3,725,978)	(3,914,831)
	5,895,766	4,831,372

NOTES (CONTINUED)

20. INVENTORIES (Continued)

Movements in the provisions for inventories were as follows:

	2021 Shs'000	2020 Shs'000
At start of year	(3,914,831)	(260,341)
Write off	-	-
Write back/(additional provision) (Note 9(c))*	188,853	(3,654,490)
At end of year	(3,725,978)	(3,914,831)

21. TRADE AND OTHER RECEIVABLES

(a) Non-current - Trade and other receivables

	2021 Shs'000	2020 Shs'000
Prepayments-loan origination fee*	794,985	1,010,805

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

(b) Current - Trade and other receivables

	2021 Shs'000	2020 Shs'000
Electricity receivables (Note 21(c))	29,668,163	27,399,426
Receivable from Government of Kenya-RES recurrent losses***** (Note 36 (b) (ii))	18,738,621	16,563,693
RES – intercompany (Note 36 (b) (ii))	1,556,780	-
Prepayments-loan origination fee	228,476	227,351
Receivable from Government of Kenya**** (Note 36 (b) (ii) and Note 37)	8,549	559,560
VAT recoverable (Note 36 (b) (ii))	851,028	819,446
Due from KETRACO**	1,593,572	1,576,156
Staff receivables	751,476	784,323
Stima loan deferred payment customers *	218,219	214,793
Rural Electrification Authority current account (Note 36 (b) (ii))	248,564	248,564
GPOBA prepaid debtors***	7,010	53,195
KEMP IDA grant	-	51,435
Other *****	8,636,617	9,603,281
Gross trade and other receivables	62,507,075	58,101,223
Provision for credit losses (Note 21(d))	(23,884,517)	(23,459,673)
Impairment of RES receivable*****	(939,795)	(826,545)
Net trade and other receivables	37,682,763	33,815,005
Movement in impairment of RES receivable is as follows;		
At start of year	826,545	574,960
Increase during year (Note 11 (b))	113,250	251,585
At end of year	939,795	826,545

NOTES (CONTINUED)

21. TRADE AND OTHER RECEIVABLES (Continued)

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 7,010,000 (2020: Shs 53,195,000) 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 8,549,000 (2020: Shs 559,560,000) 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 685,000,000 as disbursements (2020: Shs 1,096,750,000) of which Shs 551,011,000 (2020: Shs 844,405,000) was used to offset the debt and Shs 133,989,000 (2020: 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 (2020: Shs 250,967,000) deposited in Imperial Bank Limited which was placed under receivership in 2015. No recovery was made in the year 2021(2020: Shs Nil). The rest of the balance is fully provided for.

***** KPLC is the management agent for RES on behalf of Ministry of Energy and Petroleum (MOEP). 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 MOEP.

***** This relates to additional impairment of the RES receivable as a result of the time value of money. The amount was recognised as a finance cost.

NOTES (CONTINUED)

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
2021				
Gross	11,739,564	3,384,968	14,543,631	29,668,163
Impairment	(595,405)	(1,494,960)	(13,789,750)	(15,880,115)
Net	11,144,159	1,890,008	753,881	13,788,048
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

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
2021				
At start of year	(15,495,920)	(2,726,096)	(5,237,657)	(23,459,673)
Additional provision (Note 9 (d))	(308,349)	-	(114,466)	(422,815)
Write back	-	73,817	-	73,817
Write offs	(75,846)	-	-	(75,846)
At end of year (Note 21 (b))	(15,880,115)	(2,652,279)	(5,352,123)	(23,884,517)
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
At end of year (Note 21 (b))	(15,495,920)	(2,726,096)	(5,237,657)	(23,459,673)

22. SHORT-TERM DEPOSITS, BANK AND CASH BALANCES

(a) Short-term deposits

	2021 Shs'000	2020 Shs'000
Housing Finance Company of Kenya Limited	464,172	446,648
The Co-operative Bank of Kenya Limited	2,612	2,612
	466,784	449,260
Expected credit losses- charge for the year	(6,724)	(6,519)
	460,060	442,741

NOTES (CONTINUED)

22. SHORT-TERM DEPOSITS, BANK AND CASH BALANCES (Continued)

The average effective interest rate on the short-term deposits for the year ended 30 June 2021 was 7.09% (2020: 7.09%).

	2021 Shs'000	2020 Shs'000
Movement in the expected credit losses is as follows;		
At start of year	6,519	9,740
Increase/(decrease) in provision	205	(3,221)
At end of year	6,724	6,519

(b) Bank and cash balances

	2021 Shs'000	2020 Shs'000
Cash at bank	5,585,691	3,458,368
Cash on hand	858	853
	5,586,549	3,459,221
Expected credit losses	(39,688)	(17,671)
	5,546,861	3,441,550
Overdraft	(3,595,214)	(8,771,746)
	1,951,647	(5,330,196)
Movement in the expected credit losses is as follows;		
At start of year	17,671	26,130
Increase/(decrease) in provision	22,017	(8,459)
At end of year	39,688	17,671

23. SHARE CAPITAL

Authorised:

	2021 Shs'000	2020 Shs'000
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.

NOTES (CONTINUED)

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.

	2021 Shs'000	2020 Shs'000
At start of year	15,941,830	19,038,659
Additional contributions	3,169,772	2,420,992
Recognised as income (Note 7(b))	(4,769,069)	(5,517,821)
At end of year	14,342,533	15,941,830
Maturity analysis:		
Non-current	11,187,465	12,900,609
Current	3,155,068	3,041,221
At end of year	14,342,533	15,941,830

27. DEFERRED INCOME TAX

	2021 Shs'000	2020 Shs'000
At start of year	20,590,805	26,886,643
Debit/(credit) to other comprehensive income	337,481	(131,854)
Adjustment in respect of deferred tax in prior year (Note 13 (a))	350	-
Impact of IFRS 16 Day 1 adjustment	-	419
Effect of tax rate changes (Notes 13(a) and 13 (b))	4,323,887	(4,482,321)
Charge to profit or loss (Note 13 (a))	2,262,207	(1,682,082)
At end of year	27,514,730	20,590,805

NOTES (CONTINUED)

27. DEFERRED INCOME TAX (Continued)

Deferred income tax balance is analysed as follows:

2021	At July 2020 Shs'000	Prior year adjustments Shs'000	Credited/ Charged to profit or loss Shs'000	Debited to OCI Shs'000	Effect of tax rate changes Shs'000	At 30 June 2021 Shs'000
Deferred income tax liabilities						
Property and equipment	40,692,374	-	(673,241)	-	8,077,271	48,096,404
Unrealised foreign exchange loss	(2,542,195)	-	(235,254)	-	(529,826)	(3,307,275)
Right of use asset	298,658	700	(34,264)	-	59,795	324,889
Retirement benefit asset	131,832	-	(29,619)	261,153	23,674	387,040
	38,580,669	700	(972,378)	261,153	7,630,914	45,501,058
Deferred income tax assets						
Lease liabilities	(308,376)	-	34,961	-	(61,451)	(334,866)
Provisions	(7,446,500)	(350)	(223,776)	76,328	(1,509,797)	(9,104,095)
Tax losses	(10,234,988)	-	3,423,400	-	(1,735,779)	(8,547,367)
	(17,989,864)	(350)	3,234,585	76,328	(3,307,027)	(17,986,328)
Net deferred income tax liabilities	20,590,805	350	2,262,207	337,481	4,323,887	27,514,730

NOTES (CONTINUED)

27. DEFERRED INCOME TAX (Continued)

2020	At July 2019 Shs'000	Impact of adoption of IFRS 16 Shs'000	(Credited)/ profit or loss Shs'000	Charged to 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
	330,902	-	(12,067)	(131,854)	(55,149)	131,832
	47,633,379	-	(981,961)	(131,854)	(7,938,895)	38,580,669
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

As at 30 June 2021, the Company had accumulated tax losses amounting to Shs 28,491 million(2020: Shs 40,940 million).

NOTES (CONTINUED)

28. TRADE AND OTHER PAYABLES

(a) Non-current liabilities

	2021 Shs'000	2020 Shs'000
Capital contribution - on-going projects**	11,668,644	8,358,690
Customer deposits*	6,173,942	6,059,632
Capital contributions-projects not commenced	4,768,063	4,880,854
Deferred creditor (Fibre optic)	207,675	272,588
RES current account - capital (Note 36 (b) (iii))	262,022	237,634
Donor funded revolving fund	1,282,308	164,463
Electrification of health facilities	247,985	441,659
Sub-Station Installation-GOK Funded Account	1,425,000	1,425,000
Nuclear electricity project	11,900	11,917
Other payables	2,269,799	1,635,236
	28,317,338	23,487,673

*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

	2021 Shs'000	2020 Shs'000
KenGen (Note 36 (e))	24,700,501	24,008,924
Other suppliers' accounts	6,105,543	9,061,370
Other electricity suppliers	23,192,857	20,578,626
Other payables	13,658,743	11,762,904
RES current account - Last Mile Project (Note 36 (b) (iii))	2,491,066	3,824,511
RES – intercompany (Note 36 (b) (iii))	-	264,686
Rural Electrification Authority Levy** ((Note 36 (b) (iii)))	12,097,905	11,365,662
KEMP IDA grant***	334,920	-
Ketraco wheeling charge (Note 36 (f))	5,546,379	5,921,975
Ministry of Finance (Note 36 (b) (iii))	875,041	875,041
Prepaid revenue****	263,132	245,936
Street lighting project (Note 36 (b) (iii) and Note 37)	1,826,504	203,078
Energy Regulatory Levy	152,743	94,964
Aggreko	199,430	197,667
Deferred creditor (Fibre optic)	70,721	73,784
	91,515,485	88,479,128
Provision for impairment (Note 28 (c))	6,549	23,578
	91,522,034	88,502,706

NOTES (CONTINUED)

28. TRADE AND OTHER PAYABLES (Continued)

**The Rural Electrification Authority Levy relates to levy charge for period between January 2019 to June 2021 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 2021 was Shs 13,328,327,000 (2020: Shs 11,128,491,000) and Shs 12,993,427,000 (2020: Shs 11,179,926,000) 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.

(c) Movement in the provision for impairment for the Company guaranteed staff loans is as follows;

	2021 Shs'000	2020 Shs'000
At start of year	23,578	68,298
Decrease in provision	(17,029)	(44,720)
At end of year (Note 28 (b))	6,549	23,578

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.

	2021 Shs'000	2020 Shs'000
Balance on adoption of IFRS 16	-	1,302,014
Balance at start year	1,230,428	-
Additions for the year	223,501	176,454
Interest charge (Note 11(b))	145,469	152,489
Payment of interest	(145,469)	(152,489)
Payment of principal	(337,708)	(248,040)
	1,116,221	1,230,428

The carrying amount of the current portion is Shs 279,472,000 (2020: Shs 314,948,000) while the non-current portion is Shs 836,749,000 (2020: Shs 915,480,000).

The maturity analysis of undiscounted lease liabilities is disclosed in Note 6 (b).

NOTES (CONTINUED)
30. (a) BORROWINGS

	Currency	Interest rate	Start date	End date	2021 Shs'000	2020 Shs'000
Commercial borrowings						
Standard Chartered Bank Loan	USD	4.15% + Libor	19/06/2016	23/06/2026	25,715,485	29,360,236
Standard Chartered Bank Loan	Shs	CBR + 4%	17/06/2016	23/06/2023	6,072,000	9,108,000
Rand Merchant Bank Long-term Loan	USD	5.75% + Libor	30/06/2014	30/06/2021	-	2,485,523
Equity Bank USD Medium Term Loan	USD	4.5% + Libor	30/09/2014	30/09/2025	4,063,252	4,905,065
Stanbic Loan	Shs	1.5% + CBR	04/01/2020	14/09/2020	-	2,000,000
Rand Merchant Bank Medium Term Loan	USD	7.95%	26/09/2018	26/09/2025	5,662,125	6,835,187
NCBA Bank Kenya Plc	Shs	7% (ctb +2%)	09/10/2020	03/10/2032	6,750,000	-
Standard Chartered Bank Money Market Loan	Shs	12% (cbr+4%)	30/05/2021	30/05/2022	800,000	800,000
GOK/Agence Francaise De development	EUR	2.5% + Libor	18/01/2017	31/12/2030	-	1,201,400
					49,062,862	56,695,411
On-lent borrowings						
GOK/IDA Kenya Electricity Expansion Project	USD	3.00%	11/05/2011	01/03/2036	13,169,310	13,007,200
GOK/CHINA EXIM BANK (USD 109,414,646)	USD	3.00%	28/08/2014	28/08/2035	14,241,941	14,019,010
GOK/IDA 3958 & 4572 KE ESRP	USD	4.50%	28/06/2005	01/09/2030	9,489,074	9,372,266
GOK/NORDEA	EUR	3.00%	15/12/2014	15/09/2027	2,597,736	2,433,911
GOK/EIB 23324 KE ESRP	EUR	3.97%	10/10/2007	20/07/2026	2,211,089	2,071,649
GOK/Agence Francaise de Development	EUR	4.50%	23/05/2007	30/03/2026	1,356,242	1,270,712
GOK/ Nordic Development Fund 435 ESRP	EUR	4.50%	22/05/2007	15/09/2027	520,920	488,069
KPLC/AFD Revolving Fund Loan	EUR	2.70%	31/12/2014	31/07/2035	2,859,451	2,679,122
GOK/IDA 5587 KE LOAN	USD	2.00%	27/02/2016	15/11/2053	4,439,643	2,692,981
GOK/IDA 2966 KE loan	Shs	7.70%	30/06/2016	30/06/2023	188,349	188,349
GOK/AFD Transformer Densification	EUR	3.20%	31/12/2014	31/07/2035	914,041	856,398
Accrued interest (Note 35 (b))					5,939,630	4,186,515
					57,927,426	53,266,182
Total borrowings					106,990,288	109,961,593

