

NOTICE IS HEREBY GIVEN THAT THE NINETY-FIFTH ANNUAL GENERAL MEETING of Shareholders of the Company will be held at Safari Park Hotel, Thika Road, Nairobi, on Friday 23rd December 2016 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 and consider the Company's Audited Financial Statements for the year ended 30th June 2016, together with the Chairman's, Directors' and Auditors' reports thereon.
3. To approve payment of a final dividend of Shs.0.30 per ordinary share, subject to withholding tax where applicable, in respect of the year ended 30th June 2016 and to ratify the interim dividend of Shs.0.20 per ordinary share already paid for the period.
4. To elect Directors:
 - (i) Mrs. Jane Nashida retires by rotation in accordance with Article 120 of the Memorandum and Articles of Association of the Company and, being eligible, offers herself for re-election.
 - (ii) Mr. Macharia Kariuki 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. Wilson Mugung'ei retires by rotation in accordance with Article 120 of the Memorandum and Articles of Association of the Company and, being eligible, offers himself for re-election.
5. In accordance with the provisions of Section 769 of the Companies Act 2015, the following directors being members of the Board Audit Committee will be required to be elected to continue to serve as members of the said Committee:
 - (i) Mr. Wilson Mugung'ei
 - (ii) Mr. Macharia Kariuki
 - (iii) Mrs. Susan Chesiyana
 - (iv) Mrs. Jane Nashida
6. To approve payment of fees to non-executive Directors for the year ended 30th June 2016.
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.
9. To consider any other business for which due notice has been given.

By Order of the Board



Beatrice Meso
Company Secretary

28th October, 2016

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, Statement of Cash Flows and Statement of Changes in Equity for the year ended 30th June 2016 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 8.30 a.m. from Electricity House, Harambee Avenue, Nairobi.

CHAIRMAN'S ABRIDGED COMMENTARY



Hon. Kenneth Marende, EGH

Powering people for better lives is our guiding mantra in pursuing business growth and sustainability as well as enabling socio economic progress. As a customer centric Company, our policies, strategies and operations are focused on delighting our customers as expressed in our vision statement.

We acknowledge that our business operates in an increasingly dynamic environment and therefore adoption of efficient technologies aimed at reducing operational costs and improving customer experience are of paramount importance.

Towards this goal, during the year under review, we carried out major network strengthening and expansion programmes to enhance operational and technical efficiency for improved service delivery.

The Board of Directors, supported by our committed management and staff, demonstrated exemplary performance during the year in delivering key corporate targets towards improving shareholder value. We attained a record connectivity growth of 35% from previous year thereby bringing our total number of customers to 4.8 million as at end of June 2016. This continued growth in customer base secures future revenues for improved profitability and sustainability of our business.

Trading performance

As an economic indicator, increase in electricity consumption has a positive correlation with economic growth as it acts as a catalyst for development. In 2015, the economy grew by 5.6% compared to 5.3% the previous year supported by a stable political and favourable macroeconomic environment. Electricity sales during the year under review grew from 7,130 GWh the previous year to 7,385 GWh. This growth reflects an increase of 255 GWh or 3.6%, supported mainly by growth in domestic consumption from the expanded customer base.

As a result of the growth, electricity revenue (excluding foreign exchange surcharge and fuel recovery) for the year amounted to Shs.87,081 million compared to Shs.77,836 million realised the previous year, an increase of Shs.9,245 million or 11.9%.

Power purchase costs (excluding fuel cost and foreign exchange) increased by Shs.6,940 million from Shs.44,460 million the previous year, to Shs.51,400 million. The rise is attributed to additional capacity charges from new power plants commissioned during the year and increase in energy charges due to rise in unit purchases from 9,280 GWh the previous year to 9,817 GWh, a 5.8% increase.

Fuel costs decreased by Shs.13,145 million or (50.8%) from Shs.25,835 million the previous year to Shs.12,690 million owing to increased usage of geothermal and hydro energy sources in the period. The units generated from thermal plants decreased by 27.6%, from 1,792GWh the previous year to 1,297GWh.

Our transmission and distribution expenditure increased by 18.3% from Shs. 24,217 million incurred in 2015 to Shs. 28,651 million in 2016 due to investments on the electricity network aimed at improving services to customers and operational expenses in line with growth of the business in general. Depreciation and amortisation increased by Shs. 1,491 million due to growth in capital investment. In addition, the wheeling charges rose by Shs.1,276 million due to expansion of the transmission network by the Kenya Electricity Transmission Company (KETRACO).

Finance costs increased by Shs.846 million from Shs.4,965 million the previous year to Shs.5,811 million. The rise was attributable to increased borrowings to finance business operations and capital projects.

The net fixed asset value of the Company grew by Shs.41 billion from Shs.206 billion the previous year to Shs.247 billion. This was the main contributing factor for increase in the net worth of the Company. The growth in assets is supported by long term borrowings from Commercial banks and donor funded institutions.

