THE KENYA POWER AND LIGHTING COMPANY LIMITED

THE ABRIDGED REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018

Abridged and published in accordance with Article 155 of the Company's Articles of Association.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE NINETY-SEVENTH ANNUAL GENERAL MEETING of Shareholders of the Company will be held at Safari Park Hotel, Thika Road, Nairobi, on Friday 21st December 2018 at 11.00 a.m. to transact 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 2018, together with the Chairman's, Directors' and Auditors' reports thereon.

3. To note that the Directors do not recommend payment of a dividend on ordinary shares for the year ended 30th June 2018.

4. To elect Directors:
   (i) The Cabinet Secretary, The 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.

5. In accordance with the provisions of Section 769 of the Companies Act 2015, the following directors being members of the Board Audit and Risk Committee will be required to be elected to continue serving as members of the said Committee:
   (i) Mr. Kairo Thuo
   (ii) Mrs. Brenda Eng'omo
   (iii) Mr. Wilson Mugung'ei
   (iv) Mrs. Beatrice Gathirwa

6. To approve payment of fees to non-executive Directors for the year ended 30th June 2018.

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 him in accordance with Section 23 of the Public Audit Act 2015.

8. To authorise the Directors to fix the Auditors' remuneration.

SPECIAL BUSINESS

9. To consider and, if thought fit, to pass the following special resolution:

   Change of name of the company
   "That the name of the Company be and is hereby changed from "The Kenya Power and Lighting Company Limited" to "The Kenya Power and Lighting Company plc" in compliance with Section 53 of the Companies Act 2015, and with effect from the date set out in the Certificate of Change of Name to be issued by the Registrar of Companies."

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

By Order of the Board

Imelda Bore
Ag. Company Secretary

29th November 2018

NOTE:

1. A member entitled to attend and vote at the above meeting may appoint one or more proxies to attend and, on a poll, to vote instead of her/him. A proxy need not be a member of the Company. To be valid, the Form of Proxy must be duly completed and lodged at the office of the Company Secretary, Stima Plaza, or posted in time to be received not less than forty-eight hours before the time appointed for holding the meeting.

2. In accordance with Article 155 of the Company's Articles of Association, an abridged set of the Statement of Comprehensive Income, Statement of Financial Position and Statement of Cash Flows for the year ended 30th June 2018 have been published in at least two daily newspapers with national circulation. A set of the entire Annual Report and Financial Statements including the Form of Proxy is available on the Company's website www.kplc.co.ke.

Transport to the AGM venue will be available between 7.00 a.m. to 10.00 a.m. from Electricity House, Harambee Avenue, Nairobi.

MESSAGE FROM THE CHAIRMAN

Amb. (Eng.) Mahboub Mohamed
Chairman, Board of Directors

Kenya Power has over the years made achievements towards providing safe, secure and reliable electricity for economic and social development. The Company strives to build on its heritage and wealth of experience to deliver quality service to our customers for business growth and improved shareholder value.

The year under review was, however, a challenging period for the Company. Various factors affected our operating environment adversely and overshadowed the positive developments in our business. In 2017, the country's economy grew by 4.9 per cent compared to a revised growth of 5.9 per cent in 2016. The reduced economic performance was partly due to effects of prolonged electioneering period and adverse weather conditions. In view of prevailing circumstances during the period under review, our trading performance presented below was short of our expectations.

Esteemed shareholders, allow me to present the Company's trading results for the year ended 30th June 2018, my first as the Chairman of the Board of Directors.

Business Performance

During the year, electricity revenue grew by Shs.5,112 million from Shs.120,742 million reported in the previous year to Shs.125,854 million mainly due to rise in unit sales by 2.6 percent to 8,486 GWh from 8,272 GWh. This growth was attributed to increased consumption in the domestic consumer category as a result of increased number of customers.

The non -fuel power purchase costs excluding foreign exchange recovery increased to Shs.52,795 million from Shs.50,202 million the previous year, mainly attributable to an increase in units purchased from geothermal sources from 4,451 GWh to 5,053 GWh.

Fuel cost decreased from Shs.24,076 million the previous year to Shs.23,591 million due to improved energy mix following less utilisation of the more expensive thermal plants. The units generated from thermal plants increased marginally by 1.9 percent, from 2,165 GWh the previous year to 2,206 GWh.

