

Kenya Power

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ANNUAL REPORT
& Financial Statements
30th June 2022

Powering a Sustainable Future



Kenya Power

Powering a Sustainable Future

"..we enhanced preventive maintenance activities on our distribution substations and low voltage network systems."

VISION

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

MISSION

Powering people for better lives by innovatively securing business sustainability

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

CORE VALUES

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

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MESSAGE FROM THE CHAIRMAN
Reflecting on the important position the Company holds and opportunities ahead.

KSh.5.123 B
Profit Before Tax

641,237
New Customers

2021-2022 OUTLOOK

289,937 Km
Network Length

8.92 million
Customer Base

ABBREVIATIONS AND ACRONYMS

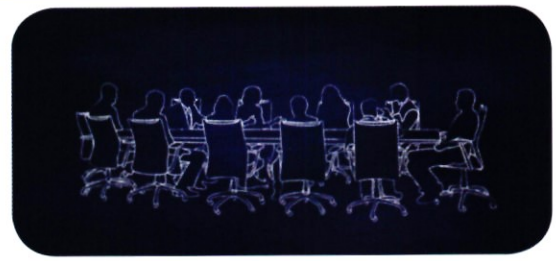
AFD	French Development Agency
AfDB	African Development Bank
Ag.	Acting
AGPO	Access to Government Procurement Opportunities
AMI	Advanced Metering Infrastructure
CAIDI	Customer Average Interruption Duration Index
COVID-19	Corona Virus Disease-2019
EIB	European Investment Bank
ENIS	E-Mobility Network Infrastructure System
EPCs	Electric Pressure Cookers
ESG	Environment, Social and Governance
ESIA	Environmental Social Impact Assessments
EU	European Union
EVs	Electric Vehicles
FTTX	Fiber-To-The-Premise
GHG	Greenhouse Gases
GoK	Government of Kenya
GWh	Gigawatt hours
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
KEMP	Kenya Electricity Modernisation Project
KSh	Kenya Shillings
KOSAP	Kenya Off-grid Solar Access Project
KPLC/Kenya Power	The Kenya Power and Lighting Company Plc
kV	Kilovolt
LMCP	Last Mile Connectivity Project
MD	Managing Director
MW	Megawatts
NDC	Nationally Determined Contributions towards climate change mitigation
NEMA	National Environment Management Authority
OGW	Order of the Grand Warrior of Kenya
OSH	Occupational Safety and Health
OSHA	Occupational Safety and Health Act
PPADA	Public Procurement and Asset Disposal Act
PPADR	Public Procurement and Asset Disposal Regulations
SAIFI	System Average Interruption Frequency Index
SCAC	State Corporations Advisory Committee
SCADA	System Control and Data Acquisition
SDGs	United Nation's Sustainable Development Goals
SMEs	Small and Microenterprises
SPMA	Supplies Practitioners Management Act
STEM	Science, Technology and Mathematics
TVET	Technical, Vocational and Education Training
UNEP	United Nations Environment Programme
UNFCCC	United Nations Framework Convention on Climate Change
USD	United States Dollar
World Bank-IDA	International Development Association - World Bank



"Our Company is adapting and responding to market dynamics, while exploring opportunities and providing solutions to meet customer needs."

ABOUT THIS REPORT





By preparing this report, the Board seeks to provide an objective view of the business performance and facilitate disclosure of any matters that is material for consideration by shareholders.

This Kenya Power and Lighting Company Plc Annual Report and Financial Statements covers the period 1st July 2021 to 30th June 2022. The report will be considered for adoption by shareholders at the 101st Annual General Meeting to be held on 16th December 2022. The Report was prepared under the guidance of the Board of Directors who are accountable for the accuracy and completeness of its contents.

Report guidelines

By preparing this report, the Board seeks to provide an objective view of the business performance and facilitate disclosure of any matters that is material[1] for consideration by shareholders. The content development process was guided by applicable legal and regulatory requirements including the Companies Act 2015, International Financial Reporting Standards (IFRS), the Public Audit Act 2015, the Code of Corporate Governance for State Corporations (Mwongozo Code), the Capital Markets Act Cap.485A Laws of Kenya and applicable regulations. These include 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, 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 2022. In addition, it 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 ranging 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 of our future reporting. Please forward suggestions to integratedreport@kplc.co.ke.

[1]Material issues are those that are likely to impact on the ability of a business to achieve its goals, objectives and sustainability.

CORPORATE INFORMATION

DIRECTORS

Vivienne Yeda	–	Chairman
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, and resigned on 17 May 2022
Eng. Geoffrey Muli	–	Appointed on 17 May 2022 as Ag. Managing Director
Eng. Abulrazaq Ali	–	Resigned on 30 May 2022
Eng. Elizabeth Rogo	–	Resigned on 30 May 2022
Caroline Kittony-Waiyaki	–	Resigned on 30 May 2022
Sachen Gudka	–	Resigned on 3 December 2021
Mr. Kairo Thuo	-	Appointed on 3 December 2021
Mr. Yida Kemoli	–	Appointed on 3 December 2021
Eng. Sarah Mbwaya	–	Appointed on 26 July 2022
Brig (Rtd) James Gitiba (Ebs)	–	Appointed on 26 July 2022
Justice (RTD) Aaron Ringera EBS	–	Appointed on 24 August 2022
Prof. Njuguna Ndung'u	–	Cabinet Secretary, National Treasury & Economic Planning
Mr. Alex Wachira	–	Principal Secretary, Ministry of Energy & Petroleum, State Department of Energy
Mr. Humphrey Muhu	–	Alternate Director to Cabinet Secretary, National Treasury & Economic Planning
Eng. Benson Mwakina	–	Alternate Director to Principal Secretary, Ministry of Energy & Petroleum, State Department of Energy

COMPANY SECRETARY

Imelda Bore
Certified 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

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

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

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

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

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

NCBA Bank Kenya Plc
Mara Rd. Upper hill
P.O. Box 44599 – 00100, Nairobi

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

PRINCIPAL AUDITOR

The Auditor-General
Anniversary Towers
P.O. Box 30084 – 00100, Nairobi

DELEGATED AUDITOR

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

PRINCIPAL LEGAL ADVISOR

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

BUSINESS HIGHLIGHTS

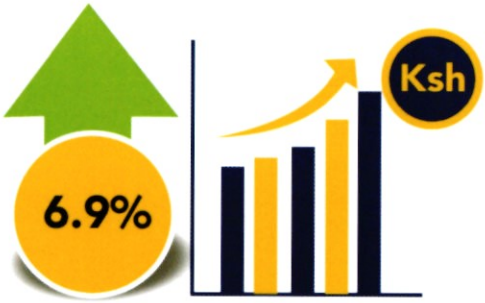
Profit before tax



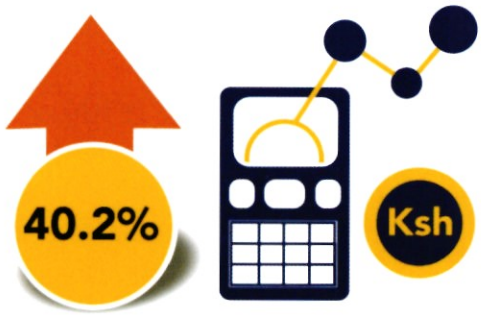
Improvement in system efficiency



Growth in sales



Finance costs



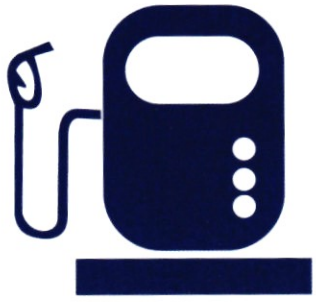
Operating expenses



Non-fuel power purchase costs



Fuel power purchase costs



KSh.26.488 Billion

KSh.11.184 Billion

Electricity from thermal energy plants

1,539GwH

876GwH



Cash generated from operating activities



KSh.33.490 Billion

KSh.28.551 Billion

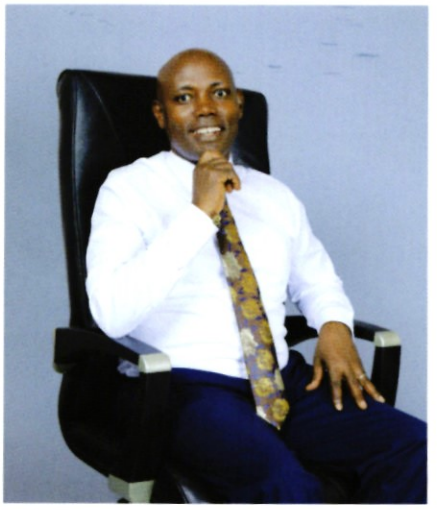
BOARD PROFILE



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

Chairman of the Board of Directors

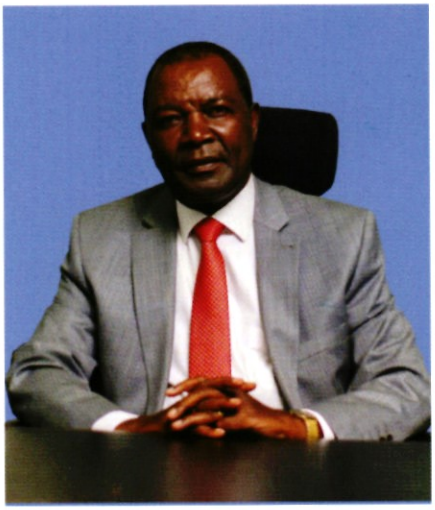
Vivienne Yeda (58 years) joined the Board on 20th July 2020 and was appointed the Chairman of the Board of Directors on 13th November 2020. She holds a Bachelor of Laws (LLB Hons.) from the University of Nairobi.



Eng. Geoffrey Muli, BSc (Elec. Eng.), MBA, R. Eng., MIEK

Ag. Managing Director

Eng. Geoffrey Muli (57 years) was appointed as the Acting Managing on 17th May 2022. Eng. Muli has over twenty-four years' experience in the Company with expertise in Electrical Engineering. He holds Master of Business Administration (Strategic Option) Bachelor of Science in Electrical Engineering and currently pursuing a PhD in Business Administration (Strategic Option). He is a Registered Professional Engineer by Engineers Board of Kenya (EBK) and a Corporate Member of Institute of Engineers of Kenya (IEK). Prior to his appointment, he was the Ag. General Manager, Regional Coordination.



Prof. Njuguna Ndung'u, CBS

Cabinet Secretary, National Treasury & Economic Planning

Prof. Njuguna Ndung'u (62 years) is the Cabinet Secretary, National Treasury & Economic Planning. He was appointed to the Cabinet on September 27, 2022. Prior to his appointment, Prof. Ndung'u was serving as the Executive Director of the African Economic Research Consortium (AERC). Prof. Ndung'u is an associate professor of economics at the University of Nairobi, and the immediate former Governor, Central Bank of Kenya. He has been a member of the Global Advisory Council of the World Economic Forum, Visiting Fellow of Practice at Blavatnik School of Government, Oxford University, Director of Training at AERC, Programme specialist at IDRC and Team Leader in Macro-modelling at the Kenya Institute for Public Policy Research and Analysis. He holds a PhD in economics from University of Gothenburg, Sweden. He is a Member of Brookings Africa Growth Initiative, Member of the Advisory Committee of the Alliance for Financial Inclusion and a senior advisor for the UNCDF-based Better Than Cash Alliance.



Mr. Alex Wachira, BSCN

Principal Secretary, Ministry of Energy & Petroleum, State Department of Energy

Mr. Alex Wachira (40 years) was appointed the Principal Secretary, State Department of Energy on 2nd December 2022. He holds a Bachelor of Science degree in Nursing from the University of Nairobi and is currently pursuing a Master of Arts degree in Leadership at Pan African Christian University. He has a wealth of experience from the private sector where he worked as an investment banker. He previously worked with Faida Investment Bank where he traded and structured treasury bonds and corporate bonds at the Nairobi Securities Exchange. He has also worked with Dyer & Blair Investment Bank and Genghis Capital limited.

Mr. Wachira was a founding member of the Bonds Market Association as well as a member of the Steering Committee of the Kenya Association of Stock Brokers and Investment Bankers. He has spearheaded community initiatives such as youth mentorship programme and sports tournaments among others similar projects.



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

Kairo Thuo (47 years) 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 KEPSA Tax Reform Panel.



Mr. Yida Kemoli, MEng, Chemical Engineering

Yida Kemoli (45 years) was elected to the Board on 3rd December 2021. Yida is a private equity and investment banking professional of 20 years standing with a focus on Africa, and transaction experience in Europe and the United States. His most recent assignment was as Senior Partner (in charge of Eastern Africa) for Phatisa Private Equity. He has also held positions with Transcentury, Actis Private Equity, Aureos Equity, and J.P. Morgan. He holds a Master's degree in Chemical Engineering from Imperial College London.



Eng. Sarah Mbwaya, BSc (Elec. Eng.), MBA, R. Eng., MIEK

Eng. Sarah Mbwaya (56 years) was appointed to the Board on 26th July 2022. Eng. Mbwaya is an Electrical and Electronics engineer with over 30 years of senior management experience in the fields of energy, information communication technology, business management, financial and resource management and project management. She has served on the boards of Numerical Machining Complex, Emerging Young Leaders, and Emerging Leadership Initiatives among others. She is an Independent Director of Limuru Tea PLC, and the country Chair of African Women in Energy and Power, an initiative to increase women's participation in the power and energy sector in 22 African countries. She is also a member of the Board of Friends of Conservation. Additionally, she is a member of the Engineers Board of Kenya, Business Network International, Women on Boards Network, Women in Sustainable Energy Entrepreneurs and Women in Business.

She holds an M.B.A. in Strategic Management from the United States International University, Nairobi, B.Sc. (Hons.) in Electrical Engineering from the University of Nairobi, Solar technician Licenses from the Energy & Petroleum Regulatory Authority (EPRA), and an ACCA Diploma in Financial management. She is also an Accredited System Engineer (ASE).



Brig (Rtd) James Gitiba EBS, 'ndc' (K), 'pscj' (RSA), 'psc' (K)

Brig (Rtd) James Gitiba (60 years) was appointed to the Board on 26th July 2022. Brig (Rtd) Gitiba served as a Military Assistant to the Chief of the General Staff Kenya Armed Forces, Commanding Officer Transport Battalion, Deputy Corps Commander KACT, Colonel Logistics Kenya Army HQs, Defence Advisor at the Kenya High Commission in Dar es Salaam – Tanzania, Colonel Supply Defence Headquarters, Chief of Logistics Kenya Army HQs and Deputy General Officer Commanding Border Security. He also served as a Military Observer with the UN Mission in Sierra Leone from August 2000 to August 2001 as well as Deputy Sector Commander/Chief of Operation for the UN Mission in Southern Sudan from April 2008 to May 2009.

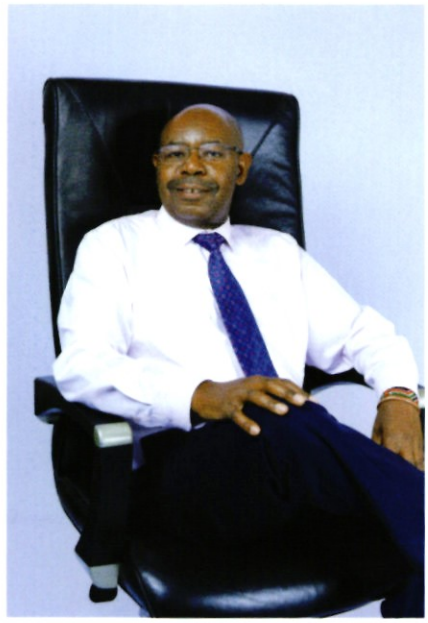
He has undertaken a Transportation Officers' Advance Course (TOAC) at the US Army Transportation School Fort Eustis Virginia, G2 Staff Course at the Kenya Defence Staff College-Karen, Joint Senior Command and Staff Programme (JSCSP) at South African National War College-Pretoria, Senior Command Course at the Kenya School of Combat, Senior Management Course at the Kenya School of Government, G1 Staff course at the Kenya National Defence College, and Strategic Defence Management Course in Hyderabad – India.



Justice (Rtd) Aaron Ringera, E.B.S., LL.B, LL.M, DIC (Human Rights)

Justice (Rtd) Aaron Ringera (72 years) was appointed to the Board on 24th August 2022. Justice (Rtd) Ringera is one of the country's foremost legal minds with a career spanning over 46 years, mainly in public service. He is a Judge Emeritus of the Court of Appeal of Kenya, the East African Court of Justice (Appellate Division) and the High Court of Kenya. He has served as the Solicitor-General of Kenya as well as the Director and Chief Executive Officer of both the Kenya Anti-Corruption Authority (KACA) and the Kenya Anti-Corruption Commission (KACC). He has also served in and chaired College and Polytechnic Boards and Councils, worked as a lecturer at the University of Nairobi, and practiced law in private capacity.

He holds Master's (LL.M) and Bachelor's (LL.B) degrees in law from the University of Nairobi. He also holds a Diploma in Comparative and International Law of Human Rights from the International Institute of Comparative and International Law of Human Rights, Strasbourg, France, and a Certificate of Study from The Hague Academy of International Law. He is a Chartered Arbitrator and an accredited mediator of the Chartered Institute of Arbitrators of London with experience in commercial arbitration. Justice (Rtd) Ringera has served in various Presidential and Ministerial Taskforces and Committees. He was a member of the Taskforce on the Review of Power Purchase Agreements as well as the Steering Committee on the Implementation of the Report of the Presidential Taskforce on Review of Power Purchase Agreements. He is a recipient of several Awards and Honours.



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

Alternate Director to the Cabinet Secretary, National Treasury & Economic Planning

Humphrey Muhu (58 years) is the Alternate Director to the Cabinet Secretary, National Treasury and the Deputy Director Investments. Mr. Muhu 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. Muhu 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 & Petroleum, State Department of Energy

Eng. Benson Mwakina (55 years) joined the Board on 19th October 2021 as an Alternate Director to the Principal Secretary, Ministry of Energy & Petroleum, State Department 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.

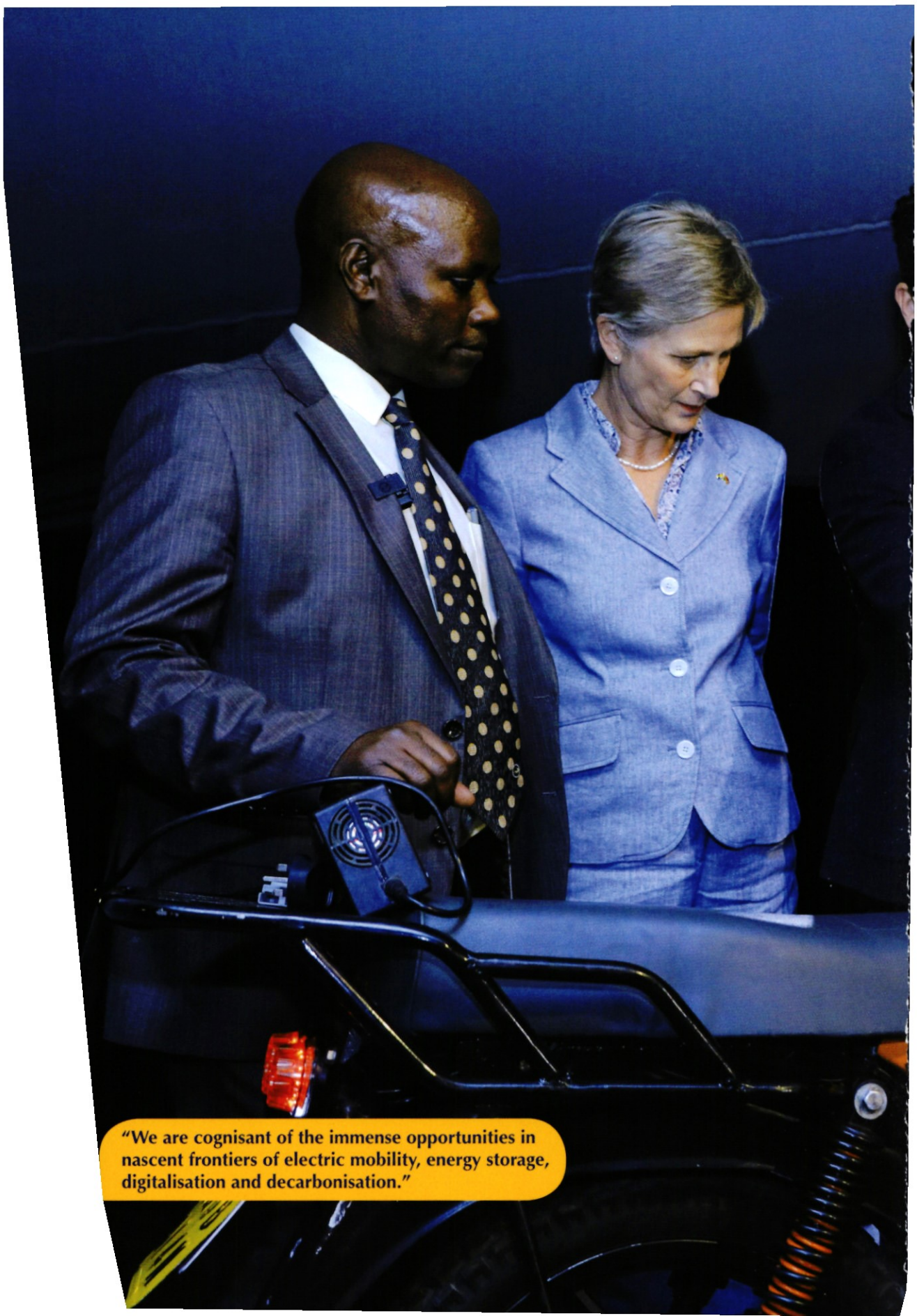


Imelda Bore, LL. B, LL.M, Dip (Law), H. Dip (HR), CPS (K), AMCIArb

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.



"We are cognisant of the immense opportunities in nascent frontiers of electric mobility, energy storage, digitalisation and decarbonisation."


Come
closer!
et's
pioneer
he
ossible
ogether.
ROAM

EXECUTIVE MANAGEMENT



Ag. Managing Director
Eng. Geoffrey Muli
BSc (Elec. Eng.), MBA, R. Eng., MIEK



Ag. General Manager, Business Strategy
Thomas Ogutu
B.Sc (Comp. Eng. & Tech.)



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



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



General Manager, Regional 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



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



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



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



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



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



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)



Ag. General Manager, Power Purchase and Planning
John Ihuthia
Bachelor of Commerce (Hons)


"We installed SCADA system in 69 substations distributed across the country and linked them to Regional Control Centers to enhance equipment monitoring and control."

MESSAGE FROM THE CHAIRMAN



For Kenya Power to remain financially viable in the short and long-term, it requires adequate revenue to cover incurred costs and yield a reasonable return on capital invested.



POWERING THE NATION FOR A CENTURY

Kenya is endowed with a beautiful tapestry of landscapes, diverse culture as well as talented, industrious, and hospitable people. The country prides itself a leader in economic development, innovation, tourism and sports. At the heart of this growth and development is Kenya Power, a Company that has been powering the nation for a century. Few companies remain relevant and viable over such a long period.

We are delighted that the Company has remained true to its core mandate of powering the nation and spurring social and economic progress of our people. We remain steadfast in energizing the country's development agenda towards becoming an industrialised economy that provides quality lives to its citizenry.

To continue powering the nation and position the Company for greater prosperity, Kenya Power is adapting to changes in the operating environment. To this end, we are undertaking business reforms geared towards enhancing operational efficiency for improved profitability and sustainable growth. The far-reaching business and sectoral reforms span the entire electricity value chain from power generation to retail services, all focused on improving efficiency and reducing the cost of electricity.

The reforms are yielding improved performance especially on initiatives to reduce energy losses and operating expenses, increasing sales and debt reduction. Growth in revenue was however, curtailed in the financial year due to a 15% reduction in the end-user tariff, during the second half of the year. The tariff adjustment followed a recommendation by the Presidential Taskforce on the Review of Power Purchase Agreements to reduce the cost of electricity by 30% with effect from 1st January 2022.

The impact of the 15% tariff reduction on Kenya Power was a revenue shortfall estimated at KSh.13.15 billion for the six months period ended 30th June 2022, of which KSh.7.05 billion was reimbursed by the Government.

Further, the Company is operating in a challenging business environment exacerbated by the depreciation of the shilling against major world currencies, a rapid increase in interest rates and high fuel prices. The effect of the high cost of funds has been worsened by logistical delays in the procurement of materials from overseas manufacturers, occasioned by disruptions in the international supply chain.

Despite these challenges, Kenya Power remained profitable albeit at a lower level compared to the previous year. In FY 2021/2022 profit before tax was KSh.5.123 billion compared to KSh.8.198 billion reported in the preceding year. The reduction in the profit before tax was attributed to an increase in finance cost by 40.4% from KSh.9.050 billion to KSh.12.688 billion due to the depreciation of the Kenya Shilling, and the implementation of the first phase of 15% reduction in the retail tariff in January 2022.

For Kenya Power to remain financially viable in the short and long-term, it requires adequate revenue to cover incurred costs and yield a reasonable return on capital invested. In this regard, the Company requires a cost-reflective tariff to not only meet the cost of sales but also maintain and expand the network in line with the projected business growth. This will be supported by competitive energy purchase costs and a sustainable demand-supply balance. High cost of energy from power producers not only affects viability of the Company but also impacts on the competitiveness of the Kenyan economy.

For this reason, the Company is pursuing an optimal generation expansion pathway to remain competitive while ensuring adequacy and security of power supply. This process will enable onboarding of renewable sources of energy at a lower cost to spur consumption. This will also position the Company strategically to take advantage of emerging opportunities within the country and in the region, and mitigate new challenges.

Conclusion of the Power Purchase Agreement (PPA) with Ethiopia Electric Utility recently was a great milestone in the quest for affordable and reliable power supply. The agreement enables importation of up to 200MW initially and 400MW after three years.

Procurement of quality goods, services and works remains a key focus area to the Company. Reforms undertaken during the year are beginning to yield positive benefits, with quality standards and value for money underpinning all procurements. Capacity building in the procurement function, streamlining of the procurement procedures and guidelines and the implementation of transparent and professional procurement processes are among the focus areas of the transformation of Kenya Power in the short term.

During the year, the Board approved the implementation of Human Resource Policy instruments, adoption of a new organisation structure, outlining of the staff establishment, the Career Guidelines and the Human Resource Policy and Procedures Manual. This will streamline our business processes, and improve brand ownership and employee productivity. The human resource instruments will be implemented in phases commencing in the 2022/2023 Financial Year. The long awaited onboarding of technical staff on short-term contracts to long-term contracts commenced in the period and is nearing completion. This will pave way for the next phase covering staff in other professional categories.

Emerging business opportunities

As Kenya Power embarks on the next 100 years of serving the nation, there are emerging and exciting opportunities to expand our services. Our Company needs to respond to market dynamics, identify potential opportunities and provide solutions that meet customer needs. This requires us to be agile and proactive in modelling our business on a path of transformation to a utility of the future.

Kenya Power must make certain considerations and seize the emerging opportunities as it adapts into the quintessential 21st century energy utility. These

The Company is enhancing the uptake of renewable energy to further green the energy mix, reduce thermal generation and lower the cost of electricity. This undertaking requires concerted efforts by all stakeholders including all government institutions and agencies to mainstream climate change in their development plans and strategies.



include aligning ourselves to the global themes of de-carbonisation, digitalisation and de-centralised energy systems. In the same vein, e-mobility, energy storage solutions, green hydrogen and regional power markets present enormous business opportunities.

The Company is enhancing the uptake of renewable energy to further green the energy mix, reduce thermal generation and lower the cost of electricity. This aligns with Kenya's commitment to abate Green House Gas (GHG) emissions by 32% compared to the business as usual scenario by 2030 in the updated Nationally Determined Contribution (NDC) to the Paris Agreement, the global climate change agreement signed by 197 Parties of the United Nations Framework Convention on Climate Change (UNFCCC) in 2015. This undertaking requires concerted efforts by all stakeholders including all government institutions and agencies to mainstream climate change in their development plans and strategies.

In this regard, the Company is championing the adoption of e-mobility by purchasing electric vehicles to reduce the carbon footprint. Enhanced adoption of e-mobility will grow electricity sales, particularly during off-peak periods. Kenya Power is also advancing the adoption of "clean" cooking using efficient electrical appliances as a way of increasing sales while conserving the environment.

Kenya Power will be at the forefront in the development of supportive policies and frameworks that will facilitate harnessing of these emerging business prospects to grow shareholder value and remain viable.

Conclusion

The Board of Directors is focused on building on the gains made so far and the emerging opportunities to steer the Company to greater prosperity. I wish to thank all our stakeholders for their unwavering support throughout the year.

Vivienne Yeda, OGW
Chairman, Board of Directors

MANAGING DIRECTOR'S REPORT



Throughout the period under review, we remained focused on our mandate to plan for sufficient electricity generation and transmission capacity to meet the Country's energy demand; build and maintain the distribution network, and retail electricity to customers.

Dear shareholders, it is a great honor to present to you highlights of the Company's business performance for the year ended 30th June 2022. Throughout the period under review, we remained focused on our mandate to plan for sufficient electricity generation and transmission capacity to meet the country's energy demand; build and maintain the distribution network, and retail electricity to customers.



We sustained our focus on growing sales, improving revenue collection, enhancing system efficiency, prudently managing costs and enhancing customer experience.

Towards this end, we continued to implement strategic goals to further strengthen the business and guarantee our viability. We sustained our focus on growing sales, improving revenue collection, enhancing system efficiency, prudently managing costs and enhancing customer experience. These focus areas were complemented by the ongoing sectoral and business reforms initiated by the Government to reduce the cost of power, enhance synergies within the sector and transform Kenya Power into a more efficient and sustainable enterprise. The reforms cut across the entire value chain from electricity generation to retail.

Business focus areas

During the year, the Company connected 641,237 new customers to the power grid, expanding the customer base to 8,919,440 as part of our strategy to grow electricity sales. This contributed to the increase in our sales by 6.6% to a total of 9,814GWh in the year. The sales growth was boosted by an intensive countrywide loss reduction campaign geared towards tackling the insidious theft of electricity. The pilferage challenge was addressed through sustained countrywide campaigns, which entailed inspection of metering installations and rapid implementation of corrective measures.

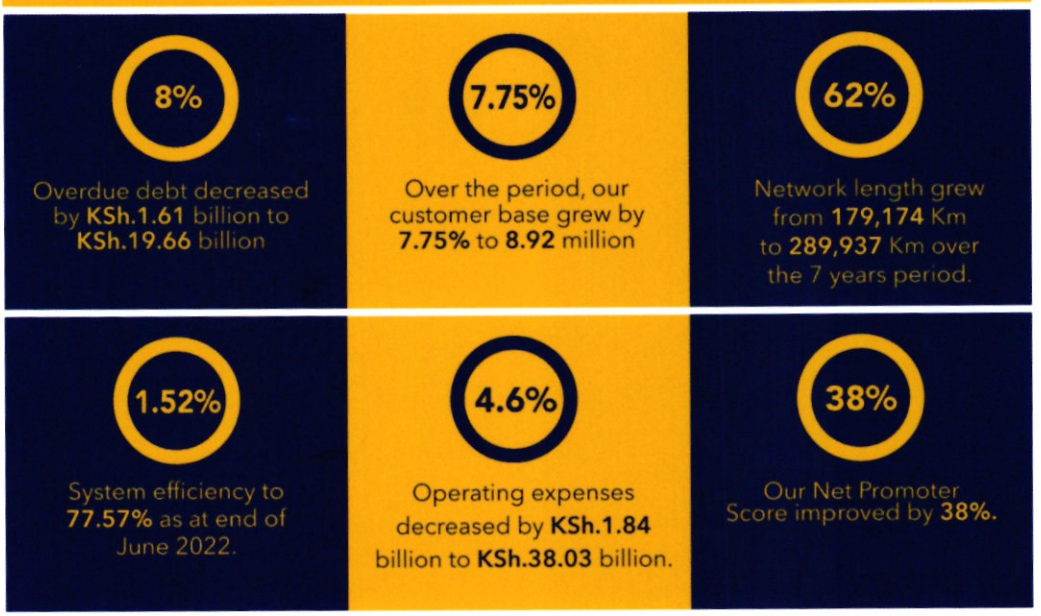
At the same time, the Company scaled up the implementation of the Smart Meters targeting SMEs. This helped to enhance meter reading accuracy, timely billing and payments, thus contributing positively to the growth in sales and revenue. The smart meters also enabled us to remotely disconnect overdue accounts and promptly reconnect customers upon payment of their bills, thereby improving on the turnaround time.

In addition, we enhanced our field presence by deploying additional workforce drawn from office-based staff to pursue outstanding debt on targeted accounts. As a result of these and other revenue collection initiatives, our overdue debt decreased by KSh.1.61 billion to KSh.19.66 billion as at end of June 2022, representing a reduction of 8%.

To enhance system efficiency, the Company declared an all-out war against energy losses by deploying an arsenal of strategies. System losses have been on the rise owing to the considerable expansion of the network in the last seven years. Over the period, our customer base grew by 147% to 8.92 million while the total network length grew by 62% from a total of 179,174 kilometres to 289,937 kilometres. The network expansion and growth in customers have led to a decline in system efficiency from 82.49% as at end of June 2015 to 76.05% as at end of June 2021.

The measures implemented to reverse the negative trend include redistribution and balancing of electrical loads to address technical losses. At the same time, we intensified inspections of customer metering installations to ascertain their health and integrity followed by expeditious corrective measures. As a result, we recorded an improvement in system

IMPORTANT FIGURES IN SUMMARY



efficiency by 1.52%, to 77.57% as at end of June 2022.

In working towards improving the network's operational efficiency, we continued to implement network automation projects to enhance operational flexibility and quick restoration of supply. We also intensified the deployment of the live-line maintenance to minimise interruption of supply to customers. Noting that power quality and reliability is mainly affected by encroachment of vegetation on the power lines, the Company enhanced trimming of trees encroaching on the power lines, which account for over 60% of outages in the distribution system.

As a result of these network maintenance initiatives, there was improvement in the Customer Average Interruption Duration Index (CAIDI) from 4.03 hours the previous year to 2.74 hours in the year under review. However, the System Average Interruption Frequency Index (SAIFI) declined during the year to 38.18 from 29.29 the previous year. This decline was partly attributed to the loss of one 220kV circuit on the Loiyangalani-Suswa line, a breakdown at Imara Daima, Kiambere-Dandora 132 kV line, and unplanned outages of the Olkaria geothermal plants.

On the other hand, the Company continued to undertake rigorous measures with a strong push towards a more sustainable business ecosystem. These were aimed at mainstreaming efficiency by streamlining processes across the business, strengthening internal controls, reviewing the entire value chain with a special focus on more efficiency in the delivery of services, and managing costs. Consequently, operating expenses decreased by KSh.1.84 billion to KSh.38.03 billion. This reduction in operating expenses was attributed to reduced provision for electricity debt and increased utilisation of slow-moving stocks thereby reducing provision for slow and non-moving inventories.

Delighting the customer

Improving customer experience is critical to the sustained growth of our business. Great customer experience promotes brand loyalty, helps a company retain its customers and encourages brand advocacy. Towards this, we continued with customer engagement activities to drive awareness and uptake of our products and services. We also conducted customer outreach programmes countrywide to address customer pain points and educate them on

The Company has been on a transformation journey with a clear focus on providing reliable power and quality service to our customers, while enhancing efficiency to position the business on a sustainable profitability trajectory.



safe use of electricity. As a result of various customer-centric initiatives and engagements, including intensified complaint resolution activities, our Net Promoter Score improved by 38%.