NOTES (CONTINUED)

30. (a) BORROWINGS (Continued)

	2021 Shs'000	2020 Shs'000
Total borrowings	106,990,288	109,961,593
Less: amounts repayable within 12 months	(15,947,497)	(15,004,361)
Non-current	91,042,791	94,957,232

(b) Analysis of borrowings by currency

	Shs Shs' 000	USD Shs' 000	Euros Shs' 000	Total Shs' 000
2021				
Loans	19,749,980	76,780,830	10,459,478	106,990,288
2020				
Loans	23,118,051	75,842,282	11,001,260	109,961,593

(c) Maturity of borrowings

	2021 Shs'000	2020 Shs'000
Due within 1 year	15,947,497	15,004,361
Due between 1 and 2 years	11,955,465	15,218,333
Due between 2 and 5 years	33,589,922	32,310,132
Due after 5 years	45,497,404	47,428,767
	106,990,288	109,961,593

(d) 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	4,010,672	21,704,813	25,715,485
Standard Chartered Bank USD 150m loan	3,036,000	3,036,000	6,072,000
Rand Merchant Bank USD Medium Term Loan	1,258,250	4,403,875	5,662,125
	8,304,922	29,144,688	37,449,610

	Covenant requirement	As per the financial statements
For Standard Chartered Bank and Rand Merchant Bank		
Current assets (Shs'000)	-	49,634,944
Current liabilities (Shs'000)	-	116,114,111
Current ratio	1	0.43

NOTES (CONTINUED)

30. BORROWINGS (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 2021 which gave consent of extension of the breach from 30 June 2021 to 30 June 2022.

Through a letter from Standard Chartered Bank dated 28 June 2021, the lender communicated consent of extension of the breach from 30 June 2021 to 30 June 2022.

Through a letter from Rand Merchant Bank dated 30 June 2020, the lender communicated that the breach would be condoned from 30 June 2021 to 30 June 2022 while reserving the rights under the facility agreement.

31. PREFERENCE SHARES

	2021 Shs'000	2020 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 2021, the Company engaged the services of an actuary, Actuarial Services(East Africa) Limited. The Actuary "rolled forward" the results of the actuarial valuation as at 31 December 2019 to 30 June 2021.

NOTES (CONTINUED)

32. RETIREMENT BENEFIT ASSET (Continued)

The Company is exposed to the following actuarial risks:

(a) 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.

(b) 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.

(c) 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.

(d) 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:

	2021	2020
Discount rate	11.5%	13.0%
Expected rate of return on assets	11.5%	13.0%
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:

NOTES (CONTINUED)

32. RETIREMENT BENEFIT ASSET (Continued)

	2021 Shs'000	2020 Shs'000
Current service cost	166,521	179,011
Interest cost on defined benefit obligation	1,777,730	1,737,236
Interest income on plan assets	(2,307,207)	(2,378,443)
Interest on the effect of the asset ceiling	471,624	510,465
Adjustments for Previous Years Asset Values	(963)	-
Net expense recognised in profit or loss (Note 10)	107,705	48,269
Net actuarial gains	(310,669)	(158,232)
Return on plan assets (excluding amount in interest cost)	684,654	1,525,329
Changes in effect of asset ceiling (excluding amounts in interest cost)	(1,244,495)	(839,683)
Recognised in other comprehensive income	(870,510)	527,414
Total net actuarial (gains)/losses	(1,741,020)	1,054,828

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:

	2021 Shs'000	2020 Shs'000
Fair value of plan assets	18,581,632	18,535,455
Present value of funded defined benefit obligation	(14,436,497)	(14,380,254)
	4,145,135	4,155,201
Limit on defined benefit asset	(2,855,002)	(3,627,873)
Present value of funded defined benefit asset	1,290,133	527,328

The reconciliation of the amount included in the statement of financial position is as follows:

	2021 Shs'000	2020 Shs'000
Net asset at the start of the year	527,328	1,103,011
Net income recognised in profit or loss (Note 9(c))	(107,705)	(48,269)
Amount recognised in other comprehensive income	870,510	(527,414)
Present value of funded defined benefit asset	1,290,133	527,328

Movement in the present value of defined benefit funded obligations in the current year is as follows:

NOTES (CONTINUED)

32. RETIREMENT BENEFIT ASSET (Continued)

	2021 Shs'000	2020 Shs'000
At start of year	14,380,254	14,132,649
Current service cost	166,521	179,011
Interest cost on obligation	1,777,730	1,737,236
Actuarial loss	(310,669)	(158,232)
Benefits paid	(1,577,339)	(1,510,410)
At end of year	14,436,497	14,380,254
Movement in the fair value of defined benefit scheme assets is as follows;		
At start of year	(18,535,455)	(19,192,751)
Interest income on plan assets	(2,307,207)	(2,378,443)
Return on plan assets, excluding amount in interest income	684,654	1,525,329
Benefits paid	1,577,339	1,510,410
Prior year adjustments	(963)	-
At end of year	(18,581,632)	(18,535,455)

The fair value of the plan assets at the end of the reporting period for each category, are as follows:

	2021 Shs'000	2020 Shs'000
Property	7,305,455	7,365,747
Debt instruments	6,709,827	6,300,879
Equity instruments	3,339,405	3,609,567
Others	1,226,945	1,259,262
Total scheme assets	18,581,632	18,535,455

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 rate had decreased by 1% the result would have been Shs 987 million increase in retirement benefit asset (2020: Shs 865 million).

NOTES (CONTINUED)

33. PROVISIONS

This is estimated provision for monetary liability for employees' accrued annual leave entitlement and present value of employee gratuity benefits.

(a) Leave pay obligation

	2021 Shs'000	2020 Shs'000
At start of year	451,662	397,770
Decrease/(Increase) in provisions (Note 10)	(167,351)	53,892
At end of year	284,311	451,662

(b) Leave allowance provision

	2021 Shs'000	2020 Shs'000
At start of year	170,144	151,885
Increase in provisions (Note 10)	10,741	18,259
At end of year	180,885	170,144

(c) Gratuity provision

	2021 Shs'000	2020 Shs'000
Present value of the defined benefit obligation	356,247	412,751
Fair value of plan assets	-	-
Unrecognised past cost	-	-
Net liability at end of year	356,247	412,751

Movement in the present value of defined benefit funded obligations in the current year is as follows:

	2021 Shs'000	2020 Shs'000
Present value of the defined benefit obligation at start of year	412,751	263,676
Charge recognised in the profit or loss for the year (Note 10)	264,767	209,719
Benefits paid to the outgoing employees during the year	(66,846)	(60,644)
Actuarial gain on the obligation recognised in other comprehensive income	(254,425)	-
Present value of the defined obligation at end of year	356,247	412,751
Total provisions	821,443	1,034,557

NOTES (CONTINUED)

34. DIVIDENDS PAYABLE

	2021 Shs'000	2020 Shs'000
Dividends payable on ordinary shares	793,383	806,222

These relate to unclaimed dividends payable to different ordinary shareholders.

The movement in the dividend payable account is as follows:

	2021 Shs'000	2020 Shs'000
At start of year	806,222	811,045
Declared during the year	1,930	1,930
Paid during the year	(14,769)	(6,753)
At end of year	793,383	806,222

NOTES (CONTINUED)

35. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of operating profit to cash generated from operations

	2021 Shs'000	2020 Shs'000
Profit/(loss) before taxation	8,197,656	(7,042,014)
Depreciation of property and equipment (Note 16)	16,709,779	16,335,890
Impairment loss on Work in Progress (WIP) (Note 16)	205,561	-
Amortisation of intangible assets (Note 18)	1,151,128	1,222,635
Amortisation of leasehold land (Note 17)	25,728	25,731
Amortisation of ROU (Right-of-use) asset (Note 19)	331,808	285,237
Amortisation of capital contribution (Note 7 (b))	(4,769,069)	(5,517,821)
Loss on disposal of property and equipment (Note 35 (e))	773,805	956,068
Loss on disposal of ROU (Note 35 (e))	3,364	-
Finance income (Note 11 (a))	(162,862)	(123,188)
Finance costs (Note 11 (b))	8,907,256	12,362,124
Interest expense on lease liabilities (Note 11 (b))	145,469	152,489
Movement in provision for leave pay, gratuity and leave allowance (Note 33)	108,157	281,870
Movement in provisions for credit losses on short-term deposits (Note 22 (a))	205	(3,221)
Movement in provisions for credit losses on bank balances (Note 22 (b))	22,017	(8,459)
Movement in provisions for credit losses on trade and other receivables	331,968	3,279,367
Movement in provision for slow moving inventories (Note 20)	(188,853)	3,654,490
Retirement benefit plan credits (Note 9 (c))	107,705	48,269
Unrealised foreign exchange losses on cash and cash equivalents	(2,602)	(37,186)
Working capital changes:		
Inventories	(875,542)	1,349,038
Trade and other receivables	(4,097,786)	(7,493,914)
Deferred income	3,169,772	2,420,992
Trade and other payables	7,848,993	9,348,710
Cash generated from operations	37,943,657	31,497,107

NOTES (CONTINUED)

35. NOTES TO THE STATEMENT OF CASH FLOWS (Continued)

(b) Analysis of changes in borrowings

	2021 Shs'000	2020 Shs'000
At start of year	118,733,339	111,383,416
Proceeds	8,520,774	14,632,483
Repayments	(20,262,894)	(12,400,318)
Repayment of previous year's accrued interest	(4,186,515)	(3,051,089)
A Foreign exchange losses	1,841,169	3,982,332
Accrued interest (Note 30 (a))	5,939,630	4,186,515
At end of year	110,585,503	118,733,339

	2021 Shs'000	2020 Shs'000
Net debt reconciliation		
Cash and bank balances (Note 22 (b))	5,546,861	3,441,550
Short-term deposits (Note 22 (a))	460,060	442,741
Overdrafts (Note 22 (b))	(3,595,214)	(8,771,746)
Borrowings (Note 30)	(106,990,288)	(109,961,593)
Net debt	(104,578,581)	(114,849,048)
Net debt reconciliation		
Cash, bank balances and short-term deposits	6,006,921	3,884,291
Gross debt – fixed interest rates	(57,649,922)	(64,085,750)
Gross debt – variable interest rates	(52,935,580)	(54,647,589)
Net debt	(104,578,581)	(114,849,048)

(c) Analysis of cash and cash equivalents

	2021 Shs'000	2020 Shs'000
Short-term deposits (Note 22 (a))	466,784	449,260
Cash and bank balances (Note 22(b))	5,586,549	3,459,221
	6,053,333	3,908,481

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.

NOTES (CONTINUED)

35. NOTES TO THE STATEMENT OF CASH FLOWS (Continued)

(d) Analysis of interest paid

	2021 Shs'000	2020 Shs'000
Interest on loans (Note 11(b))	5,842,818	6,509,201
Overdraft interest (Note 11(b))	490,715	1,323,654
Interest on late payment invoices (Note 11 (b))	773,330	707,305
	7,106,863	8,540,160
Interest on loans capitalised	-	351,933
Accrued interest brought forward (Note 30 (a))	4,186,515	3,051,089
Accrued interest carried forward (Note 30 (a))	(5,939,630)	(4,186,515)
Interest paid	5,353,748	7,756,667

(e) Analysis of proceeds from disposal of property and equipment

	2021 Shs'000	2020 Shs'000
Proceeds from disposal of property and equipment	52,955	66,787
Less: disposed assets at net book value	(826,760)	(1,022,855)
Loss on disposal of property and equipment	(773,805)	(956,068)
Proceeds of retirement of right of use assets (ROU)		
Proceeds from retirement of ROU	-	-
Less: retired assets at net book value	3,364	-
Loss on retirement of ROU	(3,364)	-

(f) Analysis of dividends paid

	2021 Shs'000	2020 Shs'000
At start of year	806,222	811,045
Preference dividends - 4% and 7% cumulative preference shares	1,930	1,930
At end of year	(793,383)	(806,222)
Dividends paid	14,769	6,753

NOTES (CONTINUED)

35. NOTES TO THE STATEMENT OF CASH FLOWS (Continued)

(g) Analysis of interest received

	2021 Shs'000	2020 Shs'000
Interest received on bank and other deposits (Note 11 (a))	162,862	123,188
Accrued interest brought forward	4,654	2,404
Reversal of previous years' accrued interest	-	-
Accrued interest carried forward	(4,023)	(4,654)
Interest received	163,493	120,938

(h) Purchase of property and equipment

	2021 Shs'000	2020 Shs'000
Work in progress additions (Note 16)	18,187,585	16,961,308
Exchange loss on loans for on-going projects capitalised	(155,955)	(413,885)
Interest expense on loans capitalised (Note 35 (d))*	-	(351,933)
Property and equipment purchased	18,031,630	16,195,490

*The Company capitalises interest on qualifying projects quarterly at the average cost of debt of 5.28% (2020: 6.31%).