Transmission and distribution costs increased by 14.1 percent from Shs.34,745 million incurred the previous year to Shs.39,628 million. The rise was attributed to higher debtors' provisions, depreciation expense due to increased capital investment and the rising cost of doing business.

Our capital asset base grew by 4.2 percent from Shs.262,348 million the previous year, to Shs.273,377 million. This growth was associated with new capital investments in the period aimed at improving quality of power supply, network expansion and accelerated connection of new customers.

Net Profit

The profit before tax reduced to Shs.3,089 million from a restated amount of Shs.7,656 reported in the previous period. This was mainly due to an increase in transmission and distribution costs and higher finance costs.

Dividend

The Directors do not recommend payment of a dividend on ordinary shares for the year ended 30th June 2018.

Alignment of Strategy

In the year under review, we revised our Five-Year Strategic Plan to align our Company to the changing business environment and meet the needs of customers and other stakeholders. The new strategy provides an adjusted roadmap in the medium term from 2018/19 to 2022/23. The strategic plan was revised to strengthen the commercial aspects of our business, entrench a competitive mindset in our operations, develop a more customer centric culture and align our risk framework to the strategy. In addition, the revised strategic plan will safeguard our interests and support the Company's growth strategy and objectives in a competitive electricity distribution environment with the anticipated changes in the proposed Energy Bill.

Conclusion

The Board and Management will continue to work together to strengthen the Company's internal controls and enterprise risk management, promote a culture of integrity and strive for highest ethical business standards. Our concerted efforts will certainly improve service delivery to our customers, grow shareholder value and be the energy solution provider of choice. As the Chairman of the Board, I am committed to providing leadership that espouses principles of good governance.

On behalf of the Board and Management, I wish to express our appreciation to shareholders, business partners and the Government for their support during the period. I also thank the Management and all employees who have continued to work diligently and exhibited resilience in challenging times. Lastly, I thank my fellow Board members and urge them to work zealously in the best interest of the Company.

Amb. (Eng.) Mahboub Mohamed
Chairman, Board of Directors

STATEMENT BY THE AG. MANAGING DIRECTOR & CEO

I am pleased to present a review of Kenya Power's key operational performance for the year ended 30th June 2018. The review also highlights our strategic priorities in the short and medium-term focusing on improving service to customers and ensuring sustainable business growth.
Our role as a national power utility is critical considering that electricity is an enabler and a key driver for economic and social development. In this regard, the Company made remarkable progress in the quest to enhance our network coverage and improve reliability of power supply to customers. Projects prioritised during the year included electrification, system expansion and network upgrade projects as well as the Government funded national public lighting project.

Operational Performance

In the course of the year, we connected 578,808 new customers to the grid, growing the overall customer base by 9.4 percent to 6,761,090 million. This was largely achieved through the government funded Last Mile Connectivity Project. As a result, the national electricity access as at end of June 2018 had risen to 73 percent compared to 27 percent five years ago. The connectivity drive is premised on our strategic goal to secure the power distribution and retail market and support the country's goal of providing electricity to all Kenyans which is an important ingredient for socio-economic transformation and development.

In the period, the Company completed 8 new substation projects worth Shs.16.5 billion and upgraded 23 others at a cost of Shs.3.3 billion to strengthen and expand the network for effective service delivery. Notably, we commissioned a 220/66kV, 400MVA Gas Insulated Substation (GIS) at Industrial area in Nairobi. This project has provided more stability and enhanced network flexibility for improved electricity supply in the City. Another GIS substation (132/33kV) at Kipevu in Mombasa was also commissioned during the period. The additional substations also provide much-needed capacity to meet growing demand in the two cities.

Eng. Jared Othieno
Ag. Managing Director & CEO

We take pride in the successful implementation of the National Public Lighting Programme that has visibly transformed our streets, marketplaces and neighbourhoods. The programme is funded by Government and implemented by the Company in partnership with county governments with the aim of creating an enabling environment for a 24-hour economy. The benefits of street lighting pervade the functional use of lighting for security, safety and promotion of trade to encompass other gains such as environmental aesthetics, recreational activities and social interactions. Having installed 113,204 lanterns and floodlights spread across all counties in the last four years, we see great potential to further grow our revenue as we light up the unreached urban and rural townships.

As a major step towards the entrenchment of a customer centric-culture, we rolled out the Feeder Based Business Units (FBBUs), a decentralised customer service model that channels resources to clustered electricity distribution feeder networks for effective service delivery. The FBBU network management approach is expected to entrench a preventive maintenance culture and thereby improving efficiency in our business operations. Towards this, the Company deployed technical and support staff to manage the currently established 148 feeder-based units.