In the run up to the General Elections held in August 2022, the Company instituted measures to ensure steady power supply throughout the country, notably in all polling stations and tallying centers. To this end, we set up command centers to coordinate regional operations and increased the number of field teams working round the clock. These interventions played a major role in ensuring the smooth electioneering period.

Looking ahead

The Company has been on a transformation journey with a clear focus on providing reliable power and quality service to our customers, while enhancing efficiency to position the business on a sustainable profitability trajectory. As a result, we have recorded improvements on key fronts as evidenced by growing sales, reduced system losses, reduced operating costs and increased revenues. Building on these gains, we are in the process of developing a new strategic plan for the period 2023-2028 which will further propel the business and grow our shareholder value.

As we develop the strategy, we are cognisant of the immense opportunities in nascent frontiers of electric mobility, energy storage, digitalisation and decarbonisation. We will leverage on our position in the power market to explore these revenue diversification opportunities and deepen our presence as a preeminent energy sector player. In addition, we will maximise on our workforce to enhance productivity in our key business focus areas as we transition to a smart utility of the future.

Eng. Geoffrey Muli
Ag. Managing Director

UJUMBE KUTOKA KWA MWENYEKITI



KARNE MOJA YA UMEME KWA TAIFA

Kenya imejaliwa mchanganyiko wa mandhari ya kuvutia, tamaduni tofauti, watu wachapakazi na wakarimu. Nchi inajivunia kuongoza katika maendeleo, ubunifu, utalii na michezo. Katikati ya ufanisi na maendeleo hayo ni Kenya Power, Kampuni ambayo imekuwa ikitoa umeme kwa nchi kwa karne moja. Ni kampuni chache zinazokuwa na umuhimu mkubwa kama huo na kudumu kwa muda mrefu hivyo.

Tunajivunia kuwa Kampuni ambayo imezingatia kikamilifu jukumu lake kuu la kusambaza umeme kwa nchi na kuchochea ustawi wa kiuchumi na kijamii kwa watu wetu. Tunajitolea kusukuma mbele ajenda ya maendeleo ya nchi kuelekea uchumi wa kiviwanda ambao utatoboresha maisha ya raia wake.

Ili kuendelea kutoa umeme kwa nchi na kuiweka Kampuni katika nafasi nzuri ya ufanisi, Kenya Power inakumbatia mabadiliko katika mazingira inakohudumu. Kutokana na hilo, tunatekeleza mageuzi ya kibiashara yenye lengo la kuboresha utendakazi wetu kwa matokeo bora na ukuaji endelevu. Mageuzi hayo makubwa ya kibiashara na katika sekta yanashirikisha mfumo mzima wa usambazaji umeme kuanzia uzalishaji hadi uuzaji wa umeme, yote yanayolenga kuimarisha utendakazi na pia kupunguza gharama ya umeme.

Mabadiliko hayo yameanza kuzaa matunda, hasa kuhusiana na hatua za kupunguza hasara ya kawi na gharama za kuendesha biashara, kuongeza mauzo na kupunguza deni. Nyongeza ya mapato hata hivyo ilididimia katika mwaka uliomalizika kutokana na kupunguzwa kwa ada ya wanunuzi kwa asilimia 15,

katika kipindi cha nusu ya pili ya mwaka. Mabadiliko hayo ya ada yalifuatia pendekezo la Jopokazi la Rais kuhusu Kutathmini Mikataba ya Ununuzi wa Kawi kupunguza gharama ya kawi kwa asilimia 30 kuanzia Januari 1, 2022. Athari ya kupunguzwa huko kwa ada kwa asimilia 15 kulipunguza mapato ya Kenya Power kwa KSh.13.15 bilioni katika kipindi cha miezi sita kilichomalizika Juni 30, 2022, ambapo Sh7.05 bilioni zilirudishwa na Serikali.

Kampuni inahudumu katika mazingira magumu ya kibiashara, ikiwemo kupungua kwa thamani ya shilingi dhidi ya sarafu zingine za kimataifa, kupanda maradufu kwa viwango vya riba na bei ya juu ya mafuta. Athari ya gharama ya juu ya mikopo pamoja na kucheleweshwa kwa ununuzi wa vifaa kutoka kwa watengenezaji bidhaa nje ya nchi, kutokana na kuvurugwa kwa mikondo ya uagizaji bidhaa kimataifa zote ziliathiri hata zaidi shughuli za kibiashara.

Licha ya changamoto hizi, Kenya Power iliendelea kutengeneza faida ingawa ya chini ikilinganishwa na mwaka uliotangulia. Katika mwaka wa 2021/2022, faida kabla ya ushuru ilikuwa KSh.5.123 bilioni ikilinganishwa na KSh.8.198 bilioni iliyoripotiwa mwaka uliotangulia. Kupungua kwa faida kabla ya ushuru kulitokana na nyongeza ya gharama ya fedha kwa asilimia 40.4 kutoka Sh.9.050 bilioni hadi KSh.12.688 bilioni kutokana na kupungua kwa thamani ya Shilingi ya Kenya, na utekelezaji wa awamu ya kwanza ya asilimia 15 ya ada inayotozwa mnamo Januari 2022.

Ili Kenya Power isalie kuwa na uthabiti wa kifedha kwa sasa na siku zijazo, inahitaji mapato ya kutosha kugharimia ada hizo na kupata faida ifaayo kwa mtaji uliowekezwa. Kutokana na hiili, Kampuni inahitaji ada inayofaa ili kutosheleza gharama ya mauzo na pia kutunza na kupanua mtandao sambamba na mipango ya ukuaji wa biashara. Hii itasaidiwa na gharama nafuu za ununuzi wa umeme na uwiano wa uzalishaji na matumizi ya umeme. Gharama ya juu ya kawi kutoka kwa mashirika ya uzalishaji umeme huathiri sio tu uthabiti wa Kampuni bali ushindani wa kibiashara katika uchumi wa Kenya.

Kutokana na hili, Kampuni inafuata mkondo ufaao wa uzalishaji ili kusalia na ushindani huku tukidumisha uthabiti katika usambazaji na pia umeme wa kutosha. Utaratibu huu utawezesha ukumbatiaji wa vyanzo safi vya kawi kwa gharama ya chini ili kuchochea matumizi. Hii itaweka Kampuni katika nafasi nzuri ya kutumia fursa za kibiashara zilizopo nchini na kwingineko katika kanda, na kupunguza athari ya changamoto mpya.

Kukamilishwa kwa Mkataba wa Ununuzi wa Kawi (PPA) na Kampuni ya Umeme ya Ethiopia hivi majuzi ni hatua kubwa katika mpango wa kutafuta umeme nafuu na wa kutegemewa. Mkataba huo unawezesha ununuzi wa hadi MW 200 mwanzoni na MW 400 baada ya miaka mitatu.

Ununuzi wa bidhaa na huduma za hali ya juu unasalia kuwa lengo muhimu kwa Kampuni. Mageuzi yaliyotekelezwa ndani ya mwaka yameanza kuzaa matunda,huku viwango bora na thamani kwa pesa zetu zikielekeza ununuzi wote. Kutoa mafunzo kwa maafisa wetu wa ununuzi, kulainisha taratibu na kanuni za ununuzi na utekelezaji wa taratibu zenye uwazi na kitaaluma katika ununuzi ni miongoni mwa njia za kubadilisha Kenya Power kwa kipindi kifupi.

Katika mwaka uliomalizika, Bodi iliidhinisha utekelezaji wa Sera kuhusu Maswala ya Wafanyakazi, uzingatiaji wa muundo mpya wa shirika, kuonyesha idadi ya wafanyakazi,Sera, Mwongozo wa Kazi na Taratibu zake. Hii itanyoosha taratibu zetu za kibiashara, na kuboresha ukumbatiaji wa shirika na wafanyakazi na kuimarisha utendakazi wao. Sera kuhusu maswala ya wafanyakazi itatekelezwa kwa awamu kuanzia Mwaka wa Kifedha 2022/2023. Shughuli iliyosubiriwa kwa muda mrefu ya kuwapa kandarasi za muda mrefu wahudumu wa kiufundi wenye kandarasi za muda mfupi ilianza kipindi kilichopita na inakaribia kumalizika. Hii itatoa nafasi kwa awamu nyingine inayohusisha makundi mengine ya wataalamu.

Nafasi ibuka za kibiashara

Kenya Power inapoanza safari nyingine ya miaka 100 ya kuhudumia nchi, kuna nafasi ibuka na nzuri za kupanua huduma zetu. Kampuni yetu inapasa kuitikia mabadiliko sokoni, kutambua nafasi mpya za kibiashara na kutoa suluhisho kwa mahitaji ya wateja.

Hii inatuhitaji kuwa wepesi na kuwa mstari wa mbele kuweka biashara yetu kwenye mkondo wa mabadiliko kuwa shirika la siku zijazo.

Kenya Power ni lazima ifanye maamuzi fulani na kukumbatia nafasi za kibiashara zinazojitokeza inapojiandaa kuwa mfano wa kampuni bora katika sekta ya kawi katika karne ya Ishirini na Moja.

Hii ni pamoja na kukumbatia mada za kimataifa kama uzalishaji kawi safi, kukumbatia mifumo ya kidijitali na mifumo ya aina tofauti za kawi. Katika hali hiyo hiyo, magari ya kutumia kawi, mbinu za kuhifadhi kawi, hidrojeni safi na masoko ya kawi katika kanda yanatoa fursa nzuri za kibiashara.

Kampuni inaimarisha matumizi ya kawi safi ili kuzidisha zaidi mchanganyiko wa matumizi ya kawi, kupunguza uzalishaji wa kawi joto na kupunguza gharama ya umeme. Hii inafungamana na ahadi ya Kenya ya kupunguza uchafuzi wa hewa kwa asilimia 32 ikilinganishwa na hali ya sasa kufikia 2030 kwenye mkataba uliopigwa msasa wa Nationally Determined Contribution (NDC) wa Paris, mkataba kuhusu mabadiliko ya tabianchi uliotiwa saini na mataifa 197 chini ya United Nations Framework Convention on Climate Change (UNFCCC) mnamo 2015. Azima hii inahitaji jitihada za washikadau wote zikiwemo taasisi za zote za serikali na mashirika kujumuisha kwenye mipango na mikakati yao mabadiliko ya tabianchi.

Kuhusiana na hili, Kampuni inapigia debe matumizi ya gari zinazotumia umeme kwa kununua magari ya kutumia nguvu za umeme kupunguza utoaji wa hewa ya kaboni. Matumizi zaidi ya magari ya kutumia umeme yataimarisha mauzo ya umeme,hasa nyakati umeme hautumiki kwa wingi. Kenya Power pia inasukuma mapishi kwa kutumia kawi safi hasa vifaa vya kutumia umeme kama njia ya kuongeza mauzo huku tukitunza mazingira.

Kenya Power itakuwa kwenye mstari wa mbele katika kubuni sera na taratibu ambazo zitafanikisha mikakati hii mipya ya kibiashara kuimarisha thamani kwa mwenyehisa na kukuza biashara.

Hitimisho

Bodi ya Wakurugenzi inalenga kudumisha ufanisi ulioafikiwa kufikia sasa na kutumia nafasi ibuka za kibiashara kupata ufanisi hata zaidi. Ningependa kuwashukuru wenyehisa kwa kutuunga mkono kwa dhati mwaka mzima.

Vivienne Yeda, OGW
Mwenyekiti, Bodi ya Wakurugenzi

RIPOTI YA MKURUGENZI MKUU

Wenyehisa wapendwa, ni furaha yangu kuwasilisha kwenu mukhtasari wa matokeo ya kibiashara ya Kampuni kwa mwaka uliomalizika Juni 30, 2022. Katika kipindi chote kinachoangaziwa, tulilenga kufuatilia jukumu letu kuu la kuzalisha umeme wa kutosha na kuimarisha uwezo wetu wa usambazaji kutosheleza mahitaji ya kawi nchini mwetu; kujenga na kutunza mtandao wa usambazaji na kuuzia wateja umeme.

Ili kuafikia haya, tuliendelea kutekeleza mikakati maalumu kuimarisha biashara na kuhakikisha uthabiti wetu wa kibiashara. Tulilenga katika kuongeza mauzo, kuboresha ukusanyaji wa mapato, kuboresha mitambo, kupunguza gharama na kuimarisha huduma za wateja. Hatua hizi ziliambatana na mageuzi ya kibiashara yaliyotekelezwa na Serikali ya Kenya kupunguza gharama ya umeme, kuimarisha ushirikiano katika sekta hii na kubadilisha Kenya Power kuwa biashara yenye ufanisi na endelevu. Mageuzi hayo yanahusisha sekta nzima kutoka uzalishaji hadi uuzaji wa umeme.

Sehemu za kibiashara za kuangazia

Katika mwaka uliomalizika, Kampuni ilisambazia umeme wateja wapya 641,237 kuongeza jumla ya wateja hadi 8,919,440 kama sehemu ya mkakati wetu wa kuongeza mauzo ya umeme. Hii ilichangia kuongezeka kwa mauzo yetu kwa asilimia 6.6 hadi jumla ya GWh 9,813 katika mwaka huo. Ukuaji wa mauzo ulipigwa jeki na kampeni kali kitaifa kuhusu kupunguza hasara iliyolenga kukabili wizi wa umeme. Changamoto ya wizi wa umeme ilishughulikiwa kupitia kampeni zilizoendeshwa kote nchini, zilizojumuisha ukaguzi wa mita na utekelezaji wa hatua za kurekebisha upungufu wowote.

Wakati huo huo, Kampuni iliimarisha mpango wa matumizi ya mita za kisasa uliolenga biashara ndogo ndogo (SMEs). Hii iliwezesha kupata vipimo halali vya mita, kutuma bili na kupokea malipo kwa wakati, na hivyo kuchangia katika ukuaji wa mauzo na mapato. Mita hizo za kisasa pia zilituwezesha kukata umeme kutoka afisini akaunti ambazo hazijalipiwa na kuwaunganisha stima kwa haraka wateja baada ya kulipa bili hizo, hivyo kuimarisha muda wa kuwahudumia wateja wetu.

Isitoshe, tuliimarisha uwepo wetu nyanjani kwa kuongeza wafanyakazi zaidi kutoka wale walioko afisini kufuatilia madeni ya akaunti maalumu. Kutokana na mpango huu na mikakati mingine ya ukusanyaji mapato,deni letu la muda mrefu lilipungua kwa KSh.1.61 bilioni hadi KSh.19.66 bilioni kufikia mwisho wa Juni 2022, na hivyo kuashiria kupungua kwa asilimia 8.

Ili kuimarisha utendakazi wa mitambo yetu, Kampuni ilianzisha kampeni kali dhidi ya kupotea kwa umeme kwa kutumia mkusanyiko wa mikakati. Hasara ya umeme kwenye mitambo yetu imekuwa ikiongezeka kutokana na upanuzi mkubwa wa mtandao wetu ndani ya miaka saba iliyopita. Katika kipindi hicho, idadi ya wateja wetu iliongezeka kwa asilimia 147 hadi milioni 8.92 huku jumla ya urefu wa mtandao wetu ukiongezeka kwa asilimia 62 kutoka jumla ya kilomita 179,174 hadi kilomita 289,937.

Upanuzi wa mtandao na ongezeko la wateja zimechangia katika kudidimiza ufanisi wa mitambo kutoka asilimia 82.49 kufikia mwisho wa Juni 2015 hadi asilimia 76.05 kufikia Juni 2021.

Hatua zilizotekelezwa kurekebisha hali hiyo ni pamoja na kutawanya muda wa kusambaza umeme na kugawa kiasi cha umeme ili kushughulikia swala la hasara ya umeme. Wakati huo huo, tuliimarisha ukaguzi wa mita za wateja kubaini uhalali wao kabla ya kuchukua hatua za haraka kurekebsha hali hiyo. Kutokana na hayo, tuliimarisha utendakazi wa mitambo kutoka asilimia 1.52 hadi asilimia 79.15 kufikia mwisho wa Juni 2022.

Katika kuendelea kuboresha utendakazi wa mtandao wetu, tuliendelea kutekeleza miradi ya kugeuza mtandao wetu kuwa wa kujiendesha ili kuimarisha ufaavu wake na pia kurejesha umeme unapozimika. Tuliendelea pia kutumia mbinu ya kufanyia

marekebisho hitilafu moja kwa moja bila kuzima stima ili kutovuruga usambazaji umeme kwa wateja. Huku tukitambua kwamba, ubora na umeme wa kutegemewa unaathiriwa na mimea kwenye nyaya za stima, Kampuni iliimarisha hatua zake za kukata miti inayokaribia nyaya za stima, ambayo huchangia asilimia 60 ya kukatika kwa umeme kwenye mfumo wetu wa usambazaji.

Kutokana na hatua hizi za kutunza mtandao wetu, kiwango cha kuvuruga usambazaji wa umeme kwa wateja (CAIDI) kimeimarika kutoka saa 4.03 mwaka uliopita hadi saa 2.74 katika mwaka unaoangaziwa. Hata hivyo, kipimo cha wastani cha kuvurugwa kwa umeme (SAIFI) kilipungua mwaka huo hadi 38.18 kutoka 29.29 mwaka uliotangulia. Kupungua huku kulitokana na, miongoni mwa sababu zingine, hasara ya kV 220 kwenye laini ya stima ya Loiyangalani-Suswa, kuharibika kwa laini ya stima ya Imara Daima, laini ya Kiambere-Dandora ya kV 132 kV, na kuzimika kwa umeme ghafla katika viwanda vya umememvuke vya Olkaria.

Kwa upande mwingine, Kampuni iliendelea kuchukua hatua kabambe kuboresha mazingira ya kuendesha biashara. Yote hayo yalilenga kuinua utendakazi bora kote kwenye biashara zetu, kuimarisha vidhibiti vya ndani, kutathmini mfumo mzima wa uzalishaji na usambazaji umeme huku tukiangazia zaidi utoaji huduma na kudhibiti gharama. Kufuatia hatua hiyo, gharama za kuendesha biashara zilipungua kwa KSh.1.84 bilioni hadi KSh.38.03 bilioni. Kupungua kwa gharama ya kuendesha biashara kulitokana na matumizi zaidi ya akiba isiyotumika na hivyo kupunguza kutenga pesa kuziba mwanya unaotokana na umeme usiotumika au unaotumika kwa kiwango kidogo.

Kufurahisha mteja

Kuboresha huduma kwa wateja ni muhimu katika ukuaji wa biashara yetu. Huduma bora kwa wateja inafanya wateja kupenda shirika na bidhaa zake, huwezesha kampuni kudumisha wateja na kuwafanya waipigie debe. Kutokana na hili, tuliendelea na shughuli za kutangamana na wateja ili kuwahamisha kuhusu huduma na bidhaa zetu. Tuliendesha kampeni za kuwatembelea wateja kote nchini kwa lengo la kutatua shida zao na kuwaelimisha kuhusu matumizi salama ya umeme. Kutokana na hatua zinazolenga kuboresha huduma za wateja, ikiwemo mikakati ya kusuluhisha malalamishi yao, alama zetu chini ya mizani ya Net Promoter Score ziliimarika kwa asilimia 38.

Kuelekea Uchaguzi Mkuu wa Agosti 2022, Kampuni iliweka mikakati kuhakikisha kuna usambazaji wa umeme kote nchini kila wakati hasa vituo vya kupigia kura na vile vya kujumuisha kura. Ili kuafikia hayo, tuliweka vituo maalumu vya kushirikisha huduma katika maeneo mbalimbali na kuongeza idadi ya wahudumu nyanjani ambao walikuwa kazini muda huo wote. Hatua hizi zilitekeleza wajibu muhimu katika kuhakikisha kwamba, shughuli ya uchaguzi inaendeshwa bila misukosuko yeyote.

Kuendelea mbele

Kampuni imekuwa kwenye safari ya mabadiliko huku ikilenga kutoa umeme wa kutegemewa na huduma bora kwa wateja wetu, huku tukiimarisha utendakazi ili kuweka biashara kwenye mkondo wa kupata faida endelevu. Kutokana na hayo, tumepata ufanisi katika nyanja tofauti kama inavyothibitishwa na nyongeza ya mauzo, kupungua kwa hasara kwenye mtandao, kupunguza gharama za kibiashara na nyongeza ya mapato. Ili kudumisha ufanisi huu, tumo njiani kutayarisha Mpango Mkakati mpya kwa kipindi cha 2023-2028 ambao utaendesha biashara zaidi na kuongeza thamani kwa wenyehisa wetu.

Tunapotayarisha mkakati huu, tunatambua nafasi nyingi zilizopo katika nyanja mpya kama vile magari ya kutumia umeme, uhifadhi wa kawi, mfumo wa dijitali na kuondoa hewa chafu. Tutatumia nafasi yetu katika sekta ya kawi ili kupanua vyanzo vyetu vya mapato na kuongeza hata zaidi uwepo wetu kama mshiriki mkuu katika sekta ya kawi. Isitoshe, tutaendelea kutumia kikamilifu wahudumu wetu ili kuimarisha uzalishaji katika fani tofauti za kibiashara tunapojiandaa kuwa kampuni ya uzalishaji umeme safi siku zijazo.



Mha. Geoffrey Muli
Kaimu. Mkurugenzi Mkuu



"Improving customer experience is critical to the sustained growth of our business. Great customer experience promotes brand loyalty, helps a company retain its customers and encourages brand advocacy."

Kenya Power

Powering a Sustainable Future



BUSINESS OPERATIONAL REPORT

Below are the highlights of the Company's business performance for the year ended 30th June 2022

QUICK PREVIEW OF KEY BUSINESS PERFORMANCE HIGHLIGHTS

Kenya Power

1

Scaling up electricity access

The Company has connected a total of 741,185 customers to the grid under the LMCP project hence increasing electricity access to over 70% of the population.

2

Enhancing grid reliability

The Company is currently executing two system automation projects under the Kenya Electricity Modernisation Project (KEMP) financed by the World Bank-IDA.

3

Reducing billing complaints

Customer billing concerns largely revolve around accuracy. The Company piloted a technology that entails geo-fencing of hand-held meter reading devices to increase the veracity of meter readings.

4

System efficiency and revenue collection

The Company intensified the war on energy losses and debt through enhanced field operations to, among other actions, redistribution and balancing of electrical loads, extending of lines, inspection of meters, dismantling illegal connections, replacing faulty meters and recovery of overdue debt.

5

Sales and revenue growth

The 6.9% sales growth is attributable to implementation of various initiatives to reduce energy losses, deployment of smart metering technology and increased demand from the growing number of customers.

6

Empowering our people

We carried out professional and leadership development training programmes designed to enable employees to respond to the changing business environment, enhance their productivity and serve customers better.

7

Driving customer interactions

The Company is continually reviewing and rolling out innovative products and services to enhance customer experience.

8

Diversifying our revenue

Kenya Power has an open-access fibre riding on its power line infrastructure that traverses many towns and urban centres.

Three years ago, we were at a crossroads and arguably a life defining moment for our business. Faced with a dynamic macroeconomic environment, dwindling financial fortunes, rising customer dissatisfaction and low stakeholder confidence, the Company developed a robust corporate strategy to steady the ship, turn it around and poise it for a prosperous future as it marked a century of service to the nation.

For this reason, the Company identified five critical focus areas: improving sales, enhancing revenue collection, improving system efficiency, managing operational costs, and improving customer experience.

Our concerted efforts to improve performance in these focus areas continue to yield positive results as evidenced by recorded growth in key aspects of our business. As such, the Company has registered a profit before tax for the second consecutive year.

The following section presents the key business performance highlights during the year:

(i) Scaling up electricity access

The Last Mile Connectivity Project (LMCP) which has been under implementation for the last seven years is nearing completion with over 95% of Phases I, II and III of the project completed across all the 47 counties. To date, we have connected a total of 741,185 customers to the grid under the project hence increasing electricity access to over 70% of the population.

The USD450 million (KSh.45 billion) LMCP is co-funded by the GoK and development partners, including the International Development Association -World Bank (World Bank-IDA), the African Development Bank (AfDB), the French Development Agency (AFD), the European Investment Bank (EIB) and the European Union (EU). Phase IV of the project, jointly funded by AFD, EU and EIB at a combined cost of USD 220 million (KSh.22 billion) targeting to connect approximately 280,000 customers, is expected to commence in the current financial year. In addition, we installed 955 new distribution transformers under the Transformer Densification Project funded by the AFD at a cost of USD 10 million (KSh.10 billion) to scale up electricity access across the country.

Construction works for the Naivasha Special Economic Zone, Kabianga, Moi's Bridge and Kiamokama substations commenced during the year. The new substations are aimed at enhancing capacity to cater for growing demand.

(ii) Enhancing grid reliability

The Company is currently executing two system automation projects under the Kenya Electricity Modernisation Project (KEMP) financed by the World Bank-IDA. The projects are aimed at enhancing the network's operational efficiency and improving power supply reliability.

Installation of the System Control and Data Acquisition (SCADA) system in 69 substations distributed across the country and linking them to the various Regional Control Centers aims to enhance equipment monitoring and control. It is at 98% execution with a total 68 substations so far connected to the SCADA System.

The Nairobi region phase of the Advanced Distribution Management System Project which has been under implementation since 2018 was completed during the year. It involves automation of medium voltage line switches and equipment making them visible and remotely operable. This process enables faster location and isolation of faults on the power distribution network, thereby facilitating timely restoration of supply to customers. Under the Project, 710 automated switches, 26 auto-reclosers and 74 ring main units were installed to enhance system operation flexibility in the greater Nairobi metropolitan counties of Kajiado, Kiambu and Machakos.

The Company has also put in place preventive measures to address unplanned system outages due

to network encroachment and transformer failures. We intensified measures such as trimming of trees encroaching on power lines using local labour under the Government's Vijana Mtaani initiative and revamped existing power lines.

In addition, we enhanced preventive maintenance activities on our distribution substations and low voltage network systems. We further reinforced distribution substations and balanced electric loads during the year. These activities led to a steady reduction in low voltage power supply breakdown, which decreased transformer failure by 0.9% to 4.4% in the year. These initiatives were complimented by live-line maintenance which enables maintenance works on our network without interrupting supply to customers. The projects and initiatives have contributed to overall improvement in reliability and reduction of unserved energy through faster fault location, isolation, and supply restoration from alternative sources.

The customer average interruption duration index (CAIDI) has improved in the past five years from 5.50 hours to 2.74 hours. Unserved energy decreased to 207.8 GWh from 303.7 GWh the previous year. These measures will continue in the current financial year.

(iii) Reducing billing complaints

Customer billing concerns largely revolve around accuracy. During the year, billing related complaints reduced by 49.9% to 26,777 from 53,421 the previous year. This reduction is attributable to sustained vigilance and follow through on complaint resolution, and innovative solutions to improve on meter reading. The Company piloted a technology that entails geo-fencing of hand-held meter reading devices to increase the veracity of meter readings. The technology creates a virtual geographic boundaries using global positioning system embedded in the devices within which readings can be captured.

(iv) System efficiency and revenue collection

The Company intensified the war on energy losses and debt through enhanced field operations to, among other actions, redistribution and balancing of electrical loads, extending of lines, inspection of meters, dismantling illegal connections, replacing faulty meters and recovery of overdue debt.

In addition, we completed the implementation of the Advanced Metering Infrastructure (AMI) project. Its main objective is to protect revenue from large and medium customers, who contribute more than 80% of the Company's total electricity sales. The project entailed establishment of a central and five other regional meter data control centers and installation of 67,000 smart meters in SMEs premises. The AMI system has enhanced visibility and monitoring of the installed smart meters.

The AMI system had a positive impact on the Company's electricity sales and revenue during the period. Smart meters have increased accuracy in meter readings, enabled prompt billing and reduced energy pilferage incidences. An analysis of sales over a period of four months on 62,807 installed smart meters showed an increase in sales by 8%.

These efforts resulted in an improvement in system efficiency by 1.5% from 76.05% recorded the previous year to 77.57% by the end of the year. In addition, the overdue debt decreased by 8% to KSh.19.66 billion as at end of June 2022.

(v) Sales and revenue growth

Electricity sales grew by 6.9% to 9,163 GWh, while the total revenue grew from KSh.144 billion the previous year to KSh.157 billion during the year. This growth is attributable to implementation of various initiatives to reduce energy losses, deployment of smart metering technology and increased demand from the growing number of customers.

(vi) Empowering our people

In the financial year, we carried out professional and leadership development training programmes designed to enable employees to respond to the changing business environment, enhance their productivity and serve customers better. To this end, we trained 77% of our workforce through high impact and cost-effective learning interventions including e-learning, virtual training, mentorship and in-person training.

We continued to inculcate a culture of shared performance by reviewing and harmonising our performance framework with clearly defined rewards and consequence mechanism. In addition, and to improve employee productivity, the managing for results initiative took root in all regions. The objective is to improve the supervisory skills of team leaders and equip them with tools for monitoring performance.

The Company also undertook improvement and renovation of facilities including offices and staff housing quarters to enhance occupier experience.

(vii) Driving customer interactions

The Company is continually reviewing and rolling out innovative products and services to enhance customer experience. The uptake of self-service products has led to a 17% reduction in customers visiting banking halls from 2,776,748 the previous year to 2,305,485 in the period under review.

Adoption of the self-meter reading solution via the USSD *977# and MyPower App increased from an average of 49,000 customers per month to 131,000. The platforms have redefined the way our customers interact and transact with us notably in querying bills, making payments and reporting incidences. This change is evidenced by the increase in customer interactions on the platform from 5.9 million the previous year to 12.2 million in the year under review. To drive awareness of our products and services, we continued with customer engagement activities across the business. We held various forums in the form of barazas (public meetings), customer education clinics and door-to-door customer education outreach across all counties.

(viii) Diversifying our revenue

Kenya Power has an open-access fibre riding on its power line infrastructure that traverses many towns and urban centres. The Company has installed over 7,000 kilometres of overhead fiber optic cable across 44 counties which it leases to 25 dark fibre[2] customers that include telecommunications operators, internet service providers, tertiary education institutions, county governments and businesses. Kenya Power is working to complete the fibre link for the three remaining counties. The fibre network also serves as a critical communication gateway to Eastern Africa serving Tanzania, Uganda, Rwanda, Ethiopia, and the Democratic Republic of Congo.

The Company is exploring an ambitious bandwidth capacity-leasing project that will provide internet and bandwidth connectivity to Internet Service Providers (ISP) and our existing large power customers among others. A project is underway to connect bandwidth to our fiber network in a project dubbed Fiber-To-The-Premise (FTTX). This service will also pilot the SMART Grid initiative by connecting the Company's transformers to a central unit for monitoring purposes while also providing meter data. The project is set to be completed within the current financial year and is expected to increase diversification of revenues.

[2]Dark fibre are fibre optic networks with no service or traffic running on the fibre strands



"Kenya Power is working towards integrating sustainability principles which include Environment, Social and Governance (ESG) in our organisational processes and business reporting process."

Kenya Power

Powering a Sustainable Future



ENVIRONMENT, SOCIAL AND GOVERNANCE SUSTAINABILITY

Kenya Power is alive to the urgent need to take action to protect the planet while ensuring inclusivity with respect to access to development benefits and remaining true to our commitment to shareholders and promoting good corporate citizenry. As such, the Company is working towards integrating sustainability principles which include Environment, Social and Governance (ESG) in our organisational processes and business reporting process. The ESG practice of reporting positive and negative impacts publicly, commonly referred to as sustainability reporting, contributes towards achievement of the United Nation's Sustainable Development Goals (SDGs).

This section presents a summary of recent ESG activities carried out by the Company.

1 ENVIRONMENTAL SUSTAINABILITY



The Company has taken the environmental sustainability initiatives in business operations.



Greening the grid

Company prioritises the provision of clean energy from low-cost renewable sources which also contributes to the reduction of harmful Green-house Gas (GHG) emissions.



Enabling electro mobility

Electric motorisation supports the attainment of SDG 13 on combating climate change and its impacts



Conserving the environment

The Company and other partners to support several environmental conservation initiatives such as planting trees around the country's water towers.



Protecting our fauna

Kenya Power continued to partner with various wildlife conservation groups to halt biodiversity loss in support of the SDG 15 tenets.



Promoting clean cooking

The clean cooking agenda is gaining traction both locally and globally as the world explores all available measures to reduce carbon emissions.

The Company's business is heavily dependent on the sustainable utilisation of natural resources across the value chain, from electricity generation to retail. Indeed, the bulk of our power is generated from diverse energy sources, predominantly renewable. Our distribution network also traverses varied environmental ecosystems. It is therefore imperative to carefully manage our business-related activities to mitigate adverse effects on the environment and enhance business sustainability. The Company has taken the following environmental sustainability initiatives in business operations.

(i) Greening the grid

In contribution to the SDG 7 that advocates for the provision of affordable and clean energy, the Company prioritises the provision of clean energy from low-cost renewable sources which also contributes to



The e-mobility evolution provides the Company with an organic opportunity to not only grow electricity sales but to also support the country's green agenda.

the reduction of harmful Greenhouse Gas (GHG) emissions.

In the last three years, Kenya Power has scaled the uptake of renewable energy from geothermal, hydro, wind and solar which in aggregate averaged 90.5% of the total energy mix. During the reporting period, the greening of our energy mix was boosted by the integration of 206 MW of renewable generation capacity. This additional generation comprises 86.88 MW geothermal capacity from Olkaria I unit 6, 40 MW from Selenkei solar plant, 40 MW Cedate solar plant, 40 MW Malindi solar plant, and 0.5 MW from Kianthumbi hydro power plant.

The Company operates 30 off-grid power stations, which were initially developed as thermal plants serving areas located far from the national power grid. Considering the global rise in the cost of fossil fuel and the need to protect the environment, a hybridisation project, which entails retrofitting the plants with solar photovoltaic systems, was initiated by the Government. Plans are underway to retrofit 18 of the 30 existing diesel-powered off-grid stations at a cost of Euro 33 million with funding from the French Development Bank (AFD. The remaining 12 plants will be hybridised progressively as the Government avails additional funding. Hybrid systems enable the displacement of expensive thermal generation with cheaper and cleaner renewable energy, reduction of carbon emissions, and enhancement of power supply reliability.

Further, the Company is implementing the Kenya Off-grid Solar Access Project (KOSAP) with the target to install 98 mini-grids and 473 stand-alone systems to enhance electricity access in 14 counties with low grid penetration. The project is financed by the World Bank at a cost of USD 150 million. These counties to be covered are Garissa, Isiolo, Kilifi, Kwale, Lamu, Mandera, Marsabit, Narok, Samburu, Taita Taveta, Tana River, Turkana, Wajir and West Pokot. Project implementation is expected to commence in the current financial year and is earmarked for completion in 2024.

(ii) Enabling electro mobility

Electric motorisation supports the attainment of SDG 13 on combating climate change and its impacts. The growth of e-mobility space in Kenya is rising rapidly with at least 1,000 electric vehicles (EVs) currently on Kenyan roads compared to less than 100 five years ago. The market is attracting players offering customised solutions with after-sales service, targeting two and three-wheelers, personal vehicles and buses. Demand for EVs is expected to rise in the coming years due to

reduction in technology cost, fuel competitiveness in the backdrop of rising oil prices, evolution of battery technology, improved affordability and reliability and increased adoption of innovative solutions.

With an installed electricity capacity of 3,078 MW and an off-peak load of about 1,100 MW, Kenya has sufficient power to support a sizeable e-mobility ecosystem including powering charging stations for domestic and business use. In 2019, the Company partnered with the United Nations Environment Programme (UNEP) to lead the implementation of the Electric Mobility Programme in Kenya by piloting 13 electric motorbikes attached to meter readers and revenue collection staff in several parts of the country.