36. RELATED PARTY DISCLOSURES

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:

(i) Ministries:

	2021 Shs'000	2020 Shs'000
Electricity sales to Government Ministries	4,906,128	3,474,454
Electricity sales to strategic parastatals	1,974,920	1,998,679

NOTES (CONTINUED)

36. RELATED PARTY DISCLOSURES (Continued)

(ii) Outstanding balances at the year-end included in trade and other receivables:

	2021 Shs'000	2020 Shs'000
Receivable from Government of Kenya-RES recurrent losses (Note 21 (b))	18,738,621	16,563,693
RES – intercompany (Note 21 (b))	1,556,780	-
Receivable from Government of Kenya (Note 21 (b))	8,549	559,560
VAT recoverable (Note 21 (b))	851,028	819,446
Ministries	2,767,679	941,130
Strategic parastatals	442,126	639,188
Rural Electrification Authority current account (Note 21 (b))	248,564	248,564
Ministry of Energy and other sector entities	158,393	158,393
	24,771,740	19,929,974

(iii) Outstanding balances at the year-end included in trade and other payables:

	2021 Shs'000	2020 Shs'000
RES current account - Last Mile (Note 28 (b))	2,491,066	3,824,511
Rural Electrification Authority levy (Note 28 (b))	12,097,905	11,365,662
Ministry of Finance (Note 28 (b))	875,041	875,041
Government of Kenya - Street lighting project (Note 28 (b))	1,826,504	203,078
RES – intercompany (Note 28 (b))	-	264,686
RES – capital (Note 28 (a))	262,022	237,634
	17,552,538	16,770,612
Net amount owed by Government of Kenya	7,219,202	3,159,362

The tariffs applicable to Government institutions are the same as those charged to other ordinary customers.

(c) Staff

(i) Advances to staff included in trade and other receivables

	2021 Shs'000	2020 Shs'000
Advances to staff included in trade and other receivables	408,765	462,195

The Company advances loans to staff at an interest charge of 12% (2020: 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.

NOTES (CONTINUED)

36. RELATED PARTY DISCLOSURES (Continued)

(ii) Key management compensation

	2021 Shs'000	2020 Shs'000
Short-term employee benefits	6,753	5,699
Termination benefits	23,632	23,742
	30,385	29,441

Short-term employee benefits include those relating to the Managing Director and Chief Executive Officer who is also a Director which are disclosed below:

Fees for services as Director

	2021 Shs'000	2020 Shs'000
Non-Executive Directors (Note 12)	4,800	4,800
Other emoluments		
Salaries and other short-term employment benefits:		
Non-Executive Directors (Note 12)	26,022	26,294
Executive Directors and key management staff	30,385	29,441
	56,407	55,735
	61,207	60,535

(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).

NOTES (CONTINUED)

36. RELATED PARTY DISCLOSURES (Continued)

(e) KenGen

	2021 Shs'000	2020 Shs'000
Electricity purchases (before allocation to RES)	44,805,190	45,217,399
Amounts due to KenGen on electricity purchases (Note 28 (b))	24,700,501	24,008,924
Electricity sales	164,044	322,294
Amounts due from KenGen on account of electricity sales	44,789	273,731

(f) KETRACO

	2021 Shs'000	2020 Shs'000
KETRACO wheeling charge (Note 28(b))	5,546,379	5,921,975
Funding for assets		
KEEP/KETRACO 132KV Transmission lines	47,208	47,208
KEEP/KETRACO 132/33KV substations	44,996	44,996
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	684,759	667,343
	1,593,572	1,576,156

*These are local costs incurred by KPLC in the construction of Kisii Chemosit and Kamburu- Meru lines.

(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 157 million (2020: Shs 152 million). The outstanding balance to the retirement benefit scheme as at 30 June 2021 was Shs nil million (2020: Shs nil million).

The year-end outstanding balances with related parties are interest free and settlement occurs in cash.

NOTES (CONTINUED)

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 872,500,000 (2020: Shs 1,976,750,000)

The movement in the grant accounts in the current year is as follows:

	2021 Shs'000	2020 Shs'000
Connectivity		
At start of year	559,560	1,403,965
Disbursements received during the year	(685,000)	(1,096,750)
Utilised during the year	133,989	300,800
New connections during the year	-	(48,455)
At end of year	8,549	559,560
Street lighting		
At start of year	203,078	23,328
Disbursements received during the year	187,500	880,000
Utilised during the year	(390,578)	(700,250)
At end of year – Available funds	347,714	-
Committed funds	1,478,790	-
	1,826,504	203,078

The connectivity amount of Shs8 million (2020: Shs 559 million) receivable for connectivity projects has been disclosed under trade and other receivables, while Shs1,826million(2020: Shs 203million) 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.

	2021 Shs'000	2020 Shs'000
Authorised and contracted for	69,790,122	57,423,768
Less: amount incurred and included in work-in-progress	(20,255,439)	(22,694,246)
	49,534,683	34,729,522

NOTES (CONTINUED)

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 amount allegedly owed to them following cessation of their employment on diverse dates from 30th June 2001 to 19th March 2002;
- (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;
- (xiii) HCC No. 276 of 2006; This is a claim for trespass where the plaintiffs are seeking for compensation and removal of KPLC's electricity lines; and
- (xiv) ELRC 2575 of 2016; This is an employment dispute in which the plaintiffs are seeking compensation for unfair dismissal.

Other claims lodged against the Company relate to civil suits which have arisen in the normal course of business.

NOTES (CONTINUED)

40. FUTURE RENTAL COMMITMENTS UNDER OPERATING LEASES

As lessor:

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

	2021 Shs'000	2020 Shs'000
Not later than 1 year	113,323	74,908
Later than 1 year and not later than 5 years	343,994	350,083
More than 5 years	156,001	139,227
	613,318	564,218

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 2021 and 2020 were as follows:

	2021 Shs'000	2020 Shs'000
Balance at beginning of year	4,492	4,303
Amounts received during the year	-	-
Net interest income	41	189
Expenditure during the year	(4,533)	-
Balance at end of year	-	4,492

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 13,169,310,160 (US\$ 122,107,651) (2020: Shs 13,007,200,043 (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 2021 and 2020 were as follows:

NOTES (CONTINUED)

41. WORLD BANK FINANCING (Continued)

	2021 Shs'000	2020 Shs'000
At start of year	157,956	145,609
Amounts received during the year	302,039	254,152
Net interest income	6,160	4,822
Expenditure during the year	(315,331)	(246,627)
Balance at end of year	150,824	157,956

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 4,439,643,448 (US\$ 41,164,983) (2020: Shs 2,692,981,469 (US\$ 25,280,894) 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 2021 and 2020 were as follows:

	2021 Shs'000	2020 Shs'000
At start of year	136,310	468,752
Amounts received during year	592,526	123,492
Net interest income	4,743	7,282
Expenditure during year	(387,902)	(463,216)
Balance at end of year	345,677	136,310

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 2,211,088,957 (Euro 17,243,476) (2020: Shs 2,071,648,429 (Euro 17,243,476)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

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.

ANNEXURE 1: PROGRESS REPORT ON THE MATTERS RAISED IN THE 2020 AUDITOR-GENERAL REPORT

Matter in the 2020 Auditor-General Report	Status in 2021	Observation in 2021	Management Response
Material uncertainty relating to going concern	Not resolved	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. As at 30 June 2021, the Company's current liabilities exceeded current assets by KShs 67 billion (2020: KShs 75 billion). Currently, the Company depends on overdrafts and short-term bank borrowings to finance its operations.	Debt refinancing/restructure has been identified as one of turn around strategies which is being done. Procurement process for the refinancing is currently ongoing During the current financial year Ksh 6.7Billion worth of Overdraft was converted into a term loan. The balance of the overdraft has also gradually reduced with the increased revenue collection. The Company has also reduced its dependency on overdrafts
Capacity Charge on Power Purchase Agreements	Not resolved	Included under power purchase costs is KShs 49,237 million capacity charge regarding Power Purchase Agreements (PPAs). This comprises 51% of the total cost of sales and this may not be sustainable.	<ul style="list-style-type: none"> Management has put in place modalities to have future PPAs on 'Take and Pay' model and not the current 'Take or Pay' going forward. The Energy Act provides for the Energy auction model and upon operationalization this will be implemented for future energy supply. The Presidential Task Force on review of PPAs established in March 2021 is expected to propose recommendations on the best way to renegotiate PPAs with a view to reviewing among other issues the "Capacity Charges" Management aims to implement the relevant recommendations of the Task Force to address the capacity charges. <p>For all pipeline and new PPAs the management is developing a new template that will guide on the negotiations of the tariffs to ensure that they are reasonable and do not exert unnecessary burden to KPLC and consumers.</p>

Matter in the 2020 Auditor-General Report	Status in 2021	Observation in 2021	Management Response
System inefficiency	Not resolved	<p>During the year ended 30 June 2021, the company reported 76.05% system efficiency resulting to system losses of 23.95%.</p> <p>The industry regulator, Energy and Petroleum Regulatory Authority (EPRA) has currently approved for the Company to recover from consumers' system losses up to a limit of 19.9%.</p> <p>For each 1% loss, the entity incurs a loss of approximately KShs 800 million. This translates to total estimated loss of KShs 3.2 billion loss for the year ended 30 June 2021.</p>	<p>Main Strategic initiatives are; Installation of Energy accounting meters already complete at regional level. Installation of border meters between counties ongoing.</p> <p>Progression of ongoing data clean up campaigns to completion.</p> <p>SMART metering remains a major focus in addressing commercial losses. We are at the tail end of the retrofitting of 55,000 meters. Within this FY we are bringing in 50,000 meters for retrofits/new customers.</p> <p>Scaling up of the recently launched field campaign dubbed the 'War on Losses' focusing on prepaid non-vending issues (i.e non-vends and zero vends) and billing issues (i.e quality of meter reading) besides scheduled inspections of SMEs and large power.</p>
Non-compliance with Unclaimed Financial Assets Act, 2011	Not resolved	<p>The Unclaimed Financial Assets Act, 2011 specifies in section 19 that it is the duty of holder of presumed abandoned assets, to locate and notify owners of assets. The Company is required to make a report certified by the CEO concerning the assets presumed abandoned as at 30 June and shall be filed on or before 1st November to Unclaimed Financial Assets Authority (UFAA) of the same year.</p> <p>As at 30 June 2021, total unremitted qualifying assets totalled KShs 691 million (2020: KShs 1,292 million). The Company made efforts to comply with the Act by making four remittances to UFAA in the financial year ended 30 June 2021.</p>	<p>Capacity has been enhanced at regional level, reconciliations are currently being done on a monthly basis and the schedules of presumed abandoned assets remitted to UFAA on a quarterly basis.</p>

