



Kenya Power

THE KENYA POWER AND LIGHTING COMPANY PLC

THE ABRIDGED REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2023

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

STATEMENT FROM THE CHAIRMAN



Joy Brenda Masinde
Chairman, Board of Directors

It is my distinct honour and privilege to present the Company's financial report for the year ended 30th June 2023. Five of the current members of the Board of Directors were appointed in the second half of the financial year. Upon assuming office, the Board set out to address issues that needed urgent attention.

Top on the list was the appointment of a substantive Managing Director and CEO, which we did in May 2023. To bolster employee equity and productivity, the Board endorsed the translation of terms for various employees on short-term contracts to longer term contracts, and facilitated the onboarding of additional technical workforce to reinforce the Company's field operations.

Building on the work done by previous Boards and the Management, the current Board supported the Company's quest for a cost reflective electricity tariff which was approved by the Energy and Petroleum Regulatory Authority (EPRA) in April 2023. The new retail tariff is necessary for the financial sustainability of the business and the energy sector at large.

In addition, the Board undertook a review of the Company's operations, developed strategic interventions to address prevailing business constraints and defined a roadmap to drive sustainable growth. The Board has provided oversight to ensure prudent resource management, enhanced business efficiency, improved employee productivity and better service delivery to customers.

Due to prudent cost management and improved business efficiency, operating costs reduced by KShs.2.08 billion from KShs.36.99 billion to KShs.34.91 billion. On the other hand, provisions for electricity debt and other receivables rose by KShs.3.2 billion primarily due to an increase in unsettled customer debts during the year under review.

However, one persistent challenge which the Board has been keen to address is the unavailability of critical materials which affects the drive for new customer connections and system expansion, and reinforcements projects. Despite of this, we managed to connect additional customers which increased the total number from 8.9 million to 9.2 million as at the end of June 2023. The growth in number of customers contributed to a 4.4% increase in electricity sales from 9,163 GWh the previous year to 9,567 GWh.

Consequently, revenue from electricity sales grew by 21% from KShs.157.35 billion to KShs.190.98 billion.

This growth has a commensurate increase in purchase of power, from 11,815GWh units purchased to 12,425GWh, a 5.2% rise. Power purchase costs thus increased from KShs.117.35 billion to KShs.143.58 billion, mainly due to unrealised foreign exchange losses. The unrealised foreign exchange losses on power purchase increased from KShs.1.12 billion last financial years to KShs.5.32 billion, the result of the depreciation of the Kenyan shilling against the US Dollar and Euro, the currencies in which most of the power purchase agreements are denominated.

Despite the increase in the power purchase costs, the Company recorded a 12% growth in operating profit, from KShs.17.15 billion posted the previous year to KShs.19.21 billion, buoyed by improved sales and revenues.

The positive performance above was eroded by

exceptionally high finance costs which increased significantly by 89% from KShs.12.76 billion to KShs.24.15 billion mainly driven by the depreciation of the Kenya shilling against major international currencies. In the period, the Kenya Shilling depreciated by 19% from KShs. 118 per USD in June 2022 to KShs.140 per USD in June 2023.

The impact of the currency fluctuation as reflected in the finance costs and cost of power purchase, resulted in a net loss of KShs.3.2 billion.

Going Forward

The Company has developed a new Strategic Plan for 2023/24 - 2027/28, aimed at transforming Kenya Power to be one of the best-performing utilities in Africa. Our strategy focuses on key business priority areas: reducing system losses by identifying and fixing the areas where we are losing energy and investing in the network to ensure it remains resilient reliable, and poised to meet the evolving needs of our customers. To drive sales, we aim to grow the business segments that offer the highest returns by fast-tracking customer connections as we grow consumption from the existing ones. Long term, is staying ahead of the business curve in electric mobility, fiber business, and more affordable renewable energy production and consumption.

To improve the Company's financial position in the medium term, the Board is spearheading the process of restructuring the balance sheet. This will entail commercial transfer of part of the transmission assets to the Kenya Electricity Transmission Company (KETRACO) for equivalent market value, which will be netted off the Company's on-lent forex loan portfolio. Once implemented, the balance sheet restructuring will significantly reduce the Company's forex exposure and ease cash flow pressure in the short term.