In support of the Big Four Agenda initiative, we fast-tracked construction of several power lines serving major industrial and agricultural installations and connected 48 new high energy consuming customers requiring aggregate of 105MVA capacity in the year. We see more opportunities to grow our business with the rollout of the projects under this initiative. In particular, growth in manufacturing, food security and housing sectors would lead to increased business opportunities.

Way forward

As a matter of priority, the management team is focusing on provision of quality power supply by strengthening our electricity network and streamlining internal processes to improve customer experience and stakeholder confidence. We also aim to sustain our connectivity drive by fast tracking implementation of the ongoing Last Mile Connectivity Project to further entrench our market presence.

In addition, we have embarked on implementation of the Company's new corporate strategic plan which lays emphasis on improving employees' productivity; providing adequate, quality and reliable power supply; improving service delivery; and ensuring financial sustainability. The strategy was formulated in cognisance of the dynamic business environment, technological advancements and the anticipated policy shift in the energy sector.

I am confident that we have the right initiatives and strategies in place to enable us realise our business goals.

Eng. Jared Othieno
Ag. Managing Director & CEO

REPORT OF THE AUDITOR-GENERAL

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OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON THE KENYA POWER AND LIGHTING COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

The accompanying financial statements of Kenya Power and Lighting Company Limited set out on pages 15 to 96, which comprise the statement of financial position as at 30 June 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and 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 PricewaterhouseCoopers 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 effects of the matters described in the Basis for Qualified Opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of Kenya Power and Lighting Company Limited as at 30 June, 2018, and of its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Companies Act, 2015.

Basis for Qualified Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Kenya Power and Lighting Company Limited in accordance with ISSAI 30 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 audit 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.

1. Breach of Borrowing Covenants

The Company's total borrowings are carried in the statement of financial position at Kshs.113,029,384,000. As disclosed in note 28 (d), the Company was in breach of financial covenant ratios for commercial borrowings by an amount of Kshs.59,963,128,000 as at 30 June 2018. This amount comprises of

Kshs.49,985,745,000 which is classified as non-current and Kshs.9,977,383,000 classified as current. Subsequent to the financial year end, the Company received letters from the lenders, waiving their rights to demand payment due to the breach of the debt covenants even though the Company did not have unconditional rights to defer payment as at 30 June 2018.

International Accounting Standards (IAS) 1 on presentation of financial statements requires the presentation of the borrowings with covenant breaches as current liabilities. However, the total borrowings with covenant breaches have not been classified as current. Had management complied with IAS 1, an amount of Kshs.49,985,745,000 would have been reclassified from non-current to current. Accordingly, current liabilities and the net current liabilities would have increased by Kshs.49,985,745,000.

2. Incorrect Recognition of Unbilled Fuel Costs as Revenue

As explained in note 2 (c) (ii) to the financial statements, the Company recognizes revenue relating to fuel costs charge in the month of billing by the power generators and invoiced to the customers in the subsequent month, following approval by the Energy Regulatory Commission (ERC), based on the individual customers' consumption in the month in which the revenue was recognized. The accounting policy ensures effective matching of costs and revenues for the supply of electricity to customers. This policy has been consistently applied in prior years.

However, in the years ended 30 June 2017 and 2018, the company recognized revenue totaling Kshs.7,290,699,000 and Kshs.1,737,420,000 respectively relating to fuel costs charges, even though the amounts were not billed to customers in the immediate subsequent month. The balances are included within trade and other receivables as "unbilled fuel costs revenue" as shown in note 20 (b) to the financial statements. Consequently, these amounts had not met the criteria for revenue recognition under IAS 18 as at 30 June 2017 on the basis that the services (electricity) to support the revenue would be supplied in the future.

The balance of "unbilled fuel costs revenue" as at 30 June 2017 was fully billed to customers in the year ended 30 June 2018 upon approval by ERC and based on the individual customers' consumption in the respective months of billing.

As a result, revenue and unbilled fuel costs (current asset) for the year ended 30 June 2017 were overstated by Kshs.7,290,699,000, while revenue for the year ended 30 June 2018 is understated by Kshs.5,553,000,000.