During the year under review, the Company invited bids for the construction of an E-Mobility Network Infrastructure System (ENIS) to pilot the charging stations. We also participated in the launch of the first electric PSV buses in the country and are actively engaging the Government and other stakeholders in the e-mobility space to develop e-mobility policy framework to encourage investments.

To demonstrate our commitment to the adoption of e-mobility, the Company will gradually phase out fuel-powered vehicles and motorbikes from its fleet, in favour of electric-powered ones, as we move towards adopting sustainable ways of doing business. To this end, the Company has set aside KSh.40 million in the current financial year to acquire electric vehicles and install electric vehicle-charging stations within Nairobi on a pilot basis.

In addition, we have established a liaison office that acts as a one-stop shop to champion the Company's e-mobility business. Through this office, we are working with other stakeholders to support the development of the e-mobility ecosystem, which include the identification of sites for potential charging stations, facilitating connection of power supply to charging stations and testing of e-vehicles for potential investors.

(iii) Conserving the environment

Over the years, the Company has worked closely with the Kenya Forest Service (KFS), and other partners to support several environmental conservation initiatives such as planting trees around the country's water towers. As such, the Company has in the last ten years planted over 300,000 tree seedlings in public forests and major water catchment areas across the country. During the financial year, we planted over 7,000 tree seedlings in the Aberdares and Mt. Kenya forests and unutilised spaces within Company properties. These initiatives are in line with SDG 13 which advocates for urgent action to mitigate climate change and its impacts, and SDG 15 which promotes the sustainable use of terrestrial ecosystems.

The Company conducts environmental screening and Environmental Social Impact Assessments (ESIA) on new infrastructure projects to ensure compliance and mitigate adverse effects on flora and fauna. During the year, eight ESIA studies were conducted, and 80 environmental screening assessments for solar mini-grid projects carried out. Upon assessments, the projects were found to be compliant with the National Environment Management Authority (NEMA) regulations and given approvals for implementation. Moreover, we conducted environmental audits and inspections on our business facilities and infrastructural projects, and monitoring of ongoing projects including the Last Mile Connectivity Project to ensure that they are environmentally sustainable.

Further, we continued to sustain strategies to minimise paper usage by adopting electronic systems in our operations such as billing, job applications and tendering. By saving on paper usage, less trees are cut and less industrial waste is generated during paper manufacturing. For instance, the Company has gradually reduced the amount of paper used to print electricity bills from a high of 25.2 million copies annually to the current 480,000 copies by deploying e-billing technology. In addition, the Company has introduced monthly limits on paper used by staff and this has enabled reduction to paper usage and printing costs by 60%.

(iv) Protecting our fauna

Kenya Power continued to partner with various wildlife conservation groups to halt biodiversity loss in support of the SDG 15 tenets. Over the years, the Company has supported conservation through organisations such as the Colobus Conservation Trust which spearheads the protection and conservation of the endangered monkey species in Diani area of Kwale County. This project includes ring fencing of transformers to deter monkeys from accessing energized transformers, trimming of trees to create clear and accessible path free of power network and adopting the use of insulated cables in areas inhabited by the monkeys. As a result of these initiatives, there were no reported incidents of colobus monkey electrocutions during the financial year.

To prevent electrocution of the wildlife, we fenced off transformers and reconstructed sections of our high voltage power lines to enhance ground clearance for safe movement of animals within the Lake Nakuru National Park, Soysambu Conservancy and the Naivasha Wildlife Training Institute.

In the period, we undertook an assessment on the rerouting of the partially submerged section of the Kenya – Uganda 132kV transmission interconnector due to rising water levels at the Lake Nakuru National Park. The rerouting is also expected to ease the movement of pelicans and flamingos around the lake and prevent bird electrocution incidences.

(v) Promoting clean cooking

The clean cooking agenda is gaining traction both locally and globally as the world explores all available measures to reduce carbon emissions in line with commitments under SDG 7 on affordable clean energy and SDG 13 on climate action. The business case for clean cooking using electricity is stronger considering the cost of fossil fuels has risen and efficiency for electrical appliances has increased. Providing cleaner fuels and improved cooking appliances reduces child mortality, improves women's health and enhances social wellbeing while helping protect the environment.

Kenya aims to attain universal access to clean cooking by 2030 through deployment of technology and innovative energy solutions. Current trends on urbanisation and rural-urban migrations will have impact on energy of choice and cooking patterns for the future. It is expected that use of charcoal and kerosene for cooking will decrease while adoption



Through our Pika na Power (Cook with Electricity) media campaign we continue to promote the use of electricity for cooking with demonstrations of the cost and benefit analyses, drawing comparisons with other cooking fuels and their deleterious impact on the environment.

of electricity for cooking will rise as electricity access increases and cost of power becomes more competitive.

Towards this, the Company is actively promoting the use of electric cooking (e-cooking) with the emergence of energy-efficient technologies in the market. Increased awareness and the adoption of e-cooking appliances counters the widespread perception that electricity is too expensive for cooking.

Considering that our energy mix is predominantly from renewable sources, this presents the Company with new opportunities to drive the clean energy agenda while increasing electricity sales and revenues. Indeed, as a retailer of energy, we hold a strategic position in shifting consumer behaviour to embrace clean ways of cooking.

Cognisant of this, we are working with various partners to drive the uptake of energy efficient cooking appliances such as induction and Electric Pressure Cookers (EPCs). A recent impact assessment of a programme that supported uptake of 5,000 EPCs in the Kenyan market found that 35% of customers reported a notable decrease in cooking expenses after switching to EPCs.

We also participated in the launch of four e-cooking hubs in Kitui, Makueni, Kisumu and Nakuru counties in partnership with several organisations such as the African Center for Technology Studies, the Clean Cooking Association Kenya, CARITAS and Gamos Kenya. The hubs act as centers of knowledge and advocacy platforms on e-cooking and emerging energy efficient appliances.

2 SOCIAL SUSTAINABILITY



Towards Social Sustainability, the Company carried out various initiatives and programmes to improve the health, safety, education and social equity, and empowerment of disadvantaged groups.



Enhancing public safety

The Company ensures safe operation of the network and facilities as well as advocating for the safety of staff and members of the public who have just cause to interact with the Company operations.



Promoting employee wellness

It is widely acknowledged that prevention is better than cure. Indeed, a healthier workforce is critical for high productivity and improved business performance.



Mentoring the young

The Company policy on Corporate Social Investment prioritises programmes that promote education as a critical support area.



Empowering disadvantaged groups

The Company found out that lack of awareness due to inadequate information and pre-existing negative perception that the Government procurement opportunities are for a pre-selected group of people contribute to low uptake of opportunities by such disadvantaged groups.



Enabling communities

In the year, we implemented various electrification projects on behalf of the Government to support social programmes including provision of universal healthcare, access to water and, technical and vocational training.

Social sustainability is one of the critical ESG pillars that the Company continues to strengthen by proactively managing the impacts of our business on employees, customers and local communities. Towards this, we carried out various initiatives and programmes to improve the health, safety, education and social equity, and empowerment of disadvantaged groups.

(i) Enhancing public safety

In contribution to SDG 8 which promotes inclusive and sustainable economic growth, full and productive employment and decent work, the Company ensures safe operation of the network and facilities as well as advocating for the safety of staff and members of the public who have just cause to interact with the Company operations. The Company has put in place various interventions to prevent electrocution. These include continuous safety trainings and awareness creation.

In FY 2021/2022, a total of 27 statutory safety trainings and 377 safety awareness sessions were conducted for members of staff. In addition, routine worksites inspections were made to ensure compliance to safe operating procedures, with 21 worksite and 159 workplace inspections conducted across the Company. The Company also undertakes review of routine inspections of tools and equipment to incorporate changing technology.

The interventions being put in place on contractor safety include pre-work commencement safety training of contractors at the Company's Institute of Energy Studies and Research, and routine monitoring of contractors at work to assess compliance with the Company Safety standards and requirements.

To address public electrical safety, sensitisation campaigns were conducted, with a total of 67 public safety meetings undertaken during the financial year under review. The Company also partnered with the Ministry of Education to carry out electrical safety education in schools. Members of staff were also sensitised on public electrical safety so that they can help in disseminating of the information to their communities.

(ii) Promoting employee wellness

It is widely acknowledged that prevention is better than cure. Indeed, a healthier workforce is critical for high productivity and improved business performance. As such, we conducted the annual Occupational Safety and Health (OSH) medical examinations to identify and protect employees who may be exposed to work-related hazards that lead to occupational disease and take early remedial actions to prevent further exposures that may lead to health deterioration and injuries. The examinations conducted were in compliance with the legal requirements as spelled out in the national Occupational Safety and Health Act (OSHA) 2007. Results from the medical examinations also help the Company to evaluate the effectiveness of health and safety measures implemented prior.

In addition, the Company organised open medical screening camps targeting all employees within their workstations. Various complementary services offered to employees included physical examination, health screening, HIV/AIDS testing and counseling, and nutrition advisories. We also held mental health clinics to raise awareness, reduce the stigma associated with mental illnesses, and promote help-seeking behaviour and emotional well-being. The wellness camps enable the prevention and early detection of disease, and the facilitation of timely interventions.

The Company also sustained the implementation of wide-ranging measures to prevent the spread of COVID-19. The preventive measures adopted included wearing facemasks for employees and all persons accessing our premises, providing hand sanitisers for use by employees, establishing handwashing points, and enhancing regular disinfection of floors and other surfaces. We also developed a communication strategy for COVID-19 prevention and adapted online meetings to minimise physical contact. In addition, the Company offered mental health support services to employees and dependents who were psychologically affected in managing their mental health and psychosocial well-being during the crisis. We supported the smooth reintegration of staff who recovered from COVID -19 back into the workforce to avoid stigma.

These initiatives tie in well with SDG 3 which advocates for good health and well-being in society.

(iii) Mentoring the young

The Company policy on Corporate Social Investment prioritises programmes that promote education as a critical support area. This is in recognition that education undeniably plays a significant role in imparting knowledge and skills as well as nurturing innovation that catalyses economic transformation and societal growth. Towards this, we have funded various projects and initiatives over the years to help schools and learning facilities including construction of new classrooms, rehabilitation of existing facilities, buying of sanitary ware for girls and provision of scholarship programmes for needy pupils.

In addition, we have undertaken various mentorship programmes to encourage students in their academic pursuits and career development, notably those pursuing technical courses. During the year, we held two mentorship programmes that benefited over 1,000 young boys and girls drawn from both Starehe Girls Centre and Starehe Boys Centre to promote the uptake of Science, Technology, Engineering and Mathematics (STEM) courses.

Starting this financial year, the Company will collaborate with other stakeholders to expand the mentorship programme to benefit additional schools countrywide with a focus on encouraging girls to pursue technical courses and help bridge the gender gap in technical companies such as Kenya Power.

Employees in the Company's Central Office also contributed funds during the year to purchase school materials and personal effects including toys, diapers, sanitary ware, craft items, therapy items and knitting items for Dr. Ribeiro School, a school for young children with special needs located in Parklands, Nairobi. Other employee-driven philanthropic activities included donation of foodstuffs to Liza and Hola special schools for the mentally handicapped in Tana River county and donation of clothing items to Erunyu Home for the Elderly in Busia county.

(iv) Empowering disadvantaged groups

Article 227 of the Kenyan Constitution provides set standards for public procurement systems to be fair, equitable, transparent, competitive and cost effective in line with Sustainable Development Goal 10, which targets reducing inequality by 2030.

In a bid to further embed the equal distribution of wealth and access to business opportunities, the Government founded the Access to Government Procurement Opportunities (AGPO) programme outlined in the Public Procurement and Asset Disposal Act, 2015.

AGPO seeks to empower disenfranchised groups by requiring public procuring entities to allocate at least 30% of their procurement spend to enterprises owned by women, youth and persons with disabilities. In context, women and youth form a substantive part of the population at over 50% representation and, therefore, the Kenyan economy cannot grow with the exclusion of this group of people.

The Company found out that lack of awareness due to inadequate information and pre-existing negative perception that the Government procurement opportunities are for a pre-selected group of people contribute to low uptake of opportunities by such disadvantaged groups.

During the year, the Company organised eleven AGPO sensitisation forums in various parts of the country with a cumulative total of over 2,000 attendees drawn from disadvantaged groups. Our strategic business partners such as the Kenya Association of Manufacturers and the Kenya Private Sector Alliance, Stima Sacco, the Housing Finance Corporation of Kenya and the Family Bank supported the forums.

(v) Enabling communities

In the year, we implemented various electrification projects on behalf of the Government to support social programmes including provision of universal healthcare, access to water and, technical and vocational training. Towards this, the Company connected 80 healthcare facilities to the grid at a cost of KSh.168 million. The Company is targeting to electrify approximately 100 additional healthcare facilities at a combined cost of KSh.266 million.

We also connected electricity to 100 community borehole facilities across the country at a cost of KSh.39 million, and 53 Technical Vocational and Education Training (TVET) facilities at a cost of KSh.73 million. We plan to electrify an additional 101 TVET institutions in the short term at a projected cost of KSh.192 million.


"...we completed the implementation of the Advanced Metering Infrastructure (AMI) project. Its main objective is to protect revenue from large and medium customers, who contribute more than 80% of the Company's total electricity sales."

Kenya Power

Powering a Sustainable Future



CORPORATE GOVERNANCE

The Company's Board of Directors Embraces Principles of Good Corporate Governance in Steering the Business Toward Sustainable Growth

Kenya Power's core business is to transmit, distribute and retail electricity which is purchased in bulk from various generating companies. The Company is currently responsible for national power system dispatch and grid operation.

To effectively undertake the mandate, the Company's Board of Directors embraces principles of good orporate governance in steering the business toward sustainable growth. The roles, responsibilities and functions f the Board are clearly defined in the Board Charter and Manual.

he Company continues to strengthen its internal controls and enterprise risk management, promote ethical usiness practices, and embed a culture of integrity and accountability to support the Company in achieving its rategic and financial objectives.

ne Board remains resolute in securing business growth and improving shareholder value.

) Board changes

ne following Directors were appointed to the Board to fill casual vacancies: Brig. (Rtd) James Gitiba and M/s arah Mbwaya were appointed on 26th July 2022 while Justice (Rtd) Aaron Ringera was appointed on 24th August 022.

ng. Abdulrazaq Ali, Ms. Caroline Kittony-Waiyaki and Eng. Elizabeth Rogo resigned as Directors on 30th May 022.

ng. Geoffrey Muli was appointed the Acting Managing Director of the Company with effect from 17th May 2022 ter Eng. Rosemary Oduor who also held the position in acting capacity.

i) Board governance

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

ne Board draws its powers and authority from relevant laws of Kenya, and the Company's Memorandum and rticles of Association. As the custodians of the Company's governance structure, the Board is committed to the rinciples of best practice in governance. The Board continually strives to strengthen the Company's internal ontrols and enterprise risk management; maintain highest ethical business standards; and promote a culture of tegrity to support the Company in achieving its strategic and financial objectives.

ne Board embraces principles of good corporate governance in steering the Company to effectively achieve its andate for sustainable growth in shareholder value and to meet stakeholder expectations. This is done through e adoption of ethically driven business structures, procedures and processes.

ii) Board responsibilities

ne Board is tasked with the following primary responsibilities in providing leadership and strategic direction to e Company:

(i) The stewardship of the Company and in discharging its obligations, it assumes responsibility for oversight, strategy, risk management, compliance and control, stakeholder relations and timely and accurate disclosures.

(ii) Establishing sound system of internal control for the Company.

(iii) Overseeing the corporate governance framework.

(iv) Adoption of strategic plans and policies; monitoring the operational performance; establishing policies and processes that ensure integrity of the Company's internal controls; and risk management.

(v) Establishing clear roles and responsibilities in discharging its fiduciary and leadership functions.

(vi) Ensuring that Management actively cultivates a culture of ethical conduct and sets the values to which the Company will adhere.

(vii) Ensuring that the strategies adopted promote the sustainability of the Company.

(viii) Establishing policies and procedures for effective operations of the Company.

(ix) Establishing appropriate staffing and remuneration policies for all employees as required.

(x) Ensuring compliance with all applicable laws, regulations, governance codes, guidelines and regulations and establish systems to effectively monitor and control compliance across the Company.

(iv) 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.

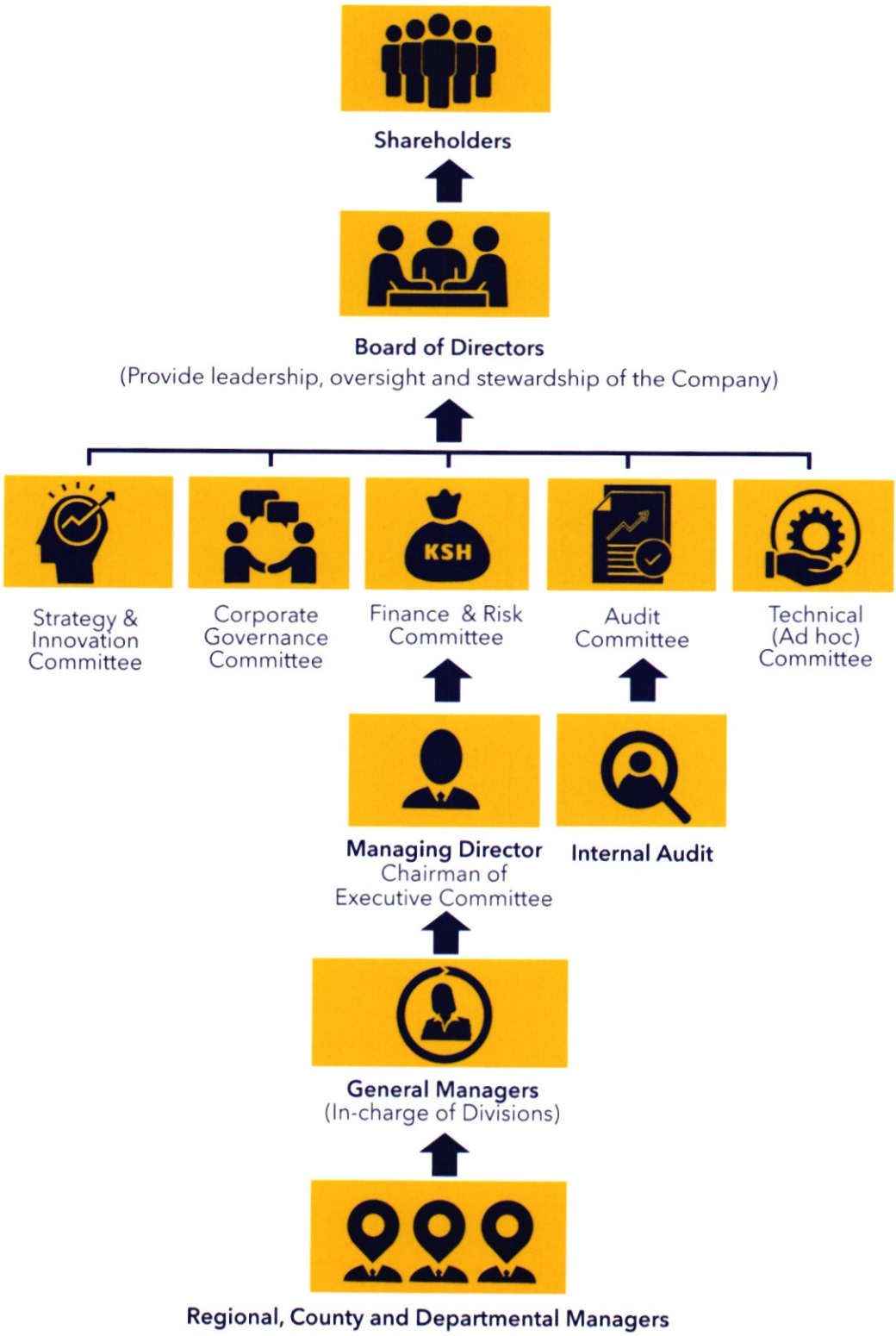
The current Board is composed of six Independent Directors including the Chairman; two Non-Executive Directors representing the National Treasury and the Ministry of Energy; and one Executive Director who is also the Managing Director.

(v) 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 and Manual 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.

(vi) Governance structure



(vii) 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 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 for the year ended 30th June 2022

Board Members	Full Board	Board Committees				
		Strategy & Innovation	Corporate Governance	Finance & Risk	Audit Committee	Technical (Ad hoc) Committee
	No. of Meetings/Attendance					
	42	10	7	9	7	1
Vivienne Yeda	42/42	4 By invitation	-	1/1 By invitation	-	-
Eng. Geoffrey Muli – Ag. MD (Appointed on 17th May 2022)	5/5	-	-	-	-	-
Mr. Kairo Thuo	18/42	6/10	1/1 By invitation	3/3	Chair 2/2	-
Mr. Yida Kemoli (Joined on 3rd December 2021)	25/26	1/1 By invitation	1/1 By invitation	Chair 6/6	-	-
Maj. Gen (Rtd) Dr. Gordon Kihalangwa - Permanent Secretary, Ministry of Energy (Joined in October 2021)	3/3	-	-	-	-	-
Mr. Humphrey Muhu - Alternate Director, The National Treasury	39/42	4/7	1/1 By invitation	8/9	6/7	1/1
Eng. Benson Mwakina - Alternate Director, Ministry of Energy (Joined 19th October 2021)	20/37	3/4	3/3	-	-	-
Eng. Elizabeth Rogo (Resigned as a Director on 30th May 2022)	35/37	Chair 10/10	2/2 By Invitation	-	7/7	1/1
Abdulrazaq Ali (Resigned as a Director on 30th May 2022)	18/37	-	6/7	1/1	-	Chair 1/1
Caroline Kittony-Waiyaki (Resigned as a Director on 30th May 2022)	36/36	2/2 By Invitation	Chair 7/7	-	6/7	-

Board Members	Full Board	Board Committees				
		Strategy & Innovation	Corporate Governance	Finance & Risk	Audit Committee	Technical (Ad hoc) Committee
	No. of Meetings/Attendance					
	42	10	7	9	7	1
Eng. Rosemary Oduor (Ceased as Ag. MD & CEO on 17th May 2022)	36/36	7/7	4/5	6/6	4/7	-
Sachen Gudka (Resigned as a Director on 3rd December 2021)	25/28	4/5	-	-	5/5 Chair	-
Eng. Isaac Kiva (Ceased as an Alternate Director, Ministry of Energy on 19th October 2021)	3/9	3/5	3/3	-	-	-
Mr. Bernard Ngugi (Resigned as MD & CEO on 3rd August 2021)	1/1	3/3	1/1	1/1	-	1/1

(viii) Board committees

The Board has established five 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.

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	Technical (Ad hoc)
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 the 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	**Brig (Rtd) James Gitiba**	**Justice (Rtd) Aaron Ringera**	**Yida Kemoli**	**Kairo Thuo**	**Eng. Sarah Mbwaya**

Board Committees	Strategy & Innovation	Corporate Governance	Finance & Risk	Audit	Ad hoc (Technical)
Members	• Kairo Thuo • Eng. Benson Mwakina • MD	• Eng. Sarah Mbwaya • Eng. Benson Mwakina • MD	• Humphrey Muhu • Eng. Sarah Mbwaya • MD	• Humphrey Muhu • Justice Aaron Ringera • Brig. James Gitiba	• Brig. James Gitiba • Yida Kemoli • MD
Invitation	• GMs – Power Purchase & Planning, Business Strategy, Finance, Supply Chain and ICT • Inspectorate of State Corporations (Rep.)	• GM, HR & Admn • Inspectorate of State corporations (Rep.)	• GM, Finance • Inspectorate of State Corporations (Rep.)	• MD • GM, Internal Audit • Inspectorate of State Corporations (Rep.)	• All GMs as required • Inspectorate of State corporations (Rep.)

(ix) Board capacity development

The newly engaged Directors underwent a comprehensive induction programme tailored to their individual needs to acquaint them with their responsibilities as well as keep them abreast of the Company's strategy and operations. The Company operates in a dynamic business environment and, as such, we regularly facilitate learning and development courses for Directors. In the period, various capacity building programmes focusing on leadership, corporate governance, finance and other relevant areas were conducted for the Board.

Each year the Board of Directors prepares a training calendar where specific training needs are identified and scheduled. The trainings focus on leadership, risk management, governance, finance and other relevant areas.

(x) 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).

(xi) 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.

(xii) Insider trading policy

The Board is in the process of reviewing the insider trading policy and the same will be communicated to all employees of the Company. The Board wish to report that there were no insider dealings for the year ended 30th June 2022.

(xiii) Governance policies

The Company has in place the following related policies for effective management of the Company:

- Code of Conduct and Ethics
- Whistle Blowing policy
- Conflict of interest Policy
- Zero Gift Policies
- Supply Chain Policy
- Distinction of Board Roles
- Corporate Social Investment Policy
- Dispute Resolution Mechanism
- Dividend Policy
- ICT Policy
- Enterprise Risk Management Policy Framework
- The Corporate Communications Strategy

(xiv) 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 put 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 apprises the Board Audit Committee on key audit findings and recommendations.

To enhance independence, the Division reports functionally to the Board Audit committee and administratively to MD. In order to achieve the desired objectives of enhancing and protecting the organisational value the internal audit division has adopted risk based auditing and leveraged on technology, where periodic audit reports are provided to the Board Audit committee.

The Internal Audit Division remains committed to continuously provide timely and objective assurance to enhance internal controls, risk management, promote accountability, transparency and good governance to support the business and enhance organisational value.

(xv) The policy on procurement

The Company's supply chain processes are governed by the Public Procurement and Asset Disposal Act (PPADA), 2015 and the Public Procurement and Asset Disposal Regulations (PPADR), 2020. The Company's supply chain processes are carried out by procurement professionals who are members of KISM and operates under guidance of Supplies Practitioners Management Act (SPMA) 2007.

The procurement and asset disposal processes are enshrined in the Company's procurement policy. The policy is anchored on the principle of value for money; professionalism; competitiveness; transparency; accountability; fairness; ethical approach and sustainability as stipulated under article 227 of the Kenya Constitution 2010.

(xvi) Directors' shareholding

None of the Directors owns more than one percent of the Company's total issued shares in their individual capacity.

(xvii) Ethics and code of conduct

The Company actively promotes a strong ethical culture of accountability and 'doing the right thing' among its members of staff and support partners. This is aimed at inculcating and sustaining a value-based approach in business operations and decision making in accordance to Chapter Six of the Constitution and the Leadership and Integrity Act, 2012.

To entrench ethics and integrity, the Company conducts internal trainings and awareness campaigns. The trainings have enhanced standards of professional conduct and reinforced our core ethical values, and empowered staff to make ethical decisions and conduct themselves in the best interest of the organisation. During the period under review, 2,615 employees underwent in-person training on maintaining ethics and integrity in the workplace.

The Company has initiated a mandatory annual programme requiring all employees to declare any conflict of interest in the process of carrying out their official work. The purpose is to deter corrupt practices at the workplace and rally members of staff to work in the best interests of the business.

In addition, the Company continued to implement its whistleblower protection policy to encourage employees, business partners and the public report on malpractices without fear of retaliation. Whistle blowing is encouraged through the provision of various reporting channels including an anonymous online platform and the hotline telephone number 0718999000.

(xviii) Accountability and audit

The Statement of Directors Responsibility is set out on page 72, the Independent Auditors report is on page 74 and the Company's business review is outlined on page 66.

(xix) 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 2022, each non-executive Director be paid a total of KSh.600,000 or on pro rata basis for period served.

Details of Directors' emoluments amounting to Ksh. 28,165 million paid during the year is shown on page 70 to 71 in the financial statements.

(xx) Enterprise risk management

In the pursuit of our core mandate, the Company faces various risk that may impede the achievement of set business goals. Good corporate governance dictates that the Company's leadership considers and mitigates all risks that may affect our performance, thus our 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.

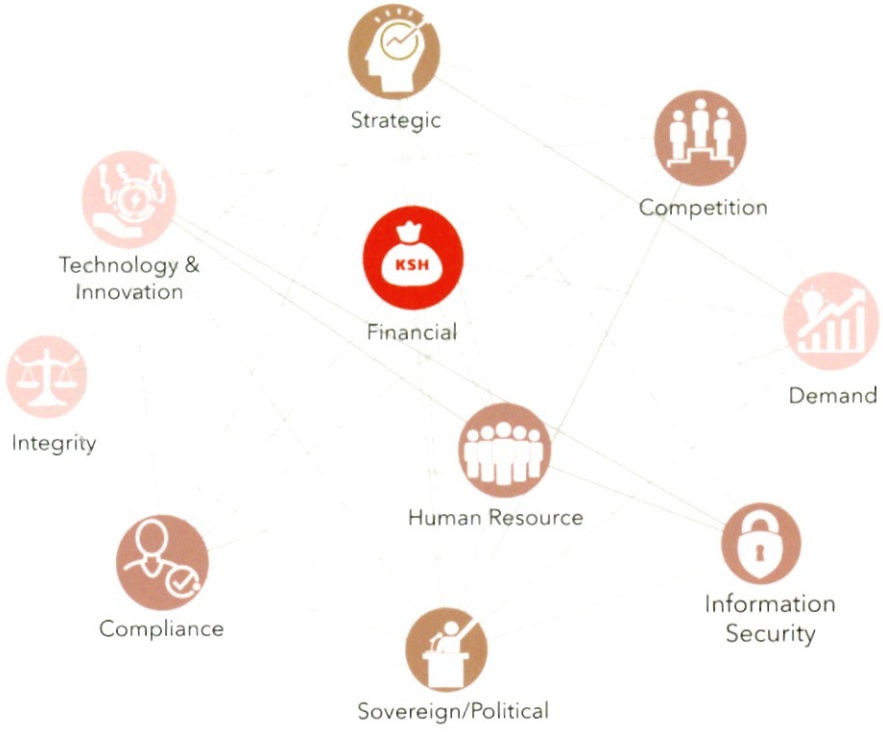
During the year, the Key Risk Indicators captured the key areas of exposure that required interventions to secure the going concern of the Company as follows:

Key risks exposure

Category	Corporate KRI	Measure	Risk Tolerance Range			Status		Out-Look
Financial Risk	Working Capital Ratio/ Current Ratio	Range	1.2-2.0	0.74 -1.1	<0.74	0.44		
	Receivable Days Ratio	Days	30	30 - 60	> 60	76.49		
	Debt to Equity Ratio	Ratio	1.1-1.4	1.4-1.5	>1.5	1.79		
	Interest Coverage ratio	Ratio	≥2	1-1.9	<1	2.7		
	Inventory Ratios	%	0	0-10%	>10%	0.34		
	Expected Credit Loss		0	0- 6.5B	> 13B	15B		
	Aggregated System Losses	%	14%	15-19%	> 19%	22.43%		
Strategic Risk	Diversification Ratio	%	> 1	-	< 1	2.7%		
	Supply Average Interruption Duration Index (SAIDI)	Hours	63	91	> 91	132		
Operation-al Risk	Number of Employee Safety Incidences	No.	0	1-5	> 10	54**		
	Fleet availability index	%	>85%	60-85%	< 60%	89.05		
	Critical materials availability	%	100%	70-100%	< 70%	83.25		
	Employee turnover rate	%	8.8%	8.9-15%	> 15%	5.27%		
	Overdue High Risk System Audit Recom-mendations	% Imple-ment-ation	100%	90%-100%	< 90%	65		
	IT Service Availability	%	99.99%	99.5-100%	< 99.5%	98		
Technolog-ical Risk	Mean Time to Resolve (MTTR)	Hours	< 1hr	1-2hrs	> 2hrs	2		
	Number of Public Safety Incidences	Number	0	1-10	> 10	200		
Reputa-tional Risk	Customer Net Pro-moter Score(cNPS)	Scale of (+/-100)	> 10	0-9	< 0	-38		

●	Breach of both risk appetite and tolerance level.
●	Breach of risk appetite but within tolerance.
●	Within the risk appetite.
➡	There are no significant changes in the risk exposure
↗	Increasing risk exposure
➡	Slight increase in exposure
↘	Decreasing risk exposure

Company Risk Web



(xxi) Executive committee

The Executive Committee comprises divisional heads and the Managing Director who is also the Chairman of the committee. The Executive Committee meets weekly to review business performance, and to consider policy and business issues including strategic measures, and reviews papers before they are tabled to the Board and Committees for consideration and approval.

(xxii) Shareholder relations

To ensure transparency and fairness in line with corporate governance best practice and to enhance investor relations, the Board maintains active communication and engagements with shareholders and the public by

providing timely information regarding the Company's strategy, operations and performance. We broadcast our half-year and full-year trading results through the media, publish annual reports and financial statements as well as hold regular investor briefings.

During the year under review, the Company held a virtual Annual General Meeting on 3rd December 2021. Shareholders were given a chance to send their questions, which were subsequently responded to, and answers posted on the website www.kplc.co.ke.

(xxiii) Shareholding structure

Below is a list of the major shareholders and analysis as at 30th June 2022.