Improving Governance Structures

During the Extraordinary General Meeting held on 10th November 2023, Shareholders approved the proposal to amend the Company's Memorandum and Articles of Association, paving way for the restructuring of the Board to reflect the Company's shareholding structure. In this year's Annual General Meeting, private shareholders will elect 4 directors to the Board while the Government will appoint 5 directors. In addition, shareholders are expected to approve the revised Company's Articles of Association which have been reviewed to align with the Companies Act, 2015 and best corporate governance practices

Conclusion

The Board is committed to transforming Kenya Power into the utility of the future, with a focus on pursuing operational excellence, improving financial performance, and enhancing customer experience as outlined in our Strategic Plan. I am convinced that Kenya Power's future is bright and our business will remain profitable and sustainable.

Joy Brenda Masinde
Chairman, Board of Directors

MESSAGE FROM THE MANAGING DIRECTOR & CEO



Dr. Eng. Joseph Siror
Managing Director & CEO

During the FY 2022/2023, the Company connected 318,217 new customers which yielded additional sales of 99.98GWh and expanded the customer base to 9,212,754. The new connections were driven

mainly by the Company's electrification programmes complemented by contributions from the Last Mile Connectivity Project (LMCP), Government-funded schemes as well as connectivity programmes implemented by the Rural Electrification and Renewable Energy Corporation (REREC).

As we expand our customer base, the Company is also making strategic grid investments to improve the state of the network and to enhance its capacity for improved power supply reliability. In the year under review, we completed network improvement projects worth Kshs.11 billion with a plan to invest a further Kshs.19.7 billion in the current financial year to modernise the grid.

In addition, the Company implemented several strategic initiatives to address commercial and technical losses, key among them replacement of faulty meters, inspection of metering installations, and de-loading and re-balancing of the medium voltage network to improve voltage levels. System efficiency, however, declined by 0.56% to 77.0% in the period mainly due to increased electricity pilferages and grid capacity limitations. Further, shortage of meters arising from procurement related litigations contributed to the lower efficiency level.

To address these challenges, the Company is broadening the interventions for improved performance, which includes fast-tracking the completion of system reinforcement projects, construction of additional transmission and distribution power lines and substations, as well as intensifying inspections of metering installations.

Further, we are working towards mitigating and expediting the resolution of procurement related disputes to ensure steady supply of critical materials going forward.

Emerging growth opportunities

We are confident that our Company will thrive and our goal to build a world-class power supply business is attainable. We see immense opportunities to further grow electricity sales as the doption of electric mobility and electric cooking gains momentum.

The recently approved e-mobility electricity retail tariff, which was proposed by the Company, is expected to further speed up the adoption of electric vehicles in Kenya.

Business sustainability

The Company has embedded sustainability practices, by developing a policy which espouses a consistent approach that promotes environmental stewardship, social responsibility, good governance and economic resilience while undertaking business operations.

Appreciation

I wish to thank our customers, the Board of Directors, the Government, development partners, stakeholders, and employees for their unwavering support during the year.

Dr. Eng. Joseph Siror
Managing Director & CEO

NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN to Shareholders that, the 102 Annual General Meeting of **The Kenya Power and Lighting Company Plc**, will be held via electronic communication on **Friday, 8th December 2023** 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 2023, 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 2023.
4. To elect Directors:

(i) To note the Directors appointed by the National Treasury being the Holder of Class B Ordinary Shares.

(ii) Holders of Class A Ordinary Shares, being holders of Ordinary Shares other than those held by the National Treasury, to elect four (4) Directors to fill vacancies in the Board.

(iii) Due to (i) and (ii) above, to note that there will be no Directors required to retire by rotation under Article 120 of the Company's Articles of Association.

5. Consequent to the provisions of Section 769 of the Companies Act, 2015 and subject to 4 (i) & (ii) above, to authorise the Board to set up the Board Audit Committee.

6. To approve payment of fees to non-executive Directors for the year ended 30th June 2023.

7. Auditors:

To note that the audit of the Company's books of accounts will continue to be undertaken by the Auditor-General, or an audit firm appointed by her in accordance with section 23 of the Public Audit Act, 2015.