Matter in the 2020 Auditor-General Report	Status in 2021	Observation in 2021	Management Response																		
Non-compliance with Capital Markets Authority (CMA) Listing Rules	Not resolved	<p>The CMA has set out regulations for listed companies.</p> <p>The Company, which is listed on the Main Investment Market Segment, was non-compliant with the First Schedule of the Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations, 2002 (Amended 2016) with respect to the following requirements:</p> <ol style="list-style-type: none"> The issuer should not be insolvent and should have adequate working capital: <p>As at 30 June 2021, the Company's current liabilities exceeded its current assets by KShs 67 billion (2020: KShs 75 billion) which indicates that the Company is commercially insolvent.</p> <ol style="list-style-type: none"> The Issuer must have prepared financial statements for the latest accounting period on a going concern basis and the audit report must not contain any emphasis of matter or qualification in this regard. <p>Refer to the audit opinion in the financial statements which includes an emphasis of matter on material uncertainty relating to going concern.</p> <ol style="list-style-type: none"> The issuer must not be in breach of any of its loan covenants particularly in regard to the maximum debt capacity: The Company was in breach of debt covenants as it has a current ratio of 0.42 compared to the expected current ratio of 1. 	<p>The Company is implementing its financial recovery initiative that focuses on the key areas of; system efficiency, sales growth, revenue collection, cost management and customer experience. It is also leveraging on the support from the Government as highlighted in the National Treasury task force report on the "Financial position of KPLC and its implications to the electricity sector".</p> <p>Some of the key achievements are as highlighted below Include as a table with quantified achievements</p> <table border="1" data-bbox="521 118 969 653"> <thead> <tr> <th>Focus area / Recommendation</th> <th>Amount</th> <th>Impact</th> </tr> </thead> <tbody> <tr> <td>Moratorium on repayment of on-lent loans</td> <td>Ksh 5.7 B</td> <td>Improved cash flow and working capital</td> </tr> <tr> <td>Reimbursement of RES operations and Maintenance deficit to KPLC</td> <td>Ksh 2.5B</td> <td></td> </tr> <tr> <td>Enhanced revenue collection</td> <td>Ksh 11 B</td> <td></td> </tr> <tr> <td>Refinancing of KPLC commercial debt</td> <td>Ksh 6.75 B</td> <td>Overdraft conversion, lower interest</td> </tr> <tr> <td>Increased revenue</td> <td>Kshs 10 B</td> <td>Higher PBT</td> </tr> </tbody> </table> <p>So far, a reduction in the negative working capital of Kshs 7.6 billion has been realized and the continued focus on these key areas is expected to further improve the working capital position.</p>	Focus area / Recommendation	Amount	Impact	Moratorium on repayment of on-lent loans	Ksh 5.7 B	Improved cash flow and working capital	Reimbursement of RES operations and Maintenance deficit to KPLC	Ksh 2.5B		Enhanced revenue collection	Ksh 11 B		Refinancing of KPLC commercial debt	Ksh 6.75 B	Overdraft conversion, lower interest	Increased revenue	Kshs 10 B	Higher PBT
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Matter in the 2020 Auditor-General Report	Status in 2021	Observation in 2021	Management Response																		
Long outstanding accounts receivable	Not resolved	<p>From our review of the trade receivables, we noted balances in the Non-commercial receivables account as at 30 June 2021 that have been outstanding for more than 150 days. See the summary below:</p> <table border="1" data-bbox="310 654 713 1290"> <thead> <tr> <th>Customer</th> <th>Customer Name</th> <th>More than 150 days KShs</th> </tr> </thead> <tbody> <tr> <td>102002</td> <td>RURAL ELECTRIFICATION</td> <td>269,406,511</td> </tr> <tr> <td>102257</td> <td>KENYA NATIONAL HIGHWAYS AUTHORITY</td> <td>89,608,620</td> </tr> <tr> <td>101778</td> <td>LION CABLE TELEVISION</td> <td>23,063,200</td> </tr> <tr> <td>101956</td> <td>KENYA BROADCASTING CORPORATION</td> <td>19,330,937</td> </tr> <tr> <td>102326</td> <td>TBEA COMPANY LIMITED</td> <td>17,052,000</td> </tr> </tbody> </table>	Customer	Customer Name	More than 150 days KShs	102002	RURAL ELECTRIFICATION	269,406,511	102257	KENYA NATIONAL HIGHWAYS AUTHORITY	89,608,620	101778	LION CABLE TELEVISION	23,063,200	101956	KENYA BROADCASTING CORPORATION	19,330,937	102326	TBEA COMPANY LIMITED	17,052,000	<p>RERC-relates to intercompany materials borrowing between RERC and Kenya Power that are yet to be paid for or returned back. The account is currently outstanding in favor of Kenya Power.</p> <p>KENHA-relates to unpaid amounts for schemes to reallocate electricity supply lines for upgrading of Kibwezi – Mutomo – Kitui – Kabato - Migwani (A9/B64) road.</p> <p>Lion Cable-relates to amount outstanding with Lion Cables for lease of power distribution network for broadband infrastructure and power consumption of PSU's.</p> <p>Kenya Broadcasting Corporation- payments due from KBC for leased KPLC sites for hosting communication equipment.</p> <p>TBEA-Amount outstanding from TBEA for lease of KPLC vacant temporary sites.</p> <p>The Company is in touch with each of these debtors and it is expected that the accounts will be settled by 31.12.2021</p>
Customer	Customer Name	More than 150 days KShs																			
102002	RURAL ELECTRIFICATION	269,406,511																			
102257	KENYA NATIONAL HIGHWAYS AUTHORITY	89,608,620																			
101778	LION CABLE TELEVISION	23,063,200																			
101956	KENYA BROADCASTING CORPORATION	19,330,937																			
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Long outstanding trade payables	Not resolved	<p>There are long outstanding accounts payable balances that have not been subsequently settled.</p> <p>Specific examples:</p> <table border="1" data-bbox="869 654 1143 1290"> <thead> <tr> <th>GL Code</th> <th>Account name</th> <th>2021 KShs</th> <th>2020 KShs</th> </tr> </thead> <tbody> <tr> <td>220304</td> <td>Unclaimed Preference Dividends 7.85%</td> <td>875,041,074</td> <td>875,041,074</td> </tr> <tr> <td>220533</td> <td>ICS Work Request Payments Post Conversion</td> <td>350,334,243</td> <td>350,334,243</td> </tr> <tr> <td>230119</td> <td>AFD/REA Revolving Fund Loan Account</td> <td>154,350,000</td> <td>154,350,000</td> </tr> </tbody> </table>	GL Code	Account name	2021 KShs	2020 KShs	220304	Unclaimed Preference Dividends 7.85%	875,041,074	875,041,074	220533	ICS Work Request Payments Post Conversion	350,334,243	350,334,243	230119	AFD/REA Revolving Fund Loan Account	154,350,000	154,350,000			
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Matter in the 2020 Auditor-General Report	Status in 2021	Observation in 2021	Management Response
Weaknesses in Information Technology (IT) Systems	Not resolved	<p>The following IT issues have recurred in current year:</p> <ul style="list-style-type: none"> Lack of regular review of ICT Policies Testing of SAP system changes Monitoring of SAP and INCMS system changes Generic accounts within the applications Lack of documented and formally approved user/role matrix 	<p>The ICT Policy, ICT Security Policy and the Business Impact Analysis Policy have been developed and reviewed by Management. These policies are sign off by the MD & CEO.</p> <p>User Acceptance Testing for all systems is documented and Change Management is as per the Information Technology Infrastructure Library (ITIL) standard. Any changes in any system are subjected to processes which are documented including Request for Change (RFC). The Change Advisory Board (CAB) reviews and approves all changes including Post Implementation Reviews (PIR).</p> <p>A Change Advisory Board (CAB) incorporating all systems and key stakeholders reviews, approves and schedules system changes. Post Implementation Reviews (PIR) are thereafter presented to the CAB for review and approval. Each step has specific forms for documentation purposes. SAP and InCMS System Changes are incorporated in this process.</p> <p>Documentation for Generic Accounts has been conducted. The formal sign-off by the Business Owners is ongoing. Generic accounts are monitored through TRIGGER tables and through the account review processes.</p> <p>The Roles matrices for SAP and ITRON have been documented and provided to the Business Owners for review and signoff.</p> <p>Development of Role Matrix for InCMS is complete and documentation. It will be provided to the Business Owners under development and will be completed shortly.</p>

Matter in the 2020 Auditor-General Report	Status in 2021	Observation in 2021	Management Response
Other matter_ unresolved prior year matter in relation to choice of procurement method.	Not resolved	The issue has remained unresolved.	<p>On 1.07.20, KPLC wrote to Solicitor General (SG) seeking guidance on the processing of the outstanding amount of Ksh. 408, 477,786.19.</p> <p>On 7.09.20, the SG responded to KPLC's letter seeking further information & documentation to facilitate issuance of comprehensive advisory. KPLC responded to the issues raised by SG and submitted the bundle of documents to SG.</p> <p>Vide a letter dated 15.01.21 from SG to EACC (copied to KPLC), the SG sought guidance from EACC as to whether payment of the claimed amounts by KPLC to the local firm in question would prejudice the outcome of investigations. As the matter stands, the SG is yet to respond and the matter is pending investigations.</p>

STATISTICAL INFORMATION

TABLE 1 : TEN YEAR FINANCIAL AND STATISTICAL RECORDS

For year ended	30th June 2012	30th June 2013	30th June 2014	30th June 2015	30th June 2016	30th June 2017	30th June 2018 (Re-stated)	30th June 2019	30th June 2020	30th June 2021
UNITS SOLD (GWh)	6,001	6,175	6,790	7,130	7,385	7,717	7,905	8,173	8,171	8,571
Average yield of units sold (cents)	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	1,681.48
	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	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	144,119,605
Operating Profit	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	17,084,918
TAXATION (CHARGE)/ CREDIT	(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	(6,707,968)
NET PROFIT AFTER TAXATION										
BEFORE FINANCE INCOME/COSTS	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	10,376,950
Finance Income	489,182	111,546	104,208	1,380,968	964,957	46,004	100,000	117,900	123,188	162,862
Finance Costs	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)	(9,050,124)

For year ended	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	30th June 2021
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	4,617,116	3,445,717	6,994,487	7,431,957	7,196,563	5,280,425	3,268,626	261,553	(939,482)	1,489,688
ORDINARY DIVIDENDS (gross)	(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)	787,454
RETAINED PROFIT FOR THE YEAR	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)	2,277,142
FUNDS GENERATED FROM OPERATIONS										
Profit/(Loss) for the year after dividends	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)	2,277,142
Depreciation	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	18,218,443
	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	20,495,585
CAPITAL EMPLOYED										
Fixed Assets less depreciation	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	277,305,389
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	1,480,429
Leases hold land	131,709	131,653	131,598	131,543	868,519	868,463	813,423	883,126	667,014	641,286
Investment	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	3,168,077
Net current assets/(Liabilities)	(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)	(66,479,167)
	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	216,116,014

For year ended	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	30th June 2021
FINANCED BY:										
Ordinary shareholders' equity	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	57,173,941
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	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	11,187,465
Loan capital	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	91,042,791
Deferred taxation	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	27,514,730
Non current liability	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	29,154,087
	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	216,116,014
CAPITAL EXPENDITURE	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	18,661,904
Average cost of units sold (cents)	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	1,564.35
Profit for the year before taxation as a percentage of average capital employed	7.47%	6.15%	8.67%	6.99%	7.07%	5.41%	5.27%	4.95%	2.56%	7.91%
ORDINARY DIVIDENDS RATES	20%	0%	20%	20%	20%	20%	0%	0%	0%	0%
Earnings per share	2.36	1.76	3.58	3.81	3.69	2.71	1.67	0.13	(0.48)	0.76
Customers/employees ratio	199	223	260	333	439	615	615	643	723	814
Sales (KWh) per employee	584,374	590,922	641,076	657,446	663,343	682,800	719,094	743,473	779,750	842,193

TABLE 2 : POWER SYSTEM OPERATION STATISTICS FOR 5 YEARS

COMPANY	Capacity (MW) as at 30.06.2021		Energy Purchased GWh					
	Installed	Effective1 / Contracted 2	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
KenGen								
Hydro:								
Gitaru	225.0	216.0	862	775	724	869	879	884
Kamburu	94.2	90.0	434	384	321	399	350	443
Kiambere	168.0	164.0	996	938	751	1,026	905	977
Kindaruma	72.0	70.5	208	183	179	193	203	184
Masinga	41.2	40.0	127	169	107	199	48	176
Tana	25.7	20.0	109	71	96	96	133	123
Turkwel	106.0	105.0	426	402	458	545	426	715
Sondu Miriu	60.7	60.0	419	282	388	258	509	431
Sang'oro	21.2	20.0	140	90	129	82	166	144
Small Hydros	11.7	11.2	63	44	33	42	19	16
Hydro Total	826	797	3,784	3,339	3,186	3,707	3,636	4,091
Thermal:								
Kipevu Diesel Power I	73.5	60.0	129	211	238	197	80	55
Kipevu Diesel Power III	120.0	115.0	181	512	584	490	162	147
Muhoroni GT	60.0	56.0	1	108	65	67	37	43
Garissa & Lamu	0.0	0.0	12	0	0	0	0	0
Garissa Temporary Plant (Aggreko)	0.0	0.0	19	0	0	0	0	0
Thermal Total	254	231	342	832	888	754	279	245
Geothermal:								
Olkaria I (Units 1,2&3)	45.0	44.0	331	195	247	285	291	70
Olkaria II	104.5	101.0	814	791	832	796	583	500
Eburru Hill	2.4	2.1	10	0	6	10	7	8
OW37, OW 37 kwg 12, OW 37 kwg 13 and OW 39 Olkaria Mobile Well-heads2	22.0	17.5	16	89	127	129	118	101
OW905,OW914 ,OW915 and OW 919 Olkaria Mobile Wellheads3	52.5	42.5	266	309	325	297	285	231
Olkaria IV	149.9	140.0	976	852	1,132	1,095	1,006	960
Olkaria I AU (Units 4&5)	150.5	140.0	1055	968	1,133	1,069	985	861
Olkaria V	172.3	158.0					945	1,268
Geothermal Total	713	655	3,542	3,279	3,868	3,747	4,276	4,053
Wind								
Ngong	25.5	25.5	56.7	63.2	47.5	67.4	46.6	53.6
KenGen Total	1,818	1,708	7,725	7,513	7,989	8,276	8,237	8,443
Government of Kenya (Rural Electrification Programme)								
Off-grid Diesel	31.5	21.3	39.9	40.8	46.9	57.6	60.1	65

COMPANY	Capacity (MW) as at 30.06.2021		Energy Purchased GWh					
	Installed	Effective1 / Contracted 2	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Off-grid Wind	0.6	0.0	0.79	0.54	0.12	0.06	0.33	0.00
Total Offgrid	34	23	41	41	47	58	60	65
Independent Power Producers (IPP) - Thermal & Geothermal								
Thermal:								
Iberafrica Diesel	52.5	52.5	128	252	186	74	55	45
Rabai Power	90.0	88.6	536	606	562	120	252	266
Tsavo	74.0	74.0	39	121	196	131	152	183
Thika Power	87.0	87.0	70	168	215	107	50	93
Gulf Power	80.3	80.3	8	61	80	37	18	21
Triumph Diesel	83.0	83.0	81.8	83	28	16	15	22
Thermal Total	467	465	864	1,292	1,268	486	543	630
Geothermal:								
OrPower 4 -Geothermal (1st plant)	63.8	63.8	432	420	444	536	460	390
OrPower 4 -Geothermal (2nd plant)	39.6	39.6	336	342	328	337	277	269
OrPower 4 -Geothermal (3rd plant)	17.6	17.6	170	163	169	165	136	128
Geothermal Total	150	150	1,067	1,172	1,185	1,285	1,076	981
Wind								
Lake Turkana Wind Power	310.0	300.0				1,124	1,237	1,559
Kipeto Energy PLC	100.0	100.0						87.6
Wind Total	410	400	0	0	0	1,124	1,237	1,647
Small Hydro:								
Imenti Tea Factory	0.3	0.3	0.7	0.3	0.6	0.3	1.0	0.4
Gikira small hydro	0.514	0.514	1.9	0.9	1.4	1.1	1.8	1.8
Regen-Terem	5.0	5.0		1	18	20	32	21.6
Chania Power Co- KTDA	0.5	0.5			17	12	21	1.0
Gura KTDA	2.0	2.0			0.8	0.3	1.1	11.3
KTDA Metumi (North Mathioya)	3.6	3.6						13.8
Kianthumbi Small hydro	0.51	0.51						0.4
Small Hydro Total	12.4	12.4	2.6	1.9	37.8	33.6	56.6	50.3
Cogeneration:								
Mumias - Cogeneration					4	0.0	0.0	0.0
Biojoule Kenya Limited	2.0	2.0	0.3	0.7	0.4	0.3	0.3	0.3
Cogeneration Total	2.0	2.0	0.3	0.7	4.0	0.3	0.3	0.3
Solar:								
Strathmore	0.3	0.3			0.02	0.15	0.14	0.1
Selenkei Solar Farm	40.0	40.0						1.5
Solar Total	40.3	40.3	0.0	0.0	0.0	0.2	0.1	1.6