Top 20 shareholders as at 30th June 2022

No.	Name of the Shareholder	Ordinary Shares (KSh.2.50 each)	4% Cum. Pref. (Ksh. 20/= each)	7% Cum. Pref. (Ksh.20/= each)	Total Shares	Percentage
1.	The Cabinet Secretary to the National Treasury	977,641,695	656,808	193,531	978,492,034	50.086
2.	Standard Chartered Nominees Resd A/C Ke11450	32,518,589	-	-	32,518,589	1.665
3.	Nyoro, Samson Ndindi	27,291,400	-	-	27,291,400	1.397
4.	Standard Chartered Nominees Non-RESD A/C Ke11794	24,076,800	-	-	24,076,800	1.232
5.	Hirani, Naran Khimji & Hirani, Virji Khimji	23,845,364	-	-	23,845,364	1.221
6.	Kenya Commercial Bank Nominees Limited A/C 915B	22,887,288	-	-	22,887,288	1.172
7.	Access Alliance Limited	16,504,400	-	-	16,504,400	0.845
8.	Stanbic Nominees Ltd A/C NR79701	15,881,200			15,881,200	0.813
9.	Shah, Mahendra Kumar Khetshi	11,024,900	-	-	11,024,900	0.564
10.	Parmar, Atul	10,849,300	-	-	10,849,300	0.555
11.	Patel, Sumantrai Pursottam Mangalbhai & Patel, Ramaben Sumantrai Pursottam	10,397,300	-	-	10,397,300	0.532

No.	Name of the Shareholder	Ordinary Shares (KSh.2.50 each)	4% Cum. Pref. (Ksh. 20/= each)	7% Cum. Pref. (Ksh.20/= each)	Total Shares	Percentage
12.	Varsani, Suresh Naran Ratna	17,221,325	-	-	17,221,325	0.882
13.	Patel, Baloobhai & Patel, Amarjeet Baloobhai	10,366,000	-	-	10,366,000	0.531
14.	Stanbic Nominees Limited A/C R5551484	9,516,026	-	-	9,516,026	0.487
15.	Ruhari, Nehemia Ikuah	9,006,255	-	-	9,006,255	0.461
16.	Kaleb Investments Limited	9,000,100	-	-	9,000,100	0.461
17.	Stanbic Nominees Limited A/C R7551918	8,551,279	-	-	8,551,279	0.438
18.	Ngugi, John Njuguna	8,396,700	-	-	8,396,700	0.430
19.	Tapioca Limited	7,112,500	-	-	7,112,500	0.364
20.	Maiyo, Wilson Kimeli	7,030,000	-	-	7,030,000	0.360
Sub - Totals		**1,259,118,421**	**656,808**	**193,531**	**1,259,968,760**	**64.494**
Other Shareholders		**692,348,624**	**1,143,192**	**156,469**	**693,648,285**	**35.506**
Total Issued Shares		**1,951,467,045**	**1,800,000**	**350,000**	**1,953,617,045**	**100**

Distribution of Ordinary Shares as at 30th June 2022

Range	No. of Shareholders	Shares
<1,000	15,129	4,758,372
1001–10,000	11,585	38,267,233
10,001–50,000	3,245	70,636,330
50,001–100,000	740	52,977,306
100,001-1000,000	882	248,984,429
Over 1,000,000	142	1,535,843,375
Total	**31,723**	**1,951,467,045**

Distribution of 4 Percent Cumulative Preference Shares as at 30th June 2022

Range	No. of Shareholders	Shares
<1,000	359	62,959
1001–10,000	57	152,227
10,001–50,000	13	328,399
50,001–100,000	2	134164
Over 100,000	3	1,122,251
Total	**434**	**1,800,000**

Distribution of 7 Percent Cumulative Preference Shares as at 30th June 2022

Range	No. of Shareholders	Shares
<1,000	80	21,702
1001–10,000	15	44,301
10,001–50,000	3	86,432
50,001–100,000	1	57,617
Over 100,000	1	139,948
Total	**100**	**350,000**

Shareholders Analysis as at 30th June 2022

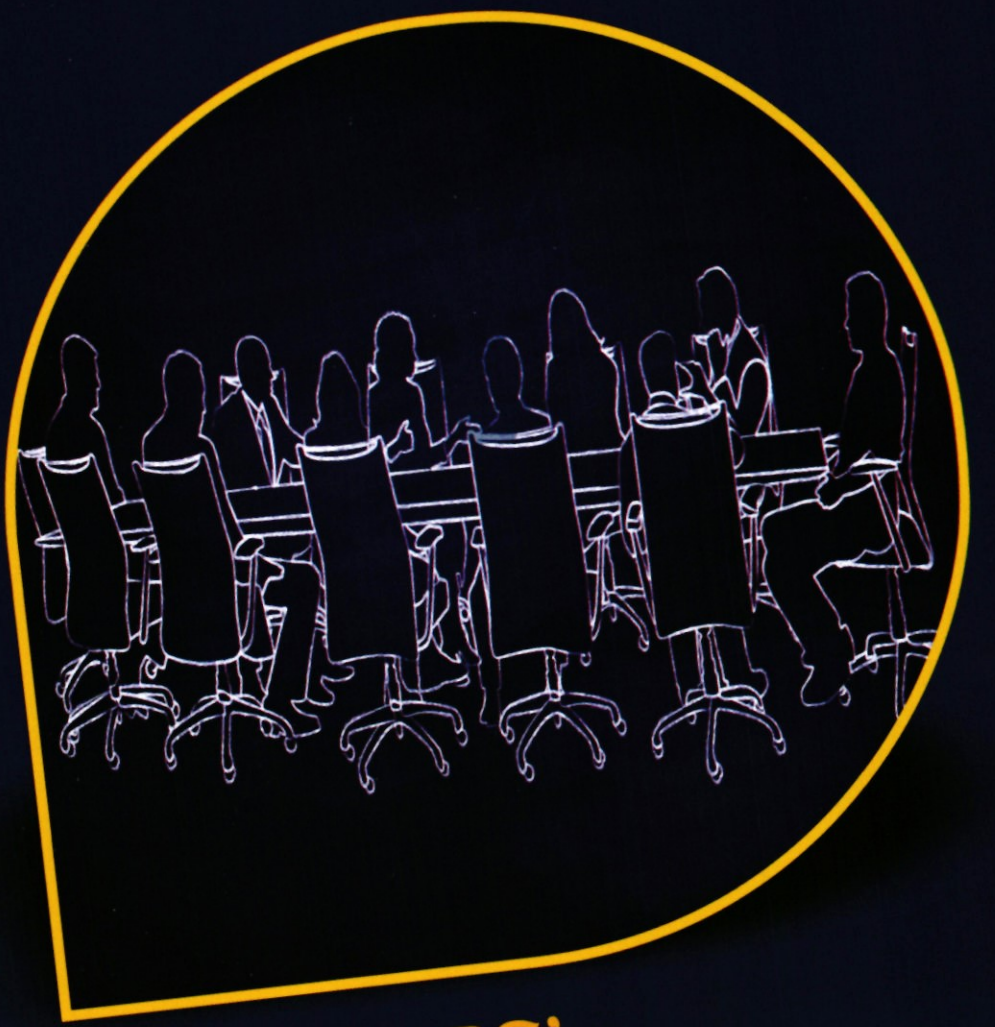
Category	Ordinary Shares	%	4% Pref. Shares	%	7% Pref. Shares	%	Total Shares	%
East African Individual Share-holders	603,980,202	30.95%	608,420	33.80%	99,319	28.38%	604,687,941	30.95%
East African Institu-tional Share-holders	1,269,719,738	65.06%	1,086,810	60.38%	235,153	67.19%	1,271,041,701	65.06%
Foreign Share-holder	77,767,105	3.99%	104,770	5.82%	15,528	4.44%	77,887,403	3.99%
Total	**1,951,467,045**	**100%**	**1,800,000**	**100%**	**350,000**	**100%**	**1,953,617,045**	**100%**



Vivienne Yeda, OGW
Chairman, Board of Directors

Kenya Power

Powering a Sustainable Future



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 2022, 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 saw the full recovery of the economy from the impact of the COVID-19 pandemic with all sectors of the economy resuming normal activity levels. Demand for electricity continued to increase especially driven by the resumption of full manufacturing capacity, construction activity as well as expansion of industry, which necessitated application for additional load by existing customers. Electricity unit sales increased by 6.9% from 8,571GWh to 9,163GWh, 57% of the additional 592GWh was achieved on the commercial and industrial customer category signalling an expanding manufacturing sector.

During the year, the Presidential Taskforce on the Review of Power Purchase Agreements, appointed in March 2021, released its report which recommended a wide range of sector reforms, key among them the reduction of the end-user electricity tariff by 33% and the renegotiation of Power Purchase Agreements. A subsequent presidential proclamation revised the tariff reduction to two phases of 15% each. The first phase of 15% reduction on consumer prices was implemented in January 2022 following a gazette notice published by EPRA. The impact of this phase was a revenue reduction estimated at Shs 26.3 billion based on the December 2021 tariff pricing components. The first 15% was to be achieved through enhanced efficiencies across the electricity supply chain, while the second phase was to be anchored on the gains achieved from the renegotiation of PPAs.

To ensure the sustainability of the Company and the sector by extension, the Ministry of Energy obtained commitments amounting to Shs 12.2 billion (of which Shs 7.85 billion was KPLC efficiency and sales gains) from Semi-Autonomous Government Agencies (SAGAs) within the electricity sub-sector. The residual deficit of Shs 14.1 billion was taken up by the National Treasury with the aim of ensuring that the revenue gap was entirely covered, in the year under review 50% of this amount was disbursed to KPLC with the balance expected to be availed in the subsequent financial year. The agreed contribution from the other SAGAs in the electricity sub-sector was as follows:

KenGen:	Shs. 3,500 million
GDC:	Shs. 346 million, and
KETRACO:	Shs. 500 million.

During the year, the Company witnessed changes in its top leadership with the resignation of the Managing Director & CEO Bernard Ngugi in August 2021 and the appointment of Eng. Rosemary Oduor as acting MD & CEO, who was later replaced by Eng. Geoffrey Muli in acting capacity in May 2022. Four independent directors resigned from the Company's Board of directors on diverse dates during the period and were subsequently replaced.

The Company continued building on the momentum by focusing on the identified major areas to drive the financial recovery initiative. These included enhancing system efficiency (Loss reduction), growing sales, intensified revenue collection, cost management and improving working capital. The consolidated impact of these initiatives resulted in the improved business performance especially in the first half of the financial year before implementation of the tariff reduction. These initiatives together with the support from the government

towards meeting the revenue deficit ensured that the company remained profitable and stayed on the financial recovery path.

Over the period, profit before tax declined by 37.5% from Shs 8.198 billion reported in June 2021, to Shs 5.124 billion. The main drivers for the decline in profit before tax were; the reduction of the end user electricity tariff by 15% in January 2022 and the increase in finance costs due to significant depreciation of the Kenya Shilling against the USD and the EURO leading to increased foreign exchange losses on loans. During the period, operating expenses reduced by 4.6%, unit sales increased by 6.9%, system efficiency improved by 1.5% and other income increased by 88.7%

The Company has undergone disruptive reforms and is currently repositioning itself as a key economic enabler and dependable utility through the review and realignment of business processes, systems as well as Human Resource instruments with the aim of building the corporate capacity to support the business efficiency and financial sustainability.

RESULTS FOR THE YEAR

	2022 Shs'000	2021 Shs'000
Profit before income tax	5,123,553	8,197,656
Income tax expense	(1,619,264)	(6,707,968)
Profit for the year	3,504,289	1,489,688

Dividend

A dividend of Shs 1.93 million (2021: 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 2022 (2021: Nil). The Directors do not recommend the payment of final dividend for the year ended 30 June 2022 (2021: Nil).

Directors

The current Directors are as shown on page 10 to 15.

Statement as to disclosure to the company's auditor

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

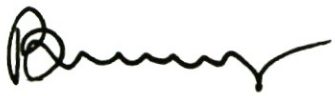
(a) there is, so far as the Director is aware, no relevant audit information of which the Company's auditor is unaware; and

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

Terms of appointment of the auditor

The Auditor-General is responsible for the statutory audit of the Company's financial statements in accordance with Section 35 of the Public Audit Act, 2015 (the "Act"). Section 23(1) of the Act empowers the Auditor-General to appoint other auditors to carry out the audit on his behalf. Accordingly, Ernst & Young LLP were appointed to carry out the audit for the year ended 30 June 2022 and report to the Auditor-General.

BY ORDER OF THE BOARD



Imelda Bore
Company Secretary

27 October, 2022

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/She 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. Geoffrey Muli was appointed as the Ag. Managing Director on 17 May 2022 to replace Eng. Rosemary Oduor who had been appointed as the Ag. Managing Director & Chief Executive Officer (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 3 December 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.

DIRECTORS' REMUNERATION REPORT (CONTINUED)

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.

Information subject to audit

For the financial years ended 30 June 2022 and 30 June 2021, 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 2022				
Executive Director				
Eng. Geoffrey Muli- Ag. Managing Director	1,204	-	713	1,917
Eng. Rosemary Oduor- Ag. MD & CEO	6,391	-	4,072	10,463
Bernard Ngugi- MD & CEO	760	-	180	940
Non-Executive Directors				
Ms Vivienne Yeda - Chairman	960	600	1,340	2,900
PS, National Treasury	-	600	-	600
Maj.Gen (Rtd) Gordon Kihalangwa	-	600	-	600
Abulrazaq Ali	-	544	700	1,244
Kairo Thuo	-	600	640	1,240
Elizabeth Rogo	-	544	1,416	1,960
Caroline Kittony	-	544	1,442	1,986

DIRECTORS' REMUNERATION REPORT (CONTINUED)

	Salary/ honoraria Shs'000	Fees Shs'000	Expense allowances Shs'000	Total Shs'000
Sachen Gudka	-	253	520	773
Humphrey Muhu Njoroge	-	-	1,440	1,440
Benson Mwakina	-	-	795	795
Yida Kemoli	-	347	740	1,087
Isaac Kiva	-	-	220	220
	9,315	**4,632**	**14,218**	**28,165**

	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

BY ORDER OF THE BOARD



Imelda Bore
Company Secretary

27 October, 2022

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.

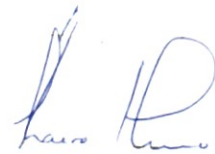
In preparing the financial statements, the Directors have assessed the Company's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation in Note 2 (a) of the financial statements.

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 27 October, 2022 and signed on its behalf by:



Vivienne Yeda
Chairman, Board



Mr. Kairo Thuo
Chairman, Audit Committee



Eng. Geoffrey Muli
Ag. Managing Director

Kenya Power

Powering a Sustainable Future



REPORT OF THE AUDITOR-GENERAL

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON THE KENYA POWER AND LIGHTING COMPANY PLC FOR THE YEAR ENDED 30 JUNE, 2022

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

Qualified Opinion

The accompanying financial statements of The Kenya Power and Lighting Company PLC set out on pages 90 to 172, which comprise of the statement of financial position as at 30 June, 2022, 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, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of The Kenya Power and Lighting Company PLC as at 30 June, 2022, 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 Qualified Opinion

1. Property, Plant and Equipment - Street Lighting Projects Cost

The statement of financial position reflects property plant and equipment balance of Kshs.272,335,824,000 as at 30 June, 2022. As disclosed in Note 16 to the financial statements, the balance includes Kshs.23,015,299,000 in respect of work in progress. Review of work in progress schedules and projects listing provided for audit revealed street lighting projects with a balance of Kshs.1,239,001,000. Management has indicated that the street lighting projects are funded by the National Government and implemented by the Company after which the projects are handed over to respective County Governments.

Records at the Company indicates that upon completion, the projects are cleared from the books against the received funds. Although the build-up of costs are included under property, plant and equipment as work in progress, the resultant assets are not reported as part of the Company's assets.

Under the circumstances, capital work in progress balance of Kshs.23,015,299,000 has been overstated

2. Variances on Balance with Related Entities

The statement of financial position reflects balances of Kshs.40,295,197,000 and Kshs.87,508,583,000 in respect of trade and other receivables and trade and other payables respectively as disclosed in Note 21(b) and Note 28(b) to the financial statements. Review of receivables and payables balances for related entities revealed variances between amounts reported by the Company and those confirmed by the entities as indicated below: -

Company	Classification	Balance Reported by KPLC (Kshs.)	Confirmed Balance (Kshs.)	Variance (Kshs.)
KENGEN	Payables	23,147,261,000	23,888,820,000	(741,559,000)
KETRACO	Payables	4,567,868,000	4,643,480,000	(75,612,000)
KETRACO	Receivables	1,677,814,000	1,690,167,000	(12,353,000)
REREC	Payables	12,164,824,000	10,685,566,000	1,479,258,000

The Management attributed the variances to disputes relating to interest charged on late payment, withholding taxes, works carried out on behalf of the entities among others. Collection of the disputed amounts was therefore in doubt.

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 qualified opinion.

Emphasis of Matter

1. Material Uncertainty Relating to Going Concern

I draw attention to Note 2(a)(iii) to the financial statements which discloses that the Company's current liabilities of Kshs.110,431,165,000 exceeded its current assets of Kshs.54,687,018,000 by Kshs.55,744,147,000 (2021 - Kshs.66,479,167,000). The Company has remained in a negative working capital position for the sixth 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, 2022. As further stated in Note 2(a), this condition, along with other matters as set forth in the Note, indicates existence of material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

2. Unmatched Passthrough Costs to Revenue

The statement of profit or loss and other comprehensive income reflects revenue from contracts with customers and cost of sales amounting to Kshs.157,353,254,000 and Kshs.115,208,040,00 respectively. As disclosed in Note 7(a) to the financial statements, the revenue includes Kshs.7,322,584,000 and Kshs.24,446,580,000 in respect of foreign cost adjustment and fuel cost charge respectively. However, the corresponding foreign exchange costs and fuel costs amounted to Kshs.9,072,591,000 and Kshs.26,358,279,000 respectively as reflected in Note 8 to the financial statements resulting in variances of Kshs.1,750,007,000 and Kshs.1,911,699,000. The foreign exchange costs and fuel costs are passed to the customers hence expected to match. Management has indicated that the variance was due to actual recovery rates approved by the Energy and Petroleum Regulatory Authority (EPRA) for billing to customers, being lower than the actual rates applied at the point of purchasing power from the producers.

The disparity in those rates were borne by the Company thus affecting its financial performance for the year.

3. Forensic Audits

On 29 March, 2021, a Presidential Taskforce on the review of Power Purchase Agreements (PPAs) was appointed through a special Gazette Notice No.3076 to undertake a comprehensive review and analysis of all Power Purchase Agreements

(PPAs) entered into between various Independent Power Producers (IPPs) and The Kenya Power and Lighting Company PLC The Terms of Reference (TOR) of the Taskforce was to develop a suitable strategy for engagement with the IPPs and lenders, in order to achieve relief for electricity consumers and ensure the long-term viability and sustainability of the energy sector

The Taskforce in its report, outlined nine (9) recommendations, key among them performing forensic audits on the following areas -

i Procurement of Power Purchase Agreements with Independent Power Producers

ii Procurement and the use of Heavy Fuel Oil (HFO) in electricity generation by thermal power plants in the last three (3) years

iii System losses on the Company's key commercial consumers to confirm that power delivered is consistent with metered power and that there is no power leakage

iv Supply chain processes in the Company with the objective of improving the performance of the Company, improve efficiency and enhance value for money in procurement and supply chain, among other priority areas

Subsequently, two (2) consultants were appointed in February, 2022 and a third in June, 2022 to carry out the assignment on behalf of the Auditor-General

As at the date of this report, the forensic audits had not been finalized Consequently, I was unable to perform alternative audit procedures and to quantify the adjustments, if any, likely to affect the revenue, cost of sales, administrative expenses, tax, property, plant and equipment, trade receivables, trade payables, and disclosures, in the absence of the forensic reports

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
Provision for Expected Credit Losses on Trade and Other Receivables As at 30 June, 2022, the Company's gross current trade and other receivables amounted to Kshs.64,216,701,000 as disclosed in Note 21(b) to the financial statements. The Company recognized an allowance for expected credit losses on these trade and other receivables of Kshs. 22,949,002,000 in accordance with IFRS 9 - *'Financial Instruments'*. 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 area involves significant judgement and estimates to be made by the Company. The most significant areas identified with greater levels of management judgement included: 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). 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.	**The following Procedures were performed: -** 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; 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, discussions were held with Management and corroborated with 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 Matter

GOK Support for 15% Tariff Reduction

During the year under review, a Presidential directive was issued on implementation of 15% tariff reduction for all customer categories which was effected through Gazette

Notice No. 64 dated 7 January, 2022. Arising from the Presidential directive, the National Government disbursed a total of Kshs 7,050,000,000 to the Company to support the tariff reduction. According to the framework agreed between the Ministry of Energy and Semi-Autonomous Agencies (SAGAs) in the electricity sub-sector, the SAGAs in the electricity supply chain comprising The Kenya Power and Lighting Company PLC (KPLC), the Kenya Electricity Generation Company PLC (KenGen), the Kenya Electricity Transmission Company Limited (KETRACO), and the Geothermal Development Company Limited (GDC), were to contribute through cost reduction initiatives to supplement Government Support

KPLC implemented the tariff reduction from January, 2022 but the other Agencies did not implement the cost reduction measures as per respective commitments which was estimated to translate to Kshs 2,173,000,000

Consequently, the Company did not realize full revenue support occasioned by the 15% tariff reduction directive

Other Information

The other information comprises the Chairman's Statement and the Managing Director and 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. Comparative Cost of Power Purchase between KENGEN and 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 the Kenya Electricity Generating Company PLC (KENGEN) and the power procured from Independent Power Producers (IPPs). The analysis revealed that KENGEN supplied a total of 7,911 Gigawatt hours (GWh) or 63% of the total power purchased while the IPPs supplied the remaining 4,742GWh (37%). However, the cost of the total power purchased from KENGEN was Kshs.38,902,478,000 which was only 41%, compared to the purchase cost of power from IPPs totalling Kshs.56,274,009,000 or 59%. The analysis further revealed that it cost KPLC an average of Kshs.3.93 per Kilowatt hours (KWh) of power purchased from Kenya Electricity Generating Company PLC while it cost the Company an average of Kshs.11.87 per KWh of power from the Independent Power Producers. The Company, therefore, entered into expensive contracts with Independent Power Producers (IPPs) and was in some instances selling power below the cost price.

2. Unmatched Cost of Thermal power Against Units Purchased

The statement of profit or loss and other comprehensive income reflects cost of sales amounting to Kshs.115,208,040,000 as disclosed in Note 8 to the financial statements. The costs include fuel charge of Kshs.26,487,695,000 representing an increase of Kshs.15,303,503 or 137% from the previous year. However, as reflected in Note 8(c) to the financial statements, thermal energy purchased increased to a total of 1,577Gwh units from 940GWh units in 2020/2021, an increase of 637GWh units or 68%.

The increase of fuel costs, therefore, did not match increase in units of thermal energy purchased during the year.

3. Budgetary Control and Performance

During the year under review, the approved total expenditure budget for Kenya Power and Lighting Company was Kshs.177,618,431,980. However, review of recurrent budget revealed that the Company spent Kshs.167,634,935,592 against the approved budget of Kshs.146,242,067,492 resulting to an over expenditure of Kshs.9,983,496,388 being 15% contrary to Regulation 40 (2) of the Public Finance Management (National Government) Regulations, 2015, which provides that prior to incurring any expenditure against revised budgets, Accounting Officers shall seek the approval of The National Treasury, and if approval is granted by the Cabinet Secretary, it shall be communicated to the Accounting Officers through a notification.

Further, the Management adopted the Board approved recurrent budget of Kshs.153,028,067,492 instead of The National Treasury approved recurrent budget of Kshs.146,242,067,492.

4. Human Resources Matters

4.1 Irregular Secondment of Staff

During the year under review, thirty-six (36) employees were seconded from different Ministries to the Company However, review of relevant documents revealed that the secondment was not approved by the Public Service Commission (PSC) as required by Section 42 of the Public Service Act, 2017 Further, secondment of thirty-three (33) employees to serve in supply chain officer positions for a period of three (3) months effective February, 2022 was done by the Cabinet Secretary to The National Treasury instead of PSC In addition, the officers continued to serve beyond the secondment period without formal extension of the term of secondment

4.2 Unconcluded Recruitment Process of a Managing Director

During the year under review, the Board of Directors through Management engaged a consultancy firm to undertake the recruitment of the Company Managing Director through a contract signed on 27 January, 2022 The process entailed analysis, preparation of applicants' profiles, longlisting, shortlisting, interview, and recommendation of suitably qualified applicant for the position the Managing Director The consultant in a letter dated 6 May, 2022 indicated that it had concluded the recruitment process and presented the results of screening, final interview and recommended candidates for consideration to the Chairperson of the Board of Directors and was paid full contract price of Kshs.2,989,320

However, the report of the consultant, evaluation results, recommendation of the consultant and Board minutes and resolutions on the matter were not provided for audit review Further, no explanations were provided on why the appointment was yet to be made

4.3 Non-Compliance with the One-Third of Basic Salary Rule

During the year under review, at least 2,635 employees were paid a net salary which was less than a third (1/3) of their basic pay in the month of June, 2022 This was in contravention of Section 19(3) of the Employment Act, 2007 which provides that the total amount of deductions which may be made by an employer from the wages of his employee at any one time shall not exceed two-thirds of such wages

No plausible explanation was provided for breach of law on payment of salaries and allowances

5. Procurement of Goods and Services

5.1 Irregular Hire of Generator for Mandera and Lodwar Power stations

The Management contracted a rental company to supply on hire, 2 megawatts (MW) and 2 5 MW capacity generators for power generation in Mandera and Lodwar power stations through six contracts spread between August, 2020 to September, 2022 at a cost of Kshs 185,311,161 through direct procurement.

Review of the procurement process and contract documents revealed the following anomalies:

i. Management cited Section 103(2)(d) of the Public Procurement and Asset Disposal Act, 2015 as the justification for direct procurement. However, the justification was not appropriate since no standardization and compatibility was needed as the same services could be sought from other providers.

ii. The method of procurement of the services was indicated as through open tender in the approved procurement plans for the financial year 2019/2020 and 2020/2021 as required by Section 53 (10) of the Public Procurement and Asset Disposal Act, 2015. The use of direct procurement method is therefore in violation of the Act.

iii. Hire of the generators has been the prevalent at the Company. However, a cost benefit analysis between hiring and buying of generators conducted by Management in 2019/2020 financial year concluded that purchasing own generators was beneficial. Despite the recommendation, the Management continued to hire generators after the survey, thus negating the value for money for expenditure spent to hire the generators.

iv. The supplier was engaged to provide generator hire services in Lodwar and Mandera stations at a cost of Kshs.14,227,895 and Kshs.11,036,760 for the service period between 25 November, 2020 to 25 February, 2021 and 19 December, 2020 to 18 February, 2021 respectively without signed contracts contrary to Section 135 of the Public Procurement and Asset Disposal Act, 2015. Further, the supplier continued to provide services in respect of six contracts before the procurement process was completed and contracts entered into with successful tenderer which is irregular.

v. The Evaluation Committee in its report dated 7 January, 2021 indicated that the supplier's bids for the service period between 25 November, 2020 to 25 February, 2021 and 19 December, 2020 to 18 February, 2021 at a cost of Kshs.14,227,895 and Kshs.11,036,760 respectively, were not responsive in the preliminary evaluation due to failure to submit audited financial statements for the last 18 months. In addition, the technical evaluation report indicated that the bidder did not submit details of services statement in accordance with section XXI part B of the tender documents. Although the Evaluation Committee noted the non-responsiveness to tender, it recommended the award of tenders and negotiated with the bidder to bring the documents later which was contrary to the Regulations. Further there was no support evidence that the contractor provided the documents. Therefore, the award of the two contracts were irregular and contrary to Regulation 75(1) of the Public Procurement and Asset Disposal Regulation, 2020.

vi. The evaluation report indicated that the supplier quoted a price of Kshs.10,846,470 for hire of generators to Mandera Substation for service period between 19 December, 2020 to 18 February, 2021. However, the Evaluation Committee made correction to the quoted price to Kshs.11,036,759 on grounds that the bidder's price schedule computed VAT at 14% while the prevailing VAT rate was 16%. This correction was contrary to Section 82 of the Public Procurement and Asset Disposal Act, 2015.

In the circumstances, Management was in breach of the law.

5.2 Irregular Procurement of Insurance Services

During the year under review, the Management procured provision of various insurance services through restricted tender method. Review of the procurement process and documentation revealed the following anomalies.

i The Management did not maintain a list of prequalified suppliers for insurance brokers or providers of insurance services Subsequently, the Management invited nine (9) tenderers contrary to Section 89 (5) of the Public Procurement and Asset Disposal Regulations, 2020 which requires the procuring entity to invite tenders from at least ten (10) persons selected from the list maintained as provided for under Sections 57 and 71 of the Act As a result, the procurement process for the nine (9) insurance policies was done irregularly

ii An existing insurance services provider continued to provide services from 1 September, 2021 to 30 June, 2022 despite the procurement process having concluded on 19 January, 2022 when the professional opinion and the contract subsequently signed on 15 March, 2022

iii The use of direct procurement method and subsequent award to seven (7) insurance brokers and underwriters was irregular as justification used was not among those outlined under Section 103 of the Public Procurement and Asset Disposal Act, 2015 Management had indicated that direct procurement was used because the contract for the services had exhausted the maximum variation threshold of 25% thus a further extension would have not been tenable under the set regulations and the Act

iv. The insurance brokers and underwriters continued to provide insurance services from 1 March, 2022 to 30 June, 2022 after conclusion of the procurement process as professional opinions were signed in March, 2022 and contract entered into on June, 2022

v The budget for insurance services as per the approved budget and approved procurement plan was Kshs 760,000,000. However, the Company incurred expenditure of Kshs 810,593,434 resulting in unexplained over expenditure of Kshs.50,593,434 or 7% of approved budget

In the circumstances, Management was in breach of the law.

5.3 Irregular Procurement of Consultancy Services

The Company engaged a foreign consultant through a contract dated 16 March, 2022 for provision of legal services of review and renegotiations of power purchase agreements at a cost of Kshs 114,000,000 Review of the procurement process revealed the following anomalies

i As part of the mandatory requirements, bidders were required to submit a duly filled, signed, and stamped self-declaration form indicating that the tenderer is not debarred, a confidential business questionnaire, declaration of no conflict of interest and a self-declaration form indicating that they will not engage in any corrupt or fraudulent

practice. However, evaluation score sheets by the evaluation committee and the evaluation report dated 23 December, 2021 indicated that the winning bidder's self-declaration forms, confidential business questionnaire, declaration of no conflict of interest were not duly stamped as required in the evaluation criteria. This implies that the tenderer was non-responsive and ought not to have progressed to technical and financial evaluation.

ii. The Cabinet Secretary to The National Treasury who had initiated the process required the Company to engage a consultant through a competitive procedure which would involve identification of reliable candidates with suitable track records and who had previously or are currently providing services to the Government. However, no documentary evidence was provided to indicate how the three consultants invited to bid were identified.

iii. The Evaluation Committee in its evaluation report dated 24 December, 2022 indicated that the tender documents submitted by the winning bidder through an online platform could not be accessed using the Company portal. The Head of Procurement requested the bidder to resend the documents through email to the Evaluation Committee secretary. Despite the Secretary to the Evaluation Committee not agreeing to resubmission as it was contrary to Regulation 57 of the Public Procurement and Asset Disposal Regulations, 2020, the Committee went ahead and evaluated the resubmitted tender documents and eventually awarded the tender to the bidder

iv. Tender negotiation was done by a different Evaluation Committee from the one which had evaluated the tender contrary to Section 46(4)(d) of the Public Procurement and Asset Disposal Act, 2015 which requires an Evaluation Committee to complete the procurement process for which it was appointed, and no new Committee shall be appointed on the same issue unless the one handling the issue has been procedurally disbanded.

v. Examination of the bid documents, contracts and other documents provided for verification revealed that the Management did not require the consultants to provide performance security contrary to Section 142(1) and (2) of the Public Procurement and Asset Disposal Act, 2015.

In the circumstances, Management was in breach of the law.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Power Losses in the System

The financial statements in Note 7(a) reflects electricity sales of Kshs.107,206,265,000 and Kshs 19,666,579,000 in respect of postpaid and prepaid electricity sales respectively. Review of units of electricity purchased against units sold revealed a total of 12,653GWh purchased from power producers out of which, 9,814GWh were sold to customers resulting in an efficiency loss of 2,839GWh or 22 44% which translates to approximately Kshs 31,206,288,000 using the average sale price for the 9,814GWh sold.

The industry regulator, the Energy and Petroleum Regulatory Authority (EPRA), approved for the Company to recover from consumers system losses of up to 19 9% (approximately Kshs 21,077,217,000) that is deemed to be normal loss The excess of 2 43% above the allowed loss (232.53-19 9) translates to a loss of approximately Kshs 2 57 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 loses to consumers

The difference or excess of 4 05% power loss above the approved recovery rate of 19 9% constitutes inefficiency power loss whose cost is not passed on to the consumers and therefore increases the operating costs of the Company

2. Failure to Observe Guidelines on Board of Directors Meetings

During the year under review, the Board of Directors had in its approved calendar a total of thirty-three (33) full Board and Committee meetings which exceeded a maximum number of six (6) recommended by the Office of the President Circular referenced OP/CAB.9/1A dated 11 March, 2020 Additionally, during the year under review, the Board held a total of eighty-nine (89) Committee meetings comprising forty-five (45) full Board meetings and forty-four (44) Committees' meetings, translating to a Board meeting every four days thus making the Board becoming operational in nature

Further, review of the requests made to the Cabinet Secretary for extra meetings revealed only the extra meetings in the Board calendar were forwarded for approval. In addition, the requests did not have the justification, source of funds and budget implications as required in the circular Further, six (6) of the requests for extra meetings, were approved

by the Principal Secretary who is a Member of the Board Member instead of the Cabinet Secretary.

3. Lack of Annual Governance Audit

Review of records at the Company relating to Board activities revealed no evidence of the Board having undertaken an annual governance audit during the year under review. The audit is expected to address governance practices including leadership and strategic management, transparency and disclosure, compliance with laws and regulations, Board independence and governance, consistent shareholder engagement and value enhancement among others.

It was therefore not possible to confirm the level of adherence to applicable laws, rules, regulations, and policies 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.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

(i) In my opinion, the information given in the report of the Directors on pages 2 to 3 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 Company's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs A material weakness is a condition in

which the design or operation of one or more of the internal control components does not reduce to a relatively low level, the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

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

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

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

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

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

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

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

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

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

CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

27 October, 2022

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2022 Shs'000	2021 Shs'000
Revenue from contracts with customers	7(a)	157,353,254	144,119,605
Cost of sales	8	(115,208,040)	(94,220,014)
Gross profit		**42,145,214**	**49,899,591**
Net operating expenses			
Network management	9(a)	(10,441,316)	(10,237,382)
Commercial services	9(b)	(5,066,810)	(5,765,298)
Administration	9(c)	(23,350,038)	(23,503,895)
Expected credit losses on financial assets	9(d)	831,917	(354,190)
		(38,026,247)	**(39,860,765)**
Operating income		4,118,967	10,038,826
Other income	7(c)	13,295,842	7,046,092
Operating profit		**17,414,809**	**17,084,918**
Finance income	11(a)	396,940	162,862
Finance costs	11(b)	(12,688,196)	(9,050,124)
Profit before income tax		**5,123,553**	**8,197,656**
Income tax expense	13(a)	(1,619,264)	(6,707,968)
Profit for the year		**3,504,289**	**1,489,688**
Other comprehensive income:			
Items that will not be subsequently reclassified to profit or loss			
Remeasurement of the retirement benefit asset	32	(723,261)	870,510
Remeasurement of the gratuity arrangement	33(c)	10,639	254,425
Deferred income tax relating to remeasurement of the retirement benefit asset and gratuity arrangement	27	213,786	(337,481)
Other comprehensive income, net of taxes		(498,836)	787,454
Total comprehensive income for the year		**3,005,453**	**2,277,142**
Basic and diluted earnings per share (Shs)	14	1.80	0.76

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

	Notes	2022 Shs'000	2021 Shs'000
ASSETS			
Non-current assets			
Property and equipment	16	272,335,824	277,305,389
Leasehold land	17	626,422	641,286
Intangible assets	18	613,312	1,480,429
Retirement benefit asset	32	511,652	1,290,133
Right of use asset	19	934,571	1,082,959
		275,021,781	**281,800,196**
Current assets			
Inventories	20	6,316,243	5,895,766
Trade and other receivables	21(a)	40,295,197	37,454,287
Current income tax	13(c)	139,758	49,494
Short-term deposits	22(a)	474,815	460,060
Bank and cash balances	22(b)	7,461,005	5,546,861
		54,687,018	**49,406,468**
TOTAL ASSETS		**329,708,799**	**331,206,664**
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	33,279,508	30,274,055
		60,179,394	**57,173,941**
Non-current liabilities			
Deferred income tax	27	28,774,025	27,514,730
Deferred income	26	11,131,733	11,187,465
Trade and other payables	28(a)	31,823,137	28,317,338
Lease liabilities	29	661,950	836,749
Borrowings	30	86,664,395	90,247,806
Preference shares	31	43,000	43,000
		159,098,240	**158,147,088**
Current liabilities			
Trade and other payables	28(b)	87,508,583	91,522,034
Deferred income	26	3,693,124	3,155,068
Provisions	33	983,367	821,443
Lease liabilities	29	304,413	279,472
Borrowings	30	17,183,508	15,719,021
Dividends payable	34	758,170	793,383
Overdraft	22(b)	-	3,595,214
		110,431,165	**115,885,635**
TOTAL EQUITY AND LIABILITIES		**329,708,799**	**331,206,664**

The financial statements on pages 90 to 172 were approved and authorised for issue by the Board of Directors on 27 October, 2022 and were signed on its behalf by:

Vivienne Yeda
Chairman, Board

Mr. Kairo Thuo
Chairman, Audit Committee

Eng. Geoffrey Muli
Ag. MD

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2022

	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 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**
Year ended 30 June 2022				
Balance at 1 July 2021	4,878,667	22,021,219	30,274,055	57,173,941
Profit for the year	-	-	3,504,289	3,504,289
Other comprehensive income	-	-	(498,836)	(498,836)
Total comprehensive income for the year	**-**	**-**	**3,005,453**	**3,005,453**
At 30 June 2022	**4,878,667**	**22,021,219**	**33,279,508**	**60,179,394**

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2021 Shs'000	2020 Shs'000
Cash flows from operating activities			
Cash generated from operations	36(a)	32,995,203	38,967,119
Income tax paid	13(c)	(236,447)	(74,747)
Interest received	36(g)	398,708	163,493
Gratuity paid	33(c)	(178,148)	(66,846)
Repayment of interest portion of lease liabilities	29	(125,143)	(145,469)
Interest paid	36(d)	(4,303,420)	(5,353,748)
Net cash flows generated from operating activities		**28,550,753**	**33,489,802**
Cash flows from investing activities			
Purchase of property and equipment	36(h)	(12,275,327)	(18,031,630)
Purchase of intangible assets	18	-	(250,818)
Prepayment of lease relating to leasehold land	17	(11,000)	-
Proceeds from disposal of property and equipment	36(e)	34,681	52,955
Net cash flows used in investing activities		**(12,251,646)**	**(18,229,493)**
Cash flows from financing activities			
Repayment of borrowings	36(b)	(15,050,964)	(21,286,356)
Proceeds from borrowings	36(b)	1,009,123	8,520,774
Repayment of principal portion of lease liabilities	29	(294,907)	(337,708)
Dividends paid to owners of the Company	36(f)	(37,143)	(14,769)
Net cash flows used in financing activities		**(14,373,891)**	**(13,118,059)**
Net increase in cash and cash equivalents		1,925,216	2,142,250
Cash and cash equivalents at the beginning of year		6,053,333	3,908,481
Effect of foreign exchange rate changes on cash and cash equivalents		102,719	2,602
Cash and cash equivalents at end of year	**36(c)**	**8,081,268**	**6,053,333**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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 and other 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 or loss section of the statement of profit or loss and other comprehensive income. Other comprehensive income is recognised in the other comprehensive income section of the statement of profit or loss and other 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 2022, the Company recorded profit before tax of Shs 5,124 million (2022: Shs 8,198 million) and generated positive cash flows from operations of Shs 28,551 million (2021: Shs 33,490 million). However, the Company had a net current liability position of Shs 55,744 million as at 30 June 2022 (2021: Shs 66,479 million). The Company has also had to seek for loan repayment moratoria and waivers for borrowing agreement covenant breaches for some borrowings. However, no lender has requested an early repayment of the borrowings, and this is expected to continue being the case. Historically, the funders have been supportive of the Company by allowing to grant loan repayment moratoria and waivers for borrowing agreement covenant breaches. The directors consider that this represents 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:

NOTES (CONTINUED)

2. BASIS OF PREPARATION (Continued)

(a) Going concern assessment (Continued)

- 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 capital expenditure. 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 of supplies and services from the creditors which is necessary for continued operation of the Company.
- 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 in case of non-compliance, failing to obtain lenders' approval of the debt repayment moratoria or debt restructuring and borrowing agreement covenant breach 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 strides in improving its financial performance and continues to receive support from its major stakeholders including key suppliers, financial institutions and the Government. The Board and management expect that the ongoing initiatives and 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 current 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 declined from profit before tax of Shs 8,198 million for the year ended 30 June 2021 to Shs 5,124 million for the year ended 30 June 2022. This was mainly driven by increased finance costs in the current year. The directors and management expect that with reduced debt burden going forward, the financing costs will decrease. Finance costs have increased in the current year to Shs 12,688 million from Shs 9,050 million in the previous year due to depreciation of the Kenya Shilling against the US Dollar and the Euro.