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

SPECIAL BUSINESS

9. To consider and, if thought fit, to pass a Special resolution to update and align the Company's Articles of Association with the Companies Act, 2015 and best governance practices as follows:

"To adopt the revised Articles of Association, available on the Company's website <https://www.kplc.co.ke/img/full/AGM2023.zip>, which have been updated in line with the Companies Act, 2015 and best governance practices in place of and to the exclusion of the existing Memorandum and Articles of Association of the Company."

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

By Order of the Board

Imelda Bore
Company Secretary
16th November 2023

NOTES:

(i) Revised Articles of Association

A copy of the revised Articles of Association with table of changes is available on the Company's website <https://www.kplc.co.ke/img/full/AGM2023.zip>. A copy will also be available on the livestream during the AGM.

(ii) Proposal of Individuals for Election to the Board

In order for persons to be considered for recommendation by the Board, Shareholders shall be required to submit a notice in writing proposing such a person for election as a Director to the **Company Secretary at 7th Floor, Stima Plaza, Nairobi** or **P.O. Box 30099 - 00100, Nairobi** to be received **fourteen (14) days** before the AGM i.e by **24th November 2023 at 11.00 am**.

(b) The Notice shall include an acknowledgement in writing signed by the person to be proposed of his/her willingness to be so elected. The form for nominating an individual for election to the Board is available on <https://www.kplc.co.ke/img/full/AGM2023.zip>

(c) The mix of skills and competencies required for the Board members are available on the Company's website <https://www.kplc.co.ke/img/full/AGM2023.zip>

(iii) Registration for the AGM

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 following the various prompts on the registration process;
- (b) Sending an email request to be registered to kplcagm@image.co.ke providing their details i.e., Name, Passport/ID No., CDS No. and Mobile telephone number requesting to be registered. Image Registrars shall register the shareholder and send them an email notification once registered.
- (c) Shareholders with email addresses will receive a registration link via email through which they can use to register.
- (d) 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 000/709170041** from 8.00am to 5.00pm from Monday to Friday. Shareholders outside Kenya may dial the helpline number for assistance during registration.



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(e) Registration for the AGM opens on **16th November 2023** at 9.00am and will close on **6th December 2023** 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 <https://www.kplc.co.ke/img/full/AGM2023.zip>

(a) Copy of this Notice and the Proxy Form
(b) The Company's Annual Report & Audited Financial Statements for the year ended 30th June 2023
(c) Copy of the revised Articles of Association with the table of changes

The reports may also be accessed upon request by dialling the **USSD*483*903#** and selecting the reports option. The reports and agenda can also be accessed through the livestream link.

(v) Any shareholder who is entitled to attend and vote at the AGM may 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 can also be obtained from the Company's website <https://www.kplc.co.ke/img/full/AGM2023.zip> 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, Parklands by 6th December 2023 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 authorised 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 authorised attorney of such body corporate.

(vi) Shareholders wishing to raise any question or

clarifications regarding the AGM may do so 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) or P.O. Box 30099 - 00100, Nairobi, or to Image Registrars offices at P. O. Box 9287 - 00100, Nairobi, Kenya.

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

(vii) The Company's Directors will provide responses to questions received via the channel used by shareholders to send their questions i.e. SMS (for USSD option), Email, Letters or Telephone call. Questions will also be responded to during the meeting.

A full list of all questions received and the answers thereto will be published on the Company's website not later than 24 hours following the conclusion of the meeting.

(viii) The AGM will be streamed live via a link which shall be provided to all shareholders who will have registered to participate in the AGM. Duly registered shareholders and proxies will receive a short message service (SMS/USSD) prompt on their registered mobile numbers, twenty-four (24) hours prior to the AGM acting as a reminder of the AGM. A second SMS/USSD prompt shall be sent one (1) hour before the AGM, as a reminder that the AGM will begin in one hour and providing a link to the livestream.

(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 the AGM weblink.

(x) Results of the resolutions voted on will be published on the Company's website <https://www.kplc.co.ke/img/full/AGM2023.zip> within twenty-four (24) hours following conclusion of the AGM.