Net Profit

The Company recorded a profit before tax of Shs. 12,083 million during the year compared to Shs.12,254 million in the previous year.

Dividend

The Directors recommend to shareholders that, in addition to the interim dividend of Shs.0.20 paid earlier, a final dividend of Shs.0.30 per ordinary share be paid for the year ended 30th June 2016, subject to withholding tax where applicable, to shareholders registered in the books of the Company at the close of business on 30th November 2016. This amounts to a total dividend of Shs.0.50 per share (previous year - Shs.0.50 per share). If approved, the dividend will be paid on or about 31st January 2017.

Medium term strategic priorities

The country's economic growth rate is on an upward trend and is projected to surpass 6% in the medium term up from 5.6% in 2015, mainly driven by a stable macroeconomic environment, sustained investments in infrastructural projects by the Government and favourable regulatory policies. The economy may experience deferred investments in the short term due to perceived domestic risks that could influence growth prospects over the 2017 election period. However, we will continue to review measures aimed at mitigating inherent business risks and, at the same time, take advantage of emerging opportunities for sustainability of the business and growth in shareholders' value.

The Company will sustain the rapid increase in customer connections mainly through the Last Mile Connectivity Project in line with our business strategy and in the country's goal to achieve universal connectivity in the medium term. In addition, the sustained Government support in electricity infrastructure development projects provide opportunities to further expand and strengthen the network for improved service delivery. Riding on the country's 'Buy Kenyan Build Kenya' initiative, we will prioritise usage of locally manufactured goods to implement network expansion and connectivity projects as part of our strategy to grow electricity demand, increase sales and improve business performance.

We believe that our drive and determination to continuously improve performance, prudent management of resources and strategic investments highlighted in this report, will create long-term value for our shareholders as we enable socio economic progress of our people.

In closing, I would like to sincerely thank all those who supported the Company in the year including our customers, esteemed shareholders, the Government, development partners, our dedicated employees and other stakeholders. I also wish to thank my fellow Board members for their tremendous support and contribution during the year.



Hon. Kenneth Marende, EGH

Chairman

28th October, 2016

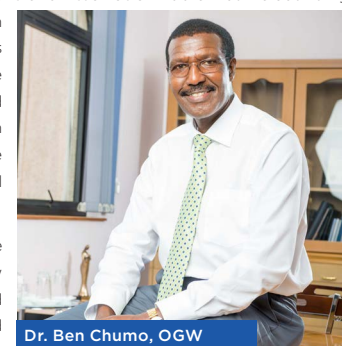
ABRIDGED REPORT OF THE MANAGING DIRECTOR & CEO

As Kenya consolidates efforts to entrench itself as a middle income economy, the Company's enabling role in improving the country's business environment, growing the manufacturing sector and transforming lives through provision of quality and reliable electricity is of critical importance.

In the year under review, we sustained efforts to grow our customer base, sales and revenue while expanding and strengthening the network to enhance electricity access and improve supply reliability. These initiatives are part of our medium term corporate strategy geared towards positioning the Company at the centre of socio economic development of the country for enhanced business viability.

Towards universal electricity access

In line with the Government's target of attaining universal access in the medium term, the Company, with support from the Government and development partners stepped up its customer connectivity and network expansion programmes. Riding on our past achievements, we set an ambitious target at the beginning of the year to connect over one million new customers. Consequently, we connected a record 1,278,469 new customers up from 843,899 growing our customer base by 35% to 4,890,373 up from 3,611,904 in the last financial year.



Dr. Ben Chumo, OGW

There has been significant gains in power generation expansion initiatives in the last three years with 657.5 MW of additional installed capacity. These successes have enabled us to achieve adequacy in supply capacity to meet demand and a diversified energy mix for reduced dependency on hydropower and displacement of the more expensive thermal energy. Renewable energy, mainly from hydro and geothermal sources, now accounts for 87% of total annual energy generated with geothermal contributing 47% of the energy.

Improving power supply quality, enabling progress

A modern and efficient infrastructure is fundamental in the delivery of world class power to our customers and underpins our business growth strategy. Increased focus and capital investment in network expansion both in power line extensions and, establishment and refurbishment of substations is crucial in serving our rapidly growing customer base and in improving power supply quality.

In the year under review, we completed new transmission and distribution infrastructure projects valued at USD326 million. We continued to sustain efforts that will ensure uninterrupted power supply to customers by intensifying proactive maintenance programmes, implementing system reinforcement projects and adopting modern technologies. In the period under review, customer interruption incidences decreased by 32 % from a high of 7.49 per 1,000 customers at the beginning of the year to a low of 5.13 per 1,000 customers at the end of the year as shown below. The improved performance is attributed to intensive maintenance on distribution lines targeting feeders and substations that recorded frequent outages.