NOTES (CONTINUED)

2. BASIS OF PREPARATION (Continued)

(a) Going concern assessment (Continued)

(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 1.5% in the current financial year owing to the focus 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 position of Shs 55,744 million as at 30 June 2022. This has however improved by Shs 10,735 million from a negative working capital position of Shs 66,479 million as at 30 June 2021. The improved working capital position is as a result of the following measures:

- Improved level of monthly billing due to growth in sales and collection of electricity receivables as well as intensified installation inspection and long outstanding debt collection activities.
- The Company has obtained an extension of on-lent debt repayment moratorium approved by the National Treasury amounting to Shs 25,120 million to 30 June 2024.
- Expected continued support from the Government in collection of overdue electricity debt from County governments and National Government departments and entities.

(iv) Sales growth and peak demand

Sales growth

The units sold increased from 8,571 GWh in 2021 to 9,163 GWh in 2022 which translates to an increase in revenue of Shs 13 billion. This increase is attributable to new connections, revenue protection activities, smart meter installations coupled with opening up of the economy following easing of the Covid 19 pandemic. However, in January 2022, there was a reduction of the end user tariff by 15% resulting in reduction of gross margin.

Peak demand

Peak demand increased following the full recovery of demand from the impact of the Covid-19 pandemic. This was also boosted by the increased activity in infrastructure development driving up demand for cement and other construction material whose production is energy intensive.

(v) Commercial debt refinancing

The Company aims at leveraging on the debt repayment moratorium by the Government to 30 June 2024 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 net cash position 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.

NOTES (CONTINUED)

2. BASIS OF PREPARATION (Continued)

(a) Going concern assessment (Continued)

(vi) Other financial recovery initiatives

To address the declining financial performance as well as the uncertainty on the Company's going concern status, the Company's management undertook a review of the Company's investment and financial decisions over a six-year period with a view to determining the root cause 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 setting-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.

Preparation of financial statements on a going concern basis

The Company's management and directors confirm their commitment to the stated initiatives that will support business continuity including delivery of services to the Company's customers. For these reasons, management and the directors 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 2021. 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

Effective for annual periods beginning on or after 1 April 2021

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

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases

The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

NOTES (CONTINUED)

2. BASIS OF PREPARATION (Continued)

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

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022.The amendment applies to annual reporting periods beginning on or after 1 April 2021.

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.

(ii) Standards that are not yet effective and have not been early adopted

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

Effective for annual periods beginning on or after 1 January 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
    - * In July 2021, the Board tentatively decided to defer the effective date of the 2020 amendments to no earlier than 1 January 2024.

To be determined

- Sale or Contribution of Assets between an Investor and its Associate or Company (Amendments to IFRS 10 and IAS 28)

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.

NOTES (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Revenue

(i) Electricity sales

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

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

(ii) Fuel cost charge

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

(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 2022, the target loss factor was 19.9% (2021: 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 2022) data to obtain the revenue to be deferred.

NOTES (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Other income

(i) Finance revenue

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

(ii) Rental income

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

(iii) Capital contribution

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

(iv) Fibre optic income

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

(c) Power purchase costs

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

(i) Non-fuel costs

These include capacity charges, energy cost and steam charges.

(ii) Foreign exchange costs

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

(iii) Fuel costs

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

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

NOTES (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 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.

NOTES (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Intangible assets

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

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

Currently, intangible assets comprise software and have an estimated useful life of five years.

(g) Income tax expense

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

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

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.

NOTES (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(h) Leases

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.

NOTES (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Functional currency

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

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

(j) Financial instruments

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

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

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

This is demonstrated in the following table.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Subsequent measurement

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

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

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

Financial assets at amortised cost (debt instruments)

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets at fair value through OCI (debt instruments)

The Company measures debt instruments at fair value through OCI if both of the following conditions are met:

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

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

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

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

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

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.

NOTES (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

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

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

NOTES (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

NOTES (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

(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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

appropriate valuation model is used Where it is not possible to estimate the recoverable amount of an individual asset, the Directors estimate the recoverable amount of the cash-generating unit to which the asset belongs

Impairment of transmission and distribution lines

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

(i) Significant decline in the market value beyond that which would be expected from the passage of time and normal use
(ii) Evidence from internal reporting which indicates that the performance of the asset is, or will be, worse than expected
(iii) Significant changes with adverse effect on the Company have taken place during the period, or will take place in the near future, in the technology or market environment in which the Company operates, or in the market to which an asset is dedicated
(iv) Evidence is available of the obsolescence or physical damage of an asset
(v) Significant changes with an adverse effect on the Company have taken place during the period or are expected to take place in the near future, which impact the manner or the extent to which an asset is used These changes include plans to discontinue or restructure
(vi) The operation to which an asset belongs to or an asset is disposed before the previously expected date

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

(n) Employees' benefits

(i) Company's defined contribution scheme

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

(ii) Company's defined benefit scheme

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as service costs (including current service cost, past service cost, as well as gains and losses on curtailments and settlements), net interest expense or income and remeasurement.

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

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

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

(iii) Statutory defined contribution pension scheme

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

(o) Operating segments

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

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

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

(p) Earnings per share

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

NOTES (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Dividends

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

(r) Government grants

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

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

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

(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.

NOTES (CONTINUED)

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

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

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

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

(b) Key sources of estimation uncertainty

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

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.

NOTES (CONTINUED)

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

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(c).

Provisions

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

Further details on provisions are disclosed in Note 28.

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 2022 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 2022 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.

NOTES (CONTINUED)

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

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).

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).

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.

NOTES (CONTINUED)

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

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)

2022	Nairobi Region Shs'000	West Kenya Region Shs'000	Coast Region Shs'000	Mount Kenya Region Shs'000	Total
Revenue	72,606,230	30,316,716	27,952,103	26,478,205	157,353,254
Energy purchases	(63,364,422)	(20,737,447)	(20,737,447)	(10,368,724)	(115,208,040)
Operating expenses	(14,247,394)	(11,432,364)	(4,847,487)	(7,499,002)	(38,026,247)
Other income	6,441,794	2,798,108	2,261,733	1,794,207	13,295,842
Operating profit	**1,436,208**	**945,013**	**4,628,902**	**10,404,686**	**17,414,809**
Finance income					396,940
Finance costs					(12,688,196)
Income tax expense					(1,619,264)
Profit for the year					**3,504,289**
Assets	101,508,600	121,614,515	42,533,504	64,052,180	329,708,799
Liabilities	130,227,406	59,323,530	46,494,678	33,483,791	269,529,405
Capital expenditure (including intangible assets)	6,716,210	2,366,363	2,080,931	1,111,823	12,275,327
Depreciation/amortisation	7,520,417	5,014,384	2,296,399	2,803,260	17,634,460

NOTES (CONTINUED)

5. OPERATING SEGMENTS (Continued)

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

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**
Interest income					162,862
Finance costs					(9,050,124)
Income tax credit					**(6,707,968)**
Loss for the year					**1,489,688**
Assets	108,288,770	114,832,680	44,230,433	63,854,781	331,206,664
Liabilities	135,097,854	60,340,518	46,901,821	31,692,530	274,032,723
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

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:

2022	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
Transmission	417,654	19,752,418	1,540	-	-	-	20,171,612
Distribution	11,100,603	201,786,801	901,332	1,780,950	14,205,649	613,312	230,388,647
Total	**11,518,257**	**221,539,219**	**902,872**	**1,780,950**	**14,205,649**	**613,312**	**250,560,259**
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**

* Includes freehold land and buildings and prepaid leases on leasehold land disclosed in Note 16 and Note 17 respectively.

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:

30 June 2022	Notes	Gross carrying amount Shs'000	Loss allowance Shs'000	Net amount Shs'000
Electricity receivables	21(a)	27,301,840	(14,995,708)	12,306,132
Prepaid fixed charge receivable		2,586,159	(2,586,159)	-
Other receivables		27,876,809	(5,367,135)	22,509,674
Short-term deposits	22(a)	487,394	(12,579)	474,815
Bank balances	22(b)	7,592,758	(132,869)	7,459,889
		65,844,960	**(23,094,450)**	**42,750,510**
30 June 2021				
Electricity receivables	21(a)	29,668,163	(15,880,115)	13,788,048
Prepaid fixed charge receivable	21(a)	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**

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

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

Trade receivables

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

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

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

Total exposure at 30 June

	0-30 Shs'000	31-90 Shs'000	>90 Shs'000	2022 Shs'000
Electricity receivables	10,796,085	2,117,631	14,388,124	27,301,840
Prepaid fixed charge receivable	-	-	2,586,159	2,586,159
Other receivables	6,930,946	642,112	20,303,751	27,876,809
Short term deposits	487,394	-	-	487,394
Bank balances	7,592,758	-	-	7,592,758
Total	**25,807,183**	**2,759,743**	**37,278,034**	**65,844,960**

NOTES (CONTINUED)

6. FINANCIAL RISK AND CAPITAL MANAGEMENT (Continued)

(a) Credit risk (Continued)

2021	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 receivables	-	-	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**

Total impairment at 30 June

2022	0-30 Shs'000	31-90 Shs'000	>90 Shs'000	2022 Shs'000
Electricity receivables	518,130	902,822	13,574,756	14,995,708
Prepaid fixed charge receivables	-	-	2,586,159	2,586,159
Other receivables	1,423,602	537,001	3,406,532	5,367,135
Short term deposits	12,579	-	-	12,579
Bank balances	132,869	-	-	132,869
Total	**2,087,180**	**1,439,823**	**19,567,447**	**23,094,450**
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**

Expected credit loss rate at:	0-30 days	31-90 days	>90 days
30 June 2022	5%	43%	94%
30 June 2021	5%	44%	95%

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.

NOTES (CONTINUED)

6. FINANCIAL RISK AND CAPITAL MANAGEMENT (continued)

(a) Credit risk (Continued)

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 2022 was Shs 14,996 million (2021: Shs 15,880 million).

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

- disconnections
- increased internal debt management capacity
- use of debt collectors
- focus on early identification and letters of demand higher security deposits

NOTES (CONTINUED)

6. FINANCIAL RISK AND CAPITAL MANAGEMENT (continued)

(b) Liquidity risk

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

The objective of the Company's liquidity management is to ensure that all foreseeable operational, capital expansion and loan commitment expenditure can be met under both normal and stressed conditions.

The Company has adopted an overall balance sheet approach, which consolidates all sources and uses of liquidity, while aiming to maintain a balance between liquidity, profitability and interest rate considerations.

The Company's liquidity management process includes:

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

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

NOTES (CONTINUED)

6. FINANCIAL RISK AND CAPITAL MANAGEMENT (continued)

(b) Liquidity risk (Continued)

	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 2022						
Borrowings	-	-	17,138,208	44,813,531	61,969,254	123,920,993
Trade and other payables	-	52,262,287	26,026,902	1,406,547	14,647,420	94,343,156
Lease liabilities	-	-	392,392	673,860	444,578	1,510,830
Dividends payable	758,170	-	-	-	-	758,170
	758,170	**52,262,287**	**43,557,502**	**46,893,938**	**77,061,252**	**220,533,149**
At 30 June 2021						
Borrowings	-	3,595,214	15,943,096	49,281,231	64,943,609	133,763,150
Trade and other payables	-	54,021,814	26,802,612	1,932,394	13,679,572	96,436,392
Lease liabilities	-	-	279,472	1,187,035	553,006	2,019,513
Dividends payable	793,383	-	-	-	-	793,383
	793,383	**57,617,028**	**43,025,180**	**52,400,660**	**79,176,187**	**233,012,438**

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/ Shs exchange rate, with all other variables held constant, on the Company's loss/profit before income tax (due to changes in the fair value of monetary assets and liabilities).

Currency	Appreciation/ (depreciation) of exchange rate	Effect on profit/(loss) before tax Shs million	Effect on equity Shs million
Year 2022			
US$	+/-3%	+/- 9,808	+/- 6,865
Euro	+/-1%	+/- 103	+/- 72
Year 2021			
US$	+/-1%	+/-6,865	+/-4,806
Euro	+/-3%	+/- 72	+/- 50

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

NOTES (CONTINUED)

6. FINANCIAL RISK AND CAPITAL MANAGEMENT (Continued)

(c) Market risk (Continued)

telephone or in person, negotiations of mutually acceptable payment arrangements and letters of demand. Non-payment will result in disconnection of supply and the customer's account being closed. The legal collection process is pursued thereafter.

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

(iii) Interest rate risk

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

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

Management of interest rate risk

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

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
2022			
	1%	962,603	673,822
	5%	4,813,017	3,369,112
2021			
	1%	1,010,507	707,355
	5%	5,052,533	3,536,773

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 2022 and 30 June 2021.

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.

	2022 Shs' million	2021 Shs' million
Interest-bearing loans and borrowings (Note 36 (b))	103,848	109,562
Cash and cash equivalents (Note 36 (b))	(7,936)	(6,007)
Net debt	95,912	103,555
Equity	59,499	57,174
Gearing ratio	**161%**	**181%**

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 2022 and 30 June 2021.

(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

	2022 Shs'000	2021 Shs'000
Electricity sales*		
• Post-paid	107,206,265	106,632,288
• Prepaid	19,666,579	20,578,339
Foreign exchange adjustment	7,322,584	6,333,065
Fuel cost charge	24,446,580	11,859,696
	158,642,008	**145,403,388**
Revenue apportioned to RES**	(1,288,754)	(1,283,783)
	157,353,254	**144,119,605**

*All electricity sales are recognised at a point in time.

**Revenue apportioned to RES based on electricity retail tariff approved by EPRA.

(b) Unit sales

Analysis of unit sales by broad customer category in gigawatt-hours (GWh) is as follows:

Type of customers	2022 GWh	2021 GWh
Domestic	3,166	3,066
Small Commercial	1,670	1,508
Commercial and Industrial	4,864	4,527
Street Lighting	97	85
Exports	16	17
	9,813	**9,203**
Less:		
RES unit sales	(650)	(632)
KPLC unit sales	**9,163**	**8,571**

(c) Other income

	2022 Shs'000	2021 Shs'000
GOK support for 15% tariff reduction	7,050,000	-
Amortisation of capital contribution (Note 26)	3,807,714	4,769,069
Fibre optic leases	700,767	643,021
Miscellaneous sales	637,950	744,788
Transmission line maintenance revenue	18,834	15,023
Capital contribution- KPLC last mile	193,889	223,473
Reconnection charges	779,663	552,514
Rent	107,025	98,204
	13,295,842	**7,046,092**

8. COST OF SALES

	2022 Shs'000	2021 Shs'000
Non-fuel costs (8 (a))	79,647,754	76,037,298
Foreign exchange costs	9,072,591	6,998,524
Fuel costs (8 (b))	26,487,695	11,184,192
	115,208,040	**94,220,014**

(a) Non-fuel costs

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

	2022 Shs'000	2021 Shs'000
KenGen*	38,739,502	41,142,194
Lake Turkana Wind Power	17,231,081	17,337,239
OrPower 4 Inc.	11,740,550	11,895,495
Kipeto Energy Plc	5,793,260	1,137,969
Uganda Electricity Transmission Company Limited	3,792,858	2,095,162
Rabai Power Limited	3,151,387	2,948,796
Triumph Power Generating Company Limited	3,005,440	2,621,272
Thika Power Limited	2,518,155	2,394,759
Gulf Power Limited	2,281,186	2,207,283
Iberafrica Power (E.A.) Company Limited	1,923,130	1,765,089
Cedate	1,300,574	-
Selenkei Solar Farm	1,275,094	14,473
Malindi	713,995	-
Garissa Solar Power Plant	513,447	515,181

NOTES (CONTINUED)

(a) Non-fuel costs (Continued)

	2022 Shs'000	2021 Shs'000
Tsavo Power Company Limited	442,752	2,478,619
Gura	178,052	97,832
Regen-Terem	166,247	223,630
Metumi Power Plant	105,804	118,221
Ethiopia Electric Utility	92,776	108,912
Hydro Project Services Peters	24,072	4,098
Power Technology Solutions Limited	10,102	19,221
Chania Power Limited	7,978	10,535
Biojoule Kenya Limited	4,383	3,599
Imenti Tea Factory	1,045	2,741
Strathmore University	641	1,195
	95,013,511	**89,143,515**
Less:		
Foreign exchange surcharge	(9,072,591)	(6,998,524)
Recharged to RES	(6,293,166)	(6,107,693)
	79,647,754	**76,037,298**

KenGen*- included in Non-fuel costs for KenGen are Capacity charges totalling to Shs 25,064 million (2021: Shs 26,883 million), Steam charges totalling 5,017 million (2021: 5,226 million), Energy charges totalling Shs 8,021 million (2021: Shs 7,771 million) and foreign exchange costs totalling Shs 802 million (2021: Shs 1,262 million).

(b) Fuel costs

	2022 Shs'000	2021 Shs'000
KenGen	9,664,443	3,662,996
Rabai Power Limited	7,369,065	2,386,223
Thika Power Limited	3,259,748	1,024,007
Iberafrica Power (E.A.) Company Limited	1,359,461	504,868
Tsavo Power Company Limited	597,293	1,604,704
Off grid power stations	3,772,310	2,287,744
Gulf Power Limited	1,288,634	294,349
Triumph Power Generating Company Limited	1,055,583	241,953
	28,366,537	**12,006,844**
Less:		
Recharged to RES	(1,878,842)	(822,652)
	26,487,695	**11,184,192**

The fuel cost is a pass though cost. During the year a recovery of Shs 24,447 million (2021: Shs 11,860 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:

	2022 GWh		2021 GWh
KenGen	7,911		8,443
Lake Turkana Wind Power	1,573		1,559
OrPower 4 Inc	976		981
Rabai Power Limited	502		266
Kipeto Energy Plc	426		88
Uganda Electricity Transmission Company Limited	332		192
Thika Power Limited	211		93
Cedate	88		-
Selenkei Solar Farm	88		1
Iberafrica Power (E.A.) Company Limited	86		45
Garissa Solar Power Plant	82		86
Gulf Power Limited	81		21
Off grid power stations	71		65
Triumph Power Generating Company Limited	69		22
Malindi	54		-
Tsavo Power Company Limited	48		183
Gura	20		11
Regen-Terem	15		22
Metumi Power Plant	10		14
Ethiopia Electric Utility	5		5
Hydro Project Services Peters	2		-
Power Technology Solutions Limited	1		2
Others	1		1
Imenti Tea Factory	1		-
Chania Power Limited	-		1
	12,653		12,101
Less:			
Recharged to RES	(838)		(826)
	11,815		11,275

NOTES (CONTINUED)

8. COST OF SALES (Continued)

(c) Units purchased (Continued)

Types of interconnected power sources;

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

	2022 GWh	2021 GWh
Geothermal	4,953	5,034
Hydro	3,349	4,142
Wind	2,052	1,700
Thermal	1,577	940
Net imports	338	197
Others	384	88
	12,653	**12,101**
Less:		
Recharged to RES	(838)	(826)
	11,815	**11,275**

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

	2022 Shs'000	2021 Shs'000
Salaries and wages	4,828,016	4,713,531
Depreciation of property and equipment	5,154,103	5,012,890
Impairment loss on WIP	45,761	205,561
Wheeling charges – Ketraco*	2,668,667	2,668,667
Loss on disposal of fixed assets	716,408	777,169
Consumable goods	326,352	216,807
Staff welfare	171,051	204,598
Transport and travelling	(98,770)	(181,753)
Office expenses	534	118
Other costs	1,099,113	813,451
Net recharge of distribution and transmission costs to RES	(4,469,919)	(4,193,657)
	10,441,316	**10,237,382**

* 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.

NOTES (CONTINUED)

9. NET OPERATING EXPENSES (Continued)

(b) Commercial services

	2022 Shs'000	2021 Shs'000
Salaries and wages	3,909,495	4,044,577
Depreciation of property and equipment	3,627,368	3,962,642
Advertising and public relations	27,041	28
Staff welfare	90,690	115,406
Transport and travelling	44,920	52,795
Consumable goods	1,935	2,523
Office expenses	102	2,132
Other costs	282,645	66,902
Net recharge of customer service costs to RES	(2,917,386)	(2,481,707)
	5,066,810	**5,765,298**

(c) Administration

	2022 Shs'000	2021 Shs'000
Salaries and wages	7,303,524	7,955,769
Depreciation of property and equipment	7,666,763	7,734,247
Staff welfare	1,406,329	1,178,309
Depreciation- ROU asset (Note 19)	293,246	331,808
Amortisation of intangible assets (Notes 18, 36 (a))	867,117	1,151,128
Amortisation of operating lease prepayment (Notes 17,36 (a))	25,864	25,728
Repairs and maintenance	40,118	1,270,808
Security and surveillance	845,927	845,826
Transport and travelling	276,435	261,723
Office expenses	109,278	114,019
Other financial expenses*	2,800,672	1,186,799
Licenses	395,638	235,303
Insurance	434,482	279,807
Public relations	30,334	46,497
Company electricity expenses	154,654	181,750
Training expenses and consumer services	95,943	46,939
Other consumable goods	186,263	163,240
Movement in leave obligation (Note 33 (a))	91,493	(167,351)
Movement in gratuity provision ((Note 33 (c))	268,179	264,767
Movement in leave allowance provision ((Note 33 (b))	(8,961)	10,741
Consultancy fees	54,011	33,375

NOTES (CONTINUED)

9. NET OPERATING EXPENSES (Continued)

Directors' emoluments	28,165	30,822
Auditor's remuneration	23,791	22,319
Other Directors' expenses	8,580	16,198
Allowance for inventories (Note 20)	(400,249)	(188,853)
Expense relating to leases of low-value assets (Note 19)	20,000	15,903
Other costs**	1,507,881	1,452,406
Retirement benefit plan debits (Note 32)	55,221	107,705
	24,580,698	**24,607,732**
Recharge of administration costs to RES***	(1,230,660)	(1,103,837)
	23,350,038	**23,503,895**

*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.

(d) Expected credit losses on financial assets

	2022 Shs'000	2021 Shs'000
Provision for electricity debtors (Note 21(c))	(884,407)	308,349
Provision for other receivables, bank deposits and bank balances and guarantees	118,610	119,658
Writeback of provisions for prepaid fixed charge (Note 21(c))	(66,120)	(73,817)
Movement in expected credit losses	**(831,917)**	**354,190**

NOTES (CONTINUED)

10. EMPLOYEE BENEFITS

	2022 Shs'000	2021 Shs'000
Salaries and wages	16,399,938	16,980,976
Recharge of capital works supervision to capital jobs*	(1,190,602)	(1,169,032)
NSSF employer contributions	23,900	24,572
Pension costs – defined contribution	807,800	877,361
Salaries and wages	**16,041,036**	**16,713,877**
Pension credit - defined benefit scheme (Note 32)	55,221	107,705
	16,096,257	**16,821,582**
Movement in leave pay provision (Note 33 (a))	91,493	(167,351)
Movement in gratuity and leave allowance provisions (Note 33 (b) and Note 33 (c))	259,218	275,508
	16,446,968	**16,929,739**

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

11. NET FINANCE COSTS

(a) Finance income

	2022 Shs'000	2021 Shs'000
Interest income on bank and other deposits (Note 36 (g)	**396,940**	**162,862**

(b) Finance costs

	2022 Shs'000	2021 Shs'000
Interest incurred on:		
• Loans	(5,190,066)	(5,842,818)
• Bank overdrafts	(80,561)	(430,715)
• Lease liabilities (Note 29)	(125,143)	(145,469)
Unrealised foreign exchange differences on loans*	(6,577,066)	(1,682,612)
Interest on late payment of invoices	(680,723)	(773,330)
Time value of money of RES receivable (Note 21 (a))	(32,707)	(113,250)
Dividends on cumulative preference shares	(1,930)	(1,930)
	(12,688,196)	**(9,050,124)**

* Finance costs include unrealised foreign exchange losses Shs 6,577 million (2021: Shs 1,683 million) arising from the depreciation of the Shilling against the USD and EURO in which some of the loans are denominated in.

NOTES (CONTINUED)

12. EXPENSES BY NATURE

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

	2022 Shs'000	2021 Shs'000
Employee benefits (Note 10)	16,446,968	16,929,739
Depreciation of property and equipment (Note 16)	16,448,233	16,709,779
Impairment loss on WIP (Note 16)	45,761	205,561
Finance costs (Note 11(b))	12,688,196	9,050,124
Expected credit losses on financial assets (Note 9 (d))	(831,917)	354,190
Amortisation of intangible assets (Note 18)	867,117	1,151,128
Loss on disposal of property and equipment (Note 36 (e))	(716,217)	(773,805)
Loss on retirement of right of use (ROU) assets (Note 36 (e))	(191)	(3,364)
Movement in leave provision (Note 33 (a))	91,493	(167,351)
Movement in gratuity provision ((Note 33 (c))	268,179	264,767
Movement in leave allowance provision ((Note 33 (b))	(8,961)	10,741
Amortisation of leasehold land (Note 17)	25,864	25,728
Directors' emoluments:		
- Fees (Note 37 c (ii))	4,632	4,800
- Other (Note 37 c (ii))	10,213	26,022
Other Directors' expenses	8,580	16,198
Auditor's remuneration (Note 9 (c))	23,791	22,319
Movement in provision for inventories (Note 20)	(400,249)	(188,853)
Retirement benefit debit (Note 32)	55,221	107,705

13. (a) INCOME TAX EXPENSE

	2022 Shs'000	2021 Shs'000
Statement of profit or loss		
Income tax:		
Current income tax (Note 13 (c))	146,183	121,524
Deferred income tax:		
Adjustment in respect of deferred tax for previous year (Note 27)	-	350
Movement for the year (Note 27)	1,473,081	6,586,094
Tax charge	**1,619,264**	**6,707,968**

NOTES (CONTINUED)

(b) RECONCILIATION OF INCOME TAX EXPENSE

	2022 Shs'000	2021 Shs'000
Profit before income tax	5,123,553	8,197,656
Tax calculated at the statutory income tax rate of 30% (2021: 27.5%)	1,537,066	2,254,355
Tax effect of adjustments on taxable income:		
Expenses not deductible for tax purposes	82,198	129,376
Effect of tax rate changes (Note 27)	-	4,323,887
Prior year under provision for deferred tax (Note 27)	-	350
Income tax expense	**1,619,264**	**6,707,968**

(c) CURRENT INCOME TAX RECOVERABLE

	2022 Shs'000	2021 Shs'000
At start of year	49,494	96,271
Tax paid	236,447	74,747
Tax charge (Note 13 (a))	(146,183)	(121,524)
At end of year	**139,758**	**49,494**

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 2022 and 2021. 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:

	2022 Shs'000	2021 Shs'000
Profit for the year attributable to owners of the Company	3,504,289	1,489,688

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:

	2022	2021
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	1,951,467,045	1,951,467,045

NOTES (CONTINUED)

14. EARNINGS PER SHARE (Continued)

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

	2022	2021
Basic earnings per share (Shs)	1.80	0.76
Diluted earnings per share (Shs)	1.80	0.76

15. DIVIDENDS PER SHARE

Proposed dividends are accrued after they have been ratified at an Annual General Meeting.

No interim dividend was paid in 2022 (2021: Nil). At the Annual General Meeting to be held on 16 December, 2022, the Directors will not recommend the payment of dividend in respect of the year ended 30 June 2022 (2021: Nil).

NOTES (CONTINUED)

16. PROPERTY AND EQUIPMENT

2022	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 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**
Work in progress additions	-	-	-	-	-	-	12,275,327	**12,275,327**
Transfers from work in progress	474,625	37,122	8,484,254	60,355	670,114	4,083,501	(13,809,971)	**-**
Retirements	(15,988)	-	(1,321,693)	-	-	-	-	**(1,337,681)**
At 30 June 2022	**13,284,516**	**33,884,936**	**273,025,173**	**1,279,128**	**8,297,866**	**60,624,356**	**23,266,621**	**413,662,596**
Depreciation								
At 1 July 2021	2,052,546	12,968,334	62,188,942	319,734	6,158,666	41,525,778	205,561	**125,419,561**
Charge for the year	341,582	1,164,184	9,634,766	56,522	358,250	4,892,929	-	**16,448,233**
Impairment loss*	-	-	-	-	-	-	45,761	**45,761**
Retirements	(1,447)	-	(585,336)	-	-	-	-	**(586,783)**
At 30 June 2022	**2,392,681**	**14,132,518**	**71,238,372**	**376,256**	**6,516,916**	**46,418,707**	**251,322**	**141,326,772**
Net book value								
At 30 June 2022	**10,891,835**	**19,752,418**	**201,786,801**	**902,872**	**1,780,950**	**14,205,649**	**23,015,299**	**272,335,824**

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.

Included in property and equipment at 30 June 2022 are assets with a gross value of Shs 48,124,430,413 (2021: Shs 39,342,277,227) which are fully depreciated but still in use. The notional depreciation charge on these assets for the year would have been Shs 8,943,576,940 (2021 Shs 6,987,367,825)

NOTES (CONTINUED)

16. PROPERTY AND EQUIPMENT (Continued)

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)	**-**
Retirements/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**
Retirements/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)

17. LEASEHOLD LAND

	2022 Shs'000	2021 Shs'000
Cost		
At start of year	765,900	765,900
Additions	11,000	-
Disposal	-	-
At end of year	**776,900**	**765,900**
Amortisation		
At start of year	(124,614)	(98,886)
Charge for the year	(25,864)	(25,728)
Charge on disposals	-	-
At end of year	**(150,478)**	**(124,614)**
Net book value	**626,422**	**641,286**

18. INTANGIBLE ASSETS

	2022 Shs'000	2021 Shs'000
Cost		
At start of year	8,087,672	7,836,854
Additions	-	250,818
Disposal	-	-
At end of year	**8,087,672**	**8,087,672**
Amortisation		
At start of year	(6,607,243)	(5,456,115)
Charge for the year	(867,117)	(1,151,128)
Charge on disposals	-	-
At end of year	**(7,474,360)**	**(6,607,243)**
Net book value	**613,312**	**1,480,429**

NOTES (CONTINUED)

19. RIGHT-OF-USE (ROU) ASSET

	2022 Shs'000	2021 Shs'000
Cost		
Balance on adoption of IFRS 16	-	-
At start of year	1,653,047	1,479,867
Additions	145,049	223,501
Retirements	(142,477)	(50,321)
At end of year	**1,655,619**	**1,653,047**
Depreciation		
At start of year	(570,088)	(285,237)
Charge for the year	(293,246)	(331,808)
Charge on retirements	142,286	46,957
At end of year	**(721,048)**	**(570,088)**
Net book value	**934,571**	**1,082,959**

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:

	2022 Shs'000	2021 Shs'000
Depreciation expense of right-of-use assets (Note 9 (c))	293,246	331,808
Interest expense on lease liabilities (Note 29)	125,143	145,469
Expense relating to leases of low-value assets ((Note 9 (c))	20,000	15,903
	438,389	**493,180**

The Company had total cash outflows for leases of Shs 420,050,000 in 2022 (2021: Shs 483,178,000). The Company also had non-cash additions to right-of-use assets and lease liabilities of Shs 145,049,000 in 2022 (2021: Shs 223,501,000). The future cash outflows relating to leases that have not yet commenced are disclosed in Note 41.

