



Kenya Power

# THE KENYA POWER AND LIGHTING COMPANY PLC

## THE ABRIDGED REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021

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

### STATEMENT FROM THE CHAIRMAN



Vivienne Yeda, OGW  
Chairman, Board of Directors

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

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

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

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

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

#### Profit Before Tax

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

As a result, the business, despite operating in a tough macro-economic environment, recorded a historic 216% YoY growth in profit before tax of KShs.8.2 billion compared to a loss before tax of KShs.7.04 billion. The strong performance was mainly driven by growth in sales and revenue, as well as a double digit reduction in costs and expenses.

#### Accelerating Reforms

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

The Board also recommended the implementation of a number of initiatives key among them the review

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

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

A major outcome of the recommendations of the Taskforce report is a Presidential directive that the end user tariff undergoes a 33% reduction by 25th December 2021 to increase access to electricity, and enhance Kenya's competitiveness as a manufacturing and business hub.

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

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

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

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

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

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

#### Dividend

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

#### Appreciations

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

We would also like to appreciate the support offered by the Cabinet sub-committee on KPLC led by the Cabinet Secretary for Interior and Coordination of National Government Dr. Fred Matiang'i, the

National Treasury led by the Cabinet Secretary Hon. Ukur Yatani, the Ministry of Energy led by Amb. Dr. Monica Juma, the Attorney General Hon. Justice (Rtd) P. Kihara Kariuki, our shareholders, customers, partners and staff.

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

**Vivienne Yeda, OGW**  
**Chairman, Board of Directors**

### MANAGING DIRECTOR & CEO'S REPORT



Eng. Rosemary Oduor  
Managing Director & CEO (Ag.)

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

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

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

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

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

#### Business Performance Highlights

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

Revenue from electricity sales increased by Shs.9.755 billion to Shs.125.927 billion, an increase of 8.4%. The increase in electricity revenue is mainly attributable to a growth in unit sales by 400 GWh from 8,171 GWh the previous year to 8,571 GWh.

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

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

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

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

#### Looking Ahead

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

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

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

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

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

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

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

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

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

**Eng. Rosemary Oduor**  
**Managing Director & CEO (Ag.)**





### SUMMARY FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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

	2021 Kshs. Million	2020 Kshs Million
Revenue from contracts with customers	144,120	133,258
Cost of sales	(94,220)	(87,499)
<b>Gross Margin</b>	<b>49,900</b>	<b>45,759</b>
Other income	7,046	7,387
Transmission & distribution costs	(39,861)	(47,834)
<b>Operating Profit</b>	<b>17,085</b>	<b>5,312</b>
Interest income	163	123
Finance costs	(9,050)	(12,477)
<b>Profit/(Loss) Before Tax</b>	<b>8,198</b>	<b>(7,042)</b>
Income tax (expense)/credit	(6,708)	6,103
<b>Profit/(Loss) After Tax</b>	<b>1,490</b>	<b>(939)</b>
Other comprehensive income	787	(396)
<b>Total comprehensive income for the year</b>	<b>2,277</b>	<b>(1,335)</b>
<b>Basic and diluted earnings per share (Kshs)</b>	<b>0.76</b>	<b>(0.48)</b>
<b>Dividend Per Share</b>	<b>Nil</b>	<b>Nil</b>

### CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	2021 Kshs. Million	2020 Kshs. Million
<b>Assets</b>		
Property, plant and equipment	277,305	276,860
Other Non-current assets	5,290	5,781
Current assets	49,635	42,626
	<b>332,230</b>	<b>325,267</b>
<b>Equity and Liabilities</b>		
Shareholders' equity	57,174	54,897
Non-current liabilities	158,942	152,895
Current liabilities	116,114	117,475
	<b>332,230</b>	<b>325,267</b>

### CONDENSED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

	2021 Kshs. Million	2020 Kshs. Million
Net Cash flows generated from operating activities	32,466	23,561
Net Cash flows used in investing activities	(18,229)	(16,241)
Net Cash flows (used in)/from financing activities	(12,095)	1,977
<b>Increase in cash and cash equivalents</b>	<b>2,142</b>	<b>9,297</b>
Cash and cash equivalents at beginning of year	3,908	(5,426)
Effect of foreign exchange rate changes on cash and cash equivalents	3	37
<b>Cash and cash equivalents at close of year</b>	<b>6,053</b>	<b>3,908</b>

### NOTICE OF THE ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** to Shareholders that, the 100th Annual General Meeting of **The Kenya Power and Lighting Company Plc.** will be held via electronic communication on **Friday, 3rd December 2021 at 11.00am** to conduct the following business:

- To read the Notice convening the Meeting and note the presence of a quorum.
- To receive, consider and adopt the Company's Audited Financial Statements for the year ended 30th June 2021, together with the Chairman's, Directors' and Auditors' Reports thereon.
- To note that the Directors do not recommend the payment of a dividend for the year ended 30th June 2021.
- To elect Directors:
  - Vivienne Yeda retires by rotation in accordance with Article 120 of the Memorandum and Articles of Association of the Company and, being eligible, offers herself for re-election.
  - Caroline Kittony-Waiyaki retires by rotation in accordance with Article 120 of the Memorandum and Articles of Association of the Company and, being eligible, offers herself for re-election.
  - Eng. Elizabeth Rogo retires by rotation in accordance with Article 120 of the Memorandum and Articles of Association of the Company and, being eligible, offers herself for re-election.
  - Sachen Gudka has given notice of resignation as a Director with effect from the date of the Meeting.
- 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:

- Humphrey Muhu
- Caroline Kittony-Waiyaki
- Eng. Elizabeth Rogo

6. To approve payment of fees to non-executive Directors for the year ended 30th June 2021.

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

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

#### SPECIAL BUSINESS

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

#### (i) Ordinary Resolutions:

a) That the Board of Directors takes all possible legal action against all persons, employees of the Company, suppliers and any other persons, found to have been involved in conflict of interest between their duties and the Company's business thereby causing loss and damage to the Company. Further, that the Company pursues legal action with a view to undertaking a surcharge against the employees and seizure of the employees' assets for committing fraudulent and or unlawfully causing loss and or damage to the Company.

b) That the Board of Directors, to undertake a review of all forensic and other audit reports with a view to undertaking all necessary legal action including recovery of the losses against the assets of the persons found culpable for fraudulent trading with the Company including the past Senior Executives and other senior persons who have served in management in the Company.