Our contribution towards creating a favourable economic environment include making it easy for businesses to get electricity. This was achieved through adoption of simplified connection procedures for new customers and reduction in average connection time. These initiatives helped improve the Country's global ranking in the World Bank's Ease of Doing Business Report from position 129 in 2015 to the current 108. Investor confidence has also improved with general reduction in power interruption incidences during the year as corroborated by a recent Moody's Investors Service Report 2016, a reputable international credit rating firm. The report rated Kenya's electricity supply as among the most stable in East Africa and better than the Sub-Saharan Africa average.

Opportunities for growth

The Company has started to realise gains from heavy investments made over the years to grow and sustain our business as evidenced by expanded footprint across the country, improved customer experience and growth in asset base. We anticipate continued growth in electricity demand catalysed by increased economic activities and improved business environment as our power supply network expands.

Building on the high customer growth rate averaging 30% annually over the last three years, we will endeavour to sustain the rapid connectivity pace to secure our future revenue streams through increased sales and to retain a lead position in the power market. Other immediate priority areas to grow shareholder value include improving system efficiency, managing operational costs and maximising asset usage for increased profitability.

We will also leverage on the goodwill extended by the Government, development partners and other stakeholders to catapult our business and remain well positioned for the substantial growth opportunity ahead, to the benefit of our customers and shareholders, and enable progress of our nation.

Appreciation

On behalf of the Management, I wish to extend our gratitude to the Board of Directors for the guidance and support throughout the year and to the members of staff for their commitment in serving our customers.



Dr. Ben Chumo, OGW
Managing Director & CEO
28th October, 2016

REPORT OF THE AUDITOR-GENERAL ON THE SUMMARY FINANCIAL STATEMENTS OF THE KENYA POWER AND LIGHTING COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

The accompanying summary financial statements of The Kenya Power and Lighting Company Limited, which comprise the summary statement of financial position as at 30th June 2016, the summary statement of Profit or Loss and other comprehensive income, summary statement of changes in equity and summary statement cash flows for the year then ended, have been audited on my behalf by Deloitte and Touché, 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.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and for such internal control, as directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report 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. The audit was conducted in accordance with the International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Kenya Power and Lighting Company Limited as at 30 June 2016 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 Kenyan Companies Act.

Report on other Legal and Regulatory Requirements

As required by the Kenyan Companies Act, I report based on the audit, that;

- (i) I, have obtained all the information and explanations, which, to the best of my knowledge and belief, were necessary for the purpose of my audit;
- (ii) in my opinion, proper books have been kept by the company, so far as appears from my examination of those books; and
- (iii) The Company's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account.



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL
28 October, 2016

CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2016

	2016	2015
	KShs. Million	(Restated) KShs. Million
REVENUE		
Electricity sales	87,080,812	77,835,634
Foreign exchange losses recovered	8,782,073	3,343,615
Fuel costs recovery	12,511,727	25,584,276
Other Income	7,469,887	6,405,991
	115,844,499	113,169,516
EXPENSES		
Non- fuel power purchase costs	51,399,414	44,460,483
Foreign exchange cost	6,175,191	2,819,891
Fuel costs	12,690,427	25,834,986
Operating expenses	28,650,752	24,216,608
	98,915,784	97,331,968
OPERATING PROFIT	16,928,715	15,837,548
Interest income	964,957	1,380,968
Finance costs	(5,811,275)	(4,964,942)
PROFIT BEFORE TAXATION	12,082,397	12,253,574
Income tax expense	(4,526,234)	(4,821,617)
PROFIT FOR THE YEAR	7,556,163	7,431,957
OTHER COMPREHENSIVE INCOME	(168,673)	(1,995,966)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	7,387,490	5,435,991
EARNINGS PER SHARE		
-Basic (KShs)	3.87	3.81
-Diluted (KShs)	3.87	3.81

CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

	2016	2015
	KShs. Million	(Restated) KShs Million
ASSETS		
Property and equipment	235,467,263	196,301,330
Other non-current assets	12,065,100	9,922,277
Current assets	50,009,817	66,062,475
	297,542,180	272,286,082
EQUITY AND LIABILITIES		
Ordinary share capital	4,878,667	4,878,667
Share premium	22,021,219	22,021,219
Reserves	38,715,951	32,304,194
Non-current liabilities	181,152,882	167,482,820
Current liabilities	50,773,461	45,599,182
	297,542,180	272,286,082

CONDENSED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2016

	2016	2015
	KShs. Million	KShs Million
Cash generated from operating activities	25,677,042	27,610,077
Net cash used in investing activities	(48,842,869)	(40,089,558)
Net cash generated from financing activities	438,219	34,100,955
(Decrease)/increase in cash and cash equivalents	(22,727,608)	21,621,474
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	28,230,662	6,609,188
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	5,503,054	28,230,662