20. INVENTORIES

	2022 Shs'000	2021 Shs'000
General stores	4,162,332	4,194,456
Transformers	1,701,447	2,131,626
Conductors and cables	1,851,646	2,405,349
Metering accessories	837,283	12,466
Poles	166,033	493,204
Fuel and oil	810,762	271,669

NOTES (CONTINUED)

20. INVENTORIES (Continued)

Motor vehicle spares	99,866	100,319
Engineering spares	12,603	12,655
	9,641,972	**9,621,744**
Provision for impairment	(3,325,729)	(3,725,978)
	6,316,243	**5,895,766**

Movements in the provisions for inventories were as follows:

	2022 Shs'000	2021 Shs'000
At start of year	(3,725,978)	(3,914,831)
Write back (Note 9 (c))*	400,249	188,853
At end of year	**(3,325,729)**	**(3,725,978)**

21. TRADE AND OTHER RECEIVABLES

(a) Current - Trade and other receivables

	2022 Shs'000	2021 Shs'000
Electricity receivables (Note 21(b))	27,301,840	29,668,163
Receivable from Government of Kenya-RES recurrent losses****** (Note 37 (b) (ii))	19,355,163	18,738,621
RES – intercompany (Note 37 (b) (ii))	4,644,000	1,556,780
Receivable from Government of Kenya**** (Note 37 (b) (ii) and Note 38)	296,549	8,549
VAT recoverable (Note 37 (b) (ii))	1,830,267	851,028
Due from KETRACO**	1,677,814	1,593,572
Staff receivables	583,553	751,476
Stima loan deferred payment customers *	228,821	218,219
Rural Electrification Authority current account (Note 37 (b) (ii))	248,564	248,564
GPOBA prepaid debtors***	771,419	803,128
Other *****	7,278,711	7,840,499
Gross trade and other receivables	**64,216,701**	**62,278,599**
Provision for credit losses (Note 21(c))	(22,949,002)	(23,384,517)
Impairment of RES receivable*******	(972,502)	(939,795)
Net trade and other receivables	**40,295,197**	**37,454,287**
Movement in impairment of RES receivable is as follows;		
At start of year	939,795	826,545
Increase during year (Note 11 (b))	32,707	113,250
At end of year	**972,502**	**939,795**

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 771,419,000 (2021: Shs 803,128,000) 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 296,549,000 (2021: Shs 8,549,000) 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 150,000,000 as disbursements (2021: Shs 685,000,000) of which Shs 438,000,000 (2021: Shs 133,989,000) was fully utilized to improve electricity supply in off grid stations through supply of generators.

***** 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 247,339,000 (2021: Shs 250,967,000) deposited in Imperial Bank Limited which was placed under receivership in 2015. 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)

(b) Electricity receivables

	<30 days Shs'000	30-90 days Shs'000	>90 days Shs'000	Total Shs'000
2022				
Gross	10,796,085	2,117,631	14,388,124	27,301,840
Impairment	(518,130)	(902,822)	(13,574,756)	(14,995,708)
Net	**10,277,955**	**1,214,809**	**813,368**	**12,306,132**
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**

Information about the credit exposure is disclosed in Note 6 (a).

(c) 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
2022				
At start of year	(15,880,115)	(2,652,279)	(5,352,123)	(23,884,517)
Additional provision	-	-	(15,012)	(15,012)
Write back (Note 9 (d))	884,407	66,120	-	950,527
At end of year (Note 21(a))	**(14,995,708)**	**(2,586,159)**	**(5,367,135)**	**(22,949,002)**
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 (Note 9 (d))	-	73,817	-	73,817
Write offs	(75,846)	-	-	(75,846)
At end of year (Note 21(a))	**(15,880,115)**	**(2,652,279)**	**(5,352,123)**	**(23,884,517)**

NOTES (CONTINUED)

22. SHORT-TERM DEPOSITS, BANK AND CASH BALANCES

(a) Short-term deposits

	2022 Shs'000	2021 Shs'000
Housing Finance Company of Kenya Limited	484,782	464,172
The Co-operative Bank of Kenya Limited	2,612	2,612
	487,394	**466,784**
Expected credit losses- charge for the year	(12,579)	(6,724)
	474,815	**460,060**

The average effective interest rate on the short-term deposits for the year ended 30 June 2022 was 7.44% (2021: 7.09%).

	2022 Shs'000	2021 Shs'000
Movement in the expected credit losses is as follows;		
At start of year	6,724	6,519
Increase during the year	5,855	205
At end of year	**12,579**	**6,724**

(b) Bank and cash balances

	2022 Shs'000	2021 Shs'000
Cash at bank	7,592,758	5,585,691
Cash on hand	1,116	858
	7,593,874	**5,586,549**
Expected credit losses	(132,869)	(39,688)
	7,461,005	**5,546,861**
Overdraft	-	(3,595,214)
	7,461,005	**1,951,647**
Movement in the expected credit losses is as follows;		
At start of year	39,688	17,671
Increase during the year	93,181	22,017
At end of year	**132,869**	**39,688**

NOTES (CONTINUED)

23. SHARE CAPITAL

	2022 Shs'000	2021 Shs'000
Authorised:		
2,592,812,000 ordinary shares of Shs 2.50 each	6,482,030	6,482,030
Issued and fully paid:		
1,951,467,045 ordinary shares of Shs 2.50 each	4,878,667	4,878,667

24. SHARE PREMIUM

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

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

25. RETAINED EARNINGS

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

Further details on retained earnings are provided in page 92 to these financial statements.

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.

	2022 Shs'000	2021 Shs'000
At start of year	14,342,533	15,941,830
Additional contributions	4,290,038	3,169,772
Recognised as income (Note 7(c))	(3,807,714)	(4,769,069)
At end of year	**14,824,857**	**14,342,533**
Maturity analysis:		
Non-current	11,131,733	11,187,465
Current	3,693,124	3,155,068
At end of year	**14,824,857**	**14,342,533**

NOTES (CONTINUED)

27. DEFERRED INCOME TAX

	2022 Shs'000	2021 Shs'000
At start of year	27,514,730	20,590,805
(Credit)/Debit to other comprehensive income	(213,786)	337,481
Adjustment in respect of deferred tax in prior year (Note 13 (a))	-	350
Effect of tax rate changes (Notes 13 (a) and 13 (b))	-	4,323,887
Charge to profit or loss (Note 13 (a))	1,473,081	2,262,207
At end of year	**28,774,025**	**27,514,730**

Deferred income tax balance is analysed as follows:

2022	At July 2021 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 2022 Shs'000
Deferred income tax liabilities						
Property and equipment	48,096,404	-	678,662	-	-	48,775,066
Unrealised foreign exchange loss	(3,307,275)	-	(1,929,825)	-	-	(5,237,100)
Right of use asset	324,889	-	(44,516)	-	-	280,373
Retirement benefit asset	387,040	-	(16,566)	(216,978)	-	153,496
	45,501,058	**-**	**(1,312,245)**	**(216,978)**	**-**	**43,971,835**
Deferred income tax assets						
Lease liabilities	(334,866)	-	44,957	-	-	(289,909)
Provisions	(9,104,095)	-	132,927	3,192	-	(8,967,976)
Tax losses	(8,547,367)	-	2,607,442	-	-	(5,939,925)
	(17,986,328)	**-**	**2,785,326**	**3,192**	**-**	**(15,197,810)**
Net deferred income tax liabilities	**27,514,730**	**-**	**1,473,081**	**(213,786**	**-**	**28,774,025**

NOTES (CONTINUED)

27. DEFERRED INCOME TAX (Continued)

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**

As at 30 June 2022, the Company had accumulated tax losses amounting to Shs 19,800 million (2021: Shs 28,491 million).

NOTES (CONTINUED)

28. TRADE AND OTHER PAYABLES

(a) Non-current liabilities

	2022 Shs'000	2021 Shs'000
Capital contribution - on-going projects**	12,874,799	11,668,644
Customer deposits*	6,594,305	6,173,942
Capital contributions-projects not commenced	5,065,111	4,768,063
Deferred creditor (Fibre optic)	133,807	207,675
RES current account - capital (Note 37 (b) (iii))	2,663,549	262,022
Donor funded revolving fund	1,432,309	1,282,308
Electrification of health facilities	404,758	247,985
Sub-Station Installation-GOK Funded Account	150,000	1,425,000
Nuclear electricity project	11,874	11,900
Other payables	2,492,625	2,269,799
	31,823,137	**28,317,338**

*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

	2022 Shs'000	2021 Shs'000
KenGen (Note 37 (e))	22,934,576	24,700,501
Other suppliers' accounts	6,171,573	6,105,543
Other electricity suppliers	22,942,508	23,192,857
Other payables	14,489,749	13,658,743
RES current account - Last Mile Project (Note 37 (b) (iii))	1,512,059	2,491,066
Rural Electrification Authority Levy** ((Note 37 (b) (iii)))	12,164,824	12,097,905
Project funds***	222,180	334,920
Ketraco wheeling charge (Note 37 (f))	4,567,868	5,546,379
Ministry of Finance (Note 37 (b) (iii))	875,041	875,041
Prepaid revenue****	265,944	263,132
Street lighting project (Note 37 (b) (iii) and Note 38)	923,548	1,826,504
Energy Regulatory Levy	144,193	152,743
Aggreko	212,685	199,430
Deferred creditor (Fibre optic)	70,721	70,721
	87,497,469	**91,515,485**
Provision for impairment (Note 28 (c))	11,114	6,549
	87,508,583	**91,522,034**

NOTES (CONTINUED)

28. TRADE AND OTHER PAYABLES (Continued)

**The Rural Electrification Authority Levy relates to levy charge pending remission to the Rural Electrification and Renewable Energy Corporation (REREC).

*** 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 2022 was Shs 14,483,121,000 (2021: Shs 13,328,327,000) and Shs 14,260,941,000 (2021: Shs 12,993,427,000) 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;

	2022 Shs'000	2021 Shs'000
At start of year	6,549	23,578
Increase/(decrease) in provision	4,565	(17,029)
At end of year (Note 28 (b))	**11,114**	**6,549**

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.

	2022 Shs'000	2021 Shs'000
Balance at start year	1,116,221	1,230,428
Additions for the year	145,049	223,501
Interest charge (Note 11(b))	125,143	145,469
Payment of interest	(125,143)	(145,469)
Payment of principal	(294,907)	(337,708)
	966,363	**1,116,221**

The carrying amount of the current portion is Shs 304,413,000 (2021: Shs 279,472,000) while the non-current portion is Shs 661,950,000 (2021:Shs 836,749,000).

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	2022 Shs'000	2021 Shs'000
Commercial borrowings						
Standard Chartered Bank Loan	USD	4.15% + Libor	19/06/2016	23/06/2026	23,010,100	24,835,897
Standard Chartered Bank Loan	Shs	CBR + 4%	17/06/2016	23/06/2023	2,997,166	5,994,332
Equity Bank USD Medium Term Loan	USD	4.5% + Libor	30/09/2014	30/09/2025	2,214,976	4,063,252
Rand Merchant Bank Medium Term Loan	USD	7.95%	26/09/2018	26/09/2025	4,770,540	5,608,576
NCBA Bank Kenya Plc	Shs	7% (CBR +2%)	09/10/2020	03/10/2032	6,738,469	6,737,344
Standard Chartered Bank Money Market Loan	Shs	12% (CBR+4%)	30/05/2021	30/05/2022	-	800,000
					39,731,251	**48,039,401**
On-lent borrowings						
GOK/IDA Kenya Electricity Expansion Project	USD	3.00%	11/05/2011	01/03/2036	14,388,238	13,169,310
GOK/CHINA EXIM BANK (USD 109,414,646)	USD	3.00%	28/08/2014	28/08/2035	15,560,150	14,241,941
GOK/IDA 3958 & 4572 KE ESRP	USD	4.50%	28/06/2005	01/09/2030	10,367,365	9,489,074
GOK/NORDEA	EUR	3.00%	15/12/2014	15/09/2027	2,512,522	2,597,736
GOK/EIB 23324 KE ESRP	EUR	3.97%	10/10/2007	20/07/2026	2,138,559	2,211,089
GOK/Agence Francaise de Development	EUR	4.50%	23/05/2007	30/03/2026	1,311,753	1,356,242
GOK/ Nordic Development Fund 435 ESRP	EUR	4.50%	22/05/2007	15/09/2027	503,832	520,920
KPLC/AFD Revolving Fund Loan	EUR	2.70%	31/12/2014	31/07/2035	2,765,653	2,859,451
GOK/IDA 5587 KE LOAN	USD	2.00%	27/02/2016	15/11/2053	5,908,613	4,439,643
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	884,058	914,041
Accrued interest (Note 36 (b))					**7,587,560**	**5,939,630**
					64,116,652	**57,927,426**
Total borrowings					**103,847,903**	**105,966,827**

NOTES (CONTINUED)

30. (a) BORROWINGS (Continued)

	2022 Shs'000	2021 Shs'000
Total borrowings	103,847,903	105,966,827
Less: amounts repayable within 12 months	(17,183,508)	(15,719,021)
Non-current	**86,664,395**	**90,247,806**

(b) Analysis of borrowings by currency

	Shs Shs' 000	USD Shs' 000	Euros Shs' 000	Total Shs' 000
2022				
Loans	17,511,544	76,219,982	10,116,377	103,847,903
2021				
Loans	19,659,656	75,847,693	10,459,478	105,966,827

(c) Maturity of borrowings

	2022 Shs'000	2021 Shs'000
Due within 1 year	17,138,207	15,719,021
Due between 1 and 2 years	12,276,600	11,726,989
Due between 2 and 5 years	29,453,830	33,043,045
Due after 5 years	44,979,266	45,477,772
	103,847,903	**105,966,827**

(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 and Rand Merchant Bank. 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	4,381,892	19,331,878	23,713,770
Standard Chartered Bank USD 150m loan	3,036,000	-	3,036,000
Rand Merchant Bank USD Medium Term Loan	1,374,711	3,436,779	4,811,490
	8,792,603	**22,768,657**	**31,561,260**

	Covenant requirement	As per the financial statements
For Standard Chartered Bank and Rand Merchant Bank		
Current assets (Shs'000)	-	54,687,018
Current liabilities (Shs'000)	-	110,431,165
Current ratio	**1**	**0.50**

30. (d) Compliance with debt covenants (Continued)

Paragraph 74 of IAS 1 'Presentation of financial statements' requires the reclassification of the non-current portion of borrowings with covenant breaches to current. This reclassification has not been performed in the financial statements because the Company obtained waivers before the end of the reporting period, 30 June 2022 which gave consent of extension of the breach from 30 June 2022 to 30 June 2023.

Through a letter from Standard Chartered Bank dated 17 June 2022, the lender communicated consent of extension of the breach from 30 June 2022 to 30 June 2023.

Through a letter from Rand Merchant Bank dated 28 June 2022, the lender communicated that the breach would be condoned from 30 June 2022 to 30 June 2023 while reserving the rights under the facility agreement.

31. PREFERENCE SHARES

	2022 Shs'000	2021 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 2022 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 2022.

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:

Discount rate	13%	11.5%
Expected rate of return on assets	13%	11.5%
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:

32. RETIREMENT BENEFIT ASSET (Continued)

(d) The benefits are linked to salary and consequently have an associated risk to increases in salary. (Continued)

	2022 Shs'000	2021 Shs'000
Current service cost	192,517	166,521
Interest cost on defined benefit obligation	1,569,402	1,777,730
Interest income on plan assets	(2,035,023)	(2,307,207)
Interest on the effect of the asset ceiling	328,325	471,624
Adjustments for previous years asset values	-	(963)
Net expense recognised in profit or loss (Note 10)	**55,221**	**107,705**
Net actuarial gains	(472,153)	(310,669)
Return on plan assets (excluding amount in interest cost)	1,919,310	684,654
Changes in effect of asset ceiling (excluding amounts in interest cost)	(723,896)	(1,244,495)
Recognised in other comprehensive income	723,261	(870,510)
Total net actuarial losses/(gains)	**1,446,522**	**(1,741,020)**

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:

	2022 Shs'000	2021 Shs'000
Fair value of plan assets	16,925,783	18,581,632
Present value of funded defined benefit obligation	(13,954,701)	(14,436,497)
	2,971,082	**4,145,135**
Limit on defined benefit asset	(2,459,430)	(2,855,002)
Present value of funded defined benefit asset	**511,652**	**1,290,133**

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

	2022 Shs'000	2021 Shs'000
Net asset at the start of the year	1,290,134	527,328
Net income recognised in profit or loss (Note 9 (c))	(55,221)	(107,705)
Amount recognised in other comprehensive income	(723,261)	870,510
Present value of funded defined benefit asset	**511,652**	**1,290,133**

NOTES (CONTINUED)

32. RETIREMENT BENEFIT ASSET (Continued)

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

	2022 Shs'000	2021 Shs'000
At start of year	14,436,497	14,380,254
Current service cost	192,517	166,521
Interest cost on obligation	1,569,402	1,777,730
Actuarial loss	(472,153)	(310,669)
Benefits paid	(1,771,562)	(1,577,339)
At end of year	**13,954,701**	**14,436,497**

Movement in the fair value of defined benefit scheme assets is as follows;

	2022 Shs'000	
At start of year	(18,581,632)	(18,535,455)
Interest income on plan assets	(2,035,023)	(2,307,207)
Return on plan assets, excluding amount in interest income	1,919,310	684,654
Benefits paid	1,771,562	1,577,339
Prior year adjustments	-	(963)
At end of year	**(16,925,783)**	**(18,581,632)**

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

	2022 Shs'000	2021 Shs'000
Property	7,291,510	7,305,455
Debt instruments	5,937,694	6,709,827
Equity instruments	2,773,987	3,339,405
Others	922,592	1,226,945
Total scheme assets	**16,925,783**	**18,581,632**

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 1,062 million decrease in retirement benefit asset (2021: Shs 987 million increase).

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

	2022 Shs'000	2021 Shs'000
At start of year	284,311	451,662
Increase/(decrease) in provisions (Note 9 (c))	91,493	(167,351)
At end of year	**375,804**	**284,311**

(b) Leave allowance provision

	2022 Shs'000	2021 Shs'000
At start of year	180,885	170,144
(Decrease)/increase in provisions (Note 9 (c))	(8,961)	10,741
At end of year	**171,924**	**180,885**

(c) Gratuity provision

	2022 Shs'000	2021 Shs'000
Opening benefit obligation	356,247	412,751
Current service cost	235,462	202,305
Interest cost	32,717	62,462
Actuarial gain	(10,639)	(254,425)
Benefits and expenses paid	(178,148)	(66,846)
Net liability at end of year	**435,639**	**356,247**

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

	2022 Shs'000	2021 Shs'000
Present value of the defined benefit obligation at start of year	356,247	412,751
Charge recognised in the profit or loss for the year (Note 9 (c))	268,179	264,767
Benefits paid to the outgoing employees during the year	(178,148)	(66,846)
Actuarial gain on the obligation recognised in other comprehensive income	(10,639)	(254,425)
Present value of the defined obligation at end of year	435,639	356,247
Total provisions	**983,367**	**821,443**

NOTES (CONTINUED)

34. DIVIDENDS PAYABLE

	2022 Shs'000	2021 Shs'000
Dividends payable on ordinary shares	758,170	793,383

These relate to unclaimed dividends payable to different ordinary shareholders.

The movement in the dividend payable account is as follows:

	2022 Shs'000	2021 Shs'000
At start of year	793,383	806,222
Declared during the year	1,930	1,930
Paid during the year	(37,143)	(14,769)
At end of year	**758,170**	**793,383**

35. CONTRACT BALANCES

	2022 Shs'000	2021 Shs'000
Electricity receivables (Note 21(b))	12,306,132	13,788,048
Contract liabilities (Note 28)	12,874,799	11,668,644

As at 1 July 2021, the net carrying amount of electricity receivables was reported at Shs 11,904 million.

Contract liabilities relate to contributions from customers for connection to the Company's electricity network and the works are ongoing. These contributions are held in trade payables as progress payments until the work on the connection has been completed. Once the customers are connected to the electricity supply, the Company would have satisfied its performance obligation hence transferring the capital contributions to deferred income and released to revenue in the income statement over the estimated useful economic lives of the related assets.

The movement in the contract liabilities is as follows:

	2022 Shs'000	2021 Shs'000
At start of year	11,668,644	8,358,690
Additions during the year	5,496,193	6,479,726
Transferred to deferred income during the year (Note 26)	(4,290,038)	(3,169,772)
At end of year	**12,874,799**	**11,668,644**

NOTES (CONTINUED)

36. NOTES TO THE STATEMENT OF CASH FLOWS

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

	2022 Shs'000	2021 Shs'000
Profit before taxation	5,123,553	8,197,656
Depreciation of property and equipment (Note 16)	16,448,233	16,709,779
Impairment loss on Work in Progress (WIP) (Note 16)	45,761	205,561
Amortisation of intangible assets (Note 18)	867,117	1,151,128
Amortisation of leasehold land (Note 17)	25,864	25,728
Depreciation of ROU (Right-of-use) asset (Note 19)	293,246	331,808
Amortisation of capital contribution (Note 7 (c))	(3,807,714)	(4,769,069)
Loss on disposal of property and equipment (Note 36 (e))	716,217	773,805
Loss on disposal of ROU (Note 36 (e))	191	3,364
Finance income (Note 11 (a))	(396,940)	(162,862)
Finance costs (Note 11 (b))	12,665,772	8,907,256
Interest expense on lease liabilities (Note 11 (b))	125,143	145,469
Movement in provision for leave pay, gratuity and leave allowance (Note 33)	350,711	108,157
Movement in provisions for credit losses on short-term deposits (Note 22 (a))	5,855	205
Movement in provisions for credit losses on bank balances ((Note 22 (b))	93,181	22,017
Movement in provisions for company guaranteed loans ((Note 28 (b))	4,565	-
Movement in provisions for credit losses on trade and other receivables	(935,518)	331,968
Movement in provision for slow moving inventories (Note 20)	(400,249)	(188,853)
Retirement benefit plan credits (Note 9 (c))	55,221	107,705
Unrealised foreign exchange losses on cash and cash equivalents	(102,719)	(2,602)
Working capital changes:		
Inventories	(20,227)	(875,542)
Trade and other receivables	(1,939,868)	(3,074,324)
Deferred income	4,290,025	3,169,772
Trade and other payables	(512,217)	7,848,993
Cash generated from operations	**32,995,203**	**38,967,119**

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

(b) Analysis of changes in borrowings

	2022 Shs'000	2021 Shs'000
At start of year	109,562,041	118,733,339
Proceeds	1,009,123	8,520,774
Repayments	(15,050,964)	(21,286,356)
Repayment of previous year's accrued interest	(5,939,630)	(4,186,515)
Foreign exchange losses	6,679,773	1,841,169
Accrued interest (Note 30 (a))	7,587,560	5,939,630
At end of year	**103,847,903**	**109,562,041**

	2022 Shs'000	2021 Shs'000
Net debt reconciliation		
Cash and bank balances (Note 22 (b))	7,461,005	5,546,861
Short-term deposits (Note 22 (a))	474,815	460,060
Overdrafts (Note 22 (b))	-	(3,595,214)
Borrowings (Note 30)	(103,847,903)	(105,966,827)
Net debt	**(95,912,083)**	**(103,555,120)**
Net debt reconciliation		
Cash, bank balances and short-term deposits	7,935,820	6,006,921
Gross debt – fixed interest rates	(61,299,632)	(57,596,372)
Gross debt – variable interest rates	(42,548,271)	(51,965,669)
Net debt	**(95,912,083)**	**(103,555,120)**

(c) Analysis of cash and cash equivalents

	2022 Shs'000	2021 Shs'000
Short-term deposits (Note 22 (a))	487,394	466,784
Cash and bank balances (Note 22(b))	7,593,874	5,586,549
	8,081,268	**6,053,333**

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.

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

(d) Analysis of interest paid

	2022 Shs'000	2021 Shs'000
Interest on loans (Note 11(b))	5,190,066	5,842,818
Overdraft interest (Note 11(b))	80,561	490,715
Interest on late payment invoices (Note 11 (b))	680,723	773,330
	5,951,350	**7,106,863**
Interest on loans capitalised	-	-
Accrued interest brought forward (Note 30 (a))	5,939,630	4,186,515
Accrued interest carried forward (Note 30 (a))	(7,587,560)	(5,939,630)
Interest paid	**4,303,420**	**5,353,748**

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

	2022 Shs'000	2021 Shs'000
Proceeds from disposal of property and equipment	34,681	52,955
Less: disposed assets at net book value	(750,898)	(826,760)
Loss on disposal of property and equipment	**(716,217)**	**(773,805)**
Proceeds of retirement of right of use assets (ROU)		
Proceeds from retirement of ROU	-	-
Less: retired assets at net book value	191	3,364
Loss on retirement of ROU	**(191)**	**(3,364)**

(f) Analysis of dividends paid

At start of year	793,383	806,222
Preference dividends - 4% and 7% cumulative preference shares	1,930	1,930
At end of year	(758,170)	(793,383)
Dividends paid	**37,143**	**14,769**

NOTES (CONTINUED)

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

(g) Analysis of interest received

	2022 Shs'000	2021 Shs'000
Interest received on bank and other deposits (Note 11 (a))	396,940	162,862
Accrued interest brought forward	4,023	4,654
Accrued interest carried forward	(2,255)	(4,023)
Interest received	**398,708**	**163,493**

(h) Purchase of property and equipment

	2022 Shs'000	2021 Shs'000
Work in progress additions (Note 16)	12,275,327	18,187,585
Exchange loss on loans for on-going projects capitalised	-	(155,955)
Property and equipment purchased	**12,275,327**	**18,031,630**

*The Company capitalises interest on qualifying projects quarterly at the average cost of debt of 5.28% (2021: 5.28%).

37. 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:

	2022 Shs'000	2021 Shs'000
Electricity sales to Government Ministries	5,715,969	4,906,128
Electricity sales to strategic parastatals	2,261,225	1,974,920

NOTES (CONTINUED)

37. RELATED PARTY DISCLOSURES (Continued)

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

	2022 Shs'000	2021 Shs'000
Receivable from Government of Kenya-RES recurrent losses (Note 21 (a))	19,355,163	18,738,621
RES – intercompany (Note 21 (a))	4,644,000	1,556,780
Receivable from Government of Kenya (Note 21 (a))	296,549	8,549
VAT recoverable (Note 21 (a))	1,830,267	851,028
Ministries	2,727,368	2,767,679
Strategic parastatals	309,897	442,126
Rural Electrification Authority current account (Note 21 (a))	248,564	248,564
Ministry of Energy and other sector entities	158,393	158,393
	29,570,201	**24,771,740**

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

	2022 Shs'000	2021 Shs'000
RES current account - Last Mile (Note 28 (b))	1,512,059	2,491,066
Rural Electrification Authority levy (Note 28 (b))	12,164,824	12,097,905
Ministry of Finance (Note 28 (b))	875,041	875,041
Government of Kenya - Street lighting project (Note 28 (b))	923,548	1,826,504
RES – capital (Note 28 (a))	2,663,549	262,022
	18,139,021	**17,552,538**
Net amount owed by Government of Kenya	**11,431,180**	**7,219,202**

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

	2022 Shs'000	2021 Shs'000
Advances to staff included in trade and other receivables	583,553	408,765

The Company advances loans to staff at an interest charge of 12% (2021:12%). 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.

37. RELATED PARTY DISCLOSURES (Continued)

(ii) Key management compensation

	2022 Shs'000	2021 Shs'000
Short-term employee benefits	6,709	6,753
Termination benefits	24,567	23,632
	31,276	**30,385**

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

Fees for services as Director

	2022 Shs'000	2021 Shs'000
Non-Executive Directors (Note 12)	4,632	4,800
Other emoluments		
Salaries and other short-term employment benefits:		
Non-Executive Directors (Note 12)	10,213	26,022
Executive Directors and key management staff	31,276	30,385
	41,489	**56,407**
	46,121	**61,207**

(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 37 (b) (ii) and (iii).

NOTES (CONTINUED)

37. RELATED PARTY DISCLOSURES (Continued)

(e) KenGen

	2022 Shs'000	2021 Shs'000
Electricity purchases (before allocation to RES)	48,403,945	44,805,190
Amounts due to KenGen on electricity purchases (Note 28 (b))	22,934,576	24,700,501
Electricity sales	391,249	164,044
Amounts due from KenGen on account of electricity sales	127,522	44,789

(f) KETRACO

During the year, the following transactions were carried out with KETRACO

	2022 Shs'000	2021 Shs'000
Wheeling charge KETRACO (Note 9 (a))	2,668,667	2,668,667
Maintenance costs for Transmission lines (Note 7 (c))	18,834	15,023
KEEP/KETRACO 132/33KV substations	81,229	-
	2,768,730	**2,683,690**

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

	2022 Shs'000	2021 Shs'000
KETRACO wheeling charge (Note 28 (b))	4,567,868	5,546,379

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

	2022 Shs'000	2021 Shs'000
KEEP/KETRACO 132KV Transmission lines	47,208	47,208
KEEP/KETRACO 132/33KV substations	107,391	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
Maintenance costs for Transmission lines	703,593	684,759
	1,674,801	**1,593,572**

*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 154 million (2021: Shs 157 million). The outstanding balance to the retirement benefit scheme as at 30 June 2022 was Shs nil million (2021: Shs nil million).

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

NOTES (CONTINUED)

38. 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 361,500,000 (2021: Shs 872,500,000).

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

	2022 Shs'000	2021 Shs'000
Connectivity		
At start of year	8,549	559,560
Disbursements received during the year	(150,000)	(685,000)
Utilised during the year	438,000	133,989
New connections during the year	-	-
At end of year	**296,549**	**8,549**
Street lighting		
At start of year	1,826,504	203,078
Disbursements received during the year	211,500	187,500
Utilised during the year	(2,038,004)	(390,578)
At end of year – Available funds	60,293	347,714
Committed funds	863,255	1,478,790
	923,548	**1,826,504**

The connectivity amount of Shs 296 million (2021: Shs 8 million) receivable for connectivity projects has been disclosed under trade and other receivables, while Shs 923 million (2021: Shs 1,826 million) for street lighting is accounted for under trade and other payables.

39. CAPITAL COMMITMENTS

The capital commitments relate to the ongoing capital projects which have been approved and are at various stages of implementation.

	2022 Shs'000	2021 Shs'000
Authorised and contracted for	66,717,593	69,790,122
Less: amount incurred and included in work-in-progress	(16,846,898)	(20,255,439)
	49,870,695	**49,534,683**

NOTES (CONTINUED)

40. 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. 166 of 2016- The Plaintiff is seeking payments, interest, and demurrages charges for an alleged loss occasioned by KPLC as a result of an alleged breach of contract.

(ii) HCC Misc. Appl. 331 of 2018 – In this matter, the Plaintiff is seeking to stop KPLC from disconnecting power supply to the Plaintiff arising out of unpaid electricity debt.

(iii) HCC Pet. No. 421 of 2016- This is a matter filed by the Plaintiff to stop KPLC from claiming an outstanding electricity debt.

(iv) HCC JR. 292 of 2018- This is a claim by the petitioners seeking compensation for termination of Plaintiff's contract.

(v) HCC No. 311 of 2016- This is a claim against KPLC by the Plaintiff on account of the losses made on his farm based on alleged transformer failure.

(vi) HCCC No. 87 of 2012 (formerly CoA 73 of 2016) – This is a claim against KPLC for an alleged trespass.

(vii) HCCC No. 74 of 2003- This is an employment and labour relations matter instituted by former employees.

(viii) HCCC No. 217 of 2015- This is a dispute regarding alleged termination of contracts for supply of transformers.

(ix) HC E049 of 2018- This is a claim against KPLC for an alleged breach of contract for supply of poles.

(x) CMCC No. 3564 of 2003- In this matter, the Plaintiff are seeking compensation for alleged wayleaves trace.

(xi) HCC 119 of 2009- This is a suit by the Plaintiff seeking payments for levies on poles and lines erected within the Plaintiff's Township.

(xii) ELC No. 84 of 2021- This is a claim against KPLC for alleged trespass on land.

(xiii) HCC No. E307 of 2021- This is a claim against KPLC for alleged trespass on the Plaintiff's land.

(xiv) HCC No. E076 of 2022- In this matter, the Plaintiff has sued KPLC for an alleged breach of contract for supply of poles.

(xv) HCC No. E821 of 2021- In this matter, the Plaintiff has sued KPLC for breach of contract on various tenders for supply of various assorted items.

(xvi) HCC No. E106 of 2022- This is a claim by the Plaintiff against KPLC for compensation for an alleged breach of contract for provision of services.

(xvii) HCC No. E157 of 2022- This is a claim against KPLC for alleged breach of contract for supply of wooden poles.

(xviii) ELRC No. 2120 of 2017 - This is a suit filed by the Plaintiff against KPLC for alleged unlawful dismissal.

(xix) HCC 103 of 2003- This is a claim by the Plaintiffs against KPLC for alleged unfair dismissal.

(xx) CMCC 322 of 2017- This is a claim against KPLC for an alleged breach of contract.

(xxi) Nairobi ELC No. 1720 of 2002- This is a case by the Plaintiff against KPLC for al alleged trespass.

NOTES (CONTINUED)

40. CONTINGENT LIABILITIES (Continued)

(xxii) ELRC No. 1982 of 2017- This is a suit against KPLC for an alleged unlawful termination.

(xxiii) HCC 206 of 2018- This is a claim against KPLC for an alleged breach of contract.

(xxiv) ELRC No. 2575 of 2016- This is a case against KPLC alleged underpayments of their dues.

(xxv) HCC 412 of 2017- This is a suit filed by the Plaintiff against KPLC for an alleged breach of contract by KPLC.

(xxvi) HCC Pet 448 of 2018- The Petitioners are seeking orders against KPLC to stop the commissioning of a project.

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

41. FUTURE RENTAL COMMITMENTS UNDER OPERATING LEASES

As lessor:

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

	2022 Shs'000	2021 Shs'000
Not later than 1 year	65,210	113,323
Later than 1 year and not later than 5 years	350,006	343,994
More than 5 years	139,949	156,001
	555,165	**613,318**

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.

42. 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.

Included in the long-term borrowings is an amount of Shs 14,388,237,576 (US$ 122,107,651) (2021: Shs 13,169,310,160 (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 2022 and 2021 were as follows:

42. WORLD BANK FINANCING (Continued)

	2022 Shs'000	2021 Shs'000
At start of year	150,824	157,956
Amounts received during the year	354,503	302,039
Net interest income	2,429	6,160
Expenditure during the year	(202,149)	(315,331)
Balance at end of year	305,607	150,824

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 5,862,205,788 (US$ 50,144,217) (2021: Shs 4,439,643,448 (US$ 41,164,983) 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 2022 and 2021 were as follows:

	2022 Shs'000	2021 Shs'000
At start of year	345,677	136,310
Amounts received during year	-	592,526
Net interest income	6,435	4,743
Expenditure during year	(184,211)	(387,902)
Balance at end of year	**167,901**	**345,677**

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.

43. 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 2,138,558,845 (Euro 17,243,476) (2021: Shs 2,211,088,957 (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.