#### (ii) Special Resolutions:

a) That the Articles of Association of the Company be amended by inserting the following sentence: "At least half of the Members of the Board of Directors elected at the Company's General and or Extra Ordinary Meetings shall represent shareholders of the Company not being public or state officers" after the full stop immediately after the current Article 96 to the intent that the amended Article 96 shall read as follows:

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

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

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

- Board Audit Committee
- Finance and Risk Committee
- Strategy and Innovation Committee and
- Corporate Governance Committee

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

#### TRANSPARENCY AND ACCOUNTABILITY

##### Article 163:

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

Shareholders having considered the accounts for FY 2020/21 and 2019/20 are concerned about the high level of slow moving and obsolete stocks and the inability of the company to write back the provisions taken in 2019/2020 and preceding years. Consequently, the Shareholders require the Company, Board and Management to ensure that only goods, services and works of the best quality are

procured after due consideration of quality, experience and in the case of equipment global market share of suppliers and in the case of works a verifiable track record of successful execution of high value contracts and financial viability. In all procurement suppliers must meet internationally accepted standards for the particular goods, services or works. These parameters shall be verified after inspection and due diligence by competent specialist firms contracted by the Company for that purpose.

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

#### By Order of the Board

**Imelda Bore**  
**Company Secretary**  
**11th November 2021**

#### NOTES:

(i) Shareholders wishing to participate in the meeting should register for the AGM using either of the following means:

- Dialling \*483\*903# on their mobile telephone and follow the various prompts on the registration process. or;
- Send an email request to be registered to [kplcagm@image.co.ke](mailto: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.
- Shareholders with email addresses will receive a registration link via email through which they can use to register

(ii) To complete the registration process, shareholders will need to provide their National ID/Passport Numbers which they used to purchase their shares and/or their CDSC Account Number. For assistance shareholders should dial the following helpline number: +254 709170 000/709170 040 from 8.00am to 5.00pm from Monday to Friday. Shareholders outside Kenya may dial the helpline number for assistance during registration.

(iii) Registration for the AGM opens on 11th November 2021 at 9.00am and will close on 1st December 2021 at 11.00am. Shareholders will not be able to register after this time.

(iv) In accordance with Article 155 of the Company's Articles of Association, the following documents may be viewed on the Company's website [www.kplc.co.ke](http://www.kplc.co.ke).

a) Copy of this Notice and the Proxy Form

b) The Company's Annual Report & Audited Financial Statements for the year ended 30th June 2021

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

(v) Any shareholder who is entitled to attend and vote at the AGM is entitled to appoint a proxy to attend and vote in his/her stead. Such proxy need not be a member of the Company. Please visit the Company's website for further details on voting and proxy.

A Proxy Form is provided with the Annual Report & Accounts. The Proxy Form can also be obtained from the Company's website [www.kplc.co.ke](http://www.kplc.co.ke) or from Image Registrars Limited, Absa Towers, 5th Floor, Loita Street, P. O. Box 9287 - 00100, Nairobi, Kenya. Shareholders who do not wish to attend the AGM have an option to complete and return the Proxy Form to Image Registrars Limited, or alternatively to the Registered Office of the Company so as to arrive not less than forty-eight (48) hours before the time appointed for the Meeting.

Duly signed proxy forms may also be emailed to [kplcagm@image.co.ke](mailto:kplcagm@image.co.ke) in PDF format. A proxy form must be signed by the appointer or his attorney duly authorized in writing. If the appointer is a body corporate, the instrument appointing the proxy shall be given under the Company's common seal or under the hand of an officer or duly authorized attorney of such body corporate.

(vi) Shareholders wishing to raise any questions or clarifications regarding the AGM may do so not less than forty-eight (48) hours before the time appointed for the Meeting by:

- Sending their written questions by email to [kplcagm@image.co.ke](mailto:kplcagm@image.co.ke); or
- Shareholders who will have registered to participate in the meeting shall be able to ask questions via SMS by dialling the USSD code above and selecting the option (Ask Question) on the prompts;
- To the extent possible, physically delivering or posting their written questions with a return physical, postal or email address to the registered office of the Company or P.O. Box 30099 - 00100, Nairobi, or to Image Registrars offices at P. O. Box 9287 - 00100, Nairobi, Kenya.

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

(vii) The Company's Directors will provide written responses to the questions received to the return physical, postal or email address provided by the Shareholder not later than twelve (12) hours before the start of the AGM. A full list of all questions received, and the answers thereto will be published on the Company's website not later than twelve (12) hours before the start of the AGM.

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

(ix) Shareholders and proxies who have registered to attend the AGM may follow the proceedings using the live stream platform, access the agenda and vote when prompted by the Chairman via the USSD prompts.

(x) Results of the resolutions voted on will be published on the Company's website that is, [www.kplc.co.ke](http://www.kplc.co.ke) within twenty-four (24) hours following conclusion of the AGM.