COMPANY	Capacity (MW) as at 30.06.2021		Energy Purchased GWh					
	Installed	Effective1 / Contracted 2	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Emergency Power Producers(EPP)								
Aggreko Power	0	0.0	50	0	0	0	0	0
EPP Total	0	0	50	0	0	0	0	0
REA Garissa Solar Plant								
REA Garissa	50.0	50.0				60	91	86.1
REA Garissa Total	50	50	0	0	0	60	91	86
Imports								
UETCL			65	180	168	168	156	192.1
TANESCO			0.0	0.0	0.0	0.0	0.0	0.0
EEU (MOYALE)			2.6	3.4	3.0	1.8	4.5	4.8
Total Imports			67	184	171	170	161	197
SYSTEM TOTAL	2,984	2,852	9,817	10,204	10,702	11,493	11,462	12,101
SUMMARY OF KEY STATISTICS								
SALES - KPLC System (GWh)			7,330	7,701	7,881	8,147	8,154	8,553
- REP System (GWh)			537	549	554	595	602	632
- Export to Tanesco (GWh)			2	2	2	0.01	0.00	0.00
TOTAL SALES (GWh)			7,912	8,272	8,459	8,769	8,773	9,203
System Losses (GWh) ⁴			1,905	1,932	2,244	2,724	2,689	2,898.05
System Peak Demand (MW) ⁵			1,586	1,656	1,802	1,882	1,926	1,993.5
System Load Factor			70.6%	70.3%	67.8%	69.7%	67.9%	69.3%
Sales % of Energy Purchased			80.6%	81.1%	79.0%	76.3%	76.5%	76.1%
Losses as % of Energy Purchased			19.4%	18.9%	21.0%	23.7%	23.46%	23.95%
Annual Growth:			5.8%	3.9%	4.9%	7.4%	-0.3%	5.6%
- Energy Purchased								
- Total Sales			3.3%	4.5%	2.3%	3.7%	0.0%	4.9%
- KPLC Sales			3.4%	5.1%	2.3%	3.4%	0.1%	4.9%
- REP Sales			2.3%	2.2%	1.0%	7.4%	1.1%	5.0%
- System Peak Demand			4.9%	4.4%	8.8%	4.4%	2.3%	3.5%

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 3: ENERGY PURCHASED COST ANALYSIS
I. KENGEN PLANTS
FY 2020-2021

No.	KENGEN PLANTS	Capacity (MW)	Energy Purchased	Non- Fuel	Fuel Cost	Total Charges	Utilization Factor at Dispatch	Contractual Capacity Factor
			GWh	Shs. 000	Shs. 000	Shs. 000	%	%
Geothermal								
1	Olkaria II	105.0	500	1,815,979	-	1,815,979	0.00%	94.00%
2	Olkaria I (units 4 & 5)	140.0	861	5,840,637	-	5,840,637	0.00%	94.00%
3	Olkaria IV	140.0	960	6,872,421	-	6,872,421	0.00%	94.00%
4	Olkaria V	165.0	1,268	8,880,013	-	8,880,013	0.00%	90.00%
5	Eburru	2.4	8	71,602	-	71,602	0.00%	
6	Olkaria I (Old)	45.0	70	426,526	-	426,526	0.00%	
7	Well Head (OW37, 43, 914)	80.6	387	3,574,191	-	3,574,191	0.00%	
Hydros								
9	Small Hydros & Wind	16.8	30	243,105	-	243,105	0.00%	
10	Sangoro Hydro	21.0	144	966,818	-	966,818	0.00%	
Thermal								
11	Kipevu I Diesel	60.0	55	668,972	617,191	1,286,163	0.00%	85.00%
12	Kipevu III Diesel	120.0	147	2,453,139	1,616,335	4,069,474	0.00%	85.00%
13	Muhoroni GT	56.0	43	489,751	1,429,470	1,919,220	0.00%	85.00%
Wind								
15	Ngong II (13.6 + 6.8 MW)	20.4	39	391,531	-	391,531	0.00%	
	Total	1,757.9	8,443	41,142,194	3,662,996	44,805,190		

FY 2019-2020

No.	KENGEN PLANTS PPAS	Capacity (MW)	Energy Purchased	Non- Fuel	Fuel Cost	Total Cost	Utilization Factor at Dispatch	Contractual Capacity Factor
			GWh	Shs. 000	Shs. 000	Shs. 000	%	%
Geothermal								
1	Olkaria II	105.0	583	2,804,666	-	2,804,666	0.00%	94.0%
2	Olkaria I (units 4 & 5)	140.0	985	6,807,347	-	6,807,347	0.00%	94.0%
3	Olkaria IV	140.0	1,006	7,258,193	-	7,258,193	0.00%	94.0%

No.	KENGEN PLANTS PPAS	Capacity (MW)	Energy Purchased	Non- Fuel	Fuel Cost	Total Cost	Utilization Factor at Dispatch	Contractual Capacity Factor
			GWh	Shs. 000	Shs. 000	Shs. 000	%	%
5	Eburru	2.4	7	64,408	-	64,408	0.00%	
6	Olkaria I (Old)	45.0	291	707,918	-	707,918	0.00%	
7	Well Head (OW37, 43, 914)	80.6	458	4,145,824	-	4,145,824	0.00%	
Hydros								
8	Major Hydros	785.2	3,452	8,236,884	-	8,236,884	0.00%	90.0%
9	Small Hydros & Wind	16.8	31	270,928	-	270,928	0.00%	
10	Sangoro Hydro	21.0	166	1,095,428	-	1,095,428	0.00%	
Thermal								
12	Kipevu III Diesel	120.0	162	2,441,914	1,911,277	4,353,192	0.00%	85.0%
13	Muhoroni GT	56.0	37	833,663	1,281,815	2,115,478	0.00%	85.0%
Wind								
15	Ngong II (13.6 + 6.8 MW)	20.4	34	313,508	-	313,508	0.00%	
	Total	1757.9	8,237	41,017,077	4,145,435	45,162,512		

II. INDEPENDENT POWER PRODUCERS FY 2020-2021

No.	IPP	Installed Capacity	Energy Purchased	Non-Fuel Cost	Fuel Cost	Total Cost	Utilization Factor at Dispatch	Contractual Capacity Factor
		MW	GWh	Shs. 000	Shs. 000	Shs. 000	%	%
1	Lake Turkana Wind Power	300.00	1,559	17,337,239	-	17,337,239		
2	OrPower 4 Inc.	150.00	981	11,895,495	-	11,895,495	75%	96%
3	Rabai Power Limited	88.60	266	2,948,796	2,386,223	5,335,019	34%	85%
4	Triumph Power Generating Company Limited	83.00	22	2,621,272	241,953	2,863,225	3%	85%
5	Tsavo Power Company Limited	74.00	183	2,478,619	1,604,704	4,083,323	28%	85%

No.	IPP	Installed Capacity	Energy Purchased	Non-Fuel Cost	Fuel Cost	Total Cost	Utilization Factor at Dispatch	Contractual Capacity Factor
		MW	GWh	Shs. 000	Shs. 000	Shs. 000	%	%
7	Gulf Power Limited	80.32	21	2,207,283	294,349	2,501,632	3%	85%
8	Uganda Electricity Transmission Company Limited	-	192	2,095,162	-	2,095,162		
9	Iberafrica Power (E.A.) Company Limited	52.50	45	1,765,089	504,868	2,269,957	10%	85%
10	Kipeto Energy Plc	100.00	88	1,137,969	-	1,137,969		
11	Garissa Solar Power Plant	50.00	86	515,181	-	515,181		
12	Regen-Terem	5.00	22	223,630	-	223,630		
13	Metumi Power Plant	3.60	14	118,221	-	118,221		
14	Ethiopia Electric Utility	-	5	108,912	-	108,912		
15	Gura	2.00	11	97,832	-	97,832		
16	Power Technology Solutions Limited	0.51	2	19,221	-	19,221		
17	Selenkei Solar Farm	40.00	1	14,473	-	14,473		
18	Chania Power Limited	0.50	1	10,535	-	10,535		
19	Hydro Project Services Peters	0.51	-	4,098	-	4,098		
20	Biojoule Kenya Limited	2.00	-	3,599	-	3,599		
21	Imenti Tea Factory	0.28	-	2,741	-	2,741		
22	Strathmore University	0.25	-	1,195	-	1,195		
23	Mumias Sugar Company	-	-	-	-	-		

No.	IPP	Installed Capacity	Energy Purchased	Non-Fuel Cost	Fuel Cost	Total Cost	Utilization Factor at Dispatch	Contractual Capacity Factor
		MW	GWh	Shs. 000	Shs. 000	Shs. 000	%	%
25	Others	-	1	-	-	-		
26	Offgrid power stations	-	65	-	2,287,744	2,287,744		
	TOTAL	1120.08	3,658	48,001,321	8,343,848	56,345,169		

FY 2019-2020

No.	IPP	Installed Capacity	Energy Purchased	Non-Fuel Cost	Fuel Cost	Total Cost	Utilization Factor at Dispatch	Contractual Capacity Factor
		MW	GWh	Shs. 000	Shs. 000	Shs. 000	%	%
1	Lake Turkana Wind Power	300.00	1,238	12,241,957	-	12,241,957		
2	Or Power 4 Inc.	150.00	1,076	12,462,373	-	12,462,373	96%	82%
3	Rabai Power Limited	88.60	252	2,626,167	2,191,772.00	4,817,939	85%	32%
4	Triumph Power Generating Company Limited	83.00	15	2,403,840	192,287.00	2,596,127	85%	2%
6	Thika Power Limited	87.00	50	2,076,340	654,770.00	2,731,110	85%	7%
7	Gulf Power Limited	80.32	18	1,949,688	238,318.00	2,188,006	85%	3%
8	Uganda Electricity Transmission Company Limited	0.00	156	1,923,341	-	1,923,341	-	-
9	Iberafrica Power (E.A.) Company Limited	52.50	55	1,929,822	682,433.00	2,612,255	85%	12%
10	Kipeto Energy Plc	100.00	-	-	-	-	-	-
11	Garissa Solar Power Plant	50.00	91	535,624	-	535,624	-	-
12	Regen-Terem	5.00	32	311,883	-	311,883	-	-
13	Metumi Power Plant	3.60	-	-	-	-	-	-
14	Ethiopia Electric Utility	0.00	5	35,847	-	35,847	-	-
15	Gura	2.00	21	177,082	-	177,082	-	-
16	Power Technology Solutions Limited	0.51	2	18,361	-	18,361	-	-

No.	IPP	Installed Capacity	Energy Purchased	Non-Fuel Cost	Fuel Cost	Total Cost	Utilization Factor at Dispatch	Contractual Capacity Factor
		MW	GWh	Shs. 000	Shs. 000	Shs. 000	%	%
18	Chania Power Limited	0.50	1	12,316	-	12,316	-	-
19	Hydro Project Services Peters	0.51	0	-	-	-	-	-
20	Biojoule Kenya Limited	2.00	0	3,105	-	3,105	-	-
21	Imenti Tea Factory	0.28	1	6,668	-	6,668	-	-
23	Mumias Sugar Company	0.00	0	21,931	-	21,931	-	-
24	Tanzania Electric Supply Company Limited	-	0	9	-	9	-	-
25	Others	-	0	-	-	-	-	-
26	Off-grid power stations	-	60	-	2,114,909	2,114,909	-	-
	TOTAL	1,120.00	3,225	41,063,962	7,731,474	48,795,436		

TABLE 4: REGIONAL MAXIMUM DEMAND (MW)

REGION	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Nairobi	842	831	882	913	905	993
Coast	315	323	344	340	337	382
West Kenya	364	391	414	446	445	456
Mt. Kenya	177	171	167	185	263	251
TOTAL SYSTEM (SIMULTANEOUS)	1,586	1,656	1,802	1,882	1,926	1,994
% INCREASE P.A.	4.9%	4.4%	8.8%	4.4%	2.3%	3.5%