44. 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 2021 AUDITOR-GENERAL REPORT

Matter in the 2021 Auditor-General Report	Status in 2022	Observation in 2022	Management Response
Material uncertainty relating to going concern	Recurring	As at 30 June 2022, the Company's current liabilities exceeded current assets by Shs 55.7 billion (2021: Shs 66.5 billion). The Company has remained in a negative working capital position for the sixth consecutive year. This condition indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.	While the net current liability position has persisted over the past six years, it is notable that there has been a consistent improvement over the past three years from Shs 74B in 2020, Shs 65B in 2021 and Shs 57B in 2022. The management of working capital has been optimized through prudent utilization of the approved banking facilities that saw the Company exit the reliance on overdrafts. Some of the factors driving the liquidity challenge are external and policy interventions have been proposed to address these exposures. The management continues to build on the momentum by driving enhanced system efficiency, revenue growth and cost management.
Capacity Charge on Power Purchase Agreements	Resolved		
Impairment loss on stalled project	Resolved		
Comparative cost of power purchase- Kenya Electricity Generating Company PLC and the Independent Power Producers.	Recurring	Analysis of the energy units purchases during the year vis-a-vis the total power purchase cost for the same year shows that KenGen supplied Kenya Power with 62 per cent of all the energy it distributed. However, its cost proportion was only 47 per cent. On the contrary, the Independent Power Producers, who only supplied 38 per cent of power, accounted for 53 per cent of the proportion of costs. This indicates that the entity entered very expensive Power Purchase Agreements (PPAs).	*The costs are computed as per PPAs and dispatch. The Demand and Market dynamics at the time of generation procurement also contributes to the tariff pricing.* *Most IPPs have Capacity Payments based due to debt payment structure. PPA Financing is different between KenGen and IPPs and this contribute to pricing/tariffs.* *Renegotiation of PPA for IPPs to reduce the cost of tariff is ongoing* *KPLC has instituted PPA implementation processes for quality assurance and to ensure KPLC only pays for cost approved under the PPA.*

Matter in the 2021 Auditor-General Report	Status in 2022	Observation in 2022	Management Response
Non-compliance with the Unclaimed Financial Assets Act,2011	Recurring	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. As at 30 June 2022, total unremitted qualifying assets amounted to Shs 950 million (2021: Shs 691 million). The Company made efforts to comply with the Act by making three remittances to UFAA in the financial year ended 30 June 2022.	The monthly reconciliation of the long outstanding payables at the regional level has been enhanced, and the reconciled schedule of presumed abandoned assets remitted to UFAA on a quarterly basis. The Company continues to strive to reunite these assets with the owners even as it makes the quarterly remittances to UFAA.
Power losses in the system	Recurring	During the year ended 30 June 2022, the Company reported 77.57% system efficiency resulting to system losses of 22.43%. 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%. For each 1% loss, the entity incurs a loss of approximately Shs 800 million. This translates to total estimated loss of Shs 2 billion loss for the year ended 30 June 2022.	The Company has initiated strategies that has supported focused Commercial and technical loss reduction activities in areas of highest gains. The strategic initiatives include; • Staggered retrofitting of post-paid higher-end customers with SMART meters. We target to retrofit 75,000 this FY. • Establishment and operationalization of a data analytics unit for deepening of data consumption trends for focused inspections. • Conclude feeder alignment to itinerary (data clean-up). • Enhancement of meter reading supervisory tools. • Carry out metering of county boundaries.
Failure to observe guidelines on Board of Directors meetings	Resolved		

Matter in the 2021 Auditor-General Report	Status in 2022	Observation in 2022	Management Response
Non-compliance with Capital Markets Authority (CMA) Listing Rules	Recurring	The Capital Markets Authority has set out regulations for listed companies. 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: • The issuer should not be insolvent and should have adequate working capital: - As at 30 June 2022, the Company's current liabilities exceeded its current assets by Shs 55.7 billion (2021: Shs 66.5 billion) which indicates that the Company is commercially insolvent. • 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. - Refer to the audit opinion in the financial statements which includes an emphasis of matter on material uncertainty relating to going concern. • 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 0.50 compared to the expected current ratio of 1.	The net liability position has continued to gradually improve and the ongoing reforms including an impending tariff review to ensure cost reflectivity will enhance the recovery of the solvency status. Waivers for the breach of the current ratio have been obtained and the management periodically engages with CMA on its initiative towards financial recovery. The Company continues building on the momentum by focusing on the identified major areas to drive the financial recovery initiative. These included enhancing system efficiency (Loss reduction), growing sales, intensified revenue collection, cost management and improving working capital. The consolidated impact of these initiatives and support from the government resulted in the improved business performance, ensuring that the Company remains on the financial recovery path.

<table>
<tr><th>Matter in the 2021 Auditor-General Report</th><th>Status in 2022</th><th>Observation in 2022</th><th>Management Response</th></tr>
<tr><td>Long outstanding trade and other receivables</td><td>Not resolved</td><td>We noted balances in the Non-commercial receivables account as at 30 June 2022 that have been outstanding for more than 150 days. See the summary below:
<table>
<tr><th rowspan="2">Customer</th><th rowspan="2">Customer Name</th><th>More than 150 days</th></tr>
<tr><th>Shs</th></tr>
<tr><td>102002</td><td>RURAL ELECTRIFICATIO</td><td>269,406,511</td></tr>
<tr><td>102257</td><td>KENYA NATIONAL HIGHWAY AUTHORITY</td><td>89,608,620</td></tr>
<tr><td>101956</td><td>KENYA BROADCASTING CORPORATION</td><td>23,653,337</td></tr>
<tr><td>101778</td><td>LION CABLE TELEVISION</td><td>23,063,200</td></tr>
<tr><td>102259</td><td>A-ONE PLASTICS LIMITED</td><td>16,436,359</td></tr>
<tr><td>102141</td><td>TECHNICAL UNIVERSITY OF KENYA</td><td>8,466,099</td></tr>
</table></td><td>The REREC receivable remains outstanding based on the REREC's view that KPLC owes REREC an even higher amount.

Most of the non-commercial receivables relates to deferred payments. The Company has embarked on the review of the non-commercial client receivables process, with the aim of automating the process flow and framework of the deferred payment model.

This will link the client electricity account with their deferred capital contribution payment.</td></tr>
<tr><td>Implementation of last mile connectivity project</td><td>Resolved</td><td></td><td></td></tr>
<tr><td>Weaknesses in Information Technology (IT) Systems</td><td>Recurring</td><td>The following IT issues have recurred in current year:</td><td></td></tr>
<tr><td></td><td></td><td>(a) Lack of regular review of ICT Policies</td><td>The draft policies are ready awaiting Board approval.</td></tr>
</table>

Matter in the 2021 Auditor-General Report	Status in 2022	Observation in 2022	Management Response
		(b) Weaknesses in the SAP Change Transport Process	SAP - User acceptance and post implementation sign off forms have been designed and incorporated in the transport request forms. These forms will be accessible in a central folder for monitoring and compliance.
		(c) Weakness in the User Monitoring Process	SAP is configured to automatically disable inactive user accounts every day at midnight in effect disabling accounts that have been inactive for 90 days at that time. SAP user rights review is domiciled in SAP Functional administration team. Information Security sends a reminder for quarterly reviews. QRADAR – The licenses have not been renewed due to budgetary constraints. The SIEM tool is still under the custody of internal audit team. ITRON – four accounts now disabled (KPL84749, KPL51795, KPL52113, KPL16056) KPL52170 – enabled after the user requested through ICT Service Desk.
		(d) Active Accounts belonging to Exited Staff on SAP and INCMS Missing system backlogs	Active SAP user noted to have logged in after their exit date. - A notification is sent to ICT Security when a user is marked for exit in SAP IHRS. In this case, the flagging in SAP was not timely and there was a delay to send a clean-up mail to system administrators. INCMS – The 12 listed users have since been disabled. (KPL00640, KPL02885, KPL06991, KPL08983, KPL09004, KPL10437, KPL16115, KPL52367, KPL80882, KPL83531, KPL86047, KPL87040). There was a delay to send the clean-up mail.

Matter in the 2021 Auditor-General Report	Status in 2022	Observation in 2022	Management Response
		(e) Gaps within the Back-up restoration and testing procedures	The Company has already invested in a suitable Backup System that has been running well in the past. The setback has been availability of adequate storage that facilitates running of backups on a regular basis and which backups can be used for the needed restores. The procurement of the required additional storage is underway.

Kenya Power

Powering a Sustainable Future



STATISTICAL INFORMATION

TABLE 1 : TEN YEAR FINANCIAL AND STATISTICAL RECORDS

For year ended	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	30th June 2022
UNITS SOLD (GWh)	6,175	6,790	7,130	7,385	7,717	7,905	8,173	8,171	8,571	9,163
Average yield of units sold (cents)	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	1,717.27
	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	88,909,626	105,395,714	106,763,525	108,374,612	120,742,270	131,378,974	133,140,887	33,258,602	44,119,605	157,353,254
Operating Profit	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	17,414,809
TAXATION (CHARGE)/ CREDIT	(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)	(1,619,264)
NET PROFIT AFTER TAXATION BEFORE FINANCE INCOME/ COSTS	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	15,795,545
Finance Income	111,546	104,208	1,380,968	964,957	46,004	100,000	117,900	123,188	162,862	396,940
Finance Costs	(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)	(12,688,196)
Preference dividends (gross)	(1,930)	(1,930)	(1,930)	(1,930)	(1,930)	(1,930)	(1,930)	(1,930)	(1,930)	(1,930)

For year ended	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	30th June 2022
NET PROFIT ATTRIBUTABLE TO ORDINARY SHARE-HOLDERS	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	3,504,289
ORDINARY DIVIDENDS (gross)	-	(390,293)	(975,733)	(975,733)	(585,440)	(975,734)	-	-	-	-
OTHER COMPREHENSIVE INCOME	1,266,758	989,821	(1,995,966)	(168,673)	(740,849)	(68,486)	(1,165,286)	(395,560)	787,454	(498,836)
RETAINED PROFIT FOR THE YEAR	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	3,005,453
FUNDS GENERATED FROM OPERATIONS										
Profit/(Loss) for the year after dividends	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	3,005,453
Depreciation	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	17,634,460
	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	20,639,913
CAPITAL EMPLOYED										
Fixed Assets less depreciation	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	272,335,824
Intangible assets	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	613,312
Leasehold land	131,653	131,598	131,543	868,519	868,463	813,423	883,126	667,014	641,286	626,422

For year ended	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	30th June 2022
Investment	-	-	-	-	-	-	-	-	-	-
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	1,446,223
Net current assets/ (Liabilities)	(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)	(55,744,147)
	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	219,277,634
FINANCED BY:										
Ordinary shareholders' equity	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	60,179,394
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	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	11,131,733
Loan capital	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	86,664,395
Deferred taxation	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	28,774,025
Non current liability	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	32,485,087
	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	219,277,634
CAPITAL EXPENDITURE	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	12,275,327

For year ended	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	30th June 2022
Average cost of units sold (cents)	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	1,672.32
Profit for the year before taxation as a percentage of average capital employed	6.15%	8.67%	6.99%	7.07%	5.41%	5.27%	4.95%	2.56%	7.91%	7.94%
ORDINARY DIVIDENDS RATES	0%	20%	20%	20%	20%	0%	0%	0%	0%	0%
Earnings per share	1.76	3.58	3.81	3.69	2.71	1.67	0.13	(0.48)	0.76	1.80
Customers/ employees ratio	223	260	333	439	615	615	643	723	814	925
Sales (KWh) per employee	590,922	641,076	657,446	663,343	682,800	719,094	743,473	837,198	904,294	1,017,524

TABLE 2 : POWER SYSTEM OPERATION STATISTICS FOR 5 YEARS

COMPANY	Capacity (MW) as of 30.06.2022		Energy Purchased GWh				
	Installed	Effective[1] / Contracted[2]	2017/18	2018/19	2019/20	2020/21	2021/22
KenGen							
Hydro:							
Gitaru	225.0	216.0	724	869	879	884	709
Kamburu	94.2	90.0	321	399	350	443	368
Kiambere	168.0	164.0	751	1,026	905	977	796
Kindaruma	72.0	70.5	179	193	203	184	165
Masinga	41.2	40.0	107	199	48	176	154
Tana	25.7	20.0	96	96	133	123	87
Turkwel	106.0	105.0	458	545	426	715	539
Sondu Miriu	60.7	60.0	388	258	509	431	339
Sang'oro	21.2	20.0	129	82	166	144	110
Small Hydros	11.3	10.9	33	42	19	16	34
Hydro Total	**825**	**796**	**3,186**	**3,707**	**3,636**	**4,091**	**3,300**
Thermal:							
Kipevu Diesel Power I	73.5	60.0	238	197	80	55	141
Kipevu Diesel Power III	120.0	115.0	584	490	162	147	399
Muhoroni GT	60.0	56.0	65	67	37	43	40
Thermal Total	**254**	**231**	**888**	**754**	**279**	**245**	**580**
Geothermal:							
Olkaria I (Units 1,2&3)	45.0	30.0	247	285	291	70	204
Olkaria II	104.5	101.0	832	796	583	500	488
Eburru Hill	2.4	2.1	6	10	7	8	4
OW37, OW 37 kwg 12, OW 37 kwg 13 and OW 39 Olkaria Mobile Wellheads[3]	22.0	17.5	127	129	118	101	65

COMPANY	Capacity (MW) as of 30.06.2022		Energy Purchased GWh				
	Installed	Effective[1] / Contracted[2]	2017/18	2018/19	2019/20	2020/21	2021/22
OW43 Olkaria Mobile Wellheads	14.0	10.0	66	66	56	55	40
OW905,OW914, OW915 and OW 919 Olkaria Mobile Wellheads[4]	52.5	42.5	325	297	285	231	215
Olkaria IV	149.9	140.0	1,132	1,095	1,006	960	1,007
Olkaria I AU (Units 4&5)	150.5	140.0	1,133	1,069	985	861	774
Olkaria V	172.3	158.0			945	1,268	1,066
Olkaria I (Unit 6)	86.9	80.0					113
Geothermal Total	**800**	**721**	**3,868**	**3,747**	**4,276**	**4,053**	**3,977**
Wind							
Ngong							
Wind Total	**25.5**	**25.5**	**47.5**	**67.4**	**46.6**	**53.6**	**53.8**
KenGen Total	**1,905**	**1,774**	**7,989**	**8,276**	**8,237**	**8,443**	**7,911**
Government of Kenya (Rural Electrification Programme)							
Off-grid Diesel	35.6	23.0	46.9	57.6	60.1	64.8	71
Off-grid Solar	2.3	1.9	0.00	0.00	0.00	0.26	0.25
Off-grid Wind	0.6	0.0	0.12	0.06	0.33	0.00	0.00
Total Offgrid	**38**	**25**	**47**	**58**	**60**	**65**	**71**
Independent Power Producers (IPP)							
Thermal:							
Iberafrica	52.5	52.5	186	74	55	45	86
Rabai Power	90.0	88.6	562	120	252	266	502
Tsavo	0.0	0.0	196	131	152	183	48
Thika Power	87.0	87.0	215	107	50	93	211

COMPANY	Capacity (MW) as of 30.06.2022		Energy Purchased GWh				
	Installed	Effective[1] / Contracted[2]	2017/18	2018/19	2019/20	2020/21	2021/22
Gulf Power	80.3	80.3	80	37	18	21	81
Triumph Power	83.0	83.0	28	16	15	22	70
Thermal Total	**393**	**391**	**1,268**	**486**	**543**	**630**	**997**
Geothermal:							
OrPower 4 -Geothermal (1st plant)	63.8	63.8	444	536	460	390	392
OrPower 4 -Geothermal (2nd plant)	39.6	39.6	328	337	277	269	265
OrPower 4 -Geothermal (3rd plant)	17.6	17.6	169	165	136	128	128
OrPower 4 -Geothermal (4th plant)	29.0	29.0	244	247	202	194	190
Geothermal Total	**150**	**150**	**1,185**	**1,285**	**1,076**	**981**	**976**
Wind							
Lake Turkana Wind Power	310.0	300.0		1,124	1,237	1,559	1,573
Kipeto Energy PLC	100.0	100.0				88	426
Wind Total	**410**	**400**	**0**	**1,124**	**1,237**	**1,647**	**1,999**
Small Hydro:							
Imenti Tea Factory	0.3	0.3	0.6	0.3	1.0	0.4	0.2
Gikira small hydro	0.5	0.5	1.4	1.1	1.8	1.8	0.9
Regen-Terem	5.0	5.0	18	20	32	22	15
Chania KTDA	0.5	0.5	17	12	21	1	1
Gura KTDA	2.8	2.8	0.8	0.3	1.1	11.3	20
North Mathioya (Metumi) KTDA	3.6	3.6				13.8	9.9
Kianthumbi Small hydro	0.5	0.5				0.36	2.0
Small Hydro Total	**13.2**	**13.2**	**37.8**	**33.6**	**56.6**	**50.3**	**48.5**
Cogeneration:							
Biojoule Biogas	2.0	2.0	0.4	0.3	0.3	0.3	0.4

COMPANY	Capacity (MW) as of 30.06.2022		Energy Purchased GWh				
	Installed	Effective[1] / Contracted[2]	2017/18	2018/19	2019/20	2020/21	2021/22
Cogeneration Total	**2.0**	**2.0**	**0.4**	**0.3**	**0.3**	**0.3**	**0.4**
Solar:							
Strathmore Solar	0.3	0.3	0.02	0.15	0.14	0.09	0.05
Selenkei Solar Farm	40.0	40.0				1.50	89
Cedate Solar Farm	40.0	40.0					88
Malindi Solar Group	40.0	40.0					54
Solar Total	**120.3**	**120.3**	**0.0**	**0.2**	**0.1**	**1.6**	**230.4**
IPP Total	**1,088**	**1,077**	**2,491**	**2,930**	**2,913**	**3,310**	**4,251**
REREC Garissa Solar Plant							
Garissa Solar Plant	50	50		60	91	86	82
REREC Garissa Total	**50**	**50**		**60**	**91**	**86**	**82**
Imports:							
UETCL			168	168	156	192	332
TANESCO			0.0	0.0	0.0	0.0	0.0
EEU (MOYALE)			3.0	1.8	4.5	4.8	5.5
Total Imports			**171**	**170**	**161**	**197**	**338**
SYSTEM TOTAL	**3,081**	**2,926**	**10,699**	**11,493**	**11,462**	**12,101**	**12,653**
SUMMARY OF KEY STATISTICS							
SALES - KPLC System (GWh)			7,881	8,147	8,154	8,553	9,147
- REP System (GWh)			554	595	602	632	650
- Export to UETCL (GWh)			22	27	18	17	16

COMPANY	Capacity (MW) as of 30.06.2022		Energy Purchased GWh				
	Installed	Effective[1] / Contracted[2]	2017/18	2018/19	2019/20	2020/21	2021/22
- Export to TANESCO (GWh)			2	0.01	0.00	0.00	0.00
TOTAL SALES (GWh)			**8,459**	**8,769**	**8,773**	**9,203**	**9,813**
System Losses (GWh)[5]			2,240	2,724	2,689	2,898	2,839
System Peak Demand (MW)			1,802	1,882	1,926	1,994	2,057
System Load Factor			67.8%	69.7%	67.9%	69.3%	70.2%
Sales % of Energy Purchased			79.1%	76.3%	76.5%	76.1%	77.6%
Losses as % of Energy Purchased			20.9%	23.7%	23.46%	23.95%	22.44%
Annual Growth:- Energy Purchased			4.85%	7.42%	-0.26%	5.57%	4.56%
- Total Sales			2.26%	3.67%	0.05%	4.90%	6.63%
- KPLC Sales			2.33%	3.38%	0.08%	4.90%	6.94%
- REP Sales			0.99%	7.37%	1.12%	5.02%	2.89%
- System Peak Demand			8.81%	4.45%	2.33%	3.51%	3.18%

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.

TABLE 3: ENERGY PURCHASED COST ANALYSIS

I. KENGEN PLANTS

FY 2021-2022

No.	KENGEN PLANTS	Contracted 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	488	1,344,575		1,344,575	56.50%	94.00%
2	Olkaria I (units 4 & 5)	140.0	774	5,496,728		5,496,728	67.16%	94.00%
3	Olkaria IV	140.0	1,007	6,926,586		6,926,586	87.36%	94.00%
4	Olkaria V	165.0	1,066	7,533,410		7,533,410	81.96%	90.00%
5	Eburru	2.4	4	35,076		35,076	16.93%	
6	Olkaria I (Old)	45.0	204	238,657		238,657	51.86%	
7	Well Head (OW37, 43, 914)	80.6	320	3,078,659		3,078,659	45.39%	
8	Olkaria I unit 6	80.0	113	392,079		392,079	16.11%	92%
Hydros and Ngong I								
9	Major Hydros	785.2	3,157	8,642,171		8,642,171	51.00%	90.00%
10	Small Hydros & Ngong I	16.8	50	467,567		467,567	34.09%	
11	Sangóro Hydro	21.0	110	752,085		752,085	59.52%	
Thermal								
12	Kipevu I Diesel	60.0	141	354,386	2,137,978	2,492,365	31.50%	85.00%
13	Kipevu III Diesel	120.0	399	2,664,321	5,941,923	8,606,243	44.65%	85.00%
14	Muhoroni GT	56.0	40	443,010	1,584,543	2,027,553	9.59%	85.00%
Wind								
15	Ngong II (13.6 + 6.8 MW)	20.4	37	370,191		370,191	20.86%	
	Total	**1,837**	**7,911**	**38,739,502**	**9,664,443**	**48,403,945**		

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 & Ngong I								
8.	Major Hydros	785.2	3,932	8,447,509	-	8,447,509	0.00%	90.00%
9.	Small Hydros & Ngong I	16.8	30	243,105	-	243,105	0.00%	
10.	Sangóro 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								
14.	Ngong II (13.6 + 6.8 MW)	20.4	39	391,531	-	391,531	0.00%	
	Total	**1,757**	**8,443**	**41,142,194**	**3,662,996**	**44,805,190**		

II. INDEPENDENT POWER PRODUCERS

FY 2021-2022

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	1,573	17,231,081		17,231,081	60%	
2	OrPower 4 Inc.	150.00	976	11,740,550		11,740,550	77%	96%
3	Rabai Power Limited	88.60	502	3,151,387	7,369,065	10,520,452	76%	85%
4	Triumph Power Generating Company Limited	83.00	70	3,005,440	1,055,583	4,061,023	11%	85%
5	Tsavo Power Company Limited	74.00	48	442,752	597,293	1,040,045	9%	85%
6	Thika Power Limited	87.00	211	2,518,155	3,259,748	5,777,903	33%	85%
7	Gulf Power Limited	80.32	81	2,281,186	1,288,634	3,569,820	14%	85%
8	Uganda Electricity Transmission Company Limited	-	332	3,792,858		3,792,858		
9	Iberafrica Power (E.A.) Company Limited	52.50	86	1,923,130	1,359,461	3,282,591	19%	85%
10	Kipeto Energy Plc	100.00	426	5,793,260		5,793,260	49%	
11	Garissa Solar Power Plant	50.00	82	513,447		513,447	19%	
12	Regen-Terem	5.00	15	166,247		166,247	35%	
13	Metumi Power Plant	3.60	10	105,804		105,804	31%	
14	Ethiopia Electric Utility	-	5	92,776		92,776		
15	Gura	5.00	20	178,052		178,052	45%	
16	Power Technology Solutions Limited	0.51	0.9	10,102		10,102	20%	
17	Selenkei Solar Farm	40.00	89	1,275,094		1,275,094	25%	
18	Chania Power Limited	0.50	0.6	7,978		7,978	13%	
19	Hydro Project Services Peters	0.51	2	24,072		24,072	45%	
20	Biojoule Kenya Limited	2.00	0.4	4,383		4,383	2%	
21	Imenti Tea Factory	0.28	0.2	1,045		1,045	6%	
22	Strathmore University	0.25	0.05	641		641	2%	

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	%	%
23	Cedate Solar farm	40.00	88	1,300,574		1,300,574	25%	
24	Malindi Solar farm	40.00	54	713,995		713,995	15%	
25	Mumias Sugar Company	-	-			-		
26	Tanzania Electric Supply Company Limited	-	-			-		
27	Others	-				-		
28	Offgrid power stations	-	71		3,772,310	3,772,310		
	TOTAL	**1,203**	**4,742**	**56,274,009**	**18,702,094**	**74,976,103**		

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%
6.	Thika Power Limited	87.00	93	2,394,759	1,024,007	3,418,766	12%	85%
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		

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	%	%
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	1.5	14,473	-	14,473		
18.	Chania Power Limited	0.50	1	10,535	-	10,535		
19.	Hydro Project Services Peters	0.51	0.36	4,098	-	4,098		
20.	Biojoule Kenya Limited	2.00	0.33	3,599	-	3,599		
21.	Imenti Tea Factory	0.28	0.42	2,741	-	2,741		
22.	Strathmore University	0.25	0.09	1,195	-	1,195		
23.	Mumias Sugar Company	-	-	-	-	-		
24.	Tanzania Electric Supply Company Limited	-	-	-	-	-		
25.	Others	-	1	-	-	-		
26.	Offgrid power stations	-	65	-	2,287,744	2,287,744		
	TOTAL	**1,120**	**3,658**	**48,001,321**	**8,343,848**	**56,345,169**		

TABLE 4: REGIONAL MAXIMUM DEMAND (MW)

REGION	2017/18	2018/19	2019/20	2020/21	2021/22
Nairobi	882	913	905	993	1,008
Coast	344	340	337	382	402
West Kenya	414	446	445	456	466
Mt. Kenya	167	185	263	251	231
TOTAL SYSTEM (SIMULTANEOUS)	**1,802**	**1,882**	**1,926**	**1,994**	**2,057**
% INCREASE P.A.	**8.8%**	**4.4%**	**2.3%**	**3.5%**	**3.2%**

TABLE 5: KPLC SALES BY CUSTOMER CATEGORY (GWh)

CUSTOMER CATEGORY	2017/18	2018/19	2019/20	2020/21	2021/22
Domestic-DC	2,357	2,366	2,508	2,630	2,728
Small Commercial-SC	1,234	1,250	1,262	1,326	1,474
Commercial and Industrial-CI	4,225	4,462	4,308	4,514	4,851
Street lighting-SL	66	68	76	84	95
TOTAL	**7,881**	**8,147**	**8,154**	**8,553**	**9,147**
% INCREASE P.A.	**2.3%**	**3.4%**	**0.1%**	**4.9%**	**6.9%**

TABLE 6: TOTAL UNIT SALES BY REGION (GWh)

REGION	2017/18	2018/19	2019/20	2020/21	2021/22
Nairobi	3,831	3,896	3,901	4,009	4,241
Coast	1,435	1,477	1,464	1,573	1,674
Central Rift	650	689	680	722	811
North Rift	303	288	302	317	357
South Nyanza	88	104	123	127	134
West Kenya	361	376	376	395	429
Mt Kenya	437	456	439	496	531
North Eastern	776	862	869	914	969
KPLC Sales	7,881	8,147	8,154	8,553	9,147
R.E.P. Schemes	554	595	602	632	650
Export Sales	23	27	18	17	16
TOTAL	**8,459**	**8,769**	**8,773**	**9,203**	**9,813**
%INCREASE P.A.	**2.3%**	**3.7%**	**0.05%**	**4.90%**	**6.63%**

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

REGION	2017/18	2018/19	2019/20	2020/21	2021/22
Nairobi	979	1192	1274	1312	1354
Coast	371	365	384	386	395
Central Rift	280	214	225	244	254
West Kenya	102	131	172	181	182
North Rift	262	78	139	155	164
South Nyanza	106	162	69	74	78
Mt Kenya	220	232	241	260	266
North Eastern	380	386	403	453	472
TOTAL	**2,699**	**2,760**	**2,908**	**3,065**	**3,166**
% INCREASE P.A.	**7.8%**	**2.3%**	**5.4%**	**5.4%**	**3.3%**

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

REGION	2017/18	2018/19	2019/20	2020/21	2021/22
Nairobi	564	538	554	570	637
Coast	162	206	191	195	214
Central Rift	169	184	176	183	203
West Kenya	80	85	108	113	124
North Rift	90	34	85	93	100
south Nyanza	54	96	47	47	54
Mt Kenya	165	162	152	160	179
North Eastern	119	139	140	147	159
TOTAL	**1,403**	**1,444**	**1,452**	**1,508**	**1,670**
% INCREASE P.A.	**0.6%**	**2.9%**	**0.6%**	**3.8%**	**10.7%**

TABLE 9: REGIONAL SALE OF ELECTRICITY (GWh) FOR CATEGORY "CI1" LARGE COMMERCIAL AND INDUSTRIAL LOAD (415V)

REGION	2017/18	2018/19	2019/20	2020/21	2021/22
Nairobi	714	770	723	681	739
Coast	160	221	225	209	235
Central Rift	213	236	232	226	248
West Kenya	58	91	70	65	72
North Rift	105	35	97	91	104
South Nyanza	49	74	45	46	45
Mt Kenya	154	138	134	150	165
North Eastern	138	168	163	144	144
TOTAL	**1,590**	**1,733**	**1,688**	**1,611**	**1,753**
% INCREASE P.A.	**-6.1%**	**9.0%**	**-2.6%**	**-4.5%**	**8.8%**

TABLE 10: REGIONAL SALE OF ELECTRICITY (GWh) CATEGORY "CI2" LARGE COMMERCIAL AND INDUSTRIAL LOAD(11kV)

REGION	2017/18	2018/19	2019/20	2020/21	2021/22
Nairobi	728	844	825	835	867
Coast	166	222	173	107	114
Central Rift	106	42	39	38	43
West Kenya	29	44	40	41	50
North Rift	91	18	18	15	21
South Nyanza	14	12	10	10	9
Mt Kenya	33	17	18	26	26
North Eastern	154	177	168	173	183
TOTAL	**1,321**	**1,376**	**1,291**	**1,245**	**1,313**
% INCREASE P.A.	**-0.5%**	**4.2%**	**-6.1%**	**-3.6%**	**5.5%**

TABLE 11: REGIONAL SALE OF ELECTRICITY (GWh) CATEGORY "CI3" LARGE COMMERCIAL AND INDUSTRIAL LOAD (33kV)

REGION	2017/18	2018/19	2019/20	2020/21	2021/22
Nairobi	41.8	37.7	37.2	44.9	46.1
Coast	110.4	178.5	199.1	305.7	333.2
Central Rift	101	98	89	101	108
West Kenya	16	32	35	45	46
North Rift	19	21	23	29	29
South Nyanza	8	0	0	0	0
Mt Kenya	24	8	3	9	6
North Eastern	0	1	3	3	5
TOTAL	**321**	**375**	**388**	**538**	**573**
% INCREASE P.A.	**8.7%**	**17.1%**	**3.5%**	**38.5%**	**6.6%**

TABLE 12: REGIONAL SALE OF ELECTRICITY (GWh) CATEGORY "CI4" LARGE COMMERCIAL AND INDUSTRIAL LOAD (66kV)

REGION	2017/18	2018/19	2019/20	2020/21	2021/22
Nairobi	452	533	510	591	613
Coast	7	0	0	0	0
Central Rift	11	12	7	6	7
West Kenya	0	0	0	0	0
North Rift	63	0	0	0	6
South Nyanza	0	0	0	0	0
Mt Kenya	4	10	0	0	0
North Eastern	37	45	48	59	68
TOTAL	**575**	**599**	**565**	**656**	**694**
% INCREASE P.A.	**-0.9%**	**4.3%**	**-5.7%**	**16.0%**	**5.8%**

TABLE 13: REGIONAL SALE OF ELECTRICITY (GWh) CATEGORY "CI5" LARGE COMMERCIAL AND INDUSTRIAL LOAD (132kV)

REGION	2017/18	2018/19	2019/20	2020/21	2021/22
Nairobi	76	49	32	32	35
Coast	211	314	319	399	413
Central Rift	102	1	14	26	56
West Kenya	20	21	15	17	20
North Rift	14	0	0	0	1
South Nyanza	0	0	0	0	0
Mt Kenya	0	0	2	1	4
North Eastern	1	1	3	2	2
TOTAL	**425**	**387**	**385**	**476**	**531**
% INCREASE P.A.	**12.9%**	**-9.0%**	**-0.5%**	**23.9%**	**11.3%**

TABLE 14: REGIONAL SALE OF ELECTRICITY (GWh) CATEGORY "CI6" LARGE COMMERCIAL AND INDUSTRIAL LOAD (220kV)

REGION	2017/18	2018/19	2019/20	2020/21	2021/22
Nairobi	0	0	0	0	0.09
Coast	0	0	0	0	0.49
Central Rift	0	0	0	0	0.00
West Kenya	0	0	0	0	0.00
North Rift	0	0	0	0	0.27
South Nyanza	0	0	0	0	0.00
Mt Kenya	0	0	0	0	0.00
North Eastern	0	0	0	0	0.00
TOTAL	**0**	**0**	**0**	**0**	**0.84**
% INCREASE P.A.					