SUMMARY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023

	2023 Kshs Million	2022 Kshs Million
Cash generated from operating activities	32,651	28,553
Net Cash used in investing activities	(13,760)	(12,252)
Net Cash generated from financing activities	(8,593)	(14,376)
Increase in cash and cash equivalents	10,298	1,925
Cash and cash equivalents at beginning of year	8,081	6,053
Effect of foreign exchange rate changes on cash and cash equivalents	51	103
Cash and cash equivalents at close of year	18,430	8,081

SUMMARY OF THE REPORT OF THE AUDITOR-GENERAL FOR THE YEAR ENDED 30 JUNE, 2023

The report 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.

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.

A. REPORT ON THE FINANCIAL STATEMENTS

Opinion

Having audited the financial statements of The Kenya Power and Lighting Company PLC which comprise of the statement of financial position as at 30 June, 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. The Auditor-General obtained all the information and explanations which, to the best of her knowledge and belief, were necessary for the purpose of the audit.

In the Auditor-General's opinion, the financial statements present fairly, in all material respects, the financial position of The Kenya Power and Lighting Company PLC as at 30 June, 2023, 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.

Emphasis of Matter

1. Material Uncertainty Relating to Going Concern
2. Long Outstanding Receivables from Other Government Entities
3. Foreign Currency Exposure and Uncompensated Forex Losses

B. REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCE

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 this report, Auditor General confirms that, nothing else has come to her attention to cause her to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

- Unmatched Passthrough Costs to Revenue
- Penalties on Overdue Invoices
- Procurement of Goods and Services
 - Un-Procedural Purchase of Land
 - Irregular Procurement of Spare Parts for Distribution Automation Systems
- Failure to Prepare Financial Statements for a Donor Funded Project
- Irregular Payment of Long Outstanding Payables
- Employee Costs
 - Irregular Payment of Exit Pay
 - Acting Allowances Beyond the Limit

C. 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 this report, the Auditor General confirms that, nothing else has come to her attention to cause her to believe that internal controls, risk management and overall governance, were not effective.

Basis for Conclusion

- Power Losses
- Delays In Completion of Customer Electricity Connection Projects
- Weaknesses in Project Management
- Trade Receivables
 - Unpaid Electricity Bills
 - Pre-loaded Units Debt
- Power Outages as a Result of Unstable Renewable Energy Generation
- Unmetered Connections

*The full report of the Auditor-General can be accessed from the Company's website, <https://www.kplc.co.ke/img/full/AGM2023.zip>

NOTICE

CLOSURE OF REGISTERS 4% & 7% CUMULATIVE PREFERENCE SHARES

Notice is hereby given that the half-yearly dividends due on **31st December 2023** on the above shares will, subject to Withholding Tax where applicable be paid on the due date to shareholders registered in the books of the Company at the close of business on **Friday, 8th December 2023**.

Imelda Bore
Company Secretary
16th November 2023

SUMMARY FINANCIAL STATEMENTS

SUMMARY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2023

	2023 Kshs. Million	2022 Restated Kshs Million
Revenue from contracts with customers	190,975	157,353
Cost of sales	(143,576)	(117,347)
Gross Margin	47,399	40,006
Other income	9,096	13,296
Operating costs	(37,282)	(36,156)
Operating Profit	19,213	17,147
Interest income	507	397
Finance costs	(24,154)	(12,760)
(Loss)/Profit Before Tax	(4,434)	4,784
Income tax expense	1,241	(1,521)
(Loss)/Profit After Tax	(3,193)	3,263
Other comprehensive income	403	(499)
Total comprehensive income for the year	(2,790)	2,764
Basic and diluted earnings per share (Kshs)	(1.64)	1.67

SUMMARY STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

	2023 Kshs Million	2022 Restated Kshs Million	2021 Restated Kshs Million
Assets			
Property, plant and equipment	267,974	272,361	277,333
Other Non-current assets	4,709	3,276	5,318
Current assets	81,042	54,832	49,549
	353,725	330,469	332,200
Equity and Liabilities			
Shareholders' equity	56,843	59,633	56,869
Non-current liabilities	164,607	159,468	158,844
Current liabilities	132,275	111,368	116,487
	353,725	330,469	332,200

Meter
Self-Read

Read your meter and send your monthly readings for prompt bills.

DIAL
*977#

Select (2) Postpaid Services (Bill)
Choose (4) Self Reading

Enter your account number
Select your active meter

Enter your meter readings and send