TABLE 5: KPLC SALES BY CUSTOMER CATEGORY IN GWh

CUSTOMER CATEGORY	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Domestic-DC	2,007	2,138	2,335	2,366	2,508	2,630
Small Commercial-SC	1,153	1,201	1,222	1,250	1,262	1,326
Commercial and Industrial-CI	4,104	4,266	4,225	4,462	4,308	4,514
Off-peak (Interruptible)-IT***	26	41	33	N/A	N/A	N/A
Street lighting-SL	40	55	66	68	76	84
TOTAL	7,330	7,701	7,881	8,147	8,154	8,553
% INCREASE P.A.	3.4%	5.1%	2.3%	3.4%	0.1%	4.9%

***IT Tariff category no longer exists under the new tariff structure

TABLE 6: TOTAL UNIT SALES BY REGION IN GWh

REGION	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Nairobi	3,691	3,913	3,831	3,896	3,901	4,009
Coast	1,338	1,389	1,435	1,477	1,464	1,573
Central Rift	569	596	650	689	680	722
North Rift	280	269	303	288	302	317
South Nyanza	48	86	88	104	123	127
West Kenya	320	313	361	376	376	395
Mt Kenya	413	431	437	456	439	496
North Eastern	671	704	776	862	869	914
KPLC Sales	7,330	7,701	7,881	8,147	8,154	8,553
R.E.P. Schemes	537	549	554	595	602	632
Export Sales	45	22	23	27	18	17
TOTAL	7,912	8,272	8,459	8,769	8,773	9,203
% INCREASE P.A.	3.4%	4.5%	2.3%	3.7%	0.05%	4.90%

TABLE 7: REGIONAL SALE OF ELECTRICITY FOR CATEGORY "DC" DOMESTIC LOAD IN GWh

REGION	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Nairobi	1064	1114	979	1192	1274	1312
Coast	328	338	371	365	384	386
Central Rift	168	218	280	214	225	244
West Kenya	163	136	102	131	172	181
North Rift	105	116	262	78	139	155
South Nyanza	31	51	106	162	69	74
Mt Kenya	178	203	220	232	241	260
North Eastern	315	328	380	386	403	453
TOTAL	2,352	2,504	2,699	2,760	2,908	3,065
% INCREASE P.A.	8.1%	6.5%	7.8%	2.3%	5.4%	5.4%

TABLE 8: REGIONAL SALE OF ELECTRICITY FOR CATEGORY "SC" SMALL COMMERCIAL LOAD IN GWh

REGION	2015/16	2018/19	2017/18	2018/19	2019/20	2020/21
Nairobi	513	526	564	538	554	570
Coast	171	182	162	206	191	195
Central Rift	163	182	169	184	176	183
West Kenya	114	99	80	85	108	113
North Rift	77	79	90	34	85	93
South Nyanza	19	34	54	96	47	47
Mt Kenya	151	161	165	162	152	160
North Eastern	131	132	119	139	140	147
TOTAL	1,339	1,395	1,403	1,444	1,452	1,508
% INCREASE P.A.	-0.6%	4.2%	0.6%	2.9%	0.6%	3.8%

TABLE 9: 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	2020/21
Nairobi	767	787	714	770	723	681
Coast	216	219	160	221	225	209
Central Rift	203	221	213	236	232	226
West Kenya	82	68	58	91	70	65
North Rift	88	81	105	35	97	91
South Nyanza	21	35	49	74	45	46
Mt Kenya	161	154	154	138	134	150
North Eastern	122	126	138	168	163	144
TOTAL	1,660	1,693	1,590	1,733	1,688	1,611
% INCREASE P.A.	3.3%	2.0%	-6.1%	9.0%	-2.6%	-4.5%

TABLE 10: 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	2020/21
Nairobi	817	817	728	844	825	835
Coast	230	230	166	222	173	107
Central Rift	46	53	106	42	39	38
West Kenya	45	42	29	44	40	41
North Rift	19	20	91	18	18	15
South Nyanza	2	6	14	12	10	10
Mt Kenya	17	20	33	17	18	26
North Eastern	131	140	154	177	168	173
TOTAL	1,307	1,328	1,321	1,376	1,291	1,245
% INCREASE P.A.	4.5%	1.6%	-0.5%	4.2%	-6.1%	-3.6%

TABLE 11: 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	2020/21
Nairobi	4.0	17.6	41.8	37.7	37.2	44.9
Coast	140.0	158.2	110.4	178.5	199.1	305.7
Central Rift	65	75	101	98	89	101
West Kenya	11	16	16	32	35	45
North Rift	40	29	19	21	23	29
South Nyanza	0	0	8	0	0	0
Mt Kenya	0	0	24	8	3	9
North Eastern	0	0	0	1	3	3
TOTAL	260	295	321	375	388	538
% INCREASE P.A.	-8.6%	13.5%	8.7%	17.1%	3.5%	38.5%

TABLE 12: REGIONAL SALE OF ELECTRICITY CATEGORY "C14" LARGE COMMERCIAL AND INDUSTRIAL LOAD (66KV) IN GWh

REGION	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Nairobi	494	541	452	533	510	591
Coast	0	0	7	0	0	0
Central Rift	3	7	11	12	7	6
West Kenya	0	0	0	0	0	0
North Rift	0	0	63	0	0	0
South Nyanza	0	0	0	0	0	0
Mt Kenya	0	0	4	10	0	0
North Eastern	29	32	37	45	48	59
TOTAL	526	580	575	599	565	656
% INCREASE P.A.	14.8%	10.2%	-0.9%	4.3%	-5.7%	16.0%

TABLE 13: REGIONAL SALE OF ELECTRICITY CATEGORY "C15" LARGE COMMERCIAL AND INDUSTRIAL LOAD (132KV) IN GWh

REGION	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Nairobi	72	82	76	49	32	32
Coast	278	287	211	314	319	399
Central Rift	2	1	102	1	14	26
West Kenya	0	6	20	21	15	17
North Rift	0	0	14	0	0	0
South Nyanza	0	0	0	0	0	0
Mt Kenya	0	0	0	0	2	1
North Eastern	3	0	1	1	3	2
TOTAL	355	376	425	387	385	476
% INCREASE P.A.	-19.5%	6.0%	12.9%	-9.0%	-0.5%	23.9%

TABLE 14: REGIONAL SALE OF ELECTRICITY FOR CATEGORY "IT" OFF-PEAK LOAD IN GWh

REGION	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21****
Nairobi	23.0	7.8	10.6	0.0	0.0	0.0
Coast	0.4	2.2	8.5	0.0	0.0	0.0
Central Rift	0.3	2.7	2.7	0.0	0.0	0.0
West Kenya	0.5	2.5	1.2	0.0	0.0	0.0
North Rift	0.2	1.2	5.5	0.0	0.0	0.0
South Nyanza	0.1	1.2	1.3	0.0	0.0	0.0
Mt Kenya	0.4	2.2	2.1	0.0	0.0	0.0
North Eastern	1.5	3.2	4.4	0.0	0.0	0.0
Mt Kenya	-	-	-	0.0	0.0	0.0
TOTAL	26.4	23.1	36.3	0.0	0.0	0.0
% INCREASE P.A.	71%	-13%	57%	0%	0%	0%

***IT Tariff category no longer exists under the new tariff structure

TABLE 15: REGIONAL SALE OF ELECTRICITY FOR CATEGORY “SL” STREET LIGHTING IN GWh

REGION	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Nairobi	24.2	28.4	32.0	31.0	34.9	37.6
Coast	4.0	4.6	7.2	7.4	10.4	11.0
Central Rift	2.4	4.9	7.2	7.7	7.7	9.0
West Kenya	0.9	3.8	2.7	5.1	5.3	5.9
North Rift	1.2	2.4	3.2	3.0	4.5	6.5
South Nyanza	0.1	0.3	1.6	0.8	1.4	1.0
Mt Kenya	4.3	6.6	7.4	7.3	7.3	10.1
North Eastern	2.8	5.5	5.7	5.8	6.0	4.3
TOTAL	39.9	56.5	66.9	68.1	77.4	85.4
% Increase P.A.	11.6%	41.6%	18.4%	1.9%	13.7%	10.3%

TABLE 16: REGIONAL SALES OF ELECTRICITY FOR R.E.P. SCHEMES IN GWh

REGION	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Nairobi	89	88	74	99	90	96
Coast	29	32	32	36	37	40
Central Rift	83	88	96	105	110	111
West Kenya	96	59	59	57	68	73
North Rift	50	41	50	62	64	73
South Nyanza	25	61	68	56	50	51
Mt Kenya	100	117	115	118	118	118
North Eastern	64	63	62	60	65	70
TOTAL	537	549	554	595	602	632
% Increase P.A.	2.3%	2.2%	1.0%	7.3%	1.1%	5.0%

TABLE 17: NUMBER OF CUSTOMERS BY REGION

REGION	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Nairobi	1,700,152	2,099,574	2,235,010	2,349,703	2,482,707	2,663,594
Coast	400,679	490,290	543,009	537,383	580,873	598,005
Central Rift	340,165	434,163	475,725	509,750	571,900	569,960
West Kenya	265,700	396,691	454,108	326,402	507,726	512,437
North Rift	242,328	287,296	315,735	474,362	349,635	360,881
South Nyanza	104,161	146,580	171,701	175,759	191,690	193,804
Mt Kenya	320,137	412,605	487,120	519,602	565,945	628,861
North Eastern	545,033	645,573	746,473	765,644	822,726	838,215
KPLC Customers	3,918,355	4,912,772	5,428,881	5,658,605	6,073,202	6,365,756
R.E.P. Customers	972,018	1,269,510	1,332,209	1,409,256	1,502,943	1,912,447
TOTAL	4,890,373	6,182,282	6,761,090	7,067,861	7,576,145	8,278,203
% Increase P.A.	35.4%	26.4%	9.4%	4.5%	7.2%	9.3%

TABLE 18: NUMBER OF CUSTOMERS BY TARIFF CATEGORY

TARIFF	MAIN TYPE OF CUSTOMERS COVERED BY THIS TARIFF	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
DC only	Domestic KPLC REP	3,665,216 861,110	4,628,435 1,153,031	5,135,226 1,215,721	5,390,996 1,291,141	5,775,839 1,380,590	6,059,698 1,792,353
DC & IT***	Domestic KPLC REP	38,816 765	57,442 957	53,172 513	N/A N/A	N/A N/A	N/A N/A
SC only	Small Commercial KPLC REP	202,477 109,588	211,655 114,893	224,276 115,412	251,614 117,705	277,989 121,794	285,277 119,619
SC & IT***	Small Commercial KPLC REP	1,470 229	1,741 287	1,473 145	N/A N/A	N/A N/A	N/A N/A
C11	KPLC REP	3,068 19	3,126 24	3,202 25	3,038 22	2,951 32	2,871 34
CI2	Large Commercial and Industrial KPLC	378	405	527	456	480	507
CI3	Large Commercial and Industrial KPLC	43	57	64	69	75	86
CI4	Large Commercial and Industrial KPLC	35	41	53	50	52	45
CI5	Large Commercial and Industrial KPLC	32	33	41	37	45	51
IT only***	Off-peak (Interruptible) KPLC REP	796 13	791 8	1,110 10	N/A N/A	N/A N/A	N/A N/A
SL	Street lighting KPLC REP	6,024 294	9,046 310	9,845 275	12,345 388	15,771 527	17,221 441
	TOTAL (KPLC)	3,918,355	4,912,772	5,428,989	5,658,605	6,073,202	6,365,756
	TOTAL (R.E.P.)	972,018	1,269,510	1,332,101	1,409,256	1,502,943	1,912,447
	GROSS TOTAL	4,890,373	6,182,282	6,761,090	7,067,861	7,576,145	8,278,203
	% INCREASE P.A.	35.4%	26.4%	9.4%	4.5%	7.2%	9.3%

***IT Tariff category no longer exists under the new tariff structure

TABLE 19: REVENUE (Shs 'Mllion) BY CUSTOMER CATEGORY

TARIFF	MAIN TYPE OF CUSTOMERS COVERED BY TARIFF	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
DC	Domestic	32,726	38,064	38,066	38,706	43,916	43,210
SC	Small Commercial	23,639	25,590	26,995	29,314	25,553	25,953
CI	Commercial Industrial	50,862	55,706	59,528	63,870	62,818	73,887
IT****	Off-peak (Interruptible)	70	625	391	47	0	0
SL	Street Lighting	342	414	464	658	766	821
	TOTAL	107,638	120,399	125,444	132,595	133,053	143,871
	Export	736	343	410	546	206	249
	TOTAL KPLC	108,374	120,742	125,854	133,141	133,259	144,120
	R.E.P.	9,812	10,376	11,846	10,772	10,071	10,369
	TOTAL REVENUE	118,186	131,118	137,700	143,913	143,330	154,489
	% INCREASE P.A.	2.9%	10.9%	5.0%	4.5%	-0.4%	7.8%