Accordingly, had the Company complied with the principles of IAS 18, the profit before income tax for the year ended 30 June 2017 and the trade and other receivables (current assets) as at 30 June 2017 would have been decreased by Kshs.7,290,699,000; and the profit before income tax for the year ended 30 June 2018 would have increased by Kshs.5,553,000,000,

The correction of the misstatements requires a restatement of the comparative balances for the year ended 30 June 2017.

3. Material Misstatement of Provisions for Impairment Loss on Electricity and other Receivables

As explained in note 2 (k) to the financial statements, the Company determines the provision for impairment loss on receivables based on objective evidence of impairment considering individual customers' credit terms and the age profile of the outstanding balances as at the year end. Application of the Company's policy as at 30 June 2018, results in an additional impairment loss provision of Kshs.2,604,000,000 relating to electricity and prepaid fixed charge on no-vending meters. Had the Company consistently applied its policy for determining the provision for impairment loss on receivables, the profit before income tax for the year ended and trade and other receivables would have decreased by Kshs.2,604,000,000.

The combined impact of correcting the above matters in the financial statements would have been as follows:

- A reduction of the profit before income tax for the year ended 30 June 2017 from Kshs.7,656,639,000 to Kshs.366,639,000. Trade and other receivables as at 30 June 2017 would have decreased from Kshs.49,686,321,000 to Kshs.42,396,321,000, increasing the net current liabilities from Kshs.17,535,199,000 to Kshs.24,825,199,000 as at the same date; and

- An increase in the profit before income tax for the year ended 30 June 2018 from Kshs.3,089,209,000 to Kshs.6,038,209,000. Trade and other receivables as at 30 June 2018 would have decreased from Kshs.40,992,525,000 to Kshs.36,651,525,000 and the net current liabilities would increase from Kshs.51,637,615,000 to Kshs.105,964,360,000 as at 30 June 2018.

Key Audit Matters

Key Audit Matters are those matters which, in my professional judgment, were of most significance in the audit of the Company's financial statements for the current year. These matters were addressed in the context of the audit of the Company's 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 of the Financial Statements 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 risks 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 audit opinion on the accompanying financial statements.

Key audit matter	How my audit addressed the key audit matter
Heightened risk of fraud and errors in financial information A majority of the Company's senior management were arrested and charged with alleged corruption at the High Court of Kenya in July 2018. This event triggered a heightened risk that the financial statements might have been misstated. In such circumstances, ISSAI 1240 requires that the Auditor conduct enhanced procedures, including possible involvement of forensic experts to address the heightened risk of fraud and errors and assess whether the risk is of such significance as to have a material impact on the financial statements. The Court case was ongoing at the date of this audit report.	Discussions were held with the Board Audit Committee to confirm their understanding of the charges, the actions they are taking and their assessment of the impact, if any, on the financial statements. In consultation with forensic experts, it was determined the enhanced audit procedures be carried out as part of the audit. These included: • specific procedures focussing on compliance of a sample of procurements with the requirements of Public Procurement and Asset Disposal Act, 2015; • testing of billing adjustments made in the year including re-computation of customer bills in the year and testing of the interfaces between the meter, billing and financial accounting systems; • review of the end-to-end handling of transformers from acquisition to disposal. I independently checked the condition of a sample of transformers; • review of the process of pre-qualifying legal counsel, assigning cases to lawyers and settlement of legal fees and litigation, and whether the settlements appear reasonable from a Company viewpoint; • evaluation of whether analytical procedures which are performed near the end of the audit, when forming an overall conclusion on whether the financial statements are consistent with my understanding of the Company, indicate a previously unrecognised risk of material misstatement due to fraud; and • obtaining of Board representation confirming that the facts disclosed to me and the impact on the financial statements is complete.

Other Information

The other information comprises the Chairman's Statement and the acting Managing Director & CEO'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 those charged with governance.

REPORT ON COMPLIANCE WITH LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC MONEY

Conclusion

As required by Article 229(6) of the Constitution, based on the procedures performed, except for the matter described in the Basis for Conclusion on Compliance and Effectiveness section of my report, I confirm that, nothing has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

Basis for Conclusion

1. Unclaimed Financial Assets

The Company as at 30 June 2018 held in their books financial assets amounting to Kshs.1,728,504,000 (2017: Kshs.1,163,739,000) disclosed in note 27 to the financial statements under other payables of Kshs.10,356,112,000 (2017: Kshs.5,259,237,000). These assets which include; customer refunds, unidentified receipts, wayleaves compensation, uncollected dividends and stale cheques, ought to have been reported and submitted to the Unclaimed Financial Assets Authority (UFAA), as required by the Unclaimed Financial Assets Act, 2011. According to the Act, failure to comply attracts a penalty of 25% of the assets, in addition to a daily interest of Kshs.7,000 for each day a report is late in submission. This aspect of non-compliance may cost the Company up to Kshs.1,891,639,000, in interest and penalties as at 30 June 2018.