TABLE 15: REGIONAL SALE OF ELECTRICITY FOR CATEGORY "SL" STREET LIGHTING (GWh)

REGION	2017/18	2018/19	2019/20	2020/21	2021/22
Nairobi	32.0	31.0	34.9	37.6	40.5
Coast	7.2	7.4	10.4	11.0	11.9
Central Rift	7.2	7.7	7.7	9.0	13.7
West Kenya	2.7	5.1	5.3	5.9	6.4
North Rift	3.2	3.0	4.5	6.5	7.4
South Nyanza	1.6	0.8	1.4	1.0	1.8
Mt Kenya	7.4	7.3	7.3	10.1	10.6
North Eastern	5.7	5.8	6.0	4.3	4.6
TOTAL	**66.9**	**68.1**	**77.4**	**85.4**	**96.8**
% INCREASE P.A.	**18.4%**	**1.9%**	**13.7%**	**10.3%**	**13.4%**

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

REGION	2017/18	2018/19	2019/20	2020/21	2021/22
Nairobi	74	99	90	96	92
Coast	32	36	37	40	42
Central Rift	96	105	110	111	121
West Kenya	59	57	68	73	73
North Rift	50	62	64	73	75
Soutn Nyanza	68	56	50	51	54
Mt Kenya	115	118	118	118	124
North Eastern	62	60	65	70	70
TOTAL	**554**	**595**	**602**	**632**	**651**
% INCREASE P.A.	**1.0%**	**7.3%**	**1.1%**	**5.0%**	**3.0%**

TABLE 17: NUMBER OF CUSTOMERS BY REGION

REGION	2017/18	2018/19	2019/20	2020/21	2021/22
Nairobi	2,235,010	2,349,703	2,482,707	2,663,594	2,775,550
Coast	543,009	537,383	580,873	598,005	640,935
Central Rift	475,725	509,750	571,900	569,960	681,448
West Kenya	454,108	326,402	507,726	512,437	544,400
North Rift	315,735	474,362	349,635	360,881	409,034
South Nyanza	171,701	175,759	191,690	193,804	208,636
Mt Kenya	487,120	519,602	565,945	628,861	642,016
North Eastern	746,473	765,644	822,726	838,215	916,687
KPLC Customers	5,428,881	5,658,605	6,073,202	6,365,757	6,818,706
R.E.P. Customers	1,332,209	1,409,256	1,502,943	1,912,447	2,100,734
TOTAL	**6,761,090**	**7,067,861**	**7,576,145**	**8,278,204**	**8,919,440**
% Increase P.A.	**9.4%**	**4.5%**	**7.2%**	**9.3%**	**7.7%**

TABLE 18:NUMBER OF CUSTOMERS BY TARIFF CATEGORY

TARIFF	MAIN TYPE OF CUSTOMERS COVERED BY THIS TARIFF	2017/18	2018/19	2019/20	2020/21	2021/22
DC only	Domestic KPLC REP	 5,189,450 1,216,243	 5,390,996 1,291,141	 5,775,839 1,380,590	 6,059,698 1,792,353	 6,475,912 1,979,638
SC only	Small Commercial KPLC REP	 225,807 115,558	 251,614 117,705	 277,989 121,794	 285,277 119,619	 319,665 120,619
CI1	KPLC REP	3,202 25	3,038 22	2,951 32	2,871 34	3,108 42
CI2	Large Commercial and Industrial KPLC	 527	 456	 480	 507	 540
CI3	Large Commercial and Industrial KPLC	 64	 69	 75	 86	 91
CI4	Large Commercial and Industrial KPLC	 53	 50	 52	 45	 51
CI5	Large Commercial and Industrial KPLC	 41	 37	 45	 51	 57
CI6	Large Commercial and Industrial KPLC	 0	 0	 0	 0	 5
SL	Street lighting KPLC REP	 9,845 275	 12,345 388	 15,771 527	 17,221 441	 19,277 435
	TOTAL (KPLC)	**5,428,989**	**5,658,605**	**6,073,202**	**6,365,756**	**6,818,706**
	TOTAL (R.E.P.)	1,332,101	1,409,256	1,502,943	1,912,447	2,100,734
	GROSS TOTAL	**6,761,090**	**7,067,861**	**7,576,145**	**8,278,203**	**8,919,440**
	% INCREASE P.A.	**9.4%**	**4.5%**	**7.2%**	**9.3%**	**7.7%**

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

TARIFF	MAIN TYPE OF CUSTOMERS COVERED BY TARIFF	2017/18	2018/19	2019/20	2020/21	2021/22
DC	Domestic	38,066	38,706	43,916	43,210	46,105
SC	Small Commercial	26,995	29,314	25,553	25,953	29,799
CI	Commercial Industrial	59,528	63,870	62,818	73,887	80,261
IT****	Off-peak (Interruptible)	391	47	0	0	0
SL	Street Lighting	464	658	766	821	923
	TOTAL	**125,444**	**132,595**	**133,053**	**143,871**	**157,087**
	Export	410	546	206	249	266
	TOTAL KPLC	**125,854**	**133,141**	**133,259**	**144,120**	**157,353**
	R.E.P.	11,846	10,772	10,071	10,369	10,551
	TOTAL REVENUE	**137,700**	**143,913**	**143,330**	**154,489**	**167,904**
	%INCREASE P.A.	**5.0%**	**4.5%**	**-0.4%**	**7.8%**	**8.7%**

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

Revenue by Customer Category 2021/22

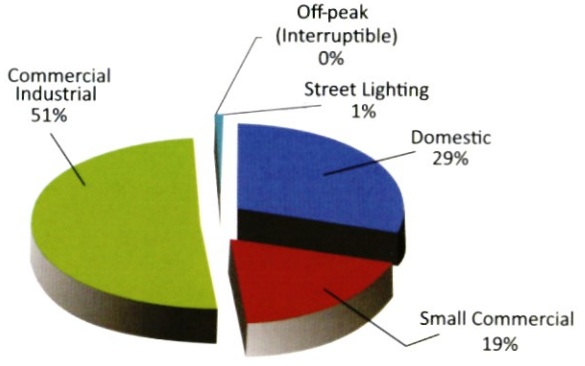


TABLE 20: STAFF ANALYSIS

Number of Staff in Each Region	2017/18	2018/19	2019/20	2020/21	2021/22
Central Office	1,779	1,855	1,818	1,649	1,554
Nairobi	2,607	2,434	2,358	2,322	2,176
Coast	1,156	1,112	1,026	988	937
West Kenya	945	946	884	850	802
South Nyanza	421	465	444	440	409
Central Rift	1,157	1,154	1,124	1,104	1,054
North Rift	819	816	792	785	740
Mt Kenya	1,136	1,148	1,086	1,069	1,022
North Eastern	973	984	947	970	961
Total Number of Staff*	**10,993**	**10,914**	**10,479**	**10,177**	**9,655**
% INCREASE P.A.	**-2.7%**	**-0.7%**	**-4.0%**	**-2.9%**	**-5.1%**
Gender:					
Male	8,712	8,563	8,201	7,913	7,457
Female	2,281	2,351	2,278	2,264	2,198
Ratio- Male/Female	**3.8**	**3.6**	**3.6**	**3.5**	**3.4**

Gender balance 2021/22

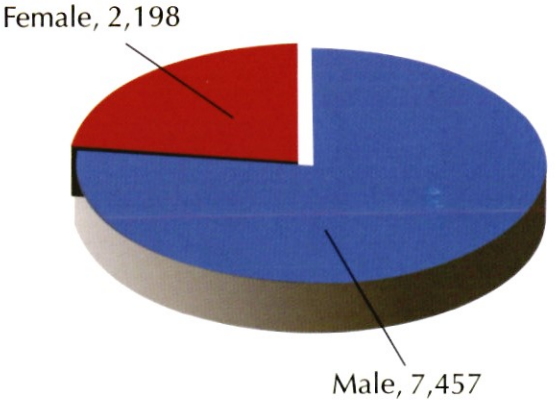


TABLE 21: TRANSMISSION AND DISTRIBUTION LINES, CIRCUIT LENGTH IN KILOMETRES

VOLTAGE	2017/18	2018/19	2019/20	2020/21	2021/22
400 kV	1244.4	2116.4	2116.4	2,116	2,116
220 kV	1,686	1,686	1,686	2,116	2,116
132 kV	3,322	3,372	3,372	3,444	3,444
66 kV	1,168	1,187	1,187	1,187	1,188
33 kV	34,508	35,177	35,703	36,570	38,051
11 kV	38,968	39,797	40,616	41,553	42,971
Total HV and MV	**80,897**	**83,335**	**84,681**	**86,986**	**89,887**
415/240V or 433/250V	143,331	152,799	158,527	168,595	200,050
TOTAL	**224,228**	**236,134**	**243,207**	**255,581**	**289,937**
% INCREASE P.A.	**5%**	**5%**	**3%**	**5%**	**13%**

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

	2017/18	2018/19	2019/20	2020/21	2021/22
Generation Substations					
33/220	88	388	388	388	508
15/220KV	95	95	95	95	95
11/220kV	1,054	1,054	1,212	1,212	1,292
33/132	45	95	95	95	95
15/132	175	175	175	175	175
11/132kV	1,095	1,095	1,095	1,095	1,095
11/66kV	576	576	576	576	576
11/33kV	238	238	238	238	238
3.3/33kV	4	4	4	4	4
TOTAL	**3,370**	**3,720**	**3,878**	**3,878**	**4,078**
Transmission Substations					
132/220 and 220/132kV	1,350	1,350	1,350	1,350	1,350
220/66kV	1,111	1,165	1,165	1,655	1,655
220/33 kV	69	69	69	69	69
132/66kV	600	600	600	600	600
132/33kV	1,721	1,743	1,743	1,766	1,766
132/11kV	15	15	15	15	15
TOTAL	**4,866**	**4,942**	**4,942**	**5,455**	**5,455**
Distribution Substations					
66/11kV	2,670	2,775	2,817	2,817	2,883
66/33kV	161	161	161	161	161
33/11kV	1,541	1,544	1,585	1,625	1,625
TOTAL	**4,372**	**4,480**	**4,563**	**4,603**	**4,669**
Distribution Transformers					
11/0.415kV and 33/0.415kV	7,606	7,844	8,174	8,778	9,170



Kenya Power

Powering a Sustainable Future



NOTICE OF THE ANNUALGENERAL MEETING

NOTICE OF THE ANNUAL GENERAL MEETING (AGM)

NOTICE IS HEREBY GIVEN to Shareholders that, the 101 Annual General Meeting of **The Kenya Power and Lighting Company Plc,** will be held via electronic communication on **Friday, 16th December 2022 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 2022, 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 2022.

4. To elect Directors:

   (i) The Cabinet Secretary, National Treasury retires by rotation in accordance with Article 120 of the Memorandum and Articles of Association of the Company and, being eligible, offers himself for re-election.

   (ii) The Principal Secretary, Ministry of Energy retires by rotation in accordance with Article 120 of the Memorandum and Articles of Association of the Company and, being eligible, offers himself for re-election.

   (iii) Mr. Yida Kemoli retires by rotation in accordance with Article 120 of the Memorandum and Articles of Association of the Company and does not offer himself for re-election.

   (iv) Eng. Sarah Mbwaya, who was appointed by the Board on 26th July 2022 to fill a casual vacancy in the Board, and in accordance with Article 128 of the Memorandum and Articles of Association of the Company, offers herself for election.

   (v) Brig. (Rtd) James Gitiba, who was appointed by the Board on 26th July 2022 to fill a casual vacancy in the Board, and in accordance with Article 128 of the Memorandum and Articles of Association of the Company, offers himself for election.

   (vi) Justice (Rtd) Aaron Ringera, who was appointed by the Board on 24th August 2022 to fill a casual vacancy in the Board, and in accordance with Article 128 of the Memorandum and Articles of Association of the Company, and being over the age of seventy (70) years, in line with the Capital Markets Authority's Code of Corporate Governance Practices for Issuers of Securities to the Public, offers himself for election.

   (vii) M/s. Vivienne Yeda has given notice of retirement as a Director with effect from the date of the Annual General 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) Mr. Kairo Thuo (Chairman)
   (ii) Mr. Humphrey Muhu
   (iii) Justice (Rtd) Aaron Ringera
   (iv) Brig. (Rtd) James Gitiba

6. To approve payment of fees to non-executive Directors for the year ended 30th June 2022.

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.

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

By Order of the Board

Imelda Bore
Company Secretary
23rd November 2022

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 shareholders 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 **23rd November 2022 at 9.00am** and will close on **14th December 2022 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 2022

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 the voting process and/or access the proxy form.

A Proxy Form is provided with the Annual Report & Accounts. It 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 unable to attend the AGM have the option to complete and return the Proxy Form to Image Registrars Limited, or to **KPLC's Shares' Registry** on **2nd floor, Stima Plaza,** Ngara by **14th December 2022 at 11:00am.**

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 duly authorized attorney 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 by 14th December 2022 at 11:00am by sending their written questions:

(a) To **kplcagm@image.co.ke**; or
(b) By dialling USSD code ***483*903#** and selecting the option (Ask Question) on the prompts; or
(c) To the extent possible, shareholders may also physically deliver or post their written questions, with a return physical, postal or email address, to the registered office of the Company (KPLC's Shares' Registry) 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 questions received to the return physical, postal or email address provided by the Shareholder by close of business on **15th December 2022.** A full list of all questions received, and the answers thereto will be published by close of business on **15th December 2022.**

(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 reminder of the AGM via SMS on their registered mobile numbers, twenty-four (24) hours prior to the Meeting. A second SMS shall be sent one (1) hour before the AGM providing a link to the live stream.

(ix) Shareholders and proxies following the proceedings, via the live stream platform, may access the agenda and vote when prompted by the Chairman via ***483*903#** or via provided weblink.

(x) Results of the resolutions, voted on, will be published on the Company's website that is, **www.kplc.co.ke** twenty-four (24) hours after the conclusion of the AGM.

ILANI YA MKUTANO MKUU WA MWAKA (AGM)

NOTISI INATOLEWA HII HAPA kwa Wenyehisa kwamba, Mkutano Mkuu wa Kila Mwaka wa 101 wa **Kenya Power and Lighting Company Plc**, utaandaliwa kwa njia ya mawasiliano ya kieletroniki mnamo **Ijumaa, Desemba 16, Saa Tano asubuhi** kuendesha shughuli zifuatazo:

1. Kusoma Notisi ya kuandaa Mkutano na kutambua kuwepo kwa idadi ya kutosha ya wanachama.

2. Kupokea, kutathmini na kupitisha Taarifa ya Kifedha za Kampuni zilizokaguliwa kwa mwaka uliomalizika Juni 30, 2022, pamoja na Ripoti za mwenyekiti, Wakurugenzi na Wahasibu hapo baadaye.

3. Kutambua kwamba, Wakurugenzi hawapendekezi malipo ya mgao wa faida kwa mwaka uliomalizika Juni 30, 2022.

4. Kuchagua Wakurugenzi:

(i) Waziri wa Fedha, anastaafu kwa mzunguko kwa mujibu wa Kipengee 120 cha Katiba ya Kampuni, na kwa kuwa bado anahitimu, anajitokeza kuchaguliwa tena.

(ii) Waziri wa Kawi anastaafu kwa mzunguko kwa mujibu wa Kipengele 120 cha Katiba ya Kampuni na,kwa kuwa amehitimu, anajitokeza kuchaguliwa tena.

(iii) Bw. Yida Kemoli anastaafu kwa mzunguko kwa mujibu wa Sheria za Kampuni na hajitokezi kuchaguliwa tena.

(iv) Mha. Sarah Mbwaya, ambaye aliteuliwa na Bodi mnamo Julai 26, 2022 kujaza nafasi iliyokuwa wazi katika Bodi, na kwa mujibu wa Kipengele 128 cha Katiba ya Kampuni, anajitokeza kuchaguliwa tena

(v) Brig. (Mstaafu) James Gitiba, ambaye aliteuliwa na Bodi mnamo Julai 26, 2022 kujaza nafasi iliyosalia wazi ndani ya Bodi, na kwa mujibu wa Kipengele 128 cha Katiba ya Kampuni, anajitokeza kuchaguliwa tena.

(vi) Jaji (Mstaafu) Aaron Ringera, ambaye aliteuliwa na Bodi mnamo Agosti 24, 2022 kujaza nafasi ya muda ndani ya Bodi, na kwa mujibu wa Kipengele 128 cha Katiba ya Kampuni, na kwa kuwa ana zaidi ya umri wa miaka sabini (70), sambamba na Mwongozo wa Capital Markets Authority kuhusu Usimamizi wa Mashirika yanayouza hisa kwa Umma, anajitokeza kuchaguliwa tena.

(vii) Bi Vivienne Yeda ametoa ilani ya kustaafu kama Mkurugenzi kuanzia tarehe ya Mkutano Mkuu wa Kila Mwaka.

5. Sambamba na kipengee 769 cha Sheria ya Kampuni 2015, Wakurugenzi wafuatao ambao ni wanachama wa Kamati ya Bodi kuhusu Uhasibu, watahitajika kuchaguliwa ili kuendelea kuhudumu kama wanachama wa Kamati hiyo:

(i) Bw. Kairo Thuo (Mwenyekiti)
(ii) Bw. Humphrey Muhu
(iii) Jaji (Mstaafu) Aaron Ringera
(iv) Brig. (Mstaafu) James Gitiba

6. Kuidhinisha mshahara wa Wakurugenzi wasio na mamlaka kwa mwaka uliomalizika Juni 30, 2022.

7. Wahasibu:

Kutambua kwamba ukaguzi wa vitabu vya Hhesabu vya Kampuni utaendelea kufanywa na Mhasibu Mkuu, au shirika la uhasibu ambalo atateua kwa mujibu wa sehemu ya 23 ya Sheria ya Uhasibu wa Umma,2015.

8. Kuidhinisha Wakurugenzi kuamua malipo ya Wahasibu.

9. Kushughulikia shughuli zozote zile ambazo ilani imekwisha peanwa.

Kwa Amri ya Bodi



Imelda Bore
Katibu wa Kampuni
Novemba 23, 2022

MAELEZO:

(i) Wenyehisa ambao wangependa kushiriki kwenye mkutano wanapasa kujiandikisha kwa AGM kwa kutumia mojawapo ya njia zifuatazo:

(a) Bonyeza *483*903# kwenye simu zao za rununu na kufuata maagizo kuhusu utaratibu wa usajili au; tuma baruapepe ukiomba usajiliwe kwa kplcagm@image.co.ke ukitoa maelezo yako kama vile, Jina, Paspoti/Kitambulisho, nambari ya CDS na Nambari ya Simu ya rununu ukiomba usajiliwe.
Image Registrars watasajili wenyehisa na kuwatumia ujumbe kupitia baruapepe pindi baada ya usajili kukamilika.

(b) Wenyehisa walio na baruapepe watapokea ujumbe kwa njia ya mtandao ambao watatumia kujiandikisha.

(ii) Kukamilisha mchakato wa usajili, wenyehisa watahitajika kutoa Nambari zao za Kitambulisho cha Kitaifa/ Paspoti ambazo walitumia kununua hisa zao au nambari ya akaunti yao ya CDSC. Kwa mfano wenyehisa wanapasa kupiga simu kwa nambari ifuatayo kutafuta usaidizi: +254 709170 000/709170 040 kuanzia saa mbili asubuhi hadi saa kumi na moja jioni kuanzia Jumatatu hadi Ijumaa.Wenyehisa nje ya Kenya wanaweza kupiga simu kwa nambari ya dharura kwa usaidizi wakati wa usajili.

(iii) Usajili kwa minajili ya AGM unafunguliwa mnamo Novemba 23, 2022 saa tatu asubuhi na kufungwa mnamo Desemba 14, saa tano asubuhi. Wenyehisa hawataweza kujiandikisha baada ya hapo.

(iv) Kwa mujibu wa Kipengee 155 cha Katiba ya Kampuni, stakabadhi zifuatazo zinaweza kukaguliwa kwenye tovuti ya kampuni www.kplc.co.ke.

(a) Nakala ya Ilani hii na Fomu ya Uwakilishi

(b) Ripoti ya Kila Mwaka na Taarifa za Kifedha za Kampuni zilizokaguliwa kwa mwaka uliomalizika Juni 30, 2022.

Ripoti hizo pia zinaweza kupatikana kwa kubonyesha nambari maalumu ya USSD iliyopo hapo juu na kuchagua sehemu ya ripoti. Ripoti na ajenda pia zinaweza kufikiwa kupitia kwa linki ya matangazo ya moja kwa moja.

(v) Mwenyehisa ambaye amehitimu kuhudhuria na kupiga kura katika AGM ana haki ya kuteua mwakilishi kuhudhuria na kupiga kura kwa niaba yake. Mwakilishi kama huyo si lazima awe mwanachama wa Kampuni. Tafadhali tembelea mtandao wa Kampuni kwa maelezo zaidi kuhusu utaratibu wa kupiga kura na pia kupata fomu ya uwakilishi

Fomu ya Uwakilishi imepeanwa pamoja na Ripoti ya Kila Mwaka na Hesabu. Pia, inaweza kupatikana kwenye mtandao wa Kampuni www.kplc.co.ke au kutoka kwa Image Registrars Limited, Absa Towers, Ghorofa ya Tano, Loita Street, P. O. Box 9287 – 00100, Nairobi, Kenya. Wenyehisa ambao hawataweza kuhudhuria AGM wanaweza kujaza Fomu ya Uwakilishi na kuirudisha kwa Image Registrars Limited, au KPLC's Shares' Registry kwenye Ghorofa ya pili,, Stima Plaza, Ngara na Desemba 14, 2022 saa Tano asubuhi.

Fomu za uwakilishi pia zinaweza kutumwa kwa baruapepe kplcagm@image.co.ke kwa muundo wa PDF. Fomu hiyo ni lazima ijazwe na aliyemteua au wakili wake kwa maandishi. Iwapo anayewakilishwa ni shirika, uteuzi huo ni lazima uwe na muhuri au saini ya afisa anayeruhusiwa au wakili wa shirika kama hilo.

(vi) Wenyehisa ambao wangetaka kuuliza maswali au kutafuta ufafanuzi wowote kuhusiana na AGM wanaweza kufanya hivyo kufikia Desemba 14, 2022 saa Tano asubuhi kwa kutuma maswali yao:

(a) Kwa kplcagm@image.co.ke; au
(b) Kwa kubonyesa nambari ya USSD *483*903# na kuchagua (Ask Question) kwenye maelezo; au
(c) Inapowezekana,wenyehisa pia wanaweza kuwasilisha au kutuma maswali yao, pamoja na afisi zao, sanduku la posta au baruapepe, kwa afisi za Kampuni (KPLC's Shares' Registry) au P.O. Box 30099 – 00100, Nairobi, au kwa afisi za Image Registrars katika P. O. Box 9287 – 00100, Nairobi, Kenya.

Wenyehisa ni lazima watoe maelezo yao kamili (majina yao, Kitambulisho cha Kitaifa/Paspoti, akaunti ya / CDSC wakati wa kuwasilisha maswali yao au kutafuta ufafanuzi.

(vii) Wakurugenzi wa Kampuni sharti watoe majibu yaliyoandikwa kwa maswali yaliyowasilishwa kwa anwani iliyopeanwa na Mwenyehisa kufikia mwisho wa shughuli za siku mnamo Desemba 15, 2022. Orodha kamili ya maswali yote yaliyopokelewa, na majibu yao yatachapishwa kufikia mwisho wa shughuli za siku mnamo Desemba 15, 2022.

(viii) AGM itapeperushwa moja kwa moja kupitia kwa linki ambayo itapeanwa kwa wenyehisa ambao watakuwa wamesajiliwa kushiriki kwenye AGM. Wenyehisa waliosajiliwa au wawakilishi wao watapokea arafa ya kuwakumbusha kwenye simu zao za rununu, saa ishirini na nne (24) kabla ya Mkutano. SMS ya pili itatumwa saa moja (1) kabla ya AGM kuonyesha linki ya kupeperusha matangazo moja kwa moja.

(ix) Wenyehisa na wawakilishi wao wanaofuatilia matukio ya AGM kupitia kwa majukwaa ya kupeperusha shughuli katika AGM moja kwa moja wanaweza kupata ajenda na kupiga kura wanapoulizwa na Mwenyekiti kupitia *483*903# au kupitia linki ya mtandao.

(x) Matokeo ya maamuzi yaliyopitishwa, yatachapishwa kwenye tovuti ya Kampuni, www.kplc.co.ke saa ishirini na nne (24) baada ya kumalizika kwa the AGM.

Kenya Power

Powering a Sustainable Future



PROXY FORM

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 16th December 2022 at 11.00am and at any adjournment thereof.

Signed this _____ day of _____ 2022

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 30th June 2022, together with the Chairman's, Directors' and Auditors' Reports thereon.			
2.	**Election of Directors:**			
	(i) The Cabinet Secretary, National Treasury retires by rotation in accordance with Article 120 of the Memorandum and Articles of Association of the Company and, being eligible, offers himself for re-election.			
	(ii) The Principal Secretary, Ministry of Energy retires by rotation in accordance with Article 120 of the Memorandum and Articles of Association of the Company and, being eligible, offers himself for re-election.			
	(iii) Eng. Sarah Mbwaya, who was appointed by the Board on 26th July 2022 to fill a casual vacancy in the Board, and in accordance with Article 128 of the Memorandum and Articles of Association of the Company, offers herself for election.			
	(iv) Brig. (Rtd) James Gitiba, who was appointed by the Board on 26th July 2022 to fill a casual vacancy in the Board, and in accordance with Article 128 of the Memorandum and Articles of Association of the Company, offers himself for election.			
	(v) Justice (Rtd) Aaron Ringera, who was appointed by the Board on 24th August 2022 to fill a casual vacancy in the Board, and in accordance with Article 128 of the Memorandum and Articles of Association of the Company, and being over the age of seventy (70) years, in line with the Capital Markets Authority's Code of Corporate Governance Practices for Issuers of Securities to the Public, offers himself for election.			
3.	**Election of Board Audit Committee Members:**			
	In accordance with the provisions of Section 769 of the Companies Act 2015, the following Directors, being members of the Board Audit Committee, will be required to be elected to continue serving as members of the said Committee: (i) Kairo Thuo (Chairman) (ii) Humphrey Muhu (iii) Justice (Rtd) Aaron Ringera (iv) Brig. (Rtd) James Gitiba			
4.	To approve payment of fees to non-executive Directors for the year ended 30th June 2022.			
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.			

ELECTRONIC COMMUNICATION 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 16th December 2022.	

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.

2. This proxy must be signed by the appointer or his attorney duly authorized in writing. If the appointer is a body corporate, the instrument appointing the proxy shall be under the hand of an officer or duly authorized attorney of such body corporate.

3. To be valid the form of proxy should be completed, signed and delivered (together with a power of attorney or other authority (if any) under which it is assigned or a notarized certified copy of such power or authority to kplcagm@image.co.ke or delivered to Registered Office of the Company or posted to the Company Secretary P.O. Box 30099 – 00100 Nairobi, or to Image Registrars Limited, 5th Floor, Absa Towers, Loita Street, P.O. Box 9287 – 00100, Nairobi, so as to be received not later than 14th December 2022 at 11.00am.

4. Any person appointed as a proxy should submit his/her mobile telephone number to the Company no later than 14th December 2022 at 11.00am. Any proxy registration that is rejected will be communicated to the shareholder concerned not later than 14th December 2022 at 11.00am.

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.

FOMU YA UWAKILISHI

Company Secretary
Kenya Power and Lighting Company Plc
P.O. Box 30099-00100
Nairobi, Kenya

MIMII/SISI _____ NAMBARI YA CDSC _____

Wa S L P _____ kama mwenyehisa wa Kampuni iliyotajwa hapo juu

HII HAPA NAMTEUA_____wa S L P _____ na Nambari ya Simu ya Rununu _____ kujulisha Mwenyekiti wa Mkutano kama mwakilish wangu kuhudhuria, kuwasilisha na kupiga kura kwa niaba yangu/yetu katika Mkutano Mkuu wa Kila Mwaka (AGM) wa Kampuni utakaofanyika kwa njia ya kielektroniki mnamo Desemba 16, 2022 saa tano asubuhi au tarehe yoyote itakayotajwa endapo mkutano utaahirishwa

Imetiwa saini _____ siku hii ya _____ 2022

Sahihi _____

Mimi/Sisi tunaagiza mwakilishi kupiga kura kuhusu maamuzi yafuatayo kwa kuweka alama ifaayo ya 'X' Ikiwa hakuna mwelekeo uliopeanwa, mwakilishi wangu/wetu kufanya uamuzi wa kutopiga au kupiga kura kwa namna apendavyo kuhusiana na swala lolote ambalo limewasilishwa kwa njia ifaayo mbele ya mkutano

Tafadhali weka alama kwenye sanduku lililoko chini kuelekeza namna mwakilishi wako atapiga kura:

Suala	Shughuli	Kuunga	Kupinga	Kutopiga
1	Kupokea, kuchunguza na kupitisha Taarifa za Kifedha za Kampuni zilizokaguliwa kwa mwaka uliomalizika Juni 30, 2022, pamoja na Ripoti za Mwenyekiti, Wakurugenzi na Wahasibu hapo baadaye.			
2.	**Uchaguzi wa Wakurugenzi:**			
	(i) Waziri wa Fedha, anastaafu kwa mzunguko kwa mujibu wa Kipengee 120 cha Katiba ya Kampuni, na kwa kuwa bado anahitimu, anajitokeza kuchaguliwa tena.			
	(ii) Waziri wa Kawi, anastaafu kwa mzunguko kwa mujibu wa Kipengele 120 cha Katiba ya Kampuni na,kwa kuwa anahitimu, anajitokeza kuchaguliwa tena.			
	(iii) Mha. Sarah Mbwaya, ambaye aliteuliwa na Bodi mnamo Julai 26, 2022 kujaza nafasi iliyokuwa wazi katika Bodi, na kwa mujibu wa Kipengele 128 cha Katiba ya Kampuni, anajitokeza kuchaguliwa tena.			
	(iv) Brig. (Mstaafu) James Gitiba, ambaye aliteuliwa na Bodi mnamo Julai 26, 2022 kujaza nafasi iliyosalia wazi ndani ya Bodi, na kwa mujibu wa Kipengele 128 cha Katiba ya Kampuni, anajitokeza kuchaguliwa tena.			
	(v) Jaji (Mstaafu) Aaron Ringera, ambaye aliteuliwa na Bodi mnamo Agosti 24, 2022 kujaza nafasi ya muda ndani ya Bodi, na kwa mujibu wa Kipengele 128 cha Katiba ya Kampuni, na kwa kuwa ana zaidi ya umri wa miaka sabini (70), sambamba na Mwongozo wa Capital Markets Authority kuhusu Usimamizi wa Mashirika yanayouza hisa kwa Umma, anajitokeza kuchaguliwa tena.			
3.	**Uchaguzi wa Wanachama wa Kamati ya Bodi ya Uhasibu:**			
	1. Kwa mujibu wa kipengee 769 cha Sheria ya Kampuni 2015, Wakurugenzi wafuatao ambao ni wanachama wa Kamati ya Bodi kuhusu Uhasibu, watahitajika kuchaguliwa ili kuendelea kuhudumu kama wanachama wa Kamati hiyo: (i) Bw. Kairo Thuo (Mwenyekiti) (ii) Bw. Humphrey Muhu (iii) Jaji (Mstaafu) Aaron Ringera (iv) Brig. (Mstaafu) James Gitiba			
4.	Kuidhinisha mshahara wa Wakurugenzi wasio na mamlaka kwa mwaka uliomalizikaJuni 30, 2022.			
5.	Kutambua kwamba ukaguzi wa vitabu vya hesabu vya Kampuni utaendelea kufanywa na Mhasibu Mkuu, au shirika la uhasibu ambalo atateua kwa mujibu wa sehemu ya 23 ya Sheria ya Uhasibu wa Umma,2015.			
6.	Kuidhinisha Wakurugenzi kuamua malipo ya Wahasibu.			

FOMU YA IDHINI YA MAWASILIANO YA KIELEKTRONIKI

Tafari jaza kwa HERUFI KUBWA

Jina kamili la mwanachama (s): _____

Anwani: _____

Nambari ya CDSC _____

Nambari ya Simu. _____

Tarehe: _____

Sahihi: _____

Tafadhali weka alama kwenye masanduku yafuatayo na kurejesha kwa Image Registrars katika S.L.P 9287- 00100 Nairobi, 5th Floor, Absa Towers, Loita Street au badala yake kwa Afisi Rasmi ya Kampuni:

Idhini ya Usajili	
MIMII/SISI tunakubali kujiandikisha kushiriki kwenye Mkutano Mkuu wa Kila Mwaka kwa njia ya kielekroniki utakaofanyika Desemba 16, 2022.	

Idhini ya kutumia Nambari ya Simu iliyopeanwa	
MIMI/SISI tunapeana idhini ya matumizi ya nambari ya simu iliyopeanwa kwa ajili ya AGM.	

Maelezo:

1. Kwa mujibu wa Sehemu 298(1) ya Sheria za Kampuni, wenyehisa ambao wanastahili kuhudhuria na kupiga kura kwenye AGM wana haki ya kuteua mwakilishi kupiga kura kwa niaba yao. Si lazima mwakilishi awe mwanachama wa Kampuni.

2. Hii fomu ya uwakilishi lazima itiwe saini na anayefanya uteuzi au wakili wake kwa njia ya maandishi. Iwapo anayeteua ni shirika, uteuzi huo sharti uwe na muhuri au kupitia kwa wakili aliyeidhinishwa na shirika kama hilo.

3. Ili kuwa halali, fomu ya uwakilishi inapasa kujazwa, kutiwa saini na kuwasilishwa pamoja na idhini chini ya wakili au iwapo ni kiapo, basi nakala yake iidhinishwe na kutumwa kwa kplcagm@image.co.ke au kwa afisi rasmi za Kampuni au kutumwa kwa Katibu wa Kampuni P.O. Box 30099 – 00100 Nairobi, au kwa Image Registrars Limited, 5th Floor, Absa Towers, Loita Street, P.O. Box 9287 – 00100, Nairobi, ili kupokelewa kabla ya Desemba 14, 2022, saa 11.00 asubuhi.

4. Mtu yeyote anayeteuliwa kuwa mwakilishi sharti awasilishe nambari yake ya simu kwa Kampuni kabla ya Desemba 14, 2022 saa tano asubuhi. Usajili wa mwakilishi utakaokataliwa utajulishwa kwa mwenyehisa kabla ya Desemba 14, 2022 saa tano asubuhi.

5. Kama mwenyehisa, una haki ya kuteua mwakilishi mmoja au zaidi kutekeleza haki yako kama mwenyehisa na kuzungumza na kupiga kura kwa niaba yako katika mkutano. Unaweza kuteua Mwenyekiti wa mkutano kuwa mwakilishi. Ili kuteua mtu mwingine kama mwakilishi, futa majina "the Chairman of the Meeting or" na kujaza jina la mwakilishi wako kwenye nafasi iliyopo. Si lazima mwakilishi au mwanachama wa Kampuni.

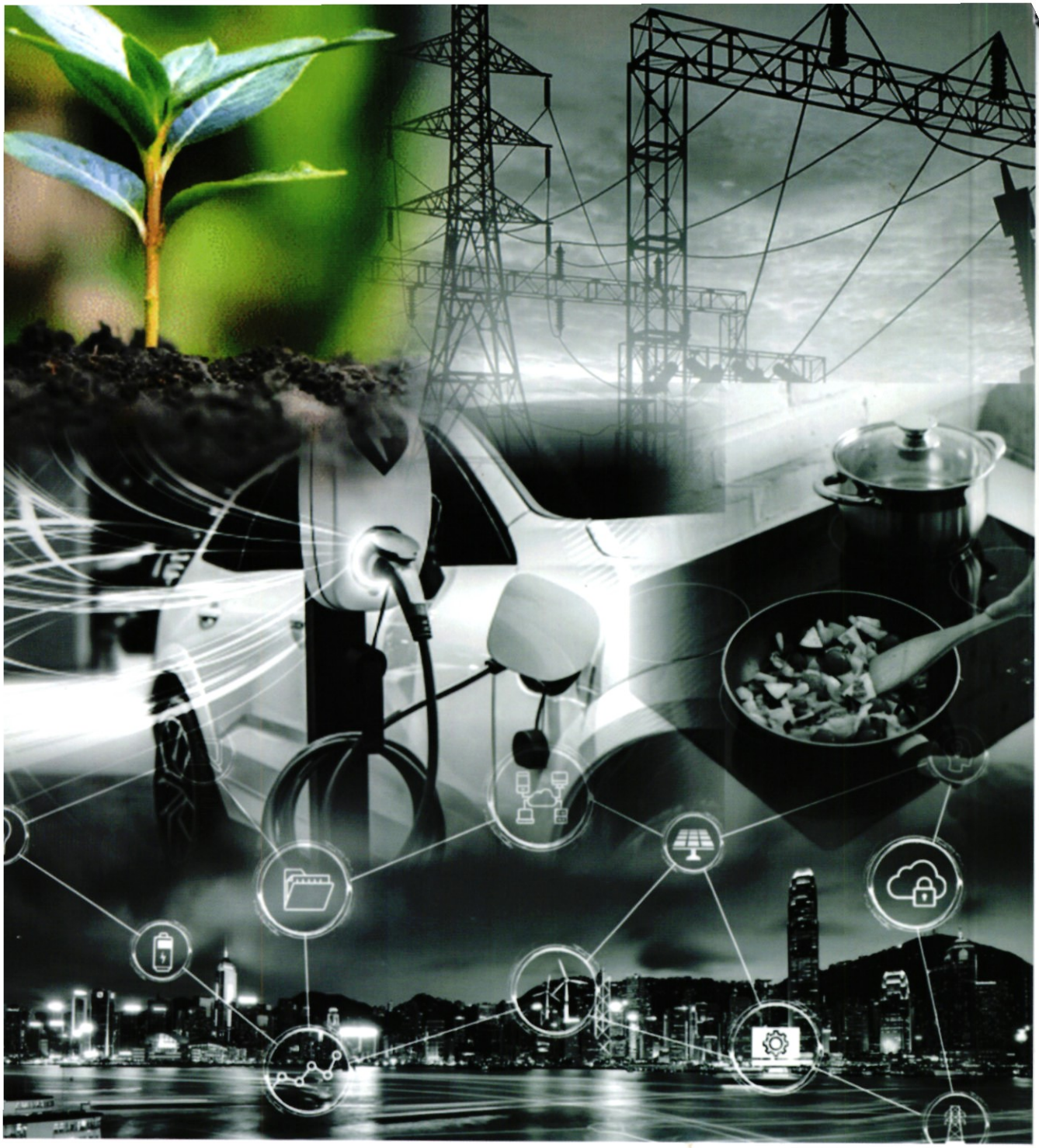
6. Kujaza na kuwasilisha fomu ya uwakilishi hakutakuzuia kuhudhuria mkutano na kupiga kura mwenyewe, ambapo basi kura zilizopigwa na mwakilishi wako hazitahesabiwa.

7. Nafasi ya "vote withheld" imejumuishwa kwenye fomu ya uwakilishi. Athari ya kisheria ya kuchagua mkondo huu kuhusu pendekezo lolote ni kwamba, itachukuliwa kama kwamba haukupiga kura kuhusu uamuzi huo. Idadi ya kura ambazo zimeorodheshwa chini ya 'Vote Held' hata hivyo zitahesabiwa na kusajiliwa, lakini kupuuzwa wakati wa kujumuisha kura za kuunga au kupinga uamuzi wowote.

NOTES



"..we enhanced preventive maintenance activities on our distribution substations and low voltage network systems."



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

Kenya Power

www.kplc.co.ke USSD *977# 97771 Kenya Power Care KenyaPower_Care 0703-070 707, 0732-170170