***IT Tariff category no longer exists under the new tariff structure

TABLE 20: STAFF ANALYSIS

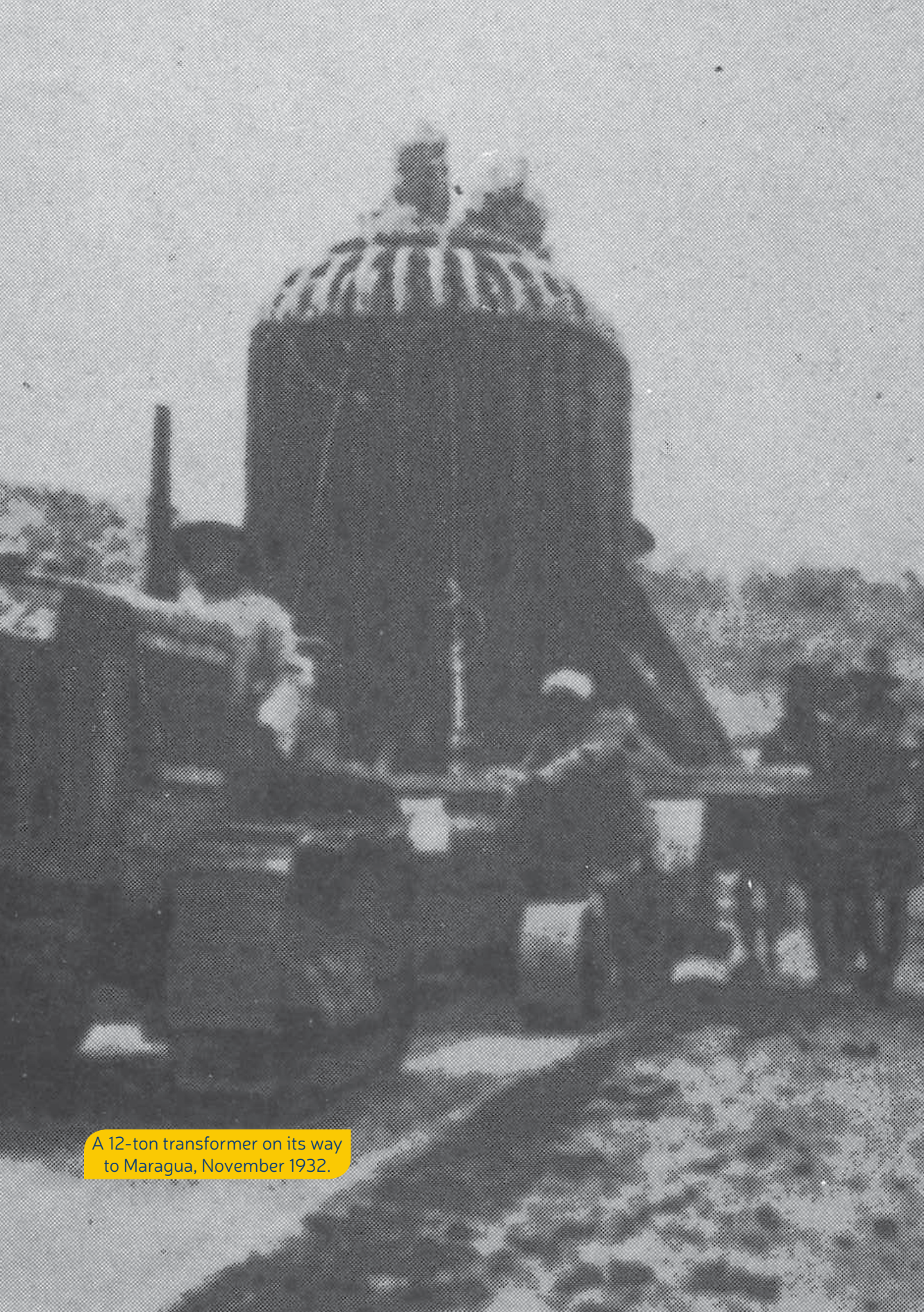
Number of Staff in Each Region	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Central Office	2,049	2,093	1,779	1,855	1,818	1,649
Nairobi	2,618	2,604	2,607	2,434	2,358	2,322
Coast	1,139	1,144	1,156	1,112	1,026	988
West Kenya	949	960	945	946	884	850
South Nyanza	364	418	421	465	444	440
Central Rift	1,051	1,079	1,157	1,154	1,124	1,104
North Rift	790	803	819	816	792	785
Mt Kenya	1,216	1,227	1,136	1,148	1,086	1,069
North Eastern	957	967	973	984	947	970
Total Number of Staff*	11,133	11,295	10,993	10,914	10,479	10,177
% INCREASE P.A.	41.1%	1.5%	-2.7%	-0.7%	-4.0%	-2.9%
Gender:						
Male	8,913	8,996	8,712	8,563	8,201	7,913
Female	2,220	2,299	2,281	2,351	2,280	2,264
Ratio- Male/ Female	4.0	3.9	3.8	3.6	3.6	3.5

TABLE 21: TRANSMISSION AND DISTRIBUTION LINES, CIRCUIT LENGTH IN KILOMETRES

VOLTAGE	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
400 kV			96.8	1244.4	2116.4	2116.4	2,116
220 kV	1,352	1,452	1,555	1,686	1,686	1,686	2,116
132 kV	2,824	3,087	3,208	3,322	3,372	3,372	3,444
66 kV	952	977	1,000	1,168	1,187	1,187	1,187
33 kV	21,370	27,497	30,846	34,508	35,177	35,703	36,570
11 kV	32,823	35,383	37,234	38,968	39,797	40,616	41,553
Total HV and MV	59,322	68,396	73,940	80,897	83,335	84,681	86,986
415/240V or 433/250V		110,778	139,642	143,331	152,799	158,527	168,595
TOTAL	59,322	179,174	213,582	224,228	236,134	243,207	255,581
% INCREASE P.A.	4.8%	15.3%	19.2%	5%	5%	3%	5%

TABLE 22: TRANSFORMERS IN SERVICE, TOTAL INSTALLED CAPACITY IN MVA

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Generation Substations							
33/220	88	88	88	88	388	388	388
15/220KV	95	95	95	95	95	95	95
11/220kV	1,054	1,054	1,054	1,054	1,054	1,212	1,212
33/132	45	45	45	45	95	95	95
15/132	175	175	175	175	175	175	175
11/132kV	1,035	1,035	1,095	1,095	1,095	1,095	1,095
11/66kV	291	411	411	576	576	576	576
11/33kV	238	238	238	238	238	238	238
3.3/33kV	4	4	4	4	4	4	4
TOTAL	3,025	3,145	3,205	3,370	3,720	3,878	3,878
Transmission Substations							
132/220 and 220/132kV	1,266	1,266	1,266	1,350	1,350	1,350	1,350
220/66kV	450	720	720	1,111	1,165	1,165	1,655
220/33 kV	69	69	69	69	69	69	69
132/66kV	420	420	600	600	600	600	600
132/33kV	939	1,229	1,706	1,721	1,743	1,743	1,766
132/11kV	-	-	-	15	15	15	15
TOTAL	3,144	3,704	4,361	4,866	4,942	4,942	5,455
Distribution Substations							
66/11kV	2,139	2,345	2,465	2,670	2,775	2,817	2,817
66/33kV	138	138	138	161	161	161	161
33/11kV	1,295	1,365	1,453	1,541	1,544	1,585	1,625
TOTAL	3,572	3,848	4,056	4,372	4,480	4,563	4,603
Distribution Transformers							
11/0.415kV and 33/0.415kV	6,384	7,088	7276	7,606	7,844	8,174	8,778



A 12-ton transformer on its way to Maragua, November 1932.

NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN to Shareholders that, the 100th Annual General Meeting of **The Kenya Power and Lighting Company Plc**, will be held via electronic communication on **Friday, 3rd December 2021 at 11.00am** 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 2021, together with the Chairman's, Directors' and Auditors' Reports thereon.
3. To note that the Directors do not recommend the payment of a dividend for the year ended 30th June 2021.
4. To elect Directors:
 - (i) Vivienne Yeda retires by rotation in accordance with Article 120 of the Memorandum and Articles of Association of the Company and, being eligible, offers herself for re-election.
 - (ii) Caroline Kittony-Waiyaki retires by rotation in accordance with Article 120 of the Memorandum and Articles of Association of the Company and, being eligible, offers herself for re-election.
 - (iii) Eng. Elizabeth Rogo retires by rotation in accordance with Article 120 of the Memorandum and Articles of Association of the Company and, being eligible, offers herself for re-election.
 - (iv) Sachen Gudka has given notice of resignation as a Director with effect from the date of the Meeting.
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) Humphrey Muhu
 - (ii) Caroline Kittony-Waiyaki
 - (iii) Eng. Elizabeth Rogo
6. To approve payment of fees to non-executive Directors for the year ended 30th June 2021.
7. Auditors:

To note that the audit of the Company's books of accounts will continue to be undertaken by the Auditor-General, 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.

SPECIAL BUSINESS

9. To consider and, if thought fit, to pass the following Ordinary and Special resolutions which have been proposed by Shareholders holding more than 5% of the ordinary shares.:



(i) **Ordinary Resolutions:**

- (a) That the Board of Directors takes all possible legal action against all persons, employees of the Company, suppliers and any other persons, found to have been involved in conflict of interest between their duties and the Company's business thereby causing loss and damage to the Company. Further, that the Company pursues legal action with a view to undertaking a surcharge against the employees and seizure of the employees' assets for committing fraudulent and or unlawfully causing loss and or damage to the Company.
- (b) That the Board of Directors, to undertake a review of all forensic and other audit reports with a view to undertaking all necessary legal action including recovery of the losses against the assets of the persons found culpable for fraudulent trading with the Company including the past Senior Executives and other senior persons who have served in management in the Company.

(ii) **Special Resolutions:**

- (a) That the Articles of Association of the Company be amended by inserting the following sentence:

“at least half of the Members of the Board of Directors elected at the Company's General and or Extra Ordinary Meetings shall represent shareholders of the Company not being public or state officers”

after the full stop immediately after the current Article 96 to the intent that the amended Article 96 shall read as follows:

“Unless and until otherwise determined by the Company in a general meeting the Directors shall be not less than two and not more than ten in number. At least half of the members of the Board of Directors elected at the Company's General and or Extra Ordinary Meetings shall represent Shareholders of the Company and not being public or state officers”.

- (b) That the Articles of Association of the Company be amended by inserting a new Article 111A after the current Article 111 as follows:

“Amongst the Committees of the Board shall be the following Committees whose membership shall as far as in applicable consist, by a majority, of independent Board Members and representatives of shareholders not being public or state officers:

1. Board Audit Committee
2. Finance and Risk Committee
3. Strategy and Innovation Committee and
4. Corporate Governance Committee

- (c) That the Articles of Association of the Company be amended by inserting the following Articles after the current Article 162.

TRANSPARENCY AND ACCOUNTABILITY

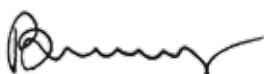
Article 163:

All suppliers and persons selling and or supplying electric power to the Company in excess of an aggregate of Kshs. 1,000,000/- per month and or Kshs. 12,000,000/- annually, shall disclose to the Company the ultimate beneficial owner of the supplier and or electric power as required under Section 93A of the Companies Act and the regulations promulgated pursuant to the said provision. The suppliers shall expressly permit the Company to disclose such ultimate beneficial owner in its annual financial reports and or statutory disclosures.

Shareholders having considered the accounts for FY 2020/21 and 2019/20 are concerned about the high level of slow moving and obsolete stocks and the inability of the company to write back the provisions taken in 2019/2020 and preceding years. Consequently, The Shareholders require the Company, Board and Management to ensure that only goods, services and works of the best quality are procured after due consideration of quality, experience and in the case of equipment global market share of suppliers and in the case of works a verifiable track record of successful execution of high value contracts and financial viability. In all procurement suppliers must meet internationally accepted standards for the particular goods, services or works. These parameters shall be verified after inspection and due diligence by competent specialist firms contracted by the Company for that purpose.

10. To consider any other business for which due notice has been given.

By Order of the Board



Imelda Bore
Company Secretary
11th November 2021

NOTES:

- (i) Shareholders wishing to participate in the meeting should register for the AGM using either of the following means:
 - (a) Dialling *483*903# on their mobile telephone and follow the various prompts on the registration process. or;
 - (b) Send an email request to be registered to 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.
 - (c) Shareholders with email addresses will receive a registration link via email through which they can use to register
- (ii) 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 8.00am to 5.00pm from Monday to Friday. Shareholders outside Kenya may dial the helpline number for assistance during registration.
- (iii) Registration for the AGM opens on 11th November 2021 at 9.00am and will close on 1st December 2021 at 11.00am. Shareholders will not be able to register after this time.
- (iv) 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 2021

The reports may also be accessed upon request by dialling the USSD code above and selecting the Reports option. The reports and agenda can also be accessed on the livestream link.

- (v) 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, 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.

- (vi) 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
 - (c) Shareholders who will have registered to participate in the meeting shall be able to ask questions via SMS by dialling the USSD code above and selecting the option (Ask Question) on the prompts;
 - (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.

Shareholders must provide their full details (full names, National ID/Passport Number/CDSC Account Number) when submitting their questions or clarifications.

- (vii) 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.
- (viii) 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.
- (ix) 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.
- (x) 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 100 wa **The Kenya Power and Lighting Company Plc**, utaanyika kupitia mawasiliano ya elektroniki **Ijumaa tarehe 3 Disemba 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 2021, 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 2021.
4. Kufanya uchaguzi wa wakurugenzi:-
 - (i) Bi Vivienne Yeda anastaafu kimapokezано kulingana na kifungu 120 cha Mkataba na Nakala za Uanachama wa Kampuni na, akihitimu, anajitolea kuchaguliwa tena.
 - (ii) Bi Caroline Kittony-Waiyaki anastaafu kimapokezано kulingana na kifungu 120 cha Mkataba na Nakala za Uanachama wa Kampuni na, akihitimu, anajitolea kuchaguliwa tena.
 - (iii) Mhandisi Elizabeth Rogo, anastaafu kimapokezано kulingana na kifungu 120 cha Mkataba na Nakala za Uanachama wa Kampuni na, akihitimu, anajitolea kuchaguliwa tena.
 - (iv) Sachin Gudka ametoa ilani ya kujiuzulu kama mkurugenzi siku ya mkutano mkuu itakapowadia.
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. Humprey Muhu
 - (ii) Bi. Caroline Kittony-Waiyaki
 - (iii) Mhandisi. Elizabeth Rogo
6. Kuidhinisha malipo ya ada kwa Wakurugenzi wasiokuwa watendaji kwa mwaka ulioishia 30 Juni 2021.
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.