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

The First Schedule of the Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations, 2002 (Amended 2016) sets out the minimum requirements for

a company at the time of listing, as well as continuing obligations of the listed entity. Kenya Power and Lighting Company Limited, which is listed on the main investment market segment, complied with most of these requirements. However, the regulations require that the issuer must not be in breach of any of its loan covenants, particularly in regard to the maximum debt capacity. The company was however in breach of borrowing covenants as at 30 June 2018. In addition, the regulations require that the issuer is not insolvent and should have adequate working capital. As at 30 June 2018, the company's current assets of Kshs.54,620,181,000 were less than current liabilities of Kshs.106,257,796,000, resulting in a negative working capital of Kshs.51,637,615,000.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Companies Act, 2015, 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 4 to 6 has been properly prepared in accordance with the Kenyan Companies Act, 2015.

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015, and for maintaining effective internal control as directors determine is necessary to enable the preparation of financial statements which are free from material misstatement, whether due to fraud or error, and for assessment of the effectiveness of internal control.

In preparing the financial statements, the directors are 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 the directors are aware of any intension to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are 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, directors are 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 money is applied in an effective manner.

Directors are responsible for overseeing the Company's financial reporting process, reviewing the effectiveness of management's systems for monitoring compliance with

relevant legislative and regulatory requirements, ensuring that effective processes and systems to address key roles and responsibilities in relation to governance and risk management, are in place, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit of the Financial Statements

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 which 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 of Kenya. 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 review is planned and performed to express a conclusion with limited assurance on whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, 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 review of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and 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 accordance with Article 229 (7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control which 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 which 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 misstatements and instances of non-compliance. Also, projections of any evaluation off 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 the Company's policies and procedures may deteriorate.

As part of an audit 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 which 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 which 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 which 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 which are identified during the audit.

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

FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

22 November 2018

SUMMARY FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018

CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2018

	2018	2017 Restated
	KShs. Million	KShs. Million
REVENUE		
Non-fuel revenue	95,463	91,952
Foreign exchange adjustment	9,322	6,682
Fuel cost recharge	21,069	22,108
	125,854	**120,742**
POWER PURCHASES COSTS		
Non-fuel costs	52,795	50,202
Foreign exchange costs	7,714	6,199
Fuel costs	23,591	24,076
Total power purchase costs	**84,100**	**80,477**
GROSS MARGIN	**41,754**	**40,265**
Other operating income	8,670	8,130
Transmission & distribution costs	(39,628)	(34,745)
OPERATING PROFIT	**10,796**	**13,650**
Interest income	100	46
Finance costs	(7,807)	(6,040)
PROFIT BEFORE TAX	**3,089**	**7,656**
Income tax expense	(1,171)	(2,376)
PROFIT AFTER TAX	**1,918**	**5,280**
Other Comprehensive Income/ (Loss):	(68)	(741)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1,850**	**4,539**
Basic and diluted earnings per share	**Shs. 0.98**	**Shs. 2.71**
Dividend per share	**Nil**	**Shs.0.50**

CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	2018	2017 Restated	2016 Restated
ASSETS	KShs. M	KShs. M	KShs. M
Property, plant and equipment	273,377	262,348	233,715
Other Non-current assets	8,658	7,595	8,550
Current assets	54,620	61,293	47,318
	336,655	**331,236**	**289,583**
EQUITY AND LIABILITIES			
Shareholders' equity	64,207	63,334	59,380
Non-current liabilities	166,190	189,074	180,091
Current liabilities	106,258	78,828	50,112
	336,655	**331,236**	**289,583**

CONDENSED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

	2018	2017
	KShs. M	KShs. M
Cash generated from operating activities	28,086	28,159
Net Cash used in investing activities	(27,733)	(39,520)
Net Cash generated from financing activities	(6,806)	4,701
Decrease in cash and cash equivalents	(6,453)	(6,653)
Cash and cash equivalents at beginning of year	**(1,150)**	5,503
Cash and cash equivalents at close of year	**(7,603)**	**(1,150)**