BIASHARA MAALUM

9. Kuzingatia na ikafikiwa kuwa faafu, kupitisha maazimio ya kawaida na maalum ambayo yamependekezwa na wanahisa wanaomiliki takribani zaidi ya asili mia 5 ya hisa za kawaida.

(i) Maazimio ya Kawaida:

(a) Kwamba Bodi ya Wakurugenzi inachukua hatua zote zinazowezekeka za kisheria dhidi ya watu wote, wafanyakazi wa Kampuni, wasambazaji bidhaa na watu wengine wowote, watakaobainika kuhusika katika mgongano wa kimaslahi kati ya majukumu yao na biashara ya Kampuni na hivyo kusababisha hasara na uharibifu kwa Kampuni. Zaidi ya hayo, kwamba Kampuni hufuata hatua za kisheria kwa nia ya kuwatoza malipo ya ziada wafanyakazi na kunyakua mali za wafanyakazi wanaofanya ulaghai na au kusababisha hasara na au uharibifu kinyume cha sheria za Kampuni.

(b) Kwamba Bodi ya Wakurugenzi, ifanye mapitio ya ripoti zote za uchunguzi wa kitaalamu na ripoti nyingine za ukaguzi kwa nia ya kuchukua hatua zote za kisheria zinazohitajika ikiwa ni pamoja na kurejesha hasara dhidi ya mali ya watu waliopatikana na hatia ya kufanya biashara ya ulaghai na Kampuni ikijumlisha wahusika wa siku za nyuma, watendaji Wakuu na watu wengine wakuu ambao wamehudumu katika usimamizi katika Kampuni.

(ii) Maazimio Maalum:

(a) Kwamba Kanuni za Ushirika wa Kampuni zirekebishwe kwa kuweka sentensi ifuatayo:

“angalau nusu ya Wajumbe wa Bodi ya Wakurugenzi waliochaguliwa katika Mkutano Mkuu wa Kampuni na au Mikutano ya Ziada ya Kawaida itawakilisha wanahisa wa Kampuni ambao sio maafisa wa umma au serikali”

baada ya kikomo kinachokuja baada ya Kifungu cha 96 cha sasa kwa nia ya kwamba Kifungu cha 96 kilichorekebishwa kitasomeka hivi:

“Isipokuwa na mpaka iamuliwe vinginevyo na Kampuni katika mkutano mkuu Wakurugenzi watakuwa si chini ya hao wawili na wasiozidi kumi kwa idadi. Angalau nusu ya wajumbe wa Bodi ya Wakurugenzi waliochaguliwa katika Mkutano Mkuu wa Kampuni na au Mikutano ya Ziada ya Kawaida itawakilisha Wanahisa wa Kampuni na sio maafisa wa umma au serikali”.

b) Kwamba Kanuni za Muungano za Kampuni zirekebishwe kwa kuweka Kifungu kipya cha 111A baada ya Kifungu cha 111 cha sasa kama ifuatavyo:

“Miongoni mwa Kamati za Bodi kutakuwa na Kamati zifuatazo ambazo uanachama wake kadiri inavyotumika utajumuisha, kwa wingi, Wajumbe wa Bodi huru na wawakilishi wa wanahisa ambao

sio maafisa wa umma au wa serikali:

1. Kamati ya Ukaguzi ya Bodi
2. Kamati ya Fedha na Hasara
3. Kamati ya Mikakati na Ubunifu na
4. Kamati ya Utawala Bora

- c) Kwamba Nakala za Ushirika wa Kampuni zirekebeshwe kwa kuweka Vifungu vifuatavyo baada ya Kifungu cha 162 cha sasa.

UWAZI NA UWAJIBIKAJI

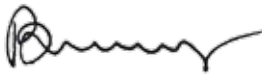
Kifungu cha 163:

Wasambazaji na watu wote wanaouza na au kusambaza nguvu za umeme kwa Kampuni zaidi ya jumla ya Kshs. 1,000,000/- kwa mwezi na au Kshs. 12,000,000/- kwa mwaka watafichua kwa Kampuni mmiliki mkuu wa manufaa ya msambazaji na au nguvu za umeme inavyohitajika chini ya Kifungu cha 93A cha Sheria ya Makampuni na kanuni zilizotangazwa kwa mujibu wa kifungu hicho. Wasambazaji wataruhusu Kampuni waziwazi kufichua mmiliki kama huyo wa manufaa katika ripoti zake za kifedha za kila mwaka na au ufichuzi wa kisheria.

Wanahisa ambao wamezingatia hesabu za Mwaka wa Fedha wa 2020/21 na 2019/20 wana wasiwasi kuhusu kiwango cha juu cha hisa zinazoendelea polepole na ambazo hazitumiki na kampuni kukosa uwezo wa kuandika tena masharti yaliyochukuliwa katika 2019/2020 na miaka iliyotangulia. Kwa hivyo, Wanahisa wanaitaka Kampuni, Bodi na Usimamizi kuhakikisha kuwa bidhaa, huduma na kazi za ubora bora pekee ndizo zinazonunuliwa baada ya kuzingatia ipasavyo ubora, uzoefu na kwa upande wa soko la kimataifa la vifaa vya wasambazaji na katika kesi ya kazi, rekodi inayoweza kuthibitishwa ya utekelezaji mzuri wa mikataba yenye thamani ya juu na uwezekano wa kifedha. Katika ununuzi wote wasambazaji lazima wafikie viwango vinavyokubalika kimataifa kwa bidhaa, huduma au kazi fulani. Vigezo hivi vitathibitishwa baada ya ukaguzi na uangalizi unaostahili na makampuni ya wataalamu wenye uwezo waliopewa kandarasi na Kampuni kwa ajili hiyo.

10. Kuzingatia biashara nyingine yoyote ambayo notisi inayostahili imetolewa.

Kwa Agizo la Bodi



Imelda Bore
Katibu wa Kampuni
11 Novemba, 2021

MAELEZO:

- (i) Wanahisa wanaotaka kushiriki katika Mkutano Mkuu wa Mwaka wanapaswa kujiandikisha kupitia njia zifuatazo:
- (a) kwa kupiga kodi ya USSD * 483 * 903# kwa simu yao ya rununu na kufuata vielekezo kadhaa juu ya mchakato wa usajili ama,
 - (b) Atume barua pepe akiomba kusajiliwa kwa kplcgm@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.
 - (c) Viungo vya kujiandikisha kupitia wavuti pia vitatumwa kwa wanahisa wote walio na anwani za barua pepe kwenye Sajili.

- (ii) 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 8.00 (mbili) asubuhi hadi 5.00 (Kumi na moja) jioni, kuanzia Jumatatu hadi Ijumaa. Wanahisa walio nje ya Kenya wanaweza kupiga simu kwa nambari ya msaada kwa usaidizi wakati wa usajili.
- (iii) Usajili wa Mkutano Mkuu utafunguliwa tarehe 11 Novemba 2021 saa 9.00 (Tatu) asubuhi na utafungwa tarehe 1, Disemba 2021 saa 11.00 (Tano) asubuhi. Wanahisa hawataweza kujiandikisha baada ya wakati huu.
- (iv) 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.

Ripoti hizo pia zinaweza kufikiwa kwa ombi kwa kupiga msimbo wa USSD hapo juu na kuchagua chaguo la Ripoti. Ripoti na ajenda pia zinaweza kufikiwa kwenye kiungo cha moja kwa moja.

- (v) 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 saina 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.

- (vi) 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) Wanahisa ambao watakuwa wamejiandikisha kushiriki katika mkutano wataweza kuuliza maswali kupitia SMS kwa kupiga msimbo wa USSD hapo juu na kuchagua chaguo (Uliza Swali) kwa maongozi;
 - (c) 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.

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.

- (vii) 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.

- (viii) 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 kimtandao.
- (ix) 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 wanachochea na Mwenyekiti kupitia vidokezo vya USSD.
- (x) 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.



Employees of the Nairobi Electric Power & Lighting Co. Ltd. at Ruiru, 1908.

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 3rd December 2021 at 11.00 am 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 authorise 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 30 th June 2021, together with the Chairman's, Directors' and Auditors' Reports thereon.			
2	Election of Directors:			
	(i) Vivienne Yeda retires by rotation in accordance with Article 120 of the Memorandum and Articles of Association of the Company and, being eligible, offers herself for re-election.			
	(ii) Caroline Kittony-Waiyaki retires by rotation in accordance with Article 120 of the Memorandum and Articles of Association of the Company and, being eligible, offers herself for re-election.			

	(iii) Eng. Elizabeth Rogo retires by rotation in accordance with Article 120 of the Memorandum and Articles of Association of the Company and, being eligible, offers herself for re-election.			
3	<p>Election of Board Audit Committee Members:</p> <p>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: -</p> <p>(i) Humphrey Muhu (ii) Caroline Kittony-Waiyaki (iii) Eng. Elizabeth Rogo</p>			
4	To approve payment of fees to non-executive Directors for the year ended 30 th June 2021.			
5	To note that the audit of the Company's books of accounts will continue to be undertaken by the Auditor-General, 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.			
7	To pass the following Ordinary and Special resolutions as proposed by Shareholders holding more than 5% of the Ordinary shares:			
	7.1 That the Board of Directors takes all possible legal action against all persons, employees of the Company, suppliers and any other persons, found to have been involved in conflict of interest between their duties and the Company's business thereby causing loss and damage to the Company. Further, that the Company pursues legal action with a view to undertaking a surcharge against the employees and seizure of the employees' assets for committing fraudulent and or unlawfully causing loss and or damage to the Company.			
	7.2 That the Board of Directors, to undertake a review of all forensic and other audit reports with a view to undertaking all necessary legal action including recovery of the losses against the assets of the persons found culpable for fraudulent trading with the Company including the past Senior Executives and other senior persons who have served in management in the Company.			
	7.3 That the Articles of Association of the Company be amended by inserting the following sentence: "at least half of the Members of the Board of Directors elected at the Company's General and or Extra Ordinary Meetings shall represent shareholders of the Company not being public or state officers.			

	<p>7.4 That the Articles of Association of the Company be amended by inserting a new Article 111 A after the current Article 111 as follows:</p> <p>“Amongst the Committees of the Board shall be the following Committees whose membership shall as far as in applicable consist, by a majority, of independent Board Members and representatives of shareholders not being public or state officers:</p> <ul style="list-style-type: none"> (i) Board Audit Committee (ii) Finance and Risk Committee (iii) Strategy and Innovation Committee and (iv) Corporate Governance Committee 			
	<p>7.5 That the Articles of Association of the Company be amended by inserting the following Articles after the current Article 162.</p> <p>TRANSPARENCY AND ACCOUNTABILITY</p> <p>Article 163:</p> <p>All suppliers and persons selling and or supplying electric power to the Company in excess of an aggregate of Kshs. 1,000,000/- per month and or Kshs. 12,000,000/- annually, shall disclose to the Company the ultimate beneficial owner of the supplier and or electric power as required under Section 93A of the Companies Act and the regulations promulgated pursuant to the said provision. The suppliers shall expressly permit the Company to disclose such ultimate beneficial owner in its annual financial reports and or statutory disclosures.</p> <p>Shareholders having considered the accounts for FY 2020/21 and 2019/20 are concerned about the high level of slow moving and obsolete stocks and the inability of the company to write back the provisions taken in 2019/2020 and preceding years. Consequently, The Shareholders require the Company, Board and Management to ensure that only goods, services and works of the best quality are procured after due consideration of quality, experience and in the case of equipment global market share of suppliers and in the case of works a verifiable track record of successful execution of high value contracts and financial viability. In all procurement suppliers must meet internationally accepted standards for the particular goods, services or works. These parameters shall be verified after inspection and due diligence by competent specialist firms contracted by the Company for that purpose.</p>			

ELECTRONIC COMMUNICATIONS CONSENT FORM

Please complete in BLOCK CAPITALS

Full name of member (s): _____

Address: _____

CDSC No _____

Mobile No. _____

Date: _____

Signature: _____

Please tick the boxes below and return to Image Registrars at P.O. Box 9287-00100 Nairobi, 5th floor, Absa Towers, 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 3 rd December 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.
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 notarised certified copy of such power or authority kpccagm@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, Loita Street, P.O. Box 9287 – 00100, Nairobi, so as to be received not later than 1st December 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 1st December 2021 at 11.00 a.m. Any proxy registration that is rejected will be communicated to the shareholder concerned no later than 1st December 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.



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Telephone: +254 (20) 3541196/7, Mobile: +254 711 318188/ +254 732 344599 • E-mail: info@klb.co.ke

SALES AND CUSTOMER SERVICE BRANCH || Kijabe Street • Telephone: +254 (20) 2684941-4 • Mobile: +254 733 666055/ 724 